

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



April 24, 2019

Wes Owens, P.E.
Director, Rates & Regulatory
California-American Water Company
4701 Beloit Drive
Sacramento, CA 95838-2434

Dear Mr. Owens,

The Commission has approved California Water Service Company's Advice Letter No. 1231, filed on March 19, 2019, regarding Water Purchase Agreement.

Enclosed is a copy of the advice letter with an effective date of April 23, 2019 for the utility's files.

Please contact Jim Boothe at 415-703-1748, if you have any questions.

Thank you,

/s/ROBIN BRYANT

Robin Bryant
Water & Sewer Advisory Branch
Water Division

Enclosures

**CALIFORNIA PUBLIC UTILITIES COMMISSION
DIVISION OF WATER AND AUDITS**

Advice Letter Cover Sheet

Utility Name: California American Water

Date Mailed to Service List: March 19, 2019

District: Monterey County District

CPUC Utility #: U210W

Protest Deadline (20th Day): April 9, 2019

Advice Letter #: 1231

Review Deadline (30th Day): April 19, 2019

Tier 1 2 3 Compliance

Requested Effective Date: None

Authorization D.18-09-017

Rate Impact: \$See AL

Description: Water Purchase Agreement

See AL%

The protest or response deadline for this advice letter is 20 days from the date that this advice letter was mailed to the service list. Please see the "Response or Protest" section in the advice letter for more information.

Utility Contact: Kamilah Jones

Utility Contact: Jonathan Morse

Phone: 916-568-4232

Phone: 916-568-4237

Email: Kamilah.Jones@amwater.com

Email: Jonathan.Morse@amwater.com

DWA Contact: Tariff Unit

Phone: (415) 703-1133

Email: Water.Division@cpuc.ca.gov

DWA USE ONLY

DATE

STAFF

COMMENTS

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APPROVED

WITHDRAWN

REJECTED

Signature: _____

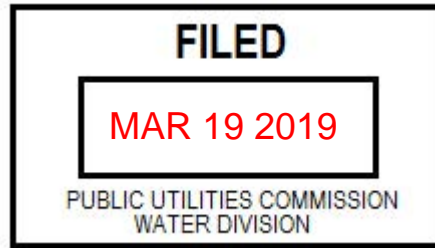
Comments: _____

Date: _____



4701 Beloit Drive
Sacramento, CA 95838
www.amwater.com

P (916)-568-4251
F (916) 568-4260



March 19, 2019

ADVICE LETTER NO. 1231

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

California-American Water Company (U210W) (California American Water) hereby submits for filing the following Tier 2 advice letter applicable to its Monterey County District as required by Decision (D.) 18-09-017.

Purpose & Background:

As directed by the California Public Utilities Commission (“Commission”) in D.18-09-017, California American Water files this Tier 2 advice letter providing its assessment as to whether it intends to file an application with the Commission to pursue a Water Purchase Agreement (“WPA”) for additional water supply in its Monterey District service area to be provided by an expansion of the Pure Water Monterey (“PWM”) Project, which is being jointly developed by Monterey Peninsula Water Management District (“MPWMD”) and Monterey One Water (“M1W”). (D.18-09-017, p. 214, Ordering Paragraph 37.) As discussed in more detail below, California American Water does not intend to file an application seeking approval of a PWM expansion WPA at this time.

In D.18-09-017, the Commission granted California American Water a Certificate of Public Convenience and Necessity for the Monterey Peninsula Water Supply Project (“MPWSP”), as modified, with a desalination plant sized at 6.4 million gallons per day. In coming to its decision, Commission considered the possibility of expanding the PWM to provide water to California American Water’s Monterey District customers, but concluded at the time that “[t]he evidence in the record in this proceeding is not sufficient to convince us that PWM expansion is a viable alternative at this point.” (D.18-09-017, p. 42.) The Commission further stated that it intends to consider the expansion of the PWM only to the extent that the desalination plant authorized in D.18-09-017 “is delayed to the point that sufficient source water capacity is more likely than not to be unavailable after the December 31, 2021, deadline set by the State Water Resources Control Board in its amended CDO.” (D.18-09-017, p. 44.) Thus, a hypothetical expansion of the PWM would only supplement the authorized desalination plant on a temporary basis, rather than replace it.

Nonetheless, the Commission directed California American Water to continue to assess the possibility of expanding the PWM to further supply California American Water customers and “enter into negotiations with PWM as to the potential cost, schedule, and amount of water that could be supplied by PWM if cost effective to ratepayers.” In accordance with the Commission’s order, California American Water has commenced negotiations with MPWMD and M1W and has met with those public agencies on multiple occasions. On January 31, 2019, the principals for the three parties, including Richard Svindland and Ian Crooks for California American Water, David Stoldt for MPWMD, and Paul Sciuto for M1W, met to discuss PWM expansion. Mr. Svindland and Mr. Crooks have also had informal discussions with Mr. Stoldt and Mr. Sciuto regarding the project over the last several months.

