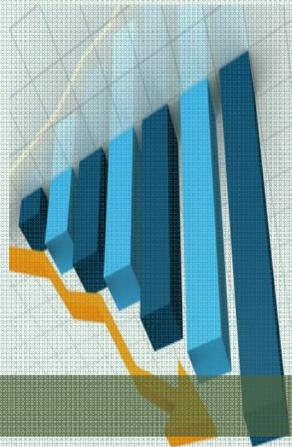


STORIES FROM THE FIELD: THE PRACTICE AND POLITICS OF RATE SETTING IN THE REAL WORLD

Mary Ann Dickinson
*Water Rates Workshops
for California Water Agencies and Boards
September, 2012*



ALLIANCE FOR WATER EFFICIENCY

What is the Goal of Water Pricing?

*To shape demand
(system load)*

*To ensure a social
safety net*

*To reflect costs, improve
efficiency, and promote
sustainability*

*To internalize
externalities*

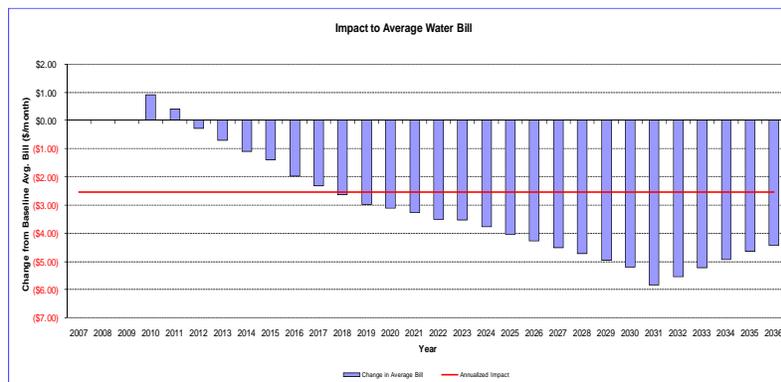
*To provide sufficient
and stable cash flow*

What is the Goal of the Publicly-elected Official?

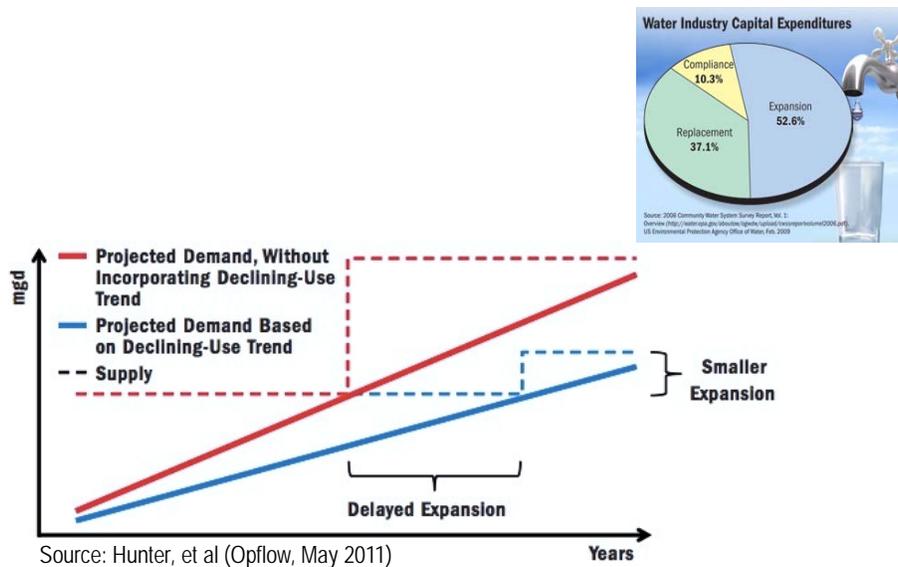
- Primary goal: **Getting re-elected.**
- The water board is often their first elected position; they are essentially new to government.
- There is an overriding desire to please the public and thus garner future voting loyalty.
- Raising rates is clearly politically unpopular; an elected official who doesn't care about political popularity is a short-term elected official.
- "Water will get you elected and water will get you fired."
- Thus, rate solutions have to be politically desirable if they are to be adopted.
- Business interests and jobs are also paramount concerns.

