FILED
07/20/26
03:35 PM
A2507003

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

Application of California-American Water Company (U210W) for Authorization to Increase Its Revenues for Water Service by \$63,090,981 or 17.20% in the year 2027, by \$22,067,361or 5.13% in the year 2028, and by \$26,014,600 or 5.57% in the year 2029.	Application 25-07-003 (Filed July 1, 2025)

REPLY BRIEF OF
MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

David C. Laredo, CSBN 66532
Frances M. Farina CSBN 185035
De LAY & LAREDO
606 Forest Avenue
Pacific Grove, CA 93950-4221
Telephone: (831) 646-1502
Facsimile: (831) 646-0377
Email: dave@laredolaw.net
fran@laredolaw.net

July 20, 2026

Attorneys for **MONTEREY PENINSULA WATER MANAGEMENT DISTRICT**

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of California-American Water Company (U210W) for Authorization to Increase Its Revenues for Water Service by $63,090,981 or 17.20% in the year 2027, by $22,067,361or 5.13% in the year 2028, and by $26,014,600 or 5.75% in the year 2029.	Application 25-07-003 (Filed July 1, 2025)

REPLY BRIEF OF
MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

I. INTRODUCTION

Pursuant to Rule 13.12 of the California Public Utilities Commission ("Commission") Rules of Practice and Procedure ("Rules"), the Monterey Peninsula Water Management District ("MPWMD") submits this Reply Brief in California-American Water Company's ("Cal-Am") 2025 General Rate Case ("GRC"). This filing is made pursuant to Administrative Law Judge Lirag's May 13, 2026, *Email Ruling Revising the Proceeding Schedule*.

MPWMD replies to Opening Briefs filed by Cal-Am and the Public Advocates Office ("Cal Advocates") on the disputed Construction Work in Progress ("CWIP") issue and to certain issues[1] in dispute between Cal-Am and MPWMD.

MPWMD uses the Common Briefing Outline ("CBO") identifications for ease of comparison.

[1] MPWMD does not include all issues disputed with Cal-Am which should not be considered as acceptance of Cal-Am's position; rather, it is to conserve resources and focus on the seminal areas of dispute.

II. DISCUSSION

A. **Customer Assistance Program** (CBO Section V.A.)

Cal-Am asserts that "MPWMD's testimony misses the point of the CAP…."[2] Rather, it is Cal-Am that misses the point by assuming that spreading costs for various programs affects all customers equally because it does not.

Cal-Am's expert witness, David Mitchell, testifies generally on water service "affordability metrics"[3] but MPWMD's General Manager, David J. Stoldt, shows the actual water cost impacts for essential use throughout Cal-Am service areas with 3,000 or more connections.[4] The affordability argument by Cal-Am's witness Patrick Pilz further errs by assuming essential usage is 44.9 CGL[5] per month when Monterey's average usage is less than 34.1 CGL.[6]

Cal-Am's only modification proposed for the CAP program is to "increase Monterey's CAP discount for potable water customers from the current 35% discount to a 50% discount while limiting the discount to only Tier 1 and to the service charge…[t]o further align affordability ratios of the Monterey service areas to its non-Monterey service areas."[7]

Cal-Am's President, Kevin Tilden, testified that, "The key objectives of this GRC application support efforts to improve water efficiency, enhance reliability and resiliency, and

---

[2] Opening Brief of California-American Water Company, dated June 29, 2026 ("Cal-Am OB"), p. 5.
[3] Exhibit ("Exh.") CALAM-21, Direct Testimony of David Mitchell, dated July 1, 2025 ("Mitchell Direct"), Attachment 3, p. 2. The affordability metrics were defined in Decision ("D.") 20-07-032.
[4] Exh. MPWMD-03, Direct Testimony of David J. Stoldt, dated February 6, 2026 ("Stoldt Direct"), pp. 16 – 18. Cal-Am's witness Patrick Pilz shows slightly different figures but reaches the same conclusion that a "Monterey CAP customer would still have to work almost twice as long compared to the customer in Sacramento…."
[5] Exh. CALAM-09, Direct Testimony of Patrick Pilz, dated July 1, 2025 ("Pilz Direct"), pp. 14-15.
[6] Exh. MPWMD-01, Direct Testimony of Stephanie Locke, dated February 6, 2026 ("Locke Direct"), p. 8.
[7] Exh. CALAM-09, Pilz Direct, p. 14.

address affordability." [Emphasis added][8] But California Water Code §106.3 does not distinguish who is able to receive affordable water. In fact, the code specifically states,

"It is hereby declared to be the established policy of the state that every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes."[9] So, the human right to water extends to all Californians, including low-income customers. Cal-Am has the capacity to address affordability for all Monterey customers.

