



**FILED**

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# Attachment 1

Monterey County  
**The Herald**

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PO BOX 271 • MONTEREY, CALIFORNIA 93942-0271

831-646-4387

Fax: 831-372-4225

Email: mhlegals@montereyherald.com

AMERICAN WATER CO  
Account No. 3551506  
C/O BOB NELSON ASSOCIATES  
PO BOX 632940  
San Diego, CA 92163

Legal No. 0004423682  
MP Water Supply Project

Ordered by: Kelly Murphy Lamkin

**PROOF OF PUBLICATION**

STATE OF CALIFORNIA

County of Monterey

I am a citizen of the United States and a resident of the County aforesaid. I am over the age of eighteen years, and not a party to or interested in the above-entitled matter. I am the principal clerk of the printer of The Herald, a newspaper of general circulation, printed and published daily and Sunday in the City of Monterey, County of Monterey, and which newspaper has been adjudged a newspaper of general circulation by the Superior Court of the County of Monterey, State of California; that the notice, of which the annexed is a printed copy (set in type not smaller than 7 point), has been published in each regular and entire issue of said newspaper and not in any supplement thereof on the following dates, to wit:

05/02/12

I certify (or declare), under penalty of perjury, that the foregoing is true and correct

Executed on 05/02/2012 at Monterey, California.



Signature

This space is reserved for the County Clerk's Filing Stamp

**IMPORTANT INFORMATION REGARDING  
PROPOSED RATE INCREASE**

For a Spanish version of this notice, you may visit our website at  
www.californiaamwater.com.

*Para una versión en Español de este aviso usted puede visitar nuestro sitio  
web en www.californiaamwater.com.*

**NOTICE OF APPLICATION FILING BY CALIFORNIA AMERICAN WATER  
TO CONSTRUCT AND OPERATE  
THE MONTEREY PENINSULA WATER SUPPLY PROJECT  
AND TO RECOVER COSTS**

Application No. 12-04-019

On April 23, 2012, California American Water filed Application 12-04-019 (A.12-04-019) with the California Public Utilities Commission (CPUC) seeking authorization to construct and operate the Monterey Peninsula Water Supply Project. This project includes a desalination plant, transmission mains, reservoirs, boosters, wells, aquifer storage and recovery facilities, land and other assets, and to recover in rates all costs associated with the Monterey Peninsula Water Supply Project. In addition, the company is requesting approval to procure water from the Monterey Regional Water Pollution Control Agency's (MRWPCA) and the Monterey Peninsula Water Management District's (MPWMD) Groundwater Replenishment Project (GWR) if that project is developed in time to meet required cutbacks on the community's current major water source, the Carmel River.

In 2010, the CPUC (D. 10-12-016) granted California American Water a CPCN (Certificate of Public Convenience and Necessity) for the Regional Desalination Project (RDP). In January of 2012, California American Water withdrew its support for that project due to the legal and financial challenges associated with it. The Monterey Peninsula Water Supply Project is California American Water's proposal to provide Monterey District customers with a reliable and legal water supply and comply with the State Water Resources Control Board's (SWRCB) Cease and Desist Order (CDO) which directs California American Water to find an alternative source for approximately 70% of water historically taken from the Carmel River Basin.

**California American Water's application includes the following requests:**

- Approval of a desalination facility, the major features of which the CPUC already studied in D.10-12-016 as an alternative to the RDP, called the North Marina Project (NMP).
  - Approval for a 5.4 mgd desalination facility if GWR is able to deliver water in time to meet the requirements of the CDO.
  - Approval for a 9.0 mgd desalination facility if GWR is not able to deliver water in time to meet the requirements of the CDO or if GWR does not prove to be cost effective.
  - Approve the change from 9.0 mgd facility to a 5.4 mgd facility through an Advice Letter Compliance Filing.
- Allow California American Water to purchase water from the GWR project for its customers. Environmental review of the GWR project will be led by MRWPCA and will occur outside the CPUC process.
- Approve supply components that were contained within the RDP, such as Aquifer Storage Recovery (ASR) expansion and the development of pipeline and storage facilities and re-approve the prior rate-making authorizations for these facilities.
- Review and approve any necessary additional environmental review required for the issuance of the amended CPCN.
- Approve cost caps for the total capital cost for the Monterey Peninsula Water Supply Project currently estimated at \$268 million for the 9 mgd facility and \$218 million for the 5.4 mgd facility, subject to adjustment to reflect other changes in Commission authorizations which occur beyond the filing date of this application.
- Approve continuation of California American Water's current memorandum account for long-term water supply projects.
- Continue the existing annual application process to review amounts in the memorandum account to be transferred to the Surcharge #1 balancing account and collected by Surcharge #1, a 15% fee currently on California American Water's Monterey Peninsula customers' bills.
- Approve Surcharge #2 to fund construction costs for the Monterey Peninsula Water Supply project on a pay-as-you-go basis. This surcharge was previously authorized for water supply projects for the Monterey Peninsula, but never implemented.
- Approve Surcharge #2 to begin on July 1, 2013 at 30% and increase to 45% on January 1, 2014 and 60% on July 1, 2014 and remain in place through 2016. Allow Surcharge #2 to be adjusted on a semi-annual basis to ensure collection of \$99.1 million.
- Approve changes to California American Water's low income program to ensure equitable treatment of low-income customers.
- Approve a Phase II of this proceeding to consider rate-design implications of the project.
- Approve an interim order for development of a production well that will be used as a test facility in the environmental review for the Monterey Peninsula Water Supply Project. Approve tacking of costs for this facility in the Surcharge #1 memorandum account.

