

NOTICE OF APPLICATION FILING REQUESTING A RATE INCREASE BY CALIFORNIA-AMERICAN WATER COMPANY FOR COST OF CAPITAL LOS ANGELES COUNTY DISTRICT Application No. 17-04-003

Summary

On April 3, 2017, California American Water filed Application 17-04-003 with the California Public Utilities Commission (CPUC) requesting an increase in rates to establish its cost of capital and rate of return for 2018-2020 for all districts. California American Water's application requests an increase in the rate of return of 0.08% from the current return rate of 8.41% to 8.49% for 2018-2020. Overall, the proposed changes to the cost of capital would increase California American Water's currently authorized revenues by \$4,877,000 (1%). If approved, California American Water's request would increase rates beginning January 1, 2018.

California American Water is required to file a cost of capital application every three years. The authorized cost of capital determines the amount of money California American Water is allowed to recuperate in rates as a return on the money it has invested. In this proceeding, the CPUC will determine a reasonable capital structure (financial plan), the costs of long-term debt (loans and financial obligations over one year), and an appropriate rate of return on common equity (profit for California American Water shareholders).

California American Water's proposal is summarized below:

| Cost of Capital Proposal | | |
|--------------------------|--------|-------------------|
| Cost Factor | Cost | Capital Structure |
| Long-Term Debt | 5.63% | 44.61% |
| Common Equity | 10.80% | 55.39% |

That would result in a weighted average rate of return on rate base of 8.49%.

Customer Impact

The following table shows the proposed increase in revenues for the Los Angeles County District per customer class.

| Revenue Increase | | | | | |
|---|---------------------|--------------------|------------------|--------------------|--------------|
| LOS ANGELES COUNTY DISTRICT - BALDWIN HILLS | Customer Class | Current Revenue | Increase (\$) | Proposed Revenue | Increase (%) |
| | Residential | \$4,492,716 | \$61,403 | \$4,554,119 | 1.37% |
| | Commercial | \$797,916 | \$10,905 | \$808,821 | 1.37% |
| | Industrial | \$279,413 | \$3,819 | \$283,232 | 1.37% |
| | Public Authority | \$276,848 | \$3,784 | \$280,632 | 1.37% |
| | Fire Service | \$27,683 | \$378 | \$28,061 | 1.37% |
| | Total | \$5,874,576 | \$80,289 | \$5,954,865 | |
| LOS ANGELES COUNTY DISTRICT - DUARTE | Customer Class | Current Revenue | Increase (\$) | Proposed Revenue | Increase (%) |
| | Residential | \$5,851,129 | \$79,969 | \$5,931,098 | 1.37% |
| | Commercial | \$2,611,175 | \$35,688 | \$2,646,863 | 1.37% |
| | Industrial | \$59,907 | \$819 | \$60,726 | 1.37% |
| | Public Authority | \$673,913 | \$9,211 | \$683,124 | 1.37% |
| | Irrigation Gravity | \$8,583 | \$117 | \$8,700 | 1.37% |
| | Irrigation Pressure | \$195,908 | \$2,678 | \$198,586 | 1.37% |
| | Fire Service | \$97,493 | \$1,332 | \$98,825 | 1.37% |
| | Total | \$9,498,108 | \$129,813 | \$9,627,921 | |

| LOS ANGELES COUNTY DISTRICT - SAN MARINO | Customer Class | Current Revenue | Increase (\$) | Proposed Revenue | Increase (%) |
|---|-----------------------|------------------------|----------------------|-------------------------|---------------------|
| | Residential | \$14,093,418 | \$192,617.95 | \$14,286,035.95 | 1.37% |
| | Commercial | \$3,785,894 | \$51,742.68 | \$3,837,636.68 | 1.37% |
| | Industrial | \$214,912 | \$2,937.25 | \$217,849.25 | 1.37% |
| | Public Authority | \$701,327 | \$9,585.20 | \$710,912.20 | 1.37% |
| | Other | \$25,258 | \$345.21 | \$25,603.21 | 1.37% |
| | Sales for Resale | \$6,132 | \$83.81 | \$6,215.81 | 1.37% |
| | Fire Service | \$142,450 | \$1,946.90 | \$144,396.90 | 1.37% |
| | Total | \$18,969,391 | \$259,259 | \$19,228,650 | |

