



# GUIDELINES FOR COUNCILLORS

## When considering request for changes in tariff of water supply, sewerage and wastewater treatment

1

In submitting the request for tariff change, have you been presented with clear evidence that all the costs incurred to the utility in the past, based on which tariff is set, have been unbundled in the accounting by types of service? Namely, are there separated records of costs for: i) water supply, ii) sewerage, iii) wastewater treatment, and iv) other services that the utility provides?

YES NO

2

Does the submitted request for tariff change clearly reflects costs referred to in item 1 for each category of customers, and does it contain an explanation for each of the services whose tariff change is requested?

YES NO

3

In submitting the request for tariff change, have you been presented with a Business Plan providing for the reduction of non-revenue water in the network?

YES NO

4

In submitting the request for tariff change, have you been presented with data on the percentage of non-revenue water in the past 2-3 years? If yes, do these data indicate to a decrease in quantity of non-revenue water in the previous period (at a rate of 5-10% relative to the previous annual value) until this percentage reaches the value of about 20%?

YES NO

5

In submitting the request for tariff change, have you been presented with a Business Plan providing for improving qualifications/skills of the employees and optimizing their number?

YES NO

6

In submitting the request for tariff change, have you been presented with data on the number and qualification/skills of employees in the past 2-3 years? If yes, do these data indicate to improvement of qualification/skills of employees and gradual decrease in their number until it reaches 1-1.2 employees per 1 thousand users of water supply, sewerage and wastewater treatment services?

YES NO

7

In submitting the request for tariff change, have you been presented with a detailed separate inventory of the overall infrastructure used for provision of services, together with actual and already depreciated value of each of the elements of this infrastructure, as well as the current annual amount of depreciation?

YES NO

8

Is the requested tariff given as a sum of: i) cost of employees, ii) cost of electricity necessary for drawing and pumping the water in the system, iii) other operating expenses, iv) maintenance investment, and v) capital investment and loan repayments?

YES NO

If you have at least one NO in the answers to previous questions, than you have a reason to return the request to be amended and refuse to accept the proposed tariff by that time.

If all the answers to previous questions are YES, then the tariff is justified (if there is a big difference compared to the current one, you should request for a transitional period for reaching the price, during which some of the above costs will decrease).

If you consider the requested tariff for the services too high and insist on its reduction, the water utility operations are brought into question and some of the justified costs will not be recovered. Most frequently, in this case there is a lack of money to maintain the system so it gradually deteriorates and the quality of water supply service declines. Reductions become inevitable, quality of water gets worse and poses a health risk and the price of this will inevitable have to be paid later.



# CLARIFICATION OF GUIDELINES

1

If, in submitting the request for tariff change, you are not provided with clear evidence that all costs of water supply services have been clearly separated from costs of sewerage, wastewater treatment and other services that the utility provides, there is a high probability that part of the users of these services will pay higher bills than necessary while the other part of users will pay lower bills than the actual costs. Both of these situations should be avoided. Check whether the costs can be lower. If you think they can, propose how.

2

Request for tariff change anticipates costs in the coming period referred to in the submitted request based on these costs from the previous period and possible anticipated changes. Each service has its own cost and each cost should be separately justified. Still, bill for all these services can be and usually is common, with several individual items for each of the services provided.

3

If the volume of non-revenue water in the network is large, this means that the water supply system wastes the drawn water, pumps and consumes electricity more than necessary and thereby creates unnecessarily high costs. It is in your interest not to allow such wasteful behaviour, i.e. to demand a plan for the reduction of non-revenue water.

4

To check whether the plan for the reduction of non-revenue water is carried out, ask for information on annual reduction of the volume of non-revenue water in the previous period. It is not realistic to expect this percentage to be reduced by more than 10% relative to the previous value on an annual basis.

If the previous year's level was 60%, it is realistic to expect the reduction to 54% in a year. If it was 40%, it can reduce to 36% in a year, etc. If non-revenue water was reduced to about 20%, probable costs of further reductions would exceed the achieved savings.

5

Public administration and companies often have a larger number of employees than necessary as well as inadequately qualified – demand a plan that addresses these challenges.

6

To check whether the plan for optimization of skills and number of employees is carried out, ask information on the number of employees in the previous 2-3 year period. If this number exceeds 1-1.2 employees per 1 thousand users of services, demand this number to be gradually reduced through several consecutive years, until the percentage reaches this standard.

7

If the water utility does not have an updated and revaluated inventory of all infrastructure used for provision of its services, including the appropriate estimated annual depreciation value, then its price actually does not envisage maintenance of your water supply and sewerage network at all (or wastewater treatment facility if there is one, as well as other relevant infrastructure) and it is doomed to gradual decay and thereby the gradual loss of quality of the service provided. It will start with occasional interruptions in water supply, then these breaks will become permanent in some parts of the day (at night), then these intervals of breaks will prolong, the quality of water will get worse ...which should definitely be avoided.

8

However, if you still insist on reducing the price, act like with ordering lunch at a restaurant – the amount of the bill cannot be lower if you still want to have the soup, the main course, the salad and the cake. Thus, the price lower by 10 or 20 fenings per m3 in most cases means that you have refused your network to be regularly maintained and that it will consequently decay.

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