

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



January 9, 2018

Jeffrey T. Linam  
Director – Rates & Regulation  
California-American Water Company  
4701 Beloit Dr.  
Sacramento, CA 95838-2434

Dear Mr. Linam,

The Commission has approved California American Water Company's Advice Letter No. 1178, filed on October 26, 2017, regarding the update on Cal-Am's Monterey Pipeline and Pump Station, located in the Monterey County District.

Enclosed is a copy of the advice letter with an effective date of October 26, 2017 for the utility's files.

Please contact Kevin Truong at (415) 703-1353 if you have any questions.

Thank you,

/s/JENNIFER PEREZ

Jennifer Perez  
Water & Sewer Advisory Branch  
Division of Water and Audits

Enclosures

**CALIFORNIA PUBLIC UTILITIES COMMISSION  
DIVISION OF WATER AND AUDITS**

**Advice Letter Cover Sheet**

**Utility Name:** California American Water

**Date Mailed to Service List:** October 26, 2017

**District:** Monterey County District

**CPUC Utility #:** U210W

**Protest Deadline (20<sup>th</sup> Day):** November 15, 2017

**Advice Letter #:** 1178

**Review Deadline (30<sup>th</sup> Day):** November 25, 2017

**Tier**     1     2     3     Compliance

**Requested Effective Date:** October 26, 2017

**Authorization**

**Description:** Update on Cal-Am's Monterey Pipeline and Pump Station

**Rate Impact:** N/A  
N/A

The protest or response deadline for this advice letter is 20 days from the date that this advice letter was mailed to the service list. Please see the "Response or Protest" section in the advice letter for more information.

**Utility Contact:** Lakhjit Singh

**Utility Contact:** Melody Singh

**Phone:** 916-568-4241

**Phone:** 916-568-4246

**Email:** Lakhjit.singh@amwater.com

**Email:** Melody.singh@amwater.com

**DWA Contact:** Tariff Unit

**Phone:** (415) 703-1133

**Email:** [Water.Division@cpuc.ca.gov](mailto:Water.Division@cpuc.ca.gov)

**DWA USE ONLY**

<u>DATE</u>	<u>STAFF</u>	<u>COMMENTS</u>
_____	_____	_____
_____	_____	_____

APPROVED

WITHDRAWN

REJECTED

**Signature:** \_\_\_\_\_

**Comments:** \_\_\_\_\_

**Date:** \_\_\_\_\_

\_\_\_\_\_



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October 26, 2017

ADVICE LETTER NO. 1178

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

California-American Water Company (California American Water) (U210W) hereby submits for review this advice letter.

### **PURPOSE**

This advice letter is filed to provide an update regarding work performed on California American Water's pipeline and pump station project (P&PS project) in the Monterey District through March 31, 2017.

### **BACKGROUND**

The advice letter is filed in compliance with California Public Utilities Commission (CPUC) Decision (D.) 16-09-021, Ordering Paragraph (OP) number 7.

### **DISCUSSION**

In D.16-09-021, the CPUC determined that the Monterey Pipeline and Pump Station project ("P&PS") is needed to address issues caused by a pressure zone "trough" currently limiting water movement between the northern and southern areas of California American Water's Monterey service area. Such transfers are necessary to obtain the maximum benefits from the Groundwater Replenishment (GWR) Project and the Aquifer Storage and Recovery (ASR) Project. In accordance with the determination, the CPUC authorized California American Water to make two separate Tier 2 advice letter filings to place the costs of the station&PS project into rates. The CPUC authorized the filing of the "first Tier 2 advice letter by April 30, 2017 to cover costs for the pipeline and pump station through March 30, 2017. Reflecting the recovery of actual costs **for the used and useful** portions of the facility to date." (Emphasis added)

As of March 30, 2017, California American Water had made significant progress on the MP&PS project. Pre-construction activities began immediately upon CPUC approval for the project. Potholing was performed to validate and confirm the existence of other underground utilities to avoid conflicts. This potholing work was performed from September through November of 2016. Necessary service line relocations were completed in Q4 of 2016 and installation of the 36-inch pipeline began prior to the end of that year. As of the end of March 2017, over a mile of 36-inch pipeline had been installed, and the first two phases of the project, consisting of potholing and main relocation, had been completed. Paving work had commenced in areas where the pipeline installation was complete. Additionally at that time California American Water had entered the procurement stage for the Hilby Avenue aquifer storage and recovery (ASR) pump station.

### **REQUEST**

As noted above, in D.16-09-021 the CPUC authorized California American Water to file an advice letter seeking recovery of actual costs for used and useful facilities placed into service by March 30, 2017. However, although substantial work was accomplished by this March 30<sup>th</sup> deadline none of the completed facilities could be considered as providing **used and useful**

**service.** Therefore, California American Water could not file an advice letter seeking cost recovery for used and useful portions of the facilities. In preliminary planning prior to the issuance of D.16-09-021 California American Water anticipated that facilities installed prior to the March 30<sup>th</sup>, 2017 deadline would be sufficiently used and useful to provide additional fire protection and reliability through additional system interconnections. However, there were several unforeseen delays in construction, including:

- Delays due to inclement weather as this past winter was one of the wettest winters on record.
- Pre-construction potholing resulted in the need to adjust the planned 36" pipe layout to avoid existing utilities. These design refinements needed to be fully vetted before 36" pipe could be ordered. This delay was compounded by the 50 work day lead time for 36" pipe.
- Cost saving steps were coordinated with outside agencies including the Division of Drinking Water and the City of Seaside. These design refinements needed to be fully vetted before 36" pipe could be ordered. This delay was compounded by the 50 work day lead time for 36" pipe.