The table below shows the current and proposed rate impacts on the average Los Angeles County District residential customer with a standard (5/8 inch x 3/4 inch) meter. The figures in the table exclude applicable taxes and surcharges. The impact on any particular customer's bill will depend on the customer's actual usage level and meter size.

| Average Residential Monthly Bill | | | | | |
|---|----------------------------|---------------------|----------------------|----------------------|---------------------|
| LOS ANGELES COUNTY DISTRICT | Average Usage (ccf) | Current Bill | Increase (\$) | Proposed Bill | Increase (%) |
| Baldwin Hills | 14.74 | \$56.31 | \$0.77 | \$57.08 | 1.37% |
| Duarte | 17.38 | \$66.32 | \$0.91 | \$67.23 | 1.37% |
| San Marino | 21.10 | \$80.46 | \$1.10 | \$81.56 | 1.37% |

Obtaining a Copy of the Application

The application and related exhibits may be reviewed at your local California American Water office located at 8657 Grand Avenue, Rosemead, CA 91770. **If you need additional information, you may call California American Water at (888) 237-1333.**

The application may also be reviewed at the CPUC's Central Files Office in San Francisco by appointment. For more information, contact aljcentralfilesid@cpuc.ca.gov or 1-415-703-2045.

CPUC Process

This application will be assigned to an Administrative Law Judge (Judge) who will determine how to receive evidence and other related documents necessary for the CPUC to establish a record upon which to base its decision. Evidentiary Hearings (EHs) may be held where utilities, consumer advocacy groups, and other entities which have been given official status as parties will present their testimony and may be subject to cross-examination by other parties. These EHs are open to the public, but only those who are parties may participate. The hearings and documents submitted in the proceeding become part of the formal record. The Judge relies upon the formal record when writing a proposed decision to present to the Commissioners for their consideration.

After considering all proposals and all evidence presented during the formal hearing process, the assigned Judge will issue a proposed decision, determining whether to adopt California American Water's request, modify it, or deny it. Any CPUC Commissioner may sponsor an alternate decision. The proposed decision, and any alternate decisions, will be discussed and voted upon at a scheduled Commission Voting Meeting.

The Office of Ratepayer Advocates (ORA) may review this application. ORA is the independent consumer advocate within the CPUC with a legislative mandate to represent investor-owned utility customers to obtain the lowest possible rate for service consistent with reliable and safe service levels. ORA has a multi-disciplinary staff with expertise in economics, finance, accounting and engineering. For more information about ORA, please call 1-415-703-1584, email ora@cpuc.ca.gov or visit ORA's website at www.ora.ca.gov.

Stay Informed

If you would like to follow this proceeding, or any other issue before the CPUC, you may use the CPUC's free subscription service. Sign up at <http://subscribecpuc.cpuc.ca.gov/>.

If you would like to learn how you can participate in the proceeding, have informal comments, or have questions about the CPUC processes, you may access the CPUC's Public Advisor's Office (PAO) webpage at <http://consumers.cpuc.ca.gov/pao/>. You may also contact the PAO as follows:

Write: CPUC Public Advisor's Office
505 Van Ness Avenue
San Francisco, CA 94102

Email: public.advisor@cpuc.ca.gov

Phone: 1-866-849-8390 (toll-free) or 1-415-703-2074
TTY: 1-866-836-7825 (toll-free) or 1-415-703-5282

Please reference **California American Water's Cost of Capital Application No. 17-04-003** in any communications you have with the CPUC regarding this matter. All public comments will become part of the public correspondence file for this proceeding and made available for review by the assigned Judge, the Commissioners, and appropriate CPUC staff.