

The value that will best describe the response of a service area to a change in price will depend on many factors, including the following:

1. The new price level (the lower the price, the less response);
2. The average user income (the higher the income, the less the response);
3. Average number of people per household (the larger the number, the less the response); and
4. The average rainfall and temperature (the more temperate the climate, the less the response).

Elasticity values for specific communities in the United States (applicable to New England) are as follows:<sup>34</sup>

	<u>RANGE</u>
Total residential use	-0.05 to -0.45
Indoor use	-0.07 to -0.30
Outdoor use	-0.22 to -1.57
Total commercial/industrial use	-0.56 to -1.33

In order to estimate an appropriate elasticity value for a specific service area, it is necessary to determine the factors significant to that area, then choose a value judged to best reflect how users will respond to a price increase. For most communities, elasticity value will be among the lower of those presented above. If there are two or more distinct user groups in the community, such as small-volume residential users and large-volume industrial users, an elasticity value should be selected for each group.

After the elasticity value has been obtained, the new water rate can be designed utilizing the following six-step method as identified by the NERBC: