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

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.

A.10-07-007
(Filed July 1, 2010)

**PARTIAL SETTLEMENT AGREEMENT BETWEEN THE DIVISION OF
RATEPAYER ADVOCATES, THE UTILITY REFORM NETWORK AND
CALIFORNIA-AMERICAN WATER COMPANY ON REVENUE
REQUIREMENT ISSUES**

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Dated: July 28, 2011

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1.0 GENERAL PROVISIONS

Pursuant to Article 12 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the Division of Ratepayer Advocates (“DRA”), The Utility Reform Network (“TURN”) and California-American Water Company (“California American Water”) (collectively, “the Parties”) have agreed on the terms of this partial settlement agreement (the “Settlement Agreement”), which they now submit for approval. This Settlement Agreement addresses many of the differences presented by the testimony and exhibits submitted into evidence by the Parties. Further, this Settlement Agreement embodies the entire understanding and agreement of the Parties with respect to the matters described herein.

The Parties, desiring to avoid the expense, inconvenience, and the uncertainty attendant to litigation of matters in dispute between them, have agreed on this Settlement Agreement, which they now submit for approval.

Because this Settlement represents a compromise by them, the Parties have entered into each stipulation contained in the Settlement Agreement on the basis that its approval by the Commission not be construed as an admission or concession by any Party regarding any fact or matter of law in dispute in this proceeding. Furthermore, the Parties intend that the approval of this Settlement Agreement by the Commission not be construed as a precedent or statement of policy of any kind for or against any Party in any current or future proceeding. (*See* Rule 12.5, Commission’s Rules of Practice and Procedure.)

The Parties agree that no signatory to the Settlement Agreement assumes any personal liability as a result of their agreement. All rights and remedies of the Parties are limited to those available before the Commission. Furthermore, the Settlement Agreement is being presented as an integrated package such that the Parties are agreeing to the Settlement Agreement as a whole, as opposed to agreeing to specific elements of the Settlement Agreement. If the Commission adopts the Settlement Agreement with modification, all the Parties must consent to the modifications or the Settlement Agreement is void and all Parties reserve all rights set forth in Rule 12.4 of the Commission’s Rules of Practice and Procedure. As between the Parties, this Settlement Agreement may be amended or changed only by a written agreement signed by the Parties.

This Settlement Agreement may be executed in counterparts, each of which shall be deemed an original, and the counterparts together shall constitute one and the same instrument. Each of the Parties hereto and their respective counsel and advocates have contributed to the preparation of this Settlement Agreement. Accordingly, the Parties agree that no provision of this Settlement Agreement shall be construed against any Party because that Party or its counsel drafted the provision.

The Parties agree to use their best efforts to obtain Commission approval of the Settlement Agreement. The Parties shall request that the Commission approve the Settlement Agreement without change and find the Settlement Agreement to be reasonable, consistent with the law, and in the public interest.

2.0 WATER CONSUMPTION AND REVENUES

2.1 Number of Customers

CALIFORNIA AMERICAN WATER REQUEST:

In accordance with D.04-06-018, California American Water forecasted customer growth based on a five-year historical average. In instances where the calculated average was negative, zero growth was assumed. In the instance of meter retrofits in Sacramento, the best estimate of the conversion of unmetered to metered was used.

DRA POSITION:

DRA agrees with California American Water's method of forecasting customers using a five-year average of the change in the number of customers by customer class as directed in the Rate Case Plan (D.04-06-018).

RESOLUTION:

DRA and California American Water agree on the number of customers for each district, as set forth below. Based on later information of the actual meter conversions in Sacramento, DRA and California American Water agree to update the residential general metered customers and unmetered customers to reflect the actual numbers as of year-end 2010 and relative to the forecasted future conversions.

2.1.1 Larkfield

Test Year 2012 Larkfield Average Number of Customers	CAW Direct	DRA Report	Difference	Settlement
Total Metered	2,375	2,375	0	2,375
Residential	2,025	2,025	0	2,025
Commercial	345	345	0	345
Public Authority	4	4	0	4
Industrial	1	1	0	1
Irrigation	0	0	0	0
Other	0	0	0	0
Unmetered	0	0	0	0
Private Fire Service	53	53	0	53
Total Active	2,428	2,428	0	2,428

REFERENCES: CAW Exh. A, Ch. 3, Table 3.2; DRA Exh. 2, *DRA Testimony on Water Consumption and Operating Revenue of California American Water Company Larkfield, Los*

Angeles County, Monterey County, Monterey Wastewater, Sacramento, San Diego County, and Ventura County Districts, dated January 21, 2011 ("DRA Exh. 2"), Ch. 1, Table 2-2.

2.1.2 Los Angeles County

Test Year 2012 Los Angeles Average Number of Customers	CAW Direct	DRA Report	Difference	Settlement
Total Metered	27,506	27,506	0	27,506
Residential	24,457	24,457	0	24,457
Commercial	2,606	2,606	0	2,606
Public Authority	290	290	0	290
Industrial	65	65	0	65
Irrigation	66	66	0	66
Other	22	22	0	22
Unmetered	0	0	0	0
Private Fire Service	394	394	0	394
Total Active	27,900	27,900	0	27,900

REFERENCES: CAW Exh. A, Ch. 3, Table 3.2; DRA Exh. 2, Ch. 2, Table 2-2.

2.1.3 Monterey County

Test Year 2012 Monterey Average Number of Customers	CAW Direct	DRA Report	Difference	Settlement
Total Metered	39,105	39,105	0	39,105
Residential	31,286	31,286	0	31,286
PAR Customers	1,173	1,173	0	1,173
Multi-Residential	1,356	1,356	0	1,356
Commercial	3,185	3,185	0	3,185
Hidden Hills/Ryan Ranch	587	587	0	587
Public Authority	490	490	0	490
Golf Course	6	6	0	6
Viscaino Reclamation Tank	1	1	0	1
Sale for Resale	6	6	0	6
Other Metered	3	3	0	3
Ambler	396	396	0	396
Bishop	371	371	0	371
Fire Hydrants	0	0	0	0
Low-Income Discounts	0	0	0	0
Construction	26	26	0	26
Antenna Lease	0	0	0	0
Ralph Lane	28	28	0	28
Chular	186	186	0	186
Unmetered	0	0	0	0
Private Fire Service	852	852	0	852
Total Active	39,957	39,957	0	39,957

REFERENCES: CAW Exh. A, Ch. 3, Table 3.2; DRA Exh. 2, Ch. 3, Table 2-2.

2.1.4 Monterey – Toro

Test Year 2012 Toro Average Number of Customers	CAW Direct	DRA Report	Difference	Settlement
Total Metered	411	411	0	411
¾” Meters	7	7	0	7
1” Meters	244	244	0	244
1 ½” Meters	135	135	0	135
2” Meters	25	25	0	25

REFERENCES: CAW Exh. A, Ch. 3, Table 3.2; DRA Exh. 2, Ch. 3, Table 2-2.

2.1.5 Monterey Wastewater

Test Year 2012 Monterey Wastewater Average Number of Customers	CAW Direct	DRA Report	Difference	Settlement
Residential	2,549	2,549	0	2,549
Commercial	52	52	0	52
Public Authority	4	4	0	4
Industrial	3	3	0	3
Golf Course	1	1	0	1
Hotel	1	1	0	1
Total Active	2,610	2,610	0	2,610

REFERENCES: CAW Exh. A, Ch. 3, Table 3.2; DRA Exh. 2, Ch. 4, Table 2-2.

2.1.6 Sacramento

Test Year 2012 Sacramento Average Number of Customers	CAW Direct	DRA Report	Difference	Settlement
Total Metered	43,373	43,373	0	46,041
Residential	38,354	38,354	0	41,022
Commercial	4,627	4,627	0	4,627
Public Authority	391	391	0	391
Industrial	1	1	0	1
Irrigation	0	0	0	0
Other	0	0	0	0
Unmetered	13,176	13,176	0	10,508
Private Fire Service	824	824	0	824
Total Active	57,373	57,373	0	57,373

REFERENCES: CAW Exh. A, Ch. 3, Table 3.2; DRA Exh. 2, Ch. 5, Table 2-2.

2.1.7 San Diego County

Test Year 2012 San Diego Average Number of Customers	CAW Direct	DRA Report	Difference	Settlement
Total Metered	20,475	20,475	0	20,475
Residential	18,083	18,083	0	18,083
Commercial	2,053	2,053	0	2,053
Public Authority	315	315	0	315
Industrial	0	0	0	0
Irrigation	0	0	0	0
Other	24	24	0	24
Unmetered	0	0	0	0
Private Fire Service	412	412	0	412
Total Active	20,887	20,887	0	20,887

REFERENCES: CAW Exh. A, Ch. 3, Table 3.2; DRA Exh. 2, Ch. 6, Table 2-2.

2.1.8 Ventura County

Test Year 2012 Ventura Average Number of Customers	CAW Direct	DRA Report	Difference	Settlement
Total Metered	20,551	20,551	0	20,551
Residential	19,372	19,372	0	19,372
Commercial	823	823	0	823
Public Authority	172	172	0	172
Industrial	0	0	0	0
Metered Construction	8	8	0	8
Other	176	176	0	176
Unmetered	0	0	0	0
Private Fire Service	283	283	0	283
Total Active	20,834	20,834	0	20,834

REFERENCES: CAW Exh. A, Ch. 3, Table 3.2; DRA Exh. 2, Ch. 1, Table 2-2.

2.2 Non-Revenue Water

CALIFORNIA AMERICAN WATER REQUEST:

In Special Request #15, see Section 11.12, California American Water requests that the Commission base all revenue requirement calculations on a volumetric allowance for non-revenue water, not percentages. Non-revenue water is water losses plus authorized unbilled water consumption. This figure is important for purchased water, purchased power, and chemical calculations. Using a volumetric amount will produce a more accurate result for ratemaking purposes and is essential for measuring the monetary value of the losses. Using the percentage is problematic because if certain water losses are constant, the percentage of non-revenue water will still vary greatly with total water usage.

For 2012-2014, California American Water calculated projected non-revenue water using 2009 year actual non-revenue water for all districts.

DRA POSITION:

See Section 11.12 for discussion of DRA's recommendation regarding California American Water's proposal for a volumetric rather than percentage calculation of Non-Revenue Water.

For 2012-2014, DRA concurs with California American Water's NRW estimate for the Larkfield District. For the Los Angeles County District, DRA agrees with California American Water's projected NRW for the Baldwin Hills service area, but recommends a 10% NRW rate for the Duarte service area and the five-year average for the San Marino service area. In the San Diego and Ventura County Districts, DRA recommends using the five-year average for calculating NRW. In the Sacramento District, DRA recommends using a 9.5% rate for NRW for the forecasted years.

RESOLUTION:

DRA and California American Water agree to compromise on Non-Revenue Water volumes for each district as set forth below:

Test Year 2011 Non-Revenue Water (Ccf)	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
San Diego	215,400	215,400	93,516	121,884	130,600
Ventura	518,402	518,402	416,193	102,209	416,193

REFERENCES: ; CAW Exh. *Rebuttal Testimony of Eric J. Sabolsice*, dated March 22, 2011 ("Sabolsice Rebuttal"), pp. 2-17.

Test Year 2012

Non-Revenue Water (Ccf) CAW Direct CAW Rebuttal DRA Report Difference
Settlement

Test Year 2012 Non-Revenue Water (Ccf)	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
Larkfield	28,717	28,717	28,717	0	28,717
Los Angeles	864,554	864,554	598,083	266,471	598,083
Baldwin Hills	58,507	58,507	58,507	0	58,507
Duarte	425,868	425,868	306,576	119,292	306,576
San Marino	380,179	380,179	233,000	147,179	233,000
Monterey	580,219	580,219	353,629	226,590	580,219
Monterey Main	540,751	540,751	323,215	217,536	540,751
Ambler Park	5,918	5,918	4,944	974	5,918
Bishop	12,120	12,120	2,004	10,116	12,120
Chualar	291	291	1,189	(898)	291
Hidden Hills	9,571	9,571	13,708	(4,137)	9,571
Ralph Lane	463	463	640	(177)	463
Ryan Ranch	4,661	4,661	1,485	3,176	4,661
Toro Service Area	6,444	6,444	6,444	0	6,444
Sacramento	1,841,304	1,841,304	1,844,138	(2,834)	1,841,304
San Diego	215,400	215,400	92,988	122,412	130,600
Ventura	518,402	518,402	417,308	101,094	416,193

REFERENCES: CAW Exh. A, Ch. 3, Table 3.13; DRA Exh. 2, Tables 2-4.

2.3 Consumption

CALIFORNIA AMERICAN WATER REQUEST:

California American Water forecasted sales based on 2009 actual consumption per customer in each customer class.

DRA POSITION:

DRA opposed California American Water's forecast because it was not calculated using the method outlined in the Rate Case Plan (D.04-06-018). DRA forecasted consumption per customer for the residential and commercial customer classes using the New Committee Method, as indicated in the Rate Case Plan. Consumption per customer for other customer classes was forecast using averages. Where the New Committee Method yielded a model that was not statistically robust for the residential or commercial classes, DRA used an average of previous years' actual consumption per customer for its forecast.

RESOLUTION:

DRA and California American Water agree on the Consumption per Customer for each district, as set forth below. This agreement was based on more recent data on consumption in each district.

As a condition precedent to this sales forecast agreement becoming valid, California American Water, the Natural Resources Defense Council, The Utility Reform Network, the Division of Ratepayer Advocates ("Parties") must agree to a new rate design in each district. The Parties intend to agree upon a final rate design shortly after a revenue requirement is known, and may pursue discussions toward agreement once a proposed decision has been issued. To memorialize the Parties' intent to agree upon a final rate design, Parties will file a stipulation with parameters and conditions for the final rate design on August 5, 2011. DRA reserves the right to withdraw from the forecast agreement presented here if Parties fail to finalize a rate design agreement. In such a case, DRA will revert to its agreement not to oppose the forecast requested by California American Water in its original application, as stipulated on the record.

California American Water and DRA agree that the revenue requirement and the associated standard rates will be set based on the following consumption levels unless the agreed upon consumption level in any district, as noted below, produces a standard quantity rate and/or service charge higher than was initially indicated as the requested standard rates in the rate application. (The standard quantity rate and service charge referred to here are calculated using the Commission Standard Rate Design, in the "Cost of Svc Stnd" tab of the Chapter 3 Revenue Workpapers for each district. These are different from the final rates calculated using conservation rate design.) If the below agreed upon consumption forecast results in a standard quantity rate and/or service charge higher than originally proposed in the rate application, then the consumption will be increased so that the resulting standard quantity rate and/or service charge would be decreased to ensure that they are no higher than those proposed in the application.

Because the final revenue requirement depends in part on the sales forecast, Parties agree that if the forecast agreement becomes void, the purchased water, power, and pump tax expenses will remain as calculated in Section 4.2 and 4.9 of this settlement document.

2.3.1 Larkfield

Test Year 2012 Larkfield Consumption per Customer (Ccf)	CAW Direct	DRA Direct	Difference	Settlement
Residential	135.2	146.3	(11.1)	126.1
Commercial	413.2	433.5	(20.3)	352.4
Public Authority	1,019.1	1,019.1	0	743.9
Industrial	75.1	75.1	0	77.1

REFERENCES: CAW Exh. A, Ch. 3, Table 3.8; DRA Exh. 2, Ch. 1, Table 2-1.

2.3.2 Los Angeles County

Test Year 2012 Los Angeles Consumption per Customer (Ccf)	CAW Direct	DRA Direct	Difference	Settlement
Residential	256.0	269.3	(13.3)	231.4
Commercial	748.0	776.7	(28.7)	713.9
Public Authority	1,344.0	1,451.9	(107.9)	1,187.1
Industrial	3,340.0	3,340.0	0.0	3,047.0
Irrigation	2,456.0	2,456.0	0.0	2,175.9
Other				43.5
Unmetered	0.0	0.0	0.0	0.0
Private Fire Service	0.0	0.0	0.0	0.0

REFERENCES: CAW Exh. A, Ch. 3, Table 3.8; DRA Exh. 2, Ch. 2, Table 2-1.

2.3.3 Monterey County

Test Year 2012 Monterey County Consumption per Customer (Ccf)	CAW Direct	DRA Direct	Difference	Settlement
Residential	85.3	89.2	(3.9)	73.8
PAR Customers	68.7	71.8	(3.1)	70.6
Multi-Residential	584.2	610.5	(26.3)	475.9
Commercial	707.8	739.7	(31.9)	365.1
Hidden Hills/Ryan Ranch	188.5	188.5	0.0	150.4
Industrial	5,709.8	5,967.0	(257.2)	5545.8
Public Authority	858.3	897.0	(38.7)	462.1
Golf Course	14,984.5	15,659.5	(675.0)	7693.4
Viscaino Reclamation Tank	12,504.7	13,068.0	(563.3)	1383.0
Sale for Resale	150.7	157.5	(6.8)	2095.5
Other Metered	604.8	632.0	(27.2)	40.4
Ambler	226.5	226.5	0.0	187.8
Bishop	253.5	253.5	0.0	198.4
Private Fire Service	0.0	0.0	0.0	0.0
Fire Hydrants	0.0	0.0	0.0	0.0
Low-Income Discounts	0.0	0.0	0.0	0.0
Construction	177.9	185.9	(8.0)	28.2
Antenna Lease	0.0	0.0	0.0	0.0
Ralph Lane	123.5	123.5	0.0	123.5
Chular	249.5	249.5	0.0	249.5

REFERENCES: CAW Exh. A, Ch. 3, Table 3.8; DRA Exh. 2, Ch. 3, Table 2-1.

2.3.4 Monterey – Toro

Test Year 2012 Toro Consumption per Customer (Ccf)	CAW Direct	DRA Direct	Difference	Settlement
Total Metered	253.9			253.9

REFERENCES: CAW Exh. A, Ch. 3, Table 3.8; DRA Exh. 2, Ch. 3 (?), Table 2-1.

2.3.5 Sacramento County

Test Year 2012 Sacramento Consumption per Customer (Ccf)	CAW Direct	DRA Direct	Difference	Settlement
Residential	227.7	227.7	0.0	173.1
Commercial	936.9	936.9	0.0	867.5
Public Authority	3,089.9	3,078.5	(11.4)	2760.3
Industrial	0.1	0.1	0.0	0.0
Irrigation	0.0	0.0	0.0	0.0
Unmetered	249.7	241.3	(8.4)	186.1
Private Fire Service	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0

REFERENCES: CAW Exh. A, Ch. 3, Table 3.8; DRA Exh. 2, Ch. 5, Table 2-1.

2.3.6 San Diego County – Test Year 2011

Test Year 2012 San Diego Consumption per Customer (Ccf)	CAW Direct	DRA Direct	Difference	Settlement
Residential	133.2	140.5	(7.3)	124.5
Commercial	865.5	868.2	(2.7)	824.4
Public Authority	2,128.3	2,759.6	(631.3)	2029.3
Industrial	0.0	0.0	0.0	0.0
Irrigation	0.0	0.0	0.0	0.0
Unmetered	0.0	0.0	0.0	0.0
Private Fire Service	0.0	0.0	0.0	0.0
Other	978.5	1,158.1	(179.6)	706.7

REFERENCES: CAW Exh. A, Ch. 3, Table 3.8; DRA Exh. 2, Ch. 6, Table 2.

2.3.7 San Diego County – Test Year 2012

Test Year 2012 San Diego Consumption per Customer (Ccf)	CAW Direct	DRA Direct	Difference	Settlement
Residential	133.2	138.9	(5.7)	124.5
Commercial	865.5	848.2	17.3	824.4
Public Authority	2,128.3	2,759.6	(631.3)	2029.3
Industrial	0.0	0.0	0.0	0.0
Irrigation	0.0	0.0	0.0	0.0
Unmetered	0.0	0.0	0.0	0.0
Private Fire Service	0.0	0.0	0.0	0.0
Other	978.5	1,158.1	(179.6)	706.7

REFERENCES: CAW Exh. A, Ch. 3, Table 3.8; DRA Exh. 2, Ch. 6, Table 2-1.

2.3.8 Ventura County – Test Year 2011

Test Year 2012 Ventura Average Consumption per Customer (Ccf)	CAW Direct	DRA Direct	Difference	Settlement
Residential	264.8	283.8	(19.0)	226.0
Commercial	1,536.3	1,643.2	(106.9)	1529.5
Public Authority	2,905.0	3,033.2	(128.2)	2567.1
Industrial	3,392.4	3,616.4	(224.0)	0.0
Metered Construction	602.2	624.8	(22.6)	104.5
Unmetered	0.0	0.0	0.0	0.0
Private Fire Service	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0

REFERENCES: CAW Exh. A, Ch. 3, Table 3.8; DRA Exh. 2, Ch. 7, Table 2.

2.3.9 Ventura County – Test Year 2012

Test Year 2012 Ventura Average Consumption per Customer (Ccf)	CAW Direct	DRA Direct	Difference	Settlement
Residential	264.8	283.8	(19.0)	226.0
Commercial	1,536.3	1,643.2	(106.9)	1529.5
Public Authority	2,905.0	3,033.2	(128.2)	2567.1
Industrial	3,392.4	3,616.4	(224.0)	0.0
Metered Construction	602.2	624.8	(22.6)	104.5
Unmetered	0.0	0.0	0.0	0.0
Private Fire Service	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0

REFERENCES: CAW Exh. A, Ch. 3, Table 3.8; DRA Exh. 2, Ch. 7, Table 2-1.

2.4 Operating Revenues

CALIFORNIA AMERICAN WATER REQUEST:

California American Water determined the projected level of metered revenues for 2011, 2012 and 2013 by multiplying the average number of customers by meter size and customer class for the test years times the average use per customer class at CPUC Standard Present Rate Design (at the time of filing the case) and CPUC Standard Proposed Rate Design. California American Water estimated the level of unmetered revenues using the average number of customers by lot size. For the Monterey County, San Diego County and Ventura County Districts, California American Water calculated revenues at present rates under the CPUC Standard Rate Design expected to be in effect July 1, 2010. For the Larkfield, Los Angeles County and Sacramento Districts, California American Water based present rates under the CPUC Standard Rate Design on the rates adopted in D.10-06-038. California American Water based the revenues at proposed rates on the CPUC Standard Rate Design.

DRA POSITION:

DRA recommends that the operating revenues be calculated using the actual rates in effect at the time of filing. For the residential customers, California American Water currently has an increasing block rate design which shifts more of the fixed costs from the service charge to the volumetric charge in all customer classes. While calculating operating revenues based upon actual rates will not ultimately change the total revenue amount, the recommendation to use actual rates creates a more accurate picture when comparing revenues at present and revenues at proposed rates. In order to make direct comparisons, DRA accepts California American Water's method of revenue calculations. However, DRA recommends the Commission direct California American Water to use its actual rates for revenue calculation in all future GRCs.

RESOLUTION:

DRA and California American Water agree that operating revenues at present and proposed rates shall be calculated using California American Water’s method for this proceeding. However, Parties agree that they shall discuss how to calculate revenues at present and proposed rates prior to when California American Water submits its application in the next GRC.

Test Year 2011 Present Rate Revenues	CAW Direct	DRA Direct	Difference	Settlement
San Diego	17,452,749	18,440,700	(987,951)	16,658,521
Ventura	28,311,631	29,957,800	(1,646,169)	25,874,642

Test Year 2012 Present Rate Revenues	CAW Direct	DRA Direct	Difference	Settlement
Larkfield	2,633,301	2,744,814	(111,513)	2,491,281
Los Angeles	24,511,883	25,114,868	(602,985)	23,071,877
Monterey County	43,294,132	44,326,600	(1,032,468)	41,759,330
Monterey - Toro	418,482	418,482	-	418,482
Wastewater	3,166,591	3,166,591	-	3,166,591
Sacramento	44,261,600	44,150,657	110,943	38,926,558

REFERENCES: CAW Exh. A, Ch.3, Tables 3.17, 3.17; DRA Exh. 2, Tables 2.6-2.9.

3.0 CUSTOMER SERVICE

DRA’S RECOMMENDATION:

DRA finds California American Water’s customer service to be adequate, and recommends that the Commission find California American Water's customer service to be satisfactory. DRA recommends that California American Water should perform a review of its customer complaint statistics reported in its Quarterly Reports and that the Quarterly Reports should include an explanation of any unusual increase in complaints. California American Water should also evaluate customer satisfaction on its new customer service improvements, including the Monterey County District Specialty Desk. DRA recommends that California American Water should report on this information in its next GRC to provide the Commission with the information needed to make improvements to California American Water's new customer services.

CALIFORNIA AMERICAN WATER RESPONSE:

California American Water does not agree DRA’s recommendation that it should provide an explanation of any “unusual increase in complaints” in its Quarterly Reports. California American Water already provides the Commission, DRA, and all parties to each district service list a district quarterly report that lists all the complaints by type. All those receiving a copy of the report have the opportunity to review the information and ask questions if they so choose. Also, this recommendation is vague as to what constitutes an “unusual increase” in complaints and would impose additional reporting burdens on California American Water without providing a clear benefit.

RESOLUTION:

DRA and California American Water agree that California American Water will provide a trend analysis that includes explanations of all significant increases or decreases in the number of customer calls and complaints on an annual basis. DRA and California American Water also agree that California American Water will include a copy of each of the 12 quarterly reports with its next GRC application.

REFERENCES: CAW Exh. 38, *Rebuttal Testimony of Brian K. Bruce*, dated March 22, 2011 ("Bruce Rebuttal"), pp. 16-18; DRA Exh. 3, *DRA Testimony on Special Request #1 Change to Monthly Meter Reading, Special Request #2 Tariff Changes to Monterey County District and Monterey Wastewater, and Customer Service of California American Water Company for Larkfield, Los Angeles County, Monterey County, Sacramento, and San Diego County Districts*, dated January 21, 2011 ("DRA Exh. 3"), Ch. 3.

4.0 OPERATIONS AND MAINTENANCE

4.1 Account 703 – Source of Supply – Miscellaneous

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its estimates on a five-year average escalated for inflation except for the Monterey - Toro area, which is based on a two-year average escalated for inflation.

DRA POSITION:

DRA finds California American Water’s estimates reasonable and recommends that the Commission adopt California American Water’s estimates for Source of Supply – Miscellaneous.

RESOLUTION:

DRA and California American Water agree on Source of Supply – Miscellaneous expense, as set forth below.

Test Year 2011 Account 703 Source of Supply Miscellaneous	CAW Direct	DRA Report	Difference	Settlement
Ventura	\$34,256	\$34,256	\$0	\$34,200

Test Year 2012 Account 703 Source of Supply Miscellaneous	CAW Direct	DRA Report	Difference	Settlement
Larkfield	\$10,967	\$10,967	\$0	\$10,900
Los Angeles	\$33,747	\$33,747	\$0	\$33,600
Monterey County	\$294,007	\$294,007	\$0	\$292,000
Monterey - Toro	\$2,483	\$2,483	\$0	\$2,500
Wastewater	\$30,457	\$30,457	\$0	\$30,457
Sacramento	\$64,668	\$64,668	\$0	\$64,600
Ventura	\$35,346	\$35,346	\$0	\$35,200

REFERENCES: CAW Exh. A, Chapter 4, Table 4.3; DRA Exh. 4, *DRA Testimony on Operations and Maintenance Expenses of California American Water Company Larkfield, Los Angeles County, Monterey County, Monterey Toro, Monterey Wastewater, Sacramento, San Diego County, and Ventura County Districts*, dated January 21, 2011 ("DRA Exh. 4"), p. 5-6.

4.2 Account 704 – Source of Supply – Purchased Water

CALIFORNIA AMERICAN WATER REQUEST:

For all districts except for Monterey County, California American Water based purchased water costs on normalized production estimates as determined in Application Exhibit A Chapter 3 for each district, multiplied by the current commodity and assessment rates from California American Water's water provider agencies. Current commodity and assessment rates were carried forward uninflated to apply against the normalized production to compute the forecasted costs in the years 2011 and 2012. For Monterey County, California American Water based the amount on a forecast of the 2009 assumed cost of the Seaside Basin Replenishment fees and San City Desalination Plant lease and all O&M and other costs.

DRA POSITION:

DRA recommends that the Commission adopt California American Water's estimate for Larkfield while adopting DRA's estimates for Los Angeles, Monterey County, Sacramento, San Diego and Ventura County Districts. For Los Angeles, San Diego and Ventura, DRA recommends a higher amount as a result of the higher purchased water amounts recommended in DRA Exhibit 2 relating to water consumption. For Sacramento, DRA's recommendation is lower as a result of correcting a linking error on California American Water's workpapers. For Monterey, DRA recommends using the last recorded year (2009) amount \$509,621 for the Seaside Basin Replenishment fees and disallowing the Sand City Desalination Plant lease/O&M costs.

RESOLUTION:

DRA and California American Water agree to compromise on Source of Supply – Purchased Water expenses as set forth below. DRA and California American Water agree to adopt California American Water's per unit cost, adjusted at the time of the decision in this case to the latest authorized contractual obligations, unit costs and fixed costs per purveyor with final dollar amount based on the settled production amounts water production forecast. Furthermore, DRA and California American Water agree to adopt the Sand City Desalination Plant lease and all O&M and other costs as determined in A.10-04-019 or other proceeding as set by the Commission in which to consider the Sand City Desalination costs, or in the event a decision is not issued timely in that proceeding for the decision in this case, a zero until a decision is rendered in A.10-04-019. The costs related to Sand City will be removed from the revenue requirement until a decision in a Commission designated proceeding has been issued, at which time California American Water can file a Tier 1 Advice Letter to include such costs in the Monterey District revenue requirement. In addition, DRA and California American Water agree to reduce the Seaside Basin Watermaster fees to \$509,621 and to use the existing memorandum account to track the difference between \$509,621 and the amount actually paid. The Seaside Basin Fees as intended in this Settlement Agreement will include all fees except for replenishment fees, including capital assessment fees. Replenishment fees will continue to be tracked in the authorized Seaside Basin Replenishment cost memorandum account. Lastly, DRA and California American Water agree to two items in regard to the Placer County Peaking Charges. First, for 2011, California American Water agrees to be responsible for PCWA

peaking charges billed in excess of those allowed in previous decisions in rates to California American Water from January 1, 2011 forward. The peaking charges at the authorized cost per unit of production related to production in 2011 will be included in the cost of service, but changes related to costs thereto will not be included in the 2011 purchased water balancing account. Second, no peaking charges will be allowed in rates from 2012 forward until the Walerga Tank is in service. Peaking charges estimated in 2012 that need to be eliminated from the revenue requirement were estimated by California American Water to be \$273,600.

See Supplemental Appendix __ for calculations of purchased water amounts for each district.

Test Year 2011 Account 704 Source of Supply Purchased Water	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
Sacramento Peaking Charges					\$281,098
San Diego	\$11,258,657	\$11,258,657	\$12,001,099	\$742,442	\$10,452,500
Ventura	\$18,002,254	\$18,002,254	\$18,856,681	\$854,427	\$15,961,200

Test Year 2012 Account 704 Source of Supply Purchased Water	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
Larkfield	\$421,054	\$421,054	\$421,054	\$0	\$383,200
Los Angeles	\$6,602,617	\$6,602,617	\$6,631,872	\$29,255	\$5,313,300
Monterey County	\$2,019,367	\$2,019,367	\$512,005	\$1,507,362	\$512,100
Sacramento	\$2,429,838	\$2,429,838	\$2,236,038	\$193,800	\$1,690,200
San Diego	\$11,260,820	\$11,260,820	\$11,845,175	\$584,355	\$10,454,600
Ventura	\$17,994,704	\$17,994,704	\$18,959,388	\$964,684	\$15,933,035

REFERENCES: CAW Exh. A, Ch. 4, Table 4.3; CAW Exh. 19, *Direct Testimony of Patrick Pilz*, dated July 1, 2010 ("Pilz Direct"), Section II, pp. 5-6; CAW Exh. 47, *Rebuttal Testimony of Patrick Pilz*, dated March 22, 2011 ("Pilz Rebuttal"), Section III, pp. 3-6; DRA Exh. 4, pp. 6-7.

4.3 Account 707 – Source of Supply – Structures & Improvements

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its estimates on a five-year average escalated for inflation.

DRA POSITION:

DRA finds California American Water’s estimates reasonable and recommends that the Commission adopt California American Water’s estimates for Source of Supply – Structures and Improvements.

RESOLUTION:

DRA and California American Water agree on Source of Supply – Structures and Improvements expense, as set forth below.

Test Year 2012 Account 707 Source of Supply Structures & Improvements	CAW Direct	DRA Report	Difference	Settlement
Los Angeles	\$3,753	\$3,753	\$0	\$3,700
Sacramento	\$3,551	\$3,551	\$0	\$3,500

REFERENCES: CAW Exh. A, Chapter 4, Table 4.4; DRA Exh. 4, p. 15.

4.4 Account 708 – Source of Supply – Collecting & Impounding Reservoirs

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its estimates on a five-year average escalated for inflation.

DRA POSITION:

DRA finds California American Water’s estimates reasonable and recommends that the Commission adopt California American Water’s estimates for Source of Supply – Collecting and Impounding Reservoirs expense.

RESOLUTION:

DRA and California American Water agree on Source of Supply – Collecting and Impounding Reservoirs expense, as set forth below.

Test Year 2012 Account 708 Source of Supply Collecting & Impounding Reservoirs	CAW Direct	DRA Report	Difference	Settlement
Los Angeles	\$3,059	\$3,059	\$0	\$3,000

REFERENCES: CAW Exh. A, Chapter 4, Table 4.4; DRA Exh. 4, p. 15.

4.5 Account 711 – Source of Supply – Wells

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its estimates on a five-year average escalated for inflation.

DRA POSITION:

DRA finds California American Water’s estimates reasonable and recommends that the Commission adopt California American Water’s estimates for Source of Supply – Wells expense.

RESOLUTION:

DRA and California American Water agree on Source of Supply – Wells expense, as set forth below.

Test Year 2012 Account 711 Source of Supply Wells	CAW Direct	DRA Report	Difference	Settlement
Larkfield	\$154	\$154	\$0	\$200
Los Angeles	\$3,425	\$3,425	\$0	\$3,400

REFERENCES: CAW Exh. A, Chapter 4, Table 4.4; DRA Exh. 4, p. 15-16.

4.6 Account 713 – Source of Supply – Maintenance of Other Plant

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its estimates on a five-year average escalated for inflation except for the Monterey - Toro area, which is based on a two-year average escalated for inflation.

DRA POSITION:

DRA finds California American Water’s estimates reasonable and recommends that the Commission adopt California American Water’s estimates for Source of Supply – Maintenance of Other Plant.

RESOLUTION:

DRA and California American Water agree on Source of Supply – Maintenance of Other Plant expense, as set forth below.

Test Year 2011 Account 713 Source of Supply Maintenance of Other Plant	CAW Direct	DRA Report	Difference	Settlement
Ventura	\$917	\$917	\$0	\$900

Test Year 2012 Account 713 Source of Supply Maintenance of Other Plant	CAW Direct	DRA Report	Difference	Settlement
Larkfield	\$127	\$127	\$0	\$100
Los Angeles	\$10,901	\$10,901	\$0	\$10,900
Monterey County	\$134,656	\$134,656	\$0	\$133,700
Monterey - Toro	\$298	\$298	\$0	\$300
Wastewater	\$8,074	\$8,074	\$0	\$8,000
Sacramento	\$56,136	\$56,136	\$0	\$55,900
Ventura	\$946	\$946	\$0	\$900

REFERENCES: CAW Exh. A, Chapter 4, Table 4.4; DRA Exh. 4, p. 16.

4.7 Account 724 – Pumping – Operating Expense

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its estimates on a five-year average escalated for inflation.

DRA POSITION:

DRA finds California American Water’s estimates reasonable and recommends that the Commission adopt California American Water’s estimates for Pumping – Operating Expense.

RESOLUTION:

DRA and California American Water agree on Pumping – Operating Expense, as set forth below.

Test Year 2012 Account 724 Pumping – Operating Expense	CAW Direct	DRA Report	Difference	Settlement
Larkfield	\$425	\$425	\$0	\$400

REFERENCES: CAW Exh. A, Chapter 4, Table 4.3; DRA Exh. 4, p. 7.

4.8 Account 725 – Pumping – Miscellaneous

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its estimates on a five-year average escalated for inflation except for the Monterey – Toro area, which is based on a two-year average escalated for inflation.

DRA POSITION:

DRA finds California American Water’s estimates reasonable and recommends that the Commission adopt California American Water’s estimates for Pumping – Miscellaneous.

RESOLUTION:

DRA and California American Water agree on Pumping – Miscellaneous expense, as set forth below.

Test Year 2011 Account 725 Pumping Miscellaneous	CAW Direct	DRA Report	Difference	Settlement
Ventura	\$7,593	\$7,593	\$0	\$7,600

Test Year 2012 Account 725 Pumping Miscellaneous	CAW Direct	DRA Report	Difference	Settlement
Larkfield	\$169	\$169	\$0	\$200
Los Angeles	\$14,000	\$14,000	\$0	\$13,900
Monterey County	\$44,239	\$44,239	\$0	\$43,900
Monterey - Toro	\$1,757	\$1,757	\$0	\$1,800
Sacramento	\$34,230	\$34,230	\$0	\$34,100
Ventura	\$7,834	\$7,834	\$0	\$7,800

REFERENCES: CAW Exh. A, Chapter 4, Table 4.3; DRA Exh. 4, p. 7.

4.9 Account 726 – Pumping – Purchased Power

CALIFORNIA AMERICAN WATER REQUEST:

California American Water calculated purchased power costs using a three-year historical average of kilowatt usage and kilowatt per water production unit figures. An average kilowatt-hour cost was computed based on most recent actual billing data from California American Water’s power providers. This average kilowatt per hour cost was then multiplied times the total estimated kilowatt usage calculated based on estimated water production quantities (estimated production times the historical kilowatt per production unit figure). The average kilowatt per

hour cost was carried forward uninflated to compute the forecasted costs in the years 2011 and 2012 in the same manner as calculated for 2010.

DRA POSITION:

DRA finds California American Water’s estimates reasonable and recommends that the Commission adopt California American Water’s estimates except for Larkfield, Los Angeles, Monterey County, Sacramento and Ventura. For Larkfield, Los Angeles, Monterey County, Sacramento and Ventura, DRA recommends a higher amount as a result of the higher purchased water amounts recommended in DRA Exhibit 2 relating to water consumption.

RESOLUTION:

DRA and California American Water agree to compromise that Pumping – Purchased Power expenses should be as set forth below. DRA and California American Water agree to adopt California American Water’s per unit cost with final dollar amounts subject to unresolved water production forecast.

A Supplemental Appendix will be filed shortly for calculations of purchased power amounts for each district.

Test Year 2011 Account 726 Pumping Purchased Power	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
Ventura	\$290,578	\$290,578	\$305,610	\$16,032	\$290,600

Test Year 2012 Account 726 Pumping Purchased Power	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
Larkfield	\$73,108	\$73,108	\$77,889	\$4,781	\$68,500
Los Angeles	\$1,862,580	\$1,862,580	\$1,887,208	\$24,628	\$1,670,000
Monterey County	\$2,590,387	\$2,590,387	\$2,681,062	\$90,675	\$2,305,900
Monterey Toro	\$74,502	\$74,502	\$74,502	\$0	\$74,500
Wastewater	\$89,760	\$89,760	\$89,760	\$0	\$89,800
Sacramento	\$2,552,283	\$2,552,283	\$2,567,923	\$15,640	\$2,136,400
Ventura	\$291,306	\$291,306	\$306,429	\$15,123	\$291,300

REFERENCES: CAW Exh. A, Ch. 4, Table 4.3; CAW Exh. 19, Pilz Direct, Section II, pp. 5-6; CAW Exh. 47, Pilz Rebuttal, Section II, p. 6; DRA Exh. 4, pp. 8-9.

4.10 Account 729 – Pumping – Supervision

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its estimates on a five-year average escalated for inflation.

DRA POSITION:

DRA finds California American Water’s estimates reasonable and recommends that the Commission adopt California American Water’s estimates for Pumping - Supervision.

RESOLUTION:

DRA and California American Water agree on Pumping – Supervision expense, as set forth below.

Test Year 2012 Account 729 Pumping Supervision	CAW Direct	DRA Report	Difference	Settlement
Sacramento	\$414	\$414	\$0	\$400

REFERENCES: CAW Exh. A, Chapter 4, Table 4.4; DRA Exh. 4, p. 16.

4.11 Account 730 – Pumping – Structures & Improvements

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its estimates on a five-year average escalated for inflation.

DRA POSITION:

DRA finds California American Water’s estimates reasonable and recommends that the Commission adopt California American Water’s estimates for Pumping – Structures and Improvements.

RESOLUTION:

DRA and California American Water agree on Pumping – Structures and Improvements expense, as set forth below.

Test Year 2012 Account 730 Pumping Structures & Improvements	CAW Direct	DRA Report	Difference	Settlement
Los Angeles	\$88,475	\$88,475	\$0	\$88,100
Monterey County	\$2,956	\$2,956	\$0	\$2,900
Sacramento	\$4,244	\$4,244	\$0	\$4,200

REFERENCES: CAW Exh. A, Chapter 4, Table 4.4; DRA Exh. 4, p. 16.

4.12 Account 731 – Pumping – Power Production Equipment

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its estimates on a five-year average escalated for inflation.

DRA POSITION:

DRA finds California American Water’s estimates reasonable and recommends that the Commission adopt California American Water’s estimates for Pumping – Power Production Equipment.

RESOLUTION:

DRA and California American Water agree on Pumping – Power Production Equipment expense, as set forth below.

Test Year 2012 Account 731 Pumping Power Production Equipment	CAW Direct	DRA Report	Difference	Settlement
Larkfield	\$4,217	\$4,217	\$0	\$4,200
Los Angeles	\$14,217	\$14,217	\$0	\$14,200
Monterey County	\$957	\$957	\$0	\$900
Sacramento	\$575	\$575	\$0	\$600

REFERENCES: CAW Exh. A, Chapter 4, Table 4.4; DRA Exh. 4, p. 17.

4.13 Account 733 – Pumping – Equipment

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its estimates on a five-year average escalated for inflation except for the Monterey - Toro area, which is based on a two-year average escalated for inflation.

DRA POSITION:

DRA finds California American Water’s estimates reasonable and recommends that the Commission adopt California American Water’s estimates for Pumping – Equipment.

RESOLUTION:

DRA and California American Water agree on Pumping – Equipment expense, as set forth below.

Test Year 2011 Account 733 Pumping Equipment	CAW Direct	DRA Report	Difference	Settlement
San Diego	\$2,923	\$2,923	\$0	\$2,900

Test Year 2012 Account 733 Pumping Equipment	CAW Direct	DRA Report	Difference	Settlement
Larkfield	\$995	\$995	\$0	\$1,000
Los Angeles	\$41,858	\$41,858	\$0	\$41,700
Monterey County	\$395,519	\$395,519	\$0	\$392,800
Monterey - Toro	\$24,876	\$24,876	\$0	\$24,900
Sacramento	\$164,030	\$164,030	\$0	\$163,400
San Diego	\$3,016	\$3,016	\$0	\$3,000

REFERENCES: CAW Exh. A, Chapter 4, Table 4.4; DRA Exh. 4, p. 17.

4.14 Account 742-743 – Water Treatment Miscellaneous

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its estimates on a five-year average escalated for inflation except for the Monterey County, Monterey - Toro area, and Sacramento. The Monterey County estimate was based on a five-year average escalated for inflation except for the Waste Disposal line item, which was based on the expense account’s recorded year-to-date balance at the time the forecast was prepared because this item significantly increased beginning in 2008 due to the new Ambler Park Arsenic Treatment Plant and the increased loads of waste disposal and sludge removal resulting from this new facility. Forecasts for 2010, therefore, are more aligned with 2009 expense levels. The Monterey Toro estimate was based on a two-year average escalated for inflation. The Sacramento estimate was based on a five-year average escalated for inflation except the Waste Disposal line item, which was based on a two-year average escalated for inflation. Additional costs in the Sacramento District reflect newly recurring costs associated with a new permitting requirement for a backwash tank cleaning discharge permit and new treatment facilities. The costs shown are (annualized) monthly fees to maintain this permit.

DRA POSITION:

DRA finds California American Water’s estimates reasonable except for Monterey County and Sacramento. For Monterey County and Sacramento, DRA recommends using a five-year average escalated for inflation for all line items.

RESOLUTION:

DRA and California American Water agree to compromise on Water Treatment – Miscellaneous expenses as set forth below. The agreement is based on the latest available information as to current costs and trends.

Test Year 2011 Account 742-743 Water Treatment Miscellaneous	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
San Diego	\$9,199	\$9,199	\$9,199	\$0	\$9200
Ventura	\$26,431	\$26,431	\$26,431	\$0	\$26,400

Test Year 2012 Account 742-743 Water Treatment Miscellaneous	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
Larkfield	\$29,052	\$29,052	\$29,052	\$0	\$29,000
Los Angeles	\$66,435	\$66,435	\$66,435	\$0	\$66,100
Monterey County	\$290,909	\$290,909	\$231,339	\$59,570	\$258,400
Monterey - Toro	\$2,201	\$2,201	\$2,201	\$0	\$2,200
Wastewater	\$169,854	\$169,854	\$169,854	\$0	\$169,000
Sacramento	\$192,067	\$192,067	\$154,874	\$37,193	\$171,800
San Diego	\$9,491	\$9,491	\$9,491	\$0	\$9,400
Ventura	\$27,271	\$27,271	\$27,271	\$0	\$27,200

REFERENCES: CAW Exh. 1, *Direct Testimony of Craig Anthony*, dated July 1, 2010 ("Anthony Direct"), Section V, p. 3; CAW Exh. 14, *Direct Testimony of John T. Kilpatrick, P.E.*, dated July 1, 2010 ("Kilpatrick Direct"), Section III; CAW Exh. 19, *Pilz Direct*, Section II, pp. 7-8; DRA Exh. 4, pp. 9-10.

4.15 Account 744 – Water Treatment – Chemicals

CALIFORNIA AMERICAN WATER REQUEST:

California American Water estimated chemical costs for 2010, 2011 and 2012 using historical chemical usage per production unit and multiplied those factors against the forecast quantities of treated water production in each district. Chemical price per pound figures were derived from most recent actual chemical unit costs and annually inflated at 2.5% to compensate for small price increases in chemical unit costs for the forecasted years. Increased costs for the Monterey

County and Monterey Wastewater districts are due to the new Ambler Treatment Plant coming online in late 2008.

DRA POSITION:

DRA finds California American Water’s estimate for Ventura to be reasonable. For Larkfield, Los Angeles, Monterey County, Monterey – Toro, and Sacramento, DRA based its estimates on water production from California American Water’s wells multiplied by the inflation adjusted chemical cost per unit for 2009. For Monterey Wastewater, DRA based its estimate on a five-year average escalated for inflation.

RESOLUTION:

DRA and California American Water agree to compromise on Water Treatment – Chemicals expenses as set forth below.

Test Year 2011 Account 744 Water Treatment Chemicals	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
Ventura	\$78	\$78	\$78	\$0	\$100

Test Year 2012 Account 744 Water Treatment Chemicals	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
Larkfield	\$26,826	\$26,826	\$20,164	\$6,662	\$23,100
Los Angeles	\$83,929	\$83,929	\$93,666	\$9,737	\$89,400
Monterey County	\$926,473	\$926,473	\$934,281	\$7,808	\$930,900
Monterey – Toro	\$19,988	\$19,988	\$27,124	\$7,136	\$24,000
Wastewater	\$413,501	\$413,501	\$260,969	\$152,532	\$327,500
Sacramento	\$617,498	\$617,498	\$478,748	\$138,750	\$539,300
Ventura	\$81	\$81	\$81	\$0	\$100

REFERENCES: CAW Exh. 1, Anthony Direct, Section IV, p. 3; CAW Exh. 19, Pilz Direct, Section II, pp 6-7; DRA Exh. 4, pp. 10-11.

4.16 Account 747 – Water Treatment – Structures & Improvements

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its estimates on a five-year average escalated for inflation except for the Monterey - Toro area, which is based on a two-year average escalated for inflation.

DRA POSITION:

DRA finds California American Water’s estimates reasonable and recommends that the Commission adopt California American Water’s estimates for Water Treatment – Structures and Improvements.

RESOLUTION:

DRA and California American Water agree on Water Treatment – Structures and Improvements expense, as set forth below.

Test Year 2012 Account 747 Water Treatment Structures & Improvements	CAW Direct	DRA Report	Difference	Settlement
Larkfield	\$211	\$211	\$0	\$200
Sacramento	\$886	\$886	\$0	\$900

REFERENCES: CAW Exh. A, Chapter 4, Table 4.4; DRA Exh. 4, p. 17.

4.17 Account 748 – Water Treatment – Equipment

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its estimates on a five-year average escalated for inflation except for the Monterey - Toro area, which is based on a two-year average escalated for inflation.

DRA POSITION:

DRA finds California American Water’s estimates reasonable and recommends that the Commission adopt California American Water’s estimates for Water Treatment - Equipment.

RESOLUTION:

DRA and California American Water agree on Water Treatment – Equipment expense, as set forth below.

Test Year 2012 Account 748 Water Treatment Equipment	CAW Direct	DRA Report	Difference	Settlement
Larkfield	\$2,559	\$2,559	\$0	\$2,500
Los Angeles	\$17,522	\$17,522	\$0	\$17,500
Monterey County	\$171,203	\$171,203	\$0	\$171,000
Monterey - Toro	\$695	\$695	\$0	\$700
Wastewater	\$38,412	\$38,412	\$0	\$38,100
Sacramento	\$201,678	\$201,678	\$0	\$200,900

REFERENCES: CAW Exh. A, Chapter 4, Table 4.4; DRA Exh. 4, p. 17-18.

4.18 Account 752 – T&D – Storage Facilities

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its estimates on a five-year average escalated for inflation.

DRA POSITION:

DRA finds California American Water’s estimates reasonable and recommends that the Commission adopt California American Water’s estimates for Transmission and Distribution – Storage Facilities.

RESOLUTION:

DRA and California American Water agree on Transmission and Distribution – Storage Facilities expense, as set forth below.

Test Year 2012 Account 752 T&D Storage	CAW Direct	DRA Report	Difference	Settlement
Larkfield	\$583	\$583	\$0	\$600

REFERENCES: CAW Exh. A, Chapter 4, Table 4.3; DRA Exh. 4, p. 11.

4.19 Account 753 – T&D – Lines

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its estimates on a five-year average escalated for inflation.

DRA POSITION:

DRA finds California American Water’s estimates reasonable and recommends that the Commission adopt California American Water’s estimates for Transmission and Distribution – Lines.

RESOLUTION:

DRA and California American Water agree on Transmission and Distribution – Lines expense, as set forth below.

Test Year 2011 Account 753 T&D Lines	CAW Direct	DRA Report	Difference	Settlement
San Diego	\$341	\$341	\$0	\$300

Test Year 2012 Account 753 T&D Lines	CAW Direct	DRA Report	Difference	Settlement
Los Angeles	\$459	\$459	\$0	\$500
Sacramento	\$2,606	\$2,606	\$0	\$2,600
San Diego	\$351	\$351	\$0	\$300

REFERENCES: CAW Exh. A, Chapter 4, Table 4.3; DRA Exh. 4, p. 11.

4.20 Account 754 – T&D – Meters

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its estimates on a five-year average escalated for inflation.

DRA POSITION:

DRA finds California American Water’s estimates reasonable and recommends that the Commission adopt California American Water’s estimates for Transmission and Distribution – Meter expense.

RESOLUTION:

DRA and California American Water agree on Transmission and Distribution – Meter expense, as set forth below.

Test Year 2011 Account 754 T&D Meters	CAW Direct	DRA Report	Difference	Settlement
San Diego	\$1,966	\$1,966	\$0	\$2,000

Test Year 2012 Account 754 T&D Meters	CAW Direct	DRA Report	Difference	Settlement
Los Angeles	\$131	\$131	\$0	\$100
Sacramento	\$3,993	\$3,993	\$0	\$4,000
San Diego	\$2,028	\$2,028	\$0	\$2,000

REFERENCES: CAW Exh. A, Chapter 4, Table 4.3; DRA Exh. 4, p. 11.

4.21 Account 755 – T&D – Customer Installations

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its estimates on a five-year average escalated for inflation.

DRA POSITION:

DRA finds California American Water’s estimates reasonable and recommends that the Commission adopt California American Water’s estimates for Transmission and Distribution – Customer Installation expense.

RESOLUTION:

DRA and California American Water agree on Transmission and Distribution – Customer Installation expense, as set forth below.

Test Year 2011 Account 755 T&D Customer Installations	CAW Direct	DRA Report	Difference	Settlement
San Diego	\$528	\$528	\$0	\$500

Test Year 2012 Account 755 T&D Customer Installations	CAW Direct	DRA Report	Difference	Settlement
Larkfield	\$221	\$221	\$0	\$200
Sacramento	\$4,884	\$4,884	\$0	\$4,900
San Diego	\$544	\$544	\$0	\$500

REFERENCES: CAW Exh. A, Chapter 4, Table 4.3; DRA Exh. 4, p. 12.

4.22 Account 756 – T&D – Miscellaneous

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its estimates on a five-year average escalated for inflation and Comprehensive Planning Studies and System Maps, except for the Monterey - Toro area and Monterey Wastewater. Monterey Toro area is based on a two-year average escalated for inflation and Monterey Wastewater is based on Comprehensive Planning Studies and System Maps.

DRA POSITION:

DRA finds California American Water’s estimates reasonable and recommends that the Commission adopt California American Water’s estimates for Transmission and Distribution – Miscellaneous expense.

TURN POSITION:

In deriving the five-year escalated average, TURN recommends that the 2005 expense in the T&D Miscellaneous Expense accounts for the Larkfield District be reduced by the \$7,000 inadvertently booked to this account. Removal of the \$7,000 in 2005 in the Company’s model, which is based on the Company’s proposed escalation rates, results in a \$1,740 reduction in 2012 test year operation and maintenance expenses in the Larkfield District and a \$1,795 reduction in the 2013 escalation year.

RESOLUTION:

DRA, California American Water and TURN agree on Transmission and Distribution – Miscellaneous expense, as set forth below.

Test Year 2011 Account 756 T&D Miscellaneous	CAW Direct	DRA Report	Difference	Settlement
San Diego	\$32,906	\$32,906	\$0	\$32,800
Ventura	\$106,639	\$106,639	\$0	\$106,400

Test Year 2012 Account 756 T&D Miscellaneous	CAW Direct	DRA Report	TURN Direct	Difference	Settlement
Larkfield	\$46,168	\$46,168	\$44,428	\$0	\$44,400
Los Angeles	\$311,382	\$311,382	\$311,382	\$0	\$311,000
Monterey County	\$717,625	\$717,625	\$717,625	\$0	\$714,700
Monterey - Toro	\$2,469	\$2,469	\$2,469	\$0	2,500
Wastewater	\$107,250	\$107,250	\$107,250	\$0	\$107,300
Sacramento	\$486,308	\$486,308	\$486,308	\$0	\$485,900
San Diego	\$196,952	\$196,952	\$196,952	\$0	\$196,700
Ventura	\$273,031	\$273,031	\$273,031	\$0	\$272,600

REFERENCES: CAW Exh. A, Chapter 4, Table 4.3; DRA Exh. 4, p. 12.

4.23 Account 759 – T&D – Maintenance of Structures

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its estimates on a five-year average escalated for inflation.

DRA POSITION:

DRA finds California American Water’s estimates reasonable and recommends that the Commission adopt California American Water’s estimates for Transmission and Distribution – Maintenance of Structures.

RESOLUTION:

DRA and California American Water agree on Transmission and Distribution – Maintenance of Structures expense, as set forth below.

Test Year 2012 Account 759 T&D Maintenance of Structures	CAW Direct	DRA Report	Difference	Settlement
Sacramento	\$52	\$52	\$0	\$100

REFERENCES: CAW Exh. A, Chapter 4, Table 4.4; DRA Exh. 4, p. 18.

4.24 Account 760 – T&D – Reservoirs & Tanks

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its estimates on a five-year average escalated for inflation.

DRA POSITION:

DRA finds California American Water’s estimates reasonable and recommends that the Commission adopt California American Water’s estimates for Transmission and Distribution – Maintenance of Reservoirs and Tanks.

RESOLUTION:

DRA and California American Water agree on Transmission and Distribution – Maintenance of Reservoirs and Tanks expense, as set forth below.

Test Year 2011 Account 760 T&D Reservoirs & Tanks	CAW Direct	DRA Report	Difference	Settlement
San Diego	\$2,128	\$2,128	\$0	\$2,100

Test Year 2012 Account 760 T&D Reservoirs & Tanks	California American Water Direct	DRA Report	Difference	Settlement
Larkfield	\$897	\$897	\$0	\$900
Los Angeles	\$8,933	\$8,933	\$0	\$8,900
Monterey County	\$1,321	\$1,321	\$0	\$1,300
San Diego	\$2,128	\$2,128	\$0	\$2,200

REFERENCES: CAW Exh. A, Chapter 4, Table 4.4, DRA Exh. 4, p. 18.

4.25 Account 761 – T&D – Mains

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its estimates on a five-year average escalated for inflation.

DRA POSITION:

DRA finds California American Water’s estimates reasonable and recommends that the Commission adopt California American Water’s estimates for Transmission and Distribution – Maintenance of Mains.

RESOLUTION:

DRA and California American Water agree on Transmission and Distribution – Maintenance of Mains expense, as set forth below.

Test Year 2011 Account 761 T&D Mains	CAW Direct	DRA Report	Difference	Settlement
San Diego	\$14,582	\$14,582	\$0	\$14,500

Test Year 2012 Account 761 T&D Mains	CAW Direct	DRA Report	Difference	Settlement
Larkfield	\$3,787	\$3,787	\$0	\$3,800
Los Angeles	\$259,329	\$259,329	\$0	\$258,300
Monterey County	\$58,437	\$58,437	\$0	\$58,000
Sacramento	\$167,616	\$167,616	\$0	\$166,900
San Diego	\$15,046	\$15,046	\$0	\$14,900

REFERENCES: CAW Exh. A, Chapter 4, Table 4.4; DRA Exh. 4, p. 18-19.

4.26 Account 762 – T&D – Fire Mains

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its estimates on a five-year average escalated for inflation.

DRA POSITION:

DRA finds California American Water’s estimates reasonable and recommends that the Commission adopt California American Water’s estimates for Transmission and Distribution – Maintenance of Fire Mains.

RESOLUTION:

DRA and California American Water agree on Transmission and Distribution – Maintenance of Fire Mains expense, as set forth below.

Test Year 2012 Account 762 T&D Fire Mains	CAW Direct	DRA Report	Difference	Settlement
Larkfield	\$86	\$86	\$0	\$100

REFERENCES: CAW Exh. A, Chapter 4, Table 4.4; DRA Exh. 4, p. 19.

4.27 Account 763 – T&D – Services

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its estimates on a five-year average escalated for inflation.

DRA POSITION:

DRA finds California American Water’s estimates reasonable and recommends that the Commission adopt California American Water’s estimates for Transmission and Distribution – Maintenance of Services.

RESOLUTION:

DRA and California American Water agree on Transmission and Distribution – Maintenance of Services expense, as set forth below.

Test Year 2011 Account 763 T&D Services	CAW Direct	DRA Report	Difference	Settlement
San Diego	\$22,803	\$22,803	\$0	\$22,700

Test Year 2012 Account 763 T&D Services	CAW Direct	DRA Report	Difference	Settlement
Larkfield	\$6,139	\$6,139	\$0	\$6,100
Los Angeles	\$54,727	\$54,727	\$0	\$54,500
Sacramento	\$137,843	\$137,843	\$0	\$137,300
San Diego	\$23,528	\$23,528	\$0	\$23,400

REFERENCES: CAW Exh. A, Chapter 4, Table 4.4; DRA Exh. 4, p.19.

4.28 Account 764 – T&D – Meters

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its estimates on a five-year average escalated for inflation.

DRA POSITION:

DRA finds California American Water’s estimates reasonable and recommends that the Commission adopt California American Water’s estimates for Transmission and Distribution – Maintenance of Meters.

RESOLUTION:

DRA and California American Water agree on Transmission and Distribution – Maintenance of Meters expense, as set forth below.

Test Year 2011 Account 764 T&D Meters	CAW Direct	DRA Report	Difference	Settlement
San Diego	\$9,607	\$9,607	\$0	\$9,600

Test Year 2012 Account 764 T&D Meters	CAW Direct	DRA Report	Difference	Settlement
Larkfield	\$236	\$236	\$0	\$200
Los Angeles	\$7,166	\$7,166	\$0	\$7,100
Sacramento	\$15,424	\$15,424	\$0	\$15,400
San Diego	\$9,912	\$9,912	\$0	\$9,800

REFERENCES: CAW Exh. A, Chapter 4, Table 4.4; DRA Exh. 4, p. 19.

4.29 Account 765 – T&D – Hydrants

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its estimates on a five-year average escalated for inflation.

DRA POSITION:

DRA finds California American Water’s estimates reasonable and recommends that the Commission adopt California American Water’s estimates for Transmission and Distribution – Maintenance of Hydrants.

RESOLUTION:

DRA and California American Water agree on Transmission and Distribution – Maintenance of Hydrants expense, as set forth below.

Test Year 2011 Account 765 T&D Hydrants	CAW Direct	DRA Report	Difference	Settlement
San Diego	\$1,759	\$1,759	\$0	\$1,800

Test Year 2012 Account 765 T&D Hydrants	CAW Direct	DRA Report	Difference	Settlement
Larkfield	\$90	\$90	\$0	\$100
Los Angeles	\$16,202	\$16,202	\$0	\$16,100
Sacramento	\$28,150	\$28,150	\$0	\$28,000
San Diego	\$1,815	\$1,815	\$0	\$1,800

REFERENCES: CAW Exh. A, Chapter 4, Table 4.4; DRA Exh. 4, p. 20.

4.30 Account 766 – T&D Maintenance Plant

CALIFORNIA AMERICAN WATER REQUEST:

The costs in this account relate to the amortization of historical and proposed tank painting. An historical five-year inflation-adjusted average would not be the proper methodology to determine future costs since the proposed amortization costs relate to specific projects, the costs of those projects, and the length of time over which the amortization is to take place. California American Water developed its estimate for this account based on the remaining costs and amortization periods of past tank paintings, and added to that the estimated amortization of costs for proposed projects. California American Water included a work paper showing the ongoing Storage Tank maintenance program for the various districts based on individual tank condition assessments. (*See* Section III of the testimony of Austin Peterson). For Monterey – Toro, California American Water’s estimate was based on a two-year average.

DRA POSITION:

DRA finds California American Water’s estimates for Los Angeles, Monterey – Toro, Monterey Wastewater, San Diego and Ventura to be reasonable. For Larkfield, DRA reduced the project amounts in Tank Painting by postponing the Lower Wikiup #2 project to the next GRC as recommended by DRA’s plant testimony (*See* DRA Exhibit 8, Chapter 1). For Monterey County, DRA developed an amortization disallowance based on the projects recommended by the TIC consultant reports, which affected Tank Painting for this district (*See* DRA Exhibit 9, Chapter 1). For Sacramento, DRA reduced the project amount in Tank Painting by disallowing the Countryside, Parksite 1, Parksite 2 and Mathers Treatment Plants, as recommended by DRA’s plant testimony (*See* DRA Exhibit 7, Chapter 1).

RESOLUTION:

DRA and California American Water agree to compromise on Transmission and Distribution – Maintenance of Miscellaneous Plant expenses as set forth below. California American Water accepts DRA’s estimate for the Larkfield and Sacramento Districts. DRA accepts California American Water’s estimates for the Los Angeles, Monterey, San Diego and Ventura Districts. The 2012 amounts to be included in the cost of service are set out in the tables below and designated as the total for each district. For 2013 and 2014, the amounts to be included in the

costs of service should be based on the escalated “expense to be escalated” amounts shown under 2012 for each district –plus the amortization amount shown for each district for 2013 and 2014 from the table below. It is not appropriate to simply escalate the 2012 amount to derive 2013 and 2014 since the expense level necessarily has to be based on amortization of newly completed tank paintings and completion of prior amortizations.

Test Year 2011 Account 766 T&D Misc Maintenance Plant	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
San Diego	\$30,589	\$30,589	\$30,589	\$0	\$30,600
Ventura	\$364,550	\$364,550	\$364,550	\$0	\$364,400

Test Year 2012 Account 766 T&D Misc Maintenance Plant Larkfield	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012 Amortization					\$25,600
Expense to be escalated					\$1,800
Total Larkfield	\$30,315	\$30,315	\$27,455	\$2,860	\$27,400

Test Year 2012 Account 766 T&D Misc Maintenance Plant Los Angeles	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012 Amortization	\$201,200	\$201,200	\$201,200	\$0	\$201,200
Expense to be escalated	\$42,100	\$42,100	\$42,100	\$0	\$42,100
Total Los Angeles	\$243,454	\$243,454	\$243,454	\$0	\$243,300

Test Year 2012 Account 766 T&D Misc Maintenance Plant Monterey County	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012 Amortization					\$431,700
Expense to be escalated					\$905,100
Total Monterey County	\$1,347,918	\$1,347,918	\$1,068,623	\$279,295	\$1,336,800

Test Year 2012 Account 766 T&D Misc Maintenance Plant Monterey – Toro	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012 Amortization	\$2,000	\$2,000	\$2,000	\$0	\$2,000
Expense to be escalated	\$4,200	\$4,200	\$4,200	\$0	\$4,200
Total Monterey – Toro	\$6,233	\$6,233	\$6,233	\$0	\$6,200

Test Year 2012 Account 766 T&D Misc Maintenance Plant Wastewater	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012 Amortization	\$0	\$0	\$0	\$0	\$0
Expense to be escalated	\$10,100	\$10,100	\$10,100	\$0	\$10,100
Total Wastewater	\$13,136	\$13,136	\$13,136	\$0	\$10,100

Test Year 2012 Account 766 T&D Misc Maintenance Plant Sacramento	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012 Amortization					\$201,900
Expense to be escalated					\$23,800
Total Sacramento	\$228,041	\$228,041	\$225,765	\$2,276	\$225,700

Test Year 2012 Account 766 T&D Misc Maintenance Plant San Diego	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012 Amortization	\$10,500	\$10,500	\$10,500	\$0	\$10,500
Expense to be escalated	\$3,300	\$3,300	\$3,300	\$0	\$3,300
Total San Diego	\$13,840	\$13,840	\$13,840	\$0	\$13,800

Test Year 2012 Account 766 T&D Misc Maintenance Plant Ventura	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012 Amortization	\$299,900	\$299,900	\$299,900	\$0	\$299,900
Expense to be escalated	\$82,600	\$82,600	\$82,600	\$0	\$82,600
Total Ventura	\$382,795	\$382,795	\$382,795	\$0	\$382,500

2013 and 2014 Amortization included in Account 766 T&D Misc Maintenance Plant	2013 Amortization Settlement	2014 Amortization Settlement
Larkfield	\$37,800	\$56,000
Los Angeles	\$272,800	\$376,800
Monterey County	\$378,000	\$415,700
Monterey – Toro	\$3,800	\$4,200
Wastewater	\$0	\$0
Sacramento	\$305,500	\$422,900
San Diego	\$7,800	\$6,900
Ventura	\$291,700	\$336,900

A Supplemental Appendix will be filed shortly for support for the above tank painting amortization amounts.

REFERENCES: CAW Exh. 19, Pilz Direct, Sec. II, pp. 8-9. CAW Exh. 18, *Direct Testimony of Austin F. Peterson*, dated July 1, 2010 ("Peterson Direct"), Sec. III, pp. 2-14; DRA Exh. 4, p. 20-21.

4.31 Account 772 – Customer Accounts – Meter Reading

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its estimates on a five-year average escalated for inflation except for the Los Angeles and Sacramento districts. In the Los Angeles County and Sacramento districts, additional meter reader costs were added for the newly proposed meter reader positions in these three districts. The additional costs were assumed to be \$500 annually per new meter reader position covering expenses for cell phones, uniforms, and other needs. The \$500 per meter reader for San Diego's 2 new meter readers was added in account 774 below.

DRA POSITION:

DRA finds California American Water's estimate reasonable for Larkfield, but not for Los Angeles and Sacramento. For Los Angeles, DRA's estimate is based on a five-year average while disallowing the \$1,000 for new meter reader expenses given that DRA does not agree to the two additional meter readers in the Los Angeles District (*See* DRA Exhibit 3, Chapter 1). For Sacramento, DRA's estimate is based on a five-year average while disallowing the \$500 for new meter reader expenses because DRA recommends that California American Water evaluate the need for an additional meter reader since more meters in the district will have electronic reading devices and more meter readers may not be warranted. (*See* DRA Exhibit 3, Chapter 1).

RESOLUTION:

DRA and California American Water agree to compromise on Customer Accounts – Meter Reading expenses as set forth below. The settlement amount includes \$500 per employee for 2 new meter readers in Los Angeles and 1 new meter reader in Sacramento. This settlement position was also supported by NRDC.

Test Year 2012 Account 772 Customer Accounts Meter Reading	CAW Direct	CAW Rebuttal	DRA Report	NRDC Direct	Difference	Settlement
Larkfield	\$68	\$68	\$68	\$68	\$0	\$100
Los Angeles	\$1,092	\$1,092	\$92	\$1,092	\$1000	\$1,100
Sacramento	\$1,453	\$1,453	\$953	\$1,453	\$500	\$1,400

REFERENCES: CAW Exh. 19, Pilz Direct, Sec. II, p. 9; DRA Exh.4, p. 12 -13.

4.32 Account 773 – Customer Accounts – Customer Records & Collection

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its estimates on a five-year average escalated for inflation.

DRA POSITION:

DRA finds California American Water’s estimates reasonable and recommends that the Commission adopt California American Water’s estimates for Customer Accounts – Customer Records and Collection expense.

RESOLUTION:

DRA and California American Water agree on Customer Accounts – Customer Records and Collection expense, as set forth below.

Test Year 2011 Account 773 Customer Accounts Records & Collections	CAW Direct	DRA Report	Difference	Settlement
San Diego	\$6,686	\$6,686	\$0	\$6,700
Ventura	\$5,241	\$5,241	\$0	\$5,200

Test Year 2012 Account 773 Customer Accounts Records & Collections	CAW Direct	DRA Report	Difference	Settlement
Monterey County	\$63	\$63	\$0	\$100
San Diego	\$6,898	\$6,898	\$0	\$6,900
Ventura	\$5,407	\$5,407	\$0	\$5,400

REFERENCES: CAW Exh. A, Chapter 4, Table 4.3; DRA Exh. 4, p. 13.

4.33 Account 774 – Customer Accounts – Miscellaneous

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its estimates on a five-year average escalated for inflation except for the San Diego County district, which is based on a five-year average escalated for inflation with the addition of \$1,000 for new meter reader expenses associated with two additional meter readers that California American Water is requesting in this district.

DRA POSITION:

DRA finds California American Water’s estimates to be reasonable except for the San Diego County district. For San Diego County, DRA’s estimate is based on a five-year average while disallowing the \$1,000 for new meter readers expenses associated with the requested two additional meter readers (*See* DRA Exhibit3, Chapter 1).

RESOLUTION:

DRA and California American Water agree on the following Customer Accounts - Miscellaneous expenses as set forth below. The settlement position, which includes \$500 per employee for 2 new meter readers in San Diego was also supported by NRDC.

Test Year 2011 Account 774 Customer Accounts Miscellaneous	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
San Diego	\$4,788	\$4,788	\$4,788	\$0	\$4,800
Ventura	\$3,080	\$3,080	\$3,080	\$0	\$3,100

Test Year 2012 Account 774 Customer Accounts Miscellaneous	CAW Direct	CAW Rebuttal	DRA Report	NRDC Direct	Difference	Settlement
Los Angeles	\$32,355	\$32,355	\$32,355	\$32,355	\$0	\$32,200
Monterey County	\$19,729	\$19,729	\$19,729	\$19,729	\$0	\$19,400
Wastewater	\$9,792	\$9,792	\$9,792	\$9,792	\$0	\$9,700
Sacramento	\$799	\$799	\$799	\$799	\$0	\$800
San Diego	\$5,940	\$5,940	\$4,940	\$5,940	\$1,000	\$5,900
Ventura	\$3,178	\$3,178	\$3,178	\$3,178	\$0	\$3,200

REFERENCES: CAW Exh. 19, Pilz Direct, Sec. II, p. 9; DRA Exh. 4, p. 14.

4.34 Account 775 – Customer Accounts – Uncollectible Expense

CALIFORNIA AMERICAN WATER REQUEST:

California American Water estimated uncollectible expense is based on a twelve-month average uncollectible rate from October 2008 to September 2009 applied to pro forma revenues forecasted at present rates.

DRA POSITION:

DRA disagrees with California American Water’s method for estimating uncollectible expenses. DRA’s estimate is based on a five-year average.

TURN POSITION:

TURN also disagrees with California American Water’s methodology and supports the five year average in order to account for variability in the rate.

RESOLUTION:

DRA, TURN and California American Water agree to compromise on Customer Accounts – Uncollectible Expense at a rate of 0.5625% of revenues:

REFERENCES: CAW Exh. 19, Pilz Direct, Sec. II, p. 9; DRA Exh. 4, p. 14-15.

5.0 ADMINISTRATIVE AND GENERAL

5.1 Account 791 – Salaries and Payroll Costs

CALIFORNIA AMERICAN WATER REQUEST:

For test year 2012 Payroll Costs, California American Water has included the costs associated with eight (8) new positions at the district-level (California American Water’s request for five additional employees at the statewide level, Cal Corp, has been separately analyzed and discussed in the report of Overland Consulting). Five of the district-level positions are directly related to the utility’s request to convert to monthly meter reading in all districts.

DRA POSITIONS:

Separately analyzed by DRA, costs associated with four of these positions have been removed from test year estimates. DRA has reviewed the justification that California American Water has provided for the remaining three district-level positions and does not oppose the request for one Water Treatment Operator, one Field Service Representative in Sacramento and one External Affairs Specialist in Monterey. To reconcile the approval of a Water Treatment Operator III in the Sacramento District, DRA lowered the estimated overtime hours for the Sacramento District from 5,639 to 3,559 hours in the test and escalation years (equal to one full-time position at 40 hours per week).

In addition, DRA recommends an adjustment in Payroll costs pertaining to California American Water’s Annual Incentive Plan (“AIP”).

RESOLUTION:

DRA and California American Water agree to the salaries and pay roll costs set forth in the tables below. This reflects a compromise on overtime reduction of \$40,134 and the removal of .5% payroll reserve. DRA and California American Water agree on the authorized staffing level of 293 California employees, including the five new meter readers, as shown in the table below. See Section 5.2 for discussion of the wage escalation factors.

Test Year 2012 Number of CAW Positions (excluding Service Company)	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
Larkfield	5	5	5	0	5
Los Angeles	31	31	29	2	31
Monterey County/Toro	79	79	79	0	79
Wastewater	10	10	10	0	10
Sacramento	57	57	56	1	57
San Diego	22	22	20	2	22
Ventura	17	17	17	0	17
Cal Corp	72	72	72	0	72
Total	293	293	288	5	293

Test Year 2011 Payroll Expense Net of Amount Capitalized	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
San Diego	\$1,156,700	\$1,156,700	\$1,076,700	\$80,000	\$1,143,700
Ventura	\$1,148,900	\$1,148,900	\$1,060,500	\$88,400	\$1,140,700

Test Year 2012 Payroll Expense Net of Amount Capitalized	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
Larkfield	\$342,200	\$342,200	\$328,400	\$13,800	\$334,300
Los Angeles	\$1,891,400	\$1,891,400	\$1,932,200	(\$40,800)	\$1,846,800
Monterey County	\$5,975,300	\$5,975,300	\$5,807,800	\$167,500	\$5,836,400
Monterey - Toro	\$59,700	\$59,700			\$59,700
Wastewater	\$948,000	\$948,000	\$920,500	\$27,500	\$930,600
Sacramento	\$3,206,600	\$3,206,600	\$3,058,900	\$147,700	\$3,103,500
San Diego	\$1,286,400	\$1,286,400	\$1,089,200	\$197,200	\$1,255,400
Ventura	\$1,195,900	\$1,195,900	\$1,073,900	\$122,000	\$1,170,000

REFERENCES: CAW Exh. A, Ch. 4, Tables 4.5; DRA Exh. 5, DRA *Testimony on A&G Expenses, Depreciation, Taxes, Ratebase and Special Requests #s 4, 20, 22, 27, 33 and 34 of California American Water Company for Larkfield, Los Angeles County, Monterey County, Sacramento, San Diego County, and Ventura County Districts*, dated January 21, 2011 ("DRA Exh. 5"), pp. 4-8.

5.2 Wage Escalation

CALIFORNIA AMERICAN WATER REQUEST:

For Non-Union, 2011 was based on actual 2010 times 1.035 and 2012 was based on 2011 times 1.026. For Union employees, 2011 was either based on the Union contract or the 2010 wages time 1.035, and 2011 was based on 2011 times 1.026.

TURN POSITION:

The Labor escalation factor used by California American Water of 3.5% for the 2011 interim year be reduced to 2.8% with the exception of Sacramento and Ventura union employees where the 2011 union labor contracts would set the rate. The test year and escalation year wage should be based on updated DRA ECOS Memorandum.

RESOLUTION:

DRA, TURN and California American Water agree to the following for purposes of escalating labor costs for 2011:

- Ventura union employees and Sacramento union employees will be escalated based on the amounts specified in the respective union contracts for 2011; and
- All remaining district employees will be escalated at 2.80% for 2011.
- Labor costs for each of the remaining years in the rate case cycle will be escalated based on the most recent labor inflation factors as published by DRA.

REFERENCES: TURN Exh. 002 (Ramas), pp. 7-9.

5.3 Account 792 – Office Supplies and Other Expenses

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its estimates on a five-year average escalated for inflation.

DRA POSITION:

DRA adjusted test and escalation year estimates for non-recurring expenses by removing from the base line average used to calculate estimates any sub-account which recorded expenses in just one of the five years of historical data. Summing the adjustments made in this account for each district results in a company-wide adjustment of \$1,600 less in revenue requirements.

RESOLUTION:

DRA and California American Water agree to compromise on Office Supplies and Other Expenses as set forth below.

Test Year 2011 Account 792 Office Supplies and Other Expenses	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
San Diego	\$7,700	\$7,700	\$6,400	\$1,300	\$7,200
Ventura	\$20,400	\$20,400	\$20,400	\$0	\$20,400

Test Year 2012 Account 792 Office Supplies and Other Expenses	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
Larkfield	\$3,100	\$3,100	\$3,100	\$0	\$3,100
Los Angeles	\$8,600	\$8,600	\$8,500	\$100	\$8,500
Monterey County	\$45,700	\$45,700	\$45,500	\$200	\$45,300
Monterey – Toro	\$0	\$0	\$0	\$0	\$0
Wastewater	\$1,400	\$1,400	\$1,400	\$0	\$1,400
Sacramento	\$54,500	\$54,500	\$54,500	\$0	\$54,300
San Diego	\$8,000	\$8,000	\$6,600	\$1,400	\$7,400
Ventura	\$21,100	\$21,100	\$21,100	\$0	\$21,000

REFERENCES: CAW Exh. A, Ch. 4, Table 4.5; DRA Exh. 5, p. 8 and Table 4.1.

5.4 Account 793 – Property Insurance (Non-Corporate Costs)

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its estimates on a five-year average escalated for inflation.

DRA POSITION:

DRA has no recommended adjustments in Account 793 – Property Insurance for any of California American Water’s districts. Both DRA and California American Water forecast test and escalation year estimates as the inflation-adjusted five-year average of recorded expenses.

RESOLUTION:

DRA and California American Water agree on Property Insurance as set forth below.

Test Year 2011 Account 793 Property Insurance	CAW Direct	DRA Report	Difference	Settlement
San Diego	\$400	\$400	\$0	\$400
Ventura	\$5,300	\$5,300	\$0	\$5,300

Test Year 2012 Account 793 Property Insurance	CAW Direct	DRA Report	Difference	Settlement
Larkfield	\$100	\$100	\$0	\$100
Los Angeles	\$700	\$700	\$0	\$700
Monterey County	\$400	\$400	\$0	\$400
Monterey – Toro	\$0	\$0	\$0	\$0
Wastewater	\$0	\$0	\$0	\$0
Sacramento	\$2,600	\$2,600	\$0	\$2,600
San Diego	\$500	\$500	\$0	\$500
Ventura	\$5,500	\$5,500	\$0	\$5,500

REFERENCES: CAW Exh. A, Ch. 4, Table 4.5; DRA Exh. 5, p. 8 and Table 4.1.

5.5 Account 794 – Non-Worker’s Compensation, Injuries & Damages

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its estimates on a five-year average escalated for inflation. The amounts in this account reflect only costs associated with non-Worker’s Compensation. Worker’s Compensation is included in Cal Corp.

DRA POSITION:

DRA departs from its standard adjustment for non-recurring expenses. By its very nature, worker’s compensation for injuries and damages can be expected to be non-recurring. DRA notes that only two of California American Water’s districts (Monterey County and Sacramento) forecast expenses associated with this account based upon the five-year average of recorded data. DRA also notes the offsetting decrease (although not proportional) that has been recorded in sub-account 504640.16 Safety Incentives for the Monterey and Sacramento Districts during the same period (see graph below). While not making any dollar adjustments in Account 794, DRA does recommend that California American Water continue to coordinate and improve upon the relationship between safety programs and the outcomes such programs are designed to accomplish.

RESOLUTION:

DRA and California American Water agree on Worker’s Compensation, Injuries & Damages as set forth below.

