

Decision 84-10-061 October 17, 1984

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
Southern California Water Company to )  
execute and deliver contracts and )  
lease agreements with Three Valleys )  
Municipal Water District for the )  
leasing of filtration capacity of the )  
Miramar Treatment Plant. )

Application 84-09-076  
(Filed September 28, 1984;  
amended October 11, 1984)

O P I N I O N

Southern California Water Company (applicant) seeks authority to enter into contracts with Three Valleys Municipal Water District (TVMWD) to lease capacity in the Miramar Treatment Plant (Plant) and its related pipeline for the filtration and transmission of California State Water Project water for use in applicant's Pomona Valley District and to purchase from TVMWD water treated at the Plant.

The application states that it is filed under Public Utilities (PU) Code §§ 701, 816-818, and 851, as the contract documents provide for applicant's financing through a lease agreement of a portion of the filter plant in an amount not to exceed \$6,000,000. Applicant states that because applicant's rental obligations under the lease agreement are unconditional, it believes the lease agreement may constitute a security within the meaning of PU Code § 818 or a guaranty of indebtedness under PU Code § 851. ✓

The application is also filed in accordance with a portion of the opinion in Decision (D.) 92605 dated January 21, 1981 in Application (A.) 59594, infra. |

Applicant is a public utility rendering water service in various areas in the Counties of Contra Costa, Imperial, Lake, Los Angeles, Orange, Riverside, Sacramento, San Bernardino, San Luis Obispo, Santa Barbara, Ventura, and electric service in the vicinity of Big Bear Lake in San Bernardino County.

TVMWD is an independent municipal water district delivering imported water to its customers to supplement their underground water supplies. Originally incorporated as Pomona Valley Municipal Water District (PVMWD) by a vote of the people in 1950, PVMWD was annexed to the Metropolitan Water District of Southern California. The annexation entitled the area to receive water from the Colorado River and, since 1975, from the California State Water Project. The district distributes imported water to utilities within the Pomona, Walnut, and East San Gabriel Valley areas. On May 5, 1981 the district's name was changed to Three Valleys Municipal Water District.

Applicant's Pomona Valley District is a single integrated water system serving almost all the City of Claremont, some adjacent unincorporated areas in Los Angeles County, and a very small section in San Bernardino County in the Cities of Montclair and Upland. The service area is primarily residential with small segments of industrial and commercial use. Of the 9,162 metered customers as of July 31, 1984, approximately 98% were in the commercial classification which consists of residential and business customers. Water is supplied by 25 wells and four connections to facilities of TVMWD. Three of applicant's four connections with TVMWD are on its transmission main served from TVMWD's Fulton Treatment Plant. The City of LaVerne Water Department also takes filtered water from TVMWD's transmission facility.

Applicant states that it is anticipated that in 1987 the input to the Fulton Treatment Plant will be a blend of State Project water and Colorado River water instead of only Colorado River water as at present. The State Department of Health Services requires that State Project water receive full treatment, including flocculation, sedimentation, and filtration, instead of only filtration. Applicant asserts that the continued use by applicant of water from the Fulton Plant would require either applicant or TVMWD to provide additional treatment, with attendant capital and operational costs. Applicant

alleges that those costs, including continuation of extensive energy pumping costs, would be higher to applicant than the costs to it of participating in the proposed Miramar Project, the subject of this application. ✓

In addition to purchasing filtered water from the Fulton transmission facility, applicant also purchases unfiltered Colorado River water from TVMWD at applicant's Margarita facility. Applicant treats this water with chlorine, blends it with well water, and introduces it into its distribution system. The State Department of Health Services has advised applicant that the distribution of unfiltered Colorado River water is in violation of Title 22, Section 64435(f) of California Domestic Water Quality and Monitoring Regulations and has directed applicant to prepare a plan to either filter the water or provide an alternate supply.

TVMWD proposes to construct the Miramar Treatment Plant as a 30-cubic foot per second (CFS) plant to provide full treatment to State Project water. The plant is to be located in the City of Claremont on land owned by TVMWD. A transmission line would transmit the treated water to the distribution facilities of applicant and to the facilities of the City of LaVerne Water Department. Firm capacity of the plant will be available 50% or 15 CFS, each to applicant and the City of LaVerne. Applicant's financial arrangements referred to the application are designed to pay its share of the capital and other costs assigned to its capacity. At times when either applicant or City of LaVerne is not using its full capacity entitlement, the surplus water would be available for sale by TVMWD to its other retail distribution agencies. Electric energy will be generated at the filter plant itself and at other points along the pipeline, which energy TVMWD intends to sell to Southern California Edison Company.

The 15 CFS firm capacity allocated to applicant is sufficient to meet the capacity of its connections to the Fulton

facility and the unfiltered Margarita facility, and as such will meet the demands of the State Department of Health Services with respect to full treatment. The Margarita connection will be discontinued.

Exhibit A to the application is a letter from Engineering Science, TVMWD's consulting engineers, providing further description of the Miramar facility. Exhibit B is a summary of the financial arrangements and contracts which applicant proposes to enter into with TVMWD, City of LaVerne, and appropriate financial agencies. Details of the arrangements are currently under negotiation.

