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**BEFORE THE PUBLIC UTILITIES COMMISSION**  
**OF THE STATE OF CALIFORNIA**

A1007007

Application of California-American Water Company (U210W) for Authorization to increase its Revenues for Water Service by \$4,134,600 or 2.55% in the year 2011, by \$33,105,800 or 19.68% in the year 2012, by \$9,897,200 or 4.92% in the year 2013, and by \$10,874,600 or 5.16% in the year 2014.

**ALL DISTRICTS - 2010 GENERAL RATE CASE**  
**EXHIBITS B-F**  
**FINAL APPLICATION**  
**VOL. 3 OF 3**

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Attorneys for Applicant  
California-American Water Company

Dated: July 1, 2010

**B**

**CALIFORNIA AMERICAN WATER  
2010 STATEWIDE RATE CASE  
SPECIAL REQUESTS EXHIBIT - B**

Special Request Number	Sub Number	Special Request Description	Referencing Testimony
1		Change to Monthly Meter Reading: California American Water requests authorization to change to monthly meter reading in Larkfield, Sacramento, Los Angeles, and Coronado. The request will increase staffing and billing cost and be offset by reductions in Lead-Lag requirements and special customer mailings.	Brian Bruce
2		Tariff Realignment in Monterey: California American Water is requesting two distinct tariffs for water service and two distinct tariffs for wastewater service in its Monterey County District. Currently there are six distinct tariffs for water service and two for wastewater service. The consolidation will align similar ratemaking premises into the actual tariffs.	Dave Stephenson
3		Naming Convention of Districts: California American Water requests the authorization to rename our respective districts. The existing designations are antiquated and need to be updated to reflect the geographic areas the service territories represented so as to avoid customer confusion. The following changes are proposed; Coronado District to San Diego County District, Los Angeles District to Los Angeles County District, Monterey District to Monterey County District, and Village District to the Ventura County District.	Kevin Tilden
4		Rate of Return Interest Rate in Balancing and Memorandum Accounts: California American Water requests that the Commission allow it to accrue interest to its deferred items at an ROE or equivalent interest rate on balances when those balances are in excess of our short term credit limit.	Jeff Linam
5		Allow a WRAM and MCBA in Sacramento District: California American Water requests that the Commission authorize a WRAM and MCBA for the Sacramento District as part of its decision on the revenue requirement in this case. The purpose of the WRAM and MCBA is to decouple the revenue requirement from the revenue recovery. The Commission has authorized WRAM and MCBAs in multiple decisions involving establishment of conservation rate design and programs. In fact, the Commission has established WRAM and MCBAs in all California American Water districts except the Sacramento District.	Dave Stephenson
6		Maintain the WRAM's and MCBA's in all districts: California American Water requests that the Commission authorize it to continue all previously authorized WRAMs and MCBAs under the terms of the pilot programs the Commission authorized in various previous decisions. Improvements in conservation rates will lead to greater block rate differentials and the possible addition of a greater portion of the customer base to tiered rates, leading to increased volatility. Authorization of the WRAMs and MCBA will also continue to track increased revenue recovery volatility.	Dave Stephenson
7		Request Lower Carmel Valley Well not approved in D.09-07-021: California American Water requests that the Commission approve as part of rate base the third rehabilitated Carmel Valley Well that was completed in 2009. This request is made due to timing of pumping demands and lack of alternative supplies.	Mark Schubert
8		Allow Recovery of the Ventura County Main Break in Rate Base. California American Water requests that it be allowed to include as part of rate base all unreimbursed costs related to a major main break in the Ventura County District.	Fred Feizollahi

**CALIFORNIA AMERICAN WATER  
2010 STATEWIDE RATE CASE  
SPECIAL REQUESTS EXHIBIT - B**

Special Request Number	Sub Number	Special Request Description	Referencing Testimony
9		Eliminate the DSIC pilot program in LA unless changes are made to the program: California American Water requests that the Commission terminate its current authorized Pilot DSIC program in Los Angeles. The current DISC structure, the quarterly and annual limitations and review process are preventing the program from operating in a beneficial manner. The quarterly DSIC surcharges have resulted in frequent and confusing rate changes for customers.	Dave Stephenson
10		Preparation to Retire the Duarte Irrigation System: California American Water proposes in this case to add permanent water use restrictions and an inclining block tariff for the Duarte Irrigation customers. These proposals are made in preparation of a proposal and plan to retire the Duarte Irrigation system and tie over all customers to the domestic system during the pendency of the next general rate case (2015 – 2017)	Todd Brown and Dave Stephenson
11		Request for Balancing Account for Treatment of Business Transformation Program: California American Water requests that the Commission authorize a balancing account to track all revenue requirement variations resulting from the inclusion of the costs of the Business Transformation program in the revenue requirements. California American Water also requests that the account accrue interest at the authorized rate of return. Finally, California American Water requests that the account be effective as of the date of the decision in this case.	Dave Stephenson
12		Deletion of the Toro Public Fire Hydrant Tariff: California American Water requests to eliminate the Public Fire Hydrant tariff that is now effective for the Toro service area of the Monterey District. There are no customers in this tariff, and we do not charge any other entity in any other district a monthly fire hydrant fee.	Sherrene Chew
13		File plans on all items of required GO 103 compliance: California American Water requests permission to file plans on all items in which we are not in compliance in regard to GO103. California American Water is in compliance with the majority of the requirements of GO103 and we request permission to file such plans by the end of 2011.	Ed Simon
14		California American Water requests actions on all Memorandum and Balancing accounts as noted below:.	Sherrene Chew
14	A	<u>National Oceanic &amp; Atmospheric Endangered Species Act (NOAA/ESA):</u> Tracks compliance payments paid to NOAA or designated payee for ESA mitigation. D.09-07-021 & D.09-07-022. Authorize all accumulated balances to be recovered as part of the expense balancing account over the appropriate recovery period. Continue the account as requested in this proceeding. (note AL 825 has already been filed to request current balance)	Craig Anthony And Sherrene Chew
14	B	<u>Credit Card Memorandum Account:</u> Tracks avoided costs of check processing fees when customers pay by credit card for all Cal-Am districts. Authorize all accumulated balances to be recovered as part of the expense balancing account over the appropriate recovery period. Eliminate the account as all costs are now part of the projected revenue requirement.	Sherrene Chew
14	C	<u>San Clemente Dam Memorandum Account:</u> Tracks project & carrying costs for San Clemente Dam Project per D.06-11-050 & D.08-05-036. Continue the memorandum account as requested in A.10-05-XXX.	Sherrene Chew

**CALIFORNIA AMERICAN WATER  
2010 STATEWIDE RATE CASE  
SPECIAL REQUESTS EXHIBIT - B**

Special Request Number	Sub Number	Special Request Description	Referencing Testimony
14	D	<u>Water Revenue Adjustment Mechanism (WRAM) &amp; Modified Cost Balancing Accounts (MCBA)</u> : Ensures recovery of the adopted fixed costs recovered through volumetric rates and the actual variable costs for purchased water, purchased power and pump taxes. Authorize all accumulated balances to be recovered as part of the expense balancing account over the appropriate recovery period. Continue the account as requested in this proceeding. (Reference Item 6 above)	Dave Stephenson
14	E	<u>Endangered Species Act (ESA) Memorandum Account</u> : Tracks costs incurred for compliance with ESA, except for ESA associated with San Clemente Dam per D.09-07-021. Allow transfer of all capital related costs to plant in service and allow transfer of all other costs to the expense balancing account for recovery over the appropriate recovery period. Continue the account as previously authorized and amend to include all ESA cost related to any and all activities on the Carmel River.	Mark Schubert
14	F	<u>Monterey Peninsula Water Management District (MPWMD) Conservation Balancing Account</u> : One-way account to track conservation related expenses & surcharges. Authorize all accumulated balances to be recovered as part of the expense balancing account over the appropriate recovery period. Continue the account as requested in this proceeding.	Sherrene Chew And Stephanie Pintar
14	G	<u>California American Water Conservation Balancing Account</u> : One-way account to track conservation related expenses & surcharges. Authorize all accumulated balances to be recovered as part of the expense balancing account over the appropriate recovery period. Continue the account as previously authorized.	Sherrene Chew
14	H	<u>American Job Creation Act Tax Credits</u> : Tracks all tax benefits associated with the law. D.07-08-030. Authorize transfer of all accumulated balances to the expense balancing account and recover the account over the appropriate recovery period. Eliminate the account as all credits are now part of the revenue requirement.	Sherrene Chew
14	I	<u>Low-Income Ratepayer Assistance (LIRA) Program Memorandum Account</u> : Tracks cost expenditure & recoveries for the LIRA program. D.08-03-022. Authorize all accumulated balances to be recovered as part of the expense balancing account over the appropriate recovery period. Continue the account.	Sherrene Chew
14	J	<u>Los Angeles Conservation Program Memorandum Account</u> : Tracks costs associated with conservation efforts. D.08-03-022. Authorize all accumulated balances to be recovered as part of the expense balancing account over the appropriate recovery period. Eliminate this account and replace with a one-way balancing account, similar to other districts.	Sherrene Chew
14	K	<u>Coastal Water Project (CWP) Memorandum Account</u> : Tracks costs associated with CWP. No immediate action required as it is being recovered in accordance with prior Commission Decisions. Continue the account in accordance with previous Commission decisions.	Sherrene Chew
14	L	<u>Water Contamination Litigation Expense</u> : Tracks costs associated with litigating water contamination legal cases. Various Districts. Authorize all accumulated balances to be recovered as part of the expense balancing account over the appropriate recovery period. Continue the account as requested in this proceeding.	Sherrene Chew

**CALIFORNIA AMERICAN WATER  
2010 STATEWIDE RATE CASE  
SPECIAL REQUESTS EXHIBIT - B**

Special Request Number	Sub Number	Special Request Description	Referencing Testimony
14	M	<u>Patton Well &amp; Treatment Memorandum Account</u> : Tracks well & treatment facilities portion of this project. D.07-08-030. Authorize all accumulated costs to be transferred to plant in service.	Mark Reifer and Sherrene Chew
14	N	<u>Carmel River Dam Abandonment Project Memorandum Account</u> : Tracks the amount spent on this project along with the surcharge collected from customers. Authorize the accumulated remaining balance to be recovered as part of the expense balancing account over the appropriate recovery period. Eliminate the account as the authorized balance has been recovered.	Sherrene Chew
14	O	<u>Santa Rosa Groundwater Study Memorandum Account</u> : Tracks costs associated with the Santa Rosa Plain Groundwater Study. D.05-09-020. already authorizes the recovery in D.10-06-XXX.	Sherrene Chew
14	P	<u>Seaside Groundwater Basin Memorandum Account</u> : Tracks payments associated with the Seaside Basin Water Master and the recovery of such payments from customers. Payments will be transferred from the memo acct to the balancing acct. D.09-07-021, Advice Letter 781. Authorize all accumulated balances to be recovered as part of the expense balancing account over the appropriate recovery period. Continue the account as requested in this proceeding.	Craig Anthony and Sherrene Chew
14	Q	<u>Interim Rate True-Up Balancing Account</u> : Tracks the difference between interim rates & final rates agreed upon in each General Rate Case (GRC) decision. Various Districts. Authorize all accumulated balances to be recovered as part of the expense balancing account over the appropriate recovery period. Eliminate this particular account.	Sherrene Chew
14	R	<u>Purchased Water, Power &amp; Pump Taxes</u> : Tracks changes in purchased water & power prices as compared to adopted levels. Various Districts. Authorize all accumulated balances to be recovered as part of the expense balancing account over the appropriate recovery period. Eliminate the account for all water districts where an MCBA is authorized.	Sherrene Chew
14	S	<u>LA Distribution System Infrastructure Charge (DSIC)</u> : Tracks differences between Commissions authorized DSIC revenue and actual DSIC revenue collected. Authorize all accumulated balances to be recovered as part of the expense balancing account over the appropriate recovery period. Eliminate the account as per item 9 above.	Sherrene Chew
14	T	<u>Advice Letter 753-A Monterey Interim Rate True-Up</u> : Tracks difference between interim rates and final rates granted in the 2008 GRC. Authorize all accumulated balances to be recovered as part of the expense balancing account over the appropriate recovery period. Eliminate the account.	Sherrene Chew
14	U	<u>Catastrophic Event Memorandum Account (CEMA)</u> : Recovers costs associated with the restoration of service & facilities affected by a catastrophic event. No action required as no balance exists.	Sherrene Chew
14	V	<u>Temporary Interest Rate Balancing Account</u> : Records any difference between the forecast incremental costs of debt included in the cost of capital. Authorize all accumulated balances to be recovered as part of the expense balancing account over the appropriate recovery period. A recommendation for this account will be made in the required Cost of Capital to be filed on May 1, 2011.	Sherrene Chew

