

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA



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ADMINISTRATIVE LAW JUDGE KARL J. BEMESDERFER, presiding

Application for Order Authorizing
California-American Water Company
(U-210-W) to Purchase Bellflower
Municipal Water System's Assets and
for Related Approvals.

) PUBLIC
) PARTICIPATION
) HEARING
)
)
)
) Application
) 18-09-013
)
)

REPORTER'S TRANSCRIPT
Bellflower, California
May 29, 2019
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Reported by: Andrea Ross, CSR No. 7896

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1 BELLFLOWER, CALIFORNIA
2 MAY 29, 2019 - 7:00 P.M.

3 * * * * *

4 ADMINISTRATIVE LAW JUDGE BEMESDERFER:
5 We will go on the record at this point. Good
6 evening. This is a Public Participation
7 Hearing on behalf of the California Public
8 Utilities Commission in Application
9 18-09-013, which is the Application for an
10 Order Authorizing the Sale of the Bellflower
11 Municipal Water System to California American
12 Water Company.

13 I'm Administrative Law Judge Karl
14 Bemederfer. I'm the presiding officer in
15 this proceeding. The assigned commissioner
16 is Commissioner Clifford Rechtschaffen. The
17 purpose of a Public Participation Hearing
18 like this is to hear from the affected
19 members of the public.

20 As you see to my left, there is a
21 court reporter present. Tonight's proceeding
22 will be transcribed and that transcript will
23 become part of the record of this proceeding.
24 Next week on June 3rd, there will be an
25 evidentiary hearing held in San Francisco at
26 which point expert witnesses for the City,
27 the water company, and the California Public
28 Utilities Commission's Public Advocates

1 Office will present arguments regarding
2 issues in this case.

3 This case began when the City in
4 2015 determined that it was in the interests
5 of the City to sell the water system to a
6 larger private water company. The City
7 solicited bids from 15 potential buyers,
8 received bids from four of them, and then
9 eventually entered into an agreement with
10 Cal-Am for the sale of the water system.

11 The Cal-Am agreement was protested
12 by the Commission's office of the Public
13 Advocate. Basically the Public Advocate
14 raised a number of issues, but the basic
15 issues were whether the purchase price was
16 excessive and, second, how the purchase price
17 should be accounted for on the books of the
18 acquiring company, assuming the acquisition
19 goes through.

20 A number of people other than
21 representatives of the public are here
22 tonight. I believe we have representatives
23 from Cal-Am. If we do, could you raise your
24 hand, please. Thank you very much. You're
25 out in force, I see.

26 (Telephonic interruption.)

27 ALJ BEMESDERFER: Let that serve as a
28 reminder to turn off your cell phones. We

1 also have a representative of the Public
2 Advocates Office. I believe we also have a
3 representative of the City of Bellflower. So
4 before we hear from members of the public,
5 I'm going to call on each of those parties to
6 make a brief statement starting with the City
7 of Bellflower.

8 If you wouldn't mind, please come up
9 to the podium, identify yourself for the
10 benefit of the record and the reporter, and
11 welcome to this evening's hearing.

12 STATEMENT OF SPEAKER JORECKI

13 Good evening, your Honor. Thank
14 you very much for allowing me to speak this
15 evening briefly. My name is Leonard Jorecki.
16 I am the Assistant City Manager as well as
17 the Director of Public Works for the City of
18 Bellflower.

19 ALJ BEMESDERFER: Let me interrupt you
20 for a second.

21 Can everyone hear him?

22 UNIDENTIFIED SPEAKER: No.

23 UNIDENTIFIED SPEAKER: Barely.

24 UNIDENTIFIED SPEAKER: No.

25 SPEAKER JORECKI: I've never heard that
26 before.

27 ALJ BEMESDERFER: You might want to --

28 SPEAKER JORECKI: Is that better?

1 ALJ BEMESDERFER: Yes, now it's better.
2 Go ahead, please.

3 SPEAKER JORECKI: Just briefly, the
4 history of the ownership of the system. Back
5 in 1999 Peerless Water Company was one of
6 four systems here in the City of Bellflower.
7 They had attempted to merge with Southern
8 California Water Company.

9 In 2011 the California Public
10 Utilities Commission had a decision to stop
11 this merger mainly due to the fact that they
12 were looking for a 60 percent rate increase
13 as well as unnecessary capital expenditures.

14 Peerless spent the next several
15 years attempting to sell the system to local
16 water purveyors, but essentially there was no
17 takers due to the system's poor condition and
18 the high asking price that the Peerless owner
19 was asking.

