

Minutes from the Public Hearing

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Notice of California Public Utilities Commission
Public Participation Hearing
California Water Service Company – Westlake Service Area
Application No. 06-07-023

California Water Service Company (Cal Water) has filed an Application requesting rate increases in the WESTLAKE district of \$2,187,800 or 22.25% in July 2007, \$330,400 or 2.75% in July 2008, and \$330,400 or 2.67% in July 2009. The California Public Utilities Commission will hold a Public Participation Hearing in Westlake Village on November 27, 2006 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 hearings.

Cal Water is proposing this increase primarily because it is undertaking a major project to replace the Harris Reservoir. Other reasons for Cal Water's requested rate increase are an increase in purchased water expense, pension and benefits cost increases, a request for a fair rate of return on common equity, and an increase in conservation expense.

In addition, Cal Water proposes to increase rates by no more than \$617,600 or 5% to reflect costs of common administrative and employee benefits expenses that may be approved by the Commission in 2008. This change would only apply after a decision by the Commission in Cal Water's 2007 general rate case filing.

Cal Water has also proposed a revenue adjustment mechanism (RAM) that will track water sales above and below normal. This provision may result in future temporary surcharges or surcredits to recover or refund revenue changes that result from these sales changes. Along with this proposal, Cal Water has requested that the Commission develop a conservation rate design in a second phase of this application. Cal Water will be proposing an increasing block rate structure based on average winter use and average annual use by customer class. If your consumption is higher than average your rates may be impacted more than shown below. However, you will receive further notice when Cal Water files its rate design.

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

Monthly Metered Service Charge Meter Sizes	Rates Proposed in Cal Water's Application			
	Present Rates	7/1/2007 Rates	7/1/2008 Rates	7/1/2009 Rates
5/8 x 3/4-inch	\$10.70	\$15.45	\$16.59	\$16.94
3/4-inch	\$16.05	\$23.18	\$24.89	\$25.41
1-inch	\$18.40	\$26.59	\$28.55	\$29.15
1 1/2-inch	\$33.00	\$47.68	\$51.20	\$52.28
2-inch	\$50.00	\$72.25	\$77.58	\$79.22
3-inch	\$95.00	\$137.27	\$147.40	\$150.51
4-inch	\$165.00	\$238.42	\$256.01	\$261.41
6-inch	\$325.00	\$469.61	\$504.27	\$514.90
8-inch	\$592.20	\$855.71	\$918.85	\$938.23
10-inch	\$839.05	\$1,212.40	\$1,301.86	\$1,329.32
12-inch	\$1,203.90	\$1,739.59	\$1,867.95	\$1,907.36
14-inch	\$1,641.70	\$2,372.20	\$2,547.24	\$2,600.98
Quantity Charges (Per Ccf)				
Potable Water	\$2.1058	\$2.4963	\$2.6875	\$2.7507

Notes: 7/1/2008 rates include effect of requested updated common administrative costs.

(Continued on back)

The rates shown do not include the effect of an increasing block rate structure Cal Water proposes to submit in a second phase of this proceeding. You will be provided notice of any proposed conservation rate design when that is proposed.

Under Cal Water's proposal, rates for each year would become effective on July 1. Rate increases for fiscal years 2008-2009 and 2009-2010 are derived using inflation factors provided by the Commission. The factors used to calculate rates in these years will be the most recent inflation at that time. In accordance with the Commission's rate case plan, Cal Water has requested authority from the Commission to increase its rates by actual inflation without further notice to customers. This means that if inflation is greater than that assumed here, rates for fiscal years 2008-2009 and 2009-2010 may be higher than shown in this notice.

Almost all residential customers in the Westlake District have 5/8" x 3/4" meters. The average customer using about 35 Ccf of water per month would see their monthly water bill increase by \$18.42 or 21.8% from \$84.40 at present rates to \$102.82 in mid-2007, by \$7.83 or 7.6% to \$110.65 in mid-2008, and by \$2.56 or 2.3% to \$113.22 in mid-2009.

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 on Monday, November 27, 2006, at 7:00 p.m., at the Village Homes Homeowners' Association Clubhouse, 1040 Evenstar Avenue in Westlake Village.

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 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. Please mention that you are writing about Application 06-07-023. 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 on January 16, 2007 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 06-07-023 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 (805) 497-2757. 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

1 WESTLAKE VILLAGE, CALIFORNIA, NOVEMBER 27, 2006

2 7:00 P.M.

3 * * * * *

4 ADMINISTRATIVE LAW JUDGE RYERSON: I'll call
5 this hearing to order. This is the public
6 participation hearing in the matter of the application
7 of California Water Service Company for an order
8 authorizing it to increase rates charged for water
9 service in the Westlake District by \$2,187,800, or
10 22.25 percent, in fiscal year 2007/2008; by \$330,400,
11 or 2.75 percent, in fiscal year 2008/2009; and
12 \$330,400, or 2.67 percent, in fiscal 2009/2010?

13 The Application Number -- and this is
14 something that you'll want to jot down if you intend
15 to communicate in writing with the Commission -- is
16 06-07-023. That number should appear on anything that
17 you send to the Commission in writing, so that it will
18 get to the right place.

19 I'm Administrative Law Judge Victor Ryerson.
20 I've been assigned to conduct this public
21 participation hearing, but the assigned Administrative
22 Law Judge who will actually conduct the formal
23 evidentiary hearings in San Francisco, and who also
24 will write the proposed decision for consideration by
25 the Commission, is Judge Christine Walwyn.

26 There are some eight districts for which
27 California Water Service Company has applied for rate
28 increases in the normal rate cycle. And a

1 public-participation hearing such as this one is being
2 held in each of those districts. Judge Walwyn has
3 held a couple of them. And then several of us -- of
4 her colleagues -- have stepped in to assist her, by
5 holding the public-participation hearings in outlying
6 areas; that is, outlying from San Francisco, which is
7 where we all sit. And so I'm pinch hitting tonight
8 for that reason.

9 We have from the company here tonight
10 Stan Ferraro.

11 If you'll just raise your hand, so everybody
12 can see you --

13 He's vice president of California Water
14 Service Company.

15 MR. FERRARO: (Indicating)

16 ALJ RYERSON: We have the district manager,
17 Donald Jensen.

18 MR. JENSEN: (Indicating)

19 ALJ RYERSON: And we have the engineering
20 manager for southern California, John Foth.

21 MR. FOTH: (Indicating)

22 ALJ RYERSON: And they're here to speak and
23 answer your questions. And I think there is some
24 business, independent of the application for the rate
25 increase, that they may be speaking about. I'll let
26 them tell you whether that's true or not. I have an
27 indication on my summary sheet that there's a -- they
28 want to hear your comments on a report that's being

1 done.

2 On the Public Utilities Commission side, we
3 have Patrick Hogle, utilities engineer. Are you the
4 project manager for this?