Test Year 2012 Account 794 Workers' Compensation, Injuries & Damage	CAW Direct	DRA Report	Difference	Settlement
Larkfield	\$0	\$0	\$0	\$0
Los Angeles	\$0	\$0	\$0	\$0
Monterey County	\$18,900	\$18,900	\$0	\$18,900
Monterey – Toro	\$0	\$0	\$0	\$0
Wastewater	\$0	\$0	\$0	\$0
Sacramento	\$5,200	\$5,200	\$0	\$5,200
San Diego	\$0	\$0	\$0	\$0
Ventura	\$0	\$0	\$0	\$0

REFERENCES: CAW Exh. A, Ch. 4, Table 4.5; DRA Exh. 5, p. 9.

5.6 Account 795 – Employee Pension & Benefits (Non-Pension/Non-OPEB)

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its estimates of non-pension and non-OPEB costs on a five-year average escalated for inflation for many accounts and cost trends based on employee costs and participation for other accounts.

DRA POSITION:

The differences between California American Water's and DRA's estimates are the result of differences in estimated payroll and staffing levels for test and escalation.

RESOLUTION:

DRA and California American Water agree to compromise on Employee Pension & Benefits as set forth below. The resolution is based on settlement agreements in relation to employee levels and salaries.

Test Year 2011 Account 795 Employee Pensions & Benefits	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
San Diego	\$65,100	\$65,100	\$63,100	\$0	\$64,900
Ventura	\$70,900	\$70,900	\$70,300	\$600	\$70,900

Test Year 2012 Account 795 Employee Pensions & Benefits	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
Larkfield	\$21,800	\$21,800	\$21,800	\$	\$21,900
Los Angeles	\$126,100	\$126,100	\$118,100	\$8,000	\$119,400
Monterey County	\$300,600	\$300,600	\$297,900	\$2,700	\$298,600
Monterey – Toro	\$1,900	\$1,900	1,900		\$1,900
Wastewater	\$62,700	\$62,700	\$61,500	\$0	\$62,700
Sacramento	\$292,600	\$292,600	\$281,700	\$10,900	\$291,800
San Diego	\$72,600	\$72,600	\$65,000	\$7,600	\$75,400
Ventura	\$72,900	\$72,900	\$71,700	\$1,200	\$72,800

REFERENCES: CAW Exh. A, Ch. 4, Table 4.5; DRA Exh. 5, p. 10, Table 4-1.

5.7 Account 797 – Regulatory Expense (Other Operating WT)

CALIFORNIA AMERICAN WATER REQUEST:

Regulatory Proceeding Expense for each district has been removed from all test year estimates as these costs are allocated to each district from estimates derived in California American Water’s General Office, Cal Corp. A small amount of non-proceeding expense is allowed in Wastewater based on historical averages.

DRA POSITION:

DRA agrees that as a result of the consolidated multi-district GRC process, the future recovery of regulatory expense for water districts will be recorded in a General Office expense account for allocation to districts. See General Office Section 6.11 Adjustment #14 - Regulatory Expense.

RESOLUTION:

DRA and California American Water agree on Regulatory Expense (Other Operating WT) as set forth below:

Test Year 2012 Account 797 Regulatory Expense	CAW Direct	DRA Report	Difference	Settlement
Wastewater	\$1,500	\$1,500	\$0	\$1,500

REFERENCES: CAW Exh. A, Ch. 4, Tables 4.5; DRA Exh. 5, p. 10.

5.8 Account 798 – Outside Services

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its estimates on a five-year average escalated for inflation.

DRA POSITION:

DRA has adjusted test and escalation year estimates for non-recurring expenses by removing from the base line average used to calculate estimates any sub-account which recorded expenses in just one of the five years of historical data. Summing the adjustments made in this account for each district results in a company-wide adjustment of \$58,900 less in revenue requirements.

RESOLUTION:

DRA and California American Water agree to compromise on Outside Services as set forth below. The agreement was a splitting of the overall differences.

Test Year 2011 Account 798 Outside Services	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
San Diego	\$38,500	\$38,500	\$38,500	\$0	\$38,300
Ventura	\$34,100	\$34,100	\$34,100	\$0	\$34,000

Test Year 2012 Account 798 Outside Services	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
Larkfield	\$20,300	\$20,300	\$16,200	\$4,100	\$18,100
Los Angeles	\$101,800	\$101,800	\$101,800	\$0	\$101,300
Monterey County	\$568,400	\$568,400	\$568,400	\$0	\$564,400
Wastewater	\$327,900	\$327,900	\$288,100	\$39,800	\$309,500
Sacramento	\$554,500	\$554,500	\$539,400	\$15,100	\$537,200
San Diego	\$37,900	\$37,900	\$37,900	\$0	\$39,500
Ventura	\$35,200	\$35,200	\$35,200	\$0	\$35,000

REFERENCES: CAW Exh. A, Ch. 4, Table 4.5; DRA Exh. 5, p. 11 and Table 4.1.

5.9 Account 799 – Miscellaneous General Expenses

CALIFORNIA AMERICAN WATER REQUEST:

Fuel Costs: California American Water estimate fuel costs using a three-year historical average to better account for more recent fuel cost increases.

Vehicle Lease Costs: California American Water estimated transportation costs based on current lease costs and expectations of replacing leased vehicles with purchased vehicles.

Postage A&G: Postage costs are based on the latest costs to mail bills times the estimated number of bills, reminders, shut-off notices and other system generated mailings.

Charitable Deductions: These were removed from consideration

Monterey County District NOAA Payment: The estimate was based on the current settlement agreement required payment of \$1.1 million annually.

DRA POSITION:

Fuel Costs: DRA adjusted California American Water's estimates in account 550002.16 Transportation Expense - Lease Fuel to be based upon the constant-dollar five-year average of recorded expenses. Where California American Water has based test year estimates on the 3-year average of recorded expenses "to better account for more recent fuel cost increases". DRA recommends the broader five-year baseline as more reasonable in capturing the fluctuations of both increases and decreases in the recorded data. DRA's recommendation would result in a lower company-wide forecasted expense level of \$56,900.

Vehicle Lease Costs: Consistent with DRA's recommendations on California American Water's continued lease of vehicles, DRA reversed the reduction that California American Water has included in Account 799 for lower vehicle lease costs related to the company's proposed purchase of vehicles. (*See* DRA Exhibit 9, Chapter 1). DRA's upward adjustment in sub-account 550001.16 Transportation Expense - Lease Cost related to this issue totals \$42,700 in test year 2012 and \$58,400 in escalation year 2013 on a company-wide basis.

Postage A&G: DRA made another adjustment in Account 799, sub-account 575660.16 - Postage A&G, to remove the allocated portion of additional postage that California American Water had requested for three additional customer communications per year. Unable to clearly ascertain the purpose of this request DRA recommends the costs associated with additional postage (totaling \$217,231 company-wide in test year 2012) be removed from base rates.

Charitable Deductions: In Account 799, California American Water also included expenses associated with Charitable Deductions estimates in test and escalation year estimates. DRA has removed these estimated expenses in accordance with Division of Water & Audits' Standard Practice U-26, which provides "that dues, donations and contributions to charitable and service organizations are disallowed." This adjustment results in a total reduction in California American Water's company-wide forecasted expenses of \$38,600.

Monterey County District NOAA Payment: In the Monterey County District, DRA removed from Account 799 California American Water's estimated expense of NOAA payments for the test and escalation years. As explained in the testimony of DRA's witness, Nikolay Kotyrlo, DRA recommends continuation of California American Water's memorandum account to track any future NOAA-related payments. Therefore, DRA recommends that these forecasted NOAA payment amounts not be included in test and escalation year revenue requirements, but continue to be tracked in the NOAA memorandum account.

RESOLUTION:

DRA and California American Water agree to compromise on Office Supplies and Other Expenses as set forth below:

- DRA and California American Water agree to a reduction of fuel costs of \$14,350.
- DRA and California American Water agree to remove additional customer notice postage costs for a reduction of \$216,725.
- DRA and California American Water agree to remove from Account 799 the charitable expense of \$36,600.
- DRA and California American Water agree to remove the \$1.1 million annual National Oceanic and Atmospheric Administration (“NOAA”) payment from this expense account and recover this amount through a one-way balancing account and surcharge that can be stopped if the required payment is stopped. The surcharge will be based on flat meter charge per month assessed against all Monterey Main system customers.
- DRA and California American Water agree that with the exception of a new Vector Truck in the Monterey Wastewater district, all vehicles will continue to be leased. To reach this settlement, lease costs totaling the following amounts are included in operating expenses in the 2012 test year.

Test Year 2012 Vehicle Lease Expense	2012 Settlement
Corporate	\$16,228
Larkfield	\$21,183
Los Angeles	\$133,342
Monterey County	\$513,837
Wastewater	\$22,861
Sacramento	\$236,948
San Diego	\$74,677
Ventura	\$108,284

Test Year 2011 Account 799 Miscellaneous General Expense	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
San Diego	\$335,500	\$335,500	\$334,600	\$900	\$334,400
Ventura	\$371,500	\$371,500	\$365,200	\$6,300	\$369,300

Test Year 2012 Account 799 Miscellaneous General Expense	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
Larkfield	\$115,200	\$115,200	\$112,200	\$3,000	\$111,300
Los Angeles	\$661,600	\$661,600	\$652,200	\$9,400	\$638,800
Monterey County	\$3,229,800	\$3,229,800	\$2,102,400	\$1,127,400	\$2,105,200
Monterey – Toro	\$34,000	\$34,000	\$34,000		\$34,000
Wastewater	\$78,800	\$78,800	\$74,000		\$75,200
Sacramento	\$1,494,900	\$1,494,900	\$1,387,400	\$107,500	\$1,414,000
San Diego	\$357,200	\$357,200	\$356,300	\$900	\$342,400
Ventura	\$400,600	\$400,600	\$379,500	\$21,100	\$377,600

REFERENCES: CAW Exh. A, Ch. 4, Table 4.5; DRA Exh. 5, p. 14 and Table 4.1.

5.10 Account 805 – Maintenance of General Plant

CALIFORNIA AMERICAN WATER REQUEST:

The circuit upgrade discussed above also affected A&G Maintenance Plant Expense. Accordingly, the forecasted expenses for the Miscellaneous Maintenance A&G account was adjusted to incorporate Maintenance and Service costs for the new phone service provider.

DRA POSITION:

DRA adjusted test and escalation year estimates for non-recurring expenses by removing from the base line average used to calculate estimates any sub-account which recorded expenses in just one of the five years of historical data. Summing the adjustments made in this account for each district results in a company-wide adjustment of \$16,000 less in revenue requirements.

RESOLUTION:

DRA and California American Water agree to compromise on Maintenance of General Plant as set forth below:

Test Year 2011 Account 805 Maintenance of General Plant	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
San Diego	\$3,300	\$3,300	\$3,300	\$0	\$3,300
Ventura	\$18,300	\$18,300	\$2,700	\$15,600	\$12,200

Test Year 2012 Account 805 Maintenance of General Plant	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
Larkfield	\$7,100	\$7,100	\$7,100	\$0	\$7,100
Los Angeles	\$2,300	\$2,300	\$2,300	\$0	\$2,300
Monterey County	\$76,400	\$76,400	\$76,400	\$0	\$75,800
Wastewater	\$300	\$300	\$300	\$0	\$200
Sacramento	\$9,000	\$9,000	\$9,000	\$0	\$9,000
San Diego	\$3,400	\$3,400	\$3,400	\$0	\$3,400
Ventura	\$18,900	\$18,900	\$2,800	\$16,100	\$12,800

REFERENCES: CAW Exh. A, Ch. 4, Table 4.5; DRA Exh. 5, p. 14 and Table 4.1.

5.11 Account 811 – Rents

CALIFORNIA AMERICAN WATER REQUEST:

Property lease expenses were forecasted using actual lease costs per lease agreements escalated by inflation factors per the agreements. Equipment leases were generally escalated using an inflation adjusted historical five-year average.

DRA POSITION:

Both DRA and California American Water have forecast test and escalation year expenses based upon either the five-year average of recorded data for equipment or actual lease payments for real property escalated for inflation. As noted elsewhere in DRA testimony, to avoid comparing differences in DRA's and California American Water's estimates that result solely from application of different inflation factors, DRA has retained the inflation estimates used by California American Water in deriving test and escalation year forecasts. DRA will update these estimates during the production of the Joint Comparison Exhibit with the most recent data available at that time.

RESOLUTION:

DRA and California American Water agree to Rents as set forth below:

Test Year 2011 Account 811 Rents	CAW Direct	DRA Report	Difference	Settlement
San Diego	\$46,600	\$46,600	\$0	\$46,500
Ventura	\$303,800	\$303,800	\$0	\$303,800

Test Year 2012 Account 811 Rents	CAW Direct	DRA Report	Difference	Settlement
Larkfield	\$28,300	\$28,200	\$100	\$28,200
Los Angeles	\$45,800	\$45,800	\$0	\$45,700
Monterey County	\$471,200	\$471,200	\$0	\$470,900
Monterey – Toro	\$4,300	\$4,300	\$0	\$4,300
Wastewater	\$30,200	\$30,200	\$0	\$30,200
Sacramento	\$15,100	\$15,100	\$0	\$15,000
San Diego	\$48,000	\$48,000	\$0	\$47,900
Ventura	\$313,500	\$313,500	\$0	\$313,500

REFERENCES: CAW Exh. A, Ch. 4, Table 4.5; DRA Exh. 5, p. 14 and Table 4.1.

5.12 Allocated Expenses

The four sub-categories of Allocated Costs which appear in California American Water’s Table 4.1 Summary of Expenses are: (1) Allocated General Office, (2) Service Company, (3) Divisional Costs and (4) Citizens Acquisition Premium. DRA’s consultant, Overland, audited and submitted testimony on recommended test and escalation year estimates for the first two sub-categories of Allocated Costs, DRA reviewed the third and fourth sub-categories.

REFERENCES: CAW Exh. A, Ch. 4, Tables 4.1; DRA Exh. 5, pp. 15-16, Table 4-1.

5.12.1 General Office Allocation

DRA and California American Water agree that the allocation methodology set forth in California American Water’s application should be used to allocate general office expenses. The expenses are allocated using the most appropriate cost causing measure.

REFERENCES: CAW Exh. A, Ch. 4, Tables 4.1; DRA Exh. 5, pp. 15-16, Table 4-1.

5.12.2 Service Company

DRA and California American Water agree that the Service Company costs included in the General Office, as adjusted by this settlement or through litigation, represent California American Water’s recoverable share of Service Company costs and are allocated based on the number of customers or direct charged if the work done was specific to California American Water.

REFERENCES: CAW Exh. A, Ch. 4, Tables 4.1; DRA Exh. 5, pp. 15-16, Table 4-1.

5.12.3 Allocated Division Costs and Plant Related O&M Costs

The allocated divisional costs and plant related O&M Costs are costs common among a division and therefore are allocated to the districts of that division. DRA removed forecasted expenses from test and escalation years consistent with DRA's adjustments for non-reoccurring costs where only one of the five historic years had recorded an expense.

Test Year 2011 Allocated Divisional and Plant related O&M Costs	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
San Diego	\$16,700	\$16,700	\$16,600	\$100	\$16,700
Ventura	\$16,700	\$16,700	\$16,600	\$100	\$16,700

Test Year 2012 Allocated Divisional and Plant related O&M Costs	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
Larkfield	\$25,800	\$25,800	\$23,000	\$2,800	\$25,800
Los Angeles	\$17,200	\$17,200	\$17,100	\$100	\$17,200
Monterey County	\$371,000	\$371,000	\$344,800	\$26,200	\$371,000
Wastewater	\$9,700	\$9,700	\$8,100	\$1,600	\$9,700
Sacramento	\$704,200	\$704,200	\$704,200	\$0	\$704,200
San Diego	\$17,300	\$17,300	\$17,200	\$100	\$17,300
Ventura	\$17,300	\$17,300	\$17,300	\$0	\$17,300

REFERENCES: CAW Exh. A, Ch. 4, Tables 4.1; DRA Exh. 5, pp. 15-16, Table 4-1.

5.12.4 Citizens Acquisition Premium

See Section 11.20 – Special Request #26 for a full discussion of this issue.

Citizens' Acquisition Premium	CAW Direct	DRA Report	Difference	Settlement
Larkfield	\$67,900	\$67,900	\$0	\$67,900
Los Angeles	\$613,200	\$613,200	\$0	\$613,200
Monterey County	\$877,900	\$877,900	\$0	\$877,900
Sacramento	\$1,605,300	\$1,605,300	\$0	\$1,605,300
San Diego	\$458,900	\$458,900	\$0	\$458,900
Ventura	\$457,800	\$457,800	\$0	\$457,800

REFERENCES: CAW Exh. A, Ch. 4, Tables 4.1; DRA Exh. 5, pp. 15-16, Table 4-1; CAW Exh. 27, *Direct Testimony of David P. Stephenson*, dated July 1, 2010 ("Stephenson Direct"), pp. 58-59, Attachments 8, 9; CAW Exh. 51, *Rebuttal Testimony of David P. Stephenson*, dated

March 22, 2011 ("Stephenson Rebuttal"), pp. 25-28; DRA Exh. 13, *DRA Testimony on Special Request Nos. 3, 11, 12, 24, 25, 26, and 32 of California American Water Company Larkfield, Los Angeles County, Monterey County, Monterey Wastewater, Sacramento, San Diego County, and Ventura County Districts*, dated January 21, 2011 ("DRA Exh. 13"), pp. 6-1 – 6-3.

5.13 Customer Growth Factor

CALIFORNIA AMERICAN WATER REQUEST:

California American water proposed a 0.23% customer growth factor for all districts and costs based on historical Company customer growth.

TURN AND DRA POSITIONS:

TURN proposed that the growth factor ought to be eliminated or as an alternative reduce to the future projected growth factor of .07%, and apply this factor only to districts in which growth is projected to occur. DRA agreed with TURN's proposal.

RESOLUTION:

TURN and California American Water agree that the 0.23% customer growth escalation factor applied to various forecasted expenses by California American Water in its application will be reduced to 0.07%. The impact of this change is reflected in all of the above expense tables that previously used the 0.23% customer growth escalation factor. Districts with growth (i.e. Los Angeles, Ventura, Sacramento and Larkfield) used the 0.07% in place of the 0.23%. Districts with little to no growth (i.e. Monterey, Wastewater and San Diego) were reduced from 0.23% to 0%. DRA agreed with TURN's proposal

REFERENCE: CAW Exh. A, Ch. 4; CAW Exh. 19, Pilz Direct, p. 3, Att. 1; CAW Exh. 47, Pilz Rebuttal, pp. 13-14; TURN Exh. 2, *Direct Testimony of Donna Ramas On Behalf of The Utility Reform Network*, dated February 4, 2011 ("Ramas Direct"), pp. 9-17.

6.0 OVERLAND CONSULTING ADJUSTMENTS

The following Overland adjustments reduce the 2012 total General Office Revenue Requirement as shown in the table below:

Component	2012 Revenue Requirement
American Water Service Company allocated to CAW	\$13,170,362
Cal Corp (traditionally requested as part of district expenses)	\$14,282,672
Cal Corp (traditionally Cal Corp)	\$10,395,425
Cal Corp Return on Rate Base & General Taxes	\$1,388,600
Total General Office (excluding Citizen's Acquisition Premium)	\$39,237,060

REFERENCES: DRA Exh. 31, *Overland Consulting Regulatory Audit of California American Water Company's General Office Expense*, dated May 24, 2011 ("Overland Report"), p. 2-1.

6.1 Adjustment #2 – Annual Incentive Compensation (AIP)

CALIFORNIA AMERICAN WATER REQUEST:

California American Water opposes TURN's, DRA's and Overland's recommendations regarding incentive compensation. California American Water requests authorization to recover 100% of its AIP program as part of the annual cost of service.

With regards to DRA's recommendation to use an amount recognized as payout to employees equal to the actual percentage payout currently estimated for 2010 of 130% of the AIP annual program costs, California American Water recommends using either the actual payout amount of 158% or the initial request of California American Water of 100%, depending on if all portions of the AIP are considered appropriate to include in the determination of the annual revenue requirement.

DRA POSITION:

Overland recommends adjusting incentive compensation consistent with DRA's recommendation that customer funding should be limited to the portion of the incentive plan payments that are aligned with operational objective that provide customer benefits. This means that 70% of AIP be funded by shareholders, and 30% be funded by ratepayers. Overland also recommends that 85% of the stock-based compensation be funded by shareholders, and 15% be funded by ratepayers. Overland's recommended adjustment reduces California American Water's requested expense by \$729,448 in base year 2010 and \$775,150 in test year 2012.

TURN POSITION:

TURN recommends disallowing 100% of the incentive compensation expense, including both the stock-based compensation and the annual incentive plan bonuses from the annual cost of service. TURN argues for the disallowance because it finds that the incentive program is designed to bring shareholder value, not customer benefits, and will raise salaries above the 50th percentile of market. Payments under the program are based on certain parent company performance triggers with operational targets only being factored in once parent company triggers are met.

RESOLUTION:

DRA, TURN and California American Water agree that customers will pay approximately 50% of the requested incentive compensation, including AIP and stock-based incentives, as of the time that CalAm submitted its application. This applies to incentive compensation at both the General Office and at the district level.

Adjustment #2 Incentive Compensation at Service Company and Cal Corp	CAW Direct Reduction	DRA Report Reduction	TURN Report Reduction	Difference in Reduction	Settlement Reduction
2012 CalCorp	\$489,838	(\$342,722)	(\$489,838)	(\$342,722)	Cal Corp (\$244,919)
2012 Service Company	\$843,802	(\$458,483)	(\$843,802)	(\$458,483)	Service Co (\$387,081)

REFERENCES: DRA Exh. 31, Overland Report, Ch. 2, pp. 4-6; CAW Exh. 56, *Rebuttal Testimony of David P. Stephenson on General Office Issues*, dated April 25, 2011 ("Stephenson GO Rebuttal"), Sec. IV, pp. 9-30.

6.2 Adjustment #3 – Business Development Expense

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requests full recovery of all business development expenses.

DRA POSITION:

Overland recommends that all business development expense be absorbed by the shareholders.

RESOLUTION:

DRA and California American Water agree to remove business development expense.

Adjustment #3 Business Development	CAW Direct	DRA Report	Difference	Settlement	Reduction
2012 Service Company	\$138,670	\$0	(\$138,670)	\$0	Service Co. (\$138,670)

REFERENCES: CAW Exh. 56, Stephenson GO Rebuttal, Sec. XII, pp. 92-96; DRA Exh. 31 Overland Report, Ch. 2, pp. 6-8.

6.3 Adjustment #4 – Service Company Contributions Expense

CALIFORNIA AMERICAN WATER REQUEST:

California American Water does not dispute Overland’s recommendation to disallow charitable contributions. Of the \$62,988 that Overland recommends for disallowance in 2012, only 20.41% constitutes charitable contributions. California American requests recovery of the other 79.59% or \$50,132, which is for corporate responsibility expenses.

DRA POSITION:

Overland recommends removal of expenses associated with charitable contributions from California American Water’s customer-funded revenue requirement. This adjustment would reduce California American Water’s requested expense by \$62,988 in base year 2012.

RESOLUTION:

DRA and California American Water agree to remove expense associated with charitable contributions and corporate responsibility from the California American Water’s customer-funded revenue requirement as set forth below.

Adjustment #4 Service Company Charitable Contributions	CAW Direct	DRA Report	Difference	Settlement	Reduction
2012 Service Company	\$62,988	\$0	(\$62,988)	\$0	Service Co. (\$62,988)

REFERENCES: CAW Exh. 57, *Rebuttal Testimony of Kevin A. Tilden on General Office Issues*, dated April 25, 2011 ("Tilden GO Rebuttal"), Sec. III, pp. 2-10; DRA Exh. 31, Overland Report, Ch. 2, p. 8.

6.4 Adjustment #5 – Legislative and Political Influence Expense

CALIFORNIA AMERICAN WATER REQUEST:

California American Water included the all costs related to the legislative analysis group.

DRA POSITION:

Overland recommends removing expenses incurred by AWSC’s Government Affairs function. This would reduce California American Water’s requested expense by \$11,917 in base year 2010 and \$12,670 in test year 2012.

RESOLUTION:

DRA and California American Water agree to remove expenses incurred by AWSC’s Government Affairs function as set forth below.

Adjustment #5 Service Company Legislative and Political Influence	CAW Direct	DRA Report	Difference	Settlement	Reduction
2012 Service Company	\$12,670	\$0	(\$12,670)	\$0	Service Co. (\$12,670)

REFERENCES: CAW Exh. 57, Tilden GO Rebuttal, Sec. IV, pp. 10-11; DRA Exh. 31, Overland Report, Ch. 2, pp. 9-10.

6.5 Adjustment #6 – 2009 Admin Expense

CALIFORNIA AMERICAN WATER REQUEST:

Include all administrative costs on a prospective basis in rates.

DRA POSITION:

Overland recommends excluding AWSC “Admin” expenses incurred in 2009 from California American Water’s ratepayer-funded revenue requirement. This adjustment would reduce California American Water’s requested expense by \$107,392 in base year 2010 and \$114,176 in test year 2012.

RESOLUTION:

DRA and California American Water agree to adopt the 2010 actual expense per OC-135.

Adjustment #6 Service Company Admin Expense	CAW Direct	DRA Report	Difference	Settlement	Reduction
2012 Service Company	\$84,624	\$0	(\$84,624)	\$22,066	Service Co. (\$62,558)

REFERENCES: DRA Exh. 31, Overland Report, Ch. 2, pp. 10-12.

6.6 Adjustment #7 – NSC Sales and Marketing Expense

CALIFORNIA AMERICAN WATER REQUEST:

California American Water opposes this recommendation. California American requests full recovery of national service center salary expense as well as expenses billed from this department.

DRA POSITION:

Overland recommends that corporate sales and marketing expenses be excluded from the customer-funded revenue requirement. Overland recommends removing \$1,687,787 from AWSC’s sales and marketing expense which would result in a reduction to California American’s O&M expense of \$81,232.

RESOLUTION:

DRA and California American Water agree that corporate sales and marketing expenses be excluded from the customer-funded revenue requirement in this case as set forth below.

Adjustment #7 Service Company Sales and Marketing Expense	CAW Direct	DRA Report	Difference	Settlement	Reduction
2012 Service Company	\$81,232	\$0	(\$81,232)	\$0	Service Co. (\$81,232)

REFERENCES: CAW Exh. 57, Tilden GO Rebuttal, Sec. V, pp. 11-12; DRA, Exh. 31, Overland Report, Ch. 2, pp. 11-13.

6.7 Adjustment #9 – Post-Retirement Benefits Other than Pensions (PBOPs)

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requests that it be allowed as part of the revenue requirement estimated PBOP expense based on actuarial projections as provided by its consultant (net of any

capitalized portion). California American Water also requests continuation of the previously authorized balancing account.

DRA POSITION:

Overland recommends base period PBOP expense equal to what was incurred in 2010, and GAAP expense as forecasted by its consultant for the years 2011-2013. This would reduce California American Water’s request regarding PBOP expense (as filed) by \$453,899 in base year 2010 and \$452,943 in test year 2012.

RESOLUTION:

DRA and California American Water agree to adopt California American Water’s revised position, which contains new, lower PBOP projections. See Stephenson GO Rebuttal, Attachment 3.

Adjustment #9 Service Company and Cal Corp PBOBs	CAW Direct	CAW Update	Overland	Difference	Settlement	Reduction
2012 Cal Corp	\$1,019,800	\$1,019,800	\$579,134	(\$440,666)	\$635,836	Cal Corp (\$383,964)
2012 Service Company	\$175,188	\$175,188	\$162,518	(\$12,670)	\$164,491	Service Co (\$10,697)

REFERENCES: CAW Exh. 56, Stephenson GO Rebuttal, Sec. VII, pp. 44-45, Attachment 3; DRA Exh. 31, Overland Report, Ch. 2, pp. 15-16.

6.8 Adjustment #10 – Employee Savings Plan Expenses

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its recommendation on the current level of Company contributions, increased by the labor inflation rate and new employees.

DRA POSITION:

Overland recommends base period 401k and Defined Contribution Plan (DCP) expense equal to the amount actually incurred by AWSC and Cal Corp in 2010. For the forecast years 2011 through 2013 we recommend increasing base period amounts using appropriate labor expense escalation factors. This would reduce California American Water’s requested expense by \$37,631 in base year 2010 and \$43,489 in test year 2012.

RESOLUTION:

DRA and California American Water agree to adopt California American Water’s original position.

Adjustment #10 Service Company and Cal Corp Employee Savings Plan	CAW Direct, per Overland	Overland	Difference	Settlement	Reduction
2012 Cal Corp	\$409,578	\$366,088	(\$43,489)	\$409,578	\$0

REFERENCES: CAW Ex. 54, *Rebuttal Testimony of Jeffrey M. Dana on General Office Issues*, dated April 25, 2011 ("Dana GO Rebuttal"), Sec. IV, pp. 13; DRA Exh. 31, Overland Report, Ch. 2, pp. 15-16.

6.9 Adjustment #12 – AWSC Employee Expense

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its original position upon an inflation adjusted budget amount for 2010.

DRA POSITION:

Overland recommends that base period expense funded by California customers be calculated using actual 2010 expense, rather than amounts that include a 40 percent budgetary cushion. This would result in a reduction of \$100,040 for 2010, \$103,141 for 2011, \$106,360 for 2012, and \$109,593 for 2013.

RESOLUTION:

DRA and California American Water agree to compromise on AWSC Employee Expense as set forth below.

Adjustment #12 Service Company Employee Expense	CAW Direct	DRA Report	Difference	Settlement	Reduction
2012 Service Company	\$274,747	\$167,952	(\$106,795)	\$221,349	Service Co. (\$53,398)

REFERENCES: CAW Exh. 55, *Rebuttal Testimony of Doneen Hobbs on General Office Issues*, dated April 25, 2011 - Without Confidential Attachment 3 ("Doneen Public GO Rebuttal"), Sec. IV, pp. 22-25; DRA Exh. 31, Overland Report, Ch. 2, pp. 19-20.

6.10 Adjustment #13 – Liability, Property and Worker’s Compensation Insurance Expense

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based its original projection based on total expense estimates provided by its carrier through its Corporate Office.

DRA POSITION:

Overland recommends adopting a base period insurance expense equal to the actual 2010 insurance expense. Overland recommends 2011 insurance expense based on the average of the years 2006-2010, adjusted for inflation. Overland recommends basing 2012 and 2013 expense on recommended 2011 expense, adjusted for inflation.

RESOLUTION:

DRA and California American Water agree to adopt a base period insurance expense equal to the actual 2010 insurance expense as set forth below.

Adjustment #13 Cal Corp Liability, Property and Worker’s Comp Insurance	CAW Direct	DRA Report	Difference	Settlement	Reduction
2012 Cal Corp	\$2,510,301	\$1,755,368	(\$754,933)	\$1,755,368	Cal Corp (\$754,933)

REFERENCES: CAW Exh. 56, Stephenson GO Rebuttal, Sec. X, pp. 70-71; DRA Exh. 31 Overland Report, Ch. 2, pp. 20-22.

6.11 Adjustment #14 – Regulatory Expense

CALIFORNIA AMERICAN WATER REQUEST:

With regard to regulatory expenses, California American Water has requested to defer all projected costs (\$4,180,177) of the current rate case and cost of capital case, and recover that deferred total over the three year effective period of the case; to recover the projected cost of \$4,215,000 for the next general rate case and cost of capital case in rates during the effective period of this case; and to be authorized to move to fully forecasting rate case expense in rates instead of deferring and amortization, if the Commission believes this is the proper accounting for such costs.

Alternatively, if the Commission follows the standard established in D.10-11-035, California American Water would remove its request to recover both the costs incurred to process this current rate case as well as the double projected cost to process the subsequent rate case all in the effective period of this case. We would instead request that we be allowed to recover the reasonable and prudent cost estimates to process this current case and the cost of capital case by allowing deferral of all costs of this case and the cost of capital case and recovering those deferred costs through amortization of said costs over the three year effective period of the rate decision in this case and the cost of capital case. In other words, we would be requesting deferral and amortization of \$4,180,177 as the appropriate amount to allow in the cost of service for the effective period of this rate case. We would not then be requesting the recovery of any rate case expense on a fully forecast basis.

DRA POSITION:

Overland recommends that rate case expense funded by customers be based on currently authorized regulatory expense, reduced by an amount to recognize the savings in outside legal expenses attributable to the newly-hired staff.

RESOLUTION:

DRA and California American Water agree to adopt the standard established in D.10-11-035, which is that California American Water be allowed to defer costs of this case and recover those deferred costs through annual amortization of settled amount below (\$1,121,395) in each year over the three year effective period of the rate decision in this case. In other words, California American Water is authorized to defer \$3,364,185 and amortize \$1,121,395 annually as the appropriate amount to allow in the cost of service for the effective period of this rate case. Similarly, rate case expenses for the rate case that will determine authorized rates for 2015-2017 will be deferred as a regulatory asset and will be amortized over the 3 year period of 2015-2017.

Adjustment #14 Regulatory Expense	CAW, per Overland	Overland	Difference	Settlement
2012 Cal Corp	\$0	(\$1,950,205)	(\$1,950,205)	Cal Corp (1,677,000)

Revenue Requirement for #14 Regulatory Expense	CAW, per Overland	Overland	Difference	Settlement	Reduction
2012	\$2,798,395	\$848,190	(\$1,950,205)	\$1,121,395	Cal Corp (\$1,677,000)
2013	\$2,798,395	\$871,770	(\$1,926,625)	\$1,121,395	Cal Corp (\$1,677,000)

REFERENCES: CAW Exh. 56, Stephenson GO Rebuttal, Sec. IX, pp. 51-70; DRA Exh. 31 Overland Report, Ch. 2, pp. 22-25.

6.12 Adjustment #16 – Software and ITS Depreciation

CALIFORNIA AMERICAN WATER REQUEST:

California American Water recommends that the Commission disregard Overland’s recommendation regarding Adjustment #16 - ITS Depreciation as all requested depreciation needs to be recognized.

DRA POSITION:

Overland recommends an adjustment to the ITS depreciation of \$1.8 million. This adjustment would reduce California American Water’s expense by \$77,019 in base year 2010 and \$81,884 in test year 2012.

RESOLUTION:

DRA and California American Water agree to adopt California American Water’s position as set forth below.

Adjustment #16 Service Company Software and ITS Depreciation	CAW Direct	DRA Report	Difference	Settlement	Reduction
2012 Service Company	\$763,898	\$682,014	(\$81,884)	\$763,898	\$0
2013 Service Company	\$787,120	\$702,747	(\$84,373)	\$787,120	\$0

REFERENCES: CAW Exh. 55, Doneen Public GO Rebuttal, Sec. V, pp. 25-29; DRA Exh. 31, Overland Report, Ch. 2, pp. 26.

7.0 CONSERVATION

7.1 General Issues

7.1.1 Overview

ISSUE:

California American Water and Monterey Peninsula Water Management District (MPWMD) submitted a joint, three-year proposed conservation budget of \$5,945,395 for the Monterey County district (\$4,285,495 for California American Water; \$1,660,200 for MPWMD). California American Water submitted an annual combined total of \$2,035,586 for its Larkfield (\$53,321), Los Angeles County (\$374,922), Sacramento (\$800,243), San Diego County (\$282,654), and Ventura County(\$524,446) districts for test year 2012.

Based on information provided by California American Water, DRA recommended a budget of \$3,020,672 for California American Water-Monterey district, \$1,112,200 for MPWMD-Monterey district, \$29,386 for Larkfield district, \$138,877 for Los Angeles County district, \$318,310 for Sacramento, \$139,277 for San Diego County district, and \$215,122 for Ventura County district.

RESOLUTION:

California American Water and DRA agree that the California American Water-MPWMD joint conservation program should be authorized a three-year budget of \$4,140,575 for the Monterey County district, with \$3,055,375 for California American Water and \$1,085,200 for MPWMD. California American Water and DRA also agree on an annual budget of \$29,386 for the Larkfield district, \$173,877 for the Los Angeles County district, \$455,200 for the Sacramento district, \$153,277 for the San Diego County district and \$234,122 for the Ventura County district, for test year 2012, to be increased by a combined labor/non-labor weighted escalation rate for inflation of 1.0266 for years 2013 and 2014.

Two funding categories, Public Information Program and Rebates from its Monterey district will be subject to spending caps. Similarly, two funding categories, Public Information Program and HET Direct Installations – Low Income from its Larkfield, Los Angeles County, Sacramento, San Diego County, and Ventura County districts will be subject to spending caps. California American Water agrees that no monies will be added to its Public Information Programs for all the districts while monies can be added at its discretion to the Rebates program for its Larkfield, Los Angeles County, Sacramento, San Diego County, and Ventura districts. Except for those categories mentioned here, California American Water at its discretion may move its budget amount amongst all the other conservation program elements.

DRA and California American Water agree that California American Water may file an advice letter for an additional \$100,000 for the Monterey district if needed for emergency public outreach when (a) California American Water's production of water is within 2% of its legally authorized year-to-date production limits set forth in Table 1 of the proposed Revised Rule

14.1.1, Water Conservation Plan, Monterey District filed with the Commission on October 10, 2008 (“Rule 14.1.1”), or (b) an escalation to the conservation stages under Rule 14.1 have been triggered (Stage 1 to Stage 2 or Stage 2 to Stage 3). The advice letter is capped at \$100,000 and will not include costs incurred for pre-rationing and rationing activities. At such time that the advice letter goes into effect, California American Water will place a notice on the customer bill stating that it is a water conservation emergency and that customers should help conserve water. In addition, California American Water may also file an advice letter for additional funding for the rebate program, in accordance with D. 09-05-029, Ordering Paragraph 1. d. which states: “If after one year California-American Water Company has spent more than one third of this amount [of the rebate program budget], or after two years California-American Water Company has spent more than two-thirds of this amount [of the rebate program budget], and projects that it will overspend in this category, California-American Water Company may file an advice letter to increase the budget by the rate of overspending, or \$250,000, whichever is smaller.”

Detailed conservation program budgets for each district are discussed below.

REFERENCES: See CAW Exhs. E; CAW Exh. 17, Direct Testimony of Monica Na, dated July 1, 2010 ("Na Direct"); CAW Exh. 46, *Rebuttal Testimony of Monica Na*, dated March 22, 2011 ("Na Rebuttal"); DRA Exh. 6, *DRA Testimony on Conservation Program and Expenses of California American Water Company Monterey, Larkfield, Los Angeles, Sacramento, San Diego and Ventura County Districts*, dated January 21, 2011 ("DRA Exh. 6).

7.1.2 One-Way Balancing Account for Conservation Expense

ISSUE:

DRA recommended a one-way balancing account to track conservation expenses with any unspent funds refunded to ratepayers. A one-way balancing account will ensure that funds authorized for conservation programs are dedicated to that purpose.

RESOLUTION:

California American Water agrees with DRA’s recommendation to continue tracking expenses in a capped, one-way balancing account with any unspent funds refunded to ratepayers after the end of the rate case period, which for this rate case filing is December 31, 2014.

REFERENCES: CAW Exh. 46, Na Rebuttal, p. 2; DRA Exh. 6, p. 2-3.

7.1.3 Conservation Memorandum Account (specific for Monterey district)

ISSUE:

DRA opposed California American Water’s request to track additional conservation spending in a memorandum account should Monterey enter into Stages #2, #3, #4, #5, #6, or #7. In rebuttal testimony, California American Water objected to DRA’s recommendation.

RESOLUTION:

California American Water will retain its rationing memorandum account to track California American Water’s rationing related expenditures. DRA and California American Water agree that the language that the Commission previously authorized for this memorandum account in D.03-02-030 and D.08-08-010 shall continue to apply to the memorandum account.

REFERENCES: CAW Exh. 46, Na Rebuttal, pp. 2-4; DRA Exh. 6, pp. 1-6 – 1-9.

7.1.4 Annual Conservation Evaluation and Reporting Requirements

ISSUE:

DRA recommended that California American Water be required to include in its Monterey annual report 15 random audits per measure/program and include water savings per audit. Similarly, for the Larkfield, Los Angeles County, Sacramento, San Diego County, and Ventura districts, DRA recommended that California American Water be required to include in Schedule E-3 of its annual report filing 10 random audits per measure and include actual water savings per customer in its summary.

DRA recommended that California American Water include in all of its annual reports a detailed conservation summary report as shown in Table 1 below. These requirements should complement, and not override, existing reporting requirements nor prevent DRA from requesting additional data in the future.

A	B	C	D	E	F	G	H	I
Name of measure/program as listed in Decision or Settlement	Description of measure	Authorized \$	# of units/activities purchased, provided, performed	\$ per unit, activity, etc.	Total \$ spent (DxE)	Estimated water Savings per unit per year	Unit lifespan	Estimated Annual measure savings (AFY) (DxG)
Measure A								
Measure B								
Measure C								
Total								

In addition, DRA recommended that California American Water be required to provide DRA with a copy of its California Urban Water Conservation Council (CUWCC) Best Management Practices (BMP) Implementation Reports which are filed with CUWCC every other year providing information on the progress being made towards implementing the BMPs process. California American Water did not oppose these recommended reporting requirements in its rebuttal, but objected to the random measure audits.

RESOLUTION:

California American Water agreed to continue to provide in its California American Water-MPWMD Joint Conservation Report for Monterey County district actual and estimated water savings per measure/program as shown in its 2010 Joint Conservation Report. California American Water also agreed to continue to provide in its annual report for each district, as shown in its 2010 Water Conservation Program Annual Summary Report (Schedule E-3), estimated water savings per year, per measure and lifetime measure savings for each quantifiable program. In addition, California American Water agreed to include in its annual report for each district, 10 random audits for each new quantifiable program.

California American Water agreed to include in its annual report for each district a detailed conservation summary report as shown in the table above.

California American Water agreed to provide DRA with a copy of its CUWCC BMP Implementation Reports, which are filed with CUWCC every other year providing information on the progress being made towards implementing the BMPs process upon DRA's request.

REFERENCES: CAW Exh. 46, Na Rebuttal, pp. 4-5, 12-13; DRA Exh. 6, pp. 1-7 – 1-8, 2-3 – 2-4.

7.2 Larkfield

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requested a total conservation budget of \$53,321 for 2012 with escalation factors added in 2013 and 2014.

DRA POSITION:

DRA recommended a total budget of \$29,386 for 2012 with escalation factors added in 2013 and 2014.

Mark West Area Community Services Committee requested that the conservation program end in its entirety for the Larkfield district since the district has already met and exceeded its goal of achieving a 20 percent reduction by the year 2020 based on prior year consumption levels and the WRAM/MCBA has an under collection in excess of \$425,000 for 2009, making further conservation counterproductive and punitive to ratepayers.

RESOLUTION:

California American Water accepts DRA's budget of \$29,386 for 2012 with escalation factors added in 2013 and 2014. Further, DRA and California American Water agree to the following:

1. California American Water's water conservation spending will be tracked in a one-way balancing account.

2. California American Water will include in its annual report a detailed conservation summary report as shown in the table in Section 7.1.4 of this settlement.
3. California American Water will include in its annual report 10 random audits for each new quantifiable program.
4. California American Water will provide DRA with a copy of its CUWCC BMP Implementation Reports upon DRA's request.
5. The Public Information Program should be capped at \$3,500.
6. At its discretion, California American Water may move its budget amount among the conservation programs excluding moving funds into Public Information.

Program 2012 Budget	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
Conservation Staff	\$23,400	\$23,400	\$11,000	\$12,400	\$11,000
Public Information Program	\$6,000	\$6,000	\$3,500	\$2,500	\$3,500
School Education Program	\$6,000	\$6,000	\$3,000	\$3,000	\$3,000
Water Audits	\$7,000	\$7,000	\$3,500	\$3,500	\$3,500
Residential Plumbing Retrofit/Low-Flow Fixtures	\$2,000	\$2,000	\$1,500	\$500	\$1,500
Washing Machine Rebates	\$3,252	\$3,252	\$2,800	\$452	\$2,800
Residential Toilet Rebates	\$2,502	\$2,502	\$2,502	\$0	\$2,502
CII Rebates	\$3,168	\$3,168	\$1,584	\$1584	\$1,584
Total	\$53,321	\$53,321	\$29,386	\$23,935	\$29,386

REFERENCES: CAW Exh. 17, Na Direct, pp. 7-8; MWA Exh. 1, *Testimony of James M. Boulter on Behalf of The Mark West Area Community Services Committee*, dated February 4, 2011 ("Boulter Direct"), pp. 5-1 – 5-6; DRA Exh. 6, p. 2-39; CAW Exh. 46, Na Rebuttal, pp. 14-29.

7.3 Los Angeles County

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requested a total conservation budget of \$374,922 for 2012 with escalation factors added in 2013 and 2014.

DRA POSITION:

DRA recommended a total budget of \$138,877 for 2012 with escalation factors added in 2013 and 2014.

DRA recommended a total disallowance of California American Water's HET Direct Installations – Low-Income.

RESOLUTION:

DRA and CAW agree to a total budget of \$173,877 for 2012 with escalation factors added in 2013 and 2014.

Further, DRA and California American Water agree to the following:

1. California American Water's water conservation spending will be tracked in a one-way balancing account.
2. California American Water will include in its annual report a detailed conservation summary report as shown in the table in Section 7.1.4 of this settlement.
3. California American Water will include in its annual report 10 random audits for each new quantifiable program.
4. California American Water will provide DRA with a copy of its CUWCC BMP Implementation Reports upon DRA's request.
5. Public Information Program and HET Direct Installations - Low Income Program will be capped at \$30,000 and \$35,000, respectively.
6. California American Water at its discretion may move its budget amount among the programs excluding moving funds into the Public Information and HET Direct Installations - Low Income Program.

Program 2012 Budget	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
Conservation Staff	\$31,200	\$31,200	\$23,000	\$8,200	\$23,000
Public Information Program	\$65,500	\$65,500	\$30,000	\$35,500	\$30,000
School Education Program	\$40,000	\$40,000	\$21,000	\$19,000	\$21,000
Water Audits	\$5,250	\$5,250	\$2,625	\$2,625	\$2,625
Residential Plumbing Retrofit	\$23,000	\$23,000	\$4,000	\$19,000	\$4,000
Residential HECW Rebates	\$14,452	\$14,452	\$3,002	\$11,450	\$3,002
Residential Toilet Rebates	\$20,848	\$20,848	\$1,247	\$19,601	\$1,247
HET Direct Installations – Low- Income	\$70,000	\$70,000	\$0	\$70,000	\$35,000
CII Rebates & Direct Installations	\$43,006	\$43,006	\$21,503	\$21,503	\$21,503
CII and Large Landscape Audits	\$24,167	\$24,167	\$10,500	\$13,667	\$10,500
Landscape Upgrade Grant Program	\$37,500	\$37,500	\$22,000	\$15,500	\$22,000
Total	\$374,922	\$374,922	\$138,877	\$236,045	\$173,887

REFERENCES: CAW Exh. 17, Na Direct, pp. 8-11; DRA Exh. 6, p. 2-40; CAW Exh. 46, Na Rebuttal, pp. 14-29.

7.1 Monterey County District

CALIFORNIA AMERICAN WATER AND MONTEREY PENINSULA WATER MANAGEMENT DISTRICT REQUEST:

California American Water and MPWMD request a total combined conservation budget of \$5,945,395 for the years 2012 through 2014.

DRA POSITION:

DRA recommended reductions to California American Water's Public Information Program. DRA found that MPWMD is accurate on some of the conservation elements such as the Conservation Representative (MPWMD) and GardenSoft Waterwise Gardening among others and DRA recommended a total disallowance of MPWMD's Supersaver Recognition (MPWMD) and Water Conservation Printed Materials programs.

DRA recommended a total conservation budget of \$4,132,872 for the years 2012 through 2014.

RESOLUTION:

DRA, California American Water and MPWMD agree to a total three year budget of \$4,190,575 with \$3,055,375 for the California American Water conservation programs and \$1,135,200 for the MPWMD conservation programs.

Further, DRA and California American Water agree to the following:

1. California American Water's water conservation spending will be tracked in a one-way balancing account.
2. MPWMD's water conservation spending will be tracked in a one-way balancing account.
3. California American Water will retain its rationing memorandum account to track California American Water's rationing related expenditures. DRA and California American Water agree that the provision that the Commission previously authorized for this memorandum account in D.03-02-030 and D.08-08-010 shall continue to apply to the memorandum account.
4. California American Water will include in its annual report for each district, estimated water savings per year, per measure and lifetime measure savings for each quantifiable program as shown in its California American Water-MPWMD Joint Conservation Report for Monterey County district.
5. California American Water will include in its annual report a detailed conservation summary report as shown in the table in Section 7.1.4 of this settlement.
6. California American Water will include in its annual report 10 random audits for each new quantifiable program.
7. California American Water will provide DRA with a copy of its CUWCC BMP Implementation Reports upon DRA's request.
8. Public Information Program is capped at \$400,000 for three years.
9. California American Water may file an advice letter for an additional \$100,000 for emergency public outreach when (a) California American Water water's production of water is within 2% of its legally authorized year-to-date production limits set forth in Table 1 of the proposed Revised Rule 14.1, Water Conservation Plan, Monterey District filed with the Commission on October 10, 2008 ("Rule 14.1"), or (b) an escalation to the conservation stages under Rule 14.1 have been triggered (Stage 1 to Stage 2 or Stage 2 to Stage 3). The advice letter is capped at \$100,000 and will not include costs incurred for pre-rationing and rationing activities. At such time that the advice letter goes into effect, California American Water will place a notice on the customer bill stating that it is a water conservation emergency and that customers should help conserve water.
10. California American Water may file an advice letter for additional funding for the rebate program, in accordance with D. 09-05-029, Ordering Paragraph 1. d. which states: "If after one year California-American Water Company has spent more than one third of this amount [of the

rebate program budget], or after two years California-American Water Company has spent more than two-thirds of this amount [of the rebate program budget], and projects that it will overspend in this category, California-American Water Company may file an advice letter to increase the budget by the rate of overspending, or \$250,000, whichever is smaller.”

11. At its discretion, California American Water may move its budget amount among the conservation programs excluding moving funds into Public Information or out of the Rebate Program.

CAW Program 2012-2014 Budget	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
Conservation Coordinator & Training	\$135,000	\$135,000	\$45,000	\$90,000	\$90,000
Public Information Program	\$1,027,670	\$1,027,670	\$472,797	\$554,873	\$400,000
School Education Program	\$51,000	\$51,000	\$24,600	\$26,400	\$24,600
Residential Plumbing Retrofit	\$96,000	\$96,000	\$22,500	\$73,500	\$22,500
Rebates (CII, Large Landscape, Residential Toilet, Clothes Washer)	\$2,150,525	\$2,150,525	\$2,143,775	\$6,750	\$2,143,775
CII Audits	\$375,000	\$375,000	\$187,500	\$187,500	\$225,000
Rain Sensor Installation Program	\$150,000	\$150,000	\$75,000	\$75,000	\$100,000
Large Landscape Upgrade Grant Program	\$300,000	\$300,000	\$49,500	\$250,500	49,500
Sub-Total	\$4,285,195	\$4,285,195	\$3,020,672	\$1,264,523	\$3,055,375

MPWMD Program 2012-2014 Budget	MPWMD Direct	MPWMD Rebuttal	DRA Report	Difference	Settlement
Water Auditor Training (CLIA)	\$15,000	\$15,000	\$10,000	\$5,000	\$10,000
Conservation Representative	\$270,000	\$270,000	\$270,000	\$0	\$270,000
Conservation & Efficiency Workshops/Training	\$180,000	\$180,000	\$42,000	\$138,000	\$75,000
Gardensoft WaterWise Gardening	\$15,000	\$15,000	\$15,000	\$0	\$15,000
Supersavor Recognition	\$15,000	\$15,000	\$0	\$15,000	\$0
Water Audits/Budgets – State 2	\$610,000	\$610,000	\$475,000	\$135,000	\$475,000
Linen/Towel Reuse Program	\$3,000	\$3,000	\$3,000	\$0	\$3,000
CIMIS Station Annual Maintenance	\$7,200	\$7,200	\$7,200	\$0	\$7,200
School Retrofits	\$450,000	\$450,000	\$225,000	\$225,000	\$200,000
Water Conservation Devices	\$45,000	\$45,000	\$45,000	\$0	\$45,000
Water Conservation Printed Materials	\$30,000	\$30,000	\$0	\$30,000	\$15,000
Rainwater/Graywater Education/Demo	\$20,000	\$20,000	\$20,000	\$0	\$20,000
Sub-Total	\$1,660,200	\$1,660,200	\$1,112,200	\$548,000	\$1,135,200
Total	\$5,945,395	\$5,945,395	\$4,132,872	\$1,812,523	\$4,190,575

REFERENCES: CAW Exh. 17, Na Direct, pp. 11-16, Attachments 2, 6, 9, 10; MPWMD Exh. 1, Direct Testimony of Stephanie Locke Pintar, dated July 1, 2010 ("Pintar Direct"), pp. 3-15, Attachments 1, 2, 5, and 6; MPMWD Ex. 2, *Rebuttal Testimony of Stephanie Locke Pintar*, dated March 22, 2011 ("Pintar Rebuttal"), pp. 2-6; DRA Exh. 6, pp. 1-1 – 1-38; CAW Exh. 46, Na Rebuttal, pp. 2-12.

7.2 Sacramento

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requested a total conservation budget of \$800,243 for 2012 with escalation factors added in 2013 and 2014.

DRA POSITION:

DRA recommended a total budget of \$318,310 for 2012 with escalation factors added in 2013 and 2014.

DRA recommended a total disallowance of California American Water’s HET Direct Installations – Low-Income Program.

RESOLUTION:

DRA and California American Water agree to a total budget of \$455,200 for 2012 with escalation factors added in 2013 and 2014. Further, DRA and California American Water agree to the following:

1. California American Water’s water conservation spending will be tracked in a one-way balancing account.
2. California American Water will include in its annual report a detailed conservation summary report as shown in the table in Section 7.1.4 of this settlement.
3. California American Water will include in its annual report 10 random audits for each new quantifiable program.
4. California American Water will provide DRA with a copy of its California Urban Water Conservation Council (CUWCC) Best Management Practices (BMP) Implementation Reports upon DRA's request.
5. Public Information Program and HET Direct Installations - Low Income Program will be capped at \$65,000 and \$40,000, respectively.
6. California American Water at its discretion may move its budget amount among the programs excluding moving funds into the Public Information Program and HET Direct Installations - Low Income Program.

Program 2012 Budget	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
Conservation Staff	\$45,000	\$45,000	\$17,000	\$28,000	\$31,200
Public Information Program	\$110,000	\$110,000	\$35,000	\$75,000	\$65,000
School Education Program	\$43,000	\$43,000	\$23,000	\$20,000	\$40,000
Water Audits	\$63,000	\$63,000	\$31,500	\$31,500	\$30,000
Residential Plumbing Retrofit/Low-Flow Fixtures	\$32,565	\$32,565	\$7,000	\$25,565	\$30,000
Residential HECW Rebates	\$27,098	\$27,098	\$25,291	\$1,807	\$20,000
Residential Toilet Rebates	\$19,458	\$19,458	\$19,458	\$0	\$19,000
HET Direct Installations – Low Income	\$46,667	\$46,667	\$0	\$46,667	\$40,000
CII Rebates & Direct Installations	\$80,122	\$80,122	\$40,061	\$40,061	\$60,000
CII and Large Landscape Audits	\$333,333	\$333,333	\$120,000	\$213,333	\$120,000
Total	\$800,243	\$800,243	\$318,310	\$481,993	\$455,200

REFERENCES: CAW Exh. 17, Na Direct, pp. 16-17, Attachments 3, 6, 7, 8; DRA Exh. 6, p. 2-41; CAW Exh. 46, Na Rebuttal, pp. 12-29.

7.3 San Diego County

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requested a total conservation budget of \$282,654 for 2012 with escalation factors added in 2013 and 2014.

DRA POSITION:

DRA recommended a total budget of \$139,277 for 2012 with escalation factors added in 2013 and 2014.

DRA recommended a total disallowance of California American Water's HET Direct Installations – Low-Income Program.

RESOLUTION:

DRA and California American Water agree to a total budget of \$153,277 for 2012 with escalation factors added in 2013 and 2014. Further, DRA and California American Water agree to the following:

1. California American Water's water conservation spending will be tracked in a one-way balancing account.
2. California American Water will include in its annual report a detailed conservation summary report as shown in the table in Section 7.1.4 of this settlement.
3. California American Water will include in its annual report 10 random audits for each new quantifiable program.
4. California American Water will provide DRA with a copy of its California Urban Water Conservation Council (CUWCC) Best Management Practices (BMP) Implementation Reports upon DRA's request.
5. Public Information Program and HET Direct Installations - Low Income Program will be capped at \$20,000 and \$14,000, respectively.
6. California American Water at its discretion may move its budget amount among the programs excluding moving funds into the Public Information Program and HET Direct Installations - Low Income Program.

Program 2012 Budget	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
Conservation Staff	\$31,200	\$31,200	\$25,000	\$6,200	\$25,000
Public Information Program	\$42,800	\$42,800	\$20,000	\$22,800	\$20,000
School Education Program	\$40,000	\$40,000	\$21,000	\$19,000	\$21,000
Water Audits	\$7,000	\$7,000	\$3,500	\$3,500	\$3,500
Low-Flow Fixtures	\$15,000	\$15,000	\$6,000	\$9,000	\$6,000
Washing Machine Rebates	\$3,613	\$3,613	\$3,613	\$0	\$3,613
Ultra-Low Flow Toilet Program	\$11,119	\$11,119	\$11,119	\$0	\$11,119
HET Direct Installations – Low- Income	\$28,000	\$28,000	\$0	\$28,000	\$14,000
CII Rebates & Direct Installations	\$43,089	\$43,089	\$21,545	\$21,544	\$21,545
CII and Large Landscape Conservation	\$34,167	\$34,167	\$10,000	\$24,167	\$10,000
Landscape Upgrade Grant Program	\$26,667	\$26,667	\$17,500	\$9,167	\$17,500
Total	\$282,654	\$282,654	\$139,277	\$143,377	\$153,277

REFERENCES: CAW Exh. 17, Na Direct, pp. 17-20, Attachments 3, 6, 7, 8; DRA Exh. 6, p. 2-42; CAW Exh. 46, Na Rebuttal, pp. 12-29.

7.4 Ventura County

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requests a total conservation budget of \$524,446 for 2012 with escalation factors added in 2013 and 2014.

DRA POSITION:

DRA recommended a total budget of \$215,122 for 2012 with escalation factors added in 2013 and 2014.

DRA recommended a total disallowance of California American Water's HET Direct Installations – Low-Income Program.

RESOLUTION:

DRA and California American Water agree to a total budget of \$234,122 for 2012 with escalation factors added in 2013 and 2014. Further, DRA and California American Water agree to the following:

1. California American Water's water conservation spending will be tracked in a one-way balancing account.
2. California American Water will include in its annual report a detailed conservation summary report as shown in the table in Section 7.1.4 of this settlement.
3. California American Water will include in its annual report 10 random audits for each new quantifiable program.
4. California American Water will provide DRA with a copy of its California Urban Water Conservation Council (CUWCC) Best Management Practices (BMP) Implementation Reports upon DRA's request.
5. Public Information Program and HET Direct Installations - Low Income Program will be capped at \$25,000 and \$19,000, respectively.
6. California American Water at its discretion may move its budget amount among the programs excluding moving funds into the Public Information Program and HET Direct Installations - Low Income Program.

Program 2012 Budget	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
Conservation Staff	\$31,200	\$31,200	\$12,000	\$19,200	\$12,000
Public Information Program	\$160,000	\$160,000	\$25,000	\$135,000	\$25,000
School Education Program	\$40,000	\$40,000	\$21,000	\$19,000	\$21,000
Water Audits	\$42,000	\$42,000	\$21,000	\$21,000	\$21,000
Low-Flow Fixtures	\$20,000	\$20,000	\$9,000	11,000	\$9,000
Washing Machine Rebates	\$2,890	\$2,890	\$2,890	\$0	\$2,890
Ultra-Low Flow Toilet Program	\$5,559	\$5,559	\$1,000	\$4,559	\$1,000
Residential Direct Installation – Muilt- Family & Low- Income	\$37,333	\$37,333	\$0	\$37,333	\$19,000
CII Rebates	\$59,463	\$59,463	\$29,732	\$29,731	\$29,732
CII and Large Landscape Audits	\$11,000	\$11,000	\$11,000	\$0	\$11,000
Landscape Upgrade Grant Program	\$115,000	\$115,000	\$82,500	\$32,500	\$82,500
Total	\$524,446	\$524,446	\$215,122	\$309,324	\$234,122

REFERENCES: CAW Exh. 17, Na Direct, pp. 20-23, Attachments 3, 6; DRA Exh. 6, p. 2-43; CAW Exh. 46, Na Rebuttal, pp. 12-29.

8.0 DEPRECIATION RESERVE

8.1 Annual Depreciation Accrual

CALIFORNIA AMERICAN WATER REQUEST:

California American Water's proposed depreciation rates for all of its districts and property classes were obtained directly from the California American Water Depreciation Study performed by the third-party contractor, Alliance Consulting Group in 2010. Based upon its analysis, Alliance Consulting recommended changes to California American Water's current depreciation accrual rates for individual plant accounts. These recommended changes have been incorporated within California American Water's filing of A.10-07-007. (*See Attachment J: Appendix A of the Depreciation Rate Study compares the existing accrual percentages to recommended rate for each property class by district.*)

DRA POSITION:

Based upon depreciation rates recommended in Alliance Consulting's 2010 Depreciation Study for individual plant accounts and districts, the composite depreciation rate for all of California American Water in test year 2012 has decreased from 3.19% to 2.82%. Incorporating the plant additions recommended by DRA, the change in depreciation accrual rates recommended by Alliant Consulting and adopted by California American Water in the instant proceeding results in a decrease of approximately \$2.5 million in annual depreciation expenses in test year 2012 when compared to the existing depreciation rates on a company-wide basis. The table below compares the existing composite depreciation rates for each district in test year 2012 with those derived from Alliance Consulting's recommendations. DRA has reviewed the adjustments recommended in the depreciation study and finds the process and review of accrual rates proposed and presented in A.10-07-007 to be consistent with depreciation rate reviews and composite depreciation rates authorized for water utilities in other jurisdictions.

RESOLUTION:

Based on the overall agreement on the forecasted level of plant additions, DRA and California American Water agree to the annual depreciation accrual rates as set forth below for each district.

Annual Depreciation Accrual Rates - Larkfield		
PUC Acct	Description	Settlement
303	Other Intangible Plant	0.00%
311	Structures & Improvements	2.47%
312	Collecting & Impounding Reservoirs	0.00%
313	Lake, River and Other Intake	0.00%
315	Wells & Springs	3.30%
316	Supply Mains	1.95%
317	Other Source of Supply Plant	0.00%
321	Structures & Improvements	0.74%
323	Other Power Production Equipment	5.24%
324	Electric Pumping Equipment	3.82%
325	Other Pumping Equipment	4.13%
331	Structures & Improvements	1.57%
332	Water Treatment Equipment	3.55%
341	Structures & Improvements	2.55%
342	Reservoirs & Tanks	1.65%
343.1	Mains - 4" & Less	0.00%
343.2	Mains - 6" to 10"	2.35%
343.3	Mains - 12" & More	1.78%
344	Fire Mains	1.84%
345	Services	3.12%
346	Meters	5.71%
347	Meter Installations	0.00%
348	Hydrants	2.28%
349	Other T & D Plant	0.00%
371.1	Office Structures	3.82%
371.2	Stores, Shops, & Garage Str.	3.49%
372.1	Office Furniture (391.1)	0.42%
372.21	Computer and Peripherals	0.00%
372.22	Other Computer Equipment	0.00%
372.23	Computer Software	0.00%
373.11	Light Utility Trucks	0.00%
373.12	Heavy Utility Trucks	8.50%
373.2	Automobiles	0.00%
373.3	Transportation Other	12.86%
374	Stores Equipment	0.00%
375	Laboratory Equipment	0.68%
376	Communication Equipment	5.56%
377	Power Operated Equipment	0.00%
378	Tools, Ship, & Garage Equip.	0.42%
379	Other General Plant	1.47%
390	Other Tangible Property	0.00%

Annual Depreciation Accrual Rates - Los Angeles		
PUC Acct	Description	Settlement
303	Other Intangible Plant	0.00%
311	Structures & Improvements	6.56%
312	Collecting & Impounding Reservoirs	0.00%
313	Lake, River and Other Intake	2.55%
315	Wells & Springs	3.50%
316	Supply Mains	1.37%
317	Other Source of Supply Plant	0.00%
321	Structures & Improvements	4.77%
323	Other Power Production Equipment	0.00%
324	Electric Pumping Equipment	3.12%
325	Other Pumping Equipment	0.00%
331	Structures & Improvements	1.24%
332	Water Treatment Equipment	1.69%
341	Structures & Improvements	4.04%
342	Reservoirs & Tanks	1.06%
343.1	Mains - 4" & Less	1.98%
343.2	Mains - 6" to 10"	1.92%
343.3	Mains - 12" & More	1.84%
344	Fire Mains	0.00%
345	Services	3.05%
346	Meters	3.35%
347	Meter Installations	0.00%
348	Hydrants	2.31%
349	Other T & D Plant	0.57%
371.1	Office Structures	3.28%
371.2	Stores, Shops, & Garage Str.	4.27%
372.1	Office Furniture (391.1)	5.06%
372.21	Computer and Peripherals	8.69%
372.22	Other Computer Equipment	5.66%
372.23	Computer Software	14.29%
373.11	Light Utility Trucks	0.00%
373.12	Heavy Utility Trucks	8.50%
373.2	Automobiles	12.86%
373.3	Transportation Other	12.86%
374	Stores Equipment	1.42%
375	Laboratory Equipment	0.00%
376	Communication Equipment	3.94%
377	Power Operated Equipment	0.45%
378	Tools, Ship, & Garage Equip.	2.44%
379	Other General Plant	8.06%
390	Other Tangible Property	0.00%

Annual Depreciation Accrual Rates - Monterey		
PUC Acct	Description	Settlement
303	Other Intangible Plant	0.00%
311	Structures & Improvements	2.47%
311	Structures & Improvements-SCD & Los Padres Dam	5.72%
312	Collecting & Impounding Reservoirs	1.75%
312	Collecting & Impounding Reservoirs-SCD & Los Padres Dam	8.17%
313	Lake, River and Other Intake	2.53%
315	Wells & Springs	5.42%
316	Supply Mains	2.57%
317	Other Source of Supply Plant	3.52%
317	Other Source of Supply Plant-SCD & Los Padres Dam	3.03%
321	Structures & Improvements	1.47%
323	Other Power Production Equipment	3.18%
324	Electric Pumping Equipment	3.68%
324	Electric Pumping Equipment-SCD & Los Padres Dam	5.61%
325	Other Pumping Equipment	3.99%
331	Structures & Improvements	1.44%
332	Water Treatment Equipment	2.37%
332	Water Treatment Equipment-SCD & Los Padres Dam	5.27%
341	Structures & Improvements	2.98%
342	Reservoirs & Tanks	1.74%
342	Reservoirs & Tanks-SCD & Los Padres Dam	13.92%
343.1	Mains - 4" & Less	2.79%
343.2	Mains - 6" to 10"	2.27%
343.3	Mains - 12" & More	2.44%
344	Fire Mains	0.00%
345	Services	2.27%
346	Meters	4.10%
347	Meter Installations	0.00%
348	Hydrants	2.31%
349	Other T & D Plant	6.49%
349	Other T & D Plant-SCD & Los Padres Dam	13.15%
371.1	Office Structures	2.22%
371.2	Stores, Shops, & Garage Str.	0.00%
372.1	Office Furniture (391.1)	4.48%
372.1	Office Furniture (391.1)-SCD & Los Padres Dam	0.00%
372.21	Computer and Peripherals	5.98%
372.22	Other Computer Equipment	3.95%
372.23	Computer Software	5.84%
372.23	Computer Software - Monterey Rate Design	20.00%
373.11	Light Utility Trucks	0.00%
373.12	Heavy Utility Trucks	8.50%
373.2	Automobiles	12.86%
373.3	Transportation Other	12.86%

373.3	Transportation Other-SCD & Los Padres Dam	15.46%
374	Stores Equipment	0.00%
375	Laboratory Equipment	3.10%
376	Communication Equipment	3.96%
377	Power Operated Equipment	3.15%
378	Tools, Ship, & Garage Equip.	3.24%
379	Other General Plant	7.98%
390	Other Tangible Property	0.00%

Annual Depreciation Accrual Rates - Monterey Toro		
PUC Acct	Description	Settlement
303	Other Intangible Plant	0.00%
311	Structures & Improvements	1.39%
312	Collecting & Impounding Reservoirs	1.31%
313	Lake, River and Other Intake	2.53%
315	Wells & Springs	3.14%
316	Supply Mains	0.00%
317	Other Source of Supply Plant	3.50%
321	Structures & Improvements	1.37%
323	Other Power Production Equipment	1.04%
324	Electric Pumping Equipment	4.27%
325	Other Pumping Equipment	4.69%
331	Structures & Improvements	1.06%
332	Water Treatment Equipment	2.76%
341	Structures & Improvements	2.76%
342	Reservoirs & Tanks	1.83%
343.1	Mains - 4" & Less	2.75%
343.2	Mains - 6" to 10"	2.13%
343.3	Mains - 12" & More	2.08%
344	Fire Mains	0.00%
345	Services	3.14%
346	Meters	4.35%
347	Meter Installations	0.00%
348	Hydrants	2.57%
349	Other T & D Plant	1.32%
371.1	Office Structures	13.45%
371.2	Stores, Shops, & Garage Str.	0.49%
372.1	Office Furniture (391.1)	3.18%
372.21	Computer and Peripherals	8.59%
372.22	Other Computer Equipment	3.43%
372.23	Computer Software	3.17%
373.11	Light Utility Trucks	8.19%
373.12	Heavy Utility Trucks	4.27%
373.2	Automobiles	5.62%
373.3	Transportation Other	8.13%
374	Stores Equipment	0.00%
375	Laboratory Equipment	3.91%
376	Communication Equipment	7.50%
377	Power Operated Equipment	3.30%
378	Tools, Ship, & Garage Equip.	4.64%
379	Other General Plant	4.66%
390	Other Tangible Property	0.00%

Annual Depreciation Accrual Rates - Monterey Wastewater		
PUC Acct	Description	Settlement
303	Other Intangible Plant	0.00%
311	Structures & Improvements	0.00%
312	Collecting & Impounding Reservoirs	0.00%
313	Lake, River and Other Intake	0.00%
315	Wells & Springs	5.22%
316	Supply Mains	1.82%
317	Other Source of Supply Plant	0.00%
321	Structures & Improvements	0.00%
323	Other Power Production Equipment	5.48%
324	Electric Pumping Equipment	2.78%
325	Other Pumping Equipment	0.00%
331	Structures & Improvements	1.98%
332	Water Treatment Equipment	1.98%
341	Structures & Improvements	1.48%
342	Reservoirs & Tanks	0.00%
343.1	Mains - 4" & Less	1.82%
343.2	Mains - 6" to 10"	1.82%
343.3	Mains - 12" & More	0.00%
344	Fire Mains	0.00%
345	Services	2.89%
346	Meters	0.00%
347	Meter Installations	0.00%
348	Hydrants	0.00%
349	Other T & D Plant	2.65%
371.1	Office Structures	3.80%
371.2	Stores, Shops, & Garage Str.	0.00%
372.1	Office Furniture (391.1)	0.00%
372.21	Computer and Peripherals	0.00%
372.22	Other Computer Equipment	0.00%
372.23	Computer Software	0.00%
373.11	Light Utility Trucks	0.00%
373.12	Heavy Utility Trucks	8.50%
373.2	Automobiles	0.00%
373.3	Transportation Other	12.86%
374	Stores Equipment	0.00%
375	Laboratory Equipment	1.24%
376	Communication Equipment	6.85%
377	Power Operated Equipment	2.18%
378	Tools, Ship, & Garage Equip.	5.33%
379	Other General Plant	4.34%
390	Other Tangible Property	0.00%

Annual Depreciation Accrual Rates - Sacramento		
PUC Acct	Description	Settlement
303	Other Intangible Plant	0.00%
311	Structures & Improvements	2.54%
312	Collecting & Impounding Reservoirs	0.00%
313	Lake, River and Other Intake	4.76%
315	Wells & Springs	3.23%
316	Supply Mains	1.88%
317	Other Source of Supply Plant	0.00%
321	Structures & Improvements	1.48%
323	Other Power Production Equipment	4.18%
324	Electric Pumping Equipment	3.96%
325	Other Pumping Equipment	4.12%
331	Structures & Improvements	1.33%
332	Water Treatment Equipment	5.28%
341	Structures & Improvements	2.29%
342	Reservoirs & Tanks	1.67%
343.1	Mains - 4" & Less	1.71%
343.2	Mains - 6" to 10"	1.73%
343.3	Mains - 12" & More	1.73%
344	Fire Mains	1.77%
345	Services	2.62%
346	Meters	5.45%
347	Meter Installations	5.10%
348	Hydrants	2.26%
349	Other T & D Plant	0.00%
371.1	Office Structures	2.30%
371.2	Stores, Shops, & Garage Str.	2.63%
372.1	Office Furniture (391.1)	2.17%
372.21	Computer and Peripherals	0.00%
372.22	Other Computer Equipment	3.51%
372.23	Computer Software	0.00%
373.11	Light Utility Trucks	0.00%
373.12	Heavy Utility Trucks	8.50%
373.2	Automobiles	12.86%
373.3	Transportation Other	0.00%
374	Stores Equipment	5.00%
375	Laboratory Equipment	1.27%
376	Communication Equipment	3.01%
377	Power Operated Equipment	3.29%
378	Tools, Ship, & Garage Equip.	1.82%
379	Other General Plant	0.00%
390	Other Tangible Property	0.00%

Annual Depreciation Accrual Rates - San Diego		
PUC Acct	Description	Settlement
303	Other Intangible Plant	50.00%
311	Structures & Improvements	0.00%
312	Collecting & Impounding Reservoirs	0.00%
313	Lake, River and Other Intake	0.00%
315	Wells & Springs	0.00%
316	Supply Mains	0.00%
317	Other Source of Supply Plant	0.00%
321	Structures & Improvements	8.00%
323	Other Power Production Equipment	0.00%
324	Electric Pumping Equipment	6.94%
325	Other Pumping Equipment	0.00%
331	Structures & Improvements	0.00%
332	Water Treatment Equipment	50.82%
341	Structures & Improvements	0.00%
342	Reservoirs & Tanks	2.48%
343.1	Mains - 4" & Less	1.97%
343.2	Mains - 6" to 10"	1.78%
343.3	Mains - 12" & More	1.97%
344	Fire Mains	0.00%
345	Services	2.68%
346	Meters	5.84%
347	Meter Installations	5.00%
348	Hydrants	2.59%
349	Other T & D Plant	22.22%
371.1	Office Structures	5.55%
371.2	Stores, Shops, & Garage Str.	4.12%
372.1	Office Furniture (391.1)	2.72%
372.21	Computer and Peripherals	5.87%
372.22	Other Computer Equipment	3.92%
372.23	Computer Software	0.00%
373.11	Light Utility Trucks	12.86%
373.12	Heavy Utility Trucks	8.50%
373.2	Automobiles	0.00%
373.3	Transportation Other	12.86%
374	Stores Equipment	0.00%
375	Laboratory Equipment	0.00%
376	Communication Equipment	3.93%
377	Power Operated Equipment	0.86%
378	Tools, Ship, & Garage Equip.	2.13%
379	Other General Plant	10.13%
390	Other Tangible Property	0.00%

Annual Depreciation Accrual Rates - Ventura		
PUC Acct	Description	Settlement
303	Other Intangible Plant	50.00%
311	Structures & Improvements	2.57%
312	Collecting & Impounding Reservoirs	0.00%
313	Lake, River and Other Intake	3.40%
315	Wells & Springs	0.00%
316	Supply Mains	1.78%
317	Other Source of Supply Plant	0.00%
321	Structures & Improvements	1.32%
323	Other Power Production Equipment	0.00%
324	Electric Pumping Equipment	4.41%
325	Other Pumping Equipment	0.00%
331	Structures & Improvements	0.00%
332	Water Treatment Equipment	2.61%
341	Structures & Improvements	2.63%
342	Reservoirs & Tanks	1.57%
343.1	Mains - 4" & Less	1.87%
343.2	Mains - 6" to 10"	1.73%
343.3	Mains - 12" & More	1.70%
344	Fire Mains	0.00%
345	Services	3.46%
346	Meters	4.85%
347	Meter Installations	5.00%
348	Hydrants	3.52%
349	Other T & D Plant	0.00%
371.1	Office Structures	2.82%
371.2	Stores, Shops, & Garage Str.	3.28%
372.1	Office Furniture (391.1)	4.46%
372.21	Computer and Peripherals	1.96%
372.22	Other Computer Equipment	5.10%
372.23	Computer Software	0.00%
373.11	Light Utility Trucks	12.86%
373.12	Heavy Utility Trucks	8.50%
373.2	Automobiles	0.00%
373.3	Transportation Other	0.00%
374	Stores Equipment	1.60%
375	Laboratory Equipment	5.12%
376	Communication Equipment	5.26%
377	Power Operated Equipment	0.82%
378	Tools, Ship, & Garage Equip.	2.11%
379	Other General Plant	0.00%
390	Other Tangible Property	0.00%

REFERENCES: CAW Exh. A, Chs. 8; CAW Exh. 6, *Direct Testimony of Charisse Cephas*, dated July 1, 2010 ("Cephas Direct"), pp. 4-5, Attachment 1; DRA Exh. 5, pp. 66-88; CAW Exh. 40, *Rebuttal Testimony of Jeffrey M. Dana*, dated March 22, 2011 ("Dana Rebuttal"), pp. 3-4, Attachment 1.

8.2 Contribution Depreciation

CALIFORNIA AMERICAN WATER REQUEST:

California American Water's position in filing was to apply the proposed annual depreciation rate by plant account to the level of average contributions by plant account.

DRA POSITION:

DRA agreed with the methodology proposed by the Company as it was in compliance with Standard Practices

RESOLUTION:

DRA and California American Water agree on the methodology as stated above.

REFERENCES: CAW Exh. A, Chs. 8; CAW Exh. 6, *Cephas Direct*, pp. 4-5, Attachment 1; DRA Exh. 5, pp. 66-88; CAW Exh. 40, *Dana Rebuttal*, pp. 3-4, Attachment 1.

8.3 Retirements

CALIFORNIA AMERICAN WATER REQUEST:

California American Water's position in filing was based on a 5-year average of recorded plant retirements versus total plant additions.

DRA POSITION:

DRA agreed with the methodology proposed by California American Water.

RESOLUTION:

DRA and California American Water agree on the methodology as stated above. A Supplemental Appendix will be filed shortly for the agreed upon retirement factors.

REFERENCES: CAW Exh. A, Chs. 8; CAW Exh. 6, *Cephas Direct*, pp. 4-5, Attachment 1; DRA Exh. 5, pp. 66-88; CAW Exh. 40, *Dana Rebuttal*, pp. 3-4, Attachment 1.

8.4 Net Negative Salvage Factors

CALIFORNIA AMERICAN WATER REQUEST:

The net negative salvage factors were analyzed as part of the depreciation study. California American Water proposed the recommendations of Alliance Consulting as it relates to the net salvage factors.

DRA POSITION:

DRA agreed with the methodology proposed by California American Water.

RESOLUTION:

DRA and California American Water agree on the methodology as stated above. A Supplemental Appendix will be filed shortly for the net salvage factors in the final depreciation study.

REFERENCES: CAW Exh. A, Chs. 8; CAW Exh. 6, Cephas Direct, pp. 4-5, Attachment 1; DRA Exh. 5, pp. 66-88; CAW Exh. 40, Dana Rebuttal, pp. 3-4, Attachment 1.

8.5 Depreciation Weighting Factor

CALIFORNIA AMERICAN WATER REQUEST:

California American Water's position in filing was based on developing a 6-year average of 13 month average changes versus the total annual changes.

DRA POSITION:

DRA agreed with the methodology proposed by California American Water as it was in compliance with Standard Practices.

RESOLUTION:

DRA and California American Water agree on the methodology but had to adjust the result for the Monterey County District due to an error in base data in the calculation.

Depreciation Weighting Factor	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
Larkfield	46.4%	51.8%	51.8%	0	51.8%
Los Angeles	46.4%	53.8%	53.8%	0	53.8%
Monterey County	82.3%	49.1%	82.3%	33.2%	49.1%
Monterey – Toro	48.3%	48.3%	48.3%	0	48.3%
Wastewater	33.7%	33.7%	33.7%	0	33.7%
Sacramento	45.7%	48.9%	48.9%	0	48.9%
San Diego	52.3%	53.4%	53.4%	0	53.4%
Ventura	48.9%	52.0%	52.0%	0	52.0%

REFERENCES: CAW Exh. A, Chs. 8; CAW Exh. 6, Cephas Direct, pp. 4-5, Attachment 1; DRA Exh. 5, pp. 66-88; CAW Exh. 40, Dana Rebuttal, pp. 3-4, Attachment 1.

8.6 Weighted Plant Factor

CALIFORNIA AMERICAN WATER REQUEST:

California American Water’s position in filing was based on developing a 6-year average of 13-month average changes versus the total annual changes.

DRA POSITION:

DRA agreed with the methodology proposed by California American Water as it was in compliance with Standard Practices.

RESOLUTION:

DRA and California American Water agree on the above referenced methodology.

Plant Weighting Factor	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
Larkfield	45.67%	45.67%	45.67%	0	45.67%
Los Angeles	41.81%	41.81%	41.81%	0	41.81%
Monterey County	41.89%	41.89%	41.89 %	0	41.89%
Monterey – Toro	39.96%	39.96%	39.96%	0	39.96%
Wastewater	40.57%	40.57%	40.57%	0	40.57%
Sacramento	42.30%	42.30%	42.30%	0	42.30%
San Diego	49.52%	49.52%	49.52%	0	49.52%
Ventura	52.78%	52.78%	52.78%	0	52.78%

REFERENCES: CAW Exh. A, Chs. 9; CAW Exh. 6, Cephas Direct, pp. 2-4, Attachment 1; DRA Exh. 5, pp. 89-117; CAW Exh. 40, Dana Rebuttal, pp. 3-4, Attachment 1.