20 With heavy public input over the
21 next couple of years from the community, the
22 city council felt the public interest would
23 be best served if the City acquired this
24 system. In 2007 the City acquired the
25 Peerless system in the course of eminent
26 domain condemnation proceedings.

27 In that time since the City has
28 owned it, the water system, a number of

1 infrastructure improvements have been made.
2 We've developed a high-capacity well. We've
3 done several interconnections with
4 neighboring water systems. There's been
5 several main and water meter replacements.
6 And then we had to decommission several wells
7 that were owned by the Peerless system that
8 were deemed unusable by the Public Health
9 Department.

10 With these improvements, the
11 realistic long-term ownership of the system
12 just simply was not enough for the City. Any
13 past rate increases were met with heavy
14 public opposition and the Municipal Water
15 System customers actually saw rate reductions
16 in 2012 and 2013. Rates have remained stable
17 since that time, 2013.

18 As it relates to the sale of the
19 water system, over the course of 2014 as well
20 as 2015, the City's appointed Municipal Water
21 Commission had several conversations about
22 effectively how to move forward with the
23 water system. Ultimately after a number of
24 discussions on whether or not to sell the
25 system, the water Commission members
26 recommended to the city council that the
27 system should be sold to a qualified water
28 purveyor.

1 The city council heard this
2 recommendation in the spring of 2016, and
3 then following up in May of 2016 the city
4 council approved an RFP, which was
5 distributed out to 14 interested parties.
6 The City received four bids from this
7 proposal.

8 After receiving the four bids, we
9 worked through a public hearing process.
10 Three public hearings were held, one in June
11 as well as two in July. The results of the
12 public hearing and the bids ended up creating
13 a measure that was put on the ballot for the
14 City in 2016. At that election the sale of
15 the water system was approved by the
16 Bellflower community at 54 percent.

17 In closing, the City proceeded with
18 the sale of the water system in a transparent
19 manner and followed Election Code as well as
20 Public Utility Code requirements.
21 Discussions to sell the system spanned almost
22 approximately two years from public meetings
23 that included Water Commission to regular
24 city council meetings, and then finally with
25 the three formal public hearings.

26 Cal PA has made a couple different
27 attempts to smear the City in its process in
28 their documents that they've submitted so

1 far, which we consider to be unfounded and
2 inaccurate. Bellflower residents believe the
3 sale will benefit this community, as you can
4 see by the election results, and the stewards
5 of the Municipal Water System, the City
6 believes Cal-Am is the best qualified company
7 that can continue to provide equal or better
8 service on just and reasonable terms to
9 Municipal Water System customers. With that,
10 I thank you for allowing me to speak briefly
11 for this.

12 ALJ BEMESDERFER: Thank you very much.

13 I'd like to hear from Cal PA next in
14 order.

15 STATEMENT OF SPEAKER RAUSCHMEIER

16 Good evening, your Honor, members
17 of the public. My name is Richard
18 Rauschmeier. I'm the Oversight Supervisor in
19 this proceeding for the Commission's Public
20 Advocates Office. For those who don't know,
21 the Public Advocate is an independent office
22 within the Commission that is mandated by the
23 California legislature to represent the
24 interests of utility ratepayers in
25 proceedings before the Commission.

26 Our staff is comprised of
27 engineers, accountants, rate analysts, and
28 attorneys that examine utility proposals and

1 provide recommendations to the Commission on
2 behalf of utility ratepayers. I am joined
3 this evening by one of our senior analysts in
4 the proceeding, Ms. Eileen Odell. Both
5 Eileen and I will be available following the
6 conclusion of this evening's hearing to
7 answer any questions and provide greater
8 detail regarding our position in this
9 proceeding.

10 The regulatory framework in which
11 we analyze utility proposals is called Rate
12 of Return Regulation. This means that the
13 rates customers pay for utility service
14 incorporate a return, or a shareholder
15 profit, on every dollar of reasonable capital
16 spending made by the investors of the
17 utility.

18 This is a framework that can
19 provide significant public benefit since it
20 promotes investment in necessary
21 infrastructure. However, this framework can
22 also create a financial incentive to
23 overspend since the shareholder profit that
24 is incorporated into customer rates is a
25 direct function of the amount of capital
26 spent, which is exactly why the Public
27 Advocates Office works to ensure that
28 utilities proposals are necessary and in the

1 public interest.

2 In this proceeding the Public
3 Advocates has recommended that the Commission
4 not approve the acquisition of the Bellflower
5 system at the amounts that have been
6 proposed. Our staff has produced testimony
7 and supporting exhibits totalling more than
8 400 pages to demonstrate that the amounts
9 proposed are unreasonable and should not be
10 collected by increasing the rates of Cal-Am's
11 customers throughout the state.

