



Division of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Ave., San Francisco

FOR IMMEDIATE RELEASE

PRESS RELEASE

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**DRA OPPOSES CALIFORNIA-AMERICAN WATER'S PROPOSED
80% RATE INCREASE FOR MONTEREY PENINSULA IN 2009**

SAN FRANCISCO, August 22, 2008 – The Division of Ratepayer Advocates (DRA), an independent consumer advocacy division of the California Public Utilities Commission (CPUC), today issued its report urging a reduction to the rate increase requested by California-American Water Company (Cal Am).

In its application, Cal Am requested a \$24,718,200 (80 percent) increase over current revenues beginning in 2009 in the Monterey Peninsula and other service districts. DRA is recommending that Cal Am's request be reduced by \$13,916,000, resulting in a rate increase of \$10,802,200. DRA's recommended rate increase is 56 percent less than Cal Am's requested rate increase, and results in a 35 percent rate increase for 2009, which represents only the necessary and cost-effective investments to provide safe and reliable water service.

In its report, DRA finds particular fault with Cal Am's management of safety and environmental concerns created by the San Clemente Dam. DRA also found that Cal Am should have focused on saving water by fixing leaks rather than sign a lease agreement to operate a small, expensive desalination facility in Sand City. DRA also found a lack of evidence to justify 63 percent of Cal Am's proposed infrastructure investments, and recommends that the CPUC levy a fine on Cal Am for violating a CPUC directive to submit progress reports on customer service performance.



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DRA also opposes the consolidation of Cal Am's wastewater treatment districts. Consolidated districts would place an unfair burden on low-income ratepayers by requiring them to share costs for wastewater treatment plants in wealthier areas. Further, DRA finds it illogical to consolidate wastewater districts that treat water from distant sources in Monterey County.

“The rate increases proposed by Cal Am should be reduced significantly,” said DRA Director Dana Appling. “In particular, DRA proposes reductions totaling over \$130 million for infrastructure investments that were not supported by available data, and costs related to poor safety and environmental management of the San Clemente Dam. It is unfair for consumers to be asked to pay for unnecessary infrastructure and poor management decisions when they are facing huge rate increases due to water shortages and high cost desalination facilities to reduce those shortages.”

Evidentiary hearings will begin on October 14, 2008, at the CPUC's headquarters in San Francisco.

DRA reports on Cal Am's rate increase applications are at www.dra.ca.gov/DRA/h20.

DRA is an independent consumer advocacy division of the CPUC, created by the Legislature to represent the interests of all private utility customers throughout the state and to obtain the lowest possible rate for service consistent with reliable and safe service levels. DRA has a multidisciplinary staff with expertise in economics, finance, accounting, and engineering.

For more information on DRA, please visit www.dra.ca.gov.

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