8.7 Depreciation Expense

CALIFORNIA AMERICAN WATER REQUEST:

California American Water's position in filing was based on applying the proposed depreciation accrual rates against the annual weighted average plant balance by account (less contributions).

DRA POSITION:

DRA agreed with the methodology proposed by California American Water.

RESOLUTION:

DRA and California American Water agree on the methodology and also agree to the below amounts for all districts where all plant issues have been resolved. Monterey and Toro have unresolved plant issues so depreciation amounts for those districts cannot be finalized at this time.

Test Year 2011 Depreciation Expense	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
San Diego	\$872,000	\$872,000	\$859,400	\$12,600	\$859,500
Ventura	\$2,066,500	\$2,066,500	\$2,116,500	(\$50,000)	\$2,114,900

Test Year 2012 Depreciation Expense	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
Larkfield	\$460,000	\$460,000	\$415,700	\$44,300	\$416,500
Los Angeles	\$2,418,300	\$2,418,300	\$2,400,000	\$18,300	\$2,407,400
Monterey County	\$6,041,800	\$6,041,800	\$5,672,700	\$369,100	n/a
Monterey - Toro	\$112,400	\$112,400	\$99,300	\$13,100	n/a
Wastewater	\$155,000	\$155,000	\$133,300	\$21,700	\$147,200
Sacramento	\$7,959,200	\$7,959,200	\$7,901,000	\$58,200	\$7,843,100
San Diego	\$980,000	\$980,000	\$720,400	\$259,600	\$710,500
Ventura	\$1,912,100	\$1,912,100	\$1,635,800	\$276,300	\$1,627,300

REFERENCES: CAW Exh. A, Chs. 9; CAW Exh. 6, Cephos Direct, pp. 2-4, Attachment 1; DRA Exh. 5, pp. 89-117; CAW Exh. 40, Dana Rebuttal, pp. 3-4, Attachment 1.

8.8 Net-to-Gross Multiplier for Advice Letter Capital Projects

CALIFORNIA AMERICAN WATER REQUEST:

California American Water's position in filing was based on applying a weighted average cost of debt gross-up factor and weighted average cost of equity factor – both against any offset plant

advice letter requests. The weighting factor for the final composite net-to-gross factor is based on the ratio of the weighted average capital components to the total of the components.

DRA POSITION:

DRA’s position in its Report was based on applying a weighted average cost of debt gross-up factor and weighted average cost of equity factor – both against any offset plant advice letter requests. The weighting factor for the final composite net-to-gross factor is based on the ratio of the capital components to the total of the components. DRA also has included DPAD in the calculation.

RESOLUTION:

DRA and California American Water agree on the methodology as proposed by California American Water with the addition of DPAD if it is found to be applicable in a decision in the proceeding.

Net-to-Gross Factor	CAW Direct	DRA Report	Settlement With DPAD	Settlement Without DPAD
Larkfield	1.37554	1.27749	1.35177	1.37426
Los Angeles	1.37554	1.26676	1.33817	1.37424
Monterey County	1.37554	1.26415	1.33485	1.37424
Monterey – Toro	1.40361	1.31533	1.40228	1.40228
Wastewater	1.38178	1.30106	1.38048	1.38048
Sacramento	1.37873	1.26929	1.33765	1.37742
San Diego	1.37554	1.29518	1.37424	1.37424
Ventura	1.37554	1.29518	1.37424	1.37424

REFERENCES: CAW Exh. A, Chs. 9; CAW Exh. 6, Cephas Direct, pp. 2-4, Attachment 1; DRA Exh. 5, pp. 89-117; CAW Exh. 40, Dana Rebuttal, pp. 3-4, Attachment 1.

8.9 Working Cash Adjustment to Rate Base for Service Company Payments

CALIFORNIA AMERICAN WATER REQUEST:

California American Water’s position in filing was to include lead adjustment to working capital for prepayments it makes to the American Water Service Company.

TURN POSITION:

TURN’s position was that instead of including the lead adjustment to working capital for the prepayment, California American Water should instead include a lag adjustment based on the timing of payroll.

RESOLUTION:

TURN and California American Water agree to delete any lead or lag adjustment for cash payments for services provided to it by the American Water Service Company.

Lead/Lag Days for Service Company Prepayments	CAW Direct	TURN Direct	Difference	Settlement
Larkfield	(11.5 days) lead	12 days lag	23.5 days	0 days
Los Angeles	(11.5 days) lead	12 days lag	23.5 days	0 days
Monterey County	(11.5 days) lead	12 days lag	23.5 days	0 days
Monterey – Toro	(11.5 days) lead	12 days lag	23.5 days	0 days
Wastewater	(11.5 days) lead	12 days lag	23.5 days	0 days
Sacramento	(11.5 days) lead	12 days lag	23.5 days	0 days
San Diego	(11.5 days) lead	12 days lag	23.5 days	0 days
Ventura	(11.5 days) lead	12 days lag	23.5 days	0 days

REFERENCES: CAW Exh. A, Chs. 9; CAW Exh. 6, Cephas Direct, pp. 2-4, Attachment 1; DRA Exh. 5, pp. 89-117; CAW Exh. 40, Dana Rebuttal, pp. 3-4, Attachment 1; TURN Exh. 001 (Smith), pp. 45-47.

9.0 TAXES OTHER THAN INCOME – AD VALOREM, PAYROLL AND FRANCHISE TAXES

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based Ad Valorem taxes upon a historical ratio of recorded taxes to net plant, less customer advances and contributions for the 2005 - 2009 period except for the Monterey Wastewater District, which California American Water based on a four-year average because of the 2005 Watertek operations purchase. California American Water applied this ratio to projected net plant less customer advances and contributions to determine forecasted taxes for the test year. California American Water's use of the net plant less customer advances and contributions is an approximation of the approach County tax authorities use to determine property valuation. Generally, County tax authorities trend business-reported plant costs to replacement cost less depreciation.

Payroll taxes include state unemployment insurance, federal unemployment insurance, federal social security taxes and federal Medicare taxes. Payroll tax rates were applied to the estimated wage tax base to derive payroll tax estimates charged to operating expenses for Estimated Years 2010 and 2011, Test Year 2012 and forecasted Year 2013.

DRA POSITION:

DRA contests California American Water's estimates of Taxes Other Than Income for Test Year 2012. The differences between DRA and California American Water estimates are primarily due to the differences in estimated net plant in service FICA calculation and number of employees. DRA disputes the Company's estimates for Ad Valorem Taxes, Payroll Taxes, and Local Franchise Taxes. DRA's proposed estimates for Taxes Other Than Income are presented for each district in Table 5, 5.1, and 5.2 in DRA Exhibit 5.

REFERENCES: CAW Exh. A, Chs. 9; CAW Exh. 13, *Direct Testimony of Rodney L. Jordan*, dated July 1, 2010 ("Jordan Direct"), pp. 3-7; DRA Exh. 5, pp. 26-40.

9.1 Ad Valorem Taxes

CALIFORNIA AMERICAN WATER REQUEST:

The calculation of estimated ad valorem taxes was based on a similar procedure used for water utilities by the county taxing authority. Information regarding the various components of the ad valorem tax calculation was obtained from other chapters and sections of the GRC application and recorded ad valorem taxes as referenced in this Table. Ad valorem taxes recorded on the books of California American Water for the years 2005 through 2009 were compared to the year-end net rate base amount and the resulting average ratio was applied to the forecasted net rate base to estimate ad valorem taxes for Estimated Years 2010 and 2011, Test Year 2012 and forecasted Year 2013.

DRA POSITION:

California American Water’s Ad Valorem Taxes were estimated based on the estimated assessed value placed on California American Water’s net utility plant in service (“UPIS”) multiplied by the five-year average of recorded Ad Valorem tax rates. The estimates of the assessed value of net UPIS are calculated based on the estimated year-end (“YE”) UPIS less YE Advances, YE Contributions, and YE Depreciation. DRA used the same methodology to estimate Ad Valorem taxes. The differences in estimated Ad Valorem Taxes between DRA and California American Water are attributable to the differences in estimates for net UPIS.

RESOLUTION:

Because DRA and California American Water use the same methodology to calculate this item, the final settlement position will be yielded by the “flow-through” calculation once the final utility plant in service is determined.

REFERENCES: CAW Exh. A, Chs. 9; CAW Exh. 13, Jordan Direct, pp. 3-7; DRA Exh. 5, pp. 26-40.

9.2 Payroll Taxes

CALIFORNIA AMERICAN WATER REQUEST:

Payroll taxes include state unemployment insurance, federal unemployment insurance, federal social security taxes and federal Medicare taxes. Payroll tax rates were applied to the estimated wage tax base to derive payroll tax estimates charged to operating expenses for Estimated Years 2010 and 2011, Test Year 2012 and forecasted Year 2013. The following are the tax rates and wage limits used in the calculations: FICA - 6.20% for the first \$110,800, \$115,000, \$119,600 of total wages for 2010, 2011 and 2012, respectively; Medicare - 1.45% of total wages for 2010 through 2012; FUTA - 0.8% for the first \$7,000 of total wages for 2010 through 2012; SUI - 1.20% for the first \$7,000 of total wages for 2010 through 2012.

DRA POSITION:

For years 2011-2013, California American Water increased the 2010 FICA wage base by 4% for each subsequent year. Per IRS Notice 1036, DRA has retained the 2010 FICA wage base of \$106,800 for 2011. For years 2012-2013, DRA has increased the FICA wage base by the payroll escalation percentages used by California American Water, which DRA intends to update in the Joint Comparison Exhibit using the most recent DRA Energy Cost of Service data available at the time. Consistent with the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, DRA reduced the 2011 FICA Tax Rate from 6.2% to 4.2% for the estimate of payroll taxes in each district.

All other differences between DRA and California American Water estimates of Payroll Taxes for the Test and Escalation Years are the result of differences in payroll estimates.

RESOLUTION:

DRA agrees to adopt California American Water’s position on FICA and withdraws its recommendation to reduce the FICA limit in 2011 to the same as 2010 and to change the FICA percentage in 2011 to 4.2%.

REFERENCES: CAW Exh. A, Chs. 9; CAW Exh. 13, Jordan Direct, pp. 3-7; DRA Exh. 5, pp. 26-40.

9.3 Franchise

CALIFORNIA AMERICAN WATER REQUEST:

California American Water based franchise taxes on a historical ratio of recorded taxes to revenues for the 2005 - 2009 period, except for the Monterey Wastewater District, which California American Water based on a four-year average because of the 2005 Watertek operations purchase. California American Water then applied this ratio to projected revenues to determine forecasted taxes under present rates for the test year. The Sacramento and Monterey Wastewater Districts are the only districts that include franchise taxes in Taxes Other Than Income. Because the level of franchise taxes may vary by city, California American Water passes through franchise taxes to ratepayers via a billing surcharge in its other districts. California American Water handles the Sacramento District differently because the percentage of taxes is consistent throughout the district. Similarly, Monterey County is the only taxing entity for the Monterey Wastewater District.

DRA POSITION:

In DRA’s Report, DRA verifies which California American Water districts bill franchise taxes as a customer surcharge and which districts include franchise taxes within the rates. DRA analyzed the methodology California American Water used for franchise taxes that are included in revenue requirement. DRA agrees with this methodology and notes that any differences between utility and DRA estimates are due to different estimates of utility revenues for test and escalation years.

RESOLUTION:

DRA and California American Water generally agree with the franchise fee calculation methodology and note that any differences between utility and DRA estimates are due to different estimates of utility revenues for test and escalation years. Therefore, the final calculation of franchise fees will be determined as a “flow through” calculation using the final adopted utility revenues.

Test Year 2011 San Diego County	CAW Direct	CAW Update	DRA Report	Difference	Settlement
Ad Valorem Tax	\$145,600	\$145,600	\$145,800	(\$200)	\$145,800
Payroll Tax	\$78,900	\$84,700	\$56,900	\$27,800	\$84,200

Test Year 2011 Ventura County	CAW Direct	CAW Update	DRA Report	Difference	Settlement
Ad Valorem Tax	\$333,900	\$333,900	\$332,400	\$1,500	\$333,700
Payroll Tax	\$74,900	\$81,200	\$55,800	\$25,400	\$81,000

Test Year 2012 Larkfield	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
Ad Valorem Tax	\$139,300	\$139,300	\$133,700	\$5,600	\$110,700
Payroll Tax	\$24,300	\$24,700	\$24,300	\$400	\$24,500

Test Year 2012 Monterey District (in \$1,000's)	CAW Direct	CAW Update	DRA Report	Difference	Settlement
Ad Valorem Tax	\$1,722.8	\$1,722.8	\$1,606.4	\$116.4	Open due to unsettled plant items
Payroll Tax	\$388.2	\$382	\$385.6	(\$3.6)	\$379.5

Test Year 2012 Los Angeles District	CAW Direct	CAW Update	DRA Report	Difference	Settlement
Ad Valorem Tax	\$740,400	\$740,400	\$736,900	\$3,500	\$743,000
Payroll Tax	\$147,400	\$136,300	\$140,300	(\$400)	\$135,500

Test Year 2012 Sacramento District	CAW Direct	CAW Update	DRA Report	Difference	Settlement
Ad Valorem Tax	\$1,787,300	\$1,787,300	\$176,000	\$27,300	\$1,763,900
Franchise Tax (Present Rates?)	\$102,200	\$102,200	\$101,800	\$400	\$101,600
Franchise Tax (Proposed Rates)	\$124,400	\$101,500	\$125,200	(\$800)	Open due to unsettled plant items .231% of Proposed Revenue
Payroll Tax	\$224,300	\$224,300	\$222,400	\$1,900	\$223,700

Test Year 2012 San Diego County	CAW Direct	CAW Update	DRA Report	Difference	Settlement
Ad Valorem Tax	\$149,100	\$149,100	\$149,200	(\$100)	\$150,100
Payroll Tax	\$87,500	\$93,400	\$81,200	\$12,200	\$92,900

Test Year 2012 Toro Service Area	CAW Direct	CAW Update	DRA Report	Difference	Settlement
Ad Valorem Tax	\$9,800	\$9,800	\$26,800	(\$17,000)	Open
Franchise Tax	\$10,800	\$10,800	\$16,500	(\$5,700)	Open – 2% of Proposed Revenue
Payroll Tax	\$3,900	\$3,900	\$4,000	(\$100)	\$3,900

Test Year 2012 Ventura County	CAW Direct	CAW Update	DRA Report	Difference	Settlement
Ad Valorem Tax	\$369,900	\$369,900	\$355,400	\$14,500	\$369,000
Payroll Tax	\$76,700	\$83,200	\$76,700	\$6,500	\$83,000

Test Year 2012 Monterey Wastewater	CAW Direct	CAW Update	DRA Report	Difference	Settlement
Ad Valorem Tax	\$14,600	\$14,600	\$12,400	\$2,200	\$14,200
Franchise Tax (Present Rates?)	\$14,300	\$14,300	\$14,200	\$100	\$15,500
Franchise Tax (Proposed Rates)	\$16,500	\$16,600	\$16,600	0	Open - .452% of Proposed Revenue
Payroll Tax	\$61,400	\$62,200	\$61,400	\$800	\$61,800

REFERENCES: CAW Exh. A, Ch. 5, Tables 5.1; CAW Updated Exh. A, Ch. 5, Table 5.1; CAW Exh. 13, Jordan Direct, pp. 3-4; DRA Exh. 5, Ch. 3, pp. 26-40.

10.0 UTILITY PLANT IN SERVICE

10.1 General Issues

10.1.1 Escalation, Engineering Overhead, and Contingency Factors

CALIFORNIA AMERICAN WATER REQUEST:

As part of the 2010 GRC application, California American Water developed and supported the selection of appropriate percent factors for escalation, engineering overhead and contingency. For the escalation factor, California American Water prepared a technical memorandum dated October 29, 2009, entitled "Forecasted Cost Escalation for use in the 2012-2014 GRC CAPEX Cost Estimates." This document reviewed historical changes in the Construction Cost Index (prepared by McGraw-Hill) for three different areas. After review of the data, the technical memorandum recommended the use of an annual average construction cost increase of four percent for purposes of preparing the cost estimates for California American Water's capital projects.

For the engineering overhead factor, California American Water prepared a technical memorandum dated October 29, 2009, Rev. 1, entitled "Engineering Overhead Forecast." This document reviewed historical data from 2004 through 2008, including the actual engineering overhead charges incurred as well as the total annual capital costs incurred for each year. The technical memorandum illustrated a range of engineering overhead rates between 5.72 percent and 10.81 percent for the years 2005 through 2008. After review of the data, the technical memorandum recommended the use of an engineering overhead factor of eleven percent for purposes of preparing the cost estimates for California American Water's capital projects in the 2012-2014 GRC.

For the contingency factor, California American Water prepared a technical memorandum for nearly all recurring projects and investment projects, entitled "Project Cost Estimate Basis and Assumptions." This document provides overall support for the conceptual level cost estimate for a specific project. California American Water described the use of contingency in conceptual level cost estimating in Section 8 of the technical memorandum:

“Due to the conceptual level of the project at this stage, and a consequent lack of the detailed design plans and specifications needed for detailed estimating purposes, a 20% contingency has been applied to the total construction cost estimate (before application of the Cal-Am overhead). This level of contingency is in line with the recommendations of 2007 Edition of RS Means and AACE (American Association of Cost Engineers) for Class 3 documents (10 to 40% design level completion).”

It is noted that the twenty percent contingency factor is within the 10%-40% range set forth in AACE guidelines and is below the median of that standard for all new recurring projects and new investment projects. California American Water believes the twenty percent contingency factor is reasonable for the purposes of calculating the total estimated cost for new recurring projects and the new investment projects.

DRA POSITION:

DRA used a different escalation, engineering overhead, and contingency factor percentage to adjust the total estimated costs for a number of new recurring and new investment projects in different districts across the state of California. In most districts, proposed a 4% escalation factor instead of 3%, reduced the 11% engineering overhead factor to 7%, and reduced the 20% contingency factor to 10%.

DRA recommended a 3% escalation factor, because it is consistent with its recent estimates in other GRC applications and reflects the ongoing economic slowdown. DRA mentions the use of a lower escalation factor on page 1-5 of DRA Exhibit 8, beginning at line 4 and continuing through line 7.

DRA recommended using a 7% engineering overhead factor for application to the total cost estimates for new recurring projects and new investment projects. In DRA Exhibit 7, DRA states that it calculated the 7% engineering overhead factor using actuals from the most recent seven years of cost data provided by California American Water.

DRA recommended using a 10% contingency factor for application to the total cost estimates for new recurring projects and new investment projects.

RESOLUTION:

DRA and California American Water agree to compromise on a dollar amount for most of the new Recurring Projects and Investment Projects in the following way. First, for most Recurring Projects and Investment Projects, California American Water's proposed escalation (5%), engineering overhead (11%) and contingency (20%) factors are included as part of the reflected total project cost. Next, for these projects, the total project cost is reduced by 5% in order to reflect the compromise between California American Water and DRA. DRA and California American Water agree, however, that certain Recurring Projects and Investment projects, total dollars proposed by California American Water were accepted by DRA, and will not be affected by this 5 percent reduction.

DRA and California American Water agree to adopt a common standard relating to escalation, engineering overhead and contingency factors for use in developing reasonable cost estimates for proposed new recurring projects and investment projects in the next General Rate Case. The goal is to adopt percentage factors that will be uncontested during the next General Rate Case between the parties. The parties agree to have the first meeting during the fourth quarter of 2011. This first meeting will be a presentation and overview of these three factors by both parties, representing each party's perspective. The second meeting will be held during the first quarter of 2012, wherein consensus building and active dialogue will take place between the parties, resulting in a satisfactory conclusion of acceptable percentage factors for escalation, engineering overhead and contingency. DRA and California American Water agree that these jointly agreed upon percentage factors will be used by California American Water as part of its cost estimating practice for purposes of developing cost estimates for proposed capital projects planned for submittal in the 2015 general rate case application (submittal date of July 1, 2013).

DRA and California American Water further agree to re-examine these three percentage factors as a normal procedure prior to the preparation of each successive general rate case application.

REFERENCES: CAW Exh. 49, Rebuttal Testimony of F. Mark Schubert, P.E., dated March 22, 2011 ("Schubert Rebuttal"), pp. 3-10, Attachments 1-4; DRA Exh. 7, *DRA Testimony on Utility Plant in Service for Sacramento District of California American Water Company*, dated January 21, 2011 ("DRA Exh. 7"), pp. 24, 26; DRA Exh. 8, *DRA Testimony on Utility Plant-In-Service of California American Water Company Larkfield, Los Angeles County, Monterey Wastewater, San Diego County, and Ventura County Districts*, dated January 21, 2011 ("DRA Exh. 8"), p. 1-5, *et seq.*

10.1.2 Recurring Project O – Vehicles – Lease vs. Purchase

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requests that from 2012 forward it be allowed to purchase all new and replacement vehicles in lieu of leasing vehicles. The replacements will be based on the Department of General Services guidelines. Vehicles that are currently leased would remain so until the end of the useful lives.

DRA POSITION:

DRA recommends that the Commission disallow California American Water's requested funding for all district's Recurring Project line item "O" – Vehicles, and adjust California American Water's projected Administrative and General expenses for its vehicle leasing program to conform to the five year inflation adjusted average.

RESOLUTION:

CAW accepts DRA's position to adjust its Administrative and General expenses for its vehicle leasing program to conform to the five year inflation adjusted average, with the exception of purchasing the Monterey Wastewater District Vector truck. DRA and CAW also agree that vehicle lease expense will be adjusted to reflect the leasing of new vehicles that are past their useful life and for which no current lease amount is paid.

REFERENCES: CAW Exh. 3, *Direct Testimony of Brian K. Bruce*, dated July 1, 2010 ("Bruce Direct"), pp. 18-25; DRA Exh. 9, *DRA Testimony on Utility Plant in Service of California American Water Company Monterey County District and Toro Service Area, Including Special Requests 7, 15 and 19*, dated January 21, 2011 ("DRA Exh. 9"), pp. 1-10 – 1-11; *see also* DRA Exh. 7, DRA Exh. 8; CAW Exh. 38, Bruce Rebuttal, pp. 18-21.

10.1.3 2009, 2010 and 2011 Plant Additions

DRA and California American Water agree to base the beginning of year 2012 utility plant balances on the calculation using the 2009 actual, 2010 actual and 2011 forecast plant additions, unless otherwise noted.

10.1.4 Communication and Reporting

The periodic communication and reporting of capital investment expenditures first implemented by the Settlement Adopted in A.09-01-013 and approved by D.10-06-038 shall continue. DRA and California American Water agree to implement four additional items related to this issue and anticipate that these items will be developed as part of the meetings planned to be held in accordance with Section 10.1.1. The four additional items are as follows:

1. DRA and California American Water will critique the lessons learned during the first California American Water statewide all district GRC and use the experience gained therein to improve or enhance the existing communication framework that was developed in the Settlement adopted by D.10-06-038.
2. DRA and California American Water agree to jointly develop a checklist of items relevant to planning and cost estimating of capital investment projects that will assist DRA and California American Water to:
 - a. standardize the review and analysis of funding levels during GRCs
 - b. optimize the review and analysis of actual recorded costs; and
 - c. streamline issues with final project costs during subsequent GRC reviews.
 - d. Discuss audit standards and disallowance criteria amongst the parties, to develop common understanding of methods used.
3. California American Water also agrees to perform a review of its construction management process, as it specifically relates to storage tank projects. Upon completion of this review, California American Water will share the results with DRA as part of the periodic communication and reporting of capital investment expenditures described in section 10.1.4 above. The goal is to determine what other steps California American Water can perform to optimize keeping these storage tank projects on track for timely permitting and construction.
4. Parties acknowledge that further water industry research is underway related to rehabilitation methods used to extend the service life of some water infrastructure, including but not limited to transmission and distribution main. California American Water shall provide an update in the next GRC Application related to the results of research and pilots performed by its parent Company related to replacement versus rehabilitation options. California American Water agrees to communicate its state-wide policy and decision making framework used for optimizing its capital investment decisions related to infrastructure replacement in future editions of its Comprehensive Planning Studies and Condition Based Assessments.

10.2 Larkfield District

10.2.1 Recurring Projects

10.2.1.1 Undisputed Recurring Projects

CALIFORNIA AMERICAN WATER REQUEST:

Recurring Projects are regular, routine capital expenditures undertaken by the Company to ensure continued safe, adequate and reliable operation of a water system. These types of capital expenditures are usually comprised of short sections of distribution mains, valves, meters, hydrants, services, pumps and motors, office furnishings, tools, equipment, instrumentation improvements, processing systems modifications, pump/tank/well rehabilitations and rehabilitation of other items considered general equipment. The annual level of expenditures for each of the individual normal recurring capital expenditures may vary from year-to-year based on specific District needs, regulatory requirements, or unanticipated emergencies. However, the annual level of recurring project expenditures as a group remains relatively consistent from year to year.

DRA POSITION:

California American Water and DRA agree with the need for nearly all budgets for recurring projects in 2012, 2013, and 2014. The Parties disagreement with RP-0561-O – Vehicles is discussed in Section 10.2.1.2. For the projects listed in the table below, DRA adjusted the total cost of these recurring projects using its recommendations for escalation, engineering overhead, and contingency.

RESOLUTION:

Based on the agreement in regards to Escalation, Engineering Overhead, and Contingency Factors, DRA and California American Water agree to specific dollar amounts for the individual recurring project line items as set forth below. The total dollar amount for all recurring projects shall be allocated in a flexible fashion by California American Water among the specific difference recurring project line items during this GRC period 2012-2014.

Larkfield Recurring Projects 2012-2014		CAW Direct	DRA Report	Difference Due to Factors	Settlement
RP-0561-A	Mains – New	\$141,000	\$123,954	(\$17,046)	\$133,950
RP-0561-B	Mains - Replaced/Restored	\$51,000	\$44,435	(\$6,565)	\$48,450
RP-0561-C	Mains – Unscheduled	\$75,000	\$64,079	(\$10,921)	\$71,250
RP-0561-D	Mains – Relocated	\$0	\$0	\$0	\$0
RP-0561-E	Hydrants, Valves, and Manholes – New	\$18,000	\$15,831	(\$2,169)	\$17,100
RP-0561-F	Hydrants, Valves, and Manholes – Replaced	\$63,000	\$55,139	(\$7,861)	\$59,850
RP-0561-G	Services and Laterals – New	\$18,000	\$16,188	(\$1,812)	\$17,100
RP-0561-H	Services and Laterals – Replaced	\$126,000	\$111,877	(\$14,123)	\$119,700
RP-0561-I	Meters – New	\$30,000	\$25,796	(\$4,204)	\$28,500
RP-0561-J	Meters – Replaced	\$15,000	\$13,892	(\$1,108)	\$14,250
RP-0561-K	ITS Equipment and Systems	\$0	\$0	\$0	\$0
RP-0561-L	SCADA Equipment and Systems	\$48,000	\$42,326	(\$5,674)	\$45,600
RP-0561-M	Security Equipment and Systems	\$11,000	\$9,783	(\$1,217)	\$10,450
RP-0561-N	Offices and Operations Centers	\$15,000	\$14,055	(\$945)	\$14,250
RP-0561-P	Tools and Equipment	\$33,000	\$28,684	(\$4,316)	\$31,350
RP-0561-Q	Process Plant Facilities and Equipment	\$402,000	\$352,518	(\$49,482)	\$381,900
RP-0561-R	Capitalized Tank Rehabilitation/Painting	\$216,000	\$189,498	(\$26,502)	\$205,200
DV-0561	Developer Projects	\$302,500	\$302,500	\$0	\$302,500
Total		\$1,262,000.00	\$1,108,055.00	(\$153,945.00)	\$1,198,900

REFERENCES: CAW Exh. 14, Kilpatrick Direct, pp. 7-8; CAW Exh. 49, Schubert Rebuttal, pp. 40-41; DRA Exh. 8, pp. 1-4 – 1-5.

10.2.1.2 RP-0561-O – Vehicles

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requests that from 2012 forward it be allowed to purchase all new and replacement vehicles in lieu of leasing vehicles. The replacements will be based on the Department of General Services guidelines. Vehicles that are currently leased would remain so until the end of the useful lives.

DRA POSITION:

DRA recommends that the Commission disallow California American Water’s requested funding for RP-0561-O and adjust California American Water’s projected Administrative and General expenses for its vehicle leasing program to conform to the five year inflation adjusted average.

RESOLUTION:

CAW accepts DRA position for the leasing of vehicles. DRA and CAW also agree that the vehicle lease expense shall be adjusted to reflect the leasing of new vehicles that are past their useful life and for which no current lease amount is paid.

RP-0561-O Vehicles	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$77,000	\$77,000	\$0	\$77,000	\$0
2013	\$33,000	\$33,000	\$0	\$33,000	\$0
2014	\$0	\$0	\$0	\$0	\$0
Total	\$110,000	\$110,000	\$0	\$110,000	\$0

REFERENCES: CAW Exh. 3, Bruce Direct, Sec. VIII, pp. 22-23; DRA Exh. 7, Ch. 1, p. 9;DRA Exh. 9, pp. 1-10 – 1-11.

10.2.2 In-Progress Investment Projects

10.2.2.1 IP-0561-20 – Water Treatment Plant Site Drain Improvements

CALIFORNIA AMERICAN WATER REQUEST:

The Commission approved project IP-0561-20 (as IP-0561-13) in the 2009 GRC as part of the Settlement Agreement. The project was approved for \$20,000 in 2009 and \$90,000 in 2011. This project is on-going and completion of this investment project is scheduled for the end of 2011.

The Commission authorized California American Water to begin design activities for this project in 2009, with a funding level of \$110,000. This proposed project would provide for the

construction of storm water facilities at the Larkfield water treatment plant. Currently there are not adequate on-site drainage facilities and the site is not paved. In 2009, as part of RP-056 I-Q, a drainage catch basin with sump pump was installed near the entrance of the building. This improvement allowed the Larkfield District staff to temporarily address the ponding water. This improvement will be incorporated into the drainage system as part of this project.

When it rains, storm water either percolates into the ground, ponds, or runs off the property and eventually discharges to a nearby creek. The localized ponding results in muddy areas that make access difficult and unsafe during and after rainfall. The muddy conditions are also considered a sanitary hazard at the site. Additionally, vehicles track mud off site, which creates a nuisance to adjacent property owners.

California American Water has a drainage easement to the nearby creek. The design concept for this facility includes construction of drainage inlets at the site and provisions for settling, clarification and oil/water separation prior to discharge via a storm pipe to the creek. At this time, design and permitting activities are planned for 2009-2010. Construction has been scheduled to occur in 2011.

DRA POSITION:

DRA accepts this in-progress project, its remaining construction schedule, and \$110,000 cost as reasonable.

RESOLUTION:

DRA and California American Water agree there were no disputed issues for this in progress project. The parties agree on allowing \$110,000 into 2011 plant in service.

REFERENCES: CAW Exh. 14, Kilpatrick Direct, pp. 31-32; DRA Exh. 8, pp. 1-7.

10.2.3 New Investment Projects

10.2.3.1 IP-0561-1 – Well Rehabilitation (Well 4A)

CALIFORNIA AMERICAN WATER REQUEST:

This capital investment project is for a routine rehabilitation of Larkfield's Well 4A, including pump and motor replacement, to maintain reliable water supply to customers. For major production wells, California American Water generally schedules well rehabilitation on a five to ten year cycle, and well pumps and motor replacement on a seven to ten year cycle, particularly for older, lower efficiency motors. California American Water last rehabilitated Well 4A in 2000.

DRA POSITION:

DRA agreed with the need for this project, but adjusted the total cost of this project using its recommendations for escalation, engineering overhead, and contingency.

RESOLUTION:

Based on recent developments, California American Water has withdrawn its request for the \$165,475 originally proposed for this project in 2012. DRA and California American Water agree as set forth below.

IP-0561-1 Well Rehabilitation (Well 4A)	CAW Direct	DRA Report	CAW Rebuttal	Settlement
2012	\$165,475	\$145,162	\$0	\$0

REFERENCES: CAW Exh. 14, Kilpatrick Direct, pp. 27-28; CAW Exh. 49, Schubert Rebuttal, p. 41-42; DRA Exh. 8, pp. 1-6 – 1-7.

10.2.3.2 IP-0561-7 – Well Rehabilitation (1A, 5 & 3A)

CALIFORNIA AMERICAN WATER REQUEST:

IP-0561-7 is for a routine rehabilitation of Larkfield’s Well 1A, Well 5, and Well 3A and is consistent with its schedule for well rehabilitation and motor and pump replacement for major production wells. For major production wells, California American Water generally schedules well rehabilitation on a five to ten year cycle, and well pumps and motor replacement on a seven to ten year cycle, particularly for older, lower efficiency motors. This rehabilitation project will include pulling the well pump and disassembling the wellhead facilities, performing a video camera survey of the well and casing, selecting and implementing the well casing rehabilitation method, furnishing and installing a new pump, motor and appurtenances, and furnishing a new discharge head.

DRA POSITION:

DRA agrees with the need for these well rehabilitations because DRA supports timely rehabilitations of wells to maintain productivity and to extend the useful life of wells. However, DRA recommends cost adjustments to the estimates to reflect DRA’s use of lower escalation, overhead, and contingency rates.

RESOLUTION:

Based on the agreement in regards to Escalation, Engineering Overhead, and Contingency Factors, DRA and California American Water agree to compromise to specific dollar amounts for this investment project as set forth below.

IP-0561-7 Well Rehabilitation (Well 1A, 5 & 3A)	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$87,000	\$87,000	\$76,243	(\$10,757)	\$82,650
2013	\$85,000	\$85,000	\$74,348	(\$10,652)	\$80,750
2014	\$140,000	\$140,000	\$121,295	(\$18,705)	\$133,000
Total	\$312,000	\$312,000	\$271,886	(\$40,114)	\$296,400

REFERENCES: CAW Exh. 14, Kilpatrick Direct, pp. 29; CAW Exh. 49, Schubert Rebuttal, p. 41-42; DRA Exh. 8, pp. 1-6 – 1-7.

10.2.4 Special Facilities Fee Projects

10.2.4.1 05610702 – Faught Road Well and Pipeline

CALIFORNIA AMERICAN WATER REQUEST:

This project includes the construction of a 150 gallon per minute (gpm) production well, and 1,500 feet of 6-inch raw water main from the well to the Larkfield central water treatment plant. The additional capacity is needed in the Larkfield system to address the water supply deficit for current customers. The scope of work and cost for this investment project was fully vetted in the 2009 GRC. California American Water reached a settlement with DRA on this investment project as part of the 2009 GRC proceeding. The Commission adopted the settlement, including authorizing an advice letter for this project with a total cost of \$2,467,000 in D.10-06-038. In this GRC. California American Water is requesting that these costs, now estimated to be \$2,390,000, be included in rate base.

Recently, California American Water was advised of the potential availability of additional water supply from the Sonoma County Water Agency (SCWA). The amount of water is in question, but it is estimated to be about 150 gallons per minute. Preliminary discussions have not yet begun on any alteration to the existing contract with SCWA to purchase additional water. However, should this quantity of water become available for the foreseeable future, then California American Water will attempt to defer the implementation of the Faught Road Well Project to a future GRC, with this deferral dependent on customer consumption requirements versus production capability.

DRA POSITION:

DRA recommends that this project remain subject to advice letter treatment. California American Water should file the advice letter to recover the Faught Road Well construction costs only if the project is complete and the facilities are used and useful. DRA recommends that this project remain an advice letter project as it is not yet completed and in service.

MARK WEST POSITION:

The Mark West Area Community Services Committee (MWACSC) recommends that the Faught Road Well be reevaluated using more current numbers for the number of connections and for the Maximum Day Demand. MWACSC further recommends that the cost of the well not be allowed in rate base.

RESOLUTION:

California American Water is in agreement with DRA that the current cost estimate should remain in place, with the further understanding that the \$2,467,000 cost is an estimate, and will still be subject to a reasonableness and prudence review at the time the investment project is completed, placed into service, and a Tier 2 Advice Letter application is submitted to the Commission. However, California American Water agrees to actively pursue purchasing water from Sonoma County Water Agency instead of constructing of Faught Road Well. California American Water agrees to keep DRA apprised of its efforts to purchase water from Sonoma County Water Agency. As part of this settlement agreement, certain capital projects in California American Water’s 2010 general rate case application have been agreed to by the parties to have actual project costs accrue interest at an annual rate equal to California American Water’s weighted average cost of debt, as explained in more detail in the supporting language for Special Request # 33. Please see Section 11.26 of this Settlement Agreement.

05610702 Faught Road Well and Pipeline	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2009 CWIP	\$167,572	\$167,572	\$167,572	\$0	\$167,572
2010	\$97,000	\$97,000	\$97,000	\$0	\$97,000
2011	\$1,533,250	\$1,533,250	\$0	\$1,533,250	\$1,533,250
2012	\$759,750	\$759,750	\$0	\$759,750	\$759,750
Total	\$2,390,000	\$2,390,000	\$97,000	\$2,293,000	\$2,390,000 Advice Letter Project filed in 2012, plus Interest

REFERENCES: CAW Exh. 14, Kilpatrick Direct, pp. 32-36; CAW Exh. 49, Schubert Rebuttal, p. 43; DRA Exh. 8, pp. 1-8; MWA Exh. 1, Boulder Direct, pp. 4-1 – 4-7.

10.2.4.2 Special Facilities Fee

CALIFORNIA AMERICAN WATER REQUEST:

California American Water strongly recommends that a connection fee be placed into effect in the Larkfield District as quickly as possible. This connection fee would take the place of the

original developer special facilities fee proposed in the 2009 GRC. This connection fee would apply to all new customers desiring to connect with the Larkfield District's water system. This connection fee would generate capital funds to help augment and maintain the source of supply in the Larkfield District's water system.

DRA POSITION:

DRA agrees that a connection fee should be implemented as soon as practical within the Larkfield District, in order to address the continuing source of supply challenges.

RESOLUTION:

DRA and California American Water agree that the monies collected from this new connection fee would be directed to funding new capital improvement projects within the Larkfield water system, specific to source of supply. The parties agree that the source of supply projects can include the construction of additional groundwater wells, the purchase of existing groundwater wells, or purchasing additional water supply from Sonoma County Water Agency (or another adjoining public agency with excess water supply). This connection fee would be created to be consistent with the Commission's General Order 96, as well as the Commission's General Order 103-A. This connection fee would be created to be consistent with the Commission's General Order 96-B, and pursuant to provisions in Standard Practice U-28-W, Appendix A. DRA and California American Water recognize that due to the unique circumstances in the Larkfield District, it is appropriate to follow Standard Practice U-28-W even though those provisions apply to service areas with customers of 2,000 or less.

REFERENCES: CAW Exh. 14, Kilpatrick Direct, pp. 117-124, Attachment 5; CAW Exh. 49, Schubert Rebuttal, p. 43; CAW Exh. 51, Stephenson Rebuttal, pp. 43-61; CAW Exh. 50, *Rebuttal Testimony of Andrew Soulé*, dated March 22, 2011 ("Soule Rebuttal"), pp. 4-6; DRA Exh. 8, pp. 1-8; DRA Exh. 11, *DRA Testimony on Special Request Nos. 9, 13, 21, and 31 of California American Water Company Larkfield, Los Angeles County, Monterey County Monterey Wastewater, Sacramento, San Diego County, and Ventura County Districts*, dated January 21, 2011 ("DRA Exh. 11"), pp. 4-1 – 4-18; MWA Exh. 1, Boulder Direct, pp. 3-1 – 4-7.

10.3 Los Angeles County District

10.3.1 Recurring Projects

10.3.1.1 Undisputed Recurring Projects

CALIFORNIA AMERICAN WATER REQUEST:

Recurring Projects are regular, routine capital expenditures undertaken by the Company to ensure continued safe, adequate and reliable operation of a water system. These types of capital expenditures are usually comprised of short sections of distribution mains, valves, hydrants, services, pumps and motors, office furnishings, tools, equipment, instrumentation improvements, processing systems modifications, pump/tank/well rehabilitations and rehabilitation of other items considered general equipment. The annual level of expenditures for each of the individual normal recurring capital expenditures may vary from year-to-year based on specific District needs, regulatory requirements, or unanticipated emergencies. However, the annual level of recurring project expenditures as a group remains relatively consistent from year to year.

DRA POSITION:

DRA agrees with the need for nearly all budgets for recurring projects in 2012, 2013, and 2014. The Parties disagreement with RP-0550-O – Vehicles is discussed in section 10.3.1.2. For the projects listed in the table below, DRA adjusted the total cost of these recurring projects using its recommendations for escalation, engineering overhead, and contingency.

RESOLUTION:

Based on the agreement in regards to Escalation, Engineering Overhead, and Contingency Factors, DRA and California American Water agree to specific dollar amounts for the individual recurring project line items as set forth below. The total dollar amount for all recurring projects shall be allocated in a flexible fashion by California American Water among the specific difference recurring project line items.

Los Angeles Recurring Projects 2012-2014		CAW Direct	DRA Report	Difference Due to Factors	Settlement
RP-0550-A	Mains – New	\$110,000	\$96,682	(\$13,318)	\$104,500
RP-0550-B	Mains - Replaced/Restored	\$1,288,000	\$1,130,034	(\$157,966)	\$1,223,600
RP-0550-C	Mains - Unscheduled	\$360,000	\$314,128	(\$45,872)	\$342,000
RP-0550-D	Mains - Relocated	\$751,000	\$659,576	(\$91,424)	\$713,450
RP-0550-E	Hydrants, Valves, and Manholes - New	\$36,000	\$31,409	(\$4,591)	\$34,200
RP-0550-F	Hydrants, Valves, and Manholes - Replaced	\$201,000	\$176,502	(\$24,498)	\$190,950
RP-0550-G	Services and Laterals - New	\$38,000	\$32,919	(\$5,081)	\$36,100
RP-0550-H	Services and Laterals - Replaced	\$1,563,000	\$1,378,854	(\$184,146)	\$1,484,850
RP-0550-I	Meters - New	\$17,000	\$14,613	(2,387)	\$16,150
RP-0550-J	Meters - Replaced	\$2,171,000	\$1,666,248	(\$504,752)	\$2,062,450
RP-0550-K	ITS Equipment and Systems	\$0	\$0	\$0	\$0
RP-0550-L	SCADA Equipment and Systems	\$234,000	\$204,800	(29,200)	\$222,300
RP-0550-M	Security Equipment and Systems	\$130,000	\$114,354	(\$15,646)	\$123,500
RP-0550-N	Offices and Operations Centers	\$78,000	\$68,543	(\$9,457)	\$74,100
RP-0550-P	Tools and Equipment	\$111,000	\$97,506	(\$13,494)	\$105,450
RP-0550-Q	Process Plant Facilities and Equipment	\$1,347,000	\$1,182,021	(\$164,979)	\$1,279,650
RP-0550-R	Capitalized Tank Rehabilitation/Painting	\$946,000	\$831,546	(\$114,454)	\$898,700
DV-0550	Developer Projects	\$453,750	\$453,750	\$0	\$453,750
Total		\$9,834,750	\$8,453,485	(\$1,381,265)	\$9,365,700

REFERENCES: CAW Exh. 22, *Direct Testimony of Mark Reifer, P.E.*, dated July 1, 2010 ("Reifer Direct"), pp. 4-31; CAW Exh. 49, Schubert Rebuttal, pp. 45-46; DRA Exh. 8, pp. 3-5 – 3-6.

10.3.1.2 RP-0550-O – Vehicles

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requests that from 2012 forward it be allowed to purchase all new and replacement vehicles in lieu of leasing vehicles. The replacements will be based on the Department of General Services guidelines. Vehicles that are currently leased would remain so until the end of the useful lives.

DRA POSITION:

DRA recommends that the Commission disallow California American Water’s requested funding for RP-0550-O and adjust California American Water’s projected Administrative and General expenses for its vehicle leasing program to conform to the five year inflation adjusted average.

RESOLUTION:

California American Water accepts DRA’s position to adjust its Administrative and General expenses for its vehicle leasing program to conform to the five year inflation adjusted average. DRA and California American Water also agree that the vehicle lease expense shall be adjusted to reflect the leasing of new vehicles that are past their useful life and for which no current lease amount is paid.

RP-0550-O Vehicles	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$250,000	\$250,000	\$0	(\$250,000)	\$0
2013	\$198,000	\$198,000	\$0	(\$198,000)	\$0
2014	\$154,000	\$154,000	\$0	(\$154,000)	\$0
Total	\$602,000	\$602,000	\$0	(\$602,000)	\$0

REFERENCES: CAW Exh. 3, Bruce Direct, Sec. VIII, pp. 22-23; DRA Exh. 7, Ch. 1, p. 9; DRA Exh. 9, pp. 1-10 – 1-11.

10.3.2 In-Progress and Carryover Projects

10.3.2.1 05500506 – Fire Flow Improvements in Baldwin Hills

CALIFORNIA AMERICAN WATER REQUEST:

The Commission previously approved \$69,600 in 2010 and \$798,934 in 2011 for this project. The project is scheduled for initial bidding and preliminary design during the second half of 2010. The scope of the project involves improving fire flow requirements at several locations in the Baldwin Hills system. Currently 46 hydrants within the Baldwin Hills system are unable to produce the minimum fire flow. California American Water improves fire flow to a hydrant by increasing the diameter of the main serving the hydrant or creating multi directional flow. These

improvements are supported by a 1997 hydraulic study that recommends several small projects to address the fire flow deficiencies at the hydrants in each pressure zone. Since many of these projects are small, California American Water included them together under 05500506 LA Fire Flow Improvements in Baldwin Hills.

DRA POSITION:

DRA had no comment on this previously approved project.

RESOLUTION:

DRA and California American Water agree on this project as set forth below, and that the amounts shall be allowed into plant in service.

05500506 LA Fire Flow Improvements in Baldwin Hills 2010-2011	CAW Direct	DRA Report	Difference	Settlement
2009 CWIP	\$18,892	\$18,892	\$0	\$18,892
2010	\$69,600	\$69,600	\$0	\$69,600
2011	\$798,934	\$798,934	\$0	\$798,934
Total (2010-2011)	\$868,534	\$868,534	\$0	\$868,534

REFERENCES: CAW Exh. 22, Reifer Direct, pp. 31, 33; DRA Exh. 8, p. 3-4.

10.3.2.2 IP-0550-35 – Lemon Domestic Reservoir Improvements

CALIFORNIA AMERICAN WATER REQUEST:

The Commission previously approved \$240,000 for this project in 2011 with the remainder to be included in this GRC, beginning in 2012. California American Water recommends \$240,000 in 2012 in accordance with the project work papers. At this time, California American Water has not incurred any charges on this project. The project will eliminate low water pressure conditions experienced in one of the gradients in the Duarte service territory and increase the effective storage of the Lemon Reservoir.

DRA POSITION:

DRA recommends the requested budget be adopted.

RESOLUTION:

DRA and California American Water agree on this project as set forth below, and that the amounts shall be allowed into plant in service.

IP-0550-35 Lemon Domestic Reservoir Improvements 2012	CAW Direct	DRA Report	Difference	Settlement
2011 CWIP	\$240,000	\$240,000	\$0	\$240,000
2012	\$240,000	\$240,000	\$0	\$240,000
Total	\$480,000	\$480,000	\$0	\$480,000

REFERENCES: CAW Exh. 22, Reifer Direct, pp. 31, 32-34; DRA Exh. 8, p. 3-6.

10.3.2.3 IP-0550-47 – Purchase Portable Emergency Generators

CALIFORNIA AMERICAN WATER REQUEST:

The Commission previously approved \$100,174 in 2009 and \$58,000 in 2010 for this project. Although the scope of the project initially included the purchase of two emergency power generators for the Los Angeles County District, California American Water purchased one trailer mounted generator in 2009. The costs incurred for this project total \$119,456. Due to higher than estimated costs, California American Water will include the second generator in a future GRC.

DRA POSITION:

DRA had no comment on this previously approved project.

RESOLUTION:

DRA and California American Water agree on this project as set forth below, and that the amounts shall be allowed into plant in service.

IP-0550-47 Purchase Portable Emergency Generators	CAW Direct	DRA Report	Difference	Settlement
2009 CWIP	\$119,456	\$119,456	\$0	\$119,456
2011	\$58,000	\$58,000	\$0	\$58,000
Total (2011)	\$58,000	\$58,000	\$0	\$58,000

REFERENCES: CAW Exh. 22, Reifer Direct, p. 35; DRA Exh. 8, p. 3-4.

10.3.2.4 IP-0550-99 – Well Rehabilitation – Buena Vista

CALIFORNIA AMERICAN WATER REQUEST:

The Commission previously approved \$290,782 in 2009 and \$887,107 in 2010 for this project. As of the end of 2009, California American Water had spent \$33,260.96 on the project. This

capital project involves the re-drilling/replacement of Buena Vista well, which is located in the Duarte service area in the Los Angeles County District. California American Water completed the project in 2010 within the proposed budget.

DRA POSITION:

DRA had no comment on this previously approved project.

RESOLUTION:

DRA and California American Water agree on this as set forth below, and that the amounts shall be allowed into plant in service.

IP-0550-99 Well Rehabilitation – Buena Vista 2009-2010	CAW Direct	DRA Report	Difference	Settlement
2009 CWIP	\$25,969	\$25,969	\$0	\$25,969
2010	\$1,145,470	\$1,145,470	\$0	\$1,145,470
Total (2010)	\$1,145,470	\$1,145,470	\$0	\$1,145,470

REFERENCES: CAW Exh. 22, Reifer Direct, pp. 32, 35-36; DRA Exh. 8, p. 3-4.

10.3.2.5 IP-0550-112 – Replace Richardson Well

CALIFORNIA AMERICAN WATER REQUEST:

The Commission previously approved \$50,000 in 2009, \$300,000 in 2010 and \$1,034,000 in 2011 for this project. California American Water requests an additional amount of \$150,000 in 2012 of the current rate case filing to complete the project. The proposed project scope involves the replacement of the Richardson Well at the Rosemead Operations Center. California American Water plans to complete the project in 2012.

DRA POSITION:

DRA accepts this request as reasonable.

RESOLUTION:

DRA and California American Water agree on this project as set forth below:

IP-0550-112 Richardson Well Redrill	CAW Direct	DRA Report	Difference	Settlement
2009 CWIP	\$16,081	\$16,081	\$0	\$16,081
2010 CWIP	\$300,000	\$300,000	\$0	\$300,000
2011 CWIP	\$1,134,000	\$1,134,000	\$0	\$1,134,000
2012	\$150,000	\$150,000	\$0	\$150,000
Total (2010-2012)	\$1,584,000	\$1,584,000	\$0	\$1,584,000

REFERENCES: CAW Exh. 22, Reifer Direct, pp. 32, 36-37; DRA Exh. 8, pp. 3-4, 3-7.

10.3.2.6 IP-0550-113 – Replace Oak Knoll Circle Well

CALIFORNIA AMERICAN WATER REQUEST:

The Commission previously approved \$50,000 in 2010 and \$211,000 in 2011 for this project. California American Water determined that additional funding of \$1,225,000 in 2012 and \$1,265,000 in 2013 is necessary to complete the project with additional well water treatment as needed. The project involves the rehabilitation of the Oak Knoll Circle well in the San Marino System. This project has not yet started. California American Water plans to complete the project by year end 2013.

DRA POSITION:

DRA accepts the requested cost estimates as reasonable.

RESOLUTION:

DRA and California American Water agree on this project as set forth below:

IP-0550-113 Oak Knoll Circle Well Rehab	CAW Direct	DRA Report	Difference	Settlement
2010 CWIP	\$50,000	\$50,000	\$0	\$50,000
2011 CWIP	\$207,000	\$207,000	\$0	\$207,000
2012 CWIP	\$1,225,000	\$1,225,000	\$0	\$1,225,000
2013	\$1,265,000	\$1,265,000	\$0	\$1,265,000
Total	\$2,747,000	\$2,747,000	\$0	\$2,747,000

REFERENCES: CAW Exh. 22, Reifer Direct, pp. 32, 37-38; DRA Exh. 8, pp. 3-4, 3-7.

10.3.2.7 IP-0550-124 – Olympiad Booster Station Upgrade

CALIFORNIA AMERICAN WATER REQUEST:

The Commission previously approved \$100,000 in 2009, \$1,396,000 in 2010 and \$869,000 in 2011 for this project. The project involves an upgrade to the existing Olympiad Booster Station in the Baldwin Hills service area. The project is scheduled to be complete by year end 2011.

DRA POSITION:

DRA had no comment on this previously approved project.

RESOLUTION:

DRA and California American Water agree on this project as set forth below:

IP-0550-124 Olympiad Booster Station Upgrade	CAW Direct	DRA Report	Difference	Settlement
2010 CWIP	\$200,000	\$200,000	\$0	\$200,000
2011	\$2,065,000	\$2,065,000	\$0	\$2,065,000
Total	\$2,265,000	\$2,265,000	\$0	\$2,265,000

REFERENCES: CAW Exh. 22, Reifer Direct, pp. 32, 38-39; DRA Exh. 8, pp. 3-4.

10.3.2.8 IP-0550-129 – 1,600 Feet of 8-inch Main in Angeles Vista Boulevard (Baldwin Hills)

CALIFORNIA AMERICAN WATER REQUEST:

The Commission previously approved a budget of \$51,012 for 2011 for the preliminary phase of this project. California American Water includes an additional budget of \$588,060 in 2012 for the implementation phase in this GRC. This project is necessary to replace an existing 6-inch diameter unlined, cast iron main that is creating a bottleneck for fire protection in the gradient zone.

DRA POSITION:

DRA accepts the requested cost estimate of \$588,060 as reasonable.

RESOLUTION:

DRA and California American Water agree on this project as set forth below:

IP-0550-129 1,600 feet of 12 inch Main in Angeles Vista Blvd. (Baldwin Hills)	CAW Direct	DRA Report	Difference	Settlement
2011 CWIP	\$51,012	\$51,012	\$0	\$51,012
2012	\$588,060	\$588,060	\$0	\$588,060
Total	\$639,072	\$639,072	\$0	\$639,072

REFERENCES: CAW Exh. 22, Reifer Direct, pp. 32, 39; DRA Exh. 8, pp. 3-4, 3-7.

10.3.2.9 IP-0550-130 – 1,400 Feet of 8-inch Main in Slauson Avenue (Baldwin Hills)

CALIFORNIA AMERICAN WATER REQUEST:

The Commission previously approved a budget of \$482,726 for execution of both the preliminary and implementation phases for this project. This project was necessary to replace a problematic 8-inch unlined cast iron main which has a history of main breaks in a very busy street. California American Water completed this project in 2009 for a total cost of \$439,116.

DRA POSITION:

DRA had no comment on this previously approved project.

RESOLUTION:

DRA and California American Water agree on this project as set forth below, and that the amount shall be allowed into plant in service.

IP-0550-130 1,400 Feet of 8-inch Main in Slauson Avenue (Baldwin Hills)	CAW Direct	DRA Report	Difference	Settlement
2009	\$439,116	\$439,116	\$0	\$439,116
Total (2009)	\$439,116	\$439,116	\$0	\$439,116

REFERENCES: CAW Exh. 22, Reifer Direct, pp. 32, 39.

10.3.2.10 IP-0550-137 – 1,700 Feet of 8-inch Main in Oak Shade (Duarte)

CALIFORNIA AMERICAN WATER REQUEST:

The Commission previously approved a budget of \$26,271 in 2010 and \$534,603 in 2011 for this project. This project is necessary because the existing six-inch main (a) is undersized for the

service; (b) is made of poor construction materials, including unlined thin-walled steel pipe; and, (c) is too old – the pipe was installed in the 1950s. As such, the main has experienced poor performance, with four main breaks resulting in water leaks over the past five years. The replacement of this main will improve operational efficiencies, as well as improve fire protection from less than 200 gpm to more than 750 gpm.

DRA POSITION:

DRA had no comment on this previously approved project.

RESOLUTION:

DRA and California American Water agree on this project as set forth below:

IP-0550-137 1,700 feet of 8-inch Main in Oak Shade (Duarte)	CAW Direct	DRA Report	Difference	Settlement
2010 CWIP	\$26,271	\$26,271	\$0	\$26,271
2011	\$534,603	\$534,603	\$0	\$534,603
Total	\$560,874	\$560,874	\$0	\$560,874

REFERENCES: CAW Exh. 22, Reifer Direct, pp. 32, 39-40; DRA Exh. 8, p. 3-4.

10.3.2.11 IP-0550-145 – 650 Feet of 8-inch Main in Pops Road (Duarte)

CALIFORNIA AMERICAN WATER REQUEST:

The Commission previously approved a budget of \$22,446 in 2010 and \$224,282 in 2011 for this project. The purpose of this project is to replace a 4-inch main to improve fire protection adjacent to a critical customer, a Junior High School.

DRA POSITION:

DRA had no comment on this previously approved project.

RESOLUTION:

DRA and California American Water agree on this project as set forth below:

IP-0550-145 650 feet of 8-inch Main in Pops Rd. (Duarte)	CAW Direct	DRA Report	Difference	Settlement
2010 CWIP	\$22,446	\$22,446	\$0	\$22,446
2011	\$224,282	\$224,282	\$0	\$224,282
Total	\$246,728	\$246,728	\$0	\$246,728

REFERENCES: CAW Exh. 22, Reifer Direct, pp. 32, 40; DRA Exh. 8, p. 3-4.

10.3.2.12 IP-0550-146 – 2,200 Feet of 8-inch Main in S. Greenback (Duarte)

CALIFORNIA AMERICAN WATER REQUEST:

The Commission previously approved a budget of \$30,097 in 2010 and \$684,707 in 2011 for this project. The purpose of this project is to replace 4-inch and 6-inch unlined, thin-walled steel mains with a significant history of main breaks.

DRA POSITION:

DRA had no comment on this previously approved project.

RESOLUTION:

DRA and California American Water agree on this project as set forth below:

IP-0550-146 2,200 Feet of 8-inch Main in S. Greenback (Duarte)	CAW Direct	DRA Report	Difference	Settlement
2010 CWIP	\$30,097	\$30,097	\$0	\$30,097
2011	\$684,707	\$684,707	\$0	\$684,707
Total	\$714,804	\$714,804	\$0	\$714,804

REFERENCES: CAW Exh. 22, Reifer Direct, pp. 32, 40; DRA Exh. 8, p. 3-4.

10.3.2.13 IP-0550-147 – 2,700 Feet of 8-inch Main in S. Broderick (Duarte)

CALIFORNIA AMERICAN WATER REQUEST:

The Commission previously approved a budget of \$33,923 in 2010 for the design portion of this project. California American Water agreed to include the remainder of the preliminary costs and the implementation costs for a combined amount of \$863,441 in 2012. California American Water proposes an additional amount of \$67,000 in 2013 to complete the project. This project

involves the replacement of small 4-inch diameter unlined steel pipes installed between 1949 and 1951.

DRA POSITION:

DRA accepts the requested amount of \$930,441 in total expenditures for this project in 2012 and 2013.

RESOLUTION:

DRA and California American Water agree on this project as set forth below:

IP-0550-147 2,700 Feet of 8-inch Main in S. Broderick (Duarte)	CAW Direct	DRA Report	Difference	Settlement
2010 CWIP	\$33,923	\$33,923	\$0	\$33,923
2012 CWIP	\$863,441	\$863,441	\$0	\$863,441
2013	\$67,000	\$67,000	\$0	\$67,000
Total	\$964,364	\$964,364	\$0	\$964,364

REFERENCES: CAW Exh. 22, Reifer Direct, pp. 31-32, 40-41; DRA Exh. 8, p. 3-4.

10.3.2.14 IP-0550-140 – 2,000 Feet of 12-inch Main in Del Mar Boulevard (San Marino)

CALIFORNIA AMERICAN WATER REQUEST:

The Commission previously approved a budget of \$59,333 in 2009 for the preliminary cost of this project. California American Water proposes \$695,469 for implementation costs in 2013. This project involves the replacement of 12-inch steel main installed in 1929 with a history of leaks.

DRA POSITION:

DRA accepts the requested cost estimate of \$695,469 in 2013 as reasonable.

RESOLUTION:

DRA and California American Water agree on this project as set forth below:

IP-0550-140 2,000 Feet of 12-inch Main in Del Mar Boulevard (San Marino)	CAW Direct	DRA Report	Difference	Settlement
2009 CWIP	\$59,333	\$59,333	\$0	\$59,333
2013	\$695,469	\$695,469	\$0	\$695,469
Total	\$754,802	\$754,802	\$0	\$754,802

REFERENCES: CAW Exh. 22, Reifer Direct, pp. 41; DRA Exh. 8, pp. 3-4, 3-8.

10.3.3 Advice Letter Projects

10.3.3.1 IP-0550-54 – Patton Transmission Main

CALIFORNIA AMERICAN WATER REQUEST:

The Commission originally approved this project in the 2006 GRC with an advice letter capped at \$2,135,000. As part of the 2009 partial settlement agreement, California American Water amended the project estimate to \$4,176,738. California American Water agreed to include the \$4,176,738 in rate base as follows: \$2,135,000 in 2009; \$680,579 in 2010; \$680,579 in 2011; and \$680,580 in 2012. This project includes the installation of a transmission main and a booster station upgrade. The transmission main is approximately 14,700 feet long and conveys MWD water to the Patton Reservoir site from the MWD connection near the Lamanda Reservoir. At the reservoir site the main can either direct feed into the distribution system or enter the reservoir. As needed, California American Water can use MWD water to blend well water within the Patton Reservoir. California American Water completed the transmission main and placed it into service in June 2009.

California American Water completed the booster station installation, and placed the booster station into service in 2010. It should be noted that the booster station discharges into the Lamanda Booster Gradient, which is a grandfathered pressure zone. In the grandfathered pressure zone, system pressures are about 30 psi, which includes pressures lower than G.O. 103-A standards. To address this deficiency, California American Water installed two pumps. These pumps each have the capacity to meet the increased pressure requirement in this zone. The installation of the larger pumps required California American Water to also replace the motor control center, which was installed in late April 2010. Finally, the City of Pasadena Power Department required California American Water to replace the electric service line and transformer as part of this improvement project. These additional items totaled \$283,238 in 2010 expenditures.

There have been new developments, however, since California American Water filed its GRC application in July 2010. Approximately one year after the transmission main was placed into service, the adjacent homeowners began to complain that the control valves at the Patton Reservoir were making too much noise. Upon investigation by California American Water, it was found these control valves were in fact making unanticipated noise. Shortly thereafter, two sound mitigation options were investigated and proposals were received. One option was to

install an exterior grade sound blanket, while the second option was to install a sound wall. It was found that the installation cost for both options was similar. In addition, California American Water also determined that a short sound wall was needed to mitigate the noise originating from the air conditioning units on the motor control center. These noise mitigation efforts total over \$100,000, or nearly a third of the extra dollars incurred for this investment project (total extra cost is \$296,024). Therefore, the current total cost for this entire investment project, including the sound walls, is now \$4,756,000 (\$4,459,976 plus \$296,024 equals \$4,756,000).

DRA POSITION:

DRA accepts the initially requested additional cost estimate of \$283,238 as reasonable. Upon further review, and for purposes of settlement, DRA and California American Water agreed that an additional \$200,000 (in addition to the \$296,024 requested) should be recognized as reasonable.

RESOLUTION:

DRA and California American Water agree on this project as set forth below, and that these amounts shall be allowed into plant in service.

IP-0550-54 Patton Transmission Main	CAW Direct	DRA Report	Difference	Settlement
2009 CWIP	\$41,116	\$41,116	\$0	\$41,116
2010 CWIP	\$283,238	\$283,238	\$0	\$283,238
2011	\$296,025	\$0	\$296,024	\$200,000
Total (2010 and 2011)	\$579,262	\$283,238	\$0	\$483,238

REFERENCES: CAW Exh. 22, Reifer Direct, Table 5, p. 41, p. 42; DRA Exh. 8, Table 3-3, p. 3-4, p. 3-8; CAW Exh. 49, Schubert Rebuttal, pp. 47-48.

10.3.3.2 IP-0550-168 – Operational Energy Efficiency Project (OEEP)

CALIFORNIA AMERICAN WATER REQUEST:

This project was approved in 2009 under Advice Letter 814 in response to the new research and development project titled Operation Energy Efficiency Program (OEEP) that the CPUC developed. The OEEP pilot project is a joint project between local water utility companies (California American Water) and energy utility companies (Southern California Edison Company) as a pilot program to reduce electricity consumption from water purveyors throughout California.

The proposed project includes design and construction of two booster stations with the addition of VFD's and power monitoring equipment as part of the pilot energy program. California American Water will complete the booster station upgrades and additional monitoring equipment in June 2010 and will place them into service in July 2010. Upon gathering data at each of the booster station sites for a year, California American Water may recommend replacing inefficient pumps or motors at an additional cost of the project, which it will include as an additional phase of the project's scope. California American Water may request additional funds if the data requires pump and motor replacement. The current estimated cost at completion of the first phase of the project (2010) is \$725,000.

DRA POSITION:

DRA accepts the requested cost estimate as reasonable.

RESOLUTION:

DRA and California American Water agree on this project as set forth below:

IP-0550-168 Operational Energy Efficiency Project (OEEP)	CAW Direct	DRA Report	Difference	Settlement
2010	\$725,000	\$725,000	\$0	\$725,000
Total	\$725,000	\$725,000	\$0	\$725,000

REFERENCES: CAW Exh. 22, Reifer Direct, pp. 41, 43-44; DRA Exh. 8, p. 3-9.

10.3.4 Memorandum Account Projects

10.3.4.1 05500503 – Patton Well and Treatment

CALIFORNIA AMERICAN WATER REQUEST:

As part of the 2006 GRC, the Commission authorized California American Water to track the costs related to this project in a memorandum account. As part of the 2009 settlement agreement, the Commission authorized California American Water to include \$1,642,486 in rate base in 2009, and to include in rate base the remaining \$1,238,379 upon completion of the project in 2010. This project includes the re-drilling of the Patton Well and installation of LGAC treatment. At this time, it is being forecasted that this project will exceed its original project estimate by slightly over \$61,000. Coincident with the booster pumps discussed above under the Patton Transmission Main project, the well was placed into service in 2010.

DRA POSITION:

DRA recommends that additional costs (i.e., \$1,299,611 – sum of \$1,238,379 plus \$61,232) be included in the advice letter request once the project is complete and in service.

RESOLUTION:

DRA and California American Water agree that this project's total remaining cost of \$1,299,611 shall be included in plant in service in 2011.

REFERENCES: CAW Exh. 22, Reifer Direct, p. 44; DRA Exh. 8, p. 3-9.

10.3.5 New Investment Projects

10.3.5.1 IP-0550-38 – Oswego Well Replacement/Treatment

CALIFORNIA AMERICAN WATER REQUEST:

In 1921 the Oswego Well was drilled to a depth of 399 feet and in 1994 a submersible pump was installed. The historic capacity of the Oswego Well yield has declined from about 900 gpm to roughly 450 gpm over the last decade, and the casing is beginning to fail. Due to the presence of high nitrate contamination (up to 63 mg/1 as NO₃), California American Water must blend this well water with MWD water at the Lamanda Park Reservoir to provide acceptable water quality below the California Department of Public Health target contaminant level of 36 mg/1. The Lamanda Park reservoir gradient is directly supplied by both the Oswego and the Lamanda Park wells. In order to continue providing a reliable supply capacity and minimize the dependence on purchase water purveyors, California American Water proposes to replace this well.

The project is scheduled to begin the preliminary development phase in 2012 with additional funding and construction occurring in 2013 for the implementation phase involving construction and start up.

DRA POSITION:

DRA agrees with the need for this project. However, DRA recommends cost adjustments to the estimates to reflect DRA's use of lower escalation, overhead, and contingency rates. DRA finds the remaining cost elements reasonable.

RESOLUTION:

Based on the agreement in regards to Escalation, Engineering Overhead, and Contingency Factors, DRA and California American Water agree to compromise to specific dollar amounts for this investment project as set forth below.

IP-0550-38 Oswego Well Replacement/Treatment	CAW Direct	DRA Report	Difference Due to Factors	Settlement
2012 CWIP	\$225,000	\$209,250	(\$15,750)	\$213,750
2013	\$1,087,000	\$1,010,910	(\$76,090)	\$1,032,650
Total	\$1,312,000	\$1,220,160	(\$91,840)	\$1,246,400

REFERENCES: CAW Exh. 22, Reifer Direct, pp. 46, 56; DRA Exh. 8, pp. 3-3 – 3-4, 3-13, CAW Exh. 49, Schubert Rebuttal, p. 49.

10.3.5.2 IP-0550-51 – Winston Well Replacement/Treatment

CALIFORNIA AMERICAN WATER REQUEST:

Winston Well is equipped with a 1,000 gpm, 125 hp submersible pump installed in 1996 that pumps directly into the Danford reservoir. Currently a deficit exists in the source of supply for the San Marino service area. In order to minimize its reliance on costly purchased water, California American Water recommends maximizing production from the Winston well. The increased well production will allow California American Water to utilize more of its allocation from the Raymond Basin, which is currently limited to approximately 80 percent due to limitations in well production capacity. The well is over 80 years old and was originally drilled in 1924. The project is scheduled to begin the preliminary development phase in 2012 with additional funding proposed for 2013 and 2014. The proposed implementation phase involving construction and start up will occur in 2013 through 2014.

DRA POSITION:

DRA agrees with the need for this project.

RESOLUTION:

DRA and California American Water agree to specific dollar amounts for this investment project as set forth below.

IP-0550-51 Winston Well Replacement/Treatment	CAW Direct	DRA Report	Difference	Settlement
2012 CWIP	\$225,000	\$225,000	\$0	\$225,000
2013 CWIP	\$1,029,000	\$1,029,000	\$0	\$1,029,000
2014	\$2,312,000	\$2,312,000	\$0	\$2,312,000
Total	\$3,566,000	\$3,566,000	\$0	\$3,566,000

REFERENCES: CAW Exh. 22, Reifer Direct, pp. 46, 54-56; DRA Exh. 8, pp. 3-4, 3-12, CAW Exh. 49, Schubert Rebuttal, p. 49.

10.3.5.3 IP-0550-114 – Replace Lamanda Well w/Treatment

CALIFORNIA AMERICAN WATER REQUEST:

California American Water proposes to replace the Lamanda Park well at the existing site since there is available land. California American Water will perform the proposed replacement at least 60 feet from the original well and drill to a lower elevation than the existing well. Additionally, California American Water will install a packer in the newly re-drilled casing to lower nitrate concentrations, thereby increasing pumping capacity and reducing the volume of water required for blending. California American Water will retire the existing well as part of this project. The project is scheduled to begin the preliminary development phase in 2014 with additional funding and construction occurring in the next GRC period. California American Water requests a total of \$200,000 in 2014 for the development phase.

DRA POSITION:

DRA agrees with the need for this project.

RESOLUTION:

DRA and California American Water agree to specific dollar amounts for this investment project as set forth below.

IP-0550-114 Replace Lamanda Well w/Treatment	CAW Direct	DRA Report	Difference	Settlement
2014 CWIP	\$200,000	\$200,000	\$0	\$200,000
Total	\$200,000	\$200,000	\$0	\$200,000

REFERENCES: CAW Exh. 22, Reifer Direct, pp. 46, 57-58; DRA Exh. 8, pp. 3-4, 3-10, CAW Exh. 49, Schubert Rebuttal, p. 49.

10.3.5.4 IP-0550-118 – Replace Santa Fe Well (Duarte)

CALIFORNIA AMERICAN WATER REQUEST:

The Santa Fe Well is one of the most significant producers in the Duarte system, producing between ten and twenty percent of the total demand over the last three years. The well production decreased from 1,542 gpm to 1,025 gpm in 2007. As the drawdown has increased over this period, California American Water inferred that the decrease in pump rate is due to plugging of the well screens, which is an early indication of casing failure. California American Water installed a liner at the well about four years ago due to heavy sand production. As shown in the 2008 Los Angeles County District - Duarte Service area CPS, California American Water recommended replacing the current well as it is at the end of its useful life and the casing could fail, and replacing the existing motor. The project is scheduled to start the preliminary phase in 2012 with construction, implementation, and completion taking place in 2013.

DRA POSITION:

DRA recommends that the well be replaced to restore capacity to historic levels. Given the well’s current age and declining productivity replacement is reasonable.

RESOLUTION:

DRA and California American Water agree to specific dollar amounts for this investment project as set forth below.

IP-0550-118 Replace Santa Fe Well (Duarte)	CAW Direct	DRA Report	Difference	Settlement
2012 CWIP	\$200,000	\$200,000	\$0	\$200,000
2013	\$964,000	\$964,000	\$0	\$964,000
Total	\$1,164,000	\$1,164,000	\$0	\$1,164,000

REFERENCES: CAW Exh. 22, Reifer Direct, pp. 46-47; DRA Exh. 8, pp. 3-4, 3-10, CAW Exh. 49, Schubert Rebuttal, p. 49.

10.3.5.5 IP-0550-138 – 2,700 Feet of 8-inch Main in Treefern, et. al.

CALIFORNIA AMERICAN WATER REQUEST:

As discussed above with respect to IP-0550-152, the CBA for the Duarte service area analyzed and recommended an annual main renewal program. From this analysis, California American Water prioritized the existing main in East Treefern Drive, South Bettyhill Avenue, South Fieldview Avenue, and East Gardi Street as a stand-alone project. The project was recommended by local operation as a high priority project along with the recommendations derived from the CBA. The project is a high priority due to poor performance of the existing double dipped and wrapped steel material and age of the pipe which was installed in the 1950’s. Fire flow tests performed on Gardi Street and Treefern Avenue show static pressure of 75 psi, and a flowing residual pressure of 0 psi. The low residual pressure while conducting fire flows are a concern as it does not meet Los Angeles County fire department regulations. Due to these concerns, the recommended solution includes replacing existing mains within East Treefern Drive, South Bettyhill Avenue, South Fieldview Avenue, and East Gardi Street with new 8-inch PVC main.

The project is scheduled to start the preliminary phase in 2012 with construction, implementation, and completion taking place in 2013

DRA POSITION:

DRA agrees with the need for this project. However, DRA recommends cost adjustments to the estimates to reflect DRA’s use of lower escalation, overhead, and contingency rates.

RESOLUTION:

Based on the agreement in regards to Escalation, Engineering Overhead, and Contingency Factors, DRA and California American Water agree to specific dollar amounts for this investment project as set forth below. Each phase will close to plant in service in the year it is completed.

IP-0550-138 2,700 Feet of 8-inch Main in Treefern, et. Al., (Duarte)	CAW Direct	DRA Report	Difference	Settlement
2012	\$37,749	\$37,749	\$0	\$37,749
2013	\$874,380	\$769,476	(\$104,904)	\$830,661
Total	\$912,129	\$807,225	(\$104,904)	\$868,410

REFERENCES: CAW Exh. 22, Reifer Direct, pp. 53-54; DRA Exh. 8, p. 3-4, CAW Exh. 49, Schubert Rebuttal, p. 49.

10.3.5.6 IP-0550-152 – 2,800 Feet of 8-inch Main in Armijo, Rock Rose, Graydon, Monrovia, Spanner (DT)

CALIFORNIA AMERICAN WATER REQUEST:

This project will assist the Duarte system to avoid damages associated with main breaks, including potential insurance claims caused by such breaks. It will also assist the Duarte system to continue providing service to critical customers seven day per week and twenty-four hours a day, avoid the potential for contamination while performing pipeline repairs, and continue to maintain a positive relation with its customers and the public project. The project includes replacement of small 4 inch and 6 inch wrapped steel main that have a history of low pressure complaints. Fire flow tests show a static pressure of 81 psi and a residual pressure of only 2 psi during a fire hydrant flow test. The project will include replacing existing mains within each of the aforementioned streets with new 8-inch main.

Using an estimated replacement cost of \$300/foot, which includes design, permitting, and construction, California American Water recommends a budget of \$1.5 million per year for the next three years for main replacement in Duarte. The budget does not include pipe that needs to be added to the system as main extensions or for other reasons outside of renewal requirements. In order to replace one percent of pipeline per year, California American Water must replace a mile of pipeline every year.

The project is scheduled to start the preliminary phase in 2012 with construction, implementation, and completion taking place in 2013

DRA POSITION:

DRA agrees with the need for this project. However, DRA recommends cost adjustments to the estimates to reflect DRA’s use of lower escalation, overhead, and contingency rates.

RESOLUTION:

Based on the agreement in regards to Escalation, Engineering Overhead, and Contingency Factors, DRA and California American Water agree to compromise to specific dollar amounts for this investment project as set forth below. Each phase will close to plant in service in the year it is completed.

IP-0550-152 2,600 Feet of 8-inch Main in Armijo, etc.	CAW Direct	DRA Report	Difference	Settlement
2012	\$60,000	\$60,000	\$0	\$60,000
2013	\$900,000	\$789,315	(\$110,685)	\$855,000
Total	\$960,000	\$849,315	(\$110,685)	\$915,000

REFERENCES: CAW Exh. 22, Reifer Direct, pp. 46, 47-49; DRA Exh. 8, pp. 3-4, 3-11, CAW Exh. 49, Schubert Rebuttal, p. 49.

10.3.5.7 IP-0550-158 – Spinks Reservoir Booster Station Improvements

CALIFORNIA AMERICAN WATER REQUEST:

Growth and water usage distribution across the Spinks Service area is not uniform. Considerable water demand and some customer growth are occurring in the western sections of the Spinks gradient, near the Bliss Canyon tank. Improvements to the booster stations will alleviate the need to direct flows and create better equalization between zones.

The Spinks reservoir booster station upgrades project is scheduled to begin the preliminary development phase and a portion of the construction phase in 2012 with additional funding for construction in 2013.

DRA POSITION:

DRA agrees with the need for this project. However, DRA recommends cost adjustments to the estimates to reflect DRA’s use of lower escalation, overhead, and contingency rates.

RESOLUTION:

Based on the agreement in regards to Escalation, Engineering Overhead, and Contingency Factors, DRA and California American Water agree to specific dollar amounts for this investment project as set forth below.

IP-0550-158 Spinks Reservoir Booster Station Improvements	CAW Direct	DRA Report	Difference	Settlement
2012 CWIP	\$130,000	\$0	\$130,000	\$123,500
2013	\$430,000	\$0	\$430,000	\$408,500
Total	\$560,000	\$0	\$560,000	\$532,000

REFERENCES: CAW Exh. 22, Reifer Direct, pp. 46, 50-52; DRA Exh. 8, pp. 3-4, 3-11, CAW Exh. 49, Schubert Rebuttal, p. 49.

10.3.5.8 IP-0550-164 – Rosemead Tank Reconstruction

CALIFORNIA AMERICAN WATER REQUEST:

The Rosemead reservoir is a vital storage facility in the San Marino system and will need to stay in service during construction of a replacement reservoir. California American Water would complete the recommended replacement of the reservoir in stages to continue serving water from this vital facility during construction. The proposed new reservoir is a prestressed Natgun above-grade concrete reservoir. California American Water proposes starting the project in 2014 with preliminary design and permitting. The implementation of the project will occur in the next rate case cycle, and California American Water plans to place it in service in 2016. The total cost of the project is \$3,155,000 with \$155,000 occurring in 2014.

DRA POSITION:

DRA agrees with the need for this project. However, DRA recommends cost adjustments to the estimates to reflect DRA's use of lower escalation, overhead, and contingency rates.

RESOLUTION:

Based on the agreement in regards to Escalation, Engineering Overhead, and Contingency Factors, DRA and California American Water agree to compromise to specific dollar amounts for this investment project as set forth below.

IP-0550-164 Rosemead Tank Reconstruction	CAW Direct	DRA Report	Difference	Settlement
2014	\$155,000	\$136,121	(\$18,879)	\$147,250
Total	\$155,000	\$136,121	(\$18,879)	\$147,250

REFERENCES: CAW Exh. 22, Reifer Direct, pp. 46, 52-53; DRA Exh. 8, pp. 3-4, 3-11, CAW Exh. 49, Schubert Rebuttal, p. 49.

10.3.5.9 IP-0550-170 – Duarte Water Supply Improvements

CALIFORNIA AMERICAN WATER REQUEST:

The Comprehensive Planning Study (CPS) recommends continued well improvements in the Duarte Service Area to increase supply and reduce the existing supply deficit. California American Water proposes to make certain water supply improvements, as recommended by the 2008 CPS. California American Water proposes well improvements to increase its supply in this area. Because the well production capacity is based on maximum day demands, the project will build in additional reliability into the domestic system under average conditions. Specifically, California American Water recommends two projects: restoring the Crowhaven well capacity to its historic capacity of 1,600 gpm by developing a well adjacent to the existing well; and replacing the Mountain Avenue Well, a previously abandoned well, or the Wiley well or Bacon well, with a well at the Lemon Reservoir.

The project is scheduled to begin the preliminary development phase in 2012 with additional funding and construction occurring in 2013 and 2014 for the implementation phase involving construction and start up.

DRA POSITION:

DRA agrees with the need for this project. However, DRA recommends cost adjustments to the estimates to reflect DRA's use of lower escalation, overhead, and contingency rates.

RESOLUTION:

Based on the agreement in regards to Escalation, Engineering Overhead, and Contingency Factors, DRA and California American Water agree to compromise to specific dollar amounts for this investment project as set forth below.

IP-0550-170 Duarte Water Supply Improvements	CAW Direct	DRA Report	Difference	Settlement
2012	\$323,000	\$0	\$323,000	\$306,850
2013	\$3,592,000	\$0	\$3,592,000	\$3,412,400
Total	\$3,915,000	\$0	\$3,915,000	\$3,719,250

REFERENCES: CAW Exh. 22, Reifer Direct, pp. 46, 58-61; DRA Exh. 8, pp. 3-4, 3-14, CAW Exh. 49, Schubert Rebuttal, p. 49.

