

Minutes from the Public Hearing

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IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA, IN AND FOR THE COUNTY OF BUTTE

In The Matter Of

Notification of Public Participation Hearing. No.

AFFIDAVIT OF PUBLICATION

State of California } ss. } County of Butte

The undersigned resident of the county of Butte, State of California, says:

That I am, and at all time herein mentioned n was a citizen of the United States and not a party to nor interested in the above entitled matter; that I am the principal clerk of the printer and publisher of

The Chico Enterprise-Record The Oroville Mercury-Register

That said newspaper is one of general circ- lation as defined by Section 6000 Government Code of the State of California, Case No. 26796 by the Superior Court of the State of California, in and for the County of Butte; that said newspa- per at all times herein mentioned was printed and published daily in the City of Chico and County of Butte; that the notice of which the annexed is a true printed copy, was published in said newspaper on the following days:

Oct. 18, 07.

Dated October 18, 2007, at Chico, California.

Handwritten signature: Donna Tyrell (Signature)

Notification of Public Participation Hearing Application No. 07-07-001 for a General Rate Increase California Water Service Company - Chico Service Area

On July 1, 2007 California Water Service Company (Cal Water) filed Application 07-07-001 requesting rate increases in the CHICO district of \$6,380,400 or 49.1% in July 2008, \$1,651,100 or 8.5% in July 2009, and \$1,651,100 or 7.9% in July 2010. 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 hearings. Cal Water is proposing this increase due to the following factors:

Cal Water's capital improvement program will add \$15 million in utility plant between the last review and the time rates are effective in this proceeding. Cal Water's benefits costs for health care, pension, and retiree health care have increased faster than the general rate of inflation. The Chico District payroll is increasing due to the demands of new customers and water quality regulations. Cal Water's general operating costs including insurance and regulatory compliance have increased. These costs are allocated to the operating districts. Cal Water's costs for payroll in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration are increasing due to additional personnel.

Table showing Monthly Metered Service Charge Rates Proposed in Cal Water's Application. Columns: Meter Size, Present Rates, 7/1/2008 Rates, 7/1/2009 Rates, 7/1/2010 Rates. Rows include meter sizes from 5/8 x 3/4-inch to 14-inch.

Table showing Monthly Flat Rate Charge Rates Proposed in Cal Water's Application. Columns: Present Rates, 7/1/2008 Rates, 7/1/2009 Rates, 7/1/2010 Rates. Rows include flat rate charges for different service connection sizes.

The California Public Utilities Commission (CPUC) will hold a Public Participation Hearing (PPH) on the above application (filing in Chico, CA on Thursday, November 8, 2007 at 7:00 pm, at the Chico City Council Chambers - 421 Main Street, Chico, CA. The purpose of the hearing is to allow customers of Cal Water to present their views and comments on the proposed increases and any other aspect of the company's operations.

Cal Water's Proposal: Under Cal Water's proposal, rates for each year would become effective on July 1. Rate increases for 2009 and 2010 are derived using inflation factors provided by the CPUC. The factors used to calculate rates in these years will be the most recent inflation at that time. In accordance with the CPUC's rate case plan, Cal Water has requested authority from the CPUC to increase its rates for 2009-2010 and 2010-2011 by actual inflation without further notice to customers. This means that if inflation is greater than assumed here, rates for fiscal years 2009-2010 and 2010-2011 may be higher than shown in this notice. Almost all residential customers in the Chico District have 5/8" x 3/4" meters. The average customer uses about 23 Ccf of water per month and would see their monthly water bill increase by \$10.75 or 47.7% from \$22.53 at present rates to \$33.28 in mid-2008, of \$2.91 or 6.7% to \$36.19 in mid-2009, and of \$2.90 or 8.0% to \$39.09 in mid-2010. For a flat rate service with premise size between 6,001 and 10,000 square feet, a monthly water bill would increase by \$16.76 or 49.0% from \$34.18 at present rates to \$50.94 in mid-2008, by \$4.34 or 8.5% to \$55.28 in mid-2009, and by \$4.34 or 7.9% to \$59.62 in mid-2010. 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. In addition to the general rate increase, Cal Water's application requests to return to customers a balance in the water supply balancing account of \$183,658. To return this amount Cal Water is proposing surcredits of \$0.5550 per customer for 12 months to amortize the balance. Cal Water's application also requests the recovery of the balance in the general office synergies memorandum account of \$93,468. To recover this amount Cal Water is proposing a surcharge of \$0.29 per customer per month for 12 months to amortize the balance.

CPUC Process: The CPUC's Division of Ratepayer Advocates (DRA) will review the Application and submit its independent analysis and recommendations in written reports for the CPUC's consideration. Once completed, the report is available to the public upon request, or by downloading from DRA's website. DRA consists of engineers, auditors, and other professional staff who represent the long-term interest of all utility ratepayers. Evidentiary hearings will be held whereby parties of record will present their testimony and will be subject to cross-examination before the assigned Administrative Law Judge (ALJ). These evidentiary hearings are open to the public to attend and listen, but only parties of record participate in the actual evidentiary hearing. Parties at these hearings may offer proposals to the CPUC that differ from those proposed by Cal Water. After considering all proposals and evidence presented during these formal hearings, the ALJ will issue a draft proposed decision. In its final decision on this application the CPUC may adopt all or part of the ALJ's proposed decision.

Public Advisor's Office and Public Comment: If you would like to protest this filing or present your comments on the proposed application filing you may do so by contacting the CPUC's Public Advisor's Office at CPUC, Public Advisor's Office, 505 Van Ness Avenue, San Francisco, CA 94102, or by email to public.advisor@cpuc.ca.gov. You may also call 866-849-8390 (toll free) or 415-703-2074. If you are unable to attend the PPH, you may submit written comments to the Public Advisor at the address listed above. Please reference the application (A.07-07-001) when writing to the CPUC. All comments received are circulated to the assigned Commissioner and ALJ in this proceeding for review, and also serve as formal comments. If you are attending the hearing, and need specialized accommodations please contact the CPUC's Public Advisor's Office at the phone number listed above at least 3-5 working days in advance of the hearing. A copy of Cal Water's Application and further information may be obtained from the company's local offices by calling (530) 893-6300. You may also contact the company's headquarters at 1720 North First Street, San Jose, CA 95112-4598, or by calling (408) 367-8200. CALIFORNIA WATER SERVICE COMPANY Publish: 10/18/2007

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1 CHICO, CALIFORNIA, NOVEMBER 8, 2007 - 7:00 P.M.

