

This presentation premiered at WaterSmart Innovations

watersmartinnovations.com





**SouthWest
Water CompanySM**

Revenue Decoupling For Water Utilities

**Bob Kelly
Vice President Regulatory Affairs
Suburban Water Systems**

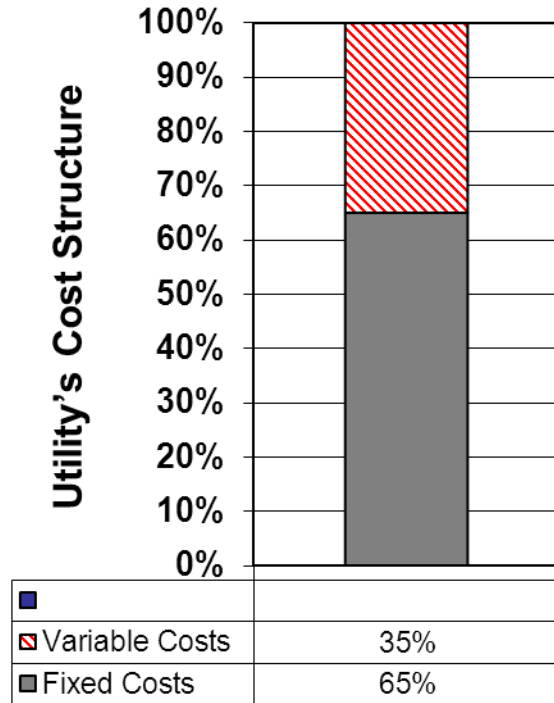
Excerpts From Water Utility SEC Filings



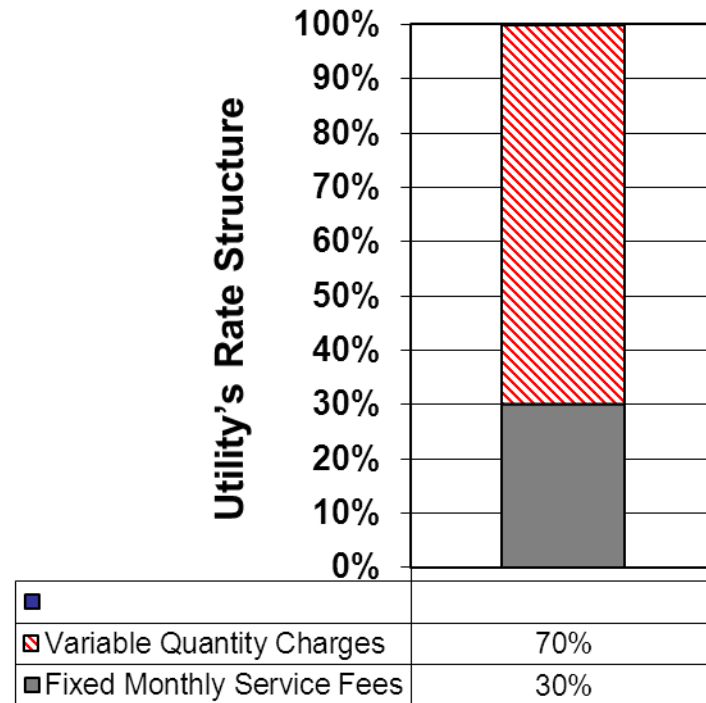
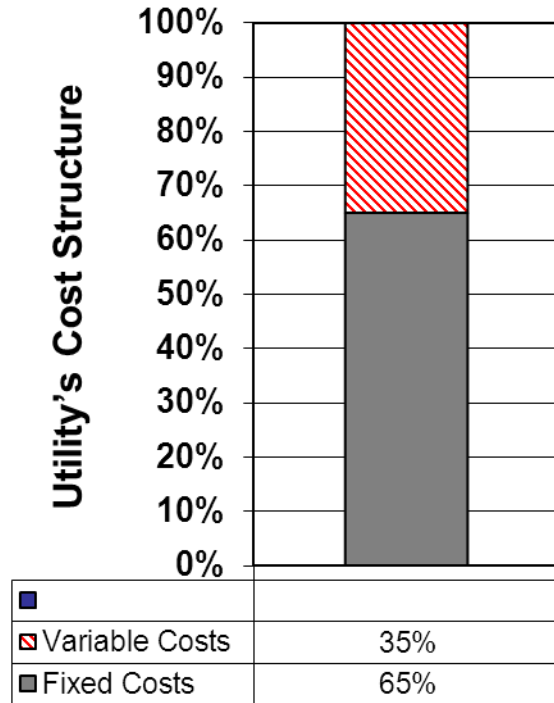
“When summer temperatures are cooler than normal, water usage is generally lower and can result in lower revenue and lower earnings.” (California Water Service Company, 2006 Form 10K, p.7)

