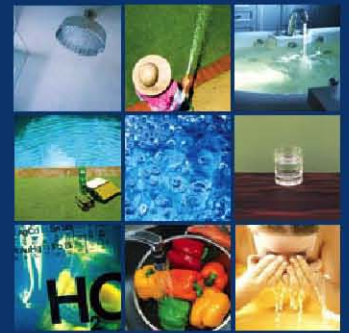


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The Weekly Wrap



May 25, 2012

No. 2012-21

TO: CWA Member Companies
FROM: Jack Hawks, Executive Director
SUBJECT: Highlights for the Weeks Ending May 25, 2012

DWR Celebrates 50 Years of State Water Project Operation—On May 15th, state and local water officials, including staff of the Department of Water Resources (DWR) gathered at Bethany Reservoir in Tracy (the northern terminus of the California Aqueduct) to commemorate the first State Water Project water delivery, which occurred on May 10, 1962. On that day, the top water leaders of the time joined then-Governor Pat Brown as he lifted a plank to start the flow of water into the State Water Project's South Bay Aqueduct.

In a news release, DWR noted that a half-century later, with Pat Brown's son Governor Jerry Brown serving in office, the state is celebrating 50 years of moving California's water through the State Water Project. The first SWP water delivery was pumped from Bethany Reservoir through the South Bay Pumping Plant into South Bay Aqueduct for deliveries to the Bay Area water users.

At the May 15th event, DWR Director Mark Cowin repeated the words said 50 years ago by then-DWR Director William Warne about the first delivery of SWP water through the South Bay Aqueduct into Alameda County: "Through the canals and reservoirs of the State Water Project will flow water, the liquid lifeline."

"He was right," said Cowin. "California's history, landscape and economy have been shaped by water, aided by thousands of dedicated men and women who have worked on the State Water Project, the Central Valley Project, and countless other local water systems that serve our communities, farms and families."

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Besides Cowin, speakers at the event included SWP Deputy Director Carl Torgersen, Association of California Water Agencies Executive Director Tim Quinn; State Water Contractors Board Member Stephen Arakawa; General Manager of Alameda County Flood Control and Water Conservation District, Zone 7 Jill Duerig; and DWR retirees Art Winslow and Herb Greydanus.

"Today's event is a good reminder that with vision, dedication, and strong partnerships, we can meet the milestones of sustainable, integrated water management," said Cowin.

Wet April Boosts State Water Project (SWP) Deliveries—The Department of Water Resources (DWR) announced May 23rd a new estimate for its SWP deliveries: up to 65 percent of requested SWP water this year. This is up from the 60 percent delivery estimate -- or allocation -- announced on April 16th.

Originally, DWR projected in November that it would be able to supply 60 percent of the slightly more than 4 million acre-feet of SWP water requested by the 29 contracting entities that supply water to about 25 million Californians and nearly a million acres of irrigated farmland. But the relatively dry December, January and February dropped that figure to 50 percent. The wet March and above-average reservoir storage boosted the allocation back up to 60 percent in April, and the May 23rd increase to 65 percent is due to the much wetter-than-usual weather in April.

DWR also pointed out that a 65 percent allocation should not be considered unusually low. The wet conditions in 2011 allowed the SWP to deliver 80 percent of the contracted supply. The final allocation was 50 percent in 2010, 40 percent in 2009, 35 percent in 2008, and 60 percent in 2007. The last 100 percent allocation was in 2006.

April rainfall was 167 percent of normal in the mountainous area between the American River and Lake Shasta, which produces much of California's water supply. The April rainfall total in the San Joaquin River basin was 137 percent of average. In contrast, the water content in this year's sparse mountain snowpack was only 55 percent of normal on April 1, the time of year it's usually at its peak.