2 * * * * *

3 ADMINISTRATIVE LAW JUDGE MC VICAR: Please come to
4 order.

5 Good evening. This is the time and place set
6 by the California Public Utilities Commission for the
7 public participation hearing in Application 07-07-001,
8 the Application of California Water Service Company to
9 raise water rates in eight districts including the Chico
10 District where we are this evening.

11 I'm Administrative Law Judge Jim McVicar. The
12 Commission scheduled this hearing here this evening to
13 receive your comments on the proposed increase. Every
14 one who would like to make a statement will get an
15 opportunity to do so this evening.

16 We have a court reporter here, as you can see,
17 who is taking a transcript of this hearing, and that
18 transcript including your statements if you choose to
19 make one will be available to the commissioners and the
20 assigned administrative law judge when they are making
21 their decision. So your views do count. I urge you to
22 speak if you have views you'd like to have conveyed to
23 the Commission. That's the purpose of the hearing this
24 evening.

25 Also the Commission has received many letters
26 and e-mails from customers expressing their views.
27 Those e-mails and letters are included in the
28 Commission's correspondence file and are likewise

1 available to the commissioners and the judge when they
2 make their decision.

3 Everybody who would like to speak this evening
4 should have signed up in the back. If at any time you
5 decide you would like to speak and you haven't signed
6 up, perfectly happy to take you as a speaker as well.
7 Just step to the back and there will be another sheet
8 available. I will take the speakers in the order that
9 they signed up this evening.

10 We have present tonight representatives from
11 California Water Service Company and from the Public
12 Utilities Commission advocacy staff. I will introduce
13 those folks, and each one will give you his summary of
14 what it is they're doing here this evening and in this
15 rate case.

16 We also have in the back of the room, as you
17 saw when you came in, Judy Cooper and Mary Evans of the
18 Commission's Public Advisor's Office. They are the ones
19 who are taking signups. They have a number of different
20 brochures and so on. The Public Advisor's Office serves
21 the purpose of helping the lay public understand the
22 Commission's processes so that they can participate in
23 the formal process if they wish to do so. If you have
24 any questions about how the process works or how you
25 might want to get involved, talk to them. They can
26 explain it. They're very experienced at this.

27 I'm going to turn first to Mr. Smegal of the
28 water company who has folks here with him this evening

1 from the company. And I'm going to ask Mr. Smegal to
2 explain what it is the company is asking for and why
3 they feel it's justified. Mr. Smegal.

4 MR. SMEGAL: Thank you, your Honor. My name is
5 Tom Smegal. I am the Manager of Rates for California
6 Water Service Company. And I would like to first start
7 out by introducing our district staff that is here:
8 Mike Pembroke, who is our District Manager here in
9 Chico; Pete Bonacich, who is our Assistant District
10 Manager; way in the back there John Graham is our Water
11 Quality Project Manager for the Chico District. And we
12 also have a representative from Cal Water's Engineering
13 Department. Erin McCauley is one of our engineering
14 supervisors.

15 I know that Judge McVicar is going to tell you
16 that this is not a question and answer session and it's
17 to take your comments on our proposal, but we are
18 available if you do have questions to answer those
19 questions to the extent that we can or follow up on them
20 to the extent we can't answer them tonight.

21 I do want to spell out what it is that Cal
22 Water has requested. We have asked for a rate increase
23 in the Chico District, according to our notice, 49
24 percent in July of 2008 as well as 8 and a half percent
25 on top of that in July of 2009, 7.8 percent on top of
26 that in July of 2010. And what that means to the
27 average residential customer is an increase of about
28 \$10.75 that would go into effect next July, and that's

1 on an average billing of 23 Ccf, 23 units of water that
2 you would use in a month. Now, your bills vary greatly
3 during the year. So that 23 is an average across the
4 year of an average customer. So your bills can vary.
5 In different months they may be different from that.
6 And then after that in July 2009 the rates would go up,
7 if our proposal were adopted, a little less than \$3 in
8 July of 2009 and again a little less than \$3 July of
9 2010. This was the company's proposal that we worked on
10 and submitted to the Commission in July of 2007.

11 The major components of the increase that you
12 should know about, the predominant one is local capital
13 improvements here in Chico District. And we're talking
14 about a number of feet of main. I think it's about
15 20 -- I want to say it's about 20,000 feet of main over
16 the course of the rate case period, two new wells, some
17 tanks, some treatment facilities, as well as something
18 which you should all be aware of, a flat to metered
19 conversion program that will start at the end of this
20 year. And what that is, the State of California has
21 mandated that all flat rate water service be converted
22 to meters by the year 2025. And the Chico District has
23 a substantial percentage of its residential customers
24 that are still unmetered. So we need to undertake a
25 program, rather than wait till the very end and try to
26 scramble and put 20,000 meters in the ground in 2024, we
27 intend to do that slowly, gradually over the 15, 17-year
28 period that we have between now and then. So that is a

1 substantial expense to put meters on those services.
2 That is part of the capital improvement program.

3 The other big aspect of our rate increase
4 proposal is the increased cost of benefits for our
5 employees. And we have not asked to increase the
6 benefits that are provided to our staff. We're just
7 updating the costs to provide the same level of benefits
8 to the staff that we have now. And that is very
9 important to a company like Cal Water who is out there
10 competing for employees. Our employees are certified
11 water operators, either treatment or distribution
12 operators, sometimes in many cases both. Those people
13 are in very high demand from cities and counties and
14 special districts throughout the State of California,
15 and it is difficult for us throughout the state to hire
16 those people. So if we were to cut back on our
17 benefits, our pension or healthcare benefits, we would
18 see ourselves losing lot of people and we'd really lower
19 the standard of service that we provide to you here in
20 Chico and elsewhere throughout the state. So we think
21 it's very important to continue to pay those benefits.
22 And unfortunately, the cost of those benefits has
23 increased greatly over the last four years since the
24 last time they were examined.

