

**ATTACHMENT 3**

APPENDIX A  
PAGE 1 OF 5

CALIFORNIA AMERICAN WATER  
General Office Expense  
(Dollars in thousands)

<b>2006</b>	<b>ADOPTED</b>
<hr/>	
Description	
Total General Office Expenses	11,296.8
Alloc to Monterey	2,756.4
Alloc to Felton	90.4
Alloc to Los Angeles	1,807.5
Alloc to Coronado	1,344.3
Alloc to Village	1,366.9
Alloc to Sacramento	3,773.1
Alloc to Larkfield	158.2
<b>TOTAL</b>	<b>11,296.8</b>
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Total RWE Savings	
Alloc to Monterey	(370.4)
Alloc to Felton	(17.8)
Alloc to Los Angeles	(167.8)
Alloc to Coronado	(74.7)
Alloc to Village	(92.1)
Alloc to Sacramento	(273.8)
Alloc to Larkfield	(26.6)
<b>TOTAL</b>	<b>(1,023.2)</b>
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Premium	
Alloc to Monterey	968.6
Alloc to Felton	57.2
Alloc to Los Angeles	675.0
Alloc to Coronado	504.5
Alloc to Village	511.4
Alloc to Sacramento	2,497.3
Alloc to Larkfield	105.1
<b>TOTAL</b>	<b>5,319.0</b>
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TOTAL GO and Allocated	
Alloc to Monterey	3,354.6
Alloc to Felton	129.7
Alloc to Los Angeles	2,314.7
Alloc to Coronado	1,774.1
Alloc to Village	1,786.3
Alloc to Sacramento	5,996.6
Alloc to Larkfield	236.6
<b>TOTAL</b>	<b>15,592.6</b>
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<b>Adjustments for Felton</b>	
Total GO Salaries and Emp Exp.	7,138.1
Felton Allocation	0.8%
Total Felton Allocation of above	57.1
Reduction Per Proposed Draft Decision	5.0%
Reduction Required	2.9
Actual Felton Total GO Cost	126.8

**ATTACHMENT 3**APPENDIX A  
PAGE 2 OF 5CALIFORNIA AMERICAN WATER  
General Office Expense  
(Dollars in thousands)

2006	2007 & 2008	
Description	Settlement	INFLATION FACTOR
Salaries	5,112.6	Labor
Employees Expenses	636.0	Composite Non-Labor 60% Compensation 40%
Legal Services	138.1	Composite Non-Labor 60% Compensation 40%
Transportation Expense	67.2	Composite Non-Labor 60% Compensation 40%
Other Services & Auditing	51.2	CPI-U (Previous 12 months)
Office Rental	348.0	CPI-U (Previous 12 months)
Telephone	117.9	Composite Non-Labor 60% Compensation 40%
General Office Expenses	36.0	Composite Non-Labor 60% Compensation 40%
Rental & Maint. Of Equip.	120.7	CPI-U (Previous 12 months)
Insurance (see CA Specific Costs below)	73.6	CPI-U (Previous 12 months)
Dues & Memberships	42.6	Composite Non-Labor 60% Compensation 40%
Group Insurance & Pensions	599.3	Labor
Employees Welfare	360.0	Labor
Other Expenses	1,116.1	Composite Non-Labor 60% Compensation 40%
Depreciation	132.5	Based on Rate Base
Payroll Taxes - FICA	329.8	Labor
Taxes - FIT	16.6	
Interest Expense	(24.6)	CPI-U (Previous 12 months)
Pensions	100.4	Labor
<b>TOTAL OPERATING EXPENSES</b>	<b>9,374.0</b>	
<b>CAPITAL EXPENSES</b>		
Labor	(1,468.9)	Labor
Other	(1,810.3)	Composite Non-Labor 60% Compensation 40%
<b>Total Capital</b>	<b>(3,279.2)</b>	
<b><u>CALIFORNIA SPECIFIC COSTS</u></b>		
<u>Corporate Costs</u>	2,499.0	Composite Non-Labor 60% Compensation 40%
Pensions, OPEBS, Insurance	0.0	
Voorhees Management Fees	1,559.3	Composite Non-Labor 60% Compensation 40%
ITS	1,530.1	Composite Non-Labor 60% Compensation 40%
Sourcing	203.3	Composite Non-Labor 60% Compensation 40%
Belleville Laboratory Expense	259.7	Composite Non-Labor 60% Compensation 40%
Shared Services	583.5	Composite Non-Labor 60% Compensation 40%
Call Center	1,396.7	Composite Non-Labor 60% Compensation 40%
<b>TOTAL CALIFORNIA COSTS</b>	<b>8,031.5</b>	
<b>NET OPERATING EXPENSES</b>	<b>14,126.3</b>	

