

DISCUSSION OF INFORMATION PRESENTED IN THIS CHAPTER

This chapter contains information regarding the operation of the Los Angeles District of California American Water as well as tables that summarize the primary causes of the requested rate increase for customers of the district.

OVERVIEW OF THE LOS ANGELES DISTRICT OPERATION

The following information regarding the corporate and operating history and current day-to-day operations of the Los Angeles District of California American Water will assist the California Public Utilities Commission (CPUC) and parties reviewing this Application in understanding the development of the district, the unique nature of the service territory and other issues faced by the district throughout its history that have shaped the present operation.

Also discussed are issues that are being addressed by the district in order to continue to provide quality service to the customers it serves and issues faced by the district on a daily basis as consideration is given to whether the requested increase in revenue requirements will be adequate to continue to address daily service needs.

HISTORY OF THE LOS ANGELES DISTRICT OPERATION

Baldwin Hills Service Area

Athletes competing in the 1932 Olympic Games were the first residents in the Baldwin Hills area. After the Olympic Village was removed, the Los Angeles Investment Company (Investment Company) purchased the land and prepared the property for home construction. In 1964, California Water and Telephone acquired the water system built by the Investment Company. American Water Works Company, Inc. (American Water) acquired California Water and Telephone in 1966.

The Baldwin Hills service area is centrally located in an unincorporated area of Los Angeles County southwest of downtown Los Angeles and just a few miles east of the Los Angeles International Airport.

Over 6,200 customers, primarily residential with some commercial retail customers are served within the service area. On the west side of the service area, 340 acres were occupied by the Chevron Company of Southern California until 1991, when part of the property was divided and sold to Stocker Resources and Lewis Homes for residential development. Stocker Resources remains the largest water consumer in the area, using thousands of gallons of water every day to extract oil from the ground.

The water supply for the Baldwin Hills service area is obtained in nearly equal proportions from five wells owned by California American Water. Water is also purchased from the Metropolitan Water District (MWD) and the West Basin Municipal Water District.

Duarte Service Area

In 1854, Andreas Duarte diverted water from the San Gabriel River via canal to carry it on to Azusa Duarte Ranch. In 1859, a portion of the ranch south of the present Duarte Road was sold to Mr. N. Beardslee. Mr. Beardslee constructed a branch from the canal to serve his property. Property owners who purchased land in the southern area

from Mr. Beardslee subsequently formed the Beardslee Water Ditch Company as a mutual water company. In 1882, owners from the Upper Duarte Ranch also formed a separate mutual water company. The two companies jointly claimed about one-third of the total flow from the San Gabriel River under rights established in the Compromise Agreement of 1890.

In 1901, the companies drilled wells to provide ground water during time of low river flow. The original ditches were replaced with large concrete gravity conduits. Portions of this system are still in use today.

As population grew, farm lands were subdivided and separate water distribution systems installed for domestic water use, in addition to the existing irrigation systems.

In 1947, the two mutual water companies merged to form Duarte Mutual Water Company. In 1958, the mutual water companies and the irrigation system came under the jurisdiction of the CPUC. In 1964, California Water and Telephone Company purchased the Duarte Water Company and in 1966, sold all of its California water properties to American Water.

Currently, approximately 7,100 primarily residential, along with some commercial and industrial customers are served with the Duarte service area. Additionally, California American Water continues to provide service to a limited number of irrigation customers.

San Marino Service Area

The San Marino service area lies ten miles northeast of downtown Los Angeles in the San Gabriel Valley. The administrative offices for the service area are located in the City of San Marino, which is named after the Italian republic. The service area includes San Marino and portions of neighboring Rosemead, San Gabriel, Temple City, El Monte and unincorporated areas of Pasadena.

The San Gabriel Mission was established in 1771 by Captain Juan Bautista De Anza along the first Spanish land route from Mexico to San Francisco. Individuals living in and around the Mission dug ditches and rows to transport irrigation water from the San Gabriel River to the Mission.

The service area is composed of two systems, referred to as the Upper System and the Lower System. Each produces about the same amount of water and in 1985 were linked by the installation of a 20-inch pipeline that stretches two and on-half miles.

Most of the water for the approximately 13,900 primarily residential customers in the service area is produced from 22 wells. These wells are located in the San Gabriel and Raymond Basins. A connection to the MWD Southern California system provides supplementary water for use during peak demand periods and for blending water for water quality purposes.

PRESENT OPERATIONS OF THE LOS ANGELES DISTRICT

District Operations and Personnel

The combined Los Angeles District Operations Center for the Baldwin Hills, Duarte and San Marino service areas is located a 8657 Grand Ave., Rosemead California. The Center provides accommodations for distribution, meter reading, customer service, production and operating activities (i.e. valve and hydrant work, pipeline location and the

inspection of capital projects), as well as office space for the Water Quality Superintendent. The Center also houses division and district vehicles and equipment, a yard for materials and supplies, a meter test shop and a water quality laboratory. The .75 Rosemead reservoir, two wells and booster facility with three boosters are all part of the operating system.

Service Areas

The Baldwin Hills service area provides public, domestic water utility service to an unincorporated area of Los Angeles County located northeast of the Los Angeles International Airport. The communities of View Park and Ladera Heights are within the service area.

