



NAWC

NATIONAL ASSOCIATION
OF WATER COMPANIES



Price

Cost

Value

The Value of Water

Access to affordable, high-quality drinking water is an extremely valuable resource and service that many Americans have come to take for granted. The National Association of Water Companies and the private water service industry support policies that more accurately reflect the value of water and ensure this life-giving resource is managed in the most efficient and forward-thinking manner possible.



Value

THE VALUE OF WATER

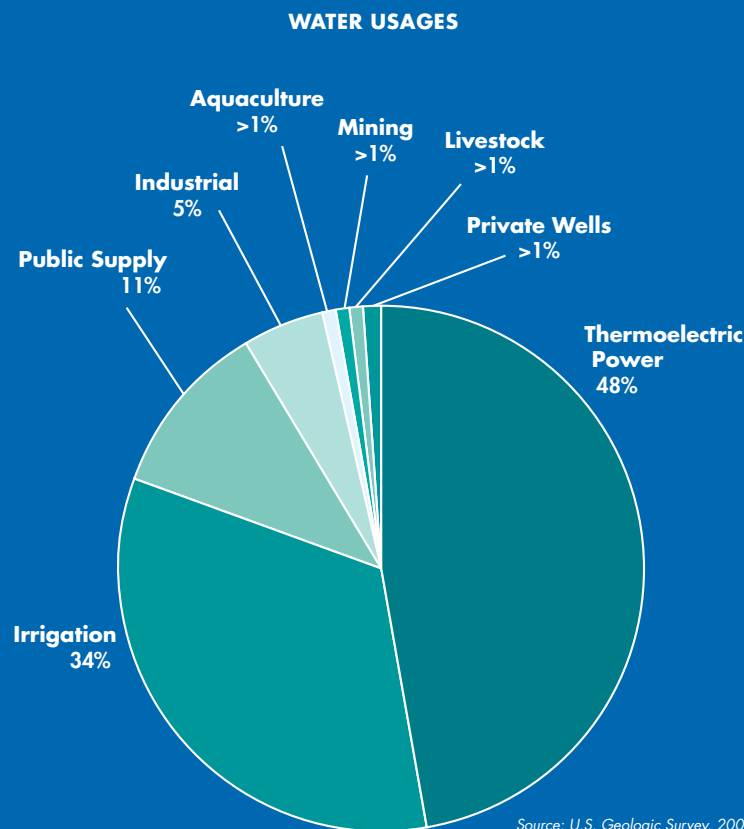
Value can be defined as the intersection between a customer's needs, wants and requirements. Since access to safe and reliable drinking water is a necessity, desire and requirement for daily life, one could assume that it is highly valued. Yet in America, many take water — and its comparatively low price — for granted.

The private water service industry, which produces about 1.7 trillion gallons of water per year, has been evaluating the value of water for more than a century. Following is the industry's assessment of the value of this essential resource and service.

HOW WE USE WATER

Water is valued for many uses beyond drinking. Water has great agricultural and industrial value; in fact, the greatest use of water in the United States is for the generation of electricity. Water is also used for personal hygiene and to ensure safety and security, particularly in fire fighting. Finally, water is valued for recreational, ceremonial and even decorative uses.

Following is a breakdown of the different uses of water as officially recognized by the federal government.



ENSURING WATER SAFETY

While water is essential to life, the raw water provided by Mother Nature is typically not safe to drink unless it is properly treated to remove harmful microbial and other contaminants. This is why the government has in place nearly 90 separate health and environmental standards to assure water safety. U.S. water standards are among the most stringent in the world. Of all the items consumed by Americans, tap water is one of the most carefully monitored and tested.

ACCESS TO WATER — THE ORIGINAL AMERICAN SERVICE

Gaining access to water has been one of the primary engines of human society throughout time. In many developing countries, a significant portion of daily labor is directed toward obtaining and transporting water.

In contrast, Americans access water directly in their homes through multiple taps, 24 hours a day, seven days a week. Bringing this water to the home are nearly *1 million miles* of water mains (pipes) in the United States. Compare this with the less than 47,000 miles in the national interstate highway system.

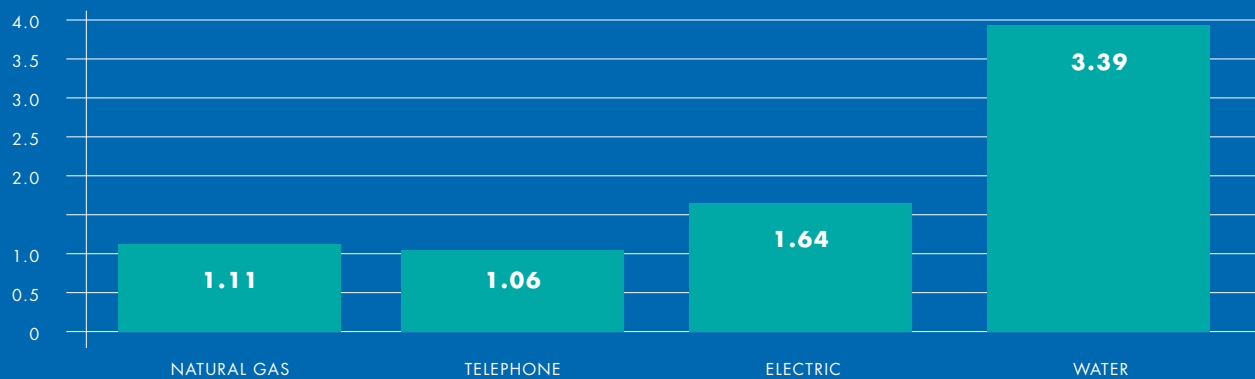
This nearly universal and absolute access to water is of great value to Americans, but few recognize or understand the complex network of treatment plants, pipes and other infrastructure required to provide this service.