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DWR noted that reservoir storage has been the one consistent bright spot in the 2011-12 water supply picture. Lake Oroville, the SWP's principal storage reservoir with a capacity of 3.5 million acre-feet, is 99 percent full (116 percent of average for the date). Lake Shasta, the federal Central Valley Project's largest reservoir with a capacity of 4.5 million acre-feet, is 97 percent full (110 percent of average for the date). Electronic reservoir level readings may be found at <http://cdec4gov.water.ca.gov/cgi-progs/products/rescond.pdf>.

Pete Nelson Succeeds Bob Foy as Chair of CWS Group—California Water Service (CWS) Group, parent of California Water Service Company, announced May 22nd that it was combining the roles of Chairman, President and Chief Executive Officer and that current President & Chief Executive Officer Peter C. Nelson was succeeding retiring Chairman Robert W. Foy, effective that day. The company also announced that Douglas M. Brown will continue to serve as lead director for CWS Group.

Foy, a 35-year Board veteran who had reached retirement age for directors, expressed confidence in the decision in the company's news release. "Pete has demonstrated his leadership ability, and we are confident that he will do a fine job as President, Chief Executive Officer, and Chairman of the Board. It makes good business sense to streamline decision-making and capitalize on Pete's extensive experience and expertise."

Nelson was elected President & Chief Executive Officer of California Water Service Group in 1996. Prior to joining the company, he had increasingly responsible positions in engineering, construction management, marketing, corporate and diversification planning, finance, operations, and general management at Pacific Gas & Electric Co.

Nelson holds a Bachelor of Science Degree in Mechanical Engineering from the University of California, Davis, and a Masters of Business Administration from the University of Massachusetts, Amherst. He serves as director of the California Chamber of Commerce and chairs the organization's Water Resources Committee. He is also a director of the California Foundation on the Environment and the Economy, a senior fellow of the American Leadership Forum, and an advisory council member at the Center for Public Utilities, New Mexico State University.

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Douglas M. Brown, who joined the California Water Service Group Board of Directors in 2001 and is currently the Dean of the Anderson School of Management at the University of New Mexico, will continue to serve as lead director.

I want to add my congratulations and thanks to both Pete and Bob. Both have been extraordinary supporters of the California Water Association, and both have endeavored to help me understand why the regulated water industry in California is so special. Best wishes, especially, to Bob in his retirement. I can think of no one who has better combined the virtues of sound business judgment, hard work and careful, deliberative business management – and all the while reminding us what a consummate gentleman is all about.

Commission Holds the Major Agenda Items Until June—At its May 24th Open Meeting, the California PUC held the three major California American Water (CAW) items on the agenda – (1) the interim decision authorizing CAW to create a memorandum account for the Aquifer Storage & Recovery Project in Monterey (until 6/21); (2) the proposed and alternate proposed decisions on CAW's San Clemente Dam Removal and Carmel River Reroute Project (until 6/21); and the proposed decision on CAW's 2012 general rate case (until 6/7). The Commission also held the proposed decision on SoCal Edison's Catalina Water general rate case (until 6/21).

In other action, the Commission approved Decision 12-05-024, which rejected the creation of a Commission-sponsored Small Business Council. Instead, it opted for a much less expensive approach that would modify the current roster of workshops, discussions and small business expos. The CPUC also approved D.12-05-028, which extended the deadline until July 28, 2012, for a decision on California Water Service Co.'s application on discontinuing its Extended Service Program. Amazingly, the Scoping Memo on this relatively simple case was issued on October 2, 2009! On the plus side, the CPUC approved a number of small company resolutions, as follows:

- **Resolution W-4915**, which granted Del Oro Water a general rate increase of \$122,929 (32.4%) for its River Island District for Test Year 2012.

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- **Resolution W-4916**, which granted North Gualala Water a general rate increase of \$205,923 (27.1%) for Test Year 2010.
- **Resolution W-4918**, which granted Sea Ranch Water the authority to renew existing short-term debt of \$400,000 and retire future short-term debt of up to \$1 million.
- **Resolution W-4919**, which granted Mountain Mesa Water a general rate increase of \$71,853 (33.6%) for Test Year 2012.

