The first installment of this article (spring 2009) established what conservation rates and which structures are allowed by the law and practical for most systems. This installment will cover the rate structures that are allowed but that are not practical for most systems.

Following, in shaded text boxes, is the Minnesota Department of Natural Resources’ (MDNR) guidance document on conservation rates. The document includes recitals of the law. The author’s comments are included in unshaded text.

Please note: The author is not an attorney and these comments should not be taken as legal advice. For that you need to consult your attorney. The author is a rate analyst so these comments go to the practical and rate effects of the law and MDNR’s guidance.

**Allowed Conservation Rates That are not Practical for Many Systems**

**Time of Use Rates:** Water rates are higher at times of the day when water use demands are high. This rate requires specialized meters that can monitor water use during specified segments of time, for instance, every 15 minutes.

**Example:** Water rates are reduced by $0.75 for customers that agree not to use water for certain purposes or over a set volume of water during certain times of the day or periods of high water demands.

If rate structures discussed previously are shotgun blasts, this one is a rifle shot. In theory time of use rates are perfect. But few systems have such sophisticated metering equipment, billing programs and access to specialized consultants to design time of use rate structures. Unless the volumes and dollars involved are very high, the revenues generated by such sophisticated technology will not pay off. And, complexity itself is rejected by most ratepayers. They think that if they can’t understand it, it is too expensive. Most of the time, they are right.

On the education front, however, you can inform and teach your ratepayers when it is most beneficial to conserve water. We are all familiar with the power company’s “peak demand” alerts that appear on TV in the summertime. This is the type of thing you should do to manage peak water demand downward.

Few water systems have income streams anywhere near that of the power companies so you need to use cheaper media to get your message out. Maybe you can afford to run a few radio spots. Maybe not. Certainly you can afford to place a short message about water conservation on everyone’s bill a month or two before peak use season hits, and
again when it is in full swing. And if you will develop a good relationship with your local newspapers you can give them information and interviews on water conservation before the peak season hits.

Like time of use rates, the individualized goal rate structure is a rifle shot – very accurate but very hard to pull off. If your system is savvy, sophisticated technologically and financially well off, consider using it. Otherwise, keep it simpler.

Excess use rates are just the increasing block rates structure on steroids. And, as mentioned very early in this article, a rate structure that is this aggressive might just be zoning in disguise, not that that is always a bad thing.

If your high-volume rates are unreasonable you will invite serious problems using this structure. You may well pass this rate ordinance now. However, later, when it comes time to get the support of the Aspenwood Club members to do some good civic deed that requires their money, they will balk. Don’t do class warfare or stealth zoning with water rates and you will be better off.

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**Individualized Goal Rate (Water Budget Rate):** A rate with tailored allocations developed for each customer. The rates increase as the allocation is used or exceeded by the customer. The allocation is generally based upon winter or January use.

**Example:** A family of four used 6,200 gallons in January. Summer use is higher than January use so a factor is applied to determine a summer allocation (1.5 x 6,200 gallons = 9,300 gallons).

- 0-6,000 gallons = $2.50/1000 gallons.
- 6,000-9,300 gallons = $2.75/1000 gallons.
- 9,300-18,600 gallons = $4.00/1000 gallons.

(Allocation is exceeded.)

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**Excess Use Rates:** Cost per unit increases greatly above an established level in order to trigger a strong price signal that discourages excessive use. This rate is similar to an increasing block rate but with much higher charges for the larger volume blocks.

Example: 0-6,000 gallons = $2.50/1000 gallons
- 6,000-12,000 gallons = $3.15/1000 gallons
- 12,000-24,000 gallons = $5.00/1000 gallons (Excessive Use Rate)
- Above 24,000 gallons = $7.50/1000 gallons (Excessive Use Rate)

If your high-volume rates are unreasonable you will invite serious problems using this structure. You may well pass this rate ordinance now. However, later, when it comes time to get the support of the Aspenwood Club members to do some good civic deed that requires their money, they will balk. Don’t do class warfare or stealth zoning with water rates and you will be better off.
Multiple-family dwellings (usually apartments) are one of the troublesome details of rate setting. Usually the thing that defines a water customer is the water meter. That works fine for single family homes, businesses and industries. It doesn’t always work for apartments.

