

The Daily Transcript

Simple economics don't always apply in the world of water

By Jeran Wittenstein

Monday, May 22, 2006

Simple economics should dictate that prices for similar water service in the same area are relatively even. Yet, this is not the case when an area falls on either side of a border between two water districts with different rates.

In theory, a business on one side of the street could end up paying a significant amount more for their commercial water bill than a business on the other side of the street.

Such a scenario exists, though not necessarily on a particular street. The city of San Diego's water department district (the largest member agency of the San Diego County Water Authority), shares a border with the city of Del Mar's district (one of the smallest member agencies). Similarly, the two districts have one of the greatest differences in rates of the SDCWA's 23 member agencies.

San Diego's rates are less expensive because it is a larger operation and has the capacity to store and treat its own water supplies, according to David Scherer, public works director for the city of Del Mar's water department.

"It's kind of like Wal-Mart versus the mom and pop hardware stores," said Scherer. "Wal-mart has run them out of business because it's hard to compete with the high cost per customer."

"In theory, rates tend to be higher depending on factors within each district, like how much investment they've had to make to develop their own supplies and distribute that water as opposed to districts that simply take the water from SDCWA and distribute it to their customers," said Ken Weinberg, director of water resources at SDCWA.

Water rates are composed of two charges: a set monthly rate, or meter fee, which is based on the size of the ratepayer's meter; and a unit rate, which can fluctuate depending on the amount of water used in a given billing period.

The meter fee is designed as a failsafe for water departments should a drought impact water usage in the region. In a drought, water conservation is stressed and less water is used. In such situations, the meter fee provides water departments with a guaranteed income, which is used to support day to day costs such as employee wages, routine maintenance and costs associated with the treatment and delivery of water, explained Mark Rogers, operation manager for the Sweetwater Authority.

The unit rates are charged on top of the meter fee, depending on how much water the ratepayer uses.

Many districts, depending on their costs, have differing meter rates as well as unit rates. For instance, the city of Del Mar charges \$31.50 for a 5/8 inch meter (typical meter size for normal commercial water use such as bathrooms and sinks). On the other hand, the city of San Diego's meter rate for the same size meter is more than 50 percent less, \$14.56.

The gap between unit rates isn't as wide between the two districts, but the city of San Diego is still less, at \$1.92 per HCF (hundred cubic feet, or 748 gallons) compared to \$2.50 in Del Mar.

Typical water use for a single family is 12 HCF per month, said Marsi Steirer, deputy director for the city of San Diego's water department.

"Generally speaking, if you have a larger system there are probably some economies of scale associated with it," said Steirer. "But also, since our system is older, people with vision years ago built reservoirs. So we have the ability to buy raw water and put it in the reservoirs. That allows us to have some of the lowest cost water, so we do have a system where we can store water and use it as we need."

Although Scherer acknowledges the city water department isn't trying to put Del Mar out of business, he says the rates that both departments charge customers should be nearer in the future.

Del Mar has been very aggressive with its rate structure over the years, said Scherer.

“I think San Diego’s system is in trouble. They need to raise rates. They haven’t invested in their water system and they’re trying to play catchup,” he said. “When it’s all said and done our rates will be more compatible.”

Steirer said San Diego’s water department will be making future capital investments in its infrastructure, although these investments will not reflect a lapse of action.

On July 1, San Diego will raise its water rates by 6 percent, the last annual price hike in line with a City Council-approved five-year rate adjustment, according to Steirer.

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