Plymouth Water Conservation Initiative: Seasonal Water Rate

Why should Plymouth implement a seasonal water rate?
Outdoor watering use in the summer is the key driver of municipal water system requirements and costs in Plymouth (summer monthly use is typically 70-80% higher than winter use). However, there is currently no reflection of this seasonal usage pattern in the Town’s water rates. Because of this, lower-use water customers are unfairly cross-subsidizing those who use more water. A well-designed, seasonal rate structure will assign costs more fairly to those who drive water system requirements, reduce costs to those who don’t, and incentivize water conservation in the summer.

Why now?
One of three recommendations the Plymouth Water Conservation Committee made to the Select Board in December 2022 reads as follows: “The Select Board, in their role as Water Commissioners, should consider implementing a seasonal water rate at its May 2023 water rate-setting meeting to address disproportionately high summer water usage that drives the system. To facilitate this decision, the Water Division should commission an impact assessment of such a rate design prior to May.” It is unclear whether any steps have been taken since December toward evaluating or implementing such a rate.

Is this a new idea?
No. A seasonal water rate was recommended fourteen years ago in the Town’s 2009 Water Conservation Plan, but this recommendation has not been acted on. Below is the text of the 2009 recommendation:

“3.3 Pricing
Due to the high summer demand in Plymouth, the Town should explore using seasonal rates during the summer months (May 1 to September 30) when demand is the highest. Implementing higher rates during this period should help lower consumption.”

Several other Massachusetts towns, including Ipswich and Essex, have implemented seasonal water rates.

How would a seasonal water rate work?
While a detailed analysis must still be performed, the top-tier price would be raised in the summer months and lowered in the remaining months to collect the same overall level of revenues. This is not a rate increase but rather a revenue-neutral, rate restructuring. Because some customers’ bills will increase (absent a change in their water usage), diligent care must be exercised when implementing such a new rate structure.

What needs to be done prior to such a rate change being implemented?
A bill-impact analysis needs to be undertaken to identify winners and losers under the new rate design. This will allow for fine tuning of the new rate and timely communications to customers who will be impacted, prior to the change. Those whose bills will increase can also be given information on water conservation opportunities that will enable them to mitigate the rate impact. The analysis will also help insure that revenues collected will be sufficient to cover water system costs with a reserve margin.

How will businesses with high water usage be impacted?
Businesses like restaurants that use a lot of water should not be penalized by a seasonal water rate. Accordingly, these customers should be a key focus of the rate analysis.
What are the potential benefits of a seasonal water rate in Plymouth?

- The amount of water being withdrawn from the Plymouth-Carver sole source aquifer will be reduced.

- The need for one or more future town wells might be deferred or eliminated. Wells are likely to cost as much as $8 million each and they impact the environment so deferral of even one future well will yield significant benefits.

- Water customers who do not use high volumes of water for outdoor watering in the summer months will no longer subsidize those who do. All water customers will see lower rates in the non-summer months.

- Low-use and moderate-use water customers will see little or no change in their bills.

What are the likely costs associated with implementation of a seasonal water rate?

Expected costs include the fee for an outside consultant to perform the necessary rate analysis in 2023, as well as incidental costs in 2024 for minor billing changes, development of informational materials, and enhanced customer service capabilities on a temporary basis after initial bills have been delivered reflecting the new rate.

What is the best time to implement a seasonal rate?

Since costs for some customers will increase during the summer months, and all customers will see lower costs during non-peak months, making the change in the off-peak season is advisable. The change must be communicated to water customers well in advance to avoid rate shock.