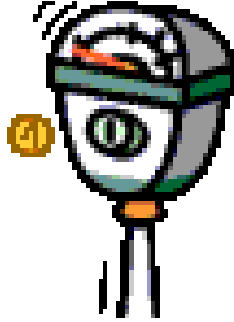


USER CHARGES



JAY K. ROSENGARD
KENNEDY SCHOOL OF GOVERNMENT
HARVARD UNIVERSITY

1

Taxes vs. User Charges

- User Charges (User Fees): Prices charged by government for the provision of specific goods or services
- Utilized for private or quasi-private goods and services (excludable), thus directly linked to specific goods/services
- Purpose is to pay all or part of the costs of providing goods and services
- Taxes are compulsory; user charges are voluntary
- Taxes contribute to general revenue; user charges help with cost recovery objective
- Taxes based on ability to pay; user charges based on benefits received (“user pays principle”; “benefits tax”)

2

Objectives Of User Charges

- **Generate revenue:**
Full or partial cost recovery
- **Encourage economic efficiency in the allocation of resources:**
Limit demand based on willingness to pay
- **Promote social equity:**
Beneficiary (user) pays principle

3

Types Of User Charges

- **Direct Charges:**
Use of facilities or consumption of goods and services
- **License Taxes/Fees:**
Right to undertake an activity

4

Quasi Taxes

- Concept
 - Like a tax because a mandatory payment
 - Like a user charge because linked to a specific benefit
 - Sometimes considered an “earmarked tax”
 - Purpose to pay for specific services/infrastructure improvements
- Examples
 - **Special Fees:** additional international air ticket charges (customs user fee, immigration user fee, APHIS user fee, Sept. 11th security fee, tourism tax, departure tax, airport service charge, etc.)
 - **Special Assessment:** property tax surcharge based on property frontage to finance improvement of sidewalks and drainage; business improvement district
 - **Tax Increment Financing (Value Capture):** use future property tax increases from higher property values to debt finance current neighborhood improvements such as stadiums, shopping plazas
 - **Crowd Funding:** parks, pools, playgrounds (“Citizinvestor”)₅

Structure Of User Charges

- Access Charge:
Cover long-term capital costs
- Use Fee:
Cover short-run operating costs
- Congestion charge:
Cover costs imposed by an additional user on other users

Utility Subsidies

- Promoted as a means to make utility service affordable for low-income households and a tool for income redistribution
- Based on the premise that utility subsidies are well-targeted at the poor, so low-income households therefore benefit disproportionately from the subsidies
- Most common form of subsidy, quantity based, is highly regressive because of coverage and metering constraints
- Geographically targeted or means-tested subsidies do somewhat better, but exclude many low-income households
- Connection subsidies are the most attractive alternative if utilities have the means and incentives to extend network access and low-income households choose to connect

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RESIDENTIAL BUSINESS

Financial Assistance Rates & Tariffs Safety Gas Heating Program FAQ

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Bill Summary

Account Nickname: Account Number:

Customer:
 Sethoc | Log Out | E-Bill FAQ

Current Balance: \$0.00
 "Go Paperless" and enjoy hassle free, paperless billing.

Bill Higher Than Usual?
 Billing Rights
 Budget Billing
 Customer Communications
 Home Analyzer
 Mailing Address Change
 Make a Comment
 Report a Payment
 Set Up a Payment Plan
 Stop Service
 Transfer Service
 Update Telephone Number
 Uncontested Your Bill

My Bill:
 Bill Summary (Home)
 Bill Details
 Usage Data
 Bill Messages
 Print-Friendly Bill

Payments:
 Pay Now
 Pay Multiple Accounts
 Recurring Schedule
 Immediate Activity
 Terms & Conditions

My Profile:
 Linked Accounts
 Bank Accounts
 Customer Settings

Account Number:

Download

Billing Date: Oct 26, 2007
 Next Read Date: Nov 27, 2007
 Previous Bill: \$6.49
 Payment "Thank You": \$6.49
 Total Cost Electricity: \$0.00
 Amount Due: \$0.00

Usage Summary

Most recent usage information is on the right side of the graph.

Set of Transactions

Date	Amount
11/13/2007	\$20.58
10/09/2007	\$86.46
09/04/2007	\$80.59
08/01/2007	\$84.08
07/05/2007	\$72.53

All Transaction Activity

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Bill Detail

My Bill

- Bill Summary (Home)
- Bill Notice
- Usage Labels
- Bill Messages
- Print Friendly Bill

Payments

- Pay Now
- Pay Multiple Accounts
- Payment Schedule
- Transaction Activity
- Terms & Conditions

My Profile

- Linked Accounts
- Bank Accounts
- Customer Settings

Account Information	Account Number	Customer Settings	Log Out	E-Bill FAQ
00000000000000000000	00000000000000000000	00000000000000000000	00000000000000000000	00000000000000000000
Download				
Delivery Services	Customer Charge			6.67
	Distribution	00024	X 350 KWH	13.37
	Transition	00028	X 350 KWH	1.14
	Energy Conservation	00048	X 350 KWH	5.21
	Renewable Energy	00060	X 350 KWH	0.18
	Energy Conservation	00060	X 350 KWH	0.08
	Delivery Services Total			30.65
Supplier Services	Generation Charge			
	Basic Svc. Excl.	10828	X 350 KWH	37.03
	Total Cost of Electricity			68.66

