

Setting Water Rates – MA Supplier Questionnaire

In August 2017, the Massachusetts Department of Conservation and Recreation (DCR) and Division of Ecological Restoration (DER) partnered to send a survey to water suppliers across Massachusetts asking about their experiences with rate setting. The 114 responses received are reported here.

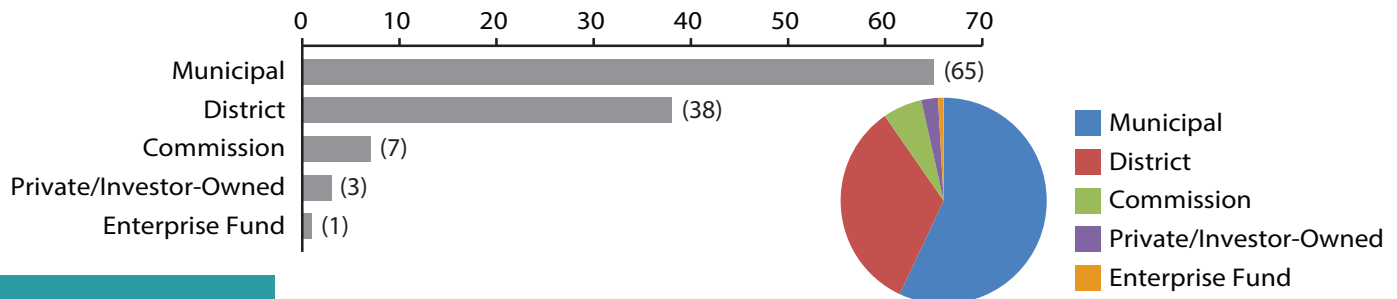
Overview

- Most suppliers have conducted a rate study within the past five years, which led to a revision of rates. Most of these revisions did not face pressure for revocation once implemented.
- The three most common goals suppliers cited for their rate revisions were: increasing revenue to meet operating costs; increasing revenue to address long-term capital needs; and improving revenue stability, although many other goals were named.
- The most common obstacles to revising rates cited by suppliers were lack of support from rate-payers and lack of political will from town officials. Lack of data and technical resources were also obstacles for some.
- For those suppliers who did not conduct a rate study within the past five years, the main reason cited was that their current rates were already meeting their goals.
- Most suppliers felt the drought of 2015–2016 did not affect attitudes toward water rates in their communities.

Respondents

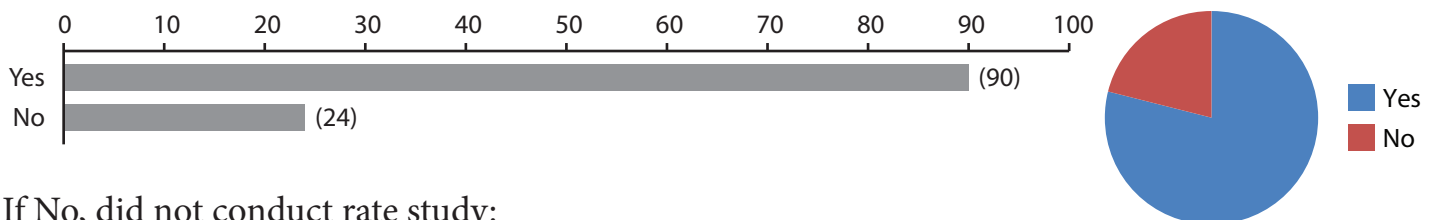
114 responses total

Q What is the political structure of your water supply system?

