



County of Los Angeles
CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

May 18, 2010

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**APPROVE A RESOLUTION OF INTENTION AND APPROVE THE
INTRODUCTION OF AN ORDINANCE TO GRANT A WATER PIPELINE
FRANCHISE TO CALIFORNIA DOMESTIC WATER COMPANY
(FIRST AND FOURTH DISTRICTS) (3 VOTES)**

SUBJECT

Approval of these recommendations will renew an existing water pipeline franchise granted to California Domestic Water Company, to maintain and operate water pipelines in County highways located in the unincorporated areas of Avocado Heights/Bassett, Northwest Whittier/Hacienda Heights, La Habra Heights, and Rowland Heights.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve a Resolution of Intention to grant a water pipeline franchise to California Domestic Water Company, a California corporation (Cal-Domestic), to renew Cal-Domestic's existing franchise rights.
2. Introduce, waive reading, and place on your Board's agenda an ordinance to grant Cal-Domestic a 15-year water pipeline franchise, setting the matter for public hearing on June 9, 2010, and instructing the Executive Officer of your Board to publish a notice of the public hearing pursuant to California Public Utilities Code Section 6232.
3. Find that this franchise renewal project is categorically exempt under the California Environmental Quality Act (CEQA) pursuant to Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15301 of the State CEQA Guidelines.

"To Enrich Lives Through Effective And Caring Service"

**Please Conserve Paper – This Document and Copies are Two-Sided
Intra-County Correspondence Sent Electronically Only**

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

#17 MAY 18, 2010

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

SET FOR HEARING: JUNE 9, 2010 AT 9:30 A.M.

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

AFTER THE PUBLIC HEARING, IT IS RECOMMENDED THAT YOUR BOARD:

Adopt the ordinance to grant Cal-Domestic a 15-year water pipeline franchise, becoming operative July 12, 2010, the day after the existing franchise expires.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The purpose of these recommendations is for your Board to approve a Resolution of Intention, introduce an ordinance, schedule a public hearing, publish a notice of the public hearing, and after the public hearing adopt an ordinance to renew Cal-Domestic's existing franchise rights.

Implementation of Strategic Plan Goals

The County Strategic Plan directs that we maximize and support timely delivery of efficient public services (Goal 1), and provide access to delivery of customer-oriented municipal services (Goal 3). Your Board's approval of these recommendations to grant Cal-Domestic a water pipeline franchise is consistent with these goals.

FISCAL IMPACT/FINANCING

Cal-Domestic has paid the County a one-time granting fee of \$5,000 to process an ordinance to grant the franchise. For Cal-Domestic's use of County highways for proprietary pipelines in franchise areas Part A and Part B, Cal-Domestic will pay an annual franchise fee between \$2,500 and \$13,300 each year based upon a linear footage formula using the diameter and length of the pipelines. The annual franchise fee will be adjusted upward each calendar year using the Producer Price Index.

For Cal-Domestic's use of County highways for its water distribution pipelines in franchise areas Part C and Part D, Cal-Domestic will also pay the County an annual franchise fee based upon two percent of the gross annual receipts arising from the use, operation, or possession of the franchise, but not less than one percent of the gross annual receipts from the sale of water within the franchise areas. Additional information regarding Cal-Domestic's water pipeline system, the annual franchise fee, and the basis for this dual payment structure is provided below.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On June 11, 1985, your Board adopted Ordinance No. 85-0100F, granting a 25-year County-wide water pipeline franchise to Cal-Domestic that will expire July 11, 2010. Since Cal-Domestic is a nonprofit mutual-benefit corporation organized as a mutual water company in 1902 for purposes of selling water to its shareholders at cost, the franchise was granted using the franchise format for mutual water companies codified in County Highway Code in 1978 (16.52.200.B), and the annual franchise fee was based solely upon a percentage of the gross annual receipts.

Cal-Domestic has installed water pipelines in unincorporated areas where the company does not sell or distribute any water directly to any shareholders under your Boards' jurisdiction, and pursuant to County Highway Code (16.52.200.C), this use of County highways does not generate gross annual receipts from sales of water in these unincorporated areas and is classified as a proprietary "pass-through" franchise right requiring compensation to the County using a linear footage payment schedule.

