



# Administrative Report

DISCUSSION ITEM

**TO:** CITY COUNCIL

**FROM:** Jere Kersnar, City Manager

**DATE REPORT PREPARED:** February 5, 2007

**MEETING DATE:** February 13, 2007

**SUBJECT:** Rate Increase Proposed by Golden State Water for Ojai Customers

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## Recommendation

Receive verbal report from Golden State Water Company representative (expected to be Warren Morgan, Division Manager).

## Discussion

Staff has invited a representative of Golden State Water (GSW) to appear before the City Council at your February 13, 2007 meeting to discuss a recent rate increase application filed with the California State Public Utilities Commission (PUC).

As Council will recall, rates for GSW are set by the PUC, and the City receives notification only after an application for an increase is submitted by GSW. After the referenced application was accepted for filing on January 17, 2007, a deadline of February 8, 2007 was established under PUC rules for comments on the rate increase. Since there was not sufficient time to bring this item before the Council for your comments, staff filed the attached *protest letter* via e-mail to the PUC on February 6<sup>th</sup> (see Attachment A).

What makes this particular request unusual is the size of the increase sought: GSW is requesting an increase of approximately 45% on water usage charges. This rate increase would, if approved, increase GSW's revenues from their Ojai service area by approximately \$1.4 million annually.

Staff has completed an initial review of the requested rate, comparing costs for GSW customers to those in neighboring water agencies. As can be seen from the chart (included as Attachment B), for domestic users, assuming water consumption of 1500 cubic feet per month, the range of charges from other nearby agencies is from \$16.25 to \$36.70. By contrast, this rate request from GSW for Ojai customers would increase GSW's charges **from \$49.29 to \$71.95 per month** for

the same amount of water. Furthermore, based on anecdotal testimony, GSW would not score highly for water quality or system reliability.

Council may wish to question the GSW representative regarding this situation.

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Submitted by  
Jere Kersnar

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Approved for forwarding  
City Manager's Office

Attachments

- A – Email protesting rate increase
- B– Table with Survey of Water Rates from Nearby Water Districts

February 6, 2007

California Public Utilities Commission, Water Division  
505 Van Ness Avenue  
San Francisco, CA 94102

Re: Application No. 07-01-013

Commissioners:

On behalf of the City of Ojai, I write to **protest** the above-referenced application for a rate increase filed by the Golden State Water Company (GSW) for their Ojai Service Area. GSW is requesting a revenue increase of 43.95% for 2008, an outrageous increase and one that would put GSW's rates at about double the rates charged by neighboring water agencies.

The City of Ojai has only recently received our copy of the rate application in question, and the Commission's rules require protests to be submitted within 20 days of filing of the application, that is, by February 8, 2007. That tight time frame precludes our ability to perform a detailed analysis of the rate increase request, but we believe the Commission should deny the request, and require further justification(s) for the requested revenue increases.

In the limited time available, City staff have been able to conduct a survey of neighboring water agencies; the survey results are attached. It should be emphasized that the neighboring agencies have similar--in some cases nearly identical--systems to GSW's Ojai system. Yet, in every case, the quantity charges and the services charges of neighboring systems are significantly lower than those proposed by GSW. In fact, GSW's rates are already the highest in the region, and the increase would make a bad situation even worse.

Based on this analysis, we believe the Commission should require additional information from GSW before granting the rate request. Specifically, we believe the Commission should require the following of GSW:

1. Justify the proposed quantity charges--GSW has proposed a quantity charge that would result in a monthly rate of \$71.95 for 1500 cu. ft. used by a residential customer, as an example. The rates charged by neighboring agencies range from \$16.25 to \$36.70 (or even less) for the same quantity of water. All agencies are paying the same power rates as GSW, and many are drawing water from the same aquifer system as GSW, but their rates are less than half those proposed. How can GSW justify so much higher costs of producing water than their neighbors?
2. Justify the proposed service charges--For a 1" residential meter, for example, GSW is proposing a monthly service charge of \$70. Neighboring agencies are charging in the range of \$15-30 for the same readiness-to-serve charge. To our knowledge, GSW faces no higher costs of providing for long-term water supply than any of their neighbors, so why should their service charge be more than double?

