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Commentary: The Future Must Be Full-Cost Pricing for Water Utilities

For anyone tracking the U.S. water industry – a sector encompassing both water and wastewater providers, largely managed by municipal entities – a paradox unfolds. Reports frequently highlight consistent rate increases while simultaneously detailing the alarming deterioration of vital water infrastructure. We discover, with the benefit of hindsight, that rates have often climbed significantly faster than core inflation, sometimes two to three times as quickly.

Yet, the infrastructure these rates are meant to support often receives the kind of unsatisfactory grades from the American Society of Civil Engineers that would once lead to serious discussions during parent-teacher conferences. If you scan the American Water Works Association's (AWWA) State of the Industry Report, you'll uncover another interesting observation running contrary to the rapidly rising rates: utility managers recently ranked financial sustainability among their top challenges.

Despite rapidly rising rates, the industry appears to be struggling to keep pace financially, whether we look at the health of infrastructure or the overall sentiment among executives, though we acknowledge these are subjective measures. Regardless, healthy water infrastructure is essential to our communities, and keeping those systems healthy comes with necessary, ongoing investments.

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Water Finance & Management

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