**CALIFORNIA AMERICAN WATER  
2010 STATEWIDE RATE CASE  
SPECIAL REQUESTS EXHIBIT - B**

Special Request Number	Sub Number	Special Request Description	Referencing Testimony
14	W	<u>Seaside Basin Adjudication</u> : Tracks the amortization of the costs and interest on the unamortized balance of costs incurred to litigate and secure Seaside Basin water rights. D.09-07-021, Advice Letter 778. Continue the amortization of this account as authorized in D.09-07-021.	Sherrene Chew
14	X	<u>Seaside Groundwater Basin Balancing Account</u> : Tracks differences between administrative and payments with the Seaside Basin Water Master . Payments will be transferred from the memo acct to the balancing acct. D.09-07-021, Advice Letter 781. Authorize all accumulated balances to be recovered as part of the expense balancing account over the appropriate recovery period. Continue the account as requested in this proceeding.	Sherrene Chew
14	Y	<u>Aquifer Storage &amp; Recovery (ASR)</u> : Records up to \$14.38M in costs for the ASR project for later ratemaking consideration by the Commission. D.09-07-021. Authorize all expenditures of this project to be recorded as plant in service as of the end of year 2011. Eliminate the account.	Tom Burnet and Sherrene Chew
14	Z	<u>Monterey Peninsula Water Management District (MPWMD) User Fee</u> : Tracks costs for projects the Company has proper responsibility & is providing funding for that are performed by MPWMD. D.09-07-021. Waiting on a decision in A.10-01-012.	Sherrene Chew
14	AA	<u>Benefit Plan Memorandum Acct (BPMA)</u> : Tracks the difference between Commission authorized pension & other post-retirements benefits (OPEB) costs and actual required pension & OPEB payments. Authorize all accumulated balances to be recovered as part of the expense balancing account over the appropriate recovery period. Continue the account as previously authorized.	Sherrene Chew
14	BB	<u>Advice Letter 814 Phase 1A Implementation Operational Energy Efficiency Program Memorandum Acct (PIOEEPMA)</u> : Tracks OEEP expenditures per D.10-04-030. Authorize all capital expenditures to be included as plant in service and authorize all other costs to be transferred to the expense balancing account for recovery over the appropriate recovery period.	Brian Bruce and Sherrene Chew
14	CC	<u>Conservation OII Memorandum Account</u> : Tracks legal and related costs associated with I.07-01-022 & D.10-04-001. Continue account as previously authorized.	Sherrene Chew
14	DD	<u>Monterey WRAM Balancing Account (old)</u> : Previously authorized as part of old rate design. Authorize outstanding balances to be recovered as part of the expense balancing account. Close this account.	Sherrene Chew
14	EE	<u>Monterey Conservation Balancing Account (old)</u> : Tracks conservation related expenses. Balance authorized in D.09-07-022. Amortize in expense balancing account and close this account.	Sherrene Chew
14	FF	<u>ERISA Surcharge Balancing Account</u> : Tracks surcharge collected and actual payments made. Balance authorized in D.09-07-022. Amortize in expense balancing account and close this account.	Sherrene Chew
14	GG	<u>Emergency WRAM</u> : Tracks difference between emergency tariffs in Monterey and tariffs in effect prior to implementation of emergency tariffs. Authorize balance to be transferred to the expense balancing account for recovery. Retain account.	Sherrene Chew

**CALIFORNIA AMERICAN WATER  
2010 STATEWIDE RATE CASE  
SPECIAL REQUESTS EXHIBIT - B**

Special Request Number	Sub Number	Special Request Description	Referencing Testimony
14	HH	<u>Emergency Rationing Costs for the Monterey Peninsula Water Management District</u> : Memorandum Account. Tracks increased expenses incurred in Monterey in the event that rationing is implemented under MPWMD's Ordinance 92. Authorize balance to be transferred to the expense balancing account for recovery. Retain account.	Sherrene Chew and Monica Na
14	II	<u>Expanded Conservation and Rationing Costs Balancing Account</u> : Tracks all the actual billed charges from MPWMD under Ordinance No. 92. Authorize balance to be transferred to the expense balancing account for recovery. Retain account.	Sherrene Chew and Stephanie Pintar
14	JJ	<u>Monterey Wastewater Purchased Power Balancing Account</u> : Tracks changes in purchased power prices as compared to adopted levels. Authorize all accumulated balances to be recovered as part of the expense balancing account over the appropriate recovery period. Retain the account.	Sherrene Chew
14	KK	<u>Cease and Desist Memorandum Account</u> : Tracks costs to address the State Water Resources Control Board (SWRCB) Cease and Desist Order (CDO) for unauthorized diversion of water from the Carmel River. Retain the account.	Sherrene Chew
14	LL	<u>Water Quality Memorandum Account</u> : Tracks incremental costs related to the Federal Ground Water Rule (GWR) per D.10-06-038.	Sherrene Chew
15		Authorize Non-revenue water to be Based on Volume Instead of Percentage: Request that all revenue requirement calculations should be based on volumetric allowance for non-revenue water, not percentages.	Brian Bruce
16		Memorandum Account Request for Potential PHG/MCL for treatment of Chromium 6: Request authority to open a memorandum account if there is a promulgation of a MCL for Chromium 6	Bob Heilman
17		Memorandum Account Request for changes in Cross-Connection Programs: Request the authority to open a memorandum account should new cross-connection requirements be enacted.	Bob Heilman
18		Request to Retain Contamination Proceeds (i.e. MTBE, others) on the Books: California American Water requests that all contamination proceeds should remain on the books until such time as the Commission issues a final decision in R.09-03-014. Request the authority to maintain all contamination proceeds on the balance sheet until a decision is rendered in R.09-03-014, at which time an advice letter, or application would be filed to determine appropriate proceed sharing.	Dave Stephenson
19		Request Recovery of All Costs of Toro Arsenic Treatment Plant: Request that all cost related to the Toro Arsenic plant be allowed in rate base.	Tom Burnet
20		Request Recovery of All Depreciation Study Costs: Request recovery of all costs of the depreciation studies over a six-year period beginning in January 2012.	Jeff Dana
21		Request for Recovery of All Service Company Audit Costs: request that all costs related to payments of contract costs related to any required Service Company audit be authorized for recovery from ratepayers as a surcharge.	Jeff Dana

**CALIFORNIA AMERICAN WATER  
2010 STATEWIDE RATE CASE  
SPECIAL REQUESTS EXHIBIT - B**

Special Request Number	Sub Number	Special Request Description	Referencing Testimony
22		Request Recovery of Rate Case Expense for the 2009 Sacramento and Larkfield Rate Cases. California American Water requests that it be allowed to recover the remaining six months of unamortized rate case costs as part of the total rate case cost recovery in this application. This is needed because of only 18 months of new rates as a result of A.09-01-013, et. al..	Jeff Dana
23		Request to Retire the Duarte Irrigation System: California American Water requests permission to retire the Bradbury Irrigation System by the 2015-2017 timeframe. The irrigation customers would then be served by the potable system.	Mark Reifer and Todd Brown
24		Request to Recover Increase Toro Goodwill: California American Water requests recovery of all costs related to the Toro acquisition above the book value of the purchased assets in accordance with PU Code 2718-2720.	Jeff Dana
25		Request to Charge for Fire Flow Tests: California American Water requests a tariff for fire flow testing. Fire flow testing is referring to the entire process of scheduling, physical testing, modeling and reporting fire flow and system pressure checks as requested by companies, groups or individuals, not as a part of a new subdivision or development.	Dave Stephenson
26		Request to Make Permanent the Citizen's Acquisition Premium Amortization Schedule: California American Water requests establishment of a permanent revenue requirement schedule for the recovery of and return on the Citizens Acquisition Premium.	Dave Stephenson
27		Request for annual Depreciation Study Updates: California American Water requests that the Commission authorize it to file annual depreciation updates for all districts to incorporate changes in the average age of plant and depreciation reserve balances.	Dave Stephenson
28		Request for Clarification that All Purchased Water Costs are Recoverable in the MCBA: California American Water requests that the Commission clarify that all purchased water costs, including those costs that the supplier may consider paid for at "penalty" rates, be included as part of the Modified Cost Balancing Account (MCBA).	Dave Stephenson
29		Request to Acknowledge Proposed Rate Design Issues for the Ventura County District: California American Water is seeking Commission recognition of supply limitations placed on California American Water's service to customers in its Ventura County District, and the charges placed on water purchases above the prescribed level. To address the increased fees for water purchases, California American Water will be proposing conservation rates on all classes of customers, as well as a five-block rate structure for residential customers.	Dave Stephenson
30		Request to Acknowledge Proposed Rate Design Changes Necessary for the Duarte Irrigation System: California American Water will request that the Commission authorize it to implement an inclining block rate design for Bradbury irrigation customers. This request is part of a plan to reduce the consumption of these customers before they transfer over to the domestic system. The reduction in consumption is part of an overall plan to ensure adequate and continuous service for all customers of the Duarte District.	Dave Stephenson

**CALIFORNIA AMERICAN WATER  
2010 STATEWIDE RATE CASE  
SPECIAL REQUESTS EXHIBIT - B**

Special Request Number	Sub Number	Special Request Description	Referencing Testimony
31		Elimination of the Dry Creek Special Facilities Area in Sacramento District: Allow California American Water to eliminate the Dry Creek Special Facilities Fee and place all current and future plant additions in rate base. Also establish a new special facilities fee for all of Placer County and record such receipts as contributions to offset the plant investment.	Dave Stephenson
32		Full recovery of all costs incurred to modify the ORCOM billing system to accommodate the new rate design in Monterey.	Dave Stephenson
33		ROE or equivalent interest rate on all advice letter projects that are not included in rate base, until such time that they are included in rate base and the Commission has authorized the return on and recovery of the investment in rates	Jeff Linam
34		Authorize the annual recovery of all balancing and memorandum accounts as previously authorized for gas utilities	Jeff Linam
35		Authorize a Healthcare Memorandum Account: Allow a new memorandum account to track all cost related to changes in health care as a result of national health care reforms.	S. Chew
36		Establish low-income memorandum account for the Monterey District: As a result of the current Order Instituting Rulemaking R.09-12-017, many more customers may be signed up for the low income program an as a result will affect revenue collections. These loss of revenues needs to be tracked for later recovery.	Sherrene Chew

**C**

**CALIFORNIA AMERICAN WATER  
 ALL DISTRICTS -- 2010 GENERAL RATE CASE  
 PROPOSED CAPITAL STRUCTURE AND RATE OF RETURN  
 2008 COST OF CAPITAL APPLICATION- D.09-05-019**

**FILING:  
 EXHIBIT:  
 CHAPTER:  
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	Capital Component	Capital Structure	Cost	Weighted Cost
<u>2008</u>				
Debt	\$225,500,000	58.04%	6.50%	3.77%
Common Equity	<u>163,000,000</u>	41.96%	10.20%	<u>4.28%</u>
Total	<u>\$388,500,000</u>	<u>100.00%</u>		<u>8.05%</u>
<u>2009</u>				
Debt	\$266,250,000	57.97%	6.48%	3.76%
Common Equity	<u>193,000,000</u>	42.03%	10.20%	<u>4.29%</u>
Total	<u>\$459,250,000</u>	<u>100.00%</u>		<u>8.04%</u> <sup>(1)</sup>

(1) The latest approved rates as determined by the Commission will be applied.

