

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation into the water and service quality of Alco Water Company (Alco).

Respondent

FILED
PUBLIC UTILITIES COMMISSOIN
JUNE 21, 2007
SAN FRANCISCO OFFICE
I.07-06-020

ORDER INSTITUTING INVESTIGATION AND NOTICE OF OPPORTUNITY FOR HEARING WHY RESPONDENTS SHOULD BE ALLOWED TO SERVE ADDITIONAL CUSTOMERS; ADJUDGE ALLEGATIONS OF PAST, CONTINUING AND/OR NEW VIOLATIONS OF WATER AND SERVICE QUALITY STANDARDS

I. SUMMARY

In this Order Instituting Investigation and Notice of Opportunity for Hearings, the Commission will hold an evidentiary hearing, pursuant to Resolution W-4630, to determine;

1. Whether Alco Water Company (Alco), Respondent, is competent to serve and capable of serving additional water customers in the City of Salinas and whether such service is in the best interests of the public.
2. Whether Alco has violated any order, law, regulation, or standard regarding its water and service quality.
3. Whether any fines or penalties should be imposed on Alco for failure to comply with Commission orders, resolutions, or other directions of the Commission or whether other remedies are needed to ensure that service is in the public interest.

II. BACKGROUND

Alco is a water utility regulated by this Commission (Utility Identification Code WTB-206). Alco was originally certificated as Adcock Water Company by Decision (D.)27608, December 22, 1934. The Adcock Water Company was transferred to Alisal Water Corporation by D.48115, January 6, 1953 and began doing business as Alco Water Company.

On January 11, 1966, by D.70197, the Commission determined that Alco should serve the Laurel Heights subdivision that California Water Service Company (CalWater) also applied to serve. In that decision, both water systems were described as “well managed, ...attentive to the needs of their customers, have the confidence of the public and respond to regulation.” The Commission determined that Alco should be allowed to serve the new subdivision “primarily, ...because of its lesser costs and lower rates and secondarily because greater benefit will redound to the public by the improved services of its overall system which will result from integration of the Laurel Heights segment into the rest of the system.” The Commission determined that “Alisal’s existing system, on occasion, has problems concerning quantity and pressure of water in the vicinity of its main in East Laurel Drive and Sanborn Road. If it serves the Laurel Heights subdivision, ...these problems will be eliminated.”

In 1966 CalWater filed an advice letter to serve the Salinas Airport, an area already included in Alco’s service territory. The Commission suspended the filing and opened two Orders of Investigation and Suspension (Case No. 8360 and Case No. 8433). The airport was owned by the City of Salinas (the City). Over time the City let the water system deteriorate to the point that the City asked for bids to replace the system. Although Alco’s bid was lower, the City awarded the system to CalWater. In D.71760, December 27, 1966, the Commission defined the then-existing service areas of both water utilities.

On March 23, 2006, pursuant to Advice Letter (AL) 107, Alco filed new service area maps delimiting its Salinas District. The new area was contiguous to its existing service area and not presently served by a public utility of like character as defined in Section I.E. of General Order 96-A (GO 96-A) and Public Utilities Code Section 1001.

Copies of AL 107 were sent on March 22, 2006 to the City, the Local Area Formation Commission, (LAFCO), of Monterey County, and Cal Water. On April 6, 2006, Cal Water filed a protest to AL 107. The protest requested that AL 107 be rejected as premature because Alco had not been asked to provide service to the area. The protest

also asserted that AL 107 erred in interpreting D.71760, and that AL 107 failed to meet the criteria that the Commission uses to determine who should serve disputed areas, per D.91-02-039.

On April 19, 2006, the City filed an untimely protest, claiming that it had not received a copy of AL 107. Staff accepted the City's protest. Similar to CalWater, the City stated that Alco's extension request was premature. The City stated that property owners, development interests, and the City needed to be an integral part of the determination of which water service providers can best meet the community's needs. The City also questioned Alco's ability to serve water based on a 1990 lawsuit with a developer and 1997 federal court judgment requiring Alco to divest itself of all small systems that it owned and to make certain system improvements to its Salinas system. The City's objection to Alco's service area extension filing was also based on complaints and/or inquiries regarding Alco's prior overcharges for residential services with fire sprinklers. Additionally, the City asserted that AL 107 may be a violation of D.71760.

