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06-04-12

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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of California-American)
Water Company (U210W) for Approval) Application 12-04-019
of the Monterey Peninsula Water Supply) (Filed April 23, 2012)
Project and Authorization to Recover)
All Present and Future Costs in Rates)
_____)

**PREHEARING CONFERENCE STATEMENT
OF THE CITY OF PACIFIC GROVE**

Thomas Frutchey
City Manager
City of Pacific Grove
300 Forest Avenue
Pacific Grove, CA 93950
Telephone: (831) 648-3181
Facsimile: (831) 657-9361
Email: tfrutchey@ci.pg.ca.us

CITY OF PACIFIC GROVE

June 4, 2012

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of California-American)	Application 12-04-019
Water Company (U210W) for Approval)	(Filed April 23, 2012)
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**PREHEARING CONFERENCE STATEMENT
OF THE CITY OF PACIFIC GROVE**

Introduction

The City of Pacific Grove (City) hereby submits its Prehearing Conference Statement for the scheduled June 6, 2012 Prehearing Conference in accord with Administrative Law Judge (ALJ) Weatherford’s Ruling of May 11, 2012, and Rule 7.2 of the Rules of Practice and Procedure (Rules) of the California Public Utilities Commission (Commission).

Issues to Define the Scope of the Hearing

The City believes there are a number of issues worthy of in-depth analysis. However, rather than repeat issues already identified by other interveners, including the Monterey Peninsula Regional Water Authority (MPRWA), of which the City is a member, the City identifies here only the following additional issues it requests be addressed in the hearing:

Development of a desalination project—as one major component of the Project—appears necessary. In order to best serve the ratepayers, and maximize the chances that the replacement water is available on time, the City believes that the principal competitive project proposals must

all be vetted using four main criteria: technical feasibility; on-time deliverability; cost to ratepayers; and governance.

Given the likely costs of the water generated by one or more of the three major components of the proposed project will represent a significant increase over current costs and require a significant increase in rates, small projects that were previously rejected should be re-examined, as they may now be cost-competitive. Examination of small projects should not provide a basis to delay approval or delivery of the proposed project, but may offer opportunities to reduce its scale or cost provided those alternates are achievable in a timely manner. The City is prepared to discuss one or more small project opportunities that appear promising.

The lack of any role for representatives of local ratepayers in governance is still a matter of concern. Such a role can be accomplished through either a public partner or through the ongoing decision-making structure. A public partner may insulate the risk of operational disruptions and public health impacts, may ensure the lowest cost financing and thereby minimize rate impacts, and may best address concerns over growth inducement. Involving the cities in ongoing Project decision-making ensures that the ratepayers' interests are represented, and such interests adequately balance the interests of investors. We believe that such public involvement in governance must include binding application as to the project's design, financing, construction, and operation.

The Project faces a number of actual and potential legal hurdles that create risk of litigation and delay. The Commission is uniquely able to design a review and approval process

that enables collaboration and compromise among the various parties to address outstanding issues, develop mutually acceptable solutions, and minimize litigation risk.

Workshop

In view of the complexities of the issues and need for timely resolution, the City supports holding a workshop, preferably in Monterey County, which will tend to increase participation of local interested parties and their acceptance of developed solutions.

Settlement

The City is willing to participate in settlement discussions, with or without mediation, and is committed to ensuring they are productive.

Schedule

The proposed schedule does not identify the timing of environmental review. A completed environmental review, including public comments and responses, is critical to formulation of mitigation and alternatives, which may constrain the selection and costs of the options available for evaluation in the formal proceedings. In order to ensure that environmental considerations are incorporated into the formal proceedings, a final environmental document should be published before testimony and evidentiary hearings.

Conclusion

The City looks forward to working with all interested parties to achieve the best and most timely solution for the Monterey Peninsula.

Dated: June 4, 2012

Respectfully submitted,

/s/Thomas Frutchey
Thomas Frutchey
City Manager
City of Pacific Grove
300 Forest Avenue
Pacific Grove, CA 93950