

APPENDIX A

**SETTLEMENT AGREEMENT WITH ATTACHED TARIFFS
AND GENERAL RATE CASE TABLES, APPENDICES 1-17**

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

In the Matter of the Application of California-American Water Company for an order authorizing it to increase its rates for water service in its Sacramento District to increase revenues by \$3,160.8 or 14.35% in the year 2005, by \$2,158.6 or 8.48% in the year 21006, and by \$1,202 or 4.35% in the year 2007.

A.04-04-040

In the Matter of the Application of California-American Water Company (U 210 W) for an order authorizing it to increase its rates for water service in its Larkfield District to increase revenues by \$494.1 or 26.16% in the year 2005, by \$183.4 or 7.63% in the year 2006, and by \$61.9 or 2.39% in the year 2007.

A.04-04-041

In the Matter of the Application of California-American Water Company (U 210 W) for authority pursuant to Public Utilities Code Section 454 to Restructure and Consolidate its Rates for its Sacramento and Larkfield Districts.

A.04-08-013

**MODIFIED SETTLEMENT AGREEMENT BETWEEN CALIFORNIA-AMERICAN
WATER COMPANY, THE OFFICE OF RATEPAYER ADVOCATES, AND THE
LARKFIELD/WIKIUP WATER DISTRICT ADVISORY COMMITTEE**

Danilo Sanchez
Office of Ratepayer Advocates – Water Div.
CALIFORNIA PUBLIC UTILITIES
COMMISSION
320 West 4th Street, Suite 500
Los Angeles, CA 90013
Telephone: (213) 576-7045
E-mail: des@cpuc.ca.gov

James Boulter
LARKFIELD/WIKIUP WATER DISTRICT
ADVISORY COMMITTEE
133 Eton Court
Santa Rosa, CA 94503
Telephone: (707) 546-3097
Facsimile: Same
E-mail: reluob@att.net

Lenard G. Weiss, Esq. (SBN # 034039)
Lori Anne Dolqueist, Esq. (SBN # 218442)
Christine J. Hammond (SBN # 206768)
STEEFEL, LEVITT & WEISS
A Professional Corporation
One Embarcadero Center, 30th Floor
San Francisco, CA 94111-3719
Telephone: (415) 788-0900
Facsimile: (415) 788-2019
E-mail: lweiss@steefel.com
E-mail: ldolqueist@steefel.com
E-mail: chammond@steefel.com

Attorneys for CALIFORNIA-AMERICAN
WATER COMPANY

September 7, 2005

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

In the Matter of the Application of California-American Water Company for an order authorizing it to increase its rates for water service in its Sacramento District to increase revenues by \$3,160.8 or 14.35% in the year 2005, by \$2,158.6 or 8.48% in the year 21006, and by \$1,202 or 4.35% in the year 2007.

A.04-04-040

In the Matter of the Application of California-American Water Company (U 210 W) for an order authorizing it to increase its rates for water service in its Larkfield District to increase revenues by \$494.1 or 26.16% in the year 2005, by \$183.4 or 7.63% in the year 2006, and by \$61.9 or 2.39% in the year 2007.

A.04-04-041

In the Matter of the Application of California-American Water Company (U 210 W) for authority pursuant to Public Utilities Code Section 454 to Restructure and Consolidate it Rates for its Sacramento and Larkfield Districts.

A.04-08-013

**MODIFIED SETTLEMENT AGREEMENT BETWEEN CALIFORNIA-AMERICAN
WATER COMPANY, THE OFFICE OF RATEPAYER ADVOCATES, AND THE
LARKFIELD/WIKIUP WATER DISTRICT ADVISORY COMMITTEE**

Danilo Sanchez
Office of Ratepayer Advocates – Water Div.
CALIFORNIA PUBLIC UTILITIES
COMMISSION
320 West 4th Street, Suite 500
Los Angeles, CA 90013
Telephone: (213) 576-7045
E-mail: des@cpuc.ca.gov

James Boulter
LARKFIELD/WIKIUP WATER DISTRICT
ADVISORY COMMITTEE
133 Eton Court
Santa Rosa, CA 94503
Telephone: (707) 546-3097
Facsimile: Same
E-mail: reluob@att.net

Lenard G. Weiss, Esq. (SBN # 034039)
Lori Anne Dolqueist, Esq. (SBN # 218442)
Christine J. Hammond (SBN # 206768)
STEEFEL, LEVITT & WEISS
A Professional Corporation
One Embarcadero Center, 30th Floor
San Francisco, CA 94111-3719
Telephone: (415) 788-0900
Facsimile: (415) 788-2019
E-mail: lweiss@steeffel.com
E-mail: ldolqueist@steeffel.com
E-mail: chammond@steeffel.com

Attorneys for CALIFORNIA-AMERICAN
WATER COMPANY

September 7, 2005

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

In the Matter of the Application of California-American Water Company for an order authorizing it to increase its rates for water service in its Sacramento District to increase revenues by \$3,160.8 or 14.35% in the year 2005, by \$2,158.6 or 8.48% in the year 21006, and by \$1,202 or 4.35% in the year 2007.

A.04-04-040

In the Matter of the Application of California-American Water Company (U 210 W) for an order authorizing it to increase its rates for water service in its Larkfield District to increase revenues by \$494.1 or 26.16% in the year 2005, by \$183.4 or 7.63% in the year 2006, and by \$61.9 or 2.39% in the year 2007.

A.04-04-041

In the Matter of the Application of California-American Water Company (U 210 W) for authority pursuant to Public Utilities Code Section 454 to Restructure and Consolidate it Rates for its Sacramento and Larkfield Districts.

A.04-08-013

**MODIFIED SETTLEMENT AGREEMENT BETWEEN CALIFORNIA-AMERICAN
WATER COMPANY, THE OFFICE OF RATEPAYER ADVOCATES, AND THE
LARKFIELD/WIKIUP WATER DISTRICT ADVISORY COMMITTEE**

1. General

1.1 The Parties to this Settlement Agreement before the California Public Utilities Commission (“Commission”) are California-American Water Company (“CAW”), the Commission’s Office of Ratepayer Advocates (“ORA”), and the Larkfield/Wikiup Water District Advisory Committee (“LWWDAC”)—collectively, “the Parties.” The County of Santa Cruz intervened in this proceeding but did not challenge any of the matters addressed in this Settlement Agreement and therefore is not a signatory to the Agreement. Moreover, LWWDAC

did not participate in the Sacramento Application or in that Sacramento District portion of the Settlement Agreement; LWWDAC's participation was primarily focused on Larkfield District Well No. 6, discussed at Section 15.3 below and on the residential fire sprinkler tariff issue, discussed at Section 20.1. The Parties, desiring to avoid the expense, inconvenience and the uncertainty attendant to litigation of the matters in dispute between them have agreed on this Settlement Agreement which they now submit for approval.

1.2 In addition, since this Settlement Agreement 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.

1.3 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.

1.4 The Parties agree that this Settlement Agreement is an integrated agreement, so that if the Commission rejects any portion of this Settlement Agreement, each Party has the right to withdraw.

1.5 Most issues between the Parties have been resolved. However, ORA and CAW have not resolved two issues raised by CAW's filings: 1) Applicant's request in A.04-08-013 to Restructure and Consolidate its Rates for its Sacramento and Larkfield Districts and 2) how best to address the subject of rate assistance for low income customers. These issues remain unresolved and must either be litigated and resolved separately as part of these consolidated proceedings or deferred to a future proceeding.

1.6 Resolution of many of the differences between CAW's and ORA's original estimates are based on the findings set forth in ORA's Report. In most such instances

ORA's recommendations are based on later inflation data or on later data made available by Applicant to ORA. Resolution of many of the differences between CAW's and ORA's original estimates, particularly on Plant in Service issues, resulted in ORA moving from its original position to concur in whole or in part with CAW's original position. Those changes were generally the result of honest misunderstandings by ORA of the underlying facts supporting the original request which, when fully explained in the Application, in data responses, and/or in settlement negotiations, led ORA to modify its original position. Finally, some stipulated items are the consequence of additional discussions between the Parties leading to a compromise of positions, the overall results of which led to agreements in amounts no greater than CAW's original estimates but greater than ORA's original estimates.

1.7 Included in this Settlement Agreement are supporting references to some of the following evidence admitted in this proceeding:

<u>Exhibit No.</u>	<u>Description</u>
<u>Sacramento GRC, A.04-04-040</u>	
1	CAW Application
2	CAW Exhibits A-G
3	CAW Exhibit H Testimony – Vol. 1
4	CAW Exhibit H Testimony – Vol. 2
5	CAW Exhibit H Testimony – Vol. 3
6	CAW Update to Application dated 6/1/04
7	CAW Update Exhibits A-F
<u>Larkfield GRC, A.04-04-041</u>	
8	CAW Application
9	CAW Exhibits A-G

10	CAW Exhibit H – Testimony
11	CAW Update to Application dated 6/1/04
<u>CAW Rebuttal Testimony</u>	
12	T. Zepp Rebuttal Testimony
13	D. Stephenson Rebuttal Testimony
14	M. Schubert Rebuttal Testimony
15	M. Schubert Rebuttal Exhibits – Vol. 1, Nos. 1-19
16	M. Schubert Rebuttal Exhibits – Vol. 2, Nos. 20-42
17	M. Schubert Supplemental Rebuttal Testimony dated 1/7/05
18	M. Schubert Rebuttal Testimony re Well #6 - dated 1/18/05
<u>Consolidation Application 04-08-013</u>	
19	CAW Application
20	CAW Reply to Protest of County of Santa Cruz
<u>Other</u>	
21	CAW List of Proposition 50 Pre-Application Filings
<u>ORA Exhibits</u>	
22	ORA Report on Results of Operations – Sacramento District
23	ORA Report on Results of Operations – Larkfield District
24	ORA Report on Consolidation
25	ORA Report on Cost of Capital
26	ORA Report on Mergers and Acquisitions

1.8 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.

COST OF CAPITAL

2. Cost of Capital

The Parties agree to a ratio of 63.00% debt to 37.00% equity for Test Year 2005, Test Year 2006 and Attrition Year 2007. The Parties agree to a cost of debt of 5.03% for Test Year 2005, 5.72% for Test Year 2006 and 6.30% for Attrition Year 2007. The Parties agree to a cost of equity of 9.85% for each of 2005-2007 resulting in a weighted cost of capital of 6.81% for Test Year 2005, 7.25% for Test Year 2006 and 7.53% for Attrition Year 2007.

The original and settlement positions of the Parties are listed below:

Settlement on Capital Structure --

CAW's Original Position	65% Debt
ORA's Original Position	65% Debt
Settlement Position	63% Debt for All Years

Settlement Position on Common Equity -

CAW's Original Position - Return on Common Equity	10.50%
ORA Original Position - Return on Common Equity	9.40%
Settlement - Return on Common Equity	9.85%

The Settlement Agreement employs separate capital structures for the historical CAW Districts and for the former Citizens Districts (including Sacramento and Larkfield) as approved by the Commission: See D.04-05-023, folio pages 43, 57 (Table 3), and page 69 Finding of Fact #8 involving the last GRC for all four of CAW's districts acquired from Citizens, including Sacramento and Larkfield; and see D.04-12-055, the latest CAW GRC, relating to its

Coronado and Village Districts; see discussion at Section 2, pp. 2-3 of Appendix A, which is the Settlement approved in D.04-12-055. Such separate capital structures must be used in order to appropriately calculate the synergy and acquisition premium in connection with CAW's 2002 acquisition of the former Citizens' properties. Decision D.04-05-023 uses as a baseline to measure synergies the capital structure as it existed in January 2002 when CAW acquired the Citizens assets. The acquisition capital structure in 2002 was 65% debt and 35% equity. The change in that capital structure of the former Citizens Districts to 63% debt and 37% equity was required to recognize CAW's retirement of \$10 million in debt related to the Citizens acquisition when CAW sold the Montara District (which occurred at the same time that A.04-03-023 was being processed and is reflected in the settlement in that case, attached as Appendix A to D.04-12-055). In its original filing in this proceeding, CAW erred in failing to correctly recognize the impact of this revision on the capital structure for the districts acquired from Citizens of that debt reduction related to the sale of the Montara District. ORA agrees that this was an error in the current Application presentation. The correction of the capital structure to 63% debt was adopted by the Commission in D.04-05-023, the last Sacramento/Larkfield GRC (A.02-09-030, et seq.). The spreadsheet used to determine those capital structures is attached hereto as Exhibit A.

The agreed common equity cost of 9.85% is the result of subtracting the leverage adjuster of 25 basis points from the equity cost of 10.10% authorized by the Commission in the recently issued decision D.04-12-055 in CAW's Coronado and Village Districts latest GRCs. Those districts have the same test and attrition years as the Sacramento and Larkfield Districts in this case. The Parties agree that 25 basis points must be removed from the 10.10% authorized in D.04-12-055 in order to recognize that recovery of any leverage adjustment for the former Citizens Districts is already included in the recovery of the acquisition premium. That 25 basis point leverage adjuster reduction is determined as the difference between the adopted rates of return for CAW in D.04-05-023 of 9.79% and in D.04-09-041 of 10.04% ($10.04 - 9.79 = .25$). Both of those decisions were issued in close proximity and, therefore, should have been issued at the same rate of return, absent other determinates, such as a leverage adder. Decision 04-05-023

is related to the former Citizens properties and does not included the leverage adder in the cost of capital. Decision 04-09-041 is for the historical Los Angeles Districts of CAW and does include a leverage adder. The difference between the two allowed returns on equity is that 25 basis points leverage adder that should be removed from the current authorized return in D.04-12-055 to determine the appropriate return in this proceeding.

See Appendix 1; ORA Cost of Capital Report (Exhibit 25); Rebuttal Testimony of David P. Stephenson (“Stephenson Rebuttal”) (Exhibit 13) pp. 34-35; Rebuttal Testimony of Thomas M. Zepp (“Zepp Rebuttal”) (Exhibit 12).

