

WATER & SEWER BILLING

FREQUENTLY ASKED QUESTIONS

FAQ



HOW DOES HARRISONBURG ESTABLISH THEIR BILLING PRACTICES?

The Harrisonburg City Council adopts ordinances to set the practices that are universally applied to all Harrisonburg water and sewer customers. The billing related ordinances are in Chapter 7, Section 4 of the City Code of Ordinances.

<https://www.harrisonburgva.gov/code>

The Harrisonburg Public Utilities Department (HPU) makes recommendations to City Council with context to:

- 1: complying with State of Virginia laws.
- 2: supporting the HPU Long Term Financial Model (LTFM).
- 3: meeting Levels of Service (LOS) as set for our community.
- 4: practicing the recommendations that are supported by the American Water Works Association (AWWA).



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ARE THE TYPICAL MONTHLY BILLS REASONABLE?

The sum of monthly bills must cover all the expenses for providing water and sewer services. About 50% of the funds cover operating costs and the remaining 50% are reinvested back into our infrastructure. The justifications for the expenses are the goals for our Long Term Financial Model. An overview of the model is available on our website.

Comparatively, Harrisonburg monthly billings are significantly lower as compared to other municipalities and authorities throughout the state of Virginia. The average Harrisonburg 2022 monthly billing was \$49.80 for 5,000 gallons of water plus sewer whereas the statewide median average was \$93.73.



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WHY IS THE SEWER CHARGE BASED ON WATER USE?

The driving condition to this decision is that water is provided through a closed plumbing system that can be measured very accurately and reliably; whereas sewer is in an open system that cannot.

For most of our customers, it would be typical to characterize that their sewer volume disposed can be slightly less than their water intake. Understanding that revenue must be met, making any adjustment on the sewer volume would simply be offset with higher sewer rates.



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WHY IS THERE A MINIMUM MONTHLY BILLING?

Base rate charge (a charge that is applied before any consumption charge is applied) or an alternative minimum charge (a base rate alternative that allows a defined consumption that disappears after the consumption level is met) are recommended by AWWA (American Water Works Association). These charges can provide a level of stability and a reduction of financial risk in each budget cycle.

...Revenues can be elastic and change drastically (such as during COVID, climate change) or with the loss of a single large user.

...Expenses are much more inelastic as 90% and greater of the operating costs are fixed and thus not directly reflective to metered water consumption. Examples are fire protection, insurances, meter reading, customer billing, etc.



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HOW ARE THE METER SIZES CHOSEN AND HOW ARE THE MINIMUMS ASSIGNED TO THE METERS?

Meter sizes are selected using methodology endorsed by AWWA or the adopted plumbing code. As required of the water infrastructure, the meter component is sized to accommodate the most probable maximum demand as determined by fixture count within the demand area.

The minimum charge per meter size is a relationship to the charge for a 5/8" meter. AWWA publishes these relationships know as equivalent meter values. For example, a 1" meter is equivalent to 2.5 of the 5/8" meter; therefore, the minimum charge for a 1" meter is 2.5 times the minimum charge for a 5/8". We use the sum of all equivalent meters to set an assurance of minimum revenue.



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WHY IS THE RATE STRUCTURE TIERED TO PROVIDE CHEAPER WATER TO LARGER USERS?

HPU recognizes the AWWA “Cost of Service Approach (COSA)” which proportionately distributes the costs, as incurred to the utility, toward those customers as they place financial burden upon the water and sewer system. In general, the bulk sales of water creates a lower cost to revenue ratio due to the significance of fixed costs in the utility business model. This is known as the “marginalized effect” and is emulated by a declining block rate structure (DBRS) in which higher consumption is priced cheaper.

Much like the water & sewer industry as a whole, HPU has moved away from the DBRS. Whereas HPU once used a four-tiered structure, we are now using two tiers. We compromise between the COSA approach that appropriates cost to cause versus an equity concept of one price for all.



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WHY DO RATES DIFFER BETWEEN CITY AND COUNTY CUSTOMERS ?

HPU follows the AWWA “Utility Approach” concept to explain why we have a differing rate for city and rural.

The principle begins with understanding that city customers are owner invested participants as they are bound by ordinances to the obligations that it takes to properly operate the city water and sewer system. In stark contrast, rural customers can walk away by choice.

Under the differing of circumstances, AWWA as well as many Public Service Commissions, support that non-investor customers should be charged a return on investment (ROI) of 5-10% to offset the financial risks incurred by investing in infrastructure needed for uncommitted sales targets. HPU’s most recent analysis for ROI showed a ROI for rural customers at 3.2%.



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POTABLE WATER AND FIRE PROTECTION ARE TWO DIFFERING SERVICES, HOW IS THE LATTER FUNDED?

Water for fire protection services is provided 7/24/365 through public fire hydrants and to the connection point of privately owned internal sprinkler systems. Customers receive risk mitigation, reduced insurance rates, and water that is free of charge to the individuals who experience the unfortunate need.

The infrastructure costs for providing fire protection are rolled into the consideration of minimum charges on potable water meters. Minimum charges on sprinkler detector check meters are added to offset the added operation costs (water theft monitoring, meter management, and account management) from the sprinkler system.



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HOW IS WATER CONSERVATION REWARDED ?

We understand that our approach to water conservation should reflect the perspectives of our customers. We also recognize that water conservation is an issue of environmental, social, and economic considerations into our business model.

Environmental:

Our water withdrawals from raw water sources are highly protected for in-stream flow protection; our triggers for calls of conservation are timely integrated to these requirements.

Social:

Respect for, and efficient use of, all natural resources are accepted current day practices with the reward of immediate availability and long-term sustainability.

Financial:

Financial implications are complex. Customers will immediately see lower bills, but because city losses in revenue are highly fixed the long-term effect can drive higher rates to support conservation.



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