



Smart Management for
Small Water Systems

Rates and Finance Workshop for Small Water Systems

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www.efcnetwork.org



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Association

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AFFORDABILITY



Making the Case for Considering Affordability



Altruistic Reasons

- *Wanting to help folks!*
- Caring about your customers



Your Bottom Line

When customers have trouble paying their bills, there is a cost to the utility, in the form of:

- Arrearages
- Late payments
- Disconnection notices
- Terminating the service
- Fielding calls from the delinquent customers

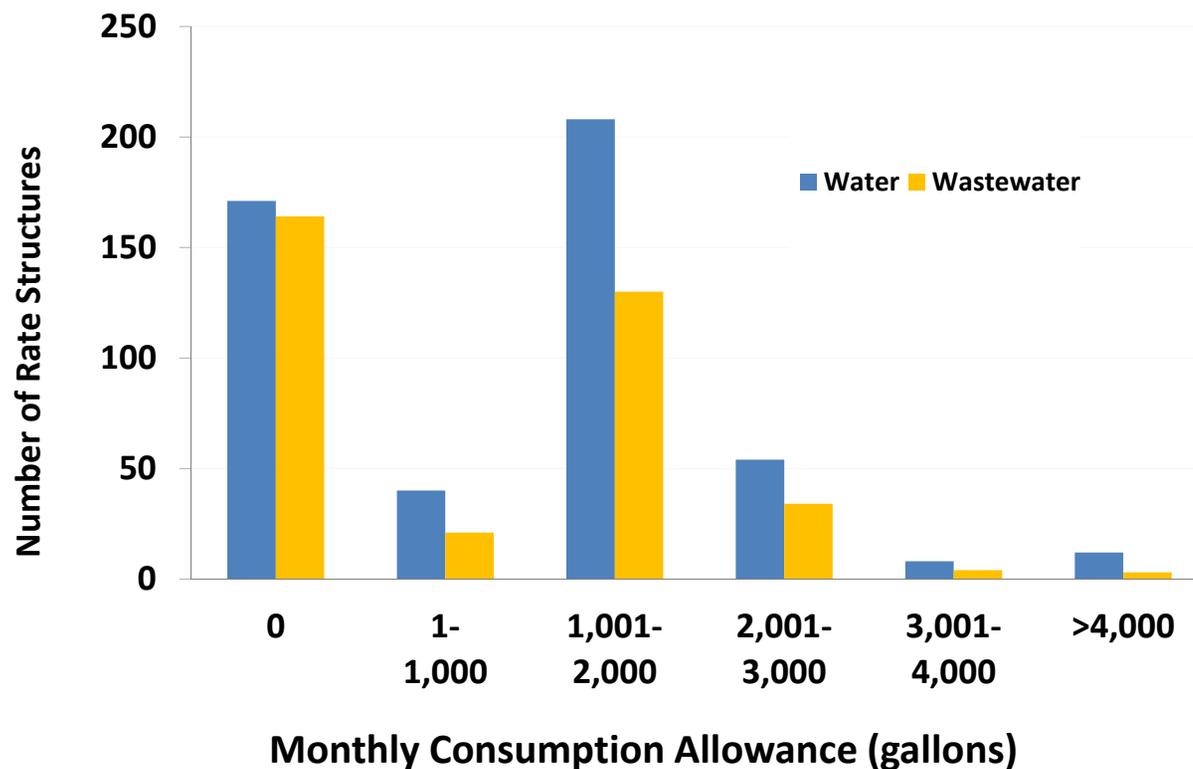


Concept of Lifeline Rates

- “Providing a minimal amount of water, at a reduced cost to all customers, regardless of income level or ability to pay”
 - Source: AWWA Manual M1
- Often some consumption is included in the base charge



Consumption included with Base Charge for Residential Customers among 462 Water and 342 Wastewater Rate Structures



Source: Water and Sewer Rates and Rate Structures in Georgia September 2016, by GEFA/EFC

Slide compiled by UNC EFC



National Affordability *Guidelines*

- Safe Drinking Water Act established special assistance in those communities that have an average residential bill of over 2% of MHI
- USDA has a program to provide funds for water and sewer systems. Loans are made for projects where the residential water bills are 1.5% of MHI.
- National “Water Affordability Programs” report: affordability programs should be based on a measure of 2% of income for poor households, rather than using MHI.



Types of Affordability Programs

Options facing payment-troubled customers

	Percent	Number
Payment plan to allow customer to pay amount over time	76%	231
Customer referral to private, nonutility agency	54%	163
Customer referral to a local gov. agency for assistance	49%	149
Education	35%	105
In-home conservation assistance	25%	76
Special billing arrangements	21%	64
Change in the rate customer is charged	8%	24
Other	8%	24
One-time bill credit from utility funds	3%	8

2010, Best Practices in Customer Payment Assistance Programs, Water Research Foundation #4404



Eligibility Verification – Common Practices

- Partnering with another organization that focuses on low-income
- Proof of eligibility in related programs, such as:
 - LIHEAP (Low Income Home Energy Assistance Program)
 - AFDC (Aid to Families with Dependent Children)
 - SSI (Supplemental Social Security Income)
 - Medicaid
 - Food stamps
 - Local property tax assistance; and
 - Other utilities (electric, natural gas, telephone, offer discount programs based on income)

