



## 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 2,375 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 2,375 gallons of water regardless of whether the amount used is below the minimum. The average residential utility use is 3,761 gallons monthly. Water and sewer customers using the minimum or less spend a combined 2 cents in town and 5 cents out of town per gallon monthly.

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.

### 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:

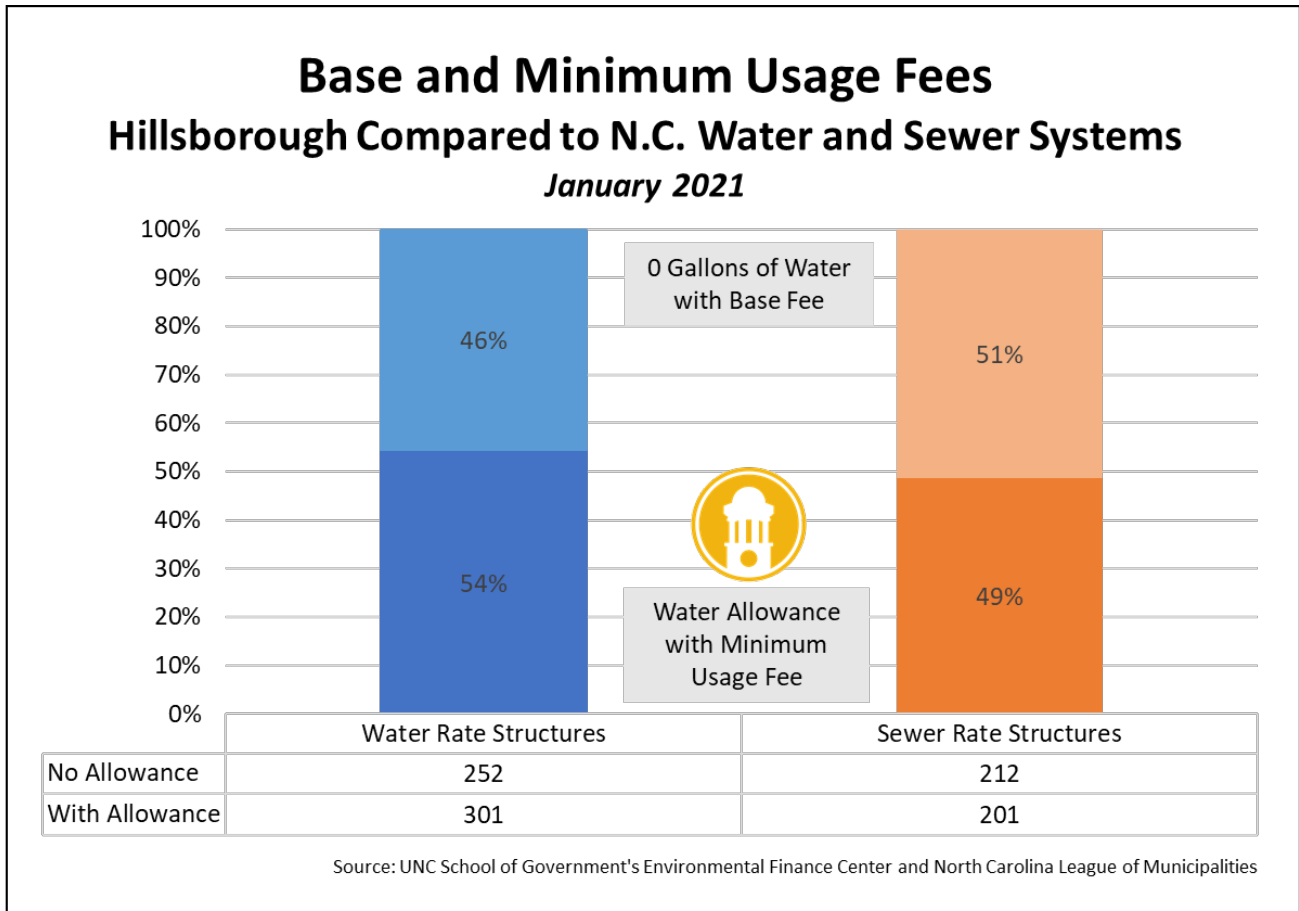
- Within the Upper Neuse River watershed.
- Within the Falls Lake watershed.
- Affected by wastewater treatment mandates under the Falls Lake Rules.
- Part of the Triangle J Council of Governments, a seven-county region.

