

Informal Notes by Participant in CS Water Co – PUC Rate Increase Meeting Tuesday, May 29, 2012

These notes are a personal summary of some of the presentation and answers to questions at the meeting convened by a representative of the California Public Utilities Commission in connection with an application by Cold Springs Water Company for a rate increase.

The meeting was handled informally. Pete Kerns, representing the water company, made a presentation and answered lots of questions with help from Jeff Kerns and Sandra Tucker. Dave Falk, the water company's 'outside person' was introduced as well. The water company's consultant - Fred and Kay - were acknowledged and later participated at length in support of the company's application.

The hearing person - Michael - fielded questions, more or less directed the meeting, and said that a draft rate increase resolution would be forthcoming from him in the middle of August. All persons who wrote letters and/or who signed-in to the meeting would be sent the draft resolution. All customers would be entitled to comment on it. He noted that changes might be made to the draft resolution based on comments made. Then the draft resolution is sent to the Commissioners' staff for eventual adoption by the Commission itself. The meeting lasted a bit under two hours.

Mr. Kerns said that the company will have 2012 revenues (forecast from Jan-May period) \$31k less than 2009. Revenues have fallen since CS has become 100% metered. CS is a Class C water company (over 500 connections); a Class D has less than 500 connections. There are 528 connections (CS and Peter Pam) with 62 connections serving residences occupied full time. Pete expressed concern that the company has few cash reserves and faces an aging infrastructure (the company opened for business in 1955). There was general support among those attending the meeting for the company having adequate revenues and reserves to maintain "safe and reliable" (key words apparently) operations.

There was some back-and-forth discussion between participants and the water company about water conservation and the impact of "rate structure" on water usage. The idea being that the higher the "fixed-rate" and the lower the consumption rate (water use charges) the less incentive customers have to conserve water. (Someone recalled the days before meters in Cold Springs when some cabin owners simply "*watered the forest*".) One customer pointed out that the data contained in the CS Water application shows their revenues increased during the last three years (\$197,000 in 2009, to \$243,000 in 2011). The company and their consultant demurred and focused instead on their projection for this year of \$31K lower revenues.

The customer expressed concern that the proposed change to the rate *structure* (the mix of revenues from fixed-rate going up by 80% or so and water-use charges going down) has the likelihood of creating much higher water use. He noted the CS Water document filed with the PUC in support of the rate increase application shows that total water pumped dropped almost in half from 2009 to 2010 which the company's representative said was the result of the current rate structure; that is, after all customers had meters installed.

The customer said the proposed rate structure change (89% of revenues from fixed or ready-to-serve, and 11% from variable or water-use charges) is going too far back, close to the 100% fixed (flat rate) revenues as the years before any meters were installed, and so could cause the community to go back to the double water consumption of just 3 years ago (2009).

The general approach taken by the consultants in developing the rate application for the water company was to aggregate substantially all of the fixed costs (labor and chemicals) and divide that by the number of connections to get the fixed monthly charge. The variable costs - primarily electricity - are more or less assigned to the consumption rate. This approach yields a large increase in fixed charges (and reliable revenue to the company) and a less consumption rate. This approach (revenues heavily dependent on the fixed or stand-by or ready-to-serve charge is permitted for small (Class D) companies and reflects PUC policy.

Class C companies (the next larger size water company in terms of water connections) are expected to recover two-thirds or more of fixed costs through the fixed monthly charge and the balance through the consumption charge. The water company, the consultant to the water company, and the PUC/hearing officer are concerned that the viability of the Company is compromised if they do not have adequate 'guaranteed' revenues to sustain short and long term operations.

The PUC hearing officer suggested quite clearly that he would be assessing whether or not the proposed fixed rate increase could be modified downward a bit. It seems clear from his comments however that the company will be granted a combination of rates (fixed and consumption based) that will generate the revenues sought by them.

Mr. Kerns expressed a willingness to be more open / transparent in the company's operations and acknowledged that if they had been so earlier there would be less fuss now. He would like to offer 'tours' of the facilities (he's done this in the past) and will consider a newsletter to customers. He is (or representative/s is) open to coming to the CSPOA annual meeting. I emphasized written materials over a stand-alone oral presentation; a written report would provide a better history and reference.

Drawn from the notes of Jason Reed & Mark Van Hoomissen