12 I do understand that this may be an
13 unpopular position here in Bellflower, but
14 hopefully you can all appreciate and perhaps
15 even see yourselves in the future on the
16 other side of a transaction like this faced
17 with the prospect of paying whatever amount a
18 private utility may agree to and the
19 potential precedent that no one, not even the
20 Public Utilities Commission, can challenge
21 the reasonableness of that amount.

22 With that, I appreciate everyone's
23 attention and being here and I look forward
24 to your comments.

25 ALJ BEMESDERFER: Thank you very much.

26 Let's hear from Cal-Am.

27 STATEMENT OF SPEAKER BARRETO

28 Good evening, your Honor. My name

1 is Brian Barreto and I serve as the Southern
2 California External Affairs Manager at
3 California American Water. I'd like to
4 welcome everyone who has taken time out of
5 their busy schedule to attend this hearing
6 and participate in the regulatory process.

7 I would also like to thank the
8 representatives from the California Public
9 Utilities Commission who have come to hear
10 from the City of Bellflower Municipal
11 customers and our customers.

12 As you mentioned, your Honor, there
13 are several other members of our staff
14 present this evening who are available to
15 respond to questions and provide information
16 during this hearing. California American
17 Water has a strong legacy and presence in the
18 Los Angeles region where we have provided
19 water service for over 50 years.

20 We provide water service to the
21 cities of Bradbury, Duarte, San Marino, and
22 portions of El Monte, Irwindale, Monrovia,
23 Rosemead, San Gabriel, and Temple City, as
24 well as unincorporated portions of Los
25 Angeles County and the Baldwin Hills area.
26 The Bellflower Municipal Water System serves
27 approximately 10 percent of the City's
28 residents, or about 1,825 households.

1 The remainder of the City's
2 residents are served by other water providers
3 and their service and their rates would not
4 be impacted by this sale. The City arrived
5 at the decision to sell the water system
6 after a lengthy review by a citizens
7 committee.

8 In May of 2016, the city council
9 approved a request for proposals to purchase
10 the Municipal Water System. The City sent 14
11 potential interested parties copies of the
12 RFP. The City of Bellflower received four
13 proposals in response to the RFP from Golden
14 State Water Company, California Water
15 Service, Park Water - Liberty Utilities, and
16 California American Water, with California
17 American Water being selected to negotiate a
18 contract with the City of Bellflower.

19 In 2016 the Bellflower City Council
20 posted public hearings and a measure was
21 placed on the ballot for the November 2016
22 election. On November 8, 2016, the residents
23 of Bellflower approved the sale of the City's
24 water system by 55 percent of the votes.

25 Following the City's analysis of
26 competitive bids, the decision to select
27 California American Water's proposal was
28 based on our ability to keep rates

1 competitive, maintain customer service and
2 water quality at equal or higher standards,
3 and our commitment to invest in the water
4 system to ensure its viability in the future.

5 The negotiated purchase price for
6 the Municipal Water System, including
7 significant water rights, is \$17 million,
8 which we paid to the City at the close of the
9 sale. In November of 2017, California
10 American Water's purchase contract was
11 unanimously approved by the Bellflower City
12 Council.

13 On September 24, 2018, California
14 American Water submitted Application
15 18-09-013 to the Commission. The application
16 requests that the Commission review our
17 purchase of the Bellflower Municipal Water
18 System and authorize California American
19 Water to serve Bellflower's Municipal
20 customers.

21 All Californians have a right to
22 safe, clean, affordable, and accessible
23 water. Disadvantaged communities in
24 particular often struggle to provide an
25 adequate supply of safe, affordable, drinking
26 water. The reasons for this are numerous;
27 changes in drinking water quality standards,
28 pollution, aging infrastructure, lack of

1 funding for basic infrastructure, lack of
2 funding for ongoing operation and maintenance
3 and unreliable supplies resulting in service
4 interruptions. The State Water Action Plan
5 and Senate Bill 88 signed by the governor in
6 2015 both encouraged the consolidation and
7 operation of small, struggling water systems
8 with large water systems.

9 The sale of the Bellflower
10 Municipal Water System will relieve the City
11 of having to provide water service to only a
12 small portion of its residents and would
13 allow the City to pay off debts and make
14 needed infrastructure investments, including
15 parks and recreational improvements.

