

Docket: : A.14-01-008
Exhibit Number : _____
Commissioner : Catherine Sandoval
Administrative Law Judge : Linda Rochester
ORA Witness : Pat Ma



**OFFICE OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION**

**Report
on the Joint Application of
California Water Service Company
and the City of Selma
to Recover Costs for Groundwater Fees
in the Selma District,
A.14-01-008**

**San Francisco, California
June 16, 2014**

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MEMORANDUM

1

2

This report is prepared by Pat Ma, Senior Utilities Engineer in the *Office of Ratepayer*

3

Advocates (ORA) - Water Branch, and under the general supervision of Program and Project

4

Manager Danilo Sanchez. John Reynolds serves as ORA legal counsel in this proceeding.

5

Appendix A of this report contains Ms. Ma's Qualifications and Prepared Testimony.

1 **1. INTRODUCTION**

2 California Service Water Company (**Cal Water**) and the City of Selma (**City**) filed A.14-01-008
3 on June 17, 2014 to request authority for Cal Water to impose a new surcharge on its customers
4 for water service in the Selma District. Cal Water and the City (**Joint Applicants**) request that
5 the California Public Utilities Commission (**CPUC or Commission**) authorize Cal Water to
6 collect revenues through this new surcharge to pay for the groundwater fees imposed by the City
7 on Cal Water and specified in the **Selma Ordinance 2012-4**. The Ordinance was adopted on
8 November 5, 2012 and amended on June 2, 2014.¹

9 The revenue generated by this new surcharge will provide the funds that the City says it needs to
10 pay the groundwater fees imposed by the Consolidated Irrigation District (**CID**) as specified in
11 the October 1, 2012 Cooperative Agreement between CID and the City (**CID-Selma**
12 **Cooperative Agreement**).² The CID-Selma Cooperative Agreement and specified payments
13 would resolve four pending lawsuits filed by CID related to new development and storm water
14 discharge in Selma. Cal Water was not a party to any of the lawsuits filed by CID.

15 On February 11, 2014, the Office of Ratepayer Advocates (**ORA**) filed its protest stating its
16 intention to examine, among other things, how the proposed phase-in surcharge will affect
17 customer bills and the legal authority upon which the City relies to institute a surcharge on Cal
18 Water’s customers in the Selma District.

19 On May 14, 2014, Assigned Commissioner Catherine J. K. Sandoval issued a **Scoping Memo**
20 **and Ruling** ordering the Joint Applicants to file a summary of the longstanding litigation under
21 the CEQA³ between CID and the City. The Scoping Memo and Ruling also enumerates a
22 number of issues/questions to be considered in the proceeding and to be addressed by parties in
23 their opening and rebuttal testimony. On May 23, 2014, City of Selma served a response to
24 present the summary of the aforementioned litigation. A Public Participation Hearing was held

¹ Included in the Application as Exhibit H – City of Selma Ordinance. The amendment is discussed in Section 3 of this report.

² Included in the Application as Exhibit D – Consolidated Irrigation District Cooperative Agreement.

³ California Environmental Quality Act.

1 in Selma on June 3, 2014, presided over by Assigned Administrative Law Judge Linda
2 Rochester.

3 In this report, ORA addresses the issues raised in its protest, responds to questions and issues
4 listed in the Scoping Memo and Ruling (see Section 7 of this report), and provides
5 recommendations on the Joint Applicants' requests in A.14-01-008 (see Section 8).

6 **2. OVERVIEW OF CITY OF SELMA, CAL WATER & CID.**

7 **2.1 City of Selma & Cal Water's Selma District**

8 The City of Selma is located in south central Fresno County. Its surrounding areas are
9 predominantly agricultural. The City is in the Kings Basin Region and meets the definition of a
10 Disadvantaged Community - a community with an annual Median Household Income (**MHI**)
11 that is less than 80% of the statewide annual MHI.⁴

12 While Cal Water's service area does not coincide with the Selma city limits, much of the City is
13 served by Cal Water. Cal Water also serves small pockets of areas outside of the city limits.

14 **Table ORA-1** below provides some key information on the Selma District.

⁴ Disadvantage Community Pilot Project Study, Final Report – August 2013, prepared by the Kings Basin Water Authority in partnership with the Department of Water Resources.

1

Table ORA-1 – Key Information on Selma District

Line	Item	Quantity
1	Water supply source	100% groundwater
2	Number of wells ⁽¹⁾	15
3	Annual well production (pumped quantity) ⁽¹⁾	6,140 acre feet
4	Total no. of service connections, excl. fire protection ⁽¹⁾	6,165 (100%)
5	No. of service connections – metered ⁽¹⁾⁽²⁾	4,163 (67%)
6	No. of service connections – flat rate ⁽¹⁾⁽²⁾	2,002 (32%)
7	No. of customers in Low-Income Rate Assistance program ⁽¹⁾	2,451 (40%)
8	Total population served ⁽³⁾	23,395
9	Median Household Income, City of Selma ⁽³⁾	\$42,459
10	Present quantity rate per CCF (100 cubic feet) ⁽⁴⁾ – Tier 1, first 12 CCF – Tier 2, next 22 CCF – Tier 3, over 34 CCF	\$0.9405 \$0.9597 \$1.0298
11	Selma District's Test Year 2014 operating revenues ⁽⁴⁾	\$4,986,000
12	Residential metered bill with 5/8-in meter with 23 CCF/mo ⁽⁴⁾ – present (before GRC settlement) – proposed per GRC settlement for Test Year 2014	\$40.60 \$48.33

2

⁽¹⁾ Cal Water's 2013 Company-wide and Selma District Annual Reports.

3

⁽²⁾ Assembly Bill 2572 was signed into law, requiring urban water suppliers to install water meters on all water service connections by 2025. Estimated conversion rate in the Selma District for 2014-2016 is 223 meters/year;

4

5

6

⁽³⁾ Disadvantage Community Pilot Project Study, Final Report – August 2013, prepared by the Kings Basin Water Authority in partnership with the Department of Water Resources.

7

8

⁽⁴⁾ Present and proposed rates from A.12-07-007, October 30, 2013 Motion to Adopt Settlement.

9

10 2.2 Consolidated Irrigation District (CID)

11 The following describes CID and is substantially based on information from CID's March 2009
12 Groundwater Management Plan (**CID 2009 GMP**), prepared by GEI Consultants.⁵

- 13 • CID was organized on September 8, 1921, in accordance with the Irrigation District Law,
14 Section 20500 *et seq.* of the California Water Code.
- 15 • CID is located in the San Joaquin Valley, on the eastern side of Fresno County, and includes
16 small portions of the Tulare and Kings Counties.

⁵ CID 2009 GMP, Chapters 1 and 4.

- 1 • CID encompasses 145,000 acres of which the largest land use is agriculture, and agricultural
2 water demand represents about 96% of total water demand within CID.
- 3 • Crop water requirements are met through irrigation application of both surface and
4 groundwater.
- 5 • Incorporated cities within the boundaries of CID include Fowler, Kingsburg, Parlier, Sanger
6 and Selma, commonly referred to as **CID Cities**, and are reliant on groundwater.
- 7 • CID has been managing a conjunctive use program that includes diversion, in wetter years, of
8 allocated Kings River water and Kings River flood releases into CID's service area for
9 irrigation and groundwater recharge, and in drier years, growers irrigate with available
10 surface water supplemented by pumping of recharged groundwater.
- 11 • CID has water rights to the flow of the Kings River and storage rights in Pine Flat Reservoir.
- 12 • Surface water stored in Pine Flat is diverted by CID from the Kings River for distribution
13 through 350 miles of canals.
- 14 • Diverted water is used for surface irrigation on about 95,000 acres of CID's total 145,000-
15 acre service area.
- 16 • Another part of the diverted surface water is delivered to 1,300 acres of recharge ponds
17 operated by CID.

18 **3. TERMINOLOGY**

19 The following defines and differentiates similar-sounding charges for groundwater recharge;
20 these terms are used throughout this report.

21 **CID Groundwater Fees** - Fees to be imposed by CID on the City of Selma in accordance to the
22 2012 CID-Selma Cooperative Agreement. The fees total to \$130/acre-feet (**AF**) and consist of:⁶

⁶ Jacobsen Testimony, pp. 7-8; specified as \$/CCF in 2012 CID-Selma Cooperative Agreement, pp. 6-7.

- 1 • \$18/AF to pay for CID’s recharge-related operations and maintenance expenses plus \$12/AF
2 to pay for CID’s recharge-related administrative expenses (combined as “Baseline Fee” and
3 equivalent to \$0.069/CCF).⁷ One hundred percent of this Baseline Fee is payable starting in
4 Year 1.

- 5 • \$100/AF to fund CID’s proposed groundwater recharge projects and activities
6 (“Replenishment Fee” and equivalent to \$0.23/CCF). The Replenishment Fee has a ramp-
7 up schedule with 12.5% of the fee payable starting in Year 1, ramping up every year to the
8 full 100% in Year 8 and each year thereafter.⁸

- 9 • Starting in Year 5, the above fees would be subject to an additional annual increase based on
10 the Consumer Price Index (CPI).⁹

11 The annual amount payable to CID by the City of Selma is equal to \$130/AF times the Net
12 Groundwater Extraction, defined as 80% of the reported volume pumped by Cal Water.¹⁰

13 Selma Groundwater Fees - Fees to be imposed by the City of Selma on Cal Water in
14 accordance to the Selma Ordinance 2012-4. These fees and fee payment schedule mirror the
15 CID Groundwater Fees described above, because it appears that the City’s intention is to pay
16 CID’s groundwater fees entirely by revenues collected from Cal Water. The current estimated
17 total payment due to the City in Year 8 is \$747,731 (plus CPI escalation), or about 15% of the
18 current revenue requirement for the Selma District. This is not an inconsequential percentage
19 and deserves careful examination by the Commission.

