Alliance for Water Efficiency Launches Financing Sustainable Water Initiative to Help Water Managers Build Better Rates

New Handbook and Rate Model help create rate structures to support revenue stability and sustainable resource management

Chicago, Ill., Aug. 27, 2014 - The Alliance for Water Efficiency (AWE) has launched Financing Sustainable Water, an initiative created to help water managers build better rate structures that improve revenue stability, yet encourage resource efficiency. Aimed at combatting the common misperception that conservation makes rates rise, the Financing Sustainable Water initiative was designed to provide helpful tools and data to water managers, elected officials, and consumers.

Water utilities nationwide are experiencing revenue losses due to declining water demand, installation of more efficient plumbing fixtures and appliances, volatile weather patterns and economic shifts. Water use has dropped significantly in the past several decades, and per capita consumption is at a level not seen since the mid-1950s. Sixty percent of utilities polled nationwide reported selling less water in 2012 than in 20061, while the costs to repair and develop new critical water infrastructure are estimated at approximately $1 trillion over the next 25 years2.

“Declining water use is actually an important accomplishment, and efficiency remains the most cost-effective way to stretch our current water supplies for growing populations and ensure that expensive new reservoirs, wells and treatment plants do not have to be built. However, utilities are becoming hesitant to invest in efficiency due to the short-term revenue challenges,” said AWE President and CEO Mary Ann Dickinson. “This ignores the long term benefit to the ratepayer. The solution is to plan for the financial effects of efficiency and design rate structures that both collect sufficient revenue to cover costs and incentivize the customer to use water wisely.”


Managers can also download the new AWE Sales Forecasting and Rate Model, which is the first-ever public domain rate model to incorporate the principles of probability management into rate making. Users can model various rate changes and alternative rate structures to better understand the effects on revenue and water demand. By incorporating historical weather data, drought management plans, and growth projections, users can also simulate the revenue risks of diverse scenarios that may occur over a five-year horizon. Users in water-strained areas can also model the impact of drought rates or use the model to identify drought rates that achieve revenue neutrality.

1 AWWA-RFC Water and Wastewater Rate Surveys in 2006 and 2012
“Water utilities are facing a changing landscape in which unpredictable weather patterns and economic forces can dramatically affect their sales,” said Dickinson. “Managers need better, more accurate data to make sound ratemaking decisions. These new tools are designed to incorporate the uncertainty and risk water managers must deal with into rate analysis.”

The Alliance for Water Efficiency began developing solutions for utility managers following a 2012 national Summit on Declining Water Sales and Utility Revenues, which convened 30 utility managers, economists, rate consultants and academics to discuss industry challenges. The Financing Sustainable Water website also provides case studies on successful utility ratemaking and financial planning, and a Resource Search to help managers find relevant research, reports and tools. There is also specific guidance for groups involved in ratemaking, such as elected officials and water customers. This initiative was made possible through support from the California Water Foundation, The Walton Family Foundation, The Johnson Foundation at Wingspread, and the Water Research Foundation.

Additional information on cost-effective conservation programs and other topics related to sustainable water management can be found at www.allianceforwaterefficiency.org.

About the Alliance for Water Efficiency

The Alliance for Water Efficiency (AWE) is a nonprofit organization dedicated to the efficient and sustainable use of water in North America. Working with more than 400 water suppliers, business and industry, regulatory and advocacy organizations, AWE delivers innovative tools and training to encourage cost-effective water conservation programs, cutting-edge research, and policy options necessary for a sustainable water future. For more information, visit AWE’s web site, like AWE on Facebook, join the discussion on LinkedIn and follow AWE on Twitter @A4WE.

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