

July 6, 2017



**VENTURA
RIVER
WATER DISTRICT**

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Mary Yang
State Water Resources Control Board

e-mail: Mary.Yang@waterboards.ca.gov.

Subject: Comment Letter – LIRA Program

Dear Mary;

It appears that the LIRA Program is attempting to provide a 20% discount to low income persons. My comment is that water agencies can do better than that, we can provide them about a 50% discount by changing our rate setting habits.

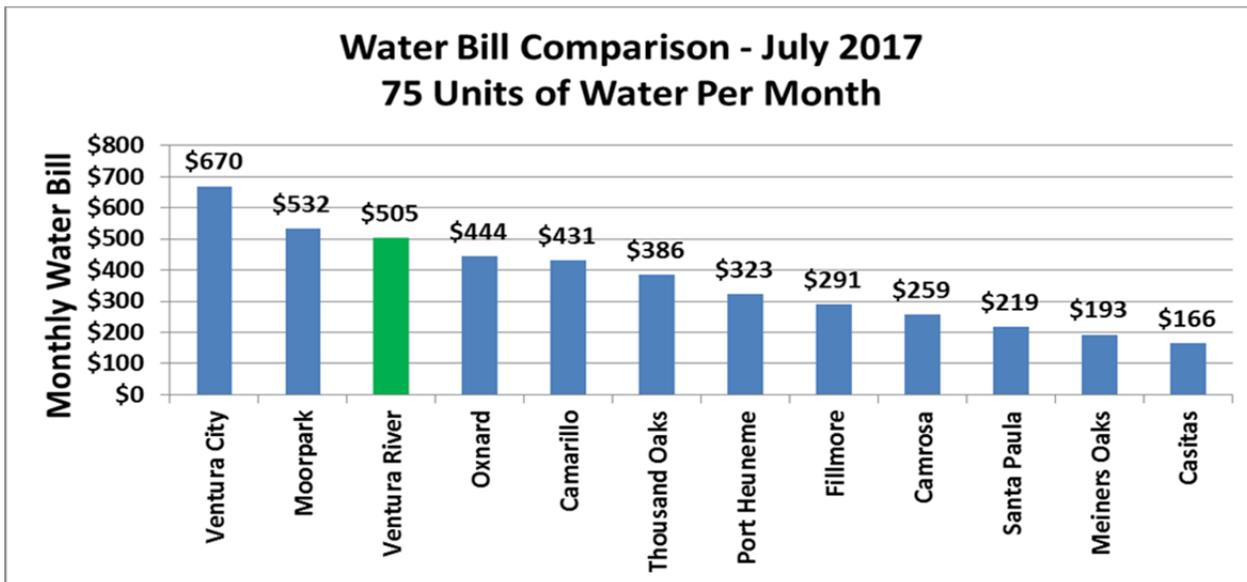
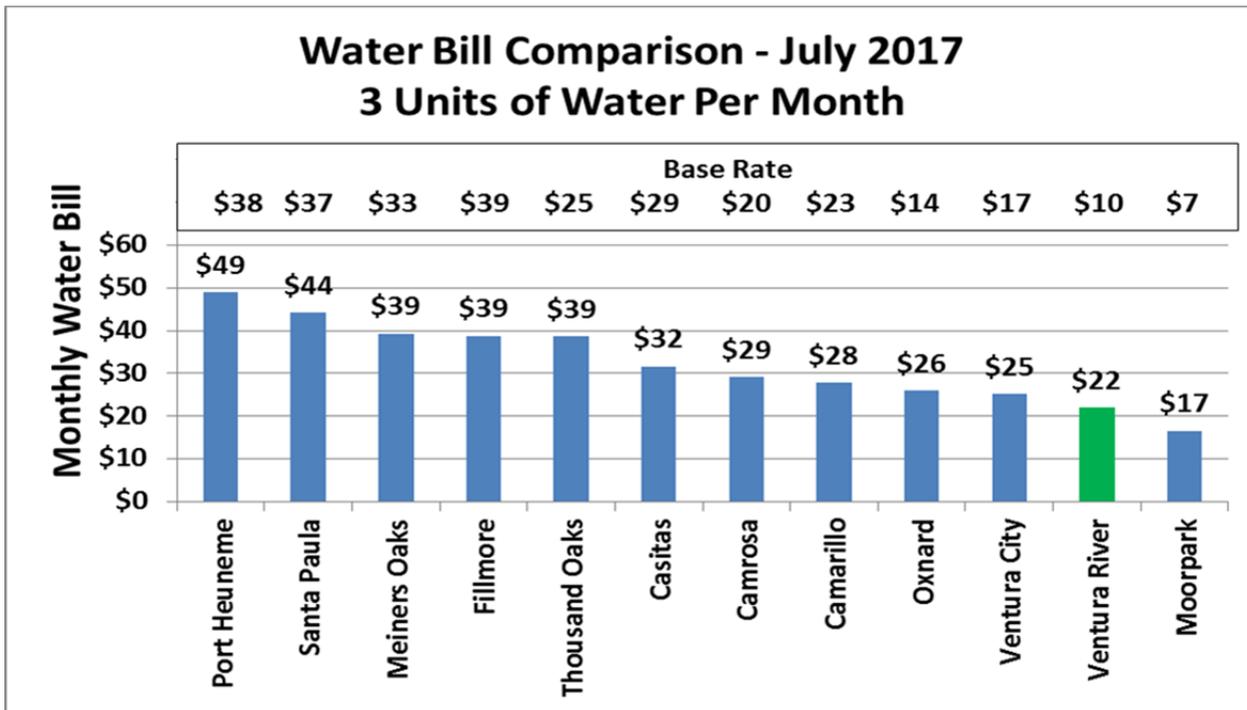
I have managed water systems and set water rates for almost 30 years. When low income persons or senior citizens living on fixed income attend our rate hearings and ask that we not increase their water rates we typically think there is nothing we can do to help them. That is not true.