SACRAMENTO DISTRICT

The following Appendices address Sacramento District issues:

Appendix 2: Summary of Earnings
Test Year 2005

Appendix 3: Summary of Earnings
Test Year 2006

Appendix 4: Revenue Requirements 2005-2006
and Net-to-gross Multiplier

Appendix 5: Attrition Allowance Calculation

Appendix 6: Proposed Rates 2006
CPUC Standard Rate Design

Appendix 7: Taxes Based on Income at Proposed Rates

Appendix 8: Weighted Average Depreciated Rate Base

Appendix 9: Adopted Quantities 2005-2006

Attached marked Tariffs Sacramento, are the revised proposed tariffs for the Sacramento District for Test Year 2005 with the CPUC standard rate design and without consolidation.

Also attached behind Workpapers Sacramento Tab A are Tables A-1, A-2, A-4 and A-5 that provide a summary of the final positions of the Parties to the Sacramento Application.

3. Water Consumption and Operating Revenues

No Issues. Sacramento Workpaper Tab B, Tables B-1, B-2, C-1, C-2, D-1, D-2, E-1, E-2, E-3 and E-4 set forth the respective identical original and final positions of the parties.

4. Expenses

CAW and ORA agreed to many expense estimates in their original forecasts. For items listed in Section 4.1, below, CAW modified its original position and agreed with ORA's estimates which in turn were based on the correction of a CAW error in uncollectibles expense and on later and more current information then was available to CAW when it made its original filing many months earlier. Sacramento Workpapers Tab F, Table F-1, Table F-2, Table F-3 and Table F-3 attached, set forth the respective original and revised positions of the Parties.

4.1 Items as to which CAW Modified its Original Position and Agreed with ORA's Original Position

Based on later inflation information used by ORA and a correction of CAW's error in uncollectible expense, CAW has modified its original position and agreed to each of the following positions taken by ORA for expenses:

	<u>Item</u>	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
		<u>CAW</u>	<u>ORA</u>	
2005	Chemicals	\$154.0	\$154.2	\$154.2
2006		\$158.1	\$156.9	\$156.9
2005	Uncollectibles	\$60.4	\$74.9	\$74.9
2006		\$62.0	\$86.6	\$83.1 *
2005	Emp. Benefits	\$1,112.4	\$1,109.0	\$1,109.0
2006		\$1,154.8	\$1,129.0	\$1,129.0
2005	Payroll	\$2,180.4	\$2,173.7	\$2,173.7
2006		\$2,253.9	\$2,204.7	\$2,204.7

The settled uncollectible amount is lower than ORA's original estimate due to the results of the settlement producing a lower authorized revenue requirement than that sought by CAW in its application. ORA had used CAW's original requested revenue requirement in determining its original uncollectible amount for comparison purposes in its report. The Parties agree that with the revised revenue requirement arising from this Settlement that is lower than CAW's original request, the uncollectibles figure must also be revised downward.

4.2 Acquisition Premium Allowance

The Parties agree that the calculation of the Acquisition Premium Allowance should be based on the agreed upon Cost of Capital, as set forth in Section 2, above. The Parties also agree that the total revenue requirement of and on the premium should be split, 50% to the historical CAW districts and 50% to the former Citizens districts, as stated in the ORA M&A Report (Exhibit 26) on page 6. The rationale and support for the changes in the parties positions on the synergies analysis is set forth in Section 23, below. Based on those agreements, the Parties revised their original positions on the issue of the acquisition premium allowance as follows:

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>CAW</u>	<u>ORA</u>	
2005	\$2,694.4	\$2,275.9	\$2,476.7
2006	\$2,490.2	\$2,028.8	\$2,408.2

(ORA M&A Report (Exhibit 26), p. 6; Stephenson Direct on Synergy Savings (Exhibit 3, Tab 2 (Volume I of Application Exhibit H)), pp. 16-19.)

5. Plant In Service

Following extensive exchanges of information and negotiations on the rationale for each requested plant item, CAW and ORA have reached an agreement on each item, as set forth below. The original and revised positions of the Parties and the explanations for the settlement positions on each plant item are set out in Sections 5.1 to 5.9, below. Sacramento Workpapers Tab J, Table J-1 and Table J-2, attached, set forth the positions of the Parties.

5.1 Items as to Which CAW Modified its Original Position and Agreed with the ORA Original Position

CAW modified its original position and agrees with many of the ORA positions in their Report (Exhibit 22, Chapter 4). The reasons for each such agreement, by item, are shown below:

Recurring Projects

<u>Item</u>	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>CAW</u>	<u>ORA</u>	
2005	\$3,136.3	\$2,687.1	\$2,687.1
2006	\$3,134.5	\$2,685.5	\$2,685.5

CAW based its original estimate on its internal budgets. ORA used historical averages. CAW agrees that the use of such historical averages for recurring projects, is appropriate.

Well Rehabilitations

<u>Item</u>	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>CAW</u>	<u>ORA</u>	
2005	\$390.1	\$253.0	\$253.0
2006	\$299.0	\$253.0	\$253.0

The rationale here is identical to that for Recurring Projects, discussed above.

Wilbur Well

<u>Item</u>	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>CAW</u>	<u>ORA</u>	
2005	\$49.9	\$0.0	\$0.0

This is a replacement project for a contaminated well. CAW expects to recover the costs to fund this project from the contaminators. As such, ORA's position is that this project should be fully funded by the responsible parties with the proceeds to be treated as contributions. CAW agrees.

Pearl Heights Interconnection

<u>Item</u>	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>CAW</u>	<u>ORA</u>	
2005	\$149.6	\$0.0	\$0.0

CAW agreed with ORA to remove this capital project from the current rate case proceeding because CAW has not yet been able to identify and purchase an appropriate parcel of property for this proposed interconnection/booster station facility. Based on CAW's previous experiences with land acquisition, CAW agreed with ORA that construction of this capital project may not actually begin until near the end of the current rate case cycle (2006-2007). In addition, CAW has not yet commenced negotiations with the City of Sacramento to arrange for CAW's potential purchase of surface water during the winter months. Based on those facts,

CAW agreed to remove this capital project from this proceeding. Because CAW believes that this project is necessary, CAW will most likely include it in the next Sacramento general rate case proceeding after the appropriate real property parcel has been identified and purchased and preliminary design of the facilities has been started.¹

Ethan Way Interconnection

<u>Item</u>	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>CAW</u>	<u>ORA</u>	
2005	\$947.7	\$0.0	\$0.0
2006	\$498.5	\$0.0	\$0.0

Similar to situation with the Pearl Heights project (discussed above), CAW agreed with ORA to remove this capital project from the current rate case proceeding since CAW has not yet been able to purchase an appropriate parcel of property for the proposed interconnection/booster station facility. Based on CAW’s previous experience with land acquisition, CAW agreed with ORA that construction of this capital project may not actually begin until near the end of the current rate case cycle (2006-2007). In addition, CAW has not yet commenced negotiations with the City of Sacramento to arrange for CAW’s potential purchase of surface water during the winter months. Based on those facts, CAW agreed to remove this capital project from this proceeding. Because CAW believes that this project is necessary, CAW will most likely include it in the next general rate case proceeding after the appropriate property has been identified and purchased and preliminary design of the facilities has been started.²

¹ ORA reserves the right to review the need for this project in any future proceeding.

² See footnote no. 1.

Rosemont Tank

<u>Item</u>	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>CAW</u>	<u>ORA</u>	
2005	\$124.7	\$0.0	\$0.0
2006	\$797.6	\$0.0	\$0.0

Cal-Am also agreed to remove this capital project from the current rate case proceeding for purposes of compromise in the process of developing this Settlement Agreement. Basically, Cal-Am determined that the capital project relating to the construction of the new Riolo Storage Tank (described in Section 5.7, below) is a higher priority and must be included in this current rate case proceeding in order to address current and pressing distribution system deficiencies. In addition, CAW agreed with ORA that construction of both the Riolo Tank and the Rosemont Tank simultaneously during the current rate case cycle was going to be a challenge for CAW that CAW would not likely achieve. Therefore, CAW agreed to defer this project and include it in the next general rate case proceeding.³

5.2 Water Treatment Facilities - Arsenic

ORA and CAW agree that the two Arsenic Projects CAW requested in this case are vital and should be approved in this proceeding. EPA requires that these projects must be installed by January 1, 2006. See Direct Testimony of M. Schubert, Exhibit 4, pp. 40-41. Accordingly, the projects are scheduled for 2005. However, the magnitude of the dollars involved and the lack of an exact defined treatment process for arsenic removal as yet, led the Parties to agree that these two projects should only be recovered in rates upon their completion and placement into service, with the filing of an advice letter with an overall total construction dollar cap in this proceeding of \$4,200,000. The amount of the overall cap is based on CAW's original estimates. The advice letter will provide substantiation that the project is completed and

³ See footnote no. 1.

in service, and will, identify and substantiate the total dollars spent. The advice letter will be ministerial in that ORA will be reviewing (1) the total dollars spent (up to the cap) and (2) confirming CAW's revised revenue requirement based on the project costs, less contributions. CAW has applied for Proposition 50 funding for this project. Any grant funds actually received for this project will be recorded as a contribution and will reduce dollar for dollar the amount that CAW can request in the advice letter. The advice letter should be filed once the projects are completed in 2005.

The following chart summarizes the positions of the Parties:

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>CAW</u>	<u>ORA</u>	
2005	\$ 3,750.0	\$0.0	\$0.0
2006	\$ 450.0	\$0.0 Separate Appl.	\$4,200.0 Advice Letter

(ORA Sacramento Report (Exhibit 22), 4.6-4.7; Application (Exhibit 1), Table 4-3; Schubert Rebuttal (Exhibits 14 and 15), pp. 5-6 and Exhibits 1 and 2.)

5.3 Water Treatment Facilities – Parkway Service Area

ORA and CAW agree that the water treatment plant expansion in the Parkway Service area is necessary. ORA agreed with this conclusion and changed its position after an explanation by CAW that ORA had misinterpreted various CAW supply capacity data and interconnection agreements. Based on those factual clarification ORA agreed that this project is needed now in order for CAW to meet its maximum day demands.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>CAW</u>	<u>ORA</u>	
2005	\$ 478.8	\$0.0	\$ 478.8
2006	\$1,435.5	\$0.0	\$1,435.5

(ORA Sacramento Report (Exhibit 22), 4.8-4.11; Application (Exhibit 1), Table 4-3; Schubert Rebuttal (Exhibits 14 and 15), pp. 6-10 and Exhibits 4 –6.)

5.4 Rehabilitation of Wells – New Suburban Service Area Well

Based on extensive discussions, ORA has changed its position and agrees with CAW that a new well in the Suburban Service area is in fact needed to replace wells that have been lost due to contamination. However, CAW has been delayed in construction of this well. As a result, the parties agree that CAW should be allowed only one half of the investment dollars in rate base in 2005. That is consistent with Commission decisions in prior water utility cases where the Commission has required that the risk associated with the potential recovery of the costs from the polluters to replace contaminated sources of supply should be shared equally between the ratepayers and shareholders.

	<u>Original Positions (000s)</u>	<u>Settlement (000s)</u>
	<u>CAW</u>	<u>ORA</u>
2005	\$ 498.8	\$0.0
		\$249.4

(ORA Sacramento Report, 4.14 (Exhibit 22); Application (Exhibit 1), Table 4-3; Schubert Rebuttal (Exhibit 14 and 15), pp. 10-11 and Exhibits 6 and 7.)

5.5 Rehabilitation of Wells – Blanket Well Improvement Project

Following extensive discussions, ORA also agreed to change its original position and agreed that CAW's requested funds for its well rehabilitation program in the Sacramento District are needed to repair wells that have lost capacity due to their lengthy time in service. CAW was able to demonstrate to ORA's satisfaction that this is an essential and ongoing rehabilitation program that will occur in every Sacramento GRC and that is essential in order for CAW to keep up with system demands.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>CAW</u>	<u>ORA</u>	
2005	\$349.3	\$0.0	\$349.3
2006	\$324.3	\$0.0	\$324.3

(ORA Sacramento Report (Exhibit 22), 4.15; Application (Exhibit 1), Table 4-3; Schubert Rebuttal (Exhibit 14 and 15), 12-15 and Exhibits 8-16.)

5.6 Rehabilitation of Wells – Two New Service Area Wells

This project is similar to the new well in the Suburban Service Area described in Section 5.3, above. Following discussions and exchanges of information, ORA changed its position and agreed with CAW that wells in the Sacramento area have been lost due to groundwater contamination and that, in addition, fill-in growth in the area also requires additional water supplies. Based on D.04-05-023, the Parties agree that CAW should bear responsibility to pursue the responsible (polluting) parties and, therefore, that only one-half of the revenue requirement of the project should go into rate base now with the remaining one-half treated as a contribution until all reasonable efforts to recover from the perpetrators are exhausted. As described in Section 5.3, above, this is the position that the Commission has taken in prior water utility cases to assure that the risk of failure to recover from the contaminators is shared equally between the ratepayers and shareholders.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>CAW</u>	<u>ORA</u>	
2005	\$543.7	\$0.0	\$271.8

(ORA Sacramento Report (Exhibit 22), 4.16; Application (Exhibit 1) Table 4-3; Schubert Rebuttal, (Exhibits 14 and 15), 15-18).

5.7 Storage Tanks – Roseville Ground Storage Tank

This project was approved in D.04-05-023. However, because that decision was very delayed the authorizations sought were also delayed and CAW could not proceed with the project on the timetable as originally anticipated. ORA rejected the project in this proceeding because of the CAW's delay in pursuing it, but ORA has changed its position because of the practicalities faced by CAW in not having a final commission decision approving the project until well into 2004.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>CAW</u>	<u>ORA</u>	
2005	\$467.9	\$0.0	\$467.9

(ORA Sacramento Report (Exhibit 22), 4.17; Application (Exhibit 1), Table 4-3; Schubert Rebuttal (Exhibits 14 and 15), p. 16 and Exhibit 19; D.04-05-23.)

