

City of Prescott, Arizona
Water and Wastewater Rate Study
Questions and Responses Since the
October 7, 2014, City Council Presentation

Question 1: *I don't have a good understanding of the meaning of "cost of service". What costs are included in this calculation?*

Answer: Cost of Service refers to the process by which costs of providing utility service are allocated to each customer class (e.g., residential, multi-family, and non-residential). All expenses including operations, maintenance, debt service, and capital needs not funded by development impact fees are included.

Question 2: *Are there other models that use different assumptions of water usage by various customer classes? I question whether it is still valid to assume that single family homes use more water than each individual unit in a multi-family residence. In 2010, 44.8% of households in Prescott had one or more persons aged 65 and older. Assuming those households are inhabited by one or two adults, why would they use more water than a unit in a multi-family structure? Outdoor irrigation is likely the answer, yet more and more people are using natural, unirrigated landscaping. I'm looking for a better explanation for the distinction between the two customer classes because it seems like we are giving an advantage to single family homes that apartment dwellers would not get. If we really want to discourage outdoor irrigation, why not have the same rate tier levels (cost per 1,000 gallons) Tier levels for every residential category?*

Answer: The rate study evaluated actual customer billing records, finding that single-family customers use more water per unit than multi-family customers. Single-family residences use more water per household because of outdoor irrigation, higher year-round occupancy, and differences in persons per household.

Question 3: *Do any other models base the tier levels for residences on number of bedrooms?*

Answer: There is not a consistent, meaningful correlation between water use and the number of bedrooms. Additionally this type of data is difficult to collect and impractical to attempt to maintain.

Question 4: *You mentioned most cities charge 70% to 80% of the potable rate for treated effluent (produced by wastewater treatment plants), and suggest Prescott's rate should be 70%. However, there are many circumstances of Prescott's water situation that differ from most cities. Prescott's special individual circumstances were not analyzed to determine the best rate for effluent. Your analysis of the elements of Prescott's special effluent conditions will help Council on this water rate study, and also help provide focus during future studies and City actions. Considering treated effluent can be easily and inexpensively recharged to our aquifer (with only a 5% state-mandated reduction), and then under state law Prescott can pump an equal quantity of fresh potable water near the Airport – do you agree that it is reasonable to place a price on treated effluent close to the price of potable water (such as 90%)? If not, why not?*

Answer: The public presentations include a comparison of the proposed effluent rate to other communities. Increasing the effluent price to 70% of the potable water rate will be a Council policy decision reflecting, as was stated in the question, Prescott's special circumstances which extend beyond the price of water and effluent to its overall economy and competitiveness.

Question 5: *You suggested a rate for effluent of \$1,100 per acre-foot, which you stated is 70% of the "potable rate." Since there are many potable rates suggested for various tiers, please explain how you determined the "potable rate" for this computation.*

Answer: The average potable water rate is calculated by dividing the revenue from water volume charges by the acre-feet of water sold. The average potable water rate per acre foot is \$1,564 (\$9,361,512/5,986 AF) 70% of \$1,564 is approximately \$1,100.

Question 6: *Several other questions related to effluent including the cost of production, use and existing contract rates were received.*

Answer: Wastewater is treated to comply with federal and state permit standards. This rate study recommends increasing the sale price of effluent. When the current contracts for effluent delivery expire the pricing will, as a matter of standard procedure, be reviewed.