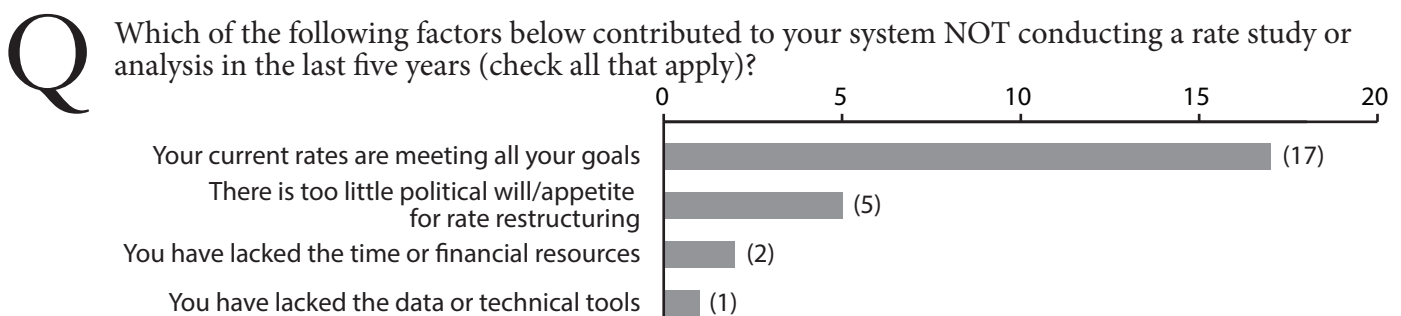


Process

Q In the last five years, have you or your department conducted any rate studies or rate analyses to assess if your rates are adequate to meet your water supply system's needs (either internal reviews or outside consultants)?



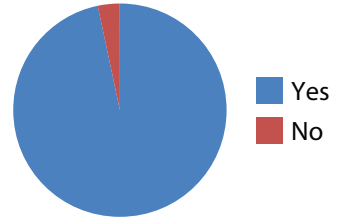
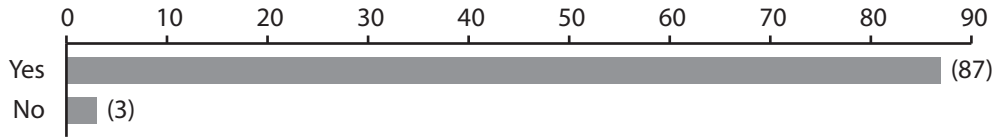
If No, did not conduct rate study:



Process

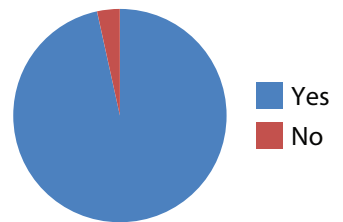
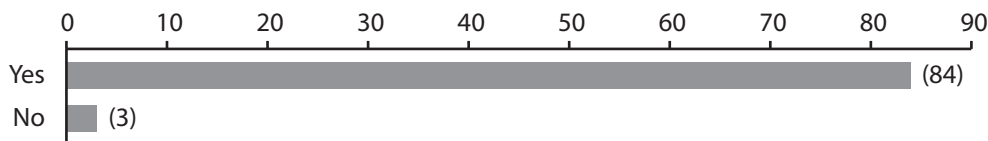
If Yes, conducted rate study:

Q Did the studies or analyses lead you to conclude a rate adjustment was needed?



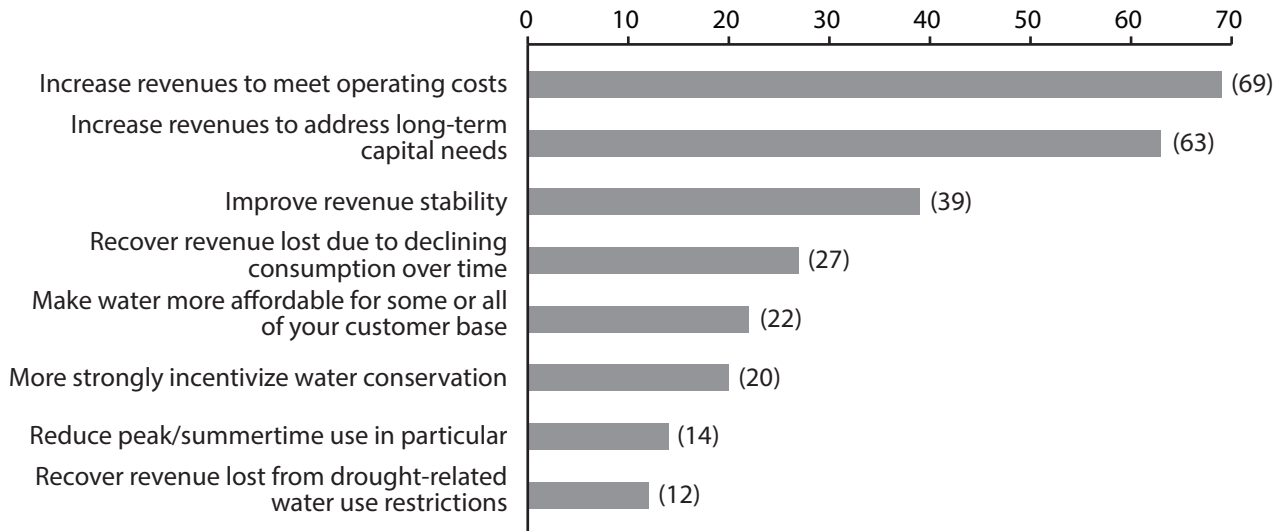
If Yes, rate adjustment needed:

Q Have you attempted to design new rates, based on the results of the rate study or analysis?