10.4 Monterey County District

10.4.1 Recurring Projects

The original request from California American Water, the rebuttal position of California American Water, and DRA's position on the appropriate dollars for these various recurring projects in the Monterey County District are provided in the following table for reference:

Monterey Water Recurring Projects 2012-2014		CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
RP-0540-A	Mains – New	\$318,000	\$318,000	\$71,091	(\$246,909)	See Item 10.4.1 Resolution
RP-0540-B	Mains - Replaced/Res tored	\$996,000	\$996,000	\$423,453	(\$572,547)	See Item 10.4.1 Resolution
RP-0540-C	Mains - Unscheduled	\$112,000	\$112,000	\$112,000	\$0	See Item 10.4.1 Resolution
RP-0540-D	Mains - Relocated	\$121,000	\$121,000	\$0	(\$121,000)	See Item 10.4.1 Resolution
RP-0540-E	Hydrants, Valves, and Manholes - New	\$288,000	\$288,000	\$0	(\$289,000)	See Item 10.4.1 Resolution
RP-0540-F	Hydrants, Valves, and Manholes - Replaced	\$388,000	\$388,000	\$388,000	\$0	See Item 10.4.1 Resolution
RP-0540-G	Services and Laterals - New	\$583,000	\$583,000	\$509,000	(\$74,000)	See Item 10.4.1 Resolution
RP-0540-H	Services and Laterals - Replaced	\$1,398,000	\$1,398,000	\$964,361	(\$433,639)	See Item 10.4.1 Resolution
RP-0540-I	Meters - New	\$78,000	\$78,000	\$68,000	(\$10,000)	See Item 10.4.1 Resolution
RP-0540-J	Meters - Replaced	\$2,284,000	\$2,484,000	\$1,055,905	(\$1,428,095)	\$1,904,520
RP-0540-K	ITS Equipment and Systems	\$0	\$0	\$0	\$0	See Item 10.4.1 Resolution
RP-0540-L	SCADA Equipment and Systems	\$116,000	\$116,000	\$116,000	\$0	See Item 10.4.1 Resolution
RP-0540-M	Security Equipment and Systems	\$360,000	\$360,000	\$360,000	\$0	See Item 10.4.1 Resolution

RP-0540-N	Offices and Operations Centers	\$178,000	\$178,000	\$15,455	(\$162,545)	See Item 10.4.1 Resolution
RP-0540-P	Tools and Equipment	\$141,000	\$141,000	\$141,000	\$0	See Item 10.4.1 Resolution
RP-0540-Q	Process Plant Facilities and Equipment	\$3,106,000	\$3,106,000	\$2,979,628	(\$126,372)	See Item 10.4.1 Resolution
RP-0540-R	Capitalized Tank Rehabilitation/Painting	\$1,408,000	\$1,408,000	\$911,800	(\$496,200)	\$1,267,000
Total		\$11,876,000	\$12,076,000	\$8,115,693	(\$3,960,307)	\$10,200,000

REFERENCES: CAW Exh. 24, Schubert Direct,43-71; CAW Exh. 49, Schubert Rebuttal, pp. 72-74; DRA Exh. 9, p. 1-4.

10.4.1.1 RP-0540-A – Mains – New

CALIFORNIA AMERICAN WATER REQUEST:

This recurring project (“RP”) includes installing new water main extensions and relevant appurtenances in the Monterey District. Typically, this RP is used for both scheduled and unscheduled tasks involving installation of short lengths of main between dead-end mains in side streets and installation of new short segments of main for certain road relocations. The tasks include new water mains, including valves and other appurtenances necessary to install the main (e.g. casing pipes and joint restraints) funded by California American Water.

DRA POSITION:

DRA based its recommendations on the inflation adjusted five-year average.

RESOLUTION:

As a result of settlement discussions, California American Water accepts DRA’s proposal of using the five year inflation adjusted average for the RP line items, with the exception of meter replacement (RP Line Item J) and capitalized tank rehabilitation (RP Line Item R). With the proper recognition of the respective RP Line Item J and RP Line Item R expenditures, DRA and California American Water agree to the following total Recurring Project dollar amounts for this GRC in the Monterey County District: \$3,400,000 in 2012; \$3,400,000 in 2013; and \$3,400,000 in 2014. DRA also agrees to allow California American Water discretion to manage the overall adopted bottom-line recurring project budget, with flexibility to allocate different spending levels to specific recurring project line items during this GRC period (2012-2014).

RP-0540-A – Mains – New	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012-2014	\$318,000	\$318,000	\$71,091	\$246,909	See Resolution

REFERENCES: CAW Exh. 24, Schubert Direct, Table 7, pp. 62-63; CAW Exh. 49, Schubert Rebuttal, p. 73; DRA Exh. 9, Ch. 1, Table 3, p. 1-4.

10.4.1.2 RP-0540-B – Mains – Replaced/Restored

CALIFORNIA AMERICAN WATER REQUEST:

This RP includes the replacement of short and intermediate sections of small diameter main (12-inch and smaller). These projects involve replacement, renewal, or improvement of existing water mains, including valves and other appurtenances necessary to perform the work (e.g. reconnection of existing service lines and hydrant assemblies, joint restraint, etc.) funded by California American Water. There are two types of tasks performed under a typical RP account, unscheduled and scheduled tasks. This RP, however, covers only unscheduled tasks.

DRA POSITION:

DRA based its recommendations on the inflation adjusted five-year average.

RESOLUTION:

As a result of settlement discussions, California American Water accepts DRA's proposal of using the five year inflation adjusted average for the RP line items, with the exception of meter replacement (RP Line Item J) and capitalized tank rehabilitation (RP Line Item R). With the proper recognition of the respective RP Line Item J and RP Line Item R expenditures, DRA and California American Water agree to the following total Recurring Project dollar amounts for this GRC in the Monterey County District: \$3,400,000 in 2012; \$3,400,000 in 2013; and \$3,400,000 in 2014. DRA also agrees to allow California American Water discretion to manage the overall adopted bottom-line recurring project budget, with flexibility to allocate different spending levels to specific recurring project line items during this GRC period (2012-2014).

RP-0540-B – Mains – Replaced/Restored	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012-2014	\$996,000	\$996,000	\$423,453	\$572,547	See Resolution

REFERENCES: CAW Exh. 24, Schubert Direct, Table 7, pp. 62-63; CAW Exh. 49, Schubert Rebuttal, p. 73; DRA Exh. 9, Ch. 1, Table 3, p. 1-4.

10.4.1.3 RP-0540-C – Mains – Unscheduled

CALIFORNIA AMERICAN WATER REQUEST:

This RP is used for unscheduled emergency main replacement tasks funded by California American Water. These tasks involve installation of one foot or more of main where main breaks have occurred or have been reported and installation of new short segments of main will be required to fix the break. These tasks include valves and other appurtenances necessary to install the main (e.g. casing pipes and joints restraints). Tasks for this RP are performed on an emergency basis and must be repaired in an immediate fashion to continue providing water to the customer. Since these breaks and leaks are unplanned the amount of emergency main breaks may vary from year to year. However, as our current facilities grow older it will most likely result in more emergency main replacements.

DRA POSITION:

DRA based its recommendations on the inflation adjusted five-year average.

RESOLUTION:

As a result of settlement discussions, California American Water accepts DRA’s proposal of using the five year inflation adjusted average for the RP line items, with the exception of meter replacement (RP Line Item J) and capitalized tank rehabilitation (RP Line Item R). With the proper recognition of the respective RP Line Item J and RP Line Item R expenditures, DRA and California American Water agree to the following total Recurring Project dollar amounts for this GRC in the Monterey County District: \$3,400,000 in 2012; \$3,400,000 in 2013; and \$3,400,000 in 2014. DRA also agrees to allow California American Water discretion to manage the overall adopted bottom-line recurring project budget, with flexibility to allocate different spending levels to specific recurring project line items during this GRC period (2012-2014).

RP-0540-C – Mains - Unscheduled	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012-2014	\$112,000	\$112,000	\$112,000	0	See Resolution

REFERENCES: CAW Exh. 24, Schubert Direct, Table 7, pp. 62-63; CAW Exh. 49, Schubert Rebuttal, p. 73; DRA Exh. 9, Ch. 1, Table 3, p. 1-4.

10.4.1.4 RP-0540-D – Mains – Relocated

CALIFORNIA AMERICAN WATER REQUEST:

Typically, this RP is used for unscheduled emergency or scheduled main relocation tasks funded by California American Water. Typical tasks will involve relocation of main in existing streets where city or external consultants request main relocation usually resulting from new construction, or upsizing of other street utilities. These tasks include new water mains, including

valves and other appurtenances necessary to install the main (e.g. casing pipes and joint restraints). Tasks planned under this item by Monterey County District operations personnel are reviewed by the appropriate management.

DRA POSITION:

DRA based its recommendations on the inflation adjusted five-year average.

RESOLUTION:

As a result of settlement discussions, California American Water accepts DRA’s proposal of using the five year inflation adjusted average for the RP line items, with the exception of meter replacement (RP Line Item J) and capitalized tank rehabilitation (RP Line Item R). With the proper recognition of the respective RP Line Item J and RP Line Item R expenditures, DRA and California American Water agree to the following total Recurring Project dollar amounts for this GRC in the Monterey County District: \$3,400,000 in 2012; \$3,400,000 in 2013; and \$3,400,000 in 2014. DRA also agrees to allow California American Water discretion to manage the overall adopted bottom-line recurring project budget, with flexibility to allocate different spending levels to specific recurring project line items during this GRC period (2012-2014).

RP-0540-D – Mains – Relocated	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012-2014	\$121,000	\$121,000	\$0	\$121,000	See Resolution

REFERENCES: CAW Exh. 24, Schubert Direct, Table 7, pp. 62-63; CAW Exh. 49, Schubert Rebuttal, p. 73; DRA Exh. 9, Ch. 1, Table 3, p. 1-4.

10.4.1.5 RP-0540-E – Hydrants, Valves, and Manholes – New

CALIFORNIA AMERICAN WATER REQUEST:

California American Water uses this RP for scheduled and unscheduled new hydrant installation tasks funded by California American Water. Typical tasks include any new hydrant installations that California American Water funds, including new fire hydrants and valves that are for individual installations that are not a part of new main line construction and occur where inadequate hydrant spacing exists, a pressure zone change requires a new valve, or if an intersection is missing a valve requiring an additional valve installation.

DRA POSITION:

DRA based its recommendations on the inflation adjusted five-year average.

RESOLUTION:

As a result of settlement discussions, California American Water accepts DRA’s proposal of using the five year inflation adjusted average for the RP line items, with the exception of meter

replacement (RP Line Item J) and capitalized tank rehabilitation (RP Line Item R). With the proper recognition of the respective RP Line Item J and RP Line Item R expenditures, DRA and California American Water agree to the following total Recurring Project dollar amounts for this GRC in the Monterey County District: \$3,400,000 in 2012; \$3,400,000 in 2013; and \$3,400,000 in 2014. DRA also agrees to allow California American Water discretion to manage the overall adopted bottom-line recurring project budget, with flexibility to allocate different spending levels to specific recurring project line items during this GRC period (2012-2014).

RP-0540-E – Hydrants, Valves, and Manholes - New	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012-2014	\$289,000	\$289,000	\$0	\$289,000	See Resolution

REFERENCES: CAW Exh. 24, Schubert Direct, Table 7, pp. 47, 62-63; CAW Exh. 49, Schubert Rebuttal, p. 73; DRA Exh. 9, Ch. 1, Table 3, p. 1-4.

10.4.1.6 RP-0540-F – Hydrants, Valves, and Manholes – Replaced

CALIFORNIA AMERICAN WATER REQUEST:

California American Water uses this RP for scheduled and unscheduled hydrant replacement tasks funded by California American Water. Typical tasks involve replacement of leaking, failed, or obsolete hydrant assemblies (including the hydrant lateral and valve) that California American Water funds. Management reviews tasks that Monterey County District operations personnel plan under this item.

DRA POSITION:

DRA based its recommendations on the inflation adjusted five-year average.

RESOLUTION:

As a result of settlement discussions, California American Water accepts DRA’s proposal of using the five year inflation adjusted average for the RP line items, with the exception of meter replacement (RP Line Item J) and capitalized tank rehabilitation (RP Line Item R). With the proper recognition of the respective RP Line Item J and RP Line Item R expenditures, DRA and California American Water agree to the following total Recurring Project dollar amounts for this GRC in the Monterey County District: \$3,400,000 in 2012; \$3,400,000 in 2013; and \$3,400,000 in 2014. DRA also agrees to allow California American Water discretion to manage the overall adopted bottom-line recurring project budget, with flexibility to allocate different spending levels to specific recurring project line items during this GRC period (2012-2014).

RP-0540-F – Hydrants, Valves, and Manholes - Replaced	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012-2014	\$388,000	\$388,000	\$388,000	\$0	See Resolution

REFERENCES: CAW Exh. 24, Schubert Direct, Sec. II, pp. 48, 62-63, Table 7; CAW Exh. 49, Schubert Rebuttal, p. 73; DRA Exh. 9, Ch. 1, p. 4, Table 3.

10.4.1.7 RP-0540-G – Services and Laterals – New

CALIFORNIA AMERICAN WATER REQUEST:

California American Water uses this RP for scheduled and unscheduled new service line installation tasks funded by California American Water. Typical tasks include costs associated with new service installations including corporation stops and shutoff valves for water if Company owned, including fire lines. These service lines begin with a connection to the distribution main in the street and ultimately connect to the individual plumbing system of the customer’s premises. California American Water’s portion of the service line is that portion that begins at the distribution main in the street, and ends at the curb, property line, meter, or valve on the customer’s premises. Management reviews tasks that Monterey County District operations personnel plan under this item.

DRA POSITION:

DRA based its recommendations on the inflation adjusted five-year average.

RESOLUTION:

As a result of settlement discussions, California American Water accepts DRA’s proposal of using the five year inflation adjusted average for the RP line items, with the exception of meter replacement (RP Line Item J) and capitalized tank rehabilitation (RP Line Item R). With the proper recognition of the respective RP Line Item J and RP Line Item R expenditures, DRA and California American Water agree to the following total Recurring Project dollar amounts for this GRC in the Monterey County District: \$3,400,000 in 2012; \$3,400,000 in 2013; and \$3,400,000 in 2014. DRA also agrees to allow California American Water discretion to manage the overall adopted bottom-line recurring project budget, with flexibility to allocate different spending levels to specific recurring project line items during this GRC period (2012-2014).

RP-0540-G – Services and Laterals – New	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012-2014	\$583,000	\$583,000	\$509,000	\$73,001	See Resolution

REFERENCES: CAW Exh. 24, Schubert Direct, Sec. II, pp. 48-49, 62-63, Table 7; CAW Exh. 49, Schubert Rebuttal, p. 73; DRA Exh. 9, Ch. 1, p. 4, Table 3.

10.4.1.8 RP-0540-H – Services and Lateral – Replaced

CALIFORNIA AMERICAN WATER REQUEST:

California American Water uses this RP for scheduled and unscheduled replacement service line installation tasks funded by California American Water. Typical tasks involve water service replacement or improvement, including replacement of corporation stops or shut-off valves for water if Company owned. California American Water’s portion of the service line begins at the distribution main in the street, and ends at the curb, property line, meter or valve on the customer’s premises. Service lines are replaced based on age, leak and break history, and coordination with any main installation/replacement projects. Management reviews tasks that Monterey County District operations personnel plan under this item.

DRA POSITION:

DRA based its recommendations on the inflation adjusted five-year average.

RESOLUTION:

As a result of settlement discussions, California American Water accepts DRA’s proposal of using the five year inflation adjusted average for the RP line items, with the exception of meter replacement (RP Line Item J) and capitalized tank rehabilitation (RP Line Item R). With the proper recognition of the respective RP Line Item J and RP Line Item R expenditures, DRA and California American Water agree to the following total Recurring Project dollar amounts for this GRC in the Monterey County District: \$3,400,000 in 2012; \$3,400,000 in 2013; and \$3,400,000 in 2014. DRA also agrees to allow California American Water discretion to manage the overall adopted bottom-line recurring project budget, with flexibility to allocate different spending levels to specific recurring project line items during this GRC period (2012-2014).

RP-0540-H – Services and Laterals – Replaced	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012-2014	\$1,398,000	\$1,398,000	\$964,361	\$433,639	See Resolution

REFERENCES: CAW Exh. 24, Schubert Direct, Sec. II, pp. 49-50, 62-63, Table 7; CAW Exh. 49, Schubert Rebuttal, p. 73; DRA Exh. 9, Ch. 1, p. 4, Table 3.

10.4.1.9 RP-0540-I – Meters – New

CALIFORNIA AMERICAN WATER REQUEST:

California American Water uses this RP for scheduled and unscheduled new meter installation tasks funded by California American Water. Typical tasks involve purchasing and installing all new customer meter installations including yokes, meters, and meter readout devices, including meters on fire services (plant meters go in plant equipment). The meters range in size from 5/8-inch up to 8-inches, with the typical residential customer having either a 5/8 by 3/4-inch or a 1-inch meter installed on their premises. Management reviews tasks that Monterey County District operations personnel plan under this item.

DRA POSITION:

DRA based its recommendations on the inflation adjusted five-year average.

RESOLUTION:

As a result of settlement discussions, California American Water accepts DRA’s proposal of using the five year inflation adjusted average for the RP line items, with the exception of meter replacement (RP Line Item J) and capitalized tank rehabilitation (RP Line Item R). With the proper recognition of the respective RP Line Item J and RP Line Item R expenditures, DRA and California American Water agree to the following total Recurring Project dollar amounts for this GRC in the Monterey County District: \$3,400,000 in 2012; \$3,400,000 in 2013; and \$3,400,000 in 2014. DRA also agrees to allow California American Water discretion to manage the overall adopted bottom-line recurring project budget, with flexibility to allocate different spending levels to specific recurring project line items during this GRC period (2012-2014).

R-0540-I – Meters - New	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012-2014	\$78,000	\$78,000	\$68,000	\$10,000	See Resolution

REFERENCES: CAW Exh. 24, Schubert Direct, Sec. II, pp. 50-51, 62-63, Table 7; CAW Exh. 49, Schubert Rebuttal, p. 73; DRA Exh. 9, Ch. 1, Table 3, p. 1-4.

10.4.1.10 RP-0540-J – Meters – Replaced

CALIFORNIA AMERICAN WATER REQUEST:

California American Water uses this RP for scheduled and unscheduled meter replacement tasks funded by California American Water. Typical tasks include replacement or improvement of existing customer metering (plant meters go in plant equipment). The meters range in size from 5/8-inch up to 8-inches, with the typical residential customer having either a 5/8 by 3/4-inch or a 1-inch meter installed on their premises. California American Water plans to replace all

customers according to the criteria established in Commission’s General Order (GO) 103A. Management reviews tasks that Monterey County District operations personnel plan under this item.

DRA POSITION:

DRA recommends that the Commission approve a budget of \$520,200 in 2013 and \$535,800 in 2014 while disallowing California American Water’s request for 2012.

RESOLUTION:

As a result of settlement discussions, California American Water accepts DRA’s proposal of using the five year inflation adjusted average for the RP line items, with the exception of meter replacement (RP Line Item J) and capitalized tank rehabilitation (RP Line Item R). With the proper recognition of the respective RP Line Item J and RP Line Item R expenditures, DRA and California American Water agree to the following total Recurring Project dollar amounts for this GRC in the Monterey County District: \$3,400,000 in 2012; \$3,400,000 in 2013; and \$3,400,000 in 2014. The respective dollar amounts agreed to by DRA and California American Water for RP Line Item J are as follows: \$612,949 in 2012; \$634,840 in 2013; and \$656,731 in 2014. DRA also agrees to allow California American Water discretion to manage the overall adopted bottom-line recurring project budget, with flexibility to allocate different spending levels to specific recurring project line items during this GRC period (2012-2014).

RP-0540-J – Meters – Replaced	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012-2014	\$2,284,000	\$2,484,000	\$1,055,905	\$1,428,095	\$1,904,520

REFERENCES: CAW Exh. 24, Schubert Direct, pp. 51, 62-63, Table 7; CAW Exh. 49, Schubert Rebuttal, p. 73; DRA Exh. 9, Ch. 1, p. 4, Table 3.

10.4.1.11 RP-0540-K – ITS Equipment and Systems

CALIFORNIA AMERICAN WATER REQUEST:

California American Water uses this RP for costs related to the purchase of personal computers (PCs), printers, plotters, scanners, peripherals, networks, software, servers, and associated equipment. Projects are planned under this item by Monterey County District operations personnel in conjunction with the Western Division IT Department and are reviewed by California American Water management (as appropriate). Generally, equipment (PC, Laptops and printers) is replaced on a five-year schedule. Software is usually a one-time purchase with annual subscriptions for updates. Internet work gear is also on a five-year replacement schedule. Major phone system purchases are depreciated over ten years but the handset replacement is five years.

DRA POSITION:

DRA based its recommendations on the inflation adjusted five-year average.

RESOLUTION:

As a result of settlement discussions, California American Water accepts DRA’s proposal of using the five year inflation adjusted average for the RP line items, with the exception of meter replacement (RP Line Item J) and capitalized tank rehabilitation (RP Line Item R). With the proper recognition of the respective RP Line Item J and RP Line Item R expenditures, DRA and California American Water agree to the following total Recurring Project dollar amounts for this GRC in the Monterey County District: \$3,400,000 in 2012; \$3,400,000 in 2013; and \$3,400,000 in 2014. DRA is willing to concur with California American Water’s rebuttal that addressed the project expenditures and meter inventory issues that DRA brought up in its testimony related to meter replacement. DRA supports aggressive meter replacement programs in Monterey District as part of the non revenue water management program there and understands that MPWMD has this objective as well. The respective dollar amounts agreed to by DRA and California American Water for RP Line Item J are as follows: \$612,949 in 2012; \$634,840 in 2013; and \$656,731 in 2014. DRA also agrees to allow California American Water discretion to manage the overall adopted bottom-line recurring project budget, with flexibility to allocate different spending levels to specific recurring project line items during this GRC period (2012-2014).

RP-0540-K – ITS Equipment and Systems	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012-2014	\$0	\$0	\$0	\$0	See Resolution

REFERENCES: CAW Exh. 24, Schubert Direct, pp. 51-52, 62-63, Table 7; CAW Exh. 49, Schubert Rebuttal, p. 73; DRA Exh. 9, Ch. 1, Table 3, p. 1-4.

10.4.1.12 RP-0540-L – SCADA Equipment and Systems

CALIFORNIA AMERICAN WATER REQUEST:

California American Water uses this RP for scheduled and unscheduled tasks associated with the replacement and upgrade of the SCADA system. The SCADA system monitors and controls the production, treatment, distribution and storage facilities in the Monterey County District. This includes the monitoring of pumps, wells, tank water levels, chlorine concentrations and other key parameters essential to ensure that the facilities are in proper working order. SCADA system also sends alarms to the operators and warns them of possible equipment failures. SCADA improvements include replacement of computers, programmable logic controllers (PLCs) antennas, wiring, peripherals, networks, software, servers, and associated equipment. SCADA tasks are planned by California American Water operations personnel. Additionally, the current proposed budget for this RP includes a slight increase to cover the unforeseen and emergency replacement of equipment damaged by burglaries and vandalism.

DRA POSITION:

DRA supports this request.

RESOLUTION:

As a result of settlement discussions, California American Water accepts DRA’s proposal of using the five year inflation adjusted average for the RP line items, with the exception of meter replacement (RP Line Item J) and capitalized tank rehabilitation (RP Line Item R). With the proper recognition of the respective RP Line Item J and RP Line Item R expenditures, DRA and California American Water agree to the following total Recurring Project dollar amounts for this GRC in the Monterey County District: \$3,400,000 in 2012; \$3,400,000 in 2013; and \$3,400,000 in 2014. DRA also agrees to allow California American Water discretion to manage the overall adopted bottom-line recurring project budget, with flexibility to allocate different spending levels to specific recurring project line items during this GRC period (2012-2014).

RP-0540-L – SCADA Equipment and Systems	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012-2014	\$116,000	\$116,000	\$116,000	\$0	See Resolution

REFERENCES: CAW Exh. 24, Schubert Direct, Table 7, pp. 62-63; CAW Exh. 49, Schubert Rebuttal, p. 73; DRA Exh. 9, Ch. 1, pp. 4, 53.

10.4.1.13 RP-0540-M – Security Equipment and Systems

CALIFORNIA AMERICAN WATER REQUEST:

California American Water uses this RP for scheduled and unscheduled tasks associated with the replacement and upgrade of the security systems. The unscheduled and emergency work under this task includes the replacement and restoration of the site fences, gates, security camera and alarms. Installation of these improvements is a result of ongoing evaluation of potential threats to the water facilities in the Monterey County District. The security improvement tasks are part of the proactive steps taken before an incident. These projects include site specific assessments to prioritize risk reduction measures and to implement those risk reduction measures. Funds include labor to identify and prioritize the specific risk reduction measures at local water facilities, and funds to implement the highest priority measures. Risk reduction measures can include updated business practices, system upgrades, and/or security measures.

DRA POSITION:

DRA based its recommendations on the inflation adjusted five-year average.

RESOLUTION:

As a result of settlement discussions, California American Water accepts DRA’s proposal of using the five year inflation adjusted average for the RP line items, with the exception of meter replacement (RP Line Item J) and capitalized tank rehabilitation (RP Line Item R). With the proper recognition of the respective RP Line Item J and RP Line Item R expenditures, DRA and

California American Water have agreed to the following total Recurring Project dollar amounts for this GRC in the Monterey District: \$3,400,000 in 2012; \$3,400,000 in 2013; and \$3,400,000 in 2014. DRA also agrees to allow California American Water discretion to manage the overall adopted bottom-line recurring project budget, with flexibility to allocate different spending levels to specific recurring project line items during this GRC period (2012-2014).

RP-0540-M – Security Equipment and Systems	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012-2014	\$360,000	\$360,000	\$360,000	\$0	See Resolution

REFERENCES: CAW Exh. 24, Schubert Direct, Table 7, pp. 53-54, 62-63; CAW Exh. 49, Schubert Rebuttal, p. 73; DRA Exh. 9, Ch. 1, Table 3, p. 4.

10.4.1.14 RP-0540-N – Offices and Operations Centers

CALIFORNIA AMERICAN WATER REQUEST:

California American Water uses this RP for scheduled and unscheduled tasks involving the replacement or improvement of building systems, equipment, or purchase of furnishings, copy machines, fax machines and other related equipment for the offices and operations centers.

DRA POSITION:

DRA based its recommendations on the inflation adjusted five-year average.

RESOLUTION:

As a result of settlement discussions, California American Water accepts DRA’s proposal of using the five year inflation adjusted average for the RP line items, with the exception of meter replacement (RP Line Item J) and capitalized tank rehabilitation (RP Line Item R). With the proper recognition of the respective RP Line Item J and RP Line Item R expenditures, DRA and California American Water have agreed to the following total Recurring Project dollar amounts for this GRC in the Monterey District: \$3,400,000 in 2012; \$3,400,000 in 2013; and \$3,400,000 in 2014. DRA also agrees to allow California American Water discretion to manage the overall adopted bottom-line recurring project budget, with flexibility to allocate different spending levels to specific recurring project line items during this GRC period (2012-2014).

RP-0540-N – Offices and Operations Centers	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012-2014	\$178,000	\$178,000	\$15,455	\$162,545	See Resolution

REFERENCES: CAW Exh. 24, Schubert Direct, Table 7, pp. 54, 62-63; CAW Exh. 49, Schubert Rebuttal, p. 73; DRA Exh. 9, Ch. 1, Table 3, p. 4.

10.4.1.15 RP-0540-O – Vehicles

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requests that from 2012 forward it be allowed to purchase all new and replacement vehicles in lieu of leasing vehicles. The replacements will be based on the Department of General Services guidelines. Vehicles that are currently leased would remain so until the end of the useful lives.

DRA POSITION:

DRA recommends that the Commission disallow CAW’s proposed budget for RP-0540-O.

RESOLUTION:

California American Water accepts DRA’s position for leasing of vehicles in the Monterey District. California American Water and DRA agree that vehicle lease expense has to be adjusted to reflect the leasing of new vehicles that are past their useful life and for which no current lease amount is paid.

RP-0540-O – Vehicles	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012-2014	\$400,000	\$400,000	\$0	\$400,000	\$0

REFERENCES: CAW Exh. 24, Schubert Direct, Table 7, pp. 62-63; CAW Exh. 49, Schubert Rebuttal, p. 73; DRA Exh. 9, Ch. 1, Table 3, pp. 4, 10-11.

10.4.1.16 RP-0540-P – Tools and Equipment

CALIFORNIA AMERICAN WATER REQUEST:

California American Water uses this RP for scheduled and unscheduled purchases of new or replacement tools and equipment. These tools and equipment are needed for the operations conducted at the construction sites, fabrication shops, laboratories, storerooms (material delivery, shipping and storage) and meter reading benches. Items may include: a) the replacement of existing equipment due to failure or obsolescence; b) new equipment as needed to improve the efficiency and productivity of the worker; and, c) address new requirements by regulating agencies.

DRA POSITION:

DRA based its recommendations on the inflation adjusted five-year average.

RESOLUTION:

As a result of settlement discussions, California American Water accepts DRA’s proposal of using the five year inflation adjusted average for the RP line items, with the exception of meter replacement (RP Line Item J) and capitalized tank rehabilitation (RP Line Item R). With the proper recognition of the respective RP Line Item J and RP Line Item R expenditures, DRA and California American Water have agreed to the following total Recurring Project dollar amounts for this GRC in the Monterey District: \$3,400,000 in 2012; \$3,400,000 in 2013; and \$3,400,000 in 2014. DRA also agrees to allow California American Water discretion to manage the overall adopted bottom-line recurring project budget, with flexibility to allocate different spending levels to specific recurring project line items during this GRC period (2012-2014).

RP-0540-P – Tools and Equipment	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012-2014	\$141,000	\$141,000	\$141,000	\$0	See Resolution

REFERENCES: CAW Exh. 24, Schubert Direct, Table 7, pp. 62-63; CAW Exh. 49, Schubert Rebuttal, p. 73; DRA Exh. 9, Ch. 1, Table 3, p. 1-4.

10.4.1.17 RP-0540-Q – Process Plant Facilities and Equipment

CALIFORNIA AMERICAN WATER REQUEST:

California American Water uses this RP for scheduled and unscheduled tasks related to the plant replacements or additions funded by California American Water. Typical plant facilities covered under this RP are: a) water supply; b) water treatment; c) water pumping; d) water storage; and, e) water pressure regulation facilities including the associated building components (such as window and door replacement), and equipment (such as wells, intake screens, pumps, electrical gear, chemical feeders, control valves, turbidimeters, and sand separators). The tasks may include replacement, upgrade and/or improvement of the electrical pumping, electrical switchgear, building and structural (minor in scope), mechanical, instrumentation and control, and facility piping or valve equipment in the aforementioned facilities. Tasks may also include installation of new components, small complete facilities (higher-cost items would require an individual project identification), structural additions, and equipment additions.

DRA POSITION:

DRA recommends that this account be funded in the amount of approximately \$1 million per year during 2012-2014.

RESOLUTION:

As a result of settlement discussions, California American Water accepts DRA’s proposal of using the five year inflation adjusted average for the RP line items, with the exception of meter replacement (RP Line Item J) and capitalized tank rehabilitation (RP Line Item R). With the proper recognition of the respective RP Line Item J and RP Line Item R expenditures, DRA and

California American Water have agreed to the following total Recurring Project dollar amounts for this GRC in the Monterey District: \$3,400,000 in 2012; \$3,400,000 in 2013; and \$3,400,000 in 2014. DRA also agrees to allow California American Water discretion to manage the overall adopted bottom-line recurring project budget, with flexibility to allocate different spending levels to specific recurring project line items during this GRC period (2012-2014).

RP-0540-Q – Process Plant Facilities and Equipment	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012-2014	\$3,106,000	\$3,106,000	\$2,979,628	\$126,372	See Resolution

REFERENCES: CAW Exh. 24, Schubert Direct, Table 7, pp. 55-56, 62-63; CAW Exh. 49, Schubert Rebuttal, p. 73; DRA Exh. 9, Ch. 1, Table 3, pp. 4, 50.

10.4.1.18 RP-0540-R – Capitalized Tank Rehabilitation

CALIFORNIA AMERICAN WATER REQUEST:

There was no adopted budget for this RP in the 2008 GRC. However, the RP has incurred an expenditure of approximately \$193,000. This expenditure was needed for two urgent tasks. The first task was necessary in order to avoid lengthy and costly litigation with a neighbor due to encroachment of our storage tanks at the Los Tulares site on the neighbor’s property. As a result, we proceeded with resolving the encroachment conflict by acquiring an easement from the property owners. The second task, which occurred in 2008, was for the capital investment dollars that were needed for structural modification of Ord Grove tank, which was being painted under the tank maintenance program.

DRA POSITION:

DRA recommends a disallowance of \$496,200 for recurring tank rehabilitation capital expenditures.

RESOLUTION:

As a result of settlement discussions, California American Water accepts DRA’s proposal of using the five year inflation adjusted average for the RP line items, with the exception of meter replacement (RP Line Item J) and capitalized tank rehabilitation (RP Line Item R). With the proper recognition of the respective RP Line Item J and RP Line Item R expenditures, DRA and California American Water have agreed to the following total Recurring Project dollar amounts for this GRC in the Monterey District: \$3,400,000 in 2012; \$3,400,000 in 2013; and \$3,400,000 in 2014. The respective dollar amounts agreed to by DRA and California American Water for RP Line Item R are as follows: \$363,600 in 2012; \$441,000 in 2013; and \$462,400 in 2014. DRA also agrees to allow California American Water discretion to manage the overall adopted

bottom-line recurring project budget, with flexibility to allocate different spending levels to specific recurring project line items during this GRC period (2012-2014).

RP-0540-R – Capitalized Tank Rehabilitation	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012-2014	\$1,408,000	\$1,408,000	\$911,800	\$496,200	\$1,267,000

REFERENCES: CAW Exh. 24, Schubert Direct, Table 7, pp. 61, 62-63; CAW Exh. 49, Schubert Rebuttal, p. 73; DRA Exh. 9, Ch. 1, Table 3, p. 1-4.

10.4.2 Completed Projects

10.4.2.1 05400789 – Construct PP#2 – Mesa Booster

CALIFORNIA AMERICAN WATER REQUEST:

This project is complete and California American Water placed the booster in service in 2009. This project was needed to replace an outdated and severely deteriorated pump station. The primary project benefit was the replacement of an outdated and deteriorated pump station with a new, fully-automated pump station.

DRA POSITION:

DRA recommends that the Commission disallow \$376,000 of the cost overruns associated with this project due.

RESOLUTION:

DRA and California American Water have agreed to settle this issue. It is understood that the Commission adopted \$538,680 during the 2008 GRC for this investment project. The final recorded cost for this investment project is \$914,666, which reflects \$376,000 in excess of the adopted cost. DRA is willing to accept California American Water’s offer to book the base amount of \$538,680 to rates as plant in service in 2011, and spread the overage into rate base over three years beginning in 2012. In summary, California American Water will book into rate base this additional amount of \$376,000 in equal amounts of \$125,333 for each of the three years (2012-2014) plus interest. The calculation and any interest rate treatment shall be handled in the same method as the Patton Well and Treatment Facility in the A.09-01-013 Settlement Agreement. In reference to the Settlement Agreement in A. 09-01-013 and adopted in D. 10-06-038, California American Water and DRA agree the interest rate treatment for the \$376,000 balance shall earn interest at a rate of 4 percent over this three year period (2012-2014).

05400789 – Mesa Booster Pumping Plant #2 with Interest	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012					\$140,373
2013					\$135,360
2014					\$130,346
Total					\$406,079

05400789 – Mesa Booster Pumping Plant #2 2012-2014	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$914,700	\$914,700	\$538,680	\$376,020	\$125,333
2013					\$125,333
2014					\$125,333
Total	\$914,700	\$914,700	\$538,680	\$376,020	\$914,666 plus accumulated interest of \$30,059

REFERENCES: CAW Exh. 24, Schubert Direct, Table 9, pp. 74, 77;; CAW Exh. 49, pp. 75-77; DRA Exh. 9, Table 2, pp. 1-2, 1-17 – 1-18.

10.4.2.2 05400619 – CV Transmission Main Seg. 4, 5, 10 a-c, 11

CALIFORNIA AMERICAN WATER REQUEST:

The project was adopted in the 2008 GRC for California American Water to replace failing portions of the Carmel Valley Transmission Main. The Commission recognized the importance of this project in previous GRC decisions. At this time, the overall project is complete, and it includes the following completed segments: 4, 5, 10A, 10B, 10C and 11. For reference, the project incorporates work from three previously recognized IPs, namely: 05400520 (Segments 4, 5, 6); 05400516 (Segment 10a, 10b, 10c); and 05400517 (Segment 11). This overall project had a number of benefits, including: (1) the reduction in leaks and corresponding non-revenue water loss from these failing portions of the Carmel Valley Transmission Main; (2) the relocation of a primary transmission main from across private and public properties into a public right of way; and (3) a reduction in friction loss and corresponding pumping costs. The Commission adopted a budget of approximately \$3,354,000 for this project in the 2008 GRC. The actual spend in 2008 and 2009 was approximately \$2,379,000. This project is complete and the in-service date was 2009.

DRA POSITION:

DRA had no comment or dispute on this previously approved and completed project.

RESOLUTION:

DRA does not oppose California American Water’s request for this project’s actual completed cost of \$2,378,950, and that this amount should be allowed into plant in service.

REFERENCES: CAW Exh. 24, Schubert Direct, Table 9, pp. 74, 76.

10.4.2.3 IP-0540-156, 158 and 287 – Hydrant Replacement (2009)

CALIFORNIA AMERICAN WATER REQUEST:

The Commission adopted the hydrant replacement program in the 2008 GRC Decision to replace the undersized, old and/or non-functioning hydrants. The adopted budget, and the actual and planned expenditures are shown in the table below:

Project	Project Description	Adopted 2008-2010	Actual & Planned 2008- 2010	Variance 2008- 2010	Planned 2011
IP-0540-156	Hydrant Replacement - 2009	\$377,659	\$112,707	(\$264,952)	
IP-0540-158	Hydrant Replacement - 2010	\$220,341		(\$220,341)	
IP-0540-287	Pebble Beach Hydrant Replace - 2010		\$220,341	\$220,341	
Total IP-0540-156, 158, & 287		\$598,000	\$333,048	(\$264,952)	0

As shown, California American Water established three projects to manage the hydrant replacement program. The actual and planned budget for this program is approximately \$264,952 less than the authorized amount. These projects are complete and the in-service date was 2009 and 2010, respectfully.

DRA POSITION:

DRA had no comment or dispute on this previously approved and completed project.

RESOLUTION:

DRA does not oppose California American Water’s request for this projects’ actual completed cost of \$333,048, and that this amount should be allowed into plant in service.

REFERENCES: CAW Exh. 24, Schubert Direct, Table 9, pp. 74, 85-86.

10.4.2.4 IP-0540-198 – MLOG Leak Monitoring System

CALIFORNIA AMERICAN WATER REQUEST:

In the 2008 GRC, the Commission approved \$712,000 for this investment project. California American Water incurred an additional \$172,000 for this investment project in order to bring the system on-line for several reasons. First, installation turned out to be much more complicated due to the difficulty in accessing the meter boxes. Second, after the initial set of sensors was installed, it was discovered that the supplier’s original design was flawed and that all the sensors needed to be replaced. Third, the additional costs were due to “mainly unanticipated internal labor requirements during installation and startup, as well as the purchase of additional correlation equipment required for the full operation of the system.”

DRA POSITION:

DRA recommended approval of the capitalized portion of the project expenditures, with the condition that California American Water should perform a labor analysis on operations staff to verify accurate accounting of the labor expenses to avoid the potential for double collection. Otherwise, DRA had no other comment or dispute on this previously approved and completed project.

RESOLUTION:

DRA does not oppose California American Water on this project’s actual completed cost of \$884,000. As a compromise during settlement discussions, DRA agrees that California American Water does not need to perform a labor analysis related to the project, and that it is appropriate to allow \$884,000 in plant into service.

REFERENCES: CAW Exh. 24, Schubert Direct, Table 9, pp. 74, 77-78; DRA Exh. 9, pp. 1-18 – 1-19; CAW Exh. 49, Schubert Rebuttal, pp. 77-78.

10.4.2.5 IP-0540-252 – Cannery Row Main Replacement

CALIFORNIA AMERICAN WATER REQUEST:

This project was completed in 2009 at the request of the City of Monterey. The City was reconstructing a portion of the street in this commercial area of Monterey, and the City required California American Water to replace/relocate the existing water main. After consultation with the City and the Fire Chief, the new main was increased in size in order to meet the desired fire flows in this location.

DRA POSITION:

DRA had no comment or dispute on this previously approved and completed project.

RESOLUTION:

DRA does not oppose California American Water on this project's actual completed cost of \$596,191, and that this amount should be allowed into plant in service.

REFERENCES: CAW Exh. 24, Schubert Direct, Table 10, pp. 93-94.

10.4.3 In-Progress Investment Projects

10.4.3.1 IP-0540-85 – Seaside Well Projects – Bishop Well #2

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requests \$735,843 be allowed in rate base in this GRC for the replacement of Bishop Well #2. This amount includes the reallocation of \$520,000 approved in the 2008 GRC for the replacement/rehabilitation of two Seaside Wells.

DRA POSITION:

DRA does not recommend approval of this project because in its view, California American Water has not demonstrated that his well is needed to meet the maximum day demand. . DRA's position has been that Bishop Well No. 1 has been able to provide enough groundwater capacity to meet all customer demand in Bishop for the past three years.

RESOLUTION:

As a result of settlement discussions, DRA agrees with the need for this investment project. Both DRA and California American Water agree this investment project is prudent in order to continue providing the Bishop customers with a safe and reliable source of potable water. California American Water and DRA acknowledge that DRA was willing to agree to this investment project because of its specific circumstances, and that by making this agreement in a Settlement, it does not set precedent. DRA's typical understanding is that a small system like Bishop that is supplied strictly from one groundwater source is not required from a regulatory standpoint to have a second source of groundwater supply. (subsection 64554 of Title 22, Code of Regulations, Division 4, Chapter 16, California Waterworks Standards, Article 2, Permit Requirements). DRA and California American Water recommend that the Commission approve the capital dollars for IP-0540-85, Seaside Well Projects – Bishop Well No. 2 as originally presented by California American Water, in the amount of \$735,843. DRA and California American Water agree that the \$735,843 should be recognized in rate base in 2011.

REFERENCES: CAW Exh. 24, Schubert Direct, Table 9, pp. 74, 89; CAW Exh. 49, Schubert Rebuttal, pp. 85-94, Attachments 11-15 ; DRA Exh. 9, Table 2, pp. 1-2, 1-27 – 1-33.

10.4.3.2 IP-0540-135 – Hidden Hills Tank at the Water Treatment Plant

CALIFORNIA AMERICAN WATER REQUEST:

This project proposes to replace the existing clearwell tank with two 27,250 gallon tanks. The additional clearwell capacity will alleviate the erratic cycling, reduce the number of run times, and provide a harmonic balancing between the well pumps and booster pumps. Providing two tanks versus one will permit plant operation while having a single tank taken offline for maintenance purposes.

DRA POSITION:

DRA supports this project and recommends that California American Water file a Tier 2 advice letter for the total construction costs when this project is complete and in service. The cap on the advice letter should be California American Water most recent estimate of \$538,300

RESOLUTION:

After further discussion during settlement negotiations, DRA now accepts California American Water request to allow this investment project into rate base at the amount presented in California American Water’s rebuttal testimony, mainly because Monterey County permits have been or are soon to be granted, making the construction completion date of year end 2011 much more certain. The parties agree that \$538,300 should be allowed into plant in service.

IP-0540-135 – Hidden Hills Tank at WTP	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2009-2011	\$598,579	\$598,579	\$538,000	\$60,579	\$538,300

REFERENCES: CAW Exh. 22, Schubert Direct, Table 9, pp. 74, 79-81; CAW Exh. 24, Schubert Rebuttal, pp. 78-79; DRA Exh. 9, Table 2, pp. 1-2, 1-19 – 1-20.

10.4.3.3 IP-0540-151, 152, 153 – Mainline Distribution Valve Replacement (2009-2011)

CALIFORNIA AMERICAN WATER REQUEST:

California American Water has established three projects to address the Mainline Distribution Valves replacement program. These projects are currently in-progress and the expected in-service date is between 2010 and 2011. These projects and their adopted, planned and actual expenditures are presented in the table below:

Project	Project Description	Adopted 2008-2010	Actual & Planned 2008- 2010	Variance 2008- 2010	Planned 2011
IP-0540-151	Mainline Distribution Valve Repl - 2009	\$295,746	\$139,944	(\$155,802)	
IP-0540-152	Mainline Distribution Valve Repl - 2010	\$263,242	\$309,000	\$45,758	
IP-0540-153	Mainline Distribution Valve Repl - 2011				\$277,000
IP-0540-151, 152, & 153		\$558,988	\$448,944	(\$110,044)	\$277,000

As shown in this table, the actual and planned projects for the 2008-2010 period total approximately \$448,944, which is \$110,044 less than the total authorized amount. In an effort to meet its most critical investment needs, California American Water expects to spend approximately \$277,000 during the attrition year of 2011.

DRA POSITION:

DRA had no comment or dispute on this previously approved and completed project.

RESOLUTION:

DRA does not oppose California American Water’s request for this project’s actual completed cost of \$448,944 for 2009 and 2010, and an estimated cost of \$277,000 in 2011. The parties further agree that these amounts shall be allowed into rate base.

REFERENCES: CAW Exh. 22, Schubert Direct, Table 9, pp. 74, 84; CAW Exh. 24, Schubert Rebuttal, pp. 105-106, Attachment 16; DRA Exh. 9, Table 2, pp. 1-2, 1-43 – 1-46.

10.4.3.4 IP-0540-166 – Satellite System Standby Generators

CALIFORNIA AMERICAN WATER REQUEST:

In the 2008 GRC, the Commission adopted four different projects for purchasing new standby generators. A breakdown of the adopted budgets and the actual plus planned expenditures for 2008-2011 are shown in the table below. As shown, California American Water has programmed these projects to have a combined under spent amount of approximately \$769,092. Although the emergency generators are a critical part of the system operation reliability, California American Water has used its discretion to delay the purchase of the generators so that additional funding is made available for use by other capital projects that now have a higher priority.

Project Code	Project Description	Adopted 2008-2010	Actual & Planned 2008- 2010	Variance 2008- 2010	Planned 2011
IP-0540-166	Satellite System Standby Generators	\$643,000	\$210,160	(\$432,840)	
IP-0540-178	Standby Power Generators- 2008	\$217,071		(\$217,071)	
IP-0540-182	Standby Power Generators- 2009	\$171,250		(\$171,250)	
IP-0540-185	Standby Power Generators- 2010	\$171,250	\$223,319	\$52,069	
Total IP-0540-166, 178, 182, 185		\$1,202,571	\$433,479	(\$769,092)	\$0

DRA POSITION:

DRA had no comment or dispute on this previously approved and completed project.

RESOLUTION:

DRA does not oppose California American Water’s request for this project’s actual completed cost of \$433,479, and agrees that this amount shall be allowed into plant in service.

REFERENCES: CAW Exh. 22, Schubert Direct, Table 9, pp. 74, 90.

10.4.3.5 IP-0540-171 – BIRP Caustic System Upgrades

CALIFORNIA AMERICAN WATER REQUEST:

The effluent chemical injection piping at BIRP has exhibited calcite scaling that has rendered the sacrificial piping and bypass inoperable. The calcite scaling is due to several factors including inadequate length of sacrificial pipe; pipe and valve materials that lend to calcification; water quality constituents that cause precipitation of calcite; and chemical pumping and controls that are unreliable for accurate flow pacing of caustic soda injection. The BIRP Caustic Upgrades project includes the installation of an elongated caustic chemical injection sacrificial pipe and bypass; installation of new caustic soda feed pumps; softened water dilution of caustic soda prior to injection; and programming of controls for accurate flow pacing of effluent-injected chemicals. Installation of the water softening dilution system and controls programming was completed in 2010. This project incurred an over-spent amount of \$178,151, which involved further pipe replacement and electrical system modifications as the caustic system was retrofitted.

DRA POSITION:

DRA had no comment or dispute on this previously approved and completed project.

RESOLUTION:

DRA does not oppose California American Water’s request for this project’s actual completed cost of \$590,151, and that this amount should be allowed into plant in service.

REFERENCES: CAW Exh. 22, Schubert Direct, Table 9, pp. 74, 81-82.

10.4.3.6 IP-0540-172 – BIRP Misc. Infrastructure Upgrades

CALIFORNIA AMERICAN WATER REQUEST:

The Begonia Iron Removal Plant (BIRP) is a critical infrastructure component in producing potable water for the Monterey County District customers. There are seven wells in the Lower Carmel Valley that pump directly to the plant for iron removal prior to introduction to the distribution system. The BIRP is required to run continuously year round, and therefore proactive measures must be taken to ensure optimal operation at all times. This project consists of miscellaneous equipment replacements and site improvements needed to continue efficient operation of BIRP. The following scope of work for this project was all completed in 2010:

- i. Install magnetic flow meter at plant effluent
- ii. Replace tank-less water heater in caustic room
- iii. Replace pre-chlorination injection vault
- iv. Install guard railing at backwash ponds
- v. Install lighting at backwash ponds
- vi. Re-pave BIRP access road
- vii. Replace chlorine residual analyzer
- viii. Install level controls (transducers) in chemical tanks
- ix. Corrosion protection painting
- x. Miscellaneous site work associated with project

DRA POSITION:

DRA had no comment or dispute on this previously approved and completed project.

RESOLUTION:

DRA does not oppose California American Water’s request for this project’s actual completed cost of \$354,577, and agrees that this amount shall be allowed into plant in service.

REFERENCES: CAW Exh. 22, Schubert Direct, Table 9, pp. 74, 78-79.

10.4.3.7 IP-0540-170, 174, 177 –Polybutylene Service Replacements (2009-2011)

CALIFORNIA AMERICAN WATER REQUEST:

These projects target troublesome services that have continually failed, thereby necessitating their early replacement. The adopted budget, the planned and the actual expenditures are shown in table below:

Project	Project Description	Adopted 2008-2010	Actual & Planned 2008- 2010	Variance 2008- 2010	Planned 2011
IP-0540-169	Repl Polybutylene Svcs – 2008	\$375,086		(\$375,086)	
IP-0540-170	Repl Polybutylene Svcs – 2009	\$648,800	\$58,606	(\$590,194)	
IP-0540-174	Repl Polybutylene Svcs – 2010	\$648,800	\$1,147,686	\$498,886	
IP-0540-177	Repl Polybutylene Svcs - 2011				\$649,878
Total IP-0540-169, 170, 174 & 177		\$1,672,686	\$1,206,292	(\$466,394)	\$649,878

As shown, there are four projects addressing California American Water’s service replacement program for the Monterey County District. By the end of 2011, the total adopted GRC amount will only be exceeded by about \$180,000.

DRA POSITION:

DRA had no comment or dispute on this previously approved and completed project.

RESOLUTION:

DRA does not oppose California American Water’s request for this project’s actual completed cost of \$1,206,292, and this project’s estimated cost of \$648,000 for work to be performed in 2011. The grand total for all four years is about \$1,854,292. The parties agree that these amounts shall be allowed into plant in service.

REFERENCES: CAW Exh. 22, Schubert Direct, Table 9, pp. 74, 86.

10.4.3.8 IP-0540-176, 179, 180 – Booster Station Rehab (2009-2011)

CALIFORNIA AMERICAN WATER REQUEST:

This project will replace as many of the outdated and inefficient pumps as possible in the Monterey County District system. The project funding will allow California American Water to place emphasis on improving operational energy efficiency of the pumps. A breakdown of the

three projects are shown in the table below. The combined projects incurred an under-spend amount of \$93,611 during the 2008 to 2010 period. As shown, California American Water planned a budget of \$220,250, which will offset the under-spend amount in 2008-2010.

DRA POSITION:

DRA had no comment or dispute on this previously approved and completed project.

RESOLUTION:

DRA does not oppose California American Water’s request for this project’s actual completed cost of \$435,389 and the budgeted spend in 2011 of \$220,250. The parties agree that these amounts shall be allowed into plant in service.

Project	Project Description	Adopted 2008-2010	Actual & Planned 2008-2010	Variance 2008-2010	Planned 2011
IP-0540-176	Booster Station Rehab - 2009	\$88,500	\$420,389	\$331,889	
IP-0540-179	Booster Station Rehab - 2010	\$220,250	\$15,000	(\$205,250)	
IP-0540-180	Booster Station Rehab - 2011	\$220,250		(\$220,250)	\$220,250
Total IP-0540-175, 176 & 179		\$529,000	\$435,389	(\$93,611)	\$220,250

REFERENCES: CAW Exh. 22, Schubert Direct, Table 9, pp. 74, 89-90.

10.4.3.9 IP-0540-185 – Standby Power Generators (2010)

Please reference Section 10.4.3.4, IP-0540-166 – Satellite System Standby Generators above for more information on this project.

10.4.3.10 IP-0540-186, 188 – Meter Replacement (2009-2011)

CALIFORNIA AMERICAN WATER REQUEST:

During the 2008 GRC proceedings, the Commission authorized California American Water to institute the following meter replacement programs:

- RP: The Commission authorized expenditures of \$454,702 in 2008 with no limit on the quantity of meters to be replaced.
- Permanent Meter Replacement program. Under this program, the Commission authorized replacement of 2,630 meters per year, in years 2009, 2010, and 2011, at a cost of \$191.67 per meter. This is equal to a total of \$504,092 per year, or a project total of \$1,512,276 for the three years.

- **Supplementary Program.** The Commission authorized California American Water to proceed with replacement of 1,885 meters per year for three years (2009, 2010, and 2011) at a cost of \$191.67 per meter. The Commission required that the supplementary program be treated as an Advice Letter project to be filed on an annual basis. The budget cap for the program is \$361,298 per year, or a project total of \$1,083,894.

In order to simplify the project management aspect of the meter replacement program, all of the past and future planned expenditures were charged to project codes IP-0540-184 and 186. The actual and planned capital investment expenditures, as compared to the adopted budget (excluding the Advice Letter projects and the RP), are shown below.

DRA POSITION:

DRA had no comment or dispute on this previously approved and completed project.

RESOLUTION:

DRA does not oppose California American Water’s request for this project’s actual completed cost of \$3,023,186 for the years 2009 and 2010, and DRA agrees with the estimated meter cost of \$504,092 for 2011. The parties agree that these amounts shall be allowed into plant in service.

Project	Project Description	Adopted 2008-2010	Actual & Planned 2008- 2010	Variance 2008- 2010	Planned 2011
IP-0540-184	Meter Replacement – 2009	\$504,092	\$2,519,093	\$2,015,001	
IP-0540-186	Meter Replacement – 2010	\$504,092	\$504,092	\$0	
IP-0540-188	Meter Replacement - 2011				\$504,092
Total IP-0540-184, 186 & 188		\$1,008,184	\$3,023,186	\$2,015,002	\$504,092

REFERENCES: CAW Exh. 22, Schubert Direct, Table 9, pp. 74, 90.

10.4.3.11 IP-0540-247 – Seaside Main Replacement (2009-2011)

CALIFORNIA AMERICAN WATER REQUEST:

The Commission approved the Seaside Small Main Replacement program in the 2008 GRC to allow replacement of distribution mains within the existing network, primarily in the Seaside area. Generally, the program was introduced to replace existing 4-inch diameter thin wall steel pipe with 8-inch diameter polyvinyl chloride (PVC) pipe and ductile-iron fittings, and where appropriate, extend segments of pipe to “loop” dead end mains. The program also includes the installation of new valves, services and fire hydrants with the new mains as needed. A contract for the Seaside Mains project was awarded to Granite Construction in late 2009, with work commencing in early December 2009.

Basically, the budget for this project has been set by the Commission at \$2.4 million per year for 2009 and 2010. California American Water’s ability to implement this project was limited in 2009 due to the delay in receiving the final decision for the 2008 GRC, However, the \$4,800,000 budget for both 2009 and 2010 will be spent in its entirety but a portion of the adopted expenditures will be shifted to 2011.

DRA POSITION:

DRA had no comment or dispute on this previously approved and completed project.

RESOLUTION:

DRA does not oppose California American Water’s request for this project’s actual completed cost of \$7,570,000, and agrees that these amounts shall be allowed into plant in service. This main replacement project resulted in the installation of 29,145 feet of new 8-inch and 12-inch diameter main in the Seaside area of the Monterey distribution system.

IP-0540-247 Seaside Main Replacement 2009-2011	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2009	\$190,500	\$190,500	\$190,500	\$0	\$190,500
2010	\$5,288,280	\$5,288,280	\$5,288,280	\$0	\$5,288,280
2011	\$2,091,220	\$2,091,220	\$2,091,220	\$0	\$2,091,220
Total	\$7,570,000	\$7,570,000	\$7,570,000	\$0	\$7,570,000

REFERENCES: CAW Exh. 22, Schubert Direct, Table 9, pp. 74, 90-93.

10.4.3.12 IP-0540-275, 276 – Pressure Regulation Station & Diaphragm Valve Replacement 2010-2011

CALIFORNIA AMERICAN WATER REQUEST:

California American Water has established four projects to address the PRV Regulation Station and Diaphragm Valve replacement tasks. These projects are currently in-progress and the expected in-service date is between 2010 and 2011. These projects and their adopted, planned and actual expenditures are presented in the table below:

As shown above, the actual and planned expenditures of PRV stations and diaphragm valves are nearly the same as the budget adopted in the 2008 GRC. In addition, California American Water plans to spend approximately \$13,187 in 2011.

DRA POSITION:

DRA had no comment or dispute on this previously approved and completed project.

RESOLUTION:

DRA does not oppose California American Water’s request for this project’s actual completed cost of \$19,781 for 2010, and the estimated cost of \$13,187 in 2011. The parties also agree that these amounts shall be allowed into plant in service.

Project	Project Description	Adopted 2008-2010	Actual & Planned 2008- 2010	Variance 2008- 2010	Planned 2011
IP-0540-275	PRV Stations & Diaphragm Valve Repl - 2010		\$19,781	\$19,781	
IP-0540-276	PRV Stations & Diaphragm Valve Repl - 2011				\$13,187
IP-0540-146	PRV Stations & Diaphragm Valve Repl - 2010	\$13,187		(\$13,187)	
IP-0540-147	PRV Stations & Diaphragm Valve Repl - 2011	\$13,187		(\$13,187)	
Total IP-0540-275, 276, 146, & 147		\$26,374	\$19,781	(\$6,594)	\$13,187

REFERENCES: CAW Exh. 22, Schubert Direct, Table 9, pp. 74, 84.

**10.4.3.13 IP-0540-287 – Pebble beach Hydrant Replacement
(2010)**

Please reference Section 10.4.2.3, IP-0540-156, 158 and 287 – Hydrant Replacement, for more information.

**10.4.3.14 IP-0540-293 – 1.5 MG Segunda Tank Structural
Improvements**

CALIFORNIA AMERICAN WATER REQUEST:

California American Water expects to complete this structural improvement project in 2011.

DRA POSITION:

DRA had no comment or dispute on this previously approved and completed project.

RESOLUTION:

DRA does not oppose California American Water’s request for this project’s actual completed cost of \$493,595. The parties also agree that these amounts shall be allowed into plant in service.

REFERENCES: CAW Exh. 22, Schubert Direct, Table 9, pp. 74, 79.

10.4.4 Memorandum Account Projects

10.4.4.1 IP-0540-193, 245, 246 – Phase 1 ASR Injection Improvements

CALIFORNIA AMERICAN WATER REQUEST:

The Phase 1 ASR project involves the planning, permitting, and construction of improvements to the main Monterey system in order to convey 3,000 gallons per minute (gpm) of potable water from the Carmel Valley to the Santa Margarita well site in north Seaside for injection for Aquifer Storage and Recovery (ASR). The project also includes the planning, permitting, and construction of improvements to the main Monterey system to convey 2,500 gpm from the Santa Margarita well site to our customers in the City of Monterey. The major project elements include the following:

1. New Pressure Zone Isolation Valve Replacement - This project includes the installation of up to seven vaulted pressure regulating stations and the installation of approximately thirty-five isolation valves at the perimeter of the new pressure zone. The new pressure zone is currently operational, and overall completion is scheduled by the fall of 2011.
2. Fire Flow Improvements within the New Pressure Zone - This project includes the replacement of approximately two miles of undersized distribution mains within the newly created pressure zone in order to minimize impact to existing commercial fire suppression systems and hydrant fire flow capabilities resulting from the creation of the reduced pressure zone. These pipelines are currently in design, and completion of construction is scheduled by the fall of 2011.
3. General Jim Moore Blvd. (GJMB) pipeline: This 30-inch diameter, 1.8-mile pipeline was installed in the alignment of GJMB to convey ASR water between Coe Avenue and the Carlton-Plumas pipeline in Del Rey Oaks. This pipeline is a shared asset between California American Water and Marina Coast Water District (MCWD). The pipeline was completed in 2010.
4. Carlton-Plumas Pipeline: This 30-inch diameter, 0.57-mile pipeline was installed in the alignments of Carlton Drive, Plumas Avenue, and Mescal Street, and conveys ASR water from the southerly terminus of the GJMB pipeline to both the high-pressure and low-pressure sides of the pressure regulating station located just west of the intersection of Carlton Drive and Highway 218 in the City of Del Rey Oaks. The pipeline was completed in 2010.

5. Segunda Pump Station Upgrades: This upgrade is necessary to increase the booster plant's firm pumping capacity to deliver a minimum of 6,800 gpm for the 16-inch Crest/Segunda pipeline extending from California American Water's Crest Reservoir to the Seaside portion of the service area. This work is scheduled for completion in early 2011.

6. Paralta/GJMB Pipeline: The purpose of this pipeline is to provide a raw water blow-off for the Paralta well at the Santa Margarita site and also to allow the Paralta well effluent to be treated at Santa Margarita for distribution purposes. The Paralta/GJMB pipeline is also planned to tie-in with the Seaside distribution system in order to provide a permanent means of circulation for the water in the GJMB pipeline. This work was completed in the first quarter of 2011.

7. Mark Thomas-Aguajito ASR Pipelines: This pipeline is an extension of an existing 20-inch diameter transmission main to larger transmission pipelines in Monterey to convey ASR extraction water from the Santa Margarita site into the Monterey service area. Without this pipeline extension into Monterey; ASR extraction water would be trapped in Seaside due to current lack of transmission infrastructure between Seaside and Monterey. This pipeline was completed in February 2011.

8. Fairgrounds Bridge main replacement: California American Water is replacing the existing 12-inch distribution main crossing the Fairgrounds Bridge at Mark Thomas Drive and Highway 68 in Monterey with a 20-inch transmission main. This transmission main will relieve a substantial 'bottleneck' in the transmission capability between the Seaside well sites and Monterey service areas. This work was completed in January 2011.

The current estimated total cost for this project is \$13,014,280, including expenditures to date. California American Water's projected costs are still within the original memorandum account cap of \$14,380,000.00, which the Commission adopted in the 2008 GRC decision for this project.

DRA POSITION:

DRA had no comment or dispute on this previously approved project.

RESOLUTION:

DRA does not oppose California American Water's request for this project's estimated cost of \$13,014,280, and the full dollar amount will be recognized in rate base as of the end of 2011.

REFERENCES: CAW Exh. 22, Schubert Direct, Table 11, pp. 94, 99.

10.4.5 Advice Letter Projects

10.4.5.1 05400509 – 200k Gallon Tank in Ambler Park

CALIFORNIA AMERICAN WATER REQUEST:

This distribution storage project is necessary to meet daily demands of the Ambler Park satellite system and to help meet current fire protection standards. Initial design tasks have been completed and initial permit submittals have been made to Monterey County. Negotiations are underway for the purchase of an additional easement from the adjacent property owner. The acquisition of this property is necessary to allow for the full storage capacity of this project. The current project site is located at an existing California American Water tank site. The previous site located behind San Benancio Middle School is no longer being considered after California American Water investigated the additional cost of construction and the number of trees that would have to be removed in order to construct the necessary access road to reach this tank site. Upon confirmation of the purchase of said property, the use permit process will continue to completion, followed by final design and construction of the project. Upon receipt of the building permit approval, the contract for constructing these tanks will be released for bid. The Commission approved budget for this IP in the 2008 GRC was \$1,952,971.

DRA POSITION:

DRA had no comment or dispute on this previously approved project.

RESOLUTION:

DRA does not oppose California American Water’s request for this project’s estimated cost of \$1,952,971. The parties also agree that these amounts shall be allowed into plant in service.

05400509 – 200k Gallon Tank in Ambler Park	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2009 CWIP	\$343,264	\$343,264	\$343,264	\$0	\$343,264
2011	\$1,609,707	\$1,609,707	\$1,609,707	\$0	\$1,609,707
Total	\$1,952,971	\$1,952,971	\$1,952,971	\$0	\$1,952,971

REFERENCES: CAW Exh. 22, Schubert Direct, Table 12, pp. 100, 106.

10.4.5.2 05400513 – Segunda Tank #2

CALIFORNIA AMERICAN WATER REQUEST:

This IP provides the additional distribution storage necessary for the reliable operation of the Begonia Iron Removal Plant, which in turn serves the entire Monterey County District system. This new distribution storage tank provides additional flexibility and adequate reliability to meet daily customer demands, while permitting for the upcoming repair and repainting of the existing Segunda Tank #1. This IP is substantially complete, and the tank was placed into service on

April 12, 2010. At this time the total cost for this IP is estimated to be approximately \$3,995,817.

DRA POSITION:

DRA recommends that the advice letter cap of \$2,905,598 should not be altered. If the Commission wishes to allow any costs overruns in this project, those costs should be limited to actual AFUDC costs incurred on the capital cost cap of \$2,905,598 that are booked into the appropriate account.

RESOLUTION:

DRA and California American Water have agreed to settle this issue. It is understood that the Commission adopted \$2,905,598 during the 2008 GRC for this investment project. The final recorded cost for this investment project is \$3,995,817, which reflects \$1,090,219 in excess of the adopted cost. As a compromise and tradeoff based on other issues in Monterey County District, and based the agreement made in Section 10.1.4, DRA is willing to accept California American Water’s offer to book the base amount of \$2,905,598 in rates in 2011, and spread the overage into rate base over three years beginning in 2012. In summary, California American Water will book into rate base this additional amount of \$1,090,219 in equal amounts of \$363,406 for each of the three years (2012-2014) plus interest. The calculation and any interest rate treatment shall be handled in the same method as the Patton Well and Treatment Facility in the A.09-01-013 Settlement Agreement. In reference to the Settlement Agreement in A. 09-01-013 and adopted in D. 10-06-038, California American Water and DRA agree the interest rate treatment for the \$1,090,219 balance shall earn interest at a rate of 4% over this three year period (2012-2014).

05400513 – Segunda Storage Tank #2	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012-2014 Total	\$3,995,817	\$3,995,817	\$2,905,598	\$1,090,219	\$3,995,817 plus accumulated interest of \$87,217

REFERENCES: CAW Exh. 22, Schubert Direct, Table 12, pp. 100-102.

10.4.5.3 IP-0540-90 – Upper Rimrock Storage Tanks

CALIFORNIA AMERICAN WATER REQUEST:

The proposed Upper Rimrock Storage Tanks will replace two existing 25,000 gallon bolted steel water storage tanks with two 90,000 gallon welded steel storage tanks as part of the Ambler Park Water System. The added distribution storage will serve the Upper Rimrock gradient and will ensure that reliable water service and improved fire protection is provided to customers. Recent

cost estimates now include a preliminary estimate for welded steel tanks, which has resulted in a new total project cost of approximately \$900,000. The 2008 GRC approved budget for this project is \$479,000. Because of the increased cost, California American Water proposes to continue with permitting and design tasks in 2010 and 2011. Thereafter, an additional budget necessary to construct these tanks is being requested in 2012 as part of this GRC application. Preliminary application materials have been submitted to Monterey County. Permits required for the project include a use permit, a grading permit, and a building permit. The use permit submittal items have been prepared. Once permit approval is received, final project designs will be prepared for building and grading permit submittal. Once building and grading permit approvals are obtained, then the contract for constructing the tank will be released for bid. California American Water has provided adequate support, justification and documentation for the new proposed cost of this particular investment project. Therefore, the Commission should recognize and approve the capital dollars as originally presented by California American Water for this investment projects in the amount of \$932,000, once an Advice Letter is filed upon completion and placement into service of these two tanks in 2012.

DRA POSITION:

DRA “recommends that this project remain as an advice letter as ordered by the Commission in the last GRC with the existing cost cap of \$479,000 and requirement for fire flow reporting.” Apparently, DRA supports the project, but contests the new proposed project cost of \$932,000.

RESOLUTION:

DRA and California American Water agree that the total estimated cost for this investment project is \$932,000. At the time this investment project is used and useful for utility service, then California American Water should be permitted to file a Tier 2 Advice Letter, at an amount not to exceed \$932,000 – plus interest. California American Water also agrees to perform a review of its construction management process, as it specifically relates to storage tank projects. Upon completion of this review, CAW will share the results with DRA as part of the periodic communication and reporting of capital investment expenditures first implemented by the Settlement Agreement adopted in A.09-01-013 by D.10-06-038. The goal is to determine what other steps California American Water can perform to optimize keeping these storage tank projects on track for timely permitting and construction. As part of this settlement agreement, certain capital projects in California American Water’s 2010 general rate case application have been agreed to by the parties to have actual project costs accrue interest at an annual rate equal to California American Water’s weighted average cost of debt, as explained in more detail in the supporting language for Special Request # 33. Please see Section 11.26 of this Settlement Agreement.

IP-0540-90 – Upper Rimrock Storage Tanks	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2009 CWIP	\$37,535	\$37,535	\$37,535	\$0	\$37,535
2010	\$25,000	\$25,000	\$0	\$25,000	\$25,000
2011	\$25,000	\$25,000	\$0	\$25,000	\$25,000
2012	\$844,465	\$844,465	\$441,465	\$403,000	\$844,465
Total	\$932,000	\$932,000	\$479,000	\$453,000	\$932,000; Advice Letter in 2012 plus Interest

REFERENCES: CAW Exh. 22, Schubert Direct, Table 12, pp. 100, 103.

10.4.5.4 IP-0540-101 – Ryan Ranch – Bishop Intertie

CALIFORNIA AMERICAN WATER REQUEST:

In its testimony, California American Water states that the Ryan Ranch service area does not have sufficient capacity to meet demands during peak events and, as a result, has been forced to utilize an emergency interconnection with the main Monterey service area. The Monterey County Environmental Health Department (“MCEHD”) issued a Compliance Order indicating that California American Water did not meet its permit conditions for providing a reliable and adequate supply of water. (See Appendix 4). The recommended solution is to provide an interconnection between the Ryan Ranch system and the Bishop service area to meet those demands and the interconnection will supplement the supply only when it is absolutely necessary.

DRA POSITION:

DRA states that this investment project is unnecessary, citing recent maximum demand information and the presence of the existing interconnection with the Main Monterey system.

RESOLUTION:

As a result of settlement discussions, DRA agrees with the need for this investment project. As part of their recognition of this investment project, DRA expects California American Water to first obtain Monterey Peninsula Water Management District (MPWMD) approval to construct this intertie. This expectation is consistent with Commission approval in the 2008 GRC. (D.09-07-021, Ordering Paragraph 3.) Both parties understand that MPWMD will not approve the intertie project until Bishop Well No. 3 is complete (reference IP-0540-85 discussed previously). California American Water and DRA acknowledge that by providing this interconnection between Bishop and Ryan Ranch systems, it is understood the intention is Bishop will provide an emergency source of supply to Ryan Ranch. Further, it is understood that although the interconnection between Ryan Ranch and Monterey Main system will continue to exist, Monterey Main will curtail its supply to Ryan Ranch to minimize Ryan Ranch’s reliance on the Carmel River water supply. Finally, DRA and California American Water recommend that the Commission affirm its approval of this investment project in the amount of \$277,000, plus

interest, and that California American should be authorized to seek a rate base offset by filing a Tier 2 Advice Letter when the project has been completed and is used and useful, at costs not to exceed those indicated. As part of this settlement agreement, certain capital projects in California American Water’s 2010 general rate case application have been agreed to by the parties to have actual project costs accrue interest at an annual rate equal to California American Water’s weighted average cost of debt, as explained in more detail in the supporting language for Special Request # 33. Please see Section 11.26 of this Settlement Agreement.

IP-0540-101 – Ryan Ranch / Bishop Intertie	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2009 CWIP	\$12,733	\$12,733	\$0	(\$12,733)	\$12,733
2012	\$264,267	\$264,267	\$0	(\$264,267)	\$264,267
Total	\$277,000	\$277,000	\$0	(\$277,000)	\$277,000; Advice Letter in 2012, plus interest

REFERENCES: CAW Exh. 22, Schubert Direct, Table 12, pp. 100, 105-106; DRA Exh. 9, Ch. 1, pp. 1-33 to 1-35, D.09-07-021, OP3.

10.4.5.5 IP-0540-112 – Hidden Hills Main Replacement

CALIFORNIA AMERICAN WATER REQUEST:

The scope and status of the project is to replace approximately 2,200 feet of main in the Hidden Hills subdivision, in lieu of installation of the Hidden Hills interconnection, for a total budget of \$546,000.

DRA POSITION:

DRA had no comment or dispute on this previously approved project.

RESOLUTION:

DRA and California American Water agree that this investment project had a completed actual cost of \$544,945, and that this amount shall be allowed into plant in service.

REFERENCES: CAW Exh. 22, Schubert Direct, Table 12, pp. 100, 106.

10.4.5.6 IP-0540-155 – Chualar 150K Gal tank

CALIFORNIA AMERICAN WATER REQUEST:

This IP will allow California American Water to upgrade the only water storage facility serving the City of Chualar, thereby allowing the water system to meet current fire protection standards. Critical facilities to be served include an elementary school, residences and a commercial area. California American Water met with the local fire districts in 2010 to confirm fire flow requirements for this project. Because of the project site constraints, additional property will likely be required for this project. Efforts are underway to purchase property from the neighboring property owner. If additional property is not available, California American Water will investigate an option to remove and replace the existing tank with a larger tank. Efforts to purchase this property will continue in 2010. Design, permitting and construction activities will take place in 2012-2013.

DRA POSITION:

DRA had no comment or dispute on this previously approved project.

RESOLUTION:

DRA and California American Water recognize that this investment project has an estimated cost of \$832,000 – plus interest, and is currently designated as an Advice Letter project. As part of this settlement agreement, certain capital projects in California American Water’s 2010 general rate case application have been agreed to by the parties to have actual project costs accrue interest at an annual rate equal to California American Water’s weighted average cost of debt, as explained in more detail in the supporting language for Special Request # 33. Please see Section 11.26 of this Settlement Agreement.

IP-0540-155 – Chualar 150K Gallon Tank	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
Prior Expenditures	\$32,000	\$32,000	\$0	(\$32,000)	\$32,000
2012	\$75,000	\$75,000	\$0	(\$75,000)	\$75,000
2013	\$725,000	\$725,000	\$0	(\$725,000)	\$725,000
Total	\$832,000	\$832,000	\$0	\$832,000	\$832,000; Advice Letter in 2013, plus interest

REFERENCES: CAW Exh. 22, Schubert Direct, Table 12, pp. 100, 103-104.

10.4.5.7 IP-0540-157 – Withers 100K Gal Tank Replacement

CALIFORNIA AMERICAN WATER REQUEST:

The project is to replace the 100,000 gallon Withers Tank No. 1 with a new tank. Withers Tank No. 1 is an old, riveted tank that no longer meets current seismic requirements. The Commission authorized a total budget of approximately \$202,000 for this project.

DRA POSITION:

DRA had no comment or dispute on this previously approved project.

RESOLUTION:

DRA and California American Water recognize that this investment project has an estimated cost of \$203,500 – plus interest, and is currently designated as an Advice Letter project. As part of this settlement agreement, certain capital projects in California American Water’s 2010 general rate case application have been agreed to by the parties to have actual project costs accrue interest at an annual rate equal to California American Water’s weighted average cost of debt, as explained in more detail in the supporting language for Special Request # 33. Please see Section 11.26 of this Settlement Agreement.

IP-0540-157 – Withers 100K Tank Replacement	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
Prior Expenditures	\$0	\$0	\$0	\$0	\$0
2011	\$202,000	\$202,000	\$0	\$202,000	\$203,500
Total	\$202,000	\$202,000	\$0	\$202,000	\$203,500; Advice Letter Project, plus interest

REFERENCES: CAW Exh. 22, Schubert Direct, Table 12, pp. 100, 104.

10.4.5.8 IP-0540-194 – Replace Carmel Woods Tank

CALIFORNIA AMERICAN WATER REQUEST:

This IP will allow California American Water to replace an aged and structurally deficient water storage tank located directly adjacent to residences in the City of Carmel. To date, preliminary permit application materials have been submitted to Monterey County. Permits required for the project include a use permit, a coastal development permit, and a building permit. Final permit applications are currently being prepared. Upon receipt of use permit and coastal development permit approvals, final project designs will be prepared for the building permit submittal. Upon receipt of the building permit approval, the contract for constructing the tank will be released for bid.

DRA POSITION:

DRA had no comment or dispute on this previously approved project.

RESOLUTION:

DRA and California American Water recognize that this investment project has an estimated cost of \$685,000 – plus interest, and is currently designated as an Advice Letter project. As part of this settlement agreement, certain capital projects in California American Water’s 2010 general rate case application have been agreed to by the parties to have actual project costs accrue interest at an annual rate equal to California American Water’s weighted average cost of debt, as explained in more detail in the supporting language for Special Request # 33. Please see Section 11.26 of this Settlement Agreement.

IP-0540-194 – Replace Carmel Woods Tank	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
Prior Expenditures	\$0	\$0	\$0	\$0	\$0
2012	\$685,000	\$685,000	\$0	\$685,000	\$685,000
Total	\$685,000	\$685,000	\$0	\$685,000	\$685,000; Advice Letter Project, plus Interest

REFERENCES: CAW Exh. 22, Schubert Direct, Table 12, pp. 100, 104-105.

10.4.5.9 IP-0540-289, 290, 291 – Meter Replacement Program (2010-2012) (refer to completed IP-0540-184)

CALIFORNIA AMERICAN WATER REQUEST:

The 2008 GRC decision authorized California American Water to file four advice letters with regard to meter replacement. These four supplemental advice letter filings, each totaling \$361,298, are for supplemental meter replacement. California American Water already filed the first of these advice letters for \$361,298. In California American Water’s direct testimony, the three remaining advice letter projects (IP-0540-289, 290, and 291), were requested to be included in rate base in the amount of \$1,083,894, for 2010, 2011, and 2012 respectively. However, as explained in California American Water’s rebuttal testimony, California American Water proposed revising this total to \$545,066, or a reduction of \$538,828.

It is important to understand and recognize that by the end of 2011, California American Water will be in compliance with General Order 103-A with regards to meter replacement. The total actual and planned expenditures required for compliance are estimated at \$2,940,000 (Actual expenditures of \$2,690,000 + planned expenditures of \$250,000 = \$2,940,000). The shortfall between authorized rate base amounts and actual and planned expenditures is \$545,066

(\$2,394,934 - \$2,940,000 = (\$545,066)), which is the correct amount that needs to be captured through projects IP-0540-289, 290 and 291.

Therefore, California American Water recommends that the Commission authorize previously approved advice letter projects IP-0540-289, IP-0540-290, and IP-0540-191 into rate base in the revised total amount of \$545,066. Implementation of these recommendations will result in the total and planned expenditures necessary for compliance with General Order 103-A through 2011. The result is the dollars will be equal to the authorized rate base amounts for meter replacement through 2011, and will be within the original authorizations contained within the 2008 GRC Decision.

DRA POSITION:

DRA's report has referenced numerous meter replacement projects that range from previously authorized projects, authorized advice letter projects, and proposed projects. DRA also makes recommendations to meter replacement projects and advice letter projects approved in the 2008 GRC Decision, and meter replacement projects proposed in this GRC. DRA also contends that California American Water has excess meters in inventory that can be used for 2012-2014 replacements. DRA acknowledges that California American Water verified with the Monterey Operations Team that any remaining meters in inventory will be installed by the end of 2011, and in fact, additional meters will need to be purchased to complete the work through 2011 to bring the overall meters replacements into compliance with General Order 103-A.

RESOLUTION:

DRA is willing to concur with California American Water's rebuttal that addressed the project expenditures and meter inventory issues that DRA brought up in its testimony related to meter replacement. DRA supports aggressive meter replacement programs in Monterey District as part of the non revenue water management program there and understands that MPWMD has this objective as well. DRA notes that California American Water proposed revisions in its rebuttal testimony to both advice letter projects authorized in the 2008 GRC and presented in this GRC for inclusion into rate base, will result in a mutually agreeable number of meter replacements that are needed for GO 103-A compliance.

Therefore, DRA and California American Water agree that the Commission should authorize previously approved advice letter projects IP-0540-289, IP-0540-290, and IP-0540-191 into rate base in the revised total amount of \$545,066. DRA and California American Water further agree that implementation of these recommendations will result in the total and planned expenditures necessary for compliance with General Order 103-A through 2011. The end result is the dollars will be equal to the authorized rate base amounts for meter replacement through 2011, and will be within the original authorizations contained within the 2008 GRC Decision.

