



Understanding the Minimum Usage Charge

All utility systems charge a base fee or a minimum usage fee to ensure they can provide water and sewer service. In Hillsborough, up to 2,125 gallons of water can be used with the minimum fee. Additional use is billed per 1,000 gallons.

Background

Fixed costs are associated with making water and sewer service available regardless of whether the customer uses any water in a given month. Both base fees and minimum usage fees are financial safeguards to ensure a utility can pay for providing the service.

- Base fee — Utilities do not provide an allowance of water with this monthly charge.
- Minimum usage fee — Utilities provide an allowance of water up to the number of gallons set as the base use for this monthly charge.

Fixed costs for water and sewer service include:

- Source water management and protection.
- Water treatment, storage and distribution.
- Wastewater collection and treatment.
- Utility billing, including meter reading, billing software, and bill printing and mailing.

With these components also are costs for qualified workers, facilities, vehicles, equipment, chemicals, electricity, gas, regulatory compliance and administrative needs.

Effect in Hillsborough

In Hillsborough, customers are charged monthly at both the water and the sewer rate for a minimum use of 2,125 gallons of water regardless of whether the amount used is below the minimum. The average residential utility use is 2,720 gallons monthly. Water and sewer customers using the minimum or less spend a combined 2.6 cents in town and 5 cents out of town per gallon monthly.

In Fiscal Year 2022, the town started a four-year plan to reduce the monthly minimum number of gallons that customers are charged for water and sewer use. Under the plan, the minimum usage will drop by 125 gallons each fiscal year, going from 2,500 gallons as the minimum use to 2,000 by Fiscal Year 2025. The town previously implemented such a plan in 2013, reducing the minimum use from 3,000 to 2,500 gallons over four years. Spreading the reduction over four years minimizes the annual impact to the town of the loss in revenue.

Due to Fiscal Year 2024's rate increases, customers who use 2,125 gallons or fewer will see a combined yearly increase of 72 cents in town and \$1.44 out of town from the 2,250-gallon minimum charged in Fiscal Year 2023.

Savings from Change in Water and Sewer Usage Minimum for Customers Using the Minimum or Less The minimum usage that the town charges for dropped from 2,250 to 2,125 gallons.			
	Water	Sewer	Combined
In-town customers			
Monthly savings	3 cents	3 cents	6 cents
Yearly savings	36 cents	36 cents	72 cents
Out-of town customers			
Monthly savings	4 cents	8 cents	12 cents
Yearly savings	48 cents	96 cents	\$1.44

Customers' payments fund the operation, maintenance and improvement of the town's utilities system. This includes making water available to customers and for fire protection. The town does not make a profit from providing water and sewer service nor does it use water and sewer revenue for other purposes.

Comparisons

In North Carolina, 55% of water rate structures with base charges include a consumption allowance, according to annual research in January 2022 provided by the Environmental Finance Center at the University of North Carolina at Chapel Hill and the North Carolina League of Municipalities. The number of gallons set as the minimum varies across the state. The median monthly consumption allowance in the state is 2,000 gallons, according to the latest data.

The complete data is available on the North Carolina Water and Wastewater Rates Dashboard of the Environmental Finance Center: efc.sog.unc.edu/resource/north-carolina-water-and-wastewater-rates-dashboard.

Comparing rates is not simple, as the cost of service for each utility is based on a number of diverse factors. For instance, a utility with a greater customer base can spread the cost of service over a larger number of people and may be able to set the minimum use at a lower number of gallons. Below are some characteristics for Hillsborough:

- Within the Upper Neuse River watershed.
- Within the Falls Lake watershed.
- Affected by wastewater treatment mandates under the Falls Lake Rules.
- Part of the Triangle J Council of Government, a seven-county region.
- Serves about 15,238 people through about 6,194 water and sewer connections.
- Average residential customer use is 2,720 gallons of water per month.