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

Application of California-American Water Company (U210W), California Water Service Company (U60W), Golden State Water Company (U133W), Park Water Company (U314W) and Apple Valley Ranchos Water Company (U346W) 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 CALIFORNIA-AMERICAN WATER COMPANY (U-210-W)**

Sarah E. Leeper
Olivia I. Para
CALIFORNIA-AMERICAN WATER
COMPANY
333 Hayes Street, Suite 202
San Francisco, CA 94102
Telephone: (415) 863-2470
Facsimile: (415) 863-0615
Email: sarah.leeper@amwater.com
Email: olivia.para@amwater.com

Dated: February 22, 2011

Attorneys for Applicant
California-American Water Company

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**COMPLIANCE FILING OF CALIFORNIA-AMERICAN WATER
COMPANY (U-210-W)**

California-American Water Company (U-210-W) (“California American Water”) respectfully submits this Compliance Filing to address issues related to the sizeable under-collection of revenues in California American Water’s Monterey County District since the adoption of Decision (“D.”) 09-07-021.¹ At the direction of Administrative Law Judge (“ALJ”) Christine Walwyn, California American Water reports on its efforts to explore options with the Division of Ratepayer Advocates (“DRA”) to determine a mechanism to immediately address the under-collection of the Monterey Water Revenue Adjustment Mechanism (“WRAM”). As described below in more detail, California American Water proposes a surcharge of 35 percent on the quantity rates for

¹ California American Water submits this Compliance Filing to address questions raised by Administrative Law Judge (“ALJ”) Walwyn at the February 17, 2011 Prehearing Conference (“2/17/11 PHC”).

its main Monterey system customers to reduce the growing under-collection of its WRAM.²

I. DISCUSSION

In accordance with ALJ Walwyn's directive, California American Water and DRA met on February 17, 2011 to discuss potential solutions to the under-collection in the Monterey County District.³ Although California American Water and DRA have the opportunity to address adjustments to the WRAM/ Modified Cost Balancing Account (MCBA) program as part of the 2010 Statewide General Rate Case ("GRC"),⁴ California American Water and DRA agree that the GRC does not provide a readily-identifiable solution to the continuing under-collection of authorized revenue in 2011. After discussing the issue, California American Water and DRA determined that the parties may be able to develop a joint proposal within 30 days to address the continuing under-collection of authorized revenues and the growing balance in the WRAM/MCBA account in California American Water's Monterey County District. Without immediate action, however, the growing balance of the WRAM/MCBA due to the under-collection of revenue for the Monterey County District is projected to continue in 2011 and beyond due to lower consumption than authorized in D.09-07-021, a situation driven by the highly inverted conservation rate design. Accordingly, California American Water

² California American Water's proposed surcharge is based upon the annualized 2010 under-collection of the WRAM/ Modified Cost Balancing Account (MCBA) divided by the current, authorized revenues collected through the quantity rates.

³ At the February 17th prehearing conference, ALJ Walwyn directed California American Water to "discuss with DRA and [] give me a filing. . . as to how it can be immediately addressed." RT 99:7-12 (ALJ Walwyn).

⁴ California American Water has addressed issues with the WRAM/MCBA in its 2010 Statewide GRC filing (including a revised method for forecasting water sales and consumption to appropriately account for conservation and other restrictions).

proposes to implement a surcharge of 35 percent on the quantity rates for its customers who are covered by the Monterey WRAM/MCBA so that mitigation of rate shock on customers in the Monterey County District can be immediately addressed. California American Water's proposed surcharge would be an interim measure during 2011 that would temporarily mitigate the continued under-collection of quantity revenues tracked in the Monterey WRAM and MCBA.

Dated: February 22, 2011

Respectfully submitted,

By: s/ Sarah E. Leeper
Sarah E. Leeper

Attorney for Applicant
California-American Water Company

CPUC E-Mail Service List
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leigh@parkwater.com, ed@parkwater.com, kswitzer@gswater.com,
jeffrey.linam@amwater.com, aly@cpuc.ca.gov, tsmegal@calwater.com,
dstephen@amwater.com, davidmorse9@gmail.com, gmilleman@valenciawater.com,
dadelloso@sgvwater.com, jgaron@gswater.com, nancitran@gswater.com,
robert.maclean@amwater.com, tom@alcowater.com, jhawks_cwa@comcast.net,
olivia.para@amwater.com, sarah.leeper@amwater.com, mlane@nossaman.com,
mmattes@nossaman.com, tguster@greatoakswater.com, palle_jensen@sjwater.com,
lwa@cpuc.ca.gov, cmw@cpuc.ca.gov, jb5@cpuc.ca.gov, mfg@cpuc.ca.gov,
ts2@cpuc.ca.gov

U.S. Mail Service List
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Christine M. Walwyn
Division of Administrative Law Judges
505 Van Ness Avenue, Room 5008
San Francisco, CA 94102-3214