IP-0540-289, 290, 291 – Meter Replacement Program	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2010 (IP-0540-289)	\$361,298	\$0	\$0	\$361,298	\$0
2011 (IP-0540-290)	\$361,298	\$545,066	\$0	\$361,298	\$545,066
2012 (IP-0540-291)	\$361,298	\$0	\$0	\$361,298	\$0
Total	\$1,083,894	\$545,066	\$0	\$1,083,894	\$545,066;

REFERENCES: CAW Exh. 22, Schubert Direct, Table 12, pp. 100, 105; CAW Exh. 49, Schubert Rebuttal, pp. 99-103; DRA Exh. 9, pp. 1-40 – 1-42.

10.4.5.10 IP-0540-295 – Operational Energy Efficiency Program (“OEEP”)

CALIFORNIA AMERICAN WATER REQUEST:

This project was approved in 2009 under Advice Letter 814 in response to the new research and development project titled Operation Energy Efficiency Program (OEEP) that the CPUC developed. The OEEP pilot project is a joint project between local water utility companies (California American Water) and energy utility companies (Southern California Edison Company) as a pilot program to reduce electricity consumption from water purveyors throughout California.

The proposed project includes design and construction of one booster station and two well stations with the addition of VFD’s and power monitoring equipment as part of the pilot energy program. California American Water has mostly completed this work at Cypress Well, Rancho Canada Well and Segunda Booster Station, certain minor upgrades and monitoring equipment remaining to be installed. Upon gathering data at each of the booster station sites for a year, California American Water may recommend replacing inefficient pumps or motors at an additional cost of the project, which it will include as an additional phase of the project’s scope. California American Water may request additional funds if the data requires pump and motor replacement. The current estimated cost at completion of the first phase of the project (2010) is \$748,000.

DRA POSITION:

DRA disagreed with the need for this investment project.

RESOLUTION:

DRA understands that California American Water plans to file an Advice Letter related to this investment project. As part of this settlement agreement, certain capital projects in California American Water’s 2010 general rate case application have been agreed to by the parties to have actual project costs accrue interest at an annual rate equal to California American Water’s weighted average cost of debt, as explained in more detail in the supporting language for Special Request # 33. Please see Section 11.26 of this Settlement Agreement. DRA agrees there is no

further need to discuss this investment project during this GRC, whether or not DRA agrees with California American Water's intentions.

REFERENCES: CAW Exh. 22, Schubert Direct, Table 12, pp. 100, 106; CAW Exh. 49, Schubert Rebuttal, pp. 103-104; DRA Exh. 9, pp. 1-42 - 1-43.

10.4.6 New Investment Projects

10.4.6.1 IP-0540-107, 127, 131, 203, 281 – Well Rehabilitation, Including Bishop Wells # 1 and #2

CALIFORNIA AMERICAN WATER REQUEST:

This is a continuation of previous investment projects to address the abandonment, rehabilitation and/or replacement of wells located throughout the various Monterey County District's water systems. These investment projects are part of the well master rehabilitation plan prepared in 2009, which was included as part of the submittal for these investment projects in this GRC. In summary, the rehabilitation cost for one of these well rehabilitation project depends on the condition and depth of the well.

DRA POSITION:

DRA recommends that the well rehabilitation program adopted by the Commission should continue through 2014. DRA states that California American Water did not comply with the Commission's ordered 30% - 70% split between capital and expenses in its capital budget workpapers.

RESOLUTION:

This investment project has been settled based upon California American Water's rebuttal testimony. DRA understands that the operations and maintenance (O&M) and capital accounting split "issue" was addressed in the 2008 GRC Decision (D.09-07-021), and further, both parties agree to follow that Commission Decision related to ratemaking and actual accounting for actual expenditures. Accordingly, California American Water and DRA agree that \$59,500 in capital expenditures will be permitted in each year for this program (2012-2014). In addition, California American Water and DRA further agree that \$138,900 in expense will be permitted in each year for this program (2012-2014). For clarification purposes, Decision D.09-07-021 also allowed, that the utility account for the actual expenditures in accordance with Generally Accepted Accounting Principles ("GAAP"). Consequently, the parties agree that it was appropriate for the recorded costs incurred in 2010 and 2011 to be accounted for as capital expenditures. The corresponding annual amount for these years was \$89,288.

Well Rehab	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2010	\$89,288	\$89,288	\$59,500	\$29,788	\$89,288
2011	\$89,288	\$89,288	\$59,500	\$29,788	\$89,288
2012	\$96,000	\$59,500	\$59,500	\$36,500	\$59,500
2013	\$99,000	\$59,500	\$59,500	\$39,500	\$59,500
2014	\$101,000	\$59,500	\$59,500	\$41,500	\$59,500
Total	\$415,000	\$297,500	\$297,500	\$177,076	\$357,076

REFERENCES: CAW Exh. 22, Schubert Direct, Table 9, pp. 74, 89; CAW Exh. 49, Schubert Rebuttal, pp. 95-96; DRA Exh. 9, pp. 1-35 – 1-38.

10.4.6.2 IP-0540-154, 210, 235 – Mainline Distribution Valve Replacement

CALIFORNIA AMERICAN WATER REQUEST:

The Mainline Distribution Valve Replacement is a continuation of the valve replacement program adopted by the Commission in D.[cite Mont. 2008 GRC]. The 2009 Condition Based Assessment of Buried Infrastructure supported this investment project, since it identified 40% of the nearly 12,000 valves as being 39 years old or older, and nearing the end of their useful lives. This continuing valve replacement program will target the replacement of about 24 valves each year (2012-2014), for an annual estimated cost of \$300,000, and a total cost of approximately \$900,000

DRA POSITION:

DRA recommends that the Commission disallow this project in its entirety.

RESOLUTION:

DRA and California American Water agree to compromise on the funding for this investment project because of the linkage between non revenue water management goals and reliable operation of the system. DRA expects California American Water will, with the time and experience gained in implementing this program in its initial stages, to continuously improve or enhance its inspection criteria, frequencies, recordkeeping, and data necessary to optimize the replacement program and its necessary funding. California American Water will include an updated program description in the next CPS for Monterey District, if such CPS occurs prior to the next GRC. California American Water will include an updated description of a valve replacement program within the next CPS and/or CBA document prepared for the Monterey District.

Mainline Distribution Valve Replacement	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012 (#154)	\$300,000	\$300,000	\$0	\$300,000	\$150,000
2013 (#210)	\$300,000	\$300,000	\$0	\$300,000	\$150,000
2014 (#235)	\$300,000	\$300,000	\$0	\$300,000	\$150,000
Total	\$900,000				\$450,000

REFERENCES: CAW Exh. 22, Schubert Direct, Table 13, pp. 108, 109; CAW Exh. 49, Schubert Rebuttal, pp. 105-106, Attachment 16; DRA Exh. 9, pp. 1-43 – 1-46.

10.4.6.3 IP-0540-181, 204, 240 – Booster Station Rehabilitation (2012-2014)

CALIFORNIA AMERICAN WATER REQUEST:

These three proposed investment projects are a continuation of the booster station rehabilitation program adopted by the Commission in D.[cite Mont. 2008 GRC]. The total budget proposed for all three investment projects for 2012, 2013, and 2014 is \$677,000, which is to address aging booster stations located across the Monterey County District distribution system. In summary, there are currently 58 booster stations in the main Monterey system and 15 booster stations in the satellite systems, ranging in size from 1 horsepower to 200 horsepower. Ongoing rehabilitation is required to ensure that the booster stations remain reliable and costly failures can be avoided.

DRA POSITION:

DRA recommends that the Commission disallow this project in its entirety.

RESOLUTION:

DRA recognizes that the Booster Station Rehabilitation project is recommended by the Comprehensive Planning Study. In exchange for California American Water adopting DRA’s recommended levels for the Recurring Projects budgets for 2012-2014 and for California American Water deferring its request for a new investment project related to Booster Station Electrical Upgrades, DRA and California American Water agree that the booster station rehabilitation projects shall be funded at the original amounts proposed by California American Water in its direct and rebuttal testimonies.

Mainline Distribution Valve Replacement	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012 (#181)	\$220,000	\$220,000	\$0	\$220,000	\$220,000
2013 (#204)	\$226,000	\$226,000	\$0	\$226,000	\$226,000
2014 (#240)	\$231,000	\$231,000	\$0	\$231,000	\$231,000
Total	\$677,000	\$677,000	\$0	\$677,000	\$677,000

REFERENCES: CAW Exh. 22, Schubert Direct, Table 13, pp. 108, 113-115; CAW Exh. 49, Schubert Rebuttal, pp. 108-112, Attachment 17; DRA Exh. 9, pp. 1-48 – 1-50.

10.4.6.4 IP-0540-201, 212, 213 – Polybutylene Service Replacements (2012-2014)

CALIFORNIA AMERICAN WATER REQUEST:

This is a continuation of the replacement program approved by the Commission in D.09-07-021 to address the failing polybutylene service lines located throughout the Monterey System. The Commission recommended a program to replace all of the approximately 3,500 polybutylene services over a ten-year period (2009-2019) and granted California American Water’s request for funding in the amount of \$648,000 per year. These three proposed investment projects are for years 5 through 7 (2012-2014) at an annual proposed budget of \$650,000 and will replace about 220 services per year. Under these three proposed investment projects, California American Water would replace existing polybutylene service lines with copper lines. The polybutylene service lines have exhibited break rates that are ten times that of all other service line material types, adding to non-revenue water concerns. About eight percent of the service lines in the Monterey system are made of polybutylene material, however, they account for approximately 52% of all of the service connection failures.

DRA POSITION:

DRA does not oppose this project. However, DRA recommends a reduced funding level of \$520,000 per year. DRA also recommends that cathodic protection be used on all new services that connect to metallic pipelines.

RESOLUTION:

DRA and California American Water agree on a funding level of \$648,000 annually for this investment project, contingent upon California American Water performing additional needs analysis and selective piloting of spot service cathodic protection (i.e., anode installation). In conjunction with settlement discussions, California American Water and DRA agree to jointly develop the scope of a piloting program. The scope would include the selection of an appropriate contractor, a pre-determined number of pilot “spots”, and what parameters should be used to properly evaluate this program. California American Water shall install sacrificial anodes and test stations within the meter box for between 5 and 10% of the replaced services. In addition, California American Water shall monitor these locations once every other general rate

case cycle (six years) or on another mutually acceptable frequency agreed upon by CAW and DRA. Thereafter, CAW will determine an appropriate monitoring frequency.

Polybutylene Service Replacements (2012-2014)	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$650,000	\$650,000	\$520,000	\$130,000	\$648,000
2013	\$650,000	\$650,000	\$520,000	\$130,000	\$648,000
2014	\$650,000	\$650,000	\$520,000	\$130,000	\$648,000
Total	\$1,950,000	\$1,950,000	\$1,560,000		\$1,944,000

REFERENCES: CAW Exh. 22, Schubert Direct, Table 13, pp. 108, 110-111; CAW Exh. 49, Schubert Rebuttal, pp. 128-130; DRA Exh. 9, Table 2, pp. 1-2, 1-68 – 1-69.

10.4.6.5 IP-0540-228, 229, 230 – Booster Station Electrical Upgrades

CALIFORNIA AMERICAN WATER REQUEST:

These projects will address the failing or outdated electrical systems at the booster stations in the Monterey System. These investment projects are part of the ongoing process of upgrading these facilities as the need is determined by age, hardware improvements and condition due to the environment. The focus of these on-going projects is on replacing and upgrading electrical and control systems that have reached their service lives and/or are no longer supported by the manufacturer due to age.

DRA POSITION:

DRA recommends that the Commission disallow this project in its entirety.

RESOLUTION:

California American Water agrees to defer its request for a new investment project related to Booster Station Electrical Upgrades to a future rate case since DRA and California American Water now agree that the booster station rehabilitation project (IP-0540-181, 204, 240) shall be funded at the original amounts proposed by California American Water in its direct and rebuttal testimonies.

Booster Station Electrical Upgrades	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012 (#228)	\$269,000	\$269,000	\$0	\$269,000	\$0
2013 (#229)	\$275,000	\$275,000	\$0	\$275,000	\$0
2014 (#230)	\$282,000	\$282,000	\$0	\$282,000	\$0
Total	\$826,000	\$826,000	\$0	\$826,000	\$0

REFERENCES: CAW Exh. 22, Schubert Direct, Table 13, pp. 108, 115-116; CAW Exh. 49, Schubert Rebuttal, pp. 112-115; DRA Exh. 9, Table 2, pp. 1-2, 1-50 – 1-51.

10.4.6.6 IP-0540-249 – Seaside Mains Replacement

CALIFORNIA AMERICAN WATER REQUEST:

This investment project is a continuation of an investment project previously approved by the Commission in the 2008 GRC (IP-0540-247 Seaside Mains Replacement 2009-2011). This previously approved investment project allowed for the replacement of distribution mains within the existing distribution network, primarily in the Seaside area. Generally, the program was introduced to replace existing 4-inch diameter thin wall steel pipe with new 8-inch diameter polyvinyl chloride (PVC) pipe and ductile-iron fittings, and where appropriate, extend segments of pipe to “loop” dead end mains. The program also included the installation of new valves, services and fire hydrants with the new mains as needed.

This new proposed investment project has a total proposed cost of \$7,200,000, which is about \$2,400,000 for each year of this current GRC cycle (2012, 2013 and 2014). In general, the areas of pipeline proposed for replacement in this GRC are within the Seaside North area of the Monterey distribution system, as shown in Exhibit 1 of the 2009 Condition Based Assessment of Buried Infrastructure.

DRA POSITION:

DRA recommends that the Commission disallow this project in its entirety California American Water did not provide information in its GRC Application demonstrating that it had completed requirements of D.09-07-021 Ordering Paragraph 11 regarding improvements in pipeline break data collection.

RESOLUTION:

DRA and California American Water agree that California American Water provided additional information for DRA’s consideration on small main replacements in its April 2011 Monterey District Report on Non-Revenue Water. It is acknowledged by the parties that the report was not provided earlier in the GRC Application nor during the discovery phase. California American Water acknowledges DRA’s flexibility in recognizing this late submittal of factual information for this specific investment project only, especially since it was ordered by D.09-07-021.

DRA and California American Water acknowledge that there has been a recent, favorable construction environment that has resulted in reasonable construction prices for the installation of pipe, particularly for the recent completed Seaside Main Replacement project (IP-0540-247) in Monterey. The work on this project (performed from late 2009 until early 2011) represented about 29,145 feet of new 8-inch diameter main being installed at an approximate cost of \$7,570,000.

The parties agree that since a more favorable construction climate resulted in better contract prices in Monterey, that it would be appropriate to use these values in determining a cost per foot value for purposes of establishing a base number, which in turn can be used to develop an overall capital cost for the Seaside Mains Replacement project (IP-0540-249). It is acknowledged that this recent “real life” experience base number would then be adjusted by an escalation factor of 3 percent annually for the years this project is underway (2012, 2013 and 2014).

The parties further agree that the base unit cost should be \$260 per foot (\$7,570,000 divided by 29,145). The parties agree to escalate this unit cost (from 2010) at 3 percent annually, which results in a unit cost of \$276 per foot for the year 2012, a unit cost of \$284 per foot for the year 2013, and a unit cost of \$293 per foot for the year 2014. The parties further agree that the requested footage amounts from this current GRC should be used to calculate the total capital expenditure for this specific investment project only. The requested footage amounts are as follows: 2012 - 6,520 feet; 2013 - 6,342 feet; and 2014 - 6,162 feet. The parties agree that the calculation of each year’s respective footage and unit cost results in the following annual capital expenditure amounts:

2012 - \$1,800,000 (6,520 times \$276 equals \$1,799,529 - rounded to \$1,800,000)
 2013 - \$1,801,000 (6,342 times \$284 equals \$1,801,128 - rounded to \$1,801,000)
 2014 - \$1,805,000 (6,162 times \$293 equals \$1,805,466 - rounded to \$1,805,000)

Finally, the parties recognize that the total three year (2012-2014) expenditure will be \$5,406,000, as compared to California American Water's original request of \$7,200,000.

IP-0540-249 Seaside Mains Replacement	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$2,400,000	\$2,400,000	\$0	\$2,400,000	\$1,800,000
2013	\$2,400,000	\$2,400,000	\$0	\$2,400,000	\$1,801,000
2014	\$2,400,000	\$2,400,000	\$0	\$2,400,000	\$1,805,000
Total	\$7,200,000	\$7,200,000	\$0	\$7,200,000	\$5,406,000

REFERENCES: CAW Exh. 22, Schubert Direct, Table 13, pp. 108, 116-117; CAW Exh. 49, Schubert Rebuttal, pp. 120-124; DRA Exh. 9, Table 2, pp. 1-2, 1-54 – 1-67.

10.4.6.7 IP-0540-250 – Los Padres Dam Fish Passage

CALIFORNIA AMERICAN WATER REQUEST:

This investment project is a continuing investment project to address the downstream passage of juvenile steelhead and post spawn adults at the Los Padres Dam. A stakeholder group comprised of NOAA Fisheries, California Department of Fish and Game (CDFG), and the MPWMD, has been working to reach a consensus on fish passage improvements at Los Padres Dam that best address the Carmel River Steelhead Associations' concerns, and meet the requirements of NOAA Fisheries. Based on the recent consensus that a Floating Surface Collector best meets these objectives, and completion of the 90% design, California American Water revised its original proposal in this GRC to request further authorization to include in rate base a total project cost of \$2,342,000.

DRA POSITION:

DRA does not agree with the need for this investment project and recommends that no funding be allowed. DRA argues that: a) the 2008 complaint against California American Water filed before the State Water Resources Control Board by the Sierra Club and Carmel River Steelhead Association is unlikely to lead to an action against the Company; b) if and when the Los Padres Dam is removed this project will become unnecessary; and c) the cost estimate for this project is inflated.

RESOLUTION:

During settlement discussions, the DRA and California American Water exchanged additional information that brought them into agreement. California American Water agrees to pursue the least cost option (“LCO”) that satisfies the objectives for avoiding a “take” under the Endangered Species Act (“ESA”). DRA understands that the presently selected Floating Surface Collector option is not the LCO, but rather DRA recognizes that this option is the best fit option agreed to by the stakeholder group. California American Water also recognizes that because ratepayers could likely be funding this project's recovery in rates, which accordingly, California American Water agrees to make and document all of its good faith efforts to seek grant funding from appropriate agencies to the extent that this fish passage project would qualify. Finally, the DRA and California American Water agree that California American Water will request recovery of such expenditures, subject to reasonableness review, as part of its next General Rate Case application, or, if the fish passage project is finished earlier, DRA and California American Water agree that California American Water may file a Tier 2 advice Letter for rate base offset, with the defined budget not to exceed an amount of \$2,342,000 less the amount secured by grant funding.

A separate agreement is attached as Appendix 1 that provides more detail on the specific items the Parties agreed to with regard to this specific investment project only.

IP-0540-250 - Los Padres Dam Fish Passage Project	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2011		\$628,000	\$0	\$628,000	\$628,000
2012	\$600,000	\$1,714,000	\$0	\$1,714,000	\$1,714,000
2013	\$200,000	\$0	\$0	\$0	\$0
2014	\$50,000	\$0	\$0	\$0	\$0
Total	\$850,000	\$2,342,000	\$0	\$2,342,000	\$2,342,000 Advice Letter Project in 2012

REFERENCES: CAW Exh. 22, Schubert Direct, Table 13, pp. 109, 120-121; CAW Exh. 49, Schubert Rebuttal, pp. 130-141, Attachments 19-21; DRA Exh. 9, Table 2, pp. 1-2, 1-69 – 1-71.

10.4.6.8 IP-0540-270 – Huckleberry Hill Tank #3

CALIFORNIA AMERICAN WATER REQUEST:

California American Water has requested \$1,545,000 in funding for construction of a new 800,000 gallon storage tank at the Huckleberry Tank site. The tank site is located in the eastern portion of the area serving the Pebble Beach Community Service District (PBCSD). The tank site has an existing 800,000 gallon tank plus a smaller 50,000 gallon storage tank. The smaller tank will be retired as soon as the construction of a new storage tank is completed at this site.

DRA POSITION:

DRA opposes the construction of the Huckleberry Hill Tank on the grounds that the project has not been identified in the Monterey County District CPS. Furthermore, DRA states that the project should be entirely funded by the PBCSD. According, DRA recommends disallowance of the entire \$1,545,000 in proposed funding for this project.

RESOLUTION:

California American Water and DRA agree to defer this investment project to the next GRC.

Huckleberry Hill Tank Number 3	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$745,000	\$745,000	\$0	\$745,000	\$0
2013	\$800,000	\$800,000	\$0	\$800,000	\$0
Total	\$1,545,000	\$1,545,000	\$0	\$1,545,000	\$0

REFERENCES: CAW Exh. 22, Schubert Direct, Table 13, pp. 109, 119; CAW Exh. 49, Schubert Rebuttal, pp. 142-143; DRA Exh. 9, Table 2, pp. 1-2, 1-71 – 1-73.

10.4.6.9 IP-0540-271 – Begonia Iron Removal Plant (BIRP) and Ryan Ranch Efficiency Improvements

CALIFORNIA AMERICAN WATER REQUEST:

This investment project is comprised of improvements at two different facilities, but is focused on addressing the high O&M costs associated with sludge disposal. The Begonia Iron Removal Plant (BIRP) is the primary water treatment plant serving the Monterey Service Area. The source of supply for the plant is derived from eight wells that have elevated concentrations of iron and manganese. The plant facilities include eighteen pressure filters that are backwashed approximately every 48 hours. The backwash waste is directed to one of three lined ponds from which supernatant is recycled back to the head of the plant. Residuals that accumulate in the ponds are discharged to one of two recently lined drying beds for removal and disposal. The water in the ponds is removed, utilizing treatment plant staff, and the solids are pressure washed to a low point of the ponds, removed by a vactor truck, and trucked off site every 3 to 4 months by a local septic company. The other portion of this investment project addressed a sludge disposal need at the Ryan Ranch Treatment Plant. This facility also generates sludge waste that is stored in above ground tanks until such time it is transported off-site for disposal.

DRA POSITION:

DRA disallowed this investment project due to a lack of a cost effectiveness analysis.

RESOLUTION:

As a result of settlement discussion, DRA agrees to allow \$520,000 in 2011 ratebase. The \$520,000 represents work currently being completed at BIRP on the sludge press improvements, as described in California American Water’s rebuttal testimony and included as part of Investment Project 05400603 – BIRP Sludge Dewatering Press. Therefore, California American Water agrees to defer the remaining part of this investment project indefinitely.

IP-0540-271 Begonia Iron Removal Plant (BIRP) and Ryan Ranch Efficiency Improvements	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2011	\$0	\$0	\$0	\$0	\$520,000
2012	\$448,132	\$448,132	\$0	\$448,132	\$0
2013	\$190,000	\$190,000	\$0	\$190,000	\$0
2014	\$711,310	\$711,310	\$0	\$711,310	\$0
Total	\$1,349,442	\$1,349,442	\$0	\$1,349,442	\$520,000

REFERENCES: CAW Exh. 22, Schubert Direct, Table 13, pp. 109, 119-120; CAW Exh. 49, Schubert Rebuttal, pp. 144-147, Attachment 22; DRA Exh. 9, Table 2, pp. 1-2, 1-73 – 1-75.

10.4.6.10 IP-0540-272 – Ambler Park Plant Improvements

CALIFORNIA AMERICAN WATER REQUEST:

The Ambler Park plant improvements is another process efficiency project to address existing O&M costs associated with the disposal of water treatment filter backwash sludge. This goal would be realized by the installation of a sludge press, since this equipment is capable of extracting in excess of 86% of the water content from the solid sludge particles. The current method for processing the sludge from the filter plant requires the sludge storage tanks to be drained into a septic tanker truck for disposal on a regular basis, which is costly undertaking.

DRA POSITION:

DRA recommends disallowance of this project.

RESOLUTION:

DRA and California American Water agree to defer this investment project to the next GRC.

Ambler Park Plant Improvements	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$62,000	\$62,000	\$0	\$62,000	\$0
2013	\$558,000	\$558,000	\$0	\$558,000	\$0
2014	\$190,000	\$190,000	\$0	\$190,000	\$0
Total	\$810,000	\$810,000	\$0	\$810,000	\$0

REFERENCES: CAW Exh. 22, Schubert Direct, Table 13, pp. 108, 120; CAW Exh. 49, Schubert Rebuttal, pp. 147-149; DRA Exh. 9, Table 2, pp. 1-2, 1-75 – 1-76.

10.4.6.11 IP-0540-277, 278, 280 – Pressure Regulating Station and Diaphragm Valve Replacement

CALIFORNIA AMERICAN WATER REQUEST:

This project is a continuation of the replacement program adopted by the Commission in D. 09-07-021 for the 2008 GRC. This project is important to the reduction of non-revenue water and the achievement of crucial district conservation mandates and goals. Pressure reducing station replacement might include, but are not limited to, concrete vault, mechanical piping, relocation, security covers and access hatch. In addition, the proposed work would refurbish or replace existing diaphragm vales to ensure continuous function of the valve to provide adequate pressure in the system.

DRA POSITION:

DRA recommends that the Commission disallow this project in its entirety.

RESOLUTION:

DRA and California American Water agree to a reduced funding level to \$150,000 over three years for this investment project, and both parties recognize this program will assist with achieving non-revenue water goals.

Pressure Regulating Station and Diaphragm Valve Replacement	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012 (#277)	\$100,000	\$100,000	\$0	\$100,000	\$50,000
2013 (#278)	\$100,000	\$100,000	\$0	\$100,000	\$50,000
2014 (#280)	\$100,000	\$100,000	\$0	\$100,000	\$50,000
Total	\$300,000	\$300,000		\$300,000	\$150,000

REFERENCES: CAW Exh. 22, Schubert Direct, Table 13, pp. 108, 109-110; CAW Exh. 49, Schubert Rebuttal, pp. 106-108; DRA Exh. 9, Table 2, pp. 1-2, 1-46 – 1-48.

10.4.6.12 IP-0540-282 – Aquifer Storage and Recovery (ASR) Phase II Well

CALIFORNIA AMERICAN WATER REQUEST:

This investment project is part of the continuing ASR project to increase the amount of water that can be injected in the Seaside Aquifer for extraction at a later date. This investment project is devoted to a second ASR site, which would be similar in concept and design to the existing Santa Margarita ASR well site, and is expected to have the capacity to inject another 2,500 to 3,000 gpm into the Seaside Basin aquifer. This specific investment project would help fund the costs associated with the preliminary engineering, land acquisition, and design engineering associated with the second ASR site, in the amount of \$496,000.

DRA POSITION:

DRA recommends that the dollars for preliminary engineering, land acquisition, and design engineering be tracked in a memorandum account, and recovered only when the completed project is used and useful, and all required permits have been obtained..

RESOLUTION:

As a result of settlement discussions, DRA and California American Water agree that this investment project should be handled for recovery as a rate base offset by California American Water filing a Tier 2 Advice Letter once the following items have occurred: 1) the investment project is used and useful for utility service; the investment project has any necessary CDPH authorizations to place into service; and 3) the estimated cost of this investment project will not exceed \$496,000 – plus interest. As part of this settlement agreement, certain capital projects in California American Water’s 2010 general rate case application have been agreed to by the

parties to have actual project costs accrue interest at an annual rate equal to California American Water’s weighted average cost of debt, as explained in more detail in the supporting language for Special Request # 33. Please see Section 11.26 of this Settlement Agreement.

Aquifer Storage and Recovery (ASR) Phase II Well	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$248,000	\$248,000	\$0	\$248,000	\$248,000
2013	\$248,000	\$248,000	\$0	\$248,000	\$248,000
2014	\$0	\$0	\$0	\$0	\$0
Total	\$496,000	\$496,000	\$0	\$496,000	\$496,000 Advice Letter Project, plus Interest

REFERENCES: CAW Exh. 22, Schubert Direct, Table 13, pp. 108, 112-113; CAW Exh. 49, Schubert Rebuttal, pp. 149-150; DRA Exh. 9, Table 2, pp. 1-2, 1-76 – 1-77.

10.4.6.13 IP-0540-283 – Carmel Valley Transmission Main

CALIFORNIA AMERICAN WATER REQUEST:

This is a continuation of a long-term project dating back to 2003. This proposed investment project would replace the transmission main segment from a location just south of the Carmel Valley Village called the “bucket,” and continued to a portion of the existing transmission main that feeds the clearwell adjacent to the Carmel Valley Filter Plant. The California American Water operations team is concerned about this portion of the pipeline condition and the likelihood of failure. During 2008, California American Water repaired ten leaks and has determined that the frequency of these leaks has increased. Eventually, the transmission main will experience complete failure as it has been determined that this asset is in an advanced state of deterioration. District conservation mandates and goals and the crucial need to reduce non-revenue water dictate that this repair must be authorized.

DRA POSITION:

DRA recommends disallowance of this project and that instead, California American Water retrofit this transmission pipeline with cathodic protection.

RESOLUTION:

As a result of settlement discussions, DRA and California American Water agree on the need for this investment project.

Carmel Valley Transmission Main	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$270,000	\$270,000	\$0	\$270,000	\$270,000
2013	\$270,000	\$270,000	\$0	\$270,000	\$270,000
2014	\$1,020,000	\$1,020,000	\$0	\$1,020,000	\$1,020,000
Total	\$1,560,000	\$1,560,000	\$0	\$1,560,000	\$1,560,000

REFERENCES: CAW Exh. 22, Schubert Direct, Table 13, pp. 108, 117-118; CAW Exh. 49, Schubert Rebuttal, pp. 124-126; DRA Exh. 9, Table 2, pp. 1-2, 1-68.

10.4.6.14 IP-0540-297 – Carmel Valley Main Replacement

CALIFORNIA AMERICAN WATER REQUEST:

This project is to address the small diameter water mains in the Carmel Valley area of the Monterey County District that have been exhibiting a pattern of leaks adding to non-revenue water concerns. These main replacement projects are part of the ongoing process of replacing the pipe in this area, as determined by the 2009 Conditioned Based Assessment for Buried Infrastructure.

DRA POSITION:

DRA recommends disallowance of this project. However, if the Commission decides to approve this project, DRA recommends the Commission adopt total project costs during 2012-2014 at no more than \$900,000 based upon California American Water updated construction cost estimate of \$180 per linear foot for this category of main replacement.

RESOLUTION:

As a result of settlement discussions, DRA and California American Water agree on the need for this investment project, and to include the following amounts in rate base.

Carmel Valley Main Replacement	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$184,000	\$184,000	\$0	\$184,000	\$184,000
2013	\$498,000	\$498,000	\$0	\$498,000	\$498,000
2014	\$512,000	\$512,000	\$0	\$512,000	\$512,000
Total	\$1,194,000	\$1,194,000	\$0	\$1,194,000	\$1,194,000

REFERENCES: CAW Exh. 22, Schubert Direct, Table 13, pp. 109, 121-122; CAW Exh. 49, Schubert Rebuttal, pp. 126-128; DRA Exh. 9, Table 2, pp. 1-2, 1-68.

10.4.6.15 IP-0540-298 – Hidden Hills Well

CALIFORNIA AMERICAN WATER REQUEST:

California American Water has proposed the construction of a new well for the Hidden Hills satellite water system. The Hidden Hills service area is supplied by a single well, while providing service to 743 customers, all of whom are located within a Very High Fire Hazard Zone. This new proposed well for Hidden Hills is necessary in order to maintain the minimum level of service required under General Order 103-A.

DRA POSITION:

DRA recommends disallowance of this project due to insufficient need and a failure on California American Water part to investigate cost effective alternatives such as including emergency interties, rehabilitation of abandoned wells, existing storage, and installation of backup generators.

RESOLUTION:

DRA and California American Water agree to defer this investment project indefinitely.

Seaside Main Replacement	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$100,000	\$100,000	\$0	\$100,000	\$0
2013	\$859,000	\$859,000	\$0	\$859,000	\$0
Total	\$959,000	\$959,000	\$0	\$959,000	\$0

REFERENCES: CAW Exh. 22, Schubert Direct, Table 13, pp. 109, 122-123; CAW Exh. 49, Schubert Rebuttal, pp. 150-154; DRA Exh. 9, Table 2, pp. 1-2, 1-77 – 1-80.

10.4.6.16 05400603 – BIRP Sludge Dewatering Press

Included within IP-0540-271 (discussed earlier in Section 10.4.6.9).

10.5 Monterey – Toro

10.5.1 Recurring Projects

10.5.1.1 RP-0548-C – Mains – Unscheduled

CALIFORNIA AMERICAN WATER REQUEST:

Capital expenditures in this project category typically include emergency repair of short sections of main, including related appurtenances, and paving and landscape restoration. The proposed budget would allow for the emergency repair of approximately three pipeline breaks per year, which is consistent with the average number of pipeline breaks experienced.

DRA POSITION:

DRA had no comment in its report on this recurring project.

RESOLUTION:

DRA and California American Water agree to compromise on RP-0548-C – Mains – Unscheduled as set forth below:

RP-0548-C Mains – Unscheduled	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2011	\$20,000	\$20,000	\$0	(\$20,000)	\$10,000
2012	\$20,000	\$20,000	\$0	(\$20,000)	\$10,000
2013	\$20,000	\$20,000	\$0	(\$20,000)	\$10,000
2014	\$20,000	\$20,000	\$0	(\$20,000)	\$10,000
Total	\$80,000	\$80,000	\$0	(\$80,000)	\$40,000

REFERENCES: CAW Exh. 23, *Direct Testimony of Scott Rogers*, dated July 1, 2010 ("Rogers Direct").

10.5.1.2 RP-0548-F – Hydrants, Valves and Manholes – Replaced

CALIFORNIA AMERICAN WATER REQUEST:

California American Water uses this recurring project for scheduled and unscheduled hydrant replacement tasks funded by California American Water. Typical tasks involve the replacement of leaking, failed, or obsolete hydrant assemblies (including the hydrant lateral and valve) that California American Water funds. California American Water is requesting a total amount of \$76,000, spread as follows: \$25,000 in 2012; \$25,000 in 2013; and \$26,000 in 2014.

DRA POSITION:

DRA finds that the requested level of expenditure is unnecessary in 2013 and 2014, mainly because of the funding approved for the Toro service area in the 2008 GRC.

RESOLUTION:

DRA and California American Water agree to compromise on RP-0548-F – Hydrants, Valves and Manholes – Replaced as set forth below:

RP-0548-F Hydrants, Valves and Manholes – Replaced	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2011	\$25,000	\$25,000	\$25,000	\$0	\$25,000
2012	\$25,000	\$25,000	\$25,000	\$0	\$25,000
2013	\$25,000	\$25,000	\$0	(\$25,000)	\$12,500
2014	\$26,000	\$26,000	\$0	(\$26,000)	\$13,000
Total	\$101,000	\$101,000	\$50,000	(\$51,000)	\$75,500

REFERENCES: CAW Exh. 23, Rogers Direct, p. 20; CAW Exh. 49, Schubert Rebuttal, p. 154-155; DRA Exh. 9, p. 2-3 – 2-3.

10.5.1.3 RP-0548-H – Services and Laterals – Replaced

CALIFORNIA AMERICAN WATER REQUEST:

This recurring project is for scheduled and unscheduled service line replacement tasks funded by California American Water. The typical tasks involve water service replacement or improvement, including replacement of corporation stops or shut-off valves for water if owned by California American Water. California American Water’s portion of the service line begins at the distribution main in the street, and ends at the curb, property line, meter or valve on the customer’s premises. Replacing these service lines is crucial to the reduction of non-revenue water. California American Water replaces service lines based on age, leak and break history, and in coordination with any main installation/replacement projects. California American Water is requesting a total amount of \$187,000, spread as follows: \$61,000 in 2012; \$62,000 in 2013; and \$64,000 in 2014.

DRA POSITION:

DRA recommends that the Commission approve California American Water’s inflation adjusted average cost of \$2,000 per year for recurring service replacement.

RESOLUTION:

DRA and California American Water agree to compromise on RP-0548-H – Services and Laterals - Replaced as set forth below:

RP-0548-H Services and Laterals - Replaced	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2011	\$61,500	\$61,500	\$2,000	(\$59,500)	\$30,750
2012	\$61,000	\$61,000	\$2,000	(\$59,000)	\$30,500
2013	\$62,000	\$62,000	\$0	(\$62,000)	\$31,000
2014	\$64,000	\$64,000	\$0	(\$64,000)	\$32,000
Total	\$248,500	\$248,500	\$4,000	(\$244,500)	\$124,250

REFERENCES: CAW Exh. 23, Rogers Direct, p. 20-21; CAW Exh. 49, Schubert Rebuttal, p. 155-156; DRA Exh. 9, p. 2-3.

10.5.1.4 RP-0548-J – Meters – Replaced

CALIFORNIA AMERICAN WATER REQUEST:

This recurring project is for unscheduled meter replacement tasks funded by California American Water. The typical tasks include replacement or improvement of existing customer metering. The meters range in size from 5/8-inch up to 8-inches, with the typical residential customer having either a 5/8 by 3/4-inch or a 1-inch meter installed on their premises. California American Water is requested a total amount of \$40,000, spread as follows: \$13,000 in 2012; \$13,000 in 2013; and \$14,000 in 2014.

DRA POSITION:

DRA recommends that the Commission approve \$13,120 in capital costs for recurring meter replacement in 2010 based upon the settlement agreement. DRA recommends that there should be no additional recurring meter replacement costs in 2011-2014.

RESOLUTION:

DRA correctly noted that California American Water replaced the Toro meters in 2008, which was inadvertently omitted from the Capital Investment Project workpapers. Therefore, California American Water withdraws its request for funding for this recurring project. Accordingly, DRA and California American Water agree on Meters – Replaced as set forth below:

RP-0548-J Meters – Replaced	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2011	\$13,000	\$0	\$0	\$0	\$0
2012	\$13,000	\$0	\$0	\$0	\$0
2013	\$13,000	\$0	\$0	\$0	\$0
2014	\$14,000	\$0	\$0	\$0	\$0
Total	\$53,000	\$0	\$0	\$0	\$0

REFERENCES: CAW Exh. 23, Rogers Direct, p. 21; CAW Exh. 49, Schubert Rebuttal, p. 156; DRA Exh. 9, p. 2-3 – 2-4.

10.5.1.5 RP-0548-Q – Process Plant Facilities and Equipment

CALIFORNIA AMERICAN WATER REQUEST:

This recurring project is for scheduled and unscheduled tasks related to the plant replacements or additions funded by California American Water. The typical plant facilities covered under this recurring project are: (a) water supply; (b) water treatment; (c) water pumping; (d) water storage; and, (e) water pressure regulation facilities including the associated building components (such as window and door replacement) and equipment (such as wells, intake screens, pumps, electrical gear, chemical feeders, control valves, turbidimeters, and sand separators). The typical tasks undertaken within this recurring project may include replacement, upgrade and/or improvement of the electrical pumping, electrical switchgear, building and structural (minor in scope), mechanical, instrumentation and control, and facility piping or valve equipment in the aforementioned facilities. Tasks may also include installation of new components, small complete facilities (higher-cost items would require individual project identification), structural additions, and equipment additions. California American Water is requesting a total amount of \$312,000, spread as follows: \$100,000 in 2012; \$104,000 in 2013; and \$108,000 in 2014.

DRA POSITION:

DRA recommends that the Commission disallow the cost forecast for recurring process plant facilities and equipment during 2010-2014 in its entirety.

RESOLUTION:

DRA and California American Water agree to compromise on Process Plant Facilities and Equipment as set forth below:

RP-0548-Q Process Plant Facilities and Equipment	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2011	\$0	\$0	\$0	\$0	\$0
2012	\$100,000	\$100,000	\$0	(\$100,000)	\$50,000
2013	\$104,000	\$104,000	\$0	(\$104,000)	\$52,000
2014	\$108,000	\$108,000	\$0	(\$108,000)	\$54,000
Total	\$312,000	\$312,000	\$0	(\$312,000)	\$156,000

REFERENCES: CAW Exh. 23, Rogers Direct, p. 21-22; CAW Exh. 49, Schubert Rebuttal, p. 156-158; DRA Exh. 9, p. 2-5 – 2-6.

10.5.2 In-Progress Projects

10.5.2.1 IP-0548-3 – Well Rehabilitation

CALIFORNIA AMERICAN WATER REQUEST:

This is a two-part project. The first part included the rehabilitation of the two Toro wells near Highway 68. In the 2008 GRC, the Commission adopted a \$270,000 budget for this part. The actual expenditures were approximately \$263,054. The rehabilitation of the two Highway 68 wells (known as Toro Well Nos. 1 and 2) included the replacement of pumps and key electrical and mechanical components. This first portion of the investment project resulted in an increase in production capacity for each well of approximately 20%.

The second part of this project involves the rehabilitation of the Laureles Well (also known as Toro Well No. 3) for an approximate cost of \$90,450 in 2011. California American Water will rehabilitate Toro Well No. 3 in order to improve its production capacity, and a performance analysis will be conducted to determine the best use for this well. This project cost is only for the rehabilitation of the well and does not include the replacement of the pump, pump column, sounding tube, and other miscellaneous parts of the well. The equipment condition will be assessed after it has been pulled and the capacity of the well has been determined after rehabilitation is completed.

DRA POSITION:

DRA believes it is premature to spend any funds on well rehabilitation at this time. Therefore, DRA recommends that the Commission disallow the estimated \$90,450 in capital costs for well rehabilitation in 2011 related to Toro Well No. 3.

RESOLUTION:

DRA and California American Water agree that the well rehabilitation work for Toro Well Number 3 will be completed in 2011, and agree to the amount of \$90,450.

IP-0548-3 Well Rehabilitation	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2009	\$90,450	\$90,450	\$0	(\$90,450)	\$90,450
Total	\$90,450	\$90,450	\$0	(\$90,450)	\$90,450

REFERENCES: CAW Exh. 23, Rogers Direct, p. 30-31; CAW Exh. 49, Schubert Rebuttal, p. 158-160; DRA Exh. 9, p. 2-6.

10.5.3 New Investment Projects

10.5.3.1 IP-0548-9 – Booster Station Upgrades

CALIFORNIA AMERICAN WATER REQUEST:

This investment project rehabilitates the aged booster stations in the Toro service area. California American Water acquired the Toro system in 2008. The system has three booster stations – Corte Cordillera, Lower Markham, and Upper Markham. This project was identified in the 2009 Toro System CPS. The study identified the suction and discharge piping as rusted and leaking, and the foundation shows signs of structural failure (cracking) and substandard construction. Additionally, the electrical pump controls and SCADA system needs to be upgraded from the outdated technology. The investment project will rehabilitate the site, structural and mechanical, pumps, electrical motor panels and controls. The project will improve efficiency, allow easier operations and bring the stations up to current standards. This project will start in January 2012 and end in December 2012.

DRA POSITION:

DRA recommends that the Commission allow \$75,000 of capital costs in 2012 for the Booster Station Rehabilitation investment project, and disallow the \$109,000 requested in this application.

RESOLUTION:

DRA and California American Water agree to compromise on Booster Station Upgrades as set forth below:

IP-0548-9 Booster Station Upgrades	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$184,000	\$184,000	\$75,000	(\$109,000)	\$129,500
Total	\$184,000	\$184,000	\$75,000	(\$109,000)	\$129,500

REFERENCES: CAW Exh. 23, Rogers Direct, p. 33; CAW Exh. 49, Schubert Rebuttal, p. 160-163; DRA Exh. 9, p. 2-7 – 2-8.

10.5.3.2 IP-0548-10 – Hydropneumatic Tank Replacement

CALIFORNIA AMERICAN WATER REQUEST:

California American Water must replace the hydro-pneumatic tank because of its age and its poor condition due to the environment and lack of regular tank maintenance. Additionally, the site piping to and from the hydro-pneumatic tanks is complex and needs improvement to operate more efficiently. The 2009 Toro System CPS identified the need for this replacement project. The hydro-pneumatic tanks are located at the Corte Cordillera and Upper Markham booster stations, and they have been leaking and have rusted to the point that replacement is necessary. This investment project includes an engineering site piping for more efficient tank operations and tank replacement. The completion of the project will result in more efficient operations, reduce unaccounted for water, and allow easier operations. This project will start in January 2013 and end in December 2013.

DRA POSITION:

DRA recommends that the Commission allow \$40,000 of capital costs in 2012 to complete the Upper Markham hydropneumatic tank replacement investment project, and disallow the \$156,000 requested in this application.

RESOLUTION:

DRA and California American Water agree to compromise on Hydropneumatic Tank Replacement as set forth below:

IP-0548-10 Hydropneumatic Tank Replacement	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2013	\$196,000	\$196,000	\$40,000	(\$156,000)	\$118,000
Total	\$196,000	\$196,000	\$40,000	(\$156,000)	\$118,000

REFERENCES: CAW Exh. 23, Rogers Direct, p. 33; CAW Exh. 49, Schubert Rebuttal, p. 160-163; DRA Exh. 9, p. 2-8 – 2-9.

10.5.3.3 IP-0548-11 – Pressure Reducing Station Improvements

CALIFORNIA AMERICAN WATER REQUEST:

This investment project will rehabilitate and address the incorrect placement of pressure reducing stations located throughout the Toro system. The 2009 Toro CPS identified the need to replace seven of the pressure reducing stations within the Toro system. The investment project will either replace the stations completely or replace failing diaphragm valves and install short

lengths of main (less than 500 feet). The stations are in poor physical condition due to irregular maintenance, and they fail to meet minimum California American Water standards. As part of this project, preliminary engineering will determine if the locations of pressure reducing stations are properly sited for efficient operations of the distribution system. One benefit of the project is elimination of high pressures in the lower zones in the Toro system, thus reducing water loss. As reported in American Water Works Association Manual M36 - Water Audits and Loss Control Programs, Chapter 4, lowering the pressure in the system lowers the probability of pipe breaks and the total volume of unaccounted for water loss. Also, the project will reduce the risk of failure of the existing pressure reducing stations. This project will start in January 2012 and end in December 2012.

DRA POSITION:

DRA recommends that the Commission allow \$76,000 of capital costs in 2012 to complete the Pressure Reducing Station Improvements investment project, and disallow the \$166,000 requested in this application.

RESOLUTION:

DRA and California American Water agree to compromise on Pressure Reducing Station Improvements as set forth below:

IP-0548-11 Pressure Reducing Station Improvements	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$242,000	\$242,000	\$76,000	(\$166,000)	\$159,000
Total	\$242,000	\$242,000	\$76,000	(\$166,000)	\$159,000

REFERENCES: CAW Exh. 23, Rogers Direct, p. 34; CAW Exh. 49, Schubert Rebuttal, p. 160-164; DRA Exh. 9, p. 2-9 – 2-10.

10.6 Monterey Wastewater District

10.6.1 Recurring Projects

The recurring projects are regular, routine capital expenditure tasks that are implemented to ensure continued safe, adequate and reliable operation of the wastewater system. There are three subcategories of the recurring project in my testimony. These are: Completed Recurring Projects, In-Progress Recurring Projects, and Proposed New Recurring Projects.

Since the recurring projects are primarily for smaller unforeseen operational capital investment tasks, California American Water normally uses the inflation adjusted five-year historical average as guidance for determining the recurring project budgets. However, California American Water has not compiled sufficient historical data on the Monterey Wastewater District. Therefore, the recurring project budgets for wastewater are based on cost estimates and judgment of the plant operating and engineering staff.

10.6.1.1 Completed Recurring Projects

CALIFORNIA AMERICAN WATER REQUEST:

These are recurring projects that were adopted in the Monterey Wastewater District's 2008 General Rate Case (GRC) and cover years 2008 and 2009.

DRA POSITION:

DRA finds these expenses reasonable.

RESOLUTION:

DRA and California American Water agree on Completed Recurring Project expense, as set forth below.

Monterey Wastewater Recurring Project Description		Adopted (2008-09)	Actual (2008-09)	Variance
RP-0549-L	SCADA Equipment and Systems	\$20,000	\$19,496	(\$504)
RP-0549-P	Tools and Equipment	\$0	\$90,047	\$90,047
RP-0549-Q	Process Plant Facilities and Equipment	\$47,488	\$192,242	\$144,754
Total		\$67,488	\$301,785	\$234,297

REFERENCES: CAW Exh. 23, Rogers Direct, pp. 4-8; DRA Exh. 8, pp. 2-3 – 2-4.

10.6.1.2 In-Progress Recurring Projects

CALIFORNIA AMERICAN WATER REQUEST:

The in-progress recurring projects are those recurring projects that are planned for the 2010 and 2011 period. For RP-0540-L – SCADA Equipment and Systems, the 2010 planned budget is estimated to be approximately \$5,000 less than the CPUC’s 2010 adopted budget for this recurring project. For the Project Code RP-0549-Q, the planned budget is estimated to be the same as that adopted by the CPUC for the 2010 expenditures. The budgets allocated to the two recurring projects in 2011 are estimated to be the same as the CPUC adopted budget for 2010.

DRA POSITION:

DRA finds these expenses reasonable.

RESOLUTION:

DRA and California American Water agree on In-Progress Recurring Project expense, as set forth below.

Monterey Wastewater Recurring Project Description		2010 Budgeted	2011 Budgeted
RP-0549-L	SCADA Equipment and Systems	\$5,000	\$10,000
RP-0549-Q	Process Plant Facilities and Equipment	\$23,700	\$23,700
Total		\$28,700	\$33,700

REFERENCES: CAW Exh. 23, Rogers Direct, pp.8-9; CAW Exh. 49, Schubert Rebuttal, p. 44; DRA Exh. 8, pp. 2-3 – 2-4.

10.6.1.3 RP-0549-B – Mains – Unscheduled

CALIFORNIA AMERICAN WATER REQUEST:

No historical expenditures exist for this recurring project. Typically, California American Water uses this recurring project for unscheduled tasks involving installation of short lengths of sewer main. California American Water estimated this expense based on the data collected for the SSMP, and the estimate will be evaluated more frequently as the system is surveyed for either infiltration or exfiltration. Examples of tasks in this item are: (1) Company funded tasks that may include some customer contribution; and (2) Company-initiated and funded new sewer pipes that are not related to immediate growth.

DRA POSITION:

DRA accepts the scope of work described for this recurring project. DRA’s estimates differ due to differences in escalation, overhead, and contingency rates.

RESOLUTION:

DRA and California American Water agree on this recurring project expense, as set forth below.

RP-0549-B Mains - Unscheduled	CAW Direct	CAW Rebuttal	DRA Report	Difference Due to Factors	Settlement
2012	\$33,000	\$33,000	\$29,371	(\$3,629)	\$29,371
2013	\$33,000	\$33,000	\$29,252	(\$3,748)	\$29,252
2014	\$33,000	\$33,000	\$29,139	(\$3,861)	\$29,139
Total	\$99,000	\$99,000	\$87,762	(\$11,238)	\$87,762

REFERENCES: CAW Exh. 23, Rogers Direct, pp.9-14; CAW Exh. 49, Schubert Rebuttal, pp. 44; DRA Exh. 8. pp. 2-3 – 2-4.

10.6.1.4 RP-0549-L – SCADA Equipment and Systems

CALIFORNIA AMERICAN WATER REQUEST:

Typically, California American Water uses this recurring project for unscheduled tasks associated with the replacement and upgrade of the new Mission control system. The Mission system monitors the treatment and pumping facilities in the Monterey Wastewater District. This includes the monitoring of pumps, wet wells, tank levels, chemical concentrations and other key parameters essential to ensure that the facilities are in proper working order. The Mission system also sends alarms to the operators and warns them of possible equipment failures. System improvements include replacement of Mission controllers and dialers, wiring, peripherals, networks, software, servers, and associated equipment. Additionally, the current proposed budget for this recurring project would allow California American Water to address unforeseen and emergency replacement of equipment damaged by burglaries and vandalism.

DRA POSITION:

DRA accepts the scope of work described for this project. DRA’s estimates differ due to differences in escalation, overhead, and contingency rates.

RESOLUTION:

DRA and California American Water agree on this recurring project expense, as set forth below.

RP-0549-L SCADA Equipment and Systems	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$12,000	\$12,000	\$10,500	(\$1,500)	\$10,500
2013	\$12,000	\$12,000	\$10,450	(\$1,550)	\$10,450
2014	\$14,000	\$14,000	\$11,277	(\$2,723)	\$11,277
Total	\$38,000	\$38,000	\$32,227	(\$5,773)	\$32,227

REFERENCES: CAW Exh. 23, Rogers Direct, pp.9-14; CAW Exh. 49, Schubert Rebuttal, pp. 44; DRA Exh. 8. pp. 2-3 – 2-4.

10.6.1.5 RP-0549-O – Vehicles

CALIFORNIA AMERICAN WATER REQUEST:

This recurring project funds the purchase of vehicles, trucks and other construction, operation and transportation related equipment. California American Water has modified its vehicle replacement policy in favor of purchasing vehicles, to be consistent with other Class A utilities. The proposed budgets below are higher than the historical budget because we leased vehicles in the prior rate case and subsequently showed no recurring project vehicle budgets between 2004 and 2011.

For the 2012 to 2014 GRC period, California American Water proposes the following purchases in the Monterey Wastewater district:

2012

Replace a 1993 Chevrolet C7H042 (Sewer Jet Vactor Truck), a 2003 Chevrolet Silverado 1500, and a 2005 Chevrolet Silverado 2500, all three of which will have mileage in excess of 120,000. The replacements will not have the 4x4 package and are scheduled for 2012, with a total estimated cost of \$351,000.

2013

Replace two 2005 Chevrolet Silverado 1500 4x4 trucks, both of which have mileage in excess of 120,000 miles. The replacements will not have the 4x4 package and are scheduled for 2013, with a total estimated cost of \$58,000.

2014

Replace two 2005 Chevrolet Silverado 1500 4x4 trucks, both of which have mileage in excess of 120,000 miles. These replacements will not have the 4x4 package and are scheduled for 2014, with a total estimated cost of \$60,000.

DRA POSITION:

DRA recommends that the Commission disallow California American Water’s proposed RP-0540-O.

RESOLUTION:

DRA and California American Water agree that the replacement of the 1993 Chevrolet C7H042 (Sewer Jet Vactor Truck) by purchasing a new Sewer Jet Vactor Truck for \$295,000 in 2012 is reasonable. California American Water accepts DRA’s position for leasing of vehicles in the Monterey Wastewater District. California American Water and DRA agree that vehicle lease expense has to be adjusted to reflect the leasing of new vehicles that are past their useful life and for which no current lease amount is paid. DRA and California American Water agree on RP-0549-O - Vehicles expense, as set forth below.

RP-0549-O Vehicles	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$351,000	\$351,000	\$0	\$351,000	\$295,000
2013	\$58,000	\$58,000	\$0	\$58,000	\$0
2014	\$60,000	\$60,000	\$0	\$60,000	\$0
Total	\$469,000	\$469,000	\$0	\$469,000	\$295,000

REFERENCES: CAW Exh. 3, Bruce Direct, pp. 18-25; CAW Exh. 23, Rogers Direct, p. 10; CAW Exh. 38, Bruce Rebuttal, pp. 18-21; DRA Exh. 9, pp. 1-10 – 1-11.

10.6.1.6 RP-0549-P – Tools and Equipment

CALIFORNIA AMERICAN WATER REQUEST:

Typically, California American Water uses this recurring project for unscheduled purchases of new or replacement tools and equipment. These tools and equipment are needed for the operations conducted at the construction sites, fabrication shops, laboratories, and storerooms (material delivery, shipping and storage). Items may include: (a) the replacement of existing equipment due to failure or obsolescence; (b) new equipment as needed to improve the efficiency and productivity of the worker; and, (c) equipment to address new requirements by regulating agencies.

DRA POSITION:

DRA accepts the scope of work and estimated budgets for this recurring project.

RESOLUTION:

DRA and California American Water agree on this recurring project expense, as set forth below.

RP-0549-P Tools and Equipment	CAW Direct	DRA Report	Difference	Settlement
2012	\$16,000	\$16,000	\$0	\$16,000
2013	\$17,000	\$17,000	\$0	\$17,000
2014	\$18,000	\$18,000	\$0	\$18,000
Total	\$51,000	\$51,000	\$0	\$51,000

REFERENCES: CAW Exh. 23, Rogers Direct, pp.9-14; CAW Exh. 49, Schubert Rebuttal, pp. 44; DRA Exh. 8. pp. 2-3 – 2-4.

10.6.1.7 RP-0549-Q – Process Plant Facilities and Equipment

CALIFORNIA AMERICAN WATER REQUEST:

Typically, California American Water uses this recurring project for scheduled and unscheduled tasks related to plant replacements or additions funded by California American Water. Typical plant facilities covered under this recurring project include: (a) wastewater treatment; and (b) wastewater pumping facilities including the associated building components (such as window, roof and door replacement), and equipment (such as wetwells, pumps, electrical gear, chemical feeders, control valves, turbidimeters, and screens). The tasks may include replacement, upgrade and/or improvement of the electrical pumping, electrical switchgear, building and structural, mechanical, instrumentation and control, and facility piping or valve equipment in the aforementioned facilities. Tasks may also include installation of new components, small complete facilities (higher-cost items would require individual project identification), structural additions, and equipment additions.

DRA POSITION:

DRA accepts the scope of work described for these projects. DRA’s estimates differ due to differences in escalation, overhead, and contingency rates.

RESOLUTION:

DRA and California American Water agree on this recurring project expense, as set forth below.

RP-0549-Q Process Plant Facilities and Equipment	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$253,000	\$253,000	\$223,000	(\$30,000)	\$238,000
2013	\$150,800	\$150,800	\$132,354	(\$18,446)	\$141,577
2014	\$156,800	\$156,800	\$131,665	(\$25,135)	\$144,577
Total	\$560,000	\$560,000	\$487,019	(\$73,135)	\$524,154

REFERENCES: CAW Exh. 23, Rogers Direct, pp.9-14; CAW Exh. 49, Schubert Rebuttal, pp. 44; DRA Exh. 8. pp. 2-3 – 2-4.

10.6.2 In-Progress Projects

10.6.2.1 IP-0549-1 – Las Palmas Filtration and UV

CALIFORNIA AMERICAN WATER REQUEST:

The Las Palmas Filter Replacement project was in existence prior to approval by the Public Utilities Commission of the Monterey District 2009-11 General Rate Case (08-01-023) and therefore was already included in the baseline cost of operation. A contract to ERS was awarded to perform filter maintenance and installation services. The installation of the replacement filters and their associated equipment will be completed in 2010 at a cost of approximately \$425,000. UV disinfection of the treated effluent was originally included in the scope of this project. However, the selected vendor, Enaqua, has not obtained California Title 22 certification of their UV units. Therefore, the UV disinfection portion of this project has been postponed. Stub-out connections will be provided with isolation valves to allow installation of UV disinfection at some point in the future for \$522,000. Approximately \$144,530 has been spent in prior years for refurbishment of the filters that are to be installed at Las Palmas. The original budget adopted for this project was approximately \$1,091,000.

DRA POSITION:

DRA recommends that the remaining \$522,000 that is unspent be removed from rate base and the cost of the UV unit eventually installed be recovered via an advice letter once it is installed and in service.

RESOLUTION:

DRA and California American Water agree that California American Water shall be able to file a Tier 2 advice letter to recover the remaining \$522,000 – plus interest, capital costs once the UV disinfection unit is installed and in service and California American Water is operating under a letter of authorization or some other instrument although permitting may be pending. DRA and California American Water further agree that, alternatively, California American Water may seek to recover costs for this project in its next general rate case. As part of this settlement agreement, certain capital projects in California American Water's 2010 general rate case application have been agreed to by the parties to have actual project costs accrue interest at an annual rate equal to California American Water's weighted average cost of debt, as explained in more detail in the supporting language for Special Request # 33. Please see Section 11.26 of this Settlement Agreement.

IP-0549-1 Las Palmas Filtration and UV	Project Total	Prior Spent	2010 Expenditure	Future Expenditure
	\$1,901,000	\$144,530	\$425,000	\$522,000 Advice Letter Project plus Interest

REFERENCES: CAW Exh. 23, Rogers Direct, pp. 15-17; CAW Exh. 49, Schubert Rebuttal, p. 45; DRA Exh. 8, p. 2-5 – 2-6.

10.7 Sacramento District

10.7.1 Recurring Projects

10.7.1.1 Undisputed Recurring Projects

CALIFORNIA AMERICAN WATER REQUEST:

Recurring Projects are regular, routine capital expenditures undertaken by the Company to ensure continued safe, adequate and reliable operation of a water system. These types of capital expenditures are usually comprised of short sections of distribution mains, valves, hydrants, services, pumps and motors, office furnishings, tools, equipment, instrumentation improvements, processing systems modifications, pump/tank/well rehabilitations and rehabilitation of other items considered general equipment. The annual level of expenditures for each of the individual normal recurring capital expenditures may vary from year-to-year based on specific District needs, regulatory requirements, or unanticipated emergencies. However, the annual level of recurring project expenditures as a group remains relatively consistent from year to year.

DRA POSITION:

With a few exceptions, the requested budgets are based on five-year (2005-2009) inflation adjusted historic averages. DRA reviewed California American Water's requests, and recommends adjustments only to three specific accounts: RP-0560-H, RP-0560-O and RP-0560-R.

RESOLUTION:

DRA and California American Water agree to a total dollar amount for all recurring projects, (with the exception of three specific accounts: RP-0560-H, RP-0560-O, and RP-0560-R – for which agreements are detailed below). All recurring projects agreed to which would be allocated in a flexible fashion by California American Water among the specific difference recurring project line items. DRA and California American Water agree on Recurring Project expense, as set forth below.

Sacramento Recurring Project Description		CAW 2012- 2014	DRA 2012- 2014	Difference	Settlement
RP-0560-A	Mains – New	\$310,000	\$310,000	\$0	\$310,000
RP-0560-B	Mains - Replaced/Restored	\$0	\$0	\$0	\$0
RP-0560-C	Mains - Unscheduled	\$468,000	\$468,000	\$0	\$468,000
RP-0560-D	Mains - Relocated	\$48,000	\$48,000	\$0	\$48,000
RP-0560-E	Hydrants, Valves, and Manholes - New	\$30,000	\$30,000	\$0	\$30,000
RP-0560-F	Hydrants, Valves, and Manholes - Replaced	\$288,000	\$288,000	\$0	\$288,000
RP-0560-G	Services and Laterals - New	\$156,000	\$156,000	\$0	\$156,000
RP-0560-I	Meters - New	\$75,000	\$75,000	\$0	\$75,000
RP-0560-J	Meters - Replaced	\$953,000	\$953,000	\$0	\$953,000
RP-0560-K	ITS Equipment and Systems	\$0	\$0	\$0	\$0
RP-0560-L	SCADA Equipment and Systems	\$0	\$0	\$0	\$0
RP-0560-M	Security Equipment and Systems	\$126,000	\$126,000	\$0	\$126,000
RP-0560-N	Offices and Operations Centers	\$15,000	\$15,000	\$0	\$15,000
RP-0560-P	Tools and Equipment	\$210,000	\$210,000	\$0	\$210,000
RP-0560-Q	Process Plant Facilities and Equipment	\$3,746,000	\$3,746,000	\$0	\$3,746,000
Total		\$6,425,000	\$6,425,000	\$0	\$6,425,000

REFERENCES: CAW Exh. 14, Kilpatrick Direct, p. 37; DRA Exh. 7, p. 3-4.

10.7.1.2 RP-0560-H – Services and Laterals – Replaced

CALIFORNIA AMERICAN WATER REQUEST:

Capital expenditures in this project category include scheduled and unscheduled service line replacements. Typical tasks involve water service replacement or improvement, including replacement of corporation stops or shut-off valves if Company owned. Service lines are replaced based on age, leak and break history, and in coordination with any main installation/replacement projects.

This recurring project is needed because the District has an obligation to respond immediately and restore water service whenever the service line leaks or breaks. Customer requests for fixing service line failures can occur either during day or night. In the last five years the District has

replaced from 80 to 180 services per year due to service leaks. Most service replacements are the result of a failure resulting in loss of water pressure to a customer and loss of water from the system through an uncontrolled rupture of the service line or saddle, typically because of corrosion. When a service fails, company practice is to replace the entire service from connection at the main to property line. Since repairs are problematic and nearly as expensive as complete replacement, this practice insures value to the ratepayers and at the same time provides infrastructure renewal. Depending on the location, depth and nature of the overlaying roadway or landscaping and extent of the restoration required, costs for service replacements can be quite high. Occasionally, if leak history indicates multiple leaks in an isolated area, California American Water will proactively replace services along a street in an effort to preclude emergency work. Such emergency work involves higher unit costs and inconvenience to customers.

DRA POSITION:

DRA recommends that the annual budget forecast calculations include only 2005, 2006, 2008 and 2009 expenditures, because the activity and cost levels from these four years would reflect a more typical mix of scheduled and unscheduled service replacements.

RESOLUTION:

DRA and California American Water agree to compromise on RP-0560-H – Services and Laterals – Replaced as set forth below. It is also recognized that DRA agrees with California American Water’s approved dollar amount for this recurring project in 2011 of \$609,550, which is consistent with the settlement agreement from A. 09-01-013 and the corresponding decision D.10-06-038.

RP-0560-H Services and Laterals – Replaced	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2011	\$609,550	\$609,550	\$478,000	\$131,550	\$609,550
2012	\$603,000	\$603,000	\$478,000	\$125,000	\$540,500
2013	\$627,000	\$627,000	\$497,000	\$130,000	\$562,000
2014	\$652,000	\$652,000	\$517,000	\$135,000	\$584,500
Total	\$2,491,550	\$2,491,550	\$1,970,000	\$521,550	\$2,296,550

REFERENCES: CAW Exh. 14, Kilpatrick Direct, Table 9, pp. 37, 45-46; DRA Exh. 7, Table 1-B, 1-C, pp. 2, 4-8; CAW Exh. 49, Schubert Rebuttal, pp. 11-13.

10.7.1.3 RP-0560-O – Vehicles

CALIFORNIA AMERICAN WATER REQUEST:

California American Water has modified its vehicle replacement policy in favor of purchasing vehicles, to be consistent with other Class A utilities. For the 2012 to 2014 GRC period, California American Water proposes the following purchases:

Replace two 2000 F-150 1/2-ton pick-up trucks, one 2000 F-250 3/4-ton pick-up, and two 2001 one-ton utility trucks, all with mileage well over 120,000 miles. Replace one 2001 F-150 1/2-ton pick-up with mileage well over 120,000 miles with a compact car. Purchase of two new F-150 1/2-ton pick-up trucks, for the proposed new water treatment operator and meter reader positions. Purchase of two new compact cars, one for the proposed new field customer service representative and one as a pool car for the office. These replacements and purchases are scheduled for 2012, with a total estimated cost of \$241,000.

Replace one 2000 F-150 1/2-ton pick-up, one 2003 F-150 4x2, three 2000 F-350 one-ton pick-up trucks, one 2001 F-550 3-ton pick-up, one 2003 C4500 2-ton pick-up, and purchase from lease one 2008 Case backhoe. All vehicles are projected to have mileage exceeding 120,000 miles. These replacements are scheduled for 2013, with a total estimated cost of \$298,000.

Replace two 2003 C4500 2-ton trucks, one 1998 FD 10-yard diesel dump truck, and one 2001 Accord Sedan. All vehicles are projected to have mileage exceeding 120,000 miles. These replacements are scheduled for 2014, with a total estimated cost of \$247,000.

DRA POSITION:

DRA recommends that the Commission disallow California American Water's requested funding for RP-0540-O and adjust California American Water's projected Administrative and General expenses for its vehicle leasing program to conform to the five year inflation adjusted average.

RESOLUTION:

California American Water accepts DRA's position to conform to the five year inflation adjusted average for the leasing of vehicles in the Sacramento District. California American Water and DRA agree that the vehicle lease expense has to be adjusted to reflect the leasing of new vehicles that are past their useful life and for which no current lease amount is paid. DRA and California American Water agree to compromise on RP-056-O - Vehicles as set forth below:

RP-0560-O Vehicles	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$241,000	\$241,000	\$0	\$241,000	\$0
2013	\$298,000	\$298,000	\$0	\$298,000	\$0
2014	\$247,000	\$247,000	\$0	\$247,000	\$0
Total	\$786,000	\$786,000	\$0	\$786,000	\$0

REFERENCES: CAW Exh. 3, Bruce Direct, Sec. VIII, pp. 22-23; DRA Exh. 7, Ch. 1, p. 9; DRA Exh. 9, pp. 1-10 – 1-11.

10.7.1.4 RP-0560-R – Capitalized Tank Rehabilitation

CALIFORNIA AMERICAN WATER REQUEST:

Capital expenditures in this project category include scheduled and unscheduled tasks related to tank rehabilitation work funded by California American Water. Tasks performed under this recurring project include tank rehabilitation and improvements as needed to meet the current seismic codes along with routine restoration of the tank components. Many of the tanks do not meet the current standards and will require extra improvements to bring them into compliance with the applicable codes. Improvements and seismic retrofitting of the tanks will provide a more reliable source of supply during and after an earthquake and curtail possible leaks or catastrophic failure of the tanks.

DRA POSITION:

DRA recommends disallowing estimated costs related to tank painting at the Parksite No. 1 Tank (\$160,064), the Parksite No. 2 Tank (\$438,182), the Countryside Tank (\$948,558), and the Mather Tank (\$900,254).. DRA also recommends correcting the tank rehabilitation cost estimate for the Parksite No. 1 Tank (from \$315,525 to \$26,052) to exclude painting-related work.

RESOLUTION:

DRA and California American Water agree to compromise on RP-0560-R – Capitalized Tank Rehabilitation as set forth in DRA’s position. Basically, the tank rehabilitation dollars as recommended by DRA are as follows: Countryside Tank - \$61,822 (2012-2013); Parksite Tank #1 - \$33,197 (2013-2014); Parksite Tank #2 - \$99,189 (2013-2014); Security Park Tank #2 - \$112,239 (2012); and Mather Tank - \$74,145 (2012-2013). In addition, California American Water agrees with DRA’s recommendation for tank painting expense only for Security Park #2 - \$156,581 (2012-2013). The total tank rehabilitation costs for 2012, 2013 and 2014 are shown in the table below (dollars have been rounded up):

RP-0560-R Capitalized Tank Rehabilitation	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$122,000	\$122,000	\$122,000	\$0	\$122,000
2013	\$139,000	\$139,000	\$139,000	\$0	\$139,000
2014	\$410,000	\$410,000	\$120,000	\$290,000	\$120,000
Total	\$671,000	\$671,000	\$381,000	\$290,000	\$381,000

REFERENCES: CAW Exh. 14, Kilpatrick Direct, p. 52-53; CAW Exh. 49, Schubert Rebuttal, p. 13-19; DRA Exh. 7, p. 9-16.

10.7.2 New Investment Projects

DRA recommends adjustments and/or disallowances to nine new investment projects requested by California American Water.

10.7.2.1 IP-0560-102 - Meter Conversions 2012-2013

CALIFORNIA AMERICAN WATER REQUEST:

This Meter Conversion project is for the replacement of flat-rate residential water services with metered services within the Sacramento District, specifically for the planned program in the years 2012 and 2013. The program includes the installation of just over 9,600 residential meters in the Lincoln Oaks system. California American Water anticipated this project to result in the conversion of all non-metered water service connections to metered water service connections. California American Water has established the budget required to finish the Meter Retrofit Program, which is the budget presented in the GRC, and consistent with the 2009 Partial Settlement Agreement. California American Water has used a 2010 baseline unit cost of \$1,200 and escalated that cost to 2012 and 2013 dollars using 4 percent annual inflation.

California American Water is requesting a total budget of \$12,557,000 under Investment Project IP-0560-102 to convert flat rate customers to metered service. This project budget represents the final amount needed to complete this multi year, multi GRC project.

DRA POSITION:

DRA has accepted this investment project and agrees to the requested funding amount from California American Water.

RESOLUTION:

DRA and California American Water agree on Meter Conversions 2012-2013 as set forth below:

IP-0560-102 Meter Conversions	CAW Direct	DRA Report	Difference	Settlement
2012	\$7,918,000	\$7,918,000	\$0	\$7,918,000
2013	\$4,639,000	\$4,639,000	\$0	\$4,639,000
Total	\$12,557,000	\$12,557,000	\$0	\$12,557,000

REFERENCES: CAW Exh. 14, Kilpatrick Direct, pp 79-82.

10.7.2.2 IP-0560-109, 132 - Well Rehabilitations – 2012-2014

CALIFORNIA AMERICAN WATER REQUEST:

California American Water is requesting a total budget of \$2,043,521 to perform below grade well rehabilitation for Sacramento District wells. This total budget includes \$664,521, under project IP-0560-109, and \$1,379,000, under project IP-0560-132. California American Water splits the budgets for well rehabilitations between two years because well rehabilitations start following the peak summer months in one year, and conclude before the peak summer months of the next year.

DRA POSITION:

DRA has accepted this investment project and the requested funding amount from California American Water.

RESOLUTION:

DRA and California American Water agree on Well Rehabilitations 2012-2014 as set forth below:

IP-0560-109, 132 Well Rehabilitations (2012-14)	CAW Direct	DRA Report	Difference	Settlement
2012	\$664,521	\$664,521	\$0	\$664,521
2013	\$681,000	\$681,000	\$0	\$681,000
2014	\$698,000	\$698,000	\$0	\$698,000
Total	\$2,043,521	\$2,043,521	\$0	\$2,043,521

REFERENCES: CAW Exh. 14, Kilpatrick Direct, pp. 53-58.

10.7.2.3 IP-0560-127 - Security Park Interconnection

CALIFORNIA AMERICAN WATER REQUEST:

California American Water originally requested a total budget of \$1,353,000 for design and construction of an interconnection between California American Water's Security Park system and the Sacramento County Water Agency's ("SCWA") existing 42-inch water transmission main in Douglas Boulevard to secure a redundant source of supply for the service area. Preliminary activities are scheduled to commence in 2012, and construction is anticipated to be completed by 2014.

In its rebuttal, California American Water proposes an alternative approach to the original proposal to install a 900-foot section of 24-inch diameter ductile iron pipe that would extend from the proposed meter vaults at Douglas Road, up Security Park Drive to Security Park Tank #2. This section of the proposed project could be replaced with approximately 300 feet of 12-inch diameter PVC pipeline that connects to the nearest point in the distribution system. Without the 24-inch diameter main extending to the Security Park Tank #2, the 300 foot section of 12-inch diameter PVC main could also be eliminated. With the above described modifications to the project, the revised project cost is now estimated at \$621,000.

DRA POSITION:

DRA recommends that the Commission reject California American Water's request for \$1,353,000 for to fund this project because it is not needed and is not cost-effective.

RESOLUTION:

DRA and California American Water agree that the alternate pipeline proposal, as described in Mr. Schubert's rebuttal testimony for this new investment project, is a reasonable solution to address the present water supply issue in the Security Park service area. DRA and California American Water further agree to designate this new investment project as a Tier 3 Advice Letter project. In addition, DRA and California American Water agree to a current cost estimate of \$500,000 –plus interest, for this new investment project, with the understanding that any amount over \$500,000 will be subject to a reasonableness and prudence review at the time this new investment project is completed, placed into service, and an Advice Letter application is filed with the Commission for review and approval into rate base of the total project cost. Finally, DRA and California American Water agree that the Advice Letter application will be filed by the end of 2013, or if California American Water's efforts in fast-tracking this new investment project are successful, an earlier submittal of the Advice Letter application is acceptable to both parties. As part of this settlement agreement, certain capital projects in California American Water's 2010 general rate case application have been agreed to by the parties to have actual project costs accrue interest at an annual rate equal to California American Water's weighted average cost of debt, as explained in more detail in the supporting language for Special Request # 33. Please see Section 11.26 of this Settlement Agreement.

IP-0560-127 Security Park Interconnection	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$83,000		\$0	\$83,000	\$83,000
2013	\$375,000		\$0	\$375,000	\$417,000
2014	\$895,000		\$0	\$895,000	\$0
Total	\$1,353,000	\$621,000	\$0	\$1,353,000	\$500,000 Advice Letter Project, plus Interest

REFERENCES: CAW Exh. 14, Kilpatrick Direct, Sec. III, pp. 58-60; CAW Exh. 49, Schubert Rebuttal, pp. 20-23; DRA Exh. 7, Ch. 1, pp. 19-23.

10.7.2.4 IP-0560-139 - Antelope Road Interconnection with SSWD

CALIFORNIA AMERICAN WATER REQUEST:

California American Water is requesting a total budget of \$300,000 under Investment Project IP-0560-139 to construct improvements to the water system interconnection between California American Water’s Antelope system and the Sacramento Suburban Water District (“SSWD”). Authorization of this interconnection improvement would allow California American Water to further participate in conjunctive use, which will increase the long-term sustainability of the groundwater basin underlying the Antelope system, and bring the current interconnection up to modern standards of automation and SCADA coverage.

California American Water further requests that the proposed cost be adopted into rate base.

DRA POSITION:

DRA recommends that the Commission disallow this project because California American Water has not provided adequate cost-benefit analysis to support the need of the project.

RESOLUTION:

DRA and California American Water agree to the request of California American Water based on further updated information (IP-0560-139) – Antelope Road Interconnection with SSWD as set forth below:

IP-0560-139 Antelope Road Interconnection	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$0	\$0	\$0	\$0	\$0
2013	\$0	\$0	\$0	\$0	\$0
2014	\$300,000	\$300,000	\$0	(\$300,000)	\$300,000
Total	\$300,000	\$300,000	\$0	(\$300,000)	\$300,000

REFERENCES: CAW Exh. 14, Kilpatrick Direct, Sec. III, pp. 67-70; CAW Exh. 49, Schubert Rebuttal, pp. 24-26; DRA Exh. 7, Ch. 1, p. 18-19.

10.7.2.5 IP-0560-144, 188 - Parkway Emergency Generators

CALIFORNIA AMERICAN WATER REQUEST:

California American Water is requesting a total budget of \$750,000 under Investment Project IP-0560-144 to equip the Parkway system with standby emergency power. The project includes the purchase and installation of a permanent 500kW diesel generator at the Countryside treatment plant, the purchase and installation of a permanent 625kW diesel generator at the Parksite treatment plant, and modification of the existing electrical system at the Rockhurst Well site to use in conjunction with an existing 250kW generator. In addition, California American Water is requesting a total budget of \$772,045 under Investment Project IP-0560-188 to equip Sacramento District well sites with standby power capabilities. This proposed project consists of the procurement and installation of six 250kW trailer-mounted diesel generators, and the installation of a standardized 480V receptacle and an automatic transfer switch at one well site.

California American Water requests that the Commission use a factor of 11% for engineering overhead and 20% for contingency.

DRA POSITION:

DRA recommends that the Commission reject California American Water's request to add standby generators to these two systems due to lack of demonstrated need. DRA's recommended amount for IP-0560-188 reflects a use of 7% for engineering overhead and 10% for contingency.

RESOLUTION:

DRA and California American Water agree to compromise on IP-0560-144, 188 - Parkway Emergency Generators as set forth below:

IP-0560-144, 188 Parkway Emergency Generators	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$750,000	\$750,000	\$0	\$750,000	\$250,000
2013	\$772,045	\$772,045	\$475,000	\$297,045	\$475,000
2014	\$0	\$0	\$0	\$0	\$0
Total	\$1,552,045	\$1,552,045	\$475,000	\$1,047,045	\$725,000

REFERENCES: CAW Exh. 14, Kilpatrick Direct, Sec. III, pp. 54, 63-64, 75-76; CAW Exh. 49, Schubert Rebuttal, p. 28-31; DRA Exh. 7, Ch. 1, p.24-26.

10.7.2.6 IP-0560-160 - Walerga Road Bridge Pipeline Relocation

CALIFORNIA AMERICAN WATER REQUEST:

California American Water is requesting a total budget of \$803,000, including \$142,000 in 2011, under Investment Project IP-0560-160 to relocate an existing pipeline in conjunction with a Placer County project to widen Walerga Road and rebuild the Walerga Road bridge. This project includes abandoning an existing 16-inch water main crossing Dry Creek at Walerga Road, and the construction of approximately 600 feet of buried 16-inch pipe at the proposed bridge abutment and 550 feet of 16-inch pipe on the proposed Walerga Road bridge deck.

DRA POSITION:

DRA agrees that the relocation of California American Water's pipeline is necessary if and when the County receives funding to construct the bridge replacement and proceeds with its construction plan. DRA recommends that this project be approved as an Advice Letter with a project cap of \$803,000.

RESOLUTION:

DRA and California American Water agree to compromise on IP-0560-160 - Walerga Road Bridge Pipeline Relocation by adopting total project dollar amount of \$803,000 – plus interest (\$142,000 in 2011, \$324,000 in 2012 and \$337,000 in 2013) subject to a Tier 3 Advice Letter. In addition, as part of this settlement agreement, certain capital projects in California American Water's 2010 general rate case application have been agreed to by the parties to have actual project costs accrue interest at an annual rate equal to California American Water's weighted average cost of debt, as explained in more detail in the supporting language for Special Request # 33. Please see Section 11.26 of this Settlement Agreement.

IP-0560-160 Walerga Road Bridge Pipeline Relocation	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$324,000	\$324,000	\$0	\$324,000	\$324,000
2013	\$337,000	\$337,000	\$0	\$337,000	\$337,000
2014	\$0	\$0	\$0	\$0	\$0
Total	\$803,000	\$803,000	\$0	\$803,000	\$803,000 Advice Letter Project, plus Interest

REFERENCES: CAW Exh. 14, Kilpatrick Direct, Sec. III, pp. 77-79; CAW Exh. 49, Schubert Rebuttal, pp.26-27; DRA Exh. 7, Ch. 1, p. 17-18.

10.7.2.7 IP-0560-165, 166, 133 - Water Treatment Plant Improvements 2012-2013, 2013-2014, 2014-2015

CALIFORNIA AMERICAN WATER REQUEST:

California American Water originally requested a total budget of \$4,200,000 to perform above grade water treatment plant improvements for Sacramento District well and treatment plant sites. Recommended projects that will be implemented in the 2012-2014 GRC cycle include 22 specific well site rehabilitations covering the Antelope, Arden, Isleton, Lincoln Oaks, Parkway, Rosemont, Suburban, and Walnut Grove systems. Details of the specific projects are included in the Capital Investment Workpapers.