5.8 Storage Tanks – Riolo Storage Tank

The situation with this project is identical to that of the Roseville Ground Storage Tank described in Section 5.6 above.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>CAW</u>	<u>ORA</u>	
2006	\$797.6	\$0.0	\$797.6

(ORA Sacramento Report (Exhibit 22), 4.18-4.19; Application (Exhibit 1), Table 4-3; Schubert Rebuttal (Exhibits 14 and 16), pp. 16-19 and Exhibits 20 and 21.)

5.9 Pumps – Roseville Road Booster Station

The situation with this project is identical to that of the Roseville Ground Storage Tank described in Section 5.6, above.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>CAW</u>	<u>ORA</u>	
2005	\$499.0	\$0.0	\$499.0

(ORA Sacramento Report (Exhibit 22), 4.21; Application (Exhibit 1) Table 4-3; Schubert Rebuttal (Exhibit 14, 15 and 16), pp. 19-20 and Exhibit 19.)

5.10 Transmission and Distribution Plant – Shenandoah Project

Following extensive discussions, CAW was able to demonstrate to ORA’s satisfaction that this is an essential and ongoing project to replace small mains throughout the Sacramento area and is part of the state-mandated meter retrofit project. See Rebuttal Testimony of M. Schubert (Exhibit 14) pp. 22-25. ORA also agrees that funding this project as requested in this case is necessary because it is part of an ongoing project that must necessarily continue for many years, just as will the meter retrofit project. Based on those understandings ORA changed its position on this project.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>CAW</u>	<u>ORA</u>	
2005	\$1,396.6	\$0.0	\$1,396.6
2006	\$2,392.8	\$0.0	\$2,392.8

(ORA Report (Exhibit 22), 4.24-4.25; Application (Exhibit 1) Table 4-3; Schubert Rebuttal (Exhibit 14 and 16), pp. 22-24 and Exhibits 26-30.)

6. Depreciation

There are no differences in this matter. Sacramento Workpapers Tab K, Tables K-1 and K-2 set forth the positions of the parties.

(ORA Sacramento Report (Exhibit 22), 5.1-5.3.)

7. Rate Base

CAW agrees with all of ORA's recommendations, with modifications due to the settled plant issues, described in Section 5, above. Sacramento Workpapers Tab L, Tables L-1 and L-2 set forth the positions of the parties.

(ORA Sacramento Report (Exhibit 22), 6.1-6.8.)

8. Miscellaneous Matters

8.1 Interim Rate Increases

The parties agree that this is a legal matter to be resolved by the Commission and should not be a subject of this settlement.

(ORA Sacramento Report (Exhibit 22), 7.1-7.2.)

9. Notice and Customer Service

There were no issues in this Chapter.

10. Design of Rates

There are no issues in this Chapter, except the Low-income Assistance Program which is discussed in Section 12, below.

11. Attrition

There are no issues in this Chapter. See Appendix 5 where the Attrition allowance is calculated based on this Settlement Agreement. The attrition allowance calculation is based on the methodology used prior to the new rate case plan.

12. Rate Assistance for Low-Income Customers

Both parties agree that this is an item that should be resolved by the Commission and not addressed in this Agreement Settlement.

(ORA Sacramento Report (Exhibit 22), 11.1-11.27; Stephenson Rebuttal (Exhibit 13), p. 34.)

LARKFIELD DISTRICT

The following Appendices address Larkfield District issues:

Appendix 10: Summary of Earnings
Test Year 2005

Appendix 11: Summary of Earnings
Test Year 2006

Appendix 12: Revenue Requirements 2005-2006
and Net-to-gross Multiplier

Appendix 13: Attrition Allowance Calculation

Appendix 14: Proposed Rates 2005
CPUC Standard Rate Design

Appendix 15: Taxes Based on Increased at Proposed Rates

Appendix 16: Weighted Average Depreciated Rate Base

Appendix 17: Adopted Quantities 2005-2006

Attached, marked Tariffs Larkfield, are the revised proposed tariffs for the Larkfield District for Test Year 2005 with the CPUC standard rate design and without consolidation.

Also attached behind Workpapers Larkfield Tab A are Tables A-1, A-2, A-4 and A-5 that provide a summary of the final positions of the Parties to the Larkfield Application.

13. Water Consumption and Operating Revenues

California American Water has agreed to accept the estimated residential consumption estimate of ORA based on historical averages, with one modification. The modification is that California American Water and ORA have mutually agreed the CAW should provide a new residential fire service tariff that provides monthly service fee relief to those customers required to up-size their residential meter in order to accommodate residential fire service (see paragraph 20.1 below). This allowance for the reduced fire service tariff will in turn reduce the projected rate revenues. The projected annual revenue loss due to the new residential fire service tariff is estimated at approximately \$7,000. Due to the complexity of changing the meter sizes in the revenue calculation, the Parties agree that, instead, the annual water consumption per residential customer should be lowered from the figure recommended by ORA in order to account for the \$7000 revenue loss that will occur from the new residential fire service tariff. This reduction in the annual consumption per residential customer reduces the present rate revenues by approximately the same amount as the revenue reduction caused by the proposed new residential fire service tariff. The Parties agree that is the simplest and fairest way to resolve this rate revenue issue.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>CAW</u>	<u>ORA</u>	
2005	178.3	181.0	180.5
2006	178.3	181.0	180.5

(ORA Larkfield Report (Exhibit 23), 2.2-2.6; Stephenson Rebuttal (Exhibit 13), pp. 24-26.)

14. Expenses

CAW and ORA agreed to many expense estimates in their original forecasts. For the items listed in Section 14.1, below, CAW modified its original position and agreed with ORA's estimates. CAW agreed to make those changes to recognize the changes related to increased sales described in Section 13 above, to recognize the agreement of the Parties on the Acquisition Premium Allowance explained in Section 14.2, below, and because ORA's estimates were based on more current data than was available to CAW when it made its original filing many months earlier. Larkfield Workpapers Tab F, Table F-1, Table F-2, Table F-3 and Table F-3, set forth the positions of the respective Parties.

14.1 Items as to which CAW Modified its Original Position and Agreed with ORA's Original Position.

Based on later inflation information used by ORA and a correction of CAW's error in uncollectible expense, CAW modified its original position and has agreed each to the following positions taken by ORA for expenses:

	<u>Item</u>	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
		<u>CAW</u>	<u>ORA</u>	
2005	Uncollectibles	\$3.2	\$3.0	\$3.0
2006		\$4.0	\$3.8	\$3.8
2005	Emp. Benefits	\$109.0	\$108.7	\$108.7
2006		\$113.2	\$111.0	\$111.0
2005	Payroll	\$232.4	\$231.9	\$231.9
2006		\$237.6	\$233.2	\$233.2

14.2 Acquisition Premium Allowance

The Parties agree that the calculation of the Acquisition Premium Allowance should be based on the agreed upon Cost of Capital, as set forth Section 2 above. The Parties also agree that the total revenue requirement of and on the premium should be split, 50% to the historical CAW districts and 50% to the former Citizens districts, as stated in the ORA M&A Report (Exhibit 26) on page 6. The support for the changes in the parties positions is as set forth in Section 23, below. Based on that agreement the Parties modified their original position on this issue as follows:

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>CAW</u>	<u>ORA</u>	
2005	\$113.8	\$104.0	\$104.2
2006	\$105.4	\$ 93.3	\$101.4

(ORA M&A Report (Exhibit 26), page 6; Stephenson Direct Testimony on Synergy Savings (Exhibit 3, Tab 2), pp 16-19.)

15. Plant in Service

Following extensive exchanges of information and negotiations on the rationale for each requested plant item, the Parties have reached agreement on estimates of Plant in

Service as described in Sections 15.1-15.4 below. Larkfield Workpapers Tab J, Table J-1 and Table J-2, attached, set forth the original and settlement positions of the Parties.

15.1 Items as to Which CAW Modified its Original Position and Agreed With the ORA Position

CAW Modified its original position and agrees with many of the ORA positions in their Report (Exhibit 23). The reasons for each such agreement, by item, are shown below:

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>CAW</u>	<u>ORA</u>	
2004	\$12.0	\$0.0	\$0.0
2006	\$129.9	\$0.0	\$0.0

Following discussions among the Parties and as part of the efforts to compromise to settle issues in this case, CAW agreed to a two-year deferral (to 2007) in funding for this capital project primarily in order to reduce the rate impact on Larkfield District customers in 2005 and 2006.⁴

⁴ See footnote no. 1.

Construct Well #7

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>CAW</u>	<u>ORA</u>	
2005	\$249.8	\$0.0	\$0.0
2006	\$749.3	\$0.0	\$0.0

CAW changed its position on this project and agreed to defer this capital project because of the continuing uncertainty and unpredictability of the timing for CAW to identify and purchase a suitable parcel of property within the Larkfield District service area. In addition, it is also anticipated that developer funding (contributions) may be available to use in the future purchase of an acceptable parcel.⁵

Small Main Program

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>CAW</u>	<u>ORA</u>	
2004	\$74.9	\$0.0	\$0.0
2005	\$74.9	\$0.0	\$0.0
2006	\$74.9	\$0.0	\$0.0

CAW agrees with ORA that this project should be included in the category of Recurring Projects, described in Section 15.2, below.

⁵ See footnote no. 1.

Distribution Monitoring Equipment (SCADA)

<u>Item</u>	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>CAW</u>	<u>ORA</u>	
2005	\$249.8	\$0.0	\$0.0
2006	\$249.8	\$0.0	\$0.0

CAW agreed to change its position and to defer this capital project to a later rate case because CAW has not been able to conduct the preliminary work necessary to assess the condition of the existing equipment and, therefore, to assess the urgency for its replacement. In addition, this capital project was removed from this case to facilitate compromise during the development of the Settlement Agreement. This project, while still urgent from CAW's perspective, is being studied further for possible inclusion in the next rate case proceeding.⁶

15.2 Recurring Projects

The Parties agree that the estimated level of expenditures for this item should be based on historical levels of expenditures, as determined by ORA, and that the Recurring Projects should include the small main replacement program described in Section 5.1, above. Based on CAW's explanation to ORA that this small main replacement program was not included in the historical averages because it was treated as a stand alone budget project, not a recurring project, previously. ORA modified its position and agreed that it is appropriate to include those projects in this case.

⁶ See footnote no. 1.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>CAW</u>	<u>ORA</u>	
Annual	\$433.0	\$310.7	\$400.0

(ORA Larkfield Report, 4.2-4.3; Stephenson Rebuttal, pp 15-16.)

15.3 Construct and Equip Well No. 6

The Parties agree that CAW will withdraw its request for Well No. 6 from this rate case. CAW will continue its regularly scheduled meetings with representatives from the Larkfield community to discuss water issues. Additionally, the Parties have agreed as follows:

(a) CAW will commence a water conservation program funded through a balancing account at the rate of \$15,000 per year to provide rebates to customers of \$100 for installation of low-flow toilets and \$150 for installation of low flow washing machines, and to provide low-flow restrictions and other conservation devices and materials including those relating to outdoor watering; unused funds in the balancing account will be rolled over into successive years;

(b) CAW is authorized to institute a water conservation surcharge of \$0.53 per month per customer to fund the conservation program;

(c) CAW will participate as a Corporate Sponsor at the annual October trade show at the Luther Burbank Center where it will make available the materials referenced in paragraph (e), above; and

(d) CAW is committed by a Cooperative Agreement to contribute \$63,300 over the next five years commencing in mid-2005 as a financial contributor to the Santa Rosa Plain Groundwater Study to be performed by the USGS. The funding for the project will either come from the CAW small system assistance program, if approved by the Water Division, or will be allowed to be deferred in a memorandum account to be recovered in the next Larkfield GRC.

15.4 Construct North Wikiup Tank

CAW agreed with ORA to maintain the Commission-authorized level of funding for this capital project, as authorized in D.04-05-023 (\$300,000) for this rate case. The costs have increased primarily because of rising steel costs. (Schubert Rebuttal Testimony (Exhibit 14, Schubert, page 32)). However, CAW acknowledges that the information on the increased costs for various steel components was only submitted by CAW to the Parties during the rebuttal phase of this case, which was too late for proper review and consideration by the Parties. Accordingly, CAW will request the balance of the actual expenditures for this project as part of the next general rate case proceeding for Larkfield District, and only after the new tank is complete and placed in service.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>CAW</u>	<u>ORA</u>	
2004	\$64.9	\$65.0	\$64.7
2005	\$434.6	\$235.0	\$234.6

(ORA Larkfield Report (Exhibit 23), 4.22; Schubert Rebuttal (Exhibit 14 and 16), pp. 32-34.)

15.5 Improvement in Water Treatment

CAW agreed to a reduction in funds for this capital project due to the new location of the Well Number 6 project in a more remote location outside the northwestern portion of the Larkfield District's service area. The new location eliminates the need for increased capacity at the existing water treatment plant. ORA agreed with CAW's explanation that \$149,700 of this request is still necessary for essential improvements at the water treatment plant to better address the treatment and removal of arsenic, iron and manganese. The \$149,700 is the amount estimated by CAW, and agreed to by ORA, that will be required to add treatment to the existing water treatment plant to treat for Arsenic.

Original Positions (000s) Settlement (000s)

	<u>CAW</u>	<u>ORA</u>	
2005	\$349.7	\$0.0	\$149.7
2006	\$99.0	\$0.0	\$ 0.0

(ORA Larkfield Report (Exhibit 23), 4.27-4.31, Schubert Rebuttal (Exhibits 14 and 16), pp. 34-35

16. Depreciation

There are no differences in this matter. Larkfield Workpapers Tab K, Tables K-1 and K-2 set forth the positions of the Parties.

(ORA Larkfield Report (Exhibit 23), 5.1-5.2.)

17. Ratebase

CAW agrees with all of ORA's recommendations, with modifications due to the settled plant issues described in Section 15, above. Larkfield Workpapers Tab L, Tables L-1 and L-2 set forth the positions of the Parties.

(ORA Larkfield Report (Exhibit 23), 6.1-6.8.)

