Minutes from the Public Hearing

PROOF OF PUBLICATION
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STATE OF CALIFORNIA
COUNTY OF SAN MATEO

I am a citizen of the United States and a resident of the County aforesaid; I am over the age of eighteen years, and not a party to or interested in the above-entitled matter. I am the principal clerk of the printer of the

THE ALMANAC, a newspaper of general circulation, printed and published WEEKLY in the City of MENLO PARK, County of San Mateo, and which newspaper has been adjudged a newspaper of general circulation by the Superior Court of the County of San Mateo, State of California,

under the date of SEPTEMBER, 1965

Case Number 147530; that the notice, of which the annexed is a printed copy (set in type not smaller than nonpareil), has been published in each regular and entire issue of said newspaper and not in any supplement thereof on the following dates, to wit:

11/9

all in the year 20 05.

I certify (or declare) under penalty of perjury that the foregoing is true and correct.

Dated at MENLO PARK, CA.

this 9 day of Nov, 20 05

Signature

The Almanac

(Space below for filing stamp only)

NOTICE OF PUBLIC PARTICIPATION HEARINGS
CALIFORNIA WATER SERVICE COMPANY – BEAR GULCH SERVICE AREA
APPLICATION NO. 05-08-007

California Water Service Company (Cal Water) has filed Application 05-08-007 requesting rate increases in the BEAR GULCH district of $2,107,653 or 11.16% in fiscal year 2006-2007, $1,099,700 or 5.24% in fiscal year 2007-2008, and $1,099,700 or 4.97% in fiscal year 2008-2009. **The California Public Utilities Commission will hold a Public Participation Hearing November 14, 2005 in Menlo Park on the Company's application** to hear customers' views on the proposed increases and any other aspect of the company's operations. As part of the hearing, Cal Water is also seeking your comment on its Urban Water Management Plan filed with the Application. Copies of the plan are available from Cal Water's offices and will be provided at the hearing.

In three other current applications, Cal Water has also proposed a new, alternative ratemaking mechanism called a "rate base equalization account" (RBEA). If the Commission approves this proposal, the cost of major capital improvements necessary to meet water quality standards and water supply needs in high cost districts would be spread among all 24 Cal Water Districts. Cal Water estimates that this would result in increased charges to all customers of approximately $0.61 per month. The Commission's staff has also indicated that it may propose special rates to lessen the effects of any increases on qualifying low-income customers.

The following table shows Cal Water's forecasted rate changes by connection type:

Monthly Metered Service Charge

		Proposed Rates in Cal Water's Application		
Meter Sizes	Present Rates	2006 Rates	2007 Rates	2008 Rates
5/8 x 3/4-inch	$12.15	$16.22	$17.00	$17.78
_-inch	$18.25	$24.33	$25.50	$26.67
1-inch	$22.85	$30.50	$31.97	$33.44
1 1/2-inch	$33.50	$44.72	$46.87	$49.02
2-inch	$49.00	$65.41	$68.55	$71.70
3-inch	$102.00	$136.16	$142.70	$149.25
4-inch	$170.00	$226.93	$237.84	$248.75
6-inch	$305.00	$407.13	$426.71	$446.29
8-inch	$972.00	$1,297.49	$1,359.89	$1,422.28
10-inch	$1,397.25	$1,865.15	$1,954.84	$2,044.53
12-inch	$2,004.75	$2,676.08	$2,804.77	$2,933.46
14-inch	$2,733.75	$3,649.20	$3,824.68	$4,000.17
Quantity Charges (Per Ccf)				
Potable Water	$2.4026	$2.532	$2.6572	$2.7823

Under Cal Water's proposal, rates for each year would become effective on July 1. Rate increases for 2007 and 2008 are derived using current inflation factors. The actual 2007 and 2008 increases could be higher or lower based on the latest inflation factors available at the time the increases take effect.

A majority of residential customers in the Bear Gulch District have 5/8 x 3/4" meters. The average customer uses about 28 Ccf of water per month and would see their monthly water bill increase by $7.70 or 9.69% from $79.42 at present rates to $87.12 in mid-2006, by an additional $4.28 or 4.92% to $91.40 in mid-2007, and by an additional $4.28 or 4.69% to $95.68 in mid-2008.

