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Questions & Answers

Water Rates

Paying for drinking water

How do water rates reflect the cost of water?

Ideally, water rates pay for all the costs of providing water from operating the water system and maintaining the facilities to replacing equipment and adding new facilities in the future. Just like an automobile, a water system starts wearing out the day it is turned on. Water systems should price water to reflect the true cost of providing safe and reliable drinking water to customers now and in the future. Accurate pricing will also help avoid large rate increases in the future.

Customers pay a portion of the cost of water service through the bills they receive from their water system. Other special charges like hook-up fees or development charges also assist in meeting revenue needs. Rates should be fair to customers so that each customer pays their share. Water systems can also use rates to promote water use efficiency.

What do water rates cover?

It is essential for a water system to set rates so that they recover the full cost of producing and distributing water to customers. Revenues, including what customers pay for water, should meet or exceed the expenses generated by a water system. Excess revenue is saved for future improvements and unexpected emergencies. Expenses may include:

- Water quality monitoring costs
- Chemicals and supplies
- Maintenance and repairs
- Electricity and other utilities
- Improvements and upgrades
- Debt payments
- Planning and engineering
- Operating and emergency reserves
- Salaries and benefits
- Insurance and bonds
- Professional services fees
- Office supplies

What causes rates to increase?

In order to provide customers with a reliable and fairly priced supply of safe drinking water, a water system's rate structure must produce enough money to operate in a financially sound manner. Many factors can lead to increasing rates such as:



HELPING TO ENSURE SAFE AND RELIABLE DRINKING WATER

- Maintenance, repair, and replacement costs that increase with the age of a water system or its components
- New regulatory requirements
- Increased costs for water treatment due to contamination
- Revenues not covering the true cost of water
- Inflation

Why are regular reviews of budget and rates important?

It is critical that water systems ensure their revenues cover the true cost of doing business. When rates aren't increased periodically as expenses go up, water systems may need to raise rates dramatically to guarantee they can meet their needs. A significant rate hike is more difficult for customers to afford than small incremental annual increases.

Why are there different rate structures?

The governing body or owner of a water system is responsible for setting rates. They can use a variety of rate structures to meet their revenue requirements. Below are examples of rate structures that are considered fair. Creating fair water rates can also promote water use efficiency by charging customers based on the water they use and the impact their use has on the water system.

- **Increasing block rates.** Increasing block rate pricing increases the per-gallon charges for water as the amount used goes up. The first block of use is charged at one rate, the next block is charged at a higher rate, and so forth.
- **High-use surcharges.** A higher rate is imposed on "excessive" water use, as identified by the water system owner. Generally, systems impose surcharges for water consumption considered higher than average.
- **Seasonal rate.** Prices rise and fall according to water demand and weather conditions. Systems usually charge higher prices in the summer months when demand is highest and water supplies are reduced.

For more information

Northwest Regional Office – Kent	253-395-6750
Southwest Regional Office – Olympia	360-664-0768
Eastern Regional Office – Spokane	509-456-3115

Office of Drinking Water web site: <http://www.doh.wa.gov/ehp/dw/>

Rural Community Assistance Corporation:
<http://www.rcac.org/corpinfo/annualreport/states/washington.html>

U.S. Environmental Protection Agency: <http://www.epa.gov/owm/water-efficiency/index.htm>