Cal-Domestic's major water transmission system (its 54-Inch and 48-inch "M" pipeline), traverses the cities of El Monte, Industry and Whittier, and is installed in and across various County highways in the unincorporated areas of Avocado Heights/Bassett, and Northwest Whittier/Hacienda Heights (Part A and Part B), then exits the County to distribute water in the city of La Habra in Orange County. Three of Cal-Domestic's distribution systems (Hacienda, Carol and Plant No. 6) re-enter the County (from Orange County) to sell and distribute water to 158 homeowner/shareholders under your Board's jurisdiction located within two pocket neighborhoods in the unincorporated areas of La Habra Heights and Rowland Heights (Part C and Part D).

The payment provisions of Cal-Domestic's new franchise acknowledge this dual use of County highways, and in recognition of Cal-Domestic's nonprofit status, for proprietary pass-through pipelines that do not distribute water in unincorporated areas (Part A and Part B), the recommendation is for your Board to renew franchise using the moderate proprietary rates codified in County Highway Code in 1978 (16.52.200.C).

Cal-Domestic's rights to install and maintain water pipelines within the County date back to the early 1900s, and Cal-Domestic is currently compiling an abstract of title to validate its claim of having "prior rights" for certain County highways. If Cal-Domestic's claim is confirmed, Cal-Domestic will have complied with the County Highway Code requirement to show proof of the right to use the County highways (pursuant to Section 16.06.030), and with respect to those highways, Cal-Domestic would be exempt from the payment of the annual franchise fee and certain other fees required in the franchise and County Highway Code. If all of Cal-Domestic's pipelines fall within the claim, the annual fee for its proprietary pass-through pipelines will be as low as \$2,500.

Cal-Domestic will also pay an annual franchise fee for its use of County highways to distribute water in the unincorporated areas of La Habra Heights and Rowland Heights (Part C and Part D), based upon a percentage of its gross annual receipts as described in the previous section.

The Department of Public Works and County Fire Department have reviewed these recommendations and have no objections to the renewal of the Cal-Domestic franchise. County Counsel has reviewed the Resolution of Intention and accompanying ordinance to grant Cal-Domestic a water pipeline franchise and approved them as to form.

The Honorable Board of Supervisors
May 18, 2010
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Pursuant to Section 6232 of the California Public Utilities Code, the Executive Officer of the Board shall arrange for publishing of a notice of the public hearing in a newspaper of general circulation in the County at least once within 15 days after your Board's adoption of the Resolution of Intention.

ENVIRONMENTAL DOCUMENTATION

This franchise renewal project is categorically exempt under CEQA pursuant to Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15301 of the State CEQA Guidelines.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The recommended actions will not adversely affect current services or future projects.

CONCLUSION

Instruct the Executive Officer, of the Board of Supervisors, to send conformed copies of the adopted Board recommendation, Resolution of Intention, and franchise ordinance, Attention: Mr. Jim Byerrum, President, California Domestic Water Company, P.O. Box 1338, Whittier, California 90609, and the offices of County Counsel, Department of Public Works, Fire Department, and the Chief Executive Office, Real Estate Division.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

