

APPENDIX A

**NOTICE OF PROPOSED RATE INCREASE
CALIFORNIA-AMERICAN WATER COMPANY
APPLICATION A.06-01-005**

On January 9, 2006, California American Water filed an application with the California Public Utilities Commission ("CPUC") for a general rate increase in its Los Angeles District (A.06-01-005). The Los Angeles District includes the Baldwin Hills, Duarte and San Marino service areas. The increase requested in this application is intended to reflect increased plant investment and operating costs to provide service to customers since the last general rate request filed in July 2003. The following table shows the proposed rate impacts on the average residential customer.

Customer Service Area (a)	Year (b)	Monthly Bill at Standard Design			Monthly Bill at Proposed Design		
		Current (c)	Proposed (d)	Percent Increase (e)	Current (f)	Proposed (g)	Percent Increase (h)
Baldwin Hills							
Meter Size: 5/8"x3/4"	2007	\$39.29	\$46.73	18.94%	\$39.29	\$36.94	-5.98%
Average Usage: 17 Ccf	2008	\$46.73	\$47.94	2.59%	\$36.94	\$38.03	2.95%
Duarte							
Meter Size: 5/8"x3/4"	2007	\$33.40	\$38.07	13.98%	\$33.40	\$41.88	25.39%
Average Usage: 20 Ccf	2008	\$38.07	\$39.27	3.15%	\$41.88	\$43.16	3.06%
San Marino							
Meter Size: 5/8"x3/4"	2007	\$40.76	\$44.04	8.05%	\$40.76	\$51.74	26.94%
Average Usage: 26 Ccf	2008	\$44.04	\$45.34	2.95%	\$51.74	\$53.40	3.21%

As part of the application, California American Water is seeking approval of seven Special Requests relating to the Los Angeles District. The Special Requests are summarized as follows in the order in which they appear in the Application:

1. Implementation of an Infrastructure System Replacement Surcharge ("ISRS") to recover additional fixed costs associated with capital expenditure investments for replacement or rehabilitation of certain facilities.
2. Implementation of a conservation rate design that will reduce the current monthly service charge and shift more of the recovery of fixed costs to the volumetric charge in order to provide the opportunity for all customers to reduce their bill through conservation efforts.
3. Implementation of consistent rates across the Los Angeles District.

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 California
 American Water
 195 Kirby Way
 Felton, CA 95018

**NOTICE OF PROPOSED RATE INCREASE
CALIFORNIA-AMERICAN WATER COMPANY
APPLICATION A.06-01-005**

(continued)

4. Implementation of a low income program that would provide a fixed charge surcredit equal to approximately 15% of the average residential bill.
5. Implementation of full cost balancing accounts for purchased water and purchased power so that only the actual purchased water and purchased power costs are passed on to ratepayers.
6. Establishment of a conservation memorandum account for tracking and recovery of costs related to improvement of current conservation efforts.
7. Establishment of a memorandum account to track the actual tax effects of the American Jobs Creation Act.

If Public Participation Hearings ("PPHs") are scheduled, each customer will be notified of the dates, times, and locations. PPHs are one opportunity to express your views regarding California American Water's application to increase its rates. You may also write or email the Public Advisor's Office as shown below. All communications are circulated to the Commissioners, the assigned Administrative Law Judge and assigned staff. They also become part of the formal correspondence record of the proceeding.

Before acting on this application, Evidentiary Hearings may be held where parties will present their testimony and evidence. Evidentiary Hearings are open to public spectators, but only formal parties wishing to present evidence or cross-examine witnesses may participate.

The CPUC's independent Office of Ratepayer Advocates ("ORA") will review the recommendations made by California American Water in its final application. Analysts, engineers, economists, and other regulatory professionals are employed by ORA to represent the long-term interests of all utility ratepayers. ORA will prepare an analytical report on this application which will be released sometime in Spring 2006. Please contact the Public Advisor's Office if you would like a copy of that report.

The assigned Administrative Law Judge will then issue a proposed decision which the Commission may accept in whole or in part or may substitute with an entirely different decision. The CPUC's final decision in this matter may be different from the requests made by California American Water.

If you want to participate in these proceedings or if you would like to send written comments to the CPUC, please contact the Public Advisor's Office at the address shown below. The Public Advisor's Office was established to help you to participate in CPUC proceedings. Persons with disabilities who need reasonable accommodations, for example sign language interpretation, in order to participate in this proceeding should contact the Public Advisor's Office at (415) 703-2074 or toll free at 1-866-849-8390, TTY tel. # (415) 703-5282 or toll free TTY at 1-866-836-7825. Requests for foreign language interpreters should also be directed to the Public Advisor's Office at these numbers.

