

A number of homeowners at LFG have inquired about the high cost of water and sewage treatment in the Lake Tahoe area. The information provided below by Cindy Gustafson, the general manager of Tahoe City PUD should help explain the reason the water and sewage bills are much higher in Lake Tahoe than in other areas of the state.

Bills

Every month two bills will be received. The first bill is from the Tahoe City PUD and it includes three fees: a \$55 charge for the infrastructure costs relating to water, a \$36 charge for sewage disposal infrastructure costs and a \$3 to \$7 usage fee. A second bill is from the Truckee PUD and this money is used for infrastructure costs associated with pumping the Tahoe City sewage to Truckee for treatment.

Base Rates for Water Use

The water service rate is set in compliance with "best practices" in the industry which in California has two competing objectives which are:

- 1) Under the voter mandated Proposition #218 to the California Constitution, rates must be based on the actual system costs to serve that class of customers
- 2) The state of California has prioritized increased conservation through pricing of consumption rates ie. an increasing tier rate

The majority of the costs of delivering water are fixed meaning they vary only slightly based on actual water use. Maintaining the existing infrastructure and meeting the State and Federal requirements for water systems are the largest costs that the TCPUD has.....which is currently 91% of the total monthly bill. The infrastructure costs include piping, wells, tanks, sewage treatment, water quality testing, vehicles, tools, equipment and a state certified staff.

Other areas of the State which have more consistent year round populations can recoup more of their costs from consumption because year-round homes generally use the same amount of water every month. Water usage for homes in the Tahoe City area vary because they are vacated a large percentage of the time. Consumption rates have to be imposed based on actual usage. If consumption rates higher than 9% were imposed, it could be challenged legally as a violation of the principles of equitable distribution of costs as noted above in paragraph #1.

Cost Factors

Factors that affect the high water and sewage costs in the Tahoe City area include:

- 1) Lack of economy of scale. The Tahoe City district serves far fewer people/mile of infrastructure than other areas since the homes are spread out in a relatively narrow band along the shore of Lake Tahoe. Each customer helps pay for more pipeline, pump-stations and wells than other areas of the State.
- 2) Lack of new development. Other areas in the State can rely on new development fees which pay back existing customers through the new development participation in the existing infrastructure costs. While the lack of new subdivisions within the Tahoe City district is good for the environment it does not provide a revenue stream
- 3) Winter climate. The pipelines, pumps and equipment are designed and installed to withstand harsh winter conditions. In addition, the budget must include snow removal and access to remote sites, year-around 365 days a year.
- 4) Significant elevation changes. The mountainous terrain requires more pumps and lift stations than in other districts in the State. The added cost of electricity to power these stations is also a factor in a higher base rate.
- 5) High labor rates. The cost of living in the Tahoe City area is much higher than in many other State districts
- 6) Environmental protection. The Lake Tahoe Basin is one of the most highly regulated areas in the world. All work must meet the highest environment requirements. This increases the cost of everything done in the Tahoe City districtfrom repair work, to paving, to new construction, to reporting, to permitting.

Use of funds

Use of water and sewage revenue collected by the TCPUD is highly regulated under the Proposition #218 changes to the California State Constitution. Water rate revenue can only be used to fund water services and reserves for water capital projects. And sewer rate revenue can only be used to fund sewer services and reserves for sewer capital projects. Projects such as bike trails, playgrounds, beaches, ball fields, community buildings and the Tahoe City golf course are paid with property tax revenue and grant funding. TCPUD administers the funds from both revenue sources.....but is required by law to keep them separate.