25 The last thing I want to mention and it's not
26 related to the rate increase is that we also noticed on
27 the bill insert for tonight's meeting that we are
28 required by the Department of Water Resources to update

1 our Urban Water Management Plan, and that is done,
2 supposed to be on an every five-year basis. We actually
3 update it every three years. And I have a copy of it
4 here and there are copies in the back. It's this big
5 binder, and I don't expect any one to have read it at
6 this point. But there is contact information inside.

7 This presents our plan to the Department of
8 Water Resources about how we're going to meet the water
9 supply needs of the Chico community over a certain
10 period of time. You're welcome to take that home and
11 read it; and if you have any comments on it, send those
12 comments back so they can be incorporated as public
13 comments. There's also some CDs. If you don't want to
14 take this big paper copy, there's a CD which represents
15 the exact same text and figures as our paper copy.

16 We also have copies available at our offices
17 of the filing that Cal Water made. Under the new Rate
18 Case Plan that the Commission has, we end up filing this
19 stack of information. It's about a thousand pages of
20 information for each of our district reports. And so if
21 anybody is interested in that, I put a sign-up sheet on
22 the yellow pad in the back and we'd be happy to mail one
23 of these to you or e-mail to you the same information in
24 electronic format. So if you're interested in reading
25 that, it's very detailed and explains and goes through
26 all the things that went into the rate increase request.

27 And with that, I will be done.

28 ALJ MC VICAR: Thank you, Mr. Smegal.

1 The Commission has an independent Division of
2 Ratepayer Advocates consisting of experts who are
3 currently going over the company's request with a
4 fine-toothed comb. We have a representative here this
5 evening from that division. That's Jose Cabrera to my
6 left over here. And I'm going to ask him to explain a
7 little bit about the Commission staff's role in this if
8 you would, Mr. Cabrera.

9 MR. CABRERA: Thank you, your Honor. Thanks to
10 everybody for coming today.

11 How many people have heard of the Division of
12 Ratepayer Advocates or DRA? That's an obscure name.
13 We're quasi-independent. I mean we're not 100 percent
14 independent in that we are part of a government agency
15 called the PUC, California PUC. Our job is to take and
16 look at the application and submitted information and
17 make an objective independent assessment of their
18 request.

19 To get an idea what we do, first you want to
20 understand what is it that they submit to us. They
21 submit forecasts, basically, predictions into the future
22 over what they expect to spend for plant and equipment,
23 salaries, payroll, benefits, administrative and general
24 expenses, operating and maintenance expenses; and their
25 forecast is based upon information that they have
26 developed over a period of time. As a result of the
27 forecast, they come up with an increase or a projected
28 or a forecasted increase in your price for water.

1 So what we do is we go and take a look at,
2 well, how did they come up with the forecast? How did
3 they come up with the estimate? Do they need this pipe?
4 Do they need this piece of equipment? So we look at
5 every part or every component of the rate increase from
6 expenses to plant investment, and we make an independent
7 evaluation, is it necessary, is there another way to do
8 something, and try to come with a cost of service that's
9 lower than what they're asking for. And eventually we
10 try to meet halfway someplace. I don't know where that
11 point is. Nobody knows yet. But we try to come to a
12 point where there's some agreement between us and the
13 company; or if there is no agreement, we do go to
14 hearings and we try to litigate the case where an
15 administrative law judge makes the ultimate decision.

16 But our job is to make an independent forecast
17 of all the components of their application and basically
18 think about expenses and investing in plant and
19 equipment, like pumps and pipes, wells -- I'm sorry --
20 tanks, that kind of thing.

21 After we finish our review, we do issue a
22 report. And it's public. We expect to have our report
23 out around January of the new year, and you can download
24 it on the web site. And that's about it.

25 If there's any questions, feel free to ask me
26 after we're finished here, and I'll be available to
27 answer everything.

28 ALJ MC VICAR: Thank you, Mr. Cabrera.

1 Please note that tonight's hearing is not a
2 question and answer session. The reason for being here
3 is to take your statements for the Commission's formal
4 records. However, I know that from past experience
5 there are going to be questions, and that's completely
6 appropriate.

7 If at all possible, I want to see that you get
8 an answer tonight to any questions you may raise. To do
9 that, I'll be taking notes of the questions that you
10 bring up, and then we'll move to the first group of
11 speakers. I have a total of six so far. Then we'll
12 pause, and I'll direct those questions to the company or
13 the Commission staff as appropriate, whoever has the
14 responsibility for that area, and we'll get your answer
15 if we can. Then we'll resume with any additional
16 speakers who sign up later in the proceeding.

17 Also, as Mr. Cabrera noted, both the company
18 and the Commission staff have volunteered to stay this
19 evening after we are finished. If you have any
20 questions that require back and forth responses or
21 discussion with the company or the staff or with me, for
22 that matter, we will all be available after the hearing
23 is over for a period of time.

24 So let me, just before we get started, a
25 couple of more reminders. We have a court reporter here
26 who will make a verbatim transcript of this proceeding
27 including your statement. That's a difficult task. So
28 I'd ask that you speak clearly and slowly enough so that

1 he can get this accurate in the record. He's very good
2 at what he does. So you can speak at a normal pace; but
3 if we have anybody who speaks as fast as my wife does,
4 I'd ask you to slow down. And also I'd ask that you
5 keep your statements reasonably brief. We have a short
6 list tonight. So I'm not going to be very concerned
7 about that, but there are have been times in the past
8 when we've had a long list and I've actually put a
9 limit, a time limit on the time for each speaker. But I
10 do reserve the right if we're going on for too long a
11 period of time to ask you to sum up your comments.

12 Okay. Again, everybody who would like to
13 speak tonight should have signed up, and if you'd like
14 to sign up, you still may do so in the back of the room
15 at any time.

16 The first speaker I have is James Ledgerwood.
17 Mr. Ledgerwood, if you would come to the podium. If
18 you'd state your name and spell your name and tell us
19 what area you live in for the record.

20 STATEMENT OF MR. LEDGERWOOD

21 MR. LEDGERWOOD: Thank you, your Honor. My name
22 is James Ledgerwood. I'm probably more known by Jim. I
23 live in Chico, California, and I live out in Lime Way.
24 And I'm here to speak against the rate increase as it's
25 now going.

