



August 28, 2019

Dear Ammon Residents,

As we are nearing the end of the watering season, I wanted to reach out to you again to provide the information regarding the City's decision to meter, so you are well-informed. This decision was made after many years of careful analysis of our water system, and will have the positive effect of making our system self-sustainable for many years to come.

Early Metering Decisions.

Metering water was first discussed in 1977-78. At the beginning of 1978, after consulting with the engineering firm CH2M-Hill out of Boise, the City Council began requiring developers of new subdivisions to install the yoke, water meter box and meter itself. The Mayor at that time, George Wehmann, suggested the City should move to a metered system, stating that it would encourage residents to "conserve water and at the same time save the city energy costs."

Since that time, the City has required new subdivisions to install meter pits and pay into a meter fund in anticipation of the City converting to metered water. The City has charged a metered rate to Ammon businesses ever since 2007.

Collecting the Data.

Discussions regarding metering began in earnest in 2009, after the City received a letter from the Idaho Department of Water Resources warning of possible water curtailment for residential customers. In 2013, after seeing the negative effects of heavy summer use on the City's water system, the City decided to put meters in the ground in various neighborhoods to gather data on how the system was operating. The data showed vast disparities in use, with the heaviest use occurring at peak times in the summer months. For instance, some residents had meter reads of well over 800,000 gallons in a month in the hottest months, while others used less than 10,000 gallons. Prior to metering, the City had two water rates—\$38.25 for small lots (less than 10,000 square feet), and \$45.75 for large lots (10,000 square feet or larger). The difference in water fees for these residents (\$7.50) did not compensate for the significant disparity in use. It became apparent to the City Council that not only were small lots subsidizing the large water users, but the two rates were insufficient to support the operational needs of the system. In short, the City did not have a proper understanding of what it truly cost to run the Ammon water system.

Conducting the Water Study.

In 2016, the City contracted with Keller Associates, an engineering firm, to do a full study of the Ammon water system. Keller evaluated the water system's capacity in relation to demands, as well as the requirements of state drinking water rules. Keller identified system deficiencies and how to address those deficiencies, and the current cost of system operation. A key component to a water system is accounting for depreciation of lines, tanks and pumps for the purpose of planning repairs and replacement. Keller analyzed the whole system to come up with hard data for the City to use to make decisions. The result was a 600+ page report, which can be found on the City website at <https://tinyurl.com/y62w6b93> (the main study) and <https://tinyurl.com/y4nqev3x> (the associated appendices).

The Study determined the City needed to generate approximately \$3.4 Million annually in order to properly operate the system. This amount was approximately \$840,260 more per year than the City was receiving in water fees under the flat rate system. The Study made other important findings about Ammon's water system when evaluated against state drinking water rules:

- Current system capacity deficiencies exist in terms of water supply, storage and delivery facilities (see <https://tinyurl.com/y5n7lfka>), including:
 - Deficiency in supply requirements for current max day demand, by 205 gallons per minute;
 - Deficiency in current water storage by 1.6 million gallons;
- By 2037, severe deficiencies would exist in system supply, storage, and delivery systems (see <https://tinyurl.com/y6suomwn>);
- Multiple areas exist with insufficient system pressures during peak demand or without adequate capacity to provide firefighting flows;
- Ammon was exceeding its water rights on some of the hottest days, and by 2037 would be significantly exceeding its water rights (see <https://tinyurl.com/y3epnkks>);
- System deficiency costs totaled an estimated \$15,664,000 (see <https://tinyurl.com/y5y3jtcw>).

Citizens Water Committee.

In 2017, the City engaged a committee of citizens to study the issues affecting Ammon's water system. These were residents that lived in various parts of the City. The committee studied the data accumulated from the meter reads throughout town, and also met with the Keller engineering team and analyzed the Keller water study data.

The committee evaluated several options for moving forward, including, but not limited to, metering water. It concluded its analysis by recommending the city move to metered water. A significant reason the committee recommended metered water was to avoid the need for the City to have to go to bond to cover its water system deficiencies. The wisdom of the committee was that it preferred the City to "pay as you go" for system needs by metering, as opposed to reacting to future needs through bonding.

Creating the Water Rate Scenarios.