20 Cal Water Groundwater Surcharges - Surcharges to be imposed on Cal Water’s customers,
21 proposed in the Application and intended to provide the City the funds needed to pay CID. The
22 surcharges also have two components – baseline and replenishment – that mirror the components
23 in the CID Groundwater Fees and Selma Groundwater Fees. The surcharge however is not
24 entirely volumetric. For flat rate customers, the proposed surcharge has to be a per-service-

⁷ Ibid.
⁸ 2012 CID-Selma Cooperative Agreement, pp. 7-8.
⁹ 2012 CID-Selma Cooperative Agreement, pp. 10-11.
¹⁰ 2012 CID-Selma Cooperative Agreement, p. 6.

1 connection surcharge because these connections are not metered. In discovery, ORA pointed out
2 to the Joint Applicants that the surcharges as designed would produce surcharge revenues (only a
3 portion of which is based on recorded volume) that likely will not match the total groundwater
4 fee payable to the City (entirely based on recorded volume pumped by Cal Water).¹¹ To address
5 this revenue-payment mismatch, the City on May 7, 2014 informed ORA its intention to amend
6 Ordinance 2012-4 and provided ORA a draft amendment.¹²

7 Additionally, the City stated that it “is open to making further amendments to address
8 contingencies in which CalWater collects surcharges but is not required to pay those to Selma,”
9 and “would need to know what form of mechanism for refunding or crediting rate payers the
10 CPUC would require or approve.”¹³

11 ORA requested and received confirmation from the City that the City Council on June 2, 2014
12 adopted the amendment which consists of the following additional paragraph under Section 12-
13 4-4.A.3:¹⁴

14 (iii) Notwithstanding the provisions of this subparagraph (3) of
15 paragraph A of this section, in the event the amount authorized to
16 be collected from utility rate payers by the California Public
17 Utilities Commission is not equal of the Baseline Fee and
18 Replenishment Fee, then the Utility shall pay to Selma within
19 thirty (30) days after the end of the calendar year that amount
20 which is authorized to be and is actually collected from utility rate
21 payers, provided the amount authorized to be collected is set by the
22 California Public Utilities Commission at a level which is
23 estimated to yield or approximate the full amount of the Baseline
24 and Replenishment Fee.

25 **4. CUSTOMER BILL IMPACTS**

26 The Direct Testimony of Francis S. Ferraro of Cal Water provides summaries of average bill
27 impacts due to the surcharge proposal (page 5, Tables 3 and 4). ORA expands upon those

¹¹ ORA Data Request PPM-005, Item 11.

¹² City’s Response to ORA PPM-006, Item 9.

¹³ Ibid.

¹⁴ 6/10/2014 email confirmation from City of Selma to ORA.

1 summaries in **Table ORA-2**, below, to include cumulative increases, impacts on annual basis
2 and impacts on LIRA customers.¹⁵

¹⁵ In the Application, the “current” bill amount or bill amount before the surcharge amounts reflects rates effective at the time the Application is filed and does not include rate increases from Cal Water’s 2014-2016 general rate case application still pending Commission action. For compatibility, ORA uses the same approach.

Table ORA-2 – Bill Impacts

Estimated Rate Impact on Residential <i>Metered</i> Customers' Monthly Bill									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8 & thereafter	Year 8 for LIRA*
Total Groundwater Fees	\$ 220,098	\$ 295,474	\$ 370,850	\$ 446,227	\$ 521,603	\$ 596,979	\$ 672,355	\$ 747,731	
Est. annual usage in Selma, in CCF	1,744,100	1,744,100	1,744,100	1,744,100	1,744,100	1,744,100	1,744,100	1,744,100	
Surcharge per CCF	\$ 0.1262	\$ 0.1694	\$ 0.2126	\$ 0.2558	\$ 0.2991	\$ 0.3423	\$ 0.3855	\$ 0.4287	
Assumed avg usage, in CCF/mo.	23	23	23	23	23	23	23	23	
Average residential bill, current	\$ 40.60	\$ 43.51	\$ 44.50	\$ 45.49	\$ 46.49	\$ 47.48	\$ 48.48	\$ 49.47	
Average residential bill, with Groundwater Surcharge	\$ 43.51	\$ 44.50	\$ 45.49	\$ 46.49	\$ 47.48	\$ 48.48	\$ 49.47	\$ 50.46	
Incremental \$ increase due to Groundwater Surcharge	\$ 2.90	\$ 0.99	\$ 0.99	\$ 0.99	\$ 0.99	\$ 0.99	\$ 0.99	\$ 0.99	
Incremental % increase due to Groundwater Surcharge	7.1%	2.3%	2.2%	2.2%	2.1%	2.1%	2.1%	2.0%	
TOTAL \$ INCREASE OVER CURRENT	\$ 2.90	\$ 3.90	\$ 4.89	\$ 5.88	\$ 6.88	\$ 7.87	\$ 8.87	\$ 9.86	\$ 9.86
TOTAL % INCREASE OVER CURRENT	7.1%	9.6%	12.0%	14.5%	16.9%	19.4%	21.8%	24.3%	31.6%
TOTAL \$ INCREASE OVER CURRENT (ANNUAL)	\$ 34.83	\$ 46.76	\$ 58.69	\$ 70.61	\$ 82.54	\$ 94.47	\$ 106.40	\$ 118.33	\$118.33
Estimated Rate Impact on Residential <i>Flat-Rate</i> Customers' Monthly Bill									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8 & thereafter	Year 8 for LIRA*
Total Groundwater Fees	\$ 220,098	\$ 295,474	\$ 370,850	\$ 446,227	\$ 521,603	\$ 596,979	\$ 672,355	\$ 747,731	
Annual flat rate usage, in CCF	714,462	615,471	615,471	615,471	615,471	615,471	615,471	615,471	
Number of flat rate customers	1,610	1,387	1,387	1,387	1,387	1,387	1,387	1,387	
Surcharge per CCF	\$ 0.1262	\$ 0.1694	\$ 0.2126	\$ 0.2558	\$ 0.2991	\$ 0.3423	\$ 0.3855	\$ 0.4287	
Estimated avg. usage/flat rate customer, in CCF	37	37	37	37	37	37	37	37	
Flat rate residential bill for 0-6000 s.f. lots, current	\$45.56	\$ 50.23	\$ 51.83	\$ 53.43	\$ 55.03	\$ 56.62	\$ 58.22	\$ 59.82	
Flat rate residential bill for 0-6000 s.f. lots with Groundwater Surcharge	\$ 50.23	\$ 51.83	\$ 53.43	\$ 55.03	\$ 56.62	\$ 58.22	\$ 59.82	\$ 61.42	
Incremental \$ increase due to Groundwater Surcharge	\$ 4.67	\$ 1.60	\$ 1.60	\$ 1.60	\$ 1.60	\$ 1.60	\$ 1.60	\$ 1.60	
Incremental % increase due to Groundwater Surcharge	10.2%	3.2%	3.1%	3.0%	2.9%	2.8%	2.7%	2.7%	
TOTAL \$ INCREASE OVER CURRENT	\$ 4.67	\$ 6.27	\$ 7.87	\$ 9.46	\$ 11.06	\$ 12.66	\$ 14.26	\$ 15.86	\$ 15.86
TOTAL % INCREASE OVER CURRENT	10.2%	13.8%	17.3%	20.8%	24.3%	27.8%	31.3%	34.8%	43.8%
TOTAL \$ INCREASE OVER CURRENT (ANNUAL)	\$ 56.02	\$ 75.20	\$ 94.39	\$ 113.57	\$ 132.76	\$ 151.94	\$ 171.13	\$ 190.31	\$190.31

2

* LIRA: Low Income Rate Assistance. Total % increase in Year 8 for a LIRA customer is "TOTAL \$ INCREASE" divided by current LIRA-discounted bill.

3

- The above estimated increases do not yet include the CPI increases starting in Year 5 as specified in the CID-Selma Cooperative Agreement and in the City's Ordinance 2012-4.

4

- 1 • The estimated bill increases by Year 8 (before additional CPI escalation) shown above range
2 from \$190/year (+44%) for a Low-Income Rate Assistance (LIRA) flat-rate customer to
3 \$118/year (+ 24%) for a non-LIRA metered customer.
- 4 • As mentioned earlier, about 2,450 Selma ratepayers or 40% qualify for LIRA discounts and
5 will not receive any discount on this new surcharge.
- 6 • If Cal Water is required to modify its surcharge calculations for flat rate services, as
7 explained later in the report, the surcharges and bill impacts on flat rate customers would be
8 redistributed and be significantly more or less depending on the lot size of the premises
9 receiving water service.
- 10 • ORA notes that these bill impacts will be on top the increases that will result from the
11 pending 2014-2016 general rate case (**GRC**) proceeding, and likely increases in the next two
12 GRC requests (2017-2019 GRC and 2020-2012 GRC).
- 13 • The new surcharge results in a very significant increase on a community that, as described by
14 the City of Selma, can ill afford water rate increases. In its opposition to the rate increases
15 proposed in the Joint Settlement in the pending GRC, the City of Selma stated [emphasis
16 added]:¹⁶
17 Cal Water’s Selma District customers have expressed their concerns to the
18 City regarding the proposed [general rate case] increase. Some survive on
19 fixed incomes and cannot afford any rate increase. Under any increased
20 rate scenario, many of Cal Water’s Selma District customers may be
21 forced to choose between basic life necessities and paying their water
22 bills. Recognizing that it is unreasonable and hurtful to require a small,
23 working class customer base to pay a significant increase in water rates,
24 Selma responded to its citizens and filed its motion to intervene in this
25 proceeding on October 15, 2013.

