Supplement to 1/30/13 MPWMD Board Packet

Attached are copies of letters received between, November 27, 2012 and January 24, 2013. These letters are also listed in the January 30, 2013 Board packet under item 20, Letters Received.

Author	Addressee	Date	Topic
Thomas J Macdonald	MPWMD Board	1/11/13	Proceeding #A.12-04-019 Cal Am Monterey Desalination Project
Roy Kaminski	David J. Stoldt	1/10/13	SWRCB Order 95-10
Eric Zigas	David J. Stoldt	12/19/12	Cal Am Monterey Peninsula Water Supply Project – CEQA Alternatives and Cumulative Analyses
Roger Dolan	MPWMD Board	12/12/12	Replacement Water Supply for the Monterey Peninsula
Raminder Kahlon/Loreen R. McMahon	David J. Stoldt	12/10/12	High Bills in the California American Water Company Monterey County District
Karen Csejtey	David J. Stoldt	11/28/12	Letter of Thanks for Presentation to Leadership Monterey Peninsula

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THOMAS J MACDONALD
34 MIRAMONTE ROAD
CARMEL VALLEY, CA 93924
e-mail: tjmacdonald@earthlink.net
PHONE: (831) 298-7380

RECEIVED
JAN 24 2013
MPWMD

January 11, 2013

Public Advisor's Office
California Public Utilities Commission
San Francisco

Re Proceeding #A.12-04-019 CalAm Monterey Deslination Project

I am writing to protest against the proposal by CalAm to assess ratepayers in the Monterey Bay area a total of $99 million over four years, beginning July 1, 2013, to help finance its proposed water desalination plant. If CPUC approves this assessment, ratepayers will see their monthly bills increase substantially for years before they receive any water from the project.

This proposal shifts financial risk from CalAm to the ratepayers in the early years of the project, when risks of failure are the highest. By December 31, 2014, ratepayers will have many millions of dollars more than CalAm invested in this project. If this CalAm project should fail, as its Regional Desal plant failed last year, it would be mostly ratepayer money that would be lost.

CalAm stands to profit handsomely from this project over the years if it is successful. So CalAm and its parent company, American Water, should bear any financial risks, not the ratepayers.

CPUC should deny this request.

Cc: Monterey Peninsula Water Management District
RatepayersFirst
Water Plus

RECEIVED
JAN 10 2013
MPWMD

To: David Stoldt

From: Roy kaminske

We all amke mistakes. The SWRCB made two (2)! 95-10 and the cease & desist order. The District major mistake was implementing a conservation plan.

ORDER NO. WR 95-10
JULY 6, 1995
TER RESOURCES CONTROL BOARD

ING AGAINST RESPONDENT, IN PART,
RECTING CORRECTIVE ACTIONS

SYNOPSIS

The California-American Water Company (Cal-Am) currently diverts water from the Carmel River and supplies the water, primarily for use outside of the watershed to users on the Monterey Peninsula. Four complaints were filed with the State Water Resources Control Board (SWRCB) against Cal-AM for its diversion of water from the Carmel River. The complaints generally allege that Cal-Am; (a) does not have the legal right to divert water from the river and (b) diversions are adversely affecting public trust resources within the river. **The SWRCB concludes that Cal-Am: (a) does not have legal right for about 10,730 acre-feet annually which is currently diverted from the river...and (b) diversions are having an adverse affect on the public trust resources of the river.** This order directs Cal-Am to: (a) diligently proceed in accord with a time schedule to obtain rights to cover its existing diversion and use of water and (b) implement measures to minimize harm to public trust resources. Measures to minimize harm to public trust resources require Cal-Am to reduce the quantity of water which is currently being pumped from the river. Because water is not available for appropriation by direct diversion in the river during summer months, Cal-Am must either obtain the right to additional water supplies from (a) sources other than the river; (b) a storage project similar to the New Los Padres (NLP) project proposed by the Monterey Peninsula Water Management District (District), or (c) contract with the District for supply from the proposed NLP project.