5 MR. HOGLUND: The assistant project manager.

6 ALJ RYERSON: The assistant project manager from
7 the Division of Ratepayer Advocates, which is an
8 independent arm of the Commission that represents
9 ratepayers' interests, and enters an Appearance in
10 these cases, essentially to scrutinize and, if
11 necessary, criticize whatever the company asks for;
12 keep them honest, so to speak.

13 And through that process, a system of fair
14 and just and reasonable rates is developed, through
15 these periodic applications which are submitted by
16 water utilities that we regulate.

17 Also with us is Norm Carter, from the Public
18 Advisor's Office. His -- although he also works for
19 the Commission, his function is quite different. He's
20 here to assist not as an advocate, but as someone who
21 helps with these public-outreach matters such as
22 public-participation hearings and other things. He
23 has a table full of information, including copies of
24 what was filed with the Commission by the company, and
25 other information. And he's here to assist.

26 If you want to participate to a degree
27 beyond what we're going to do this evening, he can
28 help you by letting you know how to enter an

1 Appearance in the case, present testimony,
2 cross-examine witnesses, whatever you would do as a
3 formal party in the proceeding.

4 This evening, however, we're here to take
5 your comments informally. And, unlike a formal
6 hearing, which is going to be held, I think, starting
7 January 16th in San Francisco, anybody who wishes to
8 speak doesn't have to be or will not be placed under
9 oath; will not be subject to cross-examination. The
10 comments you make are done in an informal fashion.

11 The Commission does use these comments.
12 You'll notice we have a court reporter here tonight.
13 She's taking down verbatim everything that anyone
14 says. And, of course, that most importantly includes
15 your comments.

16 The reporter -- reporting service will then
17 create a transcript, just like a transcript in a
18 trial, which is distributed to the members of the
19 Commission. And for that reason, it's kind of a
20 direct pipeline to them.

21 After some 16 years of experience doing this
22 job, I can tell you that very frequently the comments
23 of the ratepayers who are immediately affected often
24 raise issues that others don't spot, or matters of
25 policy sometimes that haven't come to the Commission's
26 attention. So they're important. And they are given
27 effect and they are definitely part of the -- used in
28 the deliberating process of the Commission in all of

1 these matters.

2 What we're going to do is basically I'm
3 going to give the applicant company an opportunity to
4 say whatever they wish to about the matter that's
5 before us; and Mr. Hoglund, likewise. And then we
6 will open it up to public comments.

7 I indicated before we went on the record
8 that we have a sign-up sheet. And if you want to
9 speak, I would ask that you be sure your name is on
10 that sheet. And I will take the speakers who signed
11 up in the order of appearance. If you decide you
12 don't want to speak after you've heard what the others
13 say, just pass, and that's fine, too.

14 And as soon as everyone has had an
15 opportunity to speak on the matter, we'll adjourn the
16 hearing. That's all there is to it.

17 The only thing I ask you, the members of the
18 public, is that when you speak, please keep your
19 comments germane to the application. And I allow a
20 good deal of latitude, but once in a while I get a
21 speaker who wants to talk about the entire history of
22 the company, and all the bad things that happened 15
23 years ago. And so I will have to restrict you to what
24 pertains to the application that's before us. Other
25 than that, it's a pretty open field.

26 Oh, the other thing I wanted to mention is
27 that we do have the public address system with the
28 roving microphone. Mr. Carter has the other one. And

1 that makes it even easier, because you can speak from
2 your seat. The person who really has to hear the
3 comments is our reporter. She takes it all down, but
4 we don't have to have a podium or any formality. You
5 can sit where you are and say what you wish from the
6 comfort of your seat.

7 All right. Are there any questions before
8 we get under way?

9 Seeing no response, then I'll turn it over
10 to whomever from the company wants to speak on this
11 matter.

12 STATEMENT OF MR. FERRARO

13 MR. FERRARO: Thank you, your Honor.

14 Again, my name is Stan Ferraro, and I'm
15 responsible for the company's regulatory filings with
16 the Public Utilities Commission.

17 As you've just been told, there are really
18 two purposes of this evening's meeting. One is a
19 legal requirement that we have a public meeting to
20 discuss our urban water management plan. And there
21 are copies of that plan as you come in. So we'll take
22 any comments, if you happen to have any comments,
23 regarding the plan.

24 If you don't have any comments this evening,
25 you can submit them in writing at a later time, and
26 give them to the Commission or to the company.

27 And then the second part of this evening is
28 to hear your questions or comments. And we are happy

1 as a company to respond to any questions that you
2 might have on the record, and we will stay around
3 after the hearing's concluded if you have additional
4 questions that you'd like to discuss.

5 Let me start with: we made our filing back
6 in June. We're required to file a rate case with the
7 Commission for each one of our operating districts
8 every three years. So, whether or not we felt an
9 increase was needed or not, we're still required to
10 make this filing.

11 This stack of documents (indicating) in
12 front of me is pretty much the filing that we made
13 just for the Westlake District. So since we filed for
14 eight districts, the stack would be eight times this
15 high that we provided the Commission.

16 The process is a fairly lengthy one, about a
17 year, at which time the Commission staff -- DRA staff
18 at the Commission -- reviews all of the documents that
19 we provide; sends data requests to us. And then we
20 respond to those data requests, and a report is
21 issued. And right now, a report is due next month on
22 each one of these districts from the Commission staff.

23 And then, as Judge Ryerson has told you, the
24 evidentiary hearing at which testimony is taken under
25 oath begins January 16th.

26 After the hearings are concluded, which
27 usually happens within a week or two, briefs are
28 written by the attorneys for each of the parties to

1 the proceeding.

2 And then the Administrative Law Judge, which
3 is Judge Walwyn in this case, prepares a proposed
4 decision for the Commission's consideration.

5 And then the Commission acts on that
6 decision and issues a final sometime around June, to
7 be effective July 1st of next year.

8 So that's the process, assuming that
9 everything goes according to the schedule. It's one
10 that the Commission has to have in place for quite a
11 while, so it's nothing new.

12 The purpose of our rate increase this time,
13 you know, which is quite significant, is really driven
14 by a number of factors, most of which are not the
15 major component, such as increases in payroll costs,
16 increases in electricity costs or gasoline costs to
17 run our vehicles, or any taxes or other operating
18 expenses.

19 All of those contribute to the rate request,
20 but the single largest component of this rate filing
21 deals with replacement of the Harris Reservoir. And
22 this is a very large concrete reinforced reservoir of
23 4 million gallons. And it is deteriorating to the
24 point where it can no longer be considered reliable
25 going forward.

26 Now, we've obviously gone to outside
27 engineers to look at what needs to be done in terms of
28 the replacement. We've put together a very detailed

1 process as to how do we operate our system when the
2 tank is out of service, because that's obviously
3 critical to you and to us with respect to not only
4 being able to have water to drink or to shower, but
5 also for fire protection.

6 So the first thing that needs to be done is
7 there's the replacement and an upgrading of three pump
8 stations. And once those improvements are made, then
9 we actually can operate the system without the tank.

