

# Fixing Lander's Rates



**Editor's note:** While this article features Lander, Wyoming, the RATES Program in Wyoming is just like the one in Kansas. Therefore, this article contains valuable information for Kansas utilities, too.

For a mid-western boy the approach to Lander, Wyoming from the southeast looked... well... daunting – so much wide open space. And no gas stations in sight.

Then, there it was, a thriving city with beautiful mountains all around. It looked welcoming, comfortable and ready for primetime, with gas stations.

But it wasn't quite ready for primetime. Lander's water and sewer rates were out of whack. That's why I came to town. I'm a rate analyst. I fix utility rates that are not as adequate and fair (I call those "great rates") as they should be. I visited to tell the mayor, council and general public why they need great rates and how to get them.

**Charri Lara:** *We weren't sure if we were doing the right thing when we went "outside" for rate setting help. After all, we tend to use "Wyomingites" for any type of work we need. We didn't think our rates were "broken," and even if they were, we could fix them, we thought.*

*But Kathy Weinsaft, the administrator for the Wyoming RATES Program at Wyoming Association of Rural Water Systems (WARWS), told me that we needed special rate setting help. She said that is why WARWS set up the RATES Program. She assured me that if we followed the advice of the Program's rate analyst our rates would come out in great shape and we would be self-sufficient.*

Here's how the project went. Working from data that Charri gathered, I projected each utility's needs ten years into the future and developed initial rate and fee adjustments to create great rates. I also projected how future rates needed to be adjusted.

The analysis part of the project spread out over about four months – pretty typical. Actual rate adjustment (passing the ordinance) should take another couple of months.

**Lara:** *When we started gathering data we discovered that some of it, like our volume usage data, needed cleaning up. We found we had many inaccurate account billings. But most of the data gathering was pretty straightforward –*

## Kansas RATES Program

The Kansas Rural Water Association recently instituted this program to serve utilities in three main ways:

1. Association staff gives basic rate setting help, and they do it for FREE.
2. Association staff monitors the RATES Program analyst (Mr. Brown) to assure that he serves all clients well through an easy acquisition process for appropriate services.
3. Members of the Association receive a 25 percent discount on the analyst's fees.

Visit [krwa.net/ratereviews/](http://krwa.net/ratereviews/) to check out the program. Or, call Greg Duryea at (785) 336-3760.

income and expense statements, balance sheet, capital improvement plans and things like that. It took awhile but Carl could not have been any more helpful. He guided us through the whole process; he was patient with my questions.

**Brown:** Fortunately, analysis determined that the water rates were generating almost enough revenue to fund the system well. Unfortunately, they were unfairly structured. For example, a “well-off” guy with an in-ground irrigation system and a lawn that looks like the 18th green of Augusta paid very little more than the “little old lady, widowed, retired, living alone on Social Security” who squeaks by on 2,000 gallons per month. Is that fair?

If the water rates were unfair, the sewer rates were unfair AND inadequate. Overall, they needed to go up by 86 percent – right now.

Eighty-six percent sounds drastic, but here’s the back story. The starting rates were low! When you start with low rates, any meaningful increase will be big on a percentage basis. Plus, about 80 percent of the increase was needed just to pay debt service for system upgrades that will come along in the next four years.

**Lara:** If I had recommended an 86 percent sewer rate increase I would have had a hard time selling it to the council and public. I am a numbers person by nature, but I didn’t have the knowledge and expertise to try to sell this

Client	Projected 5-year Gain or Decline in Net Cash		Fees Paid to CBC	Return on Investment
	Water	Sewer		
Hiawatha, KS	\$592,780	\$1,207,225	\$8,894	20238%
Chetopa, KS	\$104,251	\$186,071	\$8,456	3433%
Lander, WY	-\$62,632	\$2,755,503	\$13,052	20632%
Sums or Average:	\$634,399	\$4,148,799	\$30,402	15733%
Grand Total:	\$4,783,198			

kind of change. And I didn’t want to change our entire “methodology” of billing without help. Because Carl came recommended by the Association’s RATES Program, which is OUR Association, we felt confident using Carl’s services.

**Brown:** I heard a saying somewhere, “You can’t beat an expert at his own game.” It’s a self-serving saying for an “expert” to repeat, but it really is true. I follow this advice myself.

**Lara:** Our council and mayor were appreciative that Carl’s information was entirely factual. He has nothing to gain by our city making these changes to the way we have been doing business.

**Brown:** Finishing the Lander water and sewer analyses was a milestone for our firm – they were rate analysis numbers 199 and 200. Two-hundred – what a nice number! But we had the next six rate analyses on deck so I had to get back to take care of those folks.

Driving out of town, with a full tank of gas, Lander in the rearview mirror still looked welcoming and comfortable. And once they get that ordinance passed, Lander will be one important step closer to primetime, too.

*Postscript: Following “completion” of the analysis project, the council “choked” on the recommended rate adjustments. Lots of high-volume customers did, too. They told the council so. As a result, the council had Mr. Brown create several alternative rate structures. While some of those “scenarios” resulted in lower increases for high-volume customers, they increased low-volume customers’ bills unfairly. In the end, the council went back to Mr. Brown’s original proposed rates, with slight changes, and will conduct the first of three readings of the proposed ordinances at their next council meeting. Primetime is at hand. The Lander report package can be viewed at [gettinggreatrates.com/](http://gettinggreatrates.com/) under the “Freebies” link.*

Carl Brown is President of [GettingGreatRates.com](http://GettingGreatRates.com) and Carl Brown Consulting, which specializes in water, sewer and other utility rate analysis and do-it-yourself rate setting tools. The firm also serves as the RATES Program rate analyst for the Kansas, New Mexico, North Dakota, Virginia and Wyoming rural water associations. Contact: (573) 619-3411; [carl@gettinggreatrates.com](mailto:carl@gettinggreatrates.com)



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