

ORIGINAL

Decision 84 02 053

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of VALENCIA WATER COMPANY, a )  
California corporation, for )  
authorization to increase rates )  
for water service. )

Application 83-02-19  
(Filed February 10, 1983)

Gibson, Dunn & Crutcher, by Raymond L. Curran,  
Attorney at Law, for applicant.  
B. S. Johnson, for Vista Ridge Homeowners  
Association, interested party.

FINAL OPINION

In September 1983 this Commission issued an interim opinion (Decision 83-09-074) in the above-captioned rate case, reserving one issue for further hearing. That issue was whether Valencia Water Company's (VWC) tariff Schedule 3-ML, Golf Course Metered Interruptible Off-Peak Service, complies with Public Utilities (PU) Code Section 453(c) and, if not, whether such noncompliance could be remedied by extending Schedule 3-ML to cover the two homeowners associations who requested such extension, or by some other means.

The issue arose when representatives of two interested condominium homeowners associations, Vista Ridge Homeowners Association (Vista Ridge) and Valencia Fairways Homeowners Association (Valencia Fairways), appeared at the initial hearing to address their desire to receive water for landscape irrigation under Schedule 3-ML which is only applicable to "privately or publicly owned golf courses".

Vista Ridge requested such treatment for "a period not to exceed five years." Its representative explained that the purpose was to reduce landscape irrigation costs during that time so that Vista Ridge would have funds sufficient to implement a program to replace plants on 20 of its 26 irrigated acres with drought-resistant plants in order to reduce water consumption by 70%. He described the program as a rebate program to help Vista Ridge cut future consumption.

Valencia Fairways' representative testified that its purposes in proposing that Schedule 3-ML be extended to it were that such extension would reduce the "high cost of keeping California green", would afford Valencia Fairways the same treatment afforded the one golf course in VWC's service area, and would reduce "daytime drag" on VWC's system since the schedule requires that all use be off-peak nighttime hours.

Though the record was not well-developed by these two lay appearances, we were concerned that there was a possible "unreasonable difference, as to rates" as that term is used in PU Code Section 453(c), so we ordered that a further hearing be held to explore whether Schedule 3-ML is unreasonable insofar as it treats golf courses differently from condominium landscaping at these two locations.

That duly noticed hearing was held in the Commission's Courtroom in Los Angeles on November 28, 1983 before Administrative Law Judge (ALJ) Colgan. Representatives of VWC and Vista Ridge appeared. No one appeared for Valencia Fairways. The matter was submitted on the same day.

The representative of Vista Ridge, Bruce S. Johnson, made no attempt to argue that the Schedule 3-ML rates were unreasonable. In fact, he stated that they were reasonable. He explained that Vista Ridge simply wanted the Commission to temporarily grant it special rates which would concededly be subsidized by other residential ratepayers in order to permit Vista Ridge to implement a "slope revitalization program" which, in the long run, would benefit VWC's entire service area by making more water available. Johnson pointed to the various conservation programs of gas and electric utilities as examples of similar endeavors which also rely on all customers subsidizing those who participate in the conservation program. He claimed that such programs ought to be extended to water utilities.

Johnson also testified that Vista Ridge's developer, the Valencia Corporation, was in the process of reviewing a proposal to assist the Vista Ridge homeowners with their project. He asked for a continuance until Valencia Corporation answered, stating that Vista Ridge would not wish to pursue this rate change before the Commission if the developer agreed to assist. The request was denied by the ALJ.

This hearing made it clear to us that the intent of these homeowners associations, or at least Vista Ridge, was not to challenge the propriety of Schedule 3-ML but to establish a subsidized conservation program at VWC. Their participation was in the nature of a request that this Commission establish conservation rules applicable specifically to VWC and perhaps generally to water utilities within the Commission's jurisdiction as well. Schedule 3-ML was merely a vehicle by which they attempted to bring two issues underlying such a program before this Commission.

One issue was the broad and lofty goal of establishing a precedent for conserving water for what Vista Ridge contends to be the long-term public good (RT 89, 98, 105). The other is the more mundane issue of lowering Vista Ridge's unexpectedly high homeowners' fees--primarily high because of irrigation costs, according to Johnson.

Our State Constitution recognizes the need for water conservation. Article X, Section 2, states in part:

"It is hereby declared that because of the conditions prevailing in this State the general welfare requires that the water resources of the State be put to beneficial use to the fullest extent of which they are capable, and that the waste or unreasonable use or unreasonable method of use of water be prevented, and that the conservation of such waters is to be exercised with a view to the reasonable and beneficial use thereof in the interest of the people and for the public welfare. . . ."