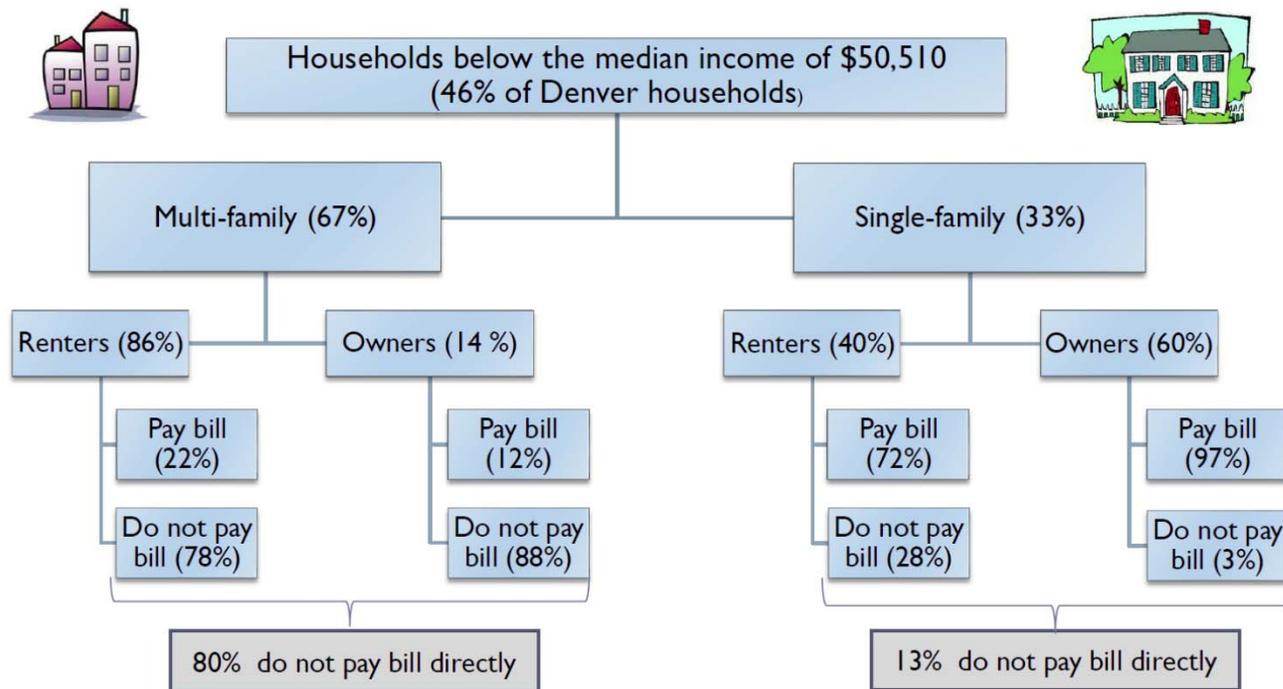


Program Outreach and Monitoring

- After getting an affordability program approved and funded, low participation rates can be an anticlimax
- Getting the message to low-income customers is critical
- Common outreach mechanisms are:
 - Bill stuffers
 - Public meetings
 - Community fairs

Affordability Challenges and Customer Assistance Programs for Multi-family and Other Hard-to-Reach Customers (WRF #4557)

Local Snapshot: Denver, Colorado
58% of Households Below MHI Do Not Pay Water Bill Directly





Business Case for Creating Affordability Programs

- When customers have trouble paying utility bills, **costs to the utility include:**
 - increased arrearages
 - late payments
 - disconnection notices, and
 - service terminations
- Buyers of utility bonds also get nervous



Funding Sources for Affordability Programs

- Revenue generated directly from customer rates (not an option in some states)
- Voluntary contributions (e.g. bill round-up)
- Rental income from cell phone and internet providers that rent use of the water utility's towers/tanks
- Service line protection programs



Understanding the Cost Impact

- How much does a customer assistance program cost?
 - 1-2 % of total user charge revenues, in some cases
- *Customer Assistance Program Cost Estimation Tool:*

- to help utilities assess the costs and benefits of a customer affordability program in their service area

<http://www.efc.sog.unc.edu/reslib/item/water-utility-customer-assistance-progr>

Water Utility Customer Assistance Program Cost Estimation Tool

Developed by the Environmental Finance Center at the University of North Carolina, Chapel Hill for the Water Research Foundation (Project #4388)

Version 1.0
Updated October 10, 2011

[Click here to access a version of the tool.](#)

What are Water Utility Customer Assistance Programs?
To help residential customers with low or fixed incomes pay water and wastewater bills they cannot afford, some utilities have set up customer assistance programs. Customer assistance programs pay their utility bills. For the purpose of this tool, customer assistance programs are programs that can be used to pay the bill and that can be used to pay the bill and that a customer bill when the customer cannot pay the bill cannot afford to pay the bill. Customer assistance programs can be organized and administered in a variety of ways by different types of organizations, and can be funded through donations, fee-for-service programs, grants, or a variety of other sources.

What are the Objectives of this Tool?
The tool helps a water utility calculate a rough, ball-park estimate of the annual cost of having a new customer assistance program. It assumes that only residential customers with annual household income below a certain threshold are eligible to participate in the customer assistance program. The customer assistance program is set up to provide each participating customer with a certain amount (percentage) of financial assistance equal to a percentage of the utility bill. The amount of their water and wastewater bills that they cannot afford to pay. The maximum assistance amount and the income threshold, which is based on current water/wastewater rates and a target percent of household income, are set by the utility or their rate payers.

How Does the Tool Work?
The utility enters in key information on its current rates, maximum annual assistance per customer (largest income threshold), which assumptions and the various distribution of bills (service area using 100% Service Area bills and 100% bills). The tool then estimates how much low-income customer assistance programs would cost the utility to fund each year. The costs are estimated as a range based on low and high bill to account for an assumed range of financial assistance provided to the participating customers.



Compendium: Customer Assistance Programs (CAPs)

- Funded by EPA Water Infrastructure and Resiliency Finance Center (WIRFC)
- Developed a compendium with examples of different types of water/wastewater CAPs across the U.S.

