Approved Water Supply Plans- Part 2

In the past magazine I wrote about DNR Water Supply Plans section on Water Conservation Plans: Objectives and Strategies. This article includes a reprint of page 35 of the Water Supply Plan which lists rate structure components that may promote water conservation. MRWA has been doing water rate studies for the past (forever)ǃ We are very excited about a couple of positive changes in the template.

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Uniform Rate Structures is now allowable if you have a water conservation plan. All systems that prepare a Water Supply Plan and are approved by the DNR will have a water conservation plan. The other positive change is the Non-Conserving: Service charge or base fee with water volume.

MRWA has done water rate studies for municipalities that give as much as 8,000 gallons with the base charge. In one case a small municipality was giving away more water than they were pumping. The base fee should cover the expenses that are not customer dependent (i.e. salaries, capital debt, training, vehicles, etc), and cost per unit/thousand should be based on expenses that vary depending on volume of water treated (i.e. chemicals, electricity etc.) AND, if you are not charging your ‘snow birds’ make that change today. Even though they are not using any water for a few months they should still pay for the availability of the water system.

Contact MRWA if you would like a quote on a water rate review. See the information on rate structures provided by the DNR on the next page.
Rate Structure Components that may promote water conservation:

Local Water Supply Plan Template – September 30 2015

<table>
<thead>
<tr>
<th>Customer Category</th>
<th>Conservation Billing Strategies in Use *</th>
<th>Conservation Neutral Billing Strategies in Use **</th>
<th>Non-Conserving Billing Strategies in Use ***</th>
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<tbody>
<tr>
<td></td>
<td>☐ Excess Use rates</td>
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<td>☐ Drought surcharge</td>
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<td>☐ Use water bill to provide comparisons</td>
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<td>☐ Service charge not based on water volume</td>
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<td>☐ Other (describe)</td>
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* Rate Structures components that may promote water conservation:
  - Monthly billing: is encouraged to help people see their water usage so they can consider changing behavior.
  - Increasing block rates (also known as a tiered residential rate structure): Typically, these have at least three tiers: should have at least three tiers.
    - The first tier is for the winter average water use.
    - The second tier is the year-round average use, which is lower than typical summer use. This rate should be set to cover the full cost of service.
    - The third tier should be above the average annual use and should be priced high enough to encourage conservation, as should any higher tiers. For this to be effective, the difference in block rates should be significant.
  - Seasonal rate: higher rates in summer to reduce peak demands
  - Time of Use rates: lower rates for off peak water use
  - Bill water use in gallons: this allows customers to compare their use to average rates
  - Individualized goal rates: typically used for industry, business or other large water users to promote water conservation if they keep within agreed upon goals. Excess Use rates: If water use goes above an agreed upon amount this higher rate is charged
  - Drought surcharge: an extra fee is charged for guaranteed water use during drought
  - Use water bill to provide comparisons: simple graphics comparing individual use over time or compare individual use to others.
  - Service charge or base fee that does not include a water volume – a base charge or fee to cover universal city expenses that are not customer dependent and/or to provide minimal water at a lower rate (e.g., an amount less than the average residential per capita demand for the water supplier for the last 5 years)
  - Emergency rates - A community may have a separate conservation rate that only goes into effect when the community or governor declares a drought emergency. These higher rates can help to protect the city budgets during times of significantly less water usage.

**Conservation Neutral**
  - Uniform rate: rate per unit used is the same regardless of the volume used
  - Odd/even day watering – This approach reduces peak demand on a daily basis for system operation, but it does not reduce overall water use.

*** Non-Conserving ***
  - Service charge or base fee with water volume: an amount of water larger than the average residential per capita demand for the water supplier for the last 5 years
  - Declining block rate: the rate per unit used decreases as water use increases.
  - Flat rate: one fee regardless of how much water is used (usually unmetered).