

Look at what General Manager Jim Abercrombie is saying

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To: undisclosed recipients

Subject: Look at what General Manager Jim Abercrombie is saying

Look at this quote from EID General Manager Jim Abercrombie on page 1 of the September-October 2012 edition of EID's in-house newsletter, "The Waterfront":

"EID has a lot of assets in the ground—about \$800 million worth, spread over 220 square miles. Assuming a 50-year life expectancy for these assets, the District should be spending an average of \$15 to \$20 million a year to replace or repair them each year to keep up with maintaining the System". <http://www.eid.org/modules/showdocument.aspx?documentid=2810>

But what General Manager Abercrombie doesn't say is that \$450 million of these \$800 million of assets are less than twelve years old... in 2001, EID had \$353 million of assets.

So given a 50 year average life, why would General Manager Abercrombie be including in his asset replacement "justification" the replacement of \$450 million of less than twelve year old assets? And why doesn't EID's Board majority take General Manager Abercrombie to task for trying to "hoodwink" EID ratepayers with a more than 100% "fudge factor" in trying to justify an unaffordable \$15+ million per year capital improvement plan?

The truth is that General Manager Abercrombie wants to continue spending far more money than is needed to serve current ratepayers. Half of EID's proposed capital spending plan is for Project 184 in which EID already has invested more than \$100 million. Note that over the past three years EID has sold far less than half its water... an average of 29,000 acre feet of water annually vs. system firm yield of 65,000 acre feet.

Also note that PG&E's hydroelectric fees to EID are below full cost inclusive of debt, depreciation, and overhead. This leaves EID's 39,000 water ratepayers to pick up costs that rightfully belong to Hydroelectric customers like PG&E. (Since 2001, EID ratepayers have subsidized Hydroelectric operations by some \$25 million.)

Further note that EID doesn't have the money to pay for General Manager Abercrombie's proposed continued capital spending binge. Instead, Abercrombie plans to raise another \$60 million debt in 2013 to finance "four more years" of \$15 million per year deficit spending.

A fiscally responsible Board needs to say "Whoa... now is not the time to add even more debt and even more extra water capacity and infrastructure in anticipation of a re-doubling of EID's current 39,000 water customers."

On September 26th, at 6pm, EID is holding a public meeting at their Mosquito Road headquarters to discuss tens of millions of dollars of proposed capital spending. Ratepayers concerned about their 102% of water rate hikes for 2010-2015, and sewer bills more than double those of Folsom, should let their voices be heard on September 26th.