The Duarte service area provides public, domestic water utility service to the cities of Duarte and Bradbury, a portion of the cities of Monrovia and Irwindale as well as an unincorporated county area. Irrigation service is also provided to customers in the cities of Duarte and Bradbury from a separate distribution system.

The San Marino service area provides public, domestic water utility service to the city of San Marino, a portion of the cities of Rosemead, San Gabriel, El Monte, Temple City and an unincorporated county area south of Pasadena.

Copies of service area maps are on file with the CPUC.

Franchises and Operating Rights

The portion of the facilities necessary to provide service to customers of the Los Angeles District that are not located on property owned by California American Water have been primarily installed either based on a grant of right-of-way by developers, or in roads and streets as required by grants of service.

Easements and rights of way are held for facilities operated on private property, including both transmission and distribution mains.

A 10-year franchise, No. 163757, granted June 10, 1988 is held with the City of Los Angeles for the Baldwin Hills service area. This franchise is for the maintenance and installation of pipelines, since well used by California American Water are located within the city limits. That franchise is still in the process of renewal.

By Ordinance No. 258, passed and adopted on September 19, 1995 the City of Bradbury granted a franchise in perpetuity requiring payment of 2% of gross revenues attributable to the facilities as they then and thereafter exist.

By Ordinance No. 709, passed and adopted on July 12, 1994 the City of Duarte granted a franchise in perpetuity requiring payment of 2% of gross revenues attributable to the facilities as they then and thereafter exist.

By Ordinance No. O-03-1168, passed and adopted on February 1, 2003 the City of San Marino granted a 15-year franchise that requires payment of 2% of gross revenues attributable to the facilities as they then and thereafter exist.

By Ordinance No. 515 C.S., the City of San Gabriel granted a 50-year franchise (starting date January 1, 1989) that requires payment of 2% of gross revenues attributable to the facilities as they then and thereafter exist.

By Ordinance No. 96, passed and adopted on November 27, 1962 the City of Rosemead granted a franchise in perpetuity requiring payment of 2% of gross revenues attributable to the facilities as they then and thereafter exist.

By Ordinance No. 2006-0044F, passed and adopted on June 27, 2006 the County of Los Angeles granted a 15-year franchise that requires payment of 2% of gross revenues attributable to the facilities as they then and thereafter exist plus a \$100 annual fee for each mile of pipeline installed in the prior year.

California American Water also has a Franchise Agreement with the City of Inglewood.

To the extent that additional business license taxes or similar requirements have been imposed by local ordinance, the required licenses have in every instance been obtained and license fees paid.

Sources of Water Supply

Baldwin Hills Service Area

Water supply for the Baldwin Hills service area comes from two primary sources: 1) wells pumping from the Main San Gabriel Basin and 2) from Fish Canyon run-off for irrigation and spreading purposes. Additionally, there are eight active wells and seven booster stations on the distribution system used to meet the demand of various pressure zones.

Duarte Service Area

Water supply for the Duarte service area comes from two primary sources: 1) wells pumping from the Central Basin and 2) from two connections with the MWD. Additionally, there are five active wells and four booster stations on the distribution system used to meet the demand of various pressure zones. There are four booster stations on the irrigation system.

San Marino Service Area

Water supply for the San Marino service area comes from two primary sources: 1) a connection with MWD located in Pasadena and 2) wells pumping from both the Raymond Basin and the Main San Gabriel Basin. An interconnection with the City of Pasadena has been established in the northwest portion of the service area to maintain supply during periods of high demand. Additionally, there are twelve active wells and seven booster stations on the distribution system used to meet the demand of various pressure zones.

The Los Angeles District has an on-going program to refurbish existing wells and restore them to their original capacity as equipment becomes less efficient and/or the failure of wells and well casings occurs. All present wells pump directly into the distribution system after appropriate water treatment is accomplished as needed.

Water Rights

Baldwin Hills Service Area

In the Central Basin, California American Water has water rights to 2,067 acre feet of water per year for purposes of pumping from wells. Under or over pumping by 10% per year is adjusted for during the following year.

Duarte Service Area

In the Main San Gabriel Basin, California American Water has water rights to 1.84634% of the safe yield as set on an annual basis. When those rights have been used, California American Water may continue to pump to meet system demands and is

assessed a replenishment fee per acre foot used in excess of the annual water rights. This fee is used to purchase replacement water to inject into the basin aquifer. The service area also pays fees to the Main Basin MWD for all pumped water. This is an administration fee set to cover the cost of monitoring the basin.

California American Water also has a yearly right to water in the basin which is a right to withdraw surface water from the San Gabriel River. This water is used for the irrigation system and any unused portion is diverted onto the spreading ground owned by California American Water where it percolates back into the basin.

San Marino Service Area

In the Raymond Basin, California American Water has pumping right to 2,299 acre feet of water that may not be over or under pumped by 10% without violating a judgement. The basin is managed and monitored. There is no cost per acre foot of water, but a management fee of about \$1,000 per month is assessed.

In the Main San Gabriel Basin, California American Water has water rights to 3.98144% of the safe yield as set on an annual basis. When those rights have been used, California American Water may continue to pump to meet system demands and is assessed a replenishment fee per acre foot used in excess of the annual water rights. This fee is used to purchase replacement water to inject into the basin aquifer. The service area also pays fees to the Main Basin MWD for all pumped water. This is an administration fee set to cover the cost of monitoring the basin.