According to the Department of Water Resources (DWR), the primary benefits of conserving water in California are that:

- .It results in energy conservation due to less pumping;
- .It forestalls the need to develop new supply sources and new storage facilities;
- .It helps maintain the quality of rivers, fisheries, and recreational opportunities;
- .It helps preserve groundwater levels thereby preventing salt water intrusion and land subsidence.<sup>1/</sup>

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<sup>1/</sup> See generally "Water Conservation in California" May 1976, Bulletin No. 198, DWR at page 11. Though the data are for 1972, it is reasonable to assume that water conditions have not changed appreciably in the last 12 years.

It is a surprising fact, however, that nearly 85% of all statewide water demand is for agriculture.<sup>2/</sup> The DWR statistics show that only a little over 9% of statewide water demand is for residential purposes and only about 4% is used for exterior residential purposes.<sup>3/</sup> Applying staff's calculations from the referenced Exhibit E-16 to VWC's residential component of about 56%, it appears that about 25% of all VWC's water is used for exterior residential purposes. Thus, any residential water conservation policy we might implement could have a noticeable impact on water usage by VWC's customers, but it would have a minimal impact statewide.

Further, a water company VWC has a fairly large fuel cost component since it buys electricity to operate pumps for its eight wells and two connections to a State Water Project wholesaler. VWC's estimated 1983 purchased power expense was just over 25% of its total operating expense. We have no idea from the record before us how VWC's operating costs would be affected by Vista Ridge's proposed "rebate" program, but it might be major since it could apply to as much as 25% of VWC's sales volume.

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<sup>2/</sup> Ibid.

<sup>3/</sup> This is well-illustrated in Table 5 of Exhibit E-16 of Case 10114, a Commission staff report prepared for our investigation of water conservation in 1976 and 1977.

Finally, it should be remembered that even during the 1976 drought our foremost concern in investigating water conservation was assuring sufficient water availability to the hydroelectric plants so that they, rather than fossil fuel plants, could be relied upon for continued production.

It may be that our implementation of rules requiring water conservation incentives, such as the one proposed, would assist in achieving the four primary benefits of water conservation set forth in the DWR Bulletin, but nothing in the record before us supports that theory. Nor do we believe that the parties here have presented such a compelling case that we would wish to institute a further investigation into the need for such rules. Of course, should any party wish to apprise us of facts which would justify the opening of an Order Instituting Investigation, we will certainly consider such information, but the record before us gives us no basis to deviate from normal ratemaking principles. Therefore, we think it appropriate to deny the relief sought and close the matter.

Findings of Fact

1. Vista Ridge admitted that VWC's tariff Schedule 3-ML is reasonable in its present application.
2. Valencia Fairways, having been duly notified of the hearing on this matter, failed to appear or present any evidence.
3. Vista Ridge contended that application of Schedule 3-ML to it would be in the long-term public interest because such application would reduce Vista Ridge's water consumption.
4. Vista Ridge contended that application of Schedule 3-ML would lower its homeowners' fees by substantially reducing its water bills.

5. The requests of Vista Ridge and Valencia Fairways are in the nature of a request that the Commission engage in new rulemaking as to VWC and consider application of these rules to water companies within PUC jurisdiction generally.

Conclusions of Law

1. VWC's tariff Schedule 3-ML complies with PU Code Section 453(c).
2. The record in this matter is insufficient to form a basis for this Commission to establish any rules regarding water conservation applicable either to VWC or water companies within Commission jurisdiction generally.

FINAL ORDER

IT IS ORDERED that the requests of Vista Ridge Homeowners Association and Valencia Fairways Homeowners Association that tariff Schedule 3-ML of the Valencia Water Company be extended to cover their irrigation needs are denied. ✓

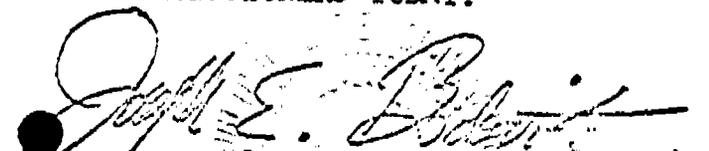
This order becomes effective 30 days from today.

Dated February 16, 1984, at San Francisco, California.

LEONARD M. GRIMES, JR.  
President  
PRISCILLA C. GREW  
DONALD VIAL  
WILLIAM T. BAGLEY  
Commissioners

I CERTIFY THAT THIS DECISION  
WAS APPROVED BY THE ABOVE  
COMMISSIONERS TODAY.

Commissioner Victor Calvo, being  
necessarily absent, did not  
participate.

  
Joseph E. Bodovitz, Executive Director

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Dated FEB 16/1984, at San Francisco, California.

LEONARD M. GRIMES, JR.  
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