

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

ELDORADO AREA WATER & SANITATION DISTRICT

PUBLIC HEARING

Wednesday, September 25th, 2019  
6:00 p.m.

ELDORADO AREA WATER & SANITATION DISTRICT  
2 North Chamisa Drive, Suite A  
Public Conference Room  
Eldorado, New Mexico

REPORTED BY: MICHELE M. TRUJILLO  
NEW MEXICO CCR No. 226  
BEAN & ASSOCIATES, INC.  
201 Third Street, Northwest, Suite 1630  
Albuquerque, New Mexico 87102

SANTA FE OFFICE  
119 East Marcy, Suite 110  
Santa Fe, NM 87501  
(505) 989-4949  
FAX (505) 820-6349



MAIN OFFICE  
201 Third NW, Suite 1630  
Albuquerque, NM 87102  
(505) 843-9494  
FAX (505) 843-9492  
1-800-669-9492  
e-mail: info@litsupport.com

## A P P E A R A N C E S

Hearing Officer:

MR. PETER J. GOULD  
PETER J. GOULD, ATTORNEY AT LAW, INC.  
P.O. Box 34127  
Santa Fe, New Mexico 87594-4127  
(505) 988-4804  
pgouldlaw@gmail.com

MS. KELLY D. GOULD  
ATTORNEY AT LAW  
P.O. Box 34127  
Santa Fe, New Mexico 87594-4127  
(505) 988-4804  
kellydarshan@gmail.com

For the Eldorado Area Water & Sanitation District:

MR. ZACHARY E. OGAZ  
LAW & RESOURCE PLANNING ASSOCIATES, P.C.  
201 Third Street, Northwest, Suite 1750  
Albuquerque, New Mexico 87102  
(505) 346-0998  
zo@lrpa-usa.com

Also Present:

Mr. Steve King  
Ms. Nelisa Heddin



1 (Hearing Exhibit 1 marked.)

2 HEARING OFFICER GOULD: So if we can go on  
3 the record now, our court reporter is Michele  
4 Trujillo. She is working with Bean & Associates, and  
5 what she is going to do, and we'll describe this, is  
6 do a verbatim transcript of the hearing.

7 I will say at the outset, we have sign-up  
8 sheets out in the lobby. If you want to give  
9 comments at the end of the hearing or be sworn in and  
10 give testimony, please put your name on that, one of  
11 those lists out there, and please print so -- because  
12 we will make that sign-up sheet part of the record,  
13 and if I read off your name and I can't read it, then  
14 it doesn't help anybody.

15 Okay. So let me just go through what we're  
16 going to do here today. There is a statute which  
17 governs what we're doing, and the citation of the  
18 statute is 73-21-55(C), as in "count." That statute,  
19 the whole statute, is going to be part of the record.  
20 Okay? So you don't have to go look it up. It will  
21 be part of the record.

22 What that statute does is require a  
23 transparent process so that everybody in the District  
24 knows why the rate request is being made and what  
25 evidence is supporting that rate request. So

SANTA FE OFFICE  
119 East Marcy, Suite 110  
Santa Fe, NM 87501  
(505) 989-4949  
FAX (505) 820-6349



MAIN OFFICE  
201 Third NW, Suite 1630  
Albuquerque, NM 87102  
(505) 843-9494  
FAX (505) 843-9492  
1-800-669-9492  
e-mail: info@litsupport.com

1 everything that we're doing is not meant to  
2 complicate it but to make the whole process  
3 transparent.

4 So what happens is I will briefly introduce  
5 the witnesses. They will say who they are. Then  
6 what they will do is actually give their testimony,  
7 their reasons why they're supporting the rate  
8 increase, and describe what that rate increase is.  
9 After they finish, anybody that wants to make a  
10 comment or give testimony, for or against, can do  
11 that, and we'll swear them in with the court  
12 reporter.

13 You can either stand up here like I am or  
14 you can sit down, or you can sit over there close to  
15 her so she can hear you. However you feel  
16 comfortable doing it. Okay?

17 The way the statute works is this. The  
18 Board first starts the whole process by proposing a  
19 rate. Then they have a -- the statute doesn't  
20 require it, but what they did is they had a  
21 Public Forum, where they had people come in. They  
22 described what the Board wanted to do.

23 Then, 30 days after that announcement that  
24 they want to have a rate increase, there's a hearing.  
25 They're required by statute, also, to let all of the

1 customers know, and they've done that by inserting a  
2 flyer in the bill that described what they're  
3 proposing. So that was done back in August.

4 Then there were additional notices. There  
5 was a publication in The Santa Fe New Mexican. There  
6 were other Water Notes, and you have a newsletter --

7 MR. KING: On the website.

8 HEARING OFFICER GOULD: -- that was  
9 published, and that was also provided to the public.

10 And then what happens after this hearing is  
11 I have to take all of the evidence and all of the  
12 comments and write a decision. It has to be written  
13 within 30 days of this hearing so we don't stretch  
14 things out -- it's not a six-month process -- and  
15 then the Board looks at it.

16 If anybody in the District isn't happy with  
17 that, it's going to be published on the website. So  
18 everybody can look at it, plus the transcript and all  
19 of the exhibits. Everything will be public.

20 If you want a copy of that decision, other  
21 than going to the website, go up to Michele and leave  
22 your name and address so she can mail you that.

23 Okay?

24 So seven days after I send my decision to  
25 the Board, they put it up on the website, and then 20

1 days -- anybody in the District, anybody that's a  
2 tax-paying person in the District, can file an appeal  
3 with the Board and say, "I don't agree with this. I  
4 didn't think there was enough evidence for that. I  
5 think you should do it this way or that way."

6 The Board will consider that and either  
7 respond or not respond to the issue. Essentially,  
8 they've got to come back with some kind of -- I  
9 shouldn't say not respond. They've got to come back  
10 with some decision and say, "No, we're going to  
11 either support the decision that Mr. Gould made, or  
12 we're going to change it, based on this other  
13 evidence or this other comment."

14 If somebody is still dissatisfied with that  
15 final decision of the Board, they have 30 days to  
16 take it to District Court, down in downtown Santa Fe,  
17 and that's when it becomes really formal. You've got  
18 to go before a judge down there and make your case,  
19 and the Board has to respond, and that's a whole  
20 other process.

21 My involvement ends once I write the  
22 decision. Okay? I am not -- I don't defend the  
23 Board in court. I don't deal with whatever -- if  
24 there's a protest of my decision, the Board makes  
25 that decision, and the Board will be helping them do

SANTA FE OFFICE  
119 East Marcy, Suite 110  
Santa Fe, NM 87501  
(505) 989-4949  
FAX (505) 820-6349



MAIN OFFICE  
201 Third NW, Suite 1630  
Albuquerque, NM 87102  
(505) 843-9494  
FAX (505) 843-9492  
1-800-669-9492  
e-mail: info@litsupport.com

1 that. I'm out of it as soon as I write my decision.

2 So that is to say, if you're dissatisfied  
3 with the decision, which -- for any reason, deal  
4 directly with the Board, and the Board can -- you  
5 know, if Zach wants to take calls -- I don't know how  
6 the Board wants to do it. That's internal to them.  
7 But deal directly with the Board. I'm not available  
8 for comment. Okay? It's not my job.

9 Any questions?

10 Okay. So, Zach, why don't you introduce  
11 the two witnesses, and then they can introduce  
12 themselves and --

13 MR. OGAZ: Okay. So, first, we'll have  
14 our -- the Eldorado Area's District Manager,  
15 Steve King. He'll be just explaining, you know, some  
16 of the basic precepts of the rate adjustments. Then  
17 we'll have Nelisa Heddin step up, and she has, you  
18 know, quite a bit of experience with Eldorado and  
19 rate adjustments. So she'll be explaining some of  
20 the more technical details on why some of that is  
21 necessary.

22 So, without further ado --

23 HEARING OFFICER GOULD: And why don't you  
24 all stand up very briefly and introduce yourselves  
25 and then say what you're going to do.



1 MR. KING: Okay. I'm Steve King. I am the  
2 General Manager of the Eldorado Area Water and  
3 Sanitation District. My involvement in the process  
4 has started from the onset. I was part of the Rate  
5 Study Advisory Committee.

6 I've recommended and endorsed the proposed  
7 adjustments in our rates, tolls, fees, and charges.  
8 I'll be providing an overview of the background and  
9 the development of our rate study analysis and  
10 spending some time providing some details, justifying  
11 the basis for the need for the adjustment.

12 MS. HEDDIN: My name is Nelisa Heddin. I  
13 am an consultant who specializes in water and  
14 wastewater rates, basically. I work with utilities  
15 in the states of Texas, New Mexico, and parts of the  
16 Southwest in going through this exact type of  
17 process.