**D**

Exhibit D, Minimum Data Requirements, is being served but not efiled due to its size, per directions from ALJ Cooke on June 28, 2010.

If you would like a copy of Exhibit D, please contact Demetrio Marquez at below:

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E

**Section One: Compliance Items Related to this GRC Filing/Rate Design**

**LOS ANGELES DISTRICT  
DECISION NO. D.08-06-002**

**Compliance Item #1**

**Conservation Pilot Program – Data Provision in Annual Report**

**Ordering** – Section XII of the settlement provides that California American Water will track data, such as billing and usage data by meter size, by month, and by class of customer, for use in analyzing customer response to the proposed conservation rates so that it is readily available to the Commission and the parties to evaluate the results of this Pilot Program. In our review of the conservation rate design, we have also directed that the usage of the top 100 residential customers in each service area be tracked and analyzed for use in analyzing customer response to the proposed conservation rates so that it is readily available to the Commission and the parties to evaluate the results of this Pilot Program in our review of the conservation rate design.

**Status #1**

**Compliance Action** – Decision D.10-06-038 replaced the above requirement, see new requirement and compliance action in Item #28 below.

**Compliance Item #2**

**LA Conservation Pilot Program – Rate Design Modification**

**Ordering** – As a safeguard, the parties have also provided a provision in the settlement that would allow for a review and midcourse correction if the impacts of the WRAM and MCBA mechanisms go well beyond conservation impacts and instead produce a disparate impact on ratepayers or shareholders. This provision is found in Section III.3, and it would cause the parties to meet and discuss adjustments.

**Status #2**

**Compliance Action** – California American Water recently completed its first full year of WRAM/MCBA implementation and submitted reports to the Commission Water Division and Division of Ratepayer Advocates on the WRAM/MCBA balances on March 31, 2010. The report showed that water usage volumes have decreased and are having an impact on both ratepayers and the company. At this point, no midcourse action has been requested by either California American Water or the Commission. However, it should be noted that in the settlement agreement in D.10-06-038 between the Division of Ratepayer Advocates and CAW, the parties agreed to extend the conservation rate design pilot program, including the WRAM and MCBA, for the Larkfield and Los Angeles districts as set forth in D.08-11-023 and D.08-06-002. In the settlement, the DRA and CAW recommended to the Commission that the proposed rate design changes for all of CAW districts are addressed as part of a second phase in the next GRC proceeding. A review of the impacts of the WRAM and MCBA mechanisms will be made in concert with the proposed rate design due on August 1, 2010, at which point any concerns can be addressed, including any possible adjustments to the pilot programs.

**Compliance Item #3**

**WRAM and MCBA**

**Ordering** – The settlement provides that by March 31 of each year, California American Water will provide the Water Division (with a copy to DRA) a written report on the status of the WRAM and MCBA balances. If the report shows the net balances exceeds 2.5% of a district's total recorded revenue requirement for the prior calendar year, California American Water will file an advice letter within 30 days that amortizes the balance through a volumetric surcharge if it is an under-collection or a volumetric surcredit if it is an over-collection. If the 2.5% threshold is not met, these balancing accounts will be amortized in the next GRC (pages 8-9 of the settlement contain more detail on what is needed for the report).

LOS ANGELES DISTRICT  
DECISION NO. D.08-06-002 (continued)

**Status #3**

**Compliance Action** – The 2009 WRAM/MCBA report was filed by March 31, 2010. An Advice Letter for recovery of balances exceeding 2.5% was filed and remaining balances under 2.5% are addressed in the current general rate case as required.

**Compliance Item #4**

**Conservation Design Pilot Program – Consumption Monitoring**

**Ordering** – The parties' state that during this Pilot Program they will closely monitor residential and commercial consumption data, and measure the demand response that takes place within each customer class and service area. The parties expect to propose further refinement, which could include steeper tier and seasonal changes and consideration of commercial increasing block rates, in the next GRC period based on the measurement and evaluation of this Pilot Program.

**Status #4**

**Compliance Action** – California American Water is working with its Information Technology department to develop the reports specified for monitoring. The data necessary to propose rate design changes will be provided in the rate design portion of this proceeding to be filed August 1, 2010.

**Compliance Item #5**

**Conservation Design Pilot Program – Rate Design Review**

**Ordering** – The Pilot Program will be reviewed in the next GRC proceeding for this district, which, pursuant to the Commission's Rate Case Plan set forth in D.10-06-038, which will be filed January 1, 2009, with rates scheduled to be effective July 1, 2010.

**Status #5**

**Compliance Action** – No review of the tiered rates was performed in D.10-06-038, et. at., as the rate design was not implemented in time to do the review. The review will take place in this proceeding.

**Compliance Item #6**

**Conservation Design Pilot Program – Meters and Monthly Billing**

**Ordering** – "...that they would explore testing advanced meters for the Los Angeles district in the Pilot Program period and they would review results of a test of radio-read meters California American Water is conducting in the Sacramento district. We encourage the parties to discuss the metering issue further during the Pilot Program and to collect the data necessary for a comprehensive analysis in the next GRC proceeding. We direct California American Water to present a proposal for moving to monthly billing in its next GRC.

**Status #6**

**Compliance Action** – There are approximately 350 radio read meters installed in the district, most of which are in Bradbury. Their performance has been very good and the benefit realized is that for the Bradbury route which used to take two readers two days now takes only one reader one day to complete. The cost of these meters is approximately two to four times that of a direct read meter, depending on the size of the meter. We are proposing an increase in the capital Recurring Projects budget to begin the transition to 100% radio-reads. This would be phased in over the normal 15 year replacement cycle. We have requested in this case two additional positions to move to monthly billing.

LOS ANGELES DISTRICT  
DECISION NO. D.08-06-002 (continued)

**Compliance Item #7**

**Conservation Design Pilot Program – Least Cost Water Mix**

**Ordering** – California American Water stipulates that it will exercise due diligence in ensuring the least-cost water mix of its water sources and will make a showing in the next GRC filing demonstrating that it has exercised due diligence and that any significant change in water purchases was reasonable.

**Status #7**

**Compliance Action** – See item #28 below.

**Compliance Item #8**

**Conservation Design Pilot Program – Meet and Confer**

**Ordering** – California American Water is to meet and confer with all interested parties in the next 90 days to determine the types of additional data that should be collected during the Pilot Program period in order for the Commission to consider additional conservation proposals for non-residential customers in the next GRC proceeding.

**Status #8**

**Compliance Action** – This meeting occurred on March 30, 2010 for Los Angeles.

**Compliance Item #9**

**Conservation Design Pilot Program – Outreach Meetings**

**Ordering** – We also direct California American Water to schedule a meeting every four to six months with all parties to discuss the customer response data it is tracking and whether there should be any changes in its conservation outreach programs in response to the results.

**Status #9**

**Compliance Action** – These meetings are scheduled for August to October 2010.

**Compliance Item #10**

**Conservation Design Pilot Program – Rate of Return Adjustment**

**Ordering** – We direct that if the generic return on equity adjustment described in the settlement is not adopted in I.07-01-022, parties should meet and confer within 30 days and then file a petition to modify this decision within 15 days after the meeting. The petition to modify may be filed jointly or separately, proposing a procedural forum and process to address a return on equity adjustment. The WRAM and MCBA balancing accounts adopted here will be subject to true-up to the date a final decision on a return on equity adjustment is made.

**Status #10**

**Compliance Action** – This action was superseded by the actions in D.09-05-019, et. al.

CORONADO/VILLAGE/LARKFIELD DISTRICTS  
DECISION NO. D.08-11-023

**Compliance Item #11**

**Larkfield Conservation Design – Multi-Residential Units**

**Ordering** – For the Larkfield district, parties propose consideration of a 5-tier increasing block structure in the next GRC. In the interim, California American Water agrees to collect data on the number of apartment units and water consumption.

**Status #11 Compliance Action** – We will consider the five-tier design in this proceeding in testimony to be filed on August 1, 2010. A report on the number of Multi-Residential Units is provided as Attachment 1 in this Exhibit.

**CORONADO/VILLAGE/LARKFIELD DISTRICTS  
DECISION NO. D.08-11-023 (continued)**

**Compliance Item #12**

**Larkfield – Least Cost Water Mix**

**Ordering** – California American Water stipulates that it will exercise due diligence in ensuring the least-cost mix of its water sources and will make a showing in the next GRC filing demonstrating that it has exercised due diligence and that any significant change in water purchases was reasonable.” Note, significant changes are defined for each district in Section IX.D and will be tracked later for reasonableness review.

**Status #12**

**Compliance Action** – Please see Attachment 2 to this Exhibit (also referred to in item #27 below) and Dave Stephenson’s testimony.

**Compliance Item #13**

**Larkfield Conservation Design**

**Ordering** – The parties state that during this Pilot Program, they will closely monitor residential and commercial consumption data, and measure the demand response that takes place with each customer class and service area. The parties expect to propose further refinements to the conservation rate design in the next GRC period based on the measurement and evaluation of this Pilot Program.

**Status #13**

**Compliance Action-** In Larkfield, tiered rates for residential customers were introduced in February 2009. In the spring, the State Water Resources Control Board (SWRCB) issued an order to all Sonoma County Water Agency (SCWA) customers, including CAW, to reduce water demand by at least 25 percent and banned the watering of ornamental commercial turf. Our Larkfield district successfully reduced water consumption by 29 percent over the course of the summer of 2009 but it is unclear what amount of that reduction can be attributed to tiered rates given the SWRCB order and conservation outreach and programs conducted by CAW and SCWA. In the settlement agreement in D.10-06-038 between the Division of Ratepayer Advocates and CAW, the parties agreed to extend the conservation rate design pilot program, including the WRAM and MCBA, for the Larkfield and Los Angeles districts as set forth in D.08-11-023 and D.08-06-002. In the settlement, the DRA and CAW recommended to the Commission that the proposed rate design changes for all of CAW districts are addressed as part of a second phase in the next GRC proceeding.

**Compliance Item #14**

**Coronado Metering and Monthly Meter Reading**

**Ordering** – We encourage the parties to investigate the most cost effective way to move customers from bi-monthly to monthly billing cycles in these districts (Coronado). California American Water should present a proposal in its next GRC filing. The proposal can contain separate timelines for customer classes or services areas, and a mixture of meter reading personnel and investment in new metering technology.

**Status #14**

**Compliance Action** – A proposal with the most cost effective manner to move to monthly billing has been included in the general rate case and is planned for 2012. We have also proposed to initiate the installation of advanced metering.

**Compliance Item #15**

**Larkfield Metering and Monthly Meter Reading**

**Ordering** – We encourage the parties to investigate the most cost effective way to move customers from bi-monthly to monthly billing cycles in these districts (Larkfield). California American Water should present a proposal in its next GRC filing. The proposal can contain

separate timelines for customer classes or services areas, and a mixture of meter reading personnel and investment in new metering technology.