CWA Hosts Highly Popular Water Awareness Day at the California PUC—Both during and after the California PUC’s Open Meeting on May 24th, six California Water Association members – California American Water, California Water Service, Golden State Water, San Jose Water, Suburban Water Systems and Valencia Water – hosted a special “Water Awareness Day” in the Commission’s Courtyard. Between 11:00 a.m. and 3:00 p.m., at least 200 people, most of which were Commission staffers (including Commissioners, Commissioner Advisors, Administrative Law Judges, PUC Executive Director Paul Clanon, DRA Deputy Director Matthew Marcus and DWA Director Rami Kahlon), moved through the eight booths that were set up.

Each company selected a topical area like water quality (GSW), public education (CWS), conservation (SWS), investment and asset management (SJW), value of water (CAW), and water budget rates (VWC). I was very pleased with the audience response to the subject areas. A number of our member company representatives carried on lengthy conversations with Commission staff on their subject areas.

Additionally, Golden State Water’s Emma Maxey and CWA Administrative Director Sharun Carlson did double duty, hosting our supplier diversity booth and the ever-popular food line. We “only” served finger food, but every last crumb was consumed. A very special attraction was our roving water drop, “Penelope Purewater,” who was a big hit with everyone. Special thanks to Cal Water’s Susan Cordone for being such a good sport to dress up as Penelope Purewater. By the end of the day, she had her picture taken with Commissioner Sandoval, Commissioner Simon and Paul Clanon.

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Below is our CWA group photo. Thanks to all for making this a great event and for braving what turned out to be a cold and windy day.



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Agenda Highlights for the June 7th California PUC Open Meeting—The California PUC has posted its agenda for the June 7th Open Meeting, which starts at 9:00 a.m. Relevant water agenda items are summarized below. If you want to view any of the related documents, just copy and paste the website link into your Internet browser.

Consent Agenda

Item 7 – Res W-4917; Penngrove Water Company's General Rate Increase to Produce Additional Annual Revenue in Test Year 2012. Advice Letter No. 82 filed on November 7, 2011 - Related matters. Proposed outcome:

- To file a supplemental advice letter incorporating the summary of earnings and the revised rate schedules attached to this resolution as Appendices A and B.
- Authorizes increase in its annual revenues by \$26,016 or 2.7%, based on reasonable rates for 2012.
- When Altos Sonoma Corporation files its next general rate increase for Penngrove Water Company, the 30% allocation shall apply for all combined operations.

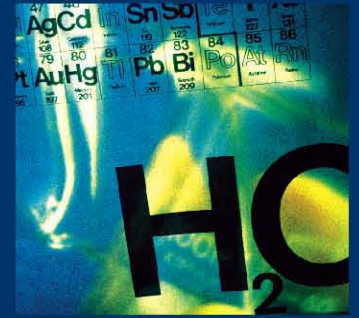
Estimated cost: \$26,016 or 2.7%.

http://docs.cpuc.ca.gov/Cyberdocs/AgendaDoc.asp?DOC_ID=580355

Item 10 – A.11-06-005; San Gabriel Valley Water Company's Recycled Water Project's Settlement Agreement. In the Matter of the Application of San Gabriel Valley Water Company for Authorization to Implement Discounted Rates for Recycled Water Service and Apply Facilities Fees in its Fontana Water Company Division in accordance with a contract with the City of Fontana. Proposed outcome: Adoption of two-party settlement between San Gabriel Water Company and the Commission's Division of Ratepayer Advocates for authorization of recycled water distribution project. Estimated cost: Approximately \$6 million capital cost. (Comr Simon - ALJ Weatherford)

http://docs.cpuc.ca.gov/Cyberdocs/AgendaDoc.asp?DOC_ID=E59947

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Item 13 – Res ALJ-280; Change of the Preliminary Determination Made by the Assigned Commissioner Regarding the Category of Investigation 12-03-008 Re Golden Hills Sanitation Company. Proposed outcome: Approves the change via the Assigned Commissioner’s Ruling Amending Scoping Memo, of the preliminary category determination of I.12-03-008 from adjudicatory to ratemaking. Ex Parte Rule 8.3(b) continues to apply for all issues within the scope of I12-03-008 (See Ordering Paragraphs 2 and 3 of I12-03-008). Estimated cost: None.
http://docs.cpuc.ca.gov/Cyberdocs/AgendaDoc.asp?DOC_ID=580961