18 I was retained as an independent consultant  
19 by the District to perform a cost-of-service and  
20 rate-design study of the district's rates. This  
21 evening, I'll be going through basically the  
22 methodology and process that we utilize in  
23 determining the rates and, of course, talking about  
24 the recommendations moving forward.

25 HEARING OFFICER GOULD: And Nelisa is very

1 qualified. She's been doing this for -- 20 years,  
2 now?

3 MS. HEDDIN: Yes, sir.

4 HEARING OFFICER GOULD: Essentially, what  
5 she does is she shows, you know, the basic reasons  
6 why the Board is adopting the specific rate schedule  
7 that it's doing, and so she'll have a very complete  
8 explanation of that.

9 And both Steve and Nelisa will have -- will  
10 be testifying about the slides as they go through,  
11 and these slides, the paper copies of them will be  
12 made part of the record of the hearing.

13 So, Michele, if you would swear in both of  
14 the witnesses, and then we can get started.

15 MS. TRUJILLO: Okay.

16 Would raise your right hands, please? Do  
17 you solemnly swear the testimony you are about to  
18 give will be truth, the whole truth, and nothing but  
19 the truth?

20 MS. HEDDIN: Yes, ma'am.

21 MR. KING: I do.

22 HEARING OFFICER GOULD: Okay. So, Steve,  
23 why don't you start, and I'll sit down.

24 MR. KING: Okay. For the record, I'll be  
25 submitting a Letter of Transmittal with a substantive

1 amount of documentation, and I'll go through that  
2 very briefly, the contents of this Letter of  
3 Transmittal.

4 The first item, it includes an Affidavit  
5 prepared by myself. The Affidavit gives a fairly  
6 detailed overview of the background and the  
7 development of the rate study, my involvement in that  
8 process, and my endorsement of the recommendations.

9 Included with the Affidavit are five  
10 exhibits. Those exhibits include  
11 Resolution 20-08-03, which was a resolution passed by  
12 the Board, authorizing the Public Hearing for this  
13 time and date and location.

14 Exhibit B is Resolution Number 20-09-02,  
15 another resolution passed by the Board, authorizing  
16 the proposed adjustments to our rates, tolls, fees,  
17 and charges.

18 Exhibit C is the actual Final Report  
19 prepared by Nelisa, the Cost of Service and Rate  
20 Design Study.

21 Exhibit D is the Affidavit of Publication.  
22 It was -- as prepared and submitted by Anna  
23 Mondragon-Metzger. It provides the documentation of  
24 our public notification with -- within at least 30  
25 days, to be in compliance with the Water and

1 Sanitation District Act.

2 And then the Exhibit E is the Confirmation  
3 of Approval. The only approval that we were required  
4 to get from the PRC was the approval to engage  
5 Peter Gould as the Public Hearing Officer. That's  
6 the first item.

7 The additional items include a copy of the  
8 relevant section of the Water and Sanitation District  
9 Act, 73-21-55(C). The next exhibit includes the  
10 minutes from the Public Forum that were held on  
11 August 27th.

12 The next item is copies of two emails and  
13 one customer suggestion that came in response to the  
14 Public Forum. One was an endorsement. One was more  
15 follow-up clarification; and the third item was a  
16 suggestion about how we can more accommodate a more  
17 uniform payment schedule.

18 Let's see. The next item is a request from  
19 Joe Loewy to provide sworn testimony. The next item  
20 is a Public Hearing Information Sheet that was posted  
21 at several locations, at ECIA and at the Agora  
22 Shopping Center. And then I believe the last item is  
23 the PowerPoint presentations that both myself and  
24 Nelisa will be providing this evening.

25 HEARING OFFICER GOULD: Just a word, Steve.

SANTA FE OFFICE  
119 East Marcy, Suite 110  
Santa Fe, NM 87501  
(505) 989-4949  
FAX (505) 820-6349



MAIN OFFICE  
201 Third NW, Suite 1630  
Albuquerque, NM 87102  
(505) 843-9494  
FAX (505) 843-9492  
1-800-669-9492  
e-mail: info@litsupport.com

1 There are a few copies of the PowerPoint  
2 presentations, paper copies, out on the desk if  
3 somebody wants to grab them. If you're like me, I  
4 need to have it in my hand if I'm going to really --  
5 yeah.

6 MR. KING: That's the content.

7 HEARING OFFICER GOULD: Thank you.

8 Do you want to have the Affidavit in front  
9 of you as you -- or do you have a copy over there?  
10 Why don't you hang on to this until we get done.

11 MR. KING: Okay.

12 HEARING OFFICER GOULD: Yeah, that will  
13 be --

14 MR. KING: Okay.

15 HEARING OFFICER GOULD: So why don't you go  
16 ahead, Steve, and present your slides and give an  
17 overview of what you've got there.

18 MR. KING: I will.

19 MS. MONDRAGON-METZGAR: Let me get the  
20 lights.

21 MR. KING: Oh, do you want to get these  
22 lights?

23 MS. MONDRAGON-METZGAR: Yeah.

24 MR. KING: Okay. We'll go to the next --  
25 we'll go right to the next slide.

1           So just a quick overview of the topics I'll  
2 be covering here in the next 15 minutes or so. I'm  
3 going to give a real brief background of the  
4 evolution of the Water District. I want to briefly  
5 introduce the members of the Rate Study Committee.

6           I'm going to focus most of my attention on  
7 the explanation for the principal drivers, or the  
8 needs for this proposed rate adjustment, and then I'm  
9 going to talk about the things that we're doing to  
10 try to ensure that we run this utility as  
11 cost-efficiently as possible, brief feedback that we  
12 received from the Public Forum. And then I'll hand  
13 it over to the expert, to Nelisa. We've got -- we  
14 can close with next steps and open it up to  
15 questions.

16           So, as most of you may be more familiar  
17 than I am, Eldorado was actually started in  
18 around 1970 by AMREP, who was the developer.  
19 Initially, they had their own water utility. It  
20 wasn't until 1993 that the Eldorado Area Water and  
21 Sanitation District was formed.

22           As I understand it, the purpose of that was  
23 primarily the objective of ultimately purchasing and  
24 taking over the operations of that water utility.

25           There was a strong opinion from the community that it

1 was important for the community to retain control  
2 over that critical asset supporting the community.

3 So you fast-forward another 20 years or so,  
4 and it wasn't until 2005 that we actually completed  
5 the purchase of the water utility. The process,  
6 suffice it to say, it was contentious. The District  
7 filed a condemnation suit. The jury established a  
8 valuation for the utility.

9 A lot of folks believe, as I do, that the  
10 valuation was a -- there was a real premium to the  
11 value that was established, just over \$11 million.  
12 But, again, the consensus of the community was it was  
13 critical for us to maintain control of the operations  
14 of this critical asset.

15 Then we fast-forward to late in 2014. We  
16 started the rate study process for our current rate  
17 schedule. One of the first actions we took was to  
18 actually hire Nelisa. We formed the Rate Study  
19 Advisory Committee at that time.

20 The current rate schedule was adopted back  
21 in December of 2015. It was a four- -- it's a  
22 four-year rate schedule, from 2016 to 2019, and it  
23 expires at the end of this year.

24 Recognizing this, we started the process  
25 for our current rate study valuation back in late --

1 in November 2017. Again, one of the first actions  
2 was to, again, hire Nelisa to be our expert  
3 consultant, and then, shortly thereafter, we formed  
4 the Rate Study Committee.

5 We've got to fast-forward here to the last  
6 three months or so. Back in July, Nelisa made a  
7 presentation to the Board of the preliminary results  
8 and findings of our rate study.

9 In August, last month, on August 27th, we  
10 conducted a Public Forum, presenting -- incorporating  
11 some comments and input from the Board and presenting  
12 our proposed rate study and providing the background  
13 justification. That gets us to -- oh, last week, the  
14 Board formally adopted the proposed rate adjustment  
15 that's being presented here this evening. And that  
16 takes us to this evening.

17 So, briefly, just introducing the members  
18 of the Rate Study Committee, we have two of our Board  
19 Members. Elizabeth Roghair, she's the chair of the  
20 committee. She's also our Treasurer. She's also a  
21 member of the Finance Committee. So she supports the  
22 District in several different ways.

23 David Burling is a Board Member and also  
24 the chair of our Finance Committee. I participate as  
25 the General Manager. Then we had four members of the



1 community, all of which had some very strong  
2 credentials, strong financial backgrounds. So they  
3 were very strong contributors and supporters through  
4 the process. Gene Scofield; Phil Speicher, who is  
5 here this evening; Joe Loewy, who is here this  
6 evening; and then last, but not least, is our  
7 controller, Jessa Huybrechts.

