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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of California-American Water Company (U-210-W), a California Corporation, RWE Aktiengesellschaft, a Corporation Organized Under the Laws of the Federal Republic of Germany, Thames Water Aqua Holdings GmbH, a Corporation Organized Under the Laws of the Federal Republic of Germany, and American Water Works Company, Inc., for an Order Authorizing the Sale by Thames GmbH of up to 100% of the Common Stock of American Water Works Company, Inc. Resulting in a Change of Control of California-American Water Company and For Such Related Relief as May be Necessary to Effectuate Such Transaction.

Application 06-05-025
(Filed May 22, 2006)

ASSIGNED COMMISSIONER'S SCOPING MEMO AND RULING

Summary

This ruling sets forth the scope, service list, schedule, category, and assignment of the principal hearing officer for this proceeding. This ruling follows a July 14, 2006 Prehearing Conference (PHC), consideration of August 11, 2006 PHC briefs and an August 18, 2006 PHC reply brief on whether condemnation of the Felton District should be included as an issue in this proceeding, and consideration of a September 14, 2006 Division of Ratepayer Advocates (DRA) motion and a September 26, 2006 California-American

(Cal-Am) reply on whether parties should be given additional time to prepare testimony.

Scope of Proceeding

All parties at the PHC agreed that certain issues should be included in the scope of this proceeding. However, the parties could not agree on whether the San Lorenzo Valley Water District (SLVWD) and County of Santa Cruz's recommendation that divestiture of the Felton District to a public agency should be included as an issue in this proceeding and be a condition upon Commission approval of this application. Therefore, parties were requested to submit PHC briefs and reply briefs on that issue.¹

Although the parties seeking to include the Felton issue in this proceeding stated that public acquisition of the Felton District is being diligently pursued, none addressed the impact that would occur on their efforts to acquire the Felton District if the application was approved without conditioning approval upon divestiture of the Felton District to a public agency. However, those parties did acknowledge that they do not know whether SLVWD will be able to acquire the Felton District through negotiation² and that no decision or action has been commenced by the SLVWD or any other agency to acquire Cal-Am's Felton District through eminent domain.

¹ Briefs were filed by the County of Santa Cruz and SLVWD on August 11, 2006. A reply brief was filed by Cal-Am on August 18, 2006.

² SLVWD's PHC brief at page 14 and the County of Santa Cruz's PHC brief at pages 10-11.

Numerous Felton District ratepayers and residents also spoke in favor of Cal-Am divesting the Felton District to a local agency at a September 27, 2006 public participation hearing (PPH) held at Felton.

Based upon careful review and consideration of the PHC briefs, PHC reply brief, and Felton PPH comments, the divestiture of Felton District will not be an issue in this proceeding. Those parties diligently pursuing public acquisition of the Felton District may continue to do so. In that regard, Cal-Am, the County of Santa Cruz, SLVWD, and any other public entity is encouraged to use the Commission's alternative dispute resolution program, either as a substitute for or in tandem with court litigation.³

The scope of this proceeding is to determine whether the proposed transaction:

1. Complies with Section 854(a) of the Public Utilities Code;
2. Is in the public interest;
3. Will produce benefits to ratepayers;
4. Will provide ready access to public equity and debt capital market;
5. Will comply with the Commission's affiliated transaction rules;
6. Remove the conditions set forth in Decision 02-12-068.

Service List

With the taking of appearances at the PHC, a service list has been established for this proceeding. Parties shall serve filings on all appearances

³ The Commission's alternative dispute resolution is set forth in ALJ Resolution 185, issued on August 25, 2005.

listed on the service list, including those identified as “State Service” and “Information Only.” Electronic mail is an acceptable method to serve a copy of those filings.⁴

Schedule

The schedule for this proceeding agreed to by all parties at the PHC has been extended by approximately three weeks in response to DRA’s motion seeking additional time to submit its testimony. The schedule for this proceeding is as follows:

<u>Date</u>	<u>Activity</u>
November 3, 2006	All Interested Parties’ Testimony
November 17, 2006	Rebuttal Testimony
December 8, 2006	Coordinated Witness List
December 14, 2006	Evidentiary Hearing
December 15 and 18, 2006	Evidentiary Hearing Continued, as needed
January 8, 2007	Opening Briefs
January 25, 2007	Reply Briefs (Projected Submission Date) ⁵
February 28, 2007	Draft Decision

The parties shall limit their testimony to matters involving the identified issues. Any request for final oral argument before the Commission shall be made as part of reply briefs that may be filed in this proceeding.

⁴ See generally, Rules 1.9 and 1.10.

⁵ Rule 7.3.

My goal is to resolve this matter no later than April 5, 2007. However, in no event will resolution exceed 18 months from the date of this scoping memo, pursuant to Section 1701.5 of the Public Utilities Code.

Category of Proceeding

This ruling confirms the Commission's preliminary finding in Resolution ALJ 176-3174, dated June 15, 2006, that this proceeding is a ratesetting proceeding, as described in Rule 1.3(e), and that hearings are required (Rule 7.3(a)).

Assignment of Presiding Officer

Administrative Law Judge (ALJ) Michael J. Galvin will act as principal hearing officer in this proceeding, pursuant to Rule 13.2(b).

IT IS RULED that:

1. The scope and schedule for this proceeding is set forth herein.
2. Testimony shall be served on all appearances listed on the service list, including those identified as "Information Only" and "State Service," and on the Assigned Commissioner and assigned ALJ. Testimony shall not be filed with the Docket Office. Electronic mail is an acceptable method to serve a copy of those filings.
3. California American Water Company shall coordinate the order that witnesses shall testify with all interested parties and shall provide a copy of an agreed upon witness order list by letter and/or electronic mail to all parties and to the assigned ALJ by December 8, 2006.
4. Opening and closing briefs shall be filed at the Commission's Docket Office and served on all appearances listed on the service list, Assigned Commissioner and assigned ALJ either by mail or Electronic Protocols consistent with Rules 1.9 and 1.10 of the Commission's Rules of Practice and Procedure.

5. Any request for final oral argument before the Commission shall be made as part of reply briefs that may be filed in this proceeding.

6. This ruling confirms that this application is a ratesetting proceeding.

7. Parties shall observe and comply with the *ex parte* communications rules set forth in Rules 8.2 and 8.3 of the Commission's Rules of Practice and Procedure.

8. The principal hearing officer in this proceeding is ALJ Galvin.

9. An evidentiary hearing in this proceeding shall begin at 10:00 a.m. on December 14, 2006 and continue, as needed, on December 15, 2006 and December 18, 2006, in the Commission Courtroom, State Office Building, 505 Van Ness Avenue, San Francisco, California.

Dated October 6, 2006, at San Francisco, California.

/s/ JOHN A. BOHN

John A. Bohn
Assigned Commissioner

INFORMATION REGARDING SERVICE

I have provided notification of filing to the electronic mail addresses on the attached service list.

Upon confirmation of this document's acceptance for filing, I will cause a copy of the filed document to be served upon the service list to this proceeding by U.S. mail. The service list I will use to serve the copy of the filed document is current as of today's date.

Dated October 6, 2006, at San Francisco, California.

/s/ ELVIRA NIZ

Elvira Niz

***** SERVICE LIST *****

Last Update on 29-SEP-2006 by: SMJ
A0605025 LIST

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