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RESIDENTIAL BUSINESS

Financial Assistance Rates & Tariffs Safety Gas Heating Programs FAQ

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Summary of Rates

- Account Management
- E-Bill
- Rates & Tariffs
- Multiple Billing Locations
- Mailing Address Change
- Relocation of Meter
- NSTAR's Discount Rate
- Gas Heating Programs
- Repair Payment
- Underpayment View Bill
- Order Transfer of Service
- Payment Options
- Energy Efficiency
- Terms & Conditions
- Customer Information
- Contact

Electric Residential Rates

The following rates are available to our customers and have been approved by the Massachusetts Department of Telecommunications and Energy. For greater detail, select Schedule of Rates.

Residential Rates:

- 01 - Residential Annual
- 04 - Residential Space Heating
- 05 - Residential Assistance
- 07 - Residential Assistance Space Heating
- 10 - Optional Residential Size or Heating Time of Use
- 48 - Optional Residential Time of Use

01 - Residential Annual (R-1) (MUE 220 (PDF))

This basic, general use rate is for residential customers in a single private dwelling, an individual apartment or a residential condominium. Principal means of heating cannot be permanently installed electric space heating equipment.

Customer (per month)	Distribution (per KWh)	Transition (per KWh)
\$6.87	\$0.03821	\$0.00326
Transmission (per KWh)	Energy Conservation (per KWh)	Renewable Energy (per KWh)
\$0.02348	\$0.00280	\$0.00050

The Distribution Charge includes a \$0.00384 Ponson Adjustment factor. The Transition Charge includes a credit of \$0.00168 for a Default Service Adjustment.

The above table is for the delivery services portion of your bill. To calculate your total bill, you also need to add the supplier services charges (Basic Service or Specialty energy supplier).

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04 - Residential Space Heating (R-3) (MUE 222 (PDF))

This basic, general use rate is for residential customers in a single private dwelling, an individual apartment, or a residential condominium. Principal means of heating is permanently installed electric space heating equipment.

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http://www.nstar.com/rs3/residential/account_services/rates_tariffs/rates/rates.asp 11/27/2007

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RESIDENTIAL **COMMERCIAL** Financial Assistance Rates & Tariffs Safety Gas Heating Programs FAQ

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Basic Service

- C-DSI
- Rates & Tariffs
- Update Phone Number
- Making a Change
- Release of Info. for NSTAR's Discount Rate
- Gas Heating Programs
- Report a Payment
- Understanding Your Bill
- » Start, Transfer or Stop Service
- » Payment Options
- » Energy Efficiency
- » Home Analyzer
- » Customer Information
- » Contacts

NSTAR Electric Basic Service customers have the choice of a six-month fixed price, or a monthly variable price. Both the fixed and the variable pricing closely reflect the actual price of electricity on the wholesale market.

Fixed Rate
Monthly Variable Rate

Fixed Rate Pricing Option for Basic Service
The fixed rate pricing option for Basic Service beginning July 1, 2007 is (all pricing is in cents per kilowatt hour):

Residential Customers July 1, 2007 to December 31, 2007 Rates A1, A2, A3, A4, A7, A8, 32, 66, 68, 30, 37, 58, 65, 42, 53, 61, 55, 20, 24, 26, 28, 29, 30, 31	10.838
Small Commercial/Industrial Customers and Lighting July 1, 2007 to December 31, 2007 Rates A9, B1, U2, U5, B8, C1, C2, C3, 22, 23, 31, 33, 35, 41, 55, 79, 81, 82, 88, 92, 98, 10, 35, 51, 52, 80	11.097
Large Commercial/Industrial Customers (NEMA) October 1, 2007 to December 31, 2007 Rates B2, B7, 02, 70	8.488
Large Commercial/Industrial Customers (BEMA) October 1, 2007 to December 31, 2007 Rates G0, G8, 24, 84	8.630

- Upon opening your account, all residential and small commercial/industrial customers are to be placed on this fixed rate. You are allowed to choose the monthly variable rate, however you can only make this choice once.
- The rates for each period is based on our contract with the Basic Service provider.
- If you are on a fixed rate for Basic Service and decide to switch to a Competitive Power Supplier before the period is over, your electric bill will be recalculated. This means your electric bill for the period you were on the fixed rate will be recalculated as if you were on the monthly variable rate for that period. This ensures that all consumers pay the actual cost of the electricity they have used. This adjustment may be a credit or debit, and will be reflected on your first bill after the switch is effective. We can further explain this recalculation to you.

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Monthly Variable Rate Pricing Option for Basic Service

The monthly variable rate pricing option for Basic Service beginning July 1, 2007 is (all pricing is in cents per kilowatt hour).

http://www.nstar.com/residential/account_services/rates_tariffs/basic_service.asp

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CASE STUDY: USER CHARGES IN PHILADELPHIA

- Does the distribution of the financing burdens among the three levels of government reflect the principle:

“The share of costs paid out of revenues collected at each level of government should coincide with the benefits received”

- Does the distribution of the ultimate burden of the local share of SEPTA’s deficit reflect:

“User Pays Principle”

“Ability to Pay Principle”