Financing Sustainable Water Workshop
Colorado
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Let us help you get your customers onboard with sustainable service delivery.
New Choices for Water Rates Management
Charging for water services is complicated
How should you budget for the “wear and tear” on your water infrastructure (aka “asset renewal”)?
If you undercharge, water services eventually fail...
“Wear And Tear” In Accounting Terms

Accumulated Depreciation

Annual Amortization (Depreciation)

2017

Net Value

10 years in service

40 years left

Wear and Tear?
Annual Cost of Sustainable Ownership (ACSO)
Asset Replacement Schedule (ARS) – 100 Year Projection

WATER
100 Year Estimated Annual Replacement Cost by Asset Category
(not adjusted for inflation)
100 Year Projection Of Asset Renewal Expenditures ($)

- Asset Renewal $$
- Average ACSO
- Depreciation
- Current ACFAR
Say $300,000 ACFAR increased by 2% annually for 100 years, then...

Growing Political Problem!
But...if you are even **seen** to overcharge, you may face community and political backlash.
Public Participation and Support

Utilities must build external support for the rate structure among a diverse group of customer stakeholders — residential, industrial and commercial — elected officials, and community groups, such as ratepayer advocacy groups and environmental groups.

The value of public participation in formulating policies has become increasingly important. Involving customers and other stakeholders in the initial stages of rate revisions conveys the message that customer concerns will be taken seriously. A community that feels responsible for the stewardship of its water resources and has an opportunity to shape the management of those resources is more likely to be receptive to and supportive of difficult decisions that ultimately benefit them. Below are tips for utilities...
Need greater increases to ACFAR but, ...

Should increase ACFAR gradually to avoid rate shock!
Lasting Community Support
Take-Away Messages

- Understanding full costs is a key first step in rate design
- Current accounting methods might not be reflecting full costs
- There are many tools to help get the community onboard with sustainable service delivery
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