



## **Setting Water and Wastewater Rates for Non-resident Customers of City Utilities**

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# HB 600

**Caps the Ratio of Outside/Inside  
Water and Sewer Rates**

**In the Sullivan County Outside  
Service Area of Johnson City**

**@150%**



# Johnson City Monthly Price for 5,000 Gallons of Drinking Water

- Inside: \$19.31
- Outside: \$38.62
- Outside Rate/Inside Rate = 200%



# Average Monthly Price of 5,000 gallons of Drinking Water (Weighted by Customers)

Alluvial Plain

In City \$14.97

Highland Rim

In City \$23.06

Nashville Basin

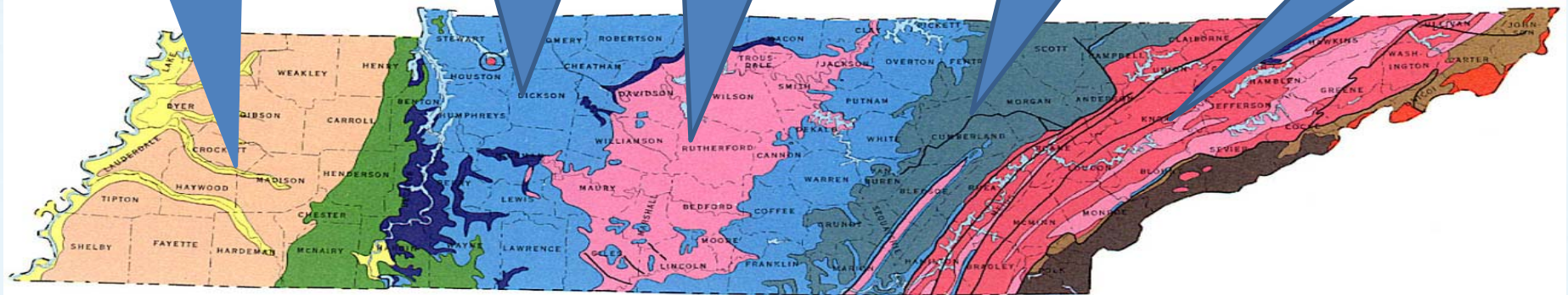
In City \$16.78

C. Plateau

In City \$26.21

Ridge/Valley

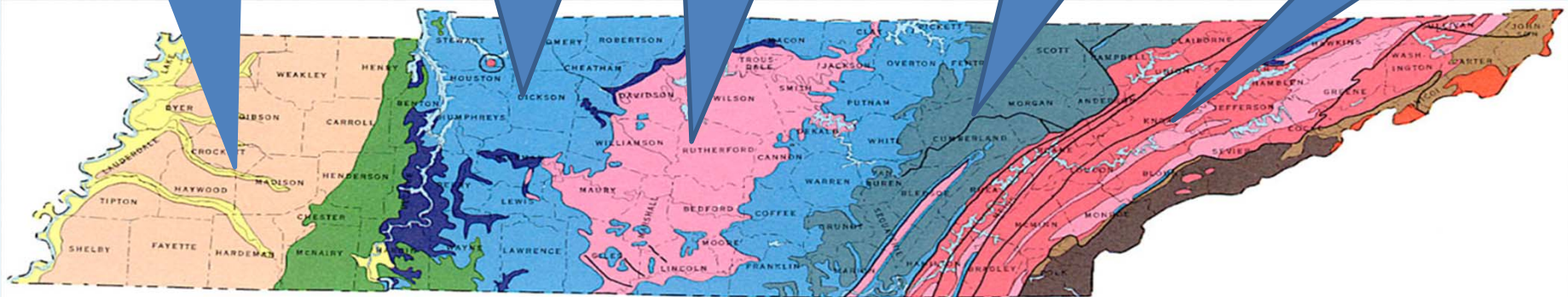
In City \$20.32



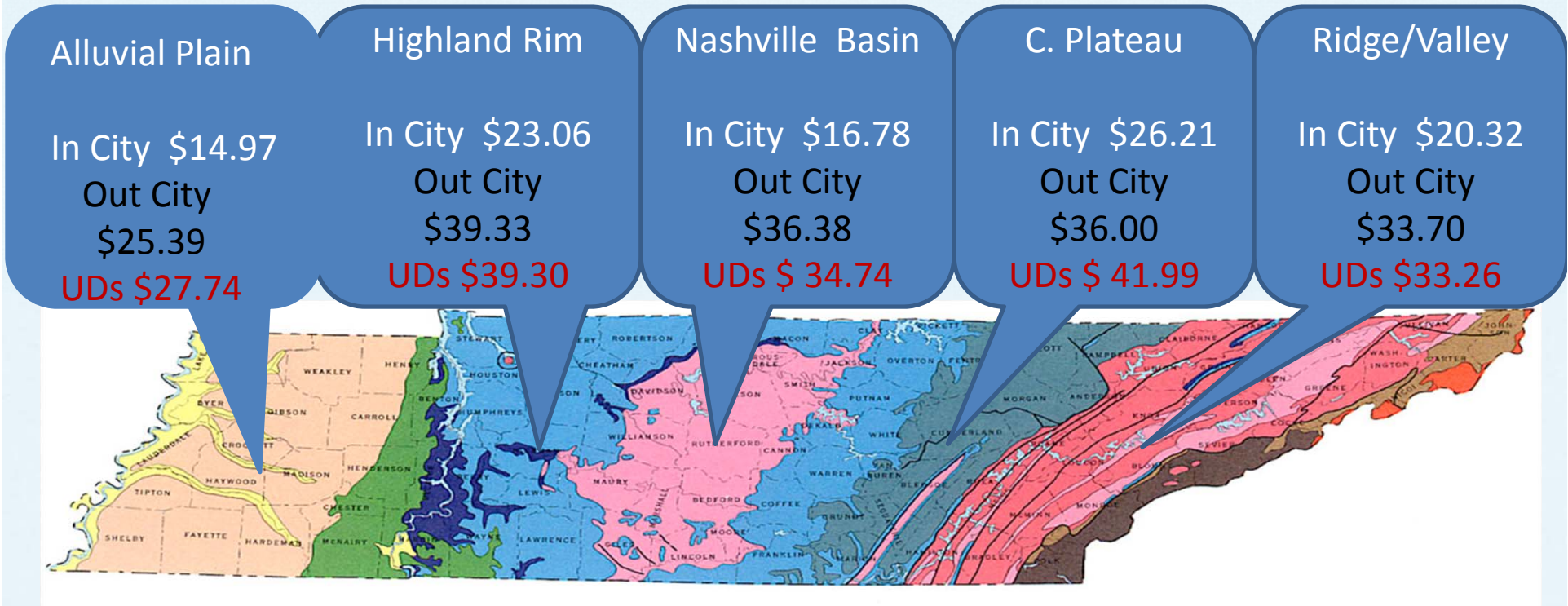


# Average Monthly Price of 5,000 gallons of Drinking Water (Weighted by Customers)

Region	In City	Out City
Alluvial Plain	\$14.97	\$25.39
Highland Rim	\$23.06	\$39.33
Nashville Basin	\$16.78	\$36.38
C. Plateau	\$26.21	\$36.00
Ridge/Valley	\$20.32	\$33.70



