

A “RATES Program” Update

First, a bit of context. Think about your utility’s service quality, sustainability, and manageability.

Service quality can only be as good as the funding available to pay the utility’s costs. Sure, for a short while, you can “do more with less,” but eventually, you will do less with less. (Well, sometimes not.) Going the “with less” route forces managers and operators to do things they should not:

- ◆ Postpone upgrades, maintenance, and repairs,
- ◆ Eliminate upgrades, maintenance, and repairs,
- ◆ Eliminate staff, or
- ◆ “Hold the line” on staff pay raises and benefits. That also works to eliminate staff.

None of these make for good service quality.

Sustainability is being able to do everything needed to provide high-quality service just about forever. Of course, nothing “man” builds will last forever. But we do want our utilities to serve us well and for a very long time.

Manageability of the system must be there to achieve sustainability. If the system is unmanageable, you will be unable to keep good staff running it. Who wants to run an unmanageable system? On a related note, you lose good staff and service quality. Then ratepayers become

“Do more with less?” Sometimes you can sustainably do that.

One way is to up your management and operations performance to the advanced asset management level. The catch? It requires using advanced technology. That costs money. Thus, the “with less” part usually stops systems from moving up to advanced asset management.



Rate Analysis and Training for Environmental Systems
“RATES” is a joint effort of the Colorado, Kansas, Nevada, New Mexico, North Dakota, Virginia, and Wyoming rural water associations and GettingGreatRates.com. To learn about the program, visit <https://gettinggreatrates.com/>.

unmanageable. And those folks can get you fired or unelected real fast. You, personally, are probably planning to be more sustainable than that.

So how does the RATES Program enable you to accomplish all this?

RATES helps utilities arrive at adequate rates to accomplish what they need to do and, bonus points, do it with fairly structured rates. RATES is a collaboration between the Kansas Rural Water Association (KRWA) and GettingGreatRates.com (GGR). Get both and you set yourself up to get high service quality, sustainability, and manageability.

The statistics show that GGR’s service usually generates a financial return of more revenue. Thus, return on investment (ROI) is important. Table 1 summarizes some RATES Program averages. The bottom line is for each dollar paid to GGR, these utilities have or will net an additional \$300, on average. As Wall Street would like to say, “We gave you a 30,000 percent ROI.” Wall Street cannot say that. We can.

2,805	Average Number of Connections
\$1,983,941	Average Revenue Increase per Utility for First 5 Years After Analysis
\$6,610	Average Fee Paid by Each Utility
\$2,203	Average Discount Given to Each Utility
\$300	Average Extra Revenue Generated in the First Five Years by Each Fee Dollar Paid

We only recommend rate (revenue) increases when needed, but that is nearly always the case.

How could you spend an extra \$300,000 or so additional every year? Would you do those improvements the system needs? Would you up your asset management performance? Would you pay good operators well and keep them around?

Your utility probably does not serve 2,805 connections (Table 1). That’s okay. Size of clients in the RATES Program has ranged from 91 connections for the smallest (Ranchos de Placitas Water and Sanitation District, N.Mex.) to 30,733 for the largest (Manhattan, Kan.).

Ah, we’re not just talking about Kansas, are we? GGR does this same program with six other state rural water associations, so the tables show data from all those states. Consider more data.

Inadequate water and sewer rates and revenue get top billing in the press. In our experience, those utilities are better funded than most other utility types. Still, most of GGR’s small water and sewer utility clients have gained or will gain \$20,000 or more in net revenue each year. That is a big deal to them. Table 2 drills down into returns by type of utility.

Table 3 slices the data based on sponsoring rural water associations. Here you can see how your “team” is doing.

- ◆ Kansas started the first RATES Program in 2012. With thousands of water and other utility systems in Kansas, KRWA has the most systems in the program and the highest revenue increases. Think KU basketball, a tradition of winning.

Table 2: Increase in Revenues by Utility Type

Utility Type	Number of Analyses	Revenue Increases		
		Annual Average per Utility	5-year Average per Utility	5-year Total, All Utilities
Water	51	\$372,681	\$1,863,403	\$95,033,559
Sewer	36	\$347,924	\$1,739,619	\$62,626,275
Stormwater	2	\$641,337	\$3,206,686	\$6,413,372
Electric	3	\$1,138,147	\$5,690,736	\$17,072,209
Trash	5	\$402,762	\$2,013,812	\$10,069,060
Landfill	1	\$642,352	\$3,211,762	\$3,211,762
Totals and Averages	98	\$396,788	\$1,983,941	\$194,426,237

- ◆ Wyoming joined in 2013. With only a few hundred utility systems in Wyoming, WARWS is a close second to Kansas. Think, “It was a weight-class victory.”
- ◆ At the other end, Nevada just signed on in October 2022, so having zeros is understandable. Think, “It’s their redshirt season.”
- ◆ Also with zeros is North Dakota. But there, Eric Volk, Executive Director of NDRWSA, does rate studies himself. He only uses GGR as backup should he need help or advice. This time don’t think sports, but Indiana Jones, the one-man-solve-any-problem guy. But notice that “Indy” keeps “Short-round” on standby just in case he gets into a jam.

You may think, “Wow, look at all the systems helped and the extra revenue they are getting.” Yes, but... I estimate there should be 10 to 20 times more rate analyses done every year nationwide than are being done now, with

commensurate extra revenues. In the United States, we are way behind in the setting-proper-rates game. Why else would our infrastructure be getting “C” and “D” grades? Our asset management performance is, well...

Could the RATES Program improve your utility’s service quality, sustainability, and manageability? Not directly. But extra revenue and fair rates could set you up to win the asset management game.

Table 3: Results for Each Participating Rural Water Association

Rural Water Association	Analyses	Revenue Increases		
		Annual Average per Utility	5-year Average per Utility	5-year Total, All Utilities
Colorado	5	\$236,331	\$1,181,656	\$5,908,279
Kansas	38	\$405,858	\$2,029,290	\$77,113,017
New Mexico	4	\$305,147	\$1,525,736	\$6,102,943
Nevada	0	\$0	\$0	\$0
North Dakota	0	\$0	\$0	\$0
Virginia	17	\$477,307	\$2,386,533	\$40,571,064
Wyoming	34	\$380,770	\$1,903,851	\$64,730,933
Totals and Averages	98	\$396,788	\$1,983,941	\$194,426,237

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