

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION  
Small Water Branch

RESOLUTION W-4002\*  
September 4, 1996

R E S O L U T I O N

(RES. W-4002), CALIFORNIA AMERICAN WATER COMPANY, (CAL-AM) MONTEREY DISTRICT, ORDER AUTHORIZING THE ESTABLISHMENT OF A MEMORANDUM ACCOUNT FOR TRACKING COSTS RELATED TO THE STATE WATER RESOURCES CONTROL BOARD ORDER NO. 95-10 ON THE CARMEL RIVER WATER RIGHTS FOR UP TO \$500,000.

BY LETTER, FILED JUNE 27, 1996.

SUMMARY

Cal-Am requests authority to establish a memorandum account for tracking costs related to State Water Resources Control Board ("SWRCB") Order No. 95-10 on Carmel River Water Rights.

Cal-Am is requesting that the Commission approve recording into the memorandum account Cal-Am's expense requirement associated with the specific tasks required by the SWRCB for compliance with Order WR 95-10. Some tasks have already been fully or partially completed and/or may not be necessary. Costs expended to date will not be part of this Memorandum Account. In addition Cal-Am will accrue interest as authorized by Decision 94-06-033 on the expended funds based on the average monthly balance. No other interest expense will be included in this memorandum account.

The estimated costs to be accumulated in this memorandum account due to SWRCB Order WR95-10 are for: Reconnaissance level study, \$100,000; Feasibility study for bypassing early storm run-off, \$75,000; Study for the feasibility, benefits, and costs of modifying critical storm reaches to facilitate the passage of fish, \$75,000; Legal fees to defend current lawsuits related to 1) the Carmel River ecosystem, 2) SWRCB Order WR 95-10, 3) water withdrawal from the Seaside Basin, and 4) other items associated with WR 95-10, for \$175,000; and costs associated with educating the public on the validity and necessity of the New Los Padres Dam, \$75,000. The total estimated costs associated with mitigation is \$500,000.

This resolution would authorize Cal-Am to record those expenses that occur after its effective date. To allow Cal-Am to collect expenses that it incurred from the time of procuring rights for surface water until the effective date of this resolution would constitute retroactive ratemaking.

The recording of these expenses into the memorandum account does not constitute a prejudgment of the appropriateness of recovery of any expense included in the memorandum account. The purpose of authorizing this memorandum account is to insure that the affected utilities is not precluded from recovering these extraordinary expenses incurred as a result of the surface water procurement.

In a future proceeding or general rate case, the Commission will reach a decision regarding the utility's recovery in rates of the memorandum account balance. In that proceeding, the staff will review the expenses and balance in the account and make a recommendation to the Commission about the amount to be included in rates.

Because rates are not affected by the creation of a memorandum account and parties will have an opportunity to review these costs in the future, no formal notice is required.

FINDINGS

1. Cal-Am is required to comply with the SWRCB Order 95-10.
2. Cal-Am has partially completed some of the tasks and is seeking only to track costs related to mitigation measures as required by the Order 95-10.
3. The amounts shown are caps for the items listed, and if Cal-Am incurs additional legal or water supply issues expenses, the Company will file an additional memorandum account request.
4. Cal-Am has requested the establishment of a memorandum account to record expenses associated with the costs related to SWRCB Order 95-10.

IT IS ORDERED that:

1. Cal-Am is authorized to establish a memorandum account to record up to \$500,000 in expenses associated with the costs related to State Water Resources Control Board Order WR 95-10 on the Camel River Water Rights. The expenses to be included in this account are only those that occur after the effective date of the resolution. Cal-Am shall send a letter notifying the Water Utilities Branch if they establish a memorandum account. The expenses shall be reviewed by the staff in a future rate proceeding, and if found reasonable by the Commission will be allowed to be recovered in rates.
2. No expense incurred prior to the effective date of this resolution shall be recorded in the memorandum account.

September 4, 1996

3. This resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on September 4, 1996. The following Commissioners approved it:

*Wesley Franklin*

WESLEY M. FRANKLIN  
Executive Director

DANIEL Wm. FESSLER  
JESSIE J. KNIGHT, Jr.  
HENRY M. DUQUE  
JOSIAH L. NEPPER  
Commissioners

President P. Gregory Conlon,  
being necessarily absent, did  
not participate.