Avoiding Revenue Erosion with Water Conservation

Is It Even Possible?

"Water conservation, when properly planned, should help reduce overall costs for water utilities," said Mary Ann Dickinson, President and CEO of the Alliance for Water Efficiency, a non-profit organization dedicated to the efficient and sustainable use of water, during her presentation at the CWWA/CTAWWA Fall Conference.

"Every gallon saved is water that does not have to be pumped and treated and delivered to the customer. Reduced utility costs generally mean reduced rates for the customer on a long-term basis," she explained.

Conservation is often blamed for a utility's loss of revenue but Dickinson believes that water rates are going up for a number of reasons, including reduced demand for water resulting from more efficient plumbing fixtures and appliances, conservation measures as well as the recession, which has resulted in industrial layoffs and home foreclosures.

"Water conservation still makes economic sense in this recessionary climate," Dickinson said, "It helps stabilize increasing peak demands, lowers the cost of providing baseline service, helps manage demand during shortage periods and helps avoid the need for the development of new, costly storage and treatment facilities."

How should Utilities help promote water conservation?

Identify True Cost Drivers

"We need to determine the true cost drivers. One of those is certainly energy. Energy is embedded in all stages of the water supply and treatment cycle - pumping, treatment, distribution, and recycling," Dickinson said. Water companies should explore opportunities to reduce energy costs and improve efficiency, which will help mitigate the need for rate increases.

Educate Consumers

In addition, consumers must be educated about the benefits of water conservation. "Consumers are unaware of their own water usage levels and many believe that water bills should go down and not ever go up. Yet the same consumer who is angry about rising water rates buys a 16 ounce bottle of water for $1.25, equivalent to $10.00 a gallon," Dickinson said.

Adjust Rate Structures to Promote Water Conservation

We also need to look at rate structures and whether they help promote water conservation. "Wasting water should not make economic sense," Dickinson explains.

As stewards of the state's water resources, CWWA member utilities recognize the importance of promoting conservation to preserve and protect water supplies to meet the future public health and safety needs of the state. As part of the water supply planning process, water companies have been implementing measures to promote water conservation, reduce unaccounted for water loss and educate consumers.

A working group of the Water Planning Council and CWWA's Legislative Committee are also discussing proposals to adjust rate structures to allow utilities to recover certain expenses when revenues decline due to water conservation. In addition, various water utilities are looking at whether there are opportunities for water utilities to reduce energy costs by utilizing green technologies.

Recognizing the need to promote water conservation as well as energy efficiency, CWWA will be focusing on these issues at the state Capitol in 2012. CWWA members are welcome to join the Legislative Committee and weigh on issues affecting the water industry. Please contact CWWA's Betsy Gara at gara@gmlobbying.com for more information.

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