Conservation: the Political Benefit is Often Too Long-Term

- Short term rise in rates but with a long-term lowering benefit doesn't translate well to the political reality of the elected official.
- "NIMTO" phenomenon.



These Benefits Don't Accrue Politically



Observations from Past Rates Workshops

- We don't like to revise our rates
 - ▶ Politically unpopular; thus rates revised as little as possible.
 - ▶ "Water will get you elected and water will get you fired."
 - ▶ Inevitable inflationary increase postponed until it is a crisis.
 - ▶ Elected officials have a poor understanding of the costs in their systems and why those costs are going up.
 - ▶ Utility managers and board members have different perspectives and goals.



General Observations from Past Workshops

- **The Consumer also doesn't understand**
 - ▶ The consumer -- angry about rising water rates -- will buy a 16 ounce bottle of water sold for \$1.25 or more, equivalent to \$10 a gallon.
 - ▶ Consumers are willing to pay thousands of times more for it when it comes in a bottle, yet oppose rate increases that might mean no more than a \$5 increase in the monthly average water bill.
 - ▶ The media feeds the frenzy.



More General Observations from Past Workshops

- **Utilities experience boom or bust cycles.**
 - ▶ When they have water, they want to sell every drop.
 - ▶ When a drought occurs, they need the consumers to cut back.
- **Water conservation, when properly planned, can be an overall cost reducer to the utility.**
 - ▶ Every gallon saved is water that does not have to be pumped and treated and delivered to the customer.
 - ▶ Reduced utility costs generally mean reduced rates for the customer on a long-term basis, but the long term is beyond the political term of office.
- **Conservation programs are often blamed for the rate increase.**
 - ▶ There are lots of other reasons for revenue loss: weather, economy, codes, inflation.

Thinking About "Solutions"

- Is this a technical or political challenge?
 - ▶ Political ramifications must be part of the discussion
 - ▶ Very few educated elected officials and consumers
 - ▶ Progressive rate solutions often take multiple passes to get enacted
 - ▶ State regulators face the same pressures as elected officials

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Promoting the Efficient and Sustainable Use of Water

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Last Call at the Oasis

Last Call at the Oasis is a powerful new documentary that shatters myths behind our most precious resource. This film exposes defects in the current system, shows communities already struggling with its ill-effects and highlights individuals championing revolutionary solutions. Firmly establishing the global water crisis as the central issue facing our world this century, the film posits that we can manage this problem if we act now. See the film. Sign the Water Bill of Rights. Learn more here.

National Mayor's Challenge for Water Conservation

Get your community involved in the National Mayor's Challenge for Water Conservation! From March 30 to April 30, this campaign asks mayors to take a leadership role for future of water. A group of federal, non-profit, and local organizations are asking mayors across the nation to compete next

Calendar of Events

4/17/2012	Water Use Efficiencies and Technologies for Buildings, Industries, and Campuses
5/1/2012	IAPMO Emerging Technology Symposium
5/13/2012	IWA World Congress on Water, Climate and Energy
6/10/2012	AWWA Annual Conference & Exposition
9/16/2012	IWA World Water Congress & Exhibition

Latest Information

- Water Efficiency Watch Newsletter March 2012
- JOBS BOARD
- AWE Water Conservation Tracking Tool
- FedCenter.gov Announces New Water Efficiency Program Area
- USGS Report - Estimated Use of Water

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Welcome to the Alliance for Water Efficiency's Resource Library. AWE strives to provide the best on-line resources on water conservation and efficiency. Search through our collection and discover the wealth of useful, technical information assembled. Enter keyword(s) in the search box below or select an library section from the list on the right. Search instructions and tips are available here.

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- Non-Residential Fixtures, Appliances and Equipment
- Water Conservation Planning
- Alternate Water Supply
- Codes and Standards

[Definition of Terms](#)

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Last Call at the Oasis

documentary that shows the most precious resource, water, is being wasted in our communities already. The effects and highlights the revolutionary solution to the global water crisis as we manage this problem of Rights. Learn more.

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How much water do you use?

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