26 Basically, California is coming up and saying
27 that they have a whole bunch of extra expenses, and the
28 fact is that they will need a whole bunch of extra money

1 and stuff like that. But if you consult Market Watch,
2 the public filings California have made, you'll find
3 that the fact is, in spite of their poor-mouthing, from
4 2003 through the period of 2006 they had an
5 unprecedented income growth of 31 percent. So a total
6 stockholder equity during this same period increased 54
7 percent. As a matter of fact, the Cal Water directors
8 felt so good about the profitability of their company
9 and the growth of the profitability of the company they
10 have declared their 252nd quarterly dividend.

11 The financial news only gets better for Cal
12 Water. On the period ending, third quarter period
13 ending in 2007, over the third period quarter in 2006,
14 they had a 21 N proceeding 21 N percent increase of net
15 income, which is a substantial amount. And earnings per
16 share and dividends per share are at an all-time high.
17 And you'll notice these figures are before any proposed
18 increase. These are just the income levels that they
19 have in the company right now. The actual amount of
20 proposed increase is not 29 percent. If you take the
21 actual amount on the base and you increased all the
22 increases, it's more like 73 percent. Justification for
23 this increase I feel is inaccurate, misleading,
24 self-serving, and suspect.

25 What little that we've been able to find out.
26 I know I talked to Mr. Smegal about it. It was my
27 understanding they were charging for a well. And
28 basically when a well goes in, the developer pays it.

1 And there are many things in these capital things that
2 we as the public have not had the ability to audit or
3 address.

4 As far as workers comp costs go, I have a lot
5 of sympathy for companies with workers comp, but the
6 fact is, almost every other place in California, the
7 workers comp rates are going down.

8 As far as the capital cost improvements that
9 they claim that they need to make, the fact is that
10 according to their balance sheet, okay, they have
11 accumulated a very large depreciation allowance debt of
12 about 30 million for recovered capital costs just as
13 this period is. In other words, I'm sure that this
14 gentleman over there knows what this means; but as far
15 as the public goes, this is money they're able to set
16 aside from income, okay, to replace and to renew
17 infrastructure and plant.

18 Last of all, well, not last of all, but any
19 way, Cal Water, they're talking about increasing costs
20 and stuff like that. That is something every one in
21 business is facing right now. And Cal Water has the
22 same responsibility as any other business to look to
23 themselves and look to the improvements that they can
24 make in the economies of their own company to come up
25 with some of these things and not automatically lay
26 these off on the ratepayers. In other words, there is a
27 certain amount of certainly motivation, rather than
28 making the hard decisions of going in and making cutting

1 MR. OTT: Yes. It's Bob Ott. Spell it?

2 ALJ MC VICAR: Yes, please.

3 MR. OTT: O-t-t.

4 ALJ MC VICAR: Thank you.

5 MR. OTT: Live in Chico, have for 28 years now.
6 When we came here, our water bill was \$10.10, and we
7 used more water than we do now when it's \$49, \$43.90. I
8 think that more than makes up for the inflation we have
9 had over that time, many times more than the inflation
10 we've had.

11 If you were going to raise the rates to
12 improve the quality of the water, I might be inclined to
13 take you up on that. As it is, I have to spend quite a
14 bit of money keeping up a reverse osmosis filter with a
15 lot of charcoal filtration and sediment filtration in my
16 house in order to make the water potable.

17 When you speak about 20,000 feet of line, is
18 this new line for new developments, for new customers
19 that will pay new bills, or is this old line that's been
20 well depreciated and that you already have put the money
21 aside to replace?

22 Jim put it right when he said this is the
23 period when everybody is growing active in a frenzy of
24 greed. Our large corporations federally, people in the
25 state, and now we see it even closer to home, everybody
26 is jumping up to say, well, I can be as greedy as the
27 next guy and even more so and expect to get away with
28 it. And I think that for us people on retired more or

1 less fixed incomes, it's time to say no, we're going to
2 protest. We're going to draw the line even though we're
3 not the sort of people that normally protest these
4 things.

5 Everybody has problems. Yours you seem to
6 have taken pretty good care of along the way. Your
7 profits are in good order. All I can imagine is that
8 this enormous rate increase is strictly another case of
9 greed whereby you can almost double or triple the value
10 of your corporation overnight. Maybe someone like Exxon
11 would like to buy it at a good profit for everybody
12 involved. It's completely out of order out of any
13 reasonable area. If, as Jim said, any other company put
14 such an increase on, they'd go out of business right
15 away because people would be able to walk away, go to
16 another supplier. You have a monopoly. I would think
17 that if you get away with this, DirecTV and Dish and
18 Comcast, and well, on and on and on ad infinitum.

19 It needs to be stopped, and this is a good
20 place to start stopping. Thank you.

21 ALJ MC VICAR: Thank you, Mr. Ott.

22 The next speaker is Tom Nickell. And let me
23 note that the reason I asked you to spell your name and
24 give us an idea of where you live is the court reporter
25 wants to make sure to get it correct. Please state your
26 name, spell your name and give us the area in which you
27 live.

28 STATEMENT OF MR. NICKELL

1 MR. NICKELL: Good evening, your Honor. My name
2 is Tom Nickell, N-i-c-k-e-l-l. I'm a citizen of Chico.
3 I live on Valombrosa. I am on a flat rate. I moved
4 here in '95, bought my place in '96. And it's a half
5 acre. Been doing some remodeling too. And I've been
6 really watching in terms of my water usage. And I feel
7 that this increase, you know, first 49 percent. Then it
8 goes to a total of 64. I was just doing the numbers.
9 And I'm looking at, yeah, I can understand some type of
10 an increase, but this big of an increase all at once is
11 inappropriate due to fact that, one, is it based on the
12 demographics of Chico. We have a large student
13 population which mostly are renters. We have landlords
14 who are going to have to reflect these increases to
15 their people. Also we have a lot of low-income people.
16 We also have a lot of people on fixed incomes.

17 I have friends that actually do, you know,
18 that work for Cal Water Service and respect them highly.
19 But my concern is too is that, you know, I'm at a
20 meeting with Cal Water. The increase needs to be spread
21 out more and it really has to be looked at by the
22 Commission. If they do have administrative costs, then
23 they need to actually really look at -- take a harder
24 look at it in terms of hitting the public with 64
25 percent.