“Fluctuations in customer demand for water due to seasonality, restrictions of use, weather, and lifestyle can adversely affect operating results.” (San Jose Water Company, 2010 Form 10K, p.11)

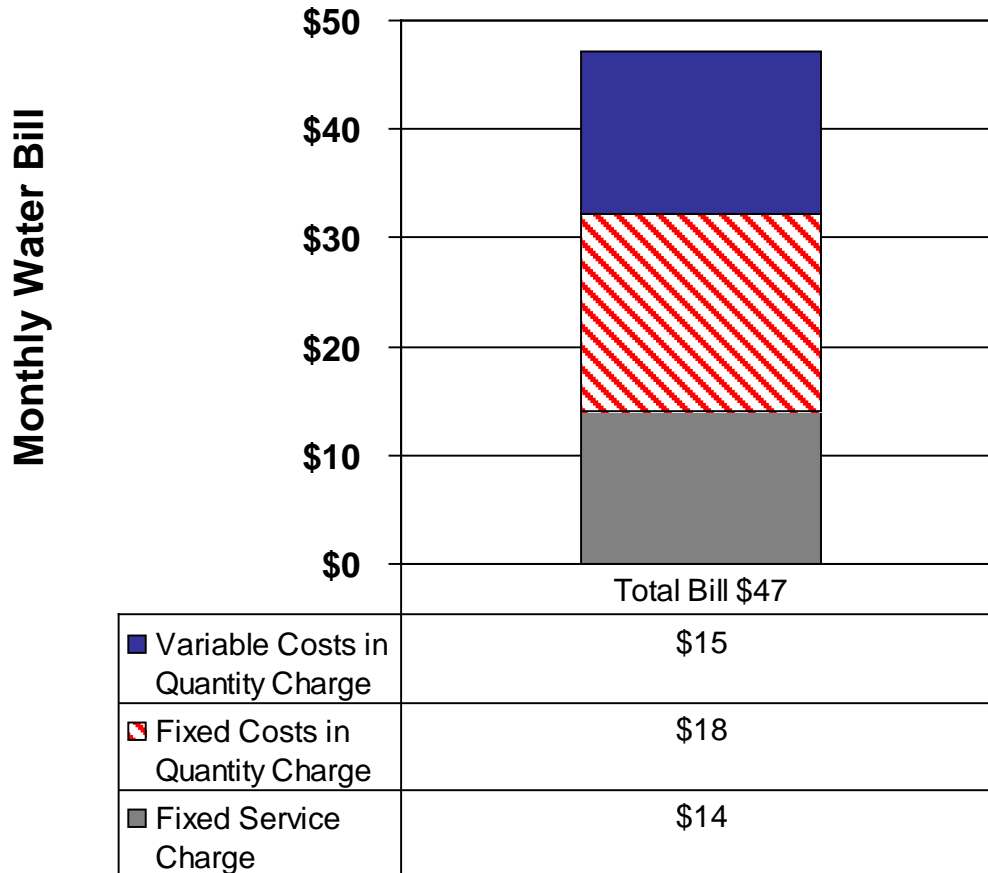
Comparison – Cost Structure v Rate Structure



