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December 23, 2022

ADVICE LETTER NO. 1401

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

California-American Water Company (U210W) (California American Water) submits this advice letter applicable to its Monterey Main service area customers.

Purpose:

By this advice letter, California American Water complies with Ordering Paragraphs 8 and 9 of Decision (“D.”) 22-12-001 to request a subaccount within its existing Monterey Peninsula Water Supply Project (“MPWSP”) Phase 1 Memorandum Account for the purposes of tracking costs related to the Pure Water Monterey (“PWM”) Expansion Project.

Background:

On December 5, 2022, the Public Utilities Commission issued D.22-12-001. D.22-12-001 authorized, among other items, the construction of four Company-related facilities under cost caps for certain facilities necessary for the PWM Expansion Project. The facilities included (1) extraction wells EW-1 and EW-2, and the chemical treatment facility; (2) extraction wells EW-3 and EW-4, and the associated piping; (3) the Carmel Valley Pump Station; and (4) the General Jim Moor Parallel Pipeline.

Based on its findings, the Commission ordered California American Water to file this Tier 1 advice letter as follows:

8. California-American Water Company is authorized to track direct costs for the four Company-related facilities, including the allowance for funds used during construction, in a subaccount of the Monterey Peninsula Water Supply Project Phase 1 Costs Memorandum Account called the “PWM Expansion Project Costs Memorandum Account.”
9. California-American Water Company shall submit a Tier 1 Advice Letter to the Commission’s Water Division within 30

days of the date of issuance of this decision requesting to establish the PWM Expansion Project Costs Memorandum Account for the purpose of tracking PWM Expansion Project costs.

Request:

To establish a subaccount to track PWM Expansion Project costs within California American Water's existing MPWSP Phase 1 Project Cost Memorandum Account.

Tier Designation:

This advice letter is submitted pursuant to General Order No. 96-B and D.22-12-001 and is designated as a Tier 1 filing.

Effective Date:

California American Water requests the advice letter be made effective following a resolution from the CPUC.

Notice:

Pursuant to Section 4.3 of General Order No. 96-B, a copy of this advice letter is being provided to those entities listed in the attached "SERVICE LIST PURSUANT TO SECTION 4.3 OF G.O. NO. 96-B." Per guidance from the California Public Utilities Commission's Water Division, during the COVID-19 pandemic, advice letters will only be delivered electronically to the service list.

RESPONSE OR PROTEST¹

Anyone may submit a response or protest for this AL. When submitting a response or protest, **please include the utility name and advice letter number in the subject line.**

A **response** supports the filing and may contain information that proves useful to the Commission in evaluating the AL. A **protest** objects to the AL in whole or in part and must set forth the specific grounds on which it is based. These grounds² are:

- (1) The utility did not properly serve or give notice of the AL;
- (2) The relief requested in the AL would violate statute or Commission order, or is not authorized by statute or Commission order on which the utility relies;
- (3) The analysis, calculations, or data in the AL contain material error or omissions;

¹ G.O. 96-B, General Rule 7.4.1

² G.O. 96-B, General Rule 7.4.2

- (4) The relief requested in the AL is pending before the Commission in a formal proceeding; or
- (5) The relief requested in the AL requires consideration in a formal hearing, or is otherwise inappropriate for the AL process; or
- (6) The relief requested in the AL is unjust, unreasonable, or discriminatory, provided that such a protest may not be made where it would require relitigating a prior order of the Commission.

A protest may not rely on policy objections to an AL where the relief requested in the AL follows rules or directions established by statute or Commission order applicable to the utility. A protest shall provide citations or proofs where available to allow staff to properly consider the protest.

DWA must receive a response or protest via email (or postal mail) within 20 days of the date the AL is filed. When submitting a response or protest, **please include the utility name and advice letter number in the subject line.**

The addresses for submitting a response or protest are:

Email Address: Water.Division@cpuc.ca.gov	Mailing Address: CA Public Utilities Commission Division of Water and Audits 505 Van Ness Avenue San Francisco, CA 94102
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On the same day the response or protest is submitted to DWA, the respondent or protestant shall send a copy of the protest to California American Water at:

Email Address: chase.grady@amwater.com	Mailing Address: 520 Capital Mall, Suite 630 Sacramento, CA 95814
sarah.leeper@amwater.com	555 Montgomery Street, Suite 816 San Francisco, CA 94111
jonathan.morse@amwater.com	520 Capital Mall, Suite 630 Sacramento, CA 95814

Cities and counties that need Board of Supervisors or Board of Commissioners approval to protest should inform DWA, within the 20 day protest period, so that a late filed protest can be entertained. The informing document should include an estimate of the date the proposed protest might be voted on.