**Summary**

The first table below shows the current and proposed rate impacts on the average Monterey District residential customer (which includes residents in the communities of Sand City, Seaside, Del Rey Oaks, Monterey, Pacific Grove, Pebble Beach, Carmel, Carmel Highlands, Carmel Valley, Bishop and Ryan Ranch) with a standard (5/8 inch x 3/4 inch) meter, including all current and proposed surcharges, except those related to the proposed project. The second table shows the proposed increase in revenues per customer classification. The figures in the tables do not include applicable taxes and fees. The figures in the tables are assuming the CPUC approves the ratemaking requests proposed by California American Water. The final CPUC decision may differ from California American Water's request.

Average Residential Monthly Bill					
Average Usage: 7 ccf	Current Bill	Bill with Estimated Inc's	Proposed Bill	Increase (\$) from Est. to Proposed	Increase (%)
<b>Present Bill</b>	<b>\$33.78</b>				
<b>2012</b>	<b>\$33.78</b>	<b>\$54.27</b>	<b>\$59.29</b>	<b>\$5.02</b>	<b>9.25%</b>
<b>2013</b>	<b>\$33.78</b>	<b>\$53.91</b>	<b>\$69.40</b>	<b>\$15.49</b>	<b>28.72%</b>
<b>2014</b>	<b>\$33.78</b>	<b>\$49.59</b>	<b>\$76.13</b>	<b>\$26.54</b>	<b>53.51%</b>
<b>2015</b>	<b>\$33.78</b>	<b>\$51.59</b>	<b>\$79.79</b>	<b>\$28.20</b>	<b>54.67%</b>
<b>2016</b>	<b>\$33.78</b>	<b>\$49.92</b>	<b>\$78.32</b>	<b>\$28.41</b>	<b>56.90%</b>
<b>2017</b>	<b>\$33.78</b>	<b>\$45.69</b>	<b>\$74.65</b>	<b>\$28.96</b>	<b>63.40%</b>

Revenue Increase (Thousands of Dollars)				
Customer Class	Current Revenue	Proposed Revenue	Increase (\$)	Increase (%)
Residential	\$29,020,000	\$67,818,000	\$38,800,000	133.71%
Commercial	\$9,809,000	\$22,923,000	\$13,115,000	133.71%
Industrial	\$250,000	\$585,000	\$335,000	133.71%
Public Authority	\$3,413,000	\$7,977,000	\$4,564,000	133.71%
Irrigation				
Private Fire Service	\$452,000	\$1,057,000	\$604,000	133.71%
Fire Hydrants	\$86,900	\$203,000	\$116,000	133.71%
Other	\$845,000	\$1,976,000	\$1,130,000	133.71%
<b>Total</b>	<b>\$43,875,000</b>	<b>\$102,539,000</b>	<b>\$58,664,000</b>	

**Further Information**

To obtain a copy of the Application or for further information regarding the application you may contact the local field office. The Application and related exhibits may also be inspected. Your local California American office is located at 511 Forest Lodge Road #100, Pacific Grove CA 93950. The application may also be inspected at the CPUC's Central Files Office in San Francisco at 505 Van Ness Avenue, San Francisco, CA 94102 between the hours of 8:00 a.m. and noon daily. If you need additional information, you may call California American Water at (888) 237-1333.

**Evidentiary Hearings**

The CPUC may schedule formal Evidentiary Hearings (EH's) whereby formal parties of record provide testimony and are subject to cross examination before the CPUC's Administrative Law Judge (ALJ). These hearings are open to the public to listen, but only those who are formal parties of record are allowed to participate. The CPUC has their own court reporters who will take the comment of those formal parties of record participating in the EH's. 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 and present their analyses and recommendations for the CPUC at EH's. Once hearings are completed, the ALJ will consider all of the evidence presented and release the proposed draft decision. When the CPUC issues a final decision, it may adopt, amend, or modify all or part of the ALJ's draft decision. The final decision may differ from the requests in the application filed by California American Water.

**Public Comments**

If you wish to comment on this proposed application filing or informally protest this filing as a customer of California American Water, you may do so by contacting the CPUC's Public Advisor's Office (PAO). Written public comment by California American Water customers is very much desired by the CPUC and may be sent to the Public Advisor's Office at 505 Van Ness Avenue, San Francisco, CA 94102, or via e-mail to public\_advisor@cpuc.ca.gov. Please state that you are writing about California American Water's Application 11-05-003 when sending your written correspondence or e-mail. All public comments become part of the formal public comment file. You may also call the PAO at 415-703-2074 or 1-866-849-930 for any comments or questions regarding this proceeding. These public comments will be circulated to the assigned Administrative Law Judge (ALJ), the assigned Commissioner and appropriate CPUC staff for review.