Pricing for Conservation: Response to Growth and Drought in Tucson and Phoenix

Kelly Turner

Department of Geographical Sciences, Arizona State University
Decision Center for a Desert City/IGERT

Introduction

In the face of population growth during drought conditions since the mid-1990s, Phoenix and Tucson have fundamentally different water pricing schemes. Phoenix retains a flat pricing structure—the cost of water remains constant at any consumption level. Tucson adjusted progressive pricing structure—customers pay higher rates for increased levels of consumption—in order to strengthen the conservation incentive. This project compares changes in pricing structures implemented by the City of Phoenix and the City of Tucson water providers during this period of growth and drought. Changes in residential water use illuminate the relative effectiveness of a flat pricing structure versus a progressive pricing structure in promoting conservation. This information is a component of a larger effort to examine the cultural and institutional forces that have created divergent policies about conservation in Tucson and Phoenix.

Phoenix and Tucson face rapid growth and drought conditions.

Results

Water Rate Structure Differences

• The flat rate charged by the City of Phoenix Water increased between 1999 and 2006. The City of Tucson Water exaggerated the progressive price structure already in place—the price for lower levels of water use decreased while the price for higher levels of water use increased.

• The gap between water consumption by City of Phoenix Water users and City of Tucson Water users increased during that time period.

• Households using less than 10,000 gallons per month pay less for water in Tucson than in Phoenix.

Future Research

The different responses to growth and drought manifest by the City of Tucson and the City of Phoenix water providers’ price structure underscore the two cities’ different attitudes toward conservation. These findings motivate in-depth qualitative analysis of the cultural and institutional forces that underlie water policies and behaviors. The focus of future research is on the social equity consequences of water conservation policies.

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