

**CITY OF PEORIA, ARIZONA
COUNCIL COMMUNICATION**

CC: 17R
Amend No. _____

Date Prepared: November 6, 2008

Council Meeting Date: December 2, 2008

TO: Carl Swenson, City Manager
FROM: Brent Mattingly, Finance Director (VR) for Bm
THROUGH: Vicki Rios, Revenue Manager (VR)
PREPARED BY: Andy Wagemaker, Revenue Administrator (AW)
SUBJECT: Adopt the proposed non-potable water rate and make the rate effective January 2, 2009.

RECOMMENDATION:

That the Mayor and Council hold a public hearing pursuant to Arizona Revised Statutes 9-511.01 regarding proposed water rates. After the public hearing, staff recommends that the Mayor and Council adopt resolution 08- creating a new non-potable water rate and making the new rate effective January 2, 2009.

BACKGROUND:

The City of Peoria operates an integrated water production and distribution network throughout the City, producing high quality potable water for customers. In 2005, the City added reclaimed water to its portfolio of water services. Reclaimed water is treated wastewater effluent that does not meet drinking water quality standards and is only suitable for non-consumption purposes.

To further enhance water delivery to customers, the City has identified non-potable well water as a water source. Non-potable water is untreated water that does not meet drinking water quality standards. It is only suitable for irrigating large turf areas, filling lakes, and other non-consumption purposes. The City identified specific conditions that may warrant the delivery of non-potable water to customers. Non-potable well water does not require extensive chemical treatment at the source and can be distributed for use in closed systems where there is never any integration with the potable drinking water system.

CITY CLERK USE ONLY:

- o Consent Agenda
- o Carry Over to Date: _____
- o Approved
- o Unfinished Business (Date heard previous: _____)
- o New Business

ORD. # _____ RES. # 07-159
LCON# _____ LIC. # _____
Action Date: _____

The attached report serves as the basis for a non-potable water rate that can be applied to very limited and specific circumstances as laid out in the City Code. Costs and assumptions were analyzed in a collaborative effort with City of Peoria Utilities Department staff. Staff also used industry practices to develop a rate structure that will enable the City to recover costs required to service a non-potable water source. The City intends to calculate and update the rate found in the report periodically.

Non-Potable Water Rate Analysis

To determine a rate for non-potable water, staff analyzed the costs required to deliver the water to the customer. The costs were divided into two cost categories: consumption and capital recovery. Together, these costs make up the proposed non-potable water rate.

Consumption costs are derived from analyzing the costs associated with the Water Production Services Division. This Division is responsible for oversight of all the City's wells, reservoirs, booster stations, and other water facilities. The costs of the Division are allocated between the different activities in the Division to isolate the cost for providing non-potable well water. Costs are allocated further based on the type of well (active or inactive) in the City's water production system. The consumption rate is \$0.75 per 1,000 gallons.

In addition to the consumption cost calculation, a capital cost was calculated. The capital cost component is based on the useful life of well construction, including major well repair and maintenance that extends the life of the well. The useful life of a well is thirty-five years and the replacement cost of an active well is amortized over the well's useful life. Major repair and maintenance service is required every five years and these costs are amortized accordingly. Given that a well's useful life is associated with its production, these costs can be recovered on a production basis. The capital recovery rate is \$0.65 per 1,000 gallons.

The non-potable rate does not include any of the costs necessary to connect a non-potable water user to a non-potable well. The cost for connection depends on many factors including distance from the source, existing infrastructure available, potential right-of-way or land acquisition, and metering costs. These costs are specific to the customer and will be calculated separately. They will be added to the monthly base charge for the customer.

Based on this analysis of the cost of delivering the non-potable water and the demand for this service, staff recommends a rate of \$1.40 per 1,000 gallons.

Legal Requirements

There are several steps a municipality must complete as required by state law to consider and adopt changes to its utility rates. The following calendar provides a brief outline of the required steps and the dates identified by staff for the City to fully comply with Arizona Revised Statutes (ARS9-511.01):

Utility Rate Adjustment Calendar

October 20, 2008	Written draft rate report was placed on file at the City Clerk's office.
October 21, 2008	Council adopted a "Notice of Intention" – notice to the public that the City is considering a new rate.
October 31 & November 7, 2008	"Notice of Intention" specifying the public hearing date, time, and location was published in the Peoria Times.
December 2, 2008	Public Hearing – Staff presents the results of the rate study and a recommendation on the rate to the Mayor and City Council. Council holds a public hearing and considers adoption of the recommended rate.
January 2, 2009	If approved, new rate becomes effective.

