WHY ARE MY WATER RATES SO HIGH?

JEFFERSON COUNTY, WEST VIRGINIA

COMPARATIVE SERVICE SCENARIOS

WHEN A UTILITY REFUSES TO SERVE PART OF A COUNTY, EXISTING CUSTOMERS ARE IMPACTED

When a utility refuses to serve part of a county, existing customers must absorb the system costs

Water and sewer utilities must cover fixed infrastructure costs — treatment plants, pumps, mains, maintenance and debt service — regardless of the number of customers served.

When a Utility ***refuses service to additional areas***, it limits the number of customers sharing the fixed costs of the overall system infrastructure.

- A smaller customer base increases **per-customer cost burden** for required capital improvements and maintenance.
- This pushes **rates upward for existing customers**.

- **This is a standard utility cost-recovery model used nationwide.**

WHAT HAPPENS WHEN A UTILITY PROVIDER REFUSES TO PROVIDE OR EXTEND SERVICE?

Refusal to provide service can shift customers to a more expensive alternative provider.

In Jefferson County areas are already served by other systems — for example West Virginia American Water Company (WVAW) for some areas outside of existing Utility Infrastructure areas.

Those providers often:

- **Propose rate increases to cover development, aging infrastructure and operating costs more frequently than the Municipal Utility.**
- **Pass these increases on to all customers they serve.**

If a Utility refuses to expand to new developments or subdivisions, property owners may be forced to connect to WVAW or another utility — **whose rates are often *higher* or rising.**

SUMMARY

▶ **Utilities must recover costs**, and refusing to serve an area effectively limits the customer base over which those costs are spread — meaning higher rates for current customers.

▶ **Alternatives like private or other utility service often cost more**, and expansion refusal funnels customers into those systems.

▶ Historic rate studies and PSC cases show that restructuring or service shifts in Jefferson County have the potential to drive **significant rate increases for existing users**.

- Water and sewer systems have:
- **Fixed costs** (treatment plant, debt service, maintenance crews, pumps, insurance)
- **Variable costs** (chemicals, electricity, some labor)

Most costs are fixed.

HERE'S AN EXAMPLE OF HOW WATER/SEWER RATES CAN BE IMPACTED

SCENARIO 1- UTILITY PROVIDES SERVICE (BEST CASE FOR MUNICIPAL UTILITY RATE STABILITY)

Assumptions:

- Municipal Utility Annual system costs: $10,000,000
- Existing customers: 5,000
- Proposed new development: 1,000 customers

If Municipal Utility provides service:

- Total customers = **6,000**
- **Annual cost per customer: $1,667 (monthly equivalent: $139)**

IMPACT ON EXISTING RESIDENTS

Scenario	Monthly Cost Per Customer
Expansion Allowed	$139
Expansion Refused	$167

Difference: $28 per month increase

That's $336 per year per household

Refusal to provide service can further increase rates if:

- The system still must build upgrades to handle regional demand.
- Debt service continues regardless of customer growth.
- Regulatory mandates require improvements.
- Inflation increases operating costs.

With no new customers to absorb costs, rates climb faster.

HERE'S AN EXAMPLE OF HOW WATER/SEWER RATES CAN BE IMPACTED

SCENARIO 2, PART 1- IMPACT ON EXISTING UTILITY CUSTOMERS

Utility refuses service (customers go to private utility like WVAW)

Assumptions:

- Utility Annual system costs: $10,000,000
- Customers Remain: 5,000

If Utility provides service:

- Total customers = **5,000**
- **Annual cost per customer: $2,000 (monthly equivalent: $167)**

HERE'S AN EXAMPLE OF HOW WATER/SEWER RATES CAN BE IMPACTED

SCENARIO 2, PART 2 – COST TO THE 1,000 REFUSED CUSTOMERS NOW WITH SERVICE FROM PRIVATE UTILITY LIKE WVAW

Investor-owned utilities like WVAW typically include:

- Return on equity (profit)
- Corporate overhead
- Statewide infrastructure recovery
- Assume WVAW's average combined water/sewer annual cost = **$2,400 per year**
- **Monthly:** $200
- Compared to Municipal Utility expansion scenario ($139/month):
- **+$61 per month for those households**

HERE'S THE IMPACT

IMPACT ON EXISTING RESIDENTS

Group	If Municipal Utility Serves	If Municipal Utility Refuses and Private Utility like WVAW Serves
5,000 Existing Municipal Customers	$139/month	$167/month
1,000 New Customers	$139/month	$200/month

What this means for Jefferson County

When a Municipal Utility refuses service:

- Existing Municipal Utility customers pay more because fixed costs are divided among fewer users.
- New customers pay even higher rates under a Private Utility like WVAW's investor-owned structure.
- County residents are now split between two rate structures, reducing economies of scale.
- Regional infrastructure planning becomes less efficient, increasing long-term costs.

SCENARIO A – MUNICIPAL UTILITY SERVES ALL CUSTOMERS

- Starting rate: $139/month
- Shared cost across 6,000 customers
- 20-year cumulative cost per household ≈ $45,000
- Greater economies of scale

SCENARIO B – MUNICIPAL UTILITY REFUSES SERVICE AND NOW PRIVATE (WVAW) SERVES

- Existing Municipal Utility customers: $167/month starting
- **20-year cumulative ≈ $54,000**
- Refused customers (WVAW): $200/month starting
- **20-year cumulative ≈ $58,000**

20-YEAR HOUSEHOLD IMPACT COMPARISON

- Existing Municipal Utility households pay ≈ $9,000 more
- Refused households pay ≈ $13,000 more
- Compounding rate increases widen the gap over time

COUNTY-WIDE 20-YEAR FINANCIAL IMPACT

- 5,000 existing households × $9,000 = $45,000,000
- 1,000 refused households × $13,000 = $13,000,000
- **Total additional regional cost ≈ $58,000,000**
- Fragmentation increases long-term infrastructure costs

KEY TAKEAWAYS

Shared infrastructure lowers per-household cost

Refusal limits economies of scale

Investor-owned utility rates typically grow faster

Long-term financial impact is substantial