As we learned from the 2022 GRC, once Cal-Am's Results of Operation ("RO") model determines how much revenue is required, it calculates rates for each service area by running different outputs using more than one million formulas to satisfy specific goals. One goal is affordability.[10] Thus, Cal-Am has the capacity to make the adjustment MPWMD requests.

Clearly, Cal-Am has the ability to address affordability for all Monterey customers and reduce the impact of CAP fees on Monterey's non-CAP customers but chooses not to. Until that policy is changed, MPWMD continues its opposition to the CAP costs.

B. Purchased Water and Purchased Power (CBO Section VI.A)

The Amended and Restated Water Purchase Agreement dated March 31, 2023, between MPWMD, Monterey One Water and Cal-Am provides, "All costs that the Company pays to the District pursuant to this Agreement shall be considered purchased water costs that are a pass-through to customers to be recovered via the Modified Cost Balancing Account ("MCBA") mechanism."[11] Cal-Am argues that any change from this approach would risk the company harm

---

[8] Exh. CALAM-25, Direct Testimony of Kevin Tilden, dated July 1, 2025 ("Tilden Direct"), p. 3.
[9] Cal. Wat Code §106.3(a).
[10] A.22-07-001Reporters' Transcript ("RT"), Volume 6, dated October 6 2023: 463:1 – 466:16 (CALAM/Pourtaherian).
[11] D.22-12-001, Appendix A, Amended and Restated Water Purchase Agreement, Section 18.

and prevent it from recovering costs imposed by other parties."[12] The argument is specious and speculative. Cal-Am "generally forecasts purchased water expense by applying current authorized purchased water unit costs to forecasted demand and production, including a breakdown in source of supply between groundwater and purchased water."[13] In addition, if these costs increase over time, Cal-Am files expense offset Advice Letters to adjust rates, which provides "accurate expense collection from customers."[14] Under the current rate design, metered customers pay uniform volumetric offset rates to cover the costs of purchased water and power and a flat monthly fee scaled by meter size.[15]

Cal-Am objects to Pure Water Monterey ("PWM") purchased water inclusion in base rates as harmful to Cal-Am customers because "customers would pay an additional $1.25 million" since MPWMD's User Fee is calculated on base rates.[16] This didn't seem to be an issue when the Sand City desalination expenses were placed into base rates. That facility provides purchased water to all Cal-Am Monterey District customers. Cal-Am justified modifying the Commission-approved recovery process because it was "overly complex" and "difficult to administer."[17]

Purchased water is a production expense. PWM is purchased water for the Monterey District. The PWM cost should be recovered in base rates and billed uniformly on all units of water billed to customers. Any cost changes from the forecasted or contractual agreement cost are

---

[12] Cal-Am OB, p. 9.
[13] Exh. CALAM-02, Rebuttal Testimony of Lakhjit S. Thind, Public Version, Corrected, dated April 16, 2026 ("Thind Rebuttal"), p. 2.
[14] *Id.*
[15] Exh. CALAM-21, Mitchell Direct, Attachment 2, pp. 2-3.
[16] Cal-Am OB, p. 8 referencing CALAM-04, Rebuttal Testimony of Bahman Pourtaherian, dated Marh 26, 2026 ("Pourtaherian Rebuttal"), p.54.
[17] Exh. CALAM-02, Thind Rebuttal, Attachment 4, Direct Testimony of Jeffrey T. Linam, dated July 1, 2016, pp. 17-18. See also D.18-12-021, pp. 232-234.

tracked in a Balancing Account. Cal-Am's RO model is capable of making these requested modifications. The Commission has the authority to modify the current process and treat PWM purchased water the same as Sand City purchased water.

