

Exhibit CAW-029

1 JON D. RUBIN, State Bar No. 196944
VALERIE C. KINCAID, State Bar No. 231815
2 JASON S. ROSENBERG, State Bar No. 252243
DIEPENBROCK HARRISON
3 A Professional Corporation
400 Capitol Mall, Suite 1800
4 Sacramento, CA 95814-4413
Telephone: (916) 492-5000
5 Facsimile: (916) 446-4535

EXHIBIT CAW-029

6 Attorneys for
California American Water Company

7
8 **BEFORE THE CALIFORNIA**
9 **STATE WATER RESOURCES CONTROL BOARD**

10
11 In the Matter of Draft Cease and Desist Order
No. 2008-00XX-DWR Against California
12 American Water Company

TESTIMONY OF B. KENT TURNER

13
14 My name is B. Kent Turner. I am President of California-American Water Company
15 (“CAW”). I am responsible for maintaining CAW’s California regulated water and wastewater
16 utilities’ financial health; enhancing the operating efficiency and reliability of the business; and
17 assuring that all functions (e.g., planning, engineering, construction, production, distribution,
18 customer service, accounting, regulatory and human resources) are carried out in compliance with
19 all local, state and federal laws and standards of good business practice. I have over 30 years of
20 water industry experience and have been with CAW since 1999. My Statement of Qualifications is
21 marked as Exhibit CAW-029A.

22 CAW is a California corporation authorized to conduct business within the State of
23 California. It is a wholly-owned subsidiary of American Water Works Company, Inc. The
24 business of CAW is that of collecting, treating, and distributing water for public and private use and
25 consumption. CAW’s mission is to provide reliable, safe, and affordable water supply to its
26 customers.

27 CAW has served the Monterey Peninsula since it acquired properties from California Water
28 & Telephone Company in 1966. The Monterey District of CAW serves the cities of Carmel-by-the-

1 Sea, Pacific Grove, Monterey, Seaside, Sand City, Del Rey Oaks, the unincorporated areas of the
2 Carmel Valley, and the Highway 68 corridor with a specially-trained work force of 82 employees.
3 As of 2008, the Monterey District has approximately 38,000 general metered customers.

4 CAW's right to distribute water, establish rates, as well as maintain water quality, and
5 service levels are controlled by government regulators, including the California Public Utilities
6 Commission ("CPUC"). The CPUC issued CAW a Certificate of Public Convenience and
7 Necessity, which allows CAW to operate as an investor-owned Class A regulated water and
8 wastewater utility. CAW must obtain CPUC authorization to: (a) charge higher rates; (b) recover
9 expenses which are appropriate and prudently incurred; and (c) provide a fair return on the utility's
10 capital investment. CPUC authorized rate increases are initiated by filing an application with the
11 CPUC. This process includes numerous opportunities for review and input from customers, the
12 Division of Ratepayer Advocates ("DRA"), and other interested parties. Public oversight of the
13 CPUC ensures that increases in water rates will be thoroughly and publicly scrutinized by an
14 independent body of experts in utility regulation.

15 Since 1995, and the issuance of Order 95-10, CAW has evaluated an extensive number of
16 options for alternative water sources. The options included projects involving desalination,
17 groundwater development, dredging, water importation, water purchases, and dam construction.
18 Through public workshops, local governments, fishery and environmental organizations, and
19 members of the public were provided an opportunity to comment on the scope and viability of the
20 options.

21 As explained in more detail by others testifying for CAW, following Order 95-10, one of the
22 most promising alternate sources of water was the New Los Padres Dam project ("NLP Dam
23 project"). The NLP Dam project was proposed by the Monterey Peninsula Water Management
24 District ("MPWMD"). However, the prospects of a NLP Dam terminated when, in November of
25 1995, a majority of the MPWMD voters failed to pass a bond measure supporting the project.

26 In 1996, CAW considered the prospect of building a dam on the Carmel River. CAW
27 proposed to construct and began pursuing the Carmel River Dam and Reservoir project ("CR Dam
28 project").

1 In September 1998, Assembly Bill (“AB”) 1182 was signed into law and required the CPUC
2 to study all available alternatives to a dam on the Carmel River. The CPUC began what is now
3 known as the Plan B process. Plan B identified desalination as a potential solution to long-term
4 Monterey Peninsula water supply deficiencies. Following issuance of Plan B, the CPUC ordered
5 CAW to develop alternatives to the CR Dam project.

6 During the Plan B process, CAW was pursuing both the CR Dam project and exploring
7 other options. In or about February 2003, the viability of the CR Dam project became increasingly
8 unlikely. For that reason and in furtherance of Plan B, CAW proposed the Coastal Water Project
9 (“CWP”); a 10,370 acre-foot desalination operation, aquifer storage and recovery, and a
10 conveyance system to move water from the desalination facility to CAW’s existing distribution
11 system. CAW applied to the CPUC to replace the CR Dam project with the CWP. In or about
12 August of 2003, the MPWMD Board of Directors voted to end the CR Dam project.

