

Letter: STPUD explains rate structure

To the community,

In response to the letter from Mr. (Mark) Allione, the district would like to offer some information.

Based upon the Proposition 218 notice last year, the maximum rate increase over the three-year period shown in the graph that a typical single family residence may experience (6.5 percent for water, 6 percent for sewer), is 20 percent for the combined quarterly bill. This is assuming a three sewer unit home (two bathrooms). Of course, metered customers could see a somewhat higher increase if they increase their consumption.

As part of the district's annual budget preparation, staff verifies water and sewer rates with other public agencies around the lake and on the West Slope of El Dorado County. This ensures that our comparison figures are accurate. The district continues to be the lowest cost water and sewer service provider in the area.

One issue that was raised repeatedly was second homeowner rates. Under the district's unmetered, flat rate system, second homeowners were charged the same for water and sewer as a full-time resident. This was based upon the requirement to build the systems with enough capacity to serve the demand when every residence was occupied. In addition, the maximum capacity for the water system was always dictated by fire flow requirements, so fire protection could be in place whether structures were occupied or not. District boards also chose to make needed improvements to the firefighting infrastructure a higher priority than installing water meters due to the threat of forest fires in the basin, and the basin not being in a critically short water area. Now that the state is requiring

water meters, the district is installing them on every residence over the next five years.

With meters being installed, the board needed to choose a service charge rate including a base charge and consumptive charge for metered customers. The board chose an 80-20 service charge rate, meaning 80 percent from the base charge covers the fixed costs required to provide the water service before any usage and 20 percent from the consumptive charge covers the costs that vary with the amount of water produced and delivered.

Fixed costs include:

- Capital infrastructure programs of the meters themselves
- All of the firefighting infrastructure
- Replacement of pipe and equipment that degrade based upon the effects of age (corrosion from both the outside and inside)
- Replacement of equipment to meet new regulations such as air quality standards
- Functions of staff for customer service system operation and maintenance.

Varying costs include:

- Chemicals
- Power
- Wearing out of rotating mechanic and electrical equipment.

Although the 80-20 rate structure accurately reflects the fixed and variable cost structure of the district, this split means that as a customer reduces their water consumption, it will only impact up to a maximum reduction of 20 percent compared to the district's flat rate charge.

Several affects result from this:

- It does not send as strong a water conservation message as a higher percentage on the usage would
- It does not end up costing high users as much as a more even split
- It means that if customers accomplish the 20 percent reduction in water consumed as the state of California has required, the district will not have to impose an additional increase in rates as many other agencies in California are having to do since expenses will decrease equally compared to revenue.

Additional information can be found on our website. A public meeting to discuss the budget and proposed rate increases is also scheduled for May 7 at 6pm at the district headquarters at 1275 Meadow Crest Drive in South Lake Tahoe.

Richard Solbrig, South Tahoe PUD general manager