Both protests were effectively rejected by the Water Division (WD) when it accepted AL 107 on April 25, 2006.

On May 3, 2006, CalWater filed a Request for Full Commission Review of the Disposition of Alco's AL 107, as authorized by G.O. 96-B, Rule 5.1 "Review of Industry Division Disposition" (See D.05-01-032). By Resolution W-4630, April 12, 2007, the Commission affirmed the disposition of AL 107, but ordered staff to prepare an Order Instituting Investigation to determine if Alco was qualified to serve customers in the new area and examine its water and service quality.¹

The City and County of Monterey have jointly formed the Alco Water Service Subcommittee. Its purpose is to review and gather information concerning current service issues in Salinas. The "Transcript" references in Attachment A referred to the transcript take up the April 16, 2007 meeting of this sub-committee. The Commission invites this Subcommittee and the California Department of Health Services

¹ In resolution W-4630, we approved Alco's construction of a water tank and extension of service to three properties in its filed service maps under Advice Letter 107, but noted that Alco shall not provide service to additional customers in its filed service area without Commission approval.

to tender a response to the issues addressed in the Preliminary Scoping Memo and the interrogatories detailed in Attachment A and/or participate in this investigation as a party to the proceeding.

Furthermore, on April 10, 2007 CalWater filed an application for authorization to extend its territory to serve the future growth area in the City of Salinas. (See A.07-04-010.) The area into which CalWater request authorization to extend its service territory is the same at area that was at issue in AL 107. This OII may be coordinated or consolidated with other pending proceedings concerning water service to the City of Salinas future growth area.

III. PRELIMINARY SCOPING MEMO

Rule 7.1(c) of the Commission Rules of Practice and Procedure² provides that an order instituting an investigation (OII) “shall attach a preliminary scoping memo” and that the assigned Commissioner shall rule on the scoping memo after the pre-hearing conference (PHC) if one is held.

This investigation will examine whether Alco Water Company is capable of providing safe and adequate water at adequate pressure to the potential customers in its new service territory. The investigation will also examine any continuing violations of any order, law, regulation, or standard regarding its water and service quality. Whether any fines or penalties should be imposed on Respondents for failing to comply with Commission orders, resolutions, or other directions of the Commission is also the subject of this investigation.

The scope of this proceeding shall include, but will not be limited to, the following areas and issues:

A. Does Alco provide water of adequate quality?

- Is Alco competent to provide adequate quality water in the future?
- Some customers of Alco have complained about the quality of water provided by the company, including complaints of chlorine smell, obnoxious odors, hardness,

² All citations to Rules refer to the Commission Rules of Practice and Procedure, which are codified at Chapter 1, Division 1 of Title 20 of the California Code of Regulations.

and particulates in the water, turbidity, discoloration, skin rashes, headaches and hair falling out. Is Alco responsible for these complaints, if true?

- Does Alco have an adequate supply of water and the accompanying facilities to serve new and existing customers?

B. Does Alco Have An Adequate Supply of Water and The Accompanying Facilities to Serve New And Existing Customers?

- Some customers have complained about low pressure, no water, inability to shower at certain times of the day, limits on use of facilities on the second floor of buildings and not enough pressure to run sprinklers. Is Alco responsible for these complaints, if true?
- Does Alco Water Company have adequate fire flow to provide service to its existing customers and new customers?

C. Does Alco Water Company Supply Adequate Service To Its Existing Customers?

- Some customers have complained about non-responsiveness on the part of the company, questionable meter readings, improper billing and lack of facility maintenance. Is Alco responsible for these complaints, if true?

If Alco is responsible for any of these conditions, has Alco violated any order, law, regulation or standard regarding its water service quality? If violations have occurred, what remedy should be imposed?