In the event the Commission prefers to maintain the current process, MPWMD requests that Cal-Am's bill text be modified to list "PWM Purchased Water" and not "MPWMD Purchased Water," and to strike any text referring to this purchased water as "imposed by MPWMD."

C. **Plant Issues** (CBO Section VIII)

1. Plant (CBO Section VIII.A.)

According to Cal-Am, the Settlement Agreement supports a 2026-2028 capital budget for the Central Division of $92,058,566 and allows Cal-Am to "manage the overall bottom-line capital improvement budget."[18] Unfortunately, monies spent for Ambler, Chualar, Toro, Ralph Lane, and Garrapata systems provide no benefit to the Monterey Service Area. Specific examples referenced by Cal-Am for well replacements include Garrapata 1 and 2, Chualar 3,[19] and well construction of Toro #5.[20] Other examples not included by Cal-Am but clearly identified in the Settlement Agreement - Summary SCEP Report for the Monterey County District list Ambler Water Treatment Solids Residual Handling, Ralph Lane Interconnect, and Toro New Well #4.[21] In

[18] Cal-Am OB, p. 10. For comparison, the Settlement Agreement in the 2022 GRC was $71,701,027 for Central Division years 2023-2025.
[19] *Id.,* p. 15.
[20] *Id.,* p. 16.
[21] Settlement Agreement between California-American Water Company and Public Advocates Office ("Settlement Agreement"), Attachment C-4, p. A74.

addition, Cal-Am's latest acquisition to the Central Division, West San Martin near Gilroy, is scheduled for over $4.4 million improvements.[22]

Part of the proposed increase is for the New BIRP Backwash Tank at $6,580,266 and acquisition of the new "Division Office" at Ryan Ranch with a cost of $8,906,183.[23] The BIRP expense was unexpected but required for health and safety reasons. The new Ryan Ranch office was not approved in any prior proceeding, nor was it an essential expense for the health and safety of Cal-Am ratepayers. What this capital expense will do is increase Cal-Am's rate base and provide the company with a substantial capital gain when it sells its existing Operations Yard parcels.

Cal-Am appears to argue that replacing "1% of its pipeline every year"[24] has no fiscal limitation since a "comparison to inflation is meaningless."[25] But Cal-Am ratepayers clearly disagree. The following statements made at the Sand City Public Participation Hearing on January 13, 2026 reflect this concern:

"The Monterey system has the worst affordability of any Cal-Am system, and we have the most expensive water in the nation. I purchased my home in Monterey 13 years ago, and since then my water bill has quadrupled with less water use."[26]

A third-generation Monterey Bay resident, Speaker Fletley, said, "For 20 years, I've heard the exact same thing: We don't have enough money. We need more money. We need to raise

[22] *Id.,* pp. A74-75.
[23] *Id.,* p. A74.
[24] Cal-Am OB, pp. 11-13.
[25] *Id.,* p. 12 citing to Exh. CALAM-13, Rebuttal Testimony of Lacy Carothers, dated March 24, 2026 ("Carothers Rebuttal"), p. 114.
[26] Reporters' Transcript ("RT"), Volume 2: 116:7-13 (Speaker Ferrara).

rates…My last water bill in my home – it's 600 square feet….Our actual water bill, just for the water charge, is $17.43. My total bill is 92.86."[27]

Speaker Tollner, a 40-plus year Monterey resident and businessperson, spoke about "Cal-Am as a private corporation has shown little concern for us, the consumer….They claim that the rate increase is to provide for customer service, but it's their bottom line. I mean, it really is."[28]

Speaker Haydu summed up what many others stated, "We all want to have reliable water, but the profit motive here cannot be ignored, and the fact that the public did vote for the buyout and now that part of the calculus needs to be looked at honestly so I'm asking you to do that and I'm asking you to hear the voice of the public."[29]

MPWMD's District Engineer, Maureen Hamilton, documented Cal-Am's Main Replacement Program (Project Code 400170) requests showing the 2027-2029 amount of $31,940,000, the 2024-2026 amount of $15,209,753, and the 2021-2023 amount of $9,000,000 resulting in the "cost proposed in this rate case is double the cost proposed in the prior rate case, and three times the cost of the rate case authorization before that."[30] The parties settled on $16,189,771[31] which is still considerably higher than the $9,043,256 authorized for 2024-2026, of which actual expenditures as of May 31, 2025 show $4,505,000.

