

**CITY OF RAPID CITY**

RAPID CITY, SOUTH DAKOTA 57701-5035

**Public Works Department**

300 Sixth Street

Telephone: (605) 394-4154

FAX: (605) 355-3083

Web: www.rcgov.org

**MEMORANDUM**

TO: Mayor Alan Hanks and City Council

FROM: Robert Ellis, Public Works Director *RE*

SUBJECT: Raw Water Rates

DATE: June 17, 2010

In reviewing the Title 13 of our Municipal Code and the Utility Rate Study it becomes apparent that a distinction needs to be made concerning irrigation users. Municipal Code defines irrigation user as a commercial or industrial user of the utility using water for outdoor irrigation of landscaping, vegetation or crops. The assumption is made that treated water, rather than surface raw water, is being used for this irrigation. As such, code requires irrigation users to be billed at the much higher irrigation meter charge listed below.

Irrigation Meter Charge				
Meter Size	2010	2011	2012	2013
4"	\$268.44	\$461.00	\$668.00	\$868.10
6"	\$485.15	\$833.74	\$1,208.48	\$1,570.72
8"	\$748.62	\$1,286.90	\$1,865.55	\$2,424.92

Meter charges for the irrigation customer classification are the highest because these customers place the greatest demand on the water system. Conversely, surface raw water irrigators place a much smaller demand on our system than do treated water irrigators. This is because there are no treatment, storage, distribution or transmission costs associated with surface raw water use. Costs associated with surface raw water users are primarily maintenance and operation of Deerfield and Pactola Reservoirs including costs associated with the Dam Tender position.

After evaluating AE2S's Utility Rate Study it is apparent that the cost of service analysis and related revenue adequacy model determined the City should have a goal of



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generating the following revenues from the surface raw water accounts of Meadowbrook, Executive and Arrowhead Golf Courses.

<b>Cost of Service/Revenue Generation Goals</b>				
	2010	2011	2012	2013
Surface Raw Water	\$50,474	\$54,512	\$58,873	\$63,583

When reviewing the average water usage for the three surface raw water users and applying the raw water unit rate coupled with the irrigation meter charge, the revenue generated appears to be imbalanced. Further review shows that by changing the meter charge from Irrigation to Commercial/Industrial, a better pairing can be made with AE2S's Utility Rate Study goals. Below is a summary of the three surface raw water accounts using average water usage, raw water rates and commercial/industrial meter charges.

<b>Estimated Revenue Using Commercial/Industrial Meter Charges</b>				
	2010	2011	2012	2013
Surface Raw Water	\$49,205.31	\$52,268.78	\$56,725.66	\$61,182.35

The table below shows the Commercial/Industrial meter charges.

<b>Irrigation Meter Charge</b>				
Meter Size	2010	2011	2012	2013
4"	\$111.68	\$113.89	\$113.90	\$113.90
6"	\$215.87	\$220.16	\$220.17	\$220.17
8"	\$314.32	\$348.13	\$348.14	\$348.14

To create better equity for raw water users it is recommended that Title 13 of the code be amended as follows:

Change the definition of irrigation user to, "A commercial or industrial user of the utility using TREATED water for outdoor irrigation of landscaping, vegetation or crops."

That would allow raw water irrigators to be classified under the definition of Commercial User which is, "Any utility customer operating as a business, whether for profit or non-profit, publicly owned facilities, facilities which have a combination of residential and commercial uses and any other utility customer who does not fit into another rate classification."

This code amendment will better capture the true cost of providing water service to this group of customers.