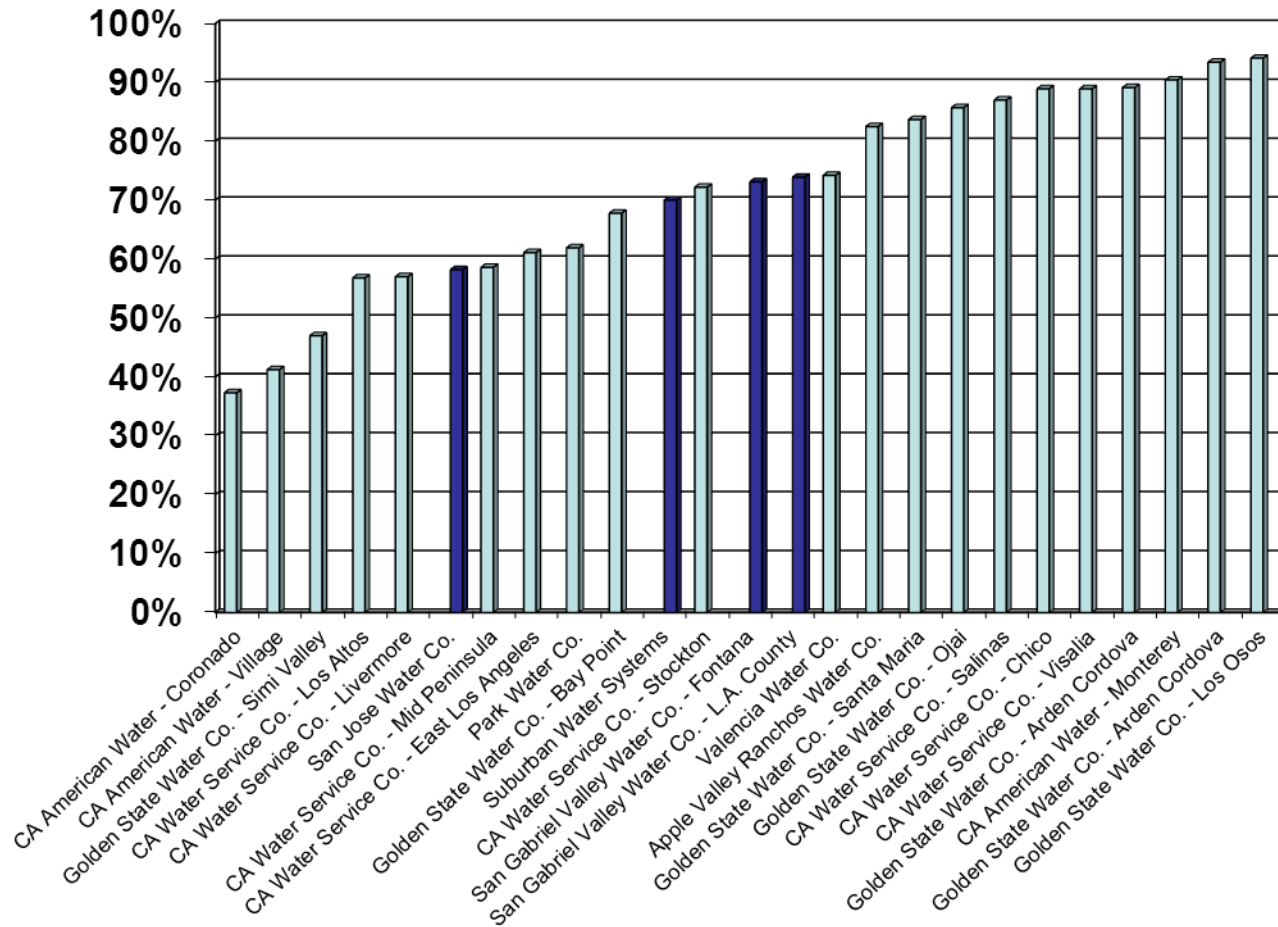
Comparison – Cost Structure v Rate Structure



