

DRA

*Division of Ratepayer Advocates
California Public Utilities Commission*

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October 4, 2010

Rami Kahlon
Director, Division of Water and Audits
505 Van Ness Avenue, 3rd Floor
San Francisco, CA 94102

Dear Mr. Kahlon:

The Division of Ratepayer Advocates (DRA) files this protest to the Advice Letter (AL) 860 filed by California American Water Company (Cal Am) on September 14, 2010.

In the AL, Cal Am requests ¹:

- “(1) To expand the scope of the Segunda Booster station project budget identified in D.10-04-030 to include the remaining two pumps. The incremental Phase 1A costs are expected to be \$387,000 of which up to \$200,000 may be reimbursed by PG&E [Pacific Gas and Electric Company] for D.10-04-030 identified utility costs. Incremental Phase 1B costs are expected to be \$304,000.
- (2) Expedited Commission approval such that the RD&D [research, development and demonstration] kW demand reduction projects can be commenced in 2010 to take advantage of any available federal tax credits. Furthermore, expedited treatment is needed so that California American Water can proceed with the additional installations and begin recording performance information as soon as possible. These results will be used in an Evaluation, Measurement and Verification report required in D.10-04-030, which is due September 1, 2011.
- (3) To track all reasonable construction and associated costs (the return of and return on such assets) to the Operational Energy Efficiency Memorandum Account previously authorized by the Commission in D.10-04-030 and in Advice Letter 837.”

DRA recommends that the Commission reject Cal Am’s Advice Letter 860 and the associated funding increase to Cal Am’s Segunda Booster Station Project Budget, as this is an attempt by Cal Am to unnecessarily triple the scope of the Segunda Booster station project. Cal Am’s proposals are not authorized by D.10-04-030, and are more appropriately handled either in a general rate case or by separate application.

¹ p.1-2 of Cal Am Advice Letter 860.

Background

In D.10-04-030, the Commission authorized the regulated water utilities (water IOUs) including Cal Am to establish memorandum accounts for Operational Energy Efficiency Program (OEEP) costs, and adopted an OEEP budget for Cal Am's Segunda Tank Project of \$263,000,² of which \$123,000 was budgeted as Cal Am costs and \$140,000 were budgeted as PG&E costs.³

Cal Am is now requesting an additional \$691,000 for the additional two pumps,⁴ of which \$200,000 will be shifted from PG&E's OEEP project with SJWC to PG&E's OEEP project with Cal Am. This amounts to an increase of 162%,⁵ almost tripling the OEEP pilot costs initially budgeted by Cal Am.

In D.10-04-030, the Commission granted the Division of Water and Audits (DWA) limited authority to adjust the utilities' OEEP budgets:⁶

“We limit DWA's authority to adjust budgets of individual pilot programs to 15 percent above or below the estimates in the Joint Petition, consistent with fund-shifting authority for most energy efficiency programs approved in D.09-09-047.”

Ordering Paragraph 1 of D.10-04-030 specifically states:⁷

“The Commission's Division of Water and Audits is authorized to approve Operational Energy Efficiency Programs pilot budget changes up to 15 percent above or below levels requested by each water utility in the Petition of the California Water Association, Pacific Gas and Electric Company, and Southern California Edison Company for Modification of Decision 08-11-057.” (Emphasis added).

While the Commission in D.10-04-030 authorized adjustments of up to 15% of the utilities' estimated budgets, and granted DWA the authority to make such adjustments, a 162% increase was clearly not authorized by D.10-04-030. Notably, the Commission did not grant DWA the authority to either a) change the scope of the OEEP projects as Cal Am is proposing, or b) to adjust the Water IOUs OEEP budget by more than 15%.

As justification for this large 162% increase and change in scope, Cal Am states merely:

“After further examination and technical review of the original project scope and based on consultation with California American Water technical staff, California American Water contractors and evaluation by the CPUC staff, California American Water has concluded that the

² p. 4 of Cal Am AL 860.

³ Id.

⁴ p.1 of Cal Am AL 860 shows an increase of \$387,000 in Phase 1A and \$304,000 in Phase 1B costs i.e. a total of \$691,000.

⁵ \$691,000/263,000=262%, i.e. a 162% increase.

⁶ D.10-04-030 at p. 17.

⁷ Id. at p. 23.

data provided from the single installation as originally proposed will not provide sufficient technical knowledge to optimize the efficiency of a multiple pump station.”

Nowhere in Cal Am’s Advice Letter filing or supporting documentation is there any record provided of review and evaluation by anyone, or the results of such a review. Cal Am does not present or even state what additional data it would collect from installations on three pumps that it could not obtain or extrapolate from the currently authorized installation on one pump.

Furthermore, such a large change in scope and budget of the OEEP project proposal would be more appropriately handled in a general rate case, or separate application, or petition to modify D.10-04-030, rather than through the advice letter process. Any of these mechanisms would allow for more thorough consideration of the issues related to the proposed expansion of the Segunda Booster station project budget, including the development of an evidentiary record to support the need for the proposed expansion.

Moreover, granting the relief requested in the AL would likely be infeasible with the schedule adopted in D.10-04-030. In Ordering Paragraphs 2 and 3, the Commission stated:⁸

2. All Operational Energy Efficiency Programs authorized in Decision 08-11-057 or in this Decision (except for the cancelled Del Oro Water Company project authorized in Decision 08-11-057) shall be implemented by May 1, 2010 and shall be completed by June 1, 2011.

3. Evaluation, Measurement and Verification of the Operational Energy Efficiency Programs shall be managed by the Commission’s Division of Water and Audits and completed by September 1, 2011.

In direct contravention of the schedule established by D.10-04-030, the proposed project will not be implemented by May 1, 2010. The proposed project would likely miss other deadlines as well, given the inadequate timeframe to complete the one year pilot program and Evaluation, Measurement and Verification (EM&V) of its results, since construction could start no earlier than October 2010 and implementation would only begin once construction was complete. It appears infeasible for Cal Am to finish all implementation, year-long pilot program testing, and EM&V phases required by the Commission by September 1, 2011 for these additional projects.

Recommendation

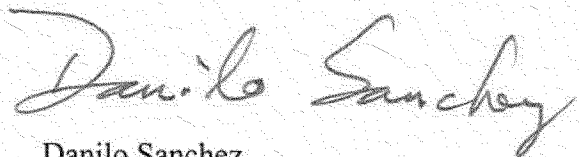
The Commission should adhere to the scope and budget authorized for OEEP projects in decision D.10-04-030. The significant changes to the scope and budget authorized in D.10-04-030 that Cal Am requests through its AL would be more appropriately considered in a general rate case or separate application. DRA therefore recommends that the Commission reject this AL and direct Cal Am to file a separate application that includes details of any reviews and evaluations conducted by Cal Am or by CPUC staff as mentioned by Cal Am in its AL 860 filing, and that

⁸ D.10-04-030 at p.23.

explains in detail the incremental data that would be collected by expanding the scope of the current OEEP pilot program.

Should you have any questions regarding this, please contact Nihar Shah at (415) 703 5251 or nks@cpuc.ca.gov.

Sincerely,

 by TTY

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Service List for D.10-04-030