

Rate Band Basics

Understanding how rate bands interact with each other is important. For New Garden customers Aqua's 2021 rate filing proposed the following rate bands and billing rates for each band (these were not the final rates):

Aqua's 2021 Proposed New Garden Rates

Fixed Monthly charge	\$51.71
<u>Consumption charges</u>	<u>\$/1,000 gallons</u>
0 – 1,667 gallons	Included in fixed charge
1,667 - 5,000 gallons	\$20.84
>5,000 gallons	\$27.00

Now, assume a customer used 25,000 gallons in one billing period – clearly a large user. Will his consumption charge as $25 \times \$27.00 = \675.00 ? Emphatically NOT !! He will be charged as follows:

<u>Rate Band</u>	<u>Gallons</u>	<u>Cost</u>
0 - 1667	1,667	\$0.00
1667 – 5,000	3,333	\$69.47
<u>Over 5,000</u>	<u>20,000</u>	<u>\$540.00</u>
Total Bill	25,000	\$609.47

The important points here are:

#1 - The large user contributes volume to all three rate bands.

#2 - A medium user, say 4,000 gallons, will contribute volume to the two lower bands, but not the >5,000 gallon band.

#3 - A 1,000 gallon user only contributes to the lowest band.

This interaction is important to understanding the impossibility of Aqua's consumption volume forecast.