



June 11, 2013

Eric J. Benink  
Krause, Kalfayan, Benink, & Slavens  
550 West C Street, Suite 530  
San Diego, CA 92101

Dear Mr. Benink:

This letter is in response to your letter dated June 10, 2013, regarding the Amador Water Agency's proposed system-wide water rates.

On April 25, 2013, proposed new system-wide water rates were presented to the Agency's Board of Directors during its regular meeting. The Agency Board accepted the report prepared by our rate consultant, The Reed Group, titled *Amador Water Agency System-Wide Cost of Service and Water Rate Study, Revised Final Report, April 25, 2013* (Rate Study). At that time, the Agency Board also directed staff to begin the public notification process, as required by Cal. Const. Art. XIID, Section 6(a).

Exhibit IV-7 on page 65 of the Rate Study summarizes the bill impacts of the proposed water rates for typical single-family customers. The paragraph immediately preceding this exhibit states: "Exhibit IV-7 provides a comparison of single-family customers with the typical range of usage characteristics throughout the year, *for each service area* [emphasis added], in comparison with water bills under current rates." The same paragraph also states: "The median use shown in Exhibit IV-7 is the median monthly usage of all single family customers, *for each service area* [emphasis added], over a 12-month period." Exhibit IV-7 correctly states the median water usage within each service area to be 8 CCF for AWS, 5 CCF for CAWP, 7 CCF for Camanche, and 7 CCF for La Mel. Along with also providing low and high use values, the intent of this exhibit is to provide information on typical bill impacts for water usage levels representative within each of the four water service areas. The water usages shown in Exhibit IV-7 were derived from water usage data within each service area, as described in the narrative, and the proposed bill amounts shown in the exhibit are consistent with the proposed rates and charges, and those water usages. The information is accurate and the calculations are correct.

On May 2 2013, on behalf of the Agency, the printing and mailing company mailed a *Notice of Public Hearing on Proposed System-Wide Water Rates and Charges for Water Service* (Rate Notice) in advance of a public hearing to be held on June 18, 2013, in compliance with Cal. Const. Art. XIII D, Section 6(a)(2). The Rate Notice includes the



proposed schedule of water rates and charges (Exhibit 1), and other information, as required by Cal. Const. Art. XIII D, Section 6(a)(1).

Exhibit 2 in the Rate Notice contains information to illustrate the bill impacts of the proposed water rates for typical single-family customers. However, rather than using median usage from each service area, Exhibit 2 uses the system-wide median monthly water usage. The Rate Notice correctly states: "A typical single-family customer uses 7 CCF (1 CCF = 100 cubic feet = 748 gallons) of water per month and has a 5/8" water meter, although usage may vary by customer and between winter and summer seasons." Using the system-wide median provides an apples-to-apples comparison of bill amounts across service areas, and demonstrates that similarly situated customers will pay the same amount for water service except for the debt service charge, which varies by service area. We believe the more simplified presentation of information is appropriate for the Rate Notice. The information contained in the Rate Notice is accurate and the calculations are correct.

I also would like to point out that the Rate Notice specifically states: "Every customer's usage is unique and each customer's bill will vary based on area of service, customer classification, meter size, and water usage. You can estimate how the proposed water rates and service charges will affect your water bill by using the rate schedule shown in Exhibit 1. Water use and meter size information can be obtained from your monthly water bill, or you may contact the Agency's Customer Service Representative at (209) 223-3018." The Rate Study, at the top of page 65, contains similar language stating: "The specific impact of the proposed system-wide water rates on an individual customer will depend on water service area, customer class, meter size, and water usage." The information provided in both the Rate Study and the Rate Notice is reflective of specified conditions. Clearly, however, customers have been advised that they should consider their own unique circumstances when evaluating how they may be affected. Agency staff stand ready, and have been assisting customers, in this regard.

