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BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Application of California-American Water Company (U210W) for Approval of the Monterey Peninsula Water Supply Project and Authorization to Recover All Present and Future Costs in Rates.	A.12-04-019 (Filed April 23, 2012)

CALIFORNIA-AMERICAN WATER COMPANY
NOTICE OF EX PARTE COMMUNICATIONS

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Attorney for Applicant
California-American Water Company

Dated: May 7, 2012

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NOTICE OF EX PARTE COMMUNICATIONS

In accordance with Article 8 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), California-American Water Company ("California American Water") hereby files this notice of an ex parte meeting with Ms. Lauren Saine, Advisor to Commissioner Timothy A. Simon.

On Wednesday, May 2, 2012, at 1:35 p.m., Richard Svindland, Director of Engineering; David P. Stephenson, Director of Rates; Jeffrey T. Linam, Vice President of Finance; and Sarah E. Leeper, Vice President – Legal, Regulatory met with Lauren Saine, Advisor to Commissioner Timothy A. Simon. The meeting lasted approximately 40 minutes and was held at the Commission's offices at 505 Van Ness Avenue, San Francisco, California. The communications were both oral and written. Attached hereto as Appendix A is a copy of the written presentation provided to Ms. Saine by California American Water during the meeting.

Mr. Svindland started the meeting by providing an overview of the Monterey Peninsula Water Supply Project ("Project") and how it would help California American Water comply with the State Water Resources Control Board's Cease and Desist Order and provide the Monterey Peninsula with a long-term water supply source. Mr. Svindland discussed the key components of the Project such as the intake wells and the desalination facility, as well as the

proposed groundwater replenishment ("GWR") project. Mr. Svindland explained that the Project is a modified version of the North Marina Project, which the Commission included in the Final Environmental Impact Report certified by the Commission in 2009, and also described the differences between that project and the Project set forth in the Application.

Mr. Stephenson and Mr. Linam addressed measures that California American Water has taken to address the Project's rate impacts. Specifically and as set forth in the application, California American Water intends to use, among other things, the following mechanisms to limit the revenue requirement: 1) levy a surcharge on customer bills; 2) apply for state revolving fund loans; 3) use short-term credit capacity; and 4) limit interest expenses during construction.

Finally, California American Water addressed some of the procedural background relating to the Project, and explained some of the issues which had arisen during the implementation of the Regional Desalination Project that led to the inability to move forward with that project in a timely and efficient manner.

Dated: May 7, 2012

Respectfully submitted,

By: */s/ Sarah E. Leeper*
Sarah E. Leeper

Attorney for Applicant
California-American Water Company

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Appendix A

CALIFORNIA
AMERICAN WATER

Monterey Peninsula Water Supply Project

May 02, 2012

Project Overview

- Solve Monterey Peninsula water supply constraints to satisfy CDO

  California American Water (Cal- Am) desires to construct a smaller desal facility and purchase Groundwater Replenishment (GWR) from public agencies
  - 5,500 AFY from new Cal-Am desalination plant (rated capacity of 5.4 MGD)
  - 3,500 AFY from MRWPCA/MPWMD GWR

  Cal-Am will seek approval to build a 9,000 AFY desal facility in the event GWR is either not timely or not cost effective

- Cal-Am will utilize government subsidized loans, tax benefits and regulatory opportunities

- Cal-Am will propose modifications to its low-income payment plan for consideration by the PUC

Cal-Am Strategy to Limit Revenue Requirement

- We believe the entire project, including the pipeline, qualifies for SRF loans
- We will be proposing a rate base offset of $100M through a surcharge on customers' bills
- We will use $15M - $20M of our short-term credit capacity to extend the period between draws and limit interest expense during construction
- The surcharge and SRF amounts are exempt from real property taxes, at an annual savings of $2.5M

Why Cal-Am Supports Groundwater Replenishment (GWR):

