

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of California-American)	Application 12-04-019
Water Company (U210W) for Approval)	(Filed April 23, 2012)
of the Monterey Peninsula Water Supply)	
Project and Authorization to Recover)	
All Present and Future Costs in Rates)	
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**PREHEARING CONFERENCE STATEMENT OF THE
MONTEREY PENINSULA WATER MANAGEMENT DISTRICT**

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WATER MANAGEMENT DISTRICT**

June 4, 2012

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**PREHEARING CONFERENCE STATEMENT OF THE
MONTEREY PENINSULA WATER MANAGEMENT DISTRICT**

Introduction

In accordance with Administrative Law Judge (ALJ) Weatherford’s Ruling of May 11, 2012, and Rule 7.2 of the Rules of Practice and Procedure (Rules) of the California Public Utilities Commission (Commission), Monterey Peninsula Water Management District (MPWMD) hereby submits its Prehearing Conference Statement for the scheduled June 6, 2012 Prehearing Conference.

Issues To Define The Scope Of The Hearing

MPWMD is in the process of reviewing and analyzing Application (A.) 12-04-019 filed by California-American Water (Cal-Am) requesting approval of its proposed Monterey Peninsula Water Supply Project (MPWSP or Project). Preliminarily, MPWMD identifies the following issues to be addressed by the parties:

1. Project governance. Project oversight must be configured to ensure Monterey Peninsula ratepayers are directly represented so their concerns and issues are fairly considered. A public partner may also ensure low-cost financing and minimize rate impacts.

2. Ownership of the Project. Ownership of all facets of the Project must comply with requirements of law and be structured to minimize ratepayer costs. Public participation in Project ownership may reduce the risk of litigation and minimize regulatory delay for Project approval.
3. Environmental Review. Careful consideration must be given to mandatory CEQA processes to ensure appropriate lead agency designation, and that Project approval is fully compliant with law. New information and Project changes must be appropriately analyzed.
4. Water Rights. Water rights contentions relating to the Project must be vetted and resolved.
5. Project financing. Complete review of plans and assumptions related to financing is needed. This should include a review of financing options, feasibility and limitations. Efforts should ensure the lowest costs are passed through to ratepayers.
6. Proposed costs. A reasonableness review must be made for all Project components and processes, to ensure lowest cost impact to ratepayers. Rate design issues must ensure equitable treatment among different water use classes.
7. Cost Recovery. Costs attributable to ratemaking and accounting for stranded Regional Desalination Project costs should be carefully reviewed with respect to costs for this Project, and should not be unfairly included in the cost of water for this Project.

Venue for Hearings, Workshops and Public Participation Proceedings

Due to the extraordinary costs of this Project, and the number of local participants, MPWMD requests all hearings, workshops and public participation proceedings take place in Monterey County.

Prospects For Settlement Efforts

MPWMD is willing to participate in settlement efforts, with or without mediation. MPWMD asks that such efforts occur concurrently with any hearing schedule proposed in the Ruling.

Proposed Schedule

The Proposed Schedule assumes all issues are resolved by the end of calendar year 2013. This schedule may compromise efforts to select an appropriate water supply project or projects and develop optimal financing mechanisms.

The proposed schedule does not identify the timing of environmental review, including public comments and responses. Complete environmental review must consider a proper range of alternatives, and selection of mitigation measures. These, in turn, influence the analysis of costs and options. To ensure environmental issues are adequately considered, a final environmental document should be published before testimony and evidentiary hearings.

MPWMD requests a full opportunity to supplement testimony and participate in evidentiary proceedings in response to these issues.

Conclusion

MPWMD respectfully requests the procedural schedule set forth in the Ruling be modified to address the above considerations.

Dated: June 4, 2012

Respectfully submitted,

/s/ David C. Laredo

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