**Status #15**

**Compliance Action** – See item #27 below.

**CORONADO/VILLAGE/LARKFIELD DISTRICTS  
DECISION NO. D.08-11-023 (continued)**

**Compliance Item #16**

**Coronado, Village and Larkfield- Non-Residential Conservation Rate Design**

**Ordering** – California American Water should investigate ways to more fully involve non-residential customers in a conservation rate design and present a proposal in its next GRC.

**Status #16**

**Compliance Action** – This will be proposed in the rate design phase of the statewide rate case. An increasing block design or a reduced monthly service charge may be proposed.

**Compliance Item #17**

**Coronado, Village and Larkfield- Meet and Confer on Rate Design Disparate Issues**

**Ordering** – The Parties (California American Water & DRA) agree to meet and adjust the Pilot Programs if there is a disparate impact on ratepayers or shareholders. The Pilot Programs will be reviewed in California American Water's next general rate case proceeding for each district.

**Status #17**

**Compliance Action** –

In the settlement agreement in D.10-06-038 between the Division of Ratepayer Advocates and CAW, the parties agreed to extend the conservation rate design pilot program, including the WRAM and MCBA, for the Larkfield and Los Angeles districts as set forth in D.08-11-023 and D.08-06-002. In the settlement, the DRA and CAW recommended to the Commission that the proposed rate design changes for all of CAW districts are addressed in the filing to be made August 1, 2010.

**Compliance Item #18**

**Coronado, Village and Larkfield- Conservation Rate Design – Consumption Monitoring**

**Ordering** – The parties' state that during this Pilot Program, they will closely monitor residential and commercial consumption data, and measure the demand response that takes place with each customer class and service area. The parties expect to propose further refinements to the Conservation rate design in the next GRC period based on the measurement and evaluation of this Pilot Program.

**Status #18**

**Compliance Action** – California American Water is working with its Information Technology department to develop the reports specified for monitoring. The data necessary to propose rate design changes will be provided in the rate design filing to be made August 1, 2010.

**Compliance Item #19**

**Coronado and Village - Least Cost Water Mix**

**Ordering** – California American Water stipulates that it will exercise due diligence in ensuring the least-cost mix of its water sources and will make a showing in the next GRC filing demonstrating that it has exercised due diligence and that any significant change in water purchases was reasonable." Note, significant changes are defined for each district in Section IX.D and will be tracked later for reasonableness review.

**Status #19**

**Compliance Action** – These two systems are 100% purchased water from single wholesalers and have no alternative sources available.

**CORONADO/VILLAGE/LARKFIELD DISTRICTS  
DECISION NO. D.08-11-023 (continued)**

**Compliance Item #20**

**Coronado and Village - Conservation Rate Design Meetings**

**Ordering** – California American Water will track data, such as billing and usage data by meter size, by month, and by class of customer, for use in analyzing customer response to the proposed conservation rates so that it is readily available to the Commission and the Parties to evaluate the results of this Pilot Program. To ensure an effective Pilot Program, we also direct California American Water to schedule a meeting every four to six months with all parties to discuss the customer response data it is tracking and whether there should be any changes in its conservation programs in response to the results.

**Status #20**

**Compliance Action** – Initial meetings were held on March 29, 2010 for Ventura and April 12, 2010 for San Diego and February 10, 2010 for Larkfield.

**MONTEREY DISTRICTS  
DECISION NO. D.09-07-021**

**Compliance Item #21**

**Monterey GRC – Capital Project Comparison – Actual vs. Authorized**

**Ordering** – California American Water shall present a comprehensive comparison of all authorized capital projects to actual expenditures for the preceding three-year rate case period in all future general rate cases. Deviations from authorized shall be identified and explained.

**Status #21**

**Compliance Action-** This item has been completed. See the following testimony sections from Mark Schubert for Monterey Water regarding: 1) Completed Projects, 2) Carryover Projects, 3) In Progress Projects, 4) Authorized Projects Not Performed. This testimony addresses the status of any deviations between authorized and actual spending.

**Compliance Item #22**

**Monterey GRC – Proof of GO Increase Above Inflation and Customer Growth**

**Ordering** – In all future general rate increase applications, any increase beyond inflation and customer growth shall be denied absent a specific demonstration that each element of the proposed increase is necessary to serve California American Water customers.

**Status #22**

**Compliance Action-** The Service Company schedules in Chapter 1 of Exhibit A – SC have been prepared to ensure that all increases above customer growth and inflation are noted. Explanations of all increases are contained in testimony of Dave Stephenson.

**Compliance Item #23**

**Monterey GRC – Comprehensive Report on Reducing Unaccounted for Water**

**Ordering** – California American Water shall develop and implement a program consistent with the highest engineering standards for reducing unaccounted for waters in its Monterey Main District and associated subsystems, and shall include a comprehensive report on its efforts in its next general rate case filing.

**MONTEREY DISTRICTS  
DECISION NO. D.09-07-021 (continued)**

**Status #23**

**Compliance Action-** California American Water has implemented a number of programs to both identify the sources contribution to non-revenue water as well as reducing non-revenue water once identified. The programs include using American Water Works Association WLCC water audit software, an employee reward program for reporting theft and unmetered consumption, public outreach to customers to educate them about water theft. Efforts taken to reduce unaccounted for water include main line replacement, leak detection, valve and line replacement, and working with the Monterey Peninsula Water Management District to reduce unauthorized consumption.

**SACRAMENTO/LOS ANGELES/LARKFIELD DISTRICTS  
D.10-06-038**

**Compliance Item #24**

**Sacramento GRC – Non-Revenue Water Reporting**

**Ordering –** California American Water also agrees to provide its best estimates of non-revenue water in each separate system (Sacramento) that is fully metered for at least one year as part of the next GRC.

**Status #24**

**Compliance Action-** California American Water has developed estimates of non-revenue water for all systems which are included in the MDR's at Section II E 3.

**Compliance Item #25**

**Sacramento/Larkfield/Los Angeles GRC – Project Cost Variance Report**

**Ordering –** Additionally, the Parties agree that California American Water will provide a project cost variance report in its next GRC for any capital investment projects that exceed the authorized budget by 10% or greater. ....On or before March 31, 2010, DRA and California American Water will have their first meeting, during which California American Water will report to DRA all of the projects that meet the above criteria for all of its districts in its next GRC. At this meeting, California American Water and DRA will then decide the schedule of the next meeting.

**Status #25**

**Compliance Action-** Instead of a meeting in March, DRA and California American Water agreed that a report would be provided to DRA. A project variance report is already required by the MDR's and will be provided for all projects through 2009.

**Compliance Item #26**

**Larkfield/Los Angeles GRC – Conservation Rate Design Pilot Program**

**Settlement Agreement DRA and CAW-** The parties agreed to extend the conservation rate design pilot program, including the WRAM and MCBA, for the Larkfield and Los Angeles districts as set forth in D.08-11-023 and D.08-06-002. In the settlement, the DRA and CAW recommended to the Commission that the proposed rate design changes for all of CAW districts are addressed as part of a second phase in the next GRC proceeding.

**Status # 26**

**Compliance Action-** As delineated in a letter dated April 12, 2010 from the Commission Executive Director, CAW will make a filing of its proposed rate design changes for the next GRC proceeding on August 1, 2010.

**SACRAMENTO/LOS ANGELES/LARKFIELD DISTRICTS  
D.10-06-038(continued)**

**Compliance Item #27**

**Phase I of Rate Design for the Larkfield District:**

1. Consider a five-tier increasing block rate structure; as part of this effort, California American Water agreed to:
  - a. Collect data on the number of dwelling units in apartment buildings.
  - b. Make available to DRA available metered consumption data for apartment building customers.
2. Meet and confer with all interested parties to determine the types of data collection necessary for the Commission to consider further conservation rate design proposals for non-residential customers.
3. Track billing and usage data for use in analyzing customer response to the conservation rates, and schedule a meeting every four to six months to discuss the results of this data.
4. Meet to discuss adjustments to the pilot program if implementation results in a disparate impact on ratepayers or shareholders.
5. Make a showing demonstrating that it has exercised due diligence in ensuring the least-cost mix for its water sources, and that any significant change in water purchases was reasonable.
6. Begin monthly billing of customers after California American Water does the following:
  - 1) Write a letter to the Director of the Division of Water and Audits ("DWA") notifying him of intent to begin monthly billing.
  - 2) Follow all applicable rules, including written guidance given by the DWA Director.
  - 3) Notify customers of the change to monthly billing.

**Compliance Action #27:**

1. Please see Table E-1 in response to Compliance item # 12. The table shows the number of dwelling units in apartment buildings for the Larkfield District. Metered consumption data for apartment building customers is being compiled and will be made available to the DRA with California American Water's rate design filing on August 1, 2010, as noted under Compliance item # 26.
2. On February 10, 2010, California American Water conducted a public outreach meeting in Larkfield to gather public input regarding Conservation and Conservation Rate Design structures, including non-residential customers.
3. At the February 10, 2010 meeting, noted above, consumption and production information was presented to analyze customer responses to conservation rates and measures.
4. In the settlement agreement in D.10-06-038 between the Division of Ratepayer Advocates and CAW, the parties agreed to extend the conservation rate design pilot program, including the WRAM and MCBA, for the Larkfield and Los Angeles districts as set forth in D.08-11-023 and D.08-06-002. In the settlement, the DRA and CAW recommended to the Commission that the proposed rate design changes for all of CAW districts are addressed as part of a second phase in the next GRC proceeding. In a letter dated April 12, 2010 from the Commission Executive Director, CAW was permitted to make a filing of its proposed rate design changes for the next GRC proceeding on August 1, 2010. Based on input received at CAW's public outreach meeting on February 10, 2010 and any possible follow up meetings, CAW will include any adjustments to the Pilot program with its August 1, 2010 proposed rate design filing.
5. Please see Attachment 2 "Least Cost Water Mix" to this Exhibit.

6. California American Water submitted a letter to Director of the Division of Water and Audits (DWA) on December 30, 2009 requesting a change from Bi-monthly to Monthly Billing in the Larkfield District. In a response letter dated January 6, 2010, the DWA advised CAW to either seek an interim Commission order to implement the billing change or wait for D.10-06-038 addressing the settlement reached with DRA on beginning monthly billing in Larkfield. CAW will also reiterate its request to move to monthly billing in its upcoming GRC filing in July 2010.

**SACRAMENTO/LOS ANGELES/LARKFIELD DISTRICTS  
D.10-06-038(continued)**

**Compliance Item #28**

**Phase I of Rate Design for the Los Angeles District:**

1. Collect data related to moving customers to monthly billing, meet with parties to develop cost effective methods to switch to monthly billing, and present a proposal to move all customers to monthly billing in the next GRC.
2. Meet and confer with all interested parties within 90 days of the issuance of the Decision to determine the types of data collection necessary for the CPUC to consider further conservation rate design proposals for non-residential customers.
3. Track and prepare a report on the usage of the top 100 residential customers in each service area during the pilot program.
4. Include in the next GRC a discussion of the feasibility, costs, and benefits of revenue adjustment mechanisms that are focused solely on conservation impacts.
5. Develop a comprehensive monitoring and data collection system to analyze customer response to the conservation rates and programs, and schedule a meeting every four to six months to discuss the results of the customer response data.
6. Meet to discuss adjustments to the pilot program if implementation results in a disparate impact on ratepayers or shareholders.
7. Make a showing demonstrating that it has exercised due diligence in ensuring the least-cost mix for its water sources, and that any significant change in water purchases was reasonable.

