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New research explores true cost of water in the Great Lakes basin, how pricing can be used as incentive to conserve

Ann Arbor, Mich. – As plentiful as water is in the Great Lakes region, the cost to deliver it to consumers is creeping up and should be reflected more accurately in bills to encourage conservation, according to recommendations made in a new Great Lakes Commission report.

The “Value of Great Lakes Water Initiative” was an 18-month project supported by the Great Lakes Protection Fund to investigate how public water is priced in the Great Lakes region and whether price could be used as a water resource management tool to change consumer behavior for more efficient water use.

The Initiative focused on three primary issues: 1) how energy costs factor into water bills; 2) whether the cost of providing water to consumers is fully transparent; and 3) if an efficiency-oriented revenue structure would change water use in the Great Lakes basin.

“Water has historically been undervalued in the Great Lakes region because of its abundance,” said Jeffrey Ripp of the Public Service Commission of Wisconsin, a technical adviser to the project.

“However, the cost of delivering safe and reliable water continues to increase and many have concerns about the long-term sustainability of Great Lakes water. The results of this project will help communities price water in a way that reflects its value to the region’s economy and environment.”

A survey and economic analysis by Michigan State University (MSU) of the largest municipal water systems in the Great Lakes states found that utility expenses have climbed some 25 percent on average, mainly due to the rise in costs for infrastructure and operations. To make up for the costs, water rates are generally going up, and many public water systems are providing information about conservation to their customers and even introducing special, efficiency-oriented rates. These rates are designed to encourage the customer to use their water more wisely. Typically, the price of water increases as the customer consumes more water.

(more)

Great Lakes Commission

James Tierney (NY), Chair; Tim A. Eder, Executive Director

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Dr. Janice Beecher of MSU, who led the survey, noted that “even in this water-abundant region, there is a growing recognition that cost-based water pricing plays a central role in prudent resource management and long-term sustainability.” Cost-based water pricing means setting a price per unit of water to cover the costs of providing the water (e.g., pumping, treating and delivering the water to the customer).

The Initiative engaged utility managers and local officials in a series of four workshops to discuss the impacts of water rates using the Initiative’s Water Pricing Primer on the basic principles of different water rates and how they can be used to achieve various water management goals. Also discussed were the political, institutional and economic barriers to using price to achieve water conservation goals. Such barriers include lack of political will; resistance to change; lack of consumer education on why rates need to increase; media unwillingness to research all the facts; and opposing agendas between management and elected officials.

While interest exists in efficiency-oriented rate structures, according to participants, without help, fear of revenue loss discourages their adoption.

Mary Ann Dickinson, president and CEO of the Alliance for Water Efficiency, who conducted the workshops, said: “Water utilities throughout the region are struggling with recouping costs of doing business in an economic recession and need help designing rates. The Water Pricing Primer is a positive step in this direction.”

Tim Eder, executive director of the Great Lakes Commission, added: “Great Lakes communities will benefit from pricing water at its true costs and educating the public on its value.”

A team of experts assembled for the Initiative used results from the water system survey and the workshops to make 17 recommendations for advancing water pricing to achieve both economic viability for the utility and environmental sustainability of the water resource. These, along with the full project report, can be accessed at www.glc.org/wateruse/watervalue.

Principal partners with the Great Lakes Commission in the “Value of Great Lakes Water Initiative” included the Alliance for Water Efficiency, MSU Institute for Public Utilities and the Alliance for the Great Lakes.

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The Great Lakes Commission, chaired by James Tierney, assistant commissioner for water resources at the New York State Department of Environmental Conservation, is an interstate compact agency established under state and U.S. federal law and dedicated to promoting a strong economy, healthy environment and high quality of life for the Great Lakes-St. Lawrence region and its residents. The Commission consists of governors’ appointees, state legislators, and agency officials from its eight member states. Associate membership for Ontario and Québec was established through the signing of a “Declaration of Partnership.” The Commission maintains a formal Observer program involving U.S. and Canadian federal agencies, tribal authorities, binational agencies and other regional interests. The Commission offices are located in Ann Arbor, Michigan. Learn more at www.glc.org.