	Diversions from Carmel River	End of Year Usable Storage (AF)	
Year	In Acre Feet (in AF)	CV Basin Aquifers	Total System
1995	4,162	26,960	33,135
1996	3,527	25,940	30,466
1997	3,159	24,555	28,554
1998	1,557	27,408	33,264
1999	1,385	25,948	30,189
2000	258	25,968	29,116
2001	98	25,262	28,661
2002	175	24,663	28,109
2003	242	25,432	28,426
2004	0	24,269	26,394
2005	0	25,408	27,783
2006	0	25,495	29,171
2007	0	22,760	25,453
2008	0	23,757	25,692
2009	0	24,193	27,177
2010	0	25,830	29,650
2011	0	26,166	29,882
2012	0	24,882	27,885

CAL AM PRODUCTION/END OF YEAR USABLE STORAGE IN CARMEL VALLEY BASIN AQUIFERS AND MAIN SYST

1997- 2012 IN ACRE FEET

Year	Cal Am Production In Acre Feet Yearly	Usable Storage End of Year In Acre Feet	
		Carmel Valley Basin Aquifers	Main Syste
1997	16,872	24,555	28,554
1998	14,043	27,408	33,264
1999	14,366	25,948	30,189
2000	14,933	25,968	29,116
2001	14,165	25,262	28,661
2002	14,280	24,663	28,109
2003	14,637	25,432	28,426
2004	15,032	24,269	26,394
2005	13,678	25,408	27,783
2006	13,805	25,495	29,171
2007	14,068	22,760	25,453
2008	13,989	23,757	25,692
2009	12,916	24,193	27,177
2010	12,002	25,830	29,650
2011	11,862	26,166	29,882
2012	11,682	24,882	27,885

•Lettin' the cat outta the bag is a whole lot easier 'n puttin' it back in.
•If you're ridin' ahead of the herd, take a look back every now and then to make sure it's still there.
•If you get to thinkin' you're a person of some influence, try orderin' somebody else's dog around.
•After eating an entire bull, a mountain lion felt so good he started roaring. He kept it up until a hunter came along and shot him... The moral: When you're full of bull, keep your mouth shut.
•Never kick a cow chip on a hot day.
•There's two theories to arguin' with a woman. Neither one works.
•If you find yourself in a hole, the first thing to do is stop diggin'.
•Never slap a man who's chewin' tobacco.
•It don't take a genius to spot a goat in a flock of sheep.
•Always drink upstream from the herd.
•When you give a lesson in meanness to a critter or a person, don't be surprised if they learn their lesson.
•When you're throwin' your weight around, be ready to have it thrown around by somebody else.

Will Rogers

No jurisdiction in the United States would have implemented a conservation program in 1982. They would have heeded Ben Franklin's advice and used less water ~~or~~ found more The District did not know until 1991 the amount of water in the aquifers.

Roy Kaminske

CAL AM PRODUCTION/END OF YEAR USABLE STORAGE IN CARMEL VALLEY BASIN AQUIFERS AND MAIN SYSTEM

1981-2012 In Acre Feet

Year	* Consumers	Cal Am Production In Acre Feet (AF) Yearly	Daily	Usable Storage End of Year In Acre Feet Carmel Valley Basin Aquifers	Main System
1981	205,752	16,146	44.2		
1987	230,889	18,117	49.6		
1988	217,389	17,054	46.7		
1991	154,546	12,118	33.2	17,086	20,994
1997	215,176	16,872	44	24,307	28,124
2010	152,684	12,002	32.8	24,555	28,554
2011	149,157	11,862	32,5	25,830	29,650
2012	146,986	11,682	32	26,166	29,882
				24,882	27,885

* One (1) acre foot of water (325,851 gallons) will provide 4,655 consumers 70 gallons per day.

SOURCE: Monterey Peninsula Water Management District

STATE OF CALIFORNIA Edmund G. Brown Jr., *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

December 19, 2012

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JAN - 7 2013
MPWMD

Monterey Peninsula Water Management District
Attention: David Stoldt, General Manager
P.O. Box 85
Monterey, CA 93942-0085

Sent via Regular Mail

Subject: California American Water Company Monterey Peninsula Water Supply Project – CEQA Alternatives and Cumulative Analyses

Dear Mr.Stoldt:

This letter includes a request for information and clarification regarding your proposed Desalination Project facilities and components to support an analysis of alternatives in the proposed California American Water (CalAm) Monterey Peninsula Water Supply Project EIR (MPWSP; CPUC Application A.12-04-019). Based on the information you provide, your project may also be included in the cumulative analysis.

Please coordinate with ESA on the appropriate methods to provide the requested data and/or clarifications. If a meeting (or meetings) between the ESA/CPUC and your staff would help to clarify and resolve this request, please promptly arrange such meeting(s) directly with ESA; however, for the CEQA administrative record, we request that written responses (with supporting documentation as appropriate) also be provided. Should you elect to withhold any of the requested data [information or documents] on the basis of privilege, please provide a complete privilege log for each data item and/or document withheld.