The potential PWM expansion is still being developed and is not yet at a point where California American Water can determine whether it should be used to supply Monterey District customers. Indeed, California American Water only recently learned the projected (not actual) cost of the water for the initial PWM project, which is approximately \$1,976 per acre foot. The cost was originally estimated to be \$1,720 per acre foot. This amounts to an additional \$896,000 per year. For the expansion, the current estimate is \$2,233 per acre foot, which is an additional \$5 million per year, assuming 2250 acre feet. California American Water still does not know, however, whether the expansion project water will be available for temporary sale in the event it is needed. Specifically, with respect to the PWM expansion, California American Water does not have all of the necessary information regarding the sources of supply water, development costs, price of developed water, environmental effects, permitting requirements, water quality, sources of funding, and plans for related facilities. While initial estimates have been provided for the total project development, it is not clear how such costs would be shared by other purchasers of the water.

Moreover, the permitting and anticipated construction of the authorized MPWSP desalination plant has been and is currently proceeding according to schedule, and as such there is no reason to believe that there will be a delay in the MPWSP desalination plant coming online before December 31, 2021. Therefore, there is no need to file an application at this time, even if sufficient information were available.

California American Water remains committed to working with the Monterey community to provide reliable and efficient water service. California American Water has pledged to assist with the cost of the environmental review of the expanded PWM EIR and will continue to discuss PWM expansion with MPWMD and M1W as the project develops.¹ If a temporary, supplemental water supply becomes necessary and can be cost-effectively supplied by PWM expansion, California American Water will seek Commission approval of a WPA.

Rate Impact:

None.

Request:

None.

Tier Designation:

Pursuant to D.18-09-017 this advice letter is designated as a Tier 2 filing.

Effective Date:

None.

Service List:

¹ The cost would cover environmental review associated with needed infrastructure, such as wells and pipelines, in the event such improvement is needed.

In accordance with Section 4.3 of General Order 96-B, a copy of this advice letter has been served upon all interested and affected parties as shown in Exhibit A.

Response or Protest²:

Anyone may respond to or protest this advice letter. When submitting a response or protest **please include the utility name and advice letter number in the subject line.**

A **response** supports the filing and may contain information that proves useful to the Commission in evaluating the AL. A **protest** objects to the AL in whole or in part and must set forth the specific grounds on which it is based. These grounds are:

- (1) The utility did not properly serve or give notice of the advice letter;
- (2) The relief requested in the advice letter would violate statute or Commission order, or is not authorized by statute or Commission order on which the utility relies;
- (3) The analysis, calculations, or data in the advice letter contain material errors or omissions;
- (4) The relief requested in the advice letter is pending before the Commission in a formal proceeding; or
- (5) The relief requested in the advice letter requires consideration in a formal hearing, or is otherwise inappropriate for the advice letter process; or
- (6) The relief requested in the advice letter is unjust, unreasonable, or discriminatory (provided that such a protest may not be made where it would require relitigating a prior order of the Commission).

A protest may not rely on policy objections to an AL where the relief requested in the AL follows rules or directions established by statute or Commission order applicable to the utility. A protest shall provide citations or proofs where available to allow staff to properly consider the protest.

Water Division must receive a response or protest via email (**or** postal mail) within 20 days of the date the AL is filed. When submitting a response or protest, **please include the utility name and advice letter number in the subject line.**

The addresses for submitting a response or protest are:

Email Address:

Water.Division@cpuc.ca.gov

Mailing Address:

CA Public Utilities Commission
Division of Water and Audits
505 Van Ness Avenue
San Francisco, CA 94102

On the same day the response or protest is submitted to Water Division, the respondent or protestant shall send a copy of the protest to California American Water at:

² G.O. 96-B, General Rule 7.4.1

Email Address:

kamilah.jones@amwater.com

sarah.leeper@amwater.com

jonathan.morse@amwater.com

Mailing Address:

4701 Beloit Drive
Sacramento, CA 95838

555 Montgomery Street, Suite 816
San Francisco, CA 94111

4701 Beloit Drive
Sacramento, CA 95838

Cities and counties that need Board of Supervisors or Board of Commissioners approval to protest should inform Water Division, within the 20 day protest period, so that a late filed protest can be entertained. The informing document should include an estimate of the date the proposed protest might be voted on.

REPLIES³

The utility shall reply to each protest and may reply to any response. Any reply must be received by Water Division within five business days after the end of the protest period, and shall be served on the same day on each person who filed the protest or response to the AL.

The actions requested in this advice letter are not now the subject of any formal filings with the Commission, including a formal complaint, nor action in any court of law.

This filing will not cause the withdrawal of service, nor conflict with other schedules or rules.

If you have not received a reply to your protest within 10 business days, contact this person at (916) 568-4222.

CALIFORNIA-AMERICAN WATER COMPANY

/s/ Wes Owens

Wes Owens, P.E.
Director - Rates & Regulatory

³ G.O. 96-B, General Rule 7.4.3