It defies belief that GSW's costs are so high relative to their neighbors so as to warrant the requested increases. If, alternatively, GSW's costs really are that high, the Commission (or anyone) would be justified in questioning the effectiveness of GSW's financial management and the efficiency of GSW's management of the system.

The City of Ojai currently pays approximately \$53,200 annually to GSW for water to serve City facilities, including parks. The proposed rate increase would increase the City of Ojai's annual costs by \$23,400, or 44%; this additional cost would have to be borne by the City's taxpayers, and might result in a decline in City services. Although we can't speak directly to the impacts on GSW's other customers, most of them are City of Ojai residents. An increase of the magnitude sought by GSW would undoubtedly create a significant hardship for our residents, particularly those on fixed incomes, of which there are many.

If we had time to further analyze the proposed rate increase, we are confident we could expand upon and elaborate our objections. For example, public complaints testify to the perceived lack of water quality from the GWS system, but we have not had adequate time to analyze water quality data. Further, a full analysis of the rate increase, to augment the Commission's own analysis, would require financial expertise we have not had time to acquire. We trust that, should additional time be granted to review the request, we would have the opportunity to augment our protest.

We understand that GSW is required, under PUC regulations, to respond directly to this official protest within five days. We look forward to reviewing that response, and request that the Commission do likewise. If that response is inadequate, and we do not believe that GSW could formulate an adequate response, we respectfully request that the California Public Utilities Commission **deny Application No. 07-01-013.**

Thank you for your consideration.

Jere Kersnar  
City Manager  
City of Ojai  
805-646-5581, X102

Residential Water Rates  
Phone Survey 2/5/07

Agency	Rate	Example	Notes	Contact	Phone
Golden State Water Co. (Current)	\$1.884 per unit for 1-5 units, \$2.032 for 6-15 units, \$2.147 per unit over 17 plus service charge \$19.55 (Dec.'06)	\$49.29/mo. for 1500 cu. ft.			1-800-999-4033
Golden State (Proposed)	\$2.787 per unit for 1-5 units, \$3.001 for 6-15 units, \$2.147 per unit over 17 plus service charge \$28.00 for 5/8"	\$71.95/mo. for 1500 cu. ft.	Service charge for 3/4"=\$42.00, for 1"=\$70.00  (46% increase for 5/8")		1-800-999-4033
Casitas MWD	\$1.127 per unit for 1-10 units, \$1.628 for 11-17 units, \$2.147 per unit over 17 plus service charge \$15.30	\$34.71/mo. for 1500 cu. ft.	Rate info rec'd.	Ron Merckling	649-2251
Ventura River CWD	\$0.99 per unit for 1-10 units, \$1.27 for 11-17 units, \$1.53 per unit over 17 (\$14.17 minimum rate) 1 unit=100 cu. Ft.	\$16.25 for 1500 cu. ft.	Rate info rec'd.		646-3403
Meiners Oaks CWD	\$18.00/mo (1500 cu. ft.)	\$18.00/mo. for 1500 cu. ft.	Rate info rec'd.		646-2114
Senior Canyon MWD	\$60 per mo./750 units (unit=748 gal.) free, \$1.46 per unit for next 750 units, over 1500 units \$1.65/unit	\$60/mo. for 75,000 cu. ft	Managed by Jacobs and Jacobs, Rate info rec'd.	Larry Catlett, Manager 798-0267	646-4321
Siete Robles MWD	\$60 per mo./750 units (unit=748 gal.) free.	\$60/mo. for 75,000 cu. ft	Managed by Jacobs and Jacobs, Rate info rec'd.	Dave Morgan or Ken Williams	646-4321
City of Ventura	\$1.67 per unit for 1-16 units, \$2.20 for 17-42 units, plus service charge \$10.22	\$35.27/mo. for 1500 cu. ft.	Rate info rec'd.	Lisa Kern	667-6500
County of Ventura #1 (Moorpark)	\$1.48 per unit for 0-42 units, plus service charge \$14.50	\$36.70/mo. for 1500 cu. ft.	Rate info rec'd. County services Somis, Moorpark, Bell Cyn, Piru	Valerie	584-4831

