

CONSERVATION RATES

Background

In 2008, *Minnesota Statutes*, section 103G.291, was amended to include a requirement for public water suppliers serving more than 1,000 people to adopt a water rate structure that encourages conservation. In general, the statute was amended to ensure that the price of water was not incrementally reduced with increased use. Public water suppliers without the proper measuring equipment to track the amount of water used by its customers, as of the compliance date of the act, are exempt from this requirement.

Conservation rate structures are defined as rate structures that encourage conservation, and include increasing block rates, seasonal rates, time of use rates, individualized goal rates, and excess use rates. Conservation rates must consider each residential unit as an individual user in multiple-family dwellings. Conservation rate structures should have the following goals: reduce daily peak usage, reduce seasonal peak usage, and reduce total system demand.

Benefits of Conservation Rate Structures

The community benefits from water conservation rates include communicating an overall conservation consciousness and rewarding efficient users. Utilities benefit as water efficiency reduces routine operating costs and delays the need for water supply, treatment, and distribution system expansion.

Determining Which Conservation Rate Structure is Right for Your Utility:

Many factors must be taken into account when deciding upon a conservation rate structure to best meet a utility's needs. Three key issues are the relative impact on specific users or user classes, the effects of conservation rates on a utility's revenues, and their actual effectiveness in reducing water demand. Comprehensive rate design can help utilities achieve price equity among customers, minimize potential for litigation, maintain revenue stability, and promote water conservation.

Examples of Conservation Rate Structures:

Increasing Block Rates – The cost per unit of water increases as the water use increases beyond specified amounts. While a service fee may be charged, no volume of water is included with the service fee.

Seasonal Rates – Rates are typically higher in the summer to discourage excessive outdoor water use.

Excess Use Rates – The charges are based on customized water budgets or allocations for customers. Usage above an established level is charged a discouraging amount above regular rates. This is similar to the Increasing Block Rate structure; however, the additional cost is typically more significant.

Time of Use Rates – The rates charged during peak usage times are increased over standard rates. A user may agree to limit water use during established times in order to minimize cost.

Individual Goal Rates – This structure is based on customer specific allocations of water. Typically, the allocation is based on winter use and usage above the customer specific allocation is charged at a higher rate.

IMPORTANT DATES

Public Water Systems in the Minneapolis Metropolitan Area, Serving > 1,000 People
Compliance Date: January 1, 2010

Public Water Systems Outside of Metropolitan Area Serving > 1,000 People
Compliance Date: January 1, 2013



If you have any questions regarding Conservation Rate Structures and deciding which rate structure best fits the needs of your utility, please contact Grant Meyer in our Minneapolis office at (763) 463-5036 or by email at Grant.Meyer@ae2s.com.