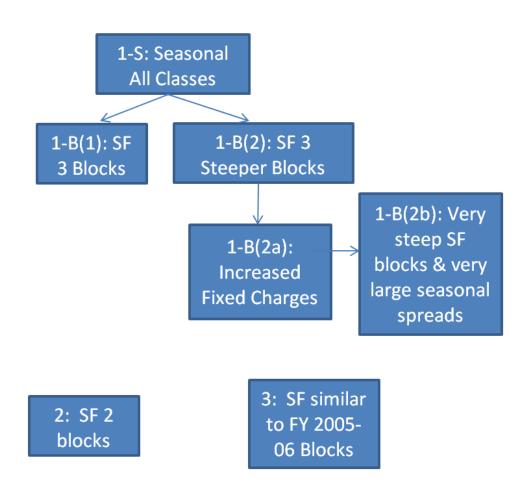
Final Rate Structure Alternatives

Rate Structure Alternatives



Alternative 1-S: Seasonal Rates for All Classes

| | FIXED CHG % | Peak | Off-Peak | % Change in Sales |
|-----|-------------|--------|----------|-------------------|
| SF | 34% | \$3.77 | \$2.60 | -1.1% |
| MF | 11% | \$3.92 | \$2.61 | -1.2% |
| CII | 16% | \$3.84 | \$2.56 | -0.2% |
| | | | | -0.7% |

Alt 1-B(1): Block Rates for SF; Seasonal for MF & CII

| | FIXED CHG % | | Peak | | | Off-Pe | ak | | % Change in Sales |
|-----|----------------|---------|-------------------------|--------|-------------------|-------------------------|--------|-------------------|-------------------------|
| | | | Blocks (ccf per qtr) | Rate | Bills in Block | Blocks (ccf per qtr) | Rate | Bills in Block | |
| SF | 34% | Blk 1 | 0-12 | \$2.55 | 51% | 0-12 | \$2.06 | 59% | |
| | | Blk 2 | 13-20 | \$4.75 | 22% | 13-20 | \$3.83 | 27% | |
| | | Blk 3 | 21+ | \$6.00 | 27% | 21+ | \$4.84 | 14% | |
| | | Class A | Average | \$3.73 | | | \$2.61 | | -1.5% |
| | | | | | | | | | |
| MF | 11% | | | \$3.89 | | | \$2.61 | | -1.1% |
| CII | 16% | | | \$3.83 | | | \$2.56 | | -0.2% |
| | | | | | | | | | -0.9% |

Alt 1-B(2): Steeper Blocks for SF; Seasonal for MF & CII

| | FIXED CHG % | | Peak | | | Off-Pe | ak | | % Change in Sales |
|-----|----------------|---------|-------------------------|--------|-------------------|-------------------------|--------|-------------------|-------------------|
| | | | Blocks (ccf per qtr) | Rate | Bills in Block | Blocks (ccf per qtr) | Rate | Bills in Block | |
| SF | 34% | Blk 1 | 0-12 | \$2.00 | 51% | 0-12 | \$1.67 | 59% | |
| | | Blk 2 | 13-20 | \$5.50 | 22% | 13-20 | \$4.60 | 27% | |
| | | Blk 3 | 21+ | \$9.00 | 27% | 21+ | \$7.53 | 14% | |
| | | Class A | Average | \$3.89 | | | \$2.63 | | -3.7% |
| | | | | | | | | | |
| MF | 11% | | | \$3.90 | | | \$2.60 | | -1.1% |
| CII | 16% | | | \$3.84 | | | \$2.56 | | -0.2% |
| | | | | | | | | | -1.8% |

Alt 1-B(2a): Increased fixed revenue; Steeper Block Rates for SF; Seasonal for MF & CII

| | FIXED CHG % | | Peak | | | Off-Pe | ak | | % Change in Sales |
|-----|----------------|---------|-------------------------|--------|-------------------|-------------------------|--------|-------------------|-------------------------|
| | | | Blocks (ccf per qtr) | Rate | Bills in Block | Blocks (ccf per qtr) | Rate | Bills in Block | |
| | | | | | 51% | | | | |
| SF | 44% | Blk 1 | 0-12 | \$1.60 | | 0-12 | \$1.30 | 59% | |
| | | | | | 22% | | | | |
| | | Blk 2 | 13-20 | \$4.41 | | 13-20 | \$3.60 | 27% | |
| | | | | | 27% | | | | |
| | | Blk 3 | 21+ | \$7.22 | | 21+ | \$6.00 | 14% | |
| | | Class A | Average | \$3.24 | | | \$2.08 | | 0.2% |
| | | | | | | | | | |
| MF | 25% | | | \$3.15 | | | \$2.10 | | 2.1% |
| CII | 29% | | | \$3.15 | | | \$2.10 | | 3.4% |
| | | | | | | | | | 1.9% |

