

**Minutes from the Public Hearing**

PAGE LEFT BLANK INTENTIONALLY

This space is for the County Clerk's Filing Stamp

**PROOF OF PUBLICATION**

(2015.5 C.C.P.)

STATE OF CALIFORNIA

County of Monterey

I am a citizen of the United States and a resident of the County aforesaid; I am over the age of eighteen years, and not a party to or interested in the above-entitled matter. I am the principal clerk of the printer of *The Salinas Californian*, a newspaper of general circulation, printed and published daily except Sunday in the City of Salinas, County of Monterey and which newspaper has been adjudged a newspaper of general circulation by the Superior Court of the County of Monterey, State of California; that the notice, of which the annexed is a printed copy (set in type no smaller than nonpareil), has been published in each regular and entire issue of said newspaper and not in any supplement thereof on the following dates, to-wit:

November 3, 2007

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

Executed November 3, 2007

at Salinas, California.

*Charlene Clark*

Signature

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



**Notification of Public Participation Hearing**

**Application No. 07-07-001 for a General Rate Increase**  
**California Water Service Company - Salinas Service Area**

On July 1, 2007 California Water Service Company (Cal Water) filed Application 07-07-001 requesting rate increases in the SALINAS district of \$5,119,700 or 29.8% in July 2008, \$3,636,900 or 16.3% in July 2009, and \$2,271,263 or 8.7% 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 \$33.6 million in utility plant from July 1, 2005 through June 30, 2010.
  - Cal Water's benefits costs for health care, pension, and retiree health care have increased faster than the general rate of inflation.
  - Cal Water faces higher purchased water costs due to the addition of more Basin Water wellhead treatment facilities that are accounted for as purchased water costs.
  - Cal Water's general operating costs for administrative salaries, insurance and regulatory compliance have increased. These costs are allocated to the operating districts.
  - Contracted maintenance costs have increased.

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	7/1/2008 Rates	7/1/2009 Rates	7/1/2010 Rates
5/8 x 3/4-inch	\$11.64	\$15.00	\$17.44	\$18.96
3/4-inch	\$17.46	\$22.50	\$26.16	\$28.44
1-inch	\$29.11	\$37.50	\$43.61	\$47.41
1 1/2-inch	\$54.53	\$75.00	\$87.21	\$94.81
2-inch	\$83.98	\$120.00	\$139.54	\$151.70
3-inch	\$161.43	\$225.00	\$261.64	\$284.44
4-inch	\$291.08	\$375.00	\$436.07	\$474.07
6-inch	\$582.16	\$750.00	\$872.14	\$948.14
8-inch	\$796.86	\$1,153.19	\$1,341.00	\$1,457.86
10-inch	\$1,338.97	\$1,725.00	\$2,005.92	\$2,180.73
12-inch	\$1,921.13	\$2,475.00	\$2,876.06	\$3,128.87
14-inch	\$2,619.73	\$3,375.00	\$3,924.63	\$4,266.64
<b>Quantity Charges (Per Ccf)</b>				
Polable Water Tier 1	\$1.2334	\$1.5924	\$1.8455	\$2.0084

The California Public Utilities Commission (CPUC) will hold a Public Participation Hearing (PPH) on the above application filing in Salinas CA, on Thursday, November 29, 2007 at 7:00 pm, in the Salinas Community Center, 940 Main Street, Salinas 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.

The rates shown do not include the effect of an increasing block rate structure that is expected to be approved in another proceeding. You will be provided notice of any proposed conservation rate design when that is proposed.

#### **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 Salinas District have 5/8" x 3/4" meters. The average customer uses about 14 Ccf of water per month and would see their monthly water bill increase by \$8.24 or 28.5% from \$28.91 at present rates to \$37.15 in mid-2008, of \$6.13 or 16.5% to \$43.28 in mid-2009, and of \$3.80 or 8.8% to \$47.08 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 \$403,717. To return this amount Cal Water is proposing surcredits of \$1,2256 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 \$119,650. To recover this amount Cal Water is proposing a surcharge of \$0.37 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](mailto: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 (831) 757-3644. 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

November 3, 2007

(L1208)

1 SALINAS, CALIFORNIA, NOVEMBER 29, 2007 - 7:00 P.M.

2 \* \* \* \* \*

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

5 This is the time and place set for the public  
6 participation hearing in Application 07-07-001 before  
7 the California Public Utilities Commission. That is the  
8 application of California Water Service Company for rate  
9 increases in various districts, including its Salinas  
10 District where we are this evening.

11 I'm Administrative Law Judge Jim McVicar.

12 The Commission scheduled this hearing here  
13 this evening to receive your comments on the proposed  
14 increases. Anyone wishing to express their views will  
15 be able to make those.

