WATER INDUSTRY CHALLENGES AND ALTERNATIVE RATE STRUCTURES

MIKE BORCHERS PRINCIPAL CONSULTANT
WATER AND WASTEWATER INDUSTRY CHALLENGES

- Declining customer usage / billed volume
- Rising infrastructure replacement costs
- Increasing regulatory requirements
- More extreme climate impacts
WATER AND WASTEWATER INDUSTRY RATE STRUCTURES - RESIDENTIAL

- **Water**
  - Increase in number of inclining block structures
  - Decrease in number of declining block structures

- **Wastewater**
  - Generally uniform volume charge is utilized
INCLINING BLOCK RATE STRUCTURES

- Drought demand mitigation to conserve water supply
- Preserve system capacity
- Considerations
  - Impact of customer usage
  - Generally for Residential or other peaking customers only
FIXED VS. VOLUMETRIC CHARGES

• Fixed Charges
  • Customer Service
  • Billing
  • Meters and Services costs

• Volumetric Charges
  • Base and capacity functional costs

• Issue
  • Increasing capacity costs
  • Reliance on declining or unstable customer usage
  • Decreasing percentage of fixed revenue

Majority of Water Utility Costs are Fixed
HOW ARE UTILITIES ADAPTING?

- **Policy Considerations**
  - What level of fixed revenue is appropriate?
  - What is the impact on low usage customers?
  - Balancing customer control vs. needs of utility

- **Alternative rate design methods**
  - Including some capacity costs in fixed charge
  - Must be careful to balance cost of service and rate design
WASTEWATER RATE STRUCTURES

• Volume charge is generally uniform
• Wastewater billed volumes and can be impacted by water rate policies
• Fixed vs. Volumetric Charges
  • Similar issues to water rates and charges
COST OF SERVICE CONSIDERATIONS

- Establishing rational nexus between utility costs and rate structure
- Utility policy vs. justification of costs
- How are inclining block tiers structured?
CUSTOMER CONSIDERATIONS

- Customers become used to their particular structure over time
- Change to alternative rate structure requires assessment of potential impacts
- Stakeholder and customer outreach can be helpful
Building a world of difference.

Together

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