

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



June 20, 2006

Draft Resolution W-4607
Agenda ID #5762

TO: Parties to California Water Service Company's Advice Letter No. 1744

This is the draft Resolution of the Water Division. This draft Resolution will not appear on the Commission's agenda for at least 30 days after the date it is mailed. The Commission may act then, or it may postpone action until later.

When the Commission acts on a draft Resolution, it may adopt all or part of it as written, amend or modify it, or set it aside and prepare a different Resolution. Only when the Commission acts does the Resolution become binding on the parties.

Parties may submit comments on the draft Resolution. An original and two copies of the comments, with a certificate of service, should be submitted to:

Fred L. Curry
Water Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Fax: 415-703-4426

Any comments on the draft Resolution must be received by the Water Division by July 10, 2006. Those submitting comments must serve a copy of their comments on 1) the service list attached to the draft Resolution, 2) all Commissioners, and 3) the Director of the Water Division, on the same date that the comments are submitted to the Water Division.

Comments shall be limited to five pages in length plus a subject index listing the recommended changes to the draft Resolution, a table of authorities and an appendix setting forth the proposed findings and ordering paragraphs.

Comments shall focus on factual, legal or technical errors in the draft Resolution. Comments that merely reargue positions taken in the advice letter or protests will be accorded no weight and are not to be submitted.

Late submitted comments will not be considered.

/s/ FRED L. CURRY

FRED L. CURRY, Chief
Water Division

Enclosures: Draft Resolution W-4607
Certificate of Service
Service List

WATER/FLC:jrb

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION NO. W-4607

July 20, 2006

R E S O L U T I O N

**(RES. W-4607), AFFIRMS THE REJECTION OF CALIFORNIA
WATER SERVICE COMPANY'S (Cal Water) ADVICE LETTER
NO. 1744, REQUEST TO AMEND ITS SERVICE AREA MAPS**

SUMMARY

This Resolution affirms on review the rejection of Cal Water's Advice Letter (AL) No. 1744.

BACKGROUND

Ritter Ranch is a proposed residential development project of approximately 7,200 homes on 5,000 acres in the City of Palmdale. Palmdale Hills Property, LLC (Palmdale Hills), is the current developer. By AL No. 1744, filed September 13, 2005, Cal Water proposed to add this development to its Leona Valley Division by contiguous extension into an area not presently served by a public utility of like character. (As of 2004, Cal Water served approximately 409 customers in its Leona Valley Division.)

AL No. 1744 did not include the required Water Supply Questionnaire (WSQ). The WSQ allows Staff to determine if there is sufficient water supply and fire flow for any existing customers and the proposed development. Water Division suspended the advice letter twice (on October 7, 2005 and on January 1, 2006) to allow Cal Water more time to complete the WSQ. Because AL 1744 was incomplete, Water Division could have rejected it without prejudice, but because no protests had been filed, Water Division believed that ministerial resolution of the matter might prove possible.

On January 26, 2006, Los Angeles County Mayor Michael D. Antonovich sent a letter to the Commission opposing AL 1744 on a number of grounds. Among

other things, the letter contends that Cal Water failed to notify Los Angeles County Waterworks District 40 (District) of its intention to expand into territory within District's boundaries. The Board of Supervisors of Los Angeles County is the governing body which oversees District.

On April 13, 2006 District filed a formal complaint (Case (C).06-04-005) alleging that AL 1744 should be rejected. Among other things, the complaint contends that Cal Water has not established that it has rights to sufficient water to serve Ritter Ranch and points to litigation pending in several courts, including consolidated actions to adjudicate the groundwater basin. On May 12, 2006, Administrative Law Judge (ALJ) Jean Vieth held a prehearing conference on the complaint and preliminarily determined that the dispute over which entity was ready, willing and able to serve Ritter Ranch needed to be adjudicated.

On May 31, 2006, Water Branch rejected AL No. 1744 on the grounds that the advice letter lacked adequate water supply information. In its rejection letter, Water Branch deemed the matter best resolved by Cal Water filing a formal application, which would allow the Commission to look into the facts and render a fully informed decision, thereby avoiding any future complications.

As authorized by General Order (GO) 96-B, Rule 5.1 "Review of Industry Division Disposition" (see Decision (D.) 05-01-032), Cal Water filed a Request for Commission Review on June 12, 2006, as did Palmdale Hills. This resolution disposes of both Requests.