26 **5. GROUNDWATER SURCHARGE IMPOSED ON CAL WATER’S CUSTOMERS**

27 As specified in the City’s Ordinance 2012-4, the Groundwater Surcharge revenue to be collected
28 by Cal Water and remitted to the City would be used to pay CID Groundwater Fees per the

¹⁶ City of Selma’s Comments on and Opposition to the Motion to Adopt the Proposed Settlement Agreement, filed on November 13, 2013 in A.12-07-007, p. 3.

1 October 1, 2012 CID-Selma Cooperative Agreement. In this section, ORA explains several
2 reasons why the surcharge imposition and amounts as proposed by the Joint Applicants are not
3 equitable and therefore not in the public interest. Where applicable, ORA provides
4 recommendations to address the inequity.

5 In Ordinance 2012-4, the City imposes what it calls a “groundwater impact or replenishment fee”
6 on Cal Water; this volumetric fee is applicable to the Net Groundwater Extraction by Cal Water.
7 The Ordinance specifies the Net Groundwater Extraction volume as equal to 80% of the volume
8 (equivalent to a 20% credit) of total water extracted from wells operated by Cal Water and
9 located within the city limits.¹⁷ The 20% credit mirrors the credit specified in the CID-Selma
10 Cooperative Agreement and intended to recognize “estimated groundwater recharge resulting
11 from stormwater and wastewater generated within City and in consideration of unaccounted
12 losses in the City water system.”¹⁸ The Ordinance’s terms generally, but not exactly, mirror the
13 terms in the CID-Selma Cooperative Agreement — so the Ordinance would allow the City to
14 generate the funds needed to pay CID. The Ordinance also specifies how Cal Water would
15 generate the funds to pay for the City-imposed groundwater fees – specifically, by imposing a
16 new surcharge on Cal Water’s ratepayers. Section 12-4-4.E of the Selma Ordinance states
17 [emphasis added]:

18 In the event the PUC does not approve of the imposition of the fees
19 required by this Ordinance on the Utility, or does not approve the
20 surcharge necessary to fund the payments required by this Ordinance, the
21 Utility shall timely petition the PUC to reconsider and revised its opinion
22 or order or shall appeal the same in the manner permitted by law.

23 Thus, ORA’s review on behalf of the Selma District’s ratepayers considers the reasonableness of
24 the imposition of the Selma Groundwater Fees on Cal Water, as well as the reasonableness of the
25 Cal Water Groundwater Surcharges on ratepayers.

¹⁷ Ordinance 2012-4, Sections 12-4-4.A1 and A2.

¹⁸ CID-Selma Cooperative Agreement, Section 2(b), p. 6.

1 **5.1 1980 CID-Selma-Cal Water Cooperative Agreement**

2 There exists a prior, now-lapsed Cooperative Agreement involving groundwater recharge fee
3 payments in the Selma District. In 1980, CID, the City and Cal Water entered into an agreement
4 that specified payments for groundwater recharge by CID.¹⁹ Per this 1980 agreement, the
5 groundwater recharge fee to be paid to CID was not based on amount pumped (as in the current
6 2012 agreement) but on a per-acre basis. This per-acre fee structure was set at 90% of the CID
7 fees assessed on agricultural groundwater pumpers (owners of properties in CID service area that
8 do not have access to CID’s surface water delivery).²⁰ The City and Cal Water shared the cost of
9 the CID fees, with the City responsible for 20% and Cal Water for 80% of the total billed by
10 CID. Cal Water booked this cost as “groundwater extraction charges” and recovered estimated
11 charges from its customers through base rates. CID chose to terminate the 1980 agreement, and
12 the last payment made by Cal Water was in 2007.²¹ CID did offer a new agreement to Selma, as
13 well as other cities in the CID territory. The terms of that new agreement differ from those in the
14 2012 Cooperative Agreement.

15 The fact that the 1980 agreement involved Cal Water is significant and will also be revisited later
16 in this report. Also of note are the fact that the payment to CID was shared by the City and Cal
17 Water, and the fact that CID viewed both the City and Cal Water as responsible and participating
18 parties in the groundwater recharge efforts. Specifically, the 1980 agreement states [emphasis
19 added]:

20 District’s recharge activity is of benefit to the City and Water Company
21 [i.e., Cal Water], and it would be advantageous to District for Water
22 Company and City to participate financially, and in other ways, in order
23 that District may purchase available water for recharge and replenish the
24 underground in the manner described...

¹⁹ Cooperative Agreement Among the Consolidated Irrigation District, the City of Selma and the California Water Service Company Regarding Groundwater Recharge Programs and Use of Irrigation Canals, executed on 10/6/1980; copy of this 1980 agreement was provided in Joint Applicant’s Response to ORA Data Request PPM-005, Item 3.

²⁰ Owners of land capable of receiving surface water delivery are also charged on a per-acre basis but at a higher rate.

²¹ Joint Applicants’ Response to ORA Data Request PPM-006, Item 1.

1 **5.2 2012 CID-Selma Cooperative Agreement**

2 Unlike the 1980 agreement, the 2012 CID-Selma Cooperative Agreement was negotiated
3 between CID and the City of Selma only; Cal Water was not a party of this 2012 agreement. It is
4 then perhaps not a surprise that the burden of paying for the agreed-upon CID groundwater fees
5 is now placed entirely on the shoulders of Cal Water’s customers. By Ordinance 2012-4, the
6 City attempts to pass on 100% of CID Groundwater Fees to Cal Water and its ratepayers,
7 whereas in the prior 1980 agreement, the City took responsibility for 20% of the groundwater fee
8 payment.

9 Furthermore, the 2012 CID-Selma Cooperative Agreement was entered by the City to resolve
10 pending litigation filed by CID and served as a barrier to new development in Selma. The
11 various CID lawsuits, described in the City’s May 23, 2014 response, were filed against the City
12 of Selma and various other entities – but not Cal Water or its ratepayers. Yet, neither the City
13 nor the developers will pay for any of the CID Groundwater Fees or be required to contribute in
14 any way to the local groundwater recharge program. Even Cal Water, a for-profit company, will
15 stand to benefit from the resolution of the CID lawsuits because new development provides Cal
16 Water a clear opportunity to expand its customer base. Thus, it is patently unfair that only
17 current ratepayers shoulder the costs by paying a permanent surcharge that will increase their
18 water bills by a substantial amount. Ratepayers must shell out an equivalent of \$120-\$190²² per
19 year or more purportedly to address groundwater overdraft, but essentially to allow new
20 commercial and residential development in Selma to go forward (new developments were the
21 subject of the CID lawsuits that gave rise to the settlement and the groundwater surcharge), while
22 parties who stand to receive direct benefits will not pay their fair share for the resolution of the
23 litigation or for the mitigation.

²² See Table ORA-2 – Bill Impacts in this report.

1 **5.3 City of Selma should pay a portion of the CID Groundwater Recharge Fees and**
2 **fund it through the City's development impact fees.**

3 As mentioned earlier, the City of Selma in the past has contributed 20% toward the cost of the
4 groundwater recharge fees assessed by CID. It should continue to share at least 20% of the costs
5 specified in the new Cooperative Agreement, especially in light of the clear benefits that the City
6 will receive through the resolution of the CID lawsuits. The City should figure out a way to pass
7 on its share of the payments due to CID to those developers who stand to gain from the
8 resolution of the litigation, i.e., who can now proceed with their Selma projects without CID's
9 CEQA-related opposition.

10 The City's share of 20% (at the minimum) could and should be recovered from developers in a
11 form of development impact fees. An example of this development impact fee can be found in
12 nearby City of Visalia which also faces groundwater overdraft and operates its own groundwater
13 recharge program. The funding for the program is generated from three separate fees, one of
14 which is a Groundwater Mitigation Fee. Effective since August 2005, this fee requires any
15 person seeking to annex, subdivide or otherwise procure entitlement to develop property within
16 the City of Visalia to pay a fee to mitigate the impacts of such development on groundwater
17 overdraft; the fee is \$1,116 per acre of land, or in lieu of payment, the assignment of appropriate
18 water rights, or a combination of the two.²³

19 Further support for this type of funding can be found in CID's own report – July 2007 Engineer's
20 Report, Consolidated Irrigation District, Urban Impacts Study (**CID 2007 Engineer's Report**).²⁴
21 The November 2007 CID Urban Impacts White Paper (**CID 2007 White Paper**) cited by the
22 City's witness Scott Jacobsen as support for the groundwater fees was based on the CID 2007
23 Engineer's Report's key findings, including proposed recharge projects and urban vs.
24 agricultural water use calculations. CID's goals in the 2007 Engineer's Report were very clearly
25 stated – to identify the impacts that urban development has on CID assessment revenue, local

²³ Information provided by Kim Loeb, City of Visalia's Natural Resource Conservation Manager, in a 5/15/2014 email to Pat Ma of ORA; most developers pay the fees.

²⁴ Copy provided in Joint Applicant's Response to ORA Data Request PPM-001, Item 2.h.

1 groundwater storage and water supplies and the operation and maintenance of CID facilities, and
2 to provide a basis for an urban impacts mitigation fee that the District would charge to future
3 urban developments as a condition of project approval. The following is from the Mitigation Fee
4 Act Findings section of the CID 2007 Engineer’s Report [emphasis added]:

5 Development impact fees are designed to ensure that new development
6 will not burden the existing service population with the cost to
7 accommodate growth. The fees proposed in the study provide a funding
8 source from new development to:

- 9 ◦ Offset CID’s loss of assessment revenue that results when lands are
10 detached from the District for new urban development (p.6)
- 11 ◦ Offset the increase in CID’s operation and maintenance (O&M) costs
12 resulting from new urban development (pp.20-25)
- 13 ◦ Dispose of the additional urban storm water that is generated by new
14 urban developments (pp.28-29)
- 15 ◦ Secure water supplies to replace water diverted by new urban
16 developments (p.18)
- 17 ◦ Improve infrastructure where new urban development diminishes
18 public safety and District operating efficiency (pp.33-36)
- 19 ◦ Develop additional CID infrastructure to deliver water supplies for
20 groundwater recharge to replace water diverted by new urban
21 developments (pp.38-40)

22 CID’s proposed impact fees presented in the 2007 Engineer’s Report are shown in **Table ORA-3**
23 below and can serve as another example of the type of fees that can be imposed on new
24 development in Selma to fund groundwater overdraft mitigation.