We direct Alco and invite parties to file a Prehearing Conference Statement in which parties may state objections to the Order regarding the need for hearings and the proposed schedule, as well as make recommendations for issues to be included in the proceedings scope. Furthermore, we direct Alco to tender its response to the issues identified above and to the interrogatories detailed in Attachment A. We direct the Water Division to review Alco's response and serve prepared testimony on the issues identified and to recommend remedies, fines, and/or penalties. We invite parties and Alco to serve prepared response testimony on the issues addressed in the Water Division's testimony. We further direct the Water Division to serve prepared rebuttal testimony following the submittal of Alco's and parties' responsive testimony.

IV. CATEGORY OF PROCEEDING

Rule 7.1(c) provides that an OII “shall determine the category and need for hearing.” This investigation is categorized as an adjudicatory proceeding, as that term is defined in Rule 1.3(a). It is expected to require a hearing. This order, only as to category, is appealable no later than 10 days after the date of this order, under the provisions of Rule 7.6.

V. SCHEDULE

Within 20 days of the date this Order is issued, Alco is directed and other parties are invited to file a Prehearing Conference statement. Alco is directed to tender its response to the issues and interrogatories of this proceeding as proposed in the preliminary scoping memo and Attachment A within 60 days of issuance of this investigation. A PHC will be scheduled shortly after Alco’s response has been tendered. We expect that the Assigned Commissioner may refine the issues to be addressed when ruling on the final scoping memo. The Assigned Commissioner and ALJ may also coordinate or consolidate this OII with other pending proceedings concerning water service to the City of Salinas future growth area. Our goal is to accelerate review of these matters, so that implementation of the changes we identify can begin in 2007.

Prehearing Conference Statements Due	July 11, 2007
Alco tenders response to issues identified in the Preliminary Scoping Memo and Attachment A due	August 20, 2007
Prehearing Conference	To be scheduled by the ALJ
Commission Decision issued	To be determined in the final scoping memo

VI. PARTIES AND SERVICE LIST

In this investigation we may adopt principles that bear on the service quality standards of all regulated water companies.

The service list for this proceeding includes all water companies regulated by the Commission, since the results of this proceeding could set service quality standards that affect these systems.

VII. EX PARTE COMMUNICATIONS

This proceeding is subject to Pub. Util. Code § 1701.2(b), which prohibits ex parte communications (see also, Rule 8.2(b)). In addition to specifying the standards relevant to ex parte communications, Rule 8.2 requires parties to report ex parte communications as specified in Rule 8.3.

O R D E R

Therefore, **IT IS ORDERED** that:

1. The Commission hereby institutes this Investigation on its own motion to examine the capability of Alco Water Company to provide service to new and existing customers.
2. Alco Water Company is the Respondent to this proceeding.

3. The issues under consideration are whether Alco can provide adequate water quality and service quality to serve new and existing customers, and if Alco cannot what potential penalties and/or remedies should be imposed. The issues of this proceeding are further framed in the above order. This ordering paragraph suffices for the “preliminary scoping memo” required by Commission Rule 7.1(c).

4. Within 20 days of the date this Order is issued, Alco shall, and other parties are invited to file a Prehearing Conference Statement on the need for hearings, the scope of the proceeding and the schedule.

5. Alco shall tender a response to the interrogatories contained in the Preliminary Scoping Memo and Attachment A within 60 days of the issuance of this OII.

6. This proceeding is classified as adjudicatory, as that term is defined in Rule 1.3 of the Commission Rules of Practice and Procedure (Rules). This order, only as to category, is appealable no later than 10 days after the date of this order, under the provisions of Rule 7.6.

7. This proceeding requires a hearing. In response to this order, parties may state any objections to the order regarding the need for hearing, issues to be considered, or the proposed schedule. This Order constitutes the Notice of Opportunity for Hearing pursuant to Section 855 of the Public Utilities Code. Respondent shall appear at any scheduled hearing. On a date to be established at the Prehearing Conference (PHC), Respondent shall serve prepared testimony responding to the issues stated above and any other allegations presented in this OII and attached Attachment A. Other parties shall, at a date to be established at the PHC, serve prepared testimony responding to the issues stated above, including the appropriateness of fines and/or penalties.

