

## Thoughts for Rate Study Objectives

From EPA Case Studies of Sustainable Water and Wastewater Pricing created in 2005.

The pdf version can be found online at

[http://www.epa.gov/safewater/smallsystems/pdfs/guide\\_smallsystems\\_fullcost\\_pricing\\_case\\_studies.pdf](http://www.epa.gov/safewater/smallsystems/pdfs/guide_smallsystems_fullcost_pricing_case_studies.pdf)

“When it initiated the rate study, Stanly County set a number of objectives for any transition to full-cost pricing:

- *Economic Development/Extension of Service.* Water and wastewater service will be used as an incentive for economic development.
- *Consistency with Cost of Service Principles.* Rates will be set to recover the full cost of utility operations, including operation and maintenance (O&M) costs, debt service, capital reinvestment, and indirect costs such as billing, personnel, and vehicle maintenance.
- *Minimal Customer Impacts.* Rates will be adjusted in a manner that avoids large cost increases for customers.
- *Self-Sufficiency.* SCU will no longer depend on transfers from the County to cover its costs.
- *Revenue Stability.* Revenues will be predictable and stable, both seasonally and year to year.
- *Affordability.* Low-income/fixed-income or disadvantaged customers will be protected from unaffordable rates.
- *Conservation/Demand Management.* The pricing structure will encourage more efficient water use.
- *Rate Stability.* Rates will be adjusted in a manner that reflects a planned approach, rather than a reactive approach.
- *Ease of Implementation.* Changes will be easy to communicate to customers and elected officials and will have clear customer service and administrative impacts.
- *Legal/Defensible.* The new rate structure will be consistent with accepted practice and industry standards, local ordinances and state statutes, contractual obligations, etc.”

Example:

## **Water Rate Development Goal and Guiding Principles**

### Overall Goal:

Design a water rate structure that is aligned with community values, and which satisfies the requirements for obtaining funding, in order to develop a financially stable, municipal water system.

The water rate structure will be designed with the following guiding principles and community values in mind.

### Adequacy:

Provide sufficient revenue to cover the full cost of producing, treating, storing and distributing water to customers.

### Ease of Implementation:

Easy for staff to understand, implement and explain to customers. The structure should be compatible with current utility billing software.

### Equity:

Each customer class will pay for its fair share of the cost to provide service to that customer class.

### Maintainability:

To preserve and protect the community's investment, revenues will be sufficient to address preventative maintenance and emergency repairs in the system.

### Minimize Impacts:

Minimize financial impacts to customers to the extent practical.

### Planning and Stability:

Consider funding needed for capital improvements to satisfy water demand needs and compliance with public health regulations. Create a stable revenue stream which enables the utility to plan for seasonal and other cost variations.