10 Now, it is not the preferred operation. We
11 wouldn't want to do it on a long-term basis, but at
12 least we can function in that way. And then once
13 those improvements are made, then we take the tank out
14 of service and rebuild the tank better than it was
15 first built.

16 There were some problems with the aggregate
17 that was used in the process, and some differential
18 settling. Those will be improved. The foundation
19 will be improved. New concrete will be up to today's
20 standards, and will last longer than the existing
21 tank.

22 That process, when we filed our rate case,
23 was envisioned to cost in the neighborhood of
24 \$10 million, and to be completed during a three-year
25 rate-case cycle.

26 However, when we went to bid on the pump
27 station -- the first pump station and the critical
28 pump station, Number 4, we were unfortunately

1 surprised by the bids that came in. And they were
2 significantly higher than what we first had as an
3 estimate from our outside consulting engineers. In
4 fact, it almost doubled in price.

5 After we received that bid, we went to the
6 low bidder and asked for some more detail, to try to
7 determine what is causing these cost increases. We
8 also took a look at those and compared them with other
9 costs that we're experiencing and that our engineers
10 have experienced, and then revised all the estimates
11 for the other pump stations as well as the tank. We
12 had the engineering consultant re-estimate the cost of
13 the tank.

14 In total, the increase for -- has gone up by
15 50 percent. Instead of estimating that it's going to
16 cost 10 million, now it's estimated that it will cost
17 \$15 million; definitely a shock to us, significantly
18 more than we anticipated in this rate case, though
19 we've had discussions with the Commission staff about
20 this in providing them cost changes, and explaining to
21 them what's causing these cost changes.

22 And after the staff reports come out, and on
23 the first day of evidentiary hearing, the company will
24 propose, instead of making all the improvements in
25 this rate case, to make all the improvements necessary
26 to take the tank out of service, but leave it in
27 service, hoping that we can keep it in service until
28 the next rate case, and then address adjustments on

1 the tank in the next rate case.

2 By doing that, the actual costs associated
3 with this rate increase will come down. However,
4 there will be costs shifted three years out until the
5 next rate-case cycle.

6 This is such a significant event that I
7 think it's important that you understand what it is
8 that's going on that's driving these cost numbers to
9 change so significantly in a short period of time. So
10 I'm going to ask John Foth to -- who's our engineer in
11 charge of our southern engineering department, to give
12 you a little more detail on what is driving the
13 changes in costs.

14 STATEMENT OF MR. FOTH

15 MR. FOTH: Thank you, Stan.

16 Again, my name is John Foth. I'm the
17 engineering manager for the southern California area
18 of California Water Service Company.

19 We enlisted the services of an outside
20 engineering firm to determine all of the things that
21 needed to be done relative to the project that Stan
22 indicated.

23 The most important one is the replacement of
24 the Harris Reservoir; but in order to do that, it
25 entails work to be done on the three pumping stations
26 before then.

27 The outside engineering firm prepared for us
28 what's called the "most probable cost." They went out

1 and looked at similar projects that were being done in
2 this area, the unit costs associated with those
3 projects related to pipeline, related to pumps, et
4 cetera, and then put together their -- again, as I
5 indicated -- the most probable cost. This was put
6 together in a report that they submitted to us in or
7 around February of this year. And that is the
8 information that we used in our submittal to the
9 Public Utilities Commission.

10 We then went out to bid for the first
11 project that we were going to be doing. That was
12 replacement of Station 4. That is the first project
13 that needs to be done in this series of projects. We
14 did that in around August or so. August, September.

15 And when we got the bid results in -- we
16 actually had six contractor -- contracting firms that
17 came out; went on the job walk with us.
18 Unfortunately, we'd only received bids from two
19 contractors. And both of those bids were essentially
20 double what the most probable cost was from the
21 engineering firm.

22 The engineering firm, as I indicated, used
23 information -- the best information that they had
24 available to them at the time. And they were also
25 very surprised.

26 However, in talking to other water
27 utilities, other public agencies, all of them had
28 experienced similar things in the projects that they

1 have been associated with.

2 There is an awful lot of work going on in
3 the southern California area. There's also an awful
4 lot of demand for the materials associated with the
5 type of materials that we use in our industry. This
6 has resulted in a pretty -- a very significant
7 increase in the cost of doing business. And, as Stan
8 indicated, that resulted in the total increase in cost
9 that these projects, from just under \$10 million to
10 just around \$15 million. That's basically why there
11 was such an increase in the cost.

12 I might say that the engineering firm used
13 numbers that were probably valid at the end of 2005.
14 And so that is how dramatic and how quickly those
15 costs have risen.

16 STATEMENT OF MR. FERRARO

17 MR. FERRARO: Thank you, John.

18 The last thing I'd like to mention is in our
19 application, we requested in a second phase that the
20 Commission allow us to propose what we call
21 "conservation rates," which is: the more you use,
22 then the more you'd pay per unit. It's the same way
23 that energy companies' rate structures are designed.

24 In a ruling that -- by the Administrative
25 Law Judge, that issue has been removed from this case,
26 so it will not be part of this general rate case
27 application. It will be considered, however, as part
28 of other proceedings that the company has, and

1 considered by the Commission. So it's independent of
2 this rate case. And if you have any questions about
3 that, I'd be happy to answer those.

4 That's all I have at this time, your Honor.

5 ALJ RYERSON: All right. Thank you very much.

6 And I guess we're going to turn the
7 microphone over to Mr. Hوجلund.

8 STATEMENT OF MR. HOGLUND

9 MR. HOGLUND: Good evening. My name is
10 Patrick Hوجلund. I'm an engineer with the Divison of
11 Ratepayer Advocates, which is an independent arm of
12 the Commission, as Judge Ryerson had indicated
13 earlier.

14 I don't want to repeat everything that
15 you've heard so far, but I just want to let you know
16 that DRA's mission is to ensure that customers have
17 safe, reliable service at reasonable rates, and to
18 protect against fraud, and to promote the health of
19 California's economy.

20 In pursuit of these objectives, DRA will
21 review the company's application, review those
22 requests, and make an independent judgment about the
23 reasonableness of those requests.

24 As was mentioned earlier, DRA will be
25 issuing its reports in the coming weeks. The reports
26 were prepared by a team of analysts and engineers, and
27 trying to determine if their requests are reasonable,
28 and if they provided sufficient support for those

1 requests.

2 Any matters discussed at this hearing will
3 be of great help to us on staff of DRA. We obviously
4 can review the materials that is provided in the
5 application.

6 In August, a number of us were down here for
7 a field trip to look at the facilities, see what
8 projects were being requested; but anything you can
9 tell us -- your personal feelings or experience -- is
10 helpful because it's a different set of eyes and a
11 different view that we don't have. So I'd love to
12 hear any of your comments. And if you would like to
13 speak with me after, I will be there. And with
14 that --

15 ALJ RYERSON: All right. Thank you very much.

16 All right. This is now the opportunity for
17 you, the members of the public, to express your views
18 or ask your questions.

19 I have a sign-up sheet. I have two names on
20 the sign-up sheet. The first one is Bruce Cullen, and
21 the last one is Jay Spurgin -- or Spurgin. I'm not
22 sure how that's pronounced.

