



Water Utility Bill Story

As every subscriber to the Conroe Courier knows, there has been a lot of discussion about increasing water bills in Montgomery County. This article briefly reviews the different components of a typical water bill a residential customer will receive from a water utility (Utility Provider) that participates in SJRA's joint Groundwater Reduction Plan, including fees paid to the SJRA. It then explains why the SJRA fees are necessary and how the SJRA uses those fees.

WATER BILLS

Water bills generally consist of three cost components. First is a base charge for service, regardless of the amount of water used. Second is a fee for total water used, usually billed on a per 1,000 gallon basis. Third is the fee for participation in the Groundwater Reduction Plan (GRP) paid to the SJRA, which is also billed on a per 1,000 gallon basis.

The base charge is a fixed monthly charge that all residential customers pay, whether they use 1,000 gallons or 20,000 gallons. That charge is different for each Utility Provider and is often determined by the water meter size. For example, the City of Conroe's base charge is \$12 per month for a 5/8 inch meter, \$18 for a 1 inch meter, and so on, and covers the first 3,000 gallons used.*

Next comes the fee for the water actually consumed. Utility Providers generally bill in "tiers" for the water used, or what is referred to in the water industry as an "inclining block rate", to encourage water conservation and cover increased costs required to meet higher volume demands. This means that rates increase as water consumption increases. For example, the City of Conroe charges \$2.56 per 1,000 gallons used above 3,000 gallons up to 10,999 gallons; \$3.15 per 1,000 gallons used from 11,000 to 15,999 gallons; \$3.74 per 1,000 gallons from 16,000 to 25,999 gallons; \$4.27 per 1,000 gallons from 26,000 to 35,999 gallons; and \$7.47 per 1,000 gallons for any amount above 36,000 gallons.*

Third each Utility Provider pays the SJRA a monthly fee based on the amount of groundwater pumped from its wells and/or the amount of surface water delivered to the Utility Provider's water plant. The rate is fixed—\$ 2.50 per 1,000 gallons of groundwater pumped and \$2.69 per 1,000 gallons of treated surface water received—and does not increase as water consumption increases.*

Utility Providers generally pass SJRA fees through to their retail customers. Utility Providers choose how to identify the GRP fee on the customer's bill. The fee may be called SJRA fee, GRP fee, Conservation fee, or something else. Utility Providers also decide whether to markup the GRP fee. Some Utility Providers charge their customers more than the SJRA fee they are charged. That markup may cover water loss—the difference between the amount of water received and that delivered to its customers—or it may be used in some other manner. For example, the City of Conroe charges its customers \$2.85 to cover the lower fee charged by the SJRA.*

* *The City of Conroe's rates are used for illustrative purposes because such rates are summarized concisely and available at <http://www.cityofconroe.org/home/showdocument?id=12327>. Visit <http://www.sjra.net/wp-content/uploads/2015/07/GRP-Order-Participants-06-23-2016.pdf> to view SJRA's rates.*

SJRA

As described above, the SJRA does not bill retail customers directly, but collects fees from the Utility Provider. The SJRA bills each of the 150 Utility Providers who have agreed by contract to participate in the SJRA's GRP. Those participants signed their respective contracts and joined the GRP because the Lone Star Groundwater Conservation District required all large Utility Providers in Montgomery County to reduce the amount of water they pump from their wells to 70% of the amount they were permitted to pump in 2009. Instead of each Utility Provider reducing its pumpage by 30% and incurring the cost of developing its own alternative water source to replace that 30% (for example, its own surface water treatment plant), the Utility Providers could join the GRP and share in the costs a plan that would achieve the required reduction for all GRP members as a group.

The SJRA's plan was to replace the 30% reduction in well pumpage with water from Lake Conroe that would be treated and delivered to the six largest Utility Providers in Montgomery County. With those six Utility Providers receiving most of their water from Lake Conroe, the remaining 144 Utility Providers could continue to use well water because the group, as a whole, would achieve the 30% reduction in pumpage.

SJRA's plan involved the construction of a surface water treatment plant as well as the installation of 55 miles of pipeline to deliver the treated water to the water tanks belonging to the six Utility Providers who would receive the surface water. The 150 Utility Providers agreed by contract to pay their share of the cost to design, construct, and operate the facilities needed to achieve compliance with Lone Star's rules. The contract provides that the Utility Providers pay fees, based on the amount of water that they use. Those fees pay for the cost of design, construction, operations, and maintenance of the infrastructure required to provide the treated surface water.

As noted above, SJRA charges \$2.50 per 1,000 gallons of groundwater pumped by the Utility Providers. This fee applies to all groundwater pumped from the upper gulf coast aquifer. It does not apply to groundwater pumped from the Catahoula Aquifer. There are some participants in the SJRA's GRP who use water from the Catahoula and are not charged a fee by the SJRA for that water.

SJRA charges \$2.69 per 1,000 gallons of surface water delivered to the Utility Providers. This rate for surface water is \$0.19 greater than the \$2.50 per 1,000 rate for ground water pumpage because Utility Providers pumping groundwater incur additional costs (e.g., electricity to run well pumps, et.c) to pump groundwater. In other words, SJRA attempts to set "cost-neutral" rates that neither benefit nor burden those that receive surface water and vice versa. SJRA's fees are similar or lower than those of other GRPs in the [area](#):

North Harris County Regional Water Authority – Rate was effective April 1, 2016

- Groundwater - \$2.40/1000
- Surface Water - \$2.85/1000

North Fort Bend Water Authority – 2016 Rates

- Groundwater - \$2.75/1000
- Surface Water - \$3.10/1000

West Harris County – Effective January 2016

- Groundwater - \$2.25/1000
- Surface Water - \$2.65/1000

The SJRA's GRP is run like a business that is self-supported by its customers, rather than by the general taxpayer. The rates are designed only to take in the amount of money needed to cover the costs of the GRP; there is no profit margin.

The GRP fees collected by the SJRA are used as follows:

- 60% pays the principal and interest on the debt issued to construct the water plant and pipelines.
- 30% pays for the supplies, materials, utilities and staff required to operate the water plant and pipelines.
- The remaining 10% pays for, maintenance, repairs, parts, administrative overhead, professional services (engineering and legal), and to make contributions to the operations and maintenance reserve funds.

The reserve funds include an operating reserve, a replacement and rehabilitation (R&R) reserve, and a capital reserve. By policy, our operating reserve should be equal to six months of operating costs. The operating reserve currently covers only about three months of operating costs. The R&R reserve currently has no funds in it. This is a concern because there are certain components in the water plant, including the primary filters, which will need to be replaced. It would be better to save for those costs a little bit each month over time, rather than incurring the cost and increasing the rate all at once. The capital reserve is also not currently funded. At this time SJRA is not setting aside any funds for a future phase that would increase the current capacity of the water plant or the pipelines, and SJRA has no immediate plans to do so at this time.

In summary, the SJRA GRP fee paid by the customer remains the same per 1,000 gallons no matter how much water the customer consumes, unlike the tiered structure used by the Utility Providers. That GRP fee is used to cover debt payments, operations, and reserves for operations and maintenance, all of which are necessary to achieve the required reduction. The fees are in line with those charged by other GRPs in the region. Most importantly, the SJRA is committed to keeping its rates as low as possible, while still providing safe, clean, and reliable water to its customers.