These delays forced California American Water to postpone placing the facilities into used and useful service as originally planned. California American Water considered making unplanned interconnects that could have allowed used and useful service. This would have required at least two interconnects between the Monterey pipeline and the existing distribution system. This portion of the Monterey pipeline could then have been used to allow for the hydrants along the pipeline to be used for fire protection. However, in reviewing the interconnect options California American Water's operations and engineering teams determined that sufficient fire protection existed and the interconnects would have required additional pressure reducing valves and other equipment to avoid changing pressures and flows in the distribution system. Further, the costs to make these additional interconnections would have been several hundred thousand dollars. Consequently, California American Water determined the added cost and complexity outweighed the minimal additional benefit from such interconnections.

Based on the language of D.16-09-021 California American Water determined that since the facilities installed prior to March 30, 2017, were not used and useful an advice letter seeking cost recovery could not be filed. This opinion was initially affirmed by the CPUC's Water Division management in follow up discussions. However, after further discussions Water Division management recommended California American Water submit a project update, without associated cost recovery, to satisfy the Decision requirements. Therefore, at the direction of the CPUC's Water Division, instead of filing an advice letter for cost recovery California American Water files this advice letter as an information only filing to provide an update on the project through the March 30, 2017 deadline.

### **TIER DESIGNATION**

In D.16-09-021 the Commission directed California American Water to submit this advice letter with a Tier 2 designation. However, this assumed that the filing would be seeking cost recovery. As discussed above California American Water is not seeking cost recovery and is instead filing this advice letter as an information only project update. Therefore this advice letter is filed with a Tier 1 designation. This advice letter designation will necessitate service on to the service list so that interested parties will be kept informed.

**EFFECTIVE DATE**

Not applicable.

**RESPONSE OR PROTEST**<sup>1</sup>

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 grounds<sup>2</sup> 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;
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.
7. 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](mailto:Water.Division@cpuc.ca.gov)

**Mailing Address:**

CA Public Utilities Commission  
Division of Water and Audits  
505 Van Ness Avenue  
San Francisco, CA 94102

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:

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<sup>1</sup> G.O. 96-B, General Rule 7.4.1

<sup>2</sup> G.O. 96-B, General Rule 7.4.2

**Email Address:**

[jeffrey.linam@amwater.com](mailto:jeffrey.linam@amwater.com)

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**Mailing Address:**

4701 Beloit Drive  
Sacramento, CA 95838

555 Montgomery Street, Ste. 816  
San Francisco, CA 94111

4701 Beloit Drive  
Sacramento, CA 95838

4701 Beloit Drive  
Sacramento, CA 95838

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.

**REPLIES**<sup>3</sup>

The utility shall reply to each protest and may reply to any response. Any reply must be received by DWA within five business days after the end of the protest period, and shall be served on the same day on each person who filed the protest or response to the AL.

CALIFORNIA-AMERICAN WATER COMPANY

/s/ Jeffrey T. Linam

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Jeffrey T. Linan  
Director of Rates & Regulatory

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<sup>3</sup> G.O. 96-B, General Rule 7.4.3

**MONTEREY WASTEWATER COUNTY DISTRICT SERVICE LIST**  
**CALIFORNIA-AMERICAN WATER COMPANY**  
**ADVICE LETTER 1178**

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**BY MAIL:**

Alco Water Service 249 Williams Road Salinas, CA 93901	Los Angeles Docket Office California Public Utilities Commission 320 West 4th Street, Suite 500 Los Angeles, CA 90013	California Dept of Health Services Division of Drinking Water & Environmental Management PO Box 997416 Sacramento, CA 95899-7413
Yazdan Emrani, P.E. Deputy Pub Works Director – Operations Monterey County DPW 168 W. Alisal Street, 2nd floor Salinas, CA 93901-2680	Monterey Regional Water Pollution Control Agency (MRWPCA) 5 Harris Court Road. Bldg D. Monterey, CA 93940	Monterey Peninsula Water Mgmt Dist. Chief Financial Officer P.O. Box 85 Monterey, CA 93942
Ann Camel City Clerk City of Salinas 200 Lincoln Avenue Salinas, CA 93901	City of Pacific Grove c/o Community Development Department Attention: Sarah Hardgrave 300 Forest Ave., 2nd floor	City of Pacific Grove City Attorney/City Hall 300 Forest Ave 2nd floor Pacific Grove, CA 93950
Karen Crouch City Clerk, Carmel-By-The-Sea PO Box CC Carmel-by-the-Sea, CA 93921	City of Sand City City Hall California & Sylvan Avenues Sand City, CA 93955 Attn: City Clerk	Deborah Mall, City Attorney City of Monterey 512 Pierce Street Monterey, CA 93940
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**MONTEREY WASTEWATER COUNTY DISTRICT SERVICE LIST**  
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**ADVICE LETTER 1178**

**BY E-MAIL:**

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