23 If anyone else would like to speak and
24 hasn't signed up, just raise your hand, and we'll put
25 your name on the list. All right?

26 So, Mr. Cullen, you're first.

27 STATEMENT OF MR. CULLEN

28 MR. CULLEN: Hello. I have a sheet of

1 questions.

2 ALJ RYERSON: If I can just ask one thing: when
3 you speak, give you us your name and spelling and
4 address. We do like to have that for the record.
5 Thank you.

6 MR. CULLEN: This is Bruce Cullen, C-u-l-l-e-n.
7 I live on 1875 Smokey Ridge Avenue, Westlake Village.

8 I just have some questions. The first
9 question is -- this is all about the Harris Reservoir.
10 And there's another reservoir being upgraded, up on
11 Windy Mountain. I don't know. Is that considered a
12 pumping station; one of these three pumping stations?
13 I don't think it is. That's considered a separate
14 reservoir. So that's my first question. Maybe if you
15 could, just speak to that somewhat.

16 Do you want me to ask two or three questions
17 all at one time, or one, and then --

18 ALJ RYERSON: Why don't we get all your
19 questions? And then we'll also take Mr. Spurgin --

20 Is that the right --

21 MR. SPURGIN: Yes. Thank you.

22 ALJ RYERSON: -- Mr. Spurgin's comments or
23 questions.

24 And then we'll turn it over to the company.
25 And they'll take these up in the order that they were
26 asked.

27 All right? Thank you.

28 MR. CULLEN: Okay. Thank you.

1 And the second question I had is about the
2 applications. And you, Mr. Ferraro, made mention that
3 the tiered increase -- I think it's 6-10-026; that
4 that is not going to be discussed tonight, but if we
5 had any questions on it, we could ask.

6 And my question is basically: how is that
7 affected, or what is the effect of that versus what
8 we're here talking about tonight, the big increase?
9 Because the rates on here (indicating) -- and I'm a
10 novice to this type of hearing or whatnot. This shows
11 the present rates being basically the same, I think,
12 for all -- you know, for every one of the different
13 size meters. And then it goes into tiers, which are
14 quite a bit less than the 22.25 percent increase in
15 2007 that this hearing is about.

16 The only other question I have is -- and I
17 know it's been explained -- the cost of the Harris
18 Reservoir is pretty expensive. And it's up 50 percent
19 just from the end of last year, as far as the
20 estimates go, but this is probably, as a homeowner,
21 one of the largest rate increases I can ever remember,
22 as far as a utility company. I don't know. I think a
23 water company is considered a utility company. So --
24 you know, along with gas companies and electric and
25 whatnot. It's a huge increase.

26 And I just would like to know how it got to
27 this point that they could be asking for this big of
28 an increase all coming at one time. I don't know how

1 they structure it.

2 I was told when I made a phone call to
3 Cal Water that this -- they didn't do bond issues, et
4 cetera, et cetera. But it's just -- it's a very big
5 increase. And when you read the mailings that go out
6 with the water bills, it plays it down quite a bit,
7 and talks about the average size.

8 I have a relatively small house, but I have
9 a big area that needs watering. So I've got a
10 two-inch pipe in our meter. And my bills run about
11 \$4- or \$500 a month. So a 22 and a quarter percent
12 raise coming next year, and then another
13 2-point-something, 2-point-something after that, I'm
14 looking at, you know, very close to a 30 percent
15 increase, which is \$150 or so a month; well over a
16 thousand dollars a year. So maybe if you could
17 address that, I'd appreciate that.

18 That's all I have.

19 ALJ RYERSON: All right. We'll see if the
20 company can provide answers for you when we finish
21 with the comments. Thank you.

22 MR. CULLEN: Thank you, your Honor.

23 ALJ RYERSON: Mr. Spurgin. And I gather you're
24 here speaking on behalf of the City of Thousand Oaks.
25 Is that correct?

26 MR. SPURGIN: That's correct, your Honor.

27 ALJ RYERSON: If you'll give us your name and
28 business address and the title that you have with the

1 City, I'd appreciate it.

2 STATEMENT OF MR. SPURGIN

3 MR. SPURGIN: Thank you. If I may approach, I
4 have -- my comments are in written form as well. I'd
5 like to submit those. And I can give a business card
6 to your reporter.

7 ALJ RYERSON: Yes. Please do. And I'll direct
8 the reporter to include a copy of your written
9 comments in the transcript.

10 MR. SPURGIN: Again, thank you, your Honor. I'm
11 Jay Spurgin. I'm the deputy public works director for
12 the City of Thousand Oaks.

13 I have an initial question, which -- the
14 answer to which would probably change some of my
15 comments, but I'll go through them anyway, with that
16 caveat in mind. My question would be Mr. Ferraro had
17 indicated that because of the cost increases due to
18 the current construction bidding climate, that the
19 Harris Reservoir replacement project will be deferred
20 until the next rate-case cycle, which would be
21 approximately three years out, but that they would
22 move ahead with some of the support work at their
23 pumping stations in order to be ready for the
24 replacement project. And certainly I would stand
25 corrected if -- if I misunderstood that.

26 With that being the understanding, then it
27 sounds like their proposed initial-year rate increase
28 might be significantly less. And if that's so, I'd

1 like to know what their anticipated reduction would be
2 from the 22 percent increase.

3 I also want -- I want to acknowledge that
4 the City has no jurisdiction over the water company in
5 terms of rate setting. That's clearly a State --
6 within the State's purview, but the City is always
7 concerned about all of its residents.

8 And, because within the city of Thousand
9 Oaks there are actually three water purveyors, we are
10 always watching, so to speak, what the other water
11 companies are up to, and how they are performing, and
12 the service they're providing to the residents of the
13 city. Even though we don't serve water in the entire
14 city, we often get complaints and comments from the
15 other water service areas directed to the City, so
16 we're always concerned about how the other companies
17 are doing.

18 ALJ RYERSON: Just for the record, Westlake
19 Village is within the city limits of Thousand Oaks.
20 Is that correct?

21 MR. SPURGIN: Yes, sir.

22 ALJ RYERSON: All right.

23 MR. SPURGIN: Westlake Village, within Ventura
24 County, is part of the incorporated City of Thousand
25 Oaks.

26 ALJ RYERSON: And you mentioned two other
27 purveyors of water. Are they also private water
28 companies under the Commission's jurisdiction, or are

1 they public districts?

2 MR. SPURGIN: One is private. It's
3 California-American Water Company. They serve about
4 the westerly 45 percent of the city.

5 And then the third purveyor is the City
6 itself, the City of Thousand Oaks.

7 ALJ RYERSON: All right.

8 MR. SPURGIN: We serve about the middle third of
9 the city.

10 And then the easterly, about, you know, 15,
11 16 percent of the city is served by Cal Water Service
12 Company.

13 ALJ RYERSON: Thank you.

14 MR. SPURGIN: The City has carefully reviewed
15 the application.

16 We would agree with the previous commenter
17 that the first-year increase is quite excessive. And
18 we have previously submitted a letter signed by our
19 mayor, addressed to the California Public Utilities
20 Commission, that is dated October 5th, 2006. That's
21 -- a copy of which is attached to my comments, my
22 written comments that I just handed out. We would
23 like that to become part of the record of this hearing
24 as well.