8 I just want to point out, with the  
9 exception of Jessa, all of the members of the Rate  
10 Study Advisory Committee are both local residents and  
11 customers of the Water District.

12 So I wanted to start my explanation for the  
13 need for this current adjustment by giving a little  
14 background about the current rate schedule and  
15 pointing out what that rate schedule funds and, maybe  
16 more importantly, what it does not fund at this point  
17 in time.

18 So the current rate schedule is sufficient  
19 to cover our debt obligations that were part of the  
20 original purchase of the District. That included the  
21 \$11 million for the actual purchase, and then there  
22 was something like two-and-a-half million dollars in  
23 necessary immediate capital improvements. Those  
24 obligations, the final payment, will be made in June  
25 of 2025.

1           The revenues generated by the current rate  
2 schedule are sufficient to cover the debt obligations  
3 for our current capital projects, but, as I'll talk  
4 about, they are insufficient to meet our projected  
5 needs.

6           They also provide a budget for annual rehab  
7 and repair of our aging water system. But, again, as  
8 I will discuss, they are insufficient to meet our  
9 forecasted, the needs for continuous, ongoing rehab  
10 and repair of our system. It does cover our current  
11 operating and administrative costs, but there is no  
12 provision for future cost increases.

13           And then one of the things -- I know, at  
14 the Public Forum, there was strong consensus and  
15 support on this issue, that what the rate schedule  
16 did was very appropriate. It adjusted the rate  
17 burden, a higher percentage of the rate burden to the  
18 higher water users. We typically call those the  
19 folks that use more than 10,000 gallons a month.

20           And I say "appropriate," because it's those  
21 peak demands that generate a lot of the additional  
22 cost of operating and maintaining a system. So  
23 that's the background.

24           The next slide.

25           MS. MONDRAGON-METZGAR: That is the next

1 slide.

2 MR. KING: Oh, sorry. I was looking for  
3 something to change over there.

4 So, in a nutshell, the driving forces, we  
5 have an aging water system. Much of our system is  
6 well over 40 years old. This is not an uncommon  
7 situation. Hundreds, if not thousands, of utilities  
8 across the country are faced with the same challenges  
9 as all of the infrastructure ages.

10 Because it's aging, it's critical that we  
11 have a proactive rehab and repair program to extend  
12 the useful life of our facilities for as long as  
13 possible. We've identified the need for -- \$600,000  
14 a year for annual rehab and repair. I'll give you a  
15 little more detail on that.

16 In addition too that, it's the "nothing  
17 lasts forever." I like Gregory Hart's analogy of the  
18 roofs on your home. You can only patch and repair  
19 those roofs for so long, and at some time, you have  
20 to replace it. The same thing holds true for our  
21 water system. We've identified a \$13 million capital  
22 improvement program over the next five years.

23 The other thing, these -- those are the big  
24 items. The other things that are important but not  
25 as substantial, as far as the revenue requirements,

SANTA FE OFFICE  
119 East Marcy, Suite 110  
Santa Fe, NM 87501  
(505) 989-4949  
FAX (505) 820-6349

**BEAN**  
**& ASSOCIATES, Inc.**  
**A**  
PROFESSIONAL COURT  
REPORTING SERVICE

MAIN OFFICE  
201 Third NW, Suite 1630  
Albuquerque, NM 87102  
(505) 843-9494  
FAX (505) 843-9492  
1-800-669-9492  
e-mail: info@litsupport.com

1 but they need to be covered, the rising operating and  
2 maintenance costs due to inflation. And then  
3 something that we're becoming more aware of, here in  
4 the last couple of years, is rising operating and  
5 maintenance costs, due to a couple of things.

6 One is managing the increase in data. And  
7 as we've implemented our new meter technology, the  
8 BEACON meters -- they're a great thing. They provide  
9 a wealth of information to both the customers and to  
10 the District, but with that comes the obligation and  
11 the responsibility to manage a lot more information  
12 and data and cost associated with that.

13 The other thing is the continuing upgrading  
14 of the technology, making sure that our staff and  
15 resources are well-trained and know properly how to  
16 manage and deal with the upgrades in technology.

17 And another thing that's high profile  
18 across the country, these days, is the need for cyber  
19 security, cyber attacks that shut down large public  
20 institutions. So there's an increased IT cost  
21 associated with providing that extra level of  
22 security for our District.

23 So here's -- here are the big items. I  
24 just wanted to point out some of the large-cost items  
25 we have with respect to rehab and repair of our

1 existing facilities. We've got six water storage  
2 tanks. The age of those tanks is anywhere from 21  
3 to 40 years old. I think, actually, just over 40  
4 years old.

5 The literature will tell you that the  
6 typical useful life -- our tanks are aboveground  
7 steel tanks. The typical useful life for those tanks  
8 is about 50 years. With proactive maintenance and  
9 repair, we can extend the useful life of those tanks.  
10 And it's well worth it for us to do that, because the  
11 cost to replace those is very high.

12 The big item is, periodically, you have to  
13 go in and re-coat both the inside and the outside of  
14 those tanks. You need to provide new corrosion  
15 protection, typically, every 15 to 25 years. The  
16 cost, depending on the size of the tank, is anywhere  
17 from \$350,000 to \$500,000.

18 Those are real numbers. Last year, we did  
19 the interior coating, only, of one of our tanks, over  
20 here at the intersection of Avenida Eldorado and 285,  
21 and we provided corrosion protection. The cost for  
22 just the inside for the corrosion protection was,  
23 like, \$257,000.

24 This year, we're going to do our largest  
25 tank, four, and the engineer's estimate to coat the

1 inside and the outside with corrosion protection is  
2 actually just over \$500,000.

3 So we've also got -- in addition to the  
4 storage tanks, we've got five booster pump stations,  
5 three large ones, two small ones. Our newest pump  
6 station is Torreon, and it's only six years old. But  
7 three of our stations are well over 40 years old.  
8 The typical useful life is 40 to 50 years.

9 What you need to do to extend the useful  
10 life of the pump station is, periodically, you have  
11 to go in and rehab the mechanical and the electrical  
12 systems; also, sometimes upgrading the controls.

13 It says every 20 to 25 years, but, you  
14 know, it might be more ideal to do that more  
15 frequently, something like every 15 to 20 years.  
16 Depending on the size of those pump stations, the  
17 estimated cost is anywhere from \$75,000 to \$200,000.

18 Oh, boy. I don't see the flash on the  
19 change. Why don't I actually read it?

20 So, in addition to that, we have 11 active  
21 wells. Our newest well, Well 19, is three years old.  
22 But, again, many of our wells are over 30 years old.  
23 The typical useful life is 30 to 40 years.

24 To extend the life of those wells as long a  
25 as possible, you need to go in and do a regular video

1 inspection. You do a power cleaning of the inside of  
2 the well, and then you do some mechanical replacement  
3 of pump and motor, drop pipe.

4 We have been doing, for the last couple of  
5 years -- we've been doing two wells a year for the  
6 last few years. Costs are coming in anywhere from  
7 \$25,000 to \$50,000, each.

8 Actually, I say 38 pressure-reducing  
9 valves. We've added a couple. I think the actual  
10 number right now is 40. We've got a couple -- well,  
11 the two new ones are -- are new, but the vast  
12 majority of those are very old, 40 years. Some of  
13 them are, even, 40 years old.

14 We have a regular program where we go  
15 every -- we rehab every PRV every four years. So,  
16 each year, we schedule eight to 10 PRVs. If we just  
17 do a normal rehab, replacing some of the internals of  
18 the valve itself, that's generally fairly  
19 inexpensive, \$1,000 to \$1,500. But with the age of  
20 so many of these PRVs, you have to go in and you have  
21 to do a full replacement. That cost can be  
22 significantly more, anywhere from \$15,000 to \$30,000.

23 So that's the rehab and repair. Now the  
24 real cost for the replacement of our existing  
25 facilities. The biggest asset in the system is

1 over -- we have over 130 miles of pipeline. In the  
2 last couple of years, we've installed maybe three  
3 miles of new pipeline that was constructed with  
4 materials, with plastic pipe, that meets our current  
5 construction standards.

6 So we have a little bit that's young, but  
7 the vast majority of it is 40-plus years old. It  
8 includes -- of that, the biggest portion of that, 106  
9 miles of it, was constructed with a plastic pipe  
10 that, by today's standards, would be considered  
11 substandard.