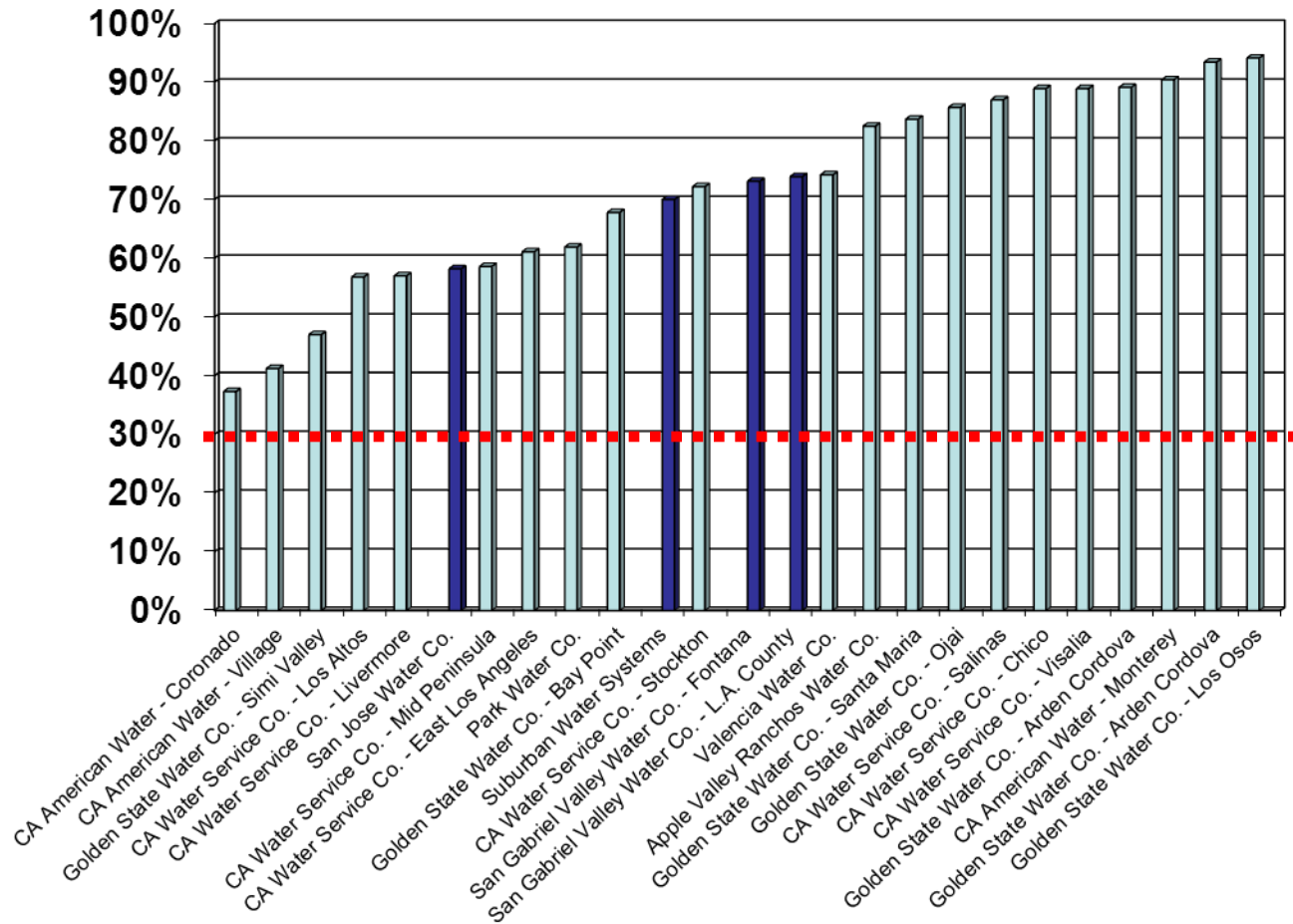
Typical Uniform Rate Structure



Percent of Revenue Requirement Represented By Fixed Costs



Percent of Revenue Requirement Represented By Fixed Costs

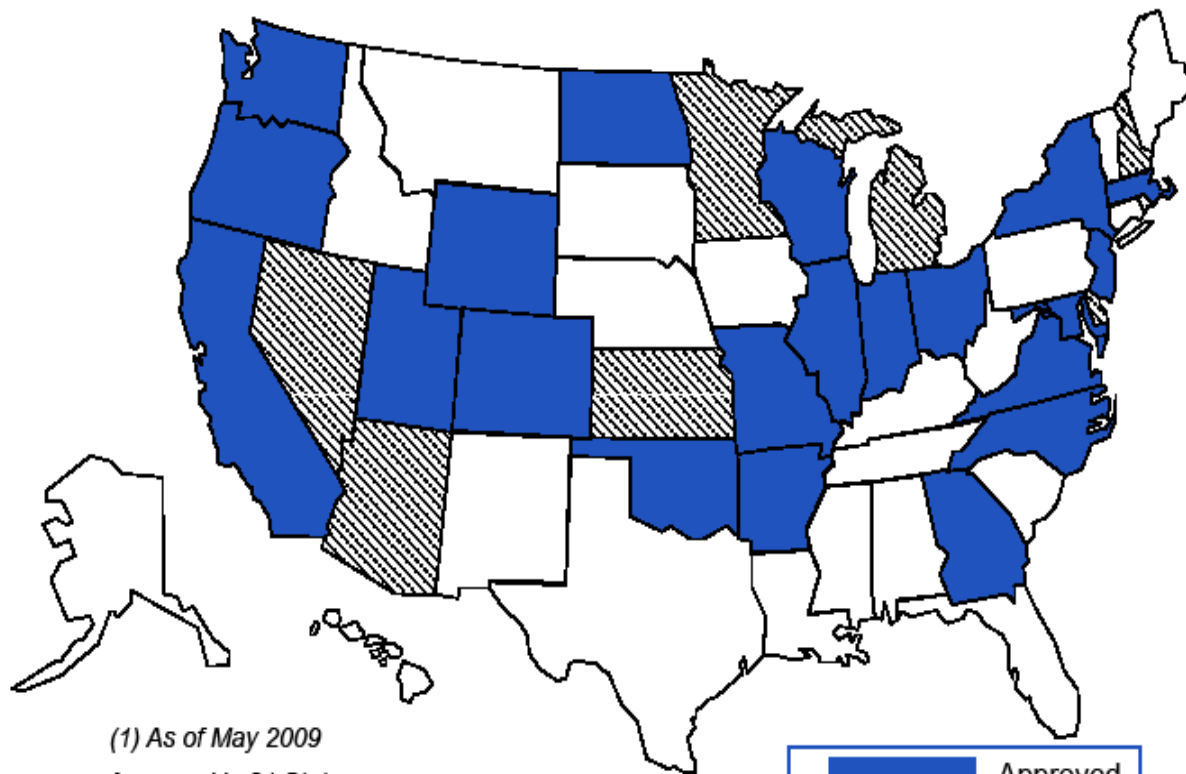




What Decoupling Is All About . . .

- Breaking The Consumption Habit By
 - Breaking The Utility Link Between Sales And Revenues
 - Eliminating Utilities' Disincentive To Encourage Conservation
