

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



FILED

09-07-11
04:59 PM

In the Matter of the Application of
California American Water Company
(U 210 W) for an Order Authorizing
Recovery of Costs for the Lease of the
Sand City Desalination Facility and
Associated Operating and
Maintenance Costs.

Application 10-04-019
(Filed April 12, 2010)

**COMMENTS
OF THE DIVISION OF RATEPAYER ADVOCATES
ON THE PROPOSED DECISION IN A.10-04-019**

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September 7, 2011

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I. INTRODUCTION

Pursuant to Rules 14.3(b) of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure ("Rules"), the Division of Ratepayer Advocates ("DRA") hereby files comments on Administrative Law Judge ("ALJ") Bushey's Proposed Decision ("PD") in Application 10-04-019, California American Water Company's ("Cal Am") application for an order authorizing recovery of costs for the lease of the Sand City Desalination Facility and associated operating and maintenance costs.

In Decision 09-07-021, the Commission found that Cal Am had not satisfied its burden of proving that the original Sand City lease was reasonable and prudent. The Commission allowed Cal Am to file another application to justify including the Sand City desalination plant in the revenue requirement. (PD, p. 2). Cal Am filed Application 10-04-019, with an amended lease, on April 12, 2010.

II. THE PD CORRECTLY FINDS THAT CAL AM FAILED TO MEET ITS BURDEN OF PROVING THAT THE TERMS OF THE AMENDED LEASE WERE REASONABLE AND PRUDENT, PURSUANT TO D.09-07-021

DRA appreciates Commissioner Florio and ALJ Bushey's thoughtful and comprehensive review of the Sand City desalination plant amended lease and the risk that the lease places on ratepayers.

The PD accurately states that the amended lease is not cost effective. While the amended lease requires Cal Am to produce 300 acre-feet/year regardless of cost, Cal Am has the authority to redirect 206 acre-feet/year to new and expanded use customers. Despite this fact, in the application, Cal Am seeks to pass 100% of the costs on to current ratepayers, who are only guaranteed 31.3% of the benefit. Additionally, under the amended lease, Cal Am is solely responsible for all operating, maintenance, and capital replacement costs. (PD, Finding of Fact 2, 4 & 6.)

The PD correctly finds that "the Sand City Desalination Plant is not a reasonable and prudent way to address the water supply needs of the Monterey District, including the reduction of withdrawals from the Carmel River". (PD, p. 21) As discussed above, the PD correctly finds that only 31.3% of the supply from the Sand City desalination plant is dedicated to current customers, therefore only 31.3% of that supply produced at Sand City will reduce the current draw on the Carmel River.

The PD appropriately states that Cal Am should employ all available means to decrease the use of potable water for landscape irrigation. As such, DRA supports the PD's requirement that Cal Am must file an application addressing unreasonable use of potable water within 90 days.

III. CONCLUSION

For all of the above stated reasons, the Commission should adopt the PD in its entirety.

Respectfully submitted,

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