**ATTACHMENT 3**APPENDIX A  
PAGE 3 OF 5**2006**

<u>Description</u>	<u>Allocations</u>
<b><u>TOTAL EXPENSES</u></b>	
Service Company	9,374.0
Capitalized Expenses	<u>(3,279.2)</u>
Net Service Company Expenses	6,094.8
California Allocation	3,265.3
California Specific Costs	8,031.5
Total	11,296.8
<b><u>Allocations to Monterey</u></b>	
California Service Company	796.7
California Specific Costs	1,959.7
Other	<u>0.0</u>
Total	<u>2,756.4</u>
<b><u>Allocations to Felton</u></b>	
California Service Company	26.1
California Specific Costs	64.3
Other	<u>0.0</u>
Total	<u>90.4</u>
<b><u>Allocations to Los Angeles</u></b>	
California Service Company	522.4
California Specific Costs	1,285.0
Other	<u>0.0</u>
Total	<u>1,807.5</u>
<b><u>Allocations to Coronado</u></b>	
California Service Company	388.6
California Specific Costs	955.8
Other	<u>0.0</u>
Total	<u>1,344.3</u>
<b><u>Allocations to Village</u></b>	
California Service Company	395.1
California Specific Costs	971.8
Other	<u>0.0</u>
Total	<u>1,366.9</u>
<b><u>Allocations to Sacramento</u></b>	
California Service Company	1,090.6
California Specific Costs	2,682.5
Other	<u>0.0</u>
Total	<u>3,773.1</u>
<b><u>Allocations to Larkfield</u></b>	
California Service Company	45.7
California Specific Costs	112.4
Other	<u>0.0</u>
Total	<u>158.2</u>

**ATTACHMENT 3**

APPENDIX A  
PAGE 4 OF 5

CALIFORNIA AMERICAN WATER

CORPORATE OFFICE  
(Dollars in Thousands)

	Description	2006
Utility Plant B.O.Y.		8,121.9
	Addition	1,537.0
	Retirement	0.0
	CWIP BOY	0.0
	CWIP EOY	0.0
	Plant E.O.Y.	9,658.9
Average Plant		8,890.4
	Working Capital	0.0
	Deferred Tax & ITC	0.0
	Avg. Deprc. Reserv.	3,540.7
Total Rate Base		5,349.7
Allocation to Monterey 24.2%		1,305.3
Allocation to Felton 0.8%		42.8

CALIFORNIA AMERICAN WATER

CORPORATE OFFICE  
(Dollars in 1,000's)

	Description	2007
Utility Plant B.O.Y.		9,658.9
	Addition	1,633.8
	Retirement	3,000.0
	CWIP BOY	0.0
	CWIP EOY	0.0
	Plant E.O.Y.	8,292.6
Average Plant		8,975.8
	Working Capital	0.0
	Deferred Tax & ITC	0.0
	Avg. Deprc. Reserv.	3,979.2
Total Rate Base		4,996.5
Allocation to Monterey 24.2%		1,219.2
Allocation to Felton 0.8%		40.0

**ATTACHMENT 3**

APPENDIX A  
PAGE 5 OF 5

**CALIFORNIA AMERICAN WATER  
ALLOCATIONS  
CORPORATE OFFICE  
(Dollars in Thousands)  
RWE Savings**

**Total Annual Benefits for Cal-Am By Operating District**

	<u>Percent</u>	TOTAL
Coronado	7.30%	\$74,694
Village	9.00%	\$92,088
Monterey	36.20%	\$370,400
Sacramento	26.76%	\$273,810
Larkfield	2.60%	\$26,603
Felton	1.74%	\$17,804
Los Angeles	16.40%	\$167,806
		\$0
		\$0
	<u>100.00%</u>	<u>\$1,023,204</u>
		\$1,023,204

**Premium**

Coronado	9.48%	\$504,507
Village	9.62%	\$511,422
Monterey	18.21%	\$968,590
Sacramento	46.95%	\$2,497,271
Larkfield	1.97%	\$105,050
Felton	1.07%	\$57,179
Los Angeles	12.69%	\$674,981
TOTAL	<u>100.00%</u>	<u>\$5,319,000</u>

**California Cost Allocation**

Coronado	11.90%
Monterey	24.40%
Los Angeles	16.00%
Village	12.10%
Sacramento	33.40%
Larkfield	1.40%
Felton	0.80%
TOTAL	100.00%