We request that by January 4, 2013, you provide us with the data requested herein, or provide a schedule by which you will deliver the requested data. We look forward to your prompt reply. Please contact ESA directly with questions and to coordinate your approach to the data collection effort, the schedule, and the delivery of these data. If you have any questions, please contact me directly at 415.703.3221 or via e-mail at andrew.barnsdale@cpuc.ca.gov.

Sincerely,

Eric Zigas, ESA Project Director
for
Andrew Barnsdale
CPUC Energy Division

cc: Jason Reiger, CPUC Legal Advisor

If the information is already provided, please indicate the appropriate reference.

1. Please provide a detailed map showing the precise location of all facilities and project area boundary (area of potential impact), including all staging areas, and anticipated extent of construction disturbance. Label all existing versus proposed facilities.

2. **Project Description.** Please provide a complete project description that includes the following:

   a. What are the project objectives, stated in terms of average annual potable supplies provided by the project, and what demand is the project intended to serve)? Please indicate the source or sources used to develop these estimates and the methodology used to calculate them.

   b. Please identify service area and/or customers. Would the project provide Carmel River replacement water only, or will it also include Seaside Basin payback water, or water for the Laguna Seca subarea and the CalAm satellite systems served by it? Please be specific.

   c. Would the project also provide water to accommodate future demand (i.e. to serve legal lots of record and general plan buildout estimates)?

   d. Please provide the anticipated recovery rate of product water processed by the project facility. Conversely, how much waste product will be generated by the project? Please cite any relevant existing studies and/or desalination technologies.

   e. Components (type, size/capacity, location for each component)
      i. Intake facilities – Identify existing and proposed facilities. If facilities are existing, please describe property ownership and any easements necessary to operate the facilities. Please include information on source water pipelines, pump-to-waste pipelines, as appropriate. If improvements are needed to make the existing facilities suitable, what are those improvements? What would be the required intake rate needed to provide the average annual potable supplies?
      ii. Discharge facilities – Identify existing and proposed facilities. If facilities are existing, please describe property ownership and any easements necessary to operate the facilities. What is the capacity of these facilities? Please describe the discharge process, including any dilution ratio, information regarding brine discharge concentration, and discharge rate. Please provide supporting documentation or brine discharge/plume studies.
      iii. Desalination Site – Please define the treatment process, site location and property ownership, and easements or property acquisition needs. Please describe auxiliary facilities, including energy/power lines, as appropriate.
      iv. Conveyance Pipelines – Please describe lengths and locations of transmission/conveyance pipelines. Please describe the limits of construction (i.e. limited to road-way right-of-way; in overland areas, define width of construction corridor). Please explain how the project will connect with existing CalAm distribution system.
      v. Please describe any other relevant project details not addressed in the above questions.

3. **Existing Studies**

   a. Please provide any background studies or technical studies completed for the project, including but not limited to biological species site survey or habitat assessment (including entrainment and entrapment studies), cultural resources survey report, geotechnical investigation report, initial study, , and/or energy requirements. If no studies have been completed to date, please list studies anticipated to be prepared and their schedule for completion.

   b. Have any pilot plants/programs been conducted for your project? Would any pilot plants/programs be needed prior to implementation of your project?

   c. If separate future environmental review will be completed for your project, please:
      i. Identify the CEQA Lead Agency for the project.
      ii. If applicable, please identify the NEPA Lead Agency for the action. Please substantiate any details regarding the federal agency's intent to act as lead agency.

4. **Schedule and Operation**

   a. Please provide a schedule (including start date, duration, and anticipated completion for the following project milestones, as applicable:
      i. CEQA (and NEPA, as applicable) environmental review
      ii. Pilot Testing
      iii. Property acquisition
      iv. Permitting
      v. Construction
      vi. Operation

   b. Please describe any variations in operational seasonality.

5. **Feasibility.** Please describe any implementation/feasibility/construction considerations.

