

## **Message Points on Water Rate Increases**

*Prepared by ACWA's Communications Committee*

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California water agencies deliver safe, reliable and affordable water to every corner of the state every day. That service continues to be a great value, but a fourth year of drought and new mandatory conservation regulations require many water agencies to adopt rate increases.

With costs on the rise and water rates going up as a result, some customers will find themselves using less water but paying more. Public education is more important than ever. Water agencies that are proactive in communicating the issues can help their elected boards, customers and opinion leaders better understand the current landscape and the need for rate increases, drought surcharges or other pricing adjustments during this critical drought year.

ACWA has developed message points to help water agencies educate their elected officials and customers about factors affecting costs this year and the need for rate increases and other changes to rate structures.

Clear communication is especially important in the wake a recent appellate court decision that raised questions about tiered rate structures and compliance with Proposition 218. An estimated two-thirds of urban agencies have adopted some form of tiered or inclining block water rate structures, often considered a key tool to encourage efficient water use and meet conservation targets.

Additionally, Gov. Jerry Brown's April 1, 2015, executive order on drought called for the State Water Resources Control Board to direct urban water suppliers to develop rate structures and other pricing mechanisms – including surcharges, fees and penalties – to maximize water conservation consistent with the new statewide mandatory reductions.

### **Background about Water Rates**

Water rates and water rate structures vary significantly around the state. Factors such as geography, water supply sources, infrastructure needs, water treatment needs and size of the customer base all play a role. Depending on where customers live in California, their water may come from a nearby well or river, or it may travel hundreds of miles through canals or pipelines to reach their tap.

Many ACWA members have adopted innovative approaches to water rates to encourage water conservation and have helped achieve long-term reductions in water use in their service areas. A significant number of agencies adopted rate increases in recent months, while dozens more have

proposed rate increases that will go to their governing boards in the near future. Agencies will hold public hearings on the proposed changes and engage their customers as they move forward.

Agencies that need to adjust their water rate structures or institute drought surcharges will need to follow notification processes such as those laid out in Proposition 218.

## **Recommended Steps for Agencies Proposing Rate Increases and Changes to Rate Structures**

The following guidance is offered for water agencies as they move forward with proposed rate increases or other changes to their rate structures in response to the drought.

1. Communicate early and often with your customers.
2. Go above the minimum Proposition 218 requirements to notify your customers about rate increases and/or rate restructuring.
3. Develop and adopt guiding principles or policies for your agency regarding rates. Examples include:
  - Commitment to high levels of service
  - Commitment to ensure rates reflect what it costs to deliver safe and reliable water during the drought crisis
  - Ongoing commitment to use revenues derived from rates to invest in local water supply reliability, efficiencies and capital improvement upgrades
4. Identify and explain the costs and infrastructure that go into providing reliable water service. For Proposition 218 processes, these factors must be carefully documented.
5. Stress that your agency is a good steward of ratepayer dollars.
6. Identify examples of the value your customers receive for their ratepayer dollars.

## **Message Points for Internal Audiences**

The following points can help water agency staff educate elected directors about the need for water rate increases and other rate structure changes.

- Water agencies in every region of the state are looking at rate increases or changes to their rate structures in response to the drought crisis.
- The public understands we are in a drought crisis that requires extraordinary action and response. Public opinion surveys show that Californians overwhelmingly view the drought as a major problem and they look to their local public water agency as a credible source of information about the drought and the need to conserve.

- Water agencies work hard to keep rates low, but this is an extraordinary time of crisis. New state emergency regulations are requiring all urban water agencies to reduce water use, which will affect revenues. Fiscally responsible agencies know they must adjust rates or institute drought surcharges or other mechanisms to meet conservation targets and maintain the stability of their agencies.
- Now is the time to move forward with rate increases or other changes to manage through the crisis this year and also provide revenue needed to invest in long-term planning and programs that increase local water supply reliability.

## **Message Points for External Audiences**

The following points can help water agencies educate customers and other external audiences on the need for water rate increases and other changes to rate structures.

- Local water agencies work hard to provide safe, reliable and affordable water. They pride themselves on being stewards of the environment as well as stewards of their ratepayer dollars.
- As California grapples with a fourth consecutive year of drought, water agencies throughout the state are facing reduced water supplies and the first-ever mandatory urban water conservation regulations adopted by the State Water Resources Control Board. The regulations will require urban water agencies to reduce water use by 8% to up to 36% -- depending on per-capita water use figures reported in 2014 – in order to meet the statewide target of a 25% overall reduction in water use.
- Agencies that do not meet their state-mandated conservation targets could face fines ranging from \$500-\$10,000 a day. Agencies would need to pass this on to their customer base.
- Because mandatory conservation translates into reduced water sales, many water agencies will see potentially significant reductions in revenues in 2015.
- To address these challenges, agencies around the state are proposing rate increases, drought surcharges and/or other pricing adjustments to address the anticipated drop in revenues and also encourage water conservation.
- Water agencies will engage their customers and communities to get input on proposed changes to rates and structures.
- Even with proposed rate increases and adjustments to rate structures, water service provided by local public water agencies remains a great value.
- View ACWA's updated Value of Water fact sheet for more information.