

## WATER RATES: COMMUNICATION AND EDUCATION

All water service providers must periodically correspond with their customers as well as state and local decision makers. In times of emergency messages can help customers understand what to expect next and when disrupted service might be restored. But regular communication in non-emergency periods is also necessary. It provides an opportunity to connect, raise awareness, and educate customers about ongoing issues relating to water delivery, availability, quality, and regulation. Such information is critical to help customers better understand the cost associated with the services they receive. In addition, it is important that stakeholders perceive water rates as equitable, reasonable, and justifiable. Early and effective communication can help promote that perception and also helps increase confidence in and credibility of the water service provider.

California water service providers must be particularly diligent when planning a rate-setting process. California has unique regulations (such as Proposition 218) that can complicate the rate-setting process if customers protest the rate change. Yet, in a 2003 survey of members of the American Water Works Association, utilities in the West were found to be three times more likely than utilities in other areas in the country to report financial and rate issues as their most challenging communications topic.<sup>1</sup> Strategies exist to help water service providers ensure that the necessary rates are implemented, while still ensuring customer satisfaction.

### IMPORTANCE FOR WATER RATES

Water service providers must have an official communications strategy on all matters related to water service, water quality, and cost in order to ensure important decisions are made and implemented quickly and easily. A good communications strategy is especially critical when a water service provider is implementing rate changes, with or without an elected water board. Although a water service provider will often already have a general communications plan in place, the rate-setting process may require a separate strategy, and elected officials will likely need communications support to underpin their rate decisions.

An article from the *Journal of the American Water Works Association* describes ten essential components of effective communication, and these principles can be helpful in forming a productive communication strategy.<sup>1</sup> Table 1 lists these principles and outlines how each applies to the rate-setting process. In addition, below we offer several communications strategies and innovative ideas for communicating with customers and board members. An ongoing relationship with customers is an important factor in successfully implementing new rates.

# STRATEGIES FOR SUCCESS

## Transparent Water Bills

Water bills should provide clear, easy-to-understand information to customers about their water use and the associated costs. There are several ways to do this, including:

- Use gallons per day rather than other units that are harder to understand;
- Clearly distinguish charges for drinking water services from charges for other services; e.g., wastewater and refuse collection; and
- Provide simple comparisons of past water use to help customers understand how their water use changes over time or compares to their neighbors; this can be especially useful to households implementing conservation strategies.

Real-time monitoring and feedback on water use can also help customers become more aware of their daily water use. It can enable customers to monitor their water use instantly, compare it to other users, and optimize their use to save money. From shower meters to software that analyzes outputs from water meters, there are many technologies available to provide real-time customer feedback. While there are no geographical limitations to implement real-time feedback technologies, customers often need access to cellular service or the internet to participate fully.

## Diverse Means of Communication about Rates

One important factor to consider is how the information is communicated to customers. Common form of communication used by utilities to communicate rate and financial issues was through websites, bills, and bill inserts. Some water service providers indicated that they utilize strategies not listed in the survey, including forming ad hoc rate advisory committees and posting notices in public buildings. Water service providers can reach a larger number of customers by employing several strategies simultaneously; of the 11 communications strategies suggested, more than 60% of the water systems surveyed said they utilize between three and five strategies to communicate with their customers about rates. Water service providers could take greater advantage of the array of modern technologies available for improved customer communication, including blogs, social networking sites, and online bill calculators.

One way of communicating to customers in a more individualized way is through online tools. These tools can provide information about an individual household's water consumption or how changing water uses may impact a household's water bill. Online bill calculators are becoming more popular, as they can clearly communicate the power that customers have over their water bills (Figure 1). For example, even if rates increase across-the-board, a household's water bill may decrease if they install a more water-efficient toilet or reduce their landscaped area.