12 It's very thin-walled plastic pipe. So the  
13 projected useful life of that material is less than  
14 the material we use now, which is the much thicker  
15 wall. It's called the C900 pipe. That's 83 percent  
16 of our system. In addition to that, we have about  
17 nine miles of asbestos cement pipe. It's up on  
18 Conchas and Verano Loop.

19 The AC pipe, itself, is generally pretty  
20 reliable. The projected useful life of AC pipe,  
21 asbestos-cement pipe, can be as much as 70 years.  
22 The problem we have here is it's the laterals to  
23 deliver water to each of the customers, to each of  
24 the households. They were -- their construction was,  
25 again, by today's standards, considered substandard,



1 and what we're experiencing here is more and more  
2 frequency of breaks of those laterals and the need to  
3 have to go back and replace those.

4 So eventually these old, existing pipelines  
5 need to be replaced. The sobering reality is that  
6 the replacement cost, including replacement --  
7 replacing the service laterals, is anywhere from  
8 \$500,000 to three-quarters of a million bucks a mile.  
9 So you can do the math on that. Some people would  
10 suggest that that number might even be higher.

11 I like to point out that, you know, the  
12 cost of constructing a mile of new pipe in a new  
13 development is much less expensive than having to go  
14 in and replace an existing line. You've got to  
15 construct the new line adjacent to the existing line.  
16 The existing line has to stay in service, and you  
17 have to change out the laterals, and that  
18 coordination significantly increases the cost per  
19 foot.

20 Then we have our 11 wells that won't last  
21 forever. There's three scenarios that are options  
22 that we have available to us to replace that capacity  
23 when these wells eventually get decommissioned. The  
24 first one is what I call replacement in kind.

25 We continue to look for, and we have, the

1 most promising areas within our existing district to  
2 construct what would be, generally, low- to  
3 moderate-capacity wells. These wells, these new  
4 wells, if we were to construct them, would be  
5 expected to produce something like 60 to 80 gallons  
6 per minute.

7 Based on our recent experience, Well 19,  
8 which actually was a little higher producer, actually  
9 produced about a -- it produces about 100 gallons per  
10 minute, \$1.9 million. I mean, the feasibility study  
11 we did for the next two wells, should we decide to  
12 construct that, the engineer's estimated cost, that  
13 would be about a 60-gallon-per-minute well. It would  
14 be \$1.4 million. That's option one.

15 Option two is to actually construct a much  
16 higher-capacity well on State land. I don't know if  
17 people can see this, but the State has a section of  
18 land about two-and-a-half miles north of our existing  
19 district. The idea would be to -- is based on a well  
20 that's been developed in that area by the existing  
21 developer. The expectation is the capacity of that  
22 well would be much higher, more like 250 to 300  
23 gallons per minute.

24 The challenge, of course -- the cost, of  
25 course, is not only do you have to construct the

1 well, but you've got to build the two-and-a-half  
2 miles of pipe to get it down to the District. The  
3 estimated cost of that is five-and-a-half million  
4 dollars, but it would provide the equivalent of, say,  
5 three of these smaller-capacity wells in the  
6 District.

7 Now, the third option and the one that we  
8 are focusing most of our attention on right at the  
9 moment is to implement a Joint Regional Program with  
10 Santa Fe County, where the County delivers surface  
11 water from the Buckman Diversion.

12 Through their system, they construct in  
13 pipeline providing service from Rancho Vallejo to the  
14 Water District. Then we construct the infrastructure  
15 that's required to move water within our system and  
16 also to move it east to serve the community of  
17 Canoncito.

18 We have an MOU that was executed in  
19 September of last year, and we're moving on that  
20 basis to implement that program, both parties. So  
21 our cost to build the infrastructure is about  
22 two-and-a-half million dollars. Plus, in addition to  
23 that, of course, we have to pay the appropriate  
24 wholesale rate to Santa Fe County for each gallon of  
25 water that they are giving to us.

1                   So that's the cost. A couple of things  
2 just to point out so that folks are aware of the fact  
3 that we are looking -- always looking for  
4 opportunities to operate our utility as  
5 cost-efficiently as possible. We have been and will  
6 continue to be diligent in looking for grant funds or  
7 loan forgiveness to offset the high cost of these  
8 capital projects.

9                   Some recent successes. Back in July 2018,  
10 we were awarded a \$1.3 million drinking water loan,  
11 but in that loan is a 25 percent loan forgiveness.  
12 So it's over \$300,000 in loan forgiveness.

13                   With the support of folks like our  
14 Representative Matthew McQueen last year in the  
15 legislative session, we were granted a \$315,000 grant  
16 to design the infrastructure that's required to  
17 convey water from the west side to the east side of  
18 our utility.

19                   In this year's legislative session, we were  
20 granted \$312,000 to design the second portion of that  
21 Santa Fe County infrastructure improvements we need  
22 to make, which is basically to move water from the  
23 northern boundary south.

24                   Then, last week, we were notified formally  
25 that we were awarded a Water Trust Board Grant. The

1 total grant amount is \$500,000. \$200,000 of that is  
2 actually a loan, but \$300,000 of that is an actual  
3 grant, and that is to support the first of these two  
4 Santa Fe County intertie projects. We call it our  
5 Tank 4 to Tank 1 transition. So we'll continue to  
6 look for that free money.

7 The other thing that we're doing is that we  
8 try to be diligent in looking for ways to construct  
9 these capital improvement projects as  
10 cost-efficiently as possible. I just identified a  
11 couple of things that we did.

12 A year and a half ago or so, we did a  
13 cost/benefit analysis of our pressure optimization  
14 program. It's a three-phase, just over \$4 million  
15 program. We identified \$900,000 in savings, that we  
16 could save that money and still substantially provide  
17 the benefit of the original program.

18 We're going to a different design for our  
19 pump stations. Rather than a traditional pump  
20 station that has a separately constructed pump house,  
21 we're going to more of a packaged approach. You can  
22 save money there. And we did some more detailed  
23 analysis to refine the alignment of a pipeline, and  
24 we expect that to save us money. So we are actively  
25 looking for ways to get things done more

1 cost-efficiently.

2 The other, last thing to point out is we do  
3 go out for competitive bids for all of our contracted  
4 services. That includes our biggest contract, which  
5 is operations, customer service, and billing. We go  
6 out for competitive bids to secure engineering,  
7 accounting, auditing, and legal services. And then  
8 we do go out for competitive bids on all of our  
9 capital projects.

10 So this is -- for those of you that weren't  
11 in attendance at the Public Forum last month, this is  
12 kind of my -- it is trying to capture the general  
13 feedback that we got. There was about 30-some folks  
14 that attended. Of those, I would say, you know,  
15 something -- a little less than half of the folks  
16 were folks that were directly involved in the rate  
17 study because they are members of the Board.

18 So there were maybe 15 to 20 folks from the  
19 community. I think the consensus was that the folks  
20 were very attentive. We shared a lot of detailed  
21 information, like we're doing this evening. They  
22 asked a lot of good questions. The general feedback  
23 is acceptance of the need to fully fund our rehab,  
24 replacement, and repair budgets of \$613,000.

25 There was a concern raised about the higher

SANTA FE OFFICE  
119 East Marcy, Suite 110  
Santa Fe, NM 87501  
(505) 989-4949  
FAX (505) 820-6349



MAIN OFFICE  
201 Third NW, Suite 1630  
Albuquerque, NM 87102  
(505) 843-9494  
FAX (505) 843-9492  
1-800-669-9492  
e-mail: info@litsupport.com

1 base rates for our out-of-district customers. Our  
2 out-of-district customers, in lieu of paying a  
3 property tax -- all of the customers within the  
4 district pay a property tax. In lieu of that, the  
5 out-of-district customers pay a higher base fee.

6 I think the basis of the concern had to do  
7 with the effects of the new Local Election Act and  
8 the fact that that Act now -- no longer, under that  
9 Act, are folks outside of the district qualified  
10 electors. So they don't have the opportunity to vote  
11 for board members to be nominated for a board  
12 position.

13 We did -- and that's an issue that's going  
14 to be considered further in this upcoming legislative  
15 session. We did consult our attorney on this, and  
16 our attorney made it very clear that we have an  
17 obligation to fairly and equitably charge our  
18 customers for the services that are being rendered.  
19 So they're very supportive of the idea of the two  
20 different, in district and out of district, base  
21 rates.

22 Oh, a lot of support for this idea of  
23 continuing to shift, appropriately, more of the  
24 burden of the cost onto the higher users, because  
25 those users drive a lot of those costs and because

1 it's an effective conservation measure.

2 There were -- a couple folks expressed  
3 their appreciation for our efforts to try to secure  
4 grants and do things cost-efficiently.