1

Table ORA-3 – Proposed CID Impact Fees²⁵

Impact	Cost per acre	Cost per Housing Unit
Assessment Revenue	\$147	\$39
Groundwater & Water Supplies	\$6,550	\$1,747
Operation & Maintenance	\$55	\$15
Urban Storm Water	\$1,540	\$411
Rehabilitation & Betterment ⁽¹⁾	\$3,875	\$1,033
Totals	\$12,167	\$3,245

2 Additionally, the 2012 Cooperative Agreement offers an option to the City of Selma to “impose
3 development fees for groundwater recharge on new development” and to provide “such revenues
4 to CalWater to apply to its payment of Replenishment Fees to the City.”²⁶ In discovery, ORA
5 asked the City why there is no provision in the Ordinance and/or the Joint Application to reflect
6 that option.²⁷ The City responded that (1) there is no such provision in the Ordinance or Joint
7 Application because the City has not acted to establish a development fee, (2) the establishment
8 of the fee requires that the City conduct certain public hearings and procure certain studies to
9 justify the fee, and (3) the development impact fees would need to be based on something other
10 than the amount of water used.²⁸

11 While it may be more expedient to impose the groundwater surcharge on Cal Water’s customers,
12 it is not necessarily equitable. The City should have initiated the process of establishing the fees
13 prior to adopting Ordinance 2012-4 and imposing the entire burden on Cal Water’s customers.
14 The City can and should still take responsibility for at least 20% of CID groundwater fee
15 payment by amending its Ordinance to reduce the amount payable from Cal Water to the City by
16 at least 20%, and then work to recover the funds from developers through the establishment of
17 development impact fees. The City could also renegotiate with CID to reduce the CID
18 Groundwater Fees and/or to revise the payment schedule in a way that will allow the City time to

²⁵ CID 2007 Engineer’s Report, page 43, Table 9 – Proposed CID Impact Fees.

²⁶ See full text and citation in next section of this report.

²⁷ ORA Data Request PPM-005, Item 15.

²⁸ City’s Response to ORA Data Request PPM-005, Item 15.

1 generate funds from developer impact fees. More importantly, the City has the legal authority to
2 pursue adopting development impact fees to fund groundwater recharge.

3 **5.4 City of Selma should apply its groundwater fees fairly among all who extract**
4 **groundwater within the city limits.**

5 Ordinance 2012-4 imposes the Selma Groundwater Fees only on Cal Water, and ultimately Cal
6 Water’s ratepayers. If the purpose of the fees is to mitigate groundwater overdraft, then
7 everyone who pumps from wells within the city limits should be subject to the same fees and
8 contribute to the payments due to CID. Through discovery, ORA learned that there are a number
9 of active wells within the current city limits; they serve residential homes, a Sheriff Station and a
10 business, Selma Disposal and Recycling.²⁹ Just like Cal Water’s customers, these entities use
11 water extracted from groundwater wells within the Selma city limits, but because they are not
12 Cal Water’s customers, would not be required to pay the Selma Groundwater Fees. The City
13 states that once Selma Disposal and Recycling connects to Cal Water, it will be paying the
14 surcharge to cover the fee that is imposed on Cal Water.³⁰ That is simply not a satisfactory
15 explanation and only demonstrates that the proposed imposition of the Selma Groundwater Fees
16 is at best illogical and at worst discriminatory.

17 There is no difference between the water extracted by Cal Water and the water extracted by
18 Selma Disposal and Recycling – both draw from the same groundwater source and contribute to
19 the overdraft in the area. Therefore, these groundwater pumpers should be subject to the same
20 fees. This is another case where Cal Water’s ratepayers bear the costs resulting from the CID-
21 Selma Cooperative Agreement simply because of the City’s need for expediency. All entities
22 drawing groundwater within Selma city limits should bear the cost of the CID payments. The
23 City should amend its Ordinance and practices to ensure that the assignment of mitigation costs
24 among its constituents is fair and equitable.

²⁹ Joint Applicants’ Response to ORA Data Request PPM-002, Item 4.

³⁰ City’s Response to ORA Data Request PPM-006, Item 2.

1 **5.5 The Joint Applicants should recalculate proposed groundwater fees and**
2 **surcharges, if authorized, to reflect only groundwater extractions from Cal**
3 **Water’s wells within the city limits (i.e., excluding Wells 16 and 17).**

4 The City in Ordinance 2012-4 specifies what volume of groundwater extracted by Cal Water
5 would be subject to the groundwater fees. Basically, the fees would apply to the “Net
6 Groundwater Extraction” volume, which is total volume pumped less 20%.³¹ Specifically,
7 Sections 12-4-4(1) and (2) of Ordinance 2012-4 state [emphasis added]:

8 (1) The Utility shall equip all groundwater wells, operated by it and
9 located within the City of Selma boundaries with meters and
10 accurately measure the instantaneous flow and accumulated volume of
11 water extracted from the groundwater by those wells (“Groundwater
12 Extraction”) and report to the City within 30 days after each calendar
13 quarter, of each year following the Effective Date of this ordinance,
14 the volume of Groundwater Extraction for the previous calendar
15 quarter.

16 (2) The volume of Net Groundwater Extraction shall be determined by
17 reducing the reported volume of Groundwater Extraction by twenty
18 percent (20%).

19 The Ordinance specifies that only extractions from Cal Water’s wells located within the city
20 limits are subject to the fees, presumably because the City does not believe that it has the
21 authority to assess fees on extraction from wells located outside of its city limits. ORA’s review
22 revealed that Cal Water Wells 16 and 17 are located outside of the city limits; this was confirmed
23 by Cal Water during ORA’s field inspection.³² Thus, per the Ordinance, the total groundwater
24 extraction fee payable to the City must exclude extracted volumes from these two wells. Based
25 on Cal Water’s well production records for Selma District, shown in **Table ORA-4** below,³³
26 about 22.3% of the total district well production is from Wells 16 and 17 (Unit Nos. 16-03 and
27 17-01).

³¹ Selma Ordinance 2012-4, Section 12-4-4.

³² ORA’s field inspection of the Selma District on April 17, 2014.

³³ Cal Water’s 2013 Annual Report to the CPUC – Selma District.

1
2

**Table ORA-4. Selma District’s 2013 Well Production Data
(from 2013 Annual Report to the CPUC)**

<u>SELMA DISTRICT</u>						
<u>WELL PRODUCTION - YEAR 2013</u>						
<u>SCHEDULE D-1</u>						
<u>LOCATION</u>	<u>UNIT NO.</u>	<u>I.D. SIZE INCHES</u>	<u>DEPTH (FEET)</u>	<u>2013 M.G.</u>	<u>2013 A.F.</u>	<u>HOURS</u>
Tucker & Orange	4-03	14	264	84.9	260.6	1,668
Wilson & Nebraska	6-01	14	294	70.8	217.4	4,062
Stillman & Orange	7-01	14	190	60.5	185.6	2,683
McCall & Nebraska	8-01	12	228	0.4	1.3	5
Sylvia & North	10-01	14	306	0.0	0.0	0
Aspen & D	11-01	16-12	287	177.8	545.8	4,029
E/S Mitchell S/O Nebraska	12-01	16	316	76.1	233.4	2,494
Wright & Goldbridge	13-02	14	560	225.5	692.0	5,366
Mitchell Street	14-01	30-16	299	293.4	900.4	8,270
Front & Whitson	15-01	16	300	0.0	0.0	0
So. Leonard Ave. S/O Dinuba Ave.	16-03	16	582	145.5	446.5	1,879
E/O Shaft Ave. N/O Dinuba Ave.	17-01	14	260	300.0	920.8	1,870
1161 Mill Street, Lot 21	18-01	16	570	128.0	392.9	4,512
Young Street N/O North Street	19-01	16	620	137.2	421.1	1,466
3185 Stillman Street	20-01		670	97.0	297.6	1,345
	22-01			203.5	624.4	
GRAND TOTAL	15			2,000.7	6,139.9	39,648

3

4 The total estimated Selma Groundwater Fee payment, reflecting the exclusion of Wells 16 and
5 17 volumes, should be reduced by 22.3%. Based on the Joint Application estimates presented in
6 Table 2 of Mr. Ferraro’s testimony (page 4), this 22.3% adjustment would reduce the estimated
7 payments by \$49,081 for Year 1 and up to \$166,744 for Year 8.³⁴ The surcharges proposed by
8 the Joint Applicants would be reduced proportionately.

9 **5.6 Cal Water should recalculate proposed groundwater surcharge to flat rate**
10 **customers to reflect existing rate design assumptions.**

11 Cal Water states that it calculates the surcharge by taking estimated total Selma Groundwater Fee
12 payments and dividing them by the Selma District’s annual usage. Mr. Ferraro’s testimony
13 presents two sets of surcharges – one set is a per-CCF surcharge applicable to residential
14 metered service (Table 3), and one set is a per-connection surcharge applicable to flat rate

³⁴ \$220,098 x 22.3% = \$49,081; \$747,731 x 22.3% = \$166,744.

