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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

In the Matter of the Application of California-American Water Company (U 210 W) for a Certificate of Public Convenience and Necessity to Construct and Operate its Coastal Water Project to Resolve the Long-Term Water Supply Deficit in its Monterey District and to Recover All Present and Future Costs in Connection Therewith in Rates.

Application 04-09-019
(Filed September 20, 2004;
Amended July 14, 2005)

**REVISED DIRECT TESTIMONY OF JAMES HEITZMAN
(PHASE 2 REGIONAL PROJECT COST ISSUES)**

[This testimony has been revised to strike the language on Exhibit JH-2, beginning with the ex parte letter to Commissioner Bohn from the City of [Monterey] through the end of that exhibit, pursuant to the ALJ's ruling issued July 21, 2009. MCWD reserves the right to offer testimony similar to that which is stricken upon a showing that the testimony is relevant to Issues A, E, F, and H identified for hearing in the scoping ruling of March 26, 2009.]

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Revised, August 20, 2009

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TABLE OF CONTENTS

	<u>Page</u>
I. Introduction	1
II. Education and Experience.....	2
III. Nature of Testimony and Statement of Position.....	3
IV. Witnesses and Subject Matter.....	8

EXHIBITS

- JH-1: Maps of MCWD’s Service Territory and The CAW Monterey District Service Territory
- JH-2: Resolutions ~~and Letters~~ of Support for The Regional Alternative

1 **BEFORE THE PUBLIC UTILITIES COMMISSION**
2 **OF THE STATE OF CALIFORNIA**

3
4 In the Matter of the Application of California-
5 American Water Company (U 210 W) for a
6 Certificate of Public Convenience and
7 Necessity to Construct and Operate its Coastal
8 Water Project to Resolve the Long-Term Water
9 Supply Deficit in its Monterey District and to
10 Recover All Present and Future Costs in
11 Connection Therewith in Rates.

Application 04-09-019
(Filed September 20, 2004;
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12 **DIRECT TESTIMONY OF JAMES HEITZMAN**

13 **I. Introduction**

14 Q1. Please state your name and business address.

15 A1. My name is James Heitzman. My business address is 11 Reservation Road,
16 Marina, CA 93940.

17 Q2. By whom are you employed and in what capacity?

18 A2. I am employed by the Marina Coast Water District ("MCWD") as General
19 Manager.

20 Q3. What are your responsibilities in that position?

21 A3. As General Manager of the MCWD, I report to the Board of Directors and serve as
22 Chief Executive Officer of the MCWD. I am responsible for Engineering, Human
23 Resources, Finance, Administration, Operations & Maintenance, Conservation,
24 Legal, CIP and Community Outreach. I represent the MCWD with regulatory
25 groups and business organizations, participate in community and professional
26 groups and committees, act as MCWD liaison on various inter-agency coordination
27 projects, am responsible for maintaining the MCWD budget and managing projects
28 so as to remain within the budget, enforce the MCWD's Mission and Vision

1 Statements, and support MCWD staff to ensure maximum efficiency and excellent
2 employer-employee relations.
3

4 **II. Education and Experience**

5 Q4. Briefly describe your educational background

6 A4. I hold an Associate of Arts degree in General Studies from San Bernardino City
7 College, a Bachelor of Sciences degree in Business Administration from the
8 University of Phoenix, a Certificate of Completion from the Special District
9 Governance Academy, and a Masters in Public Administration degree from Golden
10 Gate University.
11

12 Q5. Do you hold any professional certifications from the State of California?

13 A5. Yes, I hold a Grade V, Wastewater Treatment Plant Operator, Certificate of
14 Competence, from the California State Water Resources Control Board.
15

16 Q6. Please describe your professional experience.

17 A6. I have 30 years of water and wastewater experience, from entry level to General
18 Manager. For example, prior to becoming the General Manager of MCWD in
19 2007, I served for four years as the Assistant General Manager of the Monterey
20 Regional Water Pollution Control Agency (“MRWPCA”). In that position, I
21 served as Chief Administration Officer of the MRWPCA, responsible for Human
22 Resources, Finance, Administrative Services, O&M, Engineering, CIP,
23 Community Outreach and Legal. I reported to the General Manager and
24 represented the Agency with regulatory agencies, consultants, citizen groups. I
25 also provided feedback to staff to ensure that the Agency’s direction and work
26 products met the Agency’s vision and mission. Prior to that, I was employed for
27 three years by the City Of San Diego Metropolitan Wastewater Department as a
28 Senior Wastewater Operations Supervisor working at the South Bay Water