Multi-family is not an issue when the unit charge is the same for all volumes of use. With that structure the total unit fees charged will be the same whether they are billed to one meter or 100. And if the unit charges only go up or down slightly with higher volumes of use, it’s still not a big deal. However, if the unit charge rate goes up or down markedly with higher volumes of use and if some multiple-family dwellings have lots of housing units, these rates will be a big deal. There is no getting around doing individual rate calculations for apartments, condominiums and similar housing units in such situations.

**Multiple–Family Dwellings:** Total water use in a multiple-family dwelling, which has only one water meter for the entire dwelling, may exceed that of a single-family dwelling. The statute does not require individual water meters for each residential unit within a multiple-family dwelling; however, the required conservation rate at which the multiple-family dwelling’s water use is billed must consider the number of residential units within that multiple-family dwelling.

**Example:** A four-plex uses a total of 18,000 gallons per month or approximately 4,500 gallons per residential unit. Water use for each residential unit falls within the first block (0-6,000 gallons) of the above Excess Use Rate example. A rate of $2.50/1000 gallons would apply up to a total use of 24,000 gallons for the multiple-family dwelling. Thereafter, the rate increases according to the rate schedule, always considering each residential unit as an individual user.

**Editor’s Note:** Now it is time to act and get your rates set properly. To learn how to do that we invite you to attend a rate setting workshop to be conducted by Mr. Brown and sponsored Minnesota Rural Water Association on October 27, 2009, in St. Cloud (see page 31 for class details). If you are an elected city, water district or sewer district official, or if you are the manager, finance director, clerk or you hold a similar position, you should attend. Visit [www.mrwa.com](http://www.mrwa.com) to register.

**Author Bio and Contact Information**

Carl Brown is President of Carl Brown Consulting, LLC specializing in water, sewer and storm water system rate analysis, asset management and training nationwide. He is also President of GettingGreatRates.com, home of the book, “How to Get Great Rates,” GettingGreatRatesNow® and other rate setting tools. Mr. Brown may be contacted at: Phone (573) 619-3411, E-mail carl@carlbrownconsulting.com, Web sites: [http://carlbrownconsulting.com/](http://carlbrownconsulting.com/) and [http://www.gettinggreatrates.com/](http://www.gettinggreatrates.com/)
Why Learn to Set Conservation Rates?

*You just think it’s morally right.
*You’ve maxed out your system’s capacity or your water supply.
*State law says you have to do it.

That’s right, Minnesota state law will soon require many systems to have conservation rates. Don’t get caught with your rates down. Learn how to set compliant conservation rates at a workshop sponsored by MRWA on October 27 in St. Cloud. Oh, and those other reasons for conservation rates are OK, too.

Not required to set conservation rates? This workshop will teach you: calculations that are needed for setting any rate structure, how tap-on and surcharge fees can be calculated, and the policy and strategy issues you need to consider and more.

If you are involved in calculating rates or passing rate ordinances, you need to attend this workshop.

The trainer is Carl Brown, President of GettingGreatRates.com http://www.gettinggreatrates.com/ and Carl Brown Consulting http://carlbrownconsulting.com/. Mr. Brown is a nationally prominent rate analysis expert, trainer, software designer and writer on rate setting and asset management. Mr. Brown has the experience and ability to open your eyes to how bad your rates are now and how great they can be very soon. Visit http://www.mrwa.com/trainingcalendar.htm to register.

GET CARL’S BOOK!

Minnesota Rural Water Association has Carl Brown’s book “How to Get Great Rates” for sale for $25.00 plus shipping costs. To purchase Carl’s book from MRWA, simply call our office at: 800-367-6792. This book will also be available for sale at the upcoming Water Rates for Your System class on October 27, 2009, in St. Cloud. Quantities are limited, call now to reserve your copy!

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IN THESE ECONOMIC TIMES
IT PAYS TO COMPARE PRICES

⭐️ FIX IT FAST
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⭐️ FIX IT FOR LESS

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