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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Investigation on the Commission's)
own motion into the proposed transfer)
of water pumping rights by Park)
Water Company to the City of Bell)
Gardens.)

FILED
PUBLIC UTILITIES COMMISSION
MARCH 22, 1991
SAN FRANCISCO OFFICE
I.91-03-046

ORDER INSTITUTING INVESTIGATION

Park Water Company ("Park") is a California corporation with its principal office and place of business located at 9750 Washburn Road, Downey, California 90241. Park is engaged in the operation of a public utility water system in the southeastern and northeastern sections of Los Angeles County.

The City of Bell Gardens, a municipal corporation organized and existing under the laws of the State of California, is situated in Los Angeles County. The City of Bell Gardens has its principal office and place of business at 7100 Garfield Avenue, Bell Gardens, California 90201.

On October 8, 1990, the City Council of the City of Bell Gardens passed a resolution authorizing the acquisition by eminent domain of a water distribution and supply system located in the city limits but owned by Park Water Company. On October 9, 1990, Park Water Company and the City of Bell Gardens applied to the Commission for authorization of a Water System Acquisition Agreement.

By the terms of the Agreement, Park Water Company would sell to the City of Bell Gardens all of its lands, property and rights within the city limits including water pumping rights to all of its 1,920 acre foot annual allotment. In return, the City of Bell Gardens would pay Park Water Company \$3,809,000 and assume the responsibility of providing water service to those Park Water Company customers in the City of Bell Gardens. Park would continue to be responsible for providing water service to its remaining customers in the Central Basin area. This Agreement, according to the Application, was reached "under

threat of eminent domain proceedings, in order to avoid further litigation and the costs thereof."

The Water Utilities Branch protested the request made in the Application because of concern about Park's potential loss of all of its water pumping allotment, and asked that a pre-hearing conference be set in the matter. The Protest was filed February 1, 1991. On February 8, 1991, the City of Bell Gardens filed a Complaint in Eminent Domain in superior court in Los Angeles. No dates have been set for that hearing.

On February 15, 1991, an Evidentiary hearing before Judge Jarvis was calendared for April 23, 1991. Also on February 15, 1991, a Response to the Protest was filed on behalf of Park Water Company. In that Response, Park Water Company's attorneys asserted that the issues raised by Staff were:

"moot as a result of the commencement by the City of Bell Gardens of formal eminent domain proceedings to acquire this water system. The City has informed Park that it no longer intends to acquire the water system pursuant to the Agreement and therefor intends to withdraw its Application for Commission approval."

Discussion

From the Application, the Response to the Protest and information obtained by Staff, it appears that:

1. Park Water Company now owns the pumping rights to 1,920 acre feet of water annually and provides water service to approximately 27,977 customers.
2. If the proposed sale is approved, Park will give up all of its pumping rights to the City of Bell Gardens, while the City will assume service to only 1,443 Park Water Company customers.
3. The 1,920 acre feet of pumped water makes up approximately 12% of all water sold to Park's Central Basin customers.

4. Once Park Water Company has sold all of its pumping rights, it proposes to furnish water service to its remaining customers with purchased water only.
5. Notice of the proposed sale has been provided only to those customers of Park located within the City of Bell Gardens.
6. Park Water Company intends to allocate the gain from the sale of the pumping rights, if the transfer is approved, to its shareholders.

We are concerned that Park is relinquishing pumping rights, which have been dedicated to the provision of public utility service, without full appreciation that those rights may have steadily increasing value to its remaining Central Basin ratepayers. Water, notwithstanding the current drought year, is becoming an increasingly sought after commodity in Southern California. The pivotal question becomes: Why should Park's customers have to rely on 100% purchased water while the municipal's district gets the potentially firmer source (the pumping rights)? The water rights are dedicated to Park's customers, and why should that utility purpose be subservient to the City of Bell Gardens? Finally, if it is prudent for the pumping rights to be sold to the City of Bell Gardens, Park should show cause why the gain from the sale of the pumping rights should not accrue to offset the cost of service to be borne by the remaining Central Basin customers.

We do not wish to delay the transfer of the distribution facilities to the City of Bell Gardens; that transfer could proceed. Our concern is with pumping rights being transferred which are in excess of what is now being used to serve the 1,443 customer connections being transferred, and the potential for adverse impact on remaining ratepayers. In order to ensure that affected communities are notified and have an opportunity to participate on the issue, we will order our

Executive Director to serve a copy of this order on the mayor and city manager of each of the cities served by the Central Basin District.

THEREFORE, for good cause,

IT IS ORDERED that an investigation on the Commission's own motion is instituted into the effects of the proposed transfer by respondent Park Water Company of all of its water pumping rights on its remaining Central Basin customers, and the proper disposition of the proceeds of that transfer. This investigation may be consolidated with A.90-10-031. A public hearing on this matter shall be held on April 23, 1991 before Administrative Law Judge Jarvis at 10:00 a.m. in the Commission's Courtroom at 107 South Broadway, Los Angeles. Respondent shall have the burden of showing that the transfer of the water pumping rights will not, over the long term, adversely impact Park's remaining Central Basin customers. Park Water Company shall also have the burden of showing cause why the gain from any sale of the water pumping rights should not be applied to reduce the cost of service to the remaining Central Basin ratepayers.

The Executive Director shall cause a certified copy of this order to be served by registered mail on the respondent, Park Water Company. Also, the Executive Director shall send a copy of this order by certified mail on the mayor and city manager in each city served by the Park's Central Basin District as listed in attached Appendix A.

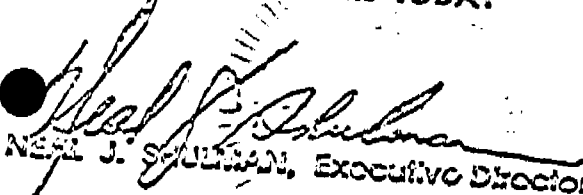
This order is effective today.

Dated March 22, 1991, at San Francisco, California.

PATRICIA M. ECKERT
President
G. MITCHELL WILK
JOHN B. OHANIAN
NORMAN D. SHUMWAY
Commissioners

Commissioner Daniel Wm. Fessler,
being necessarily absent, did
not participate

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


NEAL J. SULLIVAN, Executive Director

APPENDIX A

1. The Honorable Randy Bomgaars
16600 Civic Center Drive
Bellflower, CA 90706
2. Mr. Jack A. Simpson
City Manager
16600 Civic Center Drive
Bellflower, CA 90706
3. Mr. Maxcy Filer
Mayor Pro Tem.
205 S. Willowbrook Avenue
Compton, CA 90220
4. Mr. Howard Caldwell
City Manager
205 S. Willowbrook Avenue
Compton, CA 90220
5. The Honorable Luigi Vernola
12700 Norwalk Blvd.
Norwalk, CA 90650
6. Mr. Richard Powers
12700 Norwalk Blvd.
Norwalk, CA 90650
7. Mr. Richard B. Dixon
Administrator
Los Angeles County
500 w. Temple
Los Angeles, CA 90012

(END OF ATTACHMENT A)