In its Request, Cal Water characterizes the rejection of AL No. 1744 as "unlawful and erroneous". (Cal Water Request, p.1.) Cal Water essentially makes two arguments. Procedurally, Cal Water points out that no protest has been filed. Substantively, Cal Water argues that (1) no factual dispute really exists since at present there are no restrictions on pumping groundwater, which Cal Water has designated as the primary, proposed supply to Ritter Ranch in its amended WSQ, and (2) moreover, District has admitted that it also would use groundwater to serve Ritter Ranch, were it to serve the development. Therefore, according to Cal Water, the Commission has no need to question the completeness of the WSQ but should order Water Division to approve the advice letter on a ministerial basis

Palmdale Hills argues that rejection of the advice letter will "work serious harm on Palmdale Hills and [Cal Water] but, more importantly, upon the Commission

itself.” (Palmdale Hills Request, p. 1.) Palmdale Hills goes on to make a number of other arguments: (1) while, in fact, an adequate supply of water exists, any question of adequacy is beyond the Commission’s jurisdiction as a matter of law, since water supply rights are being adjudicated by the courts (both the respective rights of Cal Water and District pursuant to a 1992 agreement executed by their predecessors and the consolidated complaints for adjudication of the groundwater basin filed in 2004); (2) Public Utilities Code § 1001 requires the Commission to approve all utility requests for service territory extensions into contiguous areas; (3) AL 1744 was properly served but no protests were filed; and (4) District’s complaint should not be permitted to derail an advice letter that properly should be reviewed and approved on a ministerial basis.

NOTICE AND PROTESTS

AL No. 1744 was filed September 13, 2005. Notice was provided to the standard service list and District does not appear on the list. Cal Water claims that it corrected the oversight one week later by mailing a copy of AL 1744 to Supervisor Gloria Molina, the Chair of the Board of Supervisors of Los Angeles County. District contends that it has not been lawfully served.

DISCUSSION

Division level advice letter review occurs by delegation from the Commission. D.05-01-032 sets out the most current version of the rules governing advice letter review. While these rules, referred to as GO 96-B, include procedural modifications of GO 96-A intended to clarify and streamline the review process, the fundamental limits on Commission delegation to staff are not new. D.05-01-032 reiterates several points critical to our determination here:

- Advice letters never involve evidentiary hearings. (Findings of Fact 1.)
- Advice letters, being informal, are generally ill-suited to resolving material factual issues; further, the interpretation of a statute or Commission order may require consideration by the Commission itself. (Findings of Fact 7.)
- The reviewing Industry Division may approve or reject any advice letter for which the approval or rejection would be a “ministerial” act, as that term is used in D.02-02-049. (Conclusions of Law 1.)

The Water Division's ministerial rejection of AL 1744 describes a material factual issue critical to any determination of whether Cal Water has the water supply essential to serve Ritter Ranch:

Normally, a contiguous service area extension does not require Commission approval (per Public Utilities Code Section 1001) and this tariff change would be ministerial. Unfortunately it is clear from the information provided by you, the Los Angeles County Waterworks District No. 40 and Palmdale Hills, LLC. at the prehearing conference for Complaint (C.) 06-04-005, May 12, 2006, that the issue of an adequate supply of water to serve the Ritter Ranch development has not been resolved.

Initially you asserted that water would be supplied by the Antelope Valley East Kern water district. When that supply proved to be only a secondary source, the Water Supply Questionnaire was modified to identify groundwater as the source. In the prehearing conference it was revealed that the groundwater basin is overdrafted and will be adjudicated. Until the water supply issue is resolved, we cannot process your advice letter or provide Department of Real Estate with an approval letter. (Letter from Fred L. Curry, Chief Water Branch, Water Division to Thomas F. Smegal, Manager of Rates, Cal Water, May 31, 2006)

The Water Division has correctly declined to attempt to determine the respective water rights of Cal Water and District under the complex litigation pending in the courts (e.g. their rights pursuant to a 1992 agreement executed by their predecessors in interest and the more recent, 2004 adjudication of the groundwater basin). This factual uncertainty, alone, is grounds for determination that AL 1744 is ineligible for ministerial disposition.

However, Water Division also could have rejected AL 1744 on the basis that District's challenge to Cal Water's right to serve Ritter Ranch presents a service territory contest which requires a hearing. (See, for example, *Ventura County Waterworks Dist, No. 5 v PUC*, 61 Cal. 2d 462, 466.) Cal Water, itself, recently has requested that the Commission hold hearings on another public utility's request to expand its territory (Request for Commission Review of Disposition of Alco Water Service's Advice Letter No. 107, filed May 4, 2006). While the issues and parties in the Alco matter are not entirely parallel with those here, the notion that

service territory extension requests are ministerial as a matter of law borders on the frivolous.

We confirm the Water Division's ministerial rejection of AL 1744. If Cal Water desires to pursue this service territory extension, it may file an application for that authority.

COMMENTS

Public Utilities Code Section 311(g) (1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, the draft resolution was mailed to parties for comments on June 20, 2006, with comments due on July 10, 2006.