The City engaged experts at WaterWorth (see waterworth.net) to develop rate structures and scenarios that would meet the water system's needs as described in the Keller study. WaterWorth ultimately created 12 different scenarios, all of which were carefully analyzed by the City. The scenarios assumed an approximately 20% decrease in water consumption by users due to metering, consistent with the effects of metering observed in other communities.

The Test Period.

In March of 2018, after years of study and analysis, review of the Keller water study, the WaterWorth initial rates, and guidance from industry professionals, the City Council decided that it would begin the process of metering the entire City. But first, the Council unanimously determined the City would spend more than a year educating residents and implementing a "Test Period." The purpose of the Test Period was to give then-metered residents (approximately 65% of the City at that time) a year to see what their

water use might cost them under a theoretical metering scenario, to allow time for adjustments in water use. The Test Period rate (\$30 for 7,000 gallons and \$1.25 per 1,000 gallons thereafter) was never a promised rate, but was implemented to give the residents—and the City—helpful information during the Test Period as the City moved forward with establishing a final rate.

During the Test Period, the City worked to provide as much education and information about metering as possible. It held seven public meetings to discuss metering, teach water conservation practices, and prepare residents for the eventual decision on the rate. Also during the Test Period, information regarding the decision to meter was shared by letters, newsletters, and on the City website. The City Council also met on multiple occasions throughout the Test Period in publicly noticed City Council meetings to discuss the rate options. By December of 2018, the City Council had made the determination to vote on the rate that is currently being charged, a \$30 base rate plus \$1.00 per 1,000 gallons, with no initial number of gallons included in the base rate.

The Public Hearing.

Pursuant to Idaho state law, the City Council held a public hearing in January of 2019 on the proposed rate. Ammon residents filled the Council Chambers to express their views for or against the proposed rate. A handout was provided to residents, containing a Technical Memorandum from Keller & Associates regarding the proposed rate developed by WaterWorth and if it satisfied the operational needs of the Ammon water system that had been determined by Keller in its water study. That handout can be found here: <https://tinyurl.com/yxovt674>. Keller's Technical Memorandum found the proposed rate soundly addressed the needs outlined in the study.

The Technical Memorandum contained a chart that compared “Average User Increase” for the Proposed Rate to Average User Increase under the Keller study to determine whether the new rate would meet the needs outlined by Keller. This was determined by a simple math calculation: Because the system needed an additional \$840,260 per year to operate appropriately, and because there were 4329 water connections at the time, Keller divided the additional amount needed by the number of connections, and then divided that by 12 months to come to an average. Because this number considered all months (including non-watering) and all connections (small lots and large lots), it was never meant to be a statement to individual residents about their actual water rate increase. But it did find the proposed rate was consistent with the system needs and potential rate impacts outlined by Keller in the water study.

Also at the Public Hearing, Keller shared information about how Ammon's proposed rate compared with surrounding metered cities, finding that it was well in line with or below rates charged in surrounding metered areas of similar size, excluding Falls Water. Of interest, a larger comparison of Ammon's rate to surrounding cities and other cities in the West can be found here: <https://tinyurl.com/ammonrate>. The result shows that Ammon's rate compares very favorably to most metered communities.

The intent of the rate structure is to meet the needs of the city—not to show a profit. Enterprise funds collected, like the water fund, can only be used in the department to which they are allocated. Therefore, any money collected through the metered rate must and will be used for the water system only.

The Water Rate.

In March of 2019, the City Council voted to approve the proposed monthly rate of \$30 plus \$1.00 per 1,000 gallons used, and to implement the change starting April 1, 2019. Pursuant to expert



recommendations, the rate splits the cost of water 50/50 between the fixed and variable portions of the fee. The \$30 base consists of \$19 to pay off the Ammon water bond passed in 2006, and \$11 of operation and maintenance costs. The \$1.00 per 1,000 gallons covers the remaining costs of operating the system, and especially the much higher costs associated with water demand during the summer months.

As there was still approximately 30% of the City that was not metered, the Council applied the average use in small lots during the 12-month Test Period (\$50/month), and the average use in large lots during the 12 month test period (\$70/month) to create two temporary flat rates for those for those unmetered customers until their meters could be installed. In contrast to metered customers, the same unmetered rate is applied to unmetered customers year-round, until they receive a meter. Just as metered customers had a one-year Test Period, unmetered customers who are scheduled for a meter install can choose a one-year Test Period upon install or to be immediately charged the metered rate. Additionally, the Council approved a Meter Installation Plan to finish meters throughout the unmetered parts of the City by 2026.