25 ALJ RYERSON: (No audible response)

26 MR. SPURGIN: And I'll get back to that comment
27 later, also, but in terms of additional background, I
28 did want to indicate that, you know, Cal Water Service

1 does provide service to about 7,000 customers within
2 the City of Thousand Oaks.

3 The City itself is a very large water user
4 within the California Water Service area. We spend
5 about \$180,000 per year for water, as indicated here.
6 You can see the history is right around 180,000. So
7 we're concerned with the rates, as a large water
8 customer, maybe one of their -- maybe one of the
9 largest customers within their water service area; but
10 we're also concerned about our ratepayers throughout
11 the city, as I mentioned before.

12 Currently, Cal Water Service rates are about
13 14 percent higher than the City of Thousand Oaks'
14 rates. So you take a similar residential customer.
15 And, where our two service areas come together, you
16 can have one person on one block using the same amount
17 of water in Cal Water Service area, and they're paying
18 14 percent more than another family within the City's
19 water service area. So already there's some inequity
20 there. That's a fairly significant difference.

21 It's similar in between the City and
22 California-American Water Company. Again, they're
23 serving the westerly part of the city. With the
24 proposed one-year increase that's currently on the
25 table -- the 22 percent -- the difference would go to
26 40 percent. In other words, the Cal Water customer
27 would be paying 40 percent more than a typical or a
28 like City customer.

1 That, in our opinion, is just too great of
2 an inequity. And that's a problem area, our biggest
3 concern, our biggest message that we would want to
4 convey to you tonight.

5 The source of water in the City of Thousand
6 Oaks for all three of the water purveyors is the same.
7 It's imported water that's still acquired through the
8 wholesale public district, the municipal water
9 district. Everybody is getting the same water, the
10 same price, same quality. And the retailing of the
11 water is -- and the internal operations, maintenance,
12 improvements of the three separate water purveyors, is
13 where the cost differences are.

14 So I think that, given that the Harris
15 Reservoir project is to be delayed, and that the pump
16 station projects, which won't all be done at the same
17 time -- they'll probably actually be constructed
18 within the current rate case three-year period -- I
19 would think, number one, that a reduction in the
20 first-year increase of 22 percent is in order.

21 And also, we would like to request that
22 consideration be made that whatever that increase is,
23 that it be spread over the three years.

24 I think the other issue that I was going to
25 bring up had to do with the tiered rate structure.
26 And that's already been answered. And that is not
27 part of this current proceeding. And certainly we
28 will be interested in seeing what kind of a tiered

1 structure that the company will be proposing when it
2 does so in -- and we'll be very interested in taking a
3 look at that at that time.

4 The written letter that the mayor had sent
5 to the Public Utilities Commission -- again, dated
6 October 5th -- this is in response to a -- an action
7 that was before the City Council in September. Staff
8 provided a report, similar information to what I'm
9 giving tonight to our City Council. And we talked
10 about the rates. And the Council was very concerned
11 about that initial 22 percent increase and the
12 overall -- again, the overall inequity that there
13 would be between a water company customer and a City
14 customer of similar size, similar consumption.

15 But one of the things that I wanted to point
16 out is at that public -- at the City Council meeting,
17 which is a public meeting televised throughout our
18 community, representatives of the water company
19 accepted the City Council's request that their initial
20 increase be spread over three years. So I do want to
21 make that part of this hearing tonight. So there was
22 a public acknowledgement by representatvies of the
23 water company.

24 I believe that concludes my remarks. Thank
25 you very much.

26 ALJ RYERSON: All right. Thank you. If you'll
27 just turn off your (indicating). There you go.

28 Yes, the letter which has been sent to the

1 Commission has already become a part of the record,
2 but nevertheless, I'm going to ask the reporter to
3 include that, along with the summary sheet --

4 MR. SPURGIN: Thank you.

5 ALJ RYERSON: -- as exhibits to the transcript.
6 So that will be convenient. It looks like I have a
7 couple of more sign-up sheets. Let's take them in the
8 following order. I have a D -- initial D. Collins.
9 Could you just raise your hand?

10 MR. COLLINS: (Indicating)

11 ALJ RYERSON: All right, Mr. Collins.

12 And then after Mr. Collins, the people who
13 signed the next sheet, Claudia -- is it
14 Bill de la Pena?

15 MS. BILL DE LA PENA: Bill de la Pena.

16 ALJ RYERSON: Bill de la Pena.

17 And then Denise Kresco.

18 Hearing no response, why don't you go ahead,
19 Mr. Collins? Again, please give us your name and
20 address for the record.

21 STATEMENT OF MR. COLLINS:

22 MR. COLLINS: Sure. My name is David Collins.
23 I live at 1602 Wellington Place in Westlake Village.

24 And I had a couple of questions following on
25 the tails of the previous two gentlemen.

26 Not knowing a lot of history, and recently
27 moving to the area of California Water Service
28 Company, my first question is: are you a for-profit

1 business?

2 My next question is: what is the rate of
3 amortization that you guys use to pay for a project?
4 Do you pay for a project over the life spans of the
5 projects' expected usefulness? Do you pay for it in a
6 shorter amount of time?

7 And how does the California Water Service
8 build up reserves to pay for anticipated projects in
9 advance?

10 And I'd also like to know how long the
11 California Water Service has known that the Harris
12 Reservoir needed to be replaced.

13 And I'd like to know what the initial
14 estimated life span of Harris Reservoir was when it
15 was constructed. And has it met that life span?

16 I'd like to know if reserves were built up
17 knowing the life span of the Harris Reservoir, either
18 based on the initialize span of it when the project
19 was constructed, or as soon as you guys realized that
20 the project needed to be replaced.

21 And I'd also like the California Water
22 Service group to discuss what cost-cutting and
23 cost-saving measures you've taken to prevent rate
24 increases to the public that you serve here in the
25 Westlake Village area.

26 ALJ RYERSON: All right. Thank you. We'll see
27 if we can get answers to those questions when the
28 public speakers have finished.

1 Ms. Bill de la Pena.

2 STATEMENT OF MS. BILL DE LA PENA

3 MS. BILL DE LA PENA: Good evening. My name is
4 Claudia Bill de la Pena. And I am here representing
5 the City of Thousand Oaks, along with Mr. Jay Spurgin.
6 I'm a City Council member in the City of Thousand
7 Oaks. And, although the Council did not authorize,
8 per se, that a speaker from the Council be here, the
9 letter written by the mayor, in itself, shows that the
10 City is very concerned about the proposed rate
11 increases.

12 I am also a resident of the area that is
13 covered by your water company, and as such, am very,
14 very concerned about the proposed increases.