If Yes, attempted to design new rates:

Q Have you attempted to address any of the following goals in revising your rates (check all that apply)?



Write-in comments about other goals:

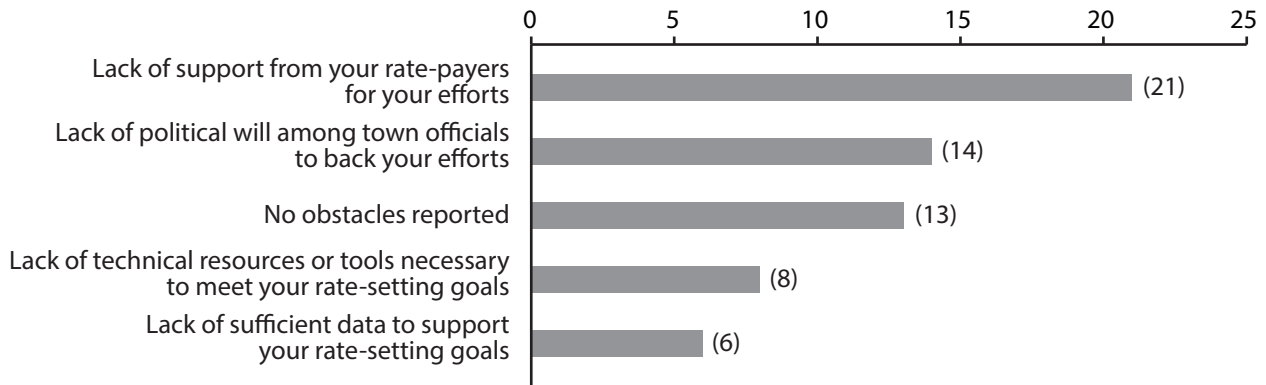
- Re-establish the importance and worth of water in the utility hierarchy
- Cover loans coming due
- Have a senior discount of \$15
- Private fire protection charges
- Adjusted sewer vs. water
- Increase sewer rates due to declining consumption
- We have 72 homes that are vacant with a loss of \$30,000 per year due to the economic crisis of 2009

Obstacles

If Yes, attempted to design new rates:



Did any of the following present obstacles to your rate-setting process?



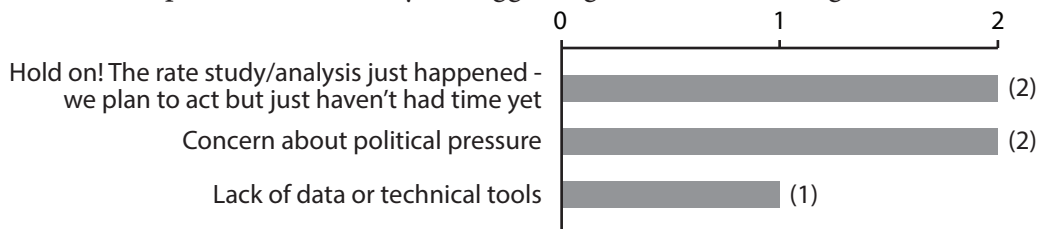
Write-in comments about other obstacles:

- We have good support with the use of an asset management plan
- Some resistance to increases is always present
- [Lack of support from rate-payers] applies especially to a select group of vocal rate-payers
- Limited community pressure to pay for usage helped to change our rate structure
- Still in process but little resistance
- Lack of long-term rate increases; incremental change too little and too far in between increases
- Lack of foresight for developing longer term automatic rate increases
- In-house suggestion trumped by contractor rate suggestions
- No, not yet, but trying to fix the infrastructure is costly, most people get it
- Sewer system failure and water expansion
- Several miles of our forced sewer system has failed causing tens of millions of dollars needed to correct and fix the system. The revenue needed for this is still unclear. Our current water system needs expansion of 30 to 40 million dollars to keep our present system capable of meeting today and tomorrow's needs.
- We are regulated by the DPU [Department of Public Utilities] so seeking approval can be difficult and costly. In addition the AG [Attorney General] has a certain level of control over rate recovery as well.

