



Among the responsibilities that public water and wastewater utilities have is the need to maintain rate structures that support the utility and yet are reasonable and fair for customers. That’s a tall order. It’s like trying to please everyone and offend no one. Rate reviews and any necessary rate adjustments can be contentious – and certainly more so, when rates have not been reviewed and adjusted for many years. No one appreciates rate-shock.

Every utility should be comparing revenues versus expenditures on a monthly basis or at the very least annually. However, if expenses are abnormally high, then waiting for the end of the year can be likened to shutting the barn door after the horse has left the barn.

Imagine the local grocery store only looking at any potential profit margin after the end of the year. Or the gas station adjusting rates just one time per year. It may be good for the customer to know that gas prices will remain low for the year, but the business will more than likely be closed after that year. Cost of oil and other expenses that are factors in the

cost of gasoline are too volatile! Those places are businesses that depend on a profit margin to make a living. Expenses may increase the cost of the product offered. Salaries, maintenance, insurance, expansion, audits, taxes and inflation are just part of those expenses. Sound familiar? It should – because every water and wastewater utility deals with the same type of costs.

If the utility is not being operated as a stand alone business, sooner or later it will fail. You may say this cannot happen to a public water or wastewater utility. That would be incorrect. Most cities in Kansas can draw from other accounts to fund the water utility if needed. If there are fund transfers to the water fund, it has just been proven that the water utility fund cannot function as a stand alone business. Rates may not have

been adequate to fund operations, higher than normal expenses may have occurred that required use of all the funds. Some customers may not have been paying their bills. It happens.

Over the years, many water system board/council members have commented, “We are non-profit; we can’t increase rates too much”.

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Twelve most recent water rate reviews conducted by KRWA . . .

System	Present Rates			KRWA Suggested Adjustments				
	Present Base Charge*	Water Provided with Base Charge	Charge per 1000	Suggested Base Charge	Water Provided with Base Charge	Charge per 1000	Base Charge % increase	Charge % increase
City 1	\$18.00	2000	\$4.00	\$22.00	0	\$5.00	22.22%	25.00%
City 2	\$24.50	2500	\$2.15	\$24.50	0	\$3.25	0.00%	51.16%
City 3	\$17.00	4000	\$3.00	\$20.00	2000	\$3.00	17.65%	0.00%
City 4	\$7.00	3000	\$2.80	\$14.00	0	\$4.10	100.00%	46.43%
City 5	\$15.00	0	\$6.42	\$15.00	0	\$6.42	0.00%	0.00%
City 6	\$19.00	2000	\$3.00	\$19.00	0	\$3.50	0.00%	16.67%
City 7	\$14.00	4000	\$1.30	\$16.00	1000	\$1.75	14.29%	34.62%
RWD 1	\$41.00	0	\$4.00	\$41.00	0	\$4.50	0.00%	12.50%
RWD 2	\$27.55	0	\$7.10	\$29.50	0	\$7.60	7.08%	7.04%
RWD 3	\$38.00	0	\$8.00	\$40.00	0	\$9.00	5.26%	12.50%
RWD 4	\$25.00	0	\$3.00	\$25.00	0	\$4.50	0.00%	50.00%
RWD 5	\$20.00	1000	\$3.73	\$22.00	0	\$4.50	10.00%	20.64%

* Note: "Base Charge" is often also referred to as "Monthly Minimum".

Conference sessions address rate reviews . . .

The 52nd Annual Conference & Exhibition sponsored by KRWA will be held March 26 – 28, at the Century II Convention Center in Wichita. There are two sessions focusing on water rates and rate reviews. On Tuesday, March 26, Carl Brown, President of GettingGreatRates.com will lead a five-hour workshop entitled, “Excuse Me, Do You Know The Way To Great Rates?”. This workshop is designed for board/council members and managers and administrators or anyone who is involved in reviewing water rates. Carl will also be presenting a one-hour presentation on Wednesday, March 27 at 2:45 p.m. on “R&R and CIP – It’s Not That Difficult To Do” (R&R is repair and replacement; CIP is capital improvement plan).

Attending these sessions or any other of the nine preconference sessions and 48 concurrent breakout sessions will be a great value for your system. More than 190 Associate Members and state and federal agencies will be available in EXPO Hall to discuss services and products – from consulting and funding to repairs and improvements.



suggested monthly base charge increase was 10 percent for RWD #5. RWD #4 had the highest percentage for the charge per thousand of 50 percent.

What is unique about all these systems? None of them asked “What are the neighboring cities or RWDs charging?” Each of the systems seemed to understand that to adequately and fairly fund their operations, they needed to determine what the rates should be based on their own expenses and needs for their customers.

Six of the 12 systems had not adjusted or even reviewed rates for more than five years. They seemed somewhat surprised that they should make increases to the extent suggested by KRWA. The point is that if the city or RWD are not at least reviewing rates annually to ensure that the rates are adequate, then they are only hurting their customers in the long run.

KRWA conducts basic rate reviews at no charge for water systems. I primarily am responsible at KRWA for gathering the necessary information – and in cases, trying to make sense to understand the various expenditures and how the city or RWD is categorizing expenses.

In late January, I reviewed the results of a dozen of the most recent rate reviews that KRWA conducted in 2018. It was interesting to see the percentage of increase that the system could (or should) make to cover expenses and allow for funds to be set aside in a reserve account or capital improvement fund.

Of the seven cities reviewed only one system had a rate that was adequate to fund the operation; no changes were suggested for that system. Interestingly, that was the only system that did not provide any water with the monthly base charge. The largest impact on rates was for City #4. KRWA provided the options which included that the city increase the base charge 100 percent and the charge per thousand gallons by 46 percent. Also removing the free water provided with the base charge was suggested. For City #2, KRWA suggested an increase in the cost per thousand of 51 percent however, the base charge was adequate and no changes were needed there.

The five rural water districts on the average would not have to increase rates at a higher level than the cities. The highest

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