

SPECIAL DISTRICTS DEPARTMENT

COUNTY OF SAN BERNARDINO
PUBLIC AND SUPPORT
SERVICES GROUP



WATER AND SANITATION DIVISION
12402 Industrial Blvd., Building D, Suite 6
Victorville, CA 92395
PO Box 5004 • Victorville, CA 92393
(760) 955-9885 • (800) 554-0565
Fax (760) 955-9685

CRESTLINE SANITATION DISTRICT
24516 Lake Drive
Crestline, CA 92325
PO Box 3395 • Crestline, CA -2325
(909) 338-1751
Fax (909) 338-5306

THOMAS L. SUTTON
Director

MANUEL M. BENITEZ
Deputy Chief

December 20, 2006

Mr. Alec Destry
1330 Alta Avenue
Landers, CA 92285
760-364-4107

Re: Water Rate Questions

Mr. Destry:

I hope the information contained in this letter will help explain the difference in rates between County Service Area (CSA) 70 Improvement Zone W-1 (Landers) and CSA 64 (Spring Valley Lake).

The cost of pumping water is the key driver of rates, and the cost to pump water is affected directly by:

- 1) Electrical costs (how much electricity does it take to pump the water that can then be available for delivery), and
- 2) Water loss (some areas experience higher water loss than others)

Actual unit cost of pumping water in FY 2005/06 was \$158.51 in CSA 70 W-1, and \$45.48 in CSA 64.

In addition to the cost of pumping water, other expenses are incurred by district operations/administration that larger districts are able to take advantage of, such as economy of scale.

To use specific examples, CSA 70 W-1 serves 447 customers (FY 2006/07 Budget) and CSA 64 serves 3,579 customers. The economy of scale concept is shown in the following table:

Description	CSA 70 W-1	CSA 64
Source of Supply	\$246	\$103
Utilities	\$83	\$47
Depreciation	\$147	\$10
Transmission & Distribution	\$304	\$138
Support & Administrative	\$525	\$200

MARK H. UFFER
County Administrative Officer

NORMAN A. KANOLD
Assistant County Administrator
Public and Support
Services Group

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CSA 70 W-1's depreciation, or plant assets and equipment replacement costs, is significantly higher because their fixed assets are similar in value to CSA 64's. For example:

Plant Assets and Equipment	CSA 70 W-1	CSA 64
Historical	\$2,709,410	\$2,275,343
Un-depreciated	\$1,538,001	\$848,822
Customers/Connections	447	3,759

Also consider spreading replacement burden among 447 users versus 3,759 users (see table above). The result is the huge disparity in depreciation charge shown above.

You also inquired concerning the facilities charge and whether depreciation is included. I have contacted our Budget and Fiscal Division and they have confirmed that depreciation is calculated into the facilities charge.

Should you have further questions regarding your water service, please contact my office at 760-962-1515.

Sincerely,



Manuel M. Benitez, Deputy Chief
County of San Bernardino
Special Districts Department

cc: Thomas L. Sutton, Director
Bruce Davis, 3rd District Chief of Staff