6. **Policies and Legal Considerations.**

   a. Please list the agencies that are expected to use the EIR in their decision making.

   b. Please list all permits and other approvals required to implement the project, including federal, state, local agency or special districts, type of permit, and status.

c. Provide a list of related environmental review and consultation requirements required by federal, state, or local laws, regulations, or policies.

d. Please describe the existing land uses and property ownership at the project site(s). Provide relevant easement/access agreements, or plans for property acquisition (including eminent domain, if applicable). Include information both as narrative text (including Assessor Parcel Numbers) and graphically (showing parcel area boundaries).

e. Identify if there any policy considerations (i.e, LAFCO boundary, Sanctuary policies, coastal commission requirements, etc.) or conflicts with state or local ordinances/policies associated with your project?

f. Please provide documentation/rationale supporting the water rights for your project.

7. Please provide references and sources for all information to satisfy administrative record requirements.

Thank you for your timely participation in this important process.

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DEC 19 2012

MPWMD

Carmel Valley Association
P.O. Box 157, Carmel Valley, California 93924
www.carmelvalleyassociation.org

Since 1949

California Public Utilities Commission
c/o Office of the Public Advisor
505 Van Ness Avenue
San Francisco, CA 94102

December 12, 2012

Attention ALJ Weatherford

Dear Commissioners:

The process that CPUC has adopted for planning the replacement water supply for the Monterey Peninsula is wrong and needs to be changed. Specifically, given that a competitive situation now exists for the water supply, it is questionable whether the CPUC has a legitimate role in the proposed project other than simply requiring CalAm to procure the lowest cost water from the most appropriate supplier in a competitive free market process.

The CPUC Mission:
Quoting from your website: *CPUC serves the public interest by protecting consumers and ensuring the provision of safe, reliable utility service and infrastructure at reasonable rates, with a commitment to environmental enhancement and a healthy California economy. We regulate utility services,* ***stimulate innovation, and promote competitive markets****, where possible. (emphasis added)*

How this Mission relates to the current situation:
This text defines an essential governmental mission relating to natural monopolies. Your oversight of the CalAm operation and maintenance related to their water distribution system is consistent with the mission. However, a situation has evolved regarding the water supply for the Monterey Peninsula where several competent and responsible proponents of projects are competing to supply the needed water. These competitors are at least as capable as CalAm, and perhaps more capable, of providing the lowest cost water in a timely way. There is a growing public expectation that there will be an even-handed process for selection that will give all options an even chance for success and it is difficult to see how the current CPUC process will meet those expectations.

The competitors are:
1. CalAm's plan to build their North Marina plant and the Salinas Valley wells that would supply it;
2. Peoples Desal in conjunction a Peninsula based public agency, using an open water intake in the Moss Landing area;
3. DeepWater Desal, with a public agency partner, using an open water intake in

the Moss Landing area;

4. Monterey Peninsula Water Management District, which is now developing their contingency project, in conjunction with a third party developer;
5. Monterey Regional Water Pollution Control Agency, with their GWR project to recycle highly treated wastewater.

CalAm has accepted the recycled water as part of the supply, provided it is ready in time. Thus it is clear that a free enterprise situation is already established for a portion of the needed water.

Consider the similarity between what we are facing here on the Monterey Peninsula and the situation that drove the deregulation of electric power production and the severing of this competitive business model from the electrical distribution system that is a natural monopoly.

Recommendation:
CPUC should suspend the current EIR/EIS process and inform CalAm that they are obliged to obtain water from the supplier who is chosen in an objective, independent process. Specifically, a reasonable time period, say six months, can be established for the competitors to assemble their teams, develop firm proposals, perform a preliminary environmental assessment and obtain financing. The proposals will be based on a turnkey design/build approach with a further commitment to operate the facility for an initial period of time. If CalAm would like to enter the competition, they should set up an independent, arms-length business entity to prepare the proposal and undertake the project. If they are not awarded the contract, like the other proposers they will have no recourse to the ratepayers.

A selection team, perhaps comprised of representatives from DRA and a panel of Peninsula based individuals, will evaluate the proposals with the aid of expert technical and financial analysts, and select the best proposal. The chosen team will execute a binding contract, which will include an incentive for early completion and proceed with the EIR/EIS and the design/construction effort.

Background:
The current CPUC plan is to sort out these competing water supply projects by use of the CEQA/NEPA process. Those processes are, of course, designed to disclose, evaluate and accept or reject environmental impacts, not to select between competing proposals. The decisions that naturally issue from the EIR/EIS process are the acceptability of the environmental impacts of the various project alternatives. Costs should not enter into that decision. Yet, the CPUC also expects to be able to select a project based on estimates of cost and feasibility and effectuate its implementation, even though with most of the alternative projects, it may not have the authority to do so.

