Arizona Department of Environmental Quality | **Arizona Department of Water Resources** | **Arizona Corporation Commission**

Blue Ribbon Panel on Water Sustainability
Economic Funding Working Group

Meeting Notes
April 26, 2010

I. Chair Snider called the meeting to order at 1:00 PM.
Introductions (10 present in person, 2 telephonically) Attendance list attached.

II. Discussion of future presentations
- Presentations on other funding sources were discussed such as the Bureau of Reclamation and USDA. NRCS was offered as an option to focus on rural and agricultural areas.
- Private sector sources of funding could include bond funding, such as municipal, revenue and Build America bonds.
- The ACC could present on the rate setting process for private water and wastewater utilities.
- A joint meeting with the Public Perceptions and Acceptance Working Group is a future possibility, so that this Working Group is aware of rate impact on customers. However instead of a formal joint meeting, the Economic Funding Working Group should invite members of the Public Perceptions and Acceptance Working Group to attend some future meetings.

III. Various items were discussed:
- Tucson's experience has been that there is greater public acceptance where there's been multiple and consistent information on the safety, quality and usefulness of reclaimed water.
- Public perception is good in Phoenix and Tucson where reclaimed water is seen as a resource, but there may not be as much acceptance in other parts of the state. Discussion or coordination with the Public Perceptions and Acceptance Working Group could focus on how to educate the public on the benefits and costs of reclaimed water.
- In trying to determine costs, capital costs of infrastructure and installation for initial system are the same as potable water costs. Ongoing costs are the same as for potable water except for discharges (which is treated as a reportable incident).
- In setting user fees, customers are wiling to change when it puts money in their pocket, but an individual's economic decision could be to the detriment of the community. People need a reason why they should pay the cost of a new meter and pipes. One possibility is a surcharge on all users similar to how electric rates pay for solar. Another possibility is a property tax because reclaimed water is a community benefit.
- Costs aren't just in user fees and user fees can only get so far. A developer has costs to install reclaimed water in new homes. Will new homes with reclaimed water be competitive with other new homes?
- In setting up reclaimed water system, must have an idea of the customer uses. Need certain amount of generation and use before can even step into the reclaimed water game. A system can't depend that all residential customers will want reclaimed water so need some big users. Big users are golf courses or parks that need reclaimed water and have money. Individuals have a steeper gradient to use reclaimed water. Project costs can vary depending on how much a system takes on (recharge, reuse, residential).

- Without industrial or commercial users, smaller systems have been doing recharge. Recharge use can be limited due to soil issues. A lot of small water companies don't have the money to do reclaimed water.
- Regulations can be incentive or disincentive. Golf course in AMA faces water restrictions unless using reclaimed water, but other customers don't face this same driver.
- Cost-benefit economic analysis needed to see reclaimed water as resource because it augments the amount of potable ground water. Mindset has been a money decision, of what's the cheapest way to get rid of effluent. An example is a developer prohibited from putting in all septic tanks and must build a wastewater treatment plant, but now has to figure out how to dispose of the effluent. Usually dry wells are the cheapest way to get rid of effluent (where allowed). How do we change this mindset and make it worth their while? Chandler manages reclaimed water as part of total water resource, so reclaimed water can help extend the amount of potable water, and the rates can reflect this cost benefit. But how are costs allocated when multiple entities are responsible for providing wastewater, drinking water, and reclaimed water services?

IV. Format of Interim Report to Blue Ribbon Panel. Discussion involved what categories could be presented in a future matrix for the Interim Report. Homework assignments were set as follows:
- Pat Eisenberg of the City of Tucson Water Department will be responsible for generating some cost models showing typical reclaimed water projects. Some inputs to the models include that the reclaimed water is of class A+ quality, and three project sizes of small (up to 1500 customer connections), medium (up to 25,000 customer connections) and large (over 25,000 customer connections). With models of typical costs, can then assume power and debt level costs and what are capital costs.
- Ed Curley of Pima County will generate some ideas for a matrix for grey water and storm/rain water use.
- Doug Toy of City of Chandler will research costs for new and retrofit plumbing for grey water use.
- Bill Garfield of Arizona Water will research issues related to cost allocation in a situation when multiple entities are responsible for providing wastewater, drinking water, and reclaimed water services. Previous discussion raised points that there appears to be no requirement for multiple entities to cooperate or plan together, even if reclaimed water is benefiting wastewater or potable water customers.
- Chair Snider and Wendy LeStarge of ADEQ will contact presenters for two possible future meetings on federal funding sources and private funding sources.

V. Next meeting: May 27, 2010 1:00 PM Casa Grande. Two possible future meetings for presentations are being planned before the May 27 meeting. Date, time and location are to be determined although location will be in the Phoenix area.

VI. Adjourn