Specific work items vary from site to site, and will generally follow the recommendations in the well site condition assessments. Recommended above-grade work typically includes the following: hydro tank improvements/replacements; coating improvements; piping improvements; electrical improvements; freeze protection; chemical food improvements; flow meter improvements; asphalt/concrete improvements; miscellaneous improvements; safety improvements; removal, repair or installation of buildings.

In rebuttal testimony, California American Water adjusted its request to remove the double contingency from each of the investment projects. California American Water requests that the Commission approve the use of an 11% engineering overhead factor and a 20% contingency factor in the calculation of the cost estimates for the investment projects.

DRA POSITION:

DRA accepts California American Water's proposed scope of work for these three projects. However, DRA recommends adjusting California American Water's estimate to remove the double counting of the contingency factor and reduce the engineering overhead factor to 7%.

RESOLUTION:

DRA and California American Water agree to compromise on this investment project as set forth below:

IP-0560-165, 166, 133 Water Treatment Plant Improvements	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$1,700,000	\$1,356,000	\$1,318,000	\$38,000	\$1,318,000
2013	\$1,700,000	\$1,357,000	\$1,320,000	\$37,000	\$1,320,000
2014	\$800,000	\$645,000	\$628,000	\$17,000	\$628,000
Total	\$4,200,000	\$3,358,000	\$3,266,000	\$92,000	\$3,266,000

REFERENCES: CAW Exh. 14, Kilpatrick Direct, Sec. III, pp. 54, ; CAW Exh. 49, Schubert Rebuttal, pp. 27-28; DRA Exh. 7, Ch. 1, pp. 2, 23-24.

10.7.2.8 IP-0560-170 - Lincoln Oaks PCE/VOC Study

CALIFORNIA AMERICAN WATER REQUEST:

California American Water is requesting a total budget of \$350,000 to perform a groundwater contamination study for the Lincoln Oaks system. The proposed project consists of a groundwater study of the Lincoln Oaks and surrounding area, to quantify the risk of contaminants reaching California American Water’s groundwater wells, and to develop an overall mitigation strategy that will allow California American Water to preserve its groundwater supply.

California American Water also requests that the Commission recognize and adopt the cost associated with this project in rate base.

DRA POSITION:

DRA recommends that the Commission disallow this request.

RESOLUTION:

DRA agrees to compromise and now accepts this investment project (study) and the requested funding amount from California American Water because of additional information provided in California American Water’s rebuttal testimony and from discussions between the parties during settlement which clarified the study’s goals and objectives. California American Water also agrees to complete the study by the end of 2013.

IP-0560-170 Lincoln Oaks PCE/VOC Study	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$350,000	\$350,000	\$0	\$350,000	\$0
2013	\$0	\$0	\$0	\$0	\$350,000
2014	\$0	\$0	\$0	\$0	\$0
Total	\$350,000	\$350,000	\$0	\$350,000	\$350,000

REFERENCES: CAW Exh. 14, Kilpatrick Direct, Sec, III, pp. 65-66; CAW Exh. 49, Schubert Rebuttal, pp. 31-34; DRA Exh. 7, Ch. 1, p. 26.

10.7.2.9 IP-0560-176 - Mapping Improvement Project

CALIFORNIA AMERICAN WATER REQUEST:

California American Water is requesting a total budget of \$250,000 under Investment Project IP-0560-176 for work associated with updating and improving the water system maps. This project is to update California American Water's system maps to include all as-built drawings of recent development and recent capital improvement projects, and to populate pipeline information to include date of construction, type of material, and size, and to develop schematic drawings of all well and treatment plant sites.

DRA POSITION:

DRA has accepted this investment project and the requested funding amount from California American Water.

RESOLUTION:

DRA and California American Water agree as set forth below:

IP-0560-176 Mapping Improvement Project	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$0	\$0	\$0	\$0	\$0
2013	\$250,000	\$250,000	\$250,000	\$0	\$250,000
2014	\$0	\$0	\$0	\$0	\$0
Total	\$250,000	\$250,000	\$250,000	\$0	\$250,000

REFERENCES: CAW Exh. 14, Kilpatrick Direct, Sec. III, pp. 66-67.

10.7.2.10 IP-0560-179 - SCADA Upgrades 2012-2014

CALIFORNIA AMERICAN WATER REQUEST:

California American Water is requesting a total budget of \$1,632,000 under Investment Project IP-0560-179 to construct improvements and additions to the Supervisory Control and Data Acquisition Systems (“SCADA”) within the Sacramento District. California American Water intends to have a fully functional and reliable SCADA system covering all ten of the properties in the Sacramento District. California American Water has included the following components in the proposed project: Install new SCADA systems at sites that SCADA does not already cover; Replace the existing TESCO brand PLCs with Allen Bradley brand PLCs at the sites that currently have SCADA systems; add fluoride, chlorine and pH analyzers to the sites with existing SCADA systems; programming of the central SCADA computers at California American Water’s Beloit office to accept the new signals, process the data, and provide an interface for system operation.

DRA POSITION:

DRA has accepted this investment project and the requested funding amount from California American Water.

RESOLUTION:

DRA and California American Water agree as set forth below:

IP-0560-179 SCADA Upgrades	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$800,000	\$800,000	\$800,000	\$0	\$800,000
2013	\$832,000	\$832,000	\$832,000	\$0	\$832,000
2014	\$0	\$0	\$0	\$0	\$0
Total	\$1,632,000	\$1,632,000	\$1,632,000	\$0	\$1,632,000

REFERENCES: CAW Exh. 14, Kilpatrick Direct, Sec, III, pp. 70-72.

10.7.2.11 IP-0560-184 - Arden SOS/City of Sacramento Water Purchase

CALIFORNIA AMERICAN WATER REQUEST:

California American Water is requesting a total budget of \$1,500,000 under Investment Project IP-0560-184 to pay the initial capacity charge for a purchase water agreement with the City of Sacramento to deliver surface water into California American Water’s Arden system. California American Water separated Investment Project IP-0560-184 from the infrastructure component of the project, IP-0560-53.

DRA POSITION:

DRA has accepted this investment project and the requested funding amount from California American Water.

RESOLUTION:

DRA and California American Water agree as set forth below:

IP-0560-184 Arden SOS/SAC City Water Purchase	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$1,500,000	\$1,500,000	\$1,500,000	\$0	\$1,500,000
2013	\$0	\$0	\$0	\$0	\$0
2014	\$0	\$0	\$0	\$0	\$0
Total	\$1,500,000	\$1,500,000	\$1,500,000	\$0	\$1,500,000

REFERENCES: CAW Exh. 14, Kilpatrick Direct, Sec. III, pp. 72-75.

10.7.2.12 IP-0560-190 - Sewer Connection Fee

CALIFORNIA AMERICAN WATER REQUEST:

California American Water is requesting a total budget of \$76,000 under Investment Project IP-0560-190 to pay a one-time flow capacity and sewer impact fee to Sacramento Regional County Sanitation District (“SRCSD”) for discharge from California American Water’s treatment plants to the sanitary sewer.

DRA POSITION:

DRA has accepted this investment project and the requested funding amount from California American Water.

RESOLUTION:

DRA and California American Water agree as set forth below:

IP-0560-190 Sewer Connection Fee	CAW Direct	DRA Report	Difference	Settlement
2012	\$76,000	\$76,000	\$0	\$76,000
2013	\$0	\$0	\$0	\$0
2014	\$0	\$0	\$0	\$0
Total	\$76,000	\$76,000	\$0	\$76,000

REFERENCES: CAW Exh. 14, Kilpatrick Direct, Sec. III, pp. 76-77.

10.7.3 Completed Investment Projects

10.7.3.1 IP-0560-19 - Rehabilitate Wells 2009

CALIFORNIA AMERICAN WATER REQUEST:

This completed investment project, IP-0560-19, is part of the ongoing well rehabilitation program.

The original project scope included rehabilitation and mitigation work requirements for Folsom/Bradshaw, Westporter, Rhine Way, Parksite #1, and Salmon Falls wells. The project overage is due to California American Water starting well rehabilitation work on the Folsom/Bradshaw, Westporter, Rhine Way, and Parksite #1 wells prior to the issuance of the July reduction to planned budget. Once California American Water had pulled the pumps and motors to begin the well investigation, it was not possible to return the wells to service without completing the rehabilitation work. California American Water did not start work on the Salmon Falls well, and was able to postpone work pursuant to the reduced budget. Work completed under this Investment Projects includes rehabilitation of the Folsom Bradshaw Well and the Westporter Well in the Suburban system, the Rhine Way Well in the Antelope system, and initial work on the Parksite #1 Well in the Parkway system.

DRA POSITION:

DRA has accepted this investment project and the completed funding provided by California American Water.

RESOLUTION:

DRA and California American Water agree as set forth below that the actual completed cost should be included in rate base for 2009.

IP-0560-19 Rehabilitation Wells	CAW Direct	DRA Report	Difference	Settlement
Completion Cost	\$547,000	\$547,000	\$0	\$547,000
Prior GRC Budget	\$391,234	\$391,234	\$0	\$391,234
Variance	(\$155,796)	(\$155,796)	\$0	(\$155,796)

REFERENCES: CAW Exh. 14, Kilpatrick Direct, Table 16, pp. 85-88.

10.7.3.2 IP-0560-87 - Antelope Road Widening

CALIFORNIA AMERICAN WATER REQUEST:

The Commission approved project IP-0560-87 in the 2009 GRC as part of the Settlement Agreement, p. 58. This investment project is complete and in-service. Completion of this investment project included relocation of approximately 800 feet of water main, three fire hydrants, and related appurtenances. The total expenditures of this project were less than 2 percent above the adopted budget of \$279,596.

DRA POSITION:

DRA has accepted this investment project and the requested funding amount from California American Water.

RESOLUTION:

DRA and California American Water agree as set forth below that the actual completed cost should be included in rate base for 2009.

IP-0560-87 Antelope Road Widening	CAW Direct	DRA Report	Difference	Settlement
Completion Cost	\$285,188	\$285,188	\$0	\$285,188
Prior GRC Budget	\$279,596	\$279,596	\$0	\$279,596
Variance	(\$5,592)	(\$5,592)	\$0	(\$5,592)

REFERENCES: CAW Exh. 14, Kilpatrick Direct, pp. 88-89.

10.7.3.3 IP-0560-123 - Standby Power for Various Wells

CALIFORNIA AMERICAN WATER REQUEST:

The scope of this investment project included configuring numerous California American Water properties to allow for the use of emergency standby generator sets.

Work completed includes establishing the Sacramento District headquarters as an emergency control center, reconfiguring and powering a portion of the Countryside water treatment plant, improvements to three existing generator sets, and reconfiguring the controls to support mobile generator sets at the Cherbourg, Andrea No. 2, Twin Parks, Crosswoods, and Van Maren well sites.

The total expenditures of this project were 4 percent above the adopted budget of \$286,934.

DRA POSITION:

DRA has accepted this investment project and the requested funding amount from California American Water.

RESOLUTION:

DRA and California American Water agree as set forth below that the actual completed cost should be included in rate base for 2009.

IP-0560-123 Standby Power for Various Wells	CAW Direct	DRA Report	Difference	Settlement
Completion Cost	\$298,344	\$298,344	\$0	\$298,344
Prior GRC Budget	\$286,934	\$286,934	\$0	\$286,934
Variance	(\$11,410)	(\$11,410)	\$0	(\$11,410)

REFERENCES: CAW Exh. 14, Kilpatrick Direct, p. 88.

10.7.4 In-Progress Investment Projects

10.7.4.1 IP-0560-149, 6, 7 - Meter Conversion 2009, 2010-2011, 2011-2012

CALIFORNIA AMERICAN WATER REQUEST:

The meter conversion capital investment projects provide for the expedited replacement of flat-rate residential water services with metered services within the Sacramento District, specifically for the planned program in the years 2009, 2010 and 2011. The program includes the installation of nearly 19,000 residential meters in the Suburban, Rosemont, Parkway and Lincoln Oaks systems. Meter Conversion Investment Projects IP-0560-6 and IP-0560-7 are scheduled to commence in late 2010 and 2011 respectively. California American Water anticipates completing these projects within the Commission adopted budgets of \$21,940,195, which is the combined total for all three years (2009, 2010 and 2011).

DRA POSITION:

DRA has accepted this investment project and the requested funding amount from California American Water.

RESOLUTION:

DRA and California American Water agree as set forth below that the actual completed costs shown in the following table should be included in rate base for 2009 and 2010. Also, the estimated costs for 2011 should be included in rate base.

IP-0560-149, 6, 7 Meter Conversions 2009-2011	CAW Direct	DRA Report	Difference	Settlement
IP-0560-149 (2009 rate base)	\$9,684,288	\$9,684,288	\$0	\$9,691,811
IP-0560-6 (2010 rate base)	\$3,544,482	\$3,544,482	\$0	\$3,544,482
IP-0560-7 (2011 rate base)	\$8,127,000	\$8,127,000	\$0	\$8,127,000
Estimated Completion Cost	\$21,355,770	\$21,355,770	\$0	\$21,363,293
Prior GRC Budget	\$21,940,195	\$21,940,195	\$0	\$21,940,195
Variance	(\$584,425)	(\$584,425)	\$0	(\$576,902)

REFERENCES: CAW Exh. 14, Kilpatrick Direct, Sec. III, pp. 90-91.

10.7.4.2 IP-0560-20, 21 – Rehabilitation of Wells – 2010, 2011

CALIFORNIA AMERICAN WATER REQUEST:

To protect and preserve its groundwater supply, California American Water instigated an ongoing well rehabilitation program with the goals of increasing the performance and efficiency of existing well sites and restoring and incorporating off-line well sites back into service.

The Commission approved Investment Projects IP-0560-20 and IP-0560-21 in the Settlement Agreement to the 2009 GRC. To date, the District completed well rehabilitation work on IP-0560-20 during 2010, including initial project management and production of bid documents. California American Water completed IP-0560-20 in 2010 for an actual cost of \$597,725. Work has begun on IP-0560-21, which is Well Rehabilitation for 2011, starting in the fall of 2011. California American Water anticipates completing this work within the Commission’s adopted budget of \$596,625.

DRA POSITION:

DRA has accepted this investment project and the requested funding amount from California American Water.

RESOLUTION:

DRA and California American Water agree as set forth below that the actual completed costs shown in the following table should be included in rate base for 2010. Also, the estimated costs for 2011 should be included in rate base.

IP-0560-20, 21 Rehabilitation of Wells 2010-2011	CAW Direct	DRA Report	Difference	Settlement
IP-0560-20 (2010 rate base)	\$597,725	\$597,725	\$0	\$597,725
IP-0560-21 (2011 rate base)	\$596,625	\$596,625	\$0	\$596,625
Estimated Completion Cost	\$1,194,350	\$1,194,350	\$0	\$1,194,350
Prior GRC Budget	\$1,196,625	\$1,196,625	\$0	\$1,196,625
Variance	(\$2,275)	(\$2,275)	\$0	(\$2,275)

REFERENCES: CAW Exh. 14, Kilpatrick Direct, pp. 88, 89-90.

10.7.4.3 IP-0560-88 – Crowder Lane Controls

CALIFORNIA AMERICAN WATER REQUEST:

This investment project includes the installation of a flow control valve and instrumentation improvements at the Crowder Lane metering station. Upon completion of the Walerga tank, booster station and pipeline, this control station will serve to control the flow rate of water through the Crowder Lane metering station.

In its rebuttal, California American Water requests that the current cost estimate remain in place with the understanding that the cost is an estimate and that this investment project be identified as an Advice Letter project. Any amount over \$54,849 should be subject to a reasonableness and prudence review at the time the investment project is completed, placed into service, and an Advice Letter filing is submitted to DRA and the Commission for review and approval into rate base.

DRA POSITION:

DRA recommends the removal of IP-0560-88 from the total cost estimate for In-Progress Investment Projects because California American Water indicated that the project has been suspended.

RESOLUTION:

DRA and California American Water agree that this investment project should be treated as a Tier 3 Advice Letter project, subject to approval of the Commission on the Walerga Tank and Booster Station project. Essentially, this investment project only moves forward with the approval of the Walerga Tank and Booster Station project. If the Commission should reject

recognition of the Walerga Tank and Booster Station project at this time, then California American Water will defer any further work until the Walerga Tank and Booster Station project is finally approved by the Commission. For reference, the main purpose of the Crowder Lane Controls project is to transfer water to the Walerga Tank and Booster Station. In addition, as part of this settlement agreement, certain capital projects in California American Water’s 2010 general rate case application have been agreed to by the parties to have actual project costs accrue interest at an annual rate equal to California American Water’s weighted average cost of debt, as explained in more detail in the supporting language for Special Request # 33. Please see Section 11.26 of this Settlement Agreement.

IP-0560-88 Crowder Lane Controls	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
Estimated Completion Cost	\$83,850	\$54,849	\$0	\$54,849	\$54,849
Prior GRC Budget	\$85,410		\$0		
Variance	(\$1,560)				\$54,849 Advice Letter Project, plus Interest

REFERENCES: CAW Exh. 14, Kilpatrick Direct, pp. 94-96; CAW Exh. 49, Schubert Rebuttal, pp. 39-40; DRA Exh. 7, p. 33.

**10.7.4.4 IP-0560-111, 112, 113 – Water Treatment Improvements
2009-2010, 2010-2011, 2011-2012**

CALIFORNIA AMERICAN WATER REQUEST:

The water treatment plant improvement Investment Projects are part of California American Water’s ongoing and recurring program to identify and construct improvements required at each water treatment facility to improve overall system reliability, efficiency, and safety. This project includes the necessary above-grade improvements needed at well sites throughout California American Water’s Sacramento District, which California American Water will complete in 2010 and 2011.

DRA POSITION:

DRA has accepted this investment project and the requested funding amount from California American Water.

RESOLUTION:

DRA and California American Water agree as set forth below that the actual completed costs shown in the following table should be included in rate base for 2009 and 2010. Also, the estimated costs for 2011 should be included in rate base.

IP-0560-111, 112, 113 Water Treatment Improvements	CAW Direct	DRA Report	Difference	Settlement
IP-0560-111 (2009 rate base)	\$499,992	\$499,992	\$0	\$499,992
IP-0560-112 (2010 rate base)	\$1,000,000	\$1,000,000	\$0	\$1,000,000
IP-0560-113 (2011 rate base)	\$787,969	\$787,969	\$0	\$787,969
Estimated Completion Cost	\$2,287,961	\$2,287,961	\$0	\$2,287,961
Prior GRC Budget	\$2,287,969	\$2,287,969	\$0	\$2,287,969
Variance	(\$8)	(\$8)	\$0	(\$8)

REFERENCES: CAW Exh. 14, Kilpatrick Direct, pp. 88, 90-92.

10.7.4.5 IP-0560-125, 131 - SCADA Upgrades 2008-2011

CALIFORNIA AMERICAN WATER REQUEST:

Investment Projects IP-0560-125 and IP-0560-131 are part of California American Water’s ongoing and recurring program to install and upgrade SCADA equipment. These projects are for planned and performed work from 2008 through 2011. As discussed previously, California American Water has set a goal to have a fully functional and reliable SCADA system covering all ten of the properties in the Sacramento District.

The Commission approved Investment Project IP-0560-131, for 2011 SCADA improvements, in the Settlement Agreement to the 2009 GRC. This project is on schedule and programmed to start in 2011. California American Water anticipates that work will be complete within the Commission adopted budget of \$768,750.

Investment Project IP-0560-125 was for work done in 2008-2009. This project was a carryover project in the 2009 GRC, where it was approved by the Commission with a total adopted budget of \$1,535,171. To date the total spend is \$1,474,705. California American Water completed this investment project in 2010 for a total cost of \$1,535,705.

DRA POSITION:

DRA has accepted this investment project and the requested funding amount from California American Water.

RESOLUTION:

DRA and California American Water agree as set forth below that the actual completed costs shown in the following table should be included in rate base for 2010. Also, the estimated costs for 2011 should be included in rate base.

IP-0560-125, 131 SCADA Upgrades 2008-2011	CAW Direct	DRA Report	Difference	Settlement
IP-0560-125 (2010 rate base)	\$1,535,705	\$1,535,705	\$0	\$1,535,705
IP-0560-131 (2011 rate base)	\$768,750	\$768,750	\$0	\$768,750
Estimated Completion Cost	\$2,304,455	\$2,304,455	\$0	\$2,304,455
Prior GRC Budget	\$2,303,921	\$2,303,921	\$0	\$2,303,921
Variance	(\$534)	(\$534)	\$0	(\$534)

REFERENCES: CAW Exh. 14, Kilpatrick Direct, pp. 92-93.

10.7.4.6 IP-0560-145 - Standby Generators

CALIFORNIA AMERICAN WATER REQUEST:

This proposed project consists of the procurement and installation of one 250kW trailer-mounted diesel generator, and the installation of a standardized 480V receptacle and an automatic transfer switch at three well sites.

The Commission approved this investment project in the 2009 GRC Settlement Agreement. California American Water completed this project in 2010 within the Commission's adopted budget of \$242,000.

DRA POSITION:

DRA has accepted this investment project and the requested funding amount from California American Water.

RESOLUTION:

DRA and California American Water agree as set forth below:

IP-0560-145 SAC – Standby Generators	CAW Direct	DRA Report	Difference	Settlement
Estimated Completion Cost	\$241,583	\$241,583	\$0	\$241,583
Prior GRC Budget	\$242,000	\$242,000	\$0	\$242,000
Variance	(\$417)	(\$417)	\$0	(\$417)

REFERENCES: CAW Exh. 14, Kilpatrick Direct, pp. 88, 94.

10.7.4.7 05600202 - Distribution System Improvement - Suburban

CALIFORNIA AMERICAN WATER REQUEST:

In Decision 08-05-018, the Commission authorized this project as an Advice Letter project in the amount of \$14,450,000. This amount reflected the costs of both infrastructure improvements and payment of a capacity charge to the City of Sacramento for purchased surface water. The capacity charge has since been separated from the infrastructure portions. Projects to capture the capacity charge include IP-0560-126, Suburban capacity charge, IP-0560-98, Parkway capacity charge, and IP-0560-184, Arden capacity charge.

The Commission approved \$5,149,394 in the 2009 GRC Settlement Agreement for 2009-2011 construction activities for this project, and the capacity charge as described in IP- 0560-126, therefore IP-0560-126 was approved for \$1,000,000, and this project, 05600202 was approved for \$4,149,394.

The project is scheduled for completion in 2011. Project milestone components include purchase of easements to accommodate the proposed pipelines; design and construction the transmission pipeline; and design and construction of a three million gallon per day booster station.

DRA POSITION:

DRA has accepted this investment project and the requested funding amount from California American Water.

RESOLUTION:

DRA and California American Water agree as set forth below in the table below. California American Water agrees that it will abide by the ruling of the Administrative Law Judge in this proceeding that the (non-MTBE) contamination proceeds from Aerojet and the U.S. Air Force for specific sites in the Suburban service area of the Sacramento District, amounting to net proceeds of \$1,879,556, should be recorded as a contribution in aid of construction to offset plant investment to remediate contamination issues. The net MTBE proceeds will remain on the balance sheet of California American Water and disposition of these proceeds will be addressed in a future application.

05600202 Distribution System Improvements - Suburban	CAW Direct	DRA Report	Difference	Settlement
Estimated Completion Cost	\$4,194,394	\$4,194,394	\$0	\$4,194,394
Prior GRC Budget	\$4,194,394	\$4,194,394	\$0	\$4,194,394
Variance	\$0	\$0	\$0	\$0

REFERENCES: CAW Exh. 14, Kilpatrick Direct, pp. 95-96.

10.7.5 Carryover Investment Projects

10.7.5.1 05600713 - Elverta Road Bridge Water Main

CALIFORNIA AMERICAN WATER REQUEST:

This investment project consists of replacing 280 feet of 12-inch main in Elverta Road in conjunction with a proposed widened bridge, and relocating services and fire hydrants along the planned widened portion of Elverta Road. The Sacramento County bridge project crosses Dry Creek, which is between Watt Avenue and Rivergreen Drive, and County work includes replacing an existing culvert on Elverta Road east of 28th Street. California American Water is required to relocate pipelines to accommodate for County improvement projects in accordance with its Franchise Agreement with the County. The Commission approved this project in the Settlement Agreement to the 2009 GRC. At the time of the Settlement Agreement, the County anticipated bridge construction would begin in 2010. The County however, did not have funds available for the completion of the project. At current status, the County has approved the Final Environmental Impact Report, has scheduled the acquisition of right-of-way for completion in spring 2011, and has scheduled construction for 2012.

DRA POSITION:

DRA has accepted this investment project and the requested funding amount from California American Water.

RESOLUTION:

DRA and California American Water agree as set forth below:

05600713 – Elverta Road Bridge Water Main-	CAW Direct	DRA Report	Difference	Settlement
2012	\$348,000	\$348,000	40	\$348,000
Total	\$348,000	\$348,000	\$0	\$348,000

REFERENCES: CAW Exh. 14, Kilpatrick Direct, Table 19, pp. 98-100.

10.7.5.2 IP-0560-42 – Permanent Sanitary Sewer Connection / Walnut Grove

CALIFORNIA AMERICAN WATER REQUEST:

This investment project includes easement acquisition, and design and construction of a sanitary sewer lateral to connect the Walnut Grove Islandview water treatment plant solid waste line to the Sacramento Area Sewer District (“SASD”) sanitary sewer collection system. Currently the backwash process sends solids generated from the direct filtration process to the 5,000-gallon backwash tank. The supernate from the backwash tank is pumped back to the feed of the treatment system, and California American Water has the sludge that settles in the tank hauled off-site. Completion of this project will allow California American Water to discharge sludge from the backwash tank directly to the sanitary sewer, and avoid charges associated with hauling sludge off-site.

The Commission approved this project as part of the Settlement Agreement to the 2009 GRC. California American Water has begun work on property appraisal, easement development and preliminary design. Total spending to date is approximately \$21,500. California American Water anticipates preliminary work to conclude in 2010, and construction to commence in 2011.

DRA POSITION:

DRA has accepted this investment project and the requested funding amount from California American Water.

RESOLUTION:

DRA and California American Water agree as set forth below:

IP-0560-42 – Permanent Sanitary Sewer Connection/Walnut Grove	CAW Direct	DRA Report	Difference	Settlement
2012	\$348,000	\$348,000	\$0	\$348,000
Total	\$348,000	\$348,000	\$0	\$348,000

REFERENCES: CAW Exh. 14, Kilpatrick Direct, Table 19, pp. 99, 110-111.

10.7.5.3 IP-0560-53 - Arden Intertie, BPS and Pipeline

CALIFORNIA AMERICAN WATER REQUEST:

This investment project includes the construction of a booster station, piping, meter vault, and appurtenances to interconnect California American Water’s Arden system with the City of Sacramento. The Arden service area covers an area over one square mile. The system serves approximately 1,200 customers, with a significant number of commercial and multi-family

customers. The system is supplied by five groundwater wells that have a total firm capacity of approximately 2,600 gpm which pump directly to the distribution system (no storage facilities). This interconnection will be used to convey purchased surface water into the Arden system. The capacity charge for the purchased water into the Arden system is discussed in New Investment Project number IP-0560-184. Booster pumping facilities will increase the pressure of the supplied water into the Arden distribution system to address the inability of existing infrastructure to meet various water demand.

The Commission approved partial funding of this project, covering planned expenditures in 2009-2011 in the amount of \$500,000 in the Settlement Agreement to the 2009 GRC. Total spending to date has been approximately \$29,000, for preliminary investigations. California American Water is requesting approval in this Statewide GRC for the remaining funds needed for 2012-2013 construction activities. Funds requested in this Statewide GRC total \$1,743,000, combined with the previously adopted budget calculate to a total project cost of \$2,243,000.

DRA POSITION:

DRA has accepted this investment project and the requested funding amount from California American Water.

RESOLUTION:

DRA and California American Water agree as set forth below:

IP-0560-53 – Arden Intertie, BPS and Pipeline	CAW Direct	DRA Report	Difference	Settlement
Prior Expenditures	\$29,325	\$29,325	\$0	\$29,325
2011	\$470,675	\$470,675	\$0	\$500,000
2012	\$697,000	\$697,000	\$0	\$697,000
2013	\$1,046,000	\$1,046,000	\$0	\$1,046,000
Total	\$2,243,000	\$2,243,000	\$0	\$2,272,325

REFERENCES: CAW Exh. 14, Kilpatrick Direct, Table 19, pp. 99, 103-104.

10.7.5.4 IP-0560-98 - Parkway Purchase Water (City of Sacramento)

CALIFORNIA AMERICAN WATER REQUEST:

The purpose of this investment project is to capture the costs associated with the Parkway system’s share of the capacity charge that California American Water will pay to the City of Sacramento for a firm supply of purchased surface water. The Commission approved this project, IP-0560-98, in its adoption of the 2009 GRC Settlement Agreement, with an adopted budget of \$1,000,000 to cover the Parkway system’s share of the total City capacity charge. In

this general rate case, California American Water is requesting an additional \$500,000 in 2012 as described below.

Since the 2009 GRC, the capacity charge has increased due to additional requirements imposed by the Water Forum’s Environmental Caucus that require California American Water to purchase groundwater capacity from the City of Sacramento to supplement surface water deliveries during Hodge flow periods on the Lower American River. The Parkway system’s share of the additional groundwater capacity is \$500,000. The need for additional surface water into the Parkway system originates from regulatory compliance with the U.S. Environmental Protection Agency’s (US EPA) arsenic rule and third-party groundwater contamination. These events have resulted in a loss of approximately two million gallons per day of water supply capacity in the Parkway service area.

DRA POSITION:

DRA has accepted this investment project and the requested funding amount from California American Water.

RESOLUTION:

DRA and California American Water agree as set forth below:

IP-0560-98 – Parkway Purchase Water (City of Sacramento)	CAW Direct	DRA Report	Difference	Settlement
Prior Expenditures	\$1,000,000	\$1,000,000	\$0	\$1,000,000
2012	\$500,000	\$500,000	\$0	\$500,000
Total	\$1,500,000	\$1,500,000	\$0	\$1,500,000

REFERENCES: CAW Exh. 14, Kilpatrick Direct, Table 19, pp. 99, 107-109.

10.7.5.5 IP-0560-126 - Suburban Purchase Water (City of Sacramento)

CALIFORNIA AMERICAN WATER REQUEST:

This investment project is to capture the costs associated with the Suburban system’s share of the capacity charge that California American Water will pay to the City of Sacramento for a firm supply of purchased surface water. The Commission approved this project, IP-0560-126, in the Settlement Agreement to the 2009 GRC, with an adopted budget of \$1,000,000 to cover the Suburban system’s share of the total City capacity charge. In this general rate case, California American Water is requesting an additional \$500,000 in 2012 as described below.

Since the 2009 GRC, the capacity charge has increased due to additional requirements imposed by the Water Forum’s Environmental Caucus that require California American Water to

purchase groundwater capacity from the City of Sacramento to supplement surface water deliveries during Hodge flow periods on the Lower American River. The Suburban system’s share of the additional groundwater capacity is \$500,000. This capacity charge project is coordinated with the infrastructure component for delivery of the purchased water, Carryover Investment Project 05600202. The loss of water supply due to wells impacted by third-party contamination and increased water demand has been extensively documented under prior rate case testimony (see the 2007 and 2009 GRC’s for the Sacramento District). The result of these events is a persistent water supply deficiency in the Suburban/Rosemont drinking water system of the Sacramento District.

DRA POSITION:

DRA has accepted this investment project and the requested funding amount from California American Water.

RESOLUTION:

DRA and California American Water agree as set forth below:

IP-0560-126 – Suburban Purchase Water (City of Sacramento)	CAW Direct	DRA Report	Difference	Settlement
Prior Expenditures	\$1,000,000	\$1,000,000	\$0	\$1,000,000
2012	\$500,000	\$500,000	\$0	\$500,000
Total	\$1,500,000	\$1,500,000	\$0	\$1,500,000

REFERENCES: CAW Exh. 14, Kilpatrick Direct, Table 19, pp. 98-99, pp. 109-110.

10.7.5.6 IP-0560-71 - Additional Pumping Equipment (Mather Booster Station)

CALIFORNIA AMERICAN WATER REQUEST:

The Suburban-Rosemont Water system serves an estimated 16,580 customers. The service area includes portions of the City of Rancho Cordova and an unincorporated area of Sacramento County. The water sources for this system are a series of wells throughout the service area, delivering an approximate volume on 29.4 mgd. Storage facilities totaling five million gallons supplement the supply system. While the system is capable of maintaining supply during average day demand periods, peak hour demand (PHD) periods cause system pressures to drop below the minimum 40 psi. During periods of peak demands, water pumped from storage facilities is required to maintain system pressures; however, hydraulic modeling shows that additional booster station capacity is required to deliver the required amounts of stored water to the distribution system.

This proposed investment project consists of the assessment, development, and implementation of facility improvements for the Mather Tank facility. Hydraulic modeling indicates that additional peak hour supply from the tank can be utilized if the booster pumping capacity from the tank is increased. Implementation of this project requires analysis and modification of pressure settings and operational parameters of nearby wells. The Commission approved partial funding of this project, covering planned expenditures in 2009-2011 in the amount of \$50,000 in the Settlement Agreement to the 2009 GRC. These funds will be used for assessing and recommending optimal pressure setting for nearby wells, and design of the booster pumping improvements. Funds for the construction of the booster pumping improvements, totaling \$200,000 are being requested in this general rate case.

DRA POSITION:

DRA has accepted this investment project and the requested funding amount from California American Water.

RESOLUTION:

DRA and California American Water agree to compromise as set forth below:

IP-0560-71 – Additional Pumping Equipment at Mather Booster Station	CAW Direct	DRA Report	Difference	Settlement
2010	\$10,000	\$10,000	\$0	\$10,000
2011	\$40,000	\$40,000	\$0	\$40,000
2012	\$200,000	\$200,000	\$0	\$200,000
Total	\$250,000	\$250,000	\$0	\$250,000

REFERENCES: CAW Exh. 14, Kilpatrick Direct, Table 19, pp. 98-99, p. 105.

10.7.5.7 IP-0560-100 - Walnut Grove System Improvements

CALIFORNIA AMERICAN WATER REQUEST:

California American Water’s Walnut Grove water system is situated along the west side of the Sacramento River, approximately 40 miles south of Sacramento, California. The system is supplied with groundwater from two active wells (Walnut Grove No. 3 and Walnut Grove No. 1). Both wells exceed the revised maximum contaminate level for arsenic (10 ppb). To allow the system to comply with the new arsenic rule, the Commission approved the design and construction of a new treatment plant (the Islandview water treatment plant). The new plant allows finished water in the Walnut Grove system to comply with the Federal and State revised arsenic standard.

Currently, the Islandview treatment plant can only treat groundwater produced from Well No. 3. This investment project is needed to convey raw groundwater from Well No. 1 to the Islandview

plant for treatment. The raw water pipeline will also provide the treatment plant with a back-up supply in conformance with California waterworks standards. The ability for future maintenance and rehabilitation activities associated with Well No. 3 will also be realized upon completion of the project.

Originally, the Commission in Decision 08-05-018 designated this project as an Advice Letter project in the amount of \$710,000. In the July update to the 2009 GRC, California American Water postponed full implementation of this project in response to general economic conditions, and requested only funds for preliminary activities be included in rate base. As part of the Settlement Agreement to the 2009 GRC, the Commission approved preliminary funds in the amount of \$100,000 for 2011. In this general rate case, California American Water is requesting that the remaining funds needed to complete construction, totaling \$610,000, be adopted into rate base.

DRA POSITION:

DRA believes this investment project may no longer be needed, or at least the timing of its need is questionable. The absence of work activity (little spending to date) indicate a low level of urgency for this investment project. Therefore, DRA recommends that California American Water defer this investment project to beyond 2014.

RESOLUTION:

As a result of settlement discussions, DRA and California American Water agree to compromise that this investment project should remain a Tier 2 Advice Letter project with a cap of \$100,000 – plus interest, as previously authorized as part of the Settlement Agreement to the 2009 GRC and as set forth below. In addition, as part of this settlement agreement, certain capital projects in California American Water’s 2010 general rate case application have been agreed to by the parties to have actual project costs accrue interest at an annual rate equal to California American Water’s weighted average cost of debt, as explained in more detail in the supporting language for Special Request # 33. Please see Section 11.26 of this Settlement Agreement.

IP-0560-100 – Walnut Grove System Improvements	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2011	\$100,000	\$100,000	\$0	\$100,000	\$100,000
2012	\$610,000	\$610,000	\$0	\$610,000	\$610,000
Total	\$100,000	\$100,000	\$0	\$100,000	\$100,000 Advice Letter Project, plus Interest

REFERENCES: CAW Exh. 14, Kilpatrick Direct, Table 19, pp. 98-99, pp. 106-107; CAW Exh. 49, Schubert Rebuttal, pp. 34-35; DRA Exh. 7, pp. 28-29.

10.7.5.8 IP-0560-116 - Suburban - 1,000 Ft of 12-inch Main on Bradshaw

CALIFORNIA AMERICAN WATER REQUEST:

The project includes design and construction of roughly 1,400-feet of 12-inch diameter water transmission main extending down Bradshaw Road to the intersection of Kiefer Boulevard and Bradshaw Road in California American Water’s Suburban/Rosemont service area. The Commission originally approved this project in its adoption of the Settlement Agreement to the 2009 GRC. The Settlement Agreement addresses the design and construction activities through 2011. With this current general rate case, California American Water is requesting approval of final construction dollars in 2012 in the amount of \$235,000, bringing the total project cost to \$535,000.

The proposed project improves the existing distribution system by connecting two dead-end mains near the intersection of Kiefer Boulevard and Bradshaw Road. Hydraulic modeling shows that the resulting “looped” system offers several operational benefits including improved transmission capacity from west to east and north to south, improved pressure distribution during periods of peak demand, improved reliability in the event of lost production capacity, and improved fire flow capability.

DRA POSITION:

DRA has accepted this investment project and the requested funding amount from California American Water.

RESOLUTION:

DRA and California American Water agree as set forth below:

IP-0560-116 – Suburban – 1,000 Ft of 12-inch Main on Bradshaw	CAW Direct	DRA Report	Difference	Settlement
2010	\$75,000	\$75,000	\$0	\$75,000
2011	\$225,000	\$225,000	\$0	\$225,000
2012	\$235,000	\$235,000	\$0	\$235,000
Total	\$235,000	\$235,000	\$0	\$235,000

REFERENCES: CAW Exh. 14, Kilpatrick Direct, Table 19, pp. 98-99, pp. 102-103.

10.7.5.9 IP-0560-0560-154 – Parkway Franklin/Florin Small Main/ Backyard Main Program

CALIFORNIA AMERICAN WATER REQUEST:

This investment project is for replacement of backyard mains with new water mains located in the street, and include all necessary valves, hydrants, appurtenances, and relocation of customer services to the front of the house. This project is being done in coordination with the meter retrofit projects (IP-0560-149, 6, 7, 102) such that backyard mains can be abandoned and relocated to the street prior to placement of water meters. In many of the post World War II subdivisions throughout the Sacramento area, it was standard practice to install water mains, sewer lines, and overhead electrical lines in the backyards of houses within public utility easements. These backyard mains are plagued with problems. The mains are difficult to access and hard to find. Many of the backyard mains have limited points of access, and operators must access the pipelines through customer backyards. Equipment access is severely limited, and the pipes vary in depth from just a few inches to over ten feet. Record drawings are limited and unreliable, and there is little consistency in the location of the mains relative to the visible improvements. In addition, valve configurations associated with backyard mains were usually designed to minimize installation costs. Valves, when they can be found, are situated randomly and, at times, require taking up to ninety customers out of service for system repairs. Finally, private encroachments into the public utility easements are common, and homeowners have often built structures and/or backyard improvements directly on top of the water mains. These situations severely restrict access for operational and maintenance purposes.

This investment project addresses several strategic objectives of California American Water. Not only does it upgrade the piping network by replacing older, small diameter pipes, but it eliminates problems associated with backyard mains, such as the difficulties in inspecting mains, reading meters and repairing main breaks, due to limited property access. By coordinating this project with the meter retrofit program, California American Water minimizes duplicative efforts.

The Commission partially approved this project in its adoption of 2009 GRC Settlement Agreement. The 2009 GRC Settlement Agreement provides for the design and construction activities through 2011, while this general rate case is requesting approval of final construction dollars for 2012 in the total amount of \$2,134,231 for this specific investment project.

This specific investment project includes the proposed installation of: 5,870 feet of 8-inch diameter water distribution main in public right-of-way, 600 feet of 16-inch diameter water transmission and distribution main in public right-of-way and approximately 130 new services with meter conversions. This investment project is scheduled for completion in 2012.

DRA POSITION:

DRA has accepted this investment project and the requested funding amount from California American Water.

RESOLUTION:

DRA and California American Water agree as set forth below:

IP-0560-154 – Parkway – Franklin/Florin Small Main/Backyard Main Program	CAW Direct	DRA Report	Difference	Settlement
Prior Expenditures	\$172,630	\$172,630	\$0	\$172,630
2012	\$2,134,231	\$2,134,231	\$0	\$2,134,231
Total	\$2,306,861	\$2,306,861	\$0	\$2,306,861

REFERENCES: CAW Exh. 14, Kilpatrick Direct, Table 19, pp. 98-99, pp. 100-102.

10.7.5.10 IP-0560-155 – Parkway Circle Small Main/ Backyard Main Program

CALIFORNIA AMERICAN WATER REQUEST:

This investment project is for replacement of backyard mains with new water mains located in the street, and include all necessary valves, hydrants, appurtenances, and relocation of customer services to the front of the house. This project is being done in coordination with the meter retrofit projects (IP-0560-149, 6, 7, 102) such that backyard mains can be abandoned and relocated to the street prior to placement of water meters. In many of the post World War II subdivisions throughout the Sacramento area, it was standard practice to install water mains, sewer lines, and overhead electrical lines in the backyards of houses within public utility easements. These backyard mains are plagued with problems. The mains are difficult to access and hard to find. Many of the backyard mains have limited points of access, and operators must access the pipelines through customer backyards. Equipment access is severely limited, and the pipes vary in depth from just a few inches to over ten feet. Record drawings are limited and unreliable, and there is little consistency in the location of the mains relative to the visible improvements. In addition, valve configurations associated with backyard mains were usually designed to minimize installation costs. Valves, when they can be found, are situated randomly and, at times, require taking up to ninety customers out of service for system repairs. Finally, private encroachments into the public utility easements are common, and homeowners have often built structures and/or backyard improvements directly on top of the water mains. These situations severely restrict access for operational and maintenance purposes.

This investment project addresses several strategic objectives of California American Water. Not only does it upgrade the piping network by replacing older, small diameter pipes, but it eliminates problems associated with backyard mains, such as the difficulties in inspecting mains, reading meters and repairing main breaks, due to limited property access. By coordinating this project with the meter retrofit program, California American Water minimizes duplicative efforts.

The Commission partially approved this project in its adoption of 2009 GRC Settlement Agreement. The 2009 GRC Settlement Agreement provides for the design and construction activities through 2011, while this general rate case is requesting approval of final construction dollars for 2012 in the total amount of \$2,593,225 for this specific investment project.

This specific investment project includes the proposed installation of: 685 feet of 6-inch diameter water distribution main in public right-of-way, 8,730 feet of 8-inch diameter water distribution main in public right-of-way, 740 feet of 12-inch diameter water transmission and distribution main in public right-of-way, and approximately 284 new services with meter conversions. This investment project is scheduled for completion in 2012.

DRA POSITION:

DRA has accepted this investment project and the requested funding amount from California American Water.

RESOLUTION:

DRA and California American Water agree as set forth below:

IP-0560-155 – Parkway – Circle Small Main/Backyard Main Program	CAW Direct	DRA Report	Difference	Settlement
Prior Expenditures	\$125,845	\$125,845	\$0	\$125,845
2010	24,357	24,357	\$0	24,357
2012	\$2,593,225	\$2,593,225	\$0	\$2,593,225
Total	\$2,743,427	\$2,743,427	\$0	\$2,743,427

REFERENCES: CAW Exh.14, Kilpatrick Direct, Table 19, pp. 98-99, pp. 100-102.

10.7.5.11 IP-0560-156 – Parkway Center Parkway Small Main/Backyard Main Program

CALIFORNIA AMERICAN WATER REQUEST:

This investment project is for replacement of backyard mains with new water mains located in the street, and include all necessary valves, hydrants, appurtenances, and relocation of customer services to the front of the house. This project is being done in coordination with the meter retrofit projects (IP-0560-149, 6, 7, 102) such that backyard mains can be abandoned and relocated to the street prior to placement of water meters. In many of the post World War II subdivisions throughout the Sacramento area, it was standard practice to install water mains, sewer lines, and overhead electrical lines in the backyards of houses within public utility easements. These backyard mains are plagued with problems. The mains are difficult to access and hard to find. Many of the backyard mains have limited points of access, and operators must access the pipelines through customer backyards. Equipment access is severely limited, and the

pipes vary in depth from just a few inches to over ten feet. Record drawings are limited and unreliable, and there is little consistency in the location of the mains relative to the visible improvements. In addition, valve configurations associated with backyard mains were usually designed to minimize installation costs. Valves, when they can be found, are situated randomly and, at times, require taking up to ninety customers out of service for system repairs. Finally, private encroachments into the public utility easements are common, and homeowners have often built structures and/or backyard improvements directly on top of the water mains. These situations severely restrict access for operational and maintenance purposes.

This investment project addresses several strategic objectives of California American Water. Not only does it upgrade the piping network by replacing older, small diameter pipes, but it eliminates problems associated with backyard mains, such as the difficulties in inspecting mains, reading meters and repairing main breaks, due to limited property access. By coordinating this project with the meter retrofit program, California American Water minimizes duplicative efforts.

The Commission partially approved this project in its adoption of 2009 GRC Settlement Agreement. The 2009 GRC Settlement Agreement provides for the design and construction activities through 2011 (approximately \$1,316,274), while this general rate case is requesting approval of final construction dollars for 2013 in the total amount of \$4,400,000 for this specific investment project.

This specific investment project includes the proposed installation of: 11,485 feet of 8-inch diameter water distribution main in public right-of-way, 3,442 feet of 12-inch diameter water transmission and distribution main in public right-of-way, and 640 new services with meter conversions. This investment project is scheduled for completion in 2013.

DRA POSITION:

DRA has accepted this investment project and the requested funding amount from California American Water.

RESOLUTION:

DRA and California American Water agree as set forth below:

IP-0560-156 – Parkway – Center Parkway Small Main/Backyard Main Program	CAW Direct	DRA Report	Difference	Settlement
Prior Expenditures	\$152,274	\$152,274	\$0	\$152,274
2010	\$580,000	\$580,000	\$0	\$580,000
2011	\$584,000	\$584,000	\$0	\$584,000
2012	\$0	\$0	\$0	
2013	\$4,400,000	\$4,400,000	\$0	\$4,400,000
Total	\$5,716,274	\$5,716,274	\$0	\$5,716,274

REFERENCES: CAW Exh. 14, Kilpatrick Direct pp. 100-102.

**10.7.5.12 IP-0560-38 - Walnut Grove - 120,000 Gallon Tank and
Booster Station**

CALIFORNIA AMERICAN WATER REQUEST:

This Advice Letter Project consists of the design, permitting, land acquisition for, and the construction of a 120,000-gallon storage tank and booster station for the Walnut Grove System. The Commission approved Advice Letter treatment of this project in the Settlement Agreement to the 2009 GRC. Within this current general rate case, California American Water is requesting that the Commission adopt the approved 2010-2011 preliminary project budget into rate base as shown below. Work completed to date includes property investigations, initial discussions with the landowner, and project administration. Total spending to date is approximately \$11,500. California American Water anticipates land acquisition, design, and permitting activities to continue through 2011, for a total of \$280,000. California American Water will present the construction dollars, scheduled for 2015-2016, in the next general rate case.

DRA POSITION:

DRA recommends that this project remain as an Advice Letter project as previously authorized in the last GRC. Correspondingly, DRA recommends removal of California American Water's projected 2010 and 2011 plant expenditures from this GRC's plant-in service estimates.

RESOLUTION:

DRA and California American Water agree that this investment project should remain a Tier 2 Advice Letter project, as set forth in the table below. In addition, as part of this settlement agreement, certain capital projects in California American Water's 2010 general rate case application have been agreed to by the parties to have actual project costs accrue interest at an annual rate equal to California American Water's weighted average cost of debt, as explained in more detail in the supporting language for Special Request # 33. Please see Section 11.26 of this Settlement Agreement.:

IP-0560-38 – Walnut Grove – 120,000 Gallon Tank and Booster Station	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2010	\$100,000	\$100,000	\$0	\$100,000	\$100,000
2011	\$180,000	\$180,000	\$0	\$180,000	\$180,000
Total	\$280,000	\$280,000	\$0	\$280,000	\$280,000, Advice Letter Project in 2012, plus Interest

REFERENCES: CAW Exh. 14, Kilpatrick Direct, Table 20, p. 112, pp. 112-114; CAW Exh. 49, Schubert Rebuttal, p.36; DRA Exh. 7, pp.30-31.

10.7.5.13 IP-0560-74 - Lincoln Oaks - 1.5 MG Tank, Booster Station and Well (AL)

CALIFORNIA AMERICAN WATER REQUEST:

This project consists of the design, permitting, and construction of a 1.5 million gallon tank, 3,000-gpm booster station, and 1,100-gpm production well to serve the southern portion of California American Water’s Lincoln Oaks system. The Commission approved Advice Letter treatment of this project in the Settlement Agreement to the 2009 GRC. California American Water originally requested that the Commission adopt the approved 2010-2011 preliminary project budget into rate base.

In rebuttal testimony, California American Water withdraws its original request and proposes that the current cost estimate remain in place with the understanding that the cost is an estimate, and any amount over \$695,000 should be subject to a reasonableness and prudence review at the time the investment project is completed, placed into service, and an Advice Letter application is submitted to DRA and the Commission for review and approval into rate base.

DRA POSITION:

DRA recommends that this project remain an Advice Letter project and that the Commission reject California American Water’s original request to include 2010 and 2011 plant expenditures of \$695,000 in rate base.

RESOLUTION:

DRA and California American Water agree that this investment project should remain a Tier 2 Advice Letter project, as set forth in the table below. In addition, as part of this settlement agreement, certain capital projects in California American Water’s 2010 general rate case application have been agreed to by the parties to have actual project costs accrue interest at an

annual rate equal to California American Water’s weighted average cost of debt, as explained in more detail in the supporting language for Special Request # 33. Please see Section 11.26 of this Settlement Agreement.

IP-0560-74 Lincoln Oaks – 1.5 MG Tank BPS and Well	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2010	\$124,000	\$0	\$0	\$0	\$0
2011	\$571,000	\$0	\$0	\$0	\$0
2012	\$0	\$0	\$0	\$0	\$695,000
Total	\$695,000	\$0	\$0	\$0	\$695,000, Advice Letter Project in 2012, plus Interest

REFERENCES: CAW Exh. 14, Kilpatrick Direct, pp. 112-115; CAW Exh. 49, Schubert Rebuttal, pp. 36-37; DRA Exh. 7, pp.31-32.

10.7.6 Projects Subject to Special Accounting

10.7.6.1 05600304 – West Placer – Walerga Road Tank, Booster

CALIFORNIA AMERICAN WATER REQUEST:

This proposed investment project would complete the construction of a 2.5 million gallon above-ground welded steel potable water storage tank, a 3,500 gpm booster pumping station, 2,700 feet of pipeline and appurtenances within California American Water’s West Placer service area. To date, California American Water has spent approximately \$1,429,072, which includes work completed such as land purchase, project design, permitting, various mitigation activities, contracting, and receipt of contractor bids for the project.

In addition, California American Water is also requesting authorization of a Special Facility Fee to fund the project. See Section 11.25, Special Request #31. California American Water further requests recovery for any Placer County Water Agency (PCWA) peaking charges incurred by California American Water’s Sacramento customers.

DRA POSITION:

DRA supports the construction of the Walerga Tank and associated facilities. DRA opposes California American Water’s proposed ratemaking treatment. DRA recommends that the Commission:

- Authorize California American Water to eliminate the Dry Creek Special Facilities Fee and tariff. See Section 11.25, Special Request # 31.
- Authorize a new Special Facilities Fee applicable to new customers in Placer County.
- Order California American Water to complete construction of the Walerga Tank and booster station; in the intervening period until the project is used and useful, any future peaking charges the utility incurs should be disallowed.
- Deny recovery of the \$1.4 million in PCWA peaking charges.
- Deny the request for rate base (or CWIP) treatment for the Walerga Tank and Booster Station and all facilities associated with the Dry Creek Special Facilities Fee Area and require shareholders to continue to fund the Walerga Tank project and be reimbursed by the proceeds from the new Special Facilities Fee. Any shortfall should be funded at shareholder expense and be excluded from rate base.

RESOLUTION:

DRA and California American Water agree that the existing Dry Creek special facilities area will be modified to include the existing boundaries of the California American Water service territory in Placer County. The parties agree that by Special Request # 31, California American Water is seeking to apply the proposed special facilities fee to the existing California American Water service area in Placer County. The parties also agree that all the contributions, plant investment, deferred tax, deferred revenues and other plant related cost will be held separately in the Business Unit designated as the Special Facilities Business Unit. The recovery of the revenue requirement from this Business Unit will be from Special Facilities fees as set in this settlement, which upon its establishment, will be set at \$6,000 per equivalent dwelling unit (“EDU”). The parties agree to allow California American Water to increase the special facilities fee by 5% annually as of January 1 each year. Finally, the parties agree that the special facilities fee shall remain in place and continue to be charged to all new connections in California American Water’s Placer County service area until such time as the \$6.75 million investment and all related deferred revenue requirements of the Walerga Tank and the Booster Station have been recovered.

Please see Appendix 2 for a the agreement that provides more detail on the specific items the Parties agreed to with regard to this specific investment project only.

REFERENCES: CAW Exh. 14, Kilpatrick Direct, Sec. III, pp. 115-123; CAW Exh. 27, Stephenson Direct, Sec. XIII, pp. 28-41; CAW Exh. 49, Schubert Rebuttal, p. 37-39; DRA Exh. 7, p.32; DRA Exh. 11, Ch. 4. pp. 1-18.

10.8 San Diego County District

10.8.1 Recurring Projects

10.8.1.1 Undisputed Recurring Projects

CALIFORNIA AMERICAN WATER REQUEST:

Recurring Projects are regular, routine capital expenditures undertaken by the Company to ensure continued safe, adequate and reliable operation of a water system. These types of capital expenditures are usually comprised of short sections of distribution mains, valves, hydrants, services, pumps and motors, office furnishings, tools, equipment, instrumentation improvements, processing systems modifications, pump/tank/well rehabilitations and rehabilitation of other items considered general equipment. The annual level of expenditures for each of the individual normal recurring capital expenditures may vary from year-to-year based on specific District needs, regulatory requirements, or unanticipated emergencies. However, the annual level of recurring project expenditures as a group remains relatively consistent from year to year.

DRA POSITION:

California American Water and DRA agree with the need for nearly all budgets for recurring projects in 2012, 2013, and 2014. The Parties disagreement with RP-0561-O – Vehicles is discussed in Section 10.8.1.2. For the projects listed in the table below, DRA adjusted the total cost of these recurring projects using its recommendations for escalation, engineering overhead, and contingency.

RESOLUTION:

Based on the agreement in regards to Escalation, Engineering Overhead, and Contingency Factors, DRA and California American Water agree to specific dollar amounts for the individual recurring project line items as set forth below. The total dollar amount for all recurring projects shall be allocated in a flexible fashion by California American Water among the specific difference recurring project line items.

San Diego Recurring Projects 2012-2014		CAW Direct	DRA Report	Difference Due to Factors	Settlement
RP-0530-A	Mains – New	\$122,000	\$106,883	(\$15,117)	\$115,900
RP-0530-B	Mains - Replaced/Restored	\$181,000	\$159,716	(\$21,284)	\$171,950
RP-0530-C	Mains - Unscheduled	\$489,000	\$428,680	(\$60,320)	\$464,550
RP-0530-D	Mains - Relocated	\$45,000	\$40,029	(\$4,971)	\$42,750
RP-0530-E	Hydrants, Valves, and Manholes - New	\$36,000	\$31,409	(\$4,591)	\$34,200
RP-0530-F	Hydrants, Valves, and Manholes - Replaced	\$36,000	\$31,409	(\$4,591)	\$34,200
RP-0530-G	Services and Laterals - New	\$26,000	\$22,857	(\$3,143)	\$24,700
RP-0530-H	Services and Laterals - Replaced	\$817,000	\$716,778	(\$100,222)	\$776,150
RP-0530-I	Meters - New	\$24,000	\$21,593	(\$2,407)	\$22,800
RP-0530-J	Meters - Replaced	\$1,323,000	\$1,178,183	(\$144,817)	\$1,256,850
RP-0530-K	ITS Equipment and Systems	\$0	\$0	\$0	\$0
RP-0530-L	SCADA Equipment and Systems	\$30,000	\$26,360	(\$3,640)	\$28,500
RP-0530-M	Security Equipment and Systems	\$68,000	\$59,946	(\$8,054)	\$64,600
RP-0530-N	Offices and Operations Centers	\$62,000	\$54,591	(\$7,409)	\$58,900
RP-0530-P	Tools and Equipment	\$137,000	\$123,924	(\$13,076)	\$130,150
RP-0530-Q	Process Plant Facilities and Equipment	\$78,000	\$68,847	(\$9,153)	\$74,100
RP-0530-R	Capitalized Tank Rehabilitation/Painting	\$75,000	\$66,098	(\$8,902)	\$71,250
Total		\$3,549,000	\$3,137,303	(\$411,697)	\$3,371,550

REFERENCES: CAW Exh. 10, Feizollahi Direct, pp. 90-111; CAW Exh. 49, Schubert Rebuttal, pp. 50-51; DRA Exh. 8, pp. 4-5 – 4-7.

10.8.1.2 RP-0530-O – Vehicles

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requests that from 2012 forward it be allowed to purchase all new and replacement vehicles in lieu of leasing vehicles. The replacements will be based on the Department of General Services guidelines. Vehicles that are currently leased would remain so until the end of the useful lives.

DRA POSITION:

DRA recommends that the Commission disallow CAW’s proposed budget for RP-0530-O.

RESOLUTION:

California American Water accepts DRA’s position for leasing of vehicles in the San Diego County District. California American Water and DRA agree that vehicle lease expense has to be adjusted to reflect the leasing of new vehicles that are past the useful life and for which no current lease is paid. DRA and California American Water agree to the numbers as set forth below:

RP-0530-O Vehicles	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$147,000	\$147,000	\$0	\$147,000	\$0
2013	\$32,000	\$32,000	\$0	\$32,000	\$0
2014	\$197,000	\$197,000	\$0	\$197,000	\$0
Total	\$376,000	\$376,000	\$0	\$376,000	\$0

REFERENCES: CAW Exh. 3, Bruce Direct, Sec. VIII, pp. 22-23; DRA Exh. 7, Ch. 1, p. 9; DRA Exh. 9.

10.8.2 Completed Projects

California American Water completed five projects adopted in prior GRCs. Actual spending for these projects was about \$1,800,000 less than the adopted budgets. Portions of some of these projects, specifically 05300504 and 05300603, are not included in the In-Progress capital investment projects category at budget amounts comparable to what was not spent. DRA finds these expenses reasonable.

Project	Description	CPUC Adopted Budget	Actual 2007-2009	Variance
05300502	Replace Palm Ave. Main	\$0	\$17,375	\$17,375
05300504	Hollister St. 20" Main Replacement – Phase 1	\$1,459,000	\$291,427	(\$1,167,573)
05300603	Small Main Replacement Program	\$809,000	\$301,436	(\$507,564)
05300701	Distribution Monitoring System Improvements	\$100,000		(\$100,000)
05300702	Replace Distribution System Pressure Reducing Valves	\$128,800	\$81,886	(\$46,914)
Total		\$2,496,800	\$692,124	(\$1,804,676)

REFERENCES: CAW Exh. 10, Feizollahi Direct, p. 112; DRA Exh. 8, p. 4-7.

10.8.3 In-Progress Investment Projects

10.8.3.1 05300504 – Hollister Street 20-inch Main Replacement

CALIFORNIA AMERICAN WATER REQUEST:

The Commission approved this investment project in the 2007 GRC to allow California American Water to replace a portion of 20-inch steel water main that has experienced numerous main breaks. The project design was initiated in March 2007. California American Water submitted a permit application to the City of San Diego in April 2008. California American Water encountered significant delays during the permitting process. In addition, the City of San Diego informed California American Water in June 2009 that it had a sewer main parallel to Nestor Creek and does not allow jack-and-bore construction within ten vertical feet of the main (ten feet separation requirement). In response to these issues, California American Water revised the contract documents to include pipeline rehabilitation rather than conventional replacement, or replacement through jack and bore. California American Water decided to utilize a rehabilitation method called Cured in Place Piping (“CIPP”). Implementation of CIPP for this segment of the pipeline replacement will avoid excavating within the flood plain and drilling near the City of San Diego sewer. California American Water submitted this revision to the City of San Diego in October 2009. The project was bid to four contractors, with bids received in September 2009. As of the date of this testimony, California American Water is responding to additional permit information requests, including providing information on the rehabilitation method installation details. The projected cost is within the original amount adopted by the Commission.

DRA POSITION:

Project 05300504 is currently in progress. This project, called the Hollister Street 20" Main Replacement, experienced significant delays during the permitting process. The project was

revised to incorporate rehabilitation of segments of the pipe to address City of San Diego concerns. The revised cost estimate is within the originally adopted budget amount.

RESOLUTION:

DRA and California American Water agree on this in-progress project as set forth below:

05300504 – Hollister Street 20-inch Main Replacement	CAW Direct	DRA	Difference	Settlement
2009	\$291,429	\$291,429	\$0	\$291,429
2010	\$923,000	\$923,000	\$0	\$923,000
Total	\$1,214,429	\$1,214,429	\$0	\$1,214,429

REFERENCES: CAW Exh. 10, Feizollahi Direct, pp. 115-118; DRA Exh. 8, pp. 4-7 – 4-8.

10.8.3.2 05300603 – Small Main Replacement Program

CALIFORNIA AMERICAN WATER REQUEST:

The Commission approved this investment project in the 2007 GRC to allow California American Water to replace and extend distribution mains within the existing network. The Commission approved a total of \$809,000 in the 2007 GRC. Approximately \$303,000 of this amount was spent in 2007-2009 on several main replacement tasks. The remaining approved amount, \$506,000, will be used in 2010.

DRA POSITION:

Project 05300603 is currently in progress. This project, called the Small Main Replacement Program, completed a number of projects utilizing the unspent \$506,000 from the 2007-2009 period during 2010 and 2011. Portions of undersized main will be replaced on Georgia Street and Palm Avenue.

RESOLUTION:

DRA and California American Water agree on this in-progress project as set forth below:

05300603 – Small Main Replacement Program	CAW Direct	DRA	Difference	Settlement
Prior Expenditures	\$92,831	\$92,831	\$0	\$92,831
2010	\$506,200	\$506,200	\$0	\$506,200
Total	\$599,031	\$599,031	\$0	\$599,031

REFERENCES: CAW Exh. 10, Feizollahi Direct, p. 115-118; DRA Exh. 8, pp. 4-7 – 4-8.

10.8.4 New Investment Projects

10.8.4.1 IP-0530-1 – Small Main Replacement Program

CALIFORNIA AMERICAN WATER REQUEST:

The proposed investment project includes the replacement of several sections of small water mains, which serve California American Water’s San Diego County District. The project, located in San Diego, is based on a conceptual-level design of the main replacement that will be done by a traditional open-cut method. This is a three-year project that will start in January of each year and end in December of the same year. California American Water will complete a total of \$750,000 of pipeline improvements between January 2012 and December 2014.

DRA POSITION:

DRA accepts this level of spending as reasonable and only recommends adjustments to the escalation, overhead, and contingency rates used to develop the budget estimates.

RESOLUTION:

Based on the agreement in regards to Escalation, Engineering Overhead, and Contingency Factors, DRA and California American Water agree to specific dollar amounts for this investment project as set forth below.

IP-0530-1 – Small Main Replacement Program	CAW Direct	CAW Rebuttal	DRA Report	Difference Due to Factors	Settlement
2012	\$250,000	\$250,000	\$219,237	\$30,763	\$237,500
2013	\$250,000	\$250,000	\$219,233	\$30,767	\$237,500
2014	\$250,000	\$250,000	\$226,462	\$23,538	\$237,500
Total	\$750,000	\$750,000	\$664,932	(\$85,068)	\$712,500

REFERENCES: CAW Exh. 10, Feizollahi Direct, p. 118-120; CAW Exh. 49, Schubert Rebuttal, pp. 51-52; DRA Exh. 8, pp. 4-8.

10.8.4.2 IP-0530-6, 29 – Phase 2 and 3 Hollister Street Main

CALIFORNIA AMERICAN WATER REQUEST:

These two proposed investment projects are a continuation of the Phase 1 Hollister Street 20” main replacement project that the Commission adopted in the 2007 GRC. The first investment project, identified as IP-0530-6, is Phase 2 of the project and will replace 2,170 feet of main at an estimated budget of \$1,436,300. The second investment project, identified as IP-0530-29, is Phase 3 of the overall project and will replace an additional 4,330 feet of main at an estimated

cost of \$2,905,000. Both investment projects are scheduled for construction in the 2012-2013 timeframe.

DRA POSITION:

DRA accepts these projects as reasonable based on the age and condition of the main and recommends two changes to the budgets. First, DRA recommends general reductions to the escalation, overhead, and contingency rates. Secondly, DRA recommends moving Phase 3 to a 2013-2014 schedule to smooth the rate impacts of these projects.

RESOLUTION:

Based on the agreement in regards to Escalation, Engineering Overhead, and Contingency Factors, DRA and California American Water agree to specific dollar amounts for this investment project as set forth below. DRA and California American Water also agree that the original schedule proposed by California American Water for Phase 3 should remain as proposed.

IP-0530-6 – Phase 2 Hollister Street Main	CAW Direct	CAW Rebuttal	DRA	Difference	Settlement
2012	\$436,000	\$436,000	\$384,039	(\$51,961)	\$414,485
2013	\$1,000,000	\$1,000,000	\$880,401	(\$119,899)	\$950,000
Total	\$1,436,300	\$1,436,300	\$1,264,440	(\$171,860)	\$1,364,485

IP-0530-29 – Phase 3 Hollister Street Main	CAW Direct	CAW Rebuttal	DRA	Difference	Settlement
2012	\$1,405,000	\$1,405,000	\$1,237,860	(\$167,140)	\$1,334,750
2013	\$1,500,000	\$1,500,000	\$1,321,558	(\$178,442)	\$1,425,000
Total	\$2,905,000	\$2,905,000	\$2,559,418	(\$345,582)	\$2,759,750

REFERENCES: CAW Exh. 10, Feizollahi Direct, pp. 120-122; CAW Exh. 49, pp. 51-52;; DRA Exh. 8, pp. 4-8.

10.9 Ventura County District

10.9.1 Recurring Projects

10.9.1.1 Undisputed Recurring Projects

CALIFORNIA AMERICAN WATER REQUEST:

Recurring Projects are regular, routine capital expenditures undertaken by the Company to ensure continued safe, adequate and reliable operation of a water system. These types of capital expenditures are usually comprised of short sections of distribution mains, valves, hydrants, services, pumps and motors, office furnishings, tools, equipment, instrumentation improvements, processing systems modifications, pump/tank/well rehabilitations and rehabilitation of other items considered general equipment. The annual level of expenditures for each of the individual normal recurring capital expenditures may vary from year-to-year based on specific District needs, regulatory requirements, or unanticipated emergencies. However, the annual level of recurring project expenditures as a group remains relatively consistent from year to year.

DRA POSITION:

California American Water and DRA agree with the need for nearly all budgets for recurring projects in 2012, 2013, and 2014. The Parties disagreement with RP-0561-O – Vehicles is discussed in Section 10.9.1.3. DRA and California American Water's disagreement with RP-0560-H – Services and Laterals – Replaced is discussed below. For the projects listed in the table below, DRA adjusted the total cost of these recurring projects using its recommendations for escalation, engineering overhead, and contingency.

RESOLUTION:

DRA and California American Water agree to a total dollar amount for all recurring projects, which would be allocated in a flexible fashion by California American Water among the specific difference recurring project line items. DRA and California American Water agree on Recurring Project expense, as set forth below.

Ventura County Recurring Project Description		CAW 2012- 2014	DRA 2012- 2014	Difference Due to Factors	Settlement
RP-0551-A	Mains – New	\$21,000	\$18,397	(\$2,603)	\$19,950
RP-0551-B	Mains - Replaced/Restored	\$219,000	\$192,445	(\$26,555)	\$208,050
RP-0551-C	Mains - Unscheduled	\$265,000	\$232,974	(\$32,026)	\$251,750
RP-0551-D	Mains - Relocated	\$250,000	\$218,895	(\$31,105)	\$237,500
RP-0551-E	Hydrants, Valves, and Manholes - New	\$72,000	\$62,818	(\$9,182)	\$68,400
RP-0551-F	Hydrants, Valves, and Manholes - Replaced	\$321,000	\$282,846	(\$38,154)	\$304,950
RP-0551-G	Services and Laterals - New	\$76,000	\$66,735	(\$9,265)	\$72,200
RP-0551-I	Meters - New	\$111,000	\$96,711	(\$14,289)	\$105,450
RP-0551-J	Meters - Replaced	\$1,404,000	\$1,404,000	\$0	\$1,404,000
RP-0551-K	ITS Equipment and Systems	\$0	\$0	\$0	\$0
RP-0551-L	SCADA Equipment and Systems	\$234,000	\$204,802	(\$29,198)	\$222,300
RP-0551-M	Security Equipment and Systems	\$96,000	\$85,333	(\$10,667)	\$91,200
RP-0551-N	Offices and Operations Centers	\$138,000	\$122,013	(\$15,987)	\$131,100
RP-0551-P	Tools and Equipment	\$92,000	\$62,894	(\$29,106)	\$87,400
RP-0551-Q	Process Plant Facilities and Equipment	\$312,000	\$273,646	(\$38,354)	\$296,400
RP-0551-R	Capitalized Tank Rehabilitation/Painting	\$246,000	\$231,903	(\$14,097)	\$233,700
Total		\$3,857,000	\$3,556,412	(\$300,588)	\$3,734,350

REFERENCES: CAW Exh. 10, Feizollahi Direct, pp. 19-21; CAW Exh. 49, Schubert Rebuttal pp. 53-55; DRA Exh. 8, pp. 5-6 – 5-7.

10.9.1.2 RP-0551-H – Services and Laterals – Replaced

CALIFORNIA AMERICAN WATER REQUEST:

The proposed budget accounts for scheduled and unscheduled service line replacement tasks funded by California American Water. Typical tasks involve water service replacement or improvement, including replacement of corporation stops or shut-off valves for water if Company owned. Service lines are replaced based on age, leak and break history, and coordination with any main installation replacement projects.

The annual average of the five-year historical expenditures, adjusted to mid-2013 using the 20 city Construction Cost Index, is approximately \$1,033,678. California American Water has reduced the budget allocated to this RP in order to offset some of the budget increases that the District needs for other RPs.

DRA POSITION:

DRA has reduced the total dollars for this recurring project for 2012 and 2013 (from \$1,734,000 to \$943,676). DRA did not provide an explanation or a justification for recommending this significant reduction of \$790,324 for this investment project in 2012 and 2013 of this GRC. The reduction appears to be substantially more than California American Water would expect through adjustments to certain factors like escalation, engineering overhead and contingency. DRA only cautions California American Water about being more vigilant in the future with its inspections of new service line installation to ensure proper materials and installation techniques are used to minimize the need for future replacements. There is no mention of a substantial dollar reduction.

RESOLUTION:

DRA and California American Water agree to compromise on RP-0551-H – Services and Laterals – Replaced as set forth below. It is recognized that the compromise dollar amount reached between the parties of \$1,338,838 was splitting the difference between California American Water’s two year total for 2012 and 2013 of \$1,734,000; and DRA’s two year total for 2012 and 2013 of \$943,676. In a similar fashion, the parties agree to treat 2014 in the same manner (for settlement purposes).

RP-0551-H – Services and Laterals – Replaced	CAW	CAW Rebuttal	DRA	Difference	Settlement
2012	\$850,000	\$850,000	\$467,898	\$382,102	\$658,949
2013	\$884,000	\$884,000	\$475,778	\$408,222	\$679,889
2014	\$919,000	\$919,000	\$492,995	\$426,005	\$705,998
Total	\$2,653,000	\$2,653,000	\$1,436,671	\$1,216,329	\$2,044,836

REFERENCES: CAW Exh. 10, Feizollahi Direct, pp. 30-31; CAW Exh. 49, Schubert Rebuttal, p. 54; DRA Exh. 8, pp.5-6 – 5-7.

10.9.1.3 RP-0551-O – Vehicles

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requests that from 2012 forward it be allowed to purchase all new and replacement vehicles in lieu of leasing vehicles. The replacements will be based on the Department of General Services guidelines. Vehicles that are currently leased would remain so until the end of the useful lives.

DRA POSITION:

DRA recommends that the Commission disallow CAW’s proposed budget for RP-0551-O

RESOLUTION:

California American Water accepts DRA’s position for leasing of vehicles in the Ventura County District. California American Water and DRA agree that vehicle lease expense has to be adjusted to reflect the leasing of new vehicles that are past the useful life and for which no current lease is paid. DRA and California American Water agree to compromise as set forth below:

RP-0530-O Vehicles	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$28,000	\$28,000	\$0	\$28,000	\$0
2013	\$29,000	\$29,000	\$0	\$29,000	\$0
2014	\$196,000	\$196,000	\$0	\$196,000	\$0
Total	\$253,000	\$253,000	\$0	\$253,000	\$0

REFERENCES: CAW Exh. 3, Bruce Direct, Sec. VIII, pp. 22-23; CAW Exh. 10, Feizollahi Direct, pp. 37-38; DRA Exh. 7, Ch. 1, p. 9; DRA Exh. 9.

10.9.2 Completed Projects

10.9.2.1 05510624/05510630 – SCADA Upgrades 2006

CALIFORNIA AMERICAN WATER REQUEST:

The Ventura County District has an existing SCADA system for monitoring and controlling the distribution of water throughout the system. The purpose of this capital IP was to replace the obsolete portion of the system that does not allow adequate control and monitoring capability. Leased telephone lines related to the system had become less and less reliable over time and had become a significant drain on the limited personnel resources of the Ventura County District. Due to their communication bandwidth limitations, the leased telephone lines could not provide reliable communications between the control room and the remote sites. Additionally, the District utilizes purchased water from the Calleguas Municipal Water District (“CMWD”) for 100 percent of its source of supply. The existing PLCs at the purchased water connections were not capable of accurately measuring the flow through the connections, so measuring was done at the data concentrator located at the office. This meant that any time there was an interruption in a communication line, the water flow calculations would not be done by the SCADA and California American Water would need to do a manual estimate. Work completed under this project included the replacement of the aged PLCs at some of the booster station, tanks and reservoir sites with new Bristol Control Wave PLCs. In addition, the project converted the

existing leased phone line communications to radio communications. Also, the existing PLCs at the CMWD purchased water inter-tie locations were replaced with Bristol Control Wave PLCs.

DRA POSITION:

DRA has accepted this investment project and the respective actual costs incurred by California American Water as reasonable.

RESOLUTION:

DRA and California American Water agree that the completed cost should be included in rate base as set forth below:

05510624/05510630 – SCADA Upgrades 2006	CAW Direct	DRA Report	Difference	Settlement
Actual Completion Cost	\$1,012,553	\$1,012,553	\$0	\$1,012,553
Adopted GRC Budget	\$589,500	\$589,500	\$0	\$589,500
Variance	\$423,053	\$423,053	\$0	\$423,053

REFERENCES: CAW Exh. 10, Feizollahi Direct, pp. 44-45; DRA Exh. 8, pp. 5-8.

10.9.2.2 05510705 – Improvements to Las Posas #2

CALIFORNIA AMERICAN WATER REQUEST:

In the 2007 GRC, the Commission adopted a budget for this investment project of \$188,460, to be spent in 2007. This task has been completed at a cost of approximately \$115,000. The reduced cost is the result of lower than estimated bids from the contractors. The project will prolong the life of the tank and improve water quality. Las Posas Reservoir II is a 41-foot diameter steel reservoir that was built in 1990, has a capacity of 0.40 million gallons, and is 40.0 feet tall. This project has enabled California American Water to safely and reliably meet projected water demands and to continue to provide safe, adequate and reliable service.

DRA POSITION:

DRA has accepted this investment project and the respective actual costs incurred by California American Water as reasonable.

RESOLUTION:

DRA and California American Water agree that the completed cost should be included in rate base as set forth below:

05510705 – Improvements to Las Posas #2	CAW Direct	DRA Report	Difference	Settlement
Actual Completion Cost	\$114,202	\$114,202	\$0	\$114,202
Adopted GRC Budget	\$188,460	\$188,460	\$0	\$188,460
Variance	(\$74,258)	(\$74,258)	\$0	(\$74,258)

REFERENCES: CAW Exh. 10, Feizollahi Direct, p. 45.

10.9.2.3 05510708 – Deer Ridge Reservoir

CALIFORNIA AMERICAN WATER REQUEST:

In the 2007 GRC, the Commission adopted a budget for this project of \$188,460, to be spent in 2007. This task has been completed at a cost of approximately \$163,000. The reduced cost is due to lower than estimated bids from the contractors. The project will result in the prolonged life of the tank and improved water quality. Deer Ridge Reservoir is a 43-foot diameter steel reservoir that was built in 1988, has a capacity of 0.29 million gallons, and is 27.0 feet tall. The scope of the project included installation of an exterior ladder, repair of existing hatch, and installation of a new overflow piping. This project has enabled California American Water to safely and reliably meet projected water demands and to continue to provide safe, adequate and reliable service.

DRA POSITION:

DRA has accepted this investment project and the respective actual costs incurred by California American Water as reasonable.

RESOLUTION:

DRA and California American Water agree that the actual completed cost should be included in rate base as set forth below:

05510708 – Deer Ridge Reservoir Improvements	CAW Direct	DRA Report	Difference	Settlement
Actual Completion Cost	\$163,086	\$163,086	\$0	\$163,086
Adopted GRC Budget	\$188,460	\$188,460	\$0	\$188,460
Variance	(\$25,374)	(\$25,374)	\$0	(\$25,374)

REFERENCES: CAW Exh. 10, Feizollahi Direct, pp. 45-46.

10.9.2.4 IP-0551-6 – Industrial Tank Improvements #2

CALIFORNIA AMERICAN WATER REQUEST:

In the 2007 GRC, the Commission adopted a budget for this project of \$235,600, to be spent in 2009. This task has been completed at a cost of approximately \$204,150. The reduced cost is due to lower than estimated bids from the contractors. The project will result in the prolonged life of the tank and improved water quality. Industrial Tank II is a 154-foot diameter steel reservoir that was built in 1983, has a capacity of 4.76 million gallons, and is 36 feet tall. The rehabilitation project scope included the installation of exterior ladders, repair of existing hatches, and installation of new overflow piping. Key project benefits include prolonged life of the reservoir and ensuring that California American Water can safely and reliably meet projected water demands and continue to provide safe, adequate and reliable service.

DRA POSITION:

DRA has accepted this investment project and the respective actual costs incurred by California American Water as reasonable.

RESOLUTION:

DRA and California American Water agree that the actual completed cost should be included in rate base as set forth below:

IP-0551-6 – Industrial Tank #2 Improvements	CAW Direct	DRA Report	Difference	Settlement
Actual Completion Cost	\$203,150	\$203,150	\$0	\$203,150
Adopted GRC Budget	\$235,600	\$235,600	\$0	\$235,600
Variance	(\$32,450)	(\$32,450)	\$0	(\$32,450)

REFERENCES: CAW Exh. 10, Feizollahi Direct, p. 46.

10.9.2.5 IP-0551-76 – Industrial Tank Improvements #1

CALIFORNIA AMERICAN WATER REQUEST:

In the 2007 GRC, the Commission adopted a budget for this project of \$157,050, to be spent in 2008. This task has been completed at a cost of approximately \$140,105. The reduced cost is due to lower than estimated bids from the contractors. Industrial Tank I is a 72-foot diameter steel reservoir that was built in 1961, has a capacity of 1.04 million gallons, and is 33.5 feet tall. The work accomplished under this project included installing exterior ladders for access to the roof, repair of the existing hatches to improve access to the interior of the tank, and installation of the overflow piping to eliminate water spilling onto the surrounding site and neighboring properties. The task benefited customers by prolonging the life of the tank and improving water

quality. The project also improved the ability of personnel to access the roof and interior of the reservoir.

DRA POSITION:

DRA has accepted this investment project and the respective actual costs incurred by California American Water as reasonable.

RESOLUTION:

DRA and California American Water agree that the actual completed cost should be included in rate base as set forth below:

IP-0551-76 – Industrial Tank #1 Improvements	CAW Direct	DRA Report	Difference	Settlement
Actual Completion Cost	\$139,106	\$139,106	\$0	\$139,106
Adopted GRC Budget	\$157,050	\$157,050	\$0	\$157,050
Variance	(\$17,944)	(\$17,944)	\$0	(\$17,944)

REFERENCES: CAW Exh. 10, Feizollahi Direct, pp. 46-47.

