Minutes from the Public Hearing

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CALIFORNIA WATER SERVICE COMPANY
216 N VALLEY OAKS DR
VISALIA CA 93292

Ad Number: **06528780**

In the Superior Court of the State of California in and for the County of Tulare

Certificate of Publication

STATE OF CALIFORNIA ss.
COUNTY OF TULARE

I, KAREN BAGBY, am over the age of 18 years old, a citizen of the United States and not a party to, or have an interest in this matter. I hereby certify that the VISALIA TIMES DELTA/TULARE ADVANCE REGISTE/EL SOL is a newspaper of general circulation within the provisions of the Government Code of the State of California, adjudicated a newspaper of general circulation on July 25, 2001 by Tulare County Superior Court Order No. 52-43225. I acknowledge that I am the principal clerk of said paper, which is printed and published in the City of Visalia, County of Tulare, State of California, and certify that the

PUBLIC NOTICE

of which a copy is annexed on the margin hereof, is a true printed copy as published in said newspaper on the following date(s):

OCTOBER 19, 2007

I certify under penalty of perjury that the foregoing is true and correct. Executed in Visalia, California, on OCTOBER 23, 2007

Karen Bagby
KAREN BAGBY

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

On July 1, 2007 California Water Service Company (Cal Water) filed Application 07-07-001 requesting rate increases in the VISALIA district of $3,651,907 or 28.4% in July 2008, $3,546,440 or 21.3% in July 2009, and $3,620,482 or 17.6% 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 upon request from your local Cal Water office and will also be provided at the hearings.

- Cal Water's capital improvement program will add $41 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.
- The Visalia District payroll is increasing due to the demands of new customers and water quality regulations.
- Cal Water's general operating costs including insurance and regulatory compliance have increased. These costs are allocated to the operating districts.
- Cal Water's costs for payroll in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration are increasing due to additional personnel.

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

Monthly Metered Service Charge		Rates Proposed in Cal Water's Application		
Meter Sizes	Present Rates	7/1/2008 Rates	7/1/2009 Rates	7/1/2010 Rates
5/8 x 3/4-inch	$6.06	$8.64	$10.48	$12.33
3/4-inch	$9.09	$12.96	$15.73	$18.50
1-inch	$13.19	$18.81	$22.82	$26.85
1 1/2-inch	$30.29	$43.20	$52.41	$61.65
2-inch	$39.27	$56.01	$67.94	$79.93
3-inch	$71.59	$102.06	$124.54	$146.50
4-inch	$102.68	$145.44	$177.65	$203.59
6-inch	$168.39	$240.16	$291.34	$342.73
8-inch	$256.70	$366.11	$444.14	$522.46
10-inch	$697.26	$993.92	$1,205.76	$1418.41
12-inch	$1,000.42	$1,426.06	$1,730.00	$2,035.11
14-inch	$1,354.21	$1,944.63	$2,359.09	$2,775.15
Quantity Charges (Per Ccf)				
Potable Water Tier I	$0.5593	$0.6718	$0.8153	$0.9591

Monthly Flat Rate Charge		Rates Proposed in Cal Water's Application		
Per Service Connection Per Month	Present Rates	7/1/2008 Rates	7/1/2009 Rates	7/1/2010 Rates
6,000 sq. ft. or less	$18.57	$21.28	$25.82	$30.37
6,001 to 10,000 sq. ft.	$22.63	$29.06	$35.25	$41.47
10,001 to 16,000 sq. ft.	$29.74	$39.91	$44.78	$52.69
16,001 to 23,000 sq. ft.	$35.85	$46.05	$55.85	$65.71
For each additional unit served from the same connection	$13.82	$17.75	$21.53	$25.33

The California Public Utilities Commission (CPUC) will hold a Public Participation Hearing (PPH) on the above application filing in Visalia, CA on Tuesday, November 13, 2007 at 7:00 pm, at the Visalia Convention Center – San Joaquin B, 303 E. Acequia Avenue, Visalia, CA 93291. 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 Visalia District have 5/8" x 3/4" meters. The average customer uses about 23 Ccf of water per month and would see their monthly water bill increase by $5.15 or 27.2% from $18.94 at present rates to $24.09 in mid-2008, of $5.16 or 21.4% to $29.25 in mid-2009, and of $5.14 or 17.6% to $34.39 in mid-2010.

For a flat rate service with premise size between 6,001 and 10,000 square feet, a monthly water bill would increase by $6.43 or 28.4% from $22.63 at present rates to $29.06 in mid-2008, by $6.19 or 21.3% to $35.25 in mid-2009, and by $6.22or 17.6% to $41.47 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 the recovery of a balance in the water supply balancing account of $49,372. To recover this amount Cal Water is proposing a surcharge of $0.003 per Ccf for metered customers and $0.09 per month for flat rate customers 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 $20,400. To recover this amount Cal Water is proposing a surcharge of $0.18 per customer per month for 12 months to amortize the balance.

