

Getting hosed: Water usage down, but water bills are up

By CLARKE CANFIELD • THE ASSOCIATED PRESS • April 4, 2010

PORTLAND, MAINE — The grim economy is hitting some consumers in the wallet in yet another way: their water bills.

Many water utilities are raising rates because water use is down, in part because manufacturers have closed or are cutting back, tourism has fallen and the real estate market is in the doldrums.

Water sales for the Kennebunk, Kennebunkport & Wells Water District in southern Maine fell 11 percent last year, to 1995 levels. The No. 1 reason is the sour economy, said superintendent Norm Labbe.

One of the utility's largest customers, a catalog printer, shut its doors last year, putting 374 people out of work. Tourism also has been down — meaning fewer tourists are taking showers and flushing toilets in the motels in the region's beachside communities.

"This is happening most everywhere. It's a regional thing, it's a national thing," Labbe said. "Many, many (water utilities) around the country are seeing decreases in revenues. Because if industry goes down, revenues go down."

A recent study by the Water Research Foundation, a Denver-based nonprofit, on the recession's impact on water utilities found that home foreclosures and business contractions have reduced water demand in many areas. Cities with high unemployment also have seen reduced water consumption as people move away in search of jobs, said Rob Renner, the foundation's executive director.

"It depends on where you are in the country. Regionally, the economy is better in some places than in others," he said.

Water companies for the most part get their money from customers. When water consumption goes up, revenues go up — but when consumption falls, so do revenues.

Water companies often raise rates to pay for high-priced capital expenditures, such as new water lines or treatment plant expansions. But they also have to hike rates when water use goes down to bring in enough money to pay their basic operating costs.

Water rates are based on a wide range of factors, such as infrastructure and water treatment costs as well as revenues from water use. When water use falls, that would be a reason to seek a rate increase, Renner said.

Water consumption can be influenced by the weather. In the Northeast, usage declined last summer in part because homeowners watered their lawns less with the rainy weather. The epic drought that gripped the Southeast in recent years also resulted in falling consumption as people were ordered to conserve water.

Nowadays, the bad economy is taking a toll.

Even after cutting costs 10 percent and laying off nine employees, the water utility in Mount Pleasant, S.C., recently raised rates 9 percent after its customer base and water sales tumbled. That amounts to about \$50 a year for the average homeowner.

"We attribute our revenue decline to unoccupied homes due to foreclosures, and commercial businesses just going out of business," said Clay Duffie, Mount Pleasant Waterworks' general manager. "When you have fewer customers, you have less revenue."

At the same time, impact fees the utility collects from developers have dried up, from as much as \$6 million a few years ago to \$500,000 this fiscal year, Duffie said.

Mount Pleasant, outside of Charleston, has been one of the state's fastest-growing communities in the past 20 years, growing from about 30,000 to 65,000 residents. But development has come nearly to a halt with the down economy.

In New Jersey, the Sayreville water department recently raised rates 13 percent. One big reason was the department's biggest customer, a steel mill, suspended operations for several months because of lower demand for its products.

As a result, the water department's revenues fell \$350,000 to \$400,000, said Jeff Bertrand, the town's business administrator.

"That was because of the economy," Bertrand said. "Nobody was buying the rebar because nobody was doing construction."

And in California, water and sewer rates in tiny Davenport outside of Santa Cruz are going up because the economy has forced a shutdown of the local cement plant, built in 1906. Sewer rates will increase especially fast — up 74 percent to nearly \$2,500 a year — because of the plant shutting down, said Rachel Lather of the Santa Cruz County Sanitation District.

When water rates go up, customers' bills might increase anywhere from a buck or two to \$20 or more a month. That doesn't sound like it'll break the bank, but collectively the higher rates could amount to tens of millions of dollars.

And when jobs are scarce, every extra dollar hurts.

In the eastern Maine town of Baileyville along the Canadian border, residents faced the prospect of both lost jobs and higher water bills when the local pulp mill announced it was closing.

Baileyville's water utility proposed raising rates 80 percent after the Domtar Corp. mill, the utility's largest customer by far, said it would close because of the poor global economy. Domtar accounted for 52 percent of the utility's total sales, and residents would have seen their minimum quarterly bills go from \$55 to nearly \$97.

Domtar shut down last May, putting 300 employees out of work, but unexpectedly reopened two months later after business conditions improved. Even so, the Baileyville Utilities District had to raise rates 9 percent.

But the prospect of nearly doubled water rates when residents were losing their jobs was too much for Baileyville, a small town of about 1,500 people where employment largely revolves around the pulp mill.

"You've got to charge more when revenues go down," said water utility manager Gardner Ross. "But people don't have incomes coming in, so it's a double-whammy."