10.9.2.6 05510507 – Lawrence Dr. Facility

CALIFORNIA AMERICAN WATER REQUEST:

The Lawrence Drive Main Relocation capital project is located in the Ventura County District’s Newbury Park area. The scope of this investment project included the relocation of approximately 2,500 feet of existing water distribution facilities along Lawrence Drive, from Hillside Drive to Turquoise Circle, as needed to accommodate the installation of a new City of Thousand Oaks storm drain culvert. Under the provisions of Section 23 of the franchise agreement between California American Water and the City of Thousand Oaks, California American Water is obligated to relocate its water mains, fire hydrants and customer services located in a public right-of-way whenever requested by the City of Thousand Oaks to facilitate new road and utility constructions. In the 2007 GRC, the Commission adopted a budget for this project of \$817,137, to be spent in 2007. The actual cost of the project at completion was \$1,360,321. The cost increase was largely due to two factors that were beyond the Ventura County District’s controls: (1) the installation of main on both sides of the street to accommodate changes in the storm drain design by the City of Thousand Oaks; and, (2) the need for installing a temporary main to serve the existing customers during the construction of the storm drain system in Lawrence Drive. In addition to accommodating the installation of a storm drainage system for protection of the community against floods, the benefits of the project include an increased life span of the piping, improved water quality and increased reliability of the distribution system.

DRA POSITION:

DRA has accepted this investment project and the respective actual costs incurred by California American Water as reasonable.

RESOLUTION:

DRA and California American Water agree that the actual completed cost should be included in rate base as set forth below:

05510507 – Lawrence Drive Facility	CAW Direct	DRA Report	Difference	Settlement
Actual Completion Cost	\$1,360,321	\$1,360,321	\$0	\$1,360,321
Adopted GRC Budget	\$817,137	\$817,137	\$0	\$817,137
Variance	\$543,184	\$543,184	\$0	\$543,184

REFERENCES: CAW Exh. 10, Feizollahi Direct, pp. 47-48; DRA Exh. 8, pp. 5-8 - 5-9.

10.9.2.7 IP-0551-701 – Shopping Center Reservoir I

CALIFORNIA AMERICAN WATER REQUEST:

In the 2007 GRC, the Commission adopted a budget for this project of \$40,000, to be spent in 2007, \$788,500 in 2008 and \$788,500 in 2009. Shopping Center Reservoir No. 1 is a 144 foot by 212 foot concrete reservoir that was built in 1961, has a capacity of 2.03 million gallons, and is 12.6 feet tall. The scope of work included repairing existing hatches, replacing the reservoir roof, replacing the fence and replacing an asphaltic concrete access road. However, during the preliminary phase of the project, California American Water discovered that a rehabilitation of the reservoir was no longer feasible and that the entire reservoir itself must be replaced. As a result, California American Water conducted several studies to define and evaluate various options. Based on the results of the studies, California American Water believes that the District can temporarily comply with the daily storage requirements in the Shopping Center Gradient without the storage capacity of the Shopping Center Reservoir No. 1. The studies showed that the service area in the vicinity of the Shopping Center Reservoir No. 1 served by California American Water would continue to meet the storage criteria set forth in a franchise agreement between California American Water and the City of Thousand Oaks until approximately 2020 without counting on the storage capacity provided by the Shopping Center Reservoir No.1. However, after 2020 the Ventura County District would need additional storage in order to be compliant with the City of Thousand Oaks Franchise Agreement. As a result, California American Water decided to delay the project until the 2015 GRC. For safety purposes, California American Water demolished the Shopping Center Reservoir No. 1 roof and installed a security fence around the reservoir to minimize unauthorized entry and trespassing. California American Water currently plans to use the funds that had originally been allocated to the

rehabilitation of the Shopping Center Reservoir for the rehabilitation of the more urgent Moorpark Reservoir.

DRA POSITION:

DRA had no specific comment on this investment project. It should be noted DRA found the Rehabilitation of the Moorpark Reservoir project (IP-0551-18) to be reasonable and made only adjustments to the Moorpark Reservoir rehabilitation project costs consistent with DRA's lower escalation, overhead, and contingency rate recommendations.

RESOLUTION:

DRA does not oppose California American Water's use of the previously approved funds from this investment project and the subsequent transfer of those funds to the Moorpark Reservoir rehabilitation project (IP-0551-18), discussed under Section 10.9.4.1 below.

REFERENCES: CAW Exh. 10, Feizollahi Direct, pp. 59-60.

10.9.3 In-Progress for Implementation in 2010-2011

10.9.3.1 05510505 – Improvements to Las Posas #1

CALIFORNIA AMERICAN WATER REQUEST:

The Las Posas Tank I is a 50-foot diameter steel reservoir that was built in 1966, has a capacity of 0.59 million gallons, and is 40.0 feet tall. The scope of the rehabilitation proposed in the 2007 GRC application included installing exterior ladders for access to the roof, repair of existing hatches to facilitate ease of access to the interior of the reservoir for inspection and maintenance and installation of an overflow piping to eliminate water spilling onto the surrounding site and neighboring properties that could cause damage and liability concerns.

In the 2007 GRC, the Commission adopted a budget for this project of \$188,460, to be spent in 2007. Once the rehabilitation was initiated, California American Water discovered that there are significant seismic deficiencies present, including the inadequacy of the tank foundation. This situation resulted in a decision to increase the scope of the project to include the replacement of the foundation and installation of new anchor bolts to improve the safety of the area. The addition of the foundation to the scope of work resulted in a \$460,000 increase in the tank rehabilitation costs. This project will prolong the life of the tank and improve safety and reliability of the Las Posas Water system. The project is currently ongoing, and the estimated cost of the project has increased to an estimated amount of \$697,379. The cost increase is due to the additional seismic modifications that were not anticipated when the project was proposed during the 2007 GRC application process.

DRA POSITION:

DRA has accepted this investment project and the requested funding amount from California American Water.

RESOLUTION:

DRA and California American Water agree that the estimated cost should be included in rate base as set forth below:

05510505- Improvements to Las Posas #1	CAW Direct	DRA Report	Difference	Settlement
Estimated Completion Cost	\$697,379	\$697,379	\$0	\$697,379
Prior GRC Budget	\$188,460	\$188,460	\$0	\$188,460
Variance	\$508,919	\$508,919	\$0	\$508,919

REFERENCES: CAW Exh. 14, Kilpatrick Direct, pp. 88, 94; CAW Exh. 10, Feizollahi Direct, p. 49; DRA Exh. 8, p.5-9.

10.9.3.2 IP-0551-93 – Wildwood Reservoir Tank Rehab

CALIFORNIA AMERICAN WATER REQUEST:

The Wildwood Reservoir is a 42-foot diameter steel reservoir that was built in 1980, has a capacity of 0.25 million gallons, and is 19.5 feet tall. The planned scope of work for this tank is to install exterior ladders, repair existing hatches, and install new overflow piping. The ladder will be extended to the base of the reservoir and include a Ladder-Up Safety Climb and cage surrounding the ladder. The cage and hatches will have locking capability so that only California American Water staff can access the ladder and the roof. The ladder and overflow piping will be painted to match the reservoir coating. The tank overflow piping will include installing steel pipe from the cutoff overflow outlet to the existing drain. The steel pipe will extend through the drain and will be equipped with a rubber check valve or insect screen at the bottom of the pipe to prevent anything from going up the pipe. The estimated budget for the rehabilitation of this tank is \$136,000.

In the 2007 GRC, the Commission adopted a budget for this project of \$157,050, to be spent in 2008. However, due to the three-year drought in southern California in 2007 to 2009, California American Water had no choice but to restrict the outage of this tank. Specifically, California American Water could not take the tank out of service for rehabilitation because of the water cut backs by the Ventura County District’s water supplier, CMWD. These cut backs, which were the result of the 2007-2009 drought, increased the risk of water shortages in the District. Therefore, service reliability mandated that all reservoirs be kept in-service during the drought period. This reservoir rehabilitation project is now being rescheduled for implementation during the 2010-2011 period.

DRA POSITION:

DRA has accepted this investment project and the requested funding amount from California American Water.

RESOLUTION:

DRA and California American Water agree that the estimated cost should be included in rate base as set forth below:

IP-0551-93 - Wildwood Tank Rehabilitation	CAW Direct	DRA Report	Difference	Settlement
Estimated Completion Cost	\$136,000	\$136,000	\$0	\$136,000
Prior GRC Budget	\$157,050	\$157,050	\$0	\$157,050
Variance	(\$21,050)	(\$21,050)	\$0	(\$21,050)

REFERENCES: CAW Exh. 10, Feizollahi Direct, pp. 49-50; DRA Exh. 8, p.5-9.

10.9.3.3 05510703 – Rehab. Los Robles II Reservoir

CALIFORNIA AMERICAN WATER REQUEST:

Los Robles Reservoir II is a 53-foot diameter steel reservoir that was built in 1971, has a capacity of 0.53 million gallons, and is 53.0 feet tall. The planned scope of work for this tank is to install exterior ladders, repair existing hatches, and install new overflow piping. The ladder will be extended to the base of the reservoir and include a Ladder-Up Safety Climb and cage surrounding the ladder. The cage and hatches will have locking capability so that only California American Water staff can access the ladder and the roof. The ladder and overflow piping will be painted to match the reservoir coating. The tank overflow piping will include the installation of steel pipe from the cutoff overflow outlet to the existing drain. The steel pipe will extend through the drain and will be equipped with a rubber check valve or insect screen at the bottom of the pipe to prevent anything from going up the pipe. The project will enable the Ventura County District to safely and reliably meet projected water demands and to continue to provide safe, adequate and reliable service.

In the 2007 GRC, the Commission adopted a budget for this project of \$157,050, to be spent in 2008. As mentioned earlier, due to the three-year drought in southern California in 2007 to 2009, California American Water had no choice but to restrict the outage of this tank. Therefore, the reservoir rehabilitation project has now been rescheduled for implementation during the 2010-2011 period.

DRA POSITION:

DRA has accepted this investment project and the requested funding amount from California American Water.

RESOLUTION:

DRA and California American Water agree that the estimated cost should be included in rate base as set forth below:

05510703- Rehabilitation of Los Robles II Reservoir	CAW Direct	DRA Report	Difference	Settlement
Estimated Completion Cost	\$167,000	\$167,000	\$0	\$167,000
Prior GRC Budget	\$157,050	\$157,050	\$0	\$157,050
Variance	\$9,950	\$9,950	\$0	\$9,950

REFERENCES: CAW Exh. 10, Feizollahi Direct, pp. 50-51; DRA Exh. 8, p.5-10.

10.9.3.4 05510706 – Rehab. Orbis Reservoir

CALIFORNIA AMERICAN WATER REQUEST:

Orbis Reservoir is a 66-foot diameter steel reservoir that was built in 1968, has a capacity of 1.02 million gallons, and is 39.5 feet tall. The scope of work and the project benefits are similar to those described earlier in my testimony for the Los Robles Reservoir II. Basically, the project will install exterior ladders, repair existing hatches and install new overflow pipe. The project will enable the Ventura County District to safely and reliably meet projected water demands and to continue to provide safe, adequate and reliable service.

In the 2007 GRC, the Commission adopted a budget for this project of \$235,600, to be implemented in 2009. Due to the three-year drought in southern California in 2007 to 2009, California American Water had no choice but to restrict the outage of this tank. Therefore, the reservoir rehabilitation project has now been rescheduled for implementation in 2011.

DRA POSITION:

DRA has accepted this investment project and the requested funding amount from California American Water.

RESOLUTION:

DRA and California American Water agree that the estimated cost should be included in rate base as set forth below:

05510706- Rehabilitation of Orbis Reservoir	CAW Direct	DRA Report	Difference	Settlement
Estimated Completion Cost in 2011	\$141,000	\$141,000	\$0	\$141,000
Prior GRC Budget	\$235,600	\$235,600	\$0	\$235,600
Variance	(\$94,600)	(\$94,600)	\$0	(\$94,600)

REFERENCES: CAW Exh. 10, Feizollahi Direct, pp. 51-52; DRA Exh. 8, p.5-10.

10.9.3.5 05510709 – White Stallion Reservoir Rehab

CALIFORNIA AMERICAN WATER REQUEST:

The White Stallion Reservoir is a 70-foot diameter steel reservoir that was built in 1992, has a capacity of 0.43 million gallons, and is 15.0 feet tall. The scope of work and the project benefits are similar to those described earlier in my testimony for the Los Robles Reservoir II. Basically, the project will install exterior ladders, repair existing hatches and install new overflow pipe. The project will enable the Ventura County District to safely and reliably meet projected water demands and to continue to provide safe, adequate and reliable service.

In the 2007 GRC, the Commission adopted a budget for this project of \$157,050, to be spent in 2008. Due to the three-year drought in southern California in 2007 to 2009, California American Water had no choice but to restrict the outage of this tank. Therefore, the reservoir rehabilitation project has been rescheduled for implementation in 2011.

DRA POSITION:

DRA has accepted this investment project and the requested funding amount from California American Water.

RESOLUTION:

DRA and California American Water agree that the estimated cost should be included in rate base as set forth below:

05510709- White Stallion Reservoir Rehabilitation	CAW Direct	DRA Report	Difference	Settlement
Estimated Completion Cost in 2011	\$231,000	\$231,000	\$0	\$167,000
Prior GRC Budget	\$157,050	\$157,050	\$0	\$157,050
Variance	\$73,950	\$73,950	\$0	\$9,950

REFERENCES: CAW Exh. 10, Feizollahi Direct , p. 52 ; CAW Exh. 49, Schubert Rebuttal, p. 55; DRA Exh. 8, p.5-10.

10.9.4 Carryover Projects

10.9.4.1 IP-0551-18 – Moorpark Reservoir Rehab

CALIFORNIA AMERICAN WATER REQUEST:

The Moorpark Reservoir is a 75 foot by 112 foot concrete reservoir that was built in 1966, has a capacity of 0.66 million gallons, and is 15.5 feet tall. The internal walls of the reservoir have cracks, and California American Water must rehabilitate the reservoir to avoid loss of water due to leakage. The reservoir roof structure consists of galvanized structural trusses, wooden girders and sheeting, and a corrugated metal roof. Because of the age and condition of the roof, cleaning and coating to meet the applicable standards would be cost prohibitive. Furthermore, a cursory evaluation showed that it is highly doubtful that the roof can meet the seismic loads. Alternatives involving detailed evaluation, repair and rehabilitation of the existing roof have been considered but rejected because they are not cost-effective given the maintenance and other issues associated with the roof.

The proposed scope of this project is to reline the reservoir and replace the existing roof using trusses made from aluminum or other long-lasting material. Additionally, California American Water will rehabilitate the reservoir for safety and sanitation improvements. This project will improve water quality and system reliability, reduce water loss and prolong the life of a key asset.

DRA POSITION:

DRA finds the project reasonable and makes only adjustments to the project costs consistent with DRA’s lower escalation, overhead, and contingency rate recommendations.

RESOLUTION:

Based on the agreement in regards to Escalation, Engineering Overhead, and Contingency Factors, DRA and California American Water agree to specific dollar amounts for this investment project as set forth below:

IP-0551-18 - Moorpark Reservoir Rehabilitation	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2010	\$200,000	\$200,000	\$200,000	\$0	\$200,000
2011	\$50,000	\$50,000	\$50,000	\$0	\$47,500
2012	\$1,994,000	\$1,994,000	\$1,762,796	\$231,204	\$1,894,300
Total	\$2,244,000	\$2,244,000	2,012,796	\$231,204	\$2,141,800

REFERENCES: CAW Exh. 10, Feizollahi Direct, pp. 53-54; CAW Exh. 49, Schubert Rebuttal, pp.57-58; DRA Exh. 8, p.5-11.

10.9.4.2 IP-0551-88 – Connect 12” Main Between Hillcrest and Lawrence Dr – 500’

CALIFORNIA AMERICAN WATER REQUEST:

The scope of the project is to install approximately 680-feet of new 12-inch main between Hillcrest and Lawrence Drive. The main extension is needed to connect the western section of the Ventura County system to the southeastern part of the newly acquired Academy Mutual Water System in order to improve water quality, pressure and fire flow. The water main in Hill Crest Road currently terminates approximately 250 feet west of the junction of Lawrence Drive and Hill Crest Drive. This main is one of the key arteries supplying water to the industrial and commercial customers along the West Hill Crest Drive corridor. Likewise, the southeastern part of the former Academy Mutual Water Company has been subject to several new commercial developments, including a recently constructed shopping center at the southeastern part of the U.S. Highway 101 and Borchard Road interchange. The planned project will improve water circulation, fire flow capacities and overall water quality in the western part of the Ventura County District. The project is budgeted for \$294,000 to be spent in 2011 and 2012.

DRA POSITION:

DRA recommends deferring this project to the next GRC cycle since it is primarily for fire flow and circulation improvements.

RESOLUTION:

California American Water’s rebuttal testimony described more recent in depth field investigations (which included exploratory excavations). As a result, California American Water reported that the previous estimate for this investment project has been substantially reduced. The maps available of the Academy Mutual Water Company upon acquisition consisted merely of hand drawn sketches and therefore, precise information on the relative locations of the two systems was not available at the time of the original cost estimate. Based on this new information, the estimate of the total length of main required to complete this project is now only 300 feet, and the estimated implementation cost for this investment project has now been reduced to \$130,000. After settlement discussions, DRA and California American Water agree

that this investment project should be completed as originally proposed. The prior expenditures for engineering of \$39,000 should be recognized, resulting in a total project cost of \$169,000.

IP-0551-88 - Connect 12” Main Between Hillcrest and Lawrence Dr – 500’	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2011	\$39,000	\$39,000	\$0	(\$39,000)	\$39,000
2012	\$255,000	\$130,000	\$0	\$255,000	\$130,000
TOTAL	\$294,000	\$169,000	\$0	(\$294,000)	\$169,000

REFERENCES: CAW Exh. 10, Feizollahi Direct, p. 53; CAW Exh. 49, Schubert Rebuttal, pp.56-57; DRA Exh. 8, pp.5-10 – 5-11.

10.9.5 Advice Letter Projects

10.9.5.1 05510501 – Las Posas Main Replacement

CALIFORNIA AMERICAN WATER REQUEST:

This investment project encompassed the installation of approximately 12,600 feet of 12-inch main from the Price Road turnout to the Las Posas tanks in the Las Posas water system. The project was necessary because the existing asbestos cement pipe had aged and deteriorated causing numerous leaks. Additionally, the age, size and condition of the pipe limited the actual pumping pressures to below 230 psi, which is well below the output of the booster station at the Price Road turnout. A portion of the existing pipe along the steep slopes leading to the tanks has been exposed due to the instability of the soil slope along which it is routed. The Commission adopted a \$1,350,000 cap for this advice letter project, per D.04-12-055, dated December 16, 2004. In the project completion memoranda accompanying the advice letter filing, California American Water provided detailed back up data for the completed project costs, which came to \$1,988,456, or an increase of approximately \$638,456 over the adopted advice letter cap. Therefore, California American Water requests the Commission’s approval to include the remaining \$638,456 in the Ventura County District rate base.

DRA POSITION:

DRA has accepted this investment project and finds the actual incurred costs by California American Water to be reasonable.

RESOLUTION:

DRA and California American Water agree that the actual completed cost should be included in rate base as set forth below:

05510501- Las Posas Main Replacement (AL)	CAW Direct	DRA Report	Difference	Settlement
Actual Completion Cost	\$1,988,456	\$1,988,456	\$0	\$1,988,456
Prior GRC Budget	\$1,350,000	\$1,350,000	\$0	\$1,350,000
Variance	\$638,456	\$638,456	\$0	\$638,456

REFERENCES: CAW Exh. 10, Feizollahi Direct, pp. 54-58; DRA Exh. 8, p. 5-9.

10.9.6 New Investment Projects

10.9.6.1 IP-0551-79 – Improvements to CMWD Interchanges

CALIFORNIA AMERICAN WATER REQUEST:

The proposed project includes the installation of two interconnections with the City of Thousand Oaks as a means to provide system reliability and redundancy to California American Water’s Ventura County District. The proposed project start date is May 2012 with a completion date of September 2013.

DRA POSITION:

DRA recommends removing this project at this time since it is not critical to meet customer needs at this time.

RESOLUTION:

After further discussion during settlement negotiations, DRA now agrees with the need for this investment project. In addition, based on the agreement in regards to Escalation, Engineering Overhead, and Contingency Factors, DRA and California American Water agree to specific dollar amounts for this investment project as set forth below:

IP-0551-79 - Improvements to CMWD Interchanges	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$205,000	\$205,000	\$0	\$205,000	\$194,750
2013	\$392,000	\$392,000	\$0	\$392,000	\$372,400
Total	\$579,000	\$579,000	\$0	\$579,000	\$567,150

REFERENCES: CAW Exh. 10, Feizollahi Direct, p.63; CAW Exh. 49, Schubert Rebuttal, pp.60-61; DRA Exh. 8, p.5-12.

10.9.6.2 IP-0551-84 – Upsize White Stallion Transmission BPS

CALIFORNIA AMERICAN WATER REQUEST:

The White Stallion Gradient does not have sufficient pumping capacity to meet 2006 maximum day demands and the projected 2020 demand. The White Stallion Transmission Booster Station supplies the White Stallion Gradient. The White Stallion Domestic Booster Station is used to assist in meeting the demands and pressure requirements for the services at higher elevations within the White Stallion Gradient. The recommended improvement for the White Stallion Transmission Booster Station is to increase the pumping capacity to 340 gpm to provide reliability to the gradient. Additional electrical improvements will be necessary to accommodate the new motors and pump upgrades. California American Water expects to begin the project in January 2012 and to complete it by December 2014 with purchasing and installation done in stages to continue operation of the existing facility.

DRA POSITION:

DRA recommends that this project be reevaluated in the next GRC when the impact of the California American Water conservation efforts can be measured and incorporated into supply planning.

RESOLUTION:

After further discussion during settlement negotiations, DRA now agrees with the need for this investment project. In addition, based on the agreement in regards to Escalation, Engineering Overhead, and Contingency Factors, DRA and California American Water agree to specific dollar amounts for this investment project as set forth below:

IP-0551-84 - Upsize White Stallion Transmission BPS	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$200,000	\$200,000	\$0	\$200,000	\$190,000
2013	\$208,000	\$208,000	\$0	\$208,000	\$197,600
2014	\$217,000	\$217,000	\$0	\$217,000	\$206,150
Total	\$625,000	\$625,000	\$0	\$625,000	\$593,750

REFERENCES: CAW Exh. 10, Feizollahi Direct, p.64; CAW Exh. 49, Schubert Rebuttal, pp.61-62; DRA Exh. 8, p.5-12.

10.9.6.3 IP-0551-86 – Pace Reservoir Rehab

CALIFORNIA AMERICAN WATER REQUEST:

Pace Reservoir was constructed in 1965 as a partially buried hopper bottom reservoir with concrete walls and a metal and wood framed truss-supported steel plate roof. Due to the seismic concerns, maintenance, safety, structural and sanitary issues related to the reservoir roof, it is not

economical to refurbish the roof. Therefore, California American water is now proposing to replace the reservoir roof and install an internal liner for the reservoir. California American Water proposes to begin the project in 2012 and complete it by December 2014. The proposed scope includes relining the reservoir and replacing the existing roof using trusses made from aluminum or other long-lasting material. Additionally, California American Water will rehabilitate the reservoir for safety and sanitation improvements. The benefits of this project are improved water quality, system reliability, reduced water loss and prolonging the life of a key asset.

DRA POSITION:

DRA recommends deferring this project to the next GRC cycle as it is not critical to meet current customer needs.

RESOLUTION:

After further discussion during settlement negotiations, DRA now agrees with the need for this investment project. California American Water also now agrees to a one year deferment in the construction schedule, with work now planned between 2013 and 2015. In addition, based on the agreement in regards to Escalation, Engineering Overhead, and Contingency Factors, DRA and California American Water agree to specific dollar amounts for this investment project as set forth below:

IP-0551-86 - Pace Reservoir Rehabilitation	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$160,000	\$160,000	\$0	\$160,000	\$0
2013	\$1,000,000	\$1,000,000	\$0	\$1,000,000	\$152,000
2014	\$1,200,000	\$1,200,000	\$0	\$1,200,000	\$950,000
Total	\$2,360,000	\$2,360,000	\$0	\$2,360,000	\$1,140,000

REFERENCES: CAW Exh. 10, Feizollahi Direct, p.65; CAW Exh. 49, Schubert Rebuttal, pp.62-63; DRA Exh. 8, p.5-12.

10.9.6.4 IP-0551-92 – Calle Yucca Turnout 14” Main Improvements

CALIFORNIA AMERICAN WATER REQUEST:

The portion of 14-inch main between the Calle Yucca Turnout located on West Hillcrest Drive to the intersection of Lynn Road has been installed in an area that used to be wetlands. Over the years, many layers of overburden have been placed on top of the main. This has resulted in the main being buried at a depth of approximately ten feet below the road surface. Moreover, California American Water suspects that the weight of the overburden has jeopardized the shape and the integrity of the main. Observation of the pipe shape during a recent main break indicates that the main’s cross section has turned from a circular to an oval shape. Another concern of the

Ventura County District Operations group is that fixing a leak from this main is a major safety issue. The entire street must be cordoned-off for a period of up to ten days. Excavating pot-holes will require either an elaborate shoring structure or a trench approximately 30-feet wide. Also, Lynn Road is a main thoroughfare and represents a difficult location to repair water main leaks when they do occur. California American Water believes that it is highly prudent to stay pro-active in the case of this main and proceed with its replacement as early as possible. Given the fact that the pipe has turned into an oval shape, the possibility of a major main break is very high. It is believed that a main break at this location could result in extensive damage to the streets and surrounding structures and result in significant expenditures for repairs.

Currently there is about 650 feet of the existing steel main that California American Water is proposing replace. There is also 250-feet of an 8-inch main that crosses Hillcrest drive and connects into Calle Yucca cul-de-sac north of Hillcrest Drive. This section of the 8-inch main also needs replacement along with the replacement of an existing vault that contains the Calle Yucca Turnout valves, meters and other fixtures. California American Water expects that additional traffic control measures will be necessary during the construction of these main improvements. California American Water will begin the preliminary and construction phases in 2013 with the project completion occurring in 2014. The measurable results from this project include reducing future main breaks along this location and avoiding a major liability risk, and improving operator safety.

DRA POSITION:

DRA recommends deferring this project to the next GRC as it is not critical and to moderate customer rate impacts in this GRC.

RESOLUTION:

After further discussion during settlement negotiations, DRA now agrees with the need for this investment project. In addition, based on the agreement in regards to Escalation, Engineering Overhead, and Contingency Factors, DRA and California American Water agree to specific dollar amounts for this investment project as set forth below:

IP-0551-92 - Calle Yucca Turnout 14" Main Improvements	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2013	\$250,000	\$250,000	\$0	\$250,000	\$237,500
2014	\$250,000	\$250,000	\$0	\$250,000	\$237,500
Total	\$500,000	\$500,000	\$0	\$500,000	\$475,000

REFERENCES: CAW Exh. 10, Feizollahi Direct, pp.65-67; CAW Exh. 49, Schubert Rebuttal, pp. 63-64; DRA Exh. 8, p.5-12.

10.9.6.5 IP-0551-94 – Potrero Tank Rehab

CALIFORNIA AMERICAN WATER REQUEST:

In the 2007 GRC, the Commission adopted an initial budget of \$188,460 to repair existing hatches, remove and replace existing fencing, conduct internal reservoir and cleaning, replace existing onsite asphaltic concrete access road at the reservoir, and replace fencing. During the inspection phase of the project, California American Water discovered that the reservoir roof had deteriorated to the point that it could no longer be rehabilitated in a cost-effective manner and that the entire roof needed replacement. Additionally, the reservoir will need a complete relining of its walls. Since the cost of the roof replacement and the relining is substantially more than the adopted budget, California American Water is proposing this modified project for adoption during the 2012-2014 GRC period.

DRA POSITION:

DRA did not make any adjustments to this project.

RESOLUTION:

DRA and California American Water agree as set forth below:

IP-0551-94 – Potrero Tank Rehab	CAW Direct	DRA Report	Difference	Settlement
2012	\$200,000	\$200,000	\$0	\$200,000
2013	\$1,100,000	\$1,100,000	\$0	\$1,100,000
2014	\$1,200,000	\$1,200,000	\$0	\$1,200,000
Total	\$2,500,000	\$2,500,000	\$0	\$2,500,000

REFERENCES: CAW Exh. 10, Feizollahi Direct, pp. 76-77; CAW Exh. 49, Schubert Rebuttal, pp. 58-59; DRA Exh. 8, p.5-3.

10.9.6.6 IP-0551-96 – Install 1200' of 8-in at Rolling Oaks Dr. & Los Padres Dr.

CALIFORNIA AMERICAN WATER REQUEST:

The scope of this investment project is to install approximately 680 feet of new 12-inch main between Hillcrest and Lawrence Drive. This project is needed to provide an increased water supply reliability to a critical customer. The Thousand Oaks Surgical Hospital is serviced through an existing 10-inch AC main along Rolling Oaks Drive within California American Water’s Ventura County District service area. The hospital, which is considered a critical customer, is located on the eastern boundary of the Ventura service territory. The 10-inch main, which terminates in front of the hospital, supplies water to the hospital from a single turnout with the CMWD. In the event of a shut-down or a failure at the turn-out, the hospital source of supply will be interrupted. To increase the reliability of service to the hospital, California American Water proposes to install 1,200 feet of new 8-inch main to extend the terminal point of the

existing 10-inch main in Rolling Oaks Drive to Robert S. Holland Drive at a point where an emergency connection can be made with the City of Thousand Oaks main located in Robert S. Holland Drive. Project benefits are increased reliability of water supply to Rolling Oaks Drive, which serves several medical offices and the hospital. Also, an emergency connection with the City of Thousand Oaks will increase the fire flow capacity to surrounding customers and meet local fire department requirements.

DRA POSITION:

DRA recommends deferring this project at this time and proposes that if the customer identifies the need for additional supply reliability, they can approach the Company and contribute facilities (pay for the costs of the system upgrades) to increase their supply reliability.

RESOLUTION:

After further discussion during settlement negotiations, DRA now agrees with the need for this investment project. California American Water also agrees to defer construction of this investment project to the next GRC. DRA also accepts development dollars for design and permitting in the amount of \$70,000 in 2013, and the remaining construction dollars of \$407,000 result in a total project cost of \$477,000. This new amount (as compared to the original proposed amount of \$502,000 is based on the agreement in regards to Escalation, Engineering Overhead, and Contingency Factors. DRA and California American Water agree to specific dollar amounts for this investment project as set forth below:

IP-0551-96 – Install 1200’ of 8-in at Rolling Oaks Dr. & Los Padres Dr.	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$100,000	\$100,000	\$0	(\$100,000)	\$0
2013	\$402,000	\$402,000	\$0	(\$402,000)	\$70,000
2014					
Total	\$502,000	\$502,000	\$0	(\$502,000)	\$70,000 \$407,000 in next GRC

REFERENCES: CAW Exh. 10, Feizollahi Direct, p. 67; CAW Exh. 49, Schubert Rebuttal, p. 64-65; DRA Exh. 8, p. 5-12.

10.9.6.7 IP-0551-97 – Replace 21,000 ft of 4" main

CALIFORNIA AMERICAN WATER REQUEST:

This IP includes the annual replacement of approximately 7,000-feet of 4-inch diameter pipe with 8-inch PVC pipe and the transfer of water services to the new mains. At this replacement rate, California American Water will replace all 4-inch pipelines within a three-year period. California American Water needs to replace the small mains because the 4-inch diameter and

smaller water mains are undersized. Replacement of the undersized main will improve water flow and water supply reliability to customers. Also, there are about 20 locations where the 4-inch mains supply water directly to fire hydrants. At these locations, the replacement of the 4-inch mains will increase the hydrant flows to more than 750 gpm. When replaced, the new mains must meet the G.O. 103-A requirements, which specifies that the minimum size of new water mains must be no less than 6-inches in diameter. California American Water has adopted a standard minimum size of 8-inch diameter for new installations. California American Water proposes a budget for this project of \$6.3 million for the three-year GRC period, or \$2.1 million per year for each of the years 2012, 2013 and 2014. This project will improve fire protection, improve water quality, reduce water leakage in the system, and increase reliability of service to customers.

DRA POSITION:

DRA acknowledges that this project would improve fire protection, water quality, and reduce leakage. However, DRA believes this project is a significant expense and is not required by G.O. 103-A. DRA recommends that this item be removed from the proposed budget in this GRC.

RESOLUTION:

DRA and California American Water agree to defer this investment project to the next GRC, as set forth below:

IP-0551-97 – Replace 21,000 ft of 4” main	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$2,100,000	\$2,100,000	\$0	\$2,100,000	\$0
2013	\$2,100,000	\$2,100,000	\$0	\$2,100,000	\$0
2014	\$2,100,000	\$2,100,000	\$0	\$2,100,000	\$0
Total	\$6,300,000	\$6,300,000	\$0	\$6,300,000	\$0

REFERENCES: CAW Exh. 10, Feizollahi Direct, p. 68; CAW Exh. 49, Schubert Rebuttal, p. 65-66; DRA Exh. 8, p. 5-12 -5-13.

10.9.6.8 IP-0551-98 – Construct Potrero Tank #3 (1.0 MG) & Upsize Dewey BPS

CALIFORNIA AMERICAN WATER REQUEST:

The Orbis Gradient has insufficient storage capacity based on the storage evaluations in the 2006 CPS and the recent studies completed in 2010. Currently, the only source of storage for the Orbis Gradient is the 1.02 million gallon Orbis Reservoir. California American Water’s reservoir storage criteria for the Ventura County District, which is based on our franchise agreement with the City of Thousand Oaks, requires that the total storage for each gradient have enough storage to meet fire service reserve, plus 80 percent of the maximum day demand.

According to this criteria, the Orbis Gradient has a storage deficiency both under the existing and future conditions. The shortfall is 2.23 million gallons in 2010. Accordingly, in the 2006 CPS, California American Water had recommended adding a 2.5 million gallon reservoir adjacent to the existing reservoir at the Orbis site. However, more detailed site investigations indicated that the Orbis site does not have sufficient space for a 2.5 million gallon storage tank. Therefore, California American water is proposing to make up about 40 percent of the Orbis Gradient storage shortfall by utilizing the storage and pump concept. To implement the storage and pump concept, California American water is proposing to construct a 1.0 million gallon storage tank at the existing site occupied by Potrero Tanks 1 and 2 and upsizing the Dewey booster pump station. The Dewey booster pump station is one of the two primary sources of water supply to the Orbis Gradient. After the 1.0 MG reservoir is constructed, California American Water will start plans to provide the remaining 60 percent of the Orbis Gradient storage shortfall. The proposed project will increase the storage capacity of the Orbis Gradient and will eliminate 40 percent of the storage deficiency in this gradient. It will increase fire flow capacities and the water supply reliability of the Orbis Gradient. Furthermore, it will facilitate the servicing of these valuable assets in an orderly and cost effective manner.

The proposed budget for this project is \$3,997,000, which includes \$487,000 in 2012 and \$3,510,000 in 2013. The project level cost estimate for the 1.0 MG storage tank is approximately \$2.88 million, whereas the estimated cost for the Dewey BPS upsizing is \$1.117 million. California American Water expects to start the initial design and permitting phase in early 2012, and will begin the construction phase in the third quarter of 2012 and complete the project in December of 2013.

DRA POSITION:

DRA concurs with the implementation of this investment projects in the years 2012 through 2014 but has recommended that the total project costs be reduced by lowering the engineering overhead factor from eleven percent to seven percent; by lowering the escalation factor from four percent to three percent; and by reducing the contingency factor from twenty percent to ten percent.

RESOLUTION:

After further discussion during settlement negotiations and based on the agreement in regards to Escalation, Engineering Overhead, and Contingency Factors, DRA and California American Water agree to specific dollar amounts for this investment project as set forth below:

IP-0551-98 - Construct Potrero Tank #3 (1.0 MG) and Upsize Dewey BPS	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$487,000	\$487,000	\$429,109	\$57,891	\$462,650
2013	\$3,150,000	\$3,510,000	\$3,092,756	\$417,244	\$3,334,500
Total	\$3,997,000	\$3,997,000	\$3,521,865	\$475,135	\$3,797,150

REFERENCES: CAW Exh. 10, Feizollahi Direct, p. 69-70; CAW Exh. 49, Schubert Rebuttal, p. 59-60; DRA Exh. 8, p.5-3.

10.9.6.9 IP-0551-99 – Reservoir Seismic Evaluation

CALIFORNIA AMERICAN WATER REQUEST:

In the 2006 CPS, California American Water recommended a seismic evaluation of fourteen reservoirs in the Ventura County District: Industrial #1, Potrero #1, Potrero #2, White Stallion, Las Posas #1, Los Robles #1, Los Robles #2, Janss, Pace, Moorpark, Shopping Center #2, Wildwood and Green Ridge. It should be noted that the CPS recommendation for a seismic evaluation of Shopping Center Reservoir #1 is obsolete because California American Water now plans to replace this reservoir in its entirety. The CPS based the seismic evaluation recommendations on a condition based assessment of the reservoir exteriors, which concluded that a detailed investigation for seismic integrity is necessary at several reservoirs. As part of its proposed evaluation, California American Water will review the reservoirs’ design plans, specifications and shop drawings if available. If such documents are not available, California American Water will generate as-built drawings of the structures by measuring the existing members, parts and components of the reservoir structures. If needed, California American Water will use concrete core drilling techniques to obtain information on the design and construction of the reservoirs. California American Water expects that the documentation of the reservoirs’ as-built condition will produce sufficient information for performing the seismic evaluations. In addition to gathering reservoir design information, California American Water will conduct a geotechnical investigation to determine potential seismic activity in the area. The reservoir design information and geotechnical information gathered at each site will allow structural analysis and a determination of whether a retrofit is required.

The proposed budget for this evaluation is \$400,000 in 2012. This project will allow California American Water to determine whether the selected reservoirs meet current standards or require seismic retrofit, while allowing California American Water to take the necessary steps to reduce risk of future damage or potential loss of a storage facility due to seismic activity.

DRA POSITION:

DRA concurs with California American Water’s proposed budget without any changes.

RESOLUTION:

DRA and California American Water agree as set forth below:

IP-0551-99 Reservoir Seismic Evaluation	CAW Direct	DRA Report	Difference	Settlement
2012	\$400,000	\$400,000	\$0	\$400,000
Total	\$400,000	\$400,000	\$0	\$400,000

REFERENCES: CAW Exh. 10, Feizollahi Direct, p. 70-71; CAW Exh. 49, Schubert Rebuttal, p. 58-59; DRA Exh. 8, p. 5-3.

10.9.6.10 IP-0551-100 – Improve Low Pressure in Gainsborough Zone

CALIFORNIA AMERICAN WATER REQUEST:

This investment project will create a new pressure gradient in the southern part of the existing Gainsborough hydraulic gradient to alleviate low pressure, low fire flow capacity and unacceptable reliability that presently exists in the gradient. California American Water proposed this investment project for several reasons:

1. **Low Pressures.** The water pressures in the southern part of the Gainsborough hydraulic gradient do not meet the standards of General Order 103-A. The proposed investment project will improve the low pressure condition that currently exists. Further, California American Water has received low-pressure complaints from several customers in the western part of the pressure zone. To mitigate the low pressure, one of the cluster housing complexes in this gradient is operating its own booster station. This booster station does not meet California American Water standards, and it should be removed from service as soon as possible. In fact, the City of Thousand Oaks has requested that California American Water proceed in this manner on several occasions.
2. **Low Reliability.** In addition to the low pressures, the water supply reliability of the Gainsborough hydraulic gradient is low because the pressure zone receives water primarily from a single turnout with CMWD. In the event of a failure at this turnout, the entire zone could lose its pressure.
3. **Fire Flow Adequacy.** Moreover, this pressure zone does not have a dedicated storage tank or any other back up supply. In the event of a fire, the gradient depends on the water supply from the main line at the CMWD turnout. In other words, CMWD’s transmission and storage capabilities are being relied upon during a fire event. Therefore, in order to increase the fire flow and make the source of fire flow supply reliable, this proposed investment project would connect the gradient to the existing Shopping Center Reservoir #2. The result is the existing Gainsborough hydraulic gradient will have a second source of water supply, which will improve fire flow capacity and reliability during a fire event in the gradient.

This investment project has a total estimated cost of \$3,610,000, and is needed to address customer complaints regarding low pressures, increase fire flow capacities and increase water supply reliability for both the northern and southern parts of the Gainsborough hydraulic gradient.

DRA POSITION:

DRA did not provide an explanation or a justification for recommending removal of this investment project from the GRC.

RESOLUTION:

After further discussion during settlement negotiations, DRA does not disagree with the need for this investment project. DRA also does not oppose California American Water phasing-in this investment project between this GRC and the next GRC. DRA does not oppose California American Water incurring design and construction dollars in this GRC in the amount of \$1,520,000; and deferring the remaining \$2,090,000 in construction dollars to the next GRC. DRA does not oppose California American Water getting specific dollar amounts for this investment project as set forth below:

IP-0551-100 Improve Low Pressure in Gainsborough Zone	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$520,000	\$520,000	\$0	\$520,000	\$0
2013	\$2,480,000	\$2,480,000	\$0	\$2,480,000	\$520,000
2014	\$610,000	\$610,000	\$0	\$610,000	\$1,000,000
Total	\$3,610,000	\$3,610,000	\$0	\$3,610,000	\$1,520,000

REFERENCES: CAW Exh. 10, Feizollahi Direct, p. 71-74; CAW Exh. 49, Schubert Rebuttal, p. 68-70; DRA Exh. 8, p.5-3.

10.9.6.11 IP-0551-101 – Replace Los Robles Tank #1 - 400K Gallon

CALIFORNIA AMERICAN WATER REQUEST:

The Las Robles Reservoir #1 is a 27-foot diameter steel reservoir that was built in 1966, has a capacity of 0.10 million gallons, and is 24.0 feet tall. The tank was originally proposed for rehabilitation in the 2007 GRC. Subsequently, the Commission adopted a budget of \$157,050, to be spent in 2008. The scope of work approved in the 2007 GRC authorized California American Water to install exterior ladders, repair existing hatches, and install new overflow piping at the reservoir. However, during the preliminary phase of the project, California American Water discovered that the tank is not appropriate for rehabilitation due to its seismic design shortcomings. Therefore, California American Water discontinued the tank project in early 2008. As an alternative to the rehabilitation project, California American Water requests that the

Commission approve a replacement project to construct a 400,000 gallon capacity tank in place of the current 100,000 gallon storage tank. This increase was recommended in a recent study that evaluated the Ventura County District distribution and storage systems. The study recommended that California American Water increase the Los Robles Tank capacity to 400,000 gallons because the combined volumes of the current Los Robles Tank #1 (100,000 gallons) and Los Robles Tank #2 (530,000 gallons) were found to be insufficient to provide fire reserve storage and equalization storage in the Los Robles Gradient at equalization rate of 80 percent of maximum demand.

The construction of this project will reduce the risk of a tank failure and the associated consequences of failure, such as potential property damage to downstream residences and the interruption of service to customers. The increase in tank size will allow California American Water to meet fire reserve and customer demands. Furthermore, the increased storage will facilitate ease of operation when one of the two tanks is taken out of service for rehabilitation. California American Water believes the replacement of the Los Robles Tank #1 is needed to maintain a reliable water supply to its customers. California American Water will demolish the 100,000 gallon steel tank and foundation and replace it with a welded steel tank and concrete foundation.

DRA POSITION:

DRA adjusts total costs to reflect its lower escalation, overhead and contingency factors. DRA also adjusts total costs to reflect the lower project cost shown in California American Water’s printed workpapers

RESOLUTION:

After further discussion during settlement negotiations and based on the agreement in regards to Escalation, Engineering Overhead, and Contingency Factors, DRA and California American Water agree to specific dollar amounts for this investment project as set forth below:

IP-0551-101 Replace Los Robles Tank #1 - 400K Gallon	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$250,000	\$250,000	\$172,234	\$77,766	\$237,500
2013	\$850,000	\$1,100,000	\$585,596	\$264,404	\$1,045,000
Total	\$1,100,000	\$1,350,000	\$757,830	\$342,170	\$1,282,500

REFERENCES: CAW Exh. 10, Feizollahi Direct, p. 74-75; CAW Exh. 49, Schubert Rebuttal, p. 66-68; DRA Exh. 8, p. 5-13.

10.9.6.12 IP-0551-102 – Install 2300 ft of 12” main in Borchard Road

CALIFORNIA AMERICAN WATER REQUEST:

This investment project will increase the fire flow capacity and water supply reliability of the distribution system near the intersection of Borchard Road and U.S. Highway 1. The project will take advantage of an existing CMWD turnout that was previously owned by the Academy Mutual Water Company. California American Water owns the turnout as a result of its acquisition of the Academy Mutual Water Company in 2008. The proposed project will connect this turnout to the transmission grid near the Borchard Road corridor by installing approximately 2,300 feet of 12-inch main in Michael Drive and Redfield Avenue. This project will increase the reliability of water supply along the Borchard Road corridor. It will also increase the fire flow capacities in the nearby Manzanita School, commercial establishments, and shopping centers near the intersection of Borchard Road and U.S. Highway 101. California American Water expects to perform the preliminary design and permitting phase of the project in 2012, and expects to complete the construction phase in 2013. The proposed budget is \$160,000 in 2012 and \$640,000 in 2013.

DRA POSITION:

DRA concurs with the implementation of this investment projects in the years 2012 through 2014 but has recommended that the total project costs be reduced by lowering the engineering overhead factor from eleven percent to seven percent; by lowering the escalation factor from four percent to three percent; and by reducing the contingency factor from twenty percent to ten percent.

RESOLUTION:

After further discussion during settlement negotiations and based on the agreement in regards to Escalation, Engineering Overhead, and Contingency Factors, DRA and California American Water agree to specific dollar amounts for this investment project as set forth below:

IP-0551-102 Install 2300 ft of 12” main in Borchard Road	CAW Direct	CAW Rebuttal	DRA Report	Difference	Settlement
2012	\$160,000		\$137,413	\$22,587	\$152,000
2013	\$640,000		\$549,653	\$90,347	\$608,000
Total	\$800,000		\$687,066	\$112,934	\$760,000

REFERENCES: CAW Exh. 10, Feizollahi Direct, p. 75-76; CAW Exh. 49, Schubert Rebuttal, p. 59-60; DRA Exh. 8, p. 5-3.

11.0 SPECIAL REQUESTS

11.1 Special Request #1: Change to Monthly Meter Reading

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requests authorization to change from bimonthly to monthly meter reading schedules in the Los Angeles County, Sacramento, and San Diego County Districts. Presently California American Water reads and bills approximately one half of the customer meters on odd months and the other on even months. If this request is granted California American will revise the meter reading and billing cycle and create a single monthly meter reading and billing cycle. This request will improve service and result in rate savings for customers by reducing revenue lag, enhancing conservation, improving troubleshooting, allowing customers to better budget for water bills and manage usage, and enabling the company to better analyze consumption trends and target conservation programming. In addition California American Water requests five new full-time meter reader positions (two in Los Angeles County, two in San Diego County, and one in Sacramento) and all related expenses.

DRA POSITION:

DRA opposes this request. DRA recommends that California American Water perform a more detailed cost-benefit analysis regarding the conversion to monthly billing, making sure all costs are included. DRA further recommends that California American Water compare the costs of switching its customers' bills to monthly billing versus staying with bi-monthly billing, and examine the impacts to customers' bills in each customer class before determining if it is the best thing to do for the ratepayers and for the utility. While DRA does not recommend hiring five new meter readers for Los Angeles County District, San Diego County District, and Sacramento District, DRA supports hiring one temporary meter reader in the Test Year.

NRDC POSITION:

NRDC support's California American Water request to institute monthly meter reading and customer billing in Los Angeles, San Diego, and Sacramento. More timely billing information will help customers to better educate water usage practices with the size of their bill. And as block rates become more steeply ascending, monthly billing can provide an earlier warning about a customer's inadvertent usage and leakage that would have greater financial impact on the bill. Additionally, the accumulation of customer consumption data that more effectively tracks the seasonal transitions between peak and off-peak periods, is an additional benefit that will lead to a better rate analysis in future years.

NRDC notes that California American Water has estimated substantial dollars savings from the reduction in revenue lag attributable to monthly billing. NRDC believes that the benefits of more timely consumption data for customers and system managers alike argue for approval of this request, even if the readily monetized savings do not fully off-set the initial costs on a dollar-per-dollar basis. NRDC supports the recommendation assuming that California American Water

can show that the additional expenses to be incurred for meter reading and bill distribution are not greatly disproportionate to the projected savings.

RESOLUTION:

DRA and California American Water agree to compromise that California American Water shall convert from bimonthly to monthly meter reading schedules in the Los Angeles County, Sacramento, and San Diego County Districts, and shall add five (5) meter reader positions, including all payroll expenses and benefits. California American Water agrees not to include in the revenue requirement for this proceeding the cost for mailing services, bill forms, and bank service charges, which were not included in the original application estimates on California Corporate workpapers (CC Exp. 101). Accordingly, DRA and California American Water agree to specific dollar amounts in Test Year 2012 for converting to monthly meter reading in the Los Angeles County, Sacramento and San Diego County districts, and adding five meter reader positions as set forth below.

Expense Item	Los Angeles	Sacramento	San Diego
Labor			
Base Salaries	\$104,000	\$52,000	\$104,000
Capital Labor	(\$14,436)	(\$7,998)	(\$19,242)
DCP	\$5,460	\$2,730	\$5,460
401K	\$3,852	\$1,741	\$4,160
Payroll Taxes	\$8,236	\$4,118	\$8,236
Group Insurance	\$24,366	\$12,183	\$24,366
Capitalized Benefits	(\$5,826)	(\$3,199)	(\$7,811)
Subtotal Labor	\$125,652	\$61,575	\$119,169
Other Costs			
Postage	\$68,550	\$141,000	\$51,300
Uniforms, Cell Phones	\$1,000	\$500	\$1,000
Additional Meter Reading Handhelds	\$700	\$350	\$700
Vehicles	\$5,415	\$2,707	\$2,707
Mailing Services – Bill Forms	\$24,558	\$50,490	\$18,381
Bank Service Charges	\$31,539	\$64,842	\$23,606
Subtotal Other Costs	\$131,762	\$259,889	\$97,694
Total Costs	\$257,414	\$321,464	\$217,133
Cost Savings	(\$107,308)	(\$287,806)	(\$97,962)
Net Benefit	\$150,106	\$33,658	\$119,171
Remove Mailing Services and Bank Service Charges	(\$56,097)	(\$115,332)	(\$41,987)
Grand Total	\$94,009	(\$81,674)	\$77,184

REFERENCES: CAW Exh. 3, Bruce Direct, pp. 9-13; CAW Exh. 38, Bruce Rebuttal, pp. 11-16; DRA Exh. 3, pp. 1-1 – 1-10; NRDC Exh. 1, pp.7-8.

11.2 Special Request #2: Monterey Tariff Area Combining

CALIFORNIA AMERICAN WATER REQUEST:

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 seven distinct tariffs for general metered water service and three distinct tariffs for private fire service, and two for wastewater service. The consolidation will align similar ratemaking premises into the actual tariffs.

DRA POSITION:

DRA does not object to California American Water’s request. There was no other testimony on this issue provided by intervenors.

RESOLUTION:

DRA and California American Water agree that it is prudent to have separate water tariffs for service within areas that are served by Seaside Basin and Carmel River. DRA and California American Water agree that it is prudent to have separate tariffs for active and passive systems in the Monterey Wastewater districts. Both DRA and California American Water agree that combining the tariffs does not change any of the current rates since the rates on each tariff sheet will still be different depending on service area and customer classification.

REFERENCES: CAW Exh. 27, Stephenson Direct, Section VII, pp. 31-34; DRA Exh. 3, Ch. 2.

ACTION ITEM:

DRA and California American Water agree that California American Water will file a Tier 1 Advice Letter to be effective upon filing within five days of the effective date of the decision approving this settlement. Draft tariffs are attached at Appendix 3-2. The water tariffs would replace tariffs MO-1, MO-1-LIRA, MO-4, MO-4B, MO-4H, MO-1A, MO-1A-LIRA, MO-4A, MO-C-1, MO-C-1-LIRA and MO-TO-1. The proposed wastewater tariffs would replace tariffs S and SP.

11.3 Special Request #3: Naming Convention for All Districts

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requests the authorization to rename its 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.

DRA POSITION:

DRA recommends approval of this request with the condition that ratepayers are not required to fund any costs for changing the names.

RESOLUTION:

DRA and California American Water agree that California American Water will rename its districts as follows: 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. These name changes will not result in service territory changes. DRA and California American Water expect the name changes will add clarity to customer's recognition of the geographic boundaries of the districts. There are no incremental and/or attendant costs that have been included in this general rate case, or expected in the future associated with the proposed name change.

REFERENCES: CAW Exh. 29, Tilden Direct, Section V, pp. 8-9; DRA Exh. 13, Ch. 1.

ACTION ITEM:

DRA and California American Water agree that California American Water will file a Tier 1 Advice Letter to be effective upon filing within five days of the effective date of the decision approving this settlement.

11.4 Special Request #6: Continue Previously Authorized WRAM/MCBA Accounts

CALIFORNIA AMERICAN WATER REQUEST:

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. The WRAM was authorized to track the difference between the total quantity charge revenues authorized by the Commission and the total revenues actually recovered through the quantity charge based on actual sales. The MCBA was authorized to capture the cost savings and cost increases associated with purchased water, power, and pump taxes. These mechanisms promote conservation and result in net costs savings for customers.

DRA POSITION:

DRA supports this request but recommends that certain issues be addressed as part of the industry-wide proceeding requested. Additionally, DRA recommends that California American Water close the ICBA in San Diego County and Ventura County and establish an MCBA in each district, to be netted with the WRAM prior to amortization in the same manner as the WRAM/MCBA in Los Angeles and Larkfield.

RESOLUTION:

DRA and California American Water agree that California American Water shall continue all previously authorized WRAMs and MCBAs under the terms of the previously authorized pilot programs. (Parties acknowledge, however, that the Commission may be reviewing California American Water's existing WRAM/MCBAs in the currently open proceeding A.10-09-017. Parties agree to abide by any order from A.10-09-017 that changes these mechanisms.) Additionally, DRA and California American Water agree that California American Water shall close the ICBA in the San Diego County and Ventura County districts and shall establish an

MCBA in these districts, to be netted with any WRAM balances prior to amortization in the same manner as the WRAM/MCBA in the Los Angeles and Larkfield districts.

REFERENCES: CAW Exh. 27, Stephenson Direct, pp. 44-49; CAW Exh. 36, Stephenson Supplemental Direct, DRA Exh. 10, Ch. 4.

11.5 Special Request #7: Allow Lower Carmel Valley Well

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requests that the Commission recognize the capital expenditure associated with the Lower Carmel Valley Well investment project in rate base and allow California American Water to recover it in rates. This request is made due to timing of pumping demands and lack of alternative supplies.

DRA POSITION:

DRA recommends that the Commission approve California American Water's request for the cost of a third well to be included in the 2012 beginning of year balance for utility plant in service at a cost of \$740,841 (gross value).

During the settlement process MPWMD indicated its strong support for this project.

RESOLUTION:

DRA and California American Water agree to recognize the capital expenditure associated with the third Lower Carmel Valley well replacement project. The well has significantly improved California American Water's ability to convey water into the Aquifer Storage and Recovery project during periods of excess winter flows and increased reliable source capacity for the Monterey main system since it was placed in service in early 2009.

REFERENCES: CAW Exh. 24, Schubert Direct, Part One, pp.; CAW Exh. 49, Schubert Rebuttal, Section XI, p. 176; DRA Exh. 9, Ch. 3.

ACTION ITEM:

The gross value will be placed in plant in service as of January 1, 2012 or the effective date of rates. Accumulated depreciation in non-utility property will be moved to accumulated depreciation related to plant in service. Rate base will increase based on the net of the gross value of plant in service and the non-utility accumulated depreciation related to the plant

11.6 Special Request #8: Ventura Main Break

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requests that the Commission allow it to include as part of rate base all unreimbursed costs related to a major main break in the Ventura County District. California American Water expects to incur costs in excess of insurance totaling \$239,854.44. Furthermore, recovery of claims from insurers can take years, during which time California American Water incurs significant carrying costs and legal costs. In the event that insurance proceeds for this event are received they should be recorded as contributions and California American should immediately file a Tier 1 advice letter to recognize a reduction to rate base and a corresponding decrease in rates.

DRA POSITION:

DRA recommends that the costs to repair the main break and restore the affected hillside should be reviewed once the company's insurer has completed its investigation and any amounts paid to California American Water are known. DRA recommends that the Commission direct California American Water to file a Tier 3 advice letter filing once the utility recovers from its insurer and/or any third parties.

RESOLUTION:

DRA and California American Water agree that the costs specifically and directly associated with replacement of the main, fixtures, and appurtenances be allowed for recovery in rate base in utility plant in service at this time. California American Water's current estimate of the costs specifically and directly associated with the replacement of the main, fixtures and appurtenances is approximately \$233,000. DRA and California American Water agree that the costs associated with repairing the affected hillside and debris clean-up shall be booked as non-utility plant, of which 90% of these costs would be booked now and the remaining 10% booked once California American agrees to pursue a good faith effort to resolve the potential litigation or litigation claim to recover expenses from responsible third parties to prevent costs from shifting to ratepayers. In the event that litigation or insurance recovery is unsuccessful and after all possible litigation and/or recovery from any and all third parties has concluded, it is DRA and California American's intention that Cal Am shall document its good faith efforts made to pursue recovery from third parties and include that documentation with a Tier 3 Advice Letter to recover the expenses for the hillside repair and clean-up, and that amortization too shall be three years.

The Parties further agree that if California American Water is reimbursed for the replacement of the main fixtures and appurtenances, those monies shall be accounted for as contributions. If California American Water is reimbursed for the hillside repair and debris removal, those proceeds shall be accounted for as expenses. Parties agree that the recovery of the expenses mentioned above shall be handled as an amortization over three years.

REFERENCES: CAW Exh. 10, Feizollahi Direct, pp. 11-12; CAW Exh. 24, Schubert Direct, pp. 36-38; CAW Exh. 49, Schubert Rebuttal, pp. 70-71; CAW Exh. 51, Stephenson Rebuttal, pp. 14-17; DRA Exh. 8, pp. 6-1 – 6-3.

11.7 Special Request #9: Eliminate DSIC Pilot Program in Los Angeles

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requests that the Commission discontinue its current authorized pilot Distribution System Improvement Charge (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.

DRA POSITION:

DRA agrees that the Commission should authorize California American Water to eliminate the DSIC pilot program in the Los Angeles County District. DRA stated in its Testimony that the Director, DWA, acknowledged that the quarterly Tier 3 Advice Letter filing was unduly burdensome on the DWA staff to process in a timely fashion. Additionally, DRA stated that the historical usage of the DSIC type regulatory mechanism has typically been used in historic test year regulation, rather than the prospective future test year regulation of California. Given the above, DRA agrees that the Commission should authorize California American Water to eliminate the DSIC pilot program because the pilot does not appear to have accomplished the intended benefits envisioned by DRA, California American Water, nor the Commission.

DRA recommends that the Commission require California American Water to report and make available to the CPUC the results of the American Water Works Company currently ongoing research project related to predicting main failure rates. DRA also recommends that the Commission encourage California American Water and all Class A water utilities under its jurisdiction to modify methods to collect main break data, including probable causes of failure, modes of pipe failure, water loss data, and data on thickness of pipe, to feed into such tools as GIS and KANEW or similar predictive failure models that are already commercially available. DRA further recommends that the Commission require Class A water utilities to perform a cost-benefit analysis of setting up such a data collection and analysis program to analyze infrastructure failures, and to better predict future condition and useful life of their infrastructure. DRA finally recommends that if DSIC or a similar surcharge is revisited in the future the Commission should require a careful, data-driven, scientific useful life prediction analysis, rather than a DSIC program without such analysis.

RESOLUTION:

Parties agree to conclude the DSIC Pilot in Los Angeles District, contingent upon the Commission's Final Decision in A.10-07-007. Parties agree to support and advocate for the necessary and reasonable changes to infrastructure investment programs described by DRA in the section above.

REFERENCES: CAW Exh. 27, Stephenson Direct, Section VII, pp. 49-54; DRA Exh. 11, Ch. 1.

ACTION ITEM:

Conclude the DSIC Pilot as of December 31, 2011. California American Water will perform the final true-up of expenditures related to the DSIC Pilot in Los Angeles District and file the remaining Tier 1 Advice Letter(s) for recovery, and subsequently, eliminate the DSIC Tariff, and close out the related DSIC balancing account.

11.8 Special Request #10: Duarte Irrigation System Water Use Restrictions**CALIFORNIA AMERICAN WATER REQUEST:**

California American Water requests authorization to establish permanent water use restrictions for Duarte Irrigation System customers in the Los Angeles County District. In particular, California American Water proposes implementing day and time of use restrictions, with different customers allowed to use water from the irrigation system on different days, and no water use allowed at certain times of day. Customers observed using irrigation water on days other than their assigned day, and outside of the allowed times of use, would be charged fines according to Sections E and F of California American Water's Schedule 14.1. This proposal is made in preparation for the retirement of the Duarte Irrigation System (*see* Special Request #23) and the new conservation rate design proposed for these customers (*see* Special Request #30). The requested water use restrictions would peak demand by spreading out demand over alternating days and requiring that irrigation occur only during the cooler evening and morning hours.

DRA POSITION:

DRA supports the day and time of use restrictions, but opposes the immediate implementation of fines for violating these restrictions. Instead, DRA recommends a phased approach by which California American Water would first implement the day and time of use restrictions and the new conservation rate design in 2012 and defer imposition of penalties for violation of the water use restrictions to 2013 if California American Water finds that peak use still necessitates supplementation of the system with potable water. In its advice letter to implement penalties, DRA recommends that California American Water document any changes in overall consumption in 2012 compared with the previous year and any changes in peak use. During 2012, California American Water should issue warnings to customers who violate the day and time of use restrictions, informing them of penalties that will be issued the following year (2013).

RESOLUTION:

DRA and California American Water agree that California American Water shall implement day and time of use restrictions for Duarte Irrigation Systems customers. DRA and California American Water agree that the day and time of use restrictions will become effective upon California American Water filing a Tier 1 Advice Letter. DRA and California American Water further agree that during 2012 California American Water will only issue warnings to customers who violate of the day and time of use restrictions. Beginning in 2013, California American

Water may impose penalties on customers who violate the day and time of use restrictions if peak use in 2012 continued to necessitate supplementation of the system with potable water. DRA and California American Water agree that the penalties for violation of the day and time of use restrictions will become effective upon California American Water filing a Tier 1 Advice Letter. Draft tariffs are attached at Appendix 3-3.

REFERENCES: CAW Exh. 2, Brown Direct, Section IV, pp. 10-13; CAW Exh. 37, Brown Rebuttal, Section III, pp. 2-5; CAW Exh 51, Stephenson Rebuttal, Section X, pp. 40-42; DRA Exh. 10, Ch. 6, pp. 8-13.

11.9 Special Request #12: Remove Tariff in Toro

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requests authorization from the Commission to eliminate the Public Fire Hydrant tariff that is now effective for the Toro service area of the Monterey County District. Currently there are no customers on this tariff and no other California American Water district has such an approved tariff. In compliance with General Order 103A, California American Water has Fire Hydrant Agreements with many fire departments. California American Water does not bill a monthly fee to fire agencies pursuant to these agreements.

DRA POSITION:

DRA finds this request reasonable and recommends approval of this request.

RESOLUTION:

DRA and California American Water agree that California American Water shall eliminate the Public Fire Hydrant tariff that is now effective for the Toro service area of the Monterey County District.

REFERENCES: CAW Exh. 7, Chew Direct, p. 3; DRA Exh. 13, Ch. 3.

ACTION ITEM:

DRA and California American Water agree that the elimination of the Public Fire Hydrant tariff will become effective five days after California American Water files a Tier 1 Advice Letter following a final decision in this general rate case.

11.10 Special Request #13: File Plans on All Items of Required General Order 103-A Compliance

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requests permission to file plans on all items in which it does not comply with General Order (GO) 103A by year-end 2011. GO 103A, which became effective September 10, 2009, provides rules governing water service, including minimum standards for operation, maintenance, design, and construction. California American Water has reviewed the GO 103A and has determined that it is in compliance with some but not all of its requirements. California American Water is in the process of developing an operations and maintenance plan. It should be noted however, several of the tasks identified are being performed but have not been documented. California American Water will complete its review, document current and develop new documented processes as required by GO 103A.

DRA POSITION:

DRA does not oppose the request for permission to file plans with the Commission by December 31, 2011 that will describe how the utility will comply with some aspects of GO 103A. DRA recommends that the Commission direct California American Water during the remainder of this GRC proceeding to provide quarterly status updates on California American Water's O&M plan development during the 2011 calendar year to the A.10-07-007 service list.

RESOLUTION:

DRA and California American Water agree that California American Water shall file plans on all items in which it does not currently comply with General Order 103A by December 31, 2011. Additionally, DRA and California American Water agree that California American Water will provide one quarterly status update on California American Water's O&M plan development on or before September 30, 2011.

REFERENCES: CAW Exh. 25, Simon Direct, pp. 6-8; CAW Exh. 49, Schubert Rebuttal, p. 176; DRA Exh.1, Executive Summary, Ch.2, DRA Exh. 11, Ch.2, pp. 2-1 to 2-6.

ACTION ITEM:

California American Water will provide one quarterly status update on California American Water's O&M plan development during the 2011 calendar year to the A.10-07-007 service list. The quarterly report that California American Water will transmit to the Service List of A.10-07-007 will be due by September 30, 2011. The report will include an update on California American Water's efforts to develop an Operations and Maintenance Manual. The quarterly update will provide a high level overview of the efforts made and tasks completed towards the manual development i.e. meetings conducted, identification of teams engaged in the development process, manual sectional development progress and confirmation they are on track to submit the final manual by the December 31, 2011 due date.

California American Water's Compliance Status with GO 103

California American Water has reviewed the General Order 103A requirements in detail to determine whether it is in compliance with the requirements. Based upon the review of the GO103 A requirements, no additional staff is being requested in this rate case.

1. California American Water complies with the requirements of Section I of the General Order.
2. California American Water generally complies with Section II (Standards of Service), with the following exceptions:
 - a. Quality of Water - The parties suggest that it may be helpful to appoint a Division of Water and Audits representative to assist the Commission in making specific findings and recommendations as indicated in Section II 2
 - b. Section II 2. B 1 (a) - Permitted Source - we are in compliance with all of our districts except in our Central Division (Monterey). Some of our water supply is not coming from a permitted source (in this area) due to the State Water Resources Control Board Order 95-10. In Order 95-10, the State Water Resources Control Board found that California American Water did not have permitted water rights for the volume of water it was appropriating from the Carmel River. Order 95-10 provided interim authorization to divert water to supply customers pending the construction of a new supply project. California American Water has an application pending before the Commission in proceeding A.04-09-019 requesting a Certificate of Public Convenience and Necessity to construct a new long term supply project to remedy this deficiency.
 - c. Section II 2. B 3 (a) - Potable Water System Capacity - we are in compliance with all of our districts except Northern Division (Larkfield) and Southern Division (Los Angeles - Duarte System).
 - i. Northern Division (Larkfield): We are in the process of filing a moratorium application in our Larkfield District.
 - ii. Southern Division (Los Angeles - Duarte System): The 2008 Comprehensive Planning Study for the Los Angeles District identified a supply deficit for the Duarte System. The factors contributing to this deficit include the declining water table in the Main San Gabriel Basin resulting from several years of lower than average local precipitation and the unavailability of imported replenishment water as well as the loss over time of the original production capacity of several wells due to age. Current projects are in progress and additional projects are being requested in this application to address this deficit and return the Duarte system to compliance with the Commission's General Order 103-A requirement. Based upon these projects, we have not requested a moratorium. For details of the requested projects see the Direct Testimony of Mark Reifer.
3. Section III, Standards of Design and Construction. In general, California American Water is in compliance with this section.

4. Section VI, Fire Protection Standards. California American Water is in compliance with this section.
5. Section VII, Operation and Maintenance. General Order 103-A requires that the utility "conduct regular reviews of their asset management system, employing either internal or external resources, as appropriate." In general, California American Water is in compliance with this section.
6. In addition, General Order 103-A requires that the utility have on file maps or other records that contain, "Location of all pumping stations, diversion works, water or sewer treatment plants, sources of supply, storage facilities, size, type of material and location of all mains and ditches, including valves and sluice gates, gauges, interconnections with other systems and fire hydrants." California American Water is working hard to develop and implement a comprehensive effort to comply with this requirement. California American Water has proposed a Mapping Improvement Project (IP-0560-176) in this GRC, which targets improving the system maps which are referenced in this portion of General Order 103-A. At the present time, California American Water plans to address the following with regard to its system maps:
 - a. The maps do not include all mains - there is a current backlog of as-built drawings to incorporate
 - b. The maps do not include the type of material for all mains
 - c. The maps do not include the location and size of all valves.
 - d. The maps do not include the location of all hydrants
7. Finally, General Order 103-A requires that the Utility maintain the following records:
 - a. Location, size and material of each service line
 - b. A schematic drawing or map of all pumping stations, water or wastewater treatment plants to show the size and location of all major equipment, pipelines, connections, valves and other equipment; and
 - c. The date of construction of all plant
 - d. In general, California American Water does show the location, size, and material of the service lines on as-built maps, as they are available. California American Water is also working with CDPH to complete schematic drawings on various pumping, treatment, and storage sites, while also showing the date of construction of these plant facilities on the as-built drawings.

11.11 Special Request #14: Recover all Balancing and Memorandum Accounts

11.11.1 Global Agreement

Unless otherwise noted in the resolution section of each balancing and memorandum accounts discussed below, DRA and California American Water agree to the following global items;

Balances reported in this section cover through May 31, 2010 only.

Recovery of all agreed upon balances herein will include interest accrued at the 90-day commercial paper rate from the cut-off date of the balances reviewed in the audit (in most cases, May 31, 2010) and the time of recovery as per D.94-06-033, June 22, 1994, O.P. 1.

Authorized balances will be transferred to each district's expense balancing account. DRA and California American Water agree that the balance in the expense balancing account will be amortized by applying a surcharge to the quantity rates for under collections and crediting the service charge of all customers based on meter equivalent size of the service connection for over collections wherever possible depending on the type of expense as noted below. (D.03-06-072). Request recovery of a net under collection in the accounts by amortizing the under collection and applying a surcharge to the quantity rates. California American Water is permitted to bill and/or track recoveries or refunds related to the expense balancing account as a separate surcharge or surcredit if needed depending on the constraints of its billing and financial systems.

Charges to accounts that occur after DRA's review shall be reviewed in the next general rate case or by advice letter when the account over-collection or under collection exceeds 2% in accordance with Standard Practice (SP) U-27-W. Recovery of memorandum accounts shall be filed through a Tier 3 advice letter pursuant to SP U-27-W.

Refunding of a net over collection to the customers shall be done by amortizing the over collection and crediting the service charge of all customers, based on the meter equivalent size of the service connection, for such period of time needed to refund the amount of the over collection. Refunding shall occur as soon as reasonably possible. In the event the Commission should issue new amortization guidelines, DRA and California American Water agree that the amortization schedule of the balances in this settlement may be revised to follow the Commission's latest ruling.

11.11.2 National Oceanic and Atmospheric Endangered Species Act (NOAA/ESA)

CALIFORNIA AMERICAN WATER REQUEST:

California American Water seeks to include in rates the current \$1.1 million annual payments which are intended to discharge California American Water's Tier I, Phase 2 obligations in the 2001 agreement relating to water withdrawals from the Carmel River. In addition, California American Water requests that it be allowed to continue and expand the current memorandum account to address to-be-determined obligations concerning fish passage and habitat quality in the 2009 agreement with NOAA.

Additionally California American Water requests that all costs in the Endangered Species Act memorandum account be recovered, including the \$522,300 of legal fees that were incurred prior to November 30, 2006 for ongoing efforts with several government agencies to ensure compliance. California American Water further requests authorization to retain the ESA memorandum account separately from the NOAA/ESA memorandum account. See Section 11.11.6 below.

Generally, the NOAA/ESA memorandum account tracks compliance payments made by California American Water to NOAA or its designated payee for Endangered Species Act mitigation in the Monterey County District. The NOAA/ESA memo account was last authorized in D.09-07-021 and Appendix A of D.09-07-022 and is to remain open through July 1, 2016 in accordance with the agreement between the parties. As of May 31, 2010, the balance was \$3,515,870, recovery of which was requested through Advice Letter 825 filed on January 15, 2010.

DRA POSITION:

DRA supports retention of the NOAA/ESA memorandum account to allow for tracking the currently required \$1.1 million annual payment but opposes including these amounts in test year base rates. DRA also opposes expanding the account to track future payments for steelhead mitigation. Instead DRA recommends that California American Water file a Tier II advice letter in the event such payments are required.

RESOLUTION:

DRA and California American Water agree to retain the NOAA/ESA memorandum account to track compliance payments made by California American Water to the United States Department of Commerce NOAA, or its designated payee, for federal ESA mitigation. This account is applicable to the Monterey main system. Balances in this account will be recovered from customers in the Monterey main system. In the event California American Water incurs costs to address to-be-determined obligations concerning fish passage and habitat quality in the 2009 agreement with NOAA, California American Water may file a Tier II advice letter to request such costs be included in the NOAA/ESA memorandum account. Draft tariffs are attached as Appendix 3-4.

Item	Account	CAW	DRA	Difference	Settlement
A	NOAA/ESA	(\$3,515,870)	\$0	(\$3,515,870)	Already Recovered in Advice Letter No. 825

REFERENCES: CAW Exh. 7, Chew Direct, Sec. IV, pp. 4-5; CAW 30, Anthony Supplemental Direct, Sec. IX; CAW 39, Chew Rebuttal, Sec. III, pp. 2-7; DRA Exh. 14, Audit Report, pp. 5-9.

11.11.3 Credit Card Memorandum Accounts

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requests authorization to transfer the May 31, 2010 balance for each district's Credit Card Memorandum Account to the district expense balancing account for refund or recovery via a Tier 1 advice letter after a final decision in this case is issued. The Credit Card Memorandum Account tracks avoided costs of check processing fees when customers pay by credit card instead of check. California American Water further requests authorization to close the Credit Card Memorandum Account.

DRA POSITION:

DRA does not oppose this request.

RESOLUTION:

DRA and California American Water agree that California American Water shall transfer the Credit Card Memorandum account balances to its expense balancing account for each district. California American Water shall file a Tier 1 advice letter to amortize the balance through a service charge credit. The Credit Card Memorandum Account shall close upon transfer of the balance to the expense balancing account.

Credit Card Memorandum Accounts (CCMA)		Balance as of May 31, 2010 (Under)/Over Collection			
Item	Account	CAW	DRA	Difference	Settlement
B-1	CCMA – San Diego	\$37,854	\$37,854	\$0	\$37,854
B-2	CCMA – Larkfield	\$3,430	\$3,430	\$0	\$3,430
B-3	CCMA – LA County (Baldwin Hills)	\$19,729	\$19,729	\$0	\$19,729
B-4	CCMA – LA County (Duarte)	\$9,611	\$9,611	\$0	\$9,611
B-5	CCMA – LA County (San Marino)	\$10,202	\$10,202	\$0	\$10,202
B-6	CCMA – Monterey County	\$64,206	\$64,206	\$0	\$64,206
B-7	CCMA – Monterey County WW	\$0	\$0	\$0	\$0
B-8	CCMA – Ventura County	\$27,760	\$27,760	\$0	\$27,760
B-9	CCMA – Sacramento	\$105,151	\$105,151	\$0	\$105,151

REFERENCES: CAW Exh. 7, Chew Direct, Sec. IV, p. 5; DRA Exh. 14, Audit Report, pp. 10-11.

11.11.4 San Clemente Dam Memorandum Account

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requests that the San Clemente Dam Memorandum Account (SCDMA) remain in place until a decision is made in A.10-09-018. The SCDMA tracks costs related to the San Clemente Dam retrofit project in the Monterey County District. This account was created to 1) remove costs from rate base and into a memorandum account for later reasonableness review by the Commission and 2) track the carrying costs associated with this project. The SCDMA was originally authorized in D.06-11-050 and modified in D.08-05-036 to draw an Allowance for Funds Used During Construction (AFUDC) rate equivalent to California American Water's rate of return.

DRA POSITION:

DRA did not take a position on this account since it is being addressed in a separate proceeding.

RESOLUTION:

The SCDMA account is not part of this Settlement and will be addressed in A.10-09-018.

REFERENCES: CAW Exh. 7, Chew Direct, Sec. IV, pp. 5-6; DRA Exh. 14, Audit Report, p.11.

11.11.5 Water Revenue Adjustment Mechanism Balancing Account & Modified Cost Balancing Account

CALIFORNIA AMERICAN WATER REQUEST:

The Water Revenue Adjustment Mechanism Balancing Account (WRAM) tracks the difference between the total Commission authorized quantity charge revenues and the total revenues actually recovered through the quantity charge based on actual sales. The Modified Cost Balancing Account (MCBA) captures the difference between the total variable cost quantity charge revenues received from customers and the actual payments made to service providers for costs associated with purchased water, purchased power and pump taxes. California American Water currently has WRAM/MCBA balancing accounts in place for all its districts except Sacramento and the service areas of Ralph Lane, Chualar and Toro in the Monterey County District.

California American Water requests approval of these balances for recovery and continuance of the WRAM/MCBAs. However, California American Water requests the reporting process be modified to allow for an annual review and amortization of all its balancing accounts to minimize the number of rate changes that occur throughout the year. Further discussion on the WRAM/MCBAs and overall balancing account recovery can be found in Section VII of David Stephenson's direct testimony and Section IV of Jeffrey Linam's direct testimony.

DRA POSITION:

In addition to recovery of the recommended amounts in the table below, DRA recommended that the WRAM/MCBA accounts be retained. DRA specifically recommends as follows for each district:

DRA recommends that for San Diego District WRAM/MCBA balances, the under collection of \$699,520 for January through May 2010 should be combined with the WRAM/MCBA balance for June through December 2010, if any, and recovered via advice letter in 2011. DRA recommends recovery of the \$191,752 under collection for 2009. For Larkfield District, Los Angeles-Duarte Service Area, Los Angeles-San Marino Service Area, Monterey Service Area, and Ventura County District DRA recommends that the under collection of the WRAM/MCBA balance for January 1 to May 31, 2010 should be combined with the WRAM/MCBA balance for June 1 to December 31, 2010, if any. DRA recommends that California American Water report this balance in the annual written report. If the March 31 written report meets the 2.5% trigger, then California American Water can file for the entire 2010 WRAM/MCBA balance through an Advice Letter.

DRA further recommends that the Commission modify the pilot program for all districts and service areas to clarify that the ICBA accounts should be replaced with MCBA accounts.

In addition DRA recommends that California American Water conduct specific audits of the WRAM/MCBA accounts.

RESOLUTION:

DRA and California American Water agree to the balances by district listed below for 2009 and prior years only as summarized below. Balances for later periods shall be reviewed in accordance with the rate design settlements previously adopted by the Commission or as established in this proceeding.

- Balances for Larkfield and Los Angeles are already being recovered in accordance with the amortization guidelines of Standard Practice U-27-W.
- Balances for Ambler will be filed for in accordance with D.09-07-021.
- Balances for San Diego and Ventura were carried forward for future recovery or refund since they fell below the 2.5% threshold established in D.08-11-023.
- The new Monterey WRAM and MCBA were made effective on February 1, 2010 and will be filed for in accordance with D.09-07-021.
- The WRAM and MCBA shall be considered together, but monitored and amortized separately from other balancing accounts in accordance with the rate design settlements previously authorized by the Commission for each district, unless otherwise revised in this proceeding.

- The Commission is currently reviewing the water industry’s request in A.10-09-017 to shorten the amortization periods for WRAM and MCBA balances due to recent changes to general accounting principles. Should the decision issued under A.10-09-017 or another proceeding amend this process, California American Water may modify any active surcharge and recovery period accordingly.

Item	WRAM/MCBA Account by District	CAW	DRA	Difference (Under)/Over-Collection	Settlement 2009 and Prior Balances Only
D-1	San Diego County	(\$1,083,562)	(\$191,752)	(\$891,810)	(\$191,752)
D-2	Larkfield	(\$623,313)	(\$435,533)	(\$187,780)	(\$435,533)
D-3	Los Angeles County – Baldwin Hills	(\$7,126)	(\$7,126)	\$0	(\$7,126)
D-4	Los Angeles County – Duarte	(\$2,076,730)	(\$1,315,300)	(\$763,200)	(\$1,315,300)
D-5	Los Angeles County – San Marino	(\$2,327,365)	(\$1,360,000)	(\$955,900)	(\$1,360,000)
D-6	Monterey County	(\$4,238,157)	\$0	(\$4,238,157)	\$0
D-7	Monterey County – Ambler	(\$128,717)	(\$128,717)	\$0	(\$128,717)
D-8	Ventura County	(\$831,924)	\$555,395	(\$1,387,265)	\$555,395

REFERENCES: CAW Exh. 7, Chew Direct, Sec. IV, pp. 6-7; DRA Exh. 14, Audit Report, pp. 12-46.

11.11.6 Endangered Species Act Memorandum Account

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requests that all costs in the Endangered Species Act (ESA) Memorandum Account be recovered, including the \$522,300 of legal fees that were incurred prior to November 30, 2006 for ongoing efforts with several government agencies to ensure compliance. California American Water further requests authorization to retain the ESA memorandum account separately from the NOAA/ESA memorandum account, in order to track any future payments it may incur to fund additional mitigation activities.

DRA POSITION:

DRA recommends that the Commission adopt DRA’s estimate of the balance of the ESA Memorandum Account as of May 31, 2010 and that the Commission require that California American Water close the ESA Memorandum Account.