26 My concern is also is that I know there's
27 exploratory wells going in the area through DWR. I'm
28 watching the water quality. In our Northern California

1 area based on Prop 84 that we don't receive \$73 million
2 in Northern California to protect our watersheds into
3 our groundwater especially at Tuscan, that, you know, if
4 Tuscan is losing 3 feet a year on the average and that
5 what we're doing is that, are we selling our surface
6 water to Southern California into the desert regions and
7 pumping our groundwater out even more to supplement our
8 needs?

9 My goal is that on our development and growth
10 we regulate our natural resources. Water is one of
11 them. The seminars have gone through the DWR and the
12 policies that they are selling, basically water is a new
13 gold rush in California. You can see what's going on
14 with the exploratory wells in Calusa and Glenn through
15 DWR.

16 And in terms of them notifying, Northern
17 California, we're the last ones. They had a big meeting
18 down in Ontario. And I wanted to be notified of this
19 meeting due to the fact that I have a great concern for
20 the City of Chico. Since we're on the upper level of
21 Tuscan, when they start pumping the groundwater, we're
22 going to be left high and dry. I request explicitly
23 that the PUC look again at these rates. And I agree
24 with Mr. Ledgerwood in terms of what he spoke of
25 earlier.

26 Thank you very much for your time, and I
27 appreciate it.

28 ALJ MC VICAR: Thank you, Mr. Nickell.

1 The next speaker is Richard McLees.

2 STATEMENT OF MR. MC LEES

3 MR. MC LEES: Good evening. I guess my main
4 concern is that it seems to me that most public
5 utilities like this run on a cost-plus basis. I first
6 would like to see the PUC hire an independent auditor
7 CPA that could go in and look at the variable costs such
8 as labor and see how that compares to city-owned public
9 utilities. If you double your variable rates, you would
10 double the amount of money that you would show as a
11 profit based on percentage type of thing. And I would
12 really appreciate it if you guys could get that study
13 done if you haven't already done one.

14 Thank you very much.

15 ALJ MC VICAR: Thank you, Mr. McLees.

16 Could I get you to spell your name for the
17 reporter, please.

18 MR. MC LEES: Sure. M-c capital L-e-e-s.

19 ALJ MC VICAR: Thank you.

20 MR. MC LEES: And I live off of Forest Avenue.

21 ALJ MC VICAR: The next speaker is Melissa, is it
22 Nickolaw?

23 MS. NICKOLAW: Nickolaw.

24 ALJ MC VICAR: Nickolaw.

25 STATEMENT OF MS. NICKOLAW

26 MS. NICKOLAW: My name is Melissa Nickolaw,
27 spelled N-i-c-h-o-l-a-w, and I live in North Chico off
28 the Esplanade.

1 And I think everybody -- most everyone is
2 making this analogy tonight; but I was thinking if you
3 owned a restaurant and I told my customers that I was
4 increasing my food prices by almost 50 percent next
5 year, my customers would move on to the restaurant next
6 door where they could still get the same great food but
7 at fair prices.

8 We've already discussed tonight that we're
9 stuck in a situation dealing with a monopoly, and our
10 option here is to stand before you and argue against
11 this outrageous proposal.

12 I attended the meeting in October, the
13 workshop, and Cal Water stated that the typical customer
14 would experience an increase of, after the third year
15 increase, of \$16.54 a month for an increase of about
16 \$200 per year. And that almost seemed a bargain to many
17 of us that attended that meeting because nobody there
18 seemed to be a typical customer.

19 On a personal note, I live on half an acre. I
20 only water about half of that. And I've lived in the
21 same house for 13 years, and in that time period my
22 rates have increased 40 percent. Now they're asking me
23 to pay more. They're asking me to pay 49 percent more
24 in one year, and after three years that would be almost
25 a 73, 74 percent increase.

26 In my opinion, this almost seems like a pie in
27 the sky number, and so that after all our presentations
28 and our discussions that we the masses will feel

1 comfortable with even a 20 percent increase. And I
2 think, I still feel that would be ridiculous and still
3 feel that that number would have to be argued against.
4 My bills will increase to 400 -- will increase by \$408 a
5 year within three years.

6 And I'd also like to bring to your attention,
7 your Honor, the inconsistency of some of the literature
8 that I've received from Cal Water. This summer I
9 received an insert along with my bill that said flat
10 rate residential rate design, flat rate residential
11 service charges will not change as a result of this
12 proposal.

13 Then they mention the increased rates for the
14 metered customers, which do not agree with another
15 insert that I received which did not agree with another
16 insert. Some of the changes might be off by a couple of
17 tenths of a percent, but one was off by 1 percent. So
18 I'm kind of confused. Flat rate customers don't have to
19 pay. Now we have to pay, the first year increase is 49
20 percent. Now it's 47.7 percent, and so on.

21 And I'm sure, Judge McVicar and every one
22 seated here, that you would like to receive a raise next
23 year of 49 percent followed by a raise the following
24 year of 8.7 percent followed by another raise of 8
25 percent in the third year. Okay. That would be
26 wonderful, but, you know, it doesn't happen to us.

27 So again, I just want to say that this is an
28 absolutely ridiculous proposal; and if they should

1 receive anything at all, it shouldn't even be close to
2 that at this point. Thank you.

3 ALJ MC VICAR: Thank you. Mr. Smegal, did you
4 have something to add?

5 MR. SMEGAL: I'm sorry. I just wanted to clarify
6 one point before it got too far. The three notices that
7 the last speaker referred to are two notices of this
8 proceeding. There's a separate proceeding that's going
9 on in the Commission having to do with the conservation
10 rate design. And that is a proceeding which all the
11 water utilities are involved in. And the effort there
12 by the Commission is to charge more for higher
13 quantities of use. And so the metered rate schedule
14 would be changing to adopt what's called a three-tier
15 rate structure.

16 And that is the notice that she referred to
17 that says that the flat rate would not change as a
18 result of that proposal. That is not the rate increase
19 proposal notice. And I realize that is confusing
20 because there are a number of different notices that
21 come out in your bill. I did want to clarify that
22 because that is a separate proceeding going on at the
23 Commission.