The effect on your water bill will vary depending on whether you use more or less water than these averages, or if you have a meter larger than 5/8" x 3/4". The rates shown on your monthly water bill may vary slightly from the existing rates shown above due to temporary surcredits or surcharges currently in effect in your area.

An Administrative Law Judge from the California Public Utilities Commission will conduct a Public Participation Hearing session on November 14, 2005, at 7:00 p.m., in the City of Menlo Park Senior Center, 110 Terminal Avenue, Menlo Park, CA 94025

The Public Utilities Commission encourages you to attend these hearings and express your views. If specialized accommodations are needed, such as sign language or other interpreters, please contact the Commission's Public Advisor's Office at (415) 703-2074, toll-free at 1-866-849-8390, TTY toll-free at 1-866-836-7825, or regular TTY at (415) 703-5282 at least 5 working days before the event.

If you cannot attend a Public Participation Hearing, you may submit written comments to: Public Advisor's Office, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, CA 94102, or by e-mail to Public.advisor@cpuc.ca.gov. You may also call the Commission at 866-849-8390 (toll free). Please mention that you are writing about Application 05-08-007. Your comments will be circulated to the Commissioners and will become part of the correspondence file available to the Commission as it decides this application.

Evidentiary hearings devoted to analyzing the need for the requested rate increase and ways of allocating any approved increases among different classes of customers are scheduled to begin in January 2006 at the Commission's Offices in San Francisco. Please confirm the schedule by visiting the Commission's website at www.cpuc.ca.gov, then clicking on the Daily Calendar link. These are technical hearings at which the Commission receives the testimony of experts on both sides who have examined Cal Water's application in great detail. Evidentiary hearings are open to the public, but only those presenting evidence or cross-examining witnesses may participate. For more information about becoming a party and participating in the evidentiary hearings, contact the Commission's Public Advisor at the address above.

Parties at the evidentiary hearings may offer proposals that differ from those requested by Cal Water. After considering all proposals and evidence presented during the formal hearing process, the Commission will issue a final decision on Application 05-08-007 that may adopt all or part of Cal Water's proposal, amend or modify it, or deny the application. The Commission's final decision may be different from Cal Water's proposal.

A copy of Cal Water's Application and further information may be obtained from the company's local offices by calling (650) 367-6800. You may also contact the company's headquarters at 1720 North First Street, San Jose, California 95112-4598, or by calling (408) 367-8200.

CALIFORNIA WATER SERVICE COMPANY
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CALIFORNIA WATER SERVICE COMPANY

MENLO PARK, CALIFORNIA, NOVEMBER 14, 2005 - 7:00 P.M.

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ADMINISTRATIVE LAW JUDGE MC VICAR: Please come to order.

This is the time and place set by the California Public Utilities Commission for the public participation hearing in Application 05-08-006 through -013, the applications of California Water Service Company for increases in eight of their districts. I'm Administrative Law Judge Jim McVicar.

We've scheduled this hearing here this evening to receive public statements and understand the public's view of the company's increase. We have a court reporter who will record your statements, and that will be available to the Commission when it is making its decision. Also we've received a number of letters and e-mails from the public and those are always available to the Commission.

We have one speaker signed up this evening, and that is Dr. Novak.

I'm going to shorten the introductions here a little bit. First thing I'm going to do is ask California Water Service to explain what it is they're requesting and why. Then I'm going to ask the Office of Ratepayer Advocates' representative to explain what it is they do.

Mr. Smegal.

STATEMENT OF MR. SMEGAL

MR. SMEGAL: Thank you, your Honor.

My name is Thomas Smegal, manager of rates for California Water Service Company. This is our general rate case application that we filed in 2005. The last general rate case was filed in 2001 for this district, and it resulted in a general rate increase of about 7 percent. That was in September of 2003.

You have had a couple of different increases since then. The most recent being about a 2-1/2 percent increase. That was in January of 2005. That is an annual increase that is authorized in the general rate case as part of an inflation sort of increase.

We are required by law to file for rate increases every three years. So this is a required filing that we make. We have to show the Commission all of our expenses and all investments that we made in facilities in the last three years, and what we expect to make in the next three years. We have asked in this case for a $2,100,000 increase in mid-2006. That is about 11 percent increase. And then following that with about 5 percent increase in mid-2007 and mid-2008.

