Water Affordable at Any Cost? For Everybody?

For decades the municipal water industry has emphasized that water is undervalued. That is an easy thing to do when you think broadly about the past and current price of clean and safe water relative to its benefits. But then, when you think about the crushing infrastructure and regulatory cost challenges we will face over the coming decades and the fact that as the cost of providing water and wastewater services increases so does its price, you might wonder how much longer water will be affordable.

This concern has reached the US Environmental Protection Agency (USEPA), and last November it released a new affordability “framework.” In early December, the US Conference of Mayors released a study of how well USEPA’s affordability criteria work in practice in 35 California communities. The short answer, according to the Conference of Mayors study, is “Not too well.” The basic issue is this: the cost to ratepayers isn’t a factor USEPA explicitly considers when it establishes safe drinking water and wastewater effluent standards. By policy, however, USEPA has declared that if drinking water costs exceed 2.5% of median household income (MHI) in a community, or if combined wastewater and stormwater costs exceed 2.0% of MHI, then the burden may be considered unaffordable in that community. Even so, federal solutions to solving the problem of water affordability range from limited to nonexistent.

Numerous questions surround the issue of water’s affordability and USEPA’s approach. First, is MHI the right metric for assessing affordability? The recent Conference of Mayors study indicates that focusing on MHI places a higher financial burden on lower-income households and that the MHI statistic masks this burden. This makes logical sense when you think about it because by the time water affordability becomes an issue at the MHI level, it has already been an issue for the bottom 50% of households. It seems reasonable that a more sensitive statistical indicator would be better—one signaling that water is unaffordable before 50% of a community cannot afford it. Perhaps the most important question of all for water professionals is this: can critically important public health, environmental, and socioeconomic goals be balanced within the current regulatory and statutory constructs for safe and clean water? If not, what does it mean for society when we reach the point at which water regulations to protect our health and the environment become unaffordable? To many, even asking the question hints of a deeply troubling retreat from the nation’s commitment to protect public health and the environment and suggests a return to a society similar to that which existed before the Clean Water Act and Safe Drinking Water Act were first enacted. Few would really want to go back to that era.

Another important question is what happens if USEPA agrees that safe water, clean water, or stormwater services are unaffordable. There is no clear federal answer to this question other than USEPA’s policy that it may allow more time for compliance with federal standards. But while additional time is helpful, it does not come without other burdens, such as increased total project costs.

Related to this concern, some have suggested that it is time to change our current water and wastewater rate architectures so that the relatively affluent pay more and those less financially fortunate pay less for water and wastewater services. But this, too, is fraught with problems, not the least of which is that it runs afoul of the law in many states and contradicts a century or more of thinking and case law about equitable best practices in rate setting. We’ll have more to say about this idea in next month’s column.

In the meantime, recognizing that affordability is a growing and perhaps inevitable concern for many water providers, AWWA has long been at work on the issue. In 2004 AWWA developed the classic report, Avoiding Rate Shock, to highlight best practices for communicating with customers about rising water bills. In fall 2014, we updated our report, Thinking Outside the Bill, which identifies even more innovative approaches to helping low-income customers pay their water bills. And in partnership with the US Conference of Mayors and the Water Environment Federation, AWWA developed a white paper titled “Assessing the Affordability of Federal Water Mandates” along with a computerized tool that will allow you to measure water’s affordability in your community in different and insightful ways. All of these references and the computerized tool can be found at AWWA.org.

What seems clear is that the costs of regulations, infrastructure, and other pressures will inevitably lead to more expensive water and wastewater service in the years ahead. The challenge we all face is finding ways to keep water affordable for everyone without compromising our deep commitment to protecting the public’s health and the environment.

If you have any comments or concerns, please write me at OpenChannel@awwa.org.