WTF:SK:WLD
CM:RB:lis

Attachments

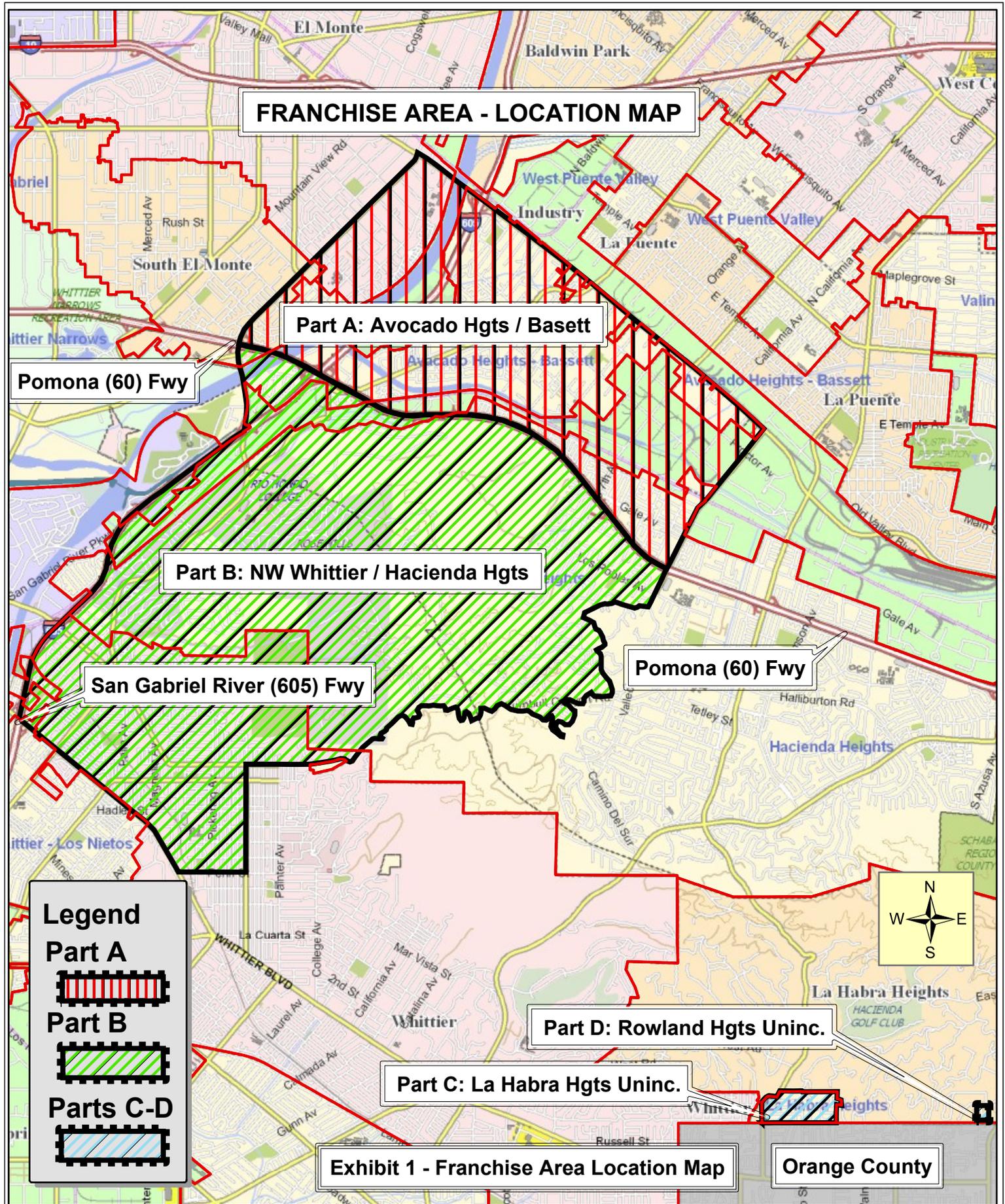
- c: Executive Office, Board of Supervisors
- County Counsel
- Department of Public Works
- Fire Department

FRANCHISE AREA MAPS

Location Map and Franchise Area Maps

California Domestic Water Company

These maps illustrate the unincorporated areas affected by the franchise and are provided for the convenience of the reader.



FRANCHISE AREA - LOCATION MAP

Part A: Avocado Hgts / Bassett

Pomona (60) Fwy

Part B: NW Whittier / Hacienda Hgts

San Gabriel River (605) Fwy

Pomona (60) Fwy

Legend

- Part A**
[Red vertical hatching]
- Part B**
[Green diagonal hatching]
- Parts C-D**
[Blue diagonal hatching]

Part D: Rowland Hgts Uninc.

Part C: La Habra Hgts Uninc.

