

Utility Branding Network

for water and wastewater agencies

*Increasing Trust, Support,
and Investment*

Branding Brief - Making the Case for Rate Increases

Often utility managers propose a rate increase by sharing rate models, which tend to highlight the complexity of the rate structure. However, the key is to preface the math with a meaningful story that builds confidence that the money to be spent will produce compelling benefits. Sometimes the staff assumes that this story is pretty obvious and already clear. This is rarely the case. Without clarity, politics prevail. Rate increases fund operational costs, debt service, and maybe most notably the debt for new capital investments. The last of these is not more important than the others, but is often the one sacrificed to achieve a “politically palatable” rate.

Start with the Brand – The utility’s brand is the value that it promises to provide to its constituents, for example water reliability, public health, and dependable infrastructure. The utility brand also includes overarching commitments to plan well, make good investment and financial decisions, and to be efficient. The rate-increase story must reveal how both the overarching and functional values are driving the rate proposal. Without this context, the proposal will be unclear and/or confusing, which opens the door for erroneous perceptions, e.g. utilities are inefficient because they have no competitors.

Articulate All the Values in the Rate Structure – The rate structure may have other embedded values, or standards. For example, there is often an equity standard that rates be based on the cost of service. There may be standards that determine where the tiers are set for a conservation rate structure. The key point is that *all the values* embedded in the rate calculations need to be disclosed, which makes the proposal more meaningful, less confusing, and transparent.

Use a Matrix Format to Connect Value with Price – A good method for addressing all of the values in the proposal is to use a format similar to the one below.

Water Resource Reliability	12%	• Debt service for \$150 million recycled water system, which will decrease dependence on imported water and increase reliability
System Reliability	10%	• Implement proactive maintenance program to reduce system failures and reduce long-term maintenance costs

The column on the left articulates the utility’s overall commitment to value.. The percentage corresponds to the fraction that the given cost or investment contributes to the overall rate increase. The column on the right describes the specific investment. This directly connects the value of the investment with its price.

Benefits

Connecting value with price and being clear on all the standards pertinent to the rate increase will build trust, increase support for investment, and enhance the utility’s brand.

For more information about using branding techniques to make a compelling case for investment and secure needed rate increases, contact John Ruetten at john@utilitybranding.net.