16 Based on our purchase agreement,
17 there will be no rate increase to the
18 Bellflower Municipal Water customers until
19 2021 when our next General Rate Case is
20 approved by the California Public Utilities
21 Commission. If this application is approved,
22 it will result in an approximate bill
23 increase of 1.3 percent associated with the
24 inclusion of the required Commission
25 surcharge.

26 For a typical residential
27 Bellflower customer with a bill of \$56.49,
28 this would amount to a \$0.74 monthly

1 increase. California American Water expects
2 to file its next applications for years 2021
3 through 2023 in July of '19 with bill changes
4 to take effect in 2021.

5 California American Water is
6 proposing Bellflower Municipal Water
7 customers be consolidated into its Los
8 Angeles County District for operational
9 purchases. Based on very early and initial
10 calculations associated with our upcoming
11 General Rate Case application, we anticipate
12 a modest rate adjustment to the Bellflower
13 Municipal customers, our Los Angeles County
14 and Southern California customers.

15 Our acquisition of the City's
16 Municipal Water System will provide its
17 customers with access to long-term, reliable
18 water supply and needed service improvements.
19 In addition, current Bellflower Municipal
20 Water customers will benefit from our robust
21 water conservation rebates, free water saving
22 devices, our customer service center, and our
23 web self-service operation, My Account.

24 We also have more payment options,
25 longer customer service hours, and more tools
26 available online. Most important, we have a
27 program for low-income customers. When that
28 is paired with our extensive conservation

1 programs, we can help reduce bills for
2 disadvantaged customers by a large margin.
3 We are happy to be here. We look forward to
4 serving our new Bellflower customers and
5 ensuring that the water quality meets or
6 surpasses state and federal standards.

7 My colleagues and I are available
8 to answer any questions that you may have
9 this evening. Thank you very much

10 ALJ BEMESDERFER: Thank you very much.

11 I have received notice that five
12 members of the public would like to speak.
13 I'll call you up in order. If there's anyone
14 who has not filled out a speaker sheet and
15 would like to do so, please go back into the
16 hall and sign up with the representatives of
17 the Public Advisors Office who are out there.

18 Our first speaker this evening is
19 John Fasana.

20 STATEMENT OF SPEAKER FASANA

21 Good evening, your Honor. I'm John
22 Fasana. I'm a council member in the City of
23 Duarte. Later you will hear from another
24 member of our staff who will read a letter
25 into the record which our city council
26 authorized.

27 We are existing customers of
28 California American Water in their

1 Los Angeles Division. I drink the water, I
2 don't buy bottled water, so I'm more than
3 happy with the product itself. The concern I
4 have is I don't want the existing Los Angeles
5 Division customers, including those in
6 Duarte, to be the tertiary element here to
7 where we are third in the rung in terms of
8 potential rate impacts.

9 I understand that this may be good
10 for California American Water and their
11 shareholders, it may also be good for the
12 City of Bellflower. The concern that I have
13 is for our Duarte ratepayers as well, some of
14 whom are also disadvantaged -- there are some
15 disadvantaged communities within the
16 Los Angeles Division -- that they not
17 experience an increase.

18 I think there is a presumption that
19 consolidating systems does add to
20 efficiencies. If that is the case, I would
21 ask that that showing be made. I have looked
22 at the Public Advocates' report. The
23 per-dollar connection charge based on the
24 acquisition cost seems high and I acknowledge
25 that there's been discussion of water rights,
26 and I freely admit that we have not fully
27 analyzed this.

28 I will note that our city received

1 the notice today about tonight's public
2 hearing and I think most of the customers in
3 our area were not aware that this was being
4 considered really until last week. Partly we
5 were notified by the Public Advocates Office.

6 So, we have questions. We like the
7 quality of service that California American
8 provides. We also don't think that our rates
9 should be impinged on in any way by
10 acquisitions such as this or the pending
11 acquisitions of the watering system, which
12 would be filed later, and the East Pasadena
13 Water System by California American that were
14 disclosed last month.

15 So expanding systems may be good,
16 but I think we have to also consider the
17 impact on existing ratepayers. It may be
18 okay. We don't know that yet. We want
19 evidence of that first. Thank you.

20 ALJ BEMESDERFER: Thank you very much,
21 Mr. Fasana.

22 Next speaker is Victoria Rocha.

23 STATEMENT OF SPEAKER ROCHA

24 Hi there. My name is Victoria
25 Rocha. I am also with the City of Duarte.
26 I'm a management analyst. I'm just reading
27 into the record a letter from our city
28 attorney that was written on behalf of our

1 city council.