16 We have a court reporter here who will record  
17 your statements, and they will be available to the  
18 Commissioners in making their decision.

19 Also, the Commission has received many letters  
20 and e-mails about the increases. Please be assured that  
21 if you've written to the Commission that those will also  
22 be available to the Commissioners and to the  
23 Administrative Law Judge in making their decision.

24 Everybody who would like to speak this evening  
25 should be signing up in the back. So far I have four  
26 folks who have signed up with the Public Advisor's  
27 table. If at any time this evening you haven't signed  
28 up and decide you would like to speak, you are free to

1 go ahead and sign up at any point. I will not leave if  
2 anybody wants to make a statement. You will have an  
3 opportunity to make that statement.

4 We have from the company and the staff this  
5 evening two individuals and some other folks that they  
6 will introduce to explain what is happening with this  
7 rate increase. The first person I will call on is  
8 Mr. Stan Ferraro with California Water Service.  
9 Mr. Ferraro will explain, if he would, what the company  
10 is asking for and why. Mr. Ferraro.

11 STATEMENT OF MR. FERRARO

12 MR. FERRARO: Thank you, your Honor.

13 As the Judge has said, we are here to receive  
14 your input.

15 The company has filed for a rate increase. It  
16 did so back in May. The Public Utilities Commission's  
17 rate case plan requires large water companies to file  
18 rate increases once every three years. It has been  
19 three years since our last rate increase. The amount of  
20 the increase that we are asking for the first year is  
21 approximately \$5 million, or 29.7 percent, with smaller  
22 increases in 2008 and 2009 of about 16-1/2 percent and  
23 8.8 percent.

24 Those increases are being driven by a number  
25 of items. Capital improvements, we made proposals for  
26 seven new wells to replace some of our aging wells, as  
27 well as some additional storage facilities, and some  
28 treatment facilities. And then cost increases

1 associated with a number of things, employee costs and  
2 benefits have increased. And so, anyways, those are  
3 some of the key reasons. There is some material, and we  
4 can provide additional material if there isn't enough  
5 for everybody to look at.

6 Also, this is a hearing to receive any input  
7 on our Urban Water Management Plan. This is a copy of  
8 the Urban Water Management Plan. There is some other  
9 copies there. We can receive your input tonight, or if  
10 you haven't had a chance to look at this, you can write  
11 in and provide us your input. This is a requirement  
12 that we have an opportunity for you to review the Water  
13 Management Plan every five years. So that is part of  
14 this proceeding.

15 I'll give you a little bit of background on  
16 how the process works. It takes a little over a year  
17 from when we file initially with the Commission. As I  
18 said, we filed last May. The Commission's staff then  
19 reviews our filing. Once they determine it is complete,  
20 they allow us to file the formal application that took  
21 place in July. And then there is a process which DRA's  
22 staff representative will talk about in which they do a  
23 review, issue a report. Then there is public hearings  
24 to go over the issues in the proceeding. There can also  
25 be intervenors, members of the public, in addition to  
26 the staff. And thus farther there are two. None in  
27 Salinas, but in other districts there are two.

28 Finally a decision is issued by the

1 Commission. It is scheduled for July of next year. So  
2 rates would be scheduled to be effective July 1st, 2008.

3 A couple of other things I should talk about  
4 is with respect to water conservation. We have proposed  
5 a change in the rate structure. Currently you pay one  
6 rate per unit regardless of how many units are used.  
7 We've proposed an increased block rate to encourage  
8 water conservation.

9 There are three rates, depending on how much  
10 water you use. The initial rate would be less than what  
11 you pay today. The next rate would be higher, close to  
12 what you would pay today, and then the third rate would  
13 be higher still. The idea being that the more water you  
14 use, the more you would pay per unit to get a price  
15 signal that water is a valuable commodity, we do need to  
16 conserve it.

17 At issue is being considered actually in two  
18 proceedings. We've proposed it in this general rate  
19 case for Salinas, but we also have it before the  
20 Commission in another proceeding where we've actually  
21 asked to make this change for all our districts. And  
22 the Commission is considering that now. The expectation  
23 is that probably the first part of next year the  
24 Commission will act on that recommendation.

25 Additionally, we've asked for a significant  
26 increase in spending for conservation programs. These  
27 are all cost-effective programs whereby the cost of the  
28 program will be more than made up for in a savings in

1 the cost to produce the water. So initially rates will  
2 go up as a result of the conservation program spending,  
3 but this will be offset by savings in the future.