In addition, online bill calculators can demonstrate how a changing rate structure, e.g., adopting budget-based rates or tiered rates, will impact a household's bill. For instance, if a water supplier adopts more steeply tiered water rates that charge more at the higher end, an average water user may see no change in their household water bill or may even see it decrease.



**Figure 1. Online water bill calculator image from the City of Burbank Water and Power**  
Source: <http://www.burbankwaterandpower.com/water/conservation/bwp-water-calculator>

## Well-Informed Board Members

It is important that officials who have a role in decision-making understand water finance basics. Many water service providers have some sort of basic board orientation. Orientation should include a discussion of utility-specific financial policies, a detailed explanation of the current water rate structure, and a discussion of how different costs are covered. Yet, important aspects of water finances may not be adequately covered in general orientations — thus, there is a trend toward more in-depth education.

Mississippi and Louisiana now require board members of small water systems to attend management training. The training is organized by the State Department of Health, in cooperation with the Mississippi Rural Water Association and other organizations. By law, the training must include “information on water system management and financing, rate setting and structures, operations and maintenance, applicable laws and regulations, ethics, the duties and responsibilities of a board member.”<sup>iii</sup> Other states (e.g., Kansas, Ohio, Kentucky, and Illinois) have developed training programs and provide incentives for participation, but do not require it.<sup>iii</sup> Beginning in 2012, AB54 requires board members from mutual water companies in California to undergo two hours of training on their roles and responsibilities.<sup>iv</sup>

In Ohio, over 400 Board members have attended Financial Management courses provided by the Ohio Rural Community Assistance Program. The day-long course reviews financial policies and guidelines, financial goals and budgeting, asset management, capital improvement planning, fiscal management and controls, rates and fees, reporting, and customer outreach. Water service providers can pool funds to support financial training workshops for their Board members. In addition, federal and state funding may be available through Rural Community Assistance Programs and State Revolving Funds. Information on rate setting by water boards is also available online. The Alliance for Water Efficiency maintains a detailed set of web pages on this topic and a *Water Pricing Primer*, which is a free download from their website.<sup>v</sup>

## Water Service Provision Rather than Water Supply

When asked directly what the nature of their business is, most water providers respond that they sell water. However, this framework is neither useful nor helpful in understanding the role of the modern utility, which is that of a service provider, rather than a commodity provider. In a resource-constrained world, a water utility must also encourage conservation, and the financial impacts of such a shift can be challenging for consumers to understand, especially when conservation is so often followed by a rate increase. As a result, customers often perceive conservation rates as punitive, that they are being charged higher prices for “doing the right thing.”

When implementing conservation rates, it is particularly important to address the customer perception that they must pay more for using less water. A good communications strategy explains that increases in water rates do not always mean increasing costs for all customers, as the water bills for efficient households may stay the same or even be reduced with conservation pricing. In addition, water is a rising cost industry as a result of expanding regulations, deteriorating infrastructure, as well as increasing operations and maintenance costs. Therefore, the cost for water will increase regardless of conservation pricing. And finally, although water rates may rise in the short term, conservation pricing is meant to reduce the long-term costs associated with accessing new supplies, such as costs for building more water supply and treatment infrastructure. If the next available supply is relatively expensive, such as desalinated water or imported water, then water rates should accurately reflect the high marginal cost of those additional water supplies.

During a rate-setting process, a water service provider should ensure that educational materials include information regarding the different kinds of services their water bills pay for, including access, quality, emergency supply, wastewater management, and so on. Educating customers in this way can allow customers to better understand the costs associated with the services that they receive.