The third paragraph of your letter contains certain mis-understandings on your part. There are no errors in the Rate Notice, so subsequent mailings were not an "effort to correct errors," as you assert. Information contained in the Pink (CAWP) and Blue (AWS) bill inserts provide additional detail, for the benefit of customers, on water usage characteristics and potential bill impacts from the proposed system-wide water rates for these two service areas. The same information was contained in the presentation given to the Agency Board on April 25, 2013. The information is not contrary to information in the Rate Notice, as you assert. The Pink (CAWP) bill insert, for example, shows an "Average [emphasis added] monthly bill decrease of \$7.62" based on the 12-month usage profile included on the insert. The \$6.98 bill decrease for the CAWP water bill shown in Exhibit 2 of the Rate Notice reflects the change resulting from 7 CCF of water



usage (the system-wide median) in a single month. Both decreases are correct for the conditions stated. The same is true of the information on the Blue (AWS) bill insert and the AWS information in Exhibit 2 of the Rate Notice.

The fourth sentence in the third paragraph of your letter states: "But that decrease is based on a median monthly usage of 8.6, contrary to the Rate Study's identification of 5." First, nothing in the Pink (CAWP) bill insert is based on a median monthly usage of 8.6 CCF. This number appears to be a calculation by you (or those you represent). As best as we can tell, it was derived by dividing the total annual water usage shown on the Pink (CAWP) bill insert by 12 months. Monthly bill amounts shown on the Pink (CAWP) bill insert are calculated based on the usage shown for each month. Second, the fourth footnote near the bottom of the Pink (CAWP) bill insert indicates the usage used in the calculation is based on "typical usage for year-round customers." This refinement in the determination of the monthly medians over a 12-month period for the CAWP service area was in direct response to comments made during a community meeting held in that service area. CAWP customers had commented that many homes in the CAWP service area are second homes, and that usage values of 0 CCF pull the median usage down in a way that makes it not meaningful for a full-time customer seeking to understand the impact of the proposed water rates on their water bills. In response to this comment, we revised the data analysis such that the CAWP monthly medians are based only those single family customers with a full 12 months of non-zero usage. The Pink (CAWP) bill insert and the April 25 presentation to the Agency Board include this alternative perspective on "typical" usage. The information presented in Exhibit IV-7 of the Rate Study, however, needed to be consistent across all service areas. As stated on page 65 of the Rate Study, "The median use shown in Exhibit IV-7 is the median monthly usage of *all* [emphasis added] single family customers, for each service area, over a 12-month period." It does not exclude homes that may have been vacant for part of the year. This explains why the median of 5 CCF in Exhibit IV-7 of the Rate Study differs from the monthly medians contained in the 12-month profile included in the Pink (CAWP) bill insert. I also would add that the 5 CCF median shown in Exhibit IV-7 is a median of all monthly amounts over a 12-month period, whereas the 12-month profile in the Pink (CAWP) bill insert reflects monthly medians.

The fourth paragraph in your letter references a Blue (AWS) bill insert that identified a monthly debt service charge as \$12.81. That bill insert was provided to customers in the fall of 2012, and reflected a previous rate proposal that was subsequently revised by the April 25, 2013 Rate Study. The Blue (AWS) bill insert mailed to customers in May is not a correction of any prior information.

The fifth paragraph of your letter identifies a mishap that occurred with the printing and mailing company that the Agency used. In mid-May, the company erroneously sent



Pink (CAWP) bill inserts to a portion of the Agency's customers in the AWS service area. When we learned of the mishap, the Agency (and company) took immediate steps to mail the proper Blue (AWS) bill inserts with an explanation to affected customers. Since the bill inserts clearly state "C.A.W.P. Water System" on the Pink bill inserts and "Amador Water System" on the Blue bill inserts we do not believe any confusion was material or lasting. The AWS service area customers that were unaffected by the Pink bill insert mishap received a Blue (AWS) bill insert in early May. Contrary to your assertion, the Blue bill insert is not a correction. It presents information identical to that presented to the Agency Board on April 25, using the 12-month usage profile derived from monthly medians.

In summary, the Agency is in compliance with Cal. Const. Art. XIII D, Section 6(a), and has provided the requisite 45-day notice prior to the rate hearing to be held on June 18, 2013. The Rate Notice and all information subsequently disseminated to customers are consistent with the proposed system-wide water rates contained in the Rate Study. All of the information provided has been an aid to customers in understanding the proposed water rates.

With this letter, I hope that I have been able to rectify your understanding of the facts and the information surrounding the Agency's proposed system-wide water rates and charges.

Sincerely,

A handwritten signature in blue ink, appearing to read "Gene Mancebo", with a long horizontal flourish extending to the right.

Gene Mancebo  
General Manager