4 So that pretty much summarizes our proposal.  
5 And I'll turn this back over to the Administrative Law  
6 Judge.

7 One thing, I wanted to introduce Jim Smith.  
8 He is the local district manager. And we also have a  
9 number of operation, engineering, water quality  
10 representatives of the company here. And they will be  
11 able to answer questions either during this public  
12 meeting or afterwards. We will stay here to answer any  
13 questions you might have. Thank you.

14 ALJ MC VICAR: Thank you, Mr. Ferraro.

15 I'm now going to turn to the Commission's  
16 expert staff. Jose Cabrera is representing the staff  
17 team this evening who will be looking at auditing the  
18 company's request. They will be making a presentation  
19 as well. I'll ask Mr. Cabrera to explain about his  
20 team, and what they do.

21 STATEMENT OF MR. CABRERA

22 MR. CABRERA: Can everybody hear me without this?  
23 I don't think I need this.

24 Has everybody heard about the Division of  
25 Ratepayer Advocates, or DRA? We hear the term  
26 "Commission staff" often, but that is a little bit  
27 nebulous and vague. We are not really Commission staff.  
28 The Commission has a staff in different departments, so

1 it is very important to make a distinction.

2 We are the Division of Ratepayer Advocates,  
3 and we are a quasi, almost independent division within  
4 the Commission. We have our own budget, we have our own  
5 legal staff, and our own director.

6 Our job is to represent the interests of the  
7 ratepayers, or consumers. What that means is our  
8 purpose is to advocate for the lowest possible rates  
9 consistent with safe service, reliable service. So  
10 there is a bit of a balancing act there. We don't  
11 advocate for the cheapest rates at the cost of absence  
12 of reliability. That would be one extreme. That is a  
13 little bit of a confusion some people have. The lowest  
14 rate doesn't mean the safest service.

15 When a company comes in with a rate case, what  
16 they are doing they are presenting a forecast prediction  
17 of the future. What will they spend for all their  
18 expenses, how much they spend for plant, equipment,  
19 pension and benefits, all the costs involved in running  
20 their business, and make a prediction or forecast into  
21 the future. And when they add up all the expenses, it  
22 comes up with a rate, a price for the commodity for  
23 water.

24 So our job is to look at, well, what is in the  
25 forecast, how do they get to the forecast, and did we  
26 whittle it down. Can we bring it down so that the price  
27 that is ultimately charged or adopted by the Commission  
28 is lower than what they ask. And it is very common. I

1 see people get very surprised, shocked, or moved by  
2 initial proposals made by an application. I always tell  
3 everybody it is just a proposal. When we go in there  
4 and do our investigation, what comes out in terms of a  
5 final decision is typically very different from what  
6 they ask for in the application.

7 Now, briefly, what do we do? We literally  
8 investigate, I hate to use the word "audit," but it is  
9 almost an audit of their proposal. It is not exactly an  
10 audit, because we don't go into books and records and  
11 make an examination of financial statements. What we do  
12 however is look at some historical numbers or expenses  
13 to give us a little indication about the credibility of  
14 their forecast or prediction into the future. Just like  
15 predicting a budget for your own food. You look at what  
16 did I eat in the last year. You are trying to project  
17 into the future. Say you had a party to plan for how  
18 much food did I eat, or how much turkey did I eat at the  
19 last Thanksgiving dinner. You try to make a prediction  
20 of the past. That is what we do, in part. We look at  
21 the historical expenditures for plant and equipment and  
22 expenses. And we look at what circumstances have  
23 changed. What is the economic reality of that of the  
24 moment of the application as presented in the  
25 application. And we try to make a determination is the  
26 forecast reasonable, is the prediction reasonable in  
27 light of the facts.

28 After we do a thorough investigation, we come

1 up with our independent recommendation for what we think  
2 their cost of doing business should be into the future  
3 year. We come up with our proposed revenue requirement,  
4 the proposed rate you pay for water. We will issue a  
5 report out around January. It will be available on our  
6 website.

7 Typically we do get together before the  
8 hearings and have a session, settlement conference where  
9 we try to negotiate an agreement. It is very common.  
10 Whatever issues we cannot agree to, we go to hearings.  
11 Then all the issues are litigated, and an Administrative  
12 Law Judge makes a decision.

13 Is there any questions about the process, what  
14 is our job, and the process that we are engaged in?

15 (No response)

16 MR. CABRERA: Any questions, feel free to ask me.

17 MR. ADCOCK: Simply, your staff is going to be  
18 auditing Cal Water service the same as Salinas division  
19 as well as the others in the same rate case?

20 MR. CABRERA: The same team. I'm on the team.  
21 I'm one of the project coordinators. We are reviewing  
22 all of the eight districts separately, because  
23 technically there are eight different profit centers,  
24 eight different rate centers.