If No, did not attempt to design new rates:



Which of the factors below contributed to your decision to NOT attempt to design a new rate structure despite studies or analyses suggesting the need for change (check all that apply)?

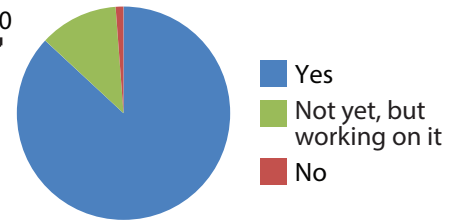
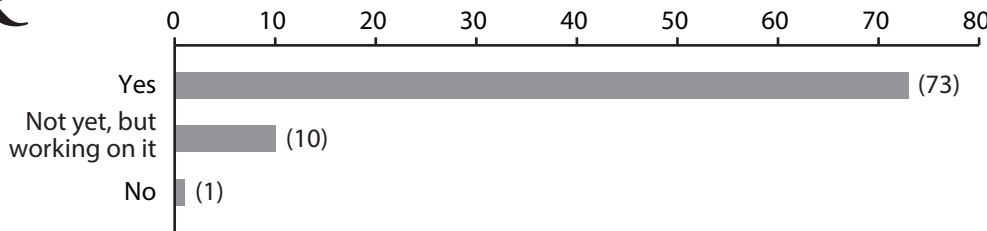


Write-in comments about other factors:

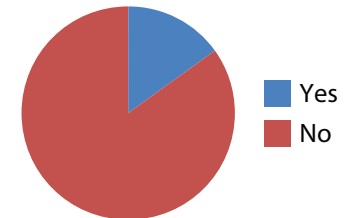
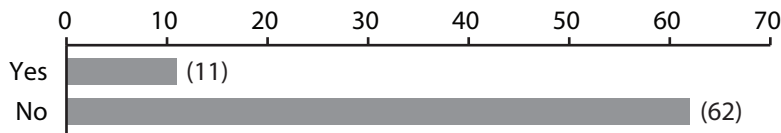
- Commissioners do not want to go up on rates
- Waiting for proposed water treatment plant costs

Outcomes

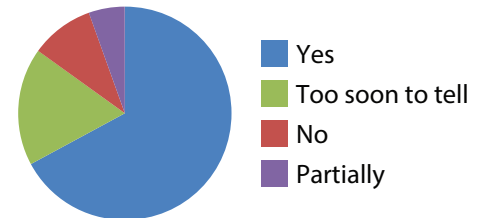
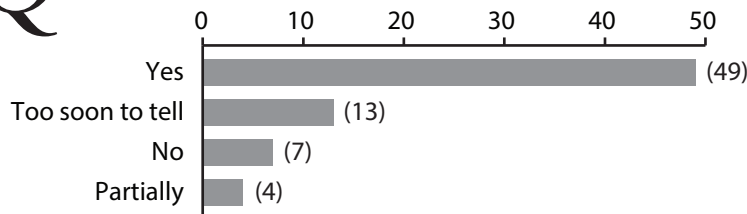
Q Were you able to implement the rates you hoped for?



Q Did the rates face political or public pressure to have them revoked, once implemented?

