

Getting the Price Right

Heading Off Crisis:

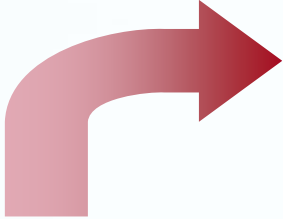
Northeastern Illinois Water Supply Forum

May 12, 2016

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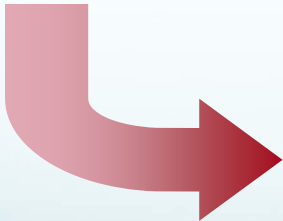


Communities
have a choice to
make about how
to manage water
assets

Avoid the issue and risk...

- emergency repairs
- business interruption
- public health impacts
- regulatory problems
- higher long-term costs

OR...



Invest proactively in management of water infrastructure assets to continue providing high-quality, reliable service. (at a lower long-term cost)

Paying for Water Service

The public can best be provided water service by self-sustained enterprises adequately financed with rates and charges based on sound accounting, engineering, financial, and economic principles.

American Water Works Association (AWWA)

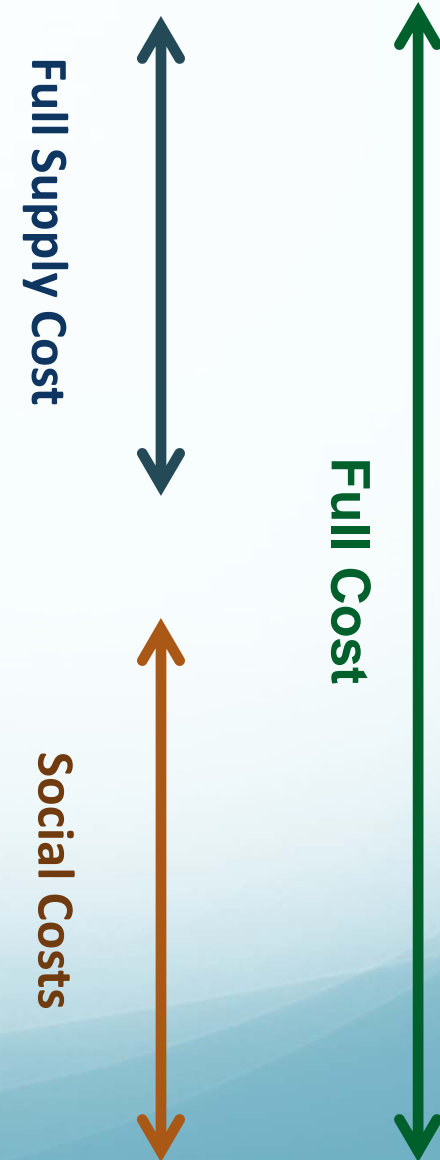
Much of water infrastructure is not funded on a pay-as-you-go basis, many communities turn to debt and loan funds to finance their infrastructure

Analogy: What is the Full Cost of Driving?

- Gas
- Maintenance
- Operation
- Financing

- Road Maintenance & Construction

- Traffic Congestion
- Emissions Impacts

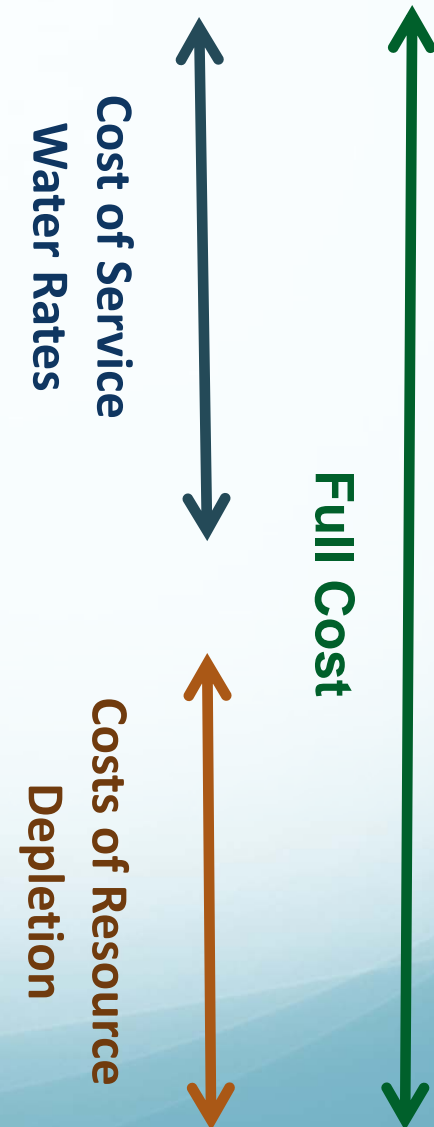


Full Cost Water Pricing

- Operations, Maintenance, Administration
- Debt Service
- Reserves
- Infrastructure Renewal and Repair

- Infrastructure Replacement

- Water Supply Planning & Conservation Programming
- Water Source Protection (Aquifer drawdown & depletion)



Cost of Service Rates: The “Pricing” Gap

Adjusting price towards full supply cost.