- Broad Stakeholder Support
- Cost Neutral to Desal & Drought-Proof
- Improve Water Quality in Monterey Bay
- Lower Carbon Footprint over Desal alone
- Advance State of California Recycled Water Goals
- Diversifies Water Supply

CALIFORNIA AMERICAN WATER

System Production with and without GWR

WITH GROUNDWATER REPLENISHMENT

EIR Demand (AFY)	15,250
Seaside Wells (AFY)	1,474
Sand City Desal (AFY)	94
Carmel River Legal Right (AFY)	3,376
ASR Recovery (AFY)	1,300
GWR Recovery (AFY)	3,500
Desal to CAW (AFY)	5,506
Required Plant Size* (MGD)	5.4

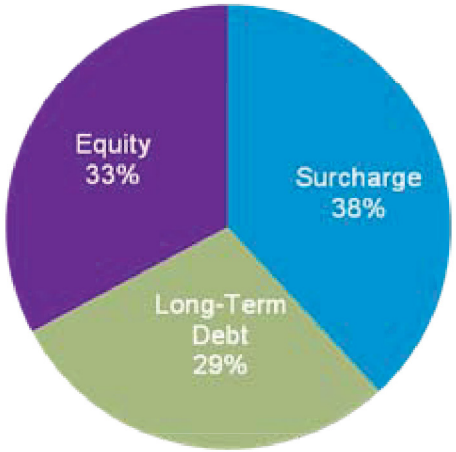
WITHOUT GROUNDWATER REPLENISHMENT

EIR Demand (AFY)	15,250
Seaside Wells (AFY)	1,474
Sand City Desal (AFY)	94
Carmel River Legal Right (AFY)	3,376
ASR Recovery (AFY)	1,300
Desal to CAW (AFY)	9,006
Required Plant Size* (MGD)	9.0

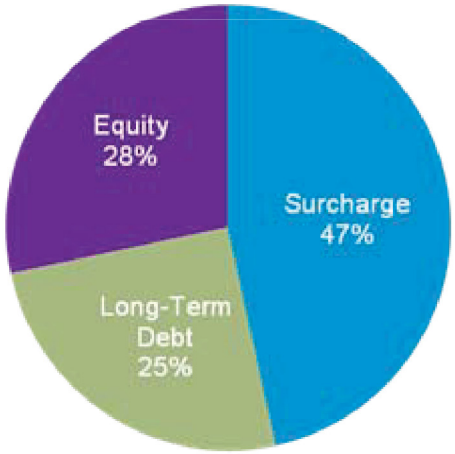
*By Comparison, North Marina Project proposed an 11 MGD (12,300 AFY) and the RDP proposed a 10 MGD Plant (11,200 AFY)

Capital & Financing Summary For Desal Plant

Capital Cost Financing



9.0 MGD (10,200 AFY)		
	SRF	No SRF
Desal Plant Capital Cost	$260M[1]	$260M[1]
Weighted Average Cost of Financing	4.00%	4.73%
1st Year Revenue Requirement[2]	$31.4M	$34.2M



5.4 MGD (5,500 AFY) w/ 3,500 AFY GWR		
	SRF	No SRF
Desal Plant Capital Cost	$213M	$213M
Weighted Average Cost of Financing	3.46%	4.09%
1st Year Revenue Requirement[2]	$22.4M	$24.2M
Purchased GWR Annual Cost[3]	$8.7M	$10.5M
1st Year Total Revenue Requirement[2]	$31.1M	$34.7M

[1] As compared to approved WPA equivalent of $277.5M ($297.5 original RDF cost, minus $0M maintenance reserve and $14M pre-effective costs)

[2] Includes Desal Plant only, Cal Am only Facilities Revenue Requirement estimated at an additional $13.2M with SRF