25 MR. ADCOCK: You have 12?

26 MR. CABRERA: Approximately 12. I didn't take a  
27 count.

28 ALJ MC VICAR: Thank you, Jose. I would also like

1 to call your attention to the fact that we have two  
2 representatives here this evening from the Commission's  
3 Public Advisor's office. Those are the two ladies at  
4 the back of the table. The Public Advisor's function is  
5 to help the public understand the Commission's  
6 procedures if they want to get involved in the  
7 proceedings. So if you have any questions about the  
8 procedures, they are good folks to talk to. They have  
9 some brochures and so on that are very informative.

10 Okay. Please note that tonight's hearing is  
11 not a question-and-answer session. Our reason for being  
12 here is to take your statements for the Commission's  
13 records. However, if at all possible, I want to make  
14 sure you do get answers. If you have questions that  
15 arise -- sometimes if you do that while you are making  
16 your formal statement on the record it gets into  
17 back-and-forth discussion. It is very difficult for the  
18 reporter, and unhelpful to the Commission. If you ask a  
19 question while you are making a formal statement for the  
20 record, I'll make a note of that question, then we will  
21 come to it at the end of the list of speakers. Right  
22 now I only have four speakers, so that possibly won't be  
23 too long.

24 Also both the Commission and staff and I will  
25 be available when we recess. And we will be happy to  
26 engage in one on one with you if you have any questions  
27 or want to express any sentiments. But I would urge you  
28 to make your statements on the formal record for the

1 reporter to take back so that the Commissioners and the  
2 Administrative Law Judge assigned on the case will have  
3 access to those.

4 Okay. Let me remind you that the court  
5 reporter has probably the most difficult job in the room  
6 this evening. She has to make a verbatim transcript of  
7 all the statements and the discussions as long as we are  
8 on the record. And that is tough. So I remind you to  
9 speak slowly enough that she can get it down correctly  
10 and clearly, if you would, please.

11 Tonight we have a short list of speakers, so  
12 I'm not going to set a time limit as I sometimes do with  
13 a long list. But I do reserve the right to ask you to  
14 wrap it up if it looks like it is going to take  
15 inordinately long. I won't define that. We are  
16 generally pretty lenient.

17 The first speaker I have this evening is  
18 Charles M. Sloan of Salinas.

19 Mr. Sloan, if you would please state your  
20 name, spell your name, and tell us what area you live in  
21 for the record.

22 STATEMENT OF MR. SLOAN

23 MR. SLOAN: Charles M. Sloan. Greetings,  
24 everyone.

25 I live in Salinas, California. And I'm an  
26 indirect ratepayer.

27 I'm not here to oppose the proposed increase,  
28 and I'm not here to have it accepted. I would just like

1 to, if I could, present some FYIs, for your information.

2 I wrote some things down on a Dry Erase Board,  
3 if that would be okay, your Honor, for me to use that?

4 ALJ MC VICAR: That is fine. Just keep in mind  
5 that the reporter really can't get that down.

6 MR. SLOAN: I understand that. Would it be  
7 appropriate if I could put that forward somewhere?

8 ALJ MC VICAR: I don't have a problem with it, or  
9 you can hold it. Either way.

10 Off the record.

11 (Off the record)

12 ALJ MC VICAR: Back on the record.

13 MR. SLOAN: I found out about the meeting tonight.  
14 I was at my in-laws' house. I came across a classified  
15 ad in the Salinas California newspaper Saturday,  
16 November 3rd, 2007. And it had a notification of public  
17 participation hearing.

18 My in-laws who can't be here tonight, they are  
19 elderly, I would like to represent them as well. They  
20 are ratepayers here in Salinas. They are direct  
21 ratepayers. I am an indirect ratepayer. What an  
22 indirect ratepayer means is I'm submetered, so my bill  
23 doesn't come directly from Cal Water. I get a bill from  
24 the master meter people. They break it down, and I'm  
25 the subpayer person.

26 I have a wife and family.

27 I want to say greetings. I can't remember  
28 everybody's name, your Honor, Jose, Stan, Jim. Thank

1 you for the service you provide. I want to say that to  
2 Cal Water.

3 I wrote some things on the board here. I  
4 believe these are factual things to the facts that I  
5 have. And November of '98 I was paying for a Ccf, that  
6 is the unit, I was paying .88290 per unit. And there  
7 was also a customer charge on my bill of \$9.26. In 2005  
8 the rates started going up.

9 Now, I'm not opposing the rate hikes. The  
10 rates started going up. And if one wants to review  
11 that, I believe those are factual figures. These are my  
12 rates and no one else's rates. I don't know how  
13 everybody else's rates are affected. My rate went up in  
14 2005 to the rate that is posted there, .919. It went up  
15 again in 2005 to 1.0092. It went up in 2006 to --  
16 excuse me. It didn't go up at first in 2006, but you  
17 will notice that my customer service charge dropped off.  
18 It had been going up 9.26, 10.10, 10.30. I think it  
19 dropped off to zero. That is why I pay no meter fee  
20 right now, no customer service fee right now.