13 The CPUC determined that before it could consider approval of the CWP, it needed to
14 prepare an environmental impact report. To that end, the CPUC hired an outside consultant, at
15 CAW’s expense, which is currently undertaking that effort. The CPUC expects to release a draft
16 environmental impact report for public review some time this year.

17 Since 1995, CAW also pursued and obtained water rights for the Phase I Aquifer Storage
18 and Recovery Project (“ASR”). As the State Water Resources Control Board (“State Water
19 Board”) and its staff are well aware, the ASR is an effort by CAW and the MPWMD to capture
20 water extracted by CAW’s Carmel River wells during high river flows and direct that water through
21 a new pipeline to MPWMD injection wells within the Seaside groundwater basin. In addition to
22 recharging the basin, this water will be accounted as a separate, stored source of water that could be
23 extracted during periods of low Carmel River flows. Consequently, pumping of Carmel River
24 water will be reduced during low Carmel River flow periods.

25 CAW has also been working to perfect rights to approximately 2,900 acre-feet of Carmel
26 River water per year pursuant to the rights recognized in table 13 of Decision 1632. In 1998, the
27 State Water Board divided the application CAW had on file, designating Application 30215A as the
28 operative application for the Table 13 water rights. In 2004, CAW signed an MOU with the

1 Division of Water Rights of the State Water Board to hire HDR Engineering to prepare a water
2 availability study and environment review for the Table 13 application. By 2005, HDR completed
3 a draft scope of work for the environmental review. HDR estimated that completion of tasks in the
4 scope of work would cost almost \$3,000,000.00. CAW requested the CPUC allow recovery of
5 those costs in the rate case filed with the CPUC in November of 2007.

6 In December 2007, staff for the Division of Water Rights informed CAW that its application
7 required an amendment to be consistent with the State Water Board's findings in Decision 1632,
8 and that, depending on the content of that application, some of the tasks required by HDR would
9 not be necessary. My employees are currently worked to amend the application. It has been
10 reported to me that my engineers and legal team are working on the complex issues of the
11 permissible place of use and season of diversion, but not fully addressed in Decision 1632, and
12 must be resolved to amend the application.

13 In addition to the projects discussed above, CAW has explored additional options. CAW
14 considered 3-MGD and 7-MGD desalination options. It also considered groundwater development
15 options, such as: (a) additional production from the Paralta well in the Seaside groundwater basin;
16 (b) additional production from the Seaside basin, inland area; (c) injection of treated wastewater at
17 the mouth of the Carmel River; and (d) exploration of deep bedrock sources. CAW considered
18 dredging San Clemente and Los Padres reservoirs and importing water from Arroyo Seco River,
19 Lower Salinas River, and Big or Little Sur River. CAW even considered water purchases from the
20 State Water Project, Central Valley Project and/or local Carmel Valley water rights holders. Other
21 alternate water projects, such as production from small weirs in the Carmel River, surface
22 impoundments in the Seaside/Fort Ord area and surface water utilization at Laguna Seca, were also
23 evaluated.

24 More recently, on or about or about October 9, 2007, CAW entered into an agreement with
25 the City of Sand City to operate and manage a desalination plant in Sand City. Water to be treated
26 at the Sand City desalination plant will be obtained from brackish sources in the shallow
27 groundwater aquifer near Monterey Bay. The proposed project will supply up to 300 acre-feet of
28 water per year to customers in Sand City, all of which will be available to CAW in the next several

1 years to help reduce Carmel River production. The Sand City desalination plant is under
2 construction and is expected to be operational in the first half of 2009. Based on permits issued by
3 the MPWMD, the Sand City desalination plant will result in a net increase of 94 acre-feet of water
4 per year available for the Monterey Peninsula. The remaining 206 acre-feet is available to supply
5 new connections within the City of Sand City to be granted over the next 20 years, consistent with
6 the City's General Plan. CAW may use the excess capacity between the plant's capability and the
7 issuance of permits for new connections to offset existing overdraft on the Seaside Basin and the
8 Carmel River.

9 In the mist of these other efforts, CAW has and continues to thoroughly investigate
10 alternative water sources through contracting with appropriative water rights holders. At various
11 times since 2001, CAW has met with representatives of the Carmel Development Corporation to
12 discuss a temporary arrangement to exercise water rights held by the Margaret Eastwood Trust and
13 Clint Eastwood for the Odello fields. These water rights are the subject of State Water Board
14 permit 30497B and a pending Petition for an Extension of Time. CAW has not yet reached
15 agreement with Carmel Development Corporation regarding the use of these water rights, but
16 discussions remain on-going. CAW has had similar, but separate discussions with the Carmel
17 Development Corporation regarding water rights associated with the Rancho Canada Golf Course.

18 In 1996, CAW explored obtaining an allocation of approximately 1,700-2,200 acre-feet held
19 by the Marina Coast Water District. CAW explored the option to expand the Carmel Area
20 Wastewater District/Pebble Beach Community Services District Wastewater Reclamation Project
21 and the option to build a sewer system for golf courses in the Carmel Valley. The limited number
22 of appropriative water rights holders in the Monterey Peninsula area, however, has narrowed the
23 options for obtaining water through contracts for appropriative rights.

24
25
26
27
28