

Water rate stalemate creeps into business

Written by By Holly J. Wagner Sun Correspondent
Friday, 20 January 2023 03:02



It's not just residents eagerly awaiting a decision on water rates. Businesses have plans to make, and they can't do it without some reliable way to predict costs.

That issue trickled into town as negotiations on a new utility rate contract for nitrile glove manufacturer Rhino Health opened a can of worms about creating an industrial water rate.

The city has proposed creating an industrial rate – something the Greater Gallup Economic Development Corporation has been after for a decade – as part of a larger water rate overhaul, but the city council has been unable to reach a decision on that.

GGEDC Executive Director Patty Lundstrom and her team explained how important predictability is for businesses and recruiting to the the city council during a Jan. 3 meeting.

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GGEDC is asking that any new rate structure include an industrial rate to help attract new manufacturing businesses and a credit for industrial customers who experience utility outages.

“It’s an enormous cost to the businesses when water, wastewater and electricity are interrupted. This is compensation for operating costs,” Lundstrom said, recalling efforts to entice JTM Foods to the area last summer.

“They asked specifically how many electric disruptions do we have per year,” she said. “In the company’s mind they want to know, ‘what does an hour and a half do when you’re mixing pie filling for manufacturing and distribution?’”

A review turned up 183 power outages – seven large scale – between July 3, 2021 and May 21, 2022. Interruptions like that are expensive for businesses, including Rhino Health, prompting GGEDC to ask that the new water rates include a promise to industrial customers that they will get a utility credit to offset production losses caused by utility outages.

“It’s thousands of dollars when they have to stop....the nitrile stuff that they actually make the gloves with is only good for a certain amount of time,” Lundstrom said. “When they have disruptions like that it can mean anywhere from \$10,000 to \$20,000 because they have to throw it all out. Because if they’re not getting clean water, there’s a problem.”

Councilor Sarah Piano, Dist. 3, reassured the GGEDC team that an industrial rate is on the way once the council is able to agree on a new water rate structure.

“We are supposed to be doing an industrial rate this year and it will be 70% of the lowest commercial rate,” she said.

Councilors were aghast at the initial proposal last April to raise water rates 22.5% last year and again this year to fund ongoing maintenance and improvements to the aging water system. At the council’s request, staff came back with proposals for increases of 10% to 15% spread out

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over a longer duration, but the council still wasn't satisfied. Meanwhile, the city is charging below cost to deliver water under the old rate schedule and the water department can't borrow or bond unless it can show cash flow.

RHINO HEALTH

Councilors were tasked with negotiating a contract that allows Rhino to forecast costs, without making concessions that other businesses would ask to duplicate in the future – not least being an exemption from the Navajo-Gallup Water Supply Project surcharge that was requested but denied.

Businesses outside of city limits must contract with the city individually for utilities. Church Rock-based Rhino contracts with the city for water, wastewater, solid waste, and electric service.

Rhino was operating under a 2019 contract that expired in 2021. When the contract was signed, the city anticipated it would have an industrial rate in place by the time it expired. Instead, the renegotiation would have come up at the height of the COVID-19 pandemic and was postponed until the danger had eased and conditions returned to something like normal.

During that time, landlords and utilities were also under a moratorium on evictions and utility shutoffs, which strained utility budgets picking up the slack of nonpayments. Then inflation set in.

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Going into 2023, Rhino was looking at a \$7,500 per year increase. Compounding the sticker shock, the 2019 contract included a standard surcharge to support the NGWSP contract, but through a city error, the company has never been charged that fee.

“This is going to be the industrial rate, that’s all there is to it, for the next two years. That’s why I want to keep the Navajo-Gallup fee in there,” Mayor Louie Bonaguidi said. “I would rather lower the commodity charge... we’re going to do what we can to help, but I also need Rhino Health to say ‘we’ll meet you halfway.’”

The council agreed to a contract that keeps the NGWSP surcharge, reduces the commodity rate for Rhino and ends up reducing the company’s increase to about \$4,000. The new contract will remain in effect for two years regardless of what action the council takes on the broader rate overhaul.

“We don’t want to lose Rhino [Health]. At the same time on the city’s side, we don’t want to give the farm away,” Bonaguidi said.

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