Exhibit 1 - Franchise Area Location Map

Orange County

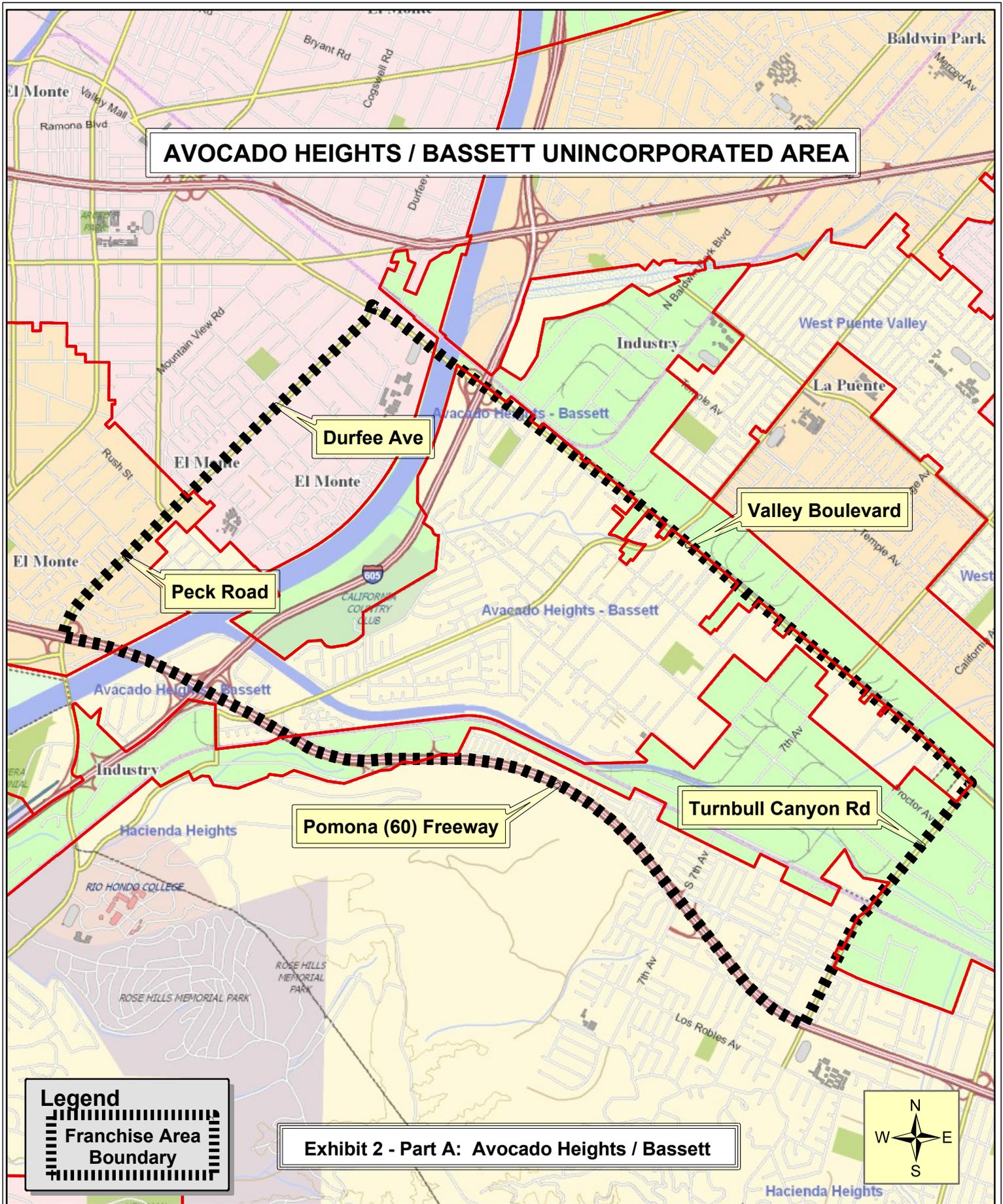
Date
March 2010

First and Fourth
Supervisory Districts

**COUNTY OF LOS ANGELES - CHIEF EXECUTIVE OFFICE
CALIFORNIA DOMESTIC WATER COMPANY
FRANCHISE AREA - LOCATION MAP**

Renew 85-0100F
Cal-Domestic Wtr. Co.

