



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 2,500 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.

Effect in Hillsborough

In Hillsborough, customers are charged monthly at both the water and the sewer rate for a minimum use of 2,500 gallons of water regardless of whether the amount used is below 2,500 gallons.

Customers' payments pay for 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.

A lower minimum

State law prevents the town from charging different rates to customers based on income. To help relieve customers from the high cost of funding water and sewer service, the Town of Hillsborough implemented a four-year plan in 2013 to reduce the minimum number of gallons that customers are charged for each month.

Over the four years, the monthly base use dropped incrementally. By 2016, it dropped from 3,000 to 2,500 gallons. This change provides cost savings for the town's lower-volume users and was achieved without raising rates for customers who use more than the minimum.

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 3,000 to 2,500 gallons.			
	Water	Sewer	Combined
In-town customers			
Monthly savings	\$4.63	\$6.85	\$11.48
Yearly savings	\$55.56	\$82.20	\$137.76
Out-of town customers			
Monthly savings	\$9.03	\$13.34	\$22.37
Yearly savings	\$108.36	\$160.08	\$268.44

Comparisons

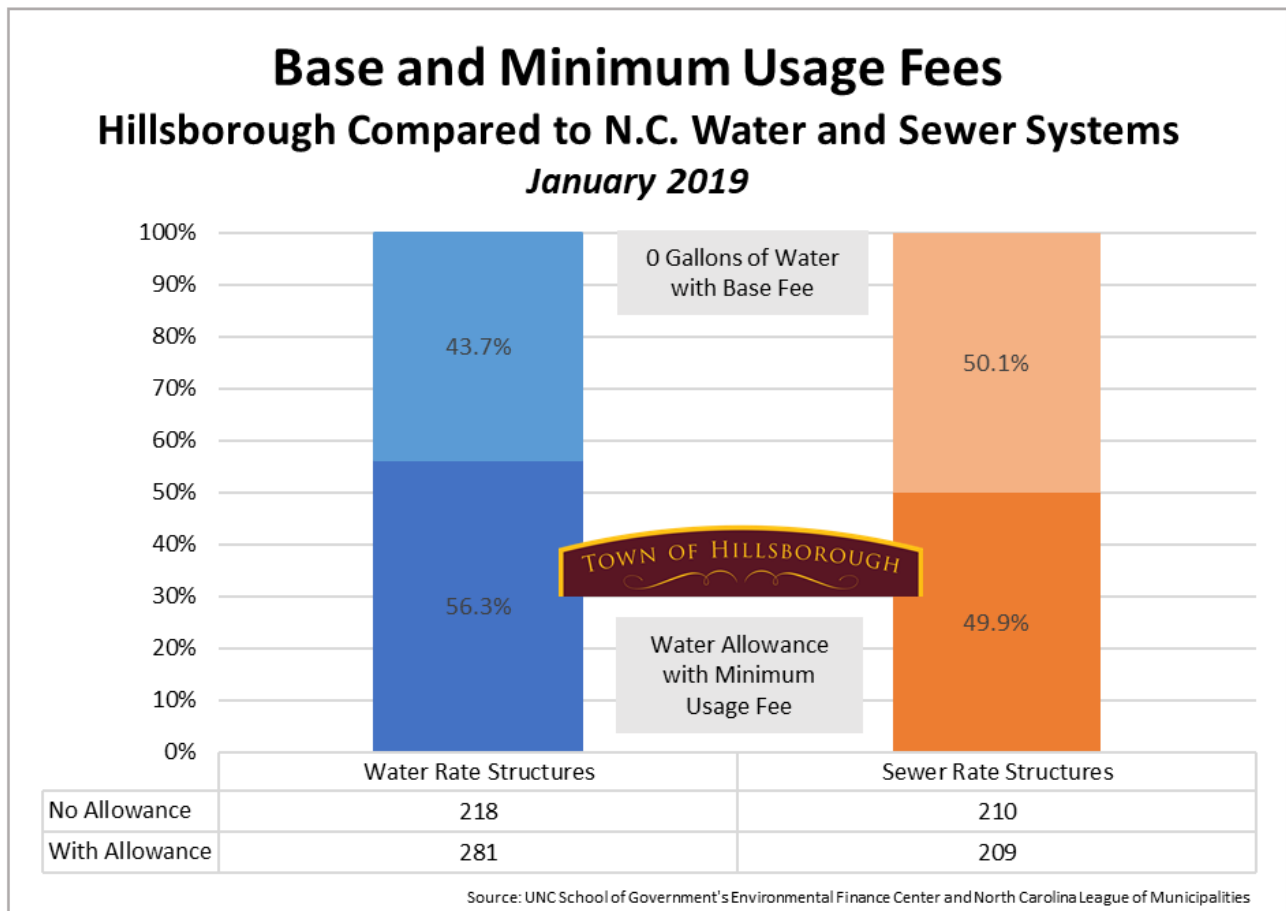
Comparing rates is not simple, as the cost of service for each utility is based on a number of diverse factors. For instance, a utility with a greater customer base can spread the cost of service over a larger number of people and may be able to set the minimum use at a lower number of gallons. Below 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 Governments, a seven-county region.
- Serves about 14,000 people through about 5,600 water connections.
- Average residential customer use is 3,864 gallons of water per month.

