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


- Projected Demand, Without Incorporating Declining-Use Trend
- Projected Demand Based on Declining-Use Trend
- Supply
- Smaller Expansion
- Delayed Expansion

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