Item 14 – Res W-4920; Lewiston Valley Water Company, Inc.'s Transfer of all assets from Chris Erikson to Lewiston Community Services District. Advice Letter Nos. 10 and 8-S filed on April 9, 2012 - Related matters. Proposed outcome:

- By Advice Letters Nos.10 and 8-S, the request by Lewiston Valley Water Company, Inc. (LVWC) to sell and by Lewiston Community Services District (LCSD) to buy is granted, conditioned upon permits from the CA Department of Public Health and the Regional Water Quality Board to operate Lewiston’s water and sewer systems.
- LVWC shall pay the Public Utilities Reimbursement Fee and submit its Annual Fee Statement for the California Public Utilities Commission Reimbursement Account.
- After sale, LVWC is no longer required to provide regulated water service to customers of LVWC.
- Within 10 days of the sale, the LCSD must notify the Director of the Commission’s Division of Water and Audits in writing that the sale has been completed.
- Pursuant to Public Utilities Code Sections 851-854, the sale of Lewiston Water and Lewiston Sewer to the LCSD is found to be in the public interest and is approved contingent upon the orders noted above.

Estimated cost: None.

http://docs.cpuc.ca.gov/Cyberdocs/AgendaDoc.asp?DOC_ID=581948

Item 19 – A11-06-001; Catastrophic Event Memorandum Account for Golden State Water Company on Behalf of its Bear Valley Electric Service Division. In the Matter of the Application of Golden State Water Company on Behalf of its Bear Valley Electric Service Division, for Approval of Booked CEMA Costs and Recovery of

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Costs in Rates. Proposed outcome: Adopts All-Party Settlement Agreement regarding costs booked into Bear Valley Electric Service's (a division of Golden State Water Company) Catastrophic Event Memorandum Account. Estimated cost: \$796,080. (Comr Sandoval - ALJ Semcer)

http://docs.cpuc.ca.gov/Cyberdocs/AgendaDoc.asp?DOC_ID=581334

Regular Agenda - Water/Sewer Orders

Item 36 – A10-07-007; Authorizing Rate Increases in All Districts of California American Water Company, Inc. for the Years 2011, 2012, 2013 and 2014.

Application of California-American Water (U210W) for Authorization to Increase its Revenues for Water Service by \$4,134,600 or 2.55% in the year 2011, by \$33,105,800 or 19.68% in the 2012, by \$9,897,200 or 4.92 % in 2013, and by \$10,874,600 or 5.16% in the year 2014. Proposed outcome: Grants in part and denies in part three joint motions for adoption of partial settlement agreements between the various parties and resolves disputed issues. Estimated cost: Adopted Revenue Requirement for 2012 Percent Increase Larkfield - \$3.1 million 26.68% Los Angeles - \$27.3 million 19.81% Monterey - \$49.2 million 17.87% Monterey Wastewater - \$3.4 million 8.76% Sacramento - \$49.4 million 29.92% San Diego - \$19.6 million 1.47% Toro - \$728,400 76.6% Ventura - \$29.3 million -4.91%. (Comr Florio - ALJ Rochester)

http://docs.cpuc.ca.gov/Cyberdocs/AgendaDoc.asp?DOC_ID=E581417

Upcoming Industry Meetings/Conferences/Events:

- May 30-31, 2012 – CUWCC NorCal Water Conservation Coordinator I/Water Use Efficiency I Workshop (9:00a–3:00p; San Francisco PUC; 1000 El Camino Real, Millbrae 94030); <http://www.cuwcc.org/WorkArea/showcontent.aspx?id=18714>.
- June 5, 2012 – Public Policy Institute of California – “Water and the Economy” (9:00a – 1:30p; Sheraton Grand Hotel, Magnolia Room; 1230 J St., Sacramento 95814); J. Hawks will attend.