SUMMARY:

Staff recommends that Mayor and Council hold a public hearing pursuant to Arizona Revised Statutes 9-511.01 regarding the creation of a new non-potable water rate. Staff further recommends that Mayor and Council adopt resolution 08-159 creating a non-potable water rate and making the new rate effective January 2, 2009. The City has complied with all applicable deadlines and the proposed changes can take effect 30 days after the adoption of the resolution.

ATTACHMENTS:

Resolution 08-159
FY2009 Non-Potable Water Rate Final Report

RESOLUTION NO. 08-159

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF PEORIA, ARIZONA, ESTABLISHING RATES IMPOSED FOR NON-POTABLE WATER USE; NON-POTABLE WATER RATE COMPONENTS; SERVICE CHARGES AND FEES FOR USE OF THE MUNICIPAL NON-POTABLE WATER UTILITY SYSTEM AND ADOPTING A SCHEDULE OF CHARGES FOR THE USE OF THE MUNICIPAL NON-POTABLE WATER SYSTEM AND ALL SUCH ADJUSTMENTS TO BECOME EFFECTIVE AS PROVIDED HEREIN AND PROVIDING FOR AN EFFECTIVE DATE.

RECITALS

The Mayor and Council of the City of Peoria, Arizona, find and determine as follows:

1. The City has adopted a Notice of Intention to establish non-potable water rates pursuant to A.R.S. §9 - 511.01.A.2, and
2. The City has prepared and filed with the Department of the City Clerk a written report, including supplying data that supports adoption of non-potable water rates, non-potable water rate components, fees and service charges to recover the cost of supplying and delivering non-potable water to customers;

THEREFORE, BE IT RESOLVED by the Mayor and Council of the City of Peoria, Arizona, as follows:

Section 1. Effective January 2, 2009, monthly non-potable water user charges, rate components, service charges and fees shall be in accordance with the attached schedule (Exhibit A) which is incorporated by reference. Charges shall be based upon each user's monthly non-potable water consumption records maintained by the City of Peoria.

Section 2. That the Chief Financial Officer is hereby authorized to implement the non-potable water rates provided for in Exhibits A on the effective date.

Section 3. That all other rates presently being charged are hereby affirmed and will remain in effect until changed by the City Council.

Section 4. This Resolution shall become effective in the manner provided by law.

PASSED AND ADOPTED BY the Mayor and Council of the City of Peoria, Arizona this 2nd day of December, 2008.

APPROVED _____, 2008

Bob Barrett, Mayor

ATTEST:

Mary Jo Kief, City Clerk

APPROVED AS TO FORM:

Stephen M. Kemp, City Attorney

EXHIBIT A – NON-POTABLE WATER RATE SUMMARY SCHEDULE

Non-potable Water Volume Charge

Fee per 1,000 Gallons	\$	1.40
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City of Peoria

FY 2009 Non-Potable Water Rates

Final Report

December 2, 2008

Finance Department, Revenue Division

Vicki L. Rios, Revenue Manager

Andy Wagemaker, Revenue Administrator

Howell Lindsay, Cost and Rate Analyst

I. Background

The City of Peoria operates an integrated water production and distribution network throughout the City, producing high quality potable water to customers. In 2005, the City added reclaimed water to its portfolio of water services. Reclaimed water is treated wastewater effluent that does not meet drinking water quality standards and is only suitable for non-consumption purposes. To further enhance water delivery to customers, the City has identified non-potable well water as a water source.

Non-potable water is untreated water that does not meet drinking water quality standards. It is only suitable for irrigating large turf areas, filling lakes, and other non-consumption purposes. The City identified specific conditions that may warrant the delivery of non-potable water to customers. Non-potable well water does not require extensive chemical treatment at the source and can be distributed for use in closed systems where there is never any integration with the potable drinking water system.