The primary reason for the rate increases are increases in our plant investment in the system. We have some improvements we are doing to the treatment plant. We also put in major main replacements, including one in Woodside Road. You might have remembered from last winter where the road was torn up around 280. Then we will also be replacing or fixing

one of our large storage reservoirs. So this increase in plant investment is the primary cost increase in the district and the reason, the main reason, for the rate increase.

We are also asking if you would like to make any comment you have on our Urban Water Management Plan. This is a document that is filed with the Commission with the rate case application. You are welcome to take a copy of it. You can provide us with feedback at any time at this meeting or later on in writing to the company.

I appreciate you coming, and look forward to hearing what you have to say about California Water Service and the rate application.

ALJ MC VICAR: Thank you.

STATEMENT OF MR. YUEN

MR. YUEN: Hi. Good evening, Mr. Novak.

As I indicated earlier to you, my name is Ting Yuen. I'm here tonight representing the Office of Ratepayer Advocates. I'm a supervisor in the Water Branch of ORA. And then, you know, my section oversees a number of proceedings, and this Cal Water rate case happens to be one of them that is in my section. The project leader assigned to this proceeding, she could not be here tonight. So I'm sitting in for her.

Basically what ORA is is separate entity within the Commission. Our primary goal, purpose is to represent the interest of the ratepayers and advocate on

their behalf. And what part of -- you know, that is why our mission statement basically includes that the lowest possible rates for service consistent with safe and reliable service levels. And that is our job.

So in doing that, what we normally do when the company come in with their application and their supporting workpapers, we assign a number of our staff person to look at them. They are accountants; CPA; engineers, licensed; attorney, and analysts, economists to look at it. As a matter of fact, for this case we have 10 analysts assigned to this eight-district proceeding. And what we do is we look at their workpapers and try to understand why they are asking, what they are asking, you know, the level that they are asking. Whether they need them.

We also conduct field investigations. We come to the district, look at all the facilities, then also focus on what they are asking for and see whether in our opinion and judgment, based on the facts. And then what we see after, whether they really need those facilities in order to provide adequate service to the ratepayers in that district. And those are part of what we do. We analyze their -- what they are asking for in terms of rate base, plants, additions, expenses, payroll, and also their revenue levels that they are asking for. And then also the returns that they are asking for for the investment. Those are part of what we are looking for, looking at in the proceeding.

We also send them data request asking them for additional information. If we don't find that they have enough, all the information that we are looking for in their workpapers, you know. After that, we sort of like analyze based on our analysis. We come to our recommendations that -- we issue staff report. For this proceeding, our staff report is going to be issued on December 19th. And if you would like, we are more than happy to send you a copy of that. Then the staff report would be provided to the Judge, the company, and then all the interested parties, the Commissioners, so that they could look at it. And that is our recommendation and our analysis. And in their decision making they would have in front of them our analysis and recommendations on behalf of the ratepayers, you. That is basically what we do.

Your comments tonight is going to mean a lot to us. We definitely appreciate you being here and give us your comments. For this -- we do take them into consideration when we analyze the information that is provided. Your information will give us the other side of the picture that we don't get from the company. We really appreciate you being here tonight.

ALJ MC VICAR: Thank you. We also have Harriett Burt with the Commission's Public Advisor's office. Their function is to help members of the public understand the way the Commission works so that they can participate in the proceedings, if they wish.

Off the record.

(Off the record)

ALJ MC VICAR: Back on the record.

We have one speaker this evening, that is Dr. Novak. Dr. Novak, if you would please state your name, and spell your name and tell us what community you live in for the record.

STATEMENT OF MR. NOVAK

MR. NOVAK: I'm Frank J. Novack, the name is spelled N-o-v-a-k, M.D. I live at 401 Fletcher Drive in Atherton, 94027. Go ahead?

ALJ MC VICAR: Yes, sir.

MR. NOVAK: I come to the Commission as an interested citizen, and a 50-year citizen of Atherton and a customer of the California Water Service. I have no comments to make -- I do have no comments to make about the service up until some two years ago. And at that time, my understanding the mechanism for eliminating pathogens from the water supply changed from chlorination to the use of a compound called chloramine. And the relevance of my observation about chloramine relates to the problem that my wife has suffered from.