Cal P.U.C. Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
XXXXX-W	PRELIMINARY STATEMENT Summary Table Sheet 2	10591-W
XXXXX-W	PRELIMINARY STATEMENT (Continued) Sheet 1	10215-W

PRELIMINARY STATEMENT
Summary Table

Sheet 2

Reference	Account	Tariff
AK	Special Facilities Fee Memorandum Account	10204-W, 10205-W
AN	Public Safety Power Shut-Off Memorandum Account (PSPSMA)	10208-W, 10209-W
AO	2019 General Rate Case Interim Rate True-up Memorandum Account	10210-W
AQ	Two-Way Tax Memorandum Account	10556-W
AR	Sustainable Groundwater Management Act Memorandum Account (SGMA)	10211-W
AS	Group Insurance Balancing Account (GIBA)	10212-W
AT	Rio Plaza Groundwater Management Memorandum Account	10213-W
AU	Rio Plaza Transaction Memorandum Account	10214-W
AV	MPSWP Phase 1 Project Cost Memorandum Account (PCMA)	XXXXXX-W
AW	MPSWP Operations and Maintenance Memorandum Account (MOMMA)	10216-W
AX	Meadowbrook CIAC Regulatory Asset	10217-W
AZ	Monterey Wastewater Purchased Power Balancing Account	10218-W
BD	Fruitridge Vista Transaction Memorandum Account (FVTMA)	10220-W
BF	Hillview Service Area Memorandum & Balancing Accounts	10222-W
BG	Hillview Memorandum Account for Deferred Income Taxes (HMADIT)	10223-W
BH	Central Basin Contamination Memorandum Account	10224-W
BI	Drought Memorandum Account (DRMA)	10225-W
BK	East Pasadena Transaction Memorandum Account (EPTMA)	10227-W
BL	East Pasadena Purchased Power Balancing Account (EPPPBA)	10228-W
BM	East Pasadena Purchased Water Balancing Account (EPPWBA)	10229-W
BN	East Pasadena Pumping Assessment Cost Balancing Account (EPPACBA)	10230-W
BO	Drinking Water Fees Memorandum Account	10231-W
BP	TCP Litigation Proceeds Memorandum Account	10232-W
BQ	Central Satellite Service Area - Cost Allocation Tariff	10233-W, 10234-W
BR	Central Division – Chualar System – Tariff Rate Design	10235-W
BS	Larkfield Consolidation Tariff	10236-W, 10237-W
BT	Annual Consumption Adjustment Mechanism	10238-W
BU	Warring Transaction Memorandum Account (WTMA)	10593-W

(C)

(Continued)

(TO BE INSERTED BY UTILITY)		ISSUED BY	(TO BE INSERTED BY C.P.U.C.)	
Advice	1401	J. T. LINAM	Date Filed	_____
Decision		DIRECTOR - Rates & Regulatory	Effective	_____
			Resolution	_____

PRELIMINARY STATEMENT
(Continued)

Sheet 1

AV. MPWSP Phase 1 Project Cost Memorandum Account

1. PURPOSE:

The purpose of the Project Cost Memorandum Account is to record and track the capital cost associated with the desalination plant and the Remaining California-American Water Only Facilities (Phase 1 project) as approved in D.18-09-017. The PCMA will track capital costs and the allocated portion of the Construction Funding Charge in separate subaccounts for the desalination plant and remaining California-American Water-Only facilities, in order to calculate the Allowance for Funds Used During Construction (AFUDC). AFUDC will be calculated monthly based on the capital costs net of the construction funding charge collections. The PCMA will also track and record the revenue requirement and related financing costs for any portion of Phase 1 Costs placed in service prior to the Commission approving the costs to be included in plant in service and recovered in base rates. Per D.22-12-001, the CPUC authorized establishment of a subaccount for the purposes of tracking Pure Water Monterey ("PWM") Expansion Project costs within this memorandum account.

