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IMPORTANT: INFORMATION REGARDING REQUESTED RATE INCREASE

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Para una version en Español de este aviso usted puede visitar nuestro sitio web en www.californiaamwater.com.

NOTICE OF APPLICATION FILING BY CALIFORNIA AMERICAN WATER COMPANY TO REVIEW THE RECOVERY PERIOD FOR THE WATER REVENUE ADJUSTMENT MECHANISM(S) (WRAM) AND MODIFIED COST BALANCING ACCOUNT(S) (MCBA) OF THE CALIFORNIA AMERICAN WATER COMPANY

TEMPORARY SURCHARGE ADJUSTMENT LOS ANGELES DISTRICT - BALDWIN HILLS SERVICE AREA

Application No. 10-09-017

March 10, 2011

The California Public Utilities Commission (CPUC) is seeking public comment on proposed Application 10-09-017 filed on September 20, 2010 by Class A water utilities: California American Water Company, California Water Service Company, Park Water Company, Apple Valley Ranchos Water Company, and Golden State Water. Class A water utilities have more than 10,000 customers. Each water company is providing separate bill insert notices to their own customers.

The purpose of the proposed application is to shorten to 18 months the time periods over which balances in two CPUC-approved regulatory accounts are recovered through bill surcharges. The two regulatory accounts, Water Revenue Adjustment Mechanisms (WRAMs) and Modified Cost Balancing Accounts (MCBAs), track the differences between actual and adopted water sales and production costs as part of a water conservation program.

This proposed Application requests approval to reduce the time period for recovery of the net WRAM and MCBA balances that are at or over 5% to 18 months or less. This is necessary to ensure that, consistent with Generally Accepted Accounting Principles (GAAP), the balances tracked during the year are collected within 24 months from the end of that year. Existing CPUC policy mandates recovery of some balances over periods of up to 36 months. If approved, the proposed Application affects how customers are billed, but does not affect the total amount that is to be recovered. Reducing the length of time for recovery will result in a **higher surcharge** (temporary rate increase) that lasts for a shorter time period. **Existing surcharges are lower**, but last for a longer time period. Annual net WRAM and MCBA balances that are less than 5% of a district's annual revenue requirement will not be affected. In addition, future bill surcredits (or refunds) that may result from over-collections of revenue tracked in the WRAM and MCBA accounts will not be affected.

For example, the average bi-monthly bill of a residential customer using 34 Ccfs in the **Baldwin Hills** service area of the **Los Angeles District** is \$105.55 not including a surcredit for the WRAM and MCBA balances. The sample illustrative chart reflects the rate decrease a typical residential customer would see based on the current net over-collection for the WRAM and MCBA balances. Under the CPUC's current rules, an additional bi-monthly surcredit of \$8.26 (8.49% of the bill) for the same usage would end after 12 months. If the Application is approved, the bi-monthly surcredit would remain the same since the net WRAM and MCBA balance is estimated to be less than 5%.

If Surcredit Needed, Average Bi-Monthly Bill for Residential Customers (5/8" meter size)

| | Current | After 12 months | Proposed | After 12 months |
|---|-----------------|-----------------|-----------------|-----------------|
| Average Bi-monthly bill | \$105.55 | \$105.55 | \$105.55 | \$105.55 |
| Surcredit | (\$8.26) | | (\$8.26) | |
| Duration | for 12 months | | for 12 months | |
| Total Bi-monthly bill | \$97.29 | \$105.55 | \$97.29 | \$105.55 |
| Total surcredit refunded | | (\$99.12) | | (\$99.12) |
| Impact of Temporary Surcredit Adjustment | | | | |
| Bi-monthly increase (in dollars) | | | \$0.00 | |
| Bi-monthly increase (as percentage of bill) | | | 0.00% | |

Obtaining a Copy of the Application

The Application and related exhibits may be inspected at your local California American Water office located at 8657 Grand Ave, Rosemead, CA 91770. It may also be inspected at the CPUC's Central Files Office in San Francisco at 505 Van Ness Avenue, San Francisco, California 94102 between the hours of 8:00 a.m. and noon daily. If you need additional information, you may call California American Water at (888) 237-1333.

Evidentiary Hearings

The CPUC may schedule formal Evidentiary Hearings (EH's) whereby formal parties of record provide testimony and are subject to cross examination before the CPUC's Administrative Law Judge (ALJ). These hearings are open to the public to listen, but only those who are formal parties of record are allowed to participate. The CPUC has their own court reporters who will take the comment of those formal parties of record participating in the EH's. The water companies that submitted the proposed Application will provide testimony at the hearings. The Division of Ratepayer Advocates (DRA) consists of engineers, accountants, economists and attorneys who independently evaluate the proposals of utilities for and present their analyses and recommendations for the CPUC at EH's. Once hearings are completed, the ALJ will consider all of the evidence presented and release the proposed draft decision. When the CPUC issues a final decision, it may adopt, amend, or modify all or part of the ALJ's draft decision. The final decision may differ from the requests in the proposed applications filed by each water utility listed above.

Public Comments

If you wish to comment on this proposed application filing or informally protest this filing as a customer of California American Water, you may do so by contacting the CPUC's Public Advisor's Office (PAO). Written public comment by California American Water customers is very much desired by the CPUC and may be sent to the Public Advisor's Office at 505 Van Ness Avenue, San Francisco, California 94102, or via e-mail to public.advisor@cpuc.ca.gov. Please state that you are writing about California American Water's Application 10-09-017 when sending your written correspondence or e-mail. All public comments become part of the formal public comment file. These public comments will be circulated to the assigned Administrative Law Judge (ALJ), the assigned Commissioner and appropriate line Division CPUC staff for review.

Public Advisor's Phone number: 415-703-2074
Toll Free: 1-866-8390