

Hello Neighbor,

I wanted to send out a quick note about the cash flow/rate analysis that is being done by Economists.com. I have reviewed it and sent some questions to Mr. Dan Jackson at Economists.com. He was kind enough to reply to me and PSWID posted my questions and his responses here: <http://www.pswid.org/> .

I have responded to Mr. Jackson answers and also identified an additional comment. I have merged all of the questions and responses together into one document and reformatted it so it is easier to read. That can be found here:

<http://www.waterforpinestrawberry.com/PSWID.htm>. I will continue to add the correspondence between Mr. Jackson and myself to that document.

Mr. Jackson has indicated that he is traveling and won't be able to respond to me until after the Thanksgiving holidays. In fact, he will be at tomorrow night's PSWID meeting to talk about the report. Unfortunately, I won't be able to attend.

There are four issues that I see with the report that I hope to be able to work to a conclusion with Mr. Jackson. I am fairly optimistic that we can come to a common understanding on these issues. They are as follows:

1. The Water Transfers From Strawberry to Pine Are Not Properly Accounted For.  
Economists.com does the reasonable thing and determines the starting inputs for its model based upon the most recent year that a full set of data is available, 2006. The data is obtained from the PWCo and SWCo annual reports that were filed with the ACC. To obtain the amount of water usage, they used the amount of water sold from the PWCo report, 49,687,000 gallons, and the water sold from the SWCo report, 43,202,000 gallons. Economists.com added these two together to get the total usage. What they missed is that the SWCo water sold includes 8,245,000 gallons that were sent to Pine. These gallons are double counted because they are also included in the PWCo water sold number. Instead of the 92,889,000 gallons that Economists.com uses in their report, it should be 84,644,000 gallons. This over-states the gallons sold by 9.7%.
2. County Sales Taxes Included in Revenue  
In the ACC reports, the Metered Water Revenues includes the money that is collected for the county sales tax and other taxes. In the ACC report, these taxes are included in the operations budget as Taxes Other Than Income. The Coe and Van Loo (CVL) operations budget, \$882,000, does not include the Taxes Other Than Income. It appears that Economists.com has not corrected for this in the revenue values that it is using from the ACC report. In 2006, this was \$76,546. This results in revenue being over-stated by 6.2%. Mr. Jackson hasn't responded to this comment yet, so it is possible that there is an explanation for this.
3. Strawberry Usage Rates Converted to Three Tiers  
Strawberry has two usage rate tiers. Pine has three. In the information provided in the draft report, Strawberry has Pine's three usage rate tiers applied to it from the start. Mr. Jackson and the board are adamant that there is no rate increase for Strawberry in the first two years so this must be seen as an error. Let's use E&R's

usage rates as an example. They are currently 0 to 4000 gallons: \$3.40; 4001+ gallons: \$5.95. In the report they are broken into three tiers, 0 to 2000 gallons: \$3.40; 2001 to 6000 gallons: \$5.95; 6001+ gallons: \$5.95. In the report, it now uses \$5.95 for gallons 2001 to 4000 instead of the current \$3.40. I haven't had time to calculate the impact of this, but I would expect it to be small, maybe a percent or less.

4. Gallons per Usage Rate Tier Is Incorrect

There are two critical things that need to be known about the Strawberry users in order to correctly calculate the revenue that they will produce. The first is how many customers there are in each of the rate sets, Williamson, United, and E&R. The other is how many gallons are sold in each of the rate tiers under each of those rate sets. Economists.com doesn't have any of that data.

To work around that, Economists.com makes the assumption that there is an equal number of customers in each rate set. Economists.com then selected the percentage of water sold in each tier so that the total revenues produced matched the known revenue for 2006 and 2007. The percentages that are used is 5% of the water is sold in 0 to 2000 gallon tier, 5% is sold in 2001 to 6000 gallon tier, and 90% is sold in the 6001+ tier. The 5/5/90 split doesn't pass the common sense test, but basically they are canceling out the error in the distribution of customers with an error in the distribution of water sales.

This works okay until 2011 when Strawberry moves to Pine's summer rates. At this point the error in the distribution of customers goes away. The counter balancing error in the distribution of water sales is still there, so it starts to add an error from that point on. I think that this ends up over-stating Strawberry revenue by at least 5%.

This email is from the group Water For Pine Strawberry. We will be sending out an email after each of the PSWID meetings with a summary of what the board did, additional facts that are relevant to what went on, and some commentary. Please forward this email to friends and neighbors that are interested in the local water issues. If you would like to be added to or removed from the list for these emails, please reply to [WaterForPineStrawberry@hotmail.com](mailto:WaterForPineStrawberry@hotmail.com). Emails on earlier meetings are available on our website: [www.WaterForPineStrawberry.com](http://www.WaterForPineStrawberry.com).

Water For Pine Strawberry is a group of residents who are concerned about the communities water issues and how they can best be resolved. Visit our web site, [www.WaterForPineStrawberry.com](http://www.WaterForPineStrawberry.com), for more information. The website for PSWID is [www.pswid.org](http://www.pswid.org).

Clarifications can be submitted by anyone who is explicitly named, implicitly identifiable, or a board member to items in this email. Clarifications will be posted on our website. We reserve the right to post a response. Clarifications must deal with the topics discussed in the email that relate to the individual or the board. They must be in family friendly language and be non-abusive. When the clarification is accepted, it will be posted to the website and notice of that posting will be added to the next email.