18. Miscellaneous Matters

18.1 Interim Rate Increases

The parties agree that this is a legal matter to be resolved by the Commission and should not be a subject of this Settlement Agreement.

(ORA Larkfield Report (Exhibit 23), 7.1-7.2.)

19. Notice and Customer Service

There were no issues in this Chapter.

20. Design of Rates

The only issue in this Chapter, other than the low-income Assistance Program discussed in Section 20.1, below, is that of the Residential Fire Sprinkler Program.

20.1 Residential Fire Sprinklers

The Parties agree that it is important to provide a lower monthly service charge for residential customers who have a fire sprinkler system connected to their domestic water system and who had to up-size their meter in order to do so. The Parties agree that any residential customer with such a fire sprinkler system should pay a 5/8" monthly meter service charge instead of either the 3/4" or 1" charge for the larger meters that are actually installed on services. Residential customers with a 1 1/2" meter due to the inclusion of such fire sprinkler service would pay the monthly 1" meter service charge and residential customers with a 2" meter would pay a 1 1/2" monthly meter service charge. Please see the attached rate schedules for the recommended tariff language. This tariff only applies to combined regular residential and fire sprinkler service provided through a single service line and meter. Residential fire sprinklers that are provided service through a separate meter and service line are provided service and billed under the Company's existing Fire Service tariff. Customers with such separate fire service are subject to the Fire Service tariff and are not eligible for the lower monthly service charge to be provided by this new tariff since they have a separate fire service line and meter.

(ORA Larkfield Report (Exhibit 23), 9.3-9.7; Stephenson Rebuttal (Exhibit 13), pp 32-34.)

21. Attrition

There are no issues in this Chapter. See Appendix 1.3 where the Attrition allowance is calculated based on this Settlement Agreement. The attrition allowance calculation based on the methodology used prior to the new rate case plan.

22. Rate Assistance for Low-Income Customers

Both parties agree that this is an item that should be resolved by the Commission and not addressed in this Settlement Agreement.

(ORA Larkfield Report (Exhibit 23), 11.1-11.25; Stephenson Rebuttal (Exhibit 13), p 34.)

MERGERS AND ACQUISITIONS

23. Citizens Synergies

CAW agrees with many of the recommendations of ORA on this subject. The items as to which CAW agrees with ORA and the reason for the agreement are as follows:

1. Use of consistent inflation rates. CAW agrees this is appropriate. CAW mistakenly and unintentionally used different inflation rates in different calculations in the current synergy calculation. This error was made because CAW failed to adjust all of the rates in its current analysis from rates used in the past analysis in A.02-09-090, et al.
2. Use customers as the proper allocation factor. CAW agrees that since all of its allocations are based on customer ratios it also makes sense to do so with the acquisition premium.
3. Use the adopted cost of capital in the calculation. CAW agrees that the adopted rate of return in this proceeding should be used to determine the return on and of the premium. This was CAW's intent when it used its forecast rate of return in the Application.
4. Growth factors. CAW agrees that the projected growth factors based on historical trends should be used in the calculation of the synergies. CAW had used an estimated growth factor that was conservative based on its best estimates. However, the estimates employed by CAW were not based on any historical data – just internal projections.

5. CAW agrees with the changes as proposed by ORA in the Cost of Capital Synergies. ORA has provided a more up-to-date analysis using more current data.

CAW and ORA have agreed to the following which are different than the positions in their direct presentations:

a. The total revenue requirement of and on the premium should be shared 50% / 50% between the historical CAW districts and the former Citizens' districts. Both parties agree that they should have used that 50-50 calculation in their direct showing in this case but failed to do so.

b. ORA and CAW agree that in future GRC proceedings for the Sacramento and Larkfield Districts that CAW should provide to ORA a table similar to the one attached as Exhibit B to show that material changes are not occurring in the revenue requirement of and on the premium or in the total synergies. ORA can then request more information – if desired – at the time of future filings. CAW will file an updated Table 1-6 in future GRC's together with any additional requested information by ORA.

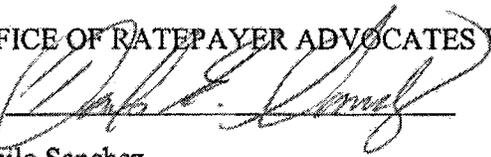
(ORA M&A Report (Exhibit 26) pp 2-7; Stephenson Rebuttal (Exhibit 13) pp. 35-36.)

RATE CONSOLIDATION FOR SACRAMENTO AND LARKFIELD (A.04-08-013)

All Parties agree that this issue cannot be resolved in this Settlement Agreement and, therefore, should go to the Commission for decision.

(ORA Consolidation Report (Exhibit 24), 1-7; Stephenson Rebuttal (Exhibit 13), pp. 36-42.)

OFFICE OF RATEPAYER ADVOCATES WATER DIVISION

By: 

Danilo Sanchez

Title: MANAGER - OAA

Office of Ratepayer Advocates - Water Division
California Public Utilities Commission
320 West 4th Street, Suite 500
Los Angeles, CA 90013
(213) 576-7045

Dated: September 7, 2005

CALIFORNIA-AMERICAN WATER COMPANY

By: _____

David P. Stephenson

Title: Assistant Treasurer for California-American Water Company

California-American Water Company
4701 Beloit Drive
Sacramento, CA 95838
(619) 409-7712

Dated: September 7, 2005

LARKFIELD/WIKIUP WATER DISTRICT ADVISORY COMMITTEE

By: _____

James Bouler

Title: _____

133 Eton Court
Santa Rosa, California 95403

Dated: September 7, 2005

OFFICE OF RATEPAYER ADVOCATES WATER DIVISION

By: _____

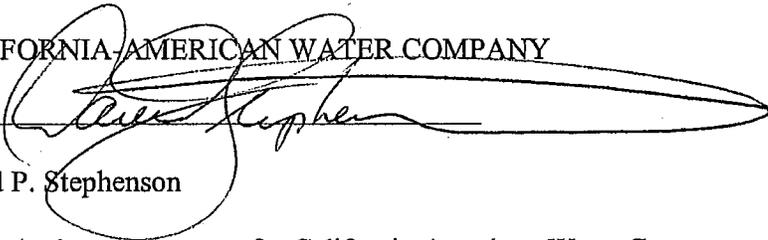
Danilo Sanchez

Title: _____

Office of Ratepayer Advocates - Water Division
California Public Utilities Commission
320 West 4th Street, Suite 500
Los Angeles, CA 90013
(213) 576-7045

Dated: September 7, 2005

CALIFORNIA-AMERICAN WATER COMPANY

By: 

David P. Stephenson

Title: Assistant Treasurer for California-American Water Company

California-American Water Company
4701 Beloit Drive
Sacramento, CA 95838
(619) 409-7712

Dated: September 7, 2005

LARKFIELD/WIKIUP WATER DISTRICT ADVISORY COMMITTEE

By: _____

James Bouler

Title: _____

133 Eton Court
Santa Rosa, California 95403

Dated: September 7, 2005

OFFICE OF RATEPAYER ADVOCATES WATER DIVISION

By: _____

Danilo Sanchez

Title: _____

Office of Ratepayer Advocates - Water Division
California Public Utilities Commission
320 West 4th Street, Suite 500
Los Angeles, CA 90013
(213) 576-7045

Dated: September 7, 2005

CALIFORNIA-AMERICAN WATER COMPANY

By: _____

David P. Stephenson

Title: Assistant Treasurer for California-American Water Company

California-American Water Company
4701 Beloit Drive
Sacramento, CA 95838
(619) 409-7712

Dated: September 7, 2005

LARKFIELD/WIKIUP WATER DISTRICT ADVISORY COMMITTEE

By: *James M. Bouler*

James Bouler

Title: *Member, Larkfield/Wikiup Water District Advisory Committee*

133 Eton Court
Santa Rosa, California 95403

Dated: September 7, 2005

EXHIBITS

Exhibit A

EXHIBIT A

CALIFORNIA-AMERICAN WATER COMPANY
 PROPOSED WEIGHTED AVERAGE COST OF CAPITAL
 Settlement Document in A.04-03-023 & 024

	Amount	Ratio	Cost	Weighted Avg. Cost	ORIGINAL COMBINED	ORA RECOMMENDED
TOTAL COMPANY COMBINED						
2005 Average						
Debt - Cal Am	\$ 103,867.4	28.49%	7.12%	2.03%		
Debt - Citizens	\$ 110,713.6	30.37%	5.91%	1.79%		
Equity - Cal Am	\$ 84,982.4	23.31%	10.10%	2.35%		
Equity - Citizens	\$ 65,022.3	17.83%	9.85%	1.76%		
Total	\$ 364,585.7	100.00%		7.93%	7.85%	7.34%
2006 Average						
Debt - Cal Am	\$ 113,754.9	28.49%	7.12%	2.03%		
Debt - Citizens	\$ 121,252.8	30.37%	5.91%	1.79%		
Equity - Cal Am	\$ 93,072.2	23.31%	10.10%	2.35%		
Equity - Citizens	\$ 71,212.0	17.83%	9.85%	1.76%		
Total	\$ 399,291.8	100.00%		7.93%	8.07%	7.57%
2007 Average						
Debt - Cal Am	\$ 121,689.4	28.49%	7.12%	2.03%		
Debt - Citizens	\$ 129,708.0	30.37%	5.91%	1.79%		
Equity - Cal Am	\$ 99,564.1	23.31%	10.10%	2.35%		
Equity - Citizens	\$ 76,177.7	17.83%	9.85%	1.76%		
Total	\$ 427,139.2	100.00%		7.93%	8.24%	7.75%