5 There was, as Nelisa will present in her --  
6 in the rate study analysis and the recommendations,  
7 there was appreciation expressed that the volumetric  
8 rates, particularly in the early years -- for the low  
9 water users -- we try to keep those rate increases to  
10 a minimum, and there was appreciation for that, for  
11 that fact, and there was no objection expressed in  
12 opposition to the proposed rate increases.

13 So, with that, I'm going to hand it over to  
14 the expert. Peter gave the overview, so no need for  
15 me to repeat her excellent qualifications.

16 HEARING OFFICER GOULD: What I would like  
17 to do, just at this point, I need to ask you a couple  
18 of questions, Steve --

19 MR. KING: Sure.

20 HEARING OFFICER GOULD: -- just so we have  
21 the record clear. With respect to the Affidavit that  
22 you prepared and the attachments, that was prepared  
23 by you, was it not?

24 MR. KING: Correct.

25 HEARING OFFICER GOULD: And that Affidavit,



1 if you prepared it today, you would give the same  
2 testimony that you gave when you prepared it?

3 MR. KING: Yes, I would.

4 HEARING OFFICER GOULD: And it's true and  
5 correct, to the best of your knowledge and ability?

6 MR. KING: Yes, it is.

7 HEARING OFFICER GOULD: And I would also  
8 ask you to make the same statements about the slides  
9 that you went through. You prepared those slides, or  
10 they were prepared on your direction?

11 MR. KING: Yes, I did.

12 HEARING OFFICER GOULD: And all of the  
13 statements that you've made about those slides and  
14 the information is true and correct, to the best of  
15 your knowledge and ability?

16 MR. KING: Yes, they are.

17 HEARING OFFICER GOULD: Okay.

18 So now why don't we have Nelisa come up and  
19 present her study, and, as I say, these -- as anybody  
20 that's been involved in this process knows, designing  
21 water rates is an art. There's a science to it, but  
22 there an art, too. You have to take into account who  
23 the local community is, what the current rates are,  
24 you know, what the traffic will bear in coming years,  
25 and you also have to be proactive, as Steve said,

1 about looking forward.

2 So that's why the District had the  
3 foresight to hire a rate expert, and she'll explain  
4 the work that she did on this project.

5 MS. HEDDIN: Thank you, Peter. I  
6 appreciate it.

7 Good evening, and I appreciate your time  
8 this evening. This evening -- we can go ahead and go  
9 to the next slide -- we'll be going through and  
10 talking about -- I would like to start in a broad  
11 sense, talking about -- a little bit about what we  
12 see in the water utility industry as a whole, and  
13 then we'll zoom in a little bit closer and understand  
14 and expand a little bit on some of the driving forces  
15 that Steve briefed you on earlier, about why the  
16 district is looking at a change to its water rates,  
17 and then we'll focus in on our findings and  
18 recommendations.

19 Before we do that, I do want to draw your  
20 attention to the quote at the bottom of the screen.  
21 And I'm seeing smiles, because you were here last  
22 time. I'm going to repeat myself, because I think  
23 it's an important quote, which is, "When the well is  
24 dry, we learn the worth of water," by Benjamin  
25 Franklin.

1           In fact, if you were here five years ago,  
2           you probably remember that quote, because I usually  
3           pull this one out of the hat, and the reason is  
4           because it's so indicative of what we're seeing in  
5           the utility industry today.

6           We're seeing parts of the world where the  
7           well is quite literally running dry, especially in  
8           this part of the country. We're also seeing it run  
9           dry in a figurative nature. By "figurative nature,"  
10          what we're seeing is, quite frankly, what the  
11          American Waterworks Association calls the  
12          infrastructure crisis that's facing water utilities  
13          and wastewater utilities across the nation.

14          What we're seeing is actually the situation  
15          that the district is in, where you have  
16          infrastructure that was put into the  
17          ground 30, 40, 50 years ago. Oftentimes, the utility  
18          rates don't even pay for the cost of the original  
19          infrastructure, let alone the cost of making  
20          rehabilitation and repairs and replacements to the  
21          infrastructure.

22          What this means is customer rates are just  
23          not structured to pay for this infrastructure, and  
24          customers are now starting to pay for that, as this  
25          infrastructure continues to age.

1 I argue that we, as a society, undervalue  
2 water. We see inherent symptoms of our  
3 undervaluation of water in our day-to-day lives.  
4 Most of us are guilty of turning on the facet,  
5 letting water go straight down the drain while we  
6 wait for the shower to heat up in the morning. Many  
7 of us do that while we are loading the dishwasher,  
8 brushing our teeth. And we also see people doing  
9 that, where we are just pouring it on the ground as  
10 we're irrigating outside.

11 If we go to the next slide, we'll see that  
12 water has a lot of value to it. The first rung here  
13 is the value most of us see and place on our water.  
14 It's the check we write to the Water District every  
15 month. And if we structure our rates properly, it's  
16 structured to recover the cost of operations and  
17 maintenance and the capital costs, so the  
18 infrastructure.

19 We continue down then, and we see that it's  
20 critical to industry and, therefore, the economy. We  
21 see it's a critical building block of our  
22 communities. But the most important factor here at  
23 the bottom is that water is quite literally the only  
24 commodity we physically cannot survive without.

25 Take a moment and kind of ponder that. I

1 would argue that we could survive if oil resources  
2 went away. We may not like it, but we could survive.  
3 Water, on the other hand, we physically cannot live  
4 without.

5           Going back to Mr. Franklin's words about  
6 the worth of water and my argument that we undervalue  
7 water, I have yet to see anybody go to the gas  
8 station and pour two or three gallons of gasoline on  
9 the ground to make sure what we put in our gas tank  
10 is fresh and in the best quality. Instead, we value  
11 it so much. We want every single drop to go into  
12 that gas tank. Yet, with water, we pour it down the  
13 drain.

14           We have a very difficult dichotomy, then,  
15 when we have a commodity that's so valuable and so  
16 important we physically cannot live without it, yet  
17 we undervalue it to the point where we literally pour  
18 it down the drain. What we're having to do is face  
19 this infrastructure crisis, face the water  
20 availability crisis we're facing, and shift our  
21 perspective, that dichotomy of how we value water.

22           I give this background to show you that,  
23 really, this circumstance of looking at increases in  
24 rates, primarily driven from infrastructure costs, is  
25 really what we're seeing across the nation.

1                   That being said, in looking at this  
2 district and the specific issues that you are facing,  
3 the first is rising O&M costs. This is just, quite  
4 frankly, inflation. It happens to every one of us  
5 when we go to the grocery store, and it costs us more  
6 to buy groceries today than it did five, 10 years  
7 ago. We have the same circumstances facing the  
8 utility districts.

9                   Steve also talked about the rising O&M  
10 costs associated with the data management and  
11 technology in cyber security. Then we've talked a  
12 lot about, already, an aging infrastructure. We have  
13 two pieces there. The first are rehab and  
14 replacement costs. Or, excuse me, rehab and repair  
15 costs. This is going in and painting our tanks.  
16 This is going in and replacing some motor  
17 infrastructure.

18                   We recommend that those expenditures are  
19 recovered every year through your rates. We don't  
20 recommend funding those type of expenses with debt,  
21 because it would be the equivalent of buying a car  
22 with a 30-year note. The car is going to be long  
23 gone before that note is paid off. So, instead, we  
24 need to fund those types of repairs annually through  
25 our rate structure.

1                   And the second type of cost we talked about  
2 are capital improvements, where we're physically  
3 replacing the entirety of the asset or most of the  
4 asset, and the life of the asset comes pretty close  
5 to the life of the loan. So we're paying for it as  
6 we're using it.

7                   The other expenditure we're having to look  
8 at is, again, future water supplies. The analysis as  
9 it exists today does include the assumption that,  
10 instead of the different types of well capital  
11 improvements, then, instead, the district is pursuing  
12 buying water from the County.

13                   We did put that assumption in. There is a  
14 Memorandum of Understanding behind it and the goal to  
15 proceed with that. I do want to emphasize that that  
16 was determined to be the most prudent decision on  
17 behalf of the district. But if things change and the  
18 district, instead, opts to build a well, I have to  
19 emphasize that that cost is going to be more. So,  
20 taking that into account, we felt like that was the  
21 most conservative and prudent assumption to put into  
22 place.

23                   Again, we talked about the rehab projects  
24 that are unfunded and then the inadequate revenues  
25 for capital needs.

