

Website Q & A: Mexico Inclining Block Rates

Missouri American Water recently received its most recent rate order from the Missouri Public Service Commission, with new rates taking effect as of May 28, 2018. As part of the rate order, the Missouri Public Service Commission has required Missouri American Water to launch a pilot program for inclining block rates for residential water customers in the Mexico district. Details of what this means are below:

What are inclining block rates?

- Inclining block rates is a concept where the more water a residential customer uses, the more that water costs on a per-1,000 gallons basis. In Mexico, the first 3,000 gallons of water will cost \$5.8887 per 1,000 gallons used, plus a \$9 fixed fee. The next 7,000 gallons will cost \$6.7720 per 1,000 gallons used. Any water use above 10,000 gallons will cost \$8.4650 per 1,000 gallons used.

This means that gallons 3,001-10,000 will cost 15 percent more than the initial 3,000 gallons. It also means that gallons 10,001-and-higher will cost 25 percent more than the previous range of 3,001-10,000 gallons.

To see a chart of the rates, [click here](#).

Does this new inclining block rate structure apply to commercial or industrial customers, or customers outside of Mexico?

No, the inclining block rate structure applies only to residential water customers in Mexico.

When will my bill reflect this rate change?

This new rate structure goes into effect May 31, 2018, which is 30 days after the Missouri Public Service Commission issued its rate decision. All water consumed on or after this date falls into this new rate.

How will this affect my bill?

Most customers in Mexico will actually see a rate reduction as a result of this billing structure. The very largest water users will see the largest bill increase, and those users have the ability to reduce usage to reduce the impact to their bill.

In 2016, our Mexico district issued approximately 53,000 monthly residential water bills. Of that amount, only 1,300 were for water usage greater than 10,000 gallons, and only 300 of those exceeded 15,000 gallons.

This program is not intended to collect more revenue from customers in Mexico. However, this program will motivate the largest water users to reduce usage.

What is the purpose of inclining block rates?

This type of pricing structure encourages water conservation, because using less water can lead to a reduction in a customer's water bill, particularly for the largest water users.

Why was Mexico chosen for this pilot program?

Mexico was chosen for this pilot program because it has fewer than 5,000 customers, so the impact of this program can be easily monitored and measured.

How long will this pilot program last?

This rate will remain in effect until the conclusion of the next rate case, the date of which has yet to be determined.

Will the rest of Missouri American Water's customers eventually be put on inclining block rates?

That has not been determined.