1 service for a 0-6,000 square-foot lot (Table 4). It is unclear from that presentation whether Cal
 2 Water is proposing a uniform per-connection surcharge for all residential flat rate service
 3 connections. As shown in the Application’s Appendix D - Current Relevant Tariffs, there are
 4 several rate levels in the residential flat rate service tariff, based on the lot size of the premises
 5 receiving water service (also based on the number of service connections per lot). **Table ORA-5**
 6 below is an excerpt of Schedule No. SL-2R included in Appendix D.

7 **Table ORA-5 – Selma District’s Residential Flat Rate Schedule**
 8 **(from Appendix D of the Application)**

Schedule No. SL-2R	
<u>Selma Tariff Area</u>	
Page 1 of 2	
<u>RESIDENTIAL FLAT RATE SERVICE</u>	
<u>APPLICABILITY</u>	
Applicable to all flat rate residential water service.	
<u>TERRITORY</u>	
Selma and vicinity, Fresno County.	
<u>RATES</u>	
For a single-family residential unit, including premises having the following areas:	Per Service Connection <u>per Month</u>
6,000 sq. ft., or less	\$43.20
6,001 to 10,000 sq. ft.	53.02
10,001 to 16,000 sq. ft.	66.13
16,001 to 25,000 sq. ft.	84.62
For each additional single-family residential unit on the same premises and served from the same service connection	31.79

9
 10 **Table ORA-6** below presents the December 2013 count for residential flat rate service
 11 connections,³⁵ and the applicable rates.

³⁵ Cal Water’s email 6/6/2014 response to ORA’s inquiry.

**Table ORA-6 – Selma District’s
Number of Flat Rate Connections & Rates**

Flat Rate Service with Lot Size:	Number of connections, as of 12/2013 ⁽¹⁾		Service Connection Charge/Month	
6,000 square feet or less	271	13%	\$43.20	100%
6,000-10,000 square feet	1,544	77%	\$53.02	123%
10,000-15,000 square feet	160	8%	\$66.13	153%
16,000-25,000 square feet	31	2%	\$84.62	196%
Total	2,006	100%	--	--

⁽¹⁾ Includes services in same premises and charged a lower rate of \$31.79 per Schedule SL-2R, above.

Note that lots of 6,000 square feet or less only account for **13%** of the total residential flat rate services. Note also that the current rate design has progressively higher rates based on lot size to reflect the fact that on average larger lots are assumed to have higher usage. Accordingly, the monthly service connection charge applicable to the largest lot size is nearly two times (**196%**) that for the smallest lot size.

If Cal Water intends to propose uniform Cal Water Groundwater Surcharges to all lot sizes, then it is ignoring its own current, progressive rate design for flat rate service. It would be charging customers with differing (assumed) usages the same Cal Water Groundwater Surcharge amount. This is inconsistent with the rates designed for measured rate service which is based on usage, and produces an undesirable conservation pricing signal. If the Commission allows Cal Water to establish a groundwater surcharge to customers, it should require Cal Water to recalculate the surcharges to closely follow the current progressive, lot-size based rate design for flat rate customers.

Note that with about 2,000 flat rate service connections still remaining in the district, and at an estimated conversion rate of 223 meters/year, there will continue to be a significant number of flat rate customers for years to come.

1 **5.7 City of Selma should amend its Ordinance to reflect payment options specified**
2 **in the CID-Selma Cooperative Agreement, as well as declaring its commitment to**
3 **pursue those options.**

4 The CID-Selma Cooperative Agreement provides the City alternatives to payment of the CID
5 Groundwater Fees. Section 6 states [emphasis added]:

6 6. Alternatives to Payment of Replenishment Fee.

7 (a) If permitted by the terms of a grant or loan and subject to approval
8 by District, which approval shall not be unreasonably withheld,
9 City may provide state and federal grants, loans and other funding
10 to reduce or replace payments of Replenishment Fees into the
11 Replenishment Fund.

12 (b) Any grants received by District or the City to pay for any
13 measures to offset the impact of groundwater pumping undertaken
14 to serve water users within the City pursuant to this Agreement
15 shall be paid into the Replenishment Fund, less any costs and
16 expenses incurred for professional services to prepare the
17 application for the grant and any studies or reports necessary to
18 support it.

19 (c) City may impose development fees for groundwater recharge on
20 new development and may provide such revenues to CalWater to
21 apply to its payment of Replenishment Fees to the City.

22 The above options all serve to reduce the financial burden on Cal Water's ratepayers and Selma
23 residents. The City should demonstrate its desire and commitment to help keep water rates in
24 Selma low by declaring its intention to pursue these funding options, and include in Ordinance
25 2012-4 provisions such as the above that will allow for reduction in fees payable by Cal Water
26 and its ratepayers. Cal Water also has the responsibility to assist the City to ensure that these
27 options are pursued and ratepayers receive corresponding reductions in the Cal Water
28 Groundwater Surcharges.

29 **5.8 Ordinance 2012-4 and the Application's surcharge request should be modified**
30 **to reflect other terms of the Cooperative Agreement.**

31 **Termination**

32 Although the CID-Selma Cooperative Agreement specifies that the agreement would terminate
33 after 20 years with options for one-year extensions, neither the Selma Ordinance 2012-4 nor the

1 Application specify termination conditions for the proposed fees or surcharges, respectively.
2 Both should contain termination provisions to avoid inadvertent collection from ratepayers after
3 the termination of the Cooperative Agreement.

4 Payment Suspension

5 Additionally, the CID-Selma Cooperative Agreement specifies conditions under which an annual
6 payment to CID can be cancelled, creating a situation where the surcharge revenues would have
7 been collected from ratepayers but become unnecessary because no payment to CID is due. See
8 Item 5(b) in the Cooperative Agreement which specifies that no payment is due or payable to
9 CID if the Replenishment Fund Balance's exceeds its specified maximum. Selma Ordinance
10 2012-4 and the Application fail to acknowledge and provide procedures to address the above-
11 mentioned "over-collection" scenario. Cal Water's customers are entitled to immediate refund
12 of the collected surcharge revenues, plus interest, once it is determined that an annual payment is
13 no longer due to CID, and such requirement should be specified in the Ordinance and Cal
14 Water's tariffs to ensure compliance.

15 **6. 2012 CID-SELMA COOPERATIVE AGREEMENT**

16 In the preceding section, ORA presented its analysis and recommendations on the imposition of
17 the Selma Groundwater Fees on Cal Water, and Cal Water Groundwater Surcharges on Cal
18 Water's customers. That discussion for the most part does not rely on any specific findings on
19 the reasonableness of the CID fees specified in the 2012 CID-Selma Cooperative Agreement.
20 This section focuses on the fees and terms of the 2012 CID-Selma Cooperative Agreement.

21 **It is important to note that ORA does not contest the need for groundwater recharge in and**
22 **around the Selma area.** ORA's focus here is simply to evaluate effective approaches to
23 increase recharge in the area that do not place undue burden on Cal Water's ratepayers and
24 Selma residents. ORA reviews the fees and terms in the CID-Selma Cooperative Agreement
25 from that perspective.

26 Moreover, ORA recognizes that it is the City's prerogative to negotiate with CID for
27 groundwater recharge payments in order to resolve litigation brought forth by CID. However,
28 because the City is asking the Commission to authorize funding for these payments through Cal

1 Water Groundwater Surcharges, it must demonstrate to the Commission’s satisfaction that the
2 negotiated groundwater fees and terms are reasonable, produce intended beneficial outcomes for
3 Cal Water’s water systems and customers, and consequently are in the public interest. ORA
4 supports (1) cost effective and beneficial groundwater management and recharge to ensure that
5 the Selma District’s water supply is sustainable in the long term, and (2) equitable ways to fund
6 such activities. The 2012 CID-Selma Cooperative Agreement does not meet those criteria.

7 **6.1 Cal Water’s participation**

8 The CID-Selma Cooperative Agreement unreasonably excludes Cal Water’s participation. As
9 stated by Cal Water at the April 15, 2014 Prehearing Conference [emphasis added],

10 Cal Water is interested in ensuring that the long-term needs of its
11 customers are met and working the Commission, the City of Selma, and
12 the Office of Ratepayer Advocates to find that balance that would ensure
13 the long survivability of the water basin as well as to balance the needs of
14 the customer for reasonable rates.³⁶

15 This Application does not meet Cal Water’s stated objectives because it does not allow Cal
16 Water, under Commission oversight, the opportunity to safeguard ratepayers’ interests by
17 ensuring that adequate and effective recharge activities take place on a timely basis and at
18 reasonable costs. Even with the limited time and resources to review CID’s recharge plan and
19 estimated costs, ORA has identified several problems requiring further investigation by the City
20 of Selma, and by Cal Water on behalf of its customers.

21 Cal Water’s most recent Water Supply and Facilities Master Plan (**WSFMP**) for the Selma
22 District (prepared by its consultants CDM and submitted in its 2012 GRC application) contains
23 recommendations for a very specific, measured approach in implementing groundwater recharge.
24 The WSFMP states that in 2006 contacts with CID for the master plan [emphasis added],³⁷

25 CID suggested collaboration between Cal Water, Selma, CID and
26 Kingsburg Conservation District to collect and use funds for the purchase
27 of available surface water rights in the CID service area under Section 215

³⁶ A.14-01-008, Reporter’s Transcript, San Francisco, California, April 15, 2014, PHC, pp. 4-5.

³⁷ Cal Water’s CONFIDENTIAL VERSION of the Water Supply Facilities Master Plan for Selma District, May 2012. This passage is from Section 6.3 of the WSFMP; ORA on 6/9/2014 received Cal Water’s permission to cite information from this section without marking it as confidential.

1 of the federal Reclamation Reform Act and the purchase of land for
2 additional recharge pond locations.