24 ALJ MC VICAR: The next speaker is Mike Johnson.

25 STATEMENT OF MR. JOHNSON

26 MR. JOHNSON: I'm Mike Johnson. That's M-i-k-e
27 J-o-h-n-s-o-n. I was born and raised here, White Lawn
28 resident. And unlike a lot of people around here who

1 moved in from other places, they may not be aware that
2 for Cal Water this is a pretty easy operation around
3 here. All they have to do is punch a well and they get
4 water. Unless they're stupid enough to go out in one of
5 the old almond orchards or someplace where houses
6 shouldn't have been built to begin with and punch one
7 into an area that has a night bird problem. But the
8 thing is, you punch a well 20 or 30 feet down, there's
9 water, and you don't have to get it, or you don't have
10 to pipe it very far to get it to the houses.

11 Now, I want to commend Cal Water or whoever
12 runs Cal Water for this scheme because it's great. I'm
13 going to call my stockbroker in the morning. And, you
14 know, whoever is running Cal Water, if they aren't
15 making a million dollars a year, if they aren't a
16 million dollar CEO by now, they sure ought to be after
17 this one if they get away with it.

18 And people in this room who aren't, you know,
19 who are from other places need to be aware of the fact
20 that people who have lived here for a long time are on
21 flat rates. And for years we paid very little for our
22 water. It costs very little to get it out of the ground
23 and get it to us. And I'm sure when Cal Water built the
24 system that existed here when I was born that they
25 didn't go out and try and whip the money out of the
26 ratepayers as fast as they could to pay for that system.
27 They went out and floated corporate bonds and probably
28 amortized them over a period of 40 years. Now, I can't

1 figure out why they can't do that now except that maybe
2 it might ruin the chances of their CEO and the top
3 executives at Cal Water from being million dollar a year
4 executives.

5 And another thing that everybody in this room
6 ought to realize is that for us this is kind of a
7 one-time deal. How many people in this room have been
8 to hearings like this before? Not all that many. But I
9 can guarantee you that the people from Cal Water have
10 been to hundreds of these up and down the valley, all
11 over the state, and they've got it down pat. They know
12 how to talk to people from the PUC. They know how to
13 talk to you to try and sell it.

14 When I was listening to the news last week
15 they were doing the man on the street report, and they
16 talked to about a half a dozen people, and they asked,
17 do you think that it's unreasonable for Cal Water to
18 raise their rates? And there was only one person, if I
19 remember right, that said it was ridiculous. The rest
20 of them said, oh, well, when I was down in Southern
21 California we were paying a hundred dollars a month. I
22 guess they should raise their rates. We're paying too
23 little up here. Well, if you're in Southern California
24 you're getting water out of the Colorado River that
25 costs an arm and a leg, water from the Owens Valley that
26 costs an arm and a leg. It costs a lot to get water to
27 Southern California. The same for the Bay Area. But it
28 doesn't cost a lot here. But they'd like to have us pay

1 through the nose.

2 And I'll tell you why they want us to pay
3 through the nose. It's so that they don't have to put
4 anything out to make the money. It's called a faster
5 buck. We're going to be paying about twice as much for
6 our water rates. They say 70 percent, but I guarantee
7 you, ten years down the road we're going to be paying
8 twice as much. And what are we going to be getting for
9 it? Are we going to be getting a lot of good jobs
10 around here for people who grew up here who have lived
11 here a long time? You go down to Cal Water and apply
12 for a job, and if you get one, you're going to end up
13 working down south someplace out of the area. You may
14 spend 20 years working your way back here.

15 So what are we getting out of it in the way of
16 jobs around here from Cal Water when they raise their
17 rates? We're getting nothing. We'd be better off with
18 a municipal water district in that respect.

19 The other thing is, they want us to pay for
20 all these extra -- for the new infrastructure out of
21 their rates, and what for? So that a bunch of
22 developers from Sacramento, the Bay Area, and Southern
23 California can come up here and make a fast buck
24 building \$350,000 affordable homes that nobody in this
25 town who works for a living can afford. That's what
26 we're paying for with this stupid rate increase. And
27 I'm sick and tired of being screwed over, and I think
28 everybody in this room is, by a bunch of slick fast buck

1 artists.

2 Now, as to the other wonderful things that
3 we're getting from Cal Water, when they put in all their
4 new infrastructure and charge us twice as much for our
5 water, we're going to have all these pilgrims from down
6 south moving up to here to enjoy the good life. And I
7 don't blame them. Who in the hell wants to live in
8 Southern California or the Bay Area? It's a pest hole.
9 But when they move up here, they sold their million
10 dollar shack in the Bay Area, their million dollar,
11 three bedroom, two bath home. They come up here and buy
12 one of these affordable \$350,000 homes that nobody who
13 works for a living here can afford. And then when the
14 poor suckers who have lived here all their life try to
15 drive back and forth to their job every day, it takes
16 them a half hour to drive through Chico because of all
17 the traffic thanks to all the people moving up here.

18 And who pays for it? We pay to get screwed
19 over with more traffic by paying for Cal Water's
20 infrastructure. If they want somebody to pay for it,
21 charge everybody who moves up here and hasn't lived here
22 all their life. You know, charge them a fee to hook up
23 according to how long they've lived here. Don't expect
24 us to pay for it. We're tired of paying it. We're
25 tired of seeing our quality of life go down the toilet
26 as this place becomes the retirement home for everybody
27 in the Bay Area and Southern California.

28 In addition, we end up taking in the shorts

1 again when it comes to all the people who have moved up
2 here to retire. They've put into the system down in
3 Southern California for years. They paid their taxes
4 down there. They come up here in their late 50s, early
5 60s, you know, as soon as they can retire. They have
6 probably a million dollars in assets because they sold
7 their house down there. And they buy a new one up here.
8 And then when they get older, 70, 80 years old,
9 depending on whether they smoked or, you know, what sort
10 of life they lived, sooner or later they're going to end
11 up in a rest home or in a nursing home.

12 And I can guarantee you that anybody that has
13 close to a million dollars in assets, as the good judge
14 up here I'm sure is aware, will not spend very much
15 going into that nursing home. They all have an estate
16 lawyer or an elder law attorney like I do, and they'll
17 make sure that their assets aren't going to be eaten up
18 by the State when they go into a nursing home. They'll
19 put the stuff into an irrevocable trust five years ahead
20 or whatever, depending on what the law is at the time,
21 and they'll slide right in. It will cost 5 or \$6,000 to
22 get into that nursing home. And all the poor slobs who
23 have lived up here all their life who probably didn't go
24 to see an estate attorney, with their meager 3 or
25 \$400,000 in assets that they have acquired with their
26 jobs that pay about a third of what jobs in the Bay Area
27 and Southern California pay, theirs will all go to the
28 State, and their heirs won't get any.

