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To: Hall, Thomas A. (thomas.hall@cpuc.ca.gov)
Cc:
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Subject: DRA Release: DRA Predicts Rate Shock for Monterey Desalination Customers Due to Lack of CPUC Protection

FOR IMMEDIATE RELEASE

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DRA Predicts Rate Shock for Monterey Desalination Customers Due to Lack of CPUC Protection

SAN FRANCISCO, December 2, 2010 – The California Division of Ratepayer Advocates (DRA), an independent consumer advocacy office housed within the California Public Utilities Commission (CPUC), today said it is disappointed and concerned about the CPUC’s decision to approve a desalination project on the Monterey Peninsula without adequately protecting ratepayers in the future.

DRA has long supported a sensible desalination project for Monterey customers of the California American Water Company (Cal-Am), but finds that the project plan adopted by the CPUC today does not meet basic requirements for ratepayer protection, and puts residents at real risk of incredibly higher water bills.

“Ratepayers depend on the CPUC to hold utilities accountable to control costs,” said DRA acting director Joe Como. “The CPUC has essentially approved a project that preemptively forfeits the CPUC’s oversight responsibility to protect the ratepayers that it represents.”

DRA's analysis finds that the CPUC's decision could put Monterey residents on the hook to pay up to \$500 million in infrastructure, maintenance, and operation costs, and could result in water that costs up to \$11,000 an acre-foot. Currently, the most expensive desalinated water in the world costs around \$3,000 an acre-foot. The CPUC rejected DRA's recommendation to cap project costs at a reasonable \$2,200 an acre-foot -- a cost which is in line with the California Department of Water Resources range of costs for seawater desalination in California of \$1,000 to \$2,500 an acre foot.

In a best-case scenario going forward, DRA's analysis suggests water bills would double for Cal-Am's Monterey customers. But if costs come in higher than expected and Cal-Am fails to acquire grant money for the project, customer bills could quadruple.

"The CPUC had other more cost-effective options it could have considered for desalination for the water-constrained peninsula, including a Cal-Am owned facility that had already been well-vetted by the CPUC," said DRA acting director Como.

For more information on DRA, please visit www.dra.ca.gov.

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