**Table 1. Principles of Authentic Communication Applied to Rate-setting (Adapted from Bishop 2003).**

<b>Principle</b>	<b>Description</b>	<b>How it relates to rate-setting</b>
Timely	Information is provided and communication begins before the action or decision that affects people.	Information should be released with enough time for public outreach and educational activities. In terms of rate-setting, Proposition 218 now requires at least 45-day notice of any changes to water rates.
Relevant	Information is pertinent to the people involved.	Impacts to different stakeholder groups should be anticipated and addressed in the outreach strategy. Materials should address local, regional, or customer-specific concerns, where possible.
Truthful	Information is factually accurate.	All outreach materials should be reviewed by multiple staff members to ensure accuracy and consistency in messaging.
Fundamental	The core issues are addressed.	Real constraints should be discussed. If the water supplier is facing a down-graded credit rating due to insufficient debt-coverage, this information should be clearly communicated to Boards and customers. If a water supplier is not collecting enough revenue to cover its fixed costs, this should also be clearly communicated.
Comprehensive	The whole story on the relevant issues is covered.	Explain the need for changes in rate structures. For instance, if a rate increase results from new capital improvement projects, materials should be released addressing the state of local infrastructure and the importance of increased spending.
Clear	Unambiguous language is used, language is appropriate for the publics, technical terms are defined, information is organized logically.	Information should be presented in a clear and logical format using visual aids, where appropriate. Technical jargon should be avoided or clearly explained. Public presentations and supporting material should be reviewed with the audience in mind.
Accessible	Information and sources are provided and/or are easy to locate and interact with; public meetings are held in convenient locations and well publicized.	Make sure all relevant information is publicly available in a variety of formats, if possible. Make sure information is available in multiple languages, if necessary, depending on your community's demographics.
Responsive	Communication is two-way; others' views are listened to, seriously considered, and there is openness to accommodation.	Significant staff time should be devoted to customer communications. There should be a clear process to respond to customer concerns.
Caring	Communication is polite, courteous, and respectful.	All staff should have training in customer relations and should be able to clearly explain the water supplier's rate structure.
Consistent	Words and actions match, and there is follow through on agreement and commitments.	Ensure all rules and regulations are followed. If you have a code of conduct or finance policy for your organization, periodically review it to ensure you are meeting both your own as well as customer expectations.

## ENDNOTES

- <sup>i</sup> Tatham, Elaine, Chris Tatham, and Jane Mobley. 2004. Customer Attitudes, Behavior, and the Impact of Communication Efforts. American Water Works Association (AWWA) Research Foundation. Report #90975.
- Tennyson, Patricia A. and Kristina Ray. 2005. Creating a strategic communications plan that gathers no dust. Journal AWWA, 97(1): 48-57. Accessed online at: <http://www.awwa.org/publications/journal-awwa/abstract/articleid/15173.aspx>
- <sup>ii</sup> Bishop, Bojinka. 2003. Water utility communication practices – What contributes to success? Journal AWWA, 95(1): 42-51. Accessed online at: <http://www.awwa.org/publications/journal-awwa/abstract/articleid/14721.aspx>. Contact: Bojinka Bishop, 1575 S. Spruce St., Denver, CO, 80231, 740-707-6176, [bishopb@ohio.edu](mailto:bishopb@ohio.edu)
- <sup>iii</sup> Mississippi Code. SEC. 41-26-101: Management training for community public water system board members. Updated link accessed February 26, 2016 online at: <http://law.justia.com/codes/mississippi/2013/title-41/chapter-26/community-public-water-system/section-41-26-101>
- <sup>iv</sup> Gasteyer, Stephen. 2009. Measuring Impacts of Community Water System Local Government, Board and Management Training. Midwest Technology Assistance Center for Small Public Water Systems. Accessed online at: <http://mtac.isws.illinois.edu/mtacdocs/pubs/MTACTP09-04.pdf>
- <sup>v</sup> Alliance for Water Efficiency. Water Rates and Rate Structures Library. Accessed online at: [http://www.allianceforwaterefficiency.org/Water\\_Rates\\_and\\_Rate\\_Structures\\_Library\\_Content\\_Listing.aspx](http://www.allianceforwaterefficiency.org/Water_Rates_and_Rate_Structures_Library_Content_Listing.aspx)



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