1 carpenter and I don't have health benefits. And so it's
2 difficult for me to see Cal Water just get an increase
3 for that because they are a monopoly. And that's a
4 point that's been made over and over. And something we
5 should keep in mind is that it's a monopoly, not over a
6 service which is not necessary. It's water. And water,
7 the water in the Tuscan aquifer belongs to the people.
8 It's been pointed out, it's very easy for them to bring
9 the water in Chico. I think it's more like 350 feet to
10 get to Tuscan.

11 I would like the Commission, PUC, to bear in
12 mind what the average income is in Chico and the fact
13 that we are like in the top five for disparity between
14 income and housing cost. So that any sort of cost
15 increase in the cost of life ripples through families
16 here more than they would necessarily in the Bay Area.
17 I would urge the Commission to take a very close and
18 very itemized review of all of the justifications for
19 Cal Water's request.

20 I can't imagine, although I know that the cost
21 of living has gone -- my personal cost of living has
22 gone up, but I can't imagine an increase this size being
23 itemized out. I just think that there's a lot of pork
24 in there somewhere, I guess you could say.

25 So, you know, just bear in mind that this is
26 -- water is a property of the commons, if you're aware
27 of that term. It belongs to the people. And so the way
28 that its distribution is regulated. I know these guys

1 do a fairly good job at what they do, but I do think
2 that the amount of profit they're able to pull out of
3 it, the first speaker and I seem to see that they
4 already make a lot of profit. So an increase of this
5 size is just astronomical. And I hope that you won't be
6 duped into believing that it's all necessary.

7 And I hear a Cal Water representative here
8 mentioned a three-tiered rate style for water users, and
9 I'm all for that. Somehow I feel that base rates in
10 terms of the quantity of water based on bedrooms of
11 residential homes would be a good place to start. And I
12 think that legislating people to use a reasonable but
13 small amount of water is a good place to start, because,
14 you know, they say it's the next gold rush, but it could
15 be the next civil war too.

16 So please be careful. You have a very
17 responsible position. Thank you.

18 ALJ MC VICAR: Thank you, Mr. Abbott.

19 MR. CABRERA: By the way, I didn't get the memo.

20 MR. ABBOTT: You've been in Chico before.

21 ALJ MC VICAR: The next speaker is Tom Tenorio.

22 STATEMENT OF MR. TENORIO

23 MR. TENORIO: Good evening. My name is Tom
24 Tenorio. That's spelled T like in Tom, e-n-o-r-i-o.
25 I'm a resident of Chico, but that's not really why I'm
26 here. While I personally oppose the proposed increase,
27 I'm really here in my professional capacity as the
28 Executive Director of the Community Action Agency of

1 Butte County, Inc. And we are a county-wide nonprofit
2 and the only anti-profit agency in the county
3 specifically charged with the mission of improving
4 conditions that affect low-income residents. Now, in
5 Butte County that amounts to almost 40,000 people. We
6 have a 19.6 percent poverty rate from the last
7 Department of Finance figures. And so out of our total
8 county population, again, you can do the math, that's
9 almost 40,000 people.

10 We are, among other things, an employer of
11 over seven people. We're also the largest provider of
12 utility assistance services in the county and in the
13 area. At this time that's limited to the electric and
14 gas utilities, but I can't tell you how many times folks
15 that we serve, whether it's little old ladies or
16 families who are just struggling to get by because they
17 were working minimum wage job, have wished that water
18 service could also be included in those services we
19 provide. And so whether we're ready programs or
20 enterprises like some of the other speakers before me
21 have said, the operating expenses really become
22 unbearable and a drain on our ability to provide the
23 services to do what we're here for, to try to improve
24 the quality of life here.

25 And so I'm here again to oppose it both
26 personally, professionally. Thank you for having the
27 pause in the process so that you can hear from us and
28 not require that we all become intervenors and go

1 through those steps. And I urge you to find in favor of
2 California residents that this increase is unreasonable.

3 Thank you very much.

4 ALJ MC VICAR: Thank you. The next speaker is
5 Jeannie Burgess.

6 STATEMENT OF MS. BURGESS

7 MS. BURGESS: Hi. I'm Jeannie Burgess. It's
8 spelled B-u-r-g-e-s-s, Jeannie, J-e-a-n-n-i-e. I'm a
9 resident of Chico on East 12th Street, Chapman Town.
10 I've lived there about 25 years. When I first moved to
11 Chico I bought a small modest house of about 900 square
12 feet. I'm still at that house. The lot that I live on
13 is only 50 by 150 feet. That puts me in the second tire
14 of the flat rate.

15 When I first moved to Chico my water was less
16 than \$5 a month. And if you paid 11 months, they gave
17 you the 12th month free. I don't have the facts to back
18 that up. But what I do have: In 1991 my water bill was
19 \$17.25. In 2001 it was now 24.25, a \$6 increase. Not
20 bad over a ten-year period. I can handle that. My
21 wages went up. Five years later in 1902 -- I mean 2002,
22 2002, my water bill is 24.25. And in five years period
23 it's now \$34.18, an increase of \$9.93, twice the price
24 in half the time. Now we go to 2007 and my water bill
25 is \$34.18. In a three-year period it is going to go to
26 \$59.62. That is a \$25.44 increase. I wish I had a job
27 that went up like that with a couple of zeroes added on
28 the end.

1 I have friends who are on fixed incomes, and
2 they are taking a hit too. If this is going up in three
3 years time, what's it going to be in ten years time?
4 Sometimes my water bill is higher than my electric bill,
5 because I can control my electric bill every month. I
6 have fluorescent lights through my entire house. I
7 can't do anything about the water bill. I can't make it
8 go down no matter how much water I save.

9 Thank you. And that's all I have to say.

10 ALJ MC VICAR: Thank you. The next speaker is
11 Neil Andrew.

12 STATEMENT OF MR. ANDREW

13 MR. ANDREW: Neil Andrew, A n-d-r-e-w. I concur
14 with all of the comments of previous speakers. Looking
15 at this sheet that came to the residents, in two years
16 and about nine months, two/third years, my bill is going
17 to go from \$42.08 to 73.57. That's almost double. And
18 who knows what happens after that. So all I can say to
19 this rate increase is that it is outrageous.