**Compliance Action #28:**

1. California American Water has studied the costs involved in moving Los Angeles customers to monthly billing and proposes to hire two additional meter readers in Los Angeles in order to accommodate the transition to monthly meter reading in the 2010 Statewide GRC. All costs necessary to transition the Los Angeles County service area to monthly meter reading are included in California American Water's 2010 Statewide GRC and information is provided in the testimonies of Brian Bruce and Todd Brown.
2. A "conservation and tiered rate structure public input meeting" was held on March 30, 2010 in the Los Angeles County Service area to gather public input regarding conservation and conservation rate design structures.
3. This report was filed with DWA on May 28, 2010 as part of California American Water's 2009 PUC Annual Report for the Los Angeles district.
4. A discussion of feasibility, costs and benefits of revenue adjustment mechanisms can be found in Dave Stephenson's testimony for the 2010 General Rate Case Application of California American Water.
5. Consumption and production data for the Los Angeles Service area is currently being reviewed and analyzed to study customer responses to conservation rates and measures. Internal meetings have taken place and additional meetings are scheduled to coordinate the analysis of this data and to analyze customers' responses to conservation rates and measures.
6. In the settlement agreement in D.10-06-038 between the Division of Ratepayer Advocates and CAW, the parties agreed to extend the conservation rate design pilot program, including

the WRAM and MCBA, for the Larkfield and Los Angeles districts as set forth in D.08-11-023 and D.08-06-002. In the settlement, the DRA and CAW recommended to the Commission that the proposed rate design changes for all of CAW districts are addressed as part of a second phase in the next GRC proceeding. In a letter dated April 12, 2010 from the Commission Executive Director, CAW was permitted to make a filing of its proposed rate design changes for the next GRC proceeding on August 1, 2010. Based on input received at CAW's public outreach meeting on March 30, 2010 and any possible follow up meetings, CAW will include any adjustments to the Pilot program with its August 1, 2010 proposed rate design filing.

7. Please see Attachment 2 "Least Cost Water Mix" to this Exhibit.

**LOS ANGELES DISTRICTS  
RESOLUTION NO. W-4790**

**Compliance Item #29**

**LA DSIC Resolution W-4790**

**Ordering** – As required by D.07-08-030, prior to inclusion in rate case, the DSIC infrastructure projects shall be reviewed in the next GRC.

**Status #29**

**Compliance Action-** All DSIC infrastructure projects were reviewed in A.09-01-013/D.10-06-038, et. al.

**Section Two: Other Compliance Items**

**RWE ACQUISITION ALL DISTRICT  
DECISION NO. D.02-12-068**

**Compliance Item # 30**

**Equity Percentage of Capital**

**Ordering** - Condition 15 – California American Water's equity to capital ratio shall be maintained at or about thirty-five percent. If California American Water's common equity falls below thirty-five percent of total capital, California American Water shall within 30 days of such event provide a detailed written plan of action to return California American Water's equity capital to a minimum of thirty-five percent.

**Status # 30**

**Compliance Action** – Equity never fell below 35% of total capital. This condition is no longer applicable.

**Compliance Item # 31**

**Dividend Percentage**

**Ordering** - Condition 26 – If California American Water's payment of any dividend or transfer of any funds to American Water represents more than the historical percentage (75%) of California American Water's annual net income, and then California American Water will notify the CPUC of that fact.

**Status # 31**

**Compliance Action** – No dividends or other transfer of funds exceeded 75%. This condition is no longer applicable.

**MONTEREY DISTRICT  
DECISION NO. D.06-11-050**

**Compliance Item # 32**

**National Call Center- Complaints Quarterly Reports**

**Ordering** -We direct California American Water to develop (1) a new quarterly report that provides California specific statistics, by district, from the national call center and that breaks out type of calls and final disposition of all complaints, and (2) a new quarterly report on all complaints received at district and regional levels and their final disposition. These reports should be developed within 60 days, routinely filed on a quarterly basis with CSID and Water Division, and served on all parties to this proceeding.

**Status # 32**

**Compliance Action** – California American Water has been in compliance with this condition since May 2009.

**Compliance Item # 33**

**ERISA Pension for Monterey and Felton Districts**

**Ordering** - California American Water shall separately collect the minimum ERISA pension payment for Monterey and Felton districts through a 3% surcharge on customer bills, separately reconciled for each district with an annual advice letter filing for a surcredit or surcharge, depending on the balance in the balancing account.

**Status # 33**

**Compliance Action** – The surcharge was applicable until terminated through D.09-07-021.

MONTEREY DISTRICT  
DECISION NO. D.06-12-040

**Compliance Item # 34**

**Coastal Water Project – Special Rate Surcharge #2**

**Ordering** - California American Water is authorized to file new tariffs to implement the Special Request 2 Surcharge to commence after a CPCN is issued for the Coastal Water Project, or alternative supply solution, in Phase II of this proceeding.

**Status # 34**

**Compliance Action** – To date, the CPCN has not been issued. Due to recent events with the regional desalination plant; surcharge #2 is no longer expected to be implemented.

**Compliance Item # 35**

**Coastal Water Project - Special Rate Surcharge #1**

**Ordering** – California American Water is authorized to implement the proposed Special Request 1 Surcharge commencing January 1, 2007. Initially, the surcharge shall be 4%, then beginning July 1, 2007, shall increase to 7%. Beginning January 1, 2008, the surcharge shall increase to 10% and remain in place until the full amount authorized for preconstruction costs is collected.

**Status # 35**

**Compliance Action** – Surcharge #1 is in effect at the 10% level as indicated.

RWE DIVESTITURE ALL DISTRICT  
DECISION NO. D.07-05-031

**Compliance Item #36**

**RWE- American Water and AWCC – Bond Downgrading**

**Ordering** - American Water and AWCC will notify the Commission in writing within 30 days of public notification to AW or AWCC of any bond downgrading of AW or AWCC and will include with such notice the complete report from the issuing bonding rating agency.

**Status # 36**

**Compliance Action** – The Commission has been timely notified all downgrades from rating agencies.

**Compliance Item #37**

**RWE- American Water and AWCC – Controlling Interest**

**Ordering** -None of the acquisition conditions from Decision D.02-12-068 should be removed until RWE has sold more than 90% of its interest in American Water. If RWE or its affiliates cumulatively have more than a 10% but less than 50% interest in American Water and find themselves in a minority position and unable to comply with any of the conditions set forth, California American Water should file an application explaining why RWE cannot comply with the condition(s) and request an exemption from the condition(s).

**Status # 37**

**Compliance Action** – RWE has sold 100% of its interest in American Water and all conditions of D.02-12-068 have been removed. This condition is no longer applicable.

**Compliance Item #38**

**RWE Affiliates – Transfer of Control**

**Ordering** – Joint Applicants shall notify the Water Division in writing of the transfer of control, within 10 days of the date of consummation of such transfer.

**Status # 38**

**Compliance Action** – This item was completed upon sale by RWE. This condition is no longer applicable.

**RWE DIVESTITURE ALL DISTRICT  
DECISION NO. D.07-05-031 (continued)**

**Compliance Item #39**

**RWE Acquisition California American Water U-210-W**

**Ordering** –The corporate identification number U-210-W assigned to California American Water shall continue to be used by California American Water and shall be included in all original filings with the CPUC and in the titles and other pleadings filed in existing cases.

**Status # 39**

**Compliance Action** – California American Water is in compliance with this condition.

**Compliance Item #40**

**AWW – Provision of Adequate Capital**

**Ordering** – California American Water will be provided with adequate capital from AWWC to fulfill all of its service obligations prescribed by the CPUC and California American Water.

**Status # 40**

**Compliance Action** – Adequate capital has been provided. All requests for equity infusion or issuance of debt have been provided.

**Compliance Item #41**

**AWW and California American Water – No Adverse Changes to Customer Service**

**Ordering** – AW and California American Water shall ensure the transaction will not result in any adverse changes in California American Water policies with respect to service to customers, employees, operations, financing, accounting, capitalization rates, depreciation, maintenance, or other matters affecting the public interest of utility operations.

**Status # 41**

**Compliance Action** – No adverse changes resulted from the divestiture. The only significant change that occurred was implementation and compliance with SOX requirements which were fully vetted during the proceeding. This condition has been completed.

**Compliance Item #42**

**AWW and California American Water – No Adverse Impacts on Customer Service**

**Ordering** –AW and California American Water will ensure that there is no adverse impact on the quality of customer service, water quality, and reliability as a result of the transaction.

**Status # 42**

**Compliance Action** – No adverse effects on the quality of Customer Service has occurred from the sale of American Water by RWE. This condition has been completed, see item #44 below.

**Compliance Item #43**

**California American Water Bargaining Agreements**

**Ordering** – The transaction will have no adverse impact on California American Water employees and there will be no changes in any existing union agreements as a result of the transaction. All collective bargaining agreements will continue to be honored.

**Status #43**

**Compliance Action** – We have continued to honor our collective bargaining agreements throughout this transaction. No changes to the collective bargaining agreements have been made as a result of this transition. This transaction has had no adverse impact on California American Water employees. This condition has been completed.

**RWE DIVESTITURE ALL DISTRICT  
DECISION NO. D.07-05-031 (continued)**

**Compliance Item #44**

**California American Water Staffing**

**Ordering** – California American Water will not allow the transaction to diminish staffing that would result in service degradation. However, California American Water may make local staffing and other operating changes which would have occurred absent the transaction.

**Status #44**

**Compliance Action** – This transaction has not resulted in any changes in staffing that in any way impacted the level of service provided. We have continued our efforts to assess the level of service provided through our quarterly and annual customer service surveys. We will continue to monitor our customer service levels and implement necessary processes and communications as necessary. This condition has been completed.

**Compliance Item #45**

**RWE- California American Water Divestiture Costs**

**Ordering** – California American Water will not try to recover any divestiture costs in rates

**Status #45**

**Compliance Action** – California American Water has not attempted to recover any divestiture costs in rates. This condition has been completed.

**Compliance Item #46**

**RWE & AW for Required Equity**

**Ordering** – RWE will provide an equity investment to American Water at the time of the proposed IPO to ensure that AW has a capital structure in the range of 45% to 55% with a minimum 45% common equity.

**Status #46**

**Compliance Action** – RWE provided adequate equity to ensure AWW had at least a 45% equity ratio at the time of the IPO. This condition has been completed.

**Compliance Item #47**

**California American Water – Affiliated Interests**

**Ordering** – All affiliated interest agreements approved by the CPUC to which California American Water is a party will remain in effect. Additionally, the Affiliated Transaction Rules that were agreed to as part of the Settlement Conditions in D.02-12-068 will continue.

**Status #47**

**Compliance Action** – No action required - the two affiliated interests agreements are still in effect. We are in compliance with the affiliated transaction rules.

**LOS ANGELES DISTRICT  
DECISION NO. D.07-08-030**

**Compliance Item #48**

**American Job Creation Act - TAX (LA)**

**Ordering** – The parties agree that when the actual deduction amounts has been determined, California American Water will provide DRA with the figure.

**Status #48**

**Compliance Action** – California American has not been able to take the credit due to lack of taxable income.

**CORONADO/VILLAGE DISTRICT  
DECISION NO. D.08-03-022**

**Compliance Item #49**

**American Job Creation Act - TAX (CORONADO/VILLAGE)**

**Ordering** – The parties agree that when the actual deduction amount has been determined, California American Water will provide DRA with the figure.

**Status #49**

**Compliance Action** – California American has not been able to take the credit due to lack of taxable income.

**Compliance Item #50**

**CUWCC Reports (CORONADO/VILLAGE)**

**Ordering** – California American Water will provide all California Urban Water Conservation Council reports to the Commission and DRA.