SETTLEMENT

EFFECTIVE - CITIZENS STAND ALONE - ALL YEARS

ORIGINAL REQUEST

DEBT	63.00%	5.91%	3.72%	3.57%
EQUITY	37.00%	9.85%	3.64%	4.48%
TOTAL	100.00%		7.37%	8.05%

EFFECTIVE - CAL AM STAND ALONE - ALL YEARS

DEBT	55.00%	7.12%	3.92%	3.41%
EQUITY	45.00%	10.10%	4.55%	5.47%
TOTAL	100.00%		8.46%	8.88%

Exhibit B

CALIFORNIA-AMERICAN WATER COMPANY
ANALYSIS OF SYNERGY SAVINGS
AND
REVENUE REQUIREMENT OF THE PREMIUM

YEAR	1	2	3	4	5	6	7	8	9	10
	Revenue Req Of the Premium	Cal-Am Synergies	Net Premium To Citizens Prop.	Cost of Capital Savings	CAP-X Invest Savings	Depreciation Plus - Savings	Net Removal of Citizens Hist. Exp.	Cal-Am Corporate Expenses	EST Cal-Am added Direct Expenses	Net Remaining Synergies
			Column 1 minus Column 2							Column 3 minus Columns 4 through 9
2005	\$5,143,000	\$2,171,939	\$2,425,061	\$1,576,598	\$1,274,000	\$328,663	\$5,517,454	(\$3,839,918)	(\$1,571,114)	(\$860,422)
2006	\$5,003,000	\$2,841,271	\$2,161,729	\$1,966,515	\$1,749,000	\$492,331	\$5,705,047	(\$3,968,106)	(\$1,576,281)	(\$2,207,177)
2007	\$5,281,000	\$2,969,485	\$2,311,515	\$1,816,996	\$2,001,000	\$603,714	\$5,899,019	(\$4,096,295)	(\$1,584,310)	(\$2,328,509)
2008	\$5,126,000	\$3,097,699	\$2,028,303	\$1,666,877	\$2,233,000	\$679,744	\$6,092,991	(\$4,322,484)	(\$1,592,339)	(\$2,847,488)
2009	\$4,970,000	\$3,235,913	\$1,744,067	\$1,516,439	\$2,505,000	\$755,374	\$6,286,962	(\$4,532,673)	(\$1,600,368)	(\$3,357,467)
2010	\$4,817,000	\$3,354,127	\$1,462,873	\$1,366,839	\$2,737,000	\$831,604	\$6,480,934	(\$4,490,861)	(\$1,609,397)	(\$3,884,466)
2011	\$4,664,000	\$3,482,341	\$1,181,659	\$1,216,826	\$3,009,000	\$907,334	\$6,594,905	(\$4,409,050)	(\$1,616,426)	(\$4,401,425)
2012	\$4,513,000	\$3,610,555	\$909,441	\$1,066,802	\$3,241,000	\$983,866	\$6,866,877	(\$4,337,239)	(\$1,624,455)	(\$4,916,404)
2013	\$4,363,000	\$3,738,769	\$624,231	\$916,793	\$3,513,000	\$1,059,894	\$7,067,849	(\$4,265,423)	(\$1,632,484)	(\$5,430,362)
2014	\$4,214,000	\$3,866,983	\$347,917	\$766,764	\$3,785,000	\$1,135,924	\$7,256,820	(\$4,199,519)	(\$1,640,513)	(\$5,943,362)
2015	\$4,067,000	\$3,995,197	\$71,803	\$616,745	\$4,017,000	\$1,211,954	\$7,450,793	(\$4,131,865)	(\$1,648,542)	(\$6,454,341)
2016	\$3,921,000	\$4,123,411	(\$202,411)	\$466,735	\$4,269,000	\$1,287,984	\$7,644,764	(\$4,064,994)	(\$1,656,573)	(\$6,964,319)
2017	\$3,860,000	\$4,251,625	(\$391,625)	\$316,787	\$4,521,000	\$1,364,014	\$7,838,736	(\$3,978,182)	(\$1,664,600)	(\$7,479,298)
2018	\$3,882,000	\$4,379,839	(\$497,839)	\$166,683	\$4,773,000	\$1,440,044	\$8,032,707	(\$3,906,371)	(\$1,672,629)	(\$7,991,277)
2019	\$3,907,000	\$4,508,053	(\$601,053)	\$16,669	\$5,025,000	\$1,516,074	\$8,226,678	(\$3,834,560)	(\$1,680,658)	(\$8,507,256)
2020	\$3,935,000	\$4,636,267	(\$701,267)	(\$133,350)	\$5,277,000	\$1,592,104	\$8,420,650	(\$3,762,749)	(\$1,688,687)	(\$9,024,235)
2021	\$3,964,000	\$4,764,481	(\$806,481)	(\$283,369)	\$5,529,000	\$1,668,134	\$8,614,622	(\$3,690,937)	(\$1,696,716)	(\$9,541,214)
2022	\$3,996,000	\$4,892,695	(\$906,695)	(\$433,388)	\$5,781,000	\$1,744,164	\$8,808,593	(\$3,619,126)	(\$1,704,745)	(\$10,058,193)
2023	\$4,033,000	\$5,020,909	(\$997,909)	(\$583,407)	\$6,033,000	\$1,820,194	\$9,002,565	(\$3,547,315)	(\$1,712,774)	(\$10,577,172)
2024	\$4,072,000	\$5,149,123	(\$1,072,123)	(\$733,426)	\$6,285,000	\$1,896,224	\$9,196,536	(\$3,475,504)	(\$1,720,803)	(\$11,096,151)
2025	\$4,115,000	\$5,277,337	(\$1,162,337)	(\$883,445)	\$6,537,000	\$1,972,254	\$9,390,508	(\$3,403,692)	(\$1,728,832)	(\$11,615,130)
2026	\$4,163,000	\$5,405,551	(\$1,242,551)	(\$1,033,464)	\$6,789,000	\$2,048,284	\$9,584,480	(\$3,331,880)	(\$1,736,861)	(\$12,134,109)
2027	\$4,214,000	\$5,533,765	(\$1,319,765)	(\$1,183,483)	\$7,041,000	\$2,124,314	\$9,778,453	(\$3,260,070)	(\$1,744,890)	(\$12,653,088)
2028	\$4,272,000	\$5,661,979	(\$1,399,979)	(\$1,333,502)	\$7,293,000	\$2,200,344	\$9,972,423	(\$3,188,258)	(\$1,752,919)	(\$13,172,067)
2029	\$4,335,000	\$5,790,193	(\$1,483,193)	(\$1,483,521)	\$7,545,000	\$2,276,374	\$10,166,395	(\$3,116,447)	(\$1,760,948)	(\$13,691,045)
2030	\$4,403,000	\$5,918,407	(\$1,515,407)	(\$1,633,540)	\$7,797,000	\$2,352,404	\$10,360,366	(\$3,044,636)	(\$1,768,977)	(\$14,210,024)
2031	\$4,476,000	\$6,046,621	(\$1,576,621)	(\$1,783,559)	\$8,049,000	\$2,428,434	\$10,554,338	(\$2,972,825)	(\$1,777,006)	(\$14,729,003)
2032	\$4,560,000	\$6,174,835	(\$1,614,835)	(\$1,933,578)	\$8,301,000	\$2,504,464	\$10,748,309	(\$2,901,013)	(\$1,785,035)	(\$15,248,982)
2033	\$4,650,000	\$6,303,049	(\$1,653,049)	(\$2,083,597)	\$8,553,000	\$2,580,494	\$10,942,281	(\$2,828,002)	(\$1,793,064)	(\$15,768,961)
2034	\$4,749,000	\$6,431,263	(\$1,692,263)	(\$2,233,616)	\$8,805,000	\$2,656,524	\$11,136,253	(\$2,755,990)	(\$1,801,093)	(\$16,288,940)
2035	\$4,859,000	\$6,559,477	(\$1,730,477)	(\$2,383,635)	\$9,057,000	\$2,732,554	\$11,330,224	(\$2,683,976)	(\$1,809,122)	(\$16,808,919)
2036	\$4,977,000	\$6,687,691	(\$1,768,691)	(\$2,533,654)	\$9,309,000	\$2,808,584	\$11,524,196	(\$2,611,961)	(\$1,817,151)	(\$17,328,898)
2037	\$5,109,000	\$6,815,905	(\$1,706,905)	(\$2,683,673)	\$9,561,000	\$2,884,614	\$11,718,167	(\$2,540,946)	(\$1,825,180)	(\$17,848,877)
2038	\$5,251,000	\$6,944,119	(\$1,645,119)	(\$2,833,692)	\$9,813,000	\$2,960,644	\$11,912,139	(\$2,468,931)	(\$1,833,209)	(\$18,368,856)
2039	\$5,410,000	\$7,072,333	(\$1,583,333)	(\$2,983,711)	\$10,065,000	\$3,036,674	\$12,106,111	(\$2,396,916)	(\$1,841,238)	(\$18,888,835)
2040	\$5,581,000	\$7,200,547	(\$1,619,547)	(\$3,133,729)	\$10,317,000	\$3,112,704	\$12,299,082	(\$2,324,901)	(\$1,849,267)	(\$19,408,814)
2041	\$5,517,000	\$7,328,761	(\$1,811,761)	(\$3,283,748)	\$10,569,000	\$3,188,734	\$12,491,054	(\$2,252,886)	(\$1,857,296)	(\$19,928,793)
TOTAL	\$193,861,000	\$155,776,515	\$38,084,485	(\$24,126,598)	\$22,998,000	\$6,188,834	\$333,101,277	(\$223,450,646)	(\$63,333,009)	(\$327,741,829)

Tariffs Sacramento

CALIFORNIA-AMERICAN WATER COMPANY

Revised C.P.U.C. SHEET NO. _____

303 H St., Suite 250

Schedule No. SAC-1

Sacramento Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated communities, subdivisions, and adjacent areas generally known as Cordova, Rosemont, Parkway Estates, Lindale, Foothill Farms, Arlington Heights, Linwood, Loretto Heights, Arden Highlands, Arden Estates and Sunrise Security Park. A part of the City of Citrus Heights and the communities of Antelope and Sabre City in Sacramento and Placer Counties. The city of Isleton and vicinity and the unincorporated community of Walnut Grove in Sacramento County. The lower southwestern portion of Placer County including the areas known as Morgan Creek, Doyle Ranch, Sun Valley Oaks and Riolo Greens.

RATES

Per Meter
Per Month

Quantity Rates:

For all water delivered per 100 cu. ft.	\$ 1.035	(I)
---	----------	-----

Service Charge:

For 5/8 x 3/4-inch meter	\$ 7.88	(I)
For 3/4-inch meter	11.82	
For 1-inch meter	19.70	
For 1 1/2-inch meter	39.40	
For 2-inch meter	63.04	
For 3-inch meter	118.20	
For 4-inch meter	197.00	
For 6-inch meter	394.00	
For 8-inch meter	630.40	
For 10-inch meter	906.20	
For 12-inch meter	1,300.20	(I)

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is to be added the monthly charge computed at the Quantity Rates.

(continued)

(TO BE INSERTED BY UTILITY)

ISSUED BY

(TO BE INSERTED BY C.P.U.C.)

ADVICE LETTER NO. _____

D. P. STEPHENSON

DATE FILED _____

NAME

EFFECTIVE _____

DECISION NO. _____

DIRECTOR - RATES & REVENUES

RESOLUTION NO. _____

TITLE

CALIFORNIA-AMERICAN WATER COMPANY
303 H St., Suite 250
MULLEN VISTA, CALIFORNIA 91910

Revised C.P.U.C. SHEET NO. _____

CANCELING Revised C.P.U.C. SHEET NO. _____

Schedule No. SAC-1

Sacramento Tariff Area

GENERAL METERED SERVICE (continued)

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
2. A surcharge is included on each bill to recover undercollected supply expense for purchased power and water of \$ 658,908 as of December 31, 2002. The surcharge is \$.029 per Ccf and is to be added to the quantity rate for a period of 12 months, beginning on the effective date of Advice Letter 593.
3. A surcharge is included on each bill to recover undercollected supply expense for purchased power and water of \$ 623,326 as of December 31, 2003. The surcharge is \$.028 per Ccf and is to be added to the quantity rate for a period of 12 months, beginning on the effective date of Advice Letter 595.

(TO BE INSERTED BY UTILITY)

ISSUED BY

(TO BE INSERTED BY C.P.U.C.)

ADVICE LETTER NO. _____

D. P. STEPHENSON

DATE FILED _____

NAME

EFFECTIVE _____

DECISION NO. _____

DIRECTOR - RATES & REVENUES

RESOLUTION NO. _____

TITLE

CALIFORNIA-AMERICAN WATER COMPANY

303 H St., Suite 250

CHULA VISTA, CALIFORNIA 91910

Revised C.P.U.C. SHEET NO. _____

CANCELING Revised C.P.U.C. SHEET NO. _____

Schedule No. SAC - 2R

Sacramento Tariff Area

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all residential water service on a flat rate basis

TERRITORY

The unincorporated communities, subdivisions, and adjacent areas generally known as Cordova, Rosemont, Parkway Estates, Lindale, Foothill Farms, Arlington Heights, Linwood, Loretto Heights, Arden Highlands and Arden Estates. A part of the city of Citrus Heights and the communities of Antelope and Sabre City in Sacramento and Placer Counties. The unincorporated communities of Walnut Grove in Sacramento County.

RATES

Per Meter
Per Month

For a single-family residence including premises,
having the following areas:

4,500 sq. ft. or less.....	\$17.96	(l)
4,501 to 8,000 sq. ft.....	24.29	

For each additional residence on the same premises and served from the same service connection.....	16.12	(l)
For each 1,000 sq. ft. or part of the area in excess of 8,000 sq. ft.....	0.69	

SPECIAL CONDITIONS

1. The above residential flat rate charges apply to service connections not larger than 3/4 inch in diameter.

(continued)

(TO BE INSERTED BY UTILITY)

ISSUED BY

(TO BE INSERTED BY C.P.U.C.)

ADVISE LETTER
NO. _____

D. P. STEPHENSON

DATE FILED _____

NAME

EFFECTIVE _____

DECISION NO. _____

DIRECTOR-RATES & REVENUES

RESOLUTION NO. _____

TITLE

CALIFORNIA-AMERICAN WATER COMPANY

303 H St., Suite 250

PHULA VISTA, CALIFORNIA 91910

Revised

C.P.U.C. SHEET NO. _____

CANCELING

Revised

C.P.U.C. SHEET NO. _____

Schedule No. SAC-2R

Sacramento Tariff Area

RESIDENTIAL FLAT RATE SERVICE (continued)

SPECIAL CONDITIONS

2. All service not covered by the above classification will be furnished only on a metered basis.
3. A meter may be installed at option of utility or customer for above classifications in which event service thereafter will be furnished only on the basis of Schedule No. SAC-1, General Metered Service. After a meter is installed, metered service must be continued for at least 12 months before service will again be furnished at flat rates.
4. All bills are subject to the reimbursement fee forth in Schedule No. UF.
5. A surcharge is included on each bill to recover undercollected supply expense for purchased power and water of \$ 658,908 as of December 31, 2002. The surcharge is \$0.81 per month and is to be added to the service connection rate for a period of 12 months, beginning on the effective date of Advice Letter 593.
6. A surcharge is included on each bill to recover undercollected supply expense for purchased power and water of \$ 623,326 as of December 31, 2003. The surcharge is \$0.77 per month and is to be added to the service connection rate for a period of 12 months, beginning on the effective date of Advice Letter 595.

(TO BE INSERTED BY UTILITY)

ISSUED BY

(TO BE INSERTED BY C.P.U.C.)

ADVICE LETTER NO. _____

D. P. STEPHENSON

DATE FILED _____

NAME

EFFECTIVE _____

DECISION NO. _____

DIRECTOR-RATES & REVENUES

RESOLUTION NO. _____

TITLE

CALIFORNIA-AMERICAN WATER COMPANY

303 H St., Suite 250

CHULA VISTA, CALIFORNIA 91910

Revised

C.P.U.C. SHEET NO. _____

CANCELING

Revised

C.P.U.C. SHEET NO. _____

Schedule No. SAC-4

Sacramento Tariff Area

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service rendered for private fire protection purposes.

TERRITORY

The unincorporated communities, subdivisions, and adjacent areas generally known as Cordova, Rosemont, Parkway Estates, Lindalé, Foothill Farms, Arlington Heights, Linwood, Loretto Heights, Arden Highlands, Arden Estates, and Sunrise Security Park. A part of the City of Citrus Heights and the communities of Antelope and Sabre City in Sacramento & Placer Counties. The City of Isleton and vicinity and the unincorporated community of Walnut Grove in Sacramento County. The lower Southwestern portion of Placer County including the areas known as Morgan Creek, Doyle Ranch, Sun Valley Oaks and Riolo Greens.

RATES

	<u>Per Meter</u> <u>Per Month</u>	
For each 4-inch connection, or smaller	\$ 29.59	(R)
For each 6-inch connection.....	49.29	
For each 8-inch connection.....	69.40	
For each 10-inch connection.....	86.18	
For each 12-inch connection.....	123.56	(R)

SPECIAL CONDITIONS

1. The customer will pay without refund the entire cost of installing the service connection.
2. The maximum diameter of the service connection will not be more than the diameter of the main to which the service is connected.
3. The customer's installation must be such as to effectively separate the fire sprinkler system from that of the customer's regular water service. As a part of the sprinkler service installation there shall be a detector check with a by-pass meter or other similar device acceptable to the company which will indicate the use of water. The utility may require a bi-annual test of the detector check installation at customer cost as a condition of furnishing service. Any unauthorized use will be charged for at the regular established rate for general metered service, and/or may be grounds for the company's discontinuing the fire sprinkler service without liability to the company.

(continued)

(TO BE INSERTED BY UTILITY)

ISSUED BY

(TO BE INSERTED BY C.P.U.C.)

