

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA



**FILED**  
08-26-10  
09:26 AM

In the Matter of the Application of California American Water Company (U 210 W) for a Certificate of Public Convenience and Necessity to Construct and Operate its Coastal Water Project to Resolve the Long-Term Water Supply Deficit in its Monterey District and to Recover All Present and Future Costs in Connection There with in Rates.

A.04-09-019  
(Filed September 20, 2004)

**NOTICE OF EX PARTE COMMUNICATION  
OF THE DIVISION OF RATEPAYER ADVOCATES**

Pursuant to Article 8 of the California Public Utilities Commission's Rules of Practice and Procedure, the Division of Ratepayer Advocates ("DRA") files this Notice of *ex parte* communication.

On August 23, 2010, at approximately 4:05 p.m., Max Gomberg, DRA Analyst, Richard Rauschmeier, Financial Examiner, and Monica McCrary, DRA Counsel, met with Commissioner Ryan's Legal Advisor, Jason Reiger, and her Communications Advisor, Melissa Slawson at the Commission's headquarters in San Francisco. Mr. Reiger requested the meeting which lasted approximately fifty minutes.

Mr. Gomberg explained how costs are handled in the Water Purchase Agreement. Mr. Gomberg explained that pre-acceptance costs will be covered by project financing while post-acceptance costs become Operation and Maintenance expenses. Mr. Gomberg identified the types of costs considered pre-acceptance costs and discussed Cal Am's responsibility for the debt under section 2.4 of the Water Purchase Agreement. Mr. Gomberg explained that there is a cap of \$297 million on pre-acceptance costs, but that this cap does not include the cost of financing the indebtedness.

Mr. Gomberg then identified the types of post-acceptance costs which are passed on to Cal Am ratepayers. Mr. Gomberg pointed out how the Settlement and Water Purchase

Agreement lack sufficient detail on how the desalination plant will operate such as how the contractor will be selected and risks mitigated. Mr. Gomberg noted that section 11 of the Water Purchase Agreement discusses how capital costs, Operations and Maintenance costs, and reserve costs are allocated under the Agreement. Mr. Gomberg explained how Marina Coast Water District's capital contribution is capped at a maximum of \$22 million and its contribution is reduced as identified in the Agreement. Mr. Gomberg also explained how Marina Coast Water District will pay only its self-identified groundwater pumping cost (currently \$148 an acre-foot) for desalinated product water prior the time it has a legal need for the water.

Next Mr. Gomberg discussed the roles and duties of the Advisory Committee and walked through sections 6.4 and 6.5 of the Water Purchase Agreement which address this issue. Mr. Gomberg discussed how the Cal Am facilities are handled in the Settlement Agreement, and Mr. Rauschmeier explained the ratemaking for those facilities.

Mr. Gomberg concluded by identifying section 8.2 of the Water Purchase Agreement as the section discussing the Monterey County Water Resources Agency's decision-making authority to determine project well type.

No handouts were provided. Copies of this Notice can be obtained by calling or sending e-mail to Sue Muniz at (415) 703-1858 or [sam@cpuc.ca.gov](mailto:sam@cpuc.ca.gov).

Respectfully submitted,

/s/ MONICA McCrARY

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August 26, 2010

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a copy of “**NOTICE OF EX PARTE COMMUNICATION OF THE DIVISION OF RATEPAYER ADVOCATES**” to the official service list in **A.04-09-019** by using the following service:

**E-Mail Service:** sending the entire document as an attachment to all known parties of record who provided electronic mail addresses.

**U.S. Mail Service:** mailing by first-class mail with postage prepaid to all known parties of record who did not provide electronic mail addresses.

Executed on **August 26, 2010** at San Francisco, California.

/s/ ROSCELLA V. GONZALEZ

Roscella V. Gonzalez

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