

FAQS RE WATER ON CATALINA ISLAND

Answers provided by Catalina Water Stakeholders (CWS)

Question: If I use less water will I save money?

Answer: In the short run you will save money. In the long run you will pay more money.

Question: How can that be?

Answer: Edison is authorized to charge \$4.13 million per year. Rates are set based upon projected sales. When sales are below projections, Edison does not collect the full \$4.13 million a year. The portion that it does not collect, Lost Revenue, is accrued with interest. Edison then tries to collect it later by a surcharge over time with additional interest.

Question: So whatever I think I have saved I end up paying later with interest?

Answer: Yes.

Question: How does Edison want to change this with Advice Letter 107-W?

Answer: Edison wants to make a lot of changes with the Advice Letter. CWS is only agreeable to changes that prevent the problem discussed above—having to eventually pay the Lost Revenue plus interest. In simply terms, we would rather pay a little more now each month than pay a lot later with compound interest tacked on. Ideally, as you use less water your bill would remain the same,

Question: Isn't that totally unfair?

Answer: Not if you think of the \$4.13 million Revenue Requirement as a fixed cost which it really is from your standpoint. It is like the mortgage on your house. You pay the same amount every month whether you actually use the house or not.

Question: Doesn't Edison save money if it sells less water?

Answer: Unlike some water utilities, not much. Edison might save some power and chemical expense saving, but that's it, and the savings would be negligible. Edison gets its water free from the ground and the ocean. Many water utilities on the mainland have to buy the water they in turn resell. They are the ones that save big when they buy less water and resell less water. Not the case on the Island.

Question: So exactly what is CWS agreeable to?

Answer: First a onetime adjustment to the current rates. The \$4.13 Revenue Requirement will not change. The sales projection will be reduced from 127.5 million gallons to 92.5 million gallons. Essentially, the \$4.13 million Revenue Requirement will be spread over fewer gallons increasing rates. We are also agreeable to adjusting the Rate Design as between Residential and Non-Residential (Commercial). Residential did a better job of saving water using 40% of the water used instead of 51%. Rates would be adjusted to reflect that difference. We are also agreeable to allow Edison to change its sales projection once a year with CPUC approval based upon how much water is actually being used, provided that the Lost Revenue account is eliminated and the Rule regarding water rationing is rewritten to reflect reality. The level of the Thompson Reservoir is only one aspect of reality. Desalination is also a part of reality.

Question: That's it?

Answer: Not quite. We are asking the CPUC for help for the future. We want a water action plan. We want a sustainable water supply at a reasonable cost that allows for some growth. We want to proceed in the future by way of General Rate Cases and not Advice Letters.

Question: What does the future hold?

Answer: More problems. There are 2000 water connections (some ratepayers have more than one connection so the number of customers is less). This is what Edison is going to seek to collect per connection:

- \$5,500,000 in Lost Revenue for water purchased in the past or \$2750 per connection, plus interest
- \$4,300,000 in drought related costs or \$2150 per connection, plus interest
- \$9,330,000 for capital expenditures already completed or \$4665 per connection, plus interest
- \$30,000,000 for new capital expenditures over the next five years or \$15,000 per connection, plus interest

Grand total Edison wants to collect: \$68,260,000 or \$34,130 per connection, plus interest. Now you understand why we want to proceed only by way of General Rate Cases in the future. We are talking big money.

Question: Are we going to get any help from the County or the State?

Answer: We don't know. Edison is seeking grants but there is a new wrinkle. New tax laws that went into effect January 1, 2019, provide that any contribution to Edison from a governmental entity or civic group is income to Edison taxed at 24%.

Question: What can I do to help?

Answer: Support the efforts of the CWS. E mail your support of the Hamilton Cove Protest to AL 107-W and your comments to: water_division@cpuc.ca.gov (note underscore between water and division.) or mail to:

**Director, Water Division CPUC
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More questions? Contact Norris J. Bishton, Jr., sirron1801@aol.com; 714 318 5866.