From: Galvin, Michael J.
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To: Hughes, John (Reg Rel) (/O=PG&E/OU=Corporate/cn=Recipients/cn=J8HS)
Cc:
Bcc:
Subject: Are Energy Utilities next?

John

FYI

Third straws and liens? Oy vey!

Water officials pursue new ways to pay for construction projects

BY HENRY BREAN
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They say you can't get blood from a turnip, but what about utility fees from a foreclosure?

Southern Nevada Water Authority officials are considering the idea as they seek new ways to pay for expensive construction projects once funded by new connections.

Authority General Manager Pat Mulroy has suggested placing liens on foreclosed properties in order to collect a new infrastructure fee now under consideration for all homes and businesses with water hookups, even inactive ones.

To settle the lien, the new owner of the property would have to pay the authority back fees for maintaining water service to the address and the rest of the valley.

The argument goes something like this: Every home and business benefits from having a reliable water system, even those that are empty. Every?one should pay a share of the cost to keep that system up and running.

As Mulroy put it, a "property isn't worth a nickel unless it has a water supply."

The lien idea comes as authority board members are set to consider a rate hike to replace revenue lost when the housing bubble burst and the economy crashed.

The valley's wholesale water supplier used to depend on connection charges from new homes and businesses for nearly 60 percent of the money it used to build infrastructure and pay down construction debt. That revenue stream has all but run dry.

"We've been living on our savings account to make our debt payments," Mulroy said.

Board members will be presented with five different options for raising rates when they meet on Thursday. The choices range from a new fixed infrastructure fee of $5 a month for most single-family homes to a consumption-based rate increase that would add nearly $10 a month to the average residential bill but could be curbed by cutting water use.

If adopted by the authority and its member utilities, the higher rates could show up on local water bills starting in May and remain in effect for the next three years.

It will take considerably longer for the lien idea to be implemented, if it ever is, Mulroy said.

"There are any number of legal and complicating issues with this," she said.

Before proceeding, she said, the authority will talk the idea through with its member utilities and representatives from the real estate, banking and business community.

Depending on the size of the water meter, the proposed infrastructure fees could range from about $60 a year for a small single-family home to potentially thousands of dollars annually for a resort, golf course or other large commercial property.

Sixty bucks might not sound like much, but longtime real estate agent Soozi Jones Walker worries that more fees and liens will only make it harder to attract buyers and investors to a market so desperate for them.

"We're putting such a burden on (buyers), they're going to go someplace else," said Jones Walker, a former state real estate commissioner who specializes in commercial listings but owns several rental homes in the valley. "We're feeing them and fining them and licensing them to death."

Chris Yergensen is general counsel for RMI Management, Nevada's largest property management company for homeowner associations.

He predicted that any real opposition to the idea will come from bankers, because they are the ones who will wind up paying the liens.

Yergensen said water officials will have to do their homework to make sure the liens they place cannot just be swept aside when a bank takes ownership of a property.

"If it doesn't survive a foreclosure, the water district isn't going to get its money," he said.

The Las Vegas Valley Water District and the cities of Henderson and North Las Vegas already place liens on properties with delinquent charges on their accounts. This would be a new kind of obligation -- one designed to keep active customers from subsidizing the cost of system reliability for vacant homes and businesses.

"It becomes an equity question," Mulroy said.

After all, the water authority is obligated to maintain a water system capable of meeting the peak demand of every property connected to it, regardless of how many of those accounts might be inactive at any given time.

Of the more than 375,000 water hookups in the Las Vegas Valley Water District's service territory, almost 20,000 are inactive. That's slightly more than 5 percent.

The broader rate hike set for dis?cussion Thursday is designed to raise almost $260 million and halt the depletion of cash reserves the authority uses to maintain a favorable bond rating.

The timing is critical, Mulroy said, because the authority needs to sell $360 million in new bonds later this year to finish work on the so-called "third straw," a more than $800 million intake pipe under construction at Lake Mead.

That project -- like the rate hike needed to pay for it -- has nothing to do with supplying growth, Mulroy said.

"This is about reliability and about paying for that infrastructure that delivers water to your home," she said.

All but about 10 percent of the valley's drinking water supply comes from the Colorado River by way of Lake Mead. The new intake will allow the community to keep drawing from the reservoir even if it shrinks to the level of the two existing straws.

Mulroy called it a "completely un?expected project" prompted by record drought on the Colorado. If the authority didn't have to build the third straw, there would be no proposed rate hike right now, she said.

Mulroy added that the additional revenue is not being sought to pay for the authority's controversial plan to tap groundwater across a 300-mile swath of eastern Nevada and pipe it to Las Vegas.

"That's a whole different discussion," she said of the multibillion-dollar pipeline project.

Contact reporter Henry Brean at hbrean@reviewjournal.com or 702-383-0350.