Cal-Am misstates MPWMD's argument against continuing funding for the Energy Storage GRIP (Planned, Not Yet Adopted) with Project Code I15-400168.[32] Monterey County's Board of

---

[27] *Id.,* 114:5-15 (Speaker Fletley).
[28] *Id.,* 111:5-6 – 112:5-7 (Speaker Tollner).
[29] *Id.,* 91:12-17 (Speaker Haydu).
[30] Exh. MPWMD-04, Direct Testimony of Maureen Hamilton, Corrected Version, dated April 15, 2026 ("Hamilton Direct"), p. 4.
[31] Cal-Am OB, p. 13. See also Settlement Agreement, Attachment C-4, p. A75.
[32] Cal-Am OB, pp. 18-20.

Supervisors adopted an urgency ordinance in November 2025 "placing a moratorium on new Battery Energy Storage Systems (BESS) in the unincorporated areas of Monterey County while new policies and regulations for BESS are developed…."[33] Given the severity of the recent battery storage fire in Moss Landing, the mandatory evacuation of 1200 residents, and the ongoing hazardous material impacts to air, water, and soils, the ultimate solution will involve significant public participation and probable litigation, meaning the moratorium will remain in place for a significant period of time.

Cal-Am misleads the Commission when it argues the Laureles Grade Interconnect (Planned, But Not Yet Adopted) Project Code I15-400166 "is necessary to comply with the 2006 adjudication covering the Seaside Groundwater Basin."[34] Cal-Am has an ongoing project previously approved with Project Code I15-400097 which does just that. The Hidden Hills System with 457 active service connections can be and is being connected to the Monterey Main System "through two pump station upgrades and installing 1200 feet of new pipeline in Tierra Grande Road. It also requires installing 2800 feet of 8-inch pipeline through private property and an easement along the entire pipeline. Easement acquisition has been completed with the property owner, and the phase to construct the 2800 feet will be under construction in 2026."[35] According to the Settlement Agreement, a total cost of $4,171,545 will be spent through 2027.[36] Cal-Am has managed with one independent production well for years, yet it now wants two capital projects to service the same customers. The Settlement Agreement proposes Project Code I15-400166 at

[33]Exh. MPWMD-04, Hamilton Direct, pp. 24-26 and Attachment B.
[34] Cal-Am OB, p. 20.
[35] Exh. CALAM-11, Direct Testimony of Lacy Carothers, dated July 1, 2025 ("Carothers Direct"), p. 82.
[36] Settlement Agreement, Attachment C-4, p. A74.

$4,561,886 through 2028.[37] Project Code I15400166 for the Laureles Grade Interconnect is not necessary at this time, and additional cost recovery should be denied.

What the Hidden Hill System needs is better leak control. The record shows that Cal-Am's Hidden Hills Unit produced a total of 119.88 acre-feet in Water Year 2025 ending September 30, 2025, and delivered to customers only 86.28 acre-feet. That reflects a system loss of 28%.[38] While the loss rate shows a decline from a recent high of 39%, this leak rate is still unacceptable.

2. Construction Work in Progress (CBO Section VIII.B)

Construction Work in Progress ("CWIP") is the sole disputed issue between Cal-Am and Cal Advocates. Cal-Am argues the current policy has been in place for forty or more years and allows "recovery of carrying costs associated with capital prudently committed to construction."[39] Cal Advocates' position is to disallow CWIP balances from rate base until projects are completed and provide ratepayer benefits.[40]

The Commission defines "CWIP" as a bookkeeping account that accumulates all costs in building new plant facilities until they begin to serve the public, at which time they are transferred to the appropriate plant accounts and included in rate base. That is not Cal-Am's explanation. "Under CWIP treatment, recovery of carrying costs occurs during the construction period as capital is deployed."[41] "CWIP applies the Commission-authorized cost of capital to construction balances…."[42]

---

[37] *Id.*
[38] Exh. MPWMD-01, Locke Direct, pp. 9-10, Attachment A.
[39] Cal-Am OB, p. 24.
[40] Opening Brief of the Public Advocates Office, dated June 29, 2026 ("Cal Advocates OB"), p. 2.
[41] Exh. CALAM-15, Rebuttal Testimony of Jonathan Morse, dated March 24, 2026 ("Morse Rebuttal"), p. 27.
[42] *Id.,* p. 28.