The Reasons for Metering.

The number one reason for metering is to ensure that Ammon’s water system continues to be dependable in the most efficient way possible. Metering covers the actual, full cost of maintaining Ammon’s water system moving forward, in a fair and equitable manner. It is critical that residents understand that water fees ONLY pay for the needs of the Ammon water system.

The City paid \$765,693.73 in interest on its water and sewer bonds in 2019. Metering helps us avoid future water bonds and the associated interest. During the non-watering months, two of Ammon’s wells can handle the needs of the entire city. During the 3 ½ months of summer, all of Ammon’s six wells, in addition to tanks and booster pump stations, are operating at full capacity in order to water our lawns. The cost of electricity from May through August of 2018 alone was \$218,534.91. Furthermore, high demand in the summer months was affecting water pressure in various parts of the city. Linking the cost of service to the amount of water provided was not only more equitable, but it encouraged conservation and preservation of our system and of our precious resource.

Furthermore, conservation ensures that we use less than our water rights, and helps to keep our City safe from curtailment threats in the future. We live in a desert area, and groundwater rights are expensive and in short supply.

Metering applies a level playing field—just as we pay more if we buy more food, we pay more if we use more water. It puts control in your hands, encourages conservation, and addresses our system needs.

Looking Forward.

In only the first four months of metering, April through July 2019, water use in Ammon was 150 million gallons *less* than it was for the same period in 2018. This number will grow as more residents take conservation measures and as the metering process is completed.

The City will continue to look for cheaper and better ways to address the water system demands. One of those ways will be pressurized, surface water irrigation. In the Spring of 2019, the Ammon City Council voted to require all new subdivisions which could reasonably connect to a canal to water yards by canal water, through pressurized irrigation. This will continue to reduce the strain on the water system, and reduce the need for more storage or water rights. The Council has engaged an engineering firm to study if



pressurized irrigation could eventually be applied to all neighborhoods in the city, thereby further reducing our groundwater use.

The City Council reviews rates annually. It is important that we continuously analyze the water rate for accuracy. It is not the intention of the City to overcharge or to undercharge, but to simply charge for the cost of water delivery. Once twelve months of data exists on the metered rate, the City Council will review and make adjustments if merited.

In the meantime, as the weather cools, your water bills will start to decrease dramatically. This will especially happen when you turn off your outside water. Most users consume 7,000 gallons or less during the winter, non-watering months. Some use much less than that. Given that the base rate is \$30, and an additional \$1 is charged per 1,000 gallons, you can see that for the non-watering months (indeed, most of the year), metered residents' water bills will be dramatically lower.

A Final Word.

It is important to note the City passed one metered rate for all metered residents—\$30 per month and \$1.00 per 1,000 gallons. This was a rate structure change and an increase in order to cover the actual costs of the system.

Some residents on the adopted rate are using between 1,000 and 20,000 gallons a month in the summer months, and are paying between \$31 and \$50, respectively. The math is easy to calculate, based on use.

There are other residents that are using over 200,000 gallons a month in the summer months. Some are using much, much more. These higher water users are applied the same metered rate as all other metered residents, but due to using more water, their bills are much higher.

Water use and conservation measures are a choice. Metering water puts the full control of the bill in the hands of the residents. You control how much you pay, based on how much you choose to use. I encourage you to review a list of “Frequently Asked Questions” about metered water, which also contains a list of ways that you can effectively reduce water use. This list can be found here:

<http://cityofammon.us/water-conservation-faqs/>.

If time has taught the City anything regarding water, it is that it is a precious and limited commodity, and that there is a defined cost for producing water in the City of Ammon. It was essential the City move forward with a cost structure that covered the cost of operating the system. It would not have been prudent to do anything other than this.

It is up to each one of us to step up to the plate, to face the difficult changes with courage to find a better way. Most of us may not have predicted the need for metering water would come to Ammon, but after decades of discussion, study, and analysis, it has. I am confident that Ammon will rise to the occasion, just as almost every Idaho city over 10,000 residents already has. We are a strong and forward-thinking City. With strength and resiliency, we will make it through this challenge.

Sincerely,

Mayor Sean J. Coletti