



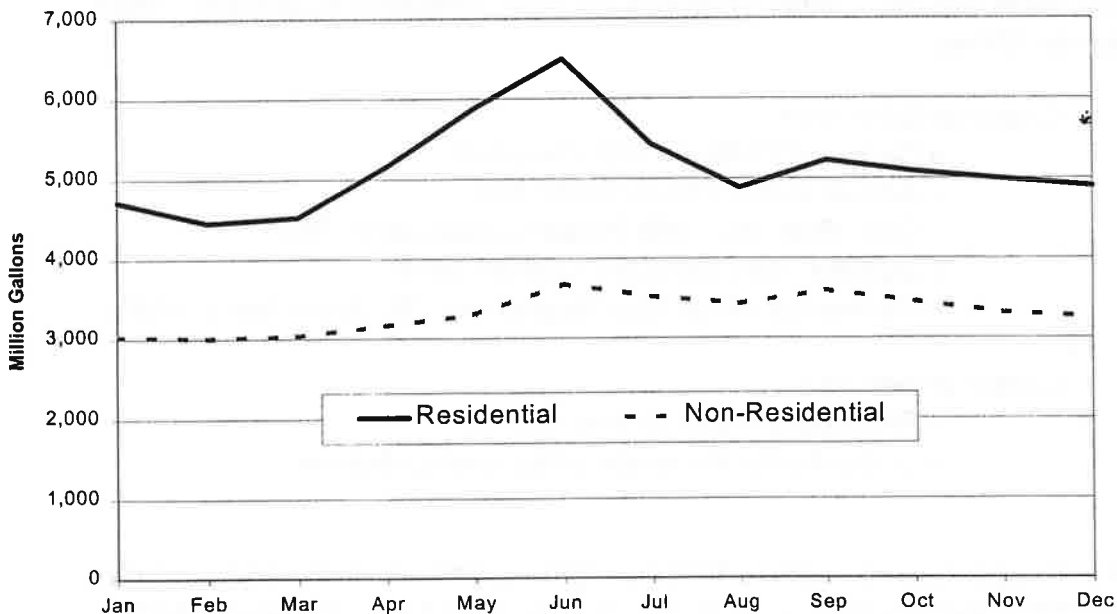
**INTER-OFFICE COMMUNICATIONS
STRATEGIC PLANNING**

DATE: February 12, 2001
TO: Honorable Mayor and Members of the City Commission
FROM: Michael L. Kurtz, General Manager
SUBJECT: Proposed Seasonal Block Water Rates

Since there was considerable discussion on the proposed water rate changes at the January 22nd City Commission meeting, I wanted to address some of the issues that emerged during your discussion. As you know, GRU's water infrastructure costs are driven in part by the maximum daily demand. These demands correspond to periods when extensive irrigation occurs throughout GRU's water distribution system. The proposed rates increase as a customer's consumption goes up and will ensure that water customers pay for the capital impacts of high water use (25,000 gallons per month or greater), as well as the associated operational and maintenance expenses.

The following graphic shows cumulative water sales by month for the past 15 years for both residential and non-residential customers. Approximately 61 percent of water sales are to residential customers, and approximately 39 percent are to non-

**15-Year Water Sales
Total By Month, 1984-1991 & 1993-1999**



residential customers. Notice that non-residential sales are much less variable than residential water sales so residential usage during the irrigation season is the

primary target for the seasonal block rates. The seasonal block rate is proposed to apply to all 5/8" residential water meters as well as all future 5/8" non-residential irrigation meters. The seasonal block rate is proposed to be \$2.22 per thousand gallons for monthly consumption of 25,000 gallons and above. If this block rate were applied year-round instead of seasonally, the rate to obtain the same revenues would be \$1.66 per thousand gallons. Estimates of the water conservation associated with these two rate options for water use above 25,000 gallons per month are summarized as follows:

Rate for 25 Kgal per month or greater	Conservation by Effected Customer Group	Annual Water Use Reduction
\$2.22/Kgal Apr-Oct	8% Apr – Oct	52,000,000 gallons
\$1.66/Kgal Year-Round	3% Year-Round	38,000,000 gallons

While both rate structures ensure that water customers pay the full cost for impacts to the water system, the seasonal system is projected to have a significantly greater conservation effect. Since historical water usage does appear to vary by month with peak consumption normally occurring in late spring, and since infrastructure improvements are driven by peak water demands that have historically occurred between April and October, we propose that the block water rates be applied seasonally to maximize the conservation impact and fairly allocate capital and operating costs.

As you know, although water rates can be effective in promoting water conservation, there are many other programs that GRU provides to promote water conservation as follows:

Customer Education

- Customer Bulletins and Pamphlets
- Annual Water Conservation Tips
- GRU Web Sites with Water Conservation Tips
- Multiple PSAs on Water Conservation
- Permanent Water Use Restrictions (St. Johns River WMD)

Customer Services

- Reclaimed Water for Irrigation use
- Water Audits/Xeriscaping Recommendations

We continue to update and improve these programs and services, and consider any new programs that are effective at conserving water in a cost effective manner.

At the January 22nd City Commission Meeting, the Commission instructed GRU staff to proceed with the proposed seasonal block rates, and referred the issue of seasonal water rates and water conservation in general to the Utilities Committee and the City's Water Management Advisory Committee. The seasonal block rates as proposed fairly allocate costs and thereby promote water conservation. Adoption of the proposed rates at this time will make them effective throughout the impending irrigation season that by every indication will be very dry. By putting the proposed seasonal block rate in place starting in April, we will be in a position to gain experience on their impact on customer water use. The review by the Utilities Committee and the Water Management Advisory Committee may result in suggested enhancements to our Conservation Programs or Services or to seasonal block water rates. If enhancements to our Conservation Programs or Services are desired by the City Commission, staff will include them in next years budget. If further water rate changes are desired, staff recommends that they be implemented after the current irrigation season is complete in October.

If I can provide any additional information or you have ideas you wish us to consider for water conservation, please contact me.

Prepared by:


David Richardson
Senior Water/Wastewater Engineer

Submitted by:


Michael L. Kurtz

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