

**IMPORTANT NOTICE
REGARDING YOUR RATES
FROM CALIFORNIA AMERICAN WATER**



**NOTIFICATION OF APPLICATION BY CALIFORNIA AMERICAN WATER COMPANY
FOR A GENERAL RATE INCREASE IN THE
LARKFIELD DISTRICT, APPLICATION NO. 09-01-013**

On January 23, 2009, California American Water filed Application 09-01-013 (A. 09-01-013) with the California Public Utilities Commission (CPUC) for a General Rate Case (GRC) increase. The rate increase will be for the Larkfield District. This GRC application will set rates for years 2010 and 2011. The proposed GRC request for an increase in rates reflects increased plant investment and operating costs in order to provide service to customers.

The primary reasons for the proposed rate increase for the Larkfield District are plant and plant-related items. Plant investment is increasing significantly. In addition to the revenues necessary to support the capital investment, it also requires additional depreciation, property taxes and income taxes. Plant investment includes a new well and treatment, and replacement of aging infrastructure such as water treatment equipment, well motors and pumps, mains, services and meters. Other primary cost drivers are increased payroll overheads, customer service provision cost and conservation expense.

The tables that follow show the average monthly bill by customer class.

SUMMARY OF PROPOSED REVENUE INCREASE

Table 1: Average Larkfield Bill by Customer Class under Proposed Rate Design

Year	RESIDENTIAL				COMMERCIAL			
	Monthly Bill for 5/8" x 3/4" meter and average usage of 15 Ccfs		Dollar Increase	Percent Increase	Monthly Bill for 1" meter and average usage of 38 Ccfs		Dollar Increase	Percent Increase
	Current	Proposed			Current	Proposed		
2010	\$77.34	\$95.87	\$18.53	23.96%	\$195.30	\$248.71	\$53.40	27.34%
2011	\$95.87	\$99.82	\$3.95	4.12%	\$248.71	\$258.74	\$10.03	4.03%
Year	INDUSTRIAL				PUBLIC AUTHORITY			
	Monthly Bill for 4" meter and average usage of 190 Ccfs		Dollar Increase	Percent Increase	Monthly Bill for 2" meter and average usage of 188 Ccfs		Dollar Increase	Percent Increase
	Current	Proposed			Current	Proposed		
2010	\$1,212.89	\$1,494.11	\$281.22	23.19%	\$883.61	\$1,184.98	\$301.38	34.11%
2011	\$1,494.11	\$1,555.50	\$61.39	4.11%	\$1,184.98	\$1,233.91	\$48.93	4.13%



Larkfield Rate Increase Request		
Year	Revenue Increase	Percent Increase
Prior*	\$367,800	13.27%
GO/Balance**	\$97,1000	3.50%
Cost of Capital***	\$26,100	0.94%
New Costs****	\$157,100	5.67%
Total for 2010	\$648,100	23.38%
2011	\$140,200	4.07%

Each component of the revenue increase is described below to clarify the costs associated with this GRC proceeding:

*Prior includes infrastructure projects approved in the previous GRC, which set rates for 2008-09 and in project-specific advice letters. Generally, the CPUC approves rates that include prospective estimates of ordinary plant additions and defers recognition of projects with more uncertain completion dates. California American Water does not raise rates to pay for improvements that are more uncertain until they are in service and useful to customers. All costs associated with these projects are subject to CPUC review before they are placed in rates.

**Certain costs, like those for power and purchased water tend to vary. The price variance is tracked by California American Water, for later recovery from customers or provision back to customers, in balancing accounts. Balancing accounts are authorized by the Commission to track costs of certain variable items and then, if the costs are deemed reasonable, rates are adjusted to reflect the actual costs. Additionally, California American Water filed a General Office rate case last year for all California Districts. The change in the costs that are allocated to each District's operation will be recovered through a rate change that will occur in 2009.

***Cost of capital refers to the rate of return on infrastructure investments allowed by the CPUC. California American Water filed a Cost of Capital rate case for all California Districts in May 2008. A decision is pending for the Cost of Capital rate case. Costs associated with any change in the revenue requirement will be spread to each District by a ratio of approved capital investment, and recovered in a rate adjustment in 2009.

****New Costs include all costs associated with infrastructure investments and Operating and Maintenance costs for 2010 and 2011, as requested in this GRC.

THE CPUC'S PROCESS

The CPUC may hold evidentiary hearings (EH) where parties of record present their proposals in testimony and are subject to cross-examination before the Administrative Law Judge (ALJ). These hearings are open to the public, but only those who are parties of record can present evidence or cross-examine witnesses during evidentiary hearings. Members of the public may attend these hearings to listen, but may not participate.

The CPUC's independent Division of Ratepayer Advocates (DRA) will review California American Water's GRC application. DRA is an independent arm of the CPUC, created by the Legislature to represent the interests of all utility customers throughout the state and obtain the lowest possible rate of service, consistent with reliable and safe service levels. DRA consists of analysts, engineers, economists, and other regulatory professionals who represent the long-term interests of all utility ratepayers. DRA will prepare an analytical report on this application, which will be available on DRA's website at www.dra.ca.gov.

After considering all proposals and evidence presented during the formal hearing process, the assigned ALJ will then issue a draft decision, which the CPUC may adopt, modify, or amend or the CPUC may issue a different decision. The assigned Commissioner may offer his or her own alternate decision. The CPUC's final decision may be different from the original proposed application filed by California American Water.

PUBLIC COMMENT

The Public Advisor's Office (PAO) was established to assist members of the public and utility customers to participate in CPUC proceedings. This means sending comments, opinions or protests on proceedings before the CPUC or to participate in CPUC-sponsored Public Participation Hearings (PPHs). When PPHs are scheduled, California American Water's customers will be notified, via a bill insert notice or separate mailer, of the dates, times, and locations of the hearings. PPHs provide an opportunity for members of the public and customers of California American Water to give their comments and opinions on this application filing. You may also write or e-mail the PAO at the address shown below. All communications are circulated to the Commissioners, the assigned ALJ, and assigned staff. All correspondence becomes part of the formal correspondence record, and part of the formal record, for this proceeding.

PROTESTING THE APPLICATION

If you wish to participate in these proceedings or if you would like to send comments or protest this application, please notify the CPUC's PAO at the address listed below. Please refer to GRC A. 09-01-013 when sending an e-mail or writing a letter.

CPUC
Public Advisor's Office
505 Van Ness Avenue
San Francisco, CA 94102
Toll Free: 1-866-849-8390 or 1-415-703-2074
TTY Toll Free: 1-866-836-7825 or 1-415-703-5282
E-mail: public.advisor@cpuc.ca.gov

FOR FURTHER INFORMATION

You may view a copy of the application at the business offices of California American Water at 640 Larkfield Center, Santa Rosa, CA 95403. You may also view a copy of the application at the CPUC's Central Files Office, Room 2002, 505 Van Ness Avenue, San Francisco, CA 94102.