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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of California-American Water Company (U210W) for Approval of the Monterey Peninsula Water Supply Project and Authorization to Recover All Present and Future Costs in Rates.

Application 12-04-019
(Filed April 23, 2012)

**ADMINISTRATIVE LAW JUDGE'S RULING
CONCERNING CONTINGENCY PLANS**

1. Summary

This ruling directs California-American Water Company to file a compliance report by November 1, 2012 containing contingency plans for specified possible events or conditions.

2. Discussion

Numerous possible barriers to the successful and timely completion and operation of the Monterey Peninsula Water Supply Project have been identified in filed documents and in the July 26-27 Workshop. Among them are unfavorable test well results; water right issues concerning the feed water for desalination; outfall capacity issues; relocation of facilities due to environmental, hydrological or geological causes; unavailability of low-interest loans or other financing; and litigation staying or delaying construction. In light of the serious consequences that could flow from significant project delay or failure, more contingency analysis and planning than that allowed for or revealed at the July 26-27, 2012 Workshop are in order. Accordingly, California-American

Water Company (Cal-Am) is directed below to submit a compliance report on its contingency plans in regard to particular barriers.

IT IS RULED that:

1. California-American Water Company shall develop reasonably detailed contingency plans that include time lines, permitting milestones, cost estimates, financial impacts and the pros and cons in regards to the following possible barriers to the successful and timely completion and operation of the Monterey Peninsula Water Supply Project:

- a. Brackish Source Water: Salinas Valley Aquifer water becomes unavailable in whole or in part. What is the availability of alternative well or intake locations in event slant wells fail or do not reliably supply sufficient rate or volumes?
- b. Facility Siting: Relocation of site for desalination plant from that proposed due to whatever cause. Availability of alternative site or sites?
- c. Plant Failure or Periodic Interruption: Inability of desal plant to operate at required capacity for long or short time period. What is the availability of potable water from alternative sources and/or plan for reducing deliveries to customers?
- d. Outfall Use for Brine Disposal: Access to needed capacity prevented in whole or part for long or short time period. What is the availability of alternate means of disposal?
- e. Reduction in Demand Forecasts: Water demand lessens to the point where there would be significant excess capacity in the proposed project. What would be the impact on project design, construction and operation?
- f. Project Delay: Project delayed, extending completion beyond December 2016 Cease and Desist Order deadline. What would be the response plan or plans in event

non-compliance with the deadline becomes foreseeable or occurs?

2. Those contingency plans shall be contained in a compliance report to be filed by November 1, 2012.

Dated August 30, 2012, at San Francisco, California.

/s/ GARY WEATHERFORD

Gary Weatherford
Administrative Law Judge