CPUC Process

The CPUC's Division of Ratepayer Advocates (DRA) will review the Application and submit its independent analysis and recommendations in written reports for the CPUC's consideration. Once completed, the report is available to the public upon request, or by downloading from DRA's website. DRA consists of engineers, auditors, and other professional staff who represent the long-term interest of all utility ratepayers.

Evidentiary hearings will be held whereby parties of record will present their testimony and will be subject to cross-examination before the assigned Administrative Law Judge (ALJ). These evidentiary hearings are open to the public to attend and listen, but only parties of record participate in the actual evidentiary hearing. Parties at these hearings may offer proposals to the CPUC that differ from those proposed by Cal Water. After considering all proposals and evidence presented during these formal hearings, the ALJ will issue a draft proposed decision. In its final decision on this application the CPUC may adopt all or part of the ALJ's proposed decision.

Public Advisor's Office and Public Comment

If you would like to protest this filing or present your comments on the proposed application filing you may do so by contacting the CPUC's Public Advisor's Office at: CPUC, Public Advisor's Office, 505 Van Ness Avenue, San Francisco, CA 94102, or by email to public.advisor@cpuc.ca.gov. You may also call 866-849-8390 (toll free) or 415-703-2074.

If you are unable to attend the PPH, you may submit written comments to the Public Advisor at the address listed above. Please reference the application (A.07-07-001) when writing to the CPUC. All comments received are circulated to the assigned Commissioner and ALJ in this proceeding for review, and also serve as formal comments.

If you are attending the hearing, and need specialized accommodations please contact the CPUC's Public Advisor's Office at the phone number listed above at least 3-5 working days in advance of the hearing.

A copy of Cal Water's Application and further information may be obtained from the company's local offices by calling (559) 624-1600. You may also contact the company's headquarters at 1720 North First Street, San Jose, CA 95112-4598, or by calling (408) 367-8200.

CALIFORNIA WATER SERVICE COMPANY Publish: October 19, 2007 Ad#06528780

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SALINAS, CALIFORNIA, NOVEMBER 13, 2007 - 7:00 P.M.

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ADMINISTRATIVE LAW JUDGE MC VICAR: Please come to order.

This is the time and place set by the California Public Utilities Commission for the public participation hearing in Application 07-07-001, the application of Cal Water Service Company for general rate increases in various California districts. I'm Administrative Law Judge Jim McVicar.

We have just checked the room, and we have only one person who is not associated with either the staff or the company. And I've talked to that person, and at this point they don't want to make a statement. So we will be in recess until somebody shows up who would like to make a statement, or until 8:00. We are in recess.

(Recess taken)

ALJ MC VICAR: Please come to order.

As I indicated before, this is the public participation hearing for the California Water Service Company rate case with various districts in California, including the district we are in this evening, Visalia. And we had recessed earlier because we did not have any members of the public who would like to make a statement. We do now. There are three members of the public here, and one of those members has signed up.

Also, Mr. Smegal wants to describe on behalf

of the company the Urban Water Management Plan. So first thing, Mr. Smegal.

STATEMENT OF MR. SMEGAL

MR. SMEGAL: Thank you, your Honor.

Let's get this out of the way first. This is the official public meeting for the introduction of the California Water Service Company's 2007 Urban Water Management Plan, and I have copies of that document. It is a document that is required to be published by the company on an every five-year basis by the California Department of Water Resources. We actually do this in conjunction with our rate case application, so it is actually done more frequently than once every five years. I'm not the one that prepared it.

This is a meeting that is intended to possibly take public comments on this document. However, most of the time no one has seen the document until just now, so we don't really expect comments. We do accept written comments however also. I know the City and Water Conservation District have received an earlier copy and may want to make comments as well. But certainly as a member of the public you are welcome to take a copy and make further comments, if you like. I do have extra copies.

Let me also then talk about the rate increase that we've requested.

ALJ MC VICAR: Yes.

MR. SMEGAL: As Judge McVicar said, this is a

public hearing to take customer comments on the rate increase application Cal Water has made in the Visalia District. We have asked for a rate increase of 28.4 percent to go into effect next July, followed by 21.3 percent to go into effect July of 2009, and followed by 17.6 percent to go into effect in July 20, 2010.

This would affect the -- a typical residential customer that used about 2300 cubic-feet of water per month by approximately $5.15 a month in each of the years. So, in other words, your bill, if you are typical, I know many people have different usage patterns and that sort of thing. If you are typical, it will go up $5.15 next July. And go up another $5.15 the following July and so on the next July.

