

## **Nipomo district may merge 2 water systems**

By Todd Cralley/STAFF WRITER

Blacklake residents served by the Nipomo Community Services District might see some changes in their water system and their water bills in the coming months.

In a proposal presented Wednesday morning by a Sacramento consulting firm, NCSD board members heard a plan to merge the district's Blacklake water system with its separate town system.

On a 4-1 vote, NCSD directors supported the merger of the two systems provided that rate payers approve the rate structure that supports merger, including an "equity surcharge" on Blacklake customers.

Jim Harrison was the lone dissenter although he said, "This is probably a good thing for the people of Blacklake."

Board president Mike Winn said if the merger does not take place, Blacklake residents would have to pay \$6 million to upgrade, maintain and finance a new water system that has been in steady decline.

"That breaks down to roughly \$10,000 per customer," Winn said. "Our previous general manager prided himself on the lowest water rates for 50 miles. Under that administration, little money was being set aside for general maintenance. The system finally broke down.

"It just makes good sense to merge the systems," he said "Basically it comes down to an additional \$10,000 per customer to repair the system or \$1,600 in equity surcharges to merge with the town system."

The "equity surcharge" is a fee the district is proposing for Blacklake customers to reflect the difference in prior investment by customers in the two systems.

California law requires the district to notify its customers of upcoming community workshops that will be scheduled to discuss the implementation of the surcharge.

The analysis presented Wednesday by consultant Bob Reed of the Reed Group was based on the total value of water system assets, as well as financial reserves listed in audited financial statements of June 2006.

The objective of the study was to require whichever customers have the smaller investment in the water systems to make an additional contribution to establish parity for all customers of the combined system.

Customers of the town water system have a current investment of about \$4,272 per equivalent meter compared to the Blacklake customers' investment of \$2,600, according to Reed.

To establish equity between customers in a combined water system, the study proposes that Blacklake customers pay an equity surcharge of \$1,672 per one-inch meter.

According to Reed, 80 percent of the deficiency is due to differences in financial reserves between the two accounts verses assets in the ground.

Blacklake rate payers will be given the choice of paying the entire \$1,672 in one lump sum or being billed bi-monthly over five years or 10 years. A 5 percent interest rate would be charged on payments made over time.

Another aspect of Reed's analysis scheduled to be discussed Wednesday morning was a proposed four-tier rate structure for all NCSD rate payers, which could encourage water conservation by making water progressively more expensive as a customer used more.

But because some directors said they had not been given adequate time to read the report, discussions of any increase in water rates was postponed until Aug. 15.

"I only received my copy of the report Monday," said director Ed Eby. "In the short amount of time between receiving the report and now, I'm not prepared to discuss the rate structures.

"I also have some objections about the rate structure, not the overall rate, but the structure and who we charge what."

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