1 Reclamation Plant, where I helped manage the pre-start-up and commissioning
2 activities of a \$150 million water reclamation plant, assisted in the development
3 and implementation of the facility's computerized maintenance management
4 system, forecast and administered an annual budget of \$2.5 million for the facility
5 operation, and performed other management tasks. For the two years prior to that,
6 I was employed by the City Of San Diego Metropolitan Wastewater Department as
7 a Senior Wastewater Operations Supervisor at the North City Water Reclamation
8 Plant, where I oversaw the daily operation of a state-of-the art water reclamation
9 plant, was responsible for plant performance, compliance and safety, met with
10 representatives from the State Water Resources Control Board to determine
11 appropriate operational parameters for the treatment process, worked with the San
12 Diego Air Pollution Control District to modify air quality permit requirements,
13 participated in marketing of reclaimed water to potential customers, supported the
14 implementation of the ISO 14001 Environmental Management Program, and
15 developed aspects of a Competitive Bid Budget for the operation of the
16 organization. And before that, I worked for five years for the City of San
17 Bernardino as an Operations Technician, managing the pre-start-up of a \$40
18 million regional tertiary treatment plant, bearing responsibility for the operation of
19 the facility, as Site Supervisor during final period of employment.
20

21 **III. Nature of Testimony and Statement of Position**

22 Q7. What is the nature of the MCWD testimony being served at this time?

23 A7. Under the Scoping Memo issued in this proceeding by Assigned Commissioner
24 Bohn and Assigned Administrative Law Judge Minkin on March 26, 2009, MCWD
25 is required to serve Regional Project Cost Testimony at this time. The testimony
26 we are presently serving addresses issues of cost related to the Regional Project
27 alternative identified in the DEIR, as well as related testimony that helps put the
28 cost testimony into the context of MCWD's overall case. However, MCWD

1 reserves the right to serve additional direct testimony on non-cost issues and
2 supplemental direct testimony on cost issues on August 14, 2009, when the
3 Division of Ratepayer Advocates and other parties are allowed to serve their direct
4 testimony. MCWD also reserves the right to serve rebuttal testimony on all issues
5 on August 28, 2009, as provided in the Scoping Memo.
6

7
8 Q8. Briefly, what is the MCWD's position in this California-American Water Company
9 ("CAW") Coastal Water Project certificate of public convenience and necessity
10 ("CPCN") proceeding?

11 A8. MCWD is putting on the case that the Regional Project alternative is a feasible
12 project. We want to show the Commission that MCWD *can* build a Regional
13 Project alternative if that is what MCWD decides to do. MCWD is also putting on
14 the case that the Regional Project alternative identified in the draft EIR is superior
15 to both the Moss Landing and North Marina project alternatives proposed by CAW
16 in terms of cost, environmental impact, ability to serve the critical water needs of
17 Monterey County, schedule, financing, and feasibility, and that, of the three
18 alternatives, the Regional Project alternative is the project that best serves the
19 present and future public convenience and necessity.
20

21 Q9. Has the MCWD approved the Regional Project alternative or committed itself to
22 constructing the Regional Project alternative at this time?

23 A9. No, it has not. MCWD's participation in this proceeding seeks to ensure that the
24 possibility of constructing the Regional Project alternative remains open and is not
25 foreclosed by the Commission's certification of some other mutually exclusive
26 competing project.
27
28

1 Q10. When might MCWD make a decision as to whether it will go forward with the
2 Regional Project alternative?

3 A10. Any MCWD decision on the Regional Project alternative rests on a number of
4 contingencies, not the least of which is full compliance with CEQA. As a
5 responsible agency under CEQA, MCWD must consider the final EIR prepared by
6 the Commission and reach its own conclusions as to whether and how to approve
7 the project, if at all. (Cal. Code Regs., tit. 14, § 15096, subd. (a).) Such
8 consideration could result in a determination (1) that further environmental study is
9 required, (2) that the Regional Project alternative or parts of it should be changed
10 in some manner, (3) that additional mitigation measures should be required, or
11 even (4) that the Regional Project alternative should not go forward at all. MCWD
12 notes that it may wish to ask the Commission to consider advancing the date it has
13 scheduled for the certifying the final EIR in this proceeding so that MCWD may
14 complete its own CEQA review at the earliest possible time. In any event, MCWD
15 intends to comply fully with its responsibilities under CEQA before it takes action
16 in determining whether it will approve any water supply project.
17

18
19 Q11. If MCWD has neither approved nor committed itself to moving forward with the
20 Regional Project alternative at this time, why is it participating in this proceeding
21 before the Commission?

22 A11. The DEIR has identified the Regional Project alternative as the preferred
23 alternative. MCWD's participation in this proceeding seeks to ensure that the
24 possibility of MCWD's constructing the Regional Project alternative remains open
25 and is not foreclosed by the Commission's certification of some other mutually
26 exclusive competing project. As MCWD's General Manager, I bear some
27 responsibility for keeping that option open for consideration by MCWD's Board of
28 Directors.

1 Q12. Are the three project alternatives described in the DEIR mutually exclusive?

2 A12. Yes. I believe that the three project alternatives identified in the DEIR are
3 mutually exclusive as a matter of economic fact and that only one of the three
4 alternatives can be constructed. There is simply not sufficient demand for new
5 water supply to warrant the construction of more than one of the three alternatives.
6

7
8 Q13. What action is MCWD asking the Commission to take in this proceeding?