This report serves as the basis for a non-potable water rate that can be applied to very limited and specific circumstances as laid out in the City Code. Costs and assumptions were analyzed in a collaborative effort with City of Peoria Utilities Department staff. Costs are based on information from the operations of the Utilities Department Water Production Services Division. Staff also used industry practices to develop a rate structure that will enable the City to recover costs required to service a non-potable water source. The City intends to calculate and update the rate found in this report periodically.

II. Objectives

The current analysis will address the following objectives:

- Determine the operating costs for a non-potable well and calculate a consumption rate for non-potable wells throughout the City.
- Determine the capital costs incurred over the useful life of a non-potable well and calculate a capital recovery rate for non-potable wells throughout the City.
- Incorporate expected customer demand figures.
- Recommend a rate that recovers the costs of operating a non-potable well and forecast the rate requirements over a five-year time period.

III. Consumption Cost Allocations

The non-potable water rate calculated in this report is based upon costs and assumptions for the City's wells. Well costs form the basis of calculation for a non-potable water rate because wells will be the sole source for non-potable water in the City. All costs are from the Water

Production Services Division. This Division is responsible for oversight of all the City's wells, reservoirs, booster stations, and other water facilities. For that reason, the costs of the Division must be allocated between the different activities in the Division to identify the cost for providing non-potable well water. Costs are allocated further based on the type of well (active or inactive) in the City's water production system (Exhibit A).

The initial allocation of the Division's responsibilities is based on a cost breakout for well facilities compared to all other small-scale facilities in the water system (booster stations, reservoirs, etc.). This allocation represents a seventy-five percent (75%) to twenty-five percent (25%) cost assignment between wells and other Water Production Services Division facilities (Exhibit B- Note 1). This reflects the fact that 75% of the Divisions' resources are devoted to the operation and maintenance of wells.

The second cost allocation represents a further breakout of the costs between active wells and non-active wells within the water system. There are two different percentages used in this cost allocation: seventy-nine percent (79%) and ninety-three percent (93%).

To aid in the allocation, Personnel and Support costs are grouped together for the purpose of this analysis. Seventy-nine percent (79%) of the personnel and support costs for the Division are allocated to active wells. The percentage is calculated based on the number of active wells in the system compared to the total number of wells in the system, multiplied by a factor of 1.5. A weighted factor of 1.5 recognizes the higher costs and time commitment necessary to support active wells compared to inactive wells. The total cost for these items are projected to be \$4,202,116 for the five year study period (Exhibit B- Note 1).

Production and Maintenance costs of the Division are grouped together for the purpose of this analysis. Ninety-three percent (93%) of the production and maintenance costs of the Division are allocated to active wells. This percentage recognizes that active wells utilize a greater proportion of the production and maintenance related resources compared to inactive wells (Exhibit B- Note 2). The most significant cost in this group is the electrical cost associated with water production from active wells. The total costs for this category are projected to be \$7,165,897 for the five year study period.

IV. Cost Assumptions

All costs, except electricity, were based on the FY 2009 Water Production Services Division budget. Electrical costs are based on the FY 2008 actual cost according to the City's financial reporting system. Due to recent changes in electric utility rates, this is a more accurate reflection of the cost than the FY 2009 budget amount (Exhibit B- Note ^). A time period of five years was used to calculate the non-potable water rate. This allows the City to forecast anticipated electrical and material cost increases expected in the near term.

For FY 2010, a growth rate of six percent (6%) was used for all costs within the rate study because of known electrical and predicted material cost increases. In the subsequent years of the

study, fiscal years 2011 to 2013, a growth rate of three percent (3%) was used. This is a conservative rate of growth for costs, at or near the level of inflation (Exhibit B- Note 3 & 4).

SUMMARY OF ACTIVE WELL COSTS

Water Production Services Division Operating Costs (Exhibit B)

Personnel and Support Operating Costs	\$ 4,202,116
Production and Maintenance Operating Costs	\$ <u>7,165,897</u>
TOTAL ACTIVE WELL COSTS	\$ <u>11,368,013</u>

V. Capital Costs

In addition to active well operating costs, a capital recovery rate was calculated. The capital component is based on the useful life of well construction, including major well repair and maintenance that extends the life of the well. The useful life of a well is thirty-five years and this study recommends that the replacement of an active well be amortized over the well's useful life. Major repair and maintenance service is required every five years and these costs are amortized accordingly. Given that a well's useful life goes hand-in-hand with production, these costs can be recovered on a production basis. These costs amount to \$292,857 over the study period (Exhibit C).