ADVICE LETTER NO. _____

D. P. STEPHENSON

DATE FILED _____

NAME

EFFECTIVE _____

DECISION NO. _____

DIRECTOR-RATES & REVENUES

RESOLUTION NO. _____

TITLE

CALIFORNIA-AMERICAN WATER COMPANY

303 H St., Suite 250

ANUELA VISTA, CALIFORNIA 91910

Revised

C.P.U.C. SHEET NO. _____

CANCELING

Revised

C.P.U.C. SHEET NO. _____

Schedule No. SAC-4
Sacramento Tariff Area

PRIVATE FIRE PROTECTION SERVICE (continued)

SPECIAL CONDITIONS

4. The company will supply only such water at such pressure as may be available from time to time as the result of its normal operation of the system.
5. All bills are subject to the reimbursement fee set forth on Schedule No. UF.
6. A surcharge is included on each bill to recover undercollected pumping power costs of \$328,066. The pumping power surcharge is \$.483 per customer on a monthly basis. This surcharge will be collected over a twelve-month period from the effective date of Advice Letter 578.

(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO. _____

ISSUED BY

D. P. STEPHENSON

NAME

(TO BE INSERTED BY C.P.U.C.)

DATE FILED

EFFECTIVE

DECISION NO. _____

DIRECTOR-RATES & REVENUES

TITLE

RESOLUTION NO. _____

Tariffs Larkfield

CALIFORNIA-AMERICAN WATER COMPANY

303 H St., Suite 250

CHULA VISTA, CALIFORNIA 91910

Revised

C.P.U.C. SHEET NO. _____

CANCELING

Revised

C.P.U.C. SHEET NO. _____

Schedule No. LW-1.

Larkfield Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated areas known as the Larkfield and Wikiup subdivisions and the community of Fulton, three miles north of Santa Rosa, Sonoma County.

RATES

Per Meter
Per Month

Quantity Rate:

For all water delivered, per 100 cu.ft.....	\$2.8123	(I)
---	----------	-----

Service Charge:

For 5/8 x 3/4 inch meter.....	\$ 13.98	
For 3/4 inch meter.....	20.97	
For 1 inch meter.....	34.95	
For 1-1/2 inch meter.....	69.90	(R)
For 2 inch meter.....	111.84	
For 3 inch meter.....	209.70	
For 4 inch meter.....	349.50	
For 6 inch meter.....	699.00	
For 8 inch meter.....	1118.40	(R)
For 10 inch meter.....	1398.00	(I)

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is to be added the monthly charge computed at the quantity rates.

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
2. A temporary surcharge in the amount of \$.062 per 100 cubic feet is added to the Quantity Rate to recover the under-collection of Supply Expense Balancing Account costs of \$ 94,394. This surcharge will be collected over a 36 month period from the effective date of Advice Letter 594 A.

(continued)

(TO BE INSERTED BY UTILITY)

ADVICE

LETTER NO. _____

ISSUED BY

D. P. STEPHENSON

NAME

DIRECTOR - RATES & REVENUES

TITLE

(TO BE INSERTED BY C.P.U.C.)

DATE FILED _____

EFFECTIVE _____

RESOLUTION NO. _____

DECISION NO. _____

CALIFORNIA-AMERICAN WATER COMPANY
303 H St., Suite 250
CHULA VISTA, CALIFORNIA 91910

Revised

C.P.U.C. SHEET NO. _____

CANCELING

Revised

C.P.U.C. SHEET NO. _____

Schedule No. LW-1

Larkfield Tariff Area

GENERAL METERED SERVICE (continued)

3. A surcharge is included on each bill to recover uncollected supply expense for purchased power and water of \$ 100,275 as of December 31, 2003. The surcharge is \$.071 per 100 cubic feet and is added to the quantity rate for a period of 36 months, beginning on November 24, 2004, the effective date of Advice Letter 597 A.
4. Any residential Customer who has installed a Residential Fire Sprinkler System (RFSS) as part of their regular domestic service at their place of residence will be eligible to request to have their monthly service adjusted to reflect the increased service size necessary for operation of the RFSS. To be eligible for the monthly service charge reduction, the customer must request the adjustment and the Company must then verify that the lower size of meter would be large enough to provide adequate service to the residence. If eligible, customers who have a 1" or 3/4" meter in lieu of a 5/8" meter, will be billed a monthly service charge equal to that of a 5/8" meter. If eligible, any other residential customer with an RFSS and a meter size greater than 1" will have their monthly service charge reduced by one meter size. The RFSS is not considered a fire service by the Company, but is considered an oversized general metered service and therefore, only the rules and conditions of service for general metered service apply.
5. A surcharge of \$0.53 per service per month will be added to all customers bills to pay for a conservation program to replace non-conserving toilets and washing machines. This surcharge shall be in place until January 1, 2008.

(TO BE INSERTED BY UTILITY)

ADVICE

LETTER NO. _____

ISSUED BY

D. P. STEPHENSON

NAME

DIRECTOR – RATES & REVENUES

TITLE

(TO BE INSERTED BY C.P.U.C.)

DATE FILED _____

EFFECTIVE _____

RESOLUTION NO. _____

DECISION NO. _____

CALIFORNIA-AMERICAN WATER COMPANY

303 H St., Suite 250

CHULA VISTA, CALIFORNIA 91910

Revised

C.P.U.C. SHEET NO. _____

CANCELING

Revised

C.P.U.C. SHEET NO. _____

Schedule No. LW-4
Larkfield Tariff Area

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished for privately owned fire protection system

TERRITORY

Larkfield Estates and vicinity located approximately three miles north of the City of Santa Rosa, Sonoma County.

RATES

Per Service
Per Month

Size of Service:

For Each One Inch of Service Connection

\$ 5.06 (I)

SPECIAL CONDITIONS

1. The fire protection service will be installed by the utility at the cost of the applicant. Such cost shall not be subject to refund.
2. If the distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity will be installed by the utility at the cost of the applicant. Such cost shall not be subject to refund.
3. Service hereunder is for private fire protection system to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, are installed according to specifications of the utility, and are maintained to the satisfaction of the utility. The utility may install the standard detector type meter approved by the Board of Fire Underwriters for protection against theft, leakage or waste of water.

(Continued)

(TO BE INSERTED BY UTILITY)

ISSUED BY

(TO BE INSERTED BY C.P.U.C.)

ADVICE LETTER NO. _____

D. P. STEPHENSON

DATE FILED

NAME

EFFECTIVE

DECISION NO. _____

DIRECTOR - RATES
& REVENUES

RESOLUTION

NO. _____

TITLE

CALIFORNIA-AMERICAN WATER COMPANY
303 H St., Suite 250
CHULA VISTA, CALIFORNIA 91910

Revised C.P.U.C. SHEET NO. _____

CANCELING Revised C.P.U.C. SHEET NO. _____

Schedule No. LW-4

Larkfield Tariff Area

PRIVATE FIRE PROTECTION SERVICE (continued)

SPECIAL CONDITIONS

- 4. For water delivered for other than fire protection purposes, charges will be made therefore under Schedule No. LW-1, General Metered Service.
- 5. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.
- 6. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO. _____

DECISION NO. _____

ISSUED BY

D. P. STEPHENSON

NAME

DIRECTOR - RATES &
REVENUES

TITLE

(TO BE INSERTED BY C.P.U.C.)

DATE FILED _____

EFFECTIVE _____

RESOLUTION NO. _____

APPENDICES

Appendices 1-9

Sacramento

CALIFORNIA-AMERICAN WATER COMPANY
SACRAMENTO DISTRICT
COMPARISON OF REVISED AND ORA RECOMMENDED
RATE OF RETURN
For the Years 2005 through 2007

	Cal-Am Revised			ORA Recommended			UTILITY EXCEEDS BRANCH	SETTLEMENT		
	Capital Structure	Cost Factor	Weighted Cost	Capital Structure	Cost Factor	Weighted Cost		Capital Structure	Cost Factor	Weighted Cost
Test Year 2005										
Long-Term Debt	65.00%	5.03%	3.27%	65.00%	5.03%	3.27%	0.15%	63.00%	5.03%	3.17%
Common Equity	35.00%	10.50%	3.68%	35.00%	9.40%	3.29%	-1.03%	37.00%	9.85%	3.64%
Total	100.00%		6.94%	100.00%		6.56%	-0.87%	100.00%		6.81%
Test Year 2006										
Long-Term Debt	65.00%	6.30%	4.10%	65.00%	5.72%	3.72%	-0.63%	63.00%	5.72%	3.61%
Common Equity	35.00%	10.50%	3.68%	35.00%	9.40%	3.29%	-1.04%	37.00%	9.85%	3.64%
Total	100.00%		7.77%	100.00%		7.01%	-1.66%	100.00%		7.25%
Test Year 2007										
Long-Term Debt	65.00%	6.30%	4.10%	65.00%	6.30%	4.10%	-0.63%	63.00%	6.17%	3.89%
Common Equity	35.00%	10.50%	3.68%	35.00%	9.40%	3.29%	-1.06%	37.00%	9.85%	3.64%
Total	100.00%		7.77%	100.00%		7.39%	-1.68%	100.00%		7.53%

TABLE A-2
 CALIFORNIA-AMERICAN WATER COMPANY
 SACRAMENTO DISTRICT
 SUMMARY OF EARNINGS
 TEST YEAR 2005

ITEM	STAFF	Company	
	ORIGINAL	ORIGINAL	Settlement
	(1000's of \$)	(1000's of \$)	
OPERATING REVENUES	23,590.0	25,187.9	24,223.5
ADD REVENUE FROM CONTRIBUTION	0.0	0.0	0.0
OPERATING EXPENSES			
CHEMICALS	154.2	154.0	154.2
UNCOLLECTIBLES	84.8	72.1	82.4
OTHER OPERATION & MAINTENANCE	4,285.7	4,285.7	4,285.7
PENSION & BENEFITS	1,109.0	1,112.4	1,109.0
OTHER ADMINISTRATIVE & GENERAL	4,262.1	4,262.1	4,262.1
PAYROLL	2,173.7	2,180.4	2,173.7
ACQUISITION PREMIUM	2,159.2	2,577.7	2,360.0
G.O. PRORATED EXPENSES	0.0	0.0	0.0
DEPRECIATION & AMORTIZATION	4,562.7	4,658.8	4,534.8
TAXES OTHER THAN INCOME	701.8	798.5	728.9
STATE CORP. FRAN. TAX	195.9	256.9	228.3
FEDERAL INCOME TAX	889.2	1,144.5	1,052.9
TOTAL OPERATING EXPENSES	20,578.3	21,503.1	20,972.0
NET OPERATING REVENUE	3,011.7	3,684.8	3,251.5
RATE BASE	46,065.8	52,923.1	47,728.7
RATE OF RETURN	6.54%	6.96%	6.81%

TABLE A-5

CALIFORNIA-AMERICAN WATER COMPANY
SACRAMENTO DISTRICT

SUMMARY OF EARNINGS

TEST YEAR 2006

ITEM	STAFF	Company	
	ORIGINAL	ORIGINAL	Settlement
	(1000's of \$)	(1000's of \$)	
OPERATING REVENUES	23,160.0	27,600.9	25,267.5
ADD REVENUE FROM CONTRIBUTION	0.0	0.0	0.0
OPERATING EXPENSES			
CHEMICALS	156.9	158.1	156.9
UNCOLLECTIBLES	93.8	69.9	85.9
OTHER OPERATION & MAINTENANCE	4,395.8	4,395.8	4,395.8
PENSIONS & BENEFITS	1,129.0	1,154.8	1,129.0
ADMINISTRATIVE & GENERAL	4,391.0	4,391.0	4,391.0
PAYROLL	2,204.7	2,253.9	2,204.7
ACQUISITION PREMIUM	1,741.0	2,202.4	2,120.4
G. O. PRORATED EXPENSES	0.0	0.0	0.0
DEPRECIATION & AMORTIZATION	4,748.6	5,209.3	4,823.4
TAXES OTHER THAN INCOME	675.4	855.5	773.8
STATE CORP. FRAN. TAX	72.6	321.1	246.1
FEDERAL INCOME TAX	185.1	1,396.6	1,059.3
TOTAL OPERATING EXPENSES	19,793.9	22,408.4	21,386.3
NET OPERATING REVENUE	3,366.1	5,192.5	3,881.2
RATE BASE	47,732.4	66,523.8	53,508.9
RATE OF RETURN	7.05%	7.81%	7.25%

**CALIFORNIA-AMERICAN WATER COMPANY
SACRAMENTO DISTRICT - RATE CASE
REVENUE REQUIREMENTS (000's OF \$)**

Revenue requirements for the ESTIMATED YEARS 2005 and 2006 are determined below from the estimated results of operations under present rates for that year.

Based upon estimated 2005 and 2006 average depreciated rate bases, proposed rates have been designed to produce annual rates of return as set forth below.

