

The California State Auditor released the following report today:

Antelope Valley Water Rates

Various Factors Contribute to Differences Among Water Utilities

BACKGROUND

Occupying northeastern Los Angeles, southeastern Kern, and western San Bernardino counties, the Antelope Valley region's water customers are served—depending on location—largely by four main water utilities: Los Angeles County Waterworks, District 40 (LA District 40), Palmdale Water District (Palmdale), Quartz Hill Water District (Quartz Hill), and California Water Service Company (Cal Water). While Cal Water is an investor-owned utility and its rate changes must be approved by the California Public Utilities Commission, the other three utilities are government-owned (public utilities) and must comply with Proposition 218 when making rate changes.

KEY FINDINGS

During our review of the rates charged by the four water utilities in the Antelope Valley, we noted the following:

- Water rates differed considerably based on the various costs incurred or revenues generated by each of the utilities.
 - ✓ Purchased water has a significantly higher cost per acre-foot than pumped groundwater. In fact, in 2013 Cal Water spent \$482 per acre-foot for purchased water but only \$276 per acre-foot on pumped groundwater.
 - ✓ Unlike investor-owned utilities, public utilities have sources of revenue other than water rates—such as property taxes—that they can rely on for their operations and infrastructure improvements and that can contribute to lower rates.
- While all four utilities generally followed their respective required processes for increasing their rates, two public utilities—Quartz Hill and LA District 40—could not demonstrate that they met certain requirements when making pass-through rate increases (automatic adjustments) in one or more of the three years we reviewed and the level of detail Quartz Hill provided in the written notice to the public about its rationale for rate increases fell short.
- Although public utilities cannot increase rates if the majority of property owners submit written protests, due to the number of parcel owners in a given public utility's service area, it is unlikely that there would ever be sufficient protests to reject a rate increase in most circumstances.
- Each of the four water utilities increased its rates between 2011 and 2013—the increase in a typical monthly water bill for a family of three over those three years ranged from 7.1 percent to 17.6 percent.
- Though each of the four utilities provided examples of how they manage operating costs in order to keep rates reasonable, they were not always able to quantify the savings that have resulted from their actions.
- Cal Water is the only utility we reviewed that offers rate assistance programs; one is offered to water customers whose income is below a certain level and the other is offered to certain water customers in high-cost service areas.

KEY RECOMMENDATIONS

We made several recommendations to the Legislature and to all four utilities as follows:

- The Legislature should provide guidance to local public agencies regarding the level of detail to include in the public notice regarding water rate increases.
- Quartz Hill and LA District 40 should retain information that demonstrates they properly notified their water customers and made them aware of pass-through rate increases. Further, Quartz Hill should ensure it adopts a schedule of fees showing the effect of its pass-through rates before they take effect.
- To demonstrate that they are attempting to keep rates reasonable, all four utilities should document any cost savings expected or achieved as a result of cost-saving efforts.
- The three public utilities should consider the feasibility of implementing rate assistance programs for low-income water customers.