

H2-uh-oh

Golden State Water's proposed rate adjustment would raise Orcutt-area water bills 28 percent by 2012

BY JEREMY THOMAS

If Golden State Water Company's proposed rate increase is approved as written, about 13,000 customers in Orcutt and nearby communities will pay almost 30 percent more on their water bills beginning in 2011.

The company filed the rate application with the California Public Utilities Commission on Jan. 13. It would raise prices 25.2 percent in the Santa Maria Customer Service Area beginning Jan. 1 of 2011 and bump them an additional 3 percent higher in 2012.

Golden State Water's Coastal District Manager Ken Petersen, who oversees the area, said the increase is necessary to cover the rising costs of well maintenance and improvements to the water delivery system.

"We are replacing infrastructure, and it's one of those things that all of our country is facing as we age," Petersen said. "We need to put money back into a system that we put in place 50 years ago, and we have not accumulated enough expense from the rates to cover that cost."

The company has spent more than \$10 million on improvements to the water system in the Santa Maria area since 2000, replacing 8,000 feet of old, leaky pipelines in Old Orcutt and Sisquoc, he said.

The area is one of seven in which the company plans to raise rates; others include Los Osos, Simi Valley, Arden Cordova, Ojai, Bay Point, and Clearlake.

Golden State Water Company officials estimate water sales will drop 6 percent in Santa Maria from 2010 to 2011. To maintain its current rate of return, the company needs a total revenue increase of \$2.35 million in 2011 and \$213,000 in 2012.

Petersen said the revenue requirement would be reflected by an \$11.55 increase in the average residential customer's monthly water bill.

The price hike doesn't sit well with Don Ward, a member of the Orcutt Area Advisory Group's board of directors and chairman of the group's water committee.

Since 1992, Ward has successfully battled Golden State Water Company in its efforts to bring state water to Orcutt and intervened when the company proposed a 36 percent rate hike for the Santa Maria Customer Service Area in 2007.

With the state of the economy being what it is, Ward said, the company should consider alternative cost-cutting measures before raising rates.

"Give me another corporation that has a guaranteed profit of almost nine percent," he said. "All of these people out here are really suffering with a recession almost as bad as the Great Depression, and to these guys it's business as usual. It's a load of crap."

According to Rami Kahlon, director of the California Public Utilities Commission's Division of Water and Audits, utilities are entitled to recover the costs of providing service, plus earn a return on their investment. Kahlon explained via e-mail that when a utility proposes a capital improvement project—such as replacing water mains, a storage tank, or a pump house—the costs are included in the ratebase adjustment.

According to Kahlon, utilities typically receive about a 10 percent rate of return. The allowable rate of return for Golden State Water is regulated by the California Public Utilities Commission, which set the amount at 8.9 percent for multi-district water companies in May 2009.

In an e-mail, Golden State Water Company Community Education Manager John Dewey said the profit margin isn't guaranteed. The company uses the revenue to pay off interest on debt, re-invest in water infrastructure, and pay dividends to its shareholders, he said.

Normally, the company submits applications for rate changes every three years. However, the commission will allow the company to return with another rate change proposal in two years, in order to synchronize Santa Maria and other districts with the rest of the company's service areas in the state.

The company operates five water systems within the Santa Maria service area: Orcutt, Nipomo, Lake Marie, Sisquoc, and Tanglewood. The majority of its customers are in Orcutt, where it's the only water service provider. Only 810 Golden State Water Company customers live in Santa Maria's city limits.

The company currently serves about 1,480 residents in Nipomo. Petersen said customers shouldn't expect any additional changes to rates when plans are finalized to build a water pipeline from Santa Maria to Nipomo.

"We would not be part of the rate increase for [the pipeline]," Petersen said. "The homeowners there would be paying into the assessment district for the county. That's what the vision is, anyway."

California Public Utilities Commission spokesman Christopher Chow said Commissioner John Bohn and Administrative Law Judge Douglas Long are collaborating to craft a scoping memo outlining the rate changes. Chow said the memo could take several months to complete.

The next step for the commission will be setting a public participation hearing, but where and when such a meeting will be held is yet to be determined. If the commission gets enough calls for a local hearing from residents, Chow said, the meeting would be held in Santa Maria.

Golden State Water Company's Petersen said he expects the commission to decide on a date and location for a hearing by late spring.

In the meantime, Orcutt's Ward is in the process of gathering signatures and wrangling support for bringing the hearing here.

Beyond that, Ward said, there's not much else customers can do except back Division Ratepayers Advocacy representative Victor Chan in negotiations regarding the rate increase.

"It just puts us through all kinds of hate and unrest until they get to the point where they come down to something reasonable," Ward said. "They're raising prices on something you can't live without."

Staff Writer Jeremy Thomas can be contacted at jthomas@santamariasun.com.