

Exhibit D

Subsidies

The El Paso Water Utilities Public Service Board claims that it is their mission to provide water and sewer service to their customers at "fair and reasonable costs."¹ They claim to be a "cost of service" government agency.²

The American Water Works Association says that "fair and equitable rates," also called "cost-of-service-based rates," cause "each customer to pay his or her cost share of the service without being subsidized by other customers or subsidizing other customers. Developing fair and equitable rates means to avoid subsidization."³ "Rate designs are developed to promote equity among customers by charging each customer in such a way that a customer is neither subsidized by nor subsidizes other customers."⁴

In June 2009, the PSB admitted that approximately 20% of each customer's bill is used to subsidize water and wastewater service to new developments.⁵ The PSB spent \$200 Million⁶ for these subsidies in the past ten years and they plan to spend \$226 million in the next 10 years.⁵ Then they will spend \$630 Million to import water for these new developments.² The total cost amounts to \$1.056 Billion.

Developers, home builders and the PSB argue that these subsidies make homes more affordable. Water customers would argue that it is not the mission of the PSB to take money from some water customers in order make homes more affordable for other water customers. Moreover, consider how the money must flow in order to make homes more affordable.

1. Water customers pay \$1.056 Billion to the PSB.
2. Water customers must then trust the PSB to pass the subsidies on to land developers.
3. Water customers must then trust land developers to pass the subsidies on to home builders.
4. Water customers must then trust home builders to pass the subsidies on to new home owners.

No one is accountable for the \$1.056 Billion subsidy. The funds are co-mingled with PSB funds, land developers funds and home builders funds. Water customers are forced to trust them all or the PSB will cut off their water.

Many water customers can't afford a home of their own. They are not aware of the fact that the PSB forces them to subsidize new homes for others. If they knew the facts, they would object to these subsidies. But the PSB hides the facts in an obscure corner of their web site.⁵

1. [FY2008-09 Annual Budget. http://www.epwu.org/financial/reports/2007/budget_fy0708.pdf](http://www.epwu.org/financial/reports/2007/budget_fy0708.pdf)
2. Open letter published in El Paso Times and El Paso Inc. February 17, 2008.
3. Water Rates, Fees, and The Legal Environment, AWWA p8
4. *ibid* p6
5. <http://www.epwu.org/whatsnew/216090615.html>
6. <http://newspapertree.com/news/2928-hot-debate-over-the-impact-of-a-fee-proposal>