15 As Mr. Spurgin very eloquently stated, the
16 proposed rate increases are rather unacceptable to the
17 City of Thousand Oaks and its ratepayers.

18 The rate increase, as was mentioned, would
19 amount to almost 40 percent, which, to put it mildly,
20 makes very little sense not only to the City, but also
21 to the ratepayers.

22 I am here to provide support for the
23 comments made already by Mr. Spurgin. He went into
24 technical details. And I could not really improve on
25 that; and wanted to voice the strong opposition to
26 really any rate increase, but given that costs will be
27 incurred in order to make the necessary improvements,
28 it is understood that there will be some sort of rate

1 increase; but that should be very, very minimal.

2 If the rate increase does not -- is not to
3 the satisfaction of the City of Thousand Oaks and its
4 ratepayers, then the City is prepared to also appear
5 before the PUC of California in order to make strong
6 arguments against the proposed rate increases.

7 Thank you.

8 ALJ RYERSON: All right. Thank you very much.
9 Good of you to come here tonight.

10 The last speaker signed up is Denise Kresco.

11 STATEMENT OF MS. KRESCO

12 MS. KRESCO: My last name K-r-e-s-c-o. 4108
13 East Hillcrest Drive in Westlake Village.

14 I had a few follow-up questions, one along
15 the lines of the initial construction of the
16 reservoir. Is there any liability assigned to the
17 original contractor for the things that have occurred
18 to the reservoir?

19 How do we protect during fire seasons, when
20 there is not going to be a tank, and there isn't the
21 reserve. Do the pumping stations pump from elsewhere
22 the volume that would be needed to fight a fire?

23 Will the rates go down to their comparable
24 levels once the construction is completed?

25 I spoke to someone over the telephone that
26 indicated that that probably would not occur. So if
27 the rates increased to cover the costs of
28 construction, once that's done, wouldn't the rates

1 fall back into line with the current costs?

2 And lastly, by delaying this another three
3 or six years, what are the costs going to be then if
4 they're increasing at a rate of 50 percent every six
5 to eight months?

6 Thank you.

7 ALJ RYERSON: All right. Thank you very much.

8 Before we close the public-participation
9 portion, subject to reopening it if there are any
10 other further questions by anyone who's on the list,
11 is there anyone who has not spoken who wishes to?

12 All right. Then we will close the
13 public-comment period, again, subject to reopening if
14 you haven't had complete answers to your questions.

15 And I'll turn it over to the company and
16 Mr. Ferraro to address the rather substantial list of
17 questions that have been posed.

18 THE REPORTER: Are we still on the record?

19 ALJ RYERSON: We are.

20 STATEMENT OF MR. FERRARO

21 MR. FERRARO: Thank you, your Honor.

22 We'll do our best to answer your questions;
23 to the extent that we have not fully, if you would,
24 indicate that to the Judge, then we'll continue.

25 A question has come up about the tiered
26 rates. And, as I mentioned, that issue will be
27 addressed in another proceeding. We have proposed a
28 generic proceeding for -- well, it's not generic, but

1 a companywide proceeding that would look at rate
2 design and a couple of other issues on a companywide
3 basis, rather than individual rate cases. And tiered
4 rates is one of those issues.

5 In our Application, which was filed in
6 October, we requested that the tiered rates only for
7 residential customers be implemented throughout the
8 entire company.

9 So that proceeding is moving forward. It's
10 after this general rate case. I can't tell you when
11 the Commission will decide that issue, but at this
12 time, that's what's before them.

13 I don't have the specifics for Westlake, but
14 the way the rates are designed for residential
15 customers, as we had proposed it, there would be three
16 tiers. The middle tier would be very close to what
17 the rate would be if there was only one flat rate
18 instead of three tiers. The first tier would be close
19 to 10 percent less. And then the third tier would be
20 close to 20 percent more. So that's the proposal that
21 we have put before the Commission for their
22 consideration.

23 In total, the revenues that would be
24 collected under a tiered rate structure would be the
25 same as if there was no tiered rate structure. And,
26 in fact, what we have proposed is a regulatory
27 mechanism that would true that up, to ensure that we
28 did not collect more revenues than what the Commission

1 had authorized us to collect.

2 If we did, there would be a refund to
3 customers.

4 That same procedure is used for energy
5 utilities as well.

6 With respect to the City's suggestion that
7 we average the increase over the three-year period, we
8 did participate in a public meeting that they held,
9 and agreed that the -- to support that proposal. And
10 we will be doing so on the record when the evidentiary
11 hearings begin. We're not opposed to spreading the
12 increase over the three years, rather than having a
13 large increase in the first year.

14 In addition to moving forward with the
15 upgrading and improvements to the three pump
16 stations -- and in this rate-case cycle, in order to
17 be prepared to replace the tank during the next
18 rate-case cycle, it's also insurance in case there is
19 a catastrophic failure with the tank.

20 Now, this tank has had problems for many
21 years. And we've been monitoring it, and we've been
22 trying to maintain it, until it finally has gotten to
23 the point where we realize that we cannot be sure that
24 the tank will function going forward with any
25 certainty. And as a result of that, we've initiated
26 this project.

27 If we have the increased pumping
28 capabilities from these improvements at the pump

1 stations, then if there is a major failure or we
2 cannot continue to operate the tank before the next
3 rate-case cycle, then we will be able to meet firefall
4 requirements and water demands during peak periods of
5 the year.

6 So that's -- it's a twofold process that
7 we're looking at now. One is to delay the tank until
8 the next rate-case cycle. Two is make sure we've made
9 the improvements, in case there is a problem with a
10 tank and we cannot keep it functioning going into the
11 next rate-case cycle.

12 A question has come up: well, how much will
13 a tank cost us to replace three years from now, if the
14 costs are going up so great right now?

15 And that's something that we cannot
16 anticipate, but what has happened this year is
17 extremely unusual. It is not reflective of the cost
18 increases that we have seen in the past. And we would
19 not expect that to be the norm going forward, although
20 we cannot guarantee that. So if history is any
21 indication, we would expect a return to more normal
22 cost inflationary changes until the next rate case.

23 We are a for-profit company. We're
24 investor-owned, traded on the New York Stock Exchange.
25 And we have approximately 20 million shares of stock
26 that are owned by individuals and investment
27 organizations, so we do answer to our shareholders.

28 We are authorized a return on the investment

1 that our shareholders make by the Public Utilities
2 Commission. The most recent return that the
3 Commission authorized us was 10.1 percent on the
4 investment that our shareholders make.

5 Additionally, we borrow money to -- just
6 like you borrow money in order to purchase a home.
7 About half of our facilities are financed through
8 borrowed money, and the other half through shareholder
9 investment.

10 The interest rates are approximately
11 7 percent on a weighted average for the money that we
12 have borrowed over the years, and are borrowing.

13 So when we look at making this large
14 investment to replace the tank, we're looking at
15 borrowing about half of it, and then using investor
16 funds for the other half.

