

RECEIVED

October 14, 2005
To : Mrs. Carey Rogers
CC: Mr. Kevin Walsh

2005 OCT 17 AM 9:32
GOLETA WATER DISTRICT

Dear Ms. Rogers,

I hope that you do not mind this informal approach to respond to your letter from October 12, 2005. I was not requesting distribution by GWD of whatever I have to share with our committee, rather I was requesting to present my observations or opinions through the aid of a view graph projector which would help me getting my message across without losing my thought in the statement process. Since committee members with sufficient verbal ability to communicate their opinion are not being censored I find your preview requirement unjust. I do remember telling you when you asked me what and for long my presentation would be about, I told you about 5 to 10 minutes and GWD would be welcome to have a preview.

You are probably aware that I transmitted my statistical analysis to Dr. Chesnutt on September 26th showing the increased uncertainty of revenue for his example presented at the September 20th Citizens Committee meeting.

Dr. Chestnutt agreed with my conclusion and therefore I see no need to present my analysis to the committee which may unnecessarily inflame a position against a block rate approach while based on a limited example.

I do favor a seasonally adjusted block rate approach for all consumers beginning with the largest percentage consumer group (single and multi family dwellings). I could accept a GWD recommendation on a block allowance, based on historic or other districts definition with provisions to also cover the additional expenses for additional water purchases (see more on that subject below).

At the end of this process, residential consumers should not be singled out for a conservation approach, CII and other customers receiving potable water, but paying Recreational Rates, need to be included. I, as a residential water customer, accept that "Actual Reclaimed Water and Agricultural Water Users" need special consideration for allowances and rates. The recommendation on this issue from the Management Committee should be integrated into the overall effect on revenue analysis, once a decision is relayed to our committee.

Anyhow I see no need to rush to a proposal until we have the total picture evaluated.

I am able to analyze the uncertainty on revenue, when only a few data and assumptions used by Dr. Chesnutt could be provided, without having knowledge about the computer model itself. This is what I was willing to contribute to GWD without cost to GWD. However analyzing the merits of a block structure and its associated rate would require access to all data and assumption that have been or will be used. The access to GWD data appears to be the limiting factor for conducting a balance of revenue and operational expense analysis, to support the rate and structure. I already have a problem with the inconsistencies of revenue from water and water deliveries as defined in GWD's Operating and Capital improvement Projects Budget, adopted May 31, 2005.

My question to the Board on October 4th "What is the relationship of additional State Water Project water to cost" was answered by your response, that there is no more State Water available for procurement. From a past discussion of the so-called "Monterey Agreement" I understand that there is a pool of water available in many (most?) water years from which one participating agency can purchase additional water from other agencies that don't need all of their allotment in that year. I also read newspaper reports that Carpinteria Water District and the City of Solvang are offering (or considering offering) to sell to other participants portions of their State Water Project permanent allotment.

Would that imply that there is State Water available for purchase? If you have more current information regarding either the effect of the Monterey Agreement upon available additional water supplies or the status of the Carpinteria and Solvang offers to sell permanent allotment, please let me know. I very much want to understand the long-term big picture. I also have no idea as to what the cost would be, either of the year-to-year water supplies available under the Monterey Agreement or of the permanent allotment purchase. To the point of my question, though, I am asking, and I think it would help the Citizens Rate Committee members to know, precisely what each component of the District's water supply costs (before overhead) per hcf is. I understand that State Water may be the most expensive of these components but having this information available to the Committee members would be helpful as background to approaching the rate structure issue.

Allow me to conclude. If the time, energy and expertise of the volunteer committee is to have value then there must be open access to data and a belief that Board, staff and committee are seeking a just and fair rate structure.

With best regards from Klaus Ness