This capital charge does not include any of the costs necessary to connect a non-potable water user to a non-potable well. The cost for connection depends on many factors including distance from the source, existing infrastructure available, potential right-of-way or land acquisition, and metering costs. These costs are specific to the customer and will be calculated separately. They will be added to the monthly base charge for the customer.

SUMMARY OF CAPITAL COSTS

Capital Recovery Costs (Exhibit C)

Well Construction	\$ 242,857
Well Repair and Maintenance	\$ <u>50,000</u>
TOTAL CAPITAL COSTS	\$ <u>292,857</u>

IV. Demand Factors

Staff worked with well production and consumption data to forecast the non-potable water demand. These estimates form the basis of the annual demand projections used in this study. Currently, an active, non-potable well's production is estimated to be 90,000,000 gallons annually.

FORECASTED NON-POTABLE WATER DEMAND (Five-Year Time Period)

Forecasted Yearly Demand	90,000,000 gallons/year
x Five Year Time Period	x <u>5</u> years
Total Forecasted Non-Potable Water Demand	450,000,000 gallons

V. Recommended Rate

The objective of the non-potable water rate is to recover the costs of operating the well, including the capital costs associated with the life-cycle of the well equipment. Operating costs are recovered by charging a rate based on water production for all wells. Capital costs are recovered by charging a rate based on the estimated demand for non-potable water.

The operating component of the rate is calculated by dividing the total five-year operating cost for the water production, \$11,368,013, by the total five-year active well forecasted water production (in 1,000's) of 15,204,175 gallons. This translates to a consumption rate of \$0.75 per 1,000 gallons.

The capital recovery rate is calculated by dividing the total five-year capital costs for active wells, \$292,857, by the total five-year forecasted non-potable water demand (in 1,000's) of 450,000 gallons. Thus, the capital recovery rate is \$0.65 per 1,000 gallons.

The total consumption rate of \$1.40 per 1,000 gallons is the sum of the consumption rate of \$0.75 and the capital recovery rate of \$0.65. In addition to the recommended usage rate in this study, customers will be billed a base monthly fee in accordance with the standard water rate structure by meter size. This fee will recover various administrative costs such as meter reading, meter replacement and billing services. All calculations can be found below and on Exhibit D.

RATE CALCULATION

Consumption Rate:

Operating Costs for Non-Potable Water Well	\$ 11,368,012
Active Well Production (in 1,000's of gallons)	15,204,175
Consumption rate per 1,000 gallons of Non-Potable Water:	\$ 0.75
(\$11,377,056/15,204,175)	

Capital Recovery Rate:

Capital Costs for Non-Potable Water Well	\$	292,857
Expected Non-Potable Water Demand (in 1,000's of gallons)		450,000
Capital Recovery Rate per 1,000 gallons of Non-Potable Water: \$ ($\$292,857/450,000$)		0.65