This is Cal Water's proposal. And we make a proposal to the Commission in July of -- we made this in July of 2007. The Commission has a staff which I assume will speak next, and they are charged with reviewing our application, making certain that all of the numbers that are in there are reasonable, that the ratepayers are charged reasonable rates based upon reasonable capital investments and reasonable level of expenses for this district as well as for our -- for general operations.

There is a couple of things driving a rate increase in this proceeding. I did want to mention that. The two big ones here in Visalia are a need for additional infrastructure. Between the time of the last

general rate case which was the 2004/2005 timeframe, and what we project for 2010 which is the end of this rate case cycle, we anticipate adding $41 million of plant in this district. That means investing $41 million in infrastructure.

Some of that certainly comes from developers. I do want to make it clear that it is the intention of the company to have the development pay its own way. It is not our interest to subsidize new development in Visalia, or the other way. We don't want development to subsidize existing customers. The idea is development pays exactly its costs. So part of that 41 million of infrastructure is paid for by developers.

The other thing that is going on in all of Cal Water's districts this year is this is the first opportunity we've had since 2004 to address our benefits costs. And Cal Water is a public utility that competes for employees for certified water operators against other entities throughout the state of California that also require the services of these types of employees. And so that will be cities, special districts, or counties, or even state would also require certified water operators and customer service professionals. The kinds of people that Cal Water employees. So we do try to offer a competitive benefits package. We have not changed the level of benefits since the last general rate case, but the cost for those benefits has increased.

So those are the two major drivers of the rate increase here in Visalia. We appreciate your comments. Happy to hear from you tonight. That is all I have.

ALJ MC VICAR: Thank you, Mr. Smegal.

The Commission also has an expert staff that will be looking at the basis for the company's increase. And we have a representative this evening of that staff, Jose Cabrera with the Commission's Division of Ratepayers Advocates. I'm going to ask Mr. Cabrera to describe a little bit what the staff does.

STATEMENT OF MR. CABRERA

MR. CABRERA: My name is Jose Cabrera. I do work for a quasi independent department at the PUC. We are not totally 100 percent independent, but we do have a separate budget, we do have a separate director and legal staff. So we are prepared to make an objective review of all the applications of a utility company. In this case we have a staff approximately 12 people on the team looking at different expenses, different categories of investments, plant, and equipment.

And around January we will issue a report making our own independent evaluation or recommendation on what we think their rate increase should be for this district. The report is public, and what we try to do is we are representing the customers. So our perspective is how can we accomplish their goals of providing the safe, reliable service, but at the same time minimizing the cost.

So we look at their forecast, we try to ascertain whether or not the forecasts are reasonably derived and the methodologies are reasonable. And if we disagree, we will issue a report with differing methods. And at one point we do have an opportunity to confer and talk and try to reach a settlement. If we cannot meet agreement, we go to hearings and the case is litigated. So that is just a summary of what we do.

Typically when a utility asks for an increase it is not what they get. So I'm noticing a lot of customers are panicking in these hearings. People are really -- it is very common that the ultimate increase is much different than what is proposed in the application.

If you have any questions, just ask me. I'll be here at least until 8:00.

MR. MARSCHALL: I missed the introduction. You are with the company?

MR. CABRARA: No. I'm with the California Public Utilities Commission, Division of Ratepayer Advocates.

ALJ MC VICAR: Thank you, Mr. Cabrera.

So as I indicated before, the Commission scheduled this hearing here to receive your comments on the proposed increase. Anybody who would like to make a statement this evening will be able to do so. I have a court reporter here who is making a verbatim transcript. She has got probably the toughest job in the room in doing that. So I would ask you when you do make a

statement that you identify yourself, give us your name, spell your name, and tell us whom you represent, and what area you have live in.

First speaker this evening who signed up is Larry Dotson. Mr. Dotson, would you come to the podium for us.

STATEMENT OF MR. DOTSON

MR. DOTSON: I signed up in regards to the groundwater Urban Water Management Plan, not the rate case. So my statements will only be prevalent to that.

ALJ MC VICAR: Be my guest. Please state your name, spell your name, and tell us who you represent.

MR. DOTSON: My name Larry Dotson, D-o-t-s-o-n. I'm from the city of Visalia. I reside here. I work for Daweah Delta Water Conservation District. Our organization is a water conservation district that focuses primarily on groundwater management, the resource below that Cal Water withdraws from for municipal purposes.

