

DISCUSSION OF INFORMATION PRESENTED IN THIS CHAPTER

This chapter contains information regarding the operation of the Larkfield 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 LARKFIELD DISTRICT OPERATION

The following information regarding the corporate and operating history and current day-to-day operations of the Larkfield 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 LARKFIELD DISTRICT OPERATION

Construction of the original water system serving the Larkfield area began in 1959. The work was performed by general contractor Orvan M. Berry. The Larkfield Water Company, a California corporation organized June 15, 1959 to acquire and operate the water system being constructed by Mr. Berry. On December 19, 1959 the Larkfield Water Company was granted a certificate of Public convenience and necessity from the CPUC. The CPUC also authorized the Larkfield Water Company to install and operate future extensions from the water system acquired from Mr. Berry.

Rapid growth in the Larkfield area from 1959 through 1966 necessitated raising capital to finance construction of facilities needed to provide service to customers of Larkfield Water Company. The capital needed exceeded investments already funded by depreciation and reinvested earnings. As a result, the common stock of the Larkfield Water Company increased from \$50,600 in 1962 to \$200,000 at the end of 1966.

In 1967 all of the common stock of Larkfield Water Company was acquired by Citizens Utilities Company of California and merged into that company in 1995. In 2002, American Water Works Company, Inc. (American Water) purchased the assets of Citizens Utilities Company that provided water and wastewater service to its customers, including those providing service to the Larkfield area. As a result of this purchase, Larkfield became one of the operating districts of California American Water which is a wholly-owned subsidiary of American Water. This transaction was authorized by the CPUC in January 2002 in D. 01-09-057.

PRESENT OPERATIONS OF THE LARKFIELD DISTRICT

District Operations and Personnel

The Operation Center for the Larkfield District is located at 640 Larkfield Center, Santa Rosa, California. The Water Treatment Facility, located at 5040 Old Redwood Hwy provides accommodations for distribution and production employees, housing for

all trucks and equipment as well as a portion of the materials and supplies used by Larkfield employees to provide day-to-day service to customers.

Presently, there are 5 employees that work directly from the Operation Center. There is an Operations Supervisor, 3 distribution employees and an Operations Coordinator. The Larkfield operation is part of the Northern Division of California American Water. Administrative staff located in Sacramento provides management services to the Larkfield operation and the various operating districts of the Northern Division.

Service Areas

The Larkfield District presently provides public utility water service to an unincorporated portion of Sonoma County about four miles north of the City of Santa Rosa, California. Generally, the service area is divided into three parts, all of which are served by one interconnected distribution system. The service area also includes two subdivided areas, the communities of Larkfield and Wikiup that are located along the eastern border of U.S. Highway 101 and the community of Fulton that is located west of U.S. 101.

The Larkfield community subdivision and the community of Fulton are located on relatively flat terrain. The Wikiup community rises sharply to the north. These areas vary in elevation from approximately 150 feet to 550 feet. As a result, the water distribution system, tanks and pumps have been designed to minimize water pressure variations due to differences in elevations within the service area.

Operating and Water Rights

The portion of the facilities necessary to provide service to customers of the Larkfield 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.

In addition to groundwater sources, a portion of the water supplied by the Larkfield District to its customers is purchased from the Sonoma County Water Agency (SCWA) under the provisions of a Restructure Agreement and Resolution No. 98-0160.

Section 3.2 of the Restructure Agreement provides that an average allotment of 2.7 million gallons of water per day must be shared between eight municipal customers, including the Larkfield District. Under the terms of the Restructured Agreement, penalties are assessed for withdrawals in excess of 2.0 times the average monthly water delivery during the preceding 12 months and withdrawals greater than 1.3 times the average rate of delivery during the peak month of the prior three calendar years. A liquidated damage assessment equal to 25% of the applicable water rate is charged for any period of excessive use. The Restructured Agreement also stipulates conditions in the event a Water Contractor exceeds its entitlements, such as the Water Contractor taking the excess delivery should be proceeding in good faith, with plans and funding to develop a reliable water supply alternative.

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

**EXHIBIT: A
CHAPTER: 1**

A supplemental agreement between the SCWA and California American Water was signed in 2007. The agreement referenced the Master Agreement and the Water Service Rules.

1. An average of 0.8 million gallons per day or a total of 24 million gallons during any month, and
2. A total annual allotment of 700 acre feet.

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

Sources of Water Supply

The Larkfield District obtains its water supply from a combination of groundwater and water purchased from the SCWA aqueduct. Currently, the Larkfield District operates four groundwater wells within its service area. Water from the wells passes through a treatment plant and is delivered to the distribution system. Six tanks are sited in three locations throughout the distribution system to pressurize the system and provide water storage as needed. Three booster pump facilities are also located within the distribution system to provide multiple pressure zones.