

Presented as part of Citizens-to-be-Heard  
March 12, 2009 Rates Advisory Committee Meeting  
**RATE ADVISORY COMMITTEE**

By way of introduction, my name is Stephen Lazor. I had the privilege of serving on the two water rate advisory committees that preceded this rate advisory committee. In addition, I was a member of the SAWS Community Conservation Committee for approximately ten years. I also was appointed to serve on two SAWS subcommittees—one that focused on developing amendments to the critical period drought management rules, including amendment of the critical period drought management water delivery surcharge, and a subcommittee that studied the SAWS recycled water system.

Today constitutes the sixth RAC committee meeting. I have attended all of the meetings except the first one. I asked to speak with you today because I have some deep concerns for your committee. Despite the completion of six RAC committee meetings, and despite there being only four scheduled meetings left, you have not yet been educated regarding the existing SAWS rate structures. I am concerned that after six committee meetings, you still have not been given the data and knowledge you will need to perform your job on this committee. How many of you think you know what the various SAWS rate structures are, how they operate, and who they cover? When we discuss the sale of water by SAWS, there are at least eight rate structures that you need to become familiar with, and they include the following:

1. Residential rate structure (four tiers) (theoretically conservation based)
2. General class rate structure (five tiers) (not conservation based)
3. Irrigation rate structure (three tiers) (theoretically conservation based)
4. Assumed irrigation rate structure (three tiers) (theoretically conservation based)  
(has significant impact on wastewater (sewer) revenue)

5. Recycled water rate structure
6. Wholesale class rate structure
7. Water supply fee rate structure
8. Residential class affordability rate structure

How many of you feel you have a working knowledge of these various rate structures and how they operate? You have completed six rate advisory committee meetings, and by now you should have been educated regarding these various rate structures so that you would feel knowledgeable regarding where we are at the present time. Only then could you start tackling the question where should we go in the future as far as rates are concerned.

In addition to your becoming familiar with SAWS various rate structures pertaining to the sale of water, you will need to become familiar with the wastewater (sewer) rate structures for the various customer classes.

Just becoming familiar with the numbers for the various rate structures, is not enough. In addition, you need to become knowledgeable regarding the following matters in order that you may perform your job on the rate advisory committee:

1. You need to become familiar with the actual cost of each 100 gallons of potable water sold by SAWS. Stated differently, you need to learn how much revenue SAWS must average for each 100 gallons of potable water sold by SAWS in order for SAWS to break even in terms of the revenue it collects on the water delivery side of its budget. Thanks to questioning by your committee Michael Harris, we have learned that for the year 2009, SAWS revenue from the sale of potable water must average 14.5 cents for each 100 gallons of potable water sold

in order for SAWS to recover the amount of revenue it has budgeted for its sale of potable water.

2. You need to learn the volume (how much) water is being sold at the various pricing levels of the various water delivery rate structures and you need to learn what percentage of SAWS overall potable water sales each of those volumes represents.
3. You need to learn how much money is being collected at each of the pricing points of the various rate structures and you need to learn what percentage of the overall amount budgeted for water delivery revenue is being collected at each of the pricing points of the various water delivery rate structures.
4. You need to learn how many customers are being billed at each of the pricing points of various rate structures (which will tell you how many customers are impacted when you make changes at each of the pricing points of the various rate structures).
5. You need to learn how the pricing points of the various rate structures compare to the actual cost of potable water, which is 14.5 cents per 100 gallons. You need this information to understand or appreciate which SAWS customers are allowed to buy water below cost by virtue of the present rate structures, so you can understand which customers are required to subsidize the below cost sales, and so you can appreciate the level of subsidy that is taking place.
6. You need to know what the infrastructure cost has been for the recycled water system and what the maintenance and operations costs are for the recycled water system. You need to learn how much money is being lost each year by the

recycled water system and which classes of SAWS customers currently are required to underwrite those losses by virtue of their paying higher water delivery rates and higher water supply fees. For the budget year 2008, the recycled water system had a budget shortfall of approximately \$8,800,000. That was the revenue shortfall in terms of revenue required to cover the expenses for maintenance and operations and debt service for the recycled water system.

7. You need to learn that under the current recycled water rate structure, the recycled water customers are exempt from paying the water supply fee. In other words, they are not being charged any water supply fee on the 16.58 billion gallons of recycled water being supplied to them by SAWS despite the fact that \$135,000,000 has been expended to build the infrastructure of the recycled water system.

Remember that you represent the entire customer base of SAWS. You are not on this committee merely to rubber stamp the rate structures or recommendations that SAWS staff chooses to place before you. Rely on your collective wisdom and your collective backgrounds to come up with rate structures that are fair to the entire customer base of SAWS. To accomplish that task, you need to acquire data that is not being given to you and you need to request that time be set aside in your committee meetings to allow you to understand the data. Once you obtain the necessary data and understand it, you will have the wisdom to ask the right questions and to perform your job. You will be in a position to evaluate the current SAWS rate structures and to suggest whatever changes or amendments to those rate structures you deem fair and equitable to SAWS customers.