

ORIGINAL

Decision No. 81443

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of CALIFORNIA-AMERICAN WATER COMPANY,
a corporation, for a Certificate of
Public Convenience and Necessity and
for authority to carry out the terms
of certain contracts relating to the
construction of facilities required
to render water service in the
proposed certificated area.

Application No. 53653
(Filed October 20, 1972)

Investigation on the Commission's own
motion into the operations, practices,
service, equipment, facilities, rules,
regulations, contracts and water
supply of the MONTEREY PENINSULA
DISTRICT OF CALIFORNIA-AMERICAN WATER
COMPANY, a corporation.

Case No. 9530
(Filed April 3, 1973)

Bacigalupi, Elkus, Salinger & Rosenberg, by
Claude N. Rosenberg, Attorney at Law, for
California-American Water Company, appli-
cant and respondent.

Graham & James, by Boris H. Lakusta and David
J. Marchant, Attorneys at Law, for Standard
International Corporation, interested party.

Donald G. Hubbard, Attorney at Law, for Standard
International Corporation and Indian Ridge
Development Corporation, interested parties.

Cyril M. Saroyan, Attorney at Law, and Melvin E.
Mezek, for the Commission staff.

INTERIM OPINION

In Application No. 53653, California-American Water Company
(Cal-Am) seeks, among other things, a certificate of public con-
venience and necessity covering the water system facilities required
to serve an area known as Hidden Hills, near Cal-Am's present
Monterey Peninsula Division service area.

In Case No. 9530, the Commission is investigating, among other things, the adequacy of the water supply available to serve Cal-Am's Monterey Peninsula Division.

Initial public hearings were held on a consolidated record before Examiner Catey at Monterey on April 24 and 25, 1973. Notice of hearing had been published in accordance with the Commission's Rules of Procedure. Additional notice was mailed to residents in the Hidden Hills area who had been receiving water service from a mutual water company which, in turn, had been receiving a temporary emergency supply of water from Cal-Am.

Preliminary testimony and, in some instances, supporting exhibits were presented by a Commission staff engineer; by a consulting engineer for Cal-Am; by the president of Standard International Corporation (Standard), which is the developer of a large portion of the proposed Hidden Hills service area; by a consulting engineer and a consulting geologist for Standard; by the developer of land separating the Hidden Hills area from Cal-Am's present dedicated area of service; by an engineer from the Army Corps of Engineers; by two members of the Monterey Board of Supervisors; by spokesmen for two property owners' associations within the Hidden Hills area and one within the Carmel Valley portion of Cal-Am's Monterey Peninsula present service area; by a Carmel Valley resident who is now building a home in Hidden Hills; by another Carmel Valley resident; and by a Monterey resident.

The proceeding was adjourned to a time and place to be set. There are, however, three pending motions which warrant this interim decision.

- (1) The Commission staff's motion for an interim order restricting new services to the lots within Cal-Am's present Monterey Peninsula Division service area to which service has already been committed, restricting resale water to quantities sold for resale during the year 1972, and requiring Cal-Am to proceed diligently with its investigation of available water supplies and their means of financing.

- (2) Standard's motion for an interim order granting Cal-Am's application for a certificate covering the Hidden Hills area.
- (3) Cal-Am's motion for a six-month continuance in the consolidated proceedings.

History of Hidden Hills Water Supply

Cal-Am operates public utility water systems in portions of the counties of Los Angeles, Monterey, San Diego, and Ventura. Its Monterey Peninsula Division serves the cities of Carmel-By-The-Sea, Del Rey Oaks, Monterey, Pacific Grove, Sand City, portions of the city of Seaside, and unincorporated areas such as those known as Carmel Highlands, Carmel Valley, Pebble Beach, and Robles del Rio. Hidden Hills is outside of, but in close proximity to, the Carmel Valley portion of the dedicated service area.

From time to time Cal-Am has extended its Carmel Valley distribution system progressively higher up the northern slopes of the valley toward Hidden Hills. When the incremental additions are contiguous to the then existing line, plant, or system of a utility, Section 1001 of the Public Utilities Code permits the expansion without the requirement of a certificate of public convenience and necessity. The dedicated area is expanded in those instances by the utility's filing of revised tariff service area maps. Unless the Commission finds cause to reject or suspend the filing of the maps, they become effective. This type of expansion was utilized by Cal-Am in extending progressively into the first three units of Tierra Grande Subdivision, but additional future units of that subdivision lie between Cal-Am's present boundary and Hidden Hills.

