



WASHINGTON COUNTY
WATER CONSERVANCY DISTRICT

September 28, 2016

Honorable Governor Herbert
Utah State Capitol Complex
350 North State Street, Suite 200
PO Box 142220
Salt Lake City, Utah 84114

Honorable President Niederhauser
Utah State Senate
320 North State, Suite 320
PO Box 145115
Salt Lake City, Utah 84114

Honorable Speaker Hughes
Utah House of Representatives
350 North State, Suite 350
PO Box 145030
Salt Lake City, 89114

RE: Lake Powell Pipeline | Response to September 2016 University of Utah Professors' Letter

Governor Herbert, President Niederhauser and Speaker Hughes:

On Tuesday, September 20, 2016, Washington County Water Conservancy District (district) was notified by the media of a letter sent to you on September 12, 2016 from 17 University of Utah professors in reference to repayment of Lake Powell Pipeline costs (see appendix item A). As is the case with all public input, we have carefully considered this letter and its accompanying analysis (see appendix item B). Provided below are some of the necessary corrections to the received information:

- **The district will repay the costs** of the Lake Powell Pipeline, including the “reimbursable preconstruction costs, construction costs, and interest on those costs within the time period specified” in accordance to the terms of the Lake Powell Pipeline Development Act (Utah Code 73-28-403) and will pay operations and maintenance costs as outlined in Utah Code 73-28-404.
- **The professors, in coordination with the Utah Rivers Council, are misrepresenting an interactive worksheet prepared for a 2013 focus group exercise as a “district model” or “repayment plan.”** The worksheet, which was created and presented by Applied Analysis, was designed to encourage discussion on potential funding options rather than answer questions on how the project will be funded. Those who will ultimately determine the project’s financing terms and repayment plan did not participate in the focus group exercise and therefore their opinions may not be represented in the worksheet.

The claim that the district will only pay for “28 percent” of the project cost is the result of misuse of the worksheet.

- The project cost used in the worksheet (\$969 million) was the anticipated cost to the district based on the then-current estimate of the Utah Division of Water Resources, excluding the portion of costs for Kane County Water Conservancy District.
- The professors' analysis claims Washington County residents currently pay \$0.45 per 1,000 gallons of water and that paying for the pipeline would necessitate “raising water rates by more than 570 percent.” In fact, the average residential water user in St. George (the county's largest population center) currently pays an average of approximately \$2.52 per 1,000 gallons of water. Adjusting for a conservative average water cost for all consumers (residential and non-residential) of \$2.40 per 1,000 gallons, **the professors underestimated actual water rates by approximately 430 percent** (see appendix item C).
- Based on the claim that water rates would increase 570 percent, the professors applied a “law of demand” calculation that assumes water demand will decrease 5 percent for every 10 percent increase in the price (see appendix item C). **This formula leads to the insupportable claim that water demand in Washington County would be 8 percent lower than it was in 2010 despite a population increase of more than 250 percent** (Governor's Office of Management & Budget, 2012 Baseline Projections).

Per capita water use will continue to decrease in the future with improved conservation, new technology and a larger/denser population; however, we must be realistic about water use in our planning efforts. The professors project a future water use that has not been achieved to date in any community in the nation.

District rates will increase as the costs to deliver, treat and store water increase. The use of the asserted demand price inflation formula is misplaced given water is an essential human commodity.

We understand there is interest in the district's repayment of the Lake Powell Pipeline. We assure you that a plan will be prepared and available for public review once all the essential components to create that plan are known, including a project route, final design, project cost and financing terms—all of which must be approved by the state and accepted by the districts. This is a multi-year process to which we remain committed given its importance to Washington County's future.

Respectfully,



Ron Thompson
General Manager