



Rate Increase Questions and Answers

Why do you need to raise rates?

Loudoun Water is a revenue neutral entity. We receive no tax money. Our only sources of income for operating expenses are the water and sewer bills you pay for service. The cost of purchased water (we purchase 100% of the water we provide and resell it to you) has increased almost 20% in the last year. The rising cost of fuel has impacted our team, which logs a million miles a year on Loudoun roads. The rising cost of electricity impacts us, too, as we are constantly moving water around the system.

Couldn't you wait another year (or even two) when the economy is better?

Actually, we had intended to put this increase into effect last year, however, we put it off, knowing how much our customers were already being impacted by the down economy. If we put it off any longer, the increase will have to be much greater to recoup our costs. For every year we put this off, our income drops further and further below our expenses.

What have you done to keep expenses as low as possible?

As users of public money, we have always been extremely careful with funds. We started to look for ways to tighten spending even more during the 4th quarter of 2008 and that approach continued throughout 2009. Operational and capital spending has been reduced to minimal levels to support operations while remaining committed to providing safe water and dependable service. Even with the higher rates, Loudoun Water will remain comparable to neighboring water utilities.

Please explain the new rate structure.

The new rate structure more fairly allocates costs across our customers based on "reserved purchased capacity" and a tiered rate structure. Here's how it works - before a home can connect to Loudoun Water's system, an availability charge is paid, typically by the developer (and ultimately by you in the price of your home). Through payment of the availability charge, each home or business is entitled to an amount of "reserved purchased capacity" in the system. For a residence, that maximum daily allocation is 550 gallons or about 50,000 gallons per quarter. Tier 1 of the new rate structure (0 – 25,000 gallons per quarter) is based on typical indoor usage of 275 gallons per day, or 25,000 gallons per quarter. Homes that keep their usage within Tier 1 are rewarded for using less than their maximum allocation. Tier 2 (25,001 – 50,000 gallons per quarter) includes an allowance for outdoor usage up to a residential customer's reserved purchased capacity. Homes that use more than their maximum allocation (>50,000 gallons per quarter) will pay a premium for creating the additional demand on the system.

Why did you change the whole rate structure? Why not just raise the rates?

Our current rate structure does not allocate the costs of service as well as the new structure does. For example, if you are an “empty nester” and you have just 2 people in your home during the winter months, your winter quarter usage will be about half that of the 4-person home next door. Come summertime, when the college kids are home at the empty nester’s house, the empty nesters will start paying the peak use charge on lower water consumption than their neighbors. In addition – when use is real high, the peak use charge does not adequately recoup the cost of service.

How much more will I pay?

This will depend greatly on how much water you use – more so than ever before. The new rate structure is set up with 3 tiers for Residential customers and 2 tiers for Multifamily dwellings and Commercial customers. Following is a comparison for the Residential customers:

Water			
Current		Proposed	
Basic Charge – paid no matter how much water is used:	\$18.93	Basic Charge	\$24.70
Uniform rate per 1,000 gallons	\$1.82	Tier One – use from 1 to 25,000 gallons	\$1.77/thousand gallons
Peak Use Charge – \$2.73 - applied to the Uniform rate when you go more than 6,000 gallons or 30% over your winter quarter use - therefore \$1.82 plus \$2.73 = \$4.55		Tier Two – 25,001 to 50,000	\$4.96/thousand gallons
		Tier Three – over 50,000 gallons	\$6.65/thousand gallons
Wastewater (aka Sewer)			
Current		Proposed	
Basic Charge	\$16.62	Basic Charge	\$22.07
Uniform rate per 1,000 gallons	\$2.86	Uniform rate per 1,000 gallons	\$3.14/thousand gallons

This will affect each customer differently, depending upon water use. The best way to see how this will affect you is to use the Bill Calculator, which will be available at our website (www.loudounwater.org) in January. There you can log in to your account to see your water use history (or get it from a recent bill). You can pick any quarter usage, but we recommend you pick your summer (highest) quarter use, and then plug that number into the rate calculator to see what your 2010 summer bill will be for that number of gallons.

How come Commercial and Multi-family customers don't have a third tier?

Commercial and Multi-family customers are a different type of customer. In the case of Commercial, there is very little need or desire for discretionary water use, as there is for a residential customer because commercial customers are motivated by their profit margins to keep water and other expenses to a bare minimum. Further, Commercial customer water use is extremely consistent. They use the same amount of water day in and day out no matter what season it is or the weather. It's important to note here that Commercial customers have separate meters for irrigation or use a well for irrigation – either way, their irrigation is metered or paid for separately. The Commercial and Multi-family tiers are set at higher consumptions than Residential Tiers because they have paid a higher availability fee for a higher portion of the total water supply. Multi-family customers, which are our property managers with buildings that serve multiple tenants have master meters on their buildings which serve hundreds of tenants. As is the case with the Commercial customers, they have consistent, indoor-only use and are highly motivated by their own budgets to keep water use down. They, too have separate meters or water sources for irrigation.

How will the new rates impact customers who fill a pool?

Pool filling will be more expensive, particularly for anyone who fills the pool using the 5/8th Residential size meter. As mentioned, when sold, these meters represent an allocation of the water supply that does not include the volume of water used to fill a pool. A Residential customer will pay much more to help us recoup the costs of providing that extra water. Under the new structure it may now be more cost effective for a Residential customer to pay for a pool-filling service. Some HOAs use a temporary meter for pool filling, so depending on the meter size, they may not pay as much as a Residential customer would to fill a pool, but they will pay more than they have in previous years.

Why did the Basic charge also increase?

While your metered rate largely pays for our variable costs related to service delivery, the Basic Charge is intended to cover some – not all – of the fixed costs associated with providing service. We were not recouping enough of the fixed costs through the basic charge so the increase was necessary.