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2. APPLICABILITY:

The Monterey Service Area, which includes Monterey Main, Hidden Hills, Bishop and Ryan Ranch.

3. ACCOUNTING PROCEDURE:

California-American Water Company shall maintain the PCMA by making entries at the end of each month as follows:

- a. A debit entry shall be made to the PCMA at the end of each month to record the incremental project/capital cost. Separate subaccounts will record costs for the desalination plant and remaining California-American Water-Only facilities.
- b. A credit entry shall be made to the PCMA at the end of each month to record collections of the Construction Funding Charge allocated by subaccount to the desalination plant and remaining California-American Water-Only facilities.
- c. A credit/debit entry shall be made to the PCMA for AFUDC based on the net balance.
- d. A debit entry shall be made to the PCMA at the end of each month to record any revenue requirement including financing costs that may occur in between the time the cost are placed In-Service and prior to the Commission approval of base rates.
- e. Interest shall accrue monthly to the PCMA on any recorded revenue requirement from item 3.d. above on a monthly basis by applying a rate equal to one-twelfth of the 3-month non-financial Commercial Paper Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

4. EFFECTIVE DATE:

The PCMA shall go into effect on December 31, 2018, per D.18-09-17.

5. RATEMAKING PROCEDURE:

In accordance with D.18-09-017 a tier 2 Advice Letter will be filed that will reflect Revenue Requirement to put into rates associated with the PCMA.

(Continued)

(TO BE INSERTED BY UTILITY)		ISSUED BY	(TO BE INSERTED BY C.P.U.C.)	
Advice	1401	J. T. LINAM	Date Filed	_____
Decision		DIRECTOR - Rates & Regulatory	Effective	_____
			Resolution	_____

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CALIFORNIA-AMERICAN WATER COMPANY
ADVICE LETTER 1401
SUPPORTING DOCUMENTATION FOR STAFF

Pure Water Monterey Expansion –
MPWSP Phase 1 Memo Account – Monterey Service Area
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ALJ/ZK1/sgu

Date of Issuance 12/5/2022

Decision 22-12-001 December 1, 2022

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of California-American Water Company (U210W) to Obtain Approval of the Amended and Restated Water Purchase Agreement for the Pure Water Monterey Groundwater Replenishment Project, Update Supply and Demand Estimates for the Monterey Peninsula Water Supply Project, and Cost Recovery.

Application 21-11-024

DECISION AUTHORIZING CALIFORNIA-AMERICAN WATER COMPANY TO ENTER INTO THE PURE WATER MONTEREY GROUNDWATER REPLENISHMENT EXPANSION PROJECT, AND AUTHORIZING THE CONSTRUCTION OF FOUR COMPANY-RELATED FACILITIES AND ASSOCIATED RATEMAKING TREATMENT

O R D E R**IT IS ORDERED** that:

1. California-American Water Company is authorized to enter into the Amended and Restated Water Purchase Agreement, attached to this decision as Appendix A.
2. California-American Water Company (Cal-Am) shall actively participate in each Monterey One Water (M1W) and Monterey Peninsula Water Management District (MPWMD), or their successor entities, rate proceedings involving the Amended and Restated Water Purchase Agreement (Amended WPA), attached to this decision as Appendix A. Cal-Am shall serve and file its written comments to the M1W or MPWMD proposal in the applicable rate proceeding(s). Cal-Am's written comments shall identify any and all concerns of Cal-Am with M1W's and MPWMD's proposals and provide alternative recommendations, if appropriate. If Cal-Am has no concerns, Cal-Am, in its written comments, shall state that it has no concerns. At the time Cal-Am serves and files its comments on the service list of the rate proceeding at issue, including M1W or MPWMD, Cal-Am shall simultaneously serve an electronic copy of the comments on the Commission's Director of Water Division and the service list of this proceeding.
3. California-American Water Company is authorized to construct and operate the following Company-related facilities: (1) extraction wells EW-1 and EW-2, and the chemical treatment facility; (2) extraction wells EW-3 and EW-4, and related piping; (3) the General Jim Moore Parallel Pipeline and the 1,100-foot section of the Transfer Pipeline; and (4) the Carmel Valley Pump Station.
4. California-American Water Company must file a "Response to Inquiry" within 30 days of the issuance date of this decision, providing additional