Alt 1-B(2b): Increased fixed rev; Very Steep Block Rates for SF; Lg Seasonal Spread for MF & CII

| | FIXED CHG % | | Peak | | | Off-Pe | ak | | % Change in Sales |
|-----|----------------|-------|----------------------------|--------|-------------------|-------------------------|--------|-------------------|-------------------|
| | | | Blocks (ccf per qtr) | Rate | Bills in Block | Blocks (ccf per qtr) | Rate | Bills in Block | |
| | | | | | 51% | | | | |
| SF | 44% | Blk 1 | 0-12 | \$1.25 | | 0-12 | \$1.00 | 59% | |
| | | | | | 22% | | | | |
| | | Blk 2 | 13-20 | \$5.50 | | 13-20 | \$4.30 | 27% | |
| | | | | | 27% | | | | |
| | | Blk 3 | 21+ | \$9.00 | | 21+ | \$8.00 | 14% | |
| | | Class | Average | \$3.35 | | | \$2.08 | | -1.5% |
| | | | | | | | | | |
| MF | 25% | | | \$4.75 | | | \$1.30 | | -0.4% |
| CII | 16% | | | \$3.84 | | | \$2.56 | | -0.2% |
| | | | | | | | | | -0.8% |

Alternative 2: Two blocks for SF and seasonal for MF & CII

| | FIXED CHG % | | Peak | | | Off-Pe | ak | | % Change in Sales |
|-----|----------------|---------|-------------------------|--------|-------------------|-------------------------|--------|-------------------|----------------------|
| | | | Blocks (ccf per qtr) | Rate | Bills in Block | Blocks (ccf per qtr) | Rate | Bills in Block | |
| SF | 34% | Blk 1 | 0-12 | \$2.09 | 51% | 0-12 | \$2.09 | 59% | |
| | | Blk 2 | 13+ | \$5.22 | 49% | 13+ | \$5.22 | 41% | |
| | | Blk 3 | | | | | | | -1.1% |
| | | Class A | Average | \$3.36 | | | \$2.89 | | |
| | | | | | | | | | |
| MF | 11% | | | \$3.90 | | | \$2.60 | | -1.1% |
| CII | 16% | | | \$3.74 | | | \$2.64 | | -0.2% |
| | | | | | | | | | -0.7% |

Alternative 3: Similar to FY 2005-06 block structure for SF and Seasonal for MF & CII

| | FIXED CHG % | | Peak | | | Off-Peak | | % Change in Sales | |
|-----|----------------|-------|-------------------------|-------------------------|-------------------|-------------------------|-------------------------|-------------------------|-------|
| | | | Blocks (ccf per qtr) | Rate | Bills in Block | Blocks (ccf per qtr) | Rate | Bills in Block | |
| SF | 34% | Blk 1 | 0-36 | \$3.02 | 91% | 0-36 | \$3.02 | 98% | |
| | | Blk 2 | 37-60 | \$3.44 | 7% | 37-60 | \$3.44 | 1% | |
| | | Blk 3 | 61+ Average | \$4.07 \$3.09 | 2% | 61+ | \$4.07 \$3.03 | 0% | 0.1% |
| | | 0.000 | | 4 0.0 x | | | 40.00 | | |
| MF | 11% | | | \$3.89 | | | \$2.61 | | -1.1% |
| CII | 16% | | | \$3.83 | | | \$2.56 | | -0.2% |
| | | | | | | | | | -0.2% |

Key Conclusions

- For single-family and multi-family customers, a simple seasonal rate with a moderate spread between the peak-season and off-peak season rates will result in a 1% sales reduction for each class. Seasonal rates will not appreciably affect CII sales.
- Adding a moderately-sloped block rate will somewhat improve single-family savings.
- Single-family savings can be increased significantly, while maintaining the relationship between the seasonal average rates, by making the block rates steeper.

Key Conclusions (cont'd)

- Increasing the fraction of revenues collected through fixed charges requires reduced commodity rates, which results in either reduced conservation savings or actual increases in usage. This can be mitigated for single-family and multifamily customers by increasing the seasonal rate spread, and/or for single-family, by steepening the block rates.
- A single-family block rate structure analogous to the previous PWB block rate design results in little savings.