About a year ago, year and a half ago, she began to have a skin condition, a dermatitis, which came to crescendo about 2-1/2 months ago where she broke out in a florid rash on her neck, her chest and her hands. It was a very intense and severe reaction. She saw a dermatologist at the Menlo Medical Clinic, and brought

with her a clipping from the San Francisco Chronicle that related to the observations of some private people about the possibility that chloramine is an agent capable of producing a variety at clinical symptoms in the public that uses the chloramine-treated water, which is my understanding the California Water Service, as well as a number of other municipal entities, use in their chlorination of water.

Fortunately, the elimination of the use of California Water Service by my wife has gradually brought the dermatitis under control. And with a Cortizone like topical creme, she is able to sleep through the night without the adverse feelings of the intense itching and burning as well as the dryness of her mouth that she was plagued by.

My question then is to the general proposition that if there is some kind of connection between the chemical chloramine and dermatitis, mouth lesions and so forth, that have been attributed by some to chloramine, what does the California Water Service as a provider of water to my home think is a proper management for it? It seems as if buying water from another source, which I've never been obliged to do in the 50 years that I have lived in Atherton, seems that that is a fairly substantial and unnecessary burden for one individual.

I would ask them to know whether or not the California Water Service or the Public Utilities Commission or the advocate that is present have heard

from others with similar kinds of observations of responses to the purported use of chloramine by people drinking the water that is provided by the California Water Service?

I would appreciate very much knowing what the future is likely to hold. I realize that there is a substantial investment in the material, the methods by which it is given into the water supply. What will we as people subscribing to a public water service do in the event of the establishment on a firm basis of adverse and substantial reactions to the chloramine? What will we citizens be able to do? Revert to old fashioned chlorine or some other mechanism? These are things that I think that it is appropriate for a Public Utilities Commission, the supplier, California Water Service and other such agencies up and down the State of California.

I hope that it is an exception to the rule that my wife has been plagued in a severe kind of way. But I suspect that it may not be so, judging from the appearance of clinical symptoms within the period of time that chloramine has been used to treat water supplies up and down the State of California.

I have no objections to the application for rates. I hope that the pipes stay in good condition and that the use of plastic pipes instead of cast iron pipes is a good answer to long-term maintenance. But I do have concerns about the adverse effects of a chemical

which is in my family producing what I believe to be an undesirable outcome. Thank you.

ALJ MC VICAR: Thank you, Dr. Novack.

Rather than get into a back-and-forth discussion on the record, what I'm going to do in a moment is I'm going to go off the record, and we can have whatever discussion you would like. When we come back on, you can summarize and the company can summarize and the staff can summarize what it is we discussed, if they would like to do so. So we will go off the record now.

(Off the record)

ALJ MC VICAR: Back on the record.

While we were off the record the California Water Service representative described California Water Service's use of chloramine. And the local service explained that it's there to meet EPA requirements. That he is also aware, the company is also aware, that there are others on the Peninsula system that have suffered from what they believe are symptoms from what they believe are the same cause of chloramine treatment of the water. That there is no simple and inexpensive point-of-use treatment. That reverse osmosis is the treatment, and that can be quite expensive to treat water for domestic use.

Does anybody have anything else to add to quickly summarize?

(No response)

ALJ MC VICAR: Dr. Novack, do you have anything else you would like to state on the record?

MR. NOVAK: No. I recognize a calamity when I see it. It has arrived in our household, and I only hope that I will be able to compensate for the possibilities on my own without reverse osmosis investment.

ALJ MC VICAR: Thank you. We have no other public speakers here this evening. In fact, no other members of the public at all. The time is now about 7:15. And I'm going to go into recess until and unless additional members of the public show. We are in recess.

(Recess taken)

ALJ MC VICAR: Please come to order.

The time is now 10 minutes until 8:00. No additional members of the public have shown up, so we will adjourn. Thank you very much.

(Whereupon, at the hour of 7:50 p.m., this matter having been continued to 2:00 p.m., November 21, 2005 at Lucerne, California, the Commission then adjourned.)

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