

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

**WE CARE ABOUT WATER.  
IT'S WHAT WE DO.**

**CALIFORNIA  
AMERICAN WATER**



**CALIFORNIA  
AMERICAN WATER**  
4701 Beloit Drive  
Sacramento, CA 95838

**NOTIFICATION OF APPLICATION BY CALIFORNIA AMERICAN WATER COMPANY  
FOR A GENERAL RATE INCREASE IN THE  
SACRAMENTO 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 Sacramento 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 Sacramento 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 new and replacement wells and treatment, new purchased water connections, installation of meters, and replacement mains, services and production facilities. Other primary cost drivers are payroll and payroll benefits, purchased water costs, chemicals, regulatory costs, increased company vehicle costs which includes lease and fuel costs, increased membership fees in local area water committees and forums, and Other Administrative and General expenses (Other A&G expenses). Including the costs of the conservation programs in rates is one of the main reasons for the increase in Other A&G expenses.

The tables below show the average monthly bill by customer class for metered and unmetered customers.

**SUMMARY OF PROPOSED REVENUE INCREASE**

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

<b>METERED</b>								
RESIDENTIAL					COMMERCIAL			
Monthly Bill for 5/8" x 3/4" meter and average usage of 20 Ccfs					Monthly Bill for 1" meter and average usage of 78 Ccfs			
Year	Current	Proposed	Dollar Increase	Percent Increase	Current	Proposed	Dollar Increase	Percent Increase
2010	\$37.18	\$56.02	\$18.84	50.67%	\$131.31	\$198.01	\$66.70	50.80%
2011	\$56.02	\$61.82	\$5.80	10.35%	\$198.01	\$218.59	\$20.58	10.39%

  

INDUSTRIAL					PUBLIC AUTHORITY			
Monthly Bill for 4" meter and average usage of 5 Ccfs					Monthly Bill for 2" meter and average usage of 240 Ccfs			
Year	Current	Proposed	Dollar Increase	Percent Increase	Current	Proposed	Dollar Increase	Percent Increase
2010	\$251.20	\$375.87	\$124.67	49.63%	\$407.04	\$613.76	\$206.72	50.79%
2011	\$375.87	\$413.48	\$37.61	10.01%	\$613.76	\$677.52	\$63.76	10.39%

**UNMETERED**

RESIDENTIAL				
Monthly Bill for lot size of 4,501 to 8,000 square feet				
Year	Current	Proposed	Dollar Increase	Percent Increase
2010	\$35.96	\$55.33	\$19.37	53.85%
2011	\$55.33	\$61.00	\$5.67	10.25%

Sacramento Increase Request		
Year	Revenue Increase	Percent Increase
Prior*	\$4,766,800	13.94%
GO/Balance**	\$2,254,900	6.59%
Cost of Capital***	\$441,900	1.29%
New Costs****	\$10,074,200	29.46%
Total for 2010	\$17,537,800	51.29%
2011	\$5,339,800	10.25%

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](http://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](mailto: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 4701 Beloit Drive, Sacramento, CA 95838. 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.