

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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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 No. 12-04-019
(Filed April 23, 2012)

**PREHEARING CONFERENCE STATEMENT OF
THE DIVISION OF RATEPAYER ADVOCATES**

I. INTRODUCTION

Pursuant to Rule 7.2 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure, and Administrative Law Judge ("ALJ") Gary Weatherford's May 11, 2012 *Ruling Setting a Prehearing Conference and Inviting Prehearing Conference Statements* ("ALJ Ruling"), the Division of Ratepayer Advocates ("DRA") files this Prehearing Conference Statement. The ALJ Ruling invites parties and entities expecting to seek party status to file written statements that address the following subjects: (a) issues that should define the scope of the proceeding; (b) the value or not of holding a workshop for the parties; (c) the prospects, if any, for timely and productive settlement discussions, with or without facilitation/mediation; and (d) comments on the schedule proposed in California-American Water Company's ("Cal-Am") application ("Application").

II. DISCUSSION

1. Scope of the Proceeding

As an initial matter, DRA notes that it identified several "foundational" issues regarding Cal-Am's proposed Monterey Peninsula Water Supply Project ("MPWSP") in

the protest DRA filed to Cal-Am's Application on May 25, 2012 ("Protest").¹ As explained in DRA's Protest, the identified issues must be resolved in order to ensure timely completion of the MPWSP,² and thus, must necessarily be considered by the Commission in its evaluation of the project. In lieu of repeating that list of issues here, DRA incorporates its Protest by reference in this filing.

DRA recommends that the instant proceeding also include an expeditious procedure by which Cal-Am can request Commission authorization to track all reasonable and necessary costs associated with a test slant well and associated pipeline in a memorandum account capped at \$5 million for later reasonableness review and recovery in rates, regardless of whether such facilities are ultimately included in the final project.³ Significantly, the construction of a test slant well is essential to determine the viability of using slant wells to obtain source water for the MPWSP, and further, will provide important information regarding the environmental impacts of the project.⁴

2. Workshops

The June 1, 2012 ALJ Ruling proposes that the Commission hold a two-day workshop to discuss technical, non-legal concerns and questions regarding the Application. DRA supports this proposal because it would provide an opportunity for the parties to discuss complex technical issues, such as appropriate contingency planning for particular aspects of the project, and generally offer a forum where stakeholders could learn more about the MPWSP.

¹ Protest of the Division of Ratepayer Advocates, A.12-04-019, May 25, 2012, at 3-7.

² *Id.*

³ See *id.* at 9. See also A.12-04-019, Direct Testimony of David P. Stephenson, at 15:9-16 (explaining Cal-Am's proposed method of cost recovery for the test slant well and associated pipeline, and contemplating that these facilities may become "an operationally useful part of an approved project . . ."). DRA has not yet analyzed the specifics of Cal-Am's proposed method of cost recovery for the test slant well and associated pipeline.

⁴ Notably, the environmental review may conclude prior to the completion of the slant test well. Nevertheless, the data obtained from the slant test well could still be used to validate the findings contained in the report ultimately prepared by Commission staff. See also A.12-04-019, at 15 (wherein Cal-Am explains that "[d]ata from [the slant test well] will assist with the design of the [MPWSP], will [be used to] assess the individual well capacities to determine the final number of intake wells needed, (continued on next page)

3. Prospects for Settlement

Although at this early stage of the proceeding the prospects for settlement discussions with Cal-Am regarding the MPWSP are unknown, DRA is interested in participating in such discussions, with or without mediation, after it develops its testimony and has had an opportunity to review Cal-Am's rebuttal testimony. However, given the wide range of other parties' interests and positions regarding the MPWSP, DRA has substantial doubts that an all-party settlement agreement could be reached.

4. Schedule

As explained in its Protest, although DRA recognizes that the Commission must expeditiously process Cal-Am's Application, the aggressive schedule proposed by Cal-Am does not afford DRA sufficient time to fully evaluate the Application and submit its testimony by July 23, 2012. Thus, DRA has proposed extending the deadline for service of its testimony to September 21, 2012.

Significantly, the timeline for completing the environmental review of the MPWSP is currently unknown. It is DRA's understanding that Commission staff have not yet determined whether a supplemental or subsequent Environmental Impact Report ("EIR") will be required. The timeline for completing the EIR will impact the schedule for this proceeding. For example, DRA may need findings from the EIR in order to further develop or supplement its testimony. Thus, DRA recommends that in determining an appropriate schedule for this proceeding, the Commission factor in a realistic time frame for the completion

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and will help assess the levels of salinity.”).

Respectfully submitted

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