17 The amortization period or depreciation life
18 for a tank -- I'm going to ask Mr. Foth -- is it 40,
19 50 years?

20 MR. FOTH: Between 40 and 50 years.

21 MR. FERRARO: Between 40 and 50 years.

22 What that means is we're not paying for the
23 tank up front; that the large increase does not pay
24 for that tank in one year or two years or three years.
25 It pays for it over the life of the asset, which is
26 40 to 50 years.

27 Now, the way the Commission sets rates --
28 and this can get a little tricky -- is they depreciate

1 and we depreciate the tank over the 40 to 50 years, so
2 that you pay a return both on the borrowed money and
3 the investors' money based on the unappreciated value
4 of the tank.

5 So if in the first year -- I'll use the
6 number of \$10 million. We would set rates based on
7 \$10 million of investment; half borrowed, and half
8 investor funds. After half the life of the tank --
9 let's say 25 years -- then there would only be
10 \$5 million on which the rates would be set; half of it
11 investor, and half of it borrowed money.

12 Since we file rate cases every three years,
13 and the Commission sets rates for a three-year period
14 at once, they take into consideration that the
15 depreciation is taking place over the life of that
16 tank, and the rates are set accordingly. So each
17 year, if everything else stayed the same -- there was
18 no inflation, there were no other cost changes -- you
19 would see rates going down; but since it's over such a
20 long period of time, and other cost changes occur,
21 then it doesn't appear like that is happening, but
22 every asset is treated the same way, whether it's a
23 pipe or a truck or a water tank.

24 Do we have reserves?

25 No. The Commission does not allow us to
26 establish a reserve fund in order to make
27 replacements. And so at the time of that replacement,
28 you would have the money to make that replacement.

1 What they've done is, as I've described, as we've made
2 that investment, then they separate space on the
3 borrowed cost of money as well as funds that have been
4 invested by the shareholders.

5 I can't get into exactly why the rates
6 differ so much between us and the City, but there are
7 significant advantages that a City has that an
8 investor-owned water company does not have, one of
9 which is they do not pay taxes. They do not pay
10 property taxes. They do not pay income taxes. They
11 have connection fees for new customers. We do not
12 have significant growth in our system. And we do not
13 have connection fees to add new customers.

14 How long have we known about the Harris
15 Reservoir?

16 We've known about it for quite a few years.
17 I would say maybe about into the late 1980s we've
18 owned the system. I think -- 1985?

19 MR. FOTH: '83.

20 MR. FERRARO: '83.

21 So inspections that we would have made on
22 the tank from the time we took ownership until now
23 have indicated to us that there was a growing problem.
24 We tried to correct those problems. And to some
25 extent, we have. I indicated that -- some of the
26 leaks that have occurred from the tank; but it's
27 gotten to the point where we've had experts in that
28 just say: you cannot continue much longer doing this.

1 So the fact that we've known about it in no
2 way has an impact on the rate increase that we are
3 asking for now.

4 What have we done in the way of cost
5 cutting?

6 Well, we have not added new employees since
7 1983. And I guess during that period of time, we've
8 probably added a thousand customers or more. So
9 additionally, we do look at our costs in terms of
10 labor costs, insurance costs. We go up to competitive
11 bid for a number of things, in order to make sure that
12 we are getting the lowest cost possible.

13 You also have the Public Utilities
14 Commission, who look at our costs every three years,
15 to ensure that we are trying to operate as efficiently
16 as possible.

17 Liability for the tank?

18 Unfortunately, it's been too long since the
19 tank was built. And it's unclear, even if we did have
20 the ability of going after the original contractor,
21 which we don't -- who would be -- if there is some
22 real blame here. The fact is that the materials that
23 were used just are not going to survive much longer.

24 We're not the only one in this situation. I
25 think another tank was mentioned. And Don will talk
26 about problems that Calleguas Water District has
27 experienced as well with a similar tank.

28 I did mention that there will be fire

1 protection, even if the tank is taken out of service.
2 That's the reason why we're making the improvements to
3 the pump stations.

4 And I may have missed something, but that's
5 what I have right now. And let me pass this on to
6 Don, and --

7 STATEMENT OF MR. JENSEN

8 MR. JENSEN: Thank you, Stan. My name is
9 Don Jensen. I'm the local district manager for the
10 Westlake Village system.

11 The comment from Mr. Cullen, I believe, was:
12 we have Harris Reservoir project, which is up on
13 Sunnyhill. And you were asking about around the
14 corner on Windy Mountain. That is a -- that is a
15 Calleguas MWD reservoir. And they were having similar
16 problems their aggregate. The tanks that we're
17 talking about were both constructed in the same time
18 period. So apparently, that batch of concrete was --
19 was faulty.

20 You've also asked us about some fire
21 protection. And we do have adequate fire protection
22 through our pumping system, pump stations, and current
23 storage. We have adequate storage -- actually, over
24 storage -- within the system. And we do have water
25 from one tank in the system to other areas. So in
26 case of any fire or catastrophic event, we're prepared
27 to handle that, as operators of the system.

28 I think that was it.

1 MR. FERRARO: One last comment. The tank was
2 built in 1977, so it's 29 -- going on 30 years old.

3 Your Honor, that's all I have at this time.

4 ALJ RYERSON: All right. Thank you.

5 Let's see if Mr. Hoglund has anything that
6 he wants to add to the comments that have been made.

7 MR. HOGLUND: No.

8 ALJ RYERSON: All right. Thank you.

9 I'll allow, if anybody has any limited
10 follow-up questions or anything -- if you haven't had
11 a sufficient answer, you can follow up now, but --

12 Yes. I see two people.

13 MR. SPURGIN: Three.

14 ALJ RYERSON: Three. All right. Let's just --
15 without following the order that we did with the
16 sign-up sheets, I'll take this gentleman.

17 STATEMENT OF MR. COLLINS

18 MR. COLLINS: David Collins again.

19 I guess my -- I guess a number of my
20 questions really revolved around the increase that the
21 folks in the water district's -- I mean, you're saying
22 that you're proposing a 25.1 percent -- no 77.8 and
23 2.3 in '09, for a total of 30 -- 35 percent in the
24 next three years. In the -- you're proposing in the
25 water bill you sent over to me.

26 And my question or my concern with that is
27 an increase like that for a privately owned company
28 that is even an investor-based company borders on

1 usury. I don't know of a single individual private
2 for-profit entity out there, regardless of the
3 business that they're in, that can pass on a
4 35 percent increase to their customer base and still
5 expect to have that customer base there if they're not
6 in a monopolistic situation, which is clearly the
7 situation you're in there.

8 If there's only one car manufacturer on the
9 planet and people can only buy one car from them, and
10 the price went up 35 percent -- that's not the case
11 with a number of other situations; where you're in a
12 situation, you have a utility. I only have one
13 choice. I have to buy it from you. That is
14 absolutely abuse of the customer. And regardless of
15 what the regulations are around you, I -- I just guess
16 I'm a little surprised. I don't feel like I have a
17 sufficient answer for why you can't amortize those
18 costs over a more extended life period, as opposed to
19 passing along 25 -- 22 or 25 percent you're proposing
20 for the first year. It seems a little out of control.