[3] Based on assumed cost of $2,500/AFY with SRF and $3,000/AFY without SRF

Sources & Uses of Cash

5.4 MGD Plant – SRF Financing

	**** Construction Period ****				
$ Millions	**2013**	**2014**	**2015**	**2016**	**Total**
Uses of Cash					
Capital Spending	$11.9	$27.5	$50.0	$123.6	$213.0
Cost of Financing	0.0	0.1	0.0	5.8	5.9
Total Uses of Cash	**$11.9**	**$27.5**	**$50.0**	**$129.4**	**$218.9**
Sources of Cash					
Contributions	7.5	27.0	31.8	32.8	99.1
Net Short Term Debt	4.4	0.5	15.1	(20.0)	0.0
Net Long Term Debt	0.0	0.0	1.5	54.7	56.2
Net Equity	0.0	0.0	1.7	61.9	63.6
Total Sources of Cash	**$11.9**	**$27.5**	**$50.0**	**$129.4**	**$218.9**

Sources & Uses of Cash

9.0 MGD Plant – SRF Financing

	**** Construction Period ****				
$ Millions	**2013**	**2014**	**2015**	**2016**	**Total**
Uses of Cash					
Capital Spending	$13.1	$32.9	$61.5	$152.5	$260.0
Cost of Financing	0.0	0.1	0.3	9.1	9.5
Total Uses of Cash	**$13.1**	**$33.0**	**$61.8**	**$161.5**	**$269.5**
Sources of Cash					
Contributions	7.5	27.0	31.8	32.8	99.1
Net Short Term Debt	5.6	6.0	8.4	(20.0)	0.0
Net Long Term Debt	0.0	0.0	10.1	69.8	79.9
Net Equity	0.0	0.0	11.4	79.0	90.4
Total Sources of Cash	**$13.1**	**$33.0**	**$61.8**	**$161.5**	**$269.5**

CALIFORNIA AMERICAN WATER

Annual Customer Surcharge

$ Millions	2H 2013	1H 2014	2H 2014	2015	2016	Total
Surcharge	$7.5	$11.6	$15.5	$31.8	$32.8	$99.1
Months of Surcharge	6	6	6	12	12	
Surcharge as % of Rev Req	**30.0%**	**45.0%**	**60.0%**	**60.0%**	**60.0%**	