Agent
R. Ball



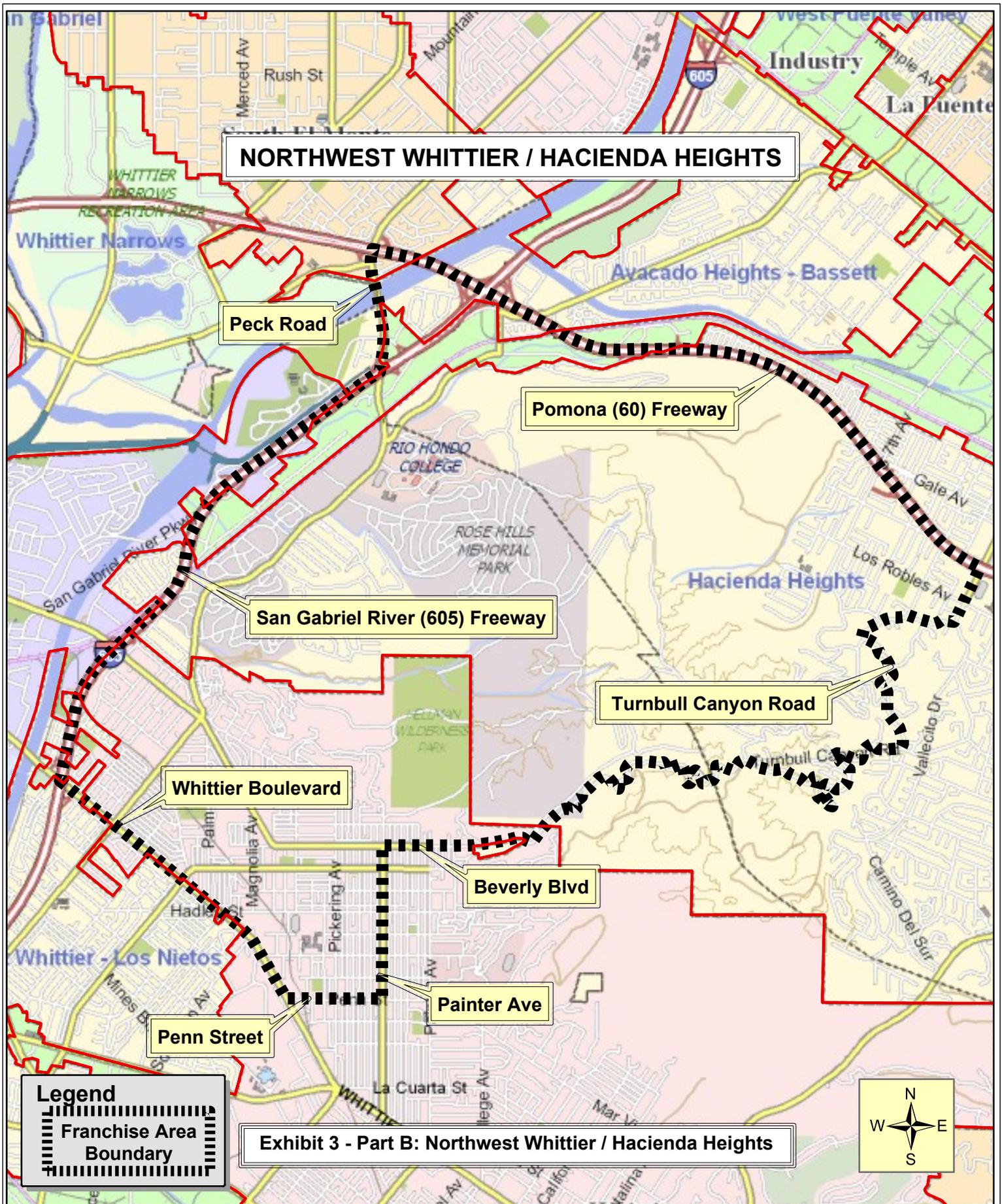
Date
 March 2010

First and Fourth
 Supervisorial Districts

**COUNTY OF LOS ANGELES - CHIEF EXECUTIVE OFFICE
 CALIFORNIA DOMESTIC WATER COMPANY
 AVOCADO HEIGHTS / BASSETT UNINCORPORATED AREA**

Renew 85-0100F
 Cal-Domestic Wtr. Co.

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NORTHWEST WHITTIER / HACIENDA HEIGHTS

Peck Road

Pomona (60) Freeway

San Gabriel River (605) Freeway

Whittier Boulevard

Turnbull Canyon Road

Beverly Blvd

Penn Street

Painter Ave

Legend

- Franchise Area
- Boundary

Exhibit 3 - Part B: Northwest Whittier / Hacienda Heights



LA HABRA HEIGHTS UNINCORPORATED AREA

CITY OF LA HABRA HEIGHTS - LOS ANGELES COUNTY

LA HABRA HEIGHTS UNINCORPORATED AREA

CITY OF LA HABRA - ORANGE COUNTY

Legend

Franchise / Water Service Area

Exhibit 4 - Part C: La Habra Heights Unincorporated



Date
March 2010

Fourth
Supervisory District

**COUNTY OF LOS ANGELES - CHIEF EXECUTIVE OFFICE
CALIFORNIA DOMESTIC WATER COMPANY
LA HABRA HEIGHTS UNINCORPORATED AREA**

Renew 85-0100F
Cal-Domestic Wtr. Co.

Agent
R. Ball