# Average Monthly Price of 5,000 gallons of Drinking Water (Weighted by Customers)



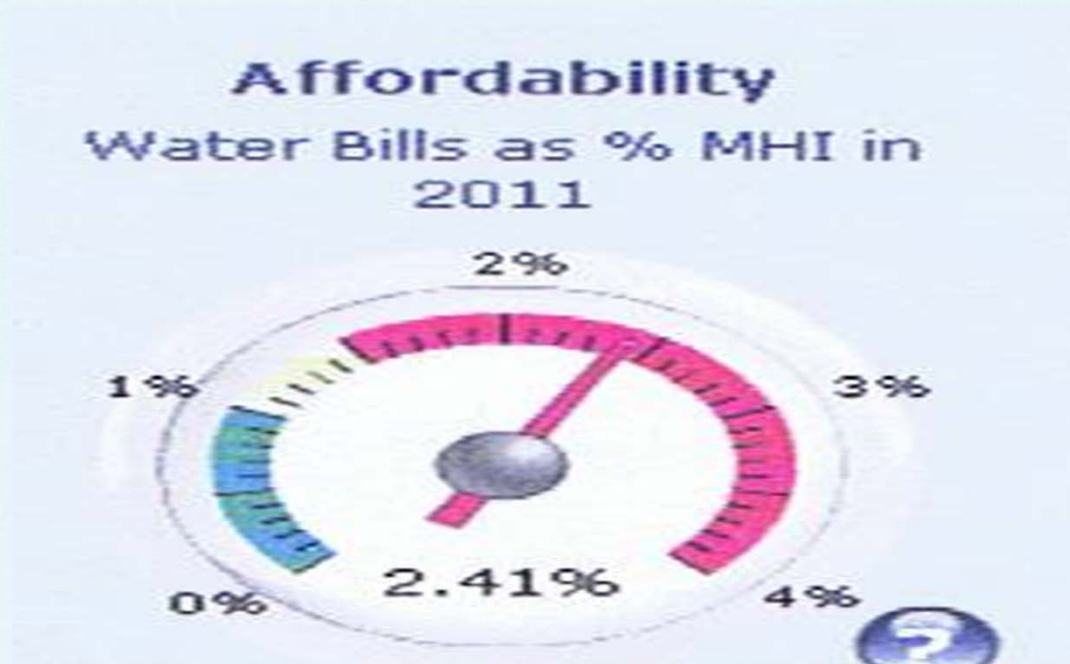
# Indicators of Potentially Controversial Outside Rates

- 20 cities with outside mark-ups of 200% or more
- All 20 cities are in regions where regional average mark-ups are 137% to 171%
- 16 of these 20 cities have outside water rates greater than both regional municipal outside average rates and regional UD average prices
- 13 of these 20 have water rates exactly double the inside water rates, giving the impression of an arbitrary mark-up





# Another Indicator of Potentially Controversial Outside Rates: How Affordable is 5,000 gal./mo.?



**41 of 195 of Tennessee's Municipal Utilities Charge Outside Customers > 1.5% of MHI for the Outside County**



Dashboard Source: U. of N.C. Environmental Finance Center

[www.tn.gov/tacir](http://www.tn.gov/tacir)



# The Search for Solutions: One Size May Not Fit Anyone



# The Search for Solutions

## Top-Down Solutions

- A single statewide cap on outside rates
- Private Act caps as needed for certain cities (HB 600)
- State-mandated rate-setting procedures and cost-of-service reporting requirements for outside services tied to “trigger” caps (Florida and Wyoming)

## Customer-Focused Solutions

- Customer representation on governing Water Board
- Rate relief and service quality appeals to regulatory boards



# Customer-Focused Solutions: Board Representation

## Municipal Water Boards (presently)

- Can be same as elected city governing body
- or can be appointed by city governing body

## Customer-Friendly Changes to City Water Boards: Options

- Specifically provide for customer members of the Board
- Specifically provide for outside customer members of the Board: Options
  - Proportional to % of outside customers
  - Outside Board membership as for extraterritorial representation on Regional Land Use Planning Commission





# Collateral Benefits of Board Representation

- Complaint procedures more sensitive and responsive to customer needs lessens the need to use alternative appeals processes
- Utility management more likely to generate outside cost-of-service data demanded by outside Board representatives
- Greater likelihood of fairer and more equitable rates



# Rate Relief and Service Quality Appeals to Regulatory Boards and Authorities

	Customers of Investor-owned Water and Sewer Utilities	Customers of Water-only Utility Districts	Customers Served by City-Owned Utilities	
			Customers/Voters Residing Inside Cities	Customers Residing Outside Cities
<b>Tennessee Regulatory Authority</b> services provided to water and sewer customers	1. appeals regarding service quality 2. appeals regarding excessive rates			
<b>Office of the Comptroller: Utility Management Review Board</b> services provided to water customers		1. 10% of customers may jointly petition for rate relief 2. Customers may file quality of service complaints 3. Customers may petition for removal of local UD board members		
<b>City Water Board accountable to City Voters</b> services provided to water and sewer city voter/customers			1. Rate appeals are heard 2. quality of service complaints are addressed 3. financial management is accountable to voters	
<b>Office of the Comptroller: Water and Wastewater Financing Board</b> services provided to water and sewer customers				



# Commission Policy Summary

- House Bill 600 not recommended in its current form
- Some means of ensuring that inside/outside rate differentials are fairly set is warranted
  - Representation on the city water board
  - Appeals process for municipal customers through the Water and Wastewater Financing Board

