

WATER/FLC/ABJ/LTR:jj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION
Water Advisory Branch

RESOLUTION NO. W- 4148
May 13, 1999

RESOLUTION

**(RES. W- 4148), ALISAL WATER CORPORATION (AWC). ORDER
AUTHORIZING ACQUISITION OF THE NEW MOSS LANDING
HEIGHTS WATER ASSOCIATION WATER SYSTEM.**

SUMMARY

AWC, by Advice Letter No. 77, filed December 24, 1998, requested authority to acquire the Moss Landing Heights Mutual Water System (Mutual), to extend its service area to include the Mutual, to upgrade the Mutual to meet current American Water Works Association (AWWA) standards, and to recover, through a 3-stage offset rate increase, the associated upgrading costs estimated at \$91,900. This resolution grants those requests.

BACKGROUND

AWC presently provides water service to approximately 118 customers in Moss Landing, which is situated approximately 12 miles west of AWC's major service area and four miles due west of three of its satellite systems in the Prunedale area of Monterey County. The water supply for the Moss Landing area is obtained from a 12-inch well, located on Dolan Road, roughly three miles from Highway 1. Additional water is available from a well owned by the National Refractories Corporation and is available pursuant to a mutual benefit lease agreement between AWC and the National Refractories Corporation.

Approximately 53 of the customers are served through a water distribution system owned and operated by AWC (formerly known as the Moss Landing Harbor District, now referred to as AWC's Moss Landing Division). The remaining 65 customers are served by a water distribution system owned by the Mutual and operated by AWC. Although the Mutual is being served water from AWC's Moss Landing Division, the Mutual is not currently within the certificated service area of AWC's Moss Landing

Division.

The Mutual's water system facilities were originally installed in 1947. Water mains consist mostly of 1", 2", 3", and 5" galvanized steel pipe, with fire flow provided by four 4" wharf hydrants.

Prior to 1965, the Mutual obtained water from its own well. However, because of saltwater intrusion into the well, the Mutual petitioned the Moss Landing Harbor District (Harbor District) for water service. A service agreement was reached between the Mutual and the Harbor District which provided for the Mutual to receive water from the Harbor District through a master meter connected to the Mutual's existing mains. This agreement was renewable on an unspecified periodic basis. Subsequent to the service agreement, the Mutual installed meters for each of its members and made arrangements with the Harbor District so that the Harbor District would read the individual meters and bill the Mutual members individually.

Decision (D.) 90-07-057, dated July 18, 1990, authorized AWC to acquire and to operate the Harbor District's water system. AWC was also encouraged to pursue acquiring the Mutual water system and was encouraged to obtain the necessary funds to bring the Mutual system up to AWWA standards. AWC did not propose to obtain title to the Mutual system or to assume any responsibility for repairs or maintenance to the Mutual system. AWC was to handle routine maintenance and repair costs as operating expenses and was to charge the Mutual's customers the same rate that AWC was charging the Moss Landing Division customers.

Res. W-4046, dated June 25, 1997, which granted AWC a general rate increase in its Moss Landing Division, discussed the issue of AWC acquiring the Mutual. AWC indicated, that should it acquire the Mutual, it would defer \$30,000 in funds allocated for the Supervisory Control and Data Acquisition (SCADA) to the needed repairs.

Since 1990 when AWC began serving customers of the Mutual, the Mutual became defunct and stopped performing its functions as prescribed under State Law. In 1998, the members of the Mutual were able to reform as the New Moss Landing Heights Water Association (Heights Association) in order to facilitate the transfer of the system to AWC. On September 18, 1998, attorneys for the Heights Association presented AWC with an agreement and petition signed by 52 of the 65 Heights Association members requesting that AWC accept ownership of the Mutual/Heights Association (Heights) water system. This agreement provided for AWC to purchase the Heights water system for \$1.00 on an as-is basis and to treat the plant as contributed plant. Included in the agreement and petition was the provision for system upgrades and rate increases.

DISCUSSION

AWC has been providing service, including meter reading, billing, and routine maintenance and repairs, to the Heights area since 1990, in accordance with D.90-07-057. AWC has been treating the Heights area as if it were part of its own system without having the benefit of ownership.

It was not until 1998 that the Heights Association was able to reform and enter into an acquisition agreement with AWC. This acquisition was highly recommended in D.90-07-057.

The Branch has examined the history of the Heights system and concurs with the recommendations of the Commission in Res. W-4046 and D.90-07-057 that AWC acquire the Heights water system.

AWC estimates that it will spend up to \$91,900 to upgrade the Heights system facilities. AWC has estimated the upgrade to take place in three phases, over a period of three years.

Phase 1 will include the most urgently needed upgrades and will be financed by transferring \$30,000 presently allocated to the installation of a SCADA system at Moss Landing. The possibility of Phase 1 occurring had been previously discussed in Res. W-4046. No rate increase has been estimated for Phase 1.

Phase 2 will include approximately \$30,000 in additional upgrades and will occur in the 12 months following the completion of Phase 1. AWC has estimated that it will be seeking a rate base offset of approximately \$4.50 per customer per month in the Moss Landing area.

Phase 3 will also include approximately \$30,000 in additional upgrades and will occur in the 12 months following the completion of Phase 2. AWC has estimated that it will be seeking a rate base offset of approximately \$4.50 per customer per month in the Moss Landing area.

AWC has discussed the proposed improvements with the local fire chief of the North County Fire Protection District and has found him to be in agreement with AWC regarding the need for these upgrades.

A member of the Water Advisory Branch (Branch) toured the Heights water system on February 11 and noted that the visible portions of the system were in extremely poor condition. Branch notes that for domestic water service purposes and for adequate fire flow, immediate replacement of facilities in the Heights system is urgently needed. In

view of this, the Branch recommends that AWC make the proposed improvements and be authorized to file an advice letter rate increase request to offset costs associated with the improvements once they have been completed and in service.

NOTICE AND PROTESTS

A notice of the acquisition and the proposed rate increase for each phase was mailed to each individual customer in the Moss Landing area on March 15, 1999.

The Branch received one letter as a result of the mailing. The letter sought clarification on the current billed amount, but did not state any opposition to the acquisition or the proposed rate increase.

The Consumer Affairs Branch has received nine complaints against AWC over the last 12 months. Six complaints were for billing, two for service, and one for miscellaneous. None of these complaints were from the Moss Landing area.

AWC is up to date in its Year 2000 filings.

FINDINGS AND CONCLUSIONS

THE COMMISSION FINDS, after investigation by the Water Advisory Branch, that the acquisition of additional service area and system upgrades as proposed in AWC's Advice Letter No. 77 is justified and is hereby authorized.

IT IS ORDERED that:

1. Alisal Water Corporation is authorized to acquire, through purchase, the water system of the Moss Landing Heights Mutual Water Association. AWC shall treat the water system as contributed plant for rate-making purposes.
2. Alisal Water Corporation is authorized to file an advice letter revising its system map to include the Heights service area acquisition.
3. Alisal Water Corporation is authorized to perform the needed upgrades to bring the Heights service area into compliance with AWWA standards.

4. Alisal Water Corporation is authorized to file an advice letter rate increase request to offset the costs associated with the system upgrades once the improvements are in service and in accordance with the Phases indicated in this resolution.
5. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on May 13, 1999. The following Commissioners approved it:



WESLEY M. FRANKLIN
Executive Director

RICHARD A. BILAS
President

HENRY M. DUQUE

JOSIAH L. NEEPER

Commissioners