**Status #50**

**Compliance Action** – California American Water has completed all conservation reports for San Diego and Ventura County Districts.

**SACRAMENTO/LARKFIELD DISTRICT  
DECISION NO. D.08-05-018**

**Compliance Item #51**

**California American Water, DRA & CUWCC Reports**

**Ordering** – California American Water shall provide DRA and the Commission all reports required by the California Urban Water Conservation Council at the time required by the Council.

**Status #51**

**Compliance Action** – California American Water has completed all conservation reports for Sacramento and is currently working to complete all the reports for Larkfield.

**Compliance Item #52**

**American Job Creation Act - TAX (SACRAMENTO/LARKFIELD)**

**Ordering** – The parties agree that when the actual deduction amount has been determined, California American Water will provide DRA with the figure.

**Status #52**

**Compliance Action** – California American has not been able to take the credit due to lack of taxable income.

**LOS ANGELES DISTRICT  
DECISION NO. D.08-06-002**

**Compliance Item #53**

**Conservation Pilot Program – Data Collection**

**Ordering** – We expect that the usage information collected and evaluated during the Pilot Program will allow a conservation focused mechanism to be given consideration in the next GRC.

**Status #53**

**Compliance Action** – Los Angeles has been collecting usage information since 2009 to guide conservation efforts. Specifically, usage information of the 100 highest-use single family residential and multi-family residential customers in each service area are pulled each billing period (every other month) to generate a target list for residential audits. In addition, California American Water is collecting usage data for audited customers for 12 months prior and 12 months following an audit.

**CORONADO/VILLAGE/LARKFIELD DISTRICTS  
DECISION NO. D.08-11-023**

**Compliance Item #54**

**Coronado/Village/Larkfield – Rate of Return Adjustment**

**Ordering** – We direct that if the generic return on equity adjustment described in the settlement is not adopted in A.08-05-003 (Cost of Capital), parties should meet and confer within 30 days and then file a petition to modify this decision within 15 days after the meeting. The petition to modify may be filed jointly or separately, proposing a procedural forum and process to address a return on equity adjustment. The WRAM and MCBA balancing accounts adopted here will be subject to true-up to the date a final decision on a return on equity adjustment is made.

**Status #54**

**Compliance Action** – This action was superseded by the actions in A.08-05-003, et. al.

**Compliance Item #55**

**Coronado, Village and Larkfield- WRAM and MCBA Recovery**

**Ordering** – The settlement provides that by March 31 of each year, California American Water will provide the Water Division (with a copy to DRA) a written report on the status of the WRAM and MCBA balances. If the report shows the net balances exceeds 2.5% of a district's total recorded revenue requirement for the prior calendar year, California American Water will file an advice letter within 30 days that amortizes the balance through a volumetric surcharge if it is an under-collection or a volumetric surcredit if it is an over-collection. If the 2.5% threshold is not met, these balancing accounts will be amortized in the next GRC.

**Status #55**

**Compliance Action** – California American Water filed its WRAM/MCBA reports for the Coronado, Ventura and Larkfield districts by March 31, 2010.

**MONTEREY DISTRICT  
DECISION NO. D.08-12-034**

**Compliance Item #56**

**Monterey 2007 CWP Costs**

**Ordering** – California American Water shall provide in its Class A Annual Report submitted March 31 of each year an accounting for its Surcharge 1 including amounts collected from customers and total preconstruction costs charged for each reporting period (see decision for detailed reporting requirements).

**Status #56**

**Compliance Action** - The report has been filed with the Annual Report.

**MONTEREY DISTRICT  
DECISION NO. D.09-02-006**

**Compliance Item #57**

**Monterey MPWMD Landscape Water Audits**

**Ordering** – California American Water in coordination with MPWMD will conduct Landscape Water Audits and establish landscape water budgets for all customers (1) with a dedicated irrigation meter, (2) with an irrigated area of greater than three acres, or (3) who are classified as Large Residential Customers.

**Status #57**

**Compliance Action** – This information has been provided in the annual conservation report.

MONTEREY DISTRICT  
DECISION NO. D.09-02-006 (Continued)

**Compliance Item #58**

**Monterey MPWMD Conservation Landscape Audits**

**Ordering** – We direct that California American Water disclose to any residential customer requesting a free conservation audit that this information be shared with MPWMD.

**Status #58**

**Compliance Action** – California American Water is complying with this directive and disclosing that it is sharing information about water audits with MPWMD.

**Compliance Item #59**

**Monterey MPWMD Conservation Landscape Audits**

**Ordering** – Section 8 of the settlement provides that California American Water will review the deeds and/or contracts of the “free water” customers and will take reasonable and necessary action to limit the customers’ usage to the amount of water this is legally available under the deeds/contracts, and will also determine whether it can negotiate termination of free service and if so, at what cost.

**Status #59**

**Compliance Action** – California American Water is currently reviewing each deed and/or contract to determine any existing restrictions that can be enforced and develop strategies for each customer to determine what measures can be taken to reduce water use and the potential costs of terminating the free service.

**Compliance Item #60**

**Monterey Conservation**

**Ordering** – In addition to the settlement’s July 1, 2010 reporting requirement for free water usage, we find that California American Water should also include in its annual conservation report a section discussing the actions it has taken to address free water usage and the results of those actions.

**Status #60**

**Compliance Action** – This information has been provided in the annual conservation report.

MONTEREY DISTRICT  
DECISION NO. D.09-02-006

**Compliance Item #61**

**California American Water-Monterey Conservation**

**Ordering** – Since California American Water is currently in Stage 1 of Rule 14.1, we should direct California American Water to provide the data listed in Appendix C within 30 days of this decision in order for MPWMD to prepare for, test, implement and enforce Stages 1-3 of Rule 14.1. The Appendix C information should be provided subject to a reasonable nondisclosure agreement. As discussed during hearings, MPWMD should reimburse California American Water for reasonable costs California American Water incurs in providing the data.

**Status #61**

**Compliance Action** – Completed on 7/14/09.

**Compliance Item #62**

**Monterey Conservation**

**Ordering** – As part of this agreement, California American Water will establish allotments for all non-residential customers, except private fire service and private fire hydrant customers, using surveys or water audits and will then notify the customers of their expected annual allotment and provide a generic description of how the monthly allotments are calculated.

**Status #62**

**Compliance Action** – Completed in mid 2009.

ALL DISTRICTS  
DECISION NO. D.09-05-019

**Compliance Item #63**

**Cost Of Capital – ROE Adjustment for the WRAM and MCBA**

**Ordering** – In subsequent cost of capital proceedings the parties should address whether or not the market returns derived in the various financial models have adequately incorporated the effects of the WRAM and MCBA.

**Status #63**

**Compliance Action-** Not applicable until May 2011.

**Compliance Item #64 – Capital Structure Justification**

**Cost Of Capital**

**Ordering** – In the next cost of capital applications for California Water, California American, and Golden State, applicants shall be required to justify in far greater detail a rationale for their proposed capital structure.

**Status #64**

**Compliance Action-** Not applicable until May 2011.

**Compliance Item #65**

**Cost Of Capital – Comparable Group**

**Ordering** – We strongly urge all parties to separately use the base group of five companies, then consider DRA's expanded group of ten, and finally, consider any additional third grouping of water utilities in the next proceeding as part of their analysis.

**Status #65**

**Compliance Action-** Not applicable until May 2011.

MONTEREY DISTRICTS  
DECISION NO. D.09-05-029

**Compliance Item #66**

**Monterey Conservation Budgets for –CAW & MPWMD – BMP Requirements**

**Ordering** – California American Water shall collaborate with MPWMD to satisfy the CUWCC requirements for Best Management Practices 1-3, 5-9, 11-14.

**Status #66**

**Compliance Action-** California American Water worked collaboratively with MPWMD to satisfy the BMPs. See the annual conservation report.

**Compliance Item #67**

**Monterey Conservation Budgets - California American Water – Public Outreach**

**Ordering** – Also included in the annual summary report will be California American Water's evaluation of the effectiveness of its public outreach programs. California American Water will survey its customers on how they learned about California American Water's programs and the MPWMD will place similar questions on the customer rebate forms. The annual report will be submitted to the Division of Water and Audits, with copies served on this service list, and due on May 1 of the succeeding calendar year for all activity of the prior calendar year.

**Status #67**

**Compliance Action-** California American Water and MPWMD worked together to provide the Annual Report for 2009. This report included information on how Monterey customers have heard of conservation programs through the various outreach initiatives.

MONTEREY DISTRICTS  
DECISION NO. D.09-05-029 (Continued)

**Compliance Item #68**

**Monterey Conservation Budgets - California American Water – Public Outreach Evaluation and Website**

**Ordering** – As part of the Settlement, California American Water agrees to evaluate the effectiveness of its outreach program and to also develop, in collaboration with MPWMD, a comprehensive conservation website for customers.

**Status #68**

**Compliance Action-** The annual joint California American Water - MPWMD report will include information on how Monterey customers have heard of conservation programs through the various outreach initiatives. The joint California American Water - MPWMD website is complete and fully functional.

**Compliance Item #69**

**Monterey Conservation Budgets - California American Water – Emergency Outreach**

**Ordering** – California American Water may file an advice letter requesting an additional \$100,000 for emergency public outreach if the criteria listed in Section 11(i) of the Settlement are met. At such time that the advice letter goes into effect, California American Water shall place a notice on the customer bill stating it is a water conservation emergency and that customers should help conserve water.

**Status #69**

**Compliance Action-** Criteria listed in Section 11(i) of the Settlement for entering the higher stage of the rationing and conservation plan have not been met so rationing has not been required.

ALL DISTRICTS  
DECISION NO. D.09-06-053

**Compliance Item #70**

**OIL – CONSERVATION – Conservation Oil Memorandum Account**

**Ordering** – The utilities should provide information regarding legal and related expenses incurred in participating in this proceeding from the date of issuance of this OIL.

**Status #70**

**Compliance Action-** Completed. Comments filed with CWA on 8/17/09.

MONTEREY DISTRICTS  
DECISION NO. D.09-07-021

**Compliance Item #71**

**Monterey GRC –Monterey Fire Task Force**

**Ordering** – California American Water shall convene and provide logistical and staff support for a Monterey District fire official task force to prioritize Monterey District fire protection upgrade projects, with consensus recommendations of the task force reduced to writing. California American Water shall consider the task force's prioritization and may fund fire flow projects up to \$150,000 in its three-year rate case cycle and shall include in revenue requirement \$10,000 for task force support and expense.

**Status #71**

**Compliance Action-** Meetings have been held with all fire agencies in the service area except for one to prioritize fire protection upgrade projects.

**Compliance Item #72**

**Monterey GRC – Permanent Meter Replacement Program**

**Ordering** – California American Water shall implement a permanent annual program of meter replacement at a rate not to exceed 2,630 meters/year to remain current with GO 103A.

MONTEREY DISTRICTS  
DECISION NO. D.09-07-021 (Continued)

**Status #72**

**Compliance Action-** Monterey has reviewed the age of all meters against the GO-103 standards. The replacement program is approximately 200 5/8 inch meters, and 2,000 1 inch meters to comply with GO-103 in 2010.

**Compliance Item #73**

**Monterey GRC – Temporary Meter Replacement Program**

**Ordering** – California American Water shall implement a temporary supplemental program to replace 1,885 meters/year, after the 2,630 meters for the annual permanent program, to eliminate its current backlog over four years and is authorized to file an advice letter to include the costs of the actual meters installed under its temporary supplemental program, up to a maximum costs of \$191.67, when the meters are installed and operational GO103A.

