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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER & AUDITS
Utility Audit, Finance and Compliance Branch

RESOLUTION NO. W-4719
November 6, 2008

R E S O L U T I O N

(RES. W-4719), CALIFORNIA-AMERICAN WATER COMPANY, (CAL AM), FELTON SERVICE AREA (FELTON). ORDER AUTHORIZING CAL AM TO WITHDRAW SERVICE TO ITS FELTON CUSTOMERS AND WITHDRAW CERTAIN FELTON-SPECIFIC TARIFFS IN CONJUNCTION WITH THE CONDEMNATION OF ITS FELTON SERVICE AREA.

SUMMARY

This resolution approves Cal Am's Advice Letter (AL) No. 697, filed on July 15, 2008. AL 697 seeks to withdraw service from its Felton service territory and withdraw certain Felton-specific tariffs, in response to the condemnation of its service territory.

BACKGROUND

In AL 697, Cal Am requests authority to withdraw service from its Felton customers and withdraw certain Felton-specific tariffs, in conjunction with the condemnation of its service territory.

In support of its request, Cal Am provides a copy of the Settlement Agreement between Cal Am and the San Lorenzo Valley Water District (SLVWD), dated May 27, 2008. The settlement states, in part, that: 1) this is a full and final resolution of all issues in the condemnation proceeding; 2) SLVWD will pay Cal Am \$13.4 million, \$2.9 of which is the assumption of the outstanding balance of a Safe Drinking Water Bond Act Loan, resulting in a net cash payment of \$10.5 million to Cal Am; and 3) \$13.4 million represents the fair market value of the operating assets of the Felton water operations.

DISCUSSION

On May 30, 2008, in the Superior Court of California, Santa Cruz County (Court), the settlement (also called a stipulation) between Cal Am and the SLVWD was read into the record of Civil Case 156413, and adopted by the Court. On September 4, 2008, the

Judgment in Condemnation was signed by the assigned judge; on September 8, 2008, the Final Order was filed. The Court retains jurisdiction to enforce the settlement.

With the official transfer of operations to SLVWD, Cal Am no longer needs to provide service to Felton, and no longer need to retain Felton-specific tariffs.

Given that: 1) Cal Am and SLVWD have settled all issues associated with the pending condemnation proceeding; 2) the settlement has been adopted by the Court; and 3) it would be duplicative and unnecessary for Cal Am to continue providing service in Felton after operations are transferred to SLVWD, it is reasonable to authorize Cal Am to withdraw service from Felton, and withdraw all Felton-specific tariffs.

NOTICE

Per General Order 96-B, Water Industry Rule 3.1, a utility shall give notice to customers of "an advice letter requesting approval of a more restrictive term or condition, or of a rate or charge increase". Since the current request for withdrawal of service and tariffs does not address these items, notice is not required for the current advice letter

FINDINGS

1. AL 697 requests authority to withdraw service from its Felton customers and withdraw certain Felton-specific tariffs, in conjunction with the condemnation of its service.
2. Cal Am provided the Settlement Agreement with SLVWD, in support of its request.
3. Settlement Agreement with SLVWD state, in part, that: 1) this is a full and final resolution of all issues in the condemnation proceeding; 2) SLVWD will pay Cal Am \$13.4 million, \$2.9 of which is the assumption of the outstanding balance of a Safe Drinking Water Bond Act Loan, resulting in a net cash payment of \$10.5 million to Cal Am; and 3) \$13.4 million represents the fair market value of the operating assets of the Felton water operations.
4. On May 30, 2008, in the Superior Court of California, Santa Cruz County (Court), the settlement (also called a stipulation) between Cal Am and the SLVWD was read into the record of Civil Case 156413, and adopted by the Court.
5. On September 4, 2008, the Judgment in Condemnation was signed by the assigned judge; on September 8, 2008, the Final Order was filed.
6. The Court retains jurisdiction to enforce the settlement.

7. Once operations are officially transferred from Cal Am to SLVWD, Cal Am will no longer need to retain Felton-specific tariffs.

THEREFORE IT IS ORDERED THAT:

1. On the date California-American Water (Cal Am) officially transfers operations of its Felton service area (Felton) to the San Lorenzo Valley Water District (SLVWD), Cal Am shall withdraw from the Felton service territory and withdraw all Felton-specific tariffs.
2. Within 5 days of the official transfer of Felton operations to SLVWD, Cal Am shall notify the Director of the Division of Water and Audits of the transfer, via a letter.
3. 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 November 6, 2008; the following Commissioners voting favorably thereon:

/s/ PAUL CLANON

Paul Clanon
Executive Director

MICHAEL R. PEEVEY
President

DIAN M. GRUENEICH

JOHN A. BOHN

RACHELLE B. CHONG

TIMOTHY ALAN SIMON

Commissioners