FINDINGS

1. Cal Water filed AL No. 1744 on September 13, 2006 to replace an existing service area map with a new service area map showing a contiguous extension.
2. On April 13, 2006 District filed a formal complaint (C.06-04-005, Commissioner Brown) alleging that AL 1744 should be rejected because among other things, Cal Water has not established that it has rights to sufficient water to serve Ritter Ranch.
3. On May 12, 2006 ALJ Jean Vieth held a prehearing conference on the complaint and preliminarily determined that the dispute over which entity was ready, willing and able to serve Ritter Ranch needed to be adjudicated.
4. Water Division staff rejected the AL ministerially on May 31, 2006.
5. Cal Water sent a Request for Commission Review of an Industry Division Deposition on June 12, 2006.

6. Palmdale Hills sent a Request for Commission Review of an Industry Division Deposition on June 12, 2006.
7. The concerns expressed in the Cal Water and Palmdale Hills Requests do not constitute justification for modification of the Industry Division disposition of Cal Water's Advice Letter No. 1744.

THEREFORE IT IS ORDERED THAT:

1. Water Branch's rejection of Cal Water's Advice Letter No. 1744 is affirmed.
2. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on July 20, 2006; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a copy of Draft Resolution No. W-4607 on all parties in this filing or their attorneys as shown on the attached list.

Dated June 20, 2006, at San Francisco, California.

/s/ JOSIE R. BABARAN

Josie R. Babaran

NOTICE

Parties should notify the Water Division, Public Utilities Commission,
505 Van Ness Avenue, Room 3106, San Francisco, CA 94102,
of any change of address to insure that they continue to receive documents.
You must indicate the Resolution number on the service list on which your name
appears.

**SERVICE LIST
DRAFT RESOLUTION W-4607**

Lynne P. Mcghee
Attorney At Law
CALIFORNIA WATER SERVICE COMPANY
1720 NORTH FIRST STREET
SAN JOSE CA 95112

Sarah E. Leeper
Attorney At Law
STEEFEL, LEVITT & WEISS
ONE EMBARCADERO CENTER
30TH FLOOR
SAN FRANCISCO CA 94111

Francis S. Ferraro
Vice President
CALIFORNIA WATER SERVICE COMPANY
1720 NORTH FIRST STREET
SAN JOSE CA 95112-4598

Gloria Molina, Supervisor
Los Angeles County Water District
856 Kenneth Hahn Hall of Administration
500 West Temple Street
LOS ANGELES CA 90012

Thomas F. Smegal
Manager of Rates
California Water Service Co.
1720 North First Street
SAN JOSE CA 95112

David A. Ebershoff, Attorney-at-Law
Fulbright & Jaworski, LLP
865 S. Figueroa Street, Suite 2900
LOS ANGELES CA 90017

James D. Squeri
Attorney At Law
GOODIN MACBRIDE SQUERI RITCHIE &
DAY LLP
505 SANSOME STREET, SUITE 900
SAN FRANCISCO CA 94111

Mark Fogelman
Attorney At Law
STEEFEL, LEVITT & WEISS, P.C.
ONE EMBARCADERO CENTER
30TH FLOOR
SAN FRANCISCO CA 94111

Dean Efstathiou
Assistant Director
DEPARTMENT OF PUBLIC WORKS
900 SO. FREMONT AVENUE, 12TH FLOOR
ALHAMBRA CA 91803-1331

Sharon Runner
Vice Chair, Assembly Appropriation Committee
Sacramento Office, State Capitol
PO Box 942849
SACRAMENTO CA 94249-0036

Joseph S. Lucido, President
Leona Valley Cherry Growers Association
26201 Tuolumne St.
MOJAVE CA 93501

Paul Sloane, President
Leona Valley Town Council
PO Box 2795
LEONA VALLEY CA 93551

Frederick Pfaeffle
OFFICE OF LOS ANGELES COUNTY
COUNSEL
500 WEST TEMPLE STREET
LOS ANGELES CA 90012

Jean Vieth
Administrative Law Judge Division
RM. 5010
505 VAN NESS AVE
SAN FRANCISCO CA 94102

Steven R. Orr
RICHARDS, WATSON & GERSHON
355 SOUTH GRAND AVENUE, 40TH FLOOR
LOS ANGELES CA 90071-3101

Senator George Runner
Republic Caucus Chair
Sacramento Office, State Capitol
SACRAMENTO CA 95814

Roger Berger
40240 95th Street
LEONA VALLEY CA 93551-7322

Jack L. Chacanaca
Leona Valley Cherry Growers Association
26201 Tuolumne St.
MOJAVE CA 93501