3 Cal Water’s WSFWP then provides recommendations for an initial pilot phase prior to full
4 negotiations with CID; see excerpt in **Table ORA-7** below.³⁸

³⁸ Cal Water’s PUBLIC VERSION of the Water Supply Facilities Master Plan for Selma District, May 2012, identified as Exhibit CWS-110 in A.12-07-007 (Cal Water’s 2014-2016 GRC).

Table ORA-7 – Recommendations from Cal Water’s Water Supply and Facilities Master Plan for Selma District

Executive Summary

Cal Water
Water Supply Facilities Master Plan for Selma District

**Table E-1
Summary of Water Supply and Distribution System Recommendations for Selma District System**

Item	Description	Estimated Total Capital Cost \$M (September 2007)	Required for Existing System Deficiency	Required for Future Growth	Distribution of Capital Costs (2007 \$)			
					Near-term 2007-2011	Intermediate 2012-2016	Long-term 2017-2026	Buildout Phase
WATER SUPPLY IMPROVEMENTS								
Collaborative Groundwater Recharge Program with CID								
Feasibility Study	Conduct feasibility study to assess potential options for conveyance and recharge of groundwater in or near Selma, and potential supply sources for recharge.	\$ 0.3	x	x	\$ 0.3			
Provisional Agreement for Pilot Testing	Develop agreement with CID for pilot program to test groundwater recharge viability, based on recommendations from feasibility study.	--						
Conduct Pilot Testing	Conduct pilot testing to test viability of groundwater recharge and its benefits to groundwater overdraft. Pilot testing to be performed by CID, with review/input from Cal Water on program elements and performance.	Costs TBD dependent on feasibility study and agreement elements.	(1)	x				
Develop Long-term Agreement for Larger-Scale Recharge Program	Develop long-term agreement with CID for pilot program to test groundwater recharge viability, based on recommendations from feasibility study.		y	y				

1 The approach contains specific and measured steps such as feasibility study, pilot testing and
2 assessment of the results, all of which are lacking under CID's plan to add recharge basins.

3 **6.2 CID's Groundwater Recharge Plan**

4 Mr. Scott Jacobsen from Summers Engineering, a firm that conducted a study and analysis on
5 needed recharge capacity and facilities for CID, provides testimony on behalf of the City of
6 Selma. His testimony presents eight proposed recharge projects to support the CID Groundwater
7 Fees.³⁹ ORA discussed CID's groundwater recharge plan in detail with CID.⁴⁰ Following are
8 ORA's findings based on communications with CID and independent research:

- 9 • The proposed eight projects, estimated at \$16,675,000, are intended to serve as examples of
10 the type of projects that CID would undertake and are not necessarily projects that CID will
11 undertake. Only one of the eight proposed projects would provide meaningful recharge
12 benefits to Selma; the others are located in areas that would not provide meaningful recharge
13 benefits to Selma. Cal Water's ratepayers are therefore being asked to fund a Selma
14 groundwater recharge program with a high degree of uncertainty in terms of project
15 selection, scope, timing and costs.
- 16 • CID has been collecting similar Groundwater Fees from the City of Kingsburg since 2010,⁴¹
17 and has not completed one recharge project for Kingsburg. The one project being considered
18 by CID would connect an existing Kingsburg recharge pond to CID's canal, estimated to cost
19 \$125,000. This is an example where Cal Water's knowledge of the Selma District and its
20 pumping needs would be beneficial. Yet, the CID-Selma Cooperative Agreement does not
21 allow for any participation and input by Cal Water.
- 22 • CID is considering allowing another CID city recharge credit for having its own recharge
23 ponds (thus allowing for a larger adjustment for Net Extraction Volume and consequently
24 lower fee amount payable to CID). Yet, the CID-Selma Cooperative Agreement does not

³⁹ Jacobsen testimony, Exhibit C.

⁴⁰ 4/17/2014 meeting between ORA and CID in Selma, California.

⁴¹ CID informed ORA in the 4/17/2014 meeting that the collected amount was \$199,000 as of April 2014.

1 have any provisions that give Selma credit for recharge capacity from existing ponds (e.g.,
2 the pond near Station 22) or future recharge ponds (e.g., the Rockwell Pond that is to be
3 transferred from CID to the City of Selma per the agreement, or additional recharge ponds
4 constructed as part of new Selma developments).

- 5 • The CID-Selma Cooperative Agreement specifies a Replenishment Fund Oversight
6 Committee that will determine what recharge projects CID will undertake. It is CID's
7 intention that the projects be determined by the City and CID, with the representative from
8 the Kings River Conservation District (**KRCD**) only consulted when there is an impasse.
9 Because agricultural water users are CID's primary constituents, and because the City of
10 Selma is not in the groundwater management, recharge, retail or production business, the
11 City should seek technical support, involvement and representation from KRCD as well as
12 from Cal Water – from KRCD because that agency is involved in a variety of cooperative
13 efforts in the Kings River Basin area, including participation in recharge groups and
14 groundwater monitoring; from Cal Water because of its knowledge of and experience in the
15 groundwater wells and levels in and around Selma, and because of its expected interest in
16 making sure that the groundwater recharge is effective and at the lowest costs to its
17 customers. For these reasons, the City should insist that the Replenishment Fund Oversight
18 Committee includes active participation by and representation from KRCD and Cal Water.

19 **6.3 CID's Groundwater Recharge Fee Calculations**

20 ORA also reviewed the CID Groundwater Fee calculations and assumptions and found several
21 areas of concern. If the Commission allows the Cal Water Groundwater Surcharges be
22 implemented generally based on the Cooperative Agreement-specified fees, it should require the
23 City of Selma and Cal Water to address these concerns to ensure that the level of fees charged by
24 CID, and consequently the level of surcharge imposed on ratepayers, is justified and reasonable.

25 CID's assumptions and calculations are presented in its 2007 White Paper.⁴² They are also
26 partially reiterated in Mr. Jacobsen's testimony. ORA presents a few of the inconsistencies and

⁴² Included in the Application as Exhibit B.

1 errors that it has identified here to demonstrate that CID’s groundwater fee assumptions and
2 calculations require further scrutiny by the City of Selma on behalf of its citizens and Cal Water
3 on behalf of its ratepayers.

4 **6.3.a CID 2007 White Paper’s groundwater overdraft analysis is inconsistent with**
5 **that presented in its 2009 Groundwater Management Plan (GMP).**

6 CID Groundwater Fees are calculated based on its 2007 White Paper’s net groundwater
7 consumption analysis (district-wide water balance).⁴³ CID, based on this analysis, concludes that
8 there is an average annual groundwater consumption of 64,800 AF in CID, with about 49,400 AF
9 attributable to agricultural use and 15,400 AF to urban consumption. CID then asserts that it
10 provides an average annual recharge of 51,000 AF which would be enough to cover agricultural
11 consumption, leaving the 15,400 AF of urban consumption not being offset by existing recharge
12 facilities. According to CID, this analysis demonstrates that the urban groundwater consumption
13 is primarily responsible for the groundwater overdraft in CID, and supports CID’s assigning all
14 proposed recharging project costs to CID cities.

15 ORA reviewed and compared the findings from CID 2007 White Paper’s analysis with the water
16 budget analysis presented in CID 2009 GMP.⁴⁴ Both present urban consumption of
17 approximately 15,000 AF. However, while the 2007 White Paper estimates that “the total
18 average annual recharge provided by CID through the operation of its canals and recharge basins
19 is 51,000 acre-feet,” the CID 2009 GMP shows historical annual average recharges at 90,000 AF
20 from ponds and 25,000 AF from streams and canals.⁴⁵ This totals to 115,000 AF of recharge
21 provided from these resources and is more than two times the amount claimed in CID 2007
22 White Paper (i.e., more than two times 51,000 AF).

23 As described in the CID 2009 GMP, throughout the groundwater management planning process,
24 interested agencies and entities were encouraged and invited to participate in developing CID’s

⁴³ CID 2007 White Paper, p. 6.

⁴⁴ CID 2009 GMP, p. 56 (Table 4-3. Average Annual CID Groundwater Budget from 1964 to 2004).

⁴⁵ Ibid.

1 Groundwater Management Plan.⁴⁶ It is reasonable then to assume that the CID 2009 GMP data
2 has been subject to more scrutiny and likely more accurate than the estimates in the CID 2007
3 White Paper (i.e., that there is in fact 115,000 AF and not 51,000 AF of recharge capacity from
4 existing pond, stream and canal seepage). This potentially inaccurate assumption in the CID
5 2007 White Paper brings into question the reasonableness of its finding that CID Cities must
6 provide an additional 15,400 AF in recharge capacity, which in turn brings into question the
7 reasonableness of CID’s calculated and negotiated groundwater fee requirements. The City and
8 Cal Water should ask CID to reconcile this discrepancy and renegotiate for lower groundwater
9 fees.

10 **6.3.b Latest groundwater recharge project’s capacity not accounted for in the CID’s**
11 **outdated groundwater overdraft analysis.**

12 As mentioned above, Mr. Jacobsen reiterates the groundwater overdraft analysis originally
13 presented in the CID 2007 White Paper’s analysis and asserts that CID provides on average
14 51,000 AF of recharge. In addition to the inconsistency with the CID 2009 GMP’s estimate
15 discussed above, there is also an inconsistency with existing conditions. Not disclosed in Mr.
16 Jacobsen’s testimony is the South and Highland project – this is a 75-acre recharge/banking
17 project being completed by CID with \$3.8 million in state grant funds; CID in its grant
18 application claimed that “[i]t is anticipated that this project will provide as much as 7,000 acre-
19 feet of additional recharge capacity during a wet year.”⁴⁷ The City and Cal Water should ask
20 CID to reconsider its groundwater overdraft analysis to include the additional recharge capacity
21 provided by this latest recharge project.