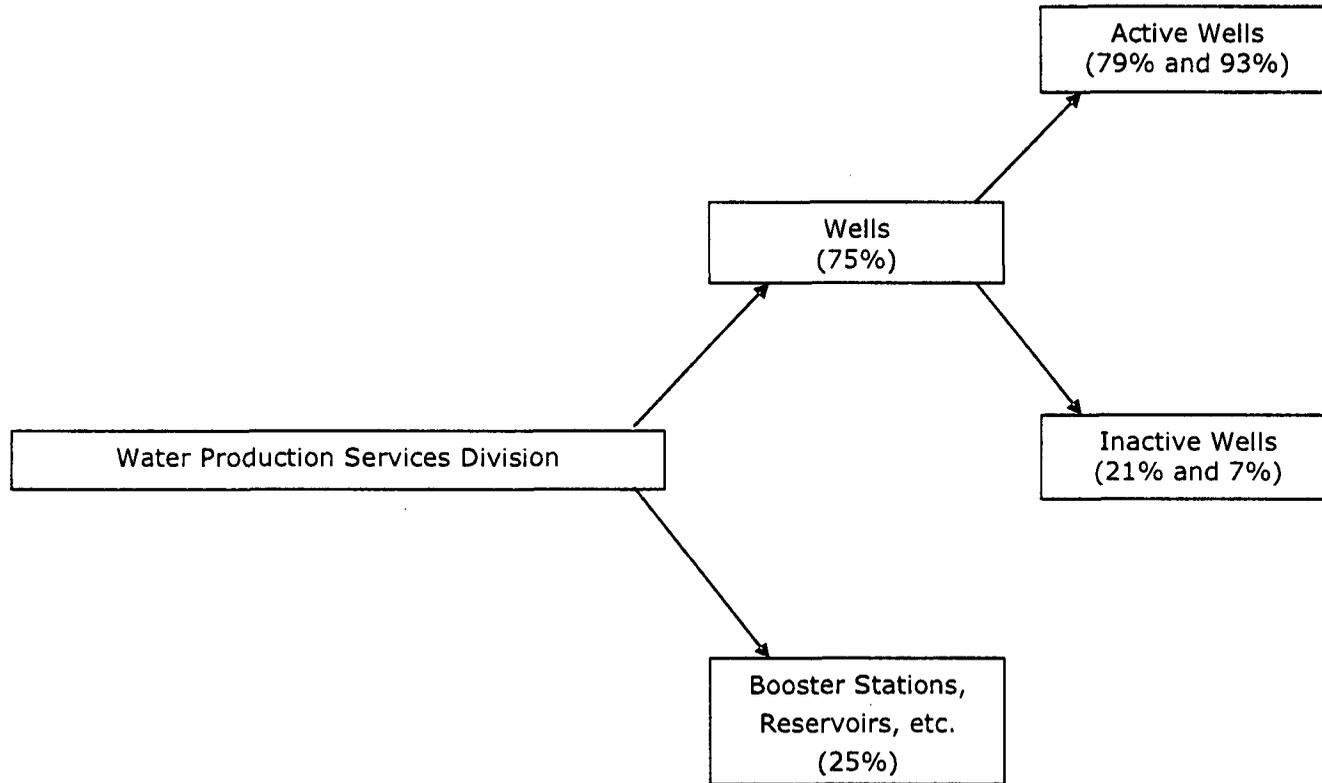
NON-POTABLE WATER RATE CALCULATION

Consumption Rate	\$	0.75
Capital Recovery Rate	\$	<u>0.65</u>
TOTAL NON-POTABLE WATER RATE:	\$	<u>1.40</u>

VI. Conclusion

The City's use of non-potable water is limited by City Code to very specific circumstances. Staff analyzed and calculated rates based on the cost of delivering the non-potable water and the demand for a non-potable water resource. Staff will continue to periodically analyze the rates and provide updates as changes in customer demand, delivery costs, and production capacity occur.

Non-Potable Water Rate Cost Allocation Flow Chart



Water Production Services Department Operating Cost Allocation
Fiscal Year 2009- Fiscal Year 2013