MPWMD offers no opinion on the issue other than the definition appears to have changed, and there may no longer be a distinction for "short-term" versus "long-term" projects. MPWMD does note that in two separate Cal-Am GRCs, CWIP was denied for the Coastal Water Project (D.03-09-022) and the San Clemente Dam Project (D.06-11-050), both projects for the Monterey Service Area.

D. **Memorandum and Balancing Accounts** (CBO Section XI)

MPWMD objects to continuation of the Emergency Rationing Costs Memorandum Account as duplicative and unnecessary.

Pursuant to MPWMD's 2016 Monterey Peninsula Water Conservation and Rationing Plan, Cal-Am updated Monterey District Rule 14.1 and 14.1.1. Cal-Am appears to have a Conservation/Rationing Memorandum Account ("CRMA") that it refers to as "AY All District Conservation Rationing Memorandum Account."[43] This account tracks direct costs of public outreach campaigns, printing rationing notices, processing customer variance requests, and hiring extra enforcement personnel. These costs are recoverable via Advice Letter filing.

Cal-Am's Emergency Rationing Costs Memorandum Account is a vestige of an earlier era which is no longer needed. Cal-Am's request to continue this account should be denied.

E. **Other Issues** (CBO Section XIII)

1. Safety & Water Quality (CBO Section XIII.A.)

---

[43] Cal-Am Preliminary Statement Summary Table from Advice Letter 1343 and American Water website.

MPWMD reviewed the Sanitary Surveys for the period July 2021 – April 2022 with results provided to Cal-Am in July 2024. These were the most current documents available on which to comment. While Cal-Am focuses on water quality performance, MPWMD was concerned with the overall basic operational and reporting requirements and compliance with maintaining proper waterworks practices.[44] MPWMD reviewed the Sanitary Survey from the previous GRC with similar deficiencies. The majority of deficiencies were for system or operational defects resulting in poor waterworks practices.[45] Cal-Am prides itself in providing safe, reliable, high-quality service. The statistics tell a different story.

2. Customer Service (CBO Section XIII.B)

MPWMD addresses the Hardship Benefit Program as it provides a form of customer assistance that is not a mandatory regulatory obligation. It began in Monterey with no cost to customers; it is now a statewide requirement for all Cal-Am non-CAP customers to carry 70% of the program cost.

Assuming the Hardship Benefit Program is adopted, MPWMD requests that text be added to acknowledge, "If any settlement funds are available from the Monterey Superior Court Case No. 24CV002642, *Monterey Peninsula Taxpayers Association v. MPWMD,* with the United Way of Monterey County as the trustee to manage these funds, they shall be used to offset the Hardship Benefit Program."

---

[44] Exh. MPWMD-02, Direct Testimony of Michael D. McCullough, dated February 6, 2026 ("McCullough Direct"), p. 10.
[45] *Id.,* pp. 12-13.

III. CONCLUSION

MPWMD requests the Commission adopt MPWMD's recommendations to 1) incorporate affordability ratios for non-CAP customers in Monterey, 2) modify the current Purchased Water process to include these costs in base rates or modify the Cal-Am billing text, 3) reduce overall capital expenses where construction costs are unjustified, 4) deny funding for Project Code I15-400168, 5) deny funding for the Laureles Grade Interconnect at this time to focus on water loss reductions for the Hidden Hills System, 6) close Cal-Am's Emergency Rationing Costs Memorandum Account, and 7) incorporate text for the Hardship Benefit Program in Monterey to acknowledge potential settlement funds from a Monterey County court case to offset program costs.

Dated: July 20, 2026

Respectfully submitted,

/s/ Frances M. Farina

Frances M. Farina
De LAY & LAREDO
606 Forest Avenue
Pacific Grove, CA 93950
(831) 646-1502
fran@laredolaw.net
Attorneys for Monterey Peninsula
Water Management District