The Hidden Hills area covered by Cal-Am's certificate application includes approximately 2,000 acres, most of which is unimproved land. In 1964, several individuals who owned perhaps

ten percent of the land in Hidden Hills formed Los Laureles Mutual Water Company to serve their lands. Three wells were developed but were abandoned due to inadequate quality and quantity of water produced.

In the period 1964-1966, Hidden Hills Land Company acquired most of the other ninety percent of the Hidden Hills area and conveyed to various individuals portions of the acreage involved. In 1967, Indian Ridge Development Corporation (Indian Ridge) acquired the properties until then retained by Hidden Hills Land Company.

In 1967, Carmel Valley Mutual Water Company (Mutual) was formed to serve the entire Hidden Hills area from a new well. Mutual commenced service to the few residents in Hidden Hills on an interim basis and continues to do so. Some mains, tanks, service lines, and meters were installed for this purpose. In 1969, Indian Ridge caused Carmel Valley Water Company to be formed, with the intention of operating as a public utility water company which would take over Mutual's operations. A certificate application was filed; but, when Indian Ridge conveyed its remaining holdings to Standard in 1970, the application was withdrawn.

Standard then studied the various alternatives for water supply to Hidden Hills and negotiated with Cal-Am for expansion of the Cal-Am service area. In the meantime, during March of 1971, Mutual's well caved in during an earthquake. Since then, Mutual has purchased an emergency supply of water from Cal-Am through a temporary above-ground metered connection between the two systems to serve the 56 present residents in Mutual's service area.

Upon reaching agreement with Standard, Indian Ridge, and Monterey County regarding the financing of the water facilities needed to serve Hidden Hills, Cal-Am filed its certificate application.

Commission Staff's Motion

The Commission staff's motion is based upon a staff engineer's testimony and preliminary report (Exhibit No. 2) of his investigation of water supply and demand in the Monterey Peninsula. His preliminary conclusion is that the normal demand for water to serve even just the present number of customers in the Monterey Peninsula Division exceeds the present average safe yield of Cal-Am's three principal sources of supply. He further concludes that Cal-Am has been able to meet consumer demands adequately, even in recent years when the demand has exceeded his estimate of average safe yield, only because the rainfall has been sufficient to provide an above-normal yield from the various sources. He has absolutely no doubt that if a dry cycle occurred, such as in 1929-1934 or 1947-1950, a water shortage would occur with the present water supply, treatment, and transmission facilities.

The staff engineer developed an estimate of 17,304 acre-feet per year as the normal amount of water production required to serve the present Monterey Peninsula Division customers plus another 1,734 vacant lots in the service area. He testified further that the 1,734 vacant lots did not include all of the customers which the president of the Carmel Valley Property Owners' Association stated would be added by new developments already-under way in Carmel Valley. Charts of projected water demand (Exhibit No. 6) presented by Cal-Am's consulting engineer indicate that, if the historically slow but steady growth in customers and customer usage continues, the 17,300 acre-feet adopted in the staff's comparisons would be reached by about the year 1974.

The staff engineer's estimates of average annual safe yield from Cal-Am's sources are: 8,500 acre-feet from Los Padres and San Clemente reservoirs on the Carmel River, 5,000 acre-feet from wells in Carmel Valley, and 2,000 acre-feet from wells in East

Monterey and Seaside, making a total of 15,500 acre-feet. The preliminary estimates presented by Cal-Am's consulting engineer exceeded the staff's estimates of average annual safe yield by 1,000 acre-feet for the Carmel River reservoirs and 1,500 acre-feet for the East Monterey and Seaside wells, resulting in a total estimated annual safe yield of 18,000 acre-feet. That is about equal to normal requirements for the year 1975, based upon Cal-Am's Exhibit 6.

Standard's consulting engineer estimated an average yield of 9,800 acre-feet from applicant's present surface sources and transmission lines. This is only 300 acre-feet more than estimated by Cal-Am's witness, but Standard's witness pointed out that the average yield from the existing reservoirs could be increased to an estimated 14,000 acre-feet per year by replacing or supplementing some ten miles of transmission line. Cal-Am did not present any evidence, however, that it was ready, willing, and able to make extensive modifications to its transmission facilities in the near future.

