

DISCUSSION OF INFORMATION PRESENTED IN THIS CHAPTER

This chapter contains information regarding the operation of the Sacramento District of California American Water as well as tables that summarize the primary causes of the requested rate increase for customers of the district.

OVERVIEW OF THE SACRAMENTO DISTRICT OPERATION

The following information regarding the corporate and operating history and current day-to-day operations of the Sacramento District of California American Water will assist the California Public Utilities Commission (CPUC) and parties reviewing this Application in understanding the development of the district, the unique nature of the service territory and other issues faced by the district throughout its history that have shaped the present operation.

Also discussed are issues that are being addressed by the district in order to continue to provide quality service to the customers it serves and issues faced by the district on a daily basis as consideration is given to whether the requested increase in revenue requirements will be adequate to continue to address daily service needs.

HISTORY OF THE SACRAMENTO DISTRICT OPERATION

In 1928, the Public Utilities Corporation (the name was later changed to Citizens Utilities Company of California on November 14, 1949) purchased the North Sacramento Light and Water Company. Citizens Utilities Company of California was a wholly-owned subsidiary of the Public Utilities Consolidate Corporation, incorporated in Arizona on July 23, 1927. All property and assets of Public Utilities Consolidated Corporation were acquired by Citizens Utilities Company on November 30, 1935.

On March 30, 1956 Citizens Utilities Company purchased the Parkway Water Company that had provided water service to a subdivision known as Parkway Estates in South Sacramento for two years. Citizens Utilities Company also purchased the water properties in Cordova Towne area south of the American River in East Sacramento from S. and J. Homes on September 24, 1956 as authorized by the CPUC in Decisions 53807 and 53808. The nearby Rosemont service area was acquired from Rosemont Development Company on October 31, 1956 as authorized by the CPUC in Decision 38126. These various service areas were consolidated into the Citizens Suburban Company, which was a wholly-owned subsidiary of Citizens Utilities Company.

Royal Oaks Water Company purchased water system properties in northwestern Sacramento County on March 12, 1957 as authorized by the CPUC in Decision 54680. Fremont Valley Water Company purchased the water system properties in the City of Isleton in southern Sacramento County on April 18, 1961 as authorized by the CPUC in Decision 61841. Fremont Valley Water Company was then incorporated as Isleton Water Company on April 24, 1961. Much of the service area in North Sacramento, with the exception of the present Arden system was purchased by the City of North Sacramento on May 25, 1962 upon completion of condemnation proceedings. On June 22, 1965, Citizens Suburban Company, Parkway Water Company, Royal Oaks Water Company, Lincoln Oaks Water Company and Isleton Water Company were merged with Citizens Utilities Company of California as authorized by the CPUC in Decision 69258.

On February 15, 1991 Citizens Utilities Company of California purchased the assets of Walnut Grove Water Service as authorized by the CPUC in Decision 91-01-032. On October 28, 1994, Citizens Utilities Company of California was granted a franchise to commence the installation and maintenance of water systems in West Placer County. In January 2002, American Water Works Company, Inc. purchased the water and wastewater assets of Citizens Utilities Company including Citizens Utilities of California. For operating purposes, the service areas of Citizens Utilities Company of California became part of California American Water, a wholly-owned subsidiary of American Water. The acquisition and organization were authorized by the CPUC in Decision 01-09-057.

PRESENT OPERATIONS OF THE SACRAMENTO DISTRICT

District Operations and Personnel

The Sacramento District Operation Center is located at 4701 Beloit Drive, Sacramento, California. This facility provides accommodations for administrative, distribution and production employees as well as housing for trucks, equipment and materials and supplies needed to provide daily water service.

Presently, there are 57 employees that work directly from the Operation Center. This number includes the Northern Division General Manager, Operations Manager, Manager Maintenance Reliability, Internal Communications Manager, Senior Operations Engineer, 5 Supervisors and 3 Foreman. The remaining 44 employees are administrative staff or employees assigned to Production and Distribution system activities.