2 This office, and the undersigned in
3 particular, serve as the contract City
4 Attorney for the City of Duarte. The
5 City is presently served by California
6 American Water Company --

7 THE REPORTER: Excuse me, ma'am.

8 SPEAKER ROCHA: Yes.

9 THE REPORTER: Please slow down for me.

10 SPEAKER ROCHA: Sorry.

11 ALJ BEMESDERFER: Let me interrupt you
12 for just a second. When you finish, give a
13 copy of the letter to the --

14 SPEAKER ROCHA: Absolutely.

15 ALJ BEMESDERFER: -- court reporter.

16 Thank you. Okay, please proceed.

17 SPEAKER ROCHA: Okay.

18 The City is presently served by the
19 California American Water Company and
20 is located within its Los Angeles
21 district.

22

23 I am writing at the direction of
24 Duarte's city council to express the
25 City's concern regarding potential
26 disproportionate increases in water
27 rates that might result to residents of
28 the city from any approval of the

1 acquisition by Cal-Am of the Bellflower
2 Municipal Water System, and
3 particularly the incorporation of what
4 might be an excessive value for
5 acquisition of the system.

6
7 According to my review of the 'Report
8 and Recommendation on the Proposed
9 Purchase of the Bellflower Municipal
10 Water System' of the Public Advocates
11 Office dated April 26, 2019, the impact
12 to ratepayers at Cal-Am's Los Angeles
13 District may increase more than 3 to 12
14 percent, when all estimated capital
15 improvements have been made to the
16 water system proposed to be acquired.
17 The City echoes the Public Advocates
18 Office's concerns that both sides of
19 this transaction may have financial
20 incentive toward inflated values for
21 the water system, one in terms of
22 direct compensation, the other in terms
23 of recovery of such costs through rates
24 that might be borne in part by Duarte
25 ratepayers.

26
27 The City would ask that the California
28 Public Utilities Commission pay

1 particular attention in this proceeding
2 to the final factor of Public Utility
3 Code Section 2720(b), and whether the
4 effects on existing customers of the
5 water corporation and the acquired
6 public water system is "fair and
7 reasonable." The City is concerned
8 about the potentially excessive profits
9 to the City of Bellflower that have
10 been identified in the Report, most
11 particularly as may concern any
12 "pass-through" impact the funding of
13 such profit might have on the City of
14 Duarte's ratepayers.

15
16 The City appreciates the Commission's
17 attentive consideration to concerns of
18 Duarte ratepayers, and undoubtedly
19 others within the Los Angeles District
20 of Cal-Am, who do not seek to bear
21 disproportionate costs for what might
22 be excessive acquisition costs. As
23 analyzed by the Report, the proposed
24 transaction may solve problems for a
25 single municipality but is just as
26 likely to visit unwarranted rate paying
27 burdens on residents of a number of
28 others.

1 Thank you for the opportunity to
2 comment. Very truly yours, Rutan &
3 Tucker, David B. Cosgrove.

4 Thank you.

5 ALJ BEMESDERFER: Thank you.

6 Our next speaker is Kevin Kearney.

7 STATEMENT OF SPEAKER KEARNEY

8 Hello and good evening, your Honor,
9 and members of the public. My name is Kevin
10 Kearney. I'm the City Manager of the City of
11 Bradbury, which is one of the cities serviced
12 by California American Water. I was sent to
13 speak on behalf of the Bradbury City Council.
14 I come here this evening by myself and
15 without city-council-approved resolution or
16 statements due to the lack of notification
17 about this Public Participation Hearing.

18 You see, the written notices sent
19 by California American Water were received
20 this last Friday by my city council and
21 residents. This fulfills the Public
22 Advocates Office noticing demand of Cal-Am to
23 send notification not less than five or more
24 than 30 days prior to this hearing; however,
25 it was done at the bare minimum requirement
26 of five days and was done over a long federal
27 holiday weekend.

28 It can be argued that this was a

1 poor attempt to solicit feedback at this
2 Public Participation Hearing. As such, it
3 can be expected that Bradbury will be
4 submitting an official letter stating our
5 position in the future.

6 Until then, the Bradbury City
7 Council is concerned that the acquisition of
8 the Bellflower Municipal Water System may
9 adversely affect current ratepayers. The
10 Report and Recommendations from the April 26,
11 2019, Public Advocates Office has identified
12 costs that would be patched through to
13 Bradbury ratepayers.

14 If such analysis is correct and if
15 Bradbury ratepayers were to be burdened by
16 the Bellflower acquisition, then the Bradbury
17 City Council would be strongly against
18 Cal-Am's purchase of the Bellflower Municipal
19 Water System.

