



With the passing of Assembly Bill 436, Utilities, Inc. of Central Nevada (UICN) has received approval from the Public Utilities Commission of Nevada (PUCN) to implement a new method of cost recovery which protects both the utility and our customers. The Deferred Water Service Adjustment (DWSA) insures that the revenues received by UICN in any given calendar year will be sufficient to pay the costs of providing a safe and reliable supply of drinking water to your taps in a cost-efficient manner.

Fixed vs. variable costs

Some customers may ask: Why do my rates go up when I reduce my water use by 20%? And why isn't my bill reduced by a proportional amount?

It's a good question and the explanation requires an understanding of fixed and variable costs. Fixed costs include water mains or pipes, wells, pumps, valves, tanks, and fire hydrants among many other items. These costs do not change based on water use and account for nearly 70% of UICN's total cost. As the dollar bill illustrates below, there are some costs over which we have no control.

UICN Cost Breakdown



Just as your home mortgage doesn't change whether you occupy the home or not and your car payment doesn't change if you drive the vehicle or not, our fixed costs to have water available at your tap do not change based on how much water is used by our customers.

How the DWSA will work.

When the PUCN approves water rates for the utility, it is based on assumptions about how much revenue we will receive in a year from each so-called “customer class” (e.g., 5/8” residential meter). Those assumptions include our fixed and variable costs and the volume of water that will be used during the year.

With the DWSA in place, a fixed portion of every customer’s bill will go toward the establishment of an account, by customer class, which will be accumulated throughout the year. That portion of the bill will be independent of the amount of water used. At the end of the year, an analysis of the actual costs recovered from each customer class will be compared to what was expected from those customer classes.

If the analysis shows that greater revenue was collected than expected, those funds would go into deferring, or lowering, the amount required to fund the DWSA for the next year. If the analysis shows that less revenue was collected than expected, the DWSA would be increased for the following year to insure that the utility’s cost are recovered.

This process will be continued in each year going forward and will enable us to insure that we are adequately covering the costs of the water service we provide you and at the same time, it guarantees that you are not being overcharged for that service.

We are required by law to file a rate case every three years. So, when a new filing is made, the balance in the DWSA accounts for the various customer classes would be included the calculations made by the PUCN to determine our new rate structures. Then, the DWSA process would begin again with a ‘clean slate’.

In summary, the process looks like this:



We are pleased that the PUCN has approved this approach and confident that it insures the integrity of our systems in a way that is best for our customers! If you have further questions, please email us at bewatersmart@uiwater.com.