Service Areas

The Sacramento District provides water service to areas of Sacramento and Placer County. The service area for the Sacramento District is located north, east and south of the City of Sacramento. The service area also includes an area west of the City of Roseville in Placer County and the smaller communities of Isleton and Walnut Grove located southwest of the City of Sacramento. The Sacramento District consists of ten distinct water systems that are operated as one system. Those ten systems are Antelope, Arden, Isleton, Lincoln Oaks, Parkway, Rosemont, Security Park, Suburban, Walnut Grove and West Placer.

The Sacramento District is located near the geographical center of the Center Valley of California at the confluence of the Sacramento and American Rivers. The climate of Sacramento is characterized by hot, dry summers and cool, rainy winters.

Franchises and Operating Rights

The portion of the facilities necessary to provide service to customers of the Sacramento District that are not located on property owned by California American Water have been primarily installed either based on a grant of right-of-way by developers, or in roads and streets as required by grants of service.

Easements and right-of-ways are held for facilities operated on private property, including both transmission and distribution mains.

Ordinances granting operating franchises for the Sacramento District are listed below:

**CALIFORNIA AMERICAN WATER
SACRAMENTO DISTRICT – 2009 GENERAL RATE CASE
INTRODUCTION AND SUMMARY OF APPLICATION**

**EXHIBIT: A
CHAPTER: 1**

Water System	Issuer	Ordinance Number	Effective Date	Term	%/Rev Annual Fees
Parkway	Sacramento County	1513	9-16-53	50 yrs	2%
Lincoln Oaks	Sacramento County	488	5-6-55	50 yrs	2%
Parkway	Sacramento County	489	5-6-55	50 yrs	2%
Parkway	Sacramento County	492	6-16-55	50 yrs	2%
Suburban	Sacramento County	500	8-20-55	50 yrs	2%
Lincoln Oaks	Sacramento County	540	8-24-56	50 yrs	2%
Suburban	Sacramento County	542	9-5-56	50 yrs	2%
Parkway	Sacramento County	713	9-22-60	50 yrs	2%
Parkway	Sacramento County	878	5-27-66	50 yrs	2%
Security Park	Sacramento County	1223	3-19-79	50 yrs	2%
Security Park	Sacramento County	1228	6-5-80	50 yrs	2%
Security Park	Sacramento County	1248	8-26-82	50 yrs	2%
Security Park	Sacramento County	1254	12-1-82	50 yrs	2%
West Placer	Placer County	4609-B	10-28-94	50 yrs	2%
Rancho Cordova	Rancho Cordova	53-2006	9-18-06	15 yrs	2%

Sacramento County authorized the assignment of the above-related franchises to operate in County right-of-ways from Citizens Utilities Company of California to California American Water by Resolution No. 2001-1046, effective September 18, 2001.

Placer County authorized the assignment of franchise to operate in County right-of-ways from Citizens Utilities Company of California to California American Water by Ordinance 5128-D.

To the extent that additional business license taxes or similar requirements have been imposed by local ordinance, the required licenses have in every instance been obtained and license fees paid.

Sources of Water Supply

The raw water supply for the Sacramento District comes from surface supplies and more than 100 groundwater wells located strategically throughout the service areas. Treated surface water is obtained through water supply agreements between California American Water and both the City of Sacramento and the Placer County Water Agency. Limited amounts of water are also obtained from Citrus Heights Water District and Sacramento Suburban Water under the terms of the applicable purchase agreement.

The agreement with the City of Sacramento provides for a maximum supply of water not to exceed 2,580 acre-feet annually, with limitations for on-peak and off-peak periods. The agreement with Placer County Water Agency provides for the supply of daily quantities of water to meet the needs of customers with the prescribed service area.

The Sacramento District currently maintains eight primary tanks in its distribution system with a combined storage capacity of 11.5 million gallons. The Sacramento District also operates five major water treatment plants at its Countryside, Vintage, Parksite, Isleton and Walnut Grove locations. A main booster facility is operated at Parkway to pump purchased water from the City of Sacramento.