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General Manager Jim Abercrombie repeatedly has claimed EID’s new rates are “fair and equitable” and that they legally fulfill all Proposition 218 requirements. But, are they, and do they?

In conflict with legal provisions of Proposition 218 prohibiting one customer class subsidizing another¹, EID’s new rates for 2012 include substantial subsidies to hydroelectric operations, Agriculture, and the City of Placerville... **subsidies which exceed \$3.5 million annually and which add 17% to the rates of EID’s regular water ratepayers.**

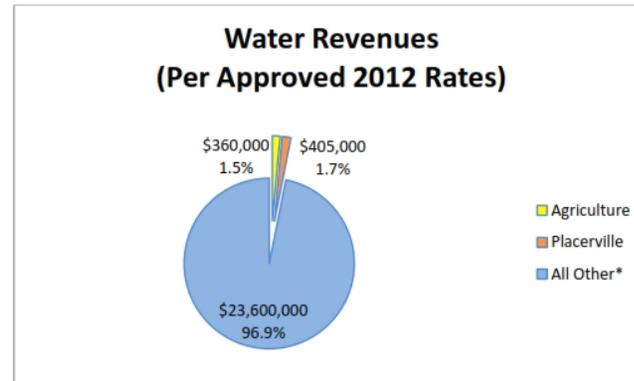
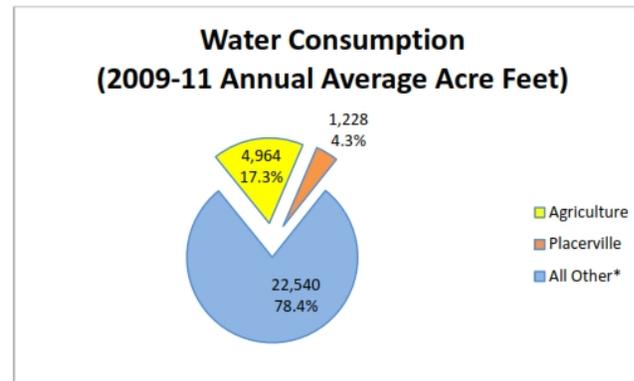
Are 17% extra rates to EID’s 38,000 regular ratepayers “fair and equitable”? While General Manager Abercrombie, the Agriculture community, and City of Placerville officials say “Yes!”, 38,000 regular ratepayers may decide for themselves.

As for whether the new rates are legal, State of California law unequivocally says “No!”. So, why have EID’s General Manager, General Counsel, and Board majority ignored Prop 218 requirements that prohibit requiring regular ratepayers to subsidize others and by which 38,000 regular ratepayers could sue for millions of dollars of rate roll backs and refunds?

Hydroelectric: EID’s faulty cost accounting wrongfully fails to charge more than \$6+ million of annual hydroelectric-related debt costs, depreciation, FERC licensing, general overhead, employee benefits and retiree liabilities against hydroelectric revenues. (EID only records \$3.6 million of operating costs against hydroelectric revenues, but excludes \$6+ million costs.) Instead, 38,000 regular EID ratepayers are left to pay the check for \$10 million of annual hydroelectric costs compared to budgeted hydroelectric revenues of just \$8 million annually. Proposition 218 prohibits EID from making regular ratepayers pay for this annual **\$2 million hydroelectric**

revenue vs. full cost shortfall. Since 2001, under the current Board majority, EID ratepayers have subsidized hydroelectric more than \$25 million.

Agriculture and City of Placerville Overview: Table 27 of EID’s 2011 Consolidated Annual Financial Report confirms that Agriculture and the City of Placerville have received **21% of EID’s sold water** over the past three years (2009-2011). Yet, through contorted special costing methods that defy both logic and Proposition 218 requirements, Agriculture and the City of Placerville pay a mere **3.2% of EID’s water rate revenues.**



(*All Other includes residential, commercial, recreation turf, domestic irrigation)

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Agriculture: EID’s middle usage Agriculture ratepayer pays \$678 annually for 10.2 acre feet of water (i.e., **\$67 per acre foot**). Yet, EID’s average usage residential ratepayer non-proportionally pays EID \$643 annually for 0.6 acre feet of water (i.e., **\$1071 per acre foot**). Residential customers thus pay virtually the same annual water bill as Agriculture but, for just one-seventeenth the amount of water².

Placerville: On a per acre foot basis, EID charges the City of Placerville less than three-tenths of what 38,000 regular EID ratepayers are forced to pay... this even though 70% of EID’s costs are categorized as "fixed" by EID’s General Manager and this 70% would be the proximate percentage that City of Placerville should pay to avoid subsidization.

While EID’s average usage residential customer pays \$643 annually for EID water, the City of Placerville pays the equivalent of just **\$130 per city resident annually** for EID fully-treated water³.

Rate Comparisons

Agriculture	\$.00096/cf	1/17 th of residential rates
Placerville	\$.004698/cf	1/4 th of residential rates
All Other*	\$.01663/cf*	

(*Based on 4,500cf since 99% of all Agriculture and Placerville water usage is above 4,500 cf; further note that Agriculture and Placerville have no drought rate penalties which add >32% to regular ratepayer rates in drought years)

Summary: EID’s 38,000 regular ratepayers pay steep enough water rates (for EID’s high overhead, employee benefits, and debt costs on 50 percent excess capacity) without further paying 17% extra to subsidize below cost charges to Hydroelectric/P&G&E, Agriculture and the City of Placerville. **Absent corrective action directed by EID’s Board, EID’s 38,000 regular ratepayers are entitled to litigate for millions of dollars of rate roll-backs and refunds under the provisions of Proposition 218.**

¹Proposition 218, Section 6 (b) 2 & 3:

“Revenues derived from the fee or charge shall not be used for any purpose other than that for which the fee or charge was imposed.”

“The amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel.”

²El Dorado Hills residential ratepayers require more water for landscape irrigation (due to being hotter and less forested) and average \$762 annually for .77 acre feet of water... 12% higher annual water bills than the average Agriculture ratepayer.

³The fact that the City of Placerville marks up the \$130 it pays to EID by more than five-fold when charging Placerville residents is not the responsibility of regular EID ratepayers.