Cost Description	1) Total Well Allocation	2) Active Well Allocation	FY2009 Water Production Services Budget	FY2009 Water Production Services Cost Allocation	3) FY2010	4) FY2011	4) FY2012	4) FY2013	FY2009-FY2013
Personnel and Support									
Salary & Benefits	75.00%	79.00%	\$ 422,482	\$ 250,321	\$ 265,340	\$ 273,300	\$ 281,499	\$ 289,944	\$ 1,360,404
Security	75.00%	79.00%	\$ 400	\$ 237	\$ 251	\$ 259	\$ 267	\$ 275	\$ 1,289
Tool Lease/Rental	75.00%	79.00%	\$ 5,000	\$ 2,963	\$ 3,140	\$ 3,234	\$ 3,331	\$ 3,431	\$ 16,099
Travel	75.00%	79.00%	\$ 3,400	\$ 2,015	\$ 2,135	\$ 2,199	\$ 2,265	\$ 2,333	\$ 10,947
Travel	75.00%	79.00%	\$ 2,400	\$ 1,422	\$ 1,507	\$ 1,552	\$ 1,599	\$ 1,647	\$ 7,727
Telecomm. Svcs.	75.00%	79.00%	\$ 9,600	\$ 5,688	\$ 6,029	\$ 6,210	\$ 6,396	\$ 6,588	\$ 30,911
Apparel-General	75.00%	79.00%	\$ 4,000	\$ 2,370	\$ 2,512	\$ 2,587	\$ 2,665	\$ 2,745	\$ 12,879
Apparel-Safety	75.00%	79.00%	\$ 3,060	\$ 1,813	\$ 1,922	\$ 1,980	\$ 2,039	\$ 2,100	\$ 9,854
Fuel	75.00%	79.00%	\$ 2,500	\$ 1,481	\$ 1,570	\$ 1,617	\$ 1,666	\$ 1,716	\$ 8,050
Vehicle Costs	75.00%	79.00%	\$ 52,300	\$ 30,988	\$ 32,847	\$ 33,832	\$ 34,847	\$ 35,892	\$ 168,406
Office Supplies	75.00%	79.00%	\$ 1,600	\$ 948	\$ 1,005	\$ 1,035	\$ 1,066	\$ 1,098	\$ 5,152
Signs & Supplies	75.00%	79.00%	\$ 1,000	\$ 593	\$ 628	\$ 647	\$ 666	\$ 686	\$ 3,220
Environmental Svcs.	75.00%	79.00%	\$ 1,200	\$ 711	\$ 754	\$ 777	\$ 800	\$ 824	\$ 3,866
Facilities	75.00%	79.00%	\$ 2,400	\$ 1,422	\$ 1,507	\$ 1,552	\$ 1,599	\$ 1,647	\$ 7,727
Refuse Collection	75.00%	79.00%	\$ 1,000	\$ 593	\$ 628	\$ 647	\$ 666	\$ 686	\$ 3,220
Grounds R&M	75.00%	79.00%	\$ 40,000	\$ 23,700	\$ 25,122	\$ 25,876	\$ 26,652	\$ 27,452	\$ 128,802
Landscape Supplies	75.00%	79.00%	\$ 10,000	\$ 5,925	\$ 6,281	\$ 6,469	\$ 6,663	\$ 6,863	\$ 32,201
Svc. Charges- Insurance Reserve	75.00%	79.00%	\$ 14,422	\$ 8,545	\$ 9,058	\$ 9,330	\$ 9,610	\$ 9,898	\$ 48,441
Svc. Charges- General Fund	75.00%	79.00%	\$ 606,118	\$ 359,125	\$ 380,672	\$ 392,092	\$ 403,855	\$ 415,971	\$ 1,951,715
Svc. Charges- IT Operations	75.00%	79.00%	\$ 58,429	\$ 34,619	\$ 36,696	\$ 37,797	\$ 38,931	\$ 40,099	\$ 188,142
Svc. Charges- Facility Maintenance	75.00%	79.00%	\$ 13,858	\$ 8,211	\$ 8,704	\$ 8,965	\$ 9,234	\$ 9,511	\$ 44,625
Svc. Charges- PC Replacement	75.00%	79.00%	\$ 22,000	\$ 13,035	\$ 13,817	\$ 14,232	\$ 14,659	\$ 15,099	\$ 70,842
Svc. Charges- Vehicle Replacemen	75.00%	79.00%	\$ 27,826	\$ 16,487	\$ 17,476	\$ 18,000	\$ 18,540	\$ 19,096	\$ 89,599
SUBTOTAL:			\$ 1,304,995	\$ 773,210	\$ 819,601	\$ 844,189	\$ 869,515	\$ 895,601	\$ 4,202,116
Production and Maintenance									
Electricity^	75.00%	93.00%	\$ 1,555,758	\$ 1,085,141	\$ 1,150,250	\$ 1,184,758	\$ 1,220,301	\$ 1,256,910	\$ 5,897,360
Oil & Lube Supplies	75.00%	93.00%	\$ 11,000	\$ 7,673	\$ 8,133	\$ 8,377	\$ 8,628	\$ 8,887	\$ 41,698
Operational Supplies	75.00%	93.00%	\$ 10,000	\$ 6,975	\$ 7,394	\$ 7,616	\$ 7,844	\$ 8,079	\$ 37,908
Equip R&M	75.00%	93.00%	\$ 5,000	\$ 3,488	\$ 3,697	\$ 3,808	\$ 3,922	\$ 4,040	\$ 18,955
System R&M	75.00%	93.00%	\$ 221,246	\$ 154,319	\$ 163,578	\$ 168,485	\$ 173,540	\$ 178,746	\$ 838,668
Tools & Equipment	75.00%	93.00%	\$ 9,800	\$ 6,836	\$ 7,246	\$ 7,463	\$ 7,687	\$ 7,918	\$ 37,150
System Supplies	75.00%	93.00%	\$ 70,000	\$ 48,825	\$ 51,755	\$ 53,308	\$ 54,907	\$ 56,554	\$ 265,349
Water	75.00%	93.00%	\$ 2,100	\$ 1,465	\$ 1,553	\$ 1,600	\$ 1,648	\$ 1,697	\$ 7,963
Chemicals^^	75.00%	93.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Regulatory Permits	75.00%	93.00%	\$ 5,500	\$ 3,836	\$ 4,066	\$ 4,188	\$ 4,314	\$ 4,443	\$ 20,847
SUBTOTAL:			\$ 1,890,404	\$ 1,318,557	\$ 1,397,672	\$ 1,439,603	\$ 1,482,791	\$ 1,527,274	\$ 7,165,897
TOTAL COSTS:			\$ 3,195,399	\$ 2,091,766	\$ 2,217,273	\$ 2,283,792	\$ 2,352,306	\$ 2,422,875	\$ 11,368,012
TOTAL ESTIMATED PRODUCTION (in 1,000's):				3,040,835	3,040,835	3,040,835	3,040,835	3,040,835	15,204,175