I would like to state we have reviewed the draft for the Water Management Plan and found some inconsistencies in it with regards to long-term water supply. We did recognize that the plan did address short-term supply as projected in the plan for a 20-year horizon period, but didn't look beyond that. Very simply, the plan details that there is a declining groundwater condition within the city of Visalia, their service area. Yet the plan itself did not address any

kind of replenishment of that. The district is interested in pursuing such discussions on a long-term basis for making sure what we call a practical rate of withdrawal is maintained. And there has been promises from Cal Water to do that in the future.

ALJ MC VICAR: Thank you. The next speaker is Leslie Cabiglia. I hope I've pronounced that correctly. State your name, spell your name, and tell us whom you represent.

STATEMENT OF MS. CABIGLIA

MS. CABIGLIA: I will. My name is Leslie Cabiglia, L-e-s-l-i-e, C-a-b-i-g-l-i-a. I'm the deputy city manager of the City of Visalia. We too are speaking primarily regarding the Urban Water Management Plan.

We appreciate Cal Water's offering us that plan early, so we were able to review it. We appreciate the opportunity to comment, to have our comments included in the plan.

We very much look forward to working with Cal Water on expanding that plan, as I believe they are going to do that in 2009. And to expanding it to include some of the steps that the City and Cal Water and the Kaweah Delta Water Conservation District and others have already taken to see what the impact is from the steps that we have taken.

But we are very interested in being very pro-active with regards to groundwater recharge, and to

making a difference in the long-term, as Larry Dotson from the Kaweah Delta Water Conservation District mentioned, to the long-term viability of our water table in this area. We understand the deficit that we are in, and we want to make a difference in that regard. So we are very interested in working with Cal Water on -- especially the part of the rate increase that reflects specifically to water conservation so that the impacts from those measures are truly measurable, and truly impactful in this community. And that they will make a difference, because we have a difference to make up. We understand that. We want to see what the difference we've already made will make. And we also want to make sure that the future differences, especially with the impact that this increase is proposed to make in the water conservation budget, will be truly impactful on this community and make a difference for long term.

So we look forward to working with Cal Water. We hope that there will be measures that that will ensure in the coming years. Thank you.

ALJ MC VICAR: Thank you very much.

The next speaker is Hank Marschall. Mr. Marschall, state your name, spell your name for the record, and tell us what area you live in.

STATEMENT OF MR. MARSCHALL

MR. MARSCHALL: Yes. Hello. Yes. My full name is Henry L. Marschall, spelled M-a-r-s-c-h-a-l-l.

I'm a resident of Oak Ranch, which is Visalia

in terms of post office, but not a whole lot else, except the schools. But we are not connected with the Visalia city government. We don't vote for people here in Visalia. And we are sort of an enclave out in the rural area northeast of town.

I have no complaint at all about the quality of the water we've been getting. The quality is excellent. I've seen the analyses are some of the best I've seen anywhere. And we never use bottled water at home.

But I'm coming here representing my family. We are senior citizens, my wife and myself. And what you are proposing is essentially a doubling of the rate from $28 to about $53 over a three-year period. And that is attributed to growth of the system, among other things, but a lot of it is growth of the system.

Well, in Oak Ranch we haven't seen any growth. We've had a total perhaps three new homes in the last five years. And so growth is not a problem. We have our own wells separate from the rest of the Cal Water system. They are Cal Water wells, but they are not part of the rest of the system. I don't think they are even connected to it.

So my objection to this doubling of the water rates is that we are not responsible for the growth of the rest of Visalia. We haven't been participating in it. We really feel the developers that have built this huge tracks out north, south, and west of town should be

the payers, not us.

Furthermore, we are senior citizens, and we see our Social Security rise by 2 or 3 percent a year. You are proposing 33 percent a year increases on the average. I don't think that is right. Thank you.

ALJ MC VICAR: Thank you very much.

Is there anybody else from the public who would like to speak this evening?

(No response)

ALJ MC VICAR: Okay. My practice is not to adjourn before 8:00. We are scheduled from 7:00 to 10:00. And these public participation hearings frequently have a very large number of people that might take us up to as close to 10:00. But I am inclined not to adjourn until at least 8:00 in case anybody shows up late.

So what I'm going to do now is take a recess until somebody else shows up who would like to speak, or until 8:00, whatever occurs last. So we are in recess.

(Recess taken)

ALJ MC VICAR: Please come to order.

It is now 8:00. No additional members of the public have appeared, and there is nobody remaining wishing to make a statement from the public.

I want to thank everybody for coming to this public participation hearing this evening. Your statements are on our record, and will be available to the Commissioners and the Administrative Law Judge

making the decision on the rate case.

Thank you very much for being here this evening. We have adjourned.

(Whereupon, at the hour of 8:00 p.m., this matter having been continued to 7:00 p.m., November 14, 2007, at Commerce, California, the Commission then adjourned.)

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