22 At this point, it is important to point out that the City and Cal Water for 27 years have been
23 paying CID groundwater recharge fees, under the 1980 CID-Selma-Cal Water Cooperative
24 Agreement, just like CID’s agricultural groundwater pumpers (albeit at 90% of the assessed
25 rate). Therefore, it is reasonable to conclude that the City and Cal Water have contributed to the

⁴⁶ CID 2009 GMP, Chapter 6, pp. 89-94.

⁴⁷ In formation on Grant Agreement No. 460009713 provided to ORA by Joseph Yun of Department of Water Resources by email dated 4/1/2014.

1 funding of this latest project as well as CID’s existing recharge capacity, and therefore should be
2 given credit for their contributions to CID’s existing and additional recharge capacity (i.e., the
3 recharge capacity amount CID claims that urban areas are required to contribute needs to be
4 reduced to reflect the capacity provided by this latest project.)

5 **6.3.c Timeframe to complete proposed recharge projects is undefined and may be**
6 **subject to lengthy delays.**

7 The proposed recharge projects could be subject to the California Environmental Quality Act
8 (CEQA) review process, which can be lengthy, with uncertain results. For example, the land for
9 the South and Highland project was purchased four years ago, and the project was still not
10 completed as of April 2014. Granted, the project does involve injection wells and can be more
11 complicated than a typical recharge pond. However, the excavation involved in recharge pond
12 construction can produce CEQA-related complications. ORA also asked for and did not receive
13 from CID information on its most recent recharge projects, other than the South and Highland
14 project.⁴⁸ It is then reasonable to question whether CID has the capability or experience to
15 complete the proposed recharge projects, or other recharge projects of similar scope, in the
16 timeframe assumed in the groundwater fee calculations. Lack of timely progress would result in
17 ratepayers paying into a fund that does not produce the desired, beneficial recharge impacts on a
18 timely basis. As described earlier, a more measured approach recommended in Cal Water’s
19 WSFMP provides better protection of ratepayers’ contributed funds.

20 **6.3.d CID’s assumed land purchase price of \$25,000 per acre for recharge projects is**
21 **too high.**

22 A substantial portion of the CID Groundwater Fees assumes \$16.7 million is needed to construct
23 eight recharge projects. Nearly \$9 million or 54% of the total \$16.7 million is for land purchase.
24 CID’s estimate cost for land purchase is \$25,000 per acre. This estimate was developed in 2006-
25 2007, arguably at the peak of the real estate boom in the area. Since then, property prices have
26 come down considerably. For example, the 75-acre property purchased for the aforementioned

⁴⁸ Emails from ORA to CID on 4/22/2014 and 5/20/2014.

1 South-Highland project cost only \$13,000 per acre. The City and Cal Water should ask CID to
2 reevaluate its \$25,000 per acre estimate for land purchase. Because land cost constitutes over
3 half of the capital investment proposed by CID, a reduction in land cost estimates could result in
4 a significant reduction in the negotiated Groundwater Fees, and consequently lower the
5 surcharge needed to be imposed on the Selma citizens/water service customers.

6 **7. ORA’S RESPONSE TO QUESTIONS IN MAY 14, 2014 SCOPING MEMO**

7 The May 14, 2014 Assigned Commissioner’s Scoping Memo and Ruling poses specific
8 issues/questions to be considered in this proceeding. Following are ORA’s responses, based on
9 its analysis presented above.

10 **7.1 Is the requested permanent groundwater overdraft mitigation surcharge** 11 **justified, reasonable, in the public interest, and should be approved?**

12 The requested permanent surcharge should not be approved because it is not justified,
13 reasonable, or in the public interest. ORA examined in great detail Selma Ordinance 2012-4 and
14 CID-Selma Cooperative Agreement, and the surcharge amounts and mechanism proposed in the
15 instant application. Based on its review as presented herein, ORA finds the proposed Cal Water
16 Groundwater Surcharges inequitable, and inadequate in providing safeguards to ensure needed
17 mitigation of groundwater overdraft will occur in an effective and timely manner and at a
18 reasonable cost to ratepayers.

19 **7.2. Under which authority does City of Selma rely to institute the requested** 20 **surcharge?**

21 It is unclear to ORA what authority the City of Selma rely on to institute the requested surcharge
22 to be imposed on Cal Water’s ratepayers. All rates, including surcharges for water service
23 provided by investor-owned water utilities such as Cal Water, are under the jurisdiction of the
24 Commission.

1 ORA posed the following question to the Joint Applicants: If the Joint Application’s request to
2 establish the surcharges is denied, will the City of Selma still charge Cal Water the groundwater
3 fees and under what authority will it rely on to do so?⁴⁹

4 The City replied as follows [emphasis added]:⁵⁰

5 Ordinance 2012-4 does state that CalWater’s groundwater fee payment
6 obligation to the City of Selma is contingent upon CalWater receiving
7 authorization to impose surcharges on ratepayers. If the Joint
8 Application’s request to establish surcharges is denied, the City of Selma
9 would not charge CalWater groundwater extraction fees pursuant to
10 Ordinance 2012-4. It is not Selma’s objective to render CalWater
11 financially unable to provide water service to the City. If the Joint
12 Application request to establish the surcharge necessary to pay the
13 groundwater fees contingently imposed on CalWater under the Ordinance
14 2012-4 is denied Selma would consult with CalWater relative to how, or
15 if, it could pay any groundwater extraction fee, or pass that fee onto the
16 ratepayers. If there is no way of accomplishing that, Selma would not
17 impose a groundwater charge on CalWater. Ordinance 2012-4 expressly
18 recognizes that groundwater extraction fees cannot be imposed on
19 CalWater if CalWater cannot generate revenues from its ratepayers
20 necessary to pay those fees and still operate profitably.

21 **7.3 What is the effect of such surcharge on Cal Water’s customer bills?**

22 Section 4 of this report presents in detail the effects on Cal Water Groundwater Surcharge on
23 customer bills. For a residential metered service customer using 23 CCF/month,⁵¹ the fully
24 “phased in” surcharge (at Year 8) would increase his/her current monthly bill by an estimated
25 24% or \$9.86, from \$40.60 to \$50.46.⁵² This estimated increase does not include the surcharge’s
26 additional annual adjustments starting in Year 5 to reflect CPI increases.

⁴⁹ ORA Data Request PPM-007, Item 12.

⁵⁰ City of Selma’s Response to ORA Data Request PPM-007, Item 12.

⁵¹ Water service with 5/8-inch meter; 1 CCF = 100 cubic feet = 748 gallons of water.

⁵² Bill amounts used for customer bill impact analysis as presented herein include only service charge and quantity charges; the bill information reflect rates effective when the application was filed, and is the same as that presented in Cal Water’s bill impact analysis and customer notices in this application.

1 The Selma District has about 2,540 customers (40% of total) participating in the Low Income
2 Rate Assistance (**LIRA**) program, which provides a 50% discount to the service charge, up to a
3 cap. The proposed surcharge has no discount provision for LIRA customers.

4 About a third of Selma District’s 6,165 customers still receive flat rate services. Cal Water
5 shows that for a residential flat rate service with a 0-6,000 square foot lot, the proposed
6 surcharge will increase his/her current monthly flat rate bill by at least 35% or \$15.86, from
7 \$45.56 to \$61.42. Without additional subsidy, a LIRA flat rate service customer would also pay
8 \$15.86/month more, an equivalent of a 42% bill increase. Section 5.6 of this report points out
9 problems in Cal Water’s development of the surcharge amount for flat rate services. If
10 corrected, the impact to a flat rate customer’s bill would be substantially more or less than stated
11 above, depending on the size of the lot for which water service is provided.

12 **7.4 Should such surcharge be “phased-in” over eight calendar years?**

13 ORA recommends that the Commission not approve the Joint Applicants’ request to impose the
14 surcharges, including the “phased in” feature. ORA recommends that any groundwater recharge
15 costs imposed on Cal Water’s customers reflect incorporation of all recommendations presented
16 herein.

17 **7.5 Will the surcharge/groundwater fees allow the City of Selma to move forward**
18 **with measured urban development?**

19 Per the October 1, 2012 CID-Selma Cooperative Agreement, the CID Groundwater Fee
20 payments, and other provisions therein, will resolve the four lawsuits against the City and the
21 various other entities involved in those lawsuits. The payments will allow the City and the
22 developers to move forward with the development projects without continued legal challenges by
23 CID regarding groundwater overdraft mitigation and storm water drainage.

24 The Cooperative Agreement and the prescribed payments provide no assurance that urban
25 development will occur at a measured pace in Selma. Therefore, one cannot conclude that the
26 surcharge/groundwater fees will allow the City of Selma to move forward with measured urban
27 development.

1 **7.6 Given the water supply concerns in Selma, should there be new development?**

2 The Upper Kings River Basin, from which Cal Water draws water to serve Selma, is considered
3 in overdraft condition. While there is no immediate water supply shortage in Selma, according
4 to city officials,⁵³ there is an undisputed need for responsible groundwater management in the
5 Selma area and in the basin, in general. Although it is conceivable that water rates set by the
6 Commission could have an impact on local developments, the question of whether there should
7 be new development in Selma is best answered by local stakeholders and agencies such as the
8 Fresno County Local Agency Formation Agency (**LAFCO**), which was established by state law
9 to discourage urban sprawl and to encourage orderly and efficient provision of services, such as
10 water, sewer, fire protection, etc.⁵⁴ The following description of LAFCOs is from CID 2009
11 GMP:⁵⁵ LAFCOs “are tasked with ensuring water supplies are available at the time when city or
12 special district boundaries are to be amended;” LAFCOs “serve as the legislature’s watchdog,
13 operating at the intersection of land use, services (including water), finance and governance;”
14 these agencies are “required by State law to review and make a determination of approval or
15 denial of all annexations or other changes of organization to cities and special districts.”

