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How to Conserve Water Without Bankrupting Water Utilities.

The more water people save, the more money utilities lose. But new pricing models could change that.

Californians are getting very good at conserving water. Since Gov. Jerry Brown ordered a 25 percent reduction in urban water use this April, Golden State residents have surpassed that mandate. Water use for the months of May and June decreased 28.9 percent and 27.3 percent respectively, according to the State Water Resources Control Board. But if Californians were hoping their conservation efforts would lead to a little extra change in the pocketbook, they'll be disappointed.

Water departments across the state are looking to raise rates — in some cases by double digits. That's because as customers use less water, revenues are plummeting. It's a catch-22: Water utilities want and need customers to conserve water, but when that happens, utilities lose much-needed funds to upgrade and repair critical infrastructure. (Governing recently covered the dilemma in-depth.)

This isn't just a California issue. Increasing weather events and a growing population is putting pressure on water resources in every state. So how do water utilities reduce water use and stay in business? They price water differently.

Indeed, Brown's executive order in California explicitly demands that water utilities develop new "rate structures and other pricing mechanisms" to save water. This is also the subject of a new report from Western Resource Advocates, Ceres and the University of North Carolina's Environmental Finance Center. Released in August, the report looks at water connection fees — the one-time fees that most water utilities charge to connect new users and developments to the water system.

While there's been plenty of research on how utilities price the volume of water being sold to encourage conservation, there's been very little of it on water connection charges and how they might lead to water-saving practices. "It's one area that hasn't been looked at," says Peyton Fleming, communications director for Ceres, a nonprofit organization that advocates for sustainability practices. "We wanted to know, can these water connection charges that are being used all across the country be done a little bit differently and in ways that might be helpful to water utilities and consumers?"

To answer that question, report authors surveyed more than 800 water connection fee structures used by communities in Arizona, Colorado, Georgia, North Carolina and Utah. They found that overall most utilities' water connection charges — about 90 percent of the 800 local water utilities surveyed — didn't take into account the types of factors that affect a home's water footprint. In other words, most users pay the same fee regardless of the size of their lot and house, the type of landscaping they have, and the efficiency of their fixtures, among other things. But the report also found that when financial water-saving incentives are included in water connection fees, many

customers make conservation changes to cut their costs. That, as a result, also helps utilities in the long run because less water usage means less infrastructure upgrades and repairs.

Aurora, Colo., is one place that employs such a water connection fee. Back in 2002, it was experiencing one of the worst droughts in its history. Municipal reservoirs only had enough water to last nine months. In response, the city began implementing a number of conservation programs, including a redesigned water connection fee. The utility wanted to develop a structure that would better align fees with water utility costs and provide an incentive to builders to construct more water-efficient developments. So it started offering lower fees to customers with landscaping that requires low water usage and charges no fee at all if the new development requires no water after it's established. Since it started in 2014, five of six new developments used "zero-water" landscaping in order to get a full refund on their connection charges.

In addition to Aurora, the report also feature three other case studies. "Well-designed connection charges that incentivize water-efficient development show enormous potential to help utilities reduce overall water demand and avoid costly new infrastructure projects," Sharlene Leurig, director of Ceres' sustainable water infrastructure program and a co-author of the report, said in a statement. "Unfortunately, very few of the 800-plus communities we evaluated are taking advantage of this valuable tool for encouraging water-efficient growth."

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