**Status #73**

**Compliance Action-** Monterey has installed as many meters as it could under the temporary meter replacement program.

**Compliance Item #74**

**Monterey GRC – Labor Position Description**

**Ordering** – California American Water shall present a comprehensive position-by-position description of all district personnel in its future general rate cases, including comparisons of authorized versus actual positions and all proposed changes.

**Status #74**

**Compliance Action-** All positions are listed in MDR Section A 4-4.4. California American Water has submitted authorized vs. actual position-by-position description for all personnel changes requested in this rate case.

MONTEREY DISTRICTS  
DECISION NO. D.09-07-021

**Compliance Item #75**

**Monterey GRC – File Emergency Water Reduction Program**

**Ordering** – California American Water, in consultation with its customers and landscaping professionals, shall develop and implement a program to reduce or prohibit the use of potable water for landscape irrigation during periods of Maximum System Demand. No later than 180 days after the effective date of this order, California American Water shall file and serve a compliance filing setting forth such a program.

**Status #75**

**Compliance Action-** An advice Letter was filed on March 29, 2010 to fulfill the above and it was approved by the Commission on May 12, 2010.

**Compliance Item #76**

**Monterey GRC – Improve Leak Reports**

**Ordering** – California American Water shall improve its pipeline break data collection to comply with industry best practices and shall include break type and cause.

**Status #76**

**Compliance Action-** California American Water (Monterey District) has reviewed and implemented processes/procedures which meet the pipeline break data collection requirements included in GO103A.

**MONTEREY DISTRICTS  
DECISION NO. D.09-07-021 (Continued)**

**Compliance Item #77**

**Monterey GRC – Test Playa Well**

**Ordering** – California American Water shall conduct the test for Playa Well No. 4 and take appropriate actions based on the outcome of the test.

**Status #77**

**Compliance Action-** The testing of Playa Well Number 4 is planned to occur in the second quarter of 2010. Upon completion of this testing effort, a report and recommendations will be prepared by the hydro geologist. Thereafter, an action plan will be developed based upon input from Operations, Water Quality and Engineering. If a capital investment project is recommended from this action plan, then appropriate documentation will be submitted to the State Capital Investment Management Committee for review and consideration.

**Compliance Item #78**

**Monterey GRC – MPWMD Surcharge**

**Ordering** – No later than 180 days after the effective date of this order, California American Water shall develop and submit for CPUC approval a program to fund the projects currently performed by the MPWMD that are properly California American Water's responsibility, and is authorized to file and advice letter to create a memorandum account for the interim costs.

**Status #78**

**Compliance Action-** An application was filed on January 5, 2010.

**MONTEREY WASTEWATER DISTRICTS  
DECISION NO. D.09-07-022**

**Compliance Item #79**

**Monterey GRC – Customer Communication**

**Ordering** – California American Water needs to improve its relationship with its customers and especially its explanation of costs and operational plans for these systems. The public interest will be furthered by better customer consultation in advance of the next rate filing.

**Status #79**

**Compliance Action-** California American Water conducted four meetings with customers of wastewater systems. Customers were mailed a notice about the meetings, and at the request of the CPUC, we prepared a booklet comparing current to proposed rates. This booklet was on the website, distributed at customer meetings, and available at libraries. The PowerPoint used at the customer meetings was also on the website. In addition, we worked with several customers one-on-one to help them understand the rates.

**MONTEREY DISTRICTS  
DECISION NO. D.09-07-023**

**Compliance Item #80**

**Monterey GRC – Customer Notices Before Rationing**

**Ordering** – At the beginning of rationing, California American Water will also provide its customers with a survey form to indicate any change in the number of residents or type of non-residential use.

**Status #80**

**Compliance Action** As part of the billing system upgrade, customers received a letter providing examples of the new rate system and the system information for the number of residents or type of non-residential use. The survey form will be provided at the beginning of rationing.

MONTEREY DISTRICTS  
DECISION NO. D.09-07-023 (continued)

**Compliance Item #81**

**Monterey GRC – Stage 2 and 3 Production Triggers**

**Ordering** – If MPWMD updates the Stage 2 and Stage 3 production triggers in Tables 1 and 2 of Monterey District Rule 14.1.1, California American Water shall file an advice letter requesting CPUC approval to update Rule 14.1.1 to include the new production triggers

**Status #81**

**Compliance Action-** California American Water will file an advice letter requesting CPUC approval to update Rule 14.1.1 when MPWMD updates Stage 2 and Stage 3 production triggers.

**Compliance Item #82**

**Monterey GRC – Customer Notice for Mandatory Rationing**

**Ordering** –California American Water is required to provide written notice of mandatory water rationing to every affected customer via first-class mail at least 30 days before the first day of rationing use restrictions are imposed except when Stage 4 is declared due to regulatory noncompliance or before a change to lower numbered stages. California American Water shall notify customers via direct mailing of the effective date of any change in Stages, either moving up Stages or moving down Stages. California American Water shall notify customers via first class mailing no less than 30 days before any increased rates are effective.

**Status #82**

**Compliance Action-** This action will occur if we need to move to mandatory rationing.

**Compliance Item #83**

**Monterey GRC – Stage 2 Reporting Requirements**

**Ordering** – For Stage 2, the revised rule tightens the notice and reporting requirements for customers required to follow a mandatory Landscape Water Budget. These customers will be provided monthly compliance status notices rather than quarterly notices, and California American Water shall compile a quarterly report for MPWMD showing individual customer consumption information for customers required to maintain water use within a Landscape Water Budget.

**Status #83**

**Compliance Action-** Monterey is currently in Stage 1 of the water conservation program; if Stage 2 is enacted, California American Water will comply with the requirement.

**Compliance Item #84**

**Monterey GRC – Change Rule 14.1.1 to Include Water Banking**

**Ordering** – California American Water shall file an advice letter to modify Monterey District Rule 14.1.1 to make Water Banking available to customers by December 31, 2010.

**Status #84**

**Compliance Action- Details-** California American Water has made the billing system modifications and is in the process of preparing an advice letter for the modifications to the Monterey District Rule 14.1.1 per D.09-07-023 by December 31, 2010.

ALL DISTRICTS  
DECISION NO. D.09-07-051

**Compliance Item #85**

**Cost of Capital- Adjustment Mechanism – Cost of Capital Adjustment Mechanism**

**Ordering** – If the 100 basis point “dead and” is exceeded, an affected utility will be required to file a Tier 2 advice letter no later than on October 15 of such year. The advice letter would also update the long-term debt and preferred stock costs to reflect actual August month-end embedded costs in that year and forecasted interest rates for variable long-term debt and new long-term debt and preferred stock schedule to be issued....work papers outlining the calculations relating to the change in ROE, long-term debt costs, preferred stock costs and resulting changes in rates to become effective on the following January 1 are required to accompany the advice letter.

**Status #85**

**Compliance Action-** This condition has not been triggered - but is monitored on an annual basis.

**Compliance Item #86**

**Cost of Capital – Cost of Debt Adjustment Criteria**

**Ordering** – California American Water shall meet and confer with DRA on or before 9/1/09 to agree upon a uniform source of interest rate forecasts.

**Status #86**

**Compliance Action-** A meeting between the parties was held and a settlement was filed in the case.

SACRAMENTO/LOS ANGELES/LARKFIELD DISTRICTS  
D.10-06-038

**Compliance Item #87**

**Sacramento GRC – Meter Retrofit Consultation Trigger**

**Ordering** – As this meter installation program progresses (Sacramento district), the Parties agree that cost increase of 20 percent or more above this established unit cost will trigger consultation with DRA.” [Unit cost per meter is \$1,200].

**Status #87**

**Compliance Action-** California American Water continues to bid and award meter installation projects on a competitive basis. So far no projects have exceeded the threshold established and no consultation with DRA has been required.

**Compliance Item #88**

**Sacramento GRC – Metering of Condominiums**

**Ordering** – The parties agree that California American Water will install meters for all such customers (Sacramento) identified above (Condominium's) by December 31, 2010.

**Status #88**

**Compliance Action-** California American Water has received bids on two contracts early in 2010 for installation of the majority of the Condominium's in question. Preparation for the third and final contract for the remainder is in progress. As a point of clarification, at the direction of CPUC staff, individual owners have been given the choice of immediate conversion to metered rates after construction is complete or for conversion after a series of comparative bills have been generated and sent to owners. Those customers that elect to receive comparative bills will not be changed to metered rates until 2011. So far about 75% of owners have indicated their preference to transition to metered rates as soon as possible while the remainders have elected to receive comparative bills. California American Water anticipates that all meters will be installed in 2010 as agreed.

**SACRAMENTO/LOS ANGELES/LARKFIELD DISTRICTS  
D.10-06-038(continued)**

**Compliance Item #89**

**Sacramento/Larkfield/Los Angeles GRC – CPS and CBA Requirements**

**Ordering** – All California American Water future Comprehensive Planning Study and Condition Based Assessment documents will contain the name, the signature, and the license number of the registered professional engineer who supervised the preparation of said document.

**Status #89**

**Compliance Action-** American Water plans to comply with this requirement anytime a CPS or CBA is completed, we will work to get proper credentials/stamp from the supervising engineer.

**Compliance Item #90**

**SAC/LAR GRC/LA GRC – Conservation Reporting**

**Ordering** – In its (California American Water) comprehensive conservation report to the Commission, should contain the following documentation.

- o California American Water's actual expenditures on conservation budgets, broken down by major category or BMP
- o Actual number of rebates, or equipment/devices provided or installed, and the amount of incentive payments for each type of equipment/device, by program name
- o Estimated water savings in hundred cubic feet and dollars based on the number of rebates, or equipment/devices provided or installed (including cost per hundred cubic feet or acre-foot)
- o Name of organizations from which California American Water received grant funds and the amount of funds granted, and a full accounting of how the funds were spent and results achieved
- o Actual administrative, management and personnel costs incurred by program
- o Actual advertising, marketing and promotional expenses by program.

**Status #90**

**Compliance Action-** The comprehensive conservation report will be included in the 2010 and 2011 CPUC Annual Reports for LA, Sacramento, and Larkfield.

**ALL DISTRICTS  
DECISION NO. GENERAL ORDER 104**

**Compliance Item #91**

**General Order 104A – Annual Report Filing**

**Ordering** – File Annual Report to the CPUC on or before March 31, 20XX

**Status #91**

**Compliance Action-** An extension was filed for and accepted by the Executive Director of the Commission to extend the due date to May 31. The report has been filed.

**ALL DISTRICTS  
DECISION NO. GENERAL ORDER 24-B**

**Compliance Item #92 – Quarterly Financing Reports**

**General Order 24-B**

**Ordering** – California American Water shall file quarterly the reports required by General Order 24B.

**Status #92**

**Compliance Action-** California American Water submitted the Quarterly Report required by General Order 24-B for year end 2009 on March 1, 2010. In regards to the compliance report pursuant to D.08-11-025 to the newly named Utility Audit, Finance and Compliance Branch (UAFCB). This compliance filing has been sent to Kayode Kajopaiye, Chief UAFCB and Ramon Go of the CPUC.