The following charts show comparisons across the state based on data from a January 2019 rate study by the UNC School of Government’s Environmental Finance Center and the N.C. League of Municipalities.

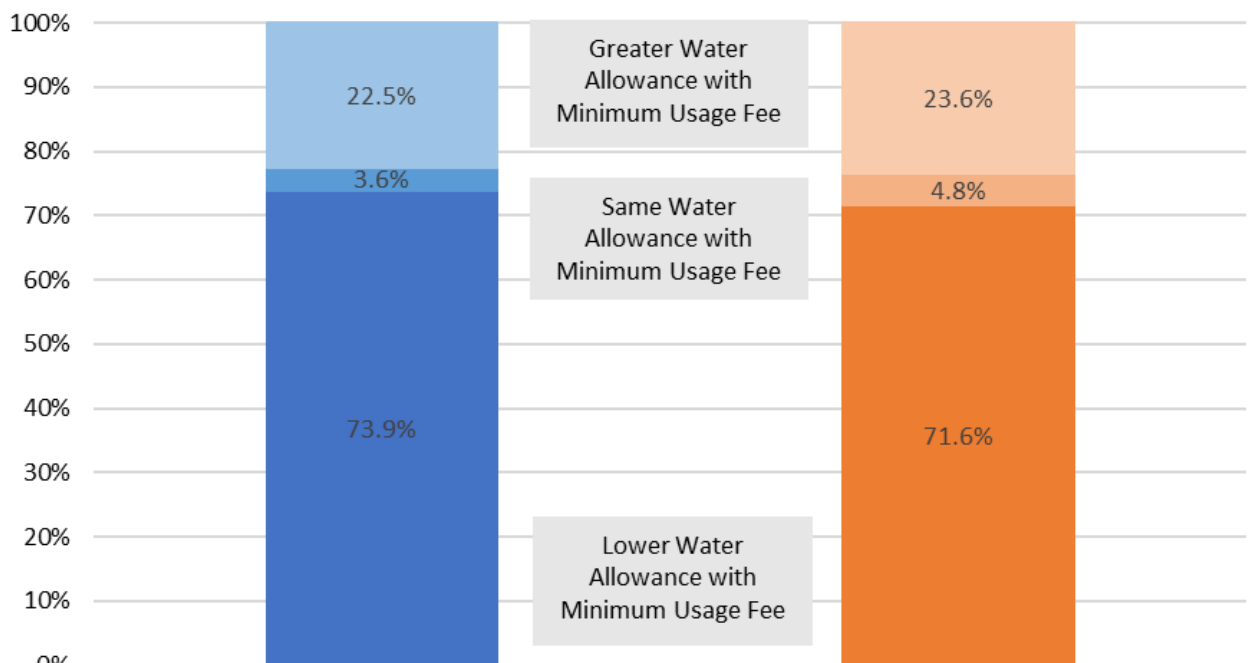
The complete data is available on the School of Government’s website section North Carolina Water and Wastewater Rates, Rate Structures and Connection Fees, www.efc.sog.unc.edu/project/north-carolina-water-and-wastewater-rates-and-rate-structures.

About half of North Carolina’s water and sewer systems charge a minimum usage fee.



The number of gallons set as the minimum varies across the state between 500 and 10,000 gallons for water rate structures and between 100 and 10,000 gallons for sewer rate structures. Most utilities charge for a minimum of 2,000 gallons, with 129 water utilities and 89 sewer utilities setting that number as the base use. The second-most widely used minimum across the state is 3,000 gallons, used by 50 water utilities and 35 sewer utilities. Along with Hillsborough, 10 other water and sewer utilities charge for a minimum use of 2,500 gallons.

Minimum Usage Fees Hillsborough Compared to N.C. Systems *January 2019*



	Water Rate Structures	Sewer Rate Structures
Greater Allowance	63	49
Same Allowance	10	10
Lower Allowance	207	149

Source: UNC School of Government's Environmental Finance Center and North Carolina League of Municipalities