16 **7.7. Will the surcharge/groundwater fees ensure recharge in the Upper Kings River**
17 **Basin?**

18 Simply put, the collection of the Cal Water’s groundwater surcharge from ratepayers to fund
19 groundwater fee payment to CID will allow the City and developers to proceed with
20 development projects without continued legal challenge by CID regarding water supply
21 mitigation and storm water drainage. If those funds are not used by CID to provide recharge that
22 is effective, economical and beneficial to Cal Water’s Selma District, there is little recourse

⁵³ In a news article in the Selma Enterprise, the Mayor of City of Selma Ken Grey states “Selma is fortunate to have deep wells, which supply a sufficient amount of water during the statewide drought;” in the same article, Selma City Manager D-B Huesser states that “the city currently has an adequate aquifer” and “[t]he city council decided to enact restrictions as a proactive measure against the current drought.” (http://www.hanfordsentinel.com/selma_enterprise/news/selma-cid-work-to-conserve-water/article_26448d8a-c4f1-11e3-960a-001a4bcf887a.html, assessed on 5/21/2014)

⁵⁴ http://www.fresnolafco.org/FAQ.asp#What_is_LAFCO, accessed on 5/22/2014.

⁵⁵ CID 2009 GMP, p. 18

1 available to Cal Water or its ratepayers under the proposal put forth by the City of Selma and Cal
2 Water in this application (and the associated Ordinance and Cooperative Agreement).

3 ORA supports (1) cost effective and beneficial groundwater management and recharge to ensure
4 that the Selma District’s water supply is sustainable in the long term, and (2) equitable ways to
5 fund such activities. Granting Cal Water’s Groundwater Surcharges as proposed does not
6 necessarily ensure that those objectives will be achieved. Cal Water’s Selma customers, about
7 40% of whom is currently receiving subsidy from Cal Water’s Low Income Rate Assistance
8 program, will shoulder the financial burdens of an ill-defined recharge program that is not
9 subject to adequate safeguards and scrutiny. Meanwhile, the City of Selma and the developers
10 will benefit from the resolution of multiple lawsuits and from the developments that follow, Cal
11 Water will benefit from the resulting customer base expansion, and CID which primarily serves
12 agricultural users, will benefit from increased funding.

13 It is worth noting here that agricultural groundwater users in CID area are not assessed
14 volumetric fees; they are assessed a per-acre fee of \$9.60 per year for unlimited groundwater
15 extraction. Those pumping fees were raised once in the last 16 years, by \$1 per acre in 2008⁵⁶
16 (averaged to a 0.7% annual increase or less). Meanwhile, CID wants annual CPI increases
17 applied to the CID Groundwater Fees on urban users like the City of Selma; ORA is not aware of
18 similar or any escalation provision built into the fees that CID charges its agricultural
19 groundwater pumpers. These disparate treatments of urban and agricultural water users is
20 inequitable and discriminatory.

21 **7.8 Will the anticipated measured level of urban development add to Cal Water’s**
22 **customer base?**

23 As mentioned in ORA’s response to Question 5 above, one cannot assume or anticipate that
24 urban development in Selma will be “measured.” The scope and pace of Selma development
25 that will result from the CID Groundwater Fee payment and resolution of the pending lawsuits
26 are not known. It is, however, certain that any new development, residential or commercial, of

⁵⁶ 4/17/2014 meeting between ORA and CID in Selma, California.

1 any size will add to Cal Water’s customer base and will provide an opportunity for Cal Water to
2 increase its sales and revenues.

3 **7.9 How will a measured level of urban development affect the surcharge?**

4 **7.10 How will new customers’ contribution to the surcharge be calculated?**

5 The following is ORA’s response to both Questions 7.9 and 7.10.

6 If the Application is approved as proposed, a surcharge amount will be added to each unit of
7 water sold to Cal Water’s metered service customers; for flat rate customer, a fixed surcharge
8 will added to the monthly service charge. The surcharge revenues to be collected are tied to the
9 CID Groundwater Fees which are determined based on amount of water pumped by Cal Water
10 (less 20%). When more customers are added to the system – through new development,
11 measured or otherwise – those customers will cause Cal Water to pump more units of water and
12 correspondingly increase the groundwater fee payment due to the City of Selma and ultimately to
13 CID. Therefore, new development and the associated new customers added to Cal Water’s
14 Selma system do not reduce its existing customers’ groundwater surcharge burden.

15 **7.11. How will the surcharge will be updated and how often?**

16 It appears that the Joint Applicants intend for Cal Water to update the surcharge annually and
17 that update would be through an Advice Letter filing. The Application requests that the
18 surcharge be ramped up to its full amount over an eight-year period. Starting in Year 5, the
19 surcharge would also be increased by a CPI factor, mirroring the CPI increases specified in the
20 CID-Selma Cooperative Agreement. However, as discussed earlier, the Application and
21 Ordinance 2012-4 fail to include provisions to reduce, terminate or suspend the groundwater
22 surcharges to reflect terms specified in the CID-Selma Cooperative Agreement. Such exclusions
23 are all to the detriment of ratepayers and contradict the City’s and Cal Water’s claimed objective
24 of keeping water rates reasonable for its citizens and customers, respectively.

1 **7.12. Does the Application raise any concerns that would impede or prevent Cal**
2 **Water from ensuring the safety of its patrons, employees or the public?**

3 The Application requests authority to impose a large, permanent surcharge to an economically
4 disadvantaged community, but does not provide sufficient safeguards to ensure that funds
5 collected will produce the desired groundwater overdraft mitigation. Additionally, as mentioned
6 earlier, the City expressed its concern that “[u]nder any increased rate scenario, many of Cal
7 Water’s Selma District customers may be forced to choose between basic life necessities and
8 paying their water bills.” To that extent, the Application does raise public safety concerns.

9 **8. SUMMARY OF RECOMMENDATIONS**

10 ORA recommends that the Commission not authorize the proposed Cal Water Groundwater
11 Surcharge and that the Commission adopt the following specific recommendations:

- 12 1. ORA recommends that the City and Cal Water re-evaluate the assumptions and calculations
13 made by CID in support of the CID Groundwater Fees, and insist that CID address the
14 concerns presented by ORA in this report (e.g., understated existing recharge capacity,
15 outdated and inflated land purchase cost estimates, etc.).
- 16 2. ORA recommends that the City and Cal Water participate in the renegotiation of the
17 Cooperative Agreement for lower rates, and for Cal Water’s, as well as KRCD’s, active
18 participation in the groundwater recharge planning and efforts.
- 19 3. ORA recommends that in negotiation with CID, the City and Cal Water advocate for a more
20 measured and defined approach to groundwater recharge as recommended by Cal Water in
21 its latest Water Supply and Facilities Master Plan for the Selma District.
- 22 4. ORA recommends that the City re-affirm its commitment to keep water rates low and reduce
23 the financial burden to its residents and Cal Water’s customers by, at the minimum:
 - 24 a. developing alternative, additional funding sources, such as development impact fees
25 dedicated to groundwater recharge,
 - 26 b. using such funding to pay for at least 20% of the renegotiated CID Groundwater Fees,

- 1 c. imposing its groundwater fees to all groundwater users within its city limits and not just
2 on Cal Water's customers, and
- 3 d. excluding Wells 16 and 17 in calculating the Net Groundwater Extraction volume to be
4 consistent with Ordinance 2012-4, Section 12-4-4A.(1).
- 5 5. ORA recommends that any groundwater recharge cost pass-through by the City of Selma to
6 Cal Water's customers, if approved, reflects measured and measurable groundwater overdraft
7 mitigation and provisions that are fair and equitable, protect the interest of Cal Water's
8 customers and result in lowest possible surcharge (e.g., no or lower than CPI adjustments,
9 immediate refund of collected revenues when an annual CID payment is not due or payable
10 to CID, demonstration of active pursuit of state or federal funding and flow-through of such
11 benefits to Cal Water's customers, specificity in fee termination, etc.)
- 12 6. ORA recommends that if the Commission allows some form of surcharge to pay for
13 groundwater recharge, Cal Water be required to recalculate the surcharge applicable to flat
14 rate service to avoid cross-subsidization between low- and high-users, and to incorporate all
15 provisions that can result in lowest possible surcharge (see Item 5 above).

APPENDIX A

**QUALIFICATIONS
AND
PREPARED TESTIMONY
OF ORA WITNESS**

**QUALIFICATIONS AND PREPARED TESTIMONY
OF PAT MA**

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Q1. Please state your name, business address, and position with the California Public Utilities Commission (“Commission”).

A1. My name is Pat Ma and my business address is 505 Van Ness Avenue, San Francisco, California 94102. I am a Senior Utilities Engineer in the Water Branch of the Office of Ratepayer Advocates.

Q2. Please summarize your education background and professional experience.

A2. I received a Bachelor of Science degree in Industrial and Systems Engineering with a concentration in Management from San Jose State University in 1986. I received my Professional Engineer License in Industrial Engineering in the State of California in 1989 and my Grade 2 Water Distribution Operator Certification in 2010.

I joined the Office of Ratepayer Advocates - Water Branch in December 2008. My previous professional position was as a Senior Utilities Engineer also at the Commission, where I worked from 1986 to 1999 in transportation, telecommunications, energy, and water areas. I also worked briefly for the U.S. EPA, Region 9 in 1989 as an Environmental Engineer.

Q3. What is your responsibility in this proceeding?

A3. I am responsible for the preparation of ORA’s Report on the Joint Application of California Water Service Company and the City of Selma to Recover Costs for Groundwater Fees in the Selma District, A.14-01-008.

Q4. Does this conclude your prepared direct testimony?

A4. Yes, it does.