21 My rates have continued to go up from 1.0092  
22 to 1.22330. Then to 33.09 in 2007, September of 2007.  
23 And then my rates currently and the current bill. When  
24 I get my bills, the rates are for a previous period, so  
25 the split months and the rate is now at 1.29440.

26 I pay a city water tax of 6 percent, and I pay  
27 a PUC water expense of 1.5 percent. My 1.5 percent was  
28 raised as of 7/15/07 from 1.4 percent to what it is

1 current, 1.5 percent. I did some math there. I took  
2 the figures from 2004, from September of 2004. I  
3 doubled it, and it came to be 1.7658 per unit, per Ccf.  
4 If I doubled what I was paying for the customer charge,  
5 9.26 came to be at the bottom 18.52, \$18.52.

6 I have this article in the paper based on what  
7 the new rates are. It appears to me that the new rate,  
8 which is proposed for 7/1/2010 will be 2.0084 per Ccf.  
9 And that the meter rate for what a person like myself  
10 might have will be 18.96 per month.

11 So I did some calculations. My math would be  
12 that I use about 19.75 on average Ccfs per month. So I  
13 just did some figuring here. And it came to be if I  
14 multiply 19.75, it came to be 39.6659. And then I added  
15 an 18.96, that came to be 58.6259. I did something else  
16 that is reported in there. The rates that are reported  
17 in here do not include the city water tax or the PUC  
18 water expense. They are not noted in this article. And  
19 I tacked on those two rates at .2075, came up with  
20 another .439, for a grand total of 63.028. So \$73.03 by  
21 2010. And that is if -- what it says here, it says here  
22 if this means that if inflation is greater than the  
23 assumed rate here, rates for fiscal year 2009, 2010,  
24 2011 may be higher than shown in this notice.

25 So I take it then my rate as a ratepayer  
26 indirectly in Salinas will be \$63.03 per month. I'm not  
27 in opposition to that. That is not why I'm here  
28 tonight. That is just an FYI. I believe there are

1 people here on average that use more water than me and  
2 some that use less.

3 I have four things that -- five things that I  
4 would like to just present briefly. One, on my  
5 statement that I get, I want to be factual here, I get a  
6 monthly statement. It says this, that there is utility  
7 discounts available, and this is to my knowledge, for  
8 gas and electric. And they are through a PG&E CARE  
9 plan. And there is also other plans that are available.

10 I would like to see a utility discount for all  
11 qualified ratepayers in the district. That is what I  
12 would like to see. The utility discount for all  
13 qualified. I believe that there are people that the  
14 rate increase would affect very dramatically. I don't  
15 know who these are. I could guess. So the utility  
16 discounts for all that qualify.

17 You know what? I'm a submetered ratepayer. I  
18 just came across this article by chance. That is true.  
19 I was standing with the newspapers, and I came across  
20 this article by chance. I wouldn't even know that there  
21 was a meeting here tonight.

22 I would propose that also submetered  
23 ratepayers are sent information in both Spanish and  
24 English, because we are in a bilingual community here to  
25 give a voice to the submetered ratepayers.

26 In the article it doesn't mention that it also  
27 affected the tax. It appears to me that the City of  
28 Salinas is getting over a 50 percent increase in the

1 revenue that will be generated. I'm not in opposition  
2 to that. But I believe that that information should be  
3 reported as factual, and that should also be known to  
4 all that there is other hidden increases that are going  
5 to be going on. So I believe that the tax rate should  
6 also be noted, and it should be plainly put forth, the  
7 additional amount of taxes.

8 I went to the meeting in 2005 I believe in  
9 January for the increase, that was the last increase. I  
10 don't believe the mayor of Salinas was there. And I  
11 look around tonight, I don't see the mayor of Salinas  
12 here tonight. I don't know if there is City of Salinas  
13 representative here tonight, is there?

14 UNIDENTIFIED SPEAKER: Yes, there is.

15 MR. SLOAN: Sir, I'm glad you are here.

16 The City of Salinas represents me. The  
17 mayor's office represents me as a voter here in the city  
18 of Salinas. So I would like that to be known. I would  
19 like to see the mayor here.

20 Water quality, at my in-law's house we don't  
21 drink the water supplied by Cal Water. At my house we  
22 don't drink the water supplied by Cal-Am. I'm not  
23 saying there is anything wrong with the water supplied  
24 by Cal-Am -- Cal Water, excuse me.

