

Subj: **Re: Agenda**
Date: 9/7/2007 9:50:50 A.M. Mountain Daylight Time
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I have reviewed the agenda submitted by Ms. Hernandez. I would like to ask the committee to pass a resolution in favor of impact fees that will recover the full cost to provide water and sewer service to new homes. This cost would include the cost to acquire new water supplies.

I would also like to ask the committee to support a poll to be conducted by EPWU. A position paper and the poll is attached.

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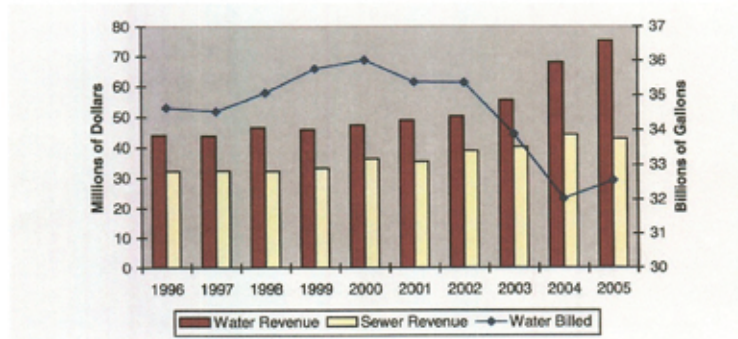
Friday, February 10, 2000 4:00 AM From: JWJANACEK

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To members of the Paso Del Norte Water Committee:

According to A. F. Thomas, Civilian Aide to the Secretary of the Army, the future of Fort Bliss looked bleak in the late 1990's. The 3rd Calvary had just left Fort Bliss for Fort Carson, Colorado and the Pentagon believed El Paso and Fort Bliss had severe water problems. The Greater El Paso Chamber of Commerce began bi-annual trips to Washington to visit key pentagon officials to change those perceptions. El Paso Water Utilities (EPWU) told the Pentagon that El Paso had plenty of water.

EPWU solved the problem by raising the average price of water by 71%. According to EPWU, "the following graph illustrates how EPWU has used pricing not only as a demand management tool but as a way to generate more revenue."



As EPWU raised the price of water, revenue increased while causing water demand to decrease. Between 1999 and 2005 EPWU customers increased their payments to EPWU by \$42 Million per year. EPWU will spend \$85 Million in 2007 alone to expand their system to supply new homes. EPWU customers simultaneously decreased their consumption by 3.5 billion gallons per year. That is enough water to supply 70,000 new residents.

EPWU built an \$85 Million desalination plant on Fort Bliss property and General Manager Ed Archuleta said the plant would put an end to the myth that El Paso has a water shortage. The Pentagon announced plans to move 20,000 additional troops to Fort Bliss and EPWU announced plans to develop a 16,000 acre golf course community to "capture the growth of Fort Bliss."

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The water shortage was ended by price increases not by the desalination plant. The plant extends the life of the Hueco Bolson and allows the utility to meet peak demands, but it does not increase the annual water supply. Production from the Hueco Bolson was at "nearly sustainable" levels before the plant was built. To exceed sustainable production would be to "take a backwards step in overall water management in the region."

Archuleta has asked the city council to charge new homes with the cost to extend water and sewer facilities and the cost to bring in new water supplies (impact fee). The city council refused his request. Archuleta has said that if the true cost to provide water was charged to new homes it would stifle growth. He admits that the EPWU subsidizes new homes. He said El Paso has made a political decision to support the Fort Bliss expansion and the water utility is finding the money where it can.

El Paso may be the only large city in the Southwest that does not charge impact fees for new homes. Therefore EPWU is forced to squeeze water and money from the poor to subsidize new homes for the rich and middle class. EPWU calls this a conservation program but it is in fact a confiscation program. El Paso customers already use less water than any large city in Texas but EPWU continues to squeeze.

EPWU is a monopoly. Its' customers have no choice. However, there is a limit to how much a customer is willing to pay and how little water he is willing to use. The cost of new water supplies will be charged to customers. At some point new residents may avoid El Paso and old residents may move to nearby communities because water bills are too expensive. The pricing strategy may eventually produce the same result that an impact fee would have produced in the first place. EPWU did not conduct an economic impact analysis of the 16,000 acre golf course community due to "time constraints." As El Paso grows, EPWU will spend up to \$1.1 Billion to bring in new water supplies. An analysis is needed to determine how EPWU will finance that cost. The analysis is required by their internal policy.

Price increases have made EPWU more profitable than Exxon Mobile. Amid accusations of price gouging, Exxon Mobile earned 18 cents on every dollar of sales in 2006. EPWU earned 32 cents on the dollar for the city of El Paso. El Paso is among the poorest cities in the United States but the utility earned \$45 Million for the city in 2006. Las Vegas had a loss of \$48 Million, Phoenix lost \$5 Million and Tucson had a profit of \$3 Million. EPWU will raise prices another 13% over the next four years and take in an additional \$131 Million from land sales. They may become the most profitable non profit monopoly in the country as they continue to squeeze water and money from one of the poorest communities.

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El Paso Water Utilities Customer Survey

- 1) Between 1999 and 2006 EPWU increased the price of water by 71% so that you pay more money and use less water. EPWU uses the money to build facilities to supply new homes. EPWU uses the water to supply those new homes. EPWU plans to raise prices by another 13% over the next four years. Are you willing to continue to pay more money and use less water so that EPWU can subsidize new homes in El Paso?
- 2) Water is available for new homes in other nearby communities. Should EPWU withdraw their subsidy and allow the free market to determine where homes will be built?
- 3) As El Paso grows, EPWU will spend up to \$1.1 Billion to bring in more water. EPWU plans to include this cost in your water bills. Should new home owners pay the cost to obtain new water supplies for their homes?
- 4) Should new home owners pay the cost of all facilities necessary to provide water and sewer to their homes?
- 5) The City of El Paso uses 10% of your water bill for general purposes other than water. Should this money be used to purchase new water supplies?

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