By assuming the role of lead agency, CPUC, perhaps inadvertently, preordains

that CalAm will be the builder/owner. CPUC and CalAm have said that the Moss Landing options will be fully considered. Yet, if one of them is preferred, a new lead agency and EIR will be required, and neither time nor money will be available. Under those circumstances, the CPUC/CalAm options will be to proceed with the less attractive project proposed by CalAm, or if the project cannot be built due to insurmountable defects, as happened with the bungled Regional Desal Project (RDP), the additional cost of the EIR/EIS for the failed project will once again be charged to the Peninsula ratepayers and CalAm will be sent back to the drawing boards. The only other outcome that can be foreseen under the current CPUC process would be for CalAm to push the Moss Landing project proponents aside and develop their ideas as a CalAm project. But, one cannot imagine that the other proponents allowing that to happen.

It is important that the CPUC seriously think through the course on which it has embarked and figure out how to ensure that the preferred project will be implemented. The proponents of the Moss Landing options are not subject to CPUC as they both intend to have local agency partners. The prospect of a choice to be made at the conclusion of the EIR/EIS between a CalAm high-priced project and a better project that cannot be done in time is not a far-fetched speculation. A recent, independent cost analysis has indicated that water might be available for as little as $2205 per acre-foot compared to $3300 for CalAm. CalAm is now saying that their project will cost more than $5000 per acre-foot. Certainly the current process has momentum, but one needs to ask whether speeding toward a potential morass is better than switching to an approach that will shift the risks to proponents better positioned to implement their projects.

Instead of the current approach, consider that a free market situation exists and that your mission to promote competitive markets and a healthy economy will best be served by informing CalAm that they must obtain water from the project that is able to provide the lowest cost water of acceptable quality that can come closest to meeting the extremely demanding time constraints established by the State Water Resources Control Board.

Consistent with this approach, CPUC would drop out of the EIR/EIS role and leave the selection to be handled by a new, agreed upon process.

Roger Dolan P.E.
Carmel Valley Association Water Committee

Cc by email: MPWMD, MRWPCA, MPRWA
DeepWater Desal, Peoples Desal, CalAm
Citizens for Public Water, Carmel Valley Association

STATE OF CALIFORNIA EDMUND G. BROWN JR., *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

December 10, 2012

RECEIVED
DEC 14 2012
MPWMD

Mr. David J. Stoldt, General Manager
Monterey Peninsula Water Management District
P.O. Box 85
Monterey, CA 93942-0085

Re: High Bills in the California American Water Company Monterey County District

Dear Mr. Stoldt:

We are in receipt of the Monterey Peninsula Water Management District's (District) letter to President Peevey expressing concerns over the incidences of high water bills in California American Water Company's (Cal-Am) Monterey County District. President Peevey asked that we respond to the District's letter. The Commission staff has been investigating this matter since earlier this summer when this issue first came to our attention. Commission staff has or is addressing three matters related to high water bills discussed in the District's letter.

First, the Commission's Consumer Service and Information Division (CSID) has been working with Cal-Am to temporarily waive the requirement to deposit disputed bill amounts with the Commission when filing either a formal or informal complaint. Please find attached a copy of the letter we sent the Cal-Am in November clarifying our understanding of how the deposit waiver process will work. The waiver on deposits for high bill disputes is in effect until 12/31/2013 with an option to extend. This will eliminate a significant barrier to customers who want to file either a formal or informal complaint with the Commission. The Public Advisors Office is working with Cal-Am in issuing notices to customers of this temporary change in deposit requirements for high bill disputes. At this point, Cal-Am has stated that they will be texting language about the deposit waiver to all of their customers and will follow up with language on customer's bills. Any customer that contacts the Commission's CSID will be informed of the deposit waiver.

Second, the Commission's Division of Water and Audits issued a disposition letter (attached) rejecting without prejudice Cal-Am's Advice Letter No. 970. In this filing, Cal-Am requested implementation of a surcharge of over $6 million to recover costs attributable to billing adjustments made over the period 2007-2011. The Division of Water and Audits' disposition letter found Cal-Am's request through an advice letter filing was an inappropriate procedural vehicle for the relief requested. Instead, Cal-Am was directed to file either a new application or a petition for modification in D.12-06-016, its most recent general rate case decision, in order to allow for an examination of the factual, policy, and procedural questions raised by Advice Letter No. 970.

