

Tiered Detroit bill plan rewards low water use

Christine Ferretti, The Detroit News Published 11:30 p.m. ET Feb. 2, 2017 | Updated 13 hours ago



(Photo: The Detroit News)

Detroit — Long plagued by delinquency, the city's water department is aiming to be one of few in the nation to give customers who use the least amount of water lower rates.

A preliminary plan calls for a tiered billing system at a lower rate for the first 1,500 gallons used per month — the minimum required to meet United Nations standards for basic hygiene and safety for a family of three. Usage beyond that would be charged at a higher rate, said Marcus Hudson, Detroit Water and Sewerage Department's chief financial officer.

The water department has spent the last year working on the concept recommended by an expert water affordability panel in the wake of an aggressive shutoff campaign in the city that riled human rights advocates and sparked a legal battle.

The new rate structure would apply to all of DWSD's customers from commercial to industrial, residential and government.

"Very simply, we're thinking about it in terms of low water users and high water users," Hudson told The Detroit News.

The model — known as inclining block rates — could lower water rates for more than 90 percent of Detroit's residential customers, according to DWSD's preliminary analysis, Hudson said.

Another 5 percent could see an increase, and the remaining 5 percent could see no change. Hudson said the estimates are based on a sampling of 99,000 residential water accounts.

The block method could shift between \$5 million to \$7 million from residents to business and commercial accounts. And a significant portion of the shift would be from customers who are less likely to pay to those who are more likely to pay, Hudson said.

The water department anticipates an immediate \$1 million to \$2 million improvement in bad debt, which totals about \$35 million to \$40 million per year, and more favorable rates. DWSD doesn't anticipate the move would result in revenue loss.

Hudson also expects the model would lead to increased collections from lower-income residents, reduce delinquencies and water shutoffs in Detroit.

"As the burden to lower-income residents is reduced, their probability of paying increases," he said.

Inclining block rates are used in other cities, including Cleveland, Washington, D.C., and some cities of California.

DWSD Director Gary Brown told Detroit's City Council last week the department developed the model similar to what was recommended last winter by the Blue Ribbon Panel on Affordability the council appointed.

Roger Colton, a Massachusetts-based economist who sat on the panel, said the inclining rates are "a progressive step to address inability to pay."

"Inclining block rates can be a good tool," he said. "They are not adequate unto themselves, but they are a step ahead."

Brown said the draft is not identical to the blue ribbon group's suggestion, but it would be a way to make water more affordable to low-income residents. Currently, about 13,000 customers are shutoff eligible, meaning they owe \$150 or more in arrearages and have not yet made payment arrangements.

The department provided The News with an overview but declined to release the proposed block rates in advance of discussions with individual council members and DWSD's water board expected this month.

Hudson said he expects analysis and recommendations will be completed by mid-March. The Board of Water Commissioners ultimately would vote on the plan. DWSD officials said Thursday the plan could be implemented by 2018.

"Right now, we are exploring the possibility with the council. We've got a rough model and want to orientate them to the model," Brown said. "But the details will change, for sure."

Block rate systems can be controversial because they raise bills for higher users. In several Los Angeles suburbs, the move attracted court challenges over claims the system gouges heavy water users.

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Detroit currently has a single rate for water. Hudson said that penalizes people who don't use significant amounts.

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The average Detroit household uses about 4,800 gallons per month for a family of three. The average monthly bill is about \$81, Hudson said.

Detroit Councilman Scott Benson said he's not yet reviewed DWSD's proposal but is supportive of the idea because it "guarantees a level of access to all of our citizens no matter the financial situation."

"For those who are water insecure, this is huge," said Benson, adding council is focused on ensuring all residents have access to water.

But the design, Hudson stressed, will still require "significant analysis" to ensure it would be equitable.

"At the end of the day, this isn't about shifting costs from one group to another, it's about what's equitable," he said. "Otherwise, it's not something we would want to implement."

Inclining blocks would apply to sewer services as well. Those economics have not yet been defined, Hudson said.

In Washington, D.C., water officials implemented a "Lifeline Rate" in October 2015 to steeply discount the first 3,000 gallons of water for its residential customers.

George Hawkins, CEO and general manager for the District of Columbia Water and Sewer Authority, said the structure has aided lower-income users and encouraged conservation.

Hawkins said D.C. has been visible with its program and is glad it's catching on elsewhere.

"I would say that Detroit is still on the vanguard of this," he said. "I applaud them. It's a great thing to do."

But Detroit resident DeMeeko Williams, founder of the Detroit Water Brigade, a volunteer group that helps families facing water shutoffs, doubts the structure would work for Detroit and worries usage wouldn't be accurately recorded.

"They still have problems with the billing system with the meters," said Williams, who participated in the affordability panel. "There's mistrust, distrust, skepticism, questioning — all sorts of analyzing by the public. No one is really going to understand this system and block rates."

Hudson countered the number of meters with older technology is "significantly smaller" than it used to be and only represents 1 or 2 percent of the meters out there.

"We're very confident that the amount of errors reported in meters will be fairly insignificant," he said.

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