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information discussing the extent of mercury above maximum contamination levels in the vicinity of ASR-4, the potential for mercury to impact extracted water from the EW-1/EW-2 site, any proposal to treat the mercury, and the potential cost impacts from mercury treatment as a Tier 3 advice letter to the California Public Utilities Commission's Water Division within 30 days of the issuance date of this decision. Water Division is directed to increase the cost cap herein authorized for the EW-1/EW-2 facility, as reasonable, to address additional remediation measures.

5. The Mitigation Monitoring and Reporting Plan, attached to this decision as Appendix C, is adopted.

6. California-American Water Company (Cal-Am) shall carry out the following identified mitigation measures associated with the construction of Cal-Am's facilities which are detailed in the attached Appendix C: AE-2, AE-3, AE-4, AQ-1, BT-1a to BT-1d, BT-1f, BT-1h to BT-1k, BT-1m, BT-4, CR-2b, CR-2c, EN-1, NV-1a, NV-1c, NV-1e, NV-1f, NV-2, PS-3, TR-2, TR-3, and TR-4.

7. California-American Water Company (Cal-Am) is authorized to construct wells EW-3, EW-4, and the associated pipelines, on condition that Cal-Am complies with the following identified mitigation measures associated with the construction of Cal-Am's facilities which are detailed in the attached Appendix C: AE-2, AE-3, AE-4, AQ-1, BT-1a to BT-1d, BT-1f, BT-1h to BT-1k, BT-1m, BT-4, CR-2b, CR-2c, EN-1, NV-1a, NV-1c, NV-1e, NV-1f, NV-2, PS-3, TR-2, TR-3, and TR-4.

8. California-American Water Company is authorized to track direct costs for the four Company-related facilities, including the allowance for funds used during construction, in a subaccount of the Monterey Peninsula Water Supply

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Project Phase 1 Costs Memorandum Account called the “PWM Expansion Project Costs Memorandum Account.”

9. California-American Water Company shall submit a Tier 1 Advice Letter to the Commission’s Water Division within 30 days of the date of issuance of this decision requesting to establish the PWM Expansion Project Costs Memorandum Account for the purpose of tracking PWM Expansion Project costs.

10. Within 60 days after operation commences at any of the Company-related facilities approved in this decision, California-American Water Company shall notify the Director of the Commission’s Water Division by electronic letter indicating that the facility is completed and fully in service.

11. Within 60 days of notifying the Commission’s Water Division of facility operation, California-American Water Company (Cal-Am) shall seek recovery of the costs of Company-related facilities up to the following cost caps using a Tier 2 Advice Letter: (1) \$16,723,704 for extraction wells EW-1 and EW-2, and the chemical treatment facility; (2) \$30,220,960 for extraction wells EW-3 and EW-4 and related piping; (3) \$8,264,655 for the General Jim Moore Parallel Pipeline and the 1,100-foot section of the Transfer Pipeline; and (4) \$6,475,000 for the Carmel Valley Pump Station. Cal-Am’s Tier 2 AL filing shall provide the following: (1) a description of the facilities that are used and useful; (2) whether the costs are reasonable; and (3) whether the facilities are appropriately sized.

12. California-American Water Company is authorized to seek recovery for the additional costs incurred subsequent to October 2021, when the costs exceed the rate caps adopted for the Company-related facilities, through the next applicable general rate case.

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13. All rulings issued to date by the assigned Commissioner and the assigned Administrative Law Judge in this proceeding are affirmed.

14. All pending motions relating to issues in Phase 1 of this proceeding, not expressly addressed by the assigned Administrative Law Judge or assigned Commissioner are denied.

15. Application 21-11-024 remains open to resolve Phase 2 issues.

This order is effective today.

Dated December 1, 2022, at San Francisco, California.

ALICE REYNOLDS

President

CLIFFORD RECHTSCHAFFEN

GENEVIEVE SHIROMA

DARCIE L. HOUCK

JOHN REYNOLDS

Commissioners