

August 13, 2019, Study Session Item SS3 Comments

The following comments on items on the Newport Beach City Council [agenda](#) are submitted by:

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Item SS3. 2019 Water Rate Study

I am pleased to see staff has provided their [PowerPoint](#) for public (and Council) review prior to the meeting.

Regarding the description of the water system (page SS3-8), it is an interesting factoid that according to the City's "[Demographics and Statistics](#)" page, the land area of Newport Beach is 15,238 acres. So the City's annual water delivery of ~15,000 acre-feet would be enough to fill that land to a depth of 1 foot (although the City does not supply water to the entire area, so if one thinks of just the area served with City-supplied water, it would be filled a bit deeper).

In that same vein of trying to make things understandable, I think Newport Beach residents would understand their water consumption better if the City changed its water billing unit (specified in NBMC [Sec. 14.12.020](#) and appearing on the slides starting with SS3-20) from "HFC" (100 cubic feet = 748 gallons) to "**1,000 gallons**" as used throughout most of the American Water Works Association [Manual M1](#) (on setting rates). It is only slightly larger, and when speaking of water, I think most people will feel they can relate to gallons purchased much more easily than to HFC (a cube of water [4.64 feet](#) on a side), and hence are more likely to be either amazed or pleased with their use.

I would similarly advocate for a more "honest" rate structure, more in concert with the [Proposition 218](#) ideal of the government charging exactly what it costs to provide a service (see, especially, California Constitution, [Article XIID, Sec. 6\(b\)](#)). I believe the **fixed costs** of maintaining the water delivery infrastructure in the absence of any water usage should be allocated in some way rationally related to the amount of infrastructure needed to accommodate each ratepayer. The true **additional costs** incurred when actually delivering water through the system (including pumping, chemicals, etc.) should then be shared equally with all consumers based on gallons purchased with a pass-through of the commodity costs paid by the City for purchasing water (as allowed by California Government Code [Section 53756](#)).

Such a system would appear to be inherently "drought proof" (the necessary infrastructure maintenance costs would be collected even in the total absence of water use), would require only modest reserves (just enough to cushion uneven years of infrastructure maintenance needs), and avoid problems of the sort highlighted on slide SS3-14 where the cost of purchasing water increased 75% in 5 years without corresponding adjustments in rates.

In my view, the reason for any deviations from such a system should be clearly explained.

Although it doesn't leap out to me from the slides, I believe we *do* deviate and I understood from the Finance Committee meetings that we purposely **undercharge** for infrastructure (the "fixed charge") and **overcharge** for usage (the per HCF "variable" rate), thinking this will promote conservation -- but leaving the City in a pickle when usage goes down and not enough dollars are being collected to maintain the aging pipes and pumps.

I am not at all sure that is the best decision.