

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION
Large Water Branch

RESOLUTION W-4036
April 9, 1997

R E S O L U T I O N

(RES. W-4036), 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. WR95-10 ON THE CARMEL RIVER WATER RIGHTS AND
FORMULATION OF SOLUTIONS TO LONG TERM WATER SUPPLY ISSUES
FOR UP TO \$734,000.

BY ADVICE LETTER NO. 505, DATED DECEMBER 16, 1996
AND SUPPLEMENT ADVICE LETTER NO. 505-A, DATED
FEBRUARY 26, 1997.

SUMMARY

Cal-Am requests authority to establish a memorandum account for tracking costs related to State Water Resources Control Board ("SWRCB") Order No. WR95-10 on Carmel River Water Rights and for the formulation of solutions to long-term water supply issues pursuant to the Motion for Adoption of Settlement in Decision No. 96-12-005 as a component of Appendix B.

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 No. WR95-10 to allow completion of the required water supply project(s) to replace 10,730 acre-feet of water a year that is being taken from the Carmel River without benefit of permit. 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 96-12-005 on the expended funds based on the average monthly balance at the standard 90-day commercial rate. No other interest expense will be included in this memorandum account.

The estimated costs to be accumulated in this memorandum account are for: Retrofit program to reduce production from the Carmel River, \$164,000; Construction of the Carmel River Dam (Environmental Impact Review), \$75,000; Project Coordination and Engineering Services, \$75,000; Legal Fees in connection with the Carmel River Dam Project, \$280,000; and Public Relations associated with Carmel River Dam, \$140,000. The total estimated costs associated with mitigation is \$740,000 for expenditures to be incurred in 1997. Cal-Am was authorized by Resolution W-4002, dated September 4, 1996 to accumulate similar estimated costs of \$500,000 in a memorandum account.

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.

April 9, 1997

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 utility 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 reasonableness of the utility's recovering in rates the balances in this memorandum account. 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 No. WR95-10.
2. Cal-Am has requested the establishment of a memorandum account to record expenses associated with the costs related to SWRCB Order No. WR95-10 and for the formulation of solutions to long term water supply issues.
3. Cal-Am has partially completed some of the tasks and is seeking only to track subsequent costs related to mitigation measures as required by the Order 95-10 and for the formulation of solutions to long term water supply issues.
4. 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.

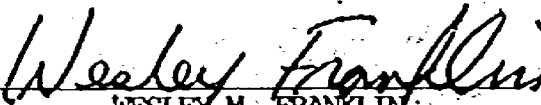
IT IS ORDERED that:

1. Cal-Am is authorized to establish a memorandum account to record up to \$740,000 in expenses associated with the costs related to State Water Resources Control Board Order No. WR95-10 on the Carmel River Water Rights and for the formulation of solutions to long term water supply issues. 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 Division if they establish this 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.

April 9, 1997

3. This resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on April 9, 1997. The following Commissioners approved it:


WESLEY M. FRANKLIN
Executive Director

P. GREGORY CONLON
President

JESSIE J. KNIGHT, Jr.

HENRY M. DUQUE

JOSIAH L. NEEPER

RICHARD A. BILAS

Commissioners