21 ALJ RYERSON: All right. Thank you.

22 Are you expecting a response to that or --

23 MR. COLLINS: I am, your Honor.

24 ALJ RYERSON: All right. We'll give them the
25 opportunity to have the last bite at the apple in a
26 moment.

27 MR. COLLINS: Sure.

28 STATEMENT OF MR. CULLEN

1 MR. CULLEN: Bruce Cullen again. Hi.

2 The question -- the answer that I got as far
3 as the Windy Mountain? That's Calleguas. I don't
4 quite understand who Calleguas is. I assume they're
5 another water company, but the reservoir itself is in
6 Westlake, so I -- I wish you would explain that; just
7 how that works.

8 And the other thing, too, was on a tiered
9 rate. I'm still confused as to these various
10 applications that come out, because the -- what we're
11 talking about here has the meter size rates going up,
12 and also a general increase each year, with the big
13 one coming in July of 2007; yet when you look at this
14 tiered rate, it has print rates and tiered rates, as I
15 said before, exactly the same. And with the quantity
16 charges, that's where you get into the tier. And
17 those seem quite a bit less than this 22 percent plus
18 2 percent plus 2 percent, or whatever it is. So I
19 still don't understand how many applications can be on
20 file at one time. And there just appears to be a
21 conflict there, as far as what the prices are going to
22 be for water and the meters.

23 Thank you.

24 ALJ RYERSON: All right. Thank you, Mr. Cullen.

25 And then we have Mr. Spurgin.

26 STATEMENT OF MR. SPURGIN

27 MR. SPURGIN: Well, thank you.

28 My question that I don't think was answered

1 is, again, if the reservoir project's being deferred,
2 normally a good portion, half or more of the
3 10 million, at least, that you had anticipated would
4 be part of the rate case would be deferred to the next
5 cycle. So do you know what the revised -- what your
6 revised request will be for the first year, or in
7 total what you're going to be looking for in terms of
8 a revised, presumably lower rate case?

9 ALJ RYERSON: All right. Thank you. We'll give
10 the company the opportunity to address these questions
11 to the extent that they can or wish to. And at that
12 point, we'll close the public-participation hearing,
13 but the company has indicated a willingness to have
14 representatives to stay here and discuss these things
15 with you informally. If you don't get enough
16 information from what's being said now, I invite you
17 to do that.

18 Thank you.

19 STATEMENT OF MR. FERRARO

20 MR. FERRARO: Thank you, your Honor.

21 Let me try to work backwards.

22 Unfortunately, the \$10 million, which was
23 approximately how much we have included in our rate
24 case, has gone up to about \$15 million, which 7 --
25 about 7 of which is for the tank. So there is still
26 the \$7 million plus in this rate-case cycle for the
27 remaining improvements. I haven't worked out the
28 exact numbers, but we're probably -- if we're talking

1 2 and a half to \$3 million, probably talking \$4- or
2 \$500,000 worth of annual revenue requirement. And
3 that may be in the 3 to 4 percent range.

4 With respect to the tiered rates, I think
5 you're looking at a notice that you received regarding
6 the second application that I'm referring to. And
7 what you're seeing there does not reflect the rate
8 that -- the increase that we requested in this
9 application. That application assumes no other rate
10 changes. So that's just using the existing rates that
11 are in place. That's why you won't see a large
12 change.

13 The Calleguas Water District is a wholesale
14 water provider. They provide all the water to us.
15 And then we, in turn, deliver it to you. And they
16 actually purchase their water from Metropolitan Water
17 District of Southern California. They treat the
18 water. And then they provide us the treated water
19 that we serve to you. So they are a governmental
20 agency. I assume they have some form of property
21 taxes as well as revenues that we pay for the water
22 that we purchase.

23 With respect to why is the rate increase so
24 large, and that we're a regulated monopoly, and no
25 other company could -- or investor-owned company could
26 operate in the same fashion, I have two comments.

27 One is: have you looked at gasoline prices
28 today versus a year or two ago, and seen how much

1 they've gone up?

2 And two is: if you go back to 2001 and look
3 at your change in electric costs, you'll see they went
4 up -- huge -- during 2001. I know that because we
5 experienced a huge increase in our electric costs. We
6 went from a \$15 million annual bill for our entire
7 company to \$21 million.

8 So the amount of increase that you're seeing
9 here that we're requesting is -- it's large. We don't
10 like it any more than you do, but it happens to be the
11 way that the Commission sets rates. They do not allow
12 us to earn 20, 30 percent rate of return that you'll
13 see some of the oil companies earning. You'll hear
14 about their huge profits that they make. You won't
15 hear about the huge profits that we will make, because
16 we are a regulated company; and as such, you'll see a
17 more normal distribution of earnings.

18 And as a result of that, when we make a
19 large capital investment -- and this is a very large
20 capital investment for 7,000 customers -- then it does
21 have a significant impact on rates.

22 ALJ RYERSON: All right. Thank you very much.

23 Again, Mr. Hوجلund, anything that you want
24 to add at this point?

25 MR. HOGLUND: No, not at this point. Well,
26 actually one thing.

27 ALJ RYERSON: Would you like a microphone or --

28 STATEMENT OF HOGLUND

1 MR. HOGLUND: A number of people have made
2 mention of the new proposal for tiered rates. For
3 those of you who are interested, the number for that
4 is A. 06-10-026. And that outlines the company's
5 request.

6 And I understand a lot of the confusion and
7 frustration over how rates are ultimately determined
8 and how the process works, and a lot of the accounting
9 terms that get thrown around to explain it. Again, I
10 will be here afterwards if you'd like to talk about
11 it. I'm sure the company's going to be here as well.

12 ALJ RYERSON: All right. Thank you.

13 Before I adjourn this public-participation
14 hearing, I want to first of all let you know that you
15 may submit written comments -- and that's true whether
16 or not you've spoken here this evening -- to the
17 Public Advisor's Office. And Mr. Carter can give you
18 the address; and how to do that also by e-mail, and he
19 has the e-mail address; and also by telephone. And
20 that includes a toll-free number that we have
21 available for you this evening.

22 So if you have anything further or you know
23 anybody else in the community who might have something
24 to contribute, please feel free to do so in writing.
25 And your comments will be circulated to the
26 Commissioners, and will become part of the
27 correspondence file available to the Commission as it
28 decides this Application. The Application Number,

1 again, is 06-07-023. And that's this one; not the
2 other one you've been referring to.

3 I want to thank each of you who has spoken
4 this evening, as well as the representatives of the
5 company who have bravely attempted to answer your
6 questions. If you want to continue the dialogue,
7 please feel free to do so after I adjourn, but at this
8 time, I'm going to adjourn the public-participation
9 hearing. Thank you very much.

10 (Whereupon, at the hour of 8:15 p.m.,
11 this matter, having been continued to
12 7:00 p.m., November 28, 2006, at
13 Bakersfield, California, the Commission
14 then adjourned.)

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