Finally, following concerns from customers this past summer, the Division of Water and Audits requested data from Cal-Am on incidences of bill spikes in its Monterey District. The data

indicate that slightly over 0.2% of the residential bills issued during the period July 1, 2011 through September 2012 showed usage spikes equal to or greater than five times the previous twelve month average. The incidences of bill spikes have a seasonal character, higher during the dry months and lower during the wet months. Finally, the percentages of bill spikes are not evenly distributed over the various areas in the Monterey District. The satellite water systems for Ambler Park, Ralph Lane, and Toro along with the connections in Sand City shows a considerably higher percentage of usage spikes than are indicated in Carmel Valley, Chular, Monterey, Seaside, and Pacific Grove. Following the District's letter, the Division of Water and Audits has requested additional data from Cal Am to see how the Monterey figures compare with other Cal-Am districts in California, as well as American Water systems in other parts of the United States. Data have also been requested to allow the Commission to better understand the possible causes for unexplained usage spikes in customers' bills which are raised in the District's letter. Once all data that have been requested is received and analyzed, both the data and analyses will be turned over to the Division of Ratepayer Advocates to pursue as part of Cal-Am's forthcoming general rate case proceeding expected to be filed in July 2013.

The Commission appreciates the District's interest in this issue. We want to assure the District that the Commission is investigating these matters to understand the causes of usage spikes, as well as to assist customers who want to either informally or formally dispute bill spikes here at the Commission by waiving the requirement to deposit the amount of the disputed bill. Please let us know if we can assist in responding to further concerns the District has in this matter.

Sincerely,

Raminder Kahlon
Director
Division of Water and Audits

for Loreen McMahon

Loreen R. McMahon
Director
Consumer Service and Information Division

cc: President Michael R. Peevey
Danilo Sanchez, Division of Ratepayer Advocates
Eric Sabolsice, California-American Water Company
MPWMD Board

Enclosures:

STATE OF CALIFORNIA EDMUND G. BROWN JR., *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

November 16, 2012

David P. Stephenson, Director – Rates and Regulations
California American Water Company
4701 Beloit Drive
SACRAMENTO, CA 95838

Dear Mr. Stephenson:

Please be advised that the Division of Water and Audits (DWA) is rejecting without prejudice California American Water Company's (Cal Am) Advice Letter No. 970 (AL 970) filed on October 18, 2012. AL 970 requests authorization to recover amounts attributable to customer billing adjustments made in 2007, 2008, 2009, 2010 and 2011. The rate impact of the surcharge designed to recover these amounts is an annual increase of 4.26%. Timely protests were filed by the Division of Ratepayer Advocates and 41 Cal Am customers in the Monterey District.

DWA's preliminary review identified the following issues in support of its decision to reject AL 970 without prejudice:

1) Pertinent information required to adequately review AL 970 is not included with the work papers to AL 970. This information consists of meter records, including information on testing and repairs[1]; field inspection results; leak reports; a census of all customer service meters by customer class, size, type, year installed and manufacturers' warranted accuracy when new; and location and water usage patterns of customers requesting billing adjustments. A standard data request for this information would be insufficient to collect what is required to complete a thorough investigation of AL 970 prior to the end of the initial review period.

2) Commission decision D.12-06-016 is silent as to how Cal Am can seek recovery of billing adjustments previously recorded in its Monterey County District Water Revenue Adjustment Mechanism (WRAM) account. As stated in D.12-06-016:

> Therefore, to recover its WRAM balances, Cal-Am should remove all billing adjustments from its computation of the Monterey County District WRAM and file a Tier 2 advice letter for recovery. Additionally, Cal Am's advice letter should also comply with any outstanding requests and/or instructions contained in DWA's rejection of AL 735 and 838.[2]

D.12-06-016 gives Cal Am the authority to file a Tier 2 advice letter for recovery of its WRAM balances but does not specify the procedure for recovering the billing adjustments removed from the WRAM. Given the contentious nature of this filing and the policy issues it raises, an examination of the facts and policies should be considered through a formal proceeding.

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[1] In accordance with G.O. 103-A §IV.3.E Record of Test, §IV.5 Repaired or Tested Meters, and §IV.7.A Contents and Retention of Meter Records.

[2] D.12-06-016, *Decision Adopting the 2011, 2012, 2013, and 2014 Revenue Requirement for California-American Water Company, at pp.* 50-51 (June 14, 2012).

