BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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Application Of CALIFORNIA-AMERICAN WATER COMPANY (U-210-W), CALIFORNIA WATER SERVICE COMPANY (U-60-W), GOLDEN STATE WATER COMPANY (U-133-W), PARK WATER COMPANY (U-314-W) AND APPLE VALLEY RANCHOS WATER COMPANY (U-346-W) to Modify D.08-02-036, D.08-06-002, D.08-08-030, D.08-09-026, D.08-11-023, D.09-05-005, D.09-07-021, and D.10-06-038 regarding the Amortization of WRAM-Related Accounts.	A.10-09-017 (Filed September 20, 2010)

COMPLIANCE FILING OF THE DIVISION OF RATEPAYER ADVOCATES

The Division of Ratepayer Advocate ("DRA") files this response in accordance with Administrative Law Judge ("ALJ") Walwyn's direction at the prehearing conference ("PHC") on February 17, 2011, on the issue of undercollection in the Monterey-WRAM/MCBA. During that PHC, ALJ Walwyn discussed the undercollection of the WRAM/MCBA in Monterey and directed DRA and California American Water Company ("Cal Am") to file a proposal on February 22, 2011 to address this issue. Judge Walwyn provided the following direction:

- Transcript p. 94 line 16 – 18, ALJ Walwyn stated "Well, and to me if you're undercollecting 30 percent a month, that's an immediate issue for the Commission."
- Transcript p. 99 line 6 – 9, ALJ Walwyn stated "Well, how about if you discuss with DRA and you give me a filing in one week as to how it can be immediately addressed."
- Transcript p. 120 line 11 – 16, ALJ Walwyn stated: "Now within one week we talked about Cal-Am and DRA giving us something in Monterey. Now if you did it by February 22nd, you could then have something in hand to talk about at the PPH."
- Transcript p. 120, line 28 through p. 121 line 3, ALJ Walwyn stated: "So can you give me a proposal on Monterey February 22nd, and then you have some sense of where you're going with this."

DRA did not file jointly with Cal-Am, and would propose the following points be considered in developing a resolution to address the under collection concerns in Cal-Am's Monterey service district.

POINTS FOR DRA'S FILING:

i) DRA will work with Cal-Am to develop a proposal within 30 days (March 22) to address the continuing under-collection in the WRAM/MCBA mechanism in Cal Am's Monterey district going forward. In the alternate, if DRA and Cal Am cannot reach agreement on a proposal, DRA requests to file a separate proposal within 30 days (by March 22) outlining DRA's recommended actions to address the under-collections going forward. An additional 30 days is necessary to allow DRA and Cal Am to explore and discuss the various options solutions for addressing this undercollection.

ii) The undercollection could be caused by a number of factors, as the undercollections are coincident with the implementation of a more steep increasing block rate, implementation of the WRAM/MCBA instead of the Monterey-style WRAM, steep rate increases authorized by Cal Am's GRC decision (D. 09-07-021), economic downturn, state-wide drought, extensive media coverage of Cal Am's proposed desalination plant and other factors that could influence consumption in the Monterey District.

iii) DRA and Cal Am met on February 17th, 2011 to discuss potential solutions to the continuing under-collection in the WRAM/MCBA mechanism in Cal Am's Monterey District. DRA and Cal Am did not reach consensus. DRA does not yet have a recommendation for how Cal Am should immediately address the undercollections. The following options are possibilities and there may be other options:

- Surcharge to reduce the under-recovery going forward
    i. On the bill
    ii. On the quantity rate
    iii. On the service charge
- Discontinue or pause the WRAM/MCBA and rate design Pilot Program for the Monterey District to prevent further under-collections in the WRAM/MCBA and revert the WRAM/MCBA and/or rate design to the previously adopted Monterey-style WRAM and rate design.
- Modify the sales forecast for 2011 (this would raise rates and DRA recommends against this option)
- Develop a mechanism to share the undercollection in the WRAM/MCBA between ratepayers and shareholders so there is no disproportionate impact on either.
- Other modifications to the WRAM/MCBA mechanism.

CONCLUSION

For the above stated reasons DRA submits this filing.

Respectfully submitted,

/s/ ALLISON BROWN

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February 22, 2011

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of **"COMPLIANCE FILING OF THE DIVISION OF RATEPAYER ADVOCATES"** to the official service list in **A.10-09-017** by using the following service:

[**X**] **E-Mail Service:** sending the entire document as an attachment to all known parties of record who provided electronic mail addresses.

[ ] **U.S. Mail Service:** mailing by first-class mail with postage prepaid to all known parties of record who did not provide electronic mail addresses.

Executed on **February 22, 2011** at San Francisco, California.

/s/ NANCY SALYER
NANCY SALYER

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A.10-09-017

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