1                   As a quick refresher from where we were  
2 five years ago, the district also had a very  
3 substantial Capital Improvement Plan that was  
4 identified, and because of some concerns from the  
5 community in realizing this and the position that the  
6 district was in, the Board opted to implement only a  
7 fraction of those costs. So they were -- less  
8 than 50 percent of the future capital projects were  
9 also funded in the rate structure.

10                   This time around, we're looking at going  
11 ahead and funding the entirety of the \$13 million in  
12 projects through the proposed rate structure, with a  
13 couple caveats, and we'll talk about that in a  
14 moment.

15                   Let's go to the next slide. A couple  
16 things to point out here. This is just a pie graph  
17 of your 2019 expenses of about \$4.2 million, and the  
18 biggest thing I wanted to point out is that just shy  
19 of 70 percent of the district's expenses are  
20 associated with basically two line items, your debt  
21 and your operations contract, both of which are  
22 set-in-stone numbers at this point in time, very  
23 little control over expenses.

24                   These are the only expenses the district  
25 really has much control over on an annual basis. And



1 as Steve pointed out, the Board goes to extensive  
2 lengths to keep this under wraps and as tight and as  
3 efficiently managed as possible.

4 Let's go to the next slide.

5 A couple of the issues we considered in  
6 looking at the rate recommendations for the district  
7 this go-round are, first, of course, annual revenue  
8 requirements. What do we need the rates and the  
9 District's taxes to recover in order to meet the  
10 District's needs each year?

11 The second item we evaluated are sources of  
12 revenue. The district has a couple sources of  
13 revenue. Essentially, you have your rates, which  
14 includes a rate fee and a volumetric fee, and then  
15 you have your taxes. There are two components of  
16 your property taxes that help the district. The  
17 first is a debt component. The second is an  
18 operations-and-maintenance component.

19 And then, finally, we looked at rate  
20 design. How do we structure all of this to help the  
21 district meet its needs, but, of course, balance the  
22 needs of the customers, from a policy perspective?  
23 And that gets into the art piece that Peter  
24 referenced earlier.

25 That being said, let's start with our

1 revenue requirements. Our review requirements do  
2 include that annual rehab funding that we talked  
3 about earlier. It includes \$13 million in CIP  
4 projects.

5 I do have to emphasize, on that Capital  
6 Improvement Project plan, it replaces only about six  
7 percent of the distribution system. So we're looking  
8 at replacing six percent. That means we have  
9 another 94 percent to go, in the long run.

10 This is important. We base all of this off  
11 of projections. We're projecting when you're going  
12 to build your capital projects and how much they're  
13 going to cost. I want to emphasize that, even if the  
14 district is -- maybe the costs were overprojected, or  
15 maybe we get some grant funding. I do have to  
16 emphasize, there is still a lot of need with this  
17 district that you're looking at.

18 The next item I wanted to emphasize is that  
19 we do include projections of future costs for  
20 securing the additional water supply, which we have  
21 already talked about, but it does not include any  
22 sort of profit.

23 This is a cash-needs approach, which means  
24 we looked at the annual operations and maintenance  
25 expenses of the district, the annual rehab project

1 funding that we've gone through, and we looked at the  
2 annual debt service requirements for this district.

3 We did not look at any sort of depreciation  
4 expense, because that's counting for old paper  
5 expenditure. We also did not look at any sort of  
6 profit. This is a break-even analysis here.

7 The next item there we do not include is  
8 funding for replacement of the remaining 94 percent  
9 of the aging distribution system, for any other types  
10 of items, alternative programs. None of that was  
11 included in the analysis.

12 What we see there is that the district  
13 revenue requirements grow from about \$2 million in  
14 FY 22 to just -- to \$5 million by 2024. That  
15 increased the bulk of it. While there is some  
16 inflation assumption in there, the bulk of that is  
17 taking on new debt for these additional projects.

18 To provide some comparative purposes there,  
19 in 2019, the district recovered approximately  
20 \$4 million. So you can see kind of where we're at.  
21 We've got to play some catch-up here and get to  
22 the 4.2 level.

23 As we talked about, you do have a couple  
24 sources of revenues for this district to meet those  
25 revenue requirements. The first are property taxes

1 and, second, your utility rate structure.

2 Let's go to the next slide and look at what  
3 your current fee structure is.

4 Again, there are four elements where the  
5 district recovers reviews from customers. The first  
6 is your base fee. Second is a volumetric charge,  
7 which is based on how much water you're actually  
8 using, and the third and fourth are your property tax  
9 elements.

10 As you can see from the table -- from the  
11 column on the right there, a very small percentage of  
12 revenues are coming from property taxes. Most of it  
13 is just revenues that are generated through utility  
14 rates.

15 Let's go ahead and go to the next slide  
16 here.

17 In talking about rate design, we did look  
18 at several alternatives. We worked very closely with  
19 the rate committee, again, and vetted lots of  
20 alternatives through and with the Board. The first  
21 alternative is to achieve the entire increase through  
22 property taxes.

23 The second alternative is everything from  
24 the monthly based fees. Third is all through the  
25 volumetric rates, and then fourth is some sort of

1 hybrid approach, where we achieve and look at changes  
2 to both -- to all of the above.

3 The recommendation at this point is to  
4 basically use that hybrid approach, where we're  
5 tinkering a little bit with the base fee, as well as  
6 with the volumetric rates. Also, we'll talk a little  
7 bit about the property tax element of the analysis in  
8 just a moment.

9 The recommendations are to go from the  
10 current base charge of \$24.58 and implement an  
11 increase in that base fee of just right at a dollar a  
12 month per year for the upcoming five-year period of  
13 time.

14 The volumetric rates are charged to  
15 customers based upon the volume of water that they  
16 use. We're recommending leaving the volumetric rate  
17 for customers using between zero and 10,000 gallons  
18 of water the same for the first two years of the  
19 analysis. After the first two years, you'll see some  
20 slight increases to those volumetric rates.

21 And then those customers who are using  
22 beyond 10,000 gallons, we're recommending going ahead  
23 and increasing those rates as well. So we're getting  
24 a little bit more aggressive with the tiered rate  
25 policy to, again, curtail use, encourage efficient

1 use, but also ask those customers who are putting a  
2 greater burden on the utility system to pay their  
3 fair share of that.

4 One of the things I have to emphasize with  
5 regard to this recommended rate structure, if I go  
6 into the model and I type in these rates and the  
7 consumption of the customers, classes of the  
8 customers, we will not achieve the revenue  
9 requirements we outlined on the previous slide. We  
10 are short.

11 The district is anticipating, one, being  
12 very aggressive in pursuing grant funding. Two, the  
13 district is going to look at timing of capital  
14 projects, if we have to slide some of those, and  
15 managing costs as efficiently as possible.

16 Should the district need to pursue these  
17 rates that were not as successful in grant funding as  
18 we wanted to be, and yet we still need to move as  
19 quickly as we can with the \$13 million of projects,  
20 then the district will evaluate changes to property  
21 taxes.

22 We modeled what that might look like. By  
23 2024, it's about a dollar increase in the property  
24 tax, absent anything else, any other changes. So,  
25 again, in looking at these rates, we feel like these

1 are very conservative rates because of that factor.

2 Let's go ahead and look at who customers  
3 are and who is going to be impacted.

4 So this pie chart you see here is looking  
5 at the number of bills the District sends out through  
6 the course of a year based on -- within various  
7 consumption tiers. So, essentially, of all of the  
8 bills that are sent out in a year period of time,  
9 over 50 percent of those bills are for use between  
10 one and 3,000 gallons of water.

11 In fact, 95 percent of the district's bills  
12 are for use less than 10,000 gallons of water. So  
13 only about five percent of the bills that are sent  
14 out in the course of a year fall in the usage  
15 above the 10,000-gallon range.

16 If we go to the next slide, you'll see here  
17 the consumption within those same tier categories,  
18 and essentially what we find out is that, even though  
19 only five percent of the bills that we send out are  
20 above 10,000 gallons, you'll see that it comprises  
21 almost 20 percent of the water used within this  
22 district. And so you can see those who -- while it's  
23 very few, those who are doing it are using a lot of  
24 water.

25 This is why the district opted to look at a

1 more aggressive tiered rate structure, to ask those  
2 customers who are using excessive amounts of water to  
3 truly pay for what they're using.

4 One of the most common questions we get  
5 asked is: Gosh, we've talked about base fee and  
6 volumetric rate, and we have this tiered rate  
7 structure. What does that mean?

8 At the end of the day, most people are  
9 primarily concerned with what the check they write  
10 the district is. So this gives some samples of what  
11 the district -- a bill might look like for customers  
12 within the District, based upon their individual  
13 usage level.