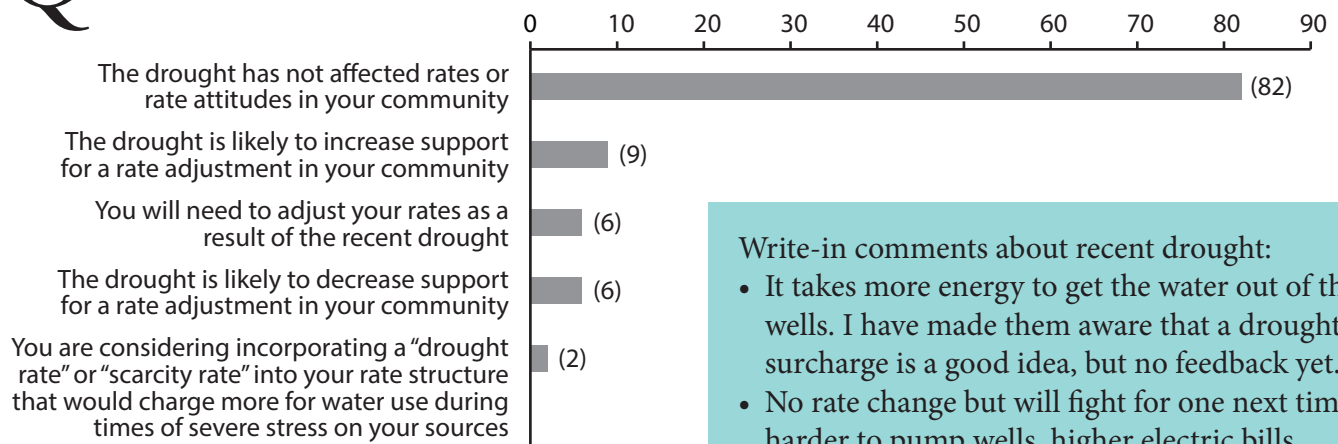


Q Have the rates achieved your goals?



Drought

Q Has the recent drought in Massachusetts affected rates or rate attitudes in your community?



Write-in comments about recent drought:

- It takes more energy to get the water out of the wells. I have made them aware that a drought rate surcharge is a good idea, but no feedback yet.
- No rate change but will fight for one next time, harder to pump wells, higher electric bills
- Infrastructure repairs and expansion
- Drought exposed need for infrastructure improvements which require increased revenue
- Rate-payers react negatively to restrictions on usage
- Customers want cheaper irrigation
- Consideration to increase rates for known irrigation systems that are on our public water system

- Very low outdoor water use allowed, so drought had little or no monetary impact
- We did not have drought conditions, we had plenty of water, but DEP required us to put a water ban that created a loss of funds
- Cape Cod has not had a drought issue

Additional Feedback, including ideas about how DCR/DER could support your ability to design and implement effective water rates:

- Remind people of the importance of safe reliable drinking water
- Keep stressing the aging infrastructure without replacement
- Offer long term low interest loans to help struggling communities to cope with escalating utility infrastructure replacement
- The biggest issue with any rate change is public relations and buy in from community. From a political standpoint, rate raises don't get you elected when the average Joe thinks he or she is getting a better deal by sinking a private well.
- Support water utilities by keeping local control of supply and opposing those who want to put supply under State control
- Up to each entity
- Never had an issue with implementation of water rates
- The asset management models Pat Rogers [DEP] is involved with seem to be a good tool. Sometimes above ground/vertical asset needs aren't included in cost projections.
- Water System Audit, i.e., What is the real cost in running a water system? The laws require the Water Systems to be fully funded; this is not my experience.
- Hire a forensic accountant for water utilities to determine better rate schedules
- We have rates that cover annual operating costs and a capital fee intended to cover sustainability and maintenance. The capital fee could be double what it is. People have no idea what drinking water is worth and many expect it to be free, a right not a service.
- More flexible source development process
- Streamline dam remediation criteria
- More data to support the impact of tiered rates on conservation behaviors would be helpful
- The state gives towns chapter 90 money: why? Water utilities could use free state money for equipment and upgrades
- What we need to run the system
- We have experts in this field working for the Town
- Hire consultants
- More policy, push high water users out of 5:30 am to 8:30 am time period for outdoor water use to maintain pressures
- No more water bans unless it affects the town's water supply
- I'd view the science behind the use restriction, not the lobbyist for the watershed groups. Also, one size does not fit all.
- Allow greater withdrawals in WMA [Water Management Act]
- Consider water availability for the specific area when considering WMA permits

Next Steps

In the coming months, we will be contacting a range of respondents who volunteered for follow-up, to further discuss with them and others in their community:

1. the factors that were most helpful to them in establishing effective rates for their systems;
2. the obstacles that challenged them; and
3. the types of resources and support that would be most useful to them in implementing rates that meet their goals.

The results of the survey and follow-up interviews – including lessons learned from both successes and setbacks – will be summarized in a report and will help inform future directions at DCR and DER, as we work to identify and pursue ways to support suppliers during the rate-setting process.

Further Information

Please contact Sara Cohen (DCR):
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Phone: 617-626-1374

Acknowledgments

This Water Rate Questionnaire was a joint effort by the Massachusetts Department of Conservation and Recreation (DCR) and Division of Ecological Restoration (DER). Thanks to all the water suppliers who took the time to fill out the survey, and to Jennifer Pederson at Massachusetts Water Works Association for helping bring the survey to the attention of MA water suppliers.