

for funding the Monterey Peninsula Water Management District's activities. This application is the proposal to meet this order from the CPUC. The CPUC will render a final decision and the amount of the surcharge approved by the CPUC could vary from the original proposed request by California American Water.

OBTAINING A COPY OF THE APPLICATION

A copy of California American Water's Amended Application and related exhibits may be inspected at California American Water's Pacific Grove office at 511 Forest Lodge Road, Suite 100, Pacific Grove, CA 93950. Copies of the proposed application are also available to review at the CPUC's Central Files Office between the hours of 8:00 a.m. and 12:00 noon daily in San Francisco at 505 Van Ness Avenue, San Francisco, California 94102.

EVIDENTIARY HEARINGS

The CPUC may schedule formal evidentiary hearings whereby the formal parties of record provide testimony and are subject to cross examination before the CPUC's ALJ. These hearings are open to the public, but only those who are formal parties of record can participate. The CPUC has their own court reporters who will take the comment of those formal parties of record participating in the evidentiary hearings. California American Water 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 rate changes and present their analyses and recommendations for the CPUC at evidentiary hearings. Once hearings are completed, the ALJ will consider all of the evidence presented and release the draft decision. The CPUC may approve the proposed requests for California American Water, approve the draft decision by



the ALJ, or may approve an alternate decision filed by a CPUC Commissioner. The final decision may differ from California American Water's original proposed request.

PROTESTING THE APPLICATION

If you are a formal party to this proceeding, formal protests to this application must be filed with the CPUC's Docket Office.

PUBLIC COMMENT

If you wish to comment on or informally protest this filing as a customer of California American Water, you may do so by contacting the PAO via phone or e-mail. Written public comment by California American Water customers is very much desired by the CPUC and may be sent to the PAO at the address shown. These comments will become part of the formal correspondence file for this proceeding and will be circulated to the assigned Administrative Law Judge (ALJ), the assigned Commissioner and appropriate CPUC staff.

The PAO was established to assist members of the public who wish to protest or participate as a formal party of record in CPUC proceedings. For assistance in filing comments or protests with the CPUC or to participate in this proceeding, please contact the Public Advisor's Office CPUC, 505 Van Ness Ave., San Francisco, CA 94102, or email public.advisor@cpuc.ca.gov, or at (415) 703-2074. Please refer to Amended Application 10-01-012 when writing or emailing the PAO on all correspondences.



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NOTIFICATION OF AMENDED APPLICATION FILING IN A.10-01-012 FOR TWO PROPOSED SURCHARGES FOR PORTIONS OF CALIFORNIA AMERICAN WATER'S MONTEREY DISTRICT

On August 22, 2011, California American Water filed an amended application in proceeding A.10-01-012 with the Public Utilities Commission (CPUC). The amended application seeks authority to impose two surcharges. The first proposed surcharge is composed of two components, on its Monterey Main system, Ryan Ranch, Bishop, and Hidden Hills customer bills during the three-year period commencing January 2012 through December 2014. The proposed surcharge is composed of two components to be a bill percentage surcharge at a rate of 8.4%. This first surcharge is proposed to be placed on bills at the time a decision is rendered in the amended application.

The second proposed surcharge would become effective only after approval of this amended application and after completion of the proposed project. The second surcharge is proposed to be based on the then-approved rate design, composed of an inclining block quantity charge and a fixed cost monthly service charge. It is anticipated that the surcharge would not be applied to customer bills until sometime in 2013.

SUMMARY

The proposed surcharge and revenue increase for portions of the Monterey District are presented in the chart below, which provides a comparison of the current¹ and proposed revenue requirements by customer classes, i.e. residential, commercial, industrial and agricultural with and without the proposed surcharges.

System	2012 Proposed Revenues in A.10-07-007	Proposed Revenue Increase From Surcharge #1	Proposed Revenue Increase From Surcharge #2	Total Proposed Revenue Increase From Both Surcharges	Total Proposed Percentage Increase From Both Surcharges
Residential	\$26,346.8	\$2,213.1	\$429.2	\$2,642.3	10.03%
PAR	\$890.3	\$74.8	\$14.5	\$89.3	10.03%
Multi-Residential	\$4,805.7	\$403.7	\$78.3	\$482.0	10.03%
Commercial	\$9,059.5	\$761.0	\$147.6	\$908.6	10.03%
Public Authority	\$2,318.3	\$194.7	\$37.8	\$232.5	10.03%
Industrial	\$154.6	\$13.0	\$2.5	\$15.5	10.03%
Golf Course	\$261.1	\$21.9	\$4.3	\$26.2	10.03%
Visciano Tank	\$6.6	\$0.6	\$0.1	\$0.7	10.03%
Construction	\$143.2	\$12.0	\$2.3	\$14.4	10.03%
Sale for Resale	\$97.1	\$8.2	\$1.6	\$9.7	10.03%
Other	\$19.2	\$1.6	\$0.3	\$1.9	10.03%
Bishop	\$770.6	\$64.7	\$12.6	\$77.3	10.03%
Ryan Ranch/ Hidden Hills	\$1,041.4	\$87.5	\$17.0	\$104.4	10.03%
Other Revenue	\$557.9	\$46.9	\$9.1	\$56.0	10.03%
TOTAL	\$46,472.3	\$3,903.7	\$757.0	\$4,660.7	10.03%

The amounts shown in the table are in thousands of dollars.

¹ The current revenue requirement by customer classification is as shown in the rate case comparison exhibit in A.10-07-007 filed as part of the settlement agreement. The revenues shown are the amounts contained in the DRA position.

PRIMARY DRIVERS OF SURCHARGE AND RATE INCREASE

The first surcharge composed of two components is to fund the Monterey Peninsula Water Management District's Carmel River Mitigation Program and Aquifer Storage and Recovery Program. These surcharges would be in lieu of the Monterey Peninsula Water Management District User Fee, which had been collected by California American Water and remitted to the Monterey Peninsula Water Management District from 1983 until July of 2009. Following this, California

American Water ceased collecting surcharges pursuant to a CPUC order.

The second surcharge would recover the revenue requirement necessary to offset capital improvement costs for California American Water in order to finance and construct planned aquifer storage and recovery facilities in lieu of "pay as you go" financing by the Monterey Peninsula Water Management District.

ABOUT THE APPLICATION

In 2009, the CPUC ordered California American Water to cease collecting and remitting the Monterey Peninsula Water Management District's User Fee, which the Monterey Peninsula Water Management District first imposed in 1983 and last increased in 2005 to 8.325 percent of all water and meter charges. The User Fee revenues were used by the Monterey Peninsula Water Management District to fund various mitigation activities and aquifer storage and recovery activities associated with the Carmel River. In lieu of collecting and remitting the User Fee, the CPUC ordered California American Water to meet and confer with the Monterey Peninsula Water Management District and then file an application to propose a mechanism for funding these activities. On January 5, 2010, California American Water, in conjunction with the Monterey Peninsula Water Management District, filed the required application. On May 18, 2010, California American Water, the Monterey Peninsula Water Management District, and the Division of Ratepayer Advocates within the CPUC filed a motion to approve a program that would have resumed the practice of collecting and remitting the User Fee at the rate specified by the Monterey Peninsula Water Management District's Board of Directors. On March 24, 2011, the CPUC issued an order rejecting that settlement agreement and authorized California American Water to file an amended application proposing an alternate method