Public Hearing

I. Call to Order and Roll Call

Bryan Foulk, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Public Hearing to order at 6:00 p.m. Bryan Foulk, Dan M. Offret, Helen Ireland, and Judy Scrivener were present. Jim Doyle was not present.

II. Presentation about Proposed Adjustments to Bulk Water Rate

Mark Stratton, General Manager, said that after an initial request by Ashton Company, the Board was prompted to take another look at the bulk rate for construction purposes. Background information developed by staff outlined three alternatives. Ashton previously indicated a bulk rate of $4.50 per thousand gallons was feasible within their projected costs for construction water. The other two examples were $5.40 and $7.00 per thousand gallons. Mr. Offret had previously expressed an interest in keeping the conservation message intact. Mr. Stratton noted a
concern about making the commercial rate lower than the residential rate and suggested they be the same level if the Board decides to lower the bulk rate. Neighboring providers’ rates showed Tucson Water is the least expensive at $3.36 per thousand gallons and Oro Valley was the highest at $6.38 per thousand. Phoenix area providers are somewhat different because the Salt River Project allows them a less expensive source. The research showed bulk charges for construction use varies greatly among providers.

Warren Tenney, Assistant General Manager, noted one variable that staff could not be certain of was how many other firms might choose to start using Metro Water if rates were lowered. Staff surmised that more than likely, others would purchase bulk water if it was more affordable. He said water will still be drawn from the aquifer without financial benefit to the District if rates are kept at current levels.

Mike Land, Chief Financial Officer, gave a brief overview on the proposed adjustments to the bulk rate. Prior to 1999, residential and commercial bulk rates were the same. The Board had decided then to multiply the residential rate by three for commercial bulk users.

Mr. Offret said he recalled consulting with an outside analyst regarding rate structures years ago. Mr. Stratton said that analysis had not considered the bulk rate. Mr. Tenney concurred.

Mr. Foulk said it was his understanding that one reason rates were previously raised was because the distribution system was less interconnected and the District did not have adequate capacity in some areas to accommodate bulk users. Mr. Stratton confirmed the system is now more sophisticated and that meeting peak demands was no longer an issue. Mr. Foulk said he does not agree with charging residential customers a higher bulk rate than commercial users. Knowing the aquifer is impacted no matter what, he would like to find a way to benefit the District.

III. Comments from the Public Regarding Proposed Adjustment to Bulk Water Rate

Marc Dotseth, Magee Road Project Manager for Ashton Company, 2727 S. Country Club, distributed some information about how water costs were figured into the project. He gave some background about how contractors approach jobs in this area. He told about his interactions with Mesaland Water and how those events prompted him to come back to discuss the bulk rate with Metro Water. Ashton plans to bid on three future projects within the District. The future projects are located closer to the boundaries of the District, creating a condition for competition among utilities. While Mr. Dotseth was uncertain of the size or water needs associated with those projects, there exists potential revenue for the District. Ashton is approaching this strictly as a business decision. They want to make sure their bids are efficient enough to get the work. He said the Board’s efforts to promote conservation are commendable but the construction industry is somewhat unique, in that project managers are already motivated to use the least amount of
water possible. Other types of business may have the ability to conserve but the construction business does not. Mr. Offret thanked Mr. Dotseth for his comments.

IV. Consideration and Possible Action Relating to Bulk Water Rate

Mr. Offret made a motion to approve and adopt Resolution 2011-2 with the establishment of the bulk water rate to be at $5.40 per thousand gallons, the same as the residential rate. Ms. Scrivener seconded the motion.

Mr. Foulk said he felt that $5.40 would still be high enough to push customers toward using adjacent providers. If the water table is going to be affected either way, the District should try to earn some revenue.

Ms. Scrivener made a substitute motion to approve and adopt Resolution 2011-2 with the establishment of the bulk water rate for both residential and commercial customers to be at $5.05 per thousand gallons. Ms. Ireland seconded the motion.

Ms. Scrivener said lowering the residential bulk rate will not have a significant impact on revenues from existing residential customers because there are few and usage is low. The unknown is how many commercial users will want to purchase bulk water at a lower rate. The point was well made that the aquifer will be tapped regardless of which entity sells the water. She would like to make an attempt to work with Ashton.

Mr. Foulk noted Tucson Water would still be cheaper.

Mr. Land noted there are base rates in addition to the bulk usage charges and the commercial base rate is currently three times the residential base rate. Mr. Stratton said the new structure would eliminate the multiplier and make the base rates even, calculated according to meter size.

The motion failed, 2-2. Ms. Ireland and Ms. Scrivener voted for; Mr. Foulk and Mr. Offret voted against.

Mr. Foulk said he thought the original motion of $5.40 was too high but $4.50 was too low. He does not want the ratepayers to lose the revenue.

Mr. Foulk made a substitute motion to approve and adopt Resolution 2011-2 with the establishment of the bulk water rate for both residential and commercial customers to be at $4.80 per thousand gallons. Ms. Ireland seconded the motion.
The substitute motion passed 3-1. Mr. Foulk, Ms. Ireland, and Ms. Scrivener voted for; Mr. Offret voted against.

Mr. Dotseth thanked the Board for their decision and indicated the $4.80 level entices Ashton Company to purchase water from the District.

Mike Block, District Hydrologist, noted Ashton’s purchase would have a very minimal impact on the water table.

V. Adjournment

Mr. Offret made a motion to adjourn. The public hearing adjourned at 6:32 p.m.

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Bryan Foulk, Chair of the Board

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Warren Tenney, Clerk of the Board