25 As a submeter person, I have two problems.  
26 The water goes to the master meter, and then somebody  
27 else takes over from the master meter to the submeter.  
28 I do not know what happens to my water from that point.

1 From the submeter, which is at my little pad that I rent  
2 to my house coming out of my tap. I don't know what  
3 happens to the water there either. Sad to say, my  
4 mobile home and the water system there has been class  
5 action lawsuits that have involved the piping of my  
6 home. And I've had to make some changes over the years,  
7 being that I have a family, I couldn't necessarily say I  
8 have pure drinking water. I do not want to say that I  
9 don't. I just don't know. It is too costly for me to  
10 really find out.

11 What would be my conclusion from all this?  
12 I'm kind of at the bottom of the totum pole, so to say,  
13 if I can use that cliché. I don't have very much of a  
14 voice to say. So I'm going to speak up tonight for  
15 those that don't seem to be here, people that don't know  
16 this meeting is going on for whatever reason, and those  
17 that maybe should be here that aren't, maybe some other  
18 representatives of the city.

19 There are people on fixed incomes, widows,  
20 orphans, whatever the case might be, that might need a  
21 little help here. So I want to say this: I recognize  
22 that there are cost increases. I'm thankful that there  
23 is a company that supplies that water. But just to my  
24 presentation, my FYI, please consider all the facts.  
25 And please let there be representation for all the  
26 ratepayers, direct or indirect. Thank you.

27 ALJ MC VICAR: Thank you, Mr. Sloan.

28 Next speak is Eric Petersen. Mr. Petersen, if

1 you would state your name, spell your name, and tell us  
2 what area you live.

3 STATEMENT OF MR. PETERSEN

4 MR. PETERSEN: Eric Petersen, P-e-t-e-r-s-e-n.

5 Good evening. Before I get into the substance  
6 of my comments, I would like to make a few comments  
7 about the location and date of this particular hearing.  
8 We are a short distant from a major community event, and  
9 that is I'm quite sure impacting our turnout. That is  
10 where the mayor probably is. He was there last year. I  
11 was there last year.

12 Also, this room is notorious for poor  
13 acoustics. And I don't know about availability of city  
14 council chambers, but I would think that would be a  
15 better location besides this great room.

16 And also the lack of publicity and the timing  
17 of this. The person told me about this meeting last  
18 night told me it was next week. I found out it was  
19 tonight at 5:30 this morning. Just because I happened  
20 to get on the Internet. There was a short article in  
21 the California, and the gentleman before me had the ad.  
22 It would be helpful for the community if you could  
23 reschedule this somehow, preferably not against one of  
24 the two parades we have a year, and preferably with more  
25 publicity.

26 Currently, as probably everybody in this room  
27 knows, we have a situation in Salinas where we have Cal  
28 Water haggling with Alco Water for prominence in our

1 growth area. Alco Water is known in the courtrooms for  
2 a number of reasons. The only reason Cal Water is  
3 perceived as providing good service is because Alco is  
4 so visibly bad.

5 Well, what we really need here in Salinas  
6 isn't an exorbitant 30 percent rate hike for everybody.  
7 What we really need is for Municipal Water District, for  
8 the city of Salinas to take over the water. That works  
9 quite well in other places. Felton is in process of  
10 taking their own water. Stockton is taking their water  
11 back. There is some strong movements on the Monterey  
12 Peninsula for that. San Francisco and Los Angeles both  
13 have municipal water. San Francisco and Los Angeles are  
14 both in the top 5 nationally for water quality. That is  
15 top 5 percent, that is top 5. I grew up on San  
16 Francisco water. I haven't had anything like that  
17 since. It is excellent.

18 New York City is another municipal system that  
19 is in the top 5. If anybody wants to try New York  
20 water, buy Aquafina.

21 If we have municipal water, we have a remedy,  
22 far better remedy when we get poor customer service. If  
23 we get a surly person on the telephone, anything. It  
24 would be a situation where the customers would  
25 ultimately be in charge through our elected  
26 representatives. It wouldn't be where you call up you  
27 get grumbled at. You can do like the gentleman before  
28 me. You can talk to the mayor. You can go down to city

1 hall and get your problem fixed there. The City of  
2 Salinas has quite a number of excellent city employees.  
3 We are lucky to have them. I would much rather deal  
4 with them than talk to somebody that makes me want to  
5 drill a well in my backyard.

6 So rather than reward Cal Water as an  
7 exorbitant 30 percent increase for poor customer  
8 service, what we really need to do is turn our water  
9 over to a responsive entity under our elected officials.  
10 Thank you.

