

June 3, 2024

To the Canebroke County Water District Board of Directors:

Please read aloud at the June 8th public meeting on water service rate increases.

I want everyone to know that I am not for or against tiered pricing for water service. I do recognize its use to encourage conservation of resources. However, I am an advocate for ensuring that government agencies (like the CCWD) follow the rules set forth in the state constitution.

In 1996 the voters of California passed, by a large majority, proposition 218 which amended the constitution's rules for the rates charged by property related government services. To briefly summarize the amendments: Agencies that provided property related services could not charge an amount higher than the actual cost of providing the service to the property. Court cases against some water districts upheld that these rules applied to water delivery service. Of course, the rates need to cover the total cost of operation including building a reserve for sudden or large expenses. The water district is proposing raising the rates to cover increased costs associated with the delivery of water to our property. This letter is not about that proposal in general, it is specifically about tiered rate pricing.

The requirement that agencies not charge more than the true cost of delivering their service causes a problem with tiered pricing. I have read that some large districts dropped their tiered pricing because they could not show that the true cost of providing the service jumped up at a specific point of quantity. That was some years ago, so maybe a "work around" has been found.

Using our own proposed price structure as an example:

Tier 1 = 1 to 4999 gallons = 1.88 cents per gallon

Tier 2 = 5,000 to 9999 gallons = 4.5 cents per gallon

It is my understanding of the rate rules that the district would have to show that the 4999th gallon delivered to a customer, had a total operating cost of 1.88 cents to deliver. Then when the 5000th gallon was delivered it had a total operating cost of 4.5 cents to deliver. Can the district show that between two adjacent gallons delivered, the actual cost of service operations increased by 2.4 times?

The board should explain how they get tiered rates around the "actual cost" pricing rules.

Thank you for your service to the community,

Frank Colver