8. The Respondent and any agent, representative, employee, consultant, or other individual or person acting on behalf of the Respondent, shall cooperate with the Water Division Staff in accordance with Section 314 of the Public Utilities Code in providing access to the public utility’s accounts, books, papers, and documents (whether in electronic or paper form), which the Respondent must preserve until further orders by the Commission.

9. The Assigned Commissioner or administrative law judge (ALJ) may adjust the schedule identified herein or coordinate or consolidate this OII with other pending proceedings concerning water service to the City of Salinas future growth area.

10. The Executive Director shall cause this Order Instituting Investigation (OII) to be served by certified mail to the Respondent.

Robert Thomas Adcock, General Mgr
Alco Water Service
249 Williams Rd
Salinas, CA 93905

11. The temporary service list is appended as Attachment B to this OII and shall be used for service of all pleadings until a new service list for this proceeding is established. An initial service list for this proceeding shall be created by the Commission's Process Office and posted on the Commission's Website (www.cpuc.ca.gov) as soon as it is practicable after the first prehearing conference. Parties may also obtain the service list by contacting the Process Office at (415) 703-2021.

12. Parties serving documents in this proceeding shall comply with Rule 1.9 and Rule 1.10 regarding electronic service. Any documents served on the Assigned Commissioner and ALJ shall be both by e-mail and by delivery or mailing a paper format copy of the document.

13. Persons interested in this proceeding shall follow the procedures described in this OII to be placed on the service list.

This order is effective today.

Dated June 21, 2007 at San Francisco, California.

MICHAEL R. PEEVEY
President
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY A. SIMON
Commissioners

1. Water Quality Issues

- Some customers of Alco have detected an ammonia smell to the water. What can be the causes of the smell of ammonia? What is the impact of the ingestion of ammonia? How can the smell of ammonia be minimized?³
- Some customers of Alco have detected a chlorine smell to the water. What can be the causes of the smell of chlorine? What is the impact of the ingestion of chlorine? How can the smell of chlorine be minimized?⁴
- Some customers of Alco have detected odors in the water. What can be the causes of odor problems? What is the impact of odiferous compounds in the water? How can odor problems be minimized?
- Some customers of Alco have complained of the metallic taste of the water. What makes Alco's water taste metallic? What is the impact of metallic tasting water on the customers? What can Alco do to reduce the metallic taste of the water?⁵
- Some customers of Alco have complained of the hardness of the water. What makes Alco's water hard? What is the impact of hard water on the customers? What can Alco do to reduce the hardness of the water?⁶
- Some customers of Alco have detected dirt in the water. What can be the causes of dirt in the water? What is the impact of dirt in the water? How can dirt in the water be minimized?⁷
- Some customers of Alco have detected sand in the water. What can be the causes of sand in the water? What is the impact of sand in the water? How can the presence of sand be minimized?⁸
- Some customers of Alco have detected turbidity (cloudiness) in the water. What can be the causes of cloudiness? What is the impact of cloudy water? How can cloudiness be minimized?
- Some customers of Alco have detected color in the water. What can be the causes of colored water? What is the impact of color in the water? How can color in the water be minimized?²