I ran our rate model setting the base rate at \$0, \$10 & \$30:

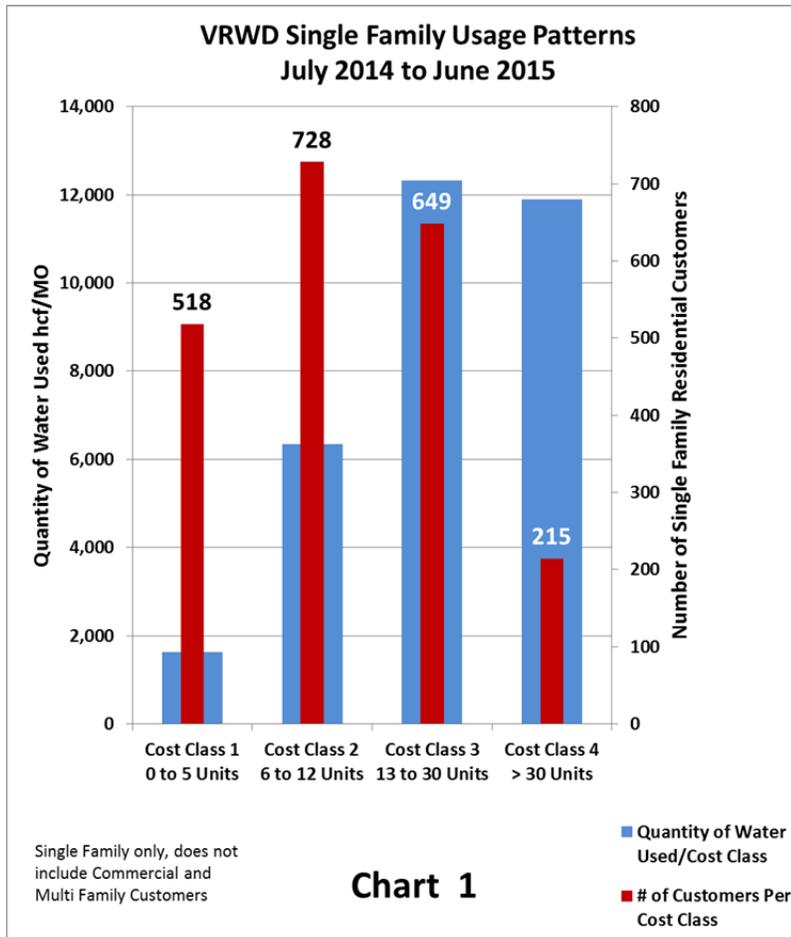
Base Rate	Water Bill	
	3 Unit per Month User	70 Unit per Month User
\$0.00	\$13.74	\$555
\$10.00	\$21.97	\$493
\$30.00	\$38.43	\$370

For small users, who are typically the low income persons, we almost triple their water bill with a \$30 per month base rate and we give the big users a 33% cost reduction. Most water agencies have a base rate between \$20 and \$30.

By charging a base rate we over charge the small users and use the revenue to subsidize the cost per gallon of the big users. Below are the water rates in Ventura County for small and large water users:



Notice that the agencies in Ventura County that have the lowest base rates charge small water users the least amount and the big water users the highest amounts. The reverse is typically true of agencies with higher base rates. The base rate subsidizes the cost of water for the big users on the backs of the small users.



This chart shows how many small water users there are in VRWD (tall red bars), which is fairly typical in water agencies. You can see why having a high base rate on so many small water users is so effective at generating extra revenue to lower the cost per gallon for the big users (tall blue bars). About 40% of the VRWD customers use 12 units or less of water and only 7% use more than 30 units of water per month.

WHY WE CHARGE BASE RATES

The primary reason we charge base rates is for revenue stability: The American Water Works Association recommends the fixed charge or base rate be 20% to 30% of revenue so changes in water usage has a reduced impact on revenues. But water agencies can adjust for changing usage by adjusting the cost per gallon of water in response to usage changes. There are ways to work within Proposition 218 to allow cost per gallon adjustments when due to usage changes without doing a lengthy public hearing process.

Only utilities use this commodity pricing method. You don't pay a minimum price of \$20 before you purchase a gallon of gas. It is your decision to drive a Prius or SUV and pay the cost per gallon for how much gas you choose to buy. For our water we should do the same. This would put low income persons in charge of their water bill, not the water agencies and would eliminate the need for a costly new administrative process that won't help them as much.

In our water agency we have found that low income persons typically use about one unit of water (748 gallons) per month per person. They use very little water outside the home because they can't afford it.

The City of Santa Monica is one example of a large agency that has a \$0 base rate.

Very Truly Yours

VENTURA RIVER WATER DISTRICT

A handwritten signature in black ink that reads "Bert J. Rapp". The signature is written in a cursive, flowing style.

Bert J. Rapp, P.E.
General Manager