What’s in your Rate Case?
Preliminary Survey Results on Utility Rate Cases in the U.S.

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Objective
Identify and develop communication strategies, specific messages, and tools that can be used to gain support during their rate approval process.
Project Team
The Scope of the Research Efforts

1. Research literature related to the rate approval process
2. Interview utilities and governing boards and convene focused webinars
3. Survey of local government water utilities
4. Develop a messaging strategy and communication framework
5. Create some tools to support successful communications
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Survey Research Questions

• What do elected officials care about (regarding water utility rates)?
• What messages work?
• How does public involvement impact the process?
• What role does context play?
  – Frequency and type of meetings
  – Size of board
  – Size and location of community
  – Rate study process
  – Existing rate structure
  – Size of rate request
Preliminary Survey Results

Chief Administrative Officers (CAOs)

6,194 surveys mailed
1,308 completed surveys
(935 of which manage and set rates for a water utility)

Chief Elected Officials

6,194 surveys mailed
379 completed surveys
(166 of which manage and set rates for a water utility)

...as of June 30\textsuperscript{th}...
Rate Adjustment Requests
(n=789 CAOs)

• One request made (69%)

Min: -20%
Median: 5%
Avg: 9%
Max: 154%

• Range requested (21%)
• Other (10%)

Preliminary results; do not quote.
In your professional opinion, which statement below best describes the water rate increase that was proposed to the local government governing body for approval? (n=920 CAOs)

Below what was needed to maintain basic operating needs

Rate that was sufficient to address basic utility obligations, but not most capital needs

Provided revenues to maintain a strong fiscal condition and meet most capital needs

Beyond what is needed in coming year to help avoid another rate increase for a few years

Other

Preliminary results; do not quote.
Was a rate adjustment approved for water services? (n=893 CAOs)

Yes

No

Preliminary results; do not quote.
Do you think that your current rates are at a level that best meets the needs of your water utility/department? (n= 152 Elected Officials)

Preliminary results; do not quote.
Do you think that your current rates are at a level that best meets the needs of your community? (n= 150 Elected Officials)

Preliminary results; do not quote.
Public participation in the last rate increase

Preliminary results; do not quote.
In your opinion, the extent of resident involvement in the last rate adjustment request was:
(n=151 Elected Officials)

- Too Much
- Insufficient
- Neutral: didn’t help, but didn’t hurt
- Sufficient

Preliminary results; do not quote.
Messenger: Who had primary responsibility for presenting the rate case? (n=927 CAOs)

Preliminary results; do not quote.
Top 6 (out of 15) issues in the governing board’s decision concerning rate adjustments (ranked as very important or important)

1. Long-term impact to the utility's financial condition (91% CAOs; 95% Elected Officials)
2. Long-term impact to the utility’s physical condition (85% CAOs; 96% Elected Officials)
3. Immediate impact to the utility’s financial condition (84% CAOs; 93% Elected Officials)

continued….

Preliminary results; do not quote.
Top 6 (out of 15) issues in the governing board’s decision concerning rate adjustments (ranked as very important or important)

…continued

4. Immediate impact to all customer bills (84% CAOs; 85% Elected Officials)
5. Long-term affordability of water for residential customers (83% CAOs; 89% Elected Officials)
6. Need to easily explain the need for rate adjustment (83% CAOs; 80% Elected Officials)

Preliminary results; do not quote.
Most useful information that was shared with governing body (per 912 CAOs)

1. The financial condition of the utility (75%)
2. How much the “average residential bill” would change (74%)
3. How changing circumstances affect finances (72%)
4. Anticipated capital expenses (70%)
5. The physical condition of the water utility (54%)

Preliminary results; do not quote.
Least shared information
(Percentage of utilities that did not share information, n= 912)

1. Comparison of adjustments of water rates against other services (65%)
2. Assessment of how proposed rates compare to customers’ incomes (61%)
3. Bond covenants (56%)
4. Project impact of rate adjustment on customer demand (53%)
5. Multiple rate scenarios (51%)

Preliminary results; do not quote.
Trust?
Strategy #1: Reach Out – Often!