20 The Bradbury City Council requests
21 that the California Public Utilities
22 Commission and the Public Advocates Office
23 ensure that both Bradbury ratepayers and
24 others within the Cal-Am districts are not
25 being burdened, that the ratepayers are not
26 being burdened by this acquisition. Thank
27 you.

28 ALJ BEMESDERFER: Thank you very much.

1 Our next speaker is Jay T. Spurgin.

2 STATEMENT OF SPEAKER SPURGIN

3 Your Honor, good evening. I'm Jay
4 Spurgin. I'm the Public Works Director for
5 the City of Thousand Oaks. We're about 60
6 miles northeast of here as the crow flies, I
7 suppose.

8 ALJ BEMESDERFER: Or as the water
9 flows.

10 SPEAKER SPURGIN: Yeah. So I have a
11 letter that I have provided to your Public
12 Advocate staff, also to the court reporter
13 here.

14 ALJ BEMESDERFER: Can the public hear
15 Mr. Spurgin?

16 SPEAKER SPURGIN: Pardon me?

17 ALJ BEMESDERFER: Can the people in the
18 audience hear Mr. Spurgin?

19 UNIDENTIFIED SPEAKER: A little louder.

20 SPEAKER SPURGIN: A little louder,
21 okay, get right into it. I am similarly
22 going to comment as the city manager and
23 staff and the city council member from Duarte
24 and Bradbury, that while the City of Thousand
25 Oaks is not opposed to the purchase, or the
26 sale of the water system from the City of
27 Bellflower and Cal-Am in and of itself, but
28 we are strongly in opposition to having those

1 costs borne by ratepayers that essentially
2 will receive zero benefit. I think that is a
3 common theme that you've heard already from
4 three cities.

5 I will also echo that the
6 notification along the way in this proceeding
7 has been perhaps not as transparent as it
8 could or should have been. This started as
9 noted and you're aware some years ago.
10 Initially the City of Thousand Oaks became
11 aware of this through receiving an Advice
12 Letter at the end of 2017 that talked about
13 this transaction.

14 At that time the Advice Letter said
15 that the cost of this purchase would be
16 shared or spread amongst Cal-Am's Los Angeles
17 District service areas. We're in Ventura
18 County, in the Ventura County District. So
19 from our perspective, notwithstanding whether
20 that's fair down here or not, we filed the
21 letter and really didn't think about it again
22 because it didn't concern us.

23 So last year in September the
24 application in this proceeding was filed. We
25 did not receive a copy of that nor notice of
26 that because we hadn't asked to be on the
27 service list or become a party to the case
28 because of the prior Advice Letter.

1 Finally, last month a random
2 resident happened to get a copy of a notice
3 of application that not all Cal-Am customers
4 in the City of Thousand Oaks received. I
5 find that troubling. The City of Thousand
6 Oaks itself has probably 150 services,
7 meters, with Cal-Am, and we did not receive
8 that notice. So --

9 ALJ BEMESDERFER: 150?

10 SPEAKER SPURGIN: We have 150 accounts.

11 ALJ BEMESDERFER: 150 accounts.

12 SPEAKER SPURGIN: Yeah, the City of
13 Thousand Oaks does. Now, the City of
14 Thousand Oaks, Cal-Am serves about little
15 less than half of the city. The City has a
16 water system there and Cal Water Service
17 Company does. So we have three purveyors
18 there. I think really everybody, including
19 Cal-Am, does a good job as was mentioned I
20 think by the other cities. They do a good
21 job, they provide good service, good quality
22 of water, all the above. And that's not an
23 issue here.

24 Last week we got a notice of this
25 public hearing so thankfully we were
26 available to come and we do want to provide
27 in the record our comment letter. But
28 essentially what is being asked here,

1 although I would -- well, before I say that,
2 I would note that it has been shared with you
3 that the residents of Bellflower who are not
4 part of this sale transaction will not see a
5 rate increase because of it. That's a good
6 thing for them. I applaud that.

7 But the residents of Thousand Oaks
8 who are Cal-Am customers will see a rate
9 increase as well as Duarte, Bradbury, and
10 others. I think there's 176,000 customers in
11 Cal-Am's service area in California that will
12 all get a rate increase and I don't think
13 that's fair.

14 I would urge you, your Honor and the
15 Commission, to consider that in how this
16 application plays out. The benefits that
17 might accrue to the residents in Thousand
18 Oaks or Duarte, et cetera, have not been
19 clearly stated and justified in Cal-Am's
20 application or any of their notices.