9 A13. MCWD asks the Commission not to foreclose the possibility of MCWD
10 constructing the Regional Project alternative by granting a CPCN to a mutually
11 exclusive project alternative. MCWD also asks the Commission to certify the final
12 EIR as adequate with respect to Regional Project, Phase 1, at the earliest possible
13 time. Finally, in order to support the financing of the Regional Project alternative
14 if MCWD should approve it, MCWD asks the Commission to authorize CAW to
15 negotiate in good faith a binding take-or-pay contract to purchase water from the
16 Regional Project in the quantities that CAW alleges it needs from its proposed
17 Moss Landing project.
18

19 Q14. Please explain what you mean when you use the phrases “Regional Project,”
20 “Regional Alternative” or “Regional Project alternative.”

21 A14. When I use those phrases, I am referring to the Regional Project alternative
22 described in the DEIR and developed with the considerable effort of the
23 Commission’s Division of Ratepayer Advocates and its consultants. I believe that
24 if constructed, the Regional Project alternative, and certainly the desalination plant
25 that is its cornerstone, would most probably be owned and operated by MCWD and
26 situated on lands already owned by or optioned to MCWD, thereby engendering
27 significant cost savings to ratepayers while minimizing costly project delays.
28

1 Q15. Where is the MCWD service territory located?

2 A15. I have attached maps of MCWD's service territory and the CAW Monterey District
3 service territory to my testimony as Exhibit JH-1.
4

5
6 Q16. Is there general community support for the Regional Project alternative, as opposed
7 to the Moss Landing and North Marina project alternatives proposed by CAW?

8 A16. Yes, there appears to be. I have spoken about the Regional Project alternative with
9 many public officials, the representatives of a number of environmental, consumer
10 and public interest groups, and many Monterey County citizens. There appears to
11 be strong and growing public support for the Regional Alternative, as opposed to
12 the alternatives proposed by CAW. I am attaching as Exhibit JH-2 to my
13 testimony copies of a number of resolutions and letters of support for the Regional
14 Alternative.
15

16 Q17. You are asking the Commission to authorize and require CAW to negotiate in good
17 faith a binding take-or-pay contract to purchase water from the Regional Project in
18 the quantities that CAW alleges it needs from its proposed Moss Landing project.
19 Why would such entering into such a contract be a prudent course of conduct for
20 CAW?

21 A17. As described in the testimony of MCWD witness Mr. Thomas E. Gaffney, the
22 existence of such a contract is one way of assuring the ability of MCWD to finance
23 the construction of the Regional Project alternative, should it decide to do so. In
24 addition, CAW's entering into a take-or-pay contract with MCWD for the
25 quantities of water it believes it needs would solve CAW's "long-term water
26 supply deficit" in its Monterey District by assuring a committed water supply at a
27 cost significantly less than the cost of its Moss Landing and North Marina
28 proposals. As indicated in Mr. Melton's testimony, if CAW entered into such

1 contract, it would realize cost savings from the Regional Project alternative that
2 under almost all reasonable scenarios would exceed the cost of quantities of water
3 it would pay for but not take under the contract.
4

5
6 Q18. Does MCWD take a position as to whether CAW should recover its costs in rates?

7 A18. Not at this time. MCWD is watching closely to see if CAW will continue to
8 advocate its Moss Landing and North Marina proposals despite the existence of
9 evidence that those projects are in many ways inferior to the Regional Project
10 alternative. MCWD reserves the right to ask the Commission to consider carefully
11 whether CAW's adherence to its Moss Landing and North Marina project
12 proposals would warrant CAW's recovering in rates the costs of this
13 proceeding and any work undertaken to develop its Moss Landing and North
14 Marina project alternatives.
15

16 **IV. Witnesses and Subject Matter**

17 Q19. What other MCWD witnesses are sponsoring testimony in this round of Regional
18 Project Cost testimony?

19 A19. In addition to my testimony, MCWD testimony is being sponsored in this round by
20 Mr. Lyndel Melton, Dr. R. Rhodes Trussell, Dr. Robin Cort, Dr. Mark P. Berkman
21 and Dr. David L. Sunding (jointly-sponsored testimony), Mr. Thomas E. Gaffney,
22 and Lloyd W. Lowrey, Jr., Esq.
23

24 Q20. What subjects will each of these witnesses address?

25 A20. Mr. Melton will address Regional Project costs, engineering, schedule, feasibility,
26 and related issues, including some comparisons with the project alternatives
27 proposed by CAW. Dr. Trussell will address the question of the propriety of a
28 "single-pass" design for the project alternatives proposed by CAW. Dr. Cort will

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address the question of whether, from an California Environmental Quality Act perspective, the Regional Alternative desalination plant may permissibly be constructed as a 13-mgd plant without a surface water treatment plant. Drs. Berkman and Sunding will address some of the economic issues relating to the three project alternatives. Mr. Gaffney will address the feasibility of financing the Regional Project alternative. And Mr. Lowrey, who serves as District Counsel for MCWD, will address the authority of MCWD and certain legal issues bearing on the Regional Project.

Q21. Does this conclude your direct testimony?

A21. Yes, it does.