- Serves about 16,697 people through about 6,523 water connections and 4,513 sewer connections.
- Average residential customer use is 3,761 gallons of water per month.

The following charts show comparisons across the state based on data from a January 2021 rate study by the UNC School of Government’s Environmental Finance Center and the N.C. League of Municipalities. At the time of the study, the town charged for a minimum use of 2,500 gallons.

The complete data is available on the North Carolina Water and Wastewater Rates Dashboard of the Environmental Finance Center at UNC Chapel Hill: [efc.sog.unc.edu/resource/north-carolina-water-and-wastewater-rates-dashboard](https://efc.sog.unc.edu/resource/north-carolina-water-and-wastewater-rates-dashboard).

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

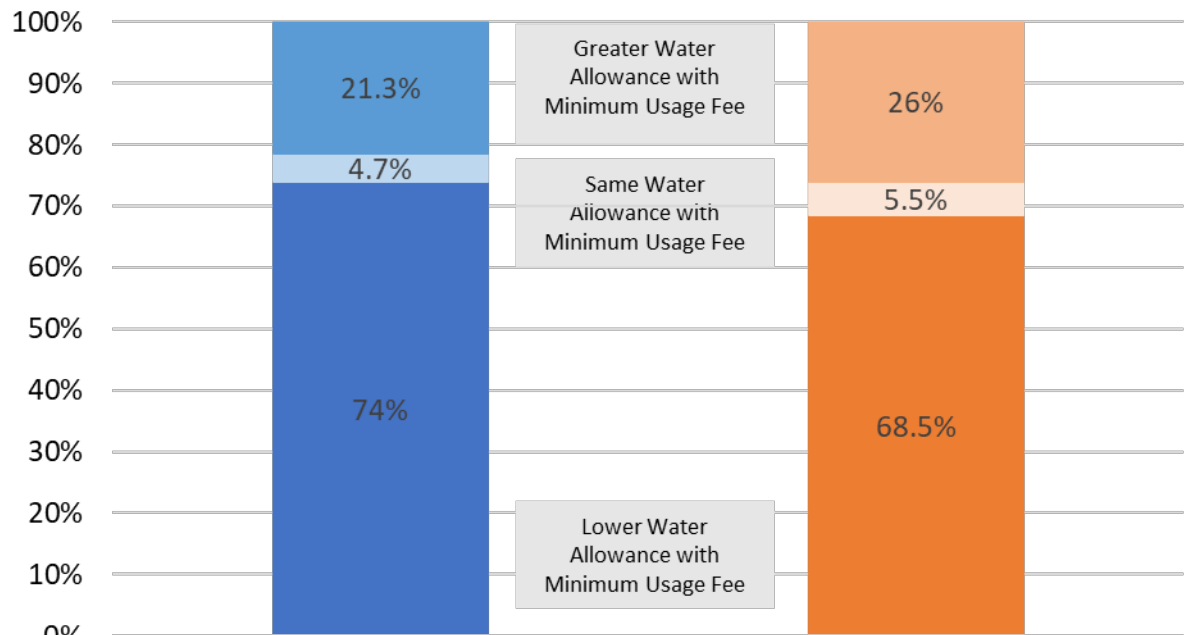


The number of gallons set as the minimum varies across the state between 500 and 5,000 gallons for water rate structures and between 100 and 10,000 gallons for sewer rate structures. Most utilities charge for a minimum of 2,000 gallons, with 134 water utilities and 84 sewer utilities setting that number as the minimum use.

The second-most widely used minimums across the state are 1,000 and 3,000 gallons, used respectively by 54 water and 33 sewer utilities and by 53 water and 36 sewer utilities.

Along with Hillsborough, 14 other water utilities and 11 other sewer utilities charged for a minimum use of 2,500 gallons in January 2021. At that time, two water systems and one sewer system charged a minimum usage between 2,000 and 2,500 gallons (specifically, 2,057 and 2,200 gallons). Hillsborough now charges a minimum of 2,375 gallons.

## Minimum Usage Fees Hillsborough Compared to N.C. Systems *January 2021*



	Water Rate Structures	Sewer Rate Structures
Greater Allowance	64	52
Same Allowance	14	11
Lower Allowance	222	137

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