21 In fact, one of the notices that we
22 did finally receive states that the
23 integration of the Bellflower Municipal Water
24 System into Cal-Am's systems is expected to
25 benefit existing customers by creating
26 synergies and spreading costs, rates, et
27 cetera, for a larger service area.

28 I would submit to you that the cost

1 spreading is one way here and I don't see how
2 residents of Thousand Oaks or these other
3 communities will benefit other than seeing
4 additional rate increases later on.

5 The first rate increase is for the
6 purchase cost, but, as noted also, there are
7 infrastructure needs here that thankfully
8 maybe a company like Cal-Am can accommodate.
9 But those costs are going to get also passed
10 on in rate increases to other customers.

11 So thank you for your attention,
12 your Honor, and I appreciate your review of
13 our comment letter. I'm available as well
14 for any comments or questions.

15 ALJ BEMESDERFER: Thank you,
16 Mr. Spurgin.

17 Our next speaker is John Butts, but
18 let's go off the record for a minute.

19 (Off the record.)

20 ALJ BEMESDERFER: Let's go back on the
21 record.

22 Mr. Butts, please go ahead.

23 STATEMENT OF SPEAKER BUTTS

24 All right. I'm one of the people
25 in Bellflower that is involved with this
26 water company takeover. I think people need
27 to understand about rate increases because
28 where were you at in 1900 versus 2000? Did

1 you have the same rate increase back then?
2 We had the same amount of money. I find it
3 appalling for one remark I heard tonight
4 about maybe it was overpaid? Maybe there was
5 money possibly given out to other people.

6 But here's the problem: Before the
7 Public Utilities Commission back in 19 --
8 well, about 1980 when Zastrow, who owned this
9 water company who'd done no infrastructure
10 repairs in the entire time he owned in it,
11 basically we bitched about it to get
12 something done, and the Public Utilities
13 Commission never responded, didn't care. So
14 I don't have much respect for them, anybody
15 on it.

16 Now, since Bellflower, we had to
17 embarrass them for three years to do
18 something about the water company, and
19 finally they got a different city council
20 with a little more softness. Instead of
21 trying to play the cheap Dutch theme on
22 everything, decided to purchase the company
23 and try to do something with it to help out
24 the poor people here in this town.

25 Well, they did proceed to do a few
26 things with a new well and a few other
27 things. Water started to improve from the
28 mud and stuff that was in it prior. If some

1 people are calling \$17 million for the payoff
2 of the system to buy it excessive, maybe it
3 is, but that was what the offer was I guess
4 that everybody assumed.

5 Now, the one thing, when you're
6 looking at a lot of these cities speaking up
7 here tonight, each one of these cities that
8 have spoken, is it just one water company in
9 their city or was there three or four like
10 there was in this city? So that doesn't mean
11 much. If you got three or four and you're
12 speaking for just one individual part of it,
13 that's meaningless because you're not giving
14 the proper view to the others who may be in a
15 different water company in that city.

16 As far as the ratepayers go, we've
17 been sitting on a rate and the City has
18 helped us somewhat with some of the
19 improvements. Now, the one thing that really
20 bothers me more than anything else, I'm an
21 American citizen. I'm a veteran. There
22 isn't one damn one of these people that can
23 say I didn't do something for them over all
24 the years.

25 I spent my time in Vietnam not
26 appreciated by any of these people hardly.
27 So when you're going to come down and say,
28 well, I'm only looking out for myself, I'm

1 wondering why in the hell did I ever look out
2 for you? That's a real slap in the face.
3 When somebody needs some help, you put your
4 hand out to help them. It's like this
5 sanctuary city nonsense going on in
6 California, another joke.

7 So personally, I'm glad the water
8 company was sold to an individual company
9 that claims they can take care of the problem
10 and fix it up. Everybody is going to have an
11 increase of something over the years.
12 Nothing sits still. When you're talking like
13 the gentleman was saying about a \$0.78 a
14 month increase, boy that's a killer in the
15 pocket, isn't it?

16 Where are people's hearts and where
17 are their feelings? They're sure not here in
18 this meeting tonight, not with what I heard.
19 I am appalled at the remarks that have been
20 made by a bunch of these individuals who I
21 don't respect right now because of the mere
22 fact if they needed help, where would they go
23 to have somebody else turn them down?

24 I think this is a good benefit for
25 everybody. We know the water rights are very
26 valuable now. We can be placing them in
27 what, \$14,000 of water rights versus maybe a
28 thousand dollars several years ago? So where

1 is the assets? It's right there. Like I
2 say, I'm very appalled at the remarks being
3 made in here by some of these so-called
4 people representing these cities. I don't
5 think much of them. Thank you.