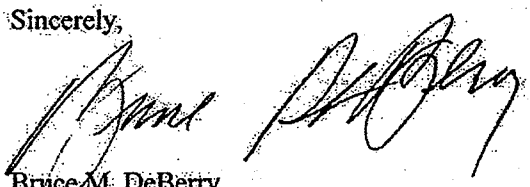
3) D.12-06-016 does not indicate whether the billing adjustments for the Monterey district are considered as part of the uncollectible expense forecasted in its most recent general rate case, as well as past rate cases during this period, which allowed costs to be tested for reasonableness, or are to be recovered through a surcharge on rates, which is a different process than what is used by Cal Am in all other districts to recover uncollectible amounts. Cal Am's request to recover the entire amount attributable to customer billing adjustments through a surcharge on customer rates raises a moral hazard issue. Cal Am's actions in granting billing adjustments while ratepayers bear the entire burden of these actions leaves Cal Am with a dis-incentive to rigorously pursue and address the underlying causes that have given rise to the magnitude of billing adjustments indicated by AL 970. This approach is contrary to traditional Commission rate making that establishes rates based on future test year costs for those costs under the utilities control. In this way, utilities have an incentive to control costs. AL 970 eliminates this incentive with regard to billing adjustment costs.

4) Since D.12-06-016 does not authorize a memorandum or balancing account in which billing adjustments could be tracked for subsequent recovery, allowing a surcharge on rates to recover past uncollectible amounts in excess of what was forecast and determined by the Commission to be reasonable would violate California Public Utilities Code §728 and its prohibition against retroactive ratemaking.

5) Cal Am's proposal to amortize amounts attributable to customer billing adjustments through a quantity surcharge applicable to usage in all rate tiers while these billing adjustments are most often made for usages in the top tiers undermines the Commission's authorized cost allocations and rate designs adopted in previous rate case decisions. Through AL 970, Cal Am is effectively requesting modifications of previous general rate case decisions. General Order 96-B, Rule 5.2, states that modification of a decision issued in a formal proceeding is not appropriate for an advice letter filing.

For the above reasons, AL 970 must be rejected, without prejudice, as an inappropriate procedural vehicle for the relief requested. Cal Am should file either a new application or a petition for modification in D.12-06-016 in order to allow for an examination of the factual, policy, and procedural questions raised by AL 970. If you have any questions, please contact Michael Zelazo in DWA at (415) 703-5327 or michael.zelazo@cpuc.ca.gov.

Sincerely,



Bruce M. DeBerry
Water and Sewer Advisory Branch Manager
Division of Water and Audits

Cc: Michael Zelazo, Division of Water and Audits
Danilo Sanchez, Division of Ratepayer Advocates
Protestants to Advice Letter No. 970

431574

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STATE OF CALIFORNIA EDMUND G. BROWN JR., *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
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Mr. David Stephenson
California American Water
4701Beloit Drive
Sacramento, CA 95838

November 7, 2012

David Stephenson via email at dave.stephenson@amwater.com

Dear Mr. Stephenson,

On October 9th, 2012, on behalf of California American Water Company (CalAm), you sent a proposed updated process for deposits related to billing complaints in CalAm's Monterey District. We appreciate your effort in putting together this draft. We do have some clarifications we would like to add to the process. The clarifications create consistency between your proposed policy and current California Public Utilities Commission (Commission) policy on customers initiating the Consumer Complaint process. After we have confirmed your acceptance of our clarifications, we would like CalAm to provide notice to customers of the process, either through a bill insert or direct notices. We believe that it is very important that all of the CalAm customers in the Monterey area are completely clear on the 12-month policy. The Public Advisor's Office will work with you, and approve the final notice.

As you state, your current Rule 10.C.1 requires that a customer who is disputing a bill with the Commission must put on deposit with the Commission the amount claimed by the utility to be due.

You then outline the issue and your current process as follows:

ISSUE – due to the highly inverted rate structure in Monterey – a customers' bill that may usually be $50 a month could be over on thousand dollars if usage for the period indicates as little as a five-fold increase. This assumes the normal bill is based on only 5,200 gallons of usage in a month. Most customers that would file a complaint with the Commission do not have the wherewithal to deposit $1,000 or more to cover a high bill.

