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Report Highlights

Water Rates in Louisiana

Louisiana Public Service Commission

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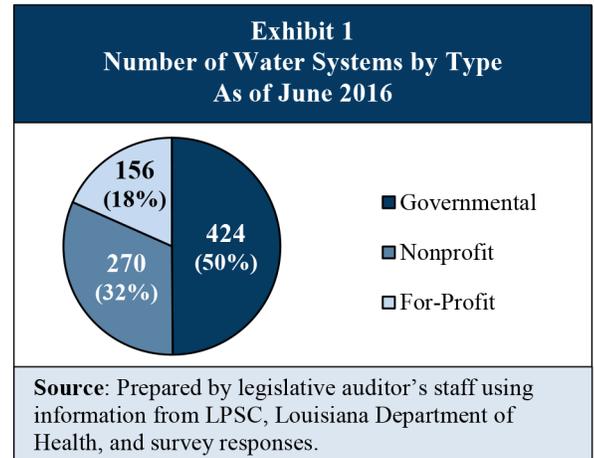
Why We Conducted This Audit

The purpose of this audit was to evaluate whether the Louisiana Public Service Commission (LPSC) approved water rates for private water systems timely, and if the rates charged by governmental water systems are high enough to cover their expenses. We conducted this audit because the most recent report card issued by the American Society of Civil Engineers rated Louisiana’s drinking water infrastructure as a D+, meaning our infrastructure is poor and crumbling. In addition, in 2011 the United States Environmental Protection Agency projected that Louisiana water systems would need to spend \$5.3 billion on drinking water infrastructure over the next 20 years.

What We Found

There are 850 water systems in Louisiana that bill customers for water services, including private for-profit systems, private nonprofit systems, and governmental systems that are owned and/or operated by cities, towns, and parishes. Exhibit 1 summarizes the number and percentage of water systems in Louisiana by type.

It is important that LPSC approve rate increase requests timely so that water systems can charge rates that allow them to cover the full costs of doing business and provide Louisiana residents access to safe drinking water both now and in the future. We identified the following issues:



- **LPSC needs to improve the timeliness of its rate reviews for private water systems.** During fiscal years 2013 through 2015, LPSC did not approve six (19.4%) of the 31 water rate increase requests within 12 months as required by the Louisiana Constitution.
- **Better coordination between LPSC and LDH would help ensure that LPSC is regulating rates for all water systems as required by the Louisiana Constitution.** We identified 14 water systems for which LPSC had not approved initial rates, or received the required annual reports from the systems to ensure rates had not been increased without approval.

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What We Found (Cont.)

In addition, governmental water systems may not be charging high enough rates to cover the costs of providing safe drinking water. Of the 212 water systems we reviewed, 87 (41.0%) had expenses that exceeded revenues in fiscal year ending 2015, which may indicate that these systems are not charging high enough rates. However, other factors, including aging infrastructure and water loss, may also contribute to systems having expenses that exceeded revenues. In addition, concern over customers' ability to pay makes it difficult for these systems to raise rates. Exhibit 2 shows the median and range in residential customers' monthly bills by water system type in Louisiana.

Exhibit 2		
Louisiana Residential Monthly-Equivalent Water Bills		
5,000 Gallon Consumption		
System Type	Median	Range
For-Profit	\$24.25	\$9.61 - \$55.00
Nonprofit	\$26.00	\$10.00 - \$58.50
Governmental	\$23.40	\$6.90 - \$58.00
All Water Systems	\$24.50	\$6.90 - \$58.50
Source: Prepared by legislative auditor's staff using information obtained from LPSC and water system survey responses.		