

Buyout Cal-Am
Fact Sheet

*Submitted at 7/18/2011
Board Meeting
by Water Plus
Item 24*

- Water Plus is a ratepayer advocacy group dedicated to reducing water rates by the purchase of Cal-Am.
- Public Ownership of water systems has been proven to be highly successful. In fact, over 85% of America's water systems are publically owned.
- Cal-Am's performance is dismal.
- Cal-Am's parent company, American Water, has a low credit rating of BBB, increasing borrowing costs which are then passed on to ratepayers.
- Public Ownership automatically eliminates the PUC along with its accompanying expenses.
- Public Ownership ensures local ratepayer control.
- Analysis proves rates will be much lower with Public Ownership.
- An Appraisal of Cal-Am was done in 2006. It shows a value of \$100 million composed of approximately \$50 million of equity and \$50 million of debt, which ratepayers are already paying.
- American Water recently sold its Arizona/New Mexico operations at \$2,700/customer. This equates to a total Monterey Peninsula Cal-Am value of \$108 million.
- **BOTTOM LINE**—Under Cal-Am, in the next few years, water bills may go up to 375% of the current rate. Under public ownership the expected rate would only be 129% of the current rate.

ESTIMATED AVERAGE MONTHLY COST IN DOLLARS			
Cost item	Ownership		Savings
	Private	Public	
Shareholder earnings ¹	10.45	0.00	10.45
Taxes (total) ²	9.76	0.00	9.76
Debt portion of bill ³	7.20	5.55	1.65
External administration ⁴	21.81	9.02	12.79
MPWMD (8.375%) ⁵	7.55	0.00	7.55
Citizens Premium ⁶	1.87	0.00	1.87
Purchase of Cal Am ⁷	0.00	6.60	-6.60
Eminent domain ⁸	0.00	0.05	-0.05
SUB-TOTAL	58.64	21.22	37.42
Currently unaffected expenditures	31.56	31.56	0.00
TOTAL MONTHLY BILL⁹	90.20	52.78	----

EFFECT OF UPCOMING CAPITAL IMPROVEMENTS ON AN AVERAGE MONTHLY WATER BILL		
Cost item	Ownership	
	Private	Public
Current bill ¹	90.20	52.76
Removal of dam ²	18.37	12.70
Proposed rate hike ³	33.55	4.40
Regional Desal Project ⁴	122.49	46.46
Debt equivalency ⁵	72.16	0.00
TOTAL	336.77	116.32

**FOR DOCUMENTATION, PLEASE SEE THE PROPOSAL TO THE MONTEREY
PENINSULA WATER MANAGEMENT DISTRICT ON THE WATER PLUS WEB SITE:**

www.waterplusmonterey.com