Cost

Water infrastructure is very capital-intensive. In fact, for a water utility to earn a dollar, nearly \$3.40 must be invested in infrastructure, an intensity that approaches an average of three times that of other utility sectors. Fortunately, the pipes in the ground that comprise much of the water infrastructure system last a very long time. Yet much of the pipe installed over the last century is reaching the end of its

lifespan and will need to be replaced. Accordingly, significant investments in pipes and other water infrastructure will be required in the near future. This will impact what the customer pays — the actual price of water — which should cover all costs of providing service and maintaining infrastructure for the long term.

UTILITY SECTOR CAPITAL NEEDS



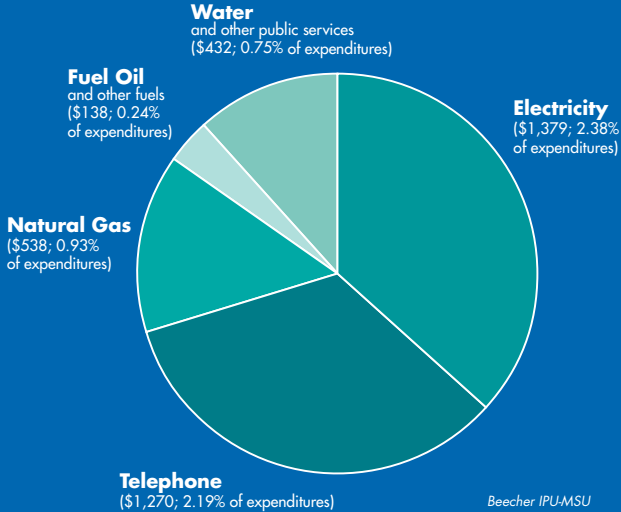
Price

Water that meets all health and environmental standards is delivered to the tap at a price of less than one penny per gallon. The average four-person American household pays less than 0.8 percent of its total expenditures on water, and our rates are some of the lowest in the Western world.

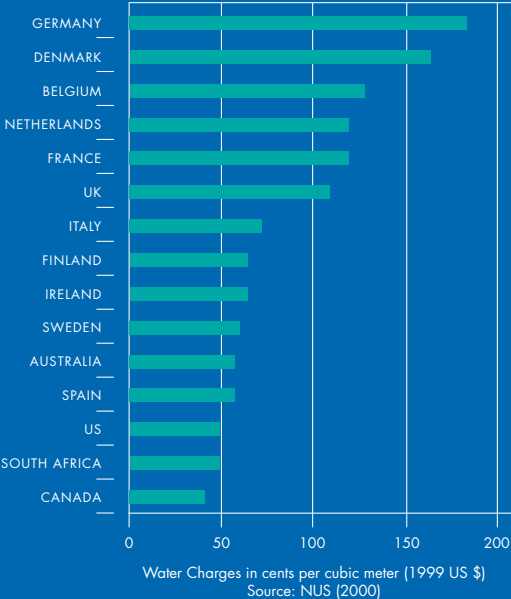
However, there is often a disconnect among price, cost and value. Many utilities do not include all

water service costs in their customer rates. They bridge the difference between cost and price by relying on subsidies such as general tax revenues, targeted water taxes, trust funds and fees. The price a customer ultimately pays for water may or may not be connected to the cost of providing that service. This essentially devalues water service and is inconsistent with the high value our society places on water.

U.S. HOUSEHOLD UTILITY EXPENDITURES



INTERNATIONAL COMPARISON OF WATER CHARGES (1999)



About NAWC

The National Association of Water Companies (NAWC) represents all aspects of the private water service industry. The range of our members' business includes ownership of regulated drinking water and wastewater utilities and the many forms of public-private partnerships and management contract arrangements.

- Founded in 1895 by 16 small water companies in Pennsylvania, NAWC today has members in every region of the U.S.
- NAWC's membership ranges in size from large companies owning and/or operating many hundreds of utilities in multiple states to individual utilities with only a few hundred customers.
- NAWC can trace its member companies' roots back nearly 200 years.
- Every day nearly 73 million Americans — almost one in four — receive water service from a privately owned water utility or a municipal utility operating under a public-private partnership.

NAWC Mission

The mission of the NAWC is to promote the value of the private sector as the provider of quality, sustainable water services and innovative solutions.



NAWC

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