

FEE SCHEDULE REPORT

Proposed Pass-Through Fee for Delinquent Customers

November 2025

Background and Purpose

The City of Casa Grande operates a wastewater collection system with customers both within and outside the City limits. The system, with a current design capacity of 14 million gallons per day, also provides class A+ effluent, which is utilized in the community for golf course irrigation and to help replenish the aquifer. The City currently charges for wastewater/sewer services for those connected to the public system at the following rates:

Single Family - \$33.70 per month

Single Family (outside City limits) - \$50.56 per month

Multi-Family (per unit) - \$20.96 per month

Commercial/Industrial (base charge) - \$17.96 per month

Commercial/Industrial (consumption rate) - \$3.34 per gallon, per month

In October, 2025, the City of Casa Grande entered into an agreement with Arizona Water Company (AWC), who is the water provider within the City's current wastewater service area. This agreement provides customer use data to help in the City's billing processes. The Agreement, if approved by the Arizona Corporation Commission, would also allow the City to require Arizona Water to disconnect water service to a property that is at least 90 days delinquent, after providing notice and an opportunity to enter into a payment plan to bring the account current. As part of this Agreement, AWC will be passing certain fees onto the City, which includes a number of fees (such as an establishment charge, a pro-rated monthly lost revenue fee, an annual fee for administration, and a meter damage fee) that may eventually be incorporated into the City's wastewater rate structure.

The purpose of this report, however, is to recommend an amendment to the City's wastewater fees (as set forth in the City's consolidated fee schedule) to include certain pass-through fees for costs incurred when AWC disconnects, or does an after-hours reconnect, for delinquent wastewater/sewer customers as a direct result of the customer's non-payment of wastewater charges owed to the City of Casa Grande.

To ensure that ratepayers who comply with payment obligations are not subsidizing the direct costs of enforcement actions for delinquent accounts, staff recommends implementing a pass-through wastewater fee equal to the amount charged to the City by AWC for these services.

Proposed Fee Amendment

It is recommended that the City's Wastewater Fee Schedule be amended by implementing the following two new fee components:

Water Service Disconnection (Pass-Through Fee). This fee will be charged when Arizona Water disconnects service for nonpayment of wastewater charges. This fee shall be a pass-through of the actual cost charged by Arizona Water Company to the City (currently \$100) and is subject to change per Arizona Water's current rate schedule at the time of disconnection

Water Service Reconnection (Pass-Through Fee). This fee will be charged when Arizona Water reconnects service for a delinquent customer when service is requested by the City after 2:00 p.m. and reconnected by Arizona Water after 5:00 p.m. This fee shall be a pass-through of the actual cost charged by Arizona Water Company to the City (currently \$50) and is subject to change per Arizona Water's current rate schedule at the time of reconnection.

Example:

If Arizona Water Company charges the City \$100 for a disconnection of water services and \$50 for an after-hours reconnection of service, the same amount (\$150) would be assessed to the delinquent customer as part of their wastewater account balance and as a prerequisite to reconnection of water services.

Fiscal Impact and Cash Flow Analysis

Because of its nature as a pass-through fee, this amendment to the fee schedule will not result in any additional net revenue to the City's General Fund or Wastewater Enterprise Fund. The intent and application of this fee is solely to recover the direct costs incurred by the City as a result of the disconnection/reconnection of water service as a result of non-

payment of wastewater charges. Cash flows are entirely dependent on the number of delinquent customers subject to disconnection/reconnection monthly, with total cash inflows expected to be equal to (or less than if a customer does not reconnect service) the corresponding charges from Arizona Water Company. In each case, the City will not collect in these new fees more than the actual cost charged by Arizona Water Company for the applicable service, ensuring the pass-through fee remains revenue-neutral.

Example: If Arizona Water Company disconnected 30 customers in a month at the current rate of \$100 per disconnect, and 10 of those customers required an after-hours reconnection, Arizona Water Company would charge the City a total of \$3,500 ($\100×30 customers plus $\$50 \times 10$ customers). The City's total expense (cash outflow) would equal \$3,500. Similarly, assuming the City recovered all fees (all customers reconnected), the total cash inflow would also be \$3,500 for that month. If, however, one customer did not reconnect services, the total cash inflow would be reduced by \$100, leaving a total cash inflow of \$3,400 for that month. If no services were provided by Arizona Water Company in a month, the total inflow and outflow would be \$0.

Public Notification and Legal Compliance

Pursuant to A.R.S. § 9-511.01, a notice of intent was adopted by the Mayor and City Council of the City of Casa Grande on October 6, 2025, giving public notice of the proposed wastewater fee adjustment and setting a hearing date of December 15, 2025, for the public to provide comment on the proposed fee adjustment. A copy of the notice of intention will be published in the City's official newspaper not less than 20 days before the hearing date. This report will be filed with the City Clerk and posted on the City's website not less than 30 days prior to the hearing date.