CURRENT MONTEREY DISTRICT PROCESS – Any customer in Monterey that calls the Company in regards to a high bill is automatically given a 30 day grace period before collection processes are even considered. The Company has been working diligently with any customer that has a high bill complaint. If a complaint is still under investigation the Company continues to extend the grace period until the issue is resolved or an impasse is reached.

CalAm presented the following proposal to the Commission. You state in your letter that this process has been approved by your management and should be considered to be final. However, the Consumer Service and Information Division and Division of Water and Audits propose some

clarifications to the proposed policy to reflect our understanding. Please confirm whether the clarifications are consistent with CalAm's understanding.

PROPOSAL TO TEMPORARILY (12 MONTHS with option to renew) MODIFY RULE 10.C.1 FOR THE MONTEREY DISTRICT –

CUSTOMERS WHO FILE COMPLAINTS WITH THE COMMISSION

•Customers who disagree with a bill have the ability to file an informal or formal complaint with the Commission at any point in the process. If a customer files a complaint within 120 days from the date the disputed bill is past due, California American Water will waive the requirement that the customer deposit the amount of the disputed bill with the Consumer Affairs Branch (CAB) or the Commission, in the case of a formal complaint, at the time they file the complaint. The waived deposit requirement will remain in effect until CAB or the Commission, in the case of a formal complaint, closes out the complaint.

•If a customer files a complaint after 120 days from the date the disputed bill is past due, California American Water will reduce the requirement that the customer deposit the amount of the disputed bill with the CAB or the Commission, in the case of a formal complaint, at the time they file the complaint. The reduced deposit will be twenty percent (20%) of the disputed bill which approximately equates to billing all usage in tiers 3 through 5 at the tier 2 rate. The reduced deposit requirement will remain in effect until CAB or the Commission, in the case of a formal complaint, closes out the complaint. The complaint process will be initiated by the customer.

•If the case resolves in favor of California American Water, the amount that shall be paid by the customer will be the amount of what the bill would be under California American Water's current adjustment process, if the customer has not already received an adjustment within the previous 12 months, prior to resolution of the dispute.

CUSTOMERS WHO DO NOT FILE A COMPLAINT WITH THE COMMISSION

•California American Water will work diligently with customers on all billing disputes for at least 120 days beyond the past due date of any bill. If resolution is still a possibility at the 120 day point, the Company will continue to work with the customer to attempt to reach an equitable resolution.

•No deposit will be required for Monterey County District customer dispute until or after 120 days beyond the past due point of the bill being questioned as a high bill,

- Special circumstances will be discussed between California American Water and the Commission's Public Advisor's Office.

If you have questions or comments regarding our clarifications, please contact Karen Miller, Public Advisor, at 415-703-2299; or, Phil Enis, Program Manager, Consumer Affairs Branch, at 415-703-4112; or, James Boothe, Utilities Engineer, Division of Water and Audits, at 415-703-1748.

Sincerely,

Raminder Kahlon
Director
Division of Water and Audits

Loreen R. McMahon
Director
Consumer Service and Information Division

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LEADERSHIP MONTEREY PENINSULA *Creating Community Excellence*

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DEC - 7 2012

MPWMD

November 28, 2012

David Stoldt, General Manager
Monterey Peninsula Water Management District
5 Harris Court, Bldg G
Monterey, CA 93940

Dear David:

On behalf of everyone at Leadership Monterey Peninsula, especially our class members, we would like to extend our heartfelt thanks for your wonderful presentation on the topic of water on November 14th for our Regional Challenges & Promise Class Day.

Here's what some of the class members had to say:
"Clear description of the complexities of the challenge and the players."
"Excellent speaker, difficult subject!"
"Wow! Needed more time to discuss, reflect, formulate questions and integrate. This is a huge issue."

We are grateful for your participation particularly now as the program moves along for the current class. These are individuals who want to be informed and skilled in addressing the issues that affect our quality of life.

Leadership Monterey Peninsula is dedicated to building a thriving and diverse community by developing strong and effective leaders to play major roles in decision-making and problem-solving at every level. Partnering with us to help continue to make that possible is truly a gift.

Thank you again. Your support of LMP is deeply appreciated as is all your work in the community. Wishing you continued success in all your endeavors.

Sincerely,

Karen Csejtey
Executive Director

Thanks so much, David!

LMP is an Award Winner!
Business Excellence Awards, 2012
Presented by the Monterey Peninsula Chamber of Commerce

LMP is a 501 (c) (3) nonprofit educational organization, ID# 77-0343488
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