Notes:

- 1) Total Well Allocation: Allocation of the total production services budget to wells. [75% wells/25% booster stations, reservoirs, etc.]
- 2) Active Well Allocation: Allocation of the total time/budget spent on active wells vs. inactive wells. [(19/36)*1.5]=79%, [93% share of total well costs to active wells]
- 3) FY10: Growth Rate of 6% used for known increases in APS electrical costs.
- 4) FY11-FY13: Growth Rate of 3% used for each year.
- ^Electricity: Electricity costs are based on Fiscal Year 2008 actual costs.
- ^^Chemicals: Chemical costs are removed from the rate analysis due to unneeded chemical treatment of non-potable water.

Capital Recovery Cost Allocations
Fiscal Year 2009- Fiscal Year 2013

Cost Description	FY2009	FY2010	FY2011	FY2012	FY2013	FY2009-FY2013
Capital Recovery						
Well Construction*	\$ 48,571.43	\$ 48,571.43	\$ 48,571.43	\$ 48,571.43	\$ 48,571.43	\$ 242,857.14
Well Repair and Maintenance**	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 50,000.00
TOTAL COSTS:	\$ 58,571.43	\$ 292,857.14				

Notes:

*Well construction is based on an estimate of \$1,700,000 amortized over 35 years.

**Well repair and maintenance is based on an estimate of \$50,000 amortized over 5 years.

Consumption Rate and Capital Rate Calculations

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2009-FY2013
Consumption Rate						
Total Active Well Operating Costs	\$ 2,091,766	\$ 2,217,273	\$ 2,283,792	\$ 2,352,306	\$ 2,422,875	\$ 11,368,012
Production Volume (In 1,000's)	3,040,835	3,040,835	3,040,835	3,040,835	3,040,835	15,204,175
Cost of Service Rate per 1000 gal	\$ 0.69	\$ 0.73	\$ 0.75	\$ 0.77	\$ 0.80	\$ 0.75
<i>Consumption Rate per 1000 gal</i>	\$ 0.75					

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2009-FY2013
Capital Recovery Rate						
Well Construction	\$ 48,571	\$ 48,571	\$ 48,571	\$ 48,571	\$ 48,571	\$ 242,857
Well Repair and Maintenance	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 50,000
TOTAL COSTS:	\$ 58,571	\$ 292,857				
Forecasted Demand (In 1,000's)	90,000					
Capital Recovery Cost	\$ 58,571					
<i>Capital Recovery Rate per 1000 gal</i>	\$ 0.65					

Total Consumption Rate

<i>Consumption Rate per 1000 gal</i>	\$ 0.75
<i>Capital Recovery Rate per 1000 gal</i>	\$ 0.65
TOTAL CONSUMPTION RATE:	\$ 1.40