14 The average use for district-wide, if I  
15 took the entire -- the consumption for the district  
16 over a 12-month period, divide that by 12 months,  
17 divide that by the number of connections, we'll see  
18 about 3800 gallons is the average use we see here.

19 The proposed rates for the first two years,  
20 a customer in that category can expect a  
21 dollar-a-month increase. Just shy of that. And then  
22 we go to about \$3 a month for the next three years.

23 You can see the customers in  
24 the 20,000-gallon range, which is over five times  
25 greater than the average customer in the district, is



1 going to see a \$20-a-month increase associated with  
2 their bill. That's basically the rate structure and  
3 who and how the proposed rates would be impacting  
4 customers.

5 In terms of recommendations on moving  
6 forward, I do recommend the district proceed with the  
7 five-year rate plan as I've outlined. Essentially,  
8 the district would adopt a tariff that implements  
9 these rates every year. So they would be automatic  
10 increases in each year. However, the district can,  
11 at any point in time, come back and look at this  
12 again.

13 So even if -- in a year from now, two years  
14 from now, the district can certainly come back and  
15 evaluate the rates at any point in time, going back  
16 through this, a process similar to what they've done  
17 this year.

18 We do, though, recommend the district  
19 monitor the actual results annually as part of the  
20 budgeting process. We've given technical reports,  
21 and we also have a stack of spreadsheets, a fairly  
22 thick stack of spreadsheets that outline all of the  
23 assumptions.

24 We recommend that the district, as part of  
25 their annual budgeting process, go through, evaluate

1 where they are, and benchmark. If we start sliding  
2 too far away from where the projections were, then  
3 that's a time to come back and reevaluate.

4 We do recommend reviewing that, again,  
5 making a decision each year, whether or not they're  
6 close enough to on track, and part of that  
7 decision-making will be: Do we accelerate our  
8 Capital Improvement Plan? Do we slow it down, or do  
9 we look at property taxes as supplemental revenue?

10 I can say, it is -- to make sure all of the  
11 residents are clear on this, it is the Board's goal  
12 to avoid property tax increases, but we do want to  
13 make sure everybody -- it's disclosed that that's a  
14 last-resort option, if need be.

15 Finally, we do recommend updating the  
16 analysis every three to five years. Typically, five  
17 years is sufficient, assuming that they're close  
18 enough or pretty close to where the projections had  
19 you coming in at. But, again, if we see a wider  
20 deviation, then we do recommend coming back and  
21 reevaluating things sooner.

22 I think that's it for me.

23 HEARING OFFICER GOULD: And I have just  
24 some of the same questions that I asked Steve.

25 I noticed from this transmittal letter that

1 the PowerPoint presentation that you just gave is  
2 part of the package that we're going to give to the  
3 court reporter that's going to be part of the record,  
4 and I just wanted to ask you: Did you prepare those  
5 slides yourself, or were they prepared under your  
6 direction?

7 MS. HEDDIN: I prepared them myself.

8 HEARING OFFICER GOULD: And are they true  
9 and accurate, to the best your knowledge and ability?

10 MS. HEDDIN: Yes, sir.

11 HEARING OFFICER GOULD: And then attached  
12 to the Affidavit of Steve King is your Final Rate  
13 Study Report, and I want to ask you the same  
14 questions. Did you prepare that Final Rate Study  
15 Report?

16 MS. HEDDIN: Yes, sir.

17 HEARING OFFICER GOULD: And is that true  
18 and accurate, to the best of your knowledge and  
19 ability?

20 MS. HEDDIN: Yes, sir.

21 HEARING OFFICER GOULD: Okay. We did have  
22 a -- thank you, ma'am.

23 MS. HEDDIN: Thank you.

24 HEARING OFFICER GOULD: We did have one  
25 person that signed up, Mr. Joseph -- Lowry, is it, or

1 Loewy?

2 MR. LOEWY: Loewy.

3 HEARING OFFICER GOULD: How do you  
4 pronounce it?

5 MR. LOEWY: Loewy.

6 HEARING OFFICER GOULD: Loewy.

7 MR. LOEWY: Yes, sir.

8 HEARING OFFICER GOULD: You wanted to give  
9 sworn testimony.

10 MR. LOEWY: Yes, sir.

11 HEARING OFFICER GOULD: Why don't we have  
12 the court reporter swear you in, and then --

13 MR. LOEWY: I sure will.

14 MS. TRUJILLO: Okay. Mr. Loewy, would you  
15 raise your right hand? Do you solemnly swear the  
16 testimony you are about to give will be truth, the  
17 whole truth, and nothing but the truth?

18 MR. LOEWY: I do.

19 HEARING OFFICER GOULD: And, Mr. Loewy, you  
20 can have a seat, or you can stand.

21 MR. LOEWY: I'll stand right here, if  
22 that's okay with you, sir.

23 HEARING OFFICER GOULD: Okay. Why don't  
24 you give your testimony.

25 MR. LOEWY: I'm reading from a document

1 that I presented to the district to give to the court  
2 reporter for this meeting, to the PRC Hearing Officer  
3 from Joseph Loewy, dated September 25th, 2019. The  
4 subject is the Eldorado Area Water and Sanitation  
5 District Proposed Rates.

6 Good evening. My name is Joseph Loewy, and  
7 I live at 6 Monterey Road, Santa Fe, 87508. I've  
8 been an EAWSD ratepayer for approximately seven  
9 years. I serve as an appointed member of the Capital  
10 Planning Advisory Committee of the district. I  
11 participated as an appointed member of the Rate  
12 Design Study Advisory Committee that assisted in  
13 creating the proposal being discussed this evening.

14 After numerous hours of research and  
15 discussion and with the assistance of a rate design  
16 consultant, our committee was able, unanimously, to  
17 propose base and volumetric rates that took into  
18 consideration the long-range goals of producing  
19 sufficient revenue to offset both operations expenses  
20 and our capital needs for the next five years. Most  
21 importantly, we designed proposed rates that rewarded  
22 conservation of our precious resource, water.

23 Further, our district continually strives  
24 to reduce operational expenses, challenge capital  
25 project expenditures, and seek grants and loans with

SANTA FE OFFICE  
119 East Marcy, Suite 110  
Santa Fe, NM 87501  
(505) 989-4949  
FAX (505) 820-6349



MAIN OFFICE  
201 Third NW, Suite 1630  
Albuquerque, NM 87102  
(505) 843-9494  
FAX (505) 843-9492  
1-800-669-9492  
e-mail: info@litsupport.com

1 partial forgiveness arrangements. Our goal is to  
2 reduce the total expense of these projects.

3 I support the proposed rates as being fair,  
4 minimal, and pragmatic.

5 I urge the acceptance of the proposed  
6 rates, and I encourage the EAWSD Board of Directors  
7 to specifically seek to aggressively plan the  
8 replacement of our aging pipeline infrastructure.  
9 These proposed rates take the first step, ever, to  
10 begin to accomplish this goal.

11 Thank you.

12 HEARING OFFICER GOULD: Mr. Loewy?

13 MR. LOEWY: Yes, sir.

14 HEARING OFFICER GOULD: Do you have a copy  
15 of that that I can put in the record?

16 MR. LOEWY: I certainly do, sir.

17 HEARING OFFICER GOULD: Okay. Thank you.

18 We're going to mark this as hearing Exhibit  
19 Number 2.

20 (Hearing Exhibit 2 marked.)

21 HEARING OFFICER GOULD: And as I said, that  
22 will be part of the record that you can see online.

23 We did have a sign-up sheet, and there were  
24 no persons on the sign-up sheet that asked to make  
25 public comment, but this would be the time if anybody

1 wants to make a statement.

2 Why don't you come up, state your name for  
3 the record so that the Hearing -- so that Michele,  
4 who is taking the record verbatim --

5 MR. McBRIDE: Should I --

6 HEARING OFFICER GOULD: Yeah, you can stand  
7 here. You can sit down. But give your address and  
8 spell your name so she can reflect it on the record.

9 MR. McBRIDE: It's Dominic McBride,  
10 D-o-m-i-n-i-c, McBride, 4 Sombra Court, 87508.

11 HEARING OFFICER GOULD: And let me  
12 interrupt you. Are you a customer of the utility?

13 MR. McBRIDE: Yes, I am. I am a ratepayer.

14 HEARING OFFICER GOULD: Okay. Thank you.

15 MR. McBRIDE: I'm just going to make this  
16 short.

17 So I've been around since 2002, and I was  
18 here in 2002, 2004, when they had a rate increase.  
19 EAWSD wanted a rate increase. At that time the  
20 Office of State Engineer had a person who was a  
21 representative in that process, and the PRC was --  
22 the Public Regulation Commission of the State was  
23 actively involved in that process.

