

Huge hikes in water, sewer rates on tap across USA

By Dennis Cauchon, USA TODAY
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Huge increases in water and sewer bills are on the way in many places as cities and towns try to repair aging pipes and correct artificially low prices.

New York, Detroit, Tampa and Atlanta are among cities facing large rate increases. Many of the nation's 70,000 smaller systems — from Monterey, Calif., to Charleston, W.Va. — are imposing major price hikes, too.

The Environmental Protection Agency estimates that the nation's water and wastewater systems need an investment of up to \$1.2 trillion over 20 years. Also, arid states such as Arizona, Texas and Utah, where water costs more to provide, have fast-growing populations.

"God made the water, but he didn't make the pipes or have to comply with EPA regulations," says Nick DeBenedictis, CEO of Aqua America, a private water company that serves 3 million.

Last year, the median residential bill was \$278 for water and \$276 for sewer service, reports the American Water Works Association, an industry group.

The median rate increase was about 5%, says Doug Scott, a credit analyst at Fitch Ratings, which evaluates the debt of municipal utilities. Average rate increases of that amount are enough to finance the industry's capital needs, he says.

Many people, however, will see much larger increases because of the quirky pricing policy of water and sewer systems. Already, some communities are getting scalded by price hikes of 50%, 100% or more.

The problem: Many municipal owned systems have treated rate hikes like tax increases and avoided them for years. The Government Accountability Office estimates that 29% of water systems and 41% of sewer systems charge customers less than the cost of the service.

These money-losing systems have no way to finance expensive repairs without delivering a rate shock to customers.

"About the only time customers hear from water systems is when they want increases, and that makes people furious," says Missouri Public Service Commission Chairman Jeff Davis.

The USA has about 54,000 community water systems and 16,000 sewer systems, according to the EPA. Local government supplies 88% of water and 80% of sewer service. City councils and county commissioners often vote on rates every year.

"You can get all the water you need for a buck a day," DeBenedictis says. "But many cities are charging 25 cents. When they go to 50 cents, the headline is: 'Mayor asks for 100% rate increase.' "

A sampling of big increases:

- Muskegon Heights, Mich., increased its rates 100% for next year, angering neighboring communities that depend on it for water. It was the first change in seven years.
- In Anthem, Ariz., Arizona-American Water Co. asked for a 71% hike in rates for homeowners and 120% for businesses, plus future rate increases. It scaled back the request by an unspecified amount. The company says it needs to repay the developer of the planned community of 40,000 near Phoenix for building the system.
- Bay County, Fla., home of Panama City, hiked its rates 61%, the first change since 2000.

Rate hikes often are viewed as unfair, especially in communities that buy water and sewer services from private companies or other towns. Connecticut state Rep. John Hetherington objected when New Canaan got hit with a 33% increase, more than other towns. "Tax increases. Higher electric rates. Now this," he says. "It's one more thing people living on the edge have to deal with."

The burden is falling hardest on older cities that have systems built after World War II.

Atlanta is investing \$3.9 billion in its system. Atlanta voters approved a 1-cent sales tax to limit this year's rate hike to 10%. Otherwise, it would have jumped 43%.

INCREASES OVER A DECADE

How much average water and sewer rates have increased nationally during the following two-year periods:

	Water rates	Sewer rates
1996-98	12.3%	3.5%
1998-2000	6.5%	10.1%
2000-02	8.8%	7.9%
2002-04	7.2%	12.1%
2004-06	7.1%	7.8%

Sources: Raftelis Financial Consultants