Communication Outreach

Plan → Prioritize → Analyze → Present
Strategy #2: Link Request to a Need

- Minimal Short-Term Impact
- No Immediate Negative Consequence

Significant Long-Term Impact

- # of Pipe Brakes/Year
- Risk Profile
- Maintenance Cost
Strategy #3: Collaborate to Build Trust

Collaboration Building Utility Pricing Model

- Stakeholder Meetings and Working Sessions
- Sharing of information
- Buy-in and acceptance
Other Strategies
Mind Map from Communications Workshop

- Work though stakeholders
- Communicate with elected officials, even if they are not on our board
- Retail and wholesalers work together
- Engage Citizens
- Find a champion
- Partner with media
- Communicate authentically
- Address affordability
- Be relevant
- Communicate succinctly
- Address utility cost efficiency
- Anticipate individual impacts
- Make relevant comparisons
- Make relevant connections
- Economic development (e.g., El Paso and Fort Bliss)
- Reliability (really important)
- What is more important for economical development?
  - Low rates or water resource availability and reliability?

- STRATEGIES
- Communicate about projects and their impact on rates
- Small and frequent rate increases
- Engage board and stakeholders in all stages of the process
  - Planning
  - Prioritizing
  - Analyzing
  - Presenting
- 5-year rate plan
- Maintain on-going dialogue/No Surprises
- Consider timing
- Answer the “what if” questions
  - In credit rating for board
  - In borrowing costs for customers
Messages that Resonate

Water utilities are critical to the quality of life

Charlotte-Mecklenburg Utilities
Messages that Resonate

We are committed to efficiency

Ten Year Financial Plan for Your Wastewater System

Protecting Our Valuable Infrastructure

The quality of life, health, safety and economic vitality of our communities depend on clean water, and sewers and treatment facilities that work.

Our systems are getting older by the day—putting our communities at risk for breaks, spills, odors and other major problems.

Treatment plant facilities have an expected 30-year life and sewers around 80 years. Based on the current budget, we can only replace them every 168 years.

We must invest in maintaining and upgrading our sewers and treatment plants!

Doing More with Less

- 125,000 sewer pipes (5,900 miles) cleaned annually
- 800 miles of sewers inspected using closed circuit television (CCTV) each year
- 60 miles of aging and deteriorated sewers restored annually
- 350 million gallons of wastewater treated daily to meet federal and state clean water quality standards
- No sewer rate increase for 14 out of the past 30 years
- Sewer spills reduced by 80% since fiscal year 2001
- Citywide, sewer related odors reduced drastically
- With increased efficiencies, reduced staff by 98% since 1994; 14% in the last 3 years
- Cut operating costs by $97 million in the last two years
- By tightening our belts, we have been able to meet our obligations

City of Los Angeles Department of Public Works/Bureau of Sanitation

http://efc.sog.unc.edu
@EFCatUNC
Messages that Resonate

Water is lower in cost than other essentials

The Best Deal Around

On average, a gallon of tap water in the San Diego region costs less than two-thirds of a cent per gallon. When compared with the cost of other products we use every day, tap water is the best deal around.

A Gallon of TAP WATER

$0.0065

A Gallon of
$16.00

A Gallon of
$6.75

A Gallon of
$4.10

A Gallon of
$3.29

The Association of California Water Agencies (ACWA)
Messages that Resonate

We are responsible for upkeep

The average homeowner spends around 2% of their home’s value on upkeep annually.

San Francisco Public Utilities Commission

We do too... but we have a bigger house.

Los Angeles Wastewater System
Value: $20 billion
2% annual upkeep
2% of $20 billion = $400 million
The Anticipated Research Outcomes

1. Identify factors most critical to a successful rate case
2. Lessons learned about messages that resonate and build support
3. Create a bank of communication strategies and messages
4. Develop materials to educate governing board members
5. Develop self-assessment interactive tools
Thank you!

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