REVENUE REQUIREMENTS

	2005 Cal Am	2005 ORA	2006 Cal Am	2006 ORA
WEIGHTED AVERAGE RATE BASE	\$47,728.7	\$47,728.7	\$53,508.9	\$53,508.9
RATE OF RETURN REQUESTED	6.81%	6.81%	7.25%	7.25%
UTILITY OPERATING INCOME REQUIRED	\$3,251.9	\$3,251.9	\$3,881.8	\$3,881.8
AT PRESENT RATES	\$1,994.3	\$1,994.3	\$3,377.8	\$3,377.6
ADDITIONAL	\$1,257.6	\$1,257.6	\$504.0	\$504.2
NET-TO-GROSS MULTIPLIER	1.7500	1.7500	1.7500	1.7500
GROSS REVENUES				
ADDITIONAL REQUIRED AT PRESENT RATES	\$2,200.9 \$22,027.0	\$2,200.9 \$22,027.0	\$882.0 \$24,488.0	\$882.3 \$24,488.0
TOTAL	\$24,227.9	\$24,227.9	\$25,370.0	\$25,370.3
PERCENT INCREASE (ANNUALLY)	9.99%	9.99%	3.60%	3.60%

NET-TO-GROSS MULTIPLIER

The items of expense enumerated below increase in direct proportion to any increase in gross revenues. The net-to-gross multiplier applicable to the estimated years is as follows:

County Franchise Tax	0.147%
Uncollectible Accounts	0.37%
State Corporate Franchise Tax	7.56%
Federal Income Tax	35.00%
NET-TO-GROSS MULTIPLIER	1.74999

**CALIFORNIA-AMERICAN WATER COMPANY
SACRAMENTO DISTRICT - RATE CASE
ATTRITION ALLOWANCE (000's OF \$)**

ATTRITION ALLOWANCE CALCULATION

	<u>CAL- AM</u>		<u>ORA</u>	
	2005	2006	2005	2006
Rate of Return at Present Rates	6.81%	6.31%	6.81%	6.31%
Rate of Return Percent Decrease		0.51%		0.51%
	<u>2006</u>		<u>2007</u>	
Requested Rate of Return	7.25%	7.53%	7.25%	7.53%
Change in Requested Rate of Return		0.28%		0.28%
Total Increase/(Decrease) in Rate of Return		0.79%		0.79%
Applied Against 2006 Weighted Average Rate Base		\$53,508.9		\$53,508.9
Gross Increase		\$421.2		\$421.2
Times Net-to-Gross Multiplier		1.7500		1.7500
Total Attrition Allowance - Year 2007		\$737.1		\$737.1
Percentage Increase		2.98%		2.98%

**CALIFORNIA-AMERICAN WATER COMPANY
SACRAMENTO DISTRICT
PROPOSED RATES 2006**

1. RATE SCHEDULE NO. SAC-1, GENERAL METERED SERVICE

	<u>2006</u>	<u>2007</u>
	<u>Per Ccf</u>	<u>Per Ccf</u>
2. Quantity Rates:	\$ 0.0340	\$ 0.0318
	Per Meter Per Month All Customers	
3. Service Charge:	Increase	Increase
4. For 5/8 x 3/4 - inch meters	\$ 0.23	\$ 0.24
5. For 3/4 - inch meters	\$ 0.34	\$ 0.37
6. For 1 - inch meters	\$ 0.57	\$ 0.61
7. For 1-1/2 - inch meters	\$ 1.15	\$ 1.21
8. For 2 - inch meters	\$ 1.84	\$ 1.93
9. For 3 - inch meters	\$ 3.45	\$ 3.63
10. For 4 - inch meters	\$ 5.75	\$ 6.04
11. For 6 - inch meters	\$ 11.50	\$ 12.08
12. For 8 - inch meters	\$ 18.40	\$ 19.33
13. For 10 - inch meters	\$ 26.45	\$ 27.79
14. For 12 - inch meters	\$ 37.95	\$ 39.88

15. RATE SCHEDULE NO. SAC-2R, RESIDENTIAL FLAT RATE SERVICE

	Per Service Per Month All Customers	
	Increase	Increase
16. Rates:		
17. For a Single Family Residence With the Following Area:		
18. 4,500 Square Feet or Less	\$ 0.59	\$ 0.55
19. 4,500 to 8,000 Square Feet	\$ 0.80	\$ 0.75
20. For Each 1,000 Square Feet over 8,000	\$ 0.02	\$ 0.02
21. For Each Additional Residence on the Same Premise	\$ 0.53	\$ 0.50

22. RATE SCHEDULE NO. SAC-4, PRIVATE FIRE PROTECTION SERVICE

	Per Service Per Month All Customers	
	Increase	Increase
23. Rates:		
24. For each 4 - inch connection and smaller	\$ 0.96	\$ 0.91
25. For each 6 - inch connection	\$ 1.59	\$ 1.52
26. For each 8 - inch connection	\$ 2.24	\$ 2.14
27. For each 10 - inch connection	\$ 2.78	\$ 2.66
28. For each 12 - inch connection	\$ 3.99	\$ 3.80

CALIFORNIA-AMERICAN WATER COMPANY SACRAMENTO DISTRICT WEIGHTED AVERAGE DEPRECIATED RATE BASE
--

	TEST YEAR 2005		
	STAFF	COMPANY	Settlement
	ORIGINAL	ORIGINAL	
WTD AVG PLANT IN SERVICE	135,149.4	142,311.7	136,604.8
MATERIALS & SUPPLIES	30.5	30.5	30.5
WORKING CASH, OPERATIONAL	858.8	858.8	858.8
WORKING CASH, LEAD-LAG	617.7	601.3	609.5
WTD AVG DEPR RESERVE	(47,387.0)	(47,813.8)	(47,459.5)
ADVANCES	(9,223.6)	(9,224.1)	(9,223.6)
UNAMORTIZED ADVANCES (20 YR AMORTIZATION)	(18,423.5)	(18,423.5)	(18,423.5)
CONTRIBUTIONS	(4,875.4)	(4,546.1)	(4,545.9)
UNAMORTIZED CONTRIBUTIONS (20 YR AMORTIZATION)	(6,755.7)	(6,755.7)	(6,755.7)
ACCUM. DEFERRED FIT	(3,852.1)	(3,916.0)	(3,691.0)
ACCUM. DEFERRED SIT	(186.6)	(200.0)	(189.0)
REDUNDANT FACILITIES	(86.7)	0.0	(86.7)
AVERAGE RATE BASE	46,065.8	52,923.1	47,728.7
	TEST YEAR 2006		
WTD AVG PLANT IN SERVICE	141,363.0	160,236.0	146,617.1
MATERIALS & SUPPLIES	31.3	31.3	31.3
WORKING CASH, OPERATIONAL	843.3	843.3	843.3
WORKING CASH, LEAD-LAG	641.2	646.0	643.6
WTD AVG DEPR RESERVE	(51,464.2)	(51,767.8)	(51,534.8)
ADVANCES	(10,011.5)	(10,012.6)	(10,011.5)
UNAMORTIZED ADVANCES (20 YR AMORTIZATION)	(17,306.9)	(17,306.9)	(17,306.9)
CONTRIBUTIONS	(5,693.5)	(4,946.2)	(4,945.6)
UNAMORTIZED CONTRIBUTIONS (20 YR AMORTIZATION)	(6,346.3)	(6,346.3)	(6,346.3)
ACCUM. DEFERRED FIT	(3,939.9)	(4,486.0)	(4,086.0)
ACCUM. DEFERRED SIT	(315.7)	(367.0)	(327.0)
REDUNDANT FACILITIES	(68.3)	0.0	(68.3)
AVERAGE RATE BASE	47,732.5	66,523.8	53,508.9

<p>ADOPTED QUANTITIES</p> <p>CALIFORNIA-AMERICAN WATER COMPANY</p> <p>SACRAMENTO DISTRICT</p> <p>TEST YEARS 2005 AND 2006</p>

	2005	2006
Water Production		
Well Production (Kccf)	19,484	19,587
Purchased Water	1,258	1,302
TOTAL	20,742	20,889
Purchased Water Costs		
Quantities		
City of Sacramento Peak	96,250	96,250
Off-Peak	537,396	537,396
Citrus Heights	36,094	36,094
Placer County	239,770	239,770
Sac Suburban	348,916	392,916
TOTAL	1,258,426	1,302,426
Purchased Water Costs		
City of Sacramento		
Connection Fee	\$146,819	\$147,219
Rate per Ccf		
Peak	\$0.97075	\$0.99676
Off-Peak	\$0.09122	\$0.09366
Citrus Heights		
Rate per Ccf	\$0.26427	\$0.27135
Placer County		
Rate per Ccf	\$0.66000	\$0.67000
Monthly Fee	\$4,606.09	\$4,729.53
Sac Suburban		
Rate per Ccf	\$0.50505	\$0.56566
Purchased Water Costs		
City of Sacramento	\$289,273	\$293,491
Citrus Heights	\$9,539	\$9,794
Placer County	\$213,521	\$217,400
Sac Suburban	\$176,220	\$222,257
TOTAL	\$688,553	\$742,942
Purchased Power		
	2005	2006
Total Water Production	20,742,000	20,889,000
Non-pumped Purchased Water	286,951	284,548
Pumped Water Production	20,455,049	20,604,452
KWH/CCF	1.237737	1.237737
Total Kwh	25,317,971	25,502,893
Rate Per Kwh	0.094573	0.094573
Total Amount	\$2,394,396	\$2,411,885

<p>ADOPTED QUANTITIES</p> <p>CALIFORNIA-AMERICAN WATER COMPANY</p> <p>SACRAMENTO DISTRICT</p> <p>TEST YEARS 2005 AND 2006</p>

Average Customers	2005	2006
Metered		
Residential	5,666	6,768
Commercial	4,853	4,903
Public Authority	87	87
Subtotal	10,606	11,758
Unmetered	46,211	45,481
Fire	703	716
TOTAL	57,520	57,955
Meter Sizes		
5/8"	5,886	6,953
3/4"	46	82
1"	2,058	2,075
1 1/2 "	686	711
2"	1,795	1,801
3"	24	25
4"	77	77
6"	22	22
8"	11	11
10"	1	1
TOTAL	10,606	11,758
Unmetered		
Lots Less Than 4,500	5,535	5,535
Greater than 4,500	40,676	39,946
Each added 1,000 sq. Foot	22,949	22,949
Additional Houses	0	0
TOTAL	46,211	45,481
Fire Services		
4"	103	103
6"	230	232
8"	340	349
10"	26	26
12"	4	6
TOTAL	703	716
GRAND TOTAL	57,520	57,955
Average Consumption Per Connection		
	2005	2006
Metered		
Residential	239.0	239.0
Commercial	1,081.7	1,081.7
Public Authority	5,531.0	5,531.0
Unmetered	252.9	252.9
Fire	0.0	0.0
TOTAL	330.4	330.3

Appendices 10-17

Larkfield

CALIFORNIA-AMERICAN WATER COMPANY
LARKFIELD DISTRICT

SUMMARY OF EARNINGS

TEST YEAR 2005

	STAFF ORIGINAL	Company ORIGINAL	Settlement
OPERATING REVENUES	1,962.5	2,326.3	2,050.3
ADD REVENUE FROM CONTRIBUTION	0.0	0.0	0.0
OPERATING EXPENSES			
Purchased Power	96.4	95.6	96.4
Uncollectibles	38.3	3.7	3.3
Other OPERATION & MAINTENANCE	312.3	312.5	312.3
Pension & Benefits	108.7	109.1	108.7
ADMINISTRATIVE & GENERAL	209.7	209.7	209.7
PAYROLL	231.9	232.4	231.9
ACQUISITION PREMIUM	99.1	108.9	99.3
DEPRECIATION & AMORTIZATION	386.6	468.4	412.6
TAXES OTHER THAN INCOME	62.7	84.2	68.2
STATE CORP. FRAN. TAX	19.3	35.8	25.4
FEDERAL INCOME TAX	71.8	161.8	113.4
TOTAL OPERATING EXPENSES	1,502.1	1,722.8	1,681.3
 NET OPERATING REVENUE	 460.4	 603.5	 369.0
 RATE BASE	 4,949.7	 7,231.2	 5,420.6
 RATE OF RETURN	 9.30%	 8.35%	 6.81%

CALIFORNIA-AMERICAN WATER COMPANY
LARKFIELD DISTRICT

SUMMARY OF EARNINGS

TEST YEAR 2006

ITEM	STAFF	COMPANY	
	ORIGINAL	ORIGINAL	Settlement
OPERATING REVENUES	1,877.5	2,553.9	2,116.3
ADD REVENUE FROM CONTRIBUTION	0.0	0.0	0.0
OPERATING EXPENSES			
Purchased Power	96.9	97.1	97.1
Uncollectibles	3.6	4.0	3.4
Other OPERATION & MAINTENANCE	322.0	322.0	322.0
Pension & Benefits	111.0	113.2	111.0
ADMINISTRATIVE & GENERAL	214.4	214.4	214.4
PAYROLL	233.2	237.6	233.2
ACQUISITION PREMIUM	81.2	93.3	89.2
DEPRECIATION & AMORTIZATION	391.8	522.1	439.5
TAXES OTHER THAN INCOME	61.6	86.7	67.3
STATE CORP. FRAN. TAX	2.3	40.3	25.6
FEDERAL INCOME TAX	(4.4)	174.0	109.4
TOTAL OPERATING EXPENSES	1,413.1	1,803.6	1,712.2
NET OPERATING REVENUE	464.4	750.3	404.1
RATE BASE	4,949.5	8,343.5	5,573.9
RATE OF RETURN	9.38%	8.99%	7.25%

**CALIFORNIA-AMERICAN WATER COMPANY
LARKFIELD DISTRICT - RATE CASE
REVENUE REQUIREMENTS (000's OF \$)**

Revenue requirements for the ESTIMATED YEARS 2005 and 2006 are determined below from the estimated results of operations under present rates for that year.

Based upon estimated 2005 and 2006 average depreciated rate bases, proposed rates have been designed to produce annual rates of return as set forth below.