20 ALJ MC VICAR: Thank you, Mr. Andrew.

21 Ray Murdoch.

22 STATEMENT OF MR. MURDOCH

23 MR. MURDOCH: Ray Murdoch, R-a-y M-u-r-d-o-c-h. I
24 live on 7th Street here in Chico. I've lived here for
25 40 years. My immediate reaction to this discussion is,
26 what an amazingly unbelievable increase. And I'd ask
27 Mr. Smegal, are you familiar with other increases of
28 this magnitude in business, in the United States, that

1 is? Could you give us some other examples of this
2 amazing one-year, 49 percent increase? I'm just
3 thinking of comparables.

4 MR. SMEGAL: Judge McVicar.

5 ALJ MC VICAR: Yes. I'm going to ask you to wait,
6 and when we finish, go off the record and you can
7 discuss that with us.

8 MR. MURDOCH: Thank you. This is an astounding
9 increase. I know that if we only had an increase of,
10 oh, maybe, 25 percent, oh, we will be very happy. We
11 never got a big increase, that big 49 percent. This is
12 a psychological ploy of course by the company to scare
13 anybody into accepting still an unreasonable rate
14 increase.

15 The idea of 20,000 feet of new line, two new
16 wells, this is unfair to people that live in Chico that
17 are already paying a high rate. Why should we subsidize
18 other construction in this area? The current people
19 subsidize this construction to bring new people in here
20 to have more service. I own rentals. My first reaction
21 will be, I pay for all my water for my tenants, because
22 I like them to water the lawn. So I pay their water
23 bills. I'm immediately going to have to ask my tenants
24 to pay their own water because I can't afford that big
25 of an increase.

26 Well, maybe it's the new thing, the new thing
27 is to not water your lawn to save water. We may have to
28 do that. Maybe that's going to be kind of vogue, not to

1 water your lawn; but that's going to happen with me
2 because my tenants are low income. They're mostly
3 students. They're low income. They can't afford to
4 water the lawn. I can't afford to water the lawn with
5 that massive increase. So we're going to have some dry
6 lawns around Chico on my properties.

7 I feel that it's outlandish to ask this
8 tremendous rate increase. It's unfair. It's
9 conspicuously wrong. And I would ask the Commission to
10 do its part in making a fair raise that is justified
11 with their expenses but not to make development a
12 priority, new development a priority. And other final
13 things in their company, I'd asking that a fair decision
14 is made. Thank you.

15 ALJ MC VICAR: Thank you, Mr. Murdoch.

16 Leroy Christophersen.

17 STATEMENT OF MR. CHRISTOPHERSEN

18 MR. CHRISTOPHERSEN: Good evening. Leroy
19 Christophersen, L-e-r-o-y, C-h-r-i-s-t-o-p-h-e-r-s-e-n,
20 and I live on the northern part, Series Avenue, part of
21 Chico. Have grown up here since the age of five and
22 have seen some wonderful things in Chico. But when I
23 saw the proposed rate, I thought, as most people here,
24 that it was ludicrous and outrageous. And speaking on
25 behalf of personally as well as from a business
26 standpoint and from other agencies who are in the area,
27 there is no one out here who would even, I think,
28 consider such a rate increase.

1 Growing up here we had a restaurant, as the
2 analogy given. If we had done such a rate increase,
3 that would have sent customers elsewhere. As well as
4 the fact that if you pass that on, if you do do an
5 increase, then someone else has to increase their rates
6 as well. So we end up seeing not only just an increase
7 in water, but we see an increase in everything that we
8 spend money on.

9 There are many agencies that are nonprofit or
10 not for profit or public agencies such as school
11 districts and other educational facilities. They don't
12 have the ability to be able to say, let's have an
13 increase in order to justify those additional costs.
14 And as also stated, I can see the result being, well, we
15 won't do a 40 some odd percent increase. We do a 22
16 percent increase. And that's kind of like what we've
17 seen in other areas. The price goes up a little ways
18 and then it comes down; and we go, oh, well, we haven't
19 had -- we've had things come down. The real answer is
20 we haven't seen them really come down. We've seen them
21 go up to a point that you start to get used to it and
22 then it can go up again.

23 And having spent the last six months working
24 with the school district, and they have spent the last
25 five years cutting year after year after year in order
26 to make expenses, and now looking at approximately 3
27 million, I cannot see how you could even pass such an
28 increase on and expect whether it's an agency or a

1 business or private people to be able to absorb such an
2 increase. Thanks.

3 ALJ MC VICAR: Thank you, Mr. Christophersen.

4 We've reached the end of the list of speakers.
5 Is there anybody that has not spoken that would like to
6 speak?

7 (No response)

8 ALJ MC VICAR: All right. It's now 2 minutes
9 after 8:00. What I'm going to do is I'm going to take a
10 recess for a few minutes. And those of you who have
11 questions are certainly welcome to present those
12 questions to me or to Mr. Smegal on behalf of the
13 company; or if it's something that Mr. Cabrera can
14 answer on behalf of the staff, we'll be happy to do
15 that.

16 I'm inclined to not adjourn yet in case we get
17 any additional speakers coming in. We are normally
18 scheduled to run from 7:00 to 10:00, but my practice is
19 not to hang around too long if it turns out that nobody
20 else is going to show up, which I suspect is the case.

21 So we'll be in recess for a while.

22 (Recess taken)

23 ALJ MC VICAR: Please come to order.

24 The time is now about 8:18. We've had no
25 additional speakers sign up. No additional members of
26 the public have come in from outside. We've been having
27 a back and forth informally with the company and staff
28 and the local folks who have attended here this evening.

1 That additional information I do not need on the record
2 at this point.

3 I want to thank you very much for being here
4 this evening, and as I noted earlier, the statements
5 that you've made on the record will be available in the
6 transcript for the Commission's consideration when it's
7 making its decision. And on behalf of the Commission, I
8 want to thank all of you for taking the time to be here
9 this evening.

10 We are adjourned.

11 (Whereupon, at the hour of 8:18 p.m.,
12 this matter having been continued to 7:00
13 p.m., November 9, 2007, at Livermore,
14 California, the Commission then
15 adjourned.)

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