FULL SUPPLY COST PRICING

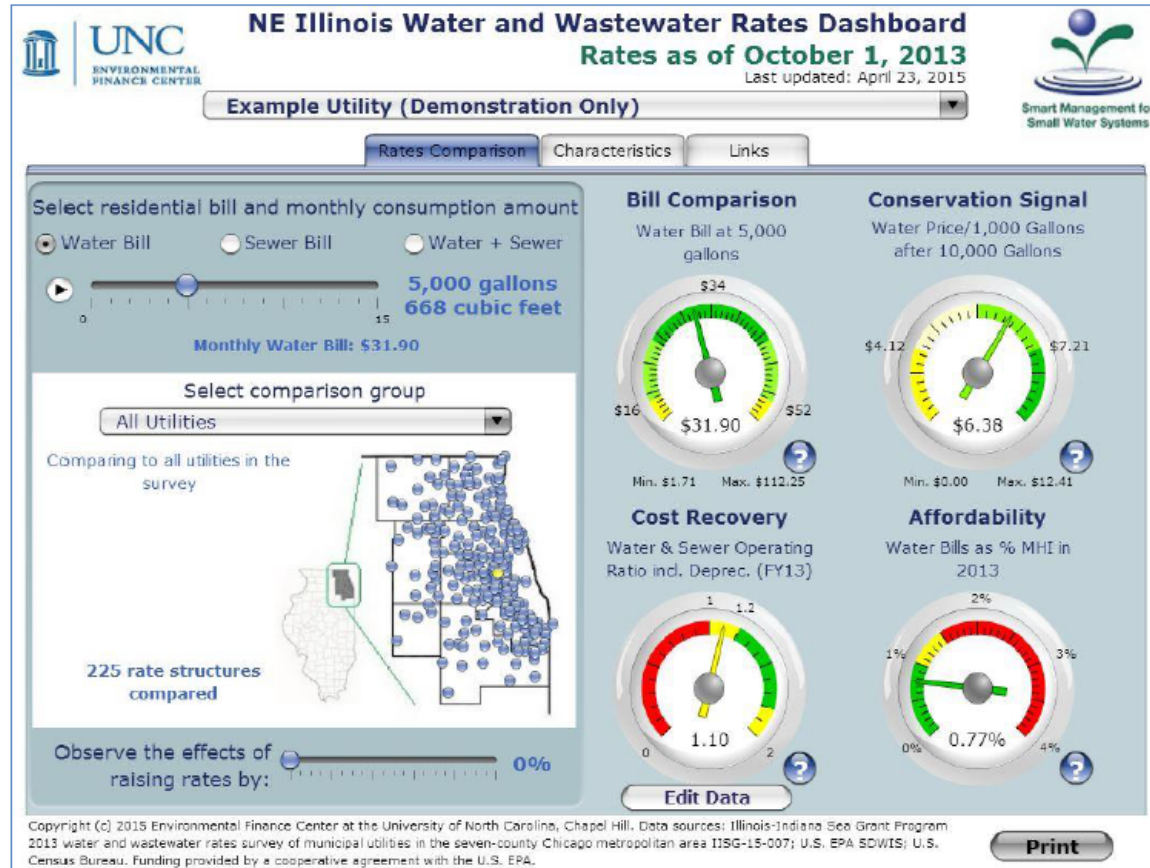


TRADITIONAL PRICING



Source: Figure adapted from Rogers, P., R. Bhatia, and A. Huber. 1997. Water as a social and economic good: how to put the principle into practice. Paper prepared for the meeting of the Technical Advisory Committee of the Global Water Partnership in Namibia and Marbek Resource Consultants Analysis of Economic Instruments for Water Conservation Final Report to the Canadian Council of Ministers of the Environment: Water Conservation and Economics Risk Group.

State of your rates?



<http://www.efc.sog.unc.edu/reslib/item/northeast-illinois-water-and-wastewater-rates-dashboard>

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*Heading Off Crisis: Northeastern Illinois Water Supply
Forum*

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Questions?

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