ALL DISTRICTS  
DECISION NO. GENERAL ORDER 65-A

**Compliance Item #93**

**General Order 65-A – Financial Reports**

**Ordering** – California American Water shall file financial statements as required by General Order 65A

**Status #93**

**Compliance Action-** Financial statements have been provided to the Commission on at least a quarterly basis.

ALL DISTRICTS  
DECISION NO. GENERAL ORDER 77-M

**Compliance Item #94**

**General Order 77-M – Annual Compensation Reports**

**Ordering** – General Order 77-M file a listing of compensation for California American Water employees.

**Status #94**

**Compliance Action-** This item is being provided with the annual report.

# ATTACHMENT 1

**CALIFORNIA AMERICAN WATER                      TABLE E-1**  
**LARKFIELD DISTRICT**  
**DWELLING UNITS IN APARTMENT AND MULTIFAMILY BUILDINGS**

#	Bill Class	Dwell code	Type	# of Dwelling Units
1	2	A	Apartment	8
2	2	A	Apartment	8
3	2	A	Apartment	8
4	2	A	Apartment	8
5	2	A	Apartment	8
6	2	A	Apartment	8
7	2	A	Apartment	8
8	2	A	Apartment	8
9	2	A	Apartment	8
10	2	A	Apartment	8
11	2	A	Apartment	8
12	2	A	Apartment	7
13	2	A	Apartment	8
14	2	A	Apartment	8
15	2	A	Apartment	8
16	2	A	Apartment	8
17	2	A	Apartment	8
18	2	A	Apartment	8
19	2	A	Apartment	27
20	2	A	Apartment	27
21	2	A	Apartment	12
22	2	A	Apartment	12
23	2	A	Apartment	12
24	2	A	Apartment	4
25	2	A	Apartment	7
26	2	A	Apartment	4
27	2	A	Apartment	3
28	2	A	Apartment	6
29	2	A	Apartment	3
30	2	A	Apartment	4
31	2	A	Apartment	4
32	2	A	Apartment	9
33	2	A	Apartment	72
34	2	A	Apartment	6
35	2	A	Apartment	8
36	2	A	Apartment	7
37	2	A	Apartment	7
38	2	A	Apartment	4
39	2	A	Apartment	4
40	2	A	Apartment	12
41	2	A	Apartment	12
42	2	A	Apartment	12
43	2	A	Apartment	6
44	2	A	Apartment	12
45	2	A	Apartment	6
46	2	A	Apartment	8
47	2	A	Apartment	6
48	2	A	Apartment	6
49	2	A	Apartment	8
50	2	A	Apartment	17

**CALIFORNIA AMERICAN WATER                      TABLE E-1**  
**LARKFIELD DISTRICT**  
**DWELLING UNITS IN APARTMENT AND MULTIFAMILY BUILDINGS**

51	2	A	Apartment	16
52	2	M	Mobile Homes	68
53	2	M	Condos	14
54	2	M	Condos	14
55	2	M	Condos	6
56	2	M	Condos	6
57	2	M	Duplex	2
58	2	M	Duplex	2
59	2	M	Comm/House	2
60	2	M	Homes	5
61	2	M	Apartment	4
62	2	M	Apartment	4
63	2	M	Apartment	4
64	2	M	Apartment	12
65	2	M	Apartment	4
66	2	M	Duplex	2
67	2	M	Duplex	3
68	2	M	Apartment	4
69	2	M	Apartment	6
70	2	M	Duplex	2
71	2	M	Apartment	4
72	2	M	Duplex	2
73	2	M	Duplex	2
74	2	M	Duplex	2
75	2	M	Apartment	2
76	2	M	Duplex	2
77	2	M	Duplex	2
78	2	M	Duplex	2
79	2	M	Duplex	2
80	2	M	Duplex	2
81	2	M	Duplex	2
82	2	M	Duplex	2
83	2	M	Duplex	2
84	2	M	Duplex	2
85	2	M	Duplex	2
86	2	M	Duplex	2
87	2	M	Duplex	2
88	2	M	Duplex	2
89	2	M	Duplex	2
90	2	M	Duplex	2
91	2	M	Duplex	2
92	2	M	Condos	12
93	2	M	Condos	12
94	2	M	Condos	10
95	2	M	Condos	10
96	2	M	Apartment	11
97	2	M	Apartment	4
98	2	M	Apartment	4
99	2	M	Apartment	4
100	2	M	Apartment	4
101	2	M	Duplex	2
102	2	M	Apartment	2
103	2	M	Mobile Homes	37

**CALIFORNIA AMERICAN WATER                      TABLE E-1**  
**LARKFIELD DISTRICT**  
**DWELLING UNITS IN APARTMENT AND MULTIFAMILY BUILDINGS**

104	2	M	Duplex	2
105	2	M	Duplex	2
106	2	M	Duplex	2
107	2	M	Duplex	2
108	2	M	Duplex	2
109	2	M	Duplex	2
110	2	M	Duplex	2
111	2	M	Duplex	2
112	2	M	Duplex	2
113	2	M	Duplex	2
114	2	M	Duplex	2
115	2	M	Duplex	2
116	2	M	Duplex	2
117	2	M	Duplex	2
118	2	M	Duplex	2
119	2	M	Duplex	2
120	2	M	Duplex	2
121	2	M	Duplex	2
122	2	M	Duplex	2
123	2	M	Duplex/Home	3
124	2	M	Duplex	2
125	2	M	Duplex	2
126	2	M	Duplex	2
127	2	M	Duplex	2
128	2	M	Duplex	2
129	2	M	Duplex	2
130	2	M	Duplex	2
131	2	M	Duplex	2
132	2	M	Duplex	2
133	2	M	Duplex	2
134	2	M	Duplex	2
135	2	M	Duplex	2
136	2	M	Duplex	2
137	2	M	Duplex	2
138	2	M	Homes/Granny Unit	3

Total 898

# ATTACHMENT 2

**CALIFORNIA-AMERICAN WATER COMPANY  
2010 GENERAL RATE CASE  
Least Cost Water Mix**

Larkfield	2009 RateCase	as approved in Settlement	%	2009 Actual	%	Source
Well Prod ccf	327,398	327,398	59.03%	301,197	69.95%	LFLD Prod. Reports
Purchased Water ccf	227,223	227,223	40.97%	129,370	30.05%	LFLD Prod. Reports
Total ccf	554,621	554,621	100.00%	430,566	100.00%	
Purchased Water costs	\$ 322,103	\$ 322,103		\$ 209,804		

Los Angeles	2009 RateCase	as approved in Settlement	%	2009 Actual	%	Source
Well Prod ccf	8,172,292	8,172,106	83.35%	9,268,200	93.65%	Production Report
Purchased Water ccf	1,632,934	1,632,934	16.65%	628,595	6.35%	Production Report
Total ccf	9,805,225	9,805,039	100.00%	9,896,795	100.00%	
Purchased Water costs	\$ 4,525,439	\$ 4,494,112		\$ 4,227,111		JDE

**Comments on the districts' goals to maintain a least cost water mix:**

Larkfield

"Due to the 25% mandatory purchased water reduction and the low demand due to water conservation, we were able to maintain a fairly normal water mix/production of 60/40  
In fact, overall in 2009, it ended up being closer to 70% well water to 30% purchased water."

Los Angeles

" Our production patterns are to maximize ground water production to every extent possible as that is generally the lowest cost source of water  
If the higher cost imported water is used it is in cases of peaking demand or in cases where groundwater wells are out of service."

**=> Please see testimony of Dave Stephenson for more information about least cost water mix.**

**F**



**CALIFORNIA  
AMERICAN WATER**

**FOR A SPANISH VERSION OF THIS NOTIFICATION, VISIT OUR WEBSITE AT  
WWW.CALIFORNIAAMWATER.COM**

**NOTIFICATION OF APPLICATION FILING FOR A PROPOSED RATE CASE INCREASE  
LARKFIELD DISTRICT BY CALIFORNIA AMERICAN WATER  
(APPLICATION NO. 10-07-XXX)**

On July 1, 2010 California American Water filed a Statewide Water and Wastewater Rate Case increase Application 10-07-xxx with the Public Utilities Commission (CPUC). The proposed application filing by California American Water seeks authority to increase its Larkfield District rates over a three-year period by \$974,000 (or 37.0%) in 2012, \$70,000 (or 1.9%) in 2013 and \$155,000 (or 4.2%) in 2014.

**SUMMARY**

The proposed revenue increase for the Larkfield District is outlined in the chart below and provides a rate comparison for the current and proposed rate increases spread across for customer classes, i.e, residential, commercial, industrial and agricultural.

District		2012 Proposed	2013 Proposed	2014 Proposed
Larkfield	Revenue increase	\$974,000	\$70,000	\$155,000
	% revenue increase	37.0%	1.9%	4.2%

**PRIMARY DRIVERS OF RATE INCREASE:**

The proposed rate increase is critical to sustain and improve the integrity of the area's water supply system and offset increases in operational and maintenance costs. The filing also requests additional staffing for operations, administration and conservation. Some of the major infrastructure projects that these rates will help fund within the Larkfield service district include more than \$2.4 million for the construction of the Faught Road Well in addition to rehabilitation and maintenance of existing wells and infrastructure in the area.

**ABOUT THE APPLICATION**

The CPUC requires California American Water to submit a general rate case on a three-year cycle. This proposed rate application covers the period for 2012, 2013 and 2014. The table assumes the CPUC approves the full amount of the increase requested by California American Water. The CPUC will render a final decision and the amount of the increase approved by the CPUC could vary from the original proposed request by California American Water. California American Water is requesting the increase take effect January 1, 2012. Additional increases would then take effect January 1, 2013 and January 1, 2014.

The amounts above are for the increases in revenue to the company. How this rate change will impact customers will likely be different, and will be the subject of an August 2010 filing with the

CPUC. That filing will deal with "rate design" or how the increase is spread across customers in different classes and at different consumption levels. The company will propose a rate design that rewards those who conserve water.

#### **OBTAINING A COPY OF THE APPLICATION**

A Copy of California American Water's proposed General Rate Case Application and related exhibits may be inspected at California American Water's Larkfield office at 640 Larkfield Center, Santa Rosa, CA 95403. Copies of the proposed application are also available to review at the CPUC's Central Files Office between the hours of 8:00 a.m. and 12:00 noon daily in San Francisco at 505 Van Ness Avenue, San Francisco, California 94102.

#### **EVIDENTIARY HEARINGS**

The CPUC may schedule formal evidentiary hearings whereby the formal parties of record provide testimony and are subject to cross examination before the CPUC's ALJ. These hearings are open to the public, but only those who are formal parties of record can participate. The CPUC has their own court reporters who will take the comment of those formal parties of record participating in the evidentiary hearings. California American Water will provide testimony at the hearings. The Division of Ratepayer Advocates (DRA) consists of engineers, accountants, economists and attorneys who independently evaluate the proposals of utilities for rate changes and present their analyses and recommendations for the CPUC at evidentiary hearings. Once hearings are completed, the ALJ will consider all of the evidence presented and release the draft decision. The CPUC may approve the proposed requests for California American Water, approve the draft decision by the ALJ, or may approve an alternate decision filed by a CPUC Commissioner. The final decision may differ from California American Water's original proposed request.

#### **PROTESTING THE APPLICATION**

If you are a formal party to this proceeding, formal protests to this application must be filed with the CPUC's Docket Office.

#### **PUBLIC COMMENT**

If you wish to comment on or informally protest this filing as a customer of California American Water, you may do so by contacting the PAO via phone or e-mail. Written public comment by California American Water customers is very much desired by the CPUC and may be sent to the PAO at the address shown. These comments will become part of the formal correspondence file for this proceeding and will be circulated to the assigned Administrative Law Judge (ALJ), the assigned Commissioner and appropriate CPUC staff

The PAO was established to assist members of the public who wish to protest or participate as a formal party of record in CPUC proceedings. For assistance in filing comments or protests with the CPUC or to participate in this proceeding, please contact the PAO, 320 West Fourth Street, Suite 500, Los Angeles, CA 90013 or E-mail [public.advisor@cpuc.ca.gov](mailto:public.advisor@cpuc.ca.gov). (List phone numbers here). Please refer to this proceeding application number when writing or e-mailing the PAO on all correspondences.