11 ALJ MC VICAR: Thank you, Mr. Petersen.

12 The next speaker is Bill Carrothers. State  
13 your name, spell your name, tell us where you live,  
14 please.

15 STATEMENT OF MR. CARROTHERS

16 MR. CARROTHERS: Yes. Welcome PUC Commission. My  
17 name is Bill Carrothers. That is spelled  
18 C-a-r-r-o-t-h-e-r-s.

19 I live on Stone Street in Old Town Salinas.  
20 I'm a happy customer, Cal Water happy.

21 My comment is extremely brief. I see Cal  
22 Water has prepared some excellent explanatory materials  
23 over here at the desk. If they aren't there already,  
24 could copies be placed in the reference section at the  
25 library?

26 I'm a curious customer who is trying to learn  
27 more about the economics of the water business,  
28 particularly the future supply of the water from

1 Salinas. That is it.

2 ALJ MC VICAR: Thank you, Mr. Carrothers. I would  
3 ask you to speak to the company representative when we  
4 take a recess. That probably be can handled.

5 The next speaker is Tom Adcock. Mr. Adcock,  
6 if you would.

7 STATEMENT OF MR. ADCOCK

8 MR. ADCOCK: Your Honor, thank you for giving us  
9 the opportunity to come talk to you, as well as Cal  
10 Water service, DRA staff.

11 My name is Tom Adcock, A-d-c-o-c-k, 17 Alameda  
12 Place, Salinas, California. I'm a customer of  
13 California Water service.

14 I have a number of questions. I'll put them  
15 the best I can in comment form. It is my understanding  
16 that California Water Service has recently filed an  
17 application to add certain service areas to their  
18 current Salinas division service area. And in so doing,  
19 they made certain statements as to facilities that they  
20 would -- they need to add service to that future service  
21 area. I'm curious if any of the facilities that are  
22 requested in this rate case, the wells, the storage  
23 facilities, the other facilities are for future growth  
24 area and for areas that are either not in Cal Water  
25 service area currently or may possibly be in future  
26 service areas?

27 And the gist is are Salinas customers, current  
28 customers going to pay for facilities that are to serve

1 future customers as well, as opposed to current  
2 customers with the same facilities if there were no  
3 growth at all?

4 I have questions about the unaccounted-for  
5 water, percentage of water. I believe there was some  
6 statements about water conservation, water conservation  
7 rates as well as facilities that are necessary to serve  
8 customers if the unaccounted-for water that percentage  
9 could be dropped or eliminated, would those facilities  
10 still be necessary with the increase or portions thereof  
11 still be necessary?

12 Will California Water Service have to borrow  
13 any money to put in the improvements that they are  
14 suggesting? If so, have they already made an  
15 application for those borrowing? And if they do need to  
16 borrow, if they don't need to borrow, what would be the  
17 debt equity ratio? Is Cal Water a financially stable  
18 company that can take on more debt?

19 And a couple of comments about salaries which  
20 go again to rates. Obviously, any company, be it  
21 municipal, be it public agency, public utility, investor  
22 owned, has to pay salaries. Certainly everybody  
23 understands that. How do the salary and benefits  
24 compare with other entities, either public agencies or  
25 private companies as to salaries and benefits? And how  
26 do the current rates as well as future rates of  
27 California Water Service compared to other water service  
28 entities in the area, are they reasonable?

1           Those are my comments and questions. Thank  
2 you very much for the opportunity to present them.

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

4           Is there anybody else here this evening who  
5 has not signed up who would like to make a statement at  
6 this time?

7           (No response)

8           ALJ MC VICAR: All right. I'm going to turn the  
9 microphone then to Mr. Ferraro and get him to answer at  
10 least in summary form these questions as I've taken them  
11 down. They may not be exactly the way you stated them.  
12 At least we will get something on the record. Then I'll  
13 invite you afterwards to speak with Mr. Ferraro and his  
14 team to get the more detailed information that we really  
15 don't need on the record.

16           So the first question, I think, does Cal Water  
17 have plans to add to the Salinas area? If so, what  
18 would the effect be on rates for Salinas customers?

19           MR. FERARRO: I think Mr. Adcock asked if any of  
20 the facilities that we planned are associated with  
21 future growth, and are our existing customers paying for  
22 future growth. And the answer to that question is it is  
23 not exactly clear. And the reason it isn't clear is,  
24 and I'll explain, one is unlike most other water  
25 companies, California Water Service Company has a  
26 per-lot fee that it charges for all new development in  
27 lieu of a special facility's charge for the cost of  
28 putting in new wells, new supply to serve new customers.

1 As a result of that, all the fees that are received on a  
2 per-lot basis are considered contributions or actually  
3 advances that go to reduce the overall revenue  
4 requirement of the company. Then as facilities are  
5 needed, they are put in, and they proposed those  
6 facilities go to increased rates. But the two should be  
7 offsetting.