³ Transcript, p.24 line 23

⁴ Transcript, p. 54, line 2

⁵ Transcript p. 27 line 5, p. 36 line 21

⁶ Transcript, p. 45 line 9

⁷ Transcript p. 31, line 17, p. 64 line 8

⁸ Transcript p. 74 line 22

ATTACHMENT A Interrogatories

- Some customers of Alco have complained of skin rashes. What can be the cause of skin rashes? What contaminants in the water can cause skin rashes? How can these contaminants be minimized?¹⁰
- Some customers of Alco have complained of vomiting. What can be the cause of vomiting? What contaminants in the water can cause vomiting? How can these contaminants be minimized?¹¹
- Some customers of Alco have complained of headaches. What can be the causes of headaches? What contaminants in the water can cause headaches? How can these contaminants be minimized?¹²
- Some customers of Alco have complained of tiredness, upset stomach and diarrhea. What can be the causes of tiredness, upset stomach and diarrhea? What contaminants in the water can cause tiredness, upset stomach and diarrhea? How can these contaminants be minimized?¹³
- Some customers of Alco have complained of hair falling (out). What can be the causes of hair falling out? What contaminants in the water can cause hair to fall out? How can these contaminants be minimized?¹⁴
- Some customers of Alco have complained of damaged pipes. What can be the causes of damaged pipes? What contaminants in the water can damage pipes? How can these contaminants be minimized?¹⁵

2. Water Quantity Issues

- Some customers of Alco have complained of low or no water pressure, to the point that they can't even use their sprinklers to water their lawns. What can be the causes of low water pressure? What is Alco's history of maintaining adequate water pressure? How can Alco provide improved water pressure?
- Some customers of Alco have complained of the inability to shower at certain times of the day or in showers in the upper floors of their homes. What can be the causes of inconsistent water pressure? What is Alco's history of

⁹ Transcript p. 88, line 2, p. 42 line 22

¹⁰ Transcript p.34 line 1, p. 61, line 18

¹¹ Transcript p. 36, line 23, p. 69 line 20

¹² Transcript, p.25 line 5

¹³ Transcript, p.32, line 2, p. 36 line 23

¹⁴ Transcript, p. 32 line 1, p. 34 line2, p.37 line 11, p. 64, line 9

¹⁵ Transcript, p. 50, line17, p.52 line 24

ATTACHMENT A
Interrogatories

maintaining consistent water pressure? How can Alco provide more consistent water pressure?

3. Service Quality Issues

- Some customers of Alco have complained of non-responsiveness of the utility in response to request for assistance, such as a little more time to pay their bill. What can be the causes of non-response or non-customer friendly approaches to request? What is Alco's history of satisfying customers who request assistance? How can Alco provide better response to requests for assistance?¹⁶
- Some customers of Alco have complained of non-responsiveness of the utility in taking care of pumps, cleaning the pump field, cleaning and painting tanks, cleaning out weeds, changing meters that are damaged, fixing fences and destroying wells. What can be the causes of non-response to these maintenance needs? What is Alco's history of maintaining its systems? How can Alco provide better maintenance and repair?¹⁷
- Some customers of Alco have complained of non-responsiveness of the utility in response to request for less noise and muddy run-off from using and washing Alco's trucks. What can be the causes of non-response to a request of this type? What is Alco's history of satisfying customers who make requests? How can Alco provide better response to requests for modifications in operation?¹⁸
- Some customers of Alco have complained of non-responsiveness of the utility. What can be the causes of non-response? What is Alco's history of responding to customer requests? How can Alco provide faster response?¹⁹
- Some customers of Alco have complained of questionable meter readings. What can be the causes of mistakes in reading meters? What is Alco's history of mistakenly reading meters? How can Alco provide more correct meter readings?²⁰
- Some customers of Alco have complained of improper billing. What can be the causes of mistakes in billing? What is Alco's history of sending erroneous

¹⁶ Transcript, p. 28 line 8, p.38 line 35, p. 62, line 20

¹⁷ Transcript, p.39 lines 18 through 23

¹⁸ Transcript p.29 line 2

¹⁹ Transcript, p. 42, line 21, 22

²⁰ Transcript, p.26 line 3

ATTACHMENT A
Interrogatories

bills? How does Alco respond to mistaken bills? How can Alco provide more correct bills in the future?

- Some customers of Alco have complained of lack of billing. What can be the causes of not sending a water bill? What is Alco's history of not sending bills? How does Alco respond to missing bills? How can Alco provide more timely bills in the future?²¹

²¹ Transcript, p. 26 line 15

ATTACHMENT B

[SERVICE LIST – PDF FORMAT]