24 And that's the only objection I have,  
25 really, to the process. I have no way of really

1 knowing whether the rate study fits a uniform rate  
2 study for other water utilities, and that's very  
3 important to have whenever you have a rate increase.

4 I think what's absent from the study is,  
5 really, a comparable of any kind, of any other water  
6 utilities and what they're charging throughout the  
7 state of New Mexico for water. So that's my  
8 objection to that, that PRC is not involved, and I  
9 just wanted to go on the record about that.

10 HEARING OFFICER GOULD: Did you have -- I  
11 notice you have a page there. Did you want to put  
12 that, that written page, on the record, and we can  
13 make that a hearing exhibit?

14 MR. McBRIDE: Um. Well, it's just my  
15 notes.

16 HEARING OFFICER GOULD: Okay. If you're  
17 not comfortable with that, we have your --

18 MR. McBRIDE: Yeah, I'm not objecting to  
19 the rate increase at this time, but I do object to  
20 the process, because the process in the past was a  
21 lot different. In 2015, it changed dramatically,  
22 into sort of this hearing process, and this isn't a  
23 very fair representation of everybody in the  
24 district. I mean, how many people showed up here  
25 tonight?



1 I mean, we all got the Water Notes. I  
2 don't understand really why there aren't more people  
3 here, but, you know -- so I don't object to the rate  
4 increase.

5 HEARING OFFICER GOULD: Thank you, Dominic.

6 Anyone else want to provide comment?

7 Does anyone else have any questions for  
8 either Ms. Heddin or Mr. King about their  
9 presentations? This would be a good time to air  
10 those questions, if anyone --

11 Dominic, did you have a question that you  
12 wanted to direct at either one of them?

13 MR. McBRIDE: Well, I mean -- so, as far as  
14 that question goes, the rate study, why doesn't the  
15 rate study show comparables of other utilities and  
16 what other people are paying throughout the state?

17 MS. HEDDIN: Sure.

18 MR. McBRIDE: I mean, we're on track to pay  
19 \$100 a month for very modest use.

20 MS. HEDDIN: Sure. The answer to your  
21 question -- it is a great question. Essentially,  
22 because water rates are not market-based rates.  
23 They're cost-based rates, and they're solely focused  
24 on an individual utility's costs.

25 Every utility across the nation is going to

1 have a very different orientation of costs. Some  
2 utilities -- for example, a utility that has surface  
3 water versus a utility that has groundwater, their  
4 operations are totally different, a completely  
5 different infrastructure, et cetera.

6 Additionally, their revenue recovery is  
7 going to be different. If we just looked at the  
8 water rates for this district versus Santa Fe, versus  
9 Rio Rancho, or anybody else, we'd find that some have  
10 property taxes. Others don't have property taxes.  
11 Some charge impact fees. Some infrastructure was  
12 contributed to by a developer, et cetera.

13 So it's truly -- and this is an industry  
14 practice. It's truly focused on the individual  
15 utility's costs. But it's a great question.

16 HEARING OFFICER GOULD: And, Steve, could  
17 you address that issue, of the impact of the initial  
18 purchase price of this utility on current rates  
19 again? I think maybe that might answer some of  
20 Dominic's questions.

21 MR. KING: Certainly, I'll give it a go.

22 As I understand the history -- I obviously  
23 wasn't here at the time -- the initial -- the utility  
24 went on the market at a market rate that was  
25 substantially below the original -- the ultimate

1 purchase price of just over \$11 million.

2 MR. McBRIDE: Uh-huh.

3 MR. KING: So, in my estimation, we clearly  
4 paid a premium to acquire the utility. But there was  
5 a reason for that. The driver was that it was very  
6 important to this community to retain the control of  
7 this critical asset.

8 Nelisa speaks to that pretty clearly, about  
9 there's a lot of things you can do without. Water  
10 doesn't happen to be one of those things, and I think  
11 it was obviously a real priority to the folks that  
12 were representing the community at that time to make  
13 sure we retained control of that asset.

14 The implication, of course, is it's  
15 something we're paying for over a 20-year period of  
16 time. And more importantly, what happens is, so  
17 we're paying the debt service on that original  
18 purchase price and the capital improvements that were  
19 part of the original purchase. The question is:  
20 What are we not investing in because those monies are  
21 going to pay off that original purchase price?

22 Unfortunately, every year, the system gets  
23 older. We have a system that we acquired. I think  
24 it's fair to say that large portions of that system,  
25 again, based on current standards, are substandard.

1 So the useful life and the cost associated with rehab  
2 and repair are much more significant than they might  
3 otherwise be.

4 And that really speaks to Nelisa's point  
5 about it really being cost-based. And it's specific  
6 to the specific conditions of any particular water  
7 utility. Each one has a different set of drivers  
8 that drive the need for rate increases.

9 HEARING OFFICER GOULD: Does anyone else  
10 have -- is that --

11 MR. McBRIDE: Yeah, that's --

12 HEARING OFFICER GOULD: Okay.

13 MR. McBRIDE: Well, you know, you mention  
14 in there that that debt is going to be paid off  
15 in 2025, right?

16 MR. KING: Correct.

17 MR. McBRIDE: Yeah. So that would  
18 reduce -- that might be a factor in reducing the  
19 rates. Is that not true?

20 MR. KING: Well, so I go back to say, so  
21 what we're doing is we're playing catch-up on the  
22 capital improvements that we're not investing in for  
23 the last 20 years, as the system gets older.

24 MS. HEDDIN: Additionally, that debt is  
25 funded through property taxes.

1 MS. ROGHAIER: Not all of it.

2 MS. HEDDIN: Not all of it. A portion of  
3 that debt. Sorry. Yes, a portion of that debt is  
4 funded through property taxes.

5 MR. McBRIDE: Right.

6 MR. KING: It's the gift that keeps on  
7 giving. It's not just pay off the \$11 million, but  
8 we have to deal with the implications of that money  
9 not being invested in rehab and repair and  
10 replacement of our system. It's just the reality of  
11 our circumstance.

12 HEARING OFFICER GOULD: And, Steve, would  
13 you give everybody and put that on the record, the  
14 website that people can go to see -- to get my  
15 recommended -- my decision when it comes out and to  
16 see the transcript of this hearing and to look at all  
17 of the exhibits?

18 MR. KING: EAWSD.org.

19 HEARING OFFICER GOULD: Okay. And it will  
20 be posted prominently there.

21 Anyone else? Last chance. Going once?  
22 Going twice? Okay.

23 I'm going to just declare this hearing  
24 over. We'll do our best to get a decision out in the  
25 next couple of weeks, and, you know, we need to make

1 sure that the record is complete and that the  
2 transcript has been done and that we respect, you  
3 know, the workload of the court reporter as well.

4 But thank you, everybody, for coming, and,  
5 again, if you have any questions, you can direct them  
6 to Steve. He really wants this process to be  
7 transparent. So any questions, something you didn't  
8 think about, please ask him. Okay? Thank you.

9 I'm marking the sign-in sheet for testimony  
10 with my name on it as Exhibit 3, and we're marking  
11 the sign-in sheet for the attendees that has six  
12 names on it as Exhibit Number 4.

13 (Hearing Exhibits 3 and 4 marked.)

14 (Hearing concluded at 7:20 p.m.)

15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
SANTA FE OFFICE  
119 East Marcy, Suite 110  
Santa Fe, NM 87501  
(505) 989-4949  
FAX (505) 820-6349

**BEAN**  
**& ASSOCIATES, Inc.**  
**A**  
PROFESSIONAL COURT  
REPORTING SERVICE

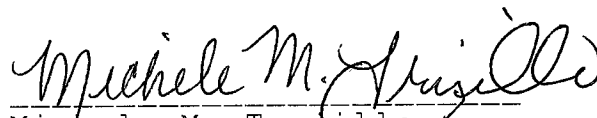
MAIN OFFICE  
201 Third NW, Suite 1630  
Albuquerque, NM 87102  
(505) 843-9494  
FAX (505) 843-9492  
1-800-669-9492  
e-mail: info@litsupport.com

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

REPORTER'S CERTIFICATE

I, MICHELE M. TRUJILLO, New Mexico CCR #226, do hereby certify that the proceedings of the above-entitled cause were reported by me stenographically on September 25th, 2019, and that the within transcript is a true and accurate transcription of my shorthand notes.

I FURTHER CERTIFY that I am neither an attorney nor counsel for nor related to or employed by any of the parties to the action, and that I am not a relative or employee of any attorney or counsel employed by the parties hereto or financially interested in the action.

  
Michele M. Trujillo  
Certified Court Reporter #226  
License Expires: 12/31/19