8 With respect to the application that we've  
9 made to increase our service area, none of the  
10 facilities that we have proposed in this application are  
11 for facilities for that new service area. So I hope  
12 that clarifies that.

13 Your Honor, I sort of listed some of those  
14 questions. Maybe I'll take a crack at them.

15 ALJ MC VICAR: Give it a shot.

16 MR. FERARRO: There was a question about water  
17 conservation, and unaccounted-for water, and how that  
18 may impact some of the facilities. The unaccounted-for  
19 water, we typically have a rate in our systems that is  
20 less than 8 percent of unaccounted-for water. I don't  
21 have a precise number in front of me for Salinas  
22 District, but I have no reason to believe it is far from  
23 that. It is usually less than that.

24 We found that for the most part the cost of  
25 reducing unaccounted-for water can actually be more  
26 expensive than for the savings that we actually receive.  
27 But we do monitor our unaccounted-for, and we do leak  
28 surveys from time to time.

1           We do -- as I mentioned, we are doing a number  
2 of conservation programs. We are proposing an increase  
3 in conservation funding. And that funding is done on a  
4 cost-effective basis so that the savings should offset  
5 over time, not financially, but over time the cost of  
6 the programs.

7           Question about finances and our debt. And  
8 there is -- there will be down the road a need to issue  
9 more debt and more equity. That is an ongoing thing  
10 that the company does. Right now we have no plans this  
11 year to do that, but we may be doing that next year.  
12 And we do need to file an application from time to time  
13 with the PUC. Typically we file for about a five-year  
14 period so that there is the ability to issue debt and  
15 equity during that five-year period as needed.

16           And we are financially stable. Our debt  
17 equity structure is probably about 54 to 55 percent  
18 equity with the remainder being debt. We have no  
19 difficulties attracting new capital.

20           Salaries, are they comparable? We have union  
21 employees, for the most part. And those union  
22 employees' salaries are negotiated with the union. In  
23 fact, we just finished negotiation. So they are market  
24 rates and comparable with other salaries. We have found  
25 while we don't have rates, salaries that are different  
26 from each district, we have salaries that are set for  
27 the entire company. So they can vary from district to  
28 district in terms of what other cities or other water

1 agencies are at for salaries in the immediate area. But  
2 in total throughout the state they are market rates.

3 I think that is all the questions I had from  
4 Mr. Adcock. I do have a couple of other comments on  
5 what some of the other representatives brought up.  
6 Mr. Sloan talked about do we have a discount program,  
7 and in fact we do. It is called LIRA, Low Income Rate  
8 Assistance. It is available to anybody that is low  
9 income. And we use the exact same criteria as Pacific  
10 Gas and Electric Company uses. In fact, we use a form  
11 that was developed by them. And any customer that would  
12 like just fills out that form and they qualify. Or all  
13 they need to do is show us that they are currently a  
14 low-income customer with the CARE program for PG&E, and  
15 they automatically qualify.

16 Unfortunately, it is not available to  
17 submetered customers because they are not our customers.  
18 We don't know who they are. We don't know their  
19 addresses, their names. So the program is only  
20 available to direct customers. Which brings us to the  
21 notice issue that Mr. Sloan brought up, and that is the  
22 same situation. We don't know who the submetered  
23 customers are. We do send out notices to all of our  
24 customers, so the master meter customer receives the  
25 notice. And I would think it would be incumbent upon  
26 the master meter customer to pass that on to the  
27 submetered customers, but we have no control of that.

28 And with respect to Mr. Carruthers' suggestion

1 of having copies of our material at the library. I  
2 think that is a great idea. We will be doing that.  
3 That is all I have so far.

4 ALJ MC VICAR: Thank you, Mr. Ferraro. Is there  
5 anybody else here who would like to speak who hasn't  
6 made a statement?

7 (No response)

8 ALJ MC VICAR: All right. I'm following the usual  
9 practice. I'm not going to adjourn until at least 8:00,  
10 in case anybody shows up. We are scheduled from 7:00 to  
11 10:00. If anybody shows up at 8:00, I'll make sure they  
12 have an opportunity to speak. We will take a recess  
13 until 8:00, or until somebody shows up that would like  
14 to make a statement, whichever comes first. So we are  
15 in recess.

16 (Recess taken)

17 ALJ MC VICAR: Please come to order.

18 I just checked, and there are no additional  
19 members of the public who would like to make a statement  
20 this evening. The time is now 3 minutes after 8:00.  
21 Thank you very much for attending. This hearing is  
22 adjourned.

23 (Whereupon, at the hour of 8:03 p.m.,  
24 this public participation hearing  
concluded.)

25 \* \* \* \* \*

26

27

28