

STPUD on course to increase rates



STPUD board members Jim Jones, from left, Randy Vogelgesang, Eric Schafer and Kelly Sheehan on March 26. Photo/LTN

By Kathryn Reed

South Tahoe Public Utility District board members on Wednesday somewhat hamstrung future board's when it comes to allowable rate increases.

They also agreed to potential water and sewer increases that are well below what staff recommends.

"It really decreases the water line replacements. Hopefully, there is not a fire in the area where the water lines are pushed off," Paul Hughes, CFO for the district, told *Lake Tahoe News* after the three-hour meeting.

Four of the board members clearly had their minds made up about how to proceed even before staff gave its report, and the public had a chance to ask questions and make comments.

Board member Chris Cefalu, who is out of town, didn't even listen in during the March 26 discussion. He only joined the conversation via telephone when it came time for board deliberations.

He and board member Randy Vogelgesang were adamant that the

staff's recommendations were too much. Board members Eric Schafer and Jim Jones believe staff is spot on, with Jones saying increases could even be higher to meet the needs of the district. Kelly Sheehan didn't say much, but leaned toward Cefalu and Vogelgesang.

In the end, the consensus was to set a maximum possible rate increase on the water side of 6.5 percent for each of the next four years with the fifth year being 5 percent; maximum possible sewer increase of 6 percent each of the next five years; and raising the base pay for those on water meters to be 80 percent of the bill, with 15 percent being based on consumption.

Staff had proposed water increases of 9.5 percent, 9 percent, 9 percent, 9 percent and 5 percent for the next five years. The other increases are what staff recommended.

Per state law the district must send to ratepayers what is called a Proposition 218 form. This informs them of the proposed maximum allowed increases. This will go out the first week of April.

Proposition 218 requires a 45-day protest period. If 50 percent plus one ratepayers were to file a protest to the proposed rate increases, the district could not go forward no matter what the board wanted to do.

It won't be until the board's June 5 meeting that a decision is actually made on what the increases, if there are any, will be. They can be less than what is proposed – including no increase. (There will also be public meetings April 17 and May 15, both at 6pm.)

What some of the board members were hung up on is this was not a vote for a specific percentage, but instead it was about a maximum allowed for the next five years.

One reason to go for the five-year Proposition 218 notice is

to save money because the process is an expense, as well as to lock in revenues to pay for the completion of installing nearly 8,000 water meters.

The district has until mid-June to apply for a \$21.5 million zero percent interest loan from the state that would be paid back over 20 years. The state is mandating water districts install meters by 2025.

Cefalu and Vogelgesang believe having put a higher cap on the rate increase would have made it more likely this and future boards would vote for that amount and they believe it is too much to ask ratepayers.

Schafer and Jones wanted to give this and future boards flexibility – plus, the top percentage allows the district to accomplish goals the board has set forth with capital improvement projects.

Besides needing to install the meters, the district's main concerns are the nearly 1,500 residences that don't have water lines that provide for adequate fire suppression. While the 2007 Angora Fire was brought up multiple times and how that area had sufficient sized lines, nothing was mentioned about California's continued drought and how that could subject the area to greater danger of a wildfire. The 4-inch lines cannot pump the required 1,500 gallons per minute.

For the last 10 years, the average STPUD water bill has gone up 2 percent, and the sewer bill 2.55 percent.

When the district does its 10-year plan, which it updates every year, a 4 percent increase is forecast. This gives staff an idea of revenues so it can plan projects.

Schafer, who is the board president and has said he is not running for re-election in November, said of the 10-year document, "I think we need to start paying attention to what we put in it. That's a semi-commitment."

Because what has been going in it has not truly reflected the board's actions because rate increases have not been occurring on a regular basis.

Staff showed how water projects for the next 10 years have a price tag of \$69.5 million, while the 20-year estimate is \$154 million. Ultimately the cost will be more expensive as things break and need to be repaired, and as construction costs escalate because costs are also based on work that should have been done.

And it's possible after this five-year stretch rates could go higher to compensate for not having a higher rate now. That is essentially what is happening now. Staff had said 4 percent increases were needed to keep up with capital improvement projects. Those increases didn't materialize because of board decisions. That is why larger increases were on the table.

The third issue facing the district is \$58.5 million in capital improvements are penciled out for the next 10 years on the sewer side; \$130 million across 20 years.

A fire that cannot be suppressed or a sewer spill into Lake Tahoe or the Upper Truckee River will prove making upgrades per staff recommendations should have done; plugging along without incident will prove the gamble with lower rate increases was the prudent move.