RESOLUTION:

DRA and California American Water agree to transfer \$679,670 tracked in its ESA memorandum account to its expense balancing account for recovery through a quantity rate surcharge from customers in the Monterey main system through a Tier 1 Advice Letter. The parties agree to retain this memorandum account for the Monterey main system and that California American Water record \$1,018,090 in CWIP subject to review of DRA plant witness in the next GRC.

Item	Account	CAW	DRA	Difference	Settlement (Under)/Over-Collection
E	ESA Memorandum Account	(\$1,697,762)	(\$679,674)	(\$1,018,088)	(\$679,674)
E	Transfer to CWIP	\$0	\$0	\$0	(\$1,018,088)

REFERENCES: CAW Exh. 7, Chew Direct, Sec. IV, pp. 8-9; CAW Exh. 39, Chew Rebuttal, Sec. III, pp. 4-7; DRA Exh. 14, Audit Report, pp. 47-52.

11.11.7 Monterey Peninsula Water Management District Conservation Balancing Account

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requests this one-way balancing account and the related volumetric surcharge be retained in order to readily track all expenses and surcharges connected to MPWMD’s conservation program. California American Water hereby also requests authorization for the outstanding balances in all accounts to be transferred to the expense balancing account for refund or recovery. Details on requested funding levels are provided in Section IV of the direct testimony of Monica Na.

DRA POSITION:

DRA does not object to this request.

RESOLUTION:

DRA and California American Water agree to transfer the MPWMD Conservation balance to the expense balancing account. California American Water may file a Tier 1 Advice Letter for refund of this balance through a service charge credit. This one-way balancing account and the related conservation surcharge to recover conservation related expenditures will be retained in order to readily track all expenses, surcharges and credits connected to MPWMD’s conservation program. The service charge credit will be applicable to customers in the Monterey main, Bishop, Hidden Hills and Ryan Ranch areas.

Item	Account	CAW	DRA	Difference	Settlement (Under)/Over-Collection
F	MPWMD Conservation Balancing Account	\$376,738	\$376,738	\$0	\$376,738

REFERENCES: CAW Exh. 7, Chew Direct, Sec. IV, pp. 9-10; DRA Exh. 14, Audit Report, p. 53.

11.11.8 California American Water Conservation Surcharge Balancing Account

CALIFORNIA AMERICAN WATER REQUEST:

The CAWCS Balancing Account is a one-way balancing account approved to track conservation-related expenses and surcharges associated with California American Water’s internal conservation efforts. At the time the rate case was filed, the CAWCS was in effect for all water districts except Los Angeles. Per the settlement agreement adopted in D.10-06-038, a one-way balancing account for Los Angeles has been instituted.

California American Water requests that the one-way conservation program dollars remain funded through a separate surcharge and tracked, along with related expenses, in the balancing accounts. This will ensure that dollars collected for conservation are applied directly to conservation programs. California American Water hereby requests authorization for the outstanding balances in all accounts to be transferred to the expense balancing account for refund or recovery.

DRA POSITION:

DRA does not object to this request.

RESOLUTION:

DRA and California American Water agree to transfer the below balances to each district’s expense balancing account for recovery or refund through a quantity charge or a service charge credit, respectively, via a Tier 1 Advice Letter. The parties agree to retain one-way conservation balancing accounts for the Monterey, San Diego, Larkfield, Los Angeles, Sacramento and Ventura districts to track surcharges and expenses related to California American Water’s conservation programs.

Item	Conservation Surcharge	CAW	DRA	Difference	Settlement (Under)/Over-Collection
G-1	Monterey County	\$464,919	\$464,919	\$0	\$464,919
G-2	San Diego County	\$25,943	\$25,943	\$0	\$25,943
G-3	Larkfield	\$8,865	\$8,865	\$0	\$8,865
G-4	Sacramento	\$497,062	\$497,062	\$0	\$497,062
G-5	Ventura County	(\$64,143)	(\$64,143)	\$0	(\$64,143)

REFERENCES: CAW Exh. 7, Chew Direct, Sec. IV, pp. 10-11; DRA Exh. 14, Audit Report, pp. 53-54.

11.11.9 American Job Creation Tax Act Credits Memorandum Account

CALIFORNIA AMERICAN WATER REQUEST:

The AJCTAC Memorandum Account tracks tax benefits associated with the American Jobs Creation Act (AJCA) of 2004 and is applicable to all districts served by California American Water. This Code Section permits a phased-in tax deduction of so called qualified production activities income limited to 50% of W-2 wages paid during a calendar year. The AJCTAC memorandum account was first created because the impact of this law and the applied methodology was unknown at the time. California American Water has since developed a calculation that is reflected in the income tax section for each property and discussed in Section II of the direct testimony of Rodney Jordan.

California American Water hereby requests authorization for the outstanding balances in all accounts to be transferred to the expense balancing account for refund or recovery. California American Water also requests that these accounts be closed since the credit for the AJCTAC is now embedded in the tax calculation of the revenue requirement. The balance for all districts is \$0.

DRA POSITION:

DRA does not object to this request.

RESOLUTION:

DRA and California American Water agree to close the AJCTAC memorandum account with a balance of \$0 since the AJCTAC credit is now embedded in the tax calculation of the revenue requirement.

REFERENCES: CAW Exh. 7, Chew Direct, Sec. IV, pp. 11-12; DRA Exh. 14, Audit Report, pp. 54-55.

11.11.10 Low-Income Ratepayer Assistance Program Memorandum Account

CALIFORNIA AMERICAN WATER REQUEST:

The LIRAP Memorandum Account tracks revenues lost as a result of customers affording themselves of the LIRAP, incurred costs as a result of mailings and other program set up requirements, and recoveries associated with the LIRAP offered in each districts.

California American Water requests that these memorandum accounts be carried forward since the low-income program is still relatively new in most districts and the Commission will soon probably require data sharing with energy utilities to expand penetration. California American Water hereby also requests authorization for the outstanding balances in all accounts to be transferred to the expense balancing account for refund or recovery.

DRA POSITION:

DRA does not object to this request and recommends recovery of the amounts included in the table below. In addition DRA recommends this account be carried forward.

RESOLUTION:

DRA and California American Water agree to transfer the below balances to each district’s expense balancing account for recovery or refund through a quantity charge or a service charge credit, respectively, via a Tier 1 Advice Letter. The parties agree to retain this account for each district.

Item	Conservation Surcharge	CAW	DRA	Difference	Settlement
I-1	San Diego County	(\$12,471)	(\$12,471)	\$0	(\$12,471)
I-2	Larkfield	(\$5,186)	(\$5,186)	\$0	(\$5,186)
I-3	Los Angeles County – Baldwin Hills	(\$7,812)	(\$7,812)	\$0	(\$7,812)
I-4	Los Angeles County – Duarte	(\$23,775)	(\$23,775)	\$0	(\$23,775)
I-5	Los Angeles County – San Marino	(\$57,206)	(\$57,206)	\$0	(\$57,206)
I-6	Sacramento	(\$114,739)	(\$117,635)	\$2,896	(\$117,635)
I-7	Ventura County	(\$18,176)	(\$18,176)	\$0	(\$18,176)

REFERENCES: CAW Exh. 7, Chew Direct, p. 12; DRA Exh. 14, Audit Report, pp. 55-60.

11.11.11 Conservation Program Memorandum Account

CALIFORNIA AMERICAN WATER REQUEST:

The Conservation Program Memorandum Account tracks cost expenditures and recoveries associated with conservation efforts in the Los Angeles County District. California American Water recommends that the Conservation Program Memorandum Account be closed and replaced with a one-way conservation balancing account similar to the accounts established for the rest of California American Water’s districts. California American Water also requests that Los Angeles County District conservation program be funded by a volumetric surcharge to be tracked, along with conservation-related expenses, in the balancing account. Additionally, California American Water requests authorization for the outstanding balance in this account to be transferred to the expense balancing account for refund or recovery.

DRA POSITION:

DRA recommends recovery of the amount indicated in the table below. DRA does not otherwise oppose this request.

RESOLUTION:

DRA and California American Water agree to transfer the Conservation Program memorandum balance to the expense balancing account for recovery or refund through a quantity charge or a service charge credit, respectively, via a Tier 1 Advice Letter. This memorandum account shall close and be replaced with a one-way conservation balancing account consistent with accounts established in other districts and D.10-06-038. The one-way balancing account shall track conservation-related expenses, as well as the ongoing volumetric surcharge that recovers the expenditures.

Item	Conservation Program	CAW	DRA	Difference	Settlement (Under)/Over-Collection
J	Los Angeles County	(\$162,611)	(\$159,198)	(\$3,413)	(\$159,198)

REFERENCES: CAW Exh. 7, Chew Direct, Sec. IV, pp. 12-13; DRA Exh. 14, Audit Report, pp. 61-63.

11.11.12 Coastal Water Project Memorandum Account

CALIFORNIA AMERICAN WATER REQUEST:

The Commission granted the CWP Memo Account in D.03-09-022. It tracks costs associated with the Coastal Water Project in the Monterey County District. This memorandum account is addressed as part of the Coastal Water Project proceeding (A.04- 09-019).

DRA POSITION:

DRA did not audit this account as there is a separate Commission proceeding addressing this.

RESOLUTION:

DRA and California American Water agree that the CWP memorandum account is not part of this Settlement and shall be addressed in A.04-09-019. No action on this account shall be taken in this proceeding.

REFERENCES: CAW Exh. 7, Chew Direct, Sec. IV, p. 13; DRA Exh. 14, Audit Report, p. 64.

11.11.13 Water Contamination Litigation Expense Memorandum Account

CALIFORNIA AMERICAN WATER REQUEST:

The WCLE Memorandum Account tracks costs associated with litigating water contamination legal cases in California American Water's districts. In accordance with the Resolution, California American Water requests continuance of this memorandum account and approval of all balances to be transferred to the expense balancing account for recovery.

DRA POSITION:

DRA recommends that the Commission authorize California American Water to transfer the balance in this account to the expense balancing account for recovery. DRA recommends that for any future costs booked to the WCLE Memorandum Account, when California American Water files for recovery of the balance, it should provide evidence of insurance against lawsuits and should provide documentation from their insurance company of the amount of all proceeds to offset these litigation costs, and documentation where the utility booked the proceeds from the insurance company. DRA also recommends that the utility provide documentation that it only booked costs in the account associated with lawsuits against the utility.

RESOLUTION:

DRA and California American Water agree to retain the WCLE Memorandum account for all districts. Recovery of this balance has been filed for under Advice Letter 905 in accordance with the partial settlement between DRA and California American Water in A.09-01-013.

Item	Water Contamination Litigation	CAW	DRA	Difference	Settlement (Under)/Over-Collection
L-1	Los Angeles	(\$1,143,326)	(\$1,143,326)	\$0	Filed for under Advice Letter 905
L-2	Sacramento	\$0	\$0	\$0	\$0

REFERENCES: CAW Exh. 7, Chew Direct, Sec. III, pp. 13-14; DRA Exh. 14, Audit Report, pp. 65-68.

11.11.14 Patton Well and Treatment Memorandum Account

CALIFORNIA AMERICAN WATER REQUEST:

The Patton Well Treatment (“PWT”) Memorandum Account tracks costs associated with the construction costs for the Patton well and treatment facility in the Los Angeles County District. This account accrues interest at 4% per D.07-08-030 and was recently reviewed as part of the 2009 general rate case. Pursuant to the settlement between California American Water and DRA that the Commission adopted in D. 10-06-038, a total of \$2,880,865 is allowed for the project. Of this, \$1,642,486 is allowed in 2009 rate base. The remaining \$1,238,379 is to be put into rate base through a Tier III advice letter filing when the project becomes used and useful for utility service. Completion of the Patton Well and Treatment project is expected to occur in the summer of 2010. California American Water proposes this memorandum account be terminated upon completion of the project and transfer of authorized dollars to rate base for recovery.

DRA POSITION:

DRA recommends that the Commission authorize California American Water to retain an outstanding balance of \$1,215,314 in the PWT Memorandum Account. DRA further recommends that once the project is completed and in service, California American Water file a Tier 3 advice letter to request to include the costs tracked in the PWT Memorandum Account in rate base, at which time the PWT Memorandum Account should be eliminated.

RESOLUTION:

DRA and California American Water agree that California American Water shall file a Tier 3 Advice Letter to request a rate base offset of \$1,215,314 for the Patton Well Treatment subject to California American Water providing evidence of the California Department of Public Health (CDPH), or a local county health department’s authorization for use of the well and deeming the current water treatment necessary. Interest in this account shall continue to accrue at the 4% rate previously authorized in D.07-08-030, Settlement Agreement, Attachment 2, pp. 18-19, until the company files for the rate base offset. The parties agree to close this memorandum account once the Tier 3 advice letter is filed.

Item	Account	CAW	DRA	Difference	Settlement (Under)/Over -Collection
M	Patton Well & Treatment	(\$2,857,800)	(\$1,642,486)	(\$1,215,314)	(\$2,857,800)

REFERENCES: CAW Exh. 7, Chew Direct, Sec. IV, pp. 14-15; CAW Exh. 39, Chew Rebuttal, Sec. III, p.7; DRA Exh. 14, Audit Report, pp. 68-71.

11.11.15 Carmel River Dam Abandonment Project Balancing Account

CALIFORNIA AMERICAN WATER REQUEST:

The CRDAP Balancing Account tracks costs associated with the Carmel River Dam project, including surcharge amounts collected from customers in the Monterey County District as authorized in D.06-11-050 and continued in D.09-07-022. Per Advice Letter 656, a meter surcharge is applied to all customers in the Monterey main system and shall remain in place for four years beginning December 10, 2006.

California American Water recommends that any remaining unrecovered balance after the surcharge is removed be transferred to the expense balancing account for recovery or refund.

DRA POSITION:

DRA does not object to this request.

RESOLUTION:

DRA and California American Water agree that California American Water shall transfer any outstanding balance in this account as of May 31, 2010 to the expense balancing account for recovery or refund via a quantity charge or a service charge credit, respectively, for customers in the Monterey main and Ryan Ranch areas via a Tier 1 Advice Letter.

Item	Account	CAW	DRA	Difference	Settlement
N	Carmel River Dam Abandonment Project	(\$416,770)	(\$416,770)	\$0	(\$416,770)

REFERENCES: CAW Exh. 7, Chew Direct, Sec. IV, p. 15; DRA Exh. 14, Audit Report, Sec. III, p. 72.

11.11.16 Santa Rosa Groundwater Study Memorandum Account

CALIFORNIA AMERICAN WATER REQUEST:

The Santa Rosa Groundwater Study Memorandum Account tracks costs related to the Santa Rosa Plain Groundwater Study as approved in D.05-09-020 for the Larkfield District. In the

settlement in the 2009 general rate case, which the Commission approved in D. 10-06-038, the parties agreed that the balance in this account is approved for recovery from ratepayers.

DRA POSITION:

DRA recommends approving \$71,922 for recovery. In addition, DRA recommends closing this account.

RESOLUTION:

DRA and California American Water agree to transfer the (\$71,922) balance, as set forth below, to the expense balancing account for recovery through a quantity charge via a Tier 1 Advice Letter. DRA and California American Water agree to close the Santa Rosa Groundwater Study memorandum account.

Item	Account	CAW	DRA	Difference	Settlement (Under)/Over -Collection
O	Santa Rosa Groundwater Study	(\$54,912)	(\$71,922)	\$17,010	(\$71,922)

REFERENCES: CAW Exh. 7, Chew Direct, Sec. IV, p. 15; DRA Exh. 14, Audit Report, pp. 72-74.

11.11.17 Seaside Groundwater Basin Memorandum Account

CALIFORNIA AMERICAN WATER REQUEST:

In this account, California American Water tracks payments made to the Seaside Basin Water Master for replenishment water. Presently, there is a balance of \$1,552,872 in this account (per Data Request Response JM2-010-002). Please see Section VII of the direct testimony of Craig Anthony for more details on the Seaside Basin Replenishment Fees.

California American Water is requesting that the account remain open since the offsets are an annual determination and assessments could be required to be paid annually in any given year.

DRA POSITION:

DRA recommends the Commission authorize California American Water to amortize the balance of the account. DRA further recommends retention of the Memorandum Account. DRA also recommends that California American Water provide supporting evidence in the next GRC regarding the portion of the Seaside Basin adjudication expenses that California American Water can reasonable forecast, for example, the administrative fees, and that the utility should build the estimate for those portion of the expenses into the forecast for the O&M expenses, rather than continue to track the costs in the Memorandum Account.

RESOLUTION:

A discussion of the settlement in regards to future presentation of the Seaside Basin Water Master costs is described under Section 4.2 above.

DRA and California American Water agree that the balance below shall be transferred to the expense balancing account for recovery through a quantity charge via a Tier 1 Advice Letter and that the memorandum account be retained. California American Water agrees to incorporate adjudication expenses, such as administrative fees, in its O&M expense forecasts for the next rate case.

Item	Account	CAW	DRA	Difference	Settlement (Under)/Over -Collection
P	Seaside Groundwater Basin	(\$1,552,872)	(\$1,552,872)	\$0	(\$1,552,872)

REFERENCES: CAW Exh. 7, Chew Direct, Sec. III, p.16; DRA Exh. 14, Audit Report, pp. 75-85.

11.11.18 Interim Rate True-Up Balancing Account

CALIFORNIA AMERICAN WATER REQUEST:

The Interim Rate True Up (“IRTU”) Balancing Account tracks the difference between interim rates and final rates adopted by the Commission pursuant to the Rate Case Plan in D.07-05-062. As of May 31, 2010, there are balances remaining for the Monterey County and Sacramento Districts. California American Water filed for and received approval of an interim rate true-up for its Los Angeles district in Advice Letter 851.

California American Water requests authorization for the outstanding balance in these accounts to be transferred to the expense balancing account for refund or recovery.

DRA POSITION:

DRA recommends that the Commission adjust the requested recovery of residual balance in Item Q-1 by \$43,435 and approve recovery of \$161,558. DRA does not oppose recovery of the outstanding balance of \$1,616,411 in item Q-2.

RESOLUTION:

DRA and California American Water agree to transfer the outstanding balance for Sacramento and Los Angeles to the expense balancing account for recovery through a quantity charge via a Tier 1 Advice Letter.

The parties agree that the balance in the Monterey interim rate true-up is being litigated in this proceeding in conjunction with the old Monterey style WRAM. The final balance adopted by

the Commission shall be transferred to the expense balancing account for recovery or refund through a meter-based surcharge or surcredit.

Item	Interim Rate True-Up	CAW	DRA	Difference	Settlement (Under)/Over-Collection
Q-1	Sacramento	(\$204,993)	(\$164,558)	(\$43,435)	(\$164,558)
Q-2	Los Angeles County	(\$1,616,411)	(\$1,616,411)		(\$1,616,411)

REFERENCES: CAW Exh. 7, Chew Direct, Sec. IV, p. 16, DRA Exh. 14, Audit Report, pp. 81-83.

11.11.19 Purchased Water, Purchased Power and Pump Tax Balancing Accounts

CALIFORNIA AMERICAN WATER REQUEST:

The Purchased Water, Purchased Power and Pump Tax Balancing Account tracks expense-related items that could severely injure utilities from achieving their authorized earnings. The status of these balancing accounts are to be reported in each district’s general rate case per D.06-04-037, along with recommendations for amortizing the under or over collections in the accounts subject to reasonableness review.

California American Water currently only utilizes the Sacramento District account. In its remaining districts, California American Water tracks purchased water, purchased power and pump taxes as part of the MCBA.

California American Water hereby requests that any outstanding balances in the Purchased Water, Purchased Power and Pump Tax balancing accounts be transferred to the expense balancing account for refund or recovery, and these accounts closed, except for the Sacramento District.

DRA POSITION:

DRA’s recommends recovery of the amounts indicated in the table below. DRA also recommends that this account be closed for all districts other than Sacramento.

RESOLUTION:

For Purchased Water, Power, and Pump Taxes accounts for all districts, except for Sacramento, DRA and California American Water agree to the amounts as follows:

Larkfield	(\$70,438)
Los Angeles County– Baldwin Hills	(\$186,625)
Los Angeles County – Duarte	(\$152,879)
Los Angeles County – San Marino	(\$891,360)
Monterey County	\$533,526
San Diego County	(\$391,981):
Ventura	(\$1,158,917)

DRA and California American Water agree that the balances above will be transferred to the expense balancing account for recovery or refund through a quantity charge or a service charge credit, respectively, via a Tier 1 Advice Letter. The quantity charge shall be calculated for each rate tier, where applicable, based on the rate design used to calculate base rates. These accounts shall be closed and replaced with the MCBA accounts already in place for each district, with the exception of Sacramento which will retain its purchased water, power and pump taxes account. Should the Commission adopt California American Water’s proposal for a WRAM and MCBA in the Sacramento District, California American Water may file a Tier 1 Advice Letter to recover or refund the outstanding balance in the Sacramento Purchased Water, Power and Pump Tax balancing account through a quantity charge or service charge credit respectively and close the account.

Item	Purchased Water, Purchased Power and Pump Expense	CAW	CAW Revised	DRA	Difference	Settlement
R-1	San Diego County	(\$391,981)		(\$232,684)	(\$159,297)	(\$391,981)
R-2	Larkfield	(\$70,438)	(\$546,647)	(\$58,944)	(\$487,653)	(\$70,438)
R-3	Los Angeles County – Baldwin Hills	(\$186,625)	(\$199,591)	(\$186,625)	(\$12,966)	(\$186,625)
R-4	Los Angeles County – Duarte	(\$152,879)	(\$389,484)	(\$152,879)	(\$236,605)	(\$152,879)
R-5	Los Angeles County – San Marino	(\$891,360)		(\$791,956)	(\$99,404)	(\$891,360)
R-6	Monterey County	\$533,526		\$533,526	\$0	\$533,526
R-7	Monterey County WW	\$0		\$0	\$0	\$0
R-8	Sacramento	(\$797,913)	(\$1,229,140)	(\$281,300)	(\$947,840)	(\$797,913)
R-9	Ventura County	(\$1,158,917)		(\$853,350)	(\$305,567)	(\$1,158,917)

REFERENCES: CAW Exh. 7, Chew Direct, Sec. III, p. 17; CAW Exh. 7, Chew Direct, Attachment 1; CAW Exh. 39, Chew Rebuttal, Sec. IV, pp. 8-12; CAW Exh. 39, Chew Rebuttal, Attachment 1, Table 1; DRA Exh. 14, Audit Report, pp. 98-117.

11.11.20 Los Angeles Distribution System Infrastructure Charge Balancing Account

CALIFORNIA AMERICAN WATER REQUEST:

The LA DSIC Balancing Account tracks the differences between Commission-authorized DSIC revenue and the amount recovered through the DSIC surcharge in the Los Angeles district. The DSIC program is a pilot program originally authorized in D.07-08-030 whereby California American Water files quarterly advice letters to recover the revenue requirement of infrastructure replacement capital projects completed and put into service the prior quarter. The Commission issued Resolution W-4734 on March 26, 2009, allowing California American Water to track DSIC surcharges in a balancing account to compare amounts collected versus authorized. All over/under collections, including interest at the 90-day commercial paper rate shall be refunded/charged to Los Angeles County District customers as a surcredit/surcharge.

California American Water is requesting an end to the DSIC pilot program in this proceeding as discussed in Section VII of the direct testimony of David Stephenson. California American Water hereby requests that any remaining balance be transferred to the expense balancing account for refund or recovery, and the balancing account closed. If the Commission should

order California American water to retain the DSIC program, then California American Water asks that the DSIC balancing account remain open

DRA POSITION:

DRA does not object to this request.

RESOLUTION:

DRA and California American Water agree to end the DSIC pilot program pursuant to resolution of Special Request #9. Any balance still outstanding at the time of the advice letter filing shall be transferred to the expense balancing account for recovery or refund via a service charge via a Tier 1 Advice Letter. This balancing account shall remain open if the Commission orders California American Water to retain its DSIC program. Otherwise, the account shall close upon transfer of the balance to the expense balancing account.

Item	Account	CAW	DRA	Difference	Settlement
S	LA Distribution System Infrastructure Charge	\$183,979	\$183,979	\$0	\$183,979

REFERENCES: CAW Exh. 7, Chew Direct, Sec. IV, pp. 17-18; DRA Exh. 14, Audit Report, p. 118.

11.11.21 Catastrophic Event Memorandum Account

CALIFORNIA AMERICAN WATER REQUEST:

The purpose of the Catastrophic Event Memorandum Account (“CEMA”) is to recover costs associated with the restoration of service and California American Water facilities affected by a catastrophic event declared a disaster or state of emergency by competent federal or state authorities. The balance in the CEMA will be recovered in rates after Commission review and audit of the recorded CEMA balance. The authority to establish this account was granted in CPUC Resolution E-3228, dated July 24, 1991.

At the time of this filing, there are no balances to report in the CEMA. California American Water requests that CEMA be retained for future use.

DRA POSITION:

DRA does not object to this request.

RESOLUTION:

DRA and California American Water agree that there are no balances to report as of May 31, 2010 and that this account shall be retained for future use for all districts.

Item	Account	CAW	DRA	Difference	Settlement
U	CEMA	\$0	\$0	\$0	\$0

REFERENCES: CAW Exh. 7, Chew Direct, Sec. IV, pp. 19-20; DRA Exh. 14, Audit Report, p. 118.

11.11.22 Temporary Interest Rate Balancing Account

CALIFORNIA AMERICAN WATER REQUEST:

The purpose of the Temporary Interest Rate Balancing Account (“TIRBA”) is to record any difference between the forecast incremental cost of debt included in the cost of capital. Specifically, the TIRBA shall record the difference in interest expense between the actual interest cost for long-term debt for debt issued after May 7, 2009, and the interest cost included in the adopted cost of capital for issuances in 2009 or later subject to a standard reasonableness review. Additionally, effective November 20, 2009 under D. 09-11-019, California American Water is authorized to record, on a monthly basis, the \$88,958 difference between the forecast interest rate and the actual interest rate on \$35,000,000 of debt issued on November 26, 2008.

The TIRBA is applicable to all districts served by California American Water and shall remain in effect until the next cost of capital proceeding. The monthly recording of the \$88,958 shall terminate upon either the adoption of a new cost of capital for California American Water or any adjustment to the cost of capital pursuant to the Water Cost of Capital Adjustment Mechanism adopted in D. 09-07-051. California American Water will make specific requests for this account in the next cost of capital proceeding to be filed on May 1, 2011.

DRA POSITION:

DRA does not object to this request.

RESOLUTION:

DRA and California American Water agree the TIRBA account shall remain open until the Commission issues a ruling in the cost of capital proceeding A.11-05-001. California American Water has made specific requests for this account in its cost of capital proceeding that was filed on May 1, 2011.

REFERENCES: CAW Exh. 7, Chew Direct, Sec. IV, p. 20; DRA Exh. 14, Audit Report, pp. 118-119.

11.11.23 Seaside Basin Adjudication Balancing Account

CALIFORNIA AMERICAN WATER REQUEST:

The purpose of the Seaside Basin Adjustment Balancing Account (“SABA”) is to track the amortization of costs and related interest on the unamortized balance of costs incurred to litigate and secure Seaside Basin water rights in the Monterey County District as granted in D.09-07-021. In accordance with Advice Letter 778, effective July 19, 2009, a meter surcharge is assessed on customers in the Monterey Main, Hidden Hills, Ryan Ranch and Bishop areas to recover \$2,755,960 over a ten-year period. This account accrues interest at the 90-day commercial rate. California American Water requests this account remain open to continue tracking the interest and surcharge collections.

DRA POSITION:

DRA does not object to this request.

RESOLUTION:

DRA and California American Water agree that the SABA account shall remain open and amortization of the balance shall continue in accordance with Advice Letter 778.

REFERENCES: CAW Exh. 7, Chew Direct, Sec. IV, p. 21; DRA Exh. 14 Audit Report, p. 119.

11.11.24 Seaside Groundwater Basin Balancing Account

CALIFORNIA AMERICAN WATER REQUEST:

The purpose of the SGBA is to track payments associated with the Administrative and other payments to the Seaside Basin Water Master, as well as recovery of such payments from customers in the Monterey County District. The SGBA was authorized in D.09-07-021.

California American Water requests authorization for the outstanding balance in this account be transferred to the expense balancing account for refund or recovery.

DRA POSITION:

DRA does not object to this request.

RESOLUTION:

DRA and California American Water agree that there is a zero balance in the SGBA account and that the account shall remain open to track payments associated with the Administrative and other payments to the Seaside Basin Water Master, as well as recovery of such payments from customers in the Monterey County District.

Item	Account	CAW	DRA	Difference	Settlement
X	Seaside Groundwater Basin	\$0	\$0	\$0	\$0

REFERENCES: CAW Exh. 7, Chew Direct, Sec. IV, p. 21; DRA Exh. 14, Audit Report, p. 119.

11.11.25 Aquifer Storage and Recovery (ASR) Project Memorandum Account

CALIFORNIA AMERICAN WATER REQUEST:

The purpose of the ASR Project Memorandum Account is to record up to \$14,380,000 for the ASR project for later ratemaking consideration by the Commission. California American Water was granted authority to maintain this balancing account in Ordering Paragraph 12 of D.09-07-021 and Appendix A of D.09-07-022.

California American Water requests that all project costs be included in plant in service as of December 31, 2011 and that this account be closed.

DRA POSITION:

DRA recommends that the Commission authorize California American Water to retain the balance in the ASR Project Memorandum Account. DRA recommends that once the project is completed and in service, the utility should file an advice letter to request to include the costs tracked in the ASR Project Memorandum Account in plant and service and that this account should be eliminated at that time.

RESOLUTION:

DRA and California American Water agree that costs for the ASR Project Memo account shall be included in plant in service as of December 31, 2011 and that this account be closed. The total amount to be transferred is \$5,537,678 as discussed in Section 10.4.4.1 above.

Item	Account	CAW (5/31/10)	DRA	Difference	Settlement
Y	Aquifer Storage & Recovery	(\$5,537,678)	(\$5,537,678)	\$0	Transfer to Plant in Service Per the DRA Plant Witness in the Case

REFERENCES: CAW Exh. 7, Chew Direct, Sec. IV, pp. 21-22; CAW Exh. 39, Chew Rebuttal Sec. III, pp. 10-12; DRA Exh. 14, Audit Report, p. 120.

11.11.26 Monterey Peninsula Water Management District User Fee Memorandum Account

CALIFORNIA AMERICAN WATER REQUEST:

The purpose of the MPWMD User Fee Memorandum Account is to track payments made by California American Water to MPWMD for project properly the responsibility of California American Water that are performed by MPWMD. This account was authorized as an interim measure while the once active customer user fee charge is withheld. These payments are to be recorded to the MPWMD User Fee Memorandum Account until the Commission authorizes a funding program pursuant to Ordering Paragraph 25 of D.09-07- 021. On January 5, 2010, California American Water filed Application 10-01-012 requesting the reinstatement of the MPWMD User Fee.

Provided California American Water’s proposal is accepted, the utility would request that MPWMD User Fee Memorandum Account be closed and the balance be approved and transferred to the expense balancing account for recovery. Otherwise, California American Water requests the continuance of the MPWMD User Fee memorandum account to track any potential fees assessed by MPWMD on California American Water related to this matter.

DRA POSITION:

DRA recommend that continuance of the MPWMD User Fee Memorandum Account as of May 31, 2010 and that the current balance be retained in the account until there is a decision on Application 10-01-012.

RESOLUTION:

DRA and California American Water agree that balances in the MPWMD account shall be recovered or refunded in accordance with D.11-03-035.

Since the filing of this application, the Commission issued D.11-03-035 authorizing California American Water to close this account within 60 days of the effective date of the order and to file a Tier 2 advice letter to amortize the amounts in the account over 12 months with interest based on the 90-day commercial paper rate. DRA and California American Water agree that balances in this account shall be recovered or refunded in accordance with D.11-03-035.

Item	Account	CAW	DRA	Difference	Settlement
Z	MPWMD User Fee Memorandum Account	(\$2,234,887)	(\$2,234,887)	\$0	\$0 To be filed separately per D.11-03-035

REFERENCES: CAW Exh. 7, Chew Direct, Sec. IV, p. 22; DRA Exh. 14, Audit Report, pp. 123-126.

11.11.27 Benefit Plan Memorandum Account

CALIFORNIA AMERICAN WATER REQUEST:

The purpose of the Benefit Plan Memorandum Account is to track the difference between Commission authorized pension and Other Post-Employment Benefits (OPEB) costs and actual required ERISA and OPEB payments for all districts served by California American Water as approved in Advice Letter 798.

California American Water requests authorization for the outstanding balance in this account through June 23, 2010 be transferred to the expense balancing account for refund or recovery. California American Water also requests that this account be closed and replaced with two balancing accounts to track and recover variations in pension and other post employment benefits (OPEB) other than pension for each district per Ordering Paragraph 8 of D. 10-06-038. The Pension Balancing Account tracks the difference between actual costs and those recovered in rates. The OPEB balancing account tracks the difference between the level of post retirement benefits other than pension expenses authorized in rates and the actual minimum costs calculated according to Federal Accounting Standard 106.

California American Water recommends that any balances in these new accounts be transferred to the expense balancing account for refund or recovery as part of this proceeding unless the balance exceeds 2% of a district's authorized revenue requirement before a decision in this case is issued. If the 2% threshold is reached prior to the decision, California American Water may file a separate application or advice letter to recover or refund the balance in accordance with the settlement terms adopted in D. 10-06-038. California American Water further recommends that these accounts be retained through 2014 in order to ensure minimum funding levels are met. If the Commission does not approve the Employee Benefit Balancing Account, then California American Water requests that this account remain open to continue to track variations between cost of service approved amounts in a rate case and the actual minimum payments California American Water has to make for ERISA and OPEBs.

DRA POSITION:

DRA agrees with California American's request to transfer the outstanding balance of the account through June 23, 2010, or \$1,663,998, to an expense balancing account for recovery. DRA also recommends that no new expenses be recorded in BPMA after June 23, 2010 and that BPMA be closed.

DRA also supports California American's request to retain the two new balancing accounts tracking pension and OPEB expenses through 2014. DRA recommends that the Commission set the sunset date for these accounts as December 31, 2014. In addition, DRA recommends that California American Water revise its preliminary statement tariff to reflect additional information explaining how the utility will track the difference between adopted and actual expenses. DRA also recommends that on an annual basis California American Water provide a copy of its most current actuarial report to DRA.

RESOLUTION:

DRA and California American Water agree to close the BPMA and transfer the outstanding balance to the expense balancing account for recovery through a quantity charge via a Tier 1 Advice Letter. The quantity charge shall be calculated for each district by allocating the balance based on adopted customer count. The parties also agree to retain the two balancing accounts to track pension and OPEB expenses for all districts through December 31, 2014.

Item	Account	CAW	DRA	Difference	Settlement
AA	Benefit Plan Memorandum Account	(\$1,633,998)	(\$1,663,998)	\$30,000	(\$1,663,998)

REFERENCES: CAW Exh. 7, Chew Direct, Sec. IV, pp. 23-24; DRA Exh. 14, Audit Report, pp. 127-133.

11.11.28 Phase 1A Implementation Operational Energy Efficiency Program Memorandum Account

CALIFORNIA AMERICAN WATER REQUEST:

The purpose of the Phase 1A Implementation Operational Energy Efficiency Program Memorandum Account (PIOEEPMA) was to track the Operational Energy Efficiency Program (OEEP) project expenditures incurred by California American Water until the Commission issued a decision in response to the Joint Petition for Modification of Decision 08-11-057 filed November 23, 2009 by the California Water Association, Pacific Gas and Electric Company and Southern California Edison Company. The PIOEEPMA was approved in Advice Letter 814 for the Los Angeles County and Monterey County Districts. On April 8, 2010, the Commission issued D. 10-04-030, which allows California American Water to file an advice letter to establish an Operational Energy Efficiency Program (OEEP) Memorandum Account to track its costs and payments from Southern California Edison Company and Pacific Gas and Electric Company associated with Operation Energy Efficiency Programs approved in D. 10-04-030 and 08-11-0057. Furthermore, the decision states that if the Division of Water and Audits has already authorized a similar memorandum account, the advice letter shall request that such memorandum account be renamed the OEEP Memorandum Account and such modification shall not alter the effective date of the renamed memorandum account.

California American Water requests that the renamed OEEP memorandum account balance be authorized for recovery as follows: 1) that all unreimbursed amounts related to capital investments be allowed in rate base as of December 31, 2011, and 2) that all other costs in the PIOEEPMA memorandum account be transferred to the expense balancing account for refund or recovery.

DRA POSITION:

DRA does not oppose the request to change the name of PIOEEPMA for the Los Angeles service area to OEEP memorandum account. DRA does not dispute the amounts recorded but opposes recovery of memorandum account costs at this time. DRA recommends deferral of recovery of OEEP project related costs to the next GRC when operational performance data can be properly measured, evaluated and verified for cost-effectiveness and energy savings.

RESOLUTION:

DRA and California American Water agree that California American Water shall transfer (\$608,340) related to the Los Angeles district for the Operational Energy Efficiency Program into ratebase as part of this GRC. DRA and California American Water also agree to rename the memorandum account for the Los Angeles District from PIOEEPA to OEEP.

Item	Account	CAW (5/31/2010)	DRA	Difference	Settlement (Under)/Over- Collection
BB	PIOEEPMA	(\$608,340)	(\$608,340)	\$0	(\$608,340)

REFERENCES: CAW Exh. 7, Chew Direct, Sec. IV, p.24-25; DRA Exh. 14, Audit Report, pp. 134-137.

11.11.29 Conservation Order Instituting Investigation Memorandum Account

CALIFORNIA AMERICAN WATER REQUEST:

The Conservation Order Instituting Investigation Memorandum Account (COIIMA) tracks legal and related expenses incurred in participating in Investigation (I.) 07-01-022, which was opened to address policies to achieve conservation objectives for Class A water utilities. California American Water requests that the balances in the COIIMA be approved and transferred to the expense balancing account for recovery in this proceeding.

DRA POSITION:

DRA recommends closing this account and transferring only \$5,807.37 to the expense balancing account for recovery.

RESOLUTION:

DRA and California American Water agree to California American Water’s revised request of (\$158,829) tracked in the Conservation OII memorandum account. This balance shall be transferred to the expense balancing account for recovery through a quantity charge via a Tier 1 Advice Letter. Costs shall be allocated to each district based on adopted customer counts. This account shall close upon transfer of the authorized balance.

Item	Account	CAW (5/31/2010)	DRA	Difference	Settlement
CC	Conservation OII	(\$167,224)	(\$5,807)	(\$161,417)	(\$158,829)

REFERENCES: CAW Exh. 7, Chew Direct, Sec. IV, pp. 25-27; DRA Exh. 14, Audit Report, pp. 138-140.

11.11.30 Monterey Conservation Balancing Account

CALIFORNIA AMERICAN WATER REQUEST:

The Monterey Conservation Balancing Account covers previous expenditures related to conservation. The balance in this account was approved in the settlement agreement adopted in D.09-07-022.

California American Water will be requesting recovery of this balance in the near future as part of the expense balancing account. California American Water further recommends that this balancing account be closed upon transfer of the outstanding balance.

DRA POSITION:

DRA recommends that the Commission approve recovery of the outstanding balance in the amount of \$46,746 when California American requests recovery of this balance in the near future as part of the expense balancing account and recommends closing the account upon transfer of the account balance.

RESOLUTION:

DRA and California American Water agree to transfer the balance of the Monterey Conservation Balancing Account to the expense balancing account for recovery through a quantity charge via a Tier 1 Advice Letter. The balance shall be recovered from all customers in the Monterey system excluding Toro, Ralph Lane and Chualar, which were not part of California American Water's operations at the time the account was established. DRA and California American Water agree that this account shall close upon transfer of the outstanding balance.

Item	Account	CAW	DRA	Difference	Settlement
EE	Monterey Conservation Program (old)	(\$46,746)	(\$46,746)	\$0	(\$46,746)

REFERENCES: CAW Exh. 7, Chew Direct, Sec. III, pp. 27-28; DRA Exh. 14, Audit Report, pp. 141-143.

11.11.31 Employee Retirement Income Security Act (ERISA) Surcharge Balancing Account

CALIFORNIA AMERICAN WATER REQUEST:

The ERISA balancing account was adopted in D.06-11-050 to track Monterey’s portion of all surcharges collected and retirement contributions made by California American Water. Recovery of the balances in this account was granted in the settlement agreement adopted in D.07-09-022 as discussed above. California American Water will be requesting recovery of this balance in the near future as part of the expense balancing account. California American Water further recommends that this balancing account be closed upon transfer of the outstanding balance.

DRA POSITION:

DRA recommends allowing \$260,000 to be transferred to the expense balancing account when the Commission issues its final decision in this GRC and recommends closing the account upon transfer of the outstanding balance.

RESOLUTION:

DRA and California American Water agree that the balance in the ERISA account shall be transferred to the expense balancing account for recovery through a quantity charge via a Tier 1 Advice Letter at which time the ERISA Surcharge Balancing Account shall close. Costs shall be recovered from Monterey customers excluding Ralph Lane, Chualar and Toro.

Item	Account	CAW	DRA	Difference	Settlement (Under)/Over-Collection
FF	ERISA Surcharge	(\$259,995)	(\$260,000)	\$5	(\$260,000)

REFERENCES: CAW Exh. 7, Chew Direct, Sec. IV, p. 28; DRA Exh. 14, Audit Report, pp. 144-146.

11.11.32 Emergency Water Revenue Adjustment Mechanism

CALIFORNIA AMERICAN WATER REQUEST:

The Emergency WRAM tracks differences between emergency tariffs in Monterey and the tariff in place just prior to an emergency that will occur by the tariffs implementation. This account was approved in D.06-11-050, with settling parties agreeing that any monies collected in the Emergency WRAM would be returned to customers in the manner consistent with the process adopted in D.05-03-012. Balances in this account were approved in D.09-07-022.

The Emergency WRAM has a zero balance as of May 31, 2010. California American Water requests this account remain open in the event emergency rates are ever activated.

DRA POSITION:

DRA does not object to this request.

RESOLUTION:

DRA and California American Water agree that this account shall remain open in the event emergency rates are ever activated. The account will identify and track all billed amounts in excess of those that would have been collected under the normal conservation tariffs that were in place just prior to the implementation of the emergency rates. In the event a rate increase should occur during the time emergency rates are effective, the account will track the difference between the emergency rates and the new normal conservation tariffs from the effective date of the new normal conservation tariffs.

California American Water agrees to file a Tier 1 advice letter with the emergency rates in accordance with either the settlement agreement adopted in D.09-07-021 or under a rate design settlement reached in this current proceeding.

Item	Account	CAW	DRA	Difference	Settlement
GG	Emergency WRAM	\$0	\$0	\$0	\$0

REFERENCES: CAW Exh. 7, Chew Direct, Sec. IV, p. 28, DRA Exh. 14, Audit Report, p. 147.

11.11.33 Emergency Rationing Costs for the Monterey Peninsula Water Management District Memorandum Account

CALIFORNIA AMERICAN WATER REQUEST:

The Emergency Rationing Costs for (MPWMD) Memorandum Account tracks increased expenses that California American Water would incur in its Monterey County District in the event that rationing is implemented under MPWMD’s Ordinance 92. Ordinance No. 92 is an expanded water conservation and standby water-rationing plan whose implementation requires both California American Water and MPWMD to engage in activities to promote, monitor and enforce its terms. This account was approved as Special Condition #9 in D.06-11-050. Balances in this account were approved in D.09-07-022.

This memorandum account has a zero balance as of May 31, 2010. California American Water requests this account remain open in the event emergency rationing is implemented and Stage 2 or higher of the Conservation Plan is implemented.

DRA POSITION:

DRA does not oppose this request.

RESOLUTION:

California American Water and DRA agree that the Emergency Rationing Costs for the MPWMD account remain open in the event emergency rationing is implemented and Stage 2 or higher of the Conservation Plan is implemented.

Item	Account	CAW	DRA	Difference	Settlement
HH	Emergency Rationing Costs for MPWMD	\$0	\$0	\$0	\$0

REFERENCES: CAW Exh. 7, Chew Direct, Sec. IV, p. 29; DRA Exh. 14, Audit Report, p. 147.

11.11.34 Expanded Conservation and Rationing Costs Balancing Account

CALIFORNIA AMERICAN WATER REQUEST:

The Expanded Conservation and Rationing Costs Balancing Account tracks all the actual billed charges from MPWMD under Ordinance No. 92 to a balancing account since these charges are presently unknown. Ordinance No. 92 is an expanded water conservation and standby water-rationing plan whose implementation requires both California American Water and MPWMD to engage in activities to promote, monitor and enforce its terms in the Monterey County District. This account was approved as Special Condition #6 in D.06-11-050. Balances in this account were approved in D.09-07-022.

This memorandum account has a zero balance as of May 31, 2010. California American Water requests this account remain open to track costs billed by MPWMD to California American Water in the event expanded conservation and rationing efforts is required and Stage 2 or higher of the Conservation Plan is implemented. Further discussion on MPWMD’s conservation program and rationing program is provided in the direct testimony of MPWMD witness Stephanie Pintar.

DRA POSITION:

DRA does not object to this request.

RESOLUTION:

DRA and California American Water agree that the Expanded Conservation and Rationing Costs account shall remain open.

Item	Account	CAW	DRA	Difference	Settlement
II	Expanded Conservation and Rationing Costs	\$0	\$0	\$0	\$0

REFERENCES: CAW Exh. 7, Chew Direct, Sec. IV, p. 29; DRA Exh. 14, Audit Report, p. 147.

11.11.35 Monterey Wastewater Purchased Power Expense Balancing Account

CALIFORNIA AMERICAN WATER REQUEST:

The Purchased Power Expense Balancing Account tracks changes in power costs that are beyond California American Water's control. This account is similar to the one currently authorized in the Sacramento District. California American Water has not previously submitted a formal request for this balancing account, but believes one is in place in accordance with the Commission D.03-06-072 on balancing account recovery.

If California American Water's assumption on the existence of a Purchased Power Expense Balancing Account for its wastewater properties is incorrect, California American Water requests the establishment of such an account in accordance with Commission standards. Otherwise, California American Water requests that the balances in the account be approved and transferred to the expense balancing account for recovery in this proceeding.

DRA POSITION:

DRA does not object to this request.

RESOLUTION:

DRA and California American Water agree that there is a zero balance in the Monterey WW Purchased Power Expense Balancing account as of May 31, 2010. This account shall remain open.

Item	Account	CAW	DRA	Difference	Settlement
JJ	Monterey WW Purchased Power Expense Balancing Account	\$0	\$0	\$0	\$0

REFERENCES: CAW Exh. 7, Chew Direct, Sec. IV, pp. 30-31; DRA Exh. 14, Audit Report, pp. 147-148.

11.11.36 Monterey Cease and Desist Memorandum Account

CALIFORNIA AMERICAN WATER REQUEST:

In Resolution W-4824 California American Water was granted a memorandum account to track the costs it incurs to address the State Water Resources Control Board (SWRCB) Cease and Desist Order (CDO) for unauthorized diversion of water from the Carmel River in the Monterey County District and such other costs as arise therefrom. If the SWRCB orders California American Water to comply with new conditions in a CDO, the Monterey County District will doubtless incur significant costs until the SWRCB deems it in compliance or some other resolution is achieved.

California American Water is requesting that this account remain open, effective, and with the same provisions as authorized by Resolution W-4824. In addition California American Water requests that the current balance be approved and transferred to the expense balancing account for recovery.

DRA POSITION:

DRA does not object to this request.

RESOLUTION:

DRA and California American Water agree that the current balance as reported through May 31, 2010, is approved and shall be transferred to the expense balancing account for recovery through a quantity charge from customers in the Monterey main system via a Tier 1 Advice Letter. This account shall remain open to track the costs California American Water incurs to address SWRCB CDO for unauthorized diversion of water from the Carmel River in the Monterey County District and such other costs as arise therefrom, as well as contain the same provisions authorized by Resolution W-4824.

Item	Account	CAW	DRA	Difference	Settlement (Under)/Over-Collection
KK	Cease and Desist Memorandum Account	(\$35,655)	(\$35,655)	\$0	(\$35,655)

REFERENCES: CAW Exh. 7, Chew Direct, Sec. IV, pp. 31-32; CAW Exh. 7, Chew Direct, Attachment 1, DRA Exh. 14, Audit Report, pp. 148.

11.11.37 Water Quality Memorandum Account

CALIFORNIA AMERICAN WATER REQUEST:

The Water Quality Memorandum Account (WQMA) was granted on June 24, 2010 in D. 10-06-038 to track incremental costs to comply with the Federal Ground Water Rule (GWR).

California American Water requests authorization to transfer any outstanding balance to the expense balancing account for refund or recovery. California American Water also requests this account remain open since costs related to GWR remain uncertain at this time and could become substantial.

DRA POSITION:

DRA does not object to this request.

RESOLUTION:

DRA and California American Water agree that the balance in the WOMA account is \$0 as of May 31, 2010. This account shall remain open and is applicable to all districts.

Item	Account	CAW	DRA	Difference	Settlement
LL	Water Quality Memorandum Account	\$0	\$0	\$0	\$0

REFERENCES: CAW Exh. 7, Chew Direct, Sec. IV, p. 31; DRA Exh. 14, Audit Report, pp. 148.

11.12 Special Request #15: Change to Non-Revenue Water Determination

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requests that the Commission base all revenue requirement calculations on a volumetric allowance for non-revenue water, not percentages. Non-revenue water is water losses plus authorized unbilled water consumption. This figure is important for purchased water, purchased power, and chemical calculations. Using a volumetric amount will produce a more accurate result for ratemaking purposes and is essential for measuring the monetary value of the losses. Using the percentage is problematic because if certain water losses are constant, the percentage of non-revenue water will still vary greatly with total water usage.

DRA POSITION:

DRA supports California American Water's request that the Commission discontinue the use of the term Unaccounted For Water in favor of the term Non-Revenue Water ("NRW"). DRA opposes the request that the Commission use a strict volumetric quantity for NRW based upon the last recorded year of water production data for ratemaking and forecasting purposes in the GRC for all districts. DRA recommends that the Commission use the following for calculating approach for calculating NRW: (1) the Commission should use the results of the most recent Water Loss Audit Report, including trends in water loss efficiency metrics, volumetric quantities, and the known feasible, cost-effective methods available to reduce NRW in order to calculate NRW volumes; (2) the Commission should adopt feasible and cost-effective methods for reducing NRW based on California American Water's responses to the Minimum Data Requirements in the Rate Case Plan and DRA and other parties recommended programs; (3) the Commission should adopt DRA's recommendations on hotspot and excavated pipeline cathodic protection programs for all districts. For the Monterey District only, the Commission should modify the NRW financial incentive mechanism to: (1) reflect the above recommendations; (2) require California American Water to implement active distribution system pressure management which the Commission supported in the last GRC and perform feasibility studies on retrofit cathodic protection and pipeline rehabilitation programs to reduce non-revenue water; and, (3) require California American Water to comply with providing the comprehensive report the Commission ordered in D.09-07-021 to provide on the highest quality engineering efforts to reduce unaccounted for water. DRA further recommends that in California American's next GRC, it should provide information related to the feasibility and cost effectiveness of available, yet to be implemented, methods to reduce NRW in each district. Combined with trends in water loss efficiency metrics including real and apparent loss volumes per service connection per day to target potential water savings, and results from the Monterey District pilot NRW incentive program, this information will allow the Commission to investigate the appropriateness of the NRW financial incentive mechanisms and determine whether it should continue.

NRDC supports California American Water's request. However, NRDC objects to California American Water's request that the volumetric quantity of non-revenue water recorded for a recent 12-month period be used for forecasting and cost recovery purposes, including projections of purchased water, purchased power, and chemicals. The development and implementation of

an intervention strategy based on cost-effectiveness should be required by the final order in this proceeding, rather than relying on reported volumes or percentages of non-revenue water to determine the sufficiency of water loss control measures. For these reasons, NRDC supports the recommendation of DRA regarding water loss in the Monterey District and for the development of forecasted values of non-revenue water for ratemaking purposes generally.

RESOLUTION:

Please see the *PARTIAL SETTLEMENT AGREEMENT BETWEEN THE DIVISION OF RATEPAYER ADVOCATES, THE NATURAL RESOURCES DEFENSE COUNCIL AND CALIFORNIA-AMERICAN WATER COMPANY ON NON-REVENUE WATER ISSUES*, filed concurrently on July 28, 2011.

REFERENCES: CAW Exh. 3, Bruce Direct, Section III, pp. 6; DRA Exh. 9, Ch. 4.

11.13 Special Request #16: Memorandum Account for Chromium 6

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requests permission to establish a memorandum account for potential compliance costs related to Public Health Goals (PHG) and Maximum Contaminant Levels for treatment of chromium 6. In August 2009 Office of Environmental Health Hazard Assessment (OEHHA) issued a draft technical support document for a proposed PHG chromium 6 in drinking water. The PHG technical support document provides information on the health effects of contaminants in drinking water. The proposed draft PHG for chromium 6 is 0.06 parts per billion (ppb), which is the estimated “one in one million” lifetime cancer risk level. A final decision on this proposal could be issued by the end of 2011. If these proposed changes were to go into effect, California American Water would need to hire additional staff in order to be in full compliance with the new requirements.

DRA POSITION:

DRA does not recommend approval of this request at this time.

RESOLUTION:

DRA and California American Water agree that California American Water shall recover a total of \$164,208 in base rates amortized over three years (2012-2014) for expenses California American Water will incur to test wells and collect data as part of the process of setting a Chromium 6 MCL and to study possible treatment technologies to be used for the treatment of Chromium 6. Based on this agreement to recover these expenses in base rates during 2012-2014, California American Water agrees to withdraw Special Request #16 from the current GRC. An annual amount of \$54,736 will be included in PUC Account 756 – T&D Miscellaneous.

REFERENCES: CAW Exh. 12, Heilman Direct, pp. 16-17; CAW Exh. 44, Marcinko Rebuttal, pp. 2-6; DRA Exh. 12, Ch. 1.

11.14 Special Request #17: Memorandum Account for Cross Connection

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requests the authority to open a memorandum account for potential compliance costs should new cross-connection requirements be enacted. The existing 2001 California Department of Public Health (CDPH) regulation is currently undergoing revision. The revised draft regulation will be more prescriptive in terms of the accepted certification for a cross connection control specialist. The draft regulation would add additional situations when backflow prevention is required, and it contains notification requirements for the water system to report known incidents of back flow into the public water system to the CDPH within 24 hours of discovery. The new standard helps ensure the prevention of water backflow into our networks from customers, particularly those whose makeup may involve potential hazards. Another revision to the rule will be to extend backflow requirements to additional fire service installations. Also, where existing devices are deemed inadequate upon inspection, the devices must be replaced immediately if there is an imminent health risk. The revised rule will require repairs or replacement for devices that fail during testing within 30 days.

DRA POSITION:

DRA proposes that it is premature to request a memorandum account to track the costs for compliance since California American Water is currently implementing a robust cross connection control program, and the revised cross-contamination rule requirements have not yet been promulgated.

RESOLUTION:

DRA and California American Water agree that if the CDPH does not adopt draft revisions to the cross-control regulations prior to the next GRC test year (2015), then California American Water will have the opportunity to resubmit its request to track costs associated with maintaining compliance with the revised regulations in its next GRC filing. Given this opportunity, DRA and California American Water agree that this resolution corresponds with DRA's recommendation for Special Request #17.

REFERENCES: CAW Exh. 12, Heilman Direct, Section VI, pp. 14-15; CAW Exh. 44, Marcinko Rebuttal, Section IV, p. 6; DRA Exh. 12, Ch. 1.

11.15 Special Request #20: Amortization of Depreciation Study

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requests authorization to recover all depreciation study costs over a six-year period beginning in January 2012. California American Water conducted the study because one had not occurred for several years. The study cost was \$60,000. After a competitive process to identify firms with the knowledge and experience required to perform the depreciation study, California American Water hired Alliance Consulting group, which was also the lowest cost firm.

DRA POSITION:

DRA recommends that the Commission approve this request. DRA agrees with the reasonableness of this depreciation study due to the obsolete nature of the previous study's data and conclusions. DRA also recommends that the cost to conduct the study be projected in costs for recovery going forward over the course of two general rate cases (6-year cycle).

RESOLUTION:

DRA and California American Water agree that it was reasonable for California American Water to conduct a depreciation study. DRA and California American Water also agree that California American Water shall defer \$60,000 spent in 2010 and amortize/recover this cost over the course of six years beginning in 2012 and ending in 2017.

REFERENCES: CAW Exh. 9, Dana Direct, Section V, p. 28; DRA Exh. 5, Ch. 8, p. 122.

11.16 Special Request #21: Recovery of All Service Company Costs

CALIFORNIA AMERICAN WATER REQUEST:

If the Commission authorizes an audit of American Water Service Company costs, California American Water requests permission to implement a surcharge to recover the costs of the audit.

DRA POSITION:

DRA agrees with California American Water's request to recover the costs incurred by the Commission's DRA Water Branch related to any required American Water Service Company audit by instituting a customer surcharge.

RESOLUTION:

DRA and California American Water agree that California American Water will file a Tier 1 advice letter to establish a customer surcharge to recover expenditure incurred by the Commission's Water Branch of DRA on Personal Service Contract 10PS5881. After the

Commission issues a final decision in A.10-07-007, DRA will report the balance incurred at that time.

REFERENCES: CAW Exh. 9, Dana Direct, Section V, p. 28; DRA Exh. 11, Ch. 3, pp. 3-1 to 3-4.

ACTION ITEM:

DRA will report the balance incurred on 10PS5881 to California American after the final decision in A.10-07-007 has been issued. California American will file a Tier 1 advice letter to establish a customer surcharge to recover the balance incurred on **10PS5881**.

11.17 Special Request #22: Recover Six-Month Stub Period of Regulatory Expense

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requests permission to recover the remaining six months of unamortized rate case costs for the Sacramento and Larkfield Districts as part of the total rate case cost recovery in this application. Specifically, California American Water is proposing a surcharge for the remaining six months worth of amortization in the amounts of \$233,600 for the Sacramento District and \$10,500 for the Larkfield District respectively. Pursuant to D.10-06-038 California American Water was authorized to recover amortization of expenses of \$467,200 per year for Sacramento District and \$20,100 per year for the Larkfield District over a period of two years. The settlement amount did not take into account that the rates for the Sacramento and Larkfield Districts would only be in place for 18 months. As such, California American Water would be denied recovery for six months worth of amortized rate case expenses. California American is not proposing that these amounts be included in the test year as this would result in recovery of the expenses in 2012, 2013, and 2014. Section V of Jeffrey Dana's testimony supports this Special Request.

DRA POSITION:

DRA opposes this request.

RESOLUTION:

California American Water agrees withdraws this Special Request for the six-month stub-period recovery of regulatory expense.

REFERENCES: CAW Exh. 40, Dana Rebuttal, Section V, pp. 4-5; DRA Exh. 5, Ch. 9, p. 123.

11.18 Special Request #23: Retire Bradbury Irrigation System

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requests permission to retire the Bradbury irrigation system during the period from 2015-2017. Large portions of the Bradbury irrigation system are more than 100 years old. Costs to rehabilitate the system exceeds \$9 million. Accordingly California American Water proposes retiring the system and transitioning the irrigation customers to the potable system. California American Water proposes completing the retirement between 2015 and 2017 in order to allow for completion of certain supply and distribution upgrades to the potable system. Please see Special Requests #10, which addresses changes necessary to prepare for the retirement of the Duarte Irrigation Systems and Special Request #30, which address rate design changes after the system has been retired.

DRA POSITION:

DRA supports this request and California American Water's proposal to enhance the potable supply and distribution system at an estimated cost of about \$3.8 million. DRA agrees with California American Water that the current irrigation system should be retired. DRA supports California American Water's request to retire the existing irrigation system and replace it with upgrades to the potable water system. DRA recommends that California American Water continue to provide service to its irrigation customers in the most cost effective manner feasible.

RESOLUTION:

DRA and California American Water agree that California American Water shall retire the Duarte Irrigation System during the period from 2015-2017 and transition the irrigation customers to the potable system.

REFERENCES: CAW Exh. 2, Brown Direct, Section IV, pp. 10-13; DRA Exh. 8, Ch. 7.

11.19 Special Request #25: Fire Flow Test Fee

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requests a tariff for fire flow testing, which includes 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. The tariff would apply to all California American Water's districts.

DRA POSITION:

DRA concurs that the \$500 fee for fire flow testing is reasonable with the following conditions: (1) that the fee is not increased for a period of three years (2012-2014); (2) that the revenues received by California American Water be credited to ratepayers using the “miscellaneous or other revenues” account to track the revenues.

RESOLUTION:

DRA and California American Water agree that the fire flow testing is a significant cost that should be charged to those causing the expense, rather than distributed to all customers. DRA and California American Water agree that \$500 is a reasonable estimate that considers the fully allocated labor costs and other indirect costs such as water, power, paper, chemicals, supplies, and wear and tear on the testing equipment. DRA and California American Water agree that the \$500 fee will not increase for a period of three years (2012-2014) and that the revenues received by California American Water will be credited to ratepayers using the “miscellaneous or other revenues” account to track the revenues. The tariff will be applicable to all California American Water’s districts. Although not addressed in testimony, DRA and California American Water acknowledge that a similar tariff was adopted by another water utility in a settlement in Application (A.) 09-07-001. DRA and California American Water agree that \$500 fire flow test fee will become effective five days after California American Water files a Tier 1 Advice Letter. Draft tariffs are attached at Appendix 3-5.

REFERENCES: CAW Exh. 27, Stephenson Direct, Section VII, pp. 57-58; DRA Exh. 13, Ch. 5.

11.20 Special Request #26: Finalize Citizens Acquisition Premium

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requests establishment of a permanent revenue requirement schedule for the recovery of and return on the Citizens Acquisition Premium. Since the Commission’s Decision in D.09-07-021 the Citizens Acquisition Premium, its original book cost value, amortization schedule, rate of return, and cost of debt are all fixed. The only variable item is the cost of equity, which California American is willing to fix at the level used in D.09-07-021 (10%). Since these items are now fixed, it is reasonable to set the revenue requirement in this proceeding for the remaining amortization period of thirty years.

DRA POSITION:

DRA recommends approval of this special request subject to the condition that California American Water be required to fix the cost of equity component of the return on Premium calculation (or amortization schedule) to a constant 10%, or lower if the Commission authorizes a lower cost of equity for California American Water within the next 30 years.

RESOLUTION:

DRA and California American Water agree that the revenue requirement schedule for the recovery of and return on the Citizens Acquisition Premium (see table below) will be the permanent revenue requirement schedule through 2041. The return on equity used in the revenue requirement schedule was the original rate applied at the time of the acquisition. DRA and California American Water agree that debt and equity rates will not further change and that the allocations will be 59% to the legacy California American Water districts (San Diego, Ventura, Monterey and Los Angeles) and 41% to the legacy Citizen's districts (Sacramento and Larkfield). After the 59%/41% allocation to the legacy California American Water districts and legacy Citizen's districts, amounts will be allocated to the individual districts based on customer counts.

YEAR	1 Revenue Req of the Premium	2 CAW Synergies	3 Net Premium to Citizens Prop.
		For 2008 and on - Column 1 times the Annual Allocation Percentage	Column 1 minus Column 2
2005	\$4,867,000	\$2,433,500	\$2,433,500
2006	\$4,734,000	\$2,367,000	\$2,367,000
2007	\$4,770,000	\$2,385,000	\$2,385,000
2008	\$4,631,000	\$2,732,290	\$1,898,710
2009	\$4,491,100	\$2,649,749	\$1,841,351
2010	\$4,352,000	\$2,567,680	\$1,784,320
2011	\$4,216,000	\$2,487,440	\$1,728,560
2012	\$4,081,000	\$2,407,790	\$1,673,210
2013	\$3,945,000	\$2,327,550	\$1,617,450
2014	\$3,812,000	\$2,249,080	\$1,562,920
2015	\$3,681,000	\$2,171,790	\$1,509,210
2016	\$3,550,000	\$2,094,500	\$1,455,500
2017	\$3,495,000	\$2,062,050	\$1,432,950
2018	\$3,518,000	\$2,075,620	\$1,442,380
2019	\$3,541,000	\$2,089,190	\$1,451,810
2020	\$3,567,000	\$2,104,530	\$1,462,470
2021	\$3,596,000	\$2,121,640	\$1,474,360
2022	\$3,628,000	\$2,140,520	\$1,487,480
2023	\$3,664,000	\$2,161,760	\$1,502,240
2024	\$3,700,000	\$2,183,000	\$1,517,000
2025	\$3,742,000	\$2,207,780	\$1,534,220
2026	\$3,789,000	\$2,235,510	\$1,553,490
2027	\$3,839,000	\$2,265,010	\$1,573,990
2028	\$3,893,000	\$2,296,870	\$1,596,130
2029	\$3,954,000	\$2,332,860	\$1,621,140
2030	\$4,021,000	\$2,372,390	\$1,648,610
2031	\$4,095,000	\$2,416,050	\$1,678,950
2032	\$4,174,000	\$2,462,660	\$1,711,340
2033	\$4,262,000	\$2,514,580	\$1,747,420
2034	\$4,360,000	\$2,572,400	\$1,787,600
2035	\$4,465,000	\$2,634,350	\$1,830,650
2036	\$4,582,000	\$2,703,380	\$1,878,620
2037	\$4,710,000	\$2,778,900	\$1,931,100

2038	\$4,850,000	\$2,861,500	\$1,988,500
2039	\$5,004,000	\$2,952,360	\$2,051,640
2040	\$5,173,000	\$3,052,070	\$2,120,930
2041	\$5,206,000	\$3,071,540	\$2,134,460
TOTAL	\$153,958,100	\$89,541,889	\$64,416,211
		x	x
		Annual	
		CAW	Citizens
		Allocation	Allocation
		Percentage	Percentage
		59.0%	41.0%

REFERENCES: CAW Exh. 27, Stephenson Direct Section VII, pp. 58-59; CAW Exh. 51, Stephenson Rebuttal, Section IX, pp. 25-28; DRA Ex. 13, Ch. 6.

11.21 Special Request #27: Annual Depreciation Updates – All Districts

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requests the authority to file annual depreciation updates for all districts to incorporate changes in the average age of plant and depreciation reserve balances.

Currently, California American Water files annual depreciation study updates for all of its properties continuously owned since 1970. This would include San Diego, Los Angeles, Ventura and Monterey County Districts. The filings comply with Standard Practice U-04-W, Chapter 8, Paragraph 3, Section E and F. California American Water has been making these filings and changing the annual accrual rates as of July 1 annually since approximately 1970.

California American Water is requesting to adjust the depreciation rates for the Sacramento and Larkfield Districts annually, just the same as we are allowed to do in the other districts.

DRA POSITION:

DRA supports this request subject to the following clarifications: annual updates are requesting approval of depreciation rates; annual updates apply to book depreciation rates for accounting purposes only and do not change customer rates; annual updates are subject to review in future rate proceedings; and, annual updates will be submitted via Tier II Advice Letter.

RESOLUTION:

DRA and California American Water agree that California American Water shall review annually the accruals to depreciation reserve which shall be determined for each primary plant account by dividing the original cost of depreciable utility plant less estimated future net salvage

less depreciation reserve by the estimated remaining life of the surviving plant of the account; and the calculations and the results of the reviews shall be submitted to the Division of Water and Audits annually with a request to implement such results for book depreciation purposes. California American Water will file this report for all of its districts each year on July 1 based on December 31 prior year balances. (See SP-04-W, Ch. 10, Paragraph 6, Section A.)

REFERENCES: CAW Exh. 27, Stephenson Direct, Section VII, pp. 59-60; DRA Exh. 5, Ch. 10, p. 124.

11.22 Special Request #28: All Purchased Water Costs Recoverable in MCBA

CALIFORNIA AMERICAN WATER REQUEST:

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). Approval of this request would allow recovery of “penalty” costs incurred as a result of water purchases made above a set limitation, in response to customer demand, over which the Company has limited control.

DRA POSITION:

DRA opposes allowing recovery of penalty costs through the MCBA. Instead DRA proposes that California American Water utilize the memorandum account recently approved in D.10-12-040 to track the costs relating to the implementation of mandatory conservation measures and the costs of any penalties imposed by its water wholesalers.

RESOLUTION:

California American Water agrees to withdraw this Special Request to recover items that are considered as temporary penalty rates, as the one established by Calleguas, purchased water costs in the MCBA.

REFERENCES: CAW Exh. 27, Stephenson Direct, Section VII, pp. 60-63; CAW Exh. 51, Stephenson Rebuttal, Section X, pp. 28-37; DRA Exh. 10, Ch.10.

11.23 Special Request #29: Ventura County District Rate Design

Please see the *PARTIAL SETTLEMENT AGREEMENT BETWEEN THE DIVISION OF RATEPAYER ADVOCATES, THE NATURAL RESOURCES DEFENSE COUNCIL AND*

CALIFORNIA-AMERICAN WATER COMPANY ON NON-REVENUE WATER ISSUES, filed concurrently on July 28, 2011.

11.24 Special Request #30: Duarte Irrigation Rate Design

CALIFORNIA AMERICAN WATER REQUEST:

As part of the rate design proposal in this proceeding, California American Water will request that the Commission authorize it to implement an inclining block rate design for Bradbury irrigation customers in the Duarte Service area of California American Water's Los Angeles District. This request is part of a plan to reduce the consumption of these customers before they transfer over to the domestic system and will help to ensure adequate and continuous service for all customers of the Duarte District. Specifically California American Water is requesting (1) four different increasing block rate structures for four different groups of irrigation customers (2) day and time of day restrictions in use of water from the irrigation system with fines for violating the restrictions and (3) keeping the irrigation rates on a separate lower tariff than the regular domestic system, even after the irrigation system is retired. These rate designs would apply to 49 irrigation customers.

DRA POSITION:

DRA opposes California American Water's request to create four different inclining block rate designs based on 2009 usage. Instead, DRA recommended that California American Water create rate design groups or individual rate designs based on lot size and factors such as evapotranspiration for the crops they are growing and water needs for various types of livestock.

DRA also opposes California American Water's request to exclude replenishment fees from the rates paid by irrigation customers since that would separate rates from the cost of service. DRA recommends gradually introducing the replenishment fees into the rates paid by irrigation customers.

RESOLUTION:

DRA and California American Water agree not to implement inclining block rates for the Duarte irrigation system. DRA and California American Water also agree that California American Water will withdraw its request for authorization at this time to exclude replenishment fees in the irrigation tariff once the system is retired.

Instead, at this time DRA and California American Water agree that the irrigation sector rates will be increased proportionately by the same percentage increase as that authorized by the Commission authorizes for the overall revenue requirement increase for the Duarte system. In the next GRC, the irrigation system will be retired and the remaining irrigation customers will be shifted to a potable water tariff. At that time, California American Water will make any requests regarding rate design and tariffs for these customers. Any requests that are based on historical water rights will be fully supported and documented.

REFERENCES: CAW Exh. 27, Section VII, pp. 64-65; CAW Exh. 51, Section XII, pp. 40-42; DRA Exh. 10, Ch. 6, pp. 6:12-6:13.

11.25 Special Request #31: Walerga Tank in Sacramento District

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requests (1) elimination of the Dry Creek Special Facilities Fee Area and tariff in Sacramento District, (2) inclusion in rate base of all plant, depreciation and contributions related to the Dry Creek Special Facility Fee area for the Sacramento District, and (3) authorization for a new Special Facility Fee applicable to all new customers in Placer County. The Walerga Tank and associated facilities, which will be funded by the new fee, will serve current and future customers throughout Placer County. Section VII of David Stephenson’s testimony and Section III of Andrew Soule’s testimony support this Special Request.

DRA POSITION:

DRA supports: (1) eliminating the Dry Creek Special Facilities Fee and tariff; and, (2) authorization of a newly defined Special Facilities Fee applicable to new customers in Placer County that will benefit from these facilities; and, (3) the construction of the Walerga Tank and associated facilities. DRA recommends that the Commission deny the request to shift all the plant associated with Dry Creek Special Facilities Fee Area into Construction Work in Progress (“CWIP”) or rate base. DRA recommends that the Commission require that the Walerga Tank Project be fully funded by California American Water shareholders and offset by receipt of the newly defined Special Facilities Fee. DRA recommends that any shortfall in the Special Facilities Fee should be excluded from rate base. Finally, DRA opposes the request to recover in its Sacramento District Purchased Water Balancing Account expenses attributable to covering penalty fees levied by the Placer County Water Agency.

RESOLUTION:

Please see Section 10.7.6.1 and Appendix 2 for full settlement terms.

REFERENCES: CAW Exh.51, Stephenson Rebuttal, Section XIII, pp. 43-61; DRA Exh. 11, Ch. 4.

11.26 Special Request #33: Allow Rate of Return on Advice Letter Projects

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requests that the Commission allow it to earn its authorized rate of return 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. Because most of the capital projects on California

American Water's balance sheet that are subject to advice letter recovery are expected to be in-service prior to 2012 or be addressed in base rates in this proceeding, this Special Request would apply to no more than four current capital projects and four additional capital projects. Section IV of Jeffrey Linam's testimony supports this Special Request.

DRA POSITION:

DRA opposes this request. TURN did not provide testimony on this issue, but in settlement discussions TURN indicated its support for DRA's position.

RESOLUTION:

For capital projects in A.10-07-007 that California American Water and DRA have agreed to include as rate base offsets upon review and approval of California American Water's respective Tier 2 Advice Letters by the Division of Water and Audits, the following conditions apply:

1. Actual project costs shall accrue interest at an annual rate equal to California American Water's weighted average cost of debt, as determined by the below calculation.
2. In calculating California American Water's weighted average cost of debt, California American Water's prevailing long-term debt rate and outstanding long-term debt as determined in the triennial cost of capital proceeding shall be weighted with California American Water's short-term debt allocation as follows:

$$\text{WACD \%} = \frac{(\text{LTdebtRate})(\text{LTdebt}) + (\text{STdebtRate})(\text{STdebt})}{(\text{LTdebt}) + (\text{STdebt})} \times 100$$

where:

LTdebtRate = Test Year Authorized Effective Cost of long-term debt last authorized in the cost of capital proceeding, adjusted as authorized per a decision in A.11-05-003, the pending cost of capital proceeding

LTdebt = Total Net Proceeds of outstanding long-term debt as last authorized in cost of capital proceeding, adjusted as authorized per a decision in A.11-05-003

STdebtRate = monthly average rate for 90-day BBB+ nonfinancial commercial paper as published by the U.S. Federal Reserve

STdebt = total of all California American Water's short-term debt (both available and outstanding, minus any short-term debt specifically acquired to fund obligations as set forth in Regional Desalination Plant as per the Water Purchase Agreement).

3. The following equation shall be used to determine the monthly percentage rate to apply to balances:

$$\text{M} = [(1 + \text{A}/100)^{1/12} - 1] \times 100$$

where:

M=monthly rate

A=annual WACD % calculated in (2).

4. Interest will begin to accrue only after final design and permitting have been completed when a permit is required, or after construction begins when no permit is required.

5. Interest will apply to only those projects requiring more than one year from the start of construction to complete. Interest will continue to be accrued until such time as each portion of the project costs are included in rate base, or determined not to be allowed for ratemaking purposes.

6. The above interest rate treatment would only apply to the capital projects identified as advice letter projects in the current general rate case. Of these eleven projects (the number currently identified)(listed below), projects having not commenced construction by the time of California American Water's next GRC would have the interest rate treatment reviewed and subject to modification.

IP-0560-127, Security Park Interconnection project (Sacramento) (\$500,000)
IP-0560-160, Walerga Rd Bridge Pipe Relocation (Sacramento) (\$803,000)
IP-0560-100, Walnut Grove System Improvements (Sacramento) (\$710,000)
IP-0560-38, Walnut Grove Tank and Booster Station (Sacramento) (\$280,000)
IP-0560-74, Lincoln Oaks Tank, Booster and Well (Sacramento) (\$695,000)
IP-0560-88, Crowder Lane Controls (Sacramento) (\$54,849)
IP-0549-1, Las Palmas Filtration and UV Improvements (Monterey Wastewater) (\$522,000)
IP-0540-90, Upper Rimrock Tanks (Monterey) (\$932,000)
IP-0540-101, Ryan Ranch/Bishop Intertie (Monterey) (\$272,000)
IP-0540-155, Chualar Tank (Monterey) (\$832,000)
IP-0540-194, Carmel Woods Tank (Monterey) (\$685,000)
IP-0540-295, Operational Energy Efficiency Program - OEEP (Monterey) (\$448,000)
IP-0540-282, Aquifer Storage and Recovery "ASR" Well (Monterey) (\$496,000)
05610702, Faught Road Well project (Larkfield) (\$2,467,000 - total approved cost)

7. Total interest on balances above the estimated project costs provided above would not be allowed to be recovered as part of the advice letter filing, but may be held with the amount exceeding the authorized project costs for possible later recovery in the next General Rate Case following review for reasonableness and prudence. The amount to be held with the excess project costs shall be determined on a proportional basis (e.g. Project Cost exceeded estimate by 20%, total interest allowed recovery would be reduced by 20%).

REFERENCES: CAW Exh. 43, Section IV, pp. 8-11; DRA Exh. 5, Ch. 11.

11.27 Special Request #35: Health Care Memorandum Account

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requests that the Commission authorize a new memorandum account to track all costs related to the Patient Protection and Affordable Care Act (PPACA) passed in March 2010 as part of Federal healthcare reform. This account will protect California American Water and its customers from unpredictable, additional costs resulting from the implementation of PPACA. Section V of Sherrene Chew’s testimony supports this Special Request.

DRA POSITION:

DRA does not recommend approval of this request.

RESOLUTION:

DRA and California American Water agree that California American Water will withdraw this Special Request #35 from the current GRC.

REFERENCES: CAW Exh. 51, Stephenson Rebuttal, Section XV, pp. 69-76; DRA Exh. 12, Ch. 2.

11.28 Special Request #36: LIRAP Memorandum Account in Monterey

CALIFORNIA AMERICAN WATER REQUEST:

California American Water requests that the Commission authorize the establishment of a Low-Income Ratepayer Assistance Program (LIRAP) Memorandum Account for the Monterey County District, consistent with LIRAP memorandum accounts that currently exist in the rest of California American Water’s operating districts. The LIRAP Memorandum Account would track the difference between the allowances forecast in the revenue requirement and the actual allowances (or low income credits) provided to customers, as well as any incurred costs as a result of mailings and other program set-up requirements, provided that they are not already recovered in rate base.

DRA POSITION:

DRA recommends approval of this request. DRA states that the Commission has already authorized Low-Income Ratepayer Assistance Program (“LIRAP”) memorandum account for all of California American Water’s other districts and the LIRAP memorandum account requested for the Monterey District is consistent with those existing accounts. DRA further recommends exclusion of the full amount of expenses that California American Water has recorded for LIRAP in its Monterey District when projecting operational costs in this GRC.

RESOLUTION:

DRA and California American Water agree that California American Water shall establish a Low-Income Ratepayer Assistance Program (“LIRAP”) memorandum account for the Monterey County District consistent with LIRAP memorandum accounts currently established in the rest of California American Water’s districts. The LIRAP Memorandum Account will track the gross actual credits provided to low-income customers, as well as any incurred costs as a result of mailing and other program set-up requirements, provided they are not already recovered in base rates. DRA and California American Water agree that the Monterey LIRAP memorandum account will become effective upon California American Water filing a Tier 2 Advice Letter. A draft tariff is attached at Appendix 3-6.

REFERENCES: CAW Exh. 7, Chew Direct, Section IV, p. 35; DRA Exh. 12, Ch. 3.

ACTION ITEM:

12.0 APPENDICIES

This Settlement Agreement includes four Appendices:

12.1 Appendix 1 – Los Padres Dam Fish Passage Detailed Settlement Terms

12.2 Appendix 2 – Walerga Road Tank, Booster, and Special Request #31 Detailed Settlement Terms

12.3 Appendix 3 – Draft Tariffs

Appendix 3 includes draft tariffs related to agreements contained in this settlement. Draft tariffs are presented to the Commission as appendices to this settlement agreement to assist in the advice letter process. When it is appropriate to submit the tariffs to the Commission's Division of Water & Audits, California American Water will finalize these tariffs and submit them via advice letter(s). DRA reserves its complete rights to protest any of these advice letters in compliance with the Commission's rules of practice and procedure.

12.3.1 Appendix 3-1 – Section 10.2.4.2 – Larkfield Special Facilities Fee

12.3.2 Appendix 3-2 – Special Request #2 – Monterey Tariff Area Combining

12.3.3 Appendix 3-3 – Special Request #10 – Duarte Irrigation System Water Use Restrictions

12.3.4 Appendix 3-4 – NOAA Endangered Special Act Annual Payment

12.3.5 Appendix 3-5 – Special Request #25 – Fire Flow Test Fee

12.3.6 Appendix 3-6 – Special Request #36 – LIRAP Program and Memorandum Account

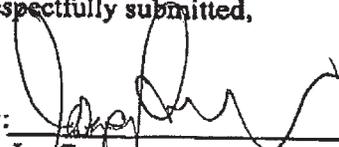
12.4 Appendix 4 – Monterey County Environmental Health Department Compliance Order

This Settlement Agreement was executed by the Parties as of the date set forth below.

Dated: July 28, 2011

Respectfully submitted,

By:



Joe Como

Director
California Public Utilities Commission

Dated: July 28, 2011

Respectfully submitted,

By:



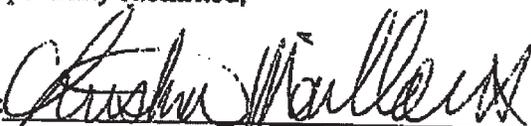
Sarah E. Leeper

Vice-President – Legal, Regulatory
California-American Water Company

Dated: July 28, 2011

Respectfully submitted,

By:



Christine Mailloux

Staff Attorney
The Utility Reform Network