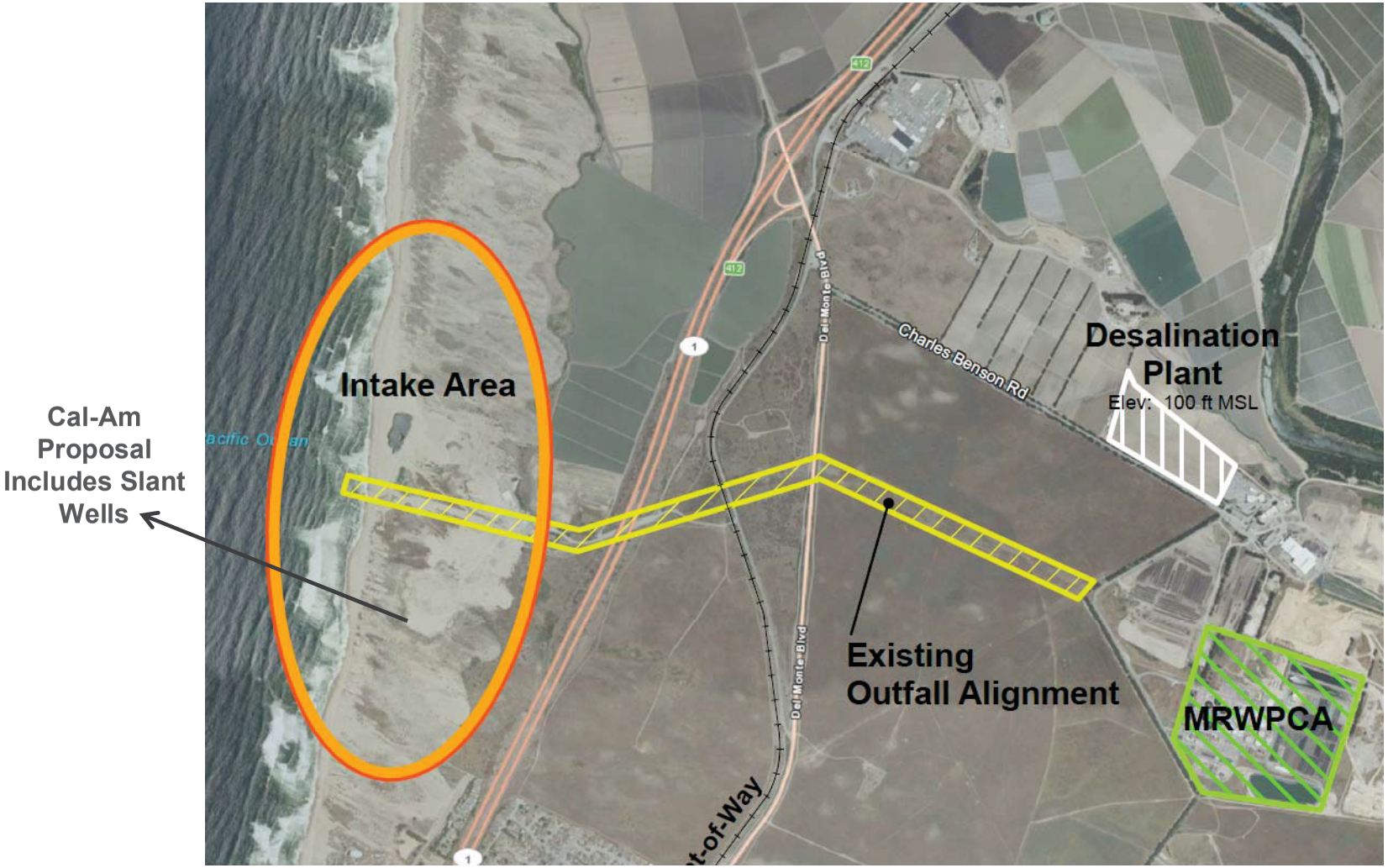
CALIFORNIA AMERICAN WATER

Projected Impact to Monterey Water Bills

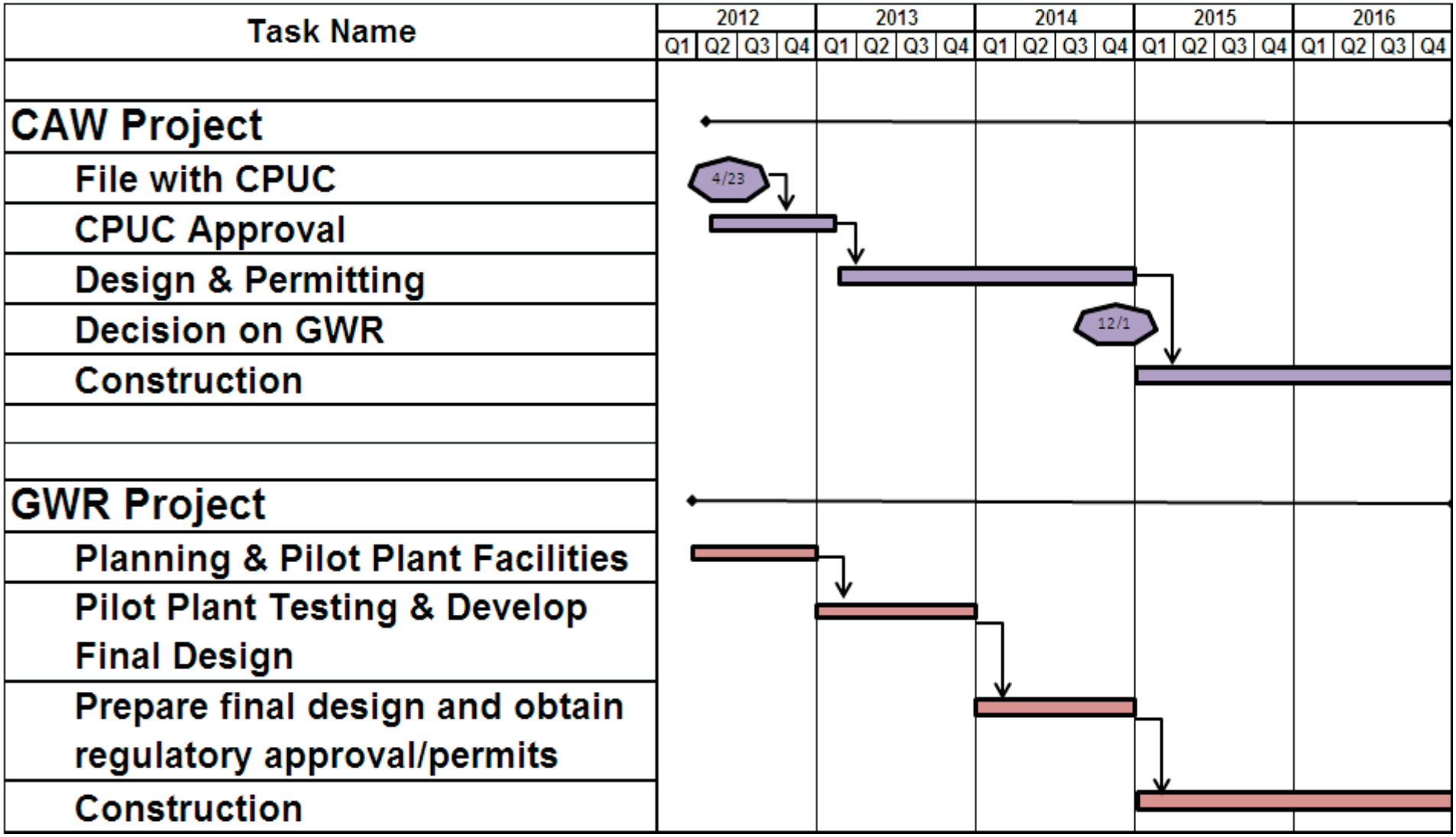
Project	Usage (ccf)	2012 Current Monthly Bill	2017 Projected Monthly Bill Range	$ Increase Related to Water Supply Project
25th Percentile Bill	3	$21.12	$40 - $56	$17 - $24
50th Percentile Bill	5	$28.90	$54 - $79	$22 - $33
75th Percentile Bill	8	$44.48	$86 - $120	$35 - $50
95th Percentile Bill	16	$146.58	$308 - $496	$119 - $198
Average Commercial Bill	62	$348.97	$709 - $752	$288 - $317

Assumptions:
- Usage = 1ccf = 100 cubic feet = 748 gallons
- Proposed 2017 bill includes multiple estimates
- Reflects data from May 2011

