

RWD proposes water rate increase

Submitted by _____

The _____ Town Board is proposing to change the town's water rate structure. Starting on January 1, 2005, the board has proposed to change the rate structure from a decreasing block rate structure (where the price per 1,000 gallons of water *decreases* as water usage goes up in a given household) to an increasing block structure (where the price per 1,000 gallons of water used *increases* as water usage goes up).

The board cited two reasons for the proposed change. First, based on a study by the not-for-profit Indiana Rural Community Assistance Program (RCAP), the board determined that the water system was not generating enough revenue to cover all operating expenses. Furthermore, revenues generated were not sufficient to provide money for future maintenance needs and emergency expenditures.

Second, the board wanted to more evenly distribute the financial burden of the system between all user classes. The RCAP study showed that the lowest volume users in the system (those who use less than 2,500 gallons per month) used only nine percent of the system's water in 2003, but generated 23.5 percent of the revenues. On the other hand, high-volume users (those who use more than 10,000 gallons per month) used over 19 percent of the system's water, but generated under 13 percent of the revenues.

To address this inequity, the proposed change to the rate structure will use two techniques. First, the minimum gallons allowed for residential customers will drop from 2,500 to 1,500 gallons. Second, as water usage increases, the price per 1,000 gallons will go up. The tables below compare the two structures.

General service metered rate	Current rate structure (price per 1,000 gallons)
First 2,500 gallons	\$2.74
Next 7,500 gallons	\$1.68
Next 10,000 gallons	\$1.47
Next 30,000 gallons	\$1.27
Next 50,000 gallons	\$1.06
All usage over 100,000 gallons	\$0.84

General service metered rate	Proposed rate structure (price per 1,000 gallons)
First 1,500 gallons	\$3.00
Next 8,500 gallons	\$3.15
All usage over 10,000 gallons	\$3.31

The revised rate structure will actually result in a *lower* bill for customers who use less than 1,500 gallons per month, who will pay a base rate of \$4.50 compared to the previous base rate of \$6.85. However, higher volume users of water can expect significant increases in their monthly water bills.

For example, a household that uses 4,000 gallons of water per month will see their bill jump from \$9.37 under current rates to \$12.37 under the proposed rates.

The bill for a household that uses 12,500 gallons a month will increase from \$23.13 under the current rate to \$39.54 under the new rate.

The bill for 26,000 gallons of usage will increase from \$41.77 to \$84.20.

The proposed rate change will both increase system revenues and address inequities. The lowest volume users (those with usage less than 1,500 gallons per month) will now use an estimated 3.7 percent of the water and generate 9.6 percent of the revenues; high volume users will now use an estimated 19.1 percent of the water and generate 17.2 percent of revenues.

Increasing block rates are commonplace in western states, where they are used to encourage water conservation in areas where water is scarce. In relatively water-rich Indiana, this type of rate structure can still be justified. As residents use more water, the likelihood that a town will need to invest money in costly expansions to water and sewer systems increases. In other words, in the long run, conservation can save the whole town money.

“The proposed rate change is certain to have an impact on household budgets,” says Indiana RCAP State Director Jacqui Bauer. “However, the board is encouraging residents to learn as much as possible about the reason for the increase, and to start planning ahead.”

The best way to learn more about the proposed rate change is to attend the public meeting, which will take place on _____, 20__ at _____ p.m. at the _____. The _____ Town Board and representatives from RCAP will be on hand to describe the findings of the rate study and to take resident comments and questions. The second reading and approval of the proposed rates will then take place at the _____ town board meeting.

In the meantime, residents are encouraged to contact RCAP with questions at (800) 382-9895. In addition, the full text of the proposed rate ordinance is available at the clerk-treasurer’s office, located at the _____ in _____.