The application refers to dicta in D.92605 dated January 21, 1981, in A.59594, concerning applicant's possible future participation in a capital improvement project to provide more water for PVMWD. The League of Women Voters (League) raised questions in that proceeding about the financial viability of applicant's joining in such a future project. The decision indicated an application (such as this) should be filed, in which the League would be able to pose the issues raised by it in A.59594.

Applicant states that water treated as required by the State Department of Health Services is essential for applicant's service in its Pomona Valley District. Applicant asserts that a treatment facility must be constructed and in operation by the time (estimated as the spring of 1987) that State Project water is introduced into applicant's Pomona Valley system; without such a facility, water service will be seriously curtailed. TVMWD and the City of LaVerne have advised applicant that they believe that if Proposition 36, the Tax Initiative, is passed on November 6 1984 that municipal bonds could not be sold at reasonable rates pending time-consuming court review and clarification of the effects of Proposition 36.

The fixed rate bonds related to TVMWD and City of LaVerne's participation in Miramar are scheduled for sale on October 31 or November 1, 1984. Applicant states that it has been advised by TVMWD that these are the latest dates prior to November 6, 1984 the bonds

may be sold at reasonable rates. Applicant asserts that these bonds cannot be sold unless the requested Commission authorization is received by applicant to participate in the project. Applicant urges that a decision in this matter be issued no later than October 17, 1984 with the effective date of the order being the date issued.

The application was served in accordance with Commission rules. In addition, notice of the filing of the application appeared in the Commission's Daily Calendar of October 2, 1984. The Commission has received letters from the Claremont League of Women Voters, dated September 22, 1984, and from the Mayor of the City of Claremont, dated September 28, 1984 supporting the application. The League's letter thanks applicant and TVMWD for their cooperative efforts to arrive at a cost-effective plan, and states that the League has no issues to bring to hearing in this application. The Mayor's letter states that the City of Claremont recognizes the immediate need for the Miramar plant, and supports applicant's efforts to have the necessary contracts approved prior to November 1, 1984. The Claremont City Council voted unanimously to not oppose the Commission's waiving of public hearing previously agreed to by applicant. The Commission's Evaluation and Compliance Division has reviewed the application and has no objection to its being approved.

Implicit in applicant's request for a decision in this application by October 17, 1984 is a waiver of Rule 8.3 of the Commission's Rules of Practice and Procedure which provides a protest period of 30 days following the date that notice of the filing of an application first appears in the Commission's Daily Calendar. As the urgency of our action by October 17, 1984 is readily apparent and as the principal parties to a prior proceeding in which the issue of construction and financing of the new facilities first arose support the action proposed in this application, the waiver of Rule 8.3 should be granted. Similarly, in order that the order may become effective prior to November 1, 1984, the intended date of sale of the revenue bonds, this order should be effective on date of issuance,

but not earlier than the date that PU Code §§ 1904(b) and 1904.1 fees are paid.

Findings of Fact

1. Applicant has requested authority of Commission to execute agreements for the construction and operation of the Miramar Filter Plant, a sublease agreement for a portion of the Miramar Filter Plant for a period of 30 years or other agreement with respect to reimbursing the bank for drawings under a letter of credit and a letter of credit agreement, as described in the application and amendment.

2. The Miramar Filter Plant is required to provide adequate, safe, and healthy drinking water to customers of applicant's Pomona Valley District.

3. The proposed transactions are for lawful purposes and the money, property, or labor to be obtained are required for these purposes. Proceeds therefrom may not be charged to operating expenses or income.

4. A public hearing is not necessary.

Conclusions of Law

1. The application should be granted.

2. Rule 8.3 of the Commission's Rules of Practice and Procedure should be waived and the order should become effective immediately so that revenue bonds may be sold to public entities participating in Miramar Filter Plant.

O R D E R

IT IS ORDERED that:

1. Southern California Water Company is authorized to execute agreements for the construction and operation of the Miramar Filter Plant, a sublease agreement for a portion of the Miramar Treatment Plant for a period of 30 years, and a letter of credit agreement, all substantially as proposed in the application.

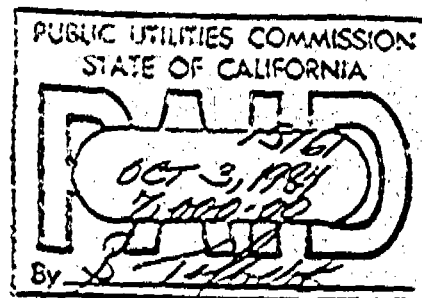
2. The provisions of Rule 8.3 of the Commission's Rules of Practice and Procedure are waived.

3. The authority granted herein shall become effective upon payment of fees prescribed by Public Utilities Code §§ 1904(b) and 1904.1, which are \$7,000.

This order is effective today.

Dated OCT 17 1984, at San Francisco, California.

VICTOR CALVO  
PRISCILLA C. CREW  
DONALD VIAL  
WILLIAM T. BAGLEY  
Commissioners



I CERTIFY THAT THIS ORDER  
WAS APPROVED BY THE  
COMMISSIONERS TO

- 7 Joseph E. Bodovitz, Executive Director

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