CPUC Public Advisor's Office
505 Van Ness Avenue, Room 2103
San Francisco, CA 94102
1-866-849-8390 (toll free) or 1-415-703-2074
or by e-mail to public.advisor@cpuc.ca.gov.

Please refer to Application Number A.06-01-005.

A copy of the application may be inspected at the business offices of California American Water at 2020 Huntington Drive, San Marino, CA 91108 or 303 H Street, Suite 250, Chula Vista, CA 91910; or at the CPUC's San Francisco office at 505 Van Ness Avenue San Francisco, CA 94102.



APPENDIX B

**CALIFORNIA-AMERICAN WATER COMPANY
APPLICATION A.06-01-005**

**NOTICE OF PUBLIC PARTICIPATION HEARINGS AND REQUEST FOR PUBLIC
COMMENTS ON PROPOSED RATE INCREASE AND CHANGES TO DESIGN OF RATES
FOR LOS ANGELES DISTRICT**

On January 9, 2006, California American Water filed an application with the California Public Utilities Commission ("CPUC") for a general rate increase in its Los Angeles District (A.06-01-005). California American Water's Los Angeles District includes the Baldwin Hills, Duarte, and San Marino service areas. According to CPUC policy, utilities such as California American Water are required to file a General Rate Case application every three years. Customers in the Los Angeles District originally were notified of the proposed rate increase by a direct notice mailed on January 31, 2006. The original notice lacked certain information and this notice therefore contains corrected and additional information.

The rate increase requested in California American Water's application is intended to reflect increased plant investment and operating costs to provide service to customers since the last general rate request filed in July 2003. As discussed further below, California American Water also requests permission to (1) modify the design of rates to implement a conservation-oriented rate design and (2) consolidate rates across the Los Angeles District. The following table shows the rate impacts of California American Water's requested rate increase and rate consolidation on the average residential customer, both under the current design of rates ("Standard Design") and under the proposed design of rates ("Proposed Design").

Customer Service Area (a)	Year (b)	Monthly Bill at Standard Design (Current Design of Rates)			Monthly Bill at Proposed Design (Proposed Design of Rates)		
		Current (c)	Proposed (d)	Percent Increase (e)	Current (f)	Proposed (g)	Percent Increase (h)
Baldwin Hills							
Meter Size: 5/8"x3/4"	2007	\$39.29	\$46.73	18.94%	\$39.29	\$36.94	-5.98%
Average Usage: 17 Ccf	2008	\$46.73	\$47.94	2.59%	\$36.94	\$38.03	2.95%
	2009	\$47.94	\$49.15	2.52%	\$38.03	\$39.12	2.87%
Duarte							
Meter Size: 5/8"x3/4"	2007	\$33.40	\$38.07	13.98%	\$33.40	\$41.88	25.39%
Average Usage: 20 Ccf	2008	\$38.07	\$39.27	3.15%	\$41.88	\$43.16	3.06%
	2009	\$39.27	\$40.47	3.06%	\$43.16	\$44.44	2.97%
San Marino							
Meter Size: 5/8"x3/4"	2007	\$40.76	\$44.04	8.05%	\$40.76	\$51.74	26.94%
Average Usage: 26 Ccf	2008	\$44.04	\$45.34	2.95%	\$51.74	\$53.40	3.21%
	2009	\$45.34	\$46.63	2.85%	\$53.40	\$55.07	3.13%

Rates shown above exclude applicable taxes and surcharges.

(continued on reverse)

 **California
American Water**
2020 Huntington Drive
San Marino, CA 91108

 **RWE
Group**

 **California
American Water**

**NOTICE OF PUBLIC PARTICIPATION HEARINGS AND REQUEST FOR
PUBLIC COMMENTS ON PROPOSED RATE INCREASE AND CHANGES TO
DESIGN OF RATES FOR LOS ANGELES DISTRICT**

**CALIFORNIA-AMERICAN WATER COMPANY
APPLICATION A.06-01-005**

**NOTICE OF PUBLIC PARTICIPATION HEARINGS AND REQUEST FOR PUBLIC
COMMENTS ON PROPOSED RATE INCREASE AND CHANGES TO DESIGN OF RATES
FOR LOS ANGELES DISTRICT**

(continued)

As part of the application, California American Water is seeking approval of seven Special Requests relating to the Los Angeles District. The Special Requests are summarized as follows in the order in which they appear in the Application:

