



USDA-CSREES 2007 National Water Quality Conference

[Conservation Pricing of Household Water Use in Rural Communities](#)

Rising concerns about water conservation have led to increased interest in conservation pricing policies on the part of Georgia environmental policy makers. Conservation pricing has been discussed frequently during the on-going development of Georgia's statewide water plan. It is important to quantify the impact of such policies in order to determine that they will achieve their objectives. For conservation pricing, understanding the relationship between price increases and revenues, as reflected in price elasticity, is critical in designing successful policies. Although a number of studies have estimated the price - quantity relationship for water use, these studies have generally used data from large urban areas. This paper provides new estimates of the price elasticity of demand for water for residential consumers in small, rural communities. Residential consumers in rural areas might react differently to conservation pricing, in part because customers in these areas typically are more homogeneous and have lower household incomes than urban households. Our empirical results, based on data from water systems in rural Georgia, confirm that the demand for water is relatively price-inelastic. However, our point estimates of elasticity are somewhat higher than in previous studies, suggesting that residential water demand in small, rural communities may be significantly more responsive to price changes relative to that observed in larger cities. These results demonstrate that the effectiveness of this conservation tool might be different in rural and urban areas of Georgia and emphasize the importance of considering price elasticity in designing conservation pricing strategies.

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