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- June 6-8, 2012 – CWA Annual Spring Conference/Regulatory, Small Company Seminar/Directors Meeting (1:00p on June 6; adjourns at 11:00a on June 8; Citizen Hotel; 926 J St., Sacramento 95814)
- June 7, 2012 – California PUC Open Meeting (9:00a – 12:00p; 505 Van Ness Ave., San Francisco 94102)
- June 11-13, 2012 – Western Conference of Public Service Commissioners Annual Meeting (8:00a – 5:00p; Sunriver Resort; 17600 Center Dr., Sunriver, OR 97707); J. Hawks will attend.
- June 13, 2012 – California Water Awareness Campaign – Board of Directors Meeting (10:00a – 12:00n; 910 K St., Sacramento 95814); J. Hawks will attend.
- June 18, 2012 – National Association of Water Companies Government Relations Committee Meeting (9:30a – 3:30p; Hyatt Regency Capitol Hill; 400 New Jersey Ave., N.W. Washington, DC 20001).
- June 19-20, 2012 – California PUC Workshop – Draft Resolution L-436 (9:30a – 4:00p; Golden Gate Conference Room; 505 Van Ness Ave., San Francisco 94102); J. Hawks will attend the first day.
- June 19-20, 2012 – National Association of Water Companies Annual Report to Congress/Two-Day Fly-In (9:00a – 5:00p; Hyatt Regency Capitol Hill; 400 New Jersey Ave., N.W. Washington, DC 20001).
- June 19, 2012 – California Urban Water Conservation Council (CUWCC) Advanced Metering Infrastructure Symposium (8:30a – 4:30p; LA Dept. of Water & Power; 1350 S. Wall St., Los Angeles, CA 90021)
- June 20, 2012 – CUWCC Plenary Meeting (9:30a – 3:00p; LA Dept. of Water & Power; 1350 S. Wall St., Los Angeles, CA 90021).
- June 21, 2012 – California Dept. of Water Resources – State Water Plan Update Advisory Committee Meeting (9:00a – 4:30p; Cal EPA Building; 1001 I St., Sacramento 95814); J. Hawks will attend.
- June 21, 2012 – California PUC Open Meeting (9:00a – 12:00p; 505 Van Ness Ave., San Francisco 94102)
- June 27, 2012 – California Water Association Annual Northern California Contractors-Vendors Meeting (7:30a – 11:30a; location TBD).
- July 10-12, 2012 – CWA Annual Budget Planning Meeting – Tenaya Lodge; Fish Camp, CA (Yosemite).

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- July 12, 2012 – California PUC Open Meeting (9: 00a – 12 :00p; 505 Van Ness Ave., San Francisco 94102)
- July 22-25, 2012 – National Association of Regulatory Utility Commissioners – Annual Summer Committee Meetings (10:45a – 5:15p Committee on Water Meetings; Hilton Hotel - Broadway Room - 921 SW 6th Ave, Portland, OR 97204); J. Hawks is presenting CWA’s Small Company Assistance Program to the Water Committee on July 24th).
- August 8, 2012 – California Urban Water Conservation Council Board of Directors Meeting (9:30a – 3:00p; Regional Water Authority, 5620 Birdcage Street, Ste 180, Citrus Heights, CA 95610)
- August 9, 2012 - CWA Directors Meeting (9:30a-2:30p; California American Water; 1033 B Ave., Suite 200, Coronado, CA 92118); J. Hawks will attend.
- August 15, 2012 – Association of California Water Agencies Annual Regulatory Summit (8:00a – 5:00p; Doubletree Hotel, 1 Doubletree Dr., Rohnert Park, CA 94928)
- August 23, 2012 – California PUC Open Meeting (9: 00a – 12 :00p; 505 Van Ness Ave., San Francisco 94102)

—CWA—