Intake and Desal Plant Location

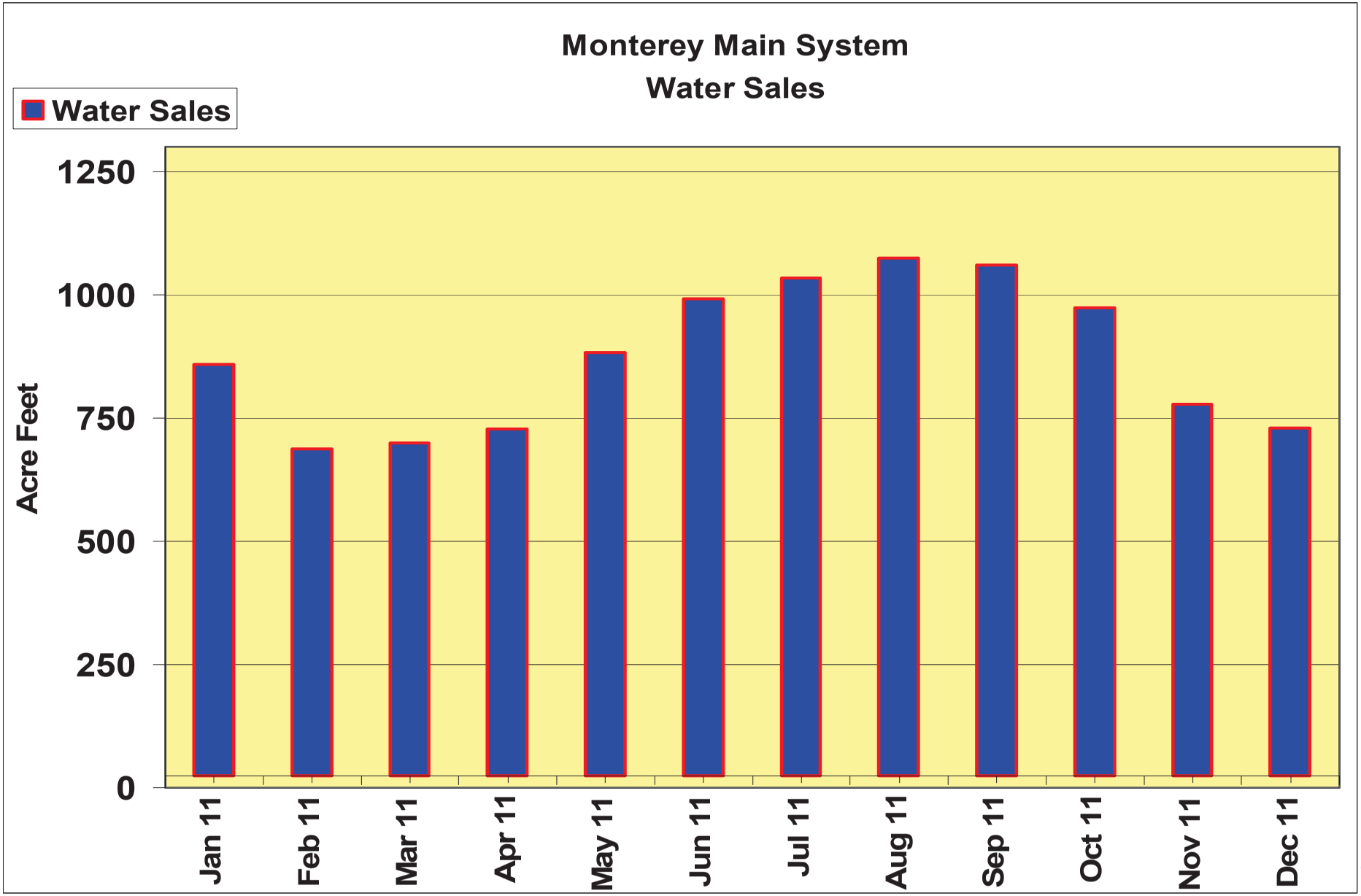


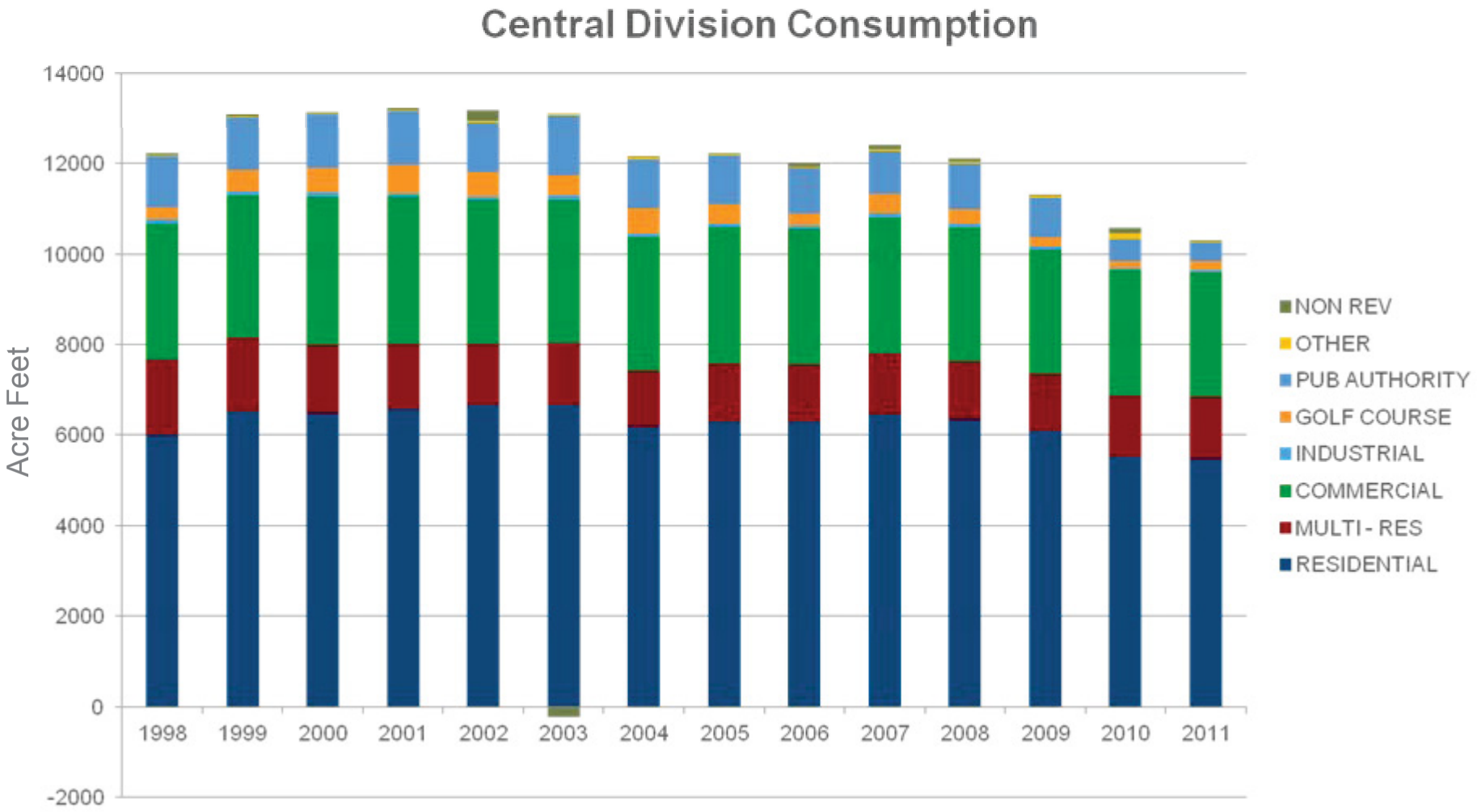
Project Schedule & Timeline



Proposed Regulatory Schedule

• Project Filing	April 23, 2012
• Prehearing Conference	June 2012
• Public Participation Hearings	July 2012
• Testimony & Hearings	July 23 - September 21
• Briefing	October 12-26
• Final Decision	February 2013


Monterey Main System
Water Sales
Water Sales
Acre Feet
1250
1000
750
500
250
0
Jan 11
Feb 11
Mar 11
Apr 11
May 11
Jun 11
Jul 11
Aug 11
Sep 11
Oct 11
Nov 11
Dec 11


Central Division Consumption
Acre Feet
14000
12000
10000
8000
6000
4000
2000
0
-2000
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
NON REV
OTHER
PUB AUTHORITY
GOLF COURSE
INDUSTRIAL
COMMERCIAL
MULTI - RES
RESIDENTIAL