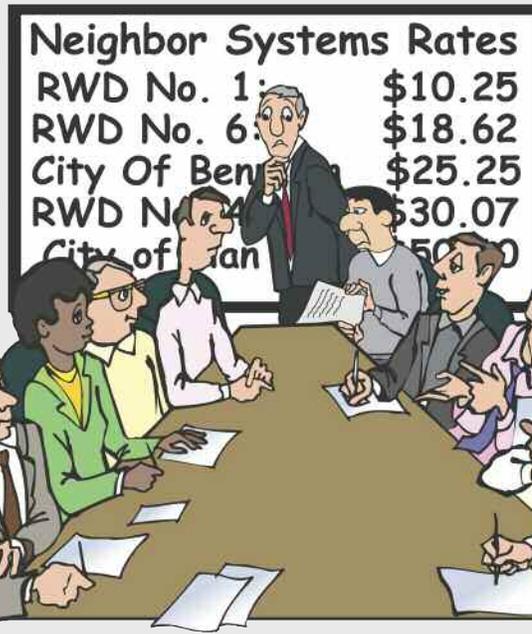


# Don't Base Rates on What Neighboring Systems Are Charging

In my more than twenty years of working in the water and wastewater industry I have come to realize that governing bodies of public utilities often fall into a trap when it comes to setting water or wastewater rates. If you want to get my blood pressure up, just say these words: "What are our neighboring systems charging?". What a neighboring system is charging should not be a consideration in any other community's or rural water district's rate structure, that is unless your system is purchasing water from that neighbor.

Kansas Rural Water Association has hosted rate setting training sessions yearly since the association was formed. You won't find in any of the materials that were presented



Graphic by Linda Windler.

that you should base your rates off of neighboring systems' rates. Each system has its own operating costs that can vary widely. Its obvious that a ground water system that only has to chlorinate is going to produce water at a lower cost than

a system that has surface water and has to operate a treatment plant. The same goes for wastewater. If your system has non-discharging lagoons and total gravity flow will be much less cost to operate than a system with a mechanical treatment plant and lift stations.

The normal considerations need to be given when looking at rates such as fixed operating costs and variable costs. Those costs vary widely throughout the state and thus need to be looked at specifically for each system. Labor costs vary greatly too, but what perhaps is often overlooked is system efficiency. When a system is first constructed, pumps are working at their peak efficiency. As pumps age they loose efficiency and in turn result in increased pumping time and increased cost of operation. Often



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overlooked too is something as simple as a review of the electric rates you are paying for pumping your water. Is your system paying the proper rate, and if your system is tax-exempt has the tax been removed from your bill?

I encourage readers to check the other articles about rate setting in this issue on page 12 and on page 60.

### Reviewing electrical systems and costs

I would venture to say that most systems in Kansas do not give enough attention to the energy efficiency portion of a rate review. This is where Kansas Rural Water Association can be of assistance. Under a new contract through National Rural Water Association funded by USDA Rural Development, KRWA has a new program that allows staff to come to your water or wastewater system to review the energy use and past billing cycles. They will also examine your equipment and collect readings and compare those to the original design specifications and determine if there are measures you can take to lower operating costs.

There is no charge for this energy efficiency review. All your system needs to do is call KRWA to schedule the review. After the review is completed a report will be given to your system that will give suggestions on improvements. Your Kansas Rural Water Association also offers at no cost

**The key to accurate rate setting is sifting through all the data and coming to a final per thousand gallon cost.**

rate reviews in which KRWA staff will review all operating costs and suggest several rate structure options based off of the review. The key to accurate rate setting is sifting through all the data and coming to a final per thousand gallon production cost.

Rather than asking my pet peeve question “What are our neighboring systems charging?”, it is perfectly fine to ask “What is our neighboring system’s per thousand gallon production costs?” – and use that as a benchmark to compare your productions costs to. Many times systems should focus on lowering production costs, making their system more efficient and reducing unaccounted water loss and you can have a greater impact on your cash reserves than by simply increasing water rates! Sometimes reconstructing debt is a way to reduce costs. I encourage you to contact KRWA staff – they have the experience about system operations to help you determine what rates need be.

*Paul Froelich is City Superintendent at Enterprise, Kansas. Since 1983, he has worked extensively in law enforcement, emergency management and municipal operations. He holds numerous accreditations in Emergency Management and Fire and is a certified water and wastewater operator.*





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