	<u>Cal Am</u> 2005	<u>ORA</u> 2005	<u>Cal Am</u> 2006	<u>ORA</u> 2006
WEIGHTED AVERAGE RATE BASE	\$5,420.6	\$5,420.6	\$5,573.9	\$5,573.9
RATE OF RETURN REQUESTED	6.81%	6.81%	7.25%	7.25%
UTILITY OPERATING INCOME REQUIRED	\$369.3	\$369.3	\$404.3	\$404.3
AT PRESENT RATES	\$283.4	\$283.4	\$376.3	\$376.3
ADDITIONAL	\$85.9	\$85.9	\$28.0	\$28.0
NET-TO-GROSS MULTIPLIER	1.7439	1.7439	1.7439	1.7439
GROSS REVENUES				
ADDITIONAL REQUIRED AT PRESENT RATES	\$149.7 \$1,900.9	\$149.7 \$1,900.9	\$48.8 \$2,067.7	\$48.8 \$2,067.7
TOTAL	\$2,050.6	\$2,050.6	\$2,116.5	\$2,116.5
PERCENT INCREASE (ANNUALLY)	7.88%	7.88%	2.36%	2.36%

NET-TO-GROSS MULTIPLIER

The items of expense enumerated below increase in direct proportion to any increase in gross revenues. The net-to-gross multiplier applicable to the estimated years is as follows:

County Franchise Tax	0.000%
Uncollectible Accounts	0.17%
State Corporate Franchise Tax	7.56%
Federal Income Tax	35.00%
NET-TO-GROSS MULTIPLIER	1.74391

**CALIFORNIA-AMERICAN WATER COMPANY
LARKFIELD DISTRICT - RATE CASE
ATTRITION ALLOWANCE (000's OF \$)**

ATTRITION ALLOWANCE CALCULATION

	<u>Cal-Am</u>		<u>ORA</u>	
	2005	2006	2005	2006
Rate of Return at Present Rates	6.81%	6.75%	6.81%	6.75%
Rate of Return Percent Decrease		0.06%		0.06%
	<u>2006</u>		<u>2007</u>	
Requested Rate of Return	7.25%	7.53%	7.25%	7.53%
Change in Requested Rate of Return		0.28%		0.28%
Total Increase/(Decrease) in Rate of Return		0.34%		0.34%
Applied Against 2006 Weighted Average Rate Base		\$5,573.9		\$5,573.9
Gross Increase		\$18.7		\$18.7
Times Net-to-Gross Multiplier		1.7439		1.7439
Total Attrition Allowance - Year 2007		\$32.6		\$32.6
Percentage Increase		1.56%		1.56%

CALIFORNIA-AMERICAN WATER COMPANY
LARKFIELD DISTRICT
PROPOSED RATES 2006

1. RATE SCHEDULE NO. LW-1, GENERAL METERED SERVICE

	<u>2006</u>	<u>2007</u>
	Per Ccf	Per Ccf
	Increase	Increase
2. Quantity Rates	\$ 0.0660	\$ 0.0452
Per Meter Per Month		
All		
Customers		
3. Service Charge	Increase	Increase
4. For 5/8 x 3/4 - inch meters	\$ 0.33	\$ 0.22
5. For 3/4 - inch meters	\$ 0.50	\$ 0.34
6. For 1 - inch meters	\$ 0.83	\$ 0.56
7. For 1-1/2 - inch meters	\$ 1.65	\$ 1.12
8. For 2 - inch meters	\$ 2.64	\$ 1.80
9. For 3 - inch meters	\$ 4.95	\$ 3.37
10. For 4 - inch meters	\$ 8.25	\$ 5.62
11. For 6 - inch meters	\$ 16.50	\$ 11.23
12. For 8 - inch meters	\$ 26.40	\$ 17.97
13. For 10 - inch meters	\$ 33.00	\$ 22.47
14. For 12 - inch meters	\$ -	\$ -

15. RATE SCHEDULE NO. LW-4, PRIVATE FIRE PROTECTION SERVICE

	Per Month	
	Increase	Increase
16. Rates		
17. For each inch of connection	\$ 0.07	\$ 0.05

CALIFORNIA-AMERICAN WATER COMPANY		
LARKFIELD DISTRICT		
TAXES BASED ON INCOME		
PROPOSED RATES		

	TEST YEAR 2005		
	STAFF	COMPANY	
	ORIGINAL	ORIGINAL	Settlement
Operating Revenues	1,962.5	2,326.3	2,050.3
Revenues from Contributions	0.0	0.0	0.0
Deductions:			
O & M Expenses	447.0	411.8	412.0
A & G Expenses	318.4	318.8	318.4
G. O. Prorated Expenses	0.0	0.0	0.0
Payroll	231.9	232.4	231.9
Acquisition Premium	99.1	108.9	99.3
Taxes not on Inc.	62.7	84.2	68.2
Interest	161.9	227.9	171.8
Book Depreciation	386.6	468.4	412.6
Income before Taxes	255.0	473.9	336.0
<u>California Corp. Franchise Tax</u>			
CCFT Rate	7.56%	7.56%	7.56%
CCFT	19.3	35.8	25.4
<u>Federal Income Tax</u>			
Federal Tax Deductions	50.0	11.7	12.0
Taxable Income for FIT	205.0	462.2	324.1
FIT Rate	35.00%	35.00%	35.00%
FIT	71.8	161.7	113.4
Total FIT and CCFT	91.1	197.5	138.8

	TEST YEAR 2006		
	STAFF	COMPANY	
	ORIGINAL	ORIGINAL	Settlement
Operating Revenues	1,877.5	2,553.8	2,116.3
Revenues from Contributions	0.0	0.0	0.0
Deductions:			
O & M Expenses	422.5	423.1	422.5
A & G Expenses	325.4	327.6	325.4
G. O. Prorated Expenses	0.0	0.0	0.0
Payroll	233.2	237.6	233.2
Acquisition Premium	81.2	93.3	89.2
Taxes not on Inc.	61.8	86.7	67.3
Interest	330.7	330.7	201.1
Book Depreciation	391.8	522.1	439.5
Income before Taxes	31.1	532.7	338.0
<u>California Corp. Franchise Tax</u>			
CCFT Rate	7.56%	7.56%	7.56%
CCFT	2.3	40.3	25.6
<u>Federal Income Tax</u>			
Federal Tax Deductions	21.8	35.8	25.4
Taxable Income for FIT	(12.6)	496.9	312.6
FIT Rate	35.00%	35.00%	35.00%
FIT	(4.4)	174.0	109.4
Total FIT and CCFT	(2.1)	214.3	135.0

CALIFORNIA-AMERICAN WATER COMPANY LARKFIELD DISTRICT WEIGHTED AVERAGE DEPRECIATED RATE BASE
--

	TEST YEAR 2005		
	STAFF	COMPANY	
	ORIGINAL	ORIGINAL	Settlement
WTD AVG PLANT IN SERVICE	10,805.8	13,226.4	11,343.0
MATERIALS & SUPPLIES	6.1	6.1	6.1
WORKING CASH, OPERATIONAL	90.0	90.0	90.0
WORKING CASH, LEAD-LAG	100.3	193.7	100.3
WTD AVG DEPR RESERVE	(2,848.2)	(2,989.6)	(2,924.2)
ADVANCES	(313.6)	(339.9)	(325.1)
UNAMORTIZED ADVANCES	(2,387.9)	(2,387.9)	(2,387.9)
(20 YR AMORTIZATION)	0.0	0.0	0.0
CONTRIBUTIONS	(20.0)	(21.8)	(20.8)
UNAMORTIZED CONTRIBUTIONS	(249.8)	(249.8)	(249.8)
(20 YR AMORTIZATION)	0.0	0.0	0.0
ACCUM. DEFERRED FIT	(223.0)	(283.0)	(200.0)
ACCUM. DEFERRED SIT	(10.0)	(13.0)	(11.0)
AVERAGE RATE BASE	4,949.7	7,231.2	5,420.6
	TEST YEAR 2006		
WTD AVG PLANT IN SERVICE	11,177.5	14,882.3	11,944.4
MATERIALS & SUPPLIES	6.3	6.3	6.3
WORKING CASH, OPERATIONAL	80.0	80.0	80.0
WORKING CASH, LEAD-LAG	102.4	197.3	102.4
WTD AVG DEPR RESERVE	(3,187.3)	(3,463.7)	(3,337.6)
ADVANCES	(453.0)	(496.4)	(471.9)
UNAMORTIZED ADVANCES	(2,243.2)	(2,243.2)	(2,243.2)
(20 YR AMORTIZATION)	0.0	0.0	0.0
CONTRIBUTIONS	(29.4)	(32.4)	(30.7)
UNAMORTIZED CONTRIBUTIONS	(234.7)	(234.7)	(234.7)
(20 YR AMORTIZATION)	0.0	0.0	0.0
ACCUM. DEFERRED FIT	(250.0)	(327.0)	(223.0)
ACCUM. DEFERRED SIT	(19.0)	(25.0)	(18.0)
AVERAGE RATE BASE	4,949.5	8,343.5	5,573.9

ADOPTED QUANTITIES

CALIFORNIA-AMERICAN WATER COMPANY
LARKFIELD DISTRICT
TEST YEARS 2005 AND 2006

	<u>2005</u>	<u>2006</u>
Water Production		
Well Production (AF)	262	266
Purchased Water	306	306
TOTAL	<u>568</u>	<u>572</u>
Purchased Water Costs		
<u>Meter Charge</u>	\$ 2,160.00	\$ 2,160.00
<u>Quantity Charge:</u>		
Qty - 1/1-6/30	\$ 100.51	\$ 100.51
Rate	\$ 506.21	\$ 519.77
Charges	\$ 50,880.09	\$ 52,243.67
Qty - 7/1-12/31	\$ 205.49	\$ 205.49
Rate	\$ 519.77	\$ 533.70
Charges	\$ 106,806.68	\$ 109,669.10
Quantity Charges	\$ 157,686.76	\$ 161,912.77
Total Charges	\$ 159,846.76	\$ 164,072.77
Purchased Power	<u>2005</u>	<u>2006</u>
Water Production (CCF)	568,100	572,300
KWH/CCF	1.19800	1.19800
KWH	680,584	685,615
Avg. Rate /KWH	0.141669778	0.141669778
Power Costs @Current Rates	96,418	97,131

<p>ADOPTED QUANTITIES</p> <p>CALIFORNIA-AMERICAN WATER COMPANY</p> <p>LARKFIELD DISTRICT</p> <p>TEST YEARS 2005 AND 2006</p>
--

Average Customers	<u>2005</u>	<u>2006</u>
Metered		
Residential	2,117	2,123
Commercial	261	267
Public Authority	5	5
Subtotal	2,383	2,395
Fire	38	39
TOTAL	2,421	2,434
 Meter Sizes		
5/8"	1,537	1,540
3/4"	608	611
1"	153	156
1 1/2 "	49	49
2"	28	31
3"	1	1
4"	6	6
6"	1	1
8"	0	0
TOTAL	2,383	2,395
 Fire Services		
4"	10	10
6"	20	21
8"	7	7
10"	1	1
12"		
TOTAL	38	39
GRAND TOTAL	2,421	2,434
 Average Consumption Per Connection		
	<u>2005</u>	<u>2006</u>
Metered		
Residential	180.5	180.5
Commercial	455.7	455.7
Public Authority	2,617.4	2,617.4
Fire	0.0	0.0
TOTAL	215.8	216.3

PROOF OF SERVICE

I, Cinthia A. Velez, declare as follows:

I am employed in the City and County of San Francisco, California. I am over the age of eighteen years, and not a party to the within cause; my business address is STEEFEL, LEVITT & WEISS, One Embarcadero Center, 30th Floor, San Francisco, California 94111-3719. On September 7, 2005, 2005, I served the within:

***Modified Settlement Agreement Between California-American Water Company,
The Office of Ratepayer Advocates, and the Larkfield/Wikiup Water District
Advisory Committee***

on the interested parties in this action by placing a true copy thereof in a sealed envelope, addressed as follows:

Please see attached Service List

- (BY HAND SERVICE)** By causing such envelope to be delivered by hand, as addressed by delivering same to SPECIALIZED LEGAL SERVICES with instructions that it be hand served.

- (BY MAIL)** By placing such envelope, with postage thereon fully prepaid for first class mail, for collection and mailing at Steefel, Levitt & Weiss, San Francisco, California following ordinary business practice. I am readily familiar with the practice of Steefel, Levitt & Weiss for collection and processing of correspondence, said practice being that in the ordinary course of business, correspondence is deposited in the United States Postal Service the same day as it is placed for collection.

- (BY PUC E-MAIL SERVICE)** By transmitting such document electronically from Steefel, Levitt & Weiss, San Francisco, California, to the electronic mail addresses listed above. I am readily familiar with the practice of Steefel, Levitt & Weiss for transmitting documents by electronic mail, said practice being that in the ordinary course of business, such electronic mail is transmitted immediately after such document has been tendered for filing. Said practice also complies with Rule 2.3(b) of the Public Utilities Commission of the State of California and all protocols described therein.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration was executed on September 7, 2005 at San Francisco, California.

/s/ Cinthia A. Velez

Cinthia A. Velez

Service List
A. 04-04-040, A.04-04-041, A.04-08-013
[Updated July 14, 2005]

VIA HAND DELIVERY & E-MAIL

ALJ Christine M. Walwyn
California Public Utilities Commission
Division of Administrative Law Judges
505 Van Ness Avenue, Room 5117
San Francisco, CA 94102-3214

Commissioner Geoffrey F. Brown
California Public Utilities Commission
505 Van Ness Avenue, Room 5213
San Francisco, CA 94102-3214

**VIA PUC E-MAIL SERVICE & U.S.
MAIL**

Nicholas Sher
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Paul Angelopulo
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Monica L. McCrary
California Public Utilities Commission
Legal Division
505 Van Ness Avenue, Room 5134
San Francisco, CA 94102-3214

Miriam L. Stomblor
County of Santa Cruz
701 Ocean Street, Room 505
Santa Cruz, CA 95060

Mark West Area Chamber of Commerce
4795 Old Redwood Highway, Suite A
Santa Rosa, CA 95403

Larkfield/Wikiup Water District Advisory
c/o Lescure Engineers, Inc.
4635 Old Redwood Highway
Santa Rosa, CA 95403

James M. Bouler
Larkfield/Wikiup Water District Advisory
133 Eton Court
Santa Rosa, CA 95403

David P. Stephenson
California American Water
4701 Beloit Drive
Sacramento, CA 95831

Los Angeles Docket Office
California Public Utilities Commission
320 West 4th Street, Suite 500
Los Angeles, CA 90013

Diana Brooks
California Public Utilities Commission
ORA - Administrative Branch
505 Van Ness Avenue, Room 4102
San Francisco, CA 94102-3214

Fred L. Curry
California Public Utilities Commission
Water Advisory Branch
505 Van Ness Avenue, Room 3106
San Francisco, CA 94102-3214

Harriett J. Burt
California Public Utilities Commission
Public Advisor Office
505 Van Ness Avenue, Room 2103
San Francisco, CA 94102-3214

E-Mail Service

nms@cpuc.ca.gov
pfa@cpuc.ca.gov
mlm@cpuc.ca.gov
miriam.stombler@co.santa-cruz.ca.us
reluob@att.net
dstephen@amwater.com
LAdocket@cpuc.ca.gov
cmw@cpuc.ca.gov
dsb@cpuc.ca.gov
flc@cpuc.ca.gov
hjb@cpuc.ca.gov
gfb@cpuc.ca.gov