Standard's consulting geologist estimated that much greater use could be made of water stored in the large aquifer underlying Carmel Valley. This storage, used in conjunction with the present surface storage facilities, could result in tripling the present safe yield from Carmel Valley wells to an estimated 15,000 acre-feet. Cal-Am did not present any evidence, however, that it was ready, willing, and able to provide additional wells, water treatment, and transmission facilities needed to effect greater use of underground supplies.

In Exhibit 2, the staff engineer referred to Cal-Am's preliminary plans to increase the present estimated safe yield of about 15,500 acre-feet to 36,500 acre-feet, primarily through construction of another large dam on the Carmel River. That 135 percent increase in water supply would result in about a 200 percent

increase in rate base. Further, at the staff's projected rate of growth of 1-1/2 percent per year, it would be more than 50 years before that much additional supply would be needed. Unless there is some joint venture in a multi-purpose reservoir, a possibility suggested in the testimony of an engineer from the United States Army, Corps of Engineers, the financial impact on ratepayers could be substantial. That witness indicated that he should have further information by the time adjourned hearings are held.

Although the testimony presented by the staff engineer and others has not yet been subject to cross-examination, it seems conclusive that additional facilities will be needed to assure an adequate water supply to all of the present and potential future customers within the area which Cal-Am has dedicated its Monterey Peninsula Division system to serve. Pending future hearings and resulting decisions, it is deemed advisable to grant the staff's motion for an interim order prohibiting extensions into new developments. It is recognized that, after a development is quite far along in the planning phase, a severe financial hardship could result from a delay in completion. The interim order which follows permits service to new developments which are in the advanced planning stage; to municipally sponsored redevelopment or renewal projects; and, of course, to individual lots where the distribution mains already are installed or accepted by Cal-Am.

Standard's Motion

Unless and until Cal-Am presents evidence that it can and will develop an adequate water supply for the present service area and the proposed additional Hidden Hills area, it would be premature to grant the requested certificate. Inasmuch as any potential water shortage would follow several dry years, however, and the past rainy season has produced at least a short-term surplus of water supply, there will be no need for Cal-Am to curtail the emergency temporary supply to Mutual. This supply shall be limited to the existing service connection. This does not constitute a long-term commitment to continue service.

Cal-Am's Motion

Insofar as the certificate application is concerned, Cal-Am is the moving party. If it does not choose to prosecute its application for six months, that is one of its prerogatives. Insofar as the Commission's investigation is concerned, however, it is important that the matter of an adequate water supply for the present service area be resolved promptly. A six-month delay before holding adjourned hearings on that phase of the consolidated proceeding would be unreasonable and is not granted by the order herein. Adjourned hearings are scheduled to commence on June 18, 1973.

Findings

1. The staff's preliminary investigation discloses that additional supplies of water probably will be needed by Cal-Am to serve all of the potential customers who might ultimately desire water service within the present Monterey Peninsula Division service area.
2. Granting a certificate for the Hidden Hills area would increase the ultimate water supply requirements for Cal-Am's Monterey Peninsula Division.
3. Cal-Am has not presented evidence that it can develop and finance necessary additional facilities to supply all of the ultimate customers within its present Monterey Peninsula Division.
4. The limited extension of Cal-Am's distribution system, as permitted by the order herein, will not have a significant effect on the environment.
5. A six-month delay before holding further hearings in these proceedings would be unreasonable.

Conclusions

1. Pending further hearings and orders, Cal-Am should be prohibited from extending water mains to serve any new developments in the Monterey Peninsula Division that are not in final planning stages.

2. It would be premature to grant a certificate at this time covering the Hidden Hills area.

3. Adjourned hearings should proceed on June 18, 1973, as now scheduled.

INTERIM ORDER

IT IS ORDERED that:

1. Until otherwise permitted by further order of this Commission, California-American Water Company shall not extend or accept distribution mains within or from its Monterey Peninsula Division system to serve new developments, other than municipally sponsored redevelopment or renewal projects, unless prior to the date of this order:

- (a) The final subdivision map has been approved for filing by the local governmental body having authority over the filing.
- (b) A subdivision agreement has been entered into between the developer and the appropriate local governmental body.
- (c) All surety bonds, or other alternative guarantees, covering faithful performance and payment for materials, labor, and engineering expenses have been filed with and accepted by the appropriate local governmental body.

2. The motion for an interim order granting a certificate covering the Hidden Hills area is denied.

A. 53653, C. 9530 gl

3. The motion for a six-month continuance in these proceedings is denied.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 30th
day of MAY, 1973.

William L. Spence
President
William L. Spence
William L. Spence
William L. Spence
Commissioners