6 ALJ BEMESDERFER: All right, thank you,
7 Mr. Butts.

8 Our last speaker is Melvin Stokes.

9 STATEMENT OF SPEAKER STOKES

10 Good afternoon, sir, and everyone
11 in the audience. My name Melvin Stokes and
12 I'm another resident of Bellflower. I
13 received this notice in the mail and what
14 this notice told me is that after the
15 application is approved, if it's approved,
16 they said the average residential American
17 Water customer is not expected to see any
18 rates of bill impact from the purchase of
19 Bellflower Municipal until January 1, 2021.

20 California American Water has
21 requested a portion, approximately eight
22 million, or 46 percent, of the purchase price
23 of the Bellflower system. They included in
24 the California water general office costs and
25 recovery from all California Water customers.
26 It says, "all customers" and including, it
27 said, "If approved, this would also include
28 Bellflower."

1 For a typical resident California
2 Water customer for a \$60 monthly bill, the
3 approximate increase would amount to \$0.30
4 per month. I mean that's the proposed. My
5 concern is it seems like what the gentleman
6 said, we been playing -- since I moved into
7 Bellflower, I think this is the second or
8 third purchase of water here in the City.

9 It seems like we're playing musical
10 water companies. You come in, you buy it,
11 you make your money, and then you sell it,
12 you make your money, then you sell it. And
13 in the meantime me, as a customer, I bear the
14 brunt of all these proposed improvements that
15 they're going to do for the City.

16 Now, my neighbor across the street
17 from me, his water works fine. But on my
18 side of the street, I live on Carfax, the
19 water, I had it tested, the pressure. It was
20 down to like 20 PSI. I can barely water my
21 lawn. Don't let me water my lawn and my wife
22 be washing the dishes. We'll get nothing
23 done.

24 So I'm concerned about the
25 improvements. I called the City. The City
26 told me this was not their responsibility, it
27 was the water company. I called the water
28 company. They said it's not their

1 responsibility, it's the City. Somebody
2 needs to tell me whose responsibilities is it
3 and who do I go to to get this water pressure
4 and this water situation fixed on my block
5 before they sell anything.

6 You know, you're selling the water
7 or you're going to purchase the company, I
8 haven't seen anything in there about
9 improvements and what they're going to do,
10 not in the letter that I received in the
11 mail. That's why me and my wife are here
12 tonight. Thank you for listening to me. I
13 hope I can hear from someone in the near
14 future.

15 ALJ BEMESDERFER: I'd like to invite
16 the City of Bellflower to address Mr. Stokes'
17 problem, not here in this meeting, but since
18 the City is still supplying the water, I
19 think if there's a problem, it's between him
20 and the City.

21 All right. Is there anyone else who
22 would like to speak? I've gone through all
23 the people who have signed up.

24 (No response.)

25 ALJ BEMESDERFER: In that case, thank
26 you all very much for coming. I appreciate
27 your being here. As I indicated at the
28 beginning of this hearing, there will be an

1 evidentiary hearing in this matter next week
2 in San Francisco at which time I'll be
3 presiding and taking testimony from the
4 parties in this case. Sometime after that,
5 there will be a preliminary recommended
6 decision.

7 I can promise you that I'll give it
8 my most careful attention and take into
9 account everything that I've heard tonight
10 and that I hear next week from the parties.

11 Once again, thank you very much for
12 coming. With that, this hearing is
13 concluded.

14 (Whereupon, at the hour of 7:45
15 p.m., this matter having been
16 concluded, the Commission then
17 adjourned.)

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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA

CERTIFICATION OF TRANSCRIPT OF PROCEEDING

I, ANDREA L. ROSS, CERTIFIED SHORTHAND REPORTER
NO. 7896, IN AND FOR THE STATE OF CALIFORNIA, DO
HEREBY CERTIFY THAT THE PAGES OF THIS TRANSCRIPT
PREPARED BY ME COMPRISE A FULL, TRUE, AND CORRECT
TRANSCRIPT OF THE TESTIMONY AND PROCEEDINGS HELD IN
THIS MATTER ON MAY 29, 2019.

I FURTHER CERTIFY THAT I HAVE NO INTEREST IN THE
EVENTS OF THE MATTER OR THE OUTCOME OF THE PROCEEDING.

EXECUTED THIS JUNE 27, 2019.

A handwritten signature in black ink, reading "Andrea L. Ross". The signature is written in a cursive style with a large, looped "R".

ANDREA L. ROSS
CSR NO. 7896

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