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Five Myths About Water Pricing Dispelled in a New Report Released by Water Infrastructure Finance Authority

PHOENIX (October 24, 2014) – Feel like you’re being charged too much for water? Or, maybe you think that water is actually too inexpensive. Water pricing is a hot and important topic in Arizona, and both views certainly exist. A report recently released by the Water Infrastructure Finance Authority (WIFA) of Arizona and the Environmental Finance Center at the University of North Carolina at Chapel Hill (EFC) examines these ideas and addresses five common myths about water pricing.

The research summary report, *Water and Wastewater Service Pricing in Arizona: 2013-14 Rates Survey Results*, details the results of a survey of drinking water and wastewater (sewer) rates and rate structures conducted by WIFA and the EFC. Rates and rate structures are analyzed for utilities throughout the state so anyone can compare water and wastewater rates, learn how much utilities are charging, and begin to understand the complexity of water pricing.

For many years, WIFA has conducted an annual residential rates survey with two objectives – to provide data and information to assist utilities with their pricing efforts, and to help WIFA, and other financing agencies, assess rates and rate trends statewide. This year’s report analyzes residential and commercial drinking water and wastewater data from 376 utilities. The report contains data from nearly 90% of Arizona’s water/wastewater utilities, and covers 95% of Arizona’s population of rate payers.

In addition to the detailed examination of current statewide pricing and financial trends, the report also examines five myths and helps to set the story straight.

MYTH #1: Higher rates are bad.

FACT: Higher rates do not necessarily reflect poor or inefficient management. Appropriate water pricing is essential to support the infrastructure we need to transport, treat and distribute water to ensure safe drinking water and proper wastewater treatment. Pressure to maintain low rates has the potential to force utilities to run at a deficit or avoid making necessary operational and capital improvements.

MYTH #2: Comparing rates is simple.

FACT: Two neighboring utilities with similar customer bases may have very different costs due to geographic location, size of treatment facilities, age of assets, site-specific regulatory requirements, type of water supply, and quality of source water and receiving waters. If your rates are higher or lower than your neighboring community, there may be a logical reason for that. Comparing rates among utilities is really just a starting point for a more in-depth analysis. In Arizona, and the southwest particularly, utilities must weigh all these variables together to manage an increasingly limited and uncertain water resource portfolio.

MYTH #3: Pricing is simple.

FACT: Utilities have to consider all aspects of pricing to determine if their rates are set to truly reflect their costs (see Myth #2). Utilities must be adaptive and flexible to serve their specific needs as they evolve in time, rather than maintaining outdated rate structures or copying their neighbor's rate structure.

MYTH #4: Promoting conservation requires increasing block rate structures.

FACT: It is a commonly-held belief that charging higher rates for higher water use (increasing block rates) is the only logical way to promote water conservation. But other types of pricing structures can also encourage conservation. The report shows that some utilities with simple rate structures, such as uniform rates, send customers stronger conservation price signals than other utilities with increasing block structures.

MYTH #5: Water and wastewater services are cheap and affordable, or conversely, water is too expensive.

FACT: The report shows that the price for water across the state of Arizona is relatively low compared to other parts of the country. Drinking water, despite being a necessity, is relatively cheap in regards to its importance. At around \$0.005 per gallon from the tap, it is astoundingly cheaper than, say, a gallon of gas, yet is vastly more important. However, there are still households across the state where the price of water and wastewater service poses a significant financial burden for lower income customers.

To supplement and enhance the report this year, WIFA and the EFC have produced comprehensive water and wastewater rate tables, rate sheets of individual utilities, and an interactive, online Rates Dashboard. The dashboard is a user-friendly tool that allows users to compare residential rates among groups of utilities and analyze the affordability of services and the financial sustainability of Arizona's utilities.

Together, these resources help answer some pressing questions: How affordable are water and wastewater services? Are water companies' pricing signals helping to encourage conservation? Do utilities in Arizona have the means to maintain vital infrastructure?

For more information or to access these resources, please visit WIFA's website at www.azwifa.gov or the EFC's website at www.efc.sog.unc.edu. WIFA is a state agency dedicated to protecting public health and promoting environmental quality through funding and technical assistance programs. The EFC works to enhance the ability of governments and other organizations to provide environmental programs and services in fair, effective, and financially sustainable ways.

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