1. Implementation of an Infrastructure System Replacement Surcharge ("ISRS") to recover additional fixed costs associated with capital expenditure investments for replacement or rehabilitation of certain facilities.
2. Implementation of a conservation rate design that will reduce the current monthly service charge and shift more of the recovery of fixed costs to the volumetric charge in order to provide the opportunity for all customers to reduce their bill through conservation efforts. In the table above, the term "Proposed Design" refers to the effect on customer bills if the CPUC approves California American Water's proposal to implement the conservation rate design.
3. Implementation of consistent rates across the Los Angeles District. Currently, rates in the Duarte, Baldwin Hills, and San Marino service areas are already consolidated except for purchased power and purchased water costs and have been so consolidated since 1995. California American Water now proposes to additionally consolidate the purchased power and purchased water costs of all three service areas. In the table above, the term "Proposed Design" refers to the effect on customer bills if the CPUC approves California American Water's proposal to implement consistent rates across the Los Angeles District.
4. Implementation of a low income program that would provide a fixed charge surcredit equal to approximately 15% of the average residential bill of qualifying low income customers. The low income program would be funded by non-low-income customers in the Los Angeles District.
5. Implementation of full cost balancing accounts for purchased water and purchased power so that only the actual purchased water and purchased power costs are passed on to ratepayers.
6. Establishment of a conservation memorandum account for tracking and recovery of costs related to improvement of current conservation efforts.
7. Establishment of a memorandum account to track the actual tax effects of the American Jobs Creation Act.

PUBLIC PARTICIPATION HEARINGS

Before acting on this application, Evidentiary Hearings may be held where parties will present their testimony and evidence. Evidentiary Hearings are open to public spectators, but only formal parties wishing to present evidence or cross-examine witnesses may participate.

The CPUC's independent Division of Ratepayer Advocates ("DRA") is reviewing the recommendations made by California American Water in its application. Analysts, engineers, economists, and other regulatory professionals are employed by DRA to represent the long-term interests of all utility ratepayers. DRA will participate in this proceeding as a formal party. DRA will prepare an analytical report on this application which will be released in early May 2006. Please contact the Public Advisor's Office at the contact information below if you would like a copy of that report.

The assigned Administrative Law Judge will then issue a proposed decision which the CPUC may accept in whole or in part or may substitute with an entirely different decision. The CPUC's final decision in this matter may be different from the requests made by California American Water.

In addition, three public participation hearing on A.06-01-005 have been scheduled as follows:

April 5, 2006 at 3:00 p.m.
San Marino City Hall Council Chamber
2200 Huntington Drive
San Marino, CA 91108

April 5, 2006 at 6:00 p.m.
Four Points Sheraton Hotel
700 W. Huntington Drive, Room Salon E
Monrovia, CA 91016

April 6, 2006 at 12:00 p.m.
Inglewood City Hall Council Chamber
One Manchester Boulevard
Inglewood, CA 90301

A public participation hearing is one opportunity to express your views regarding this application. You are also encouraged to telephone, write, or email your opinions, concerns, and comments to the Public Advisor's Office at the contact information below. These comments will be circulated to the Commissioners, the assigned Administrative Law Judge, and appropriate staff and will become part of the formal correspondence record for this proceeding.

If you want to participate in these proceedings or if you would like to send written comments to the CPUC, please contact the Public Advisor's Office at the address shown below. The Public Advisor's Office was established to help you to participate in CPUC proceedings.

CPUC Public Advisor's Office
320 West Fourth Street, Suite 500
Los Angeles, CA 90013
(866) 849-8391 (toll free) or (213) 576-7055
or by e-mail to public.advisor.la@cpuc.ca.gov.

Persons with disabilities who need reasonable accommodations, for example sign language interpretation, in order to participate in this proceeding should contact the Public Advisor's Office at (415) 703-2074 or toll free at (866) 849-8390, TTY tel. # (415) 703-6282 or toll free TTY at (866) 836-7825. Requests for foreign language interpreters should also be directed to these numbers.

Please refer to Application Number A.06-01-005.

A copy of the application may be inspected at the business offices of California American Water at 2020 Huntington Drive, San Marino, CA 91108 or 303 H Street, Suite 250, Chula Vista, CA 91910; at the CPUC's Los Angeles office at 320 West Fourth Street, Suite 500, Los Angeles, CA 90013; or at the CPUC's San Francisco office at 505 Van Ness Avenue, San Francisco, CA 94102.

If you have questions regarding this application, you may contact California American Water at (888) 237-1333 (toll free) or (626) 614-2500.