- Changing Antiquated Rate Designs To Avoid Penalizing Utilities That Make Efficient Resources Decisions

Approved and Pending Revenue Decoupling – Gas Utilities ⁽¹⁾



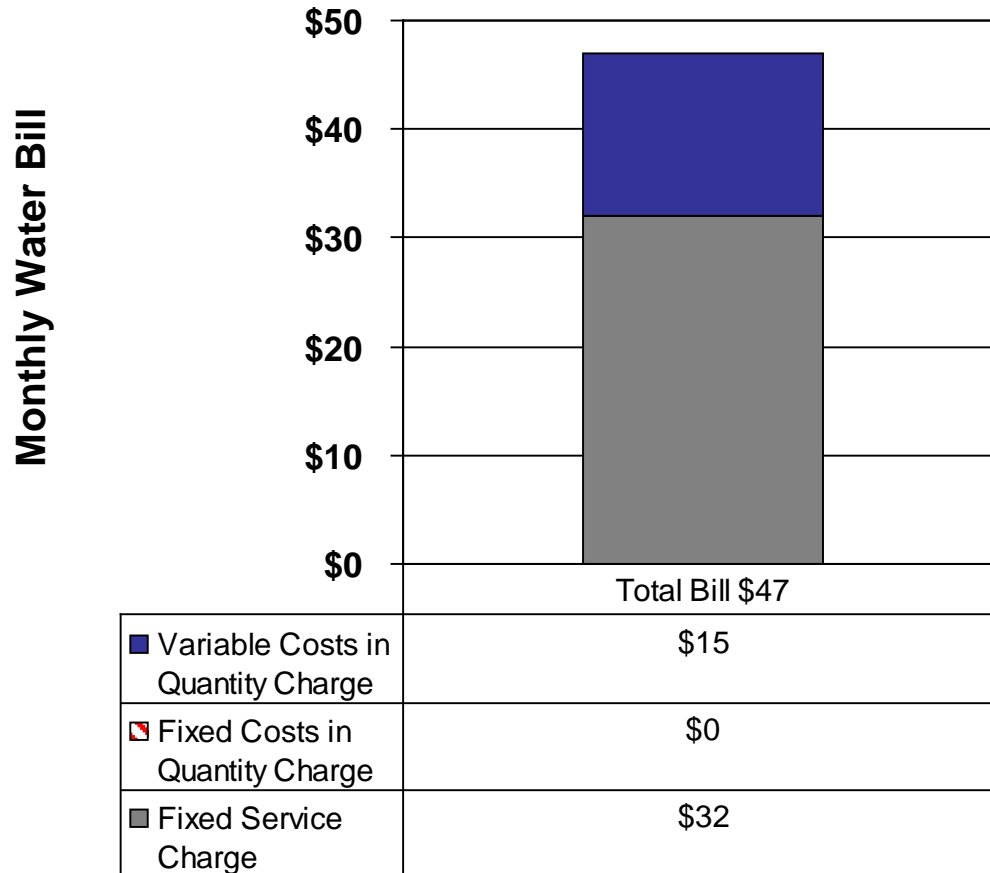
(1) As of May 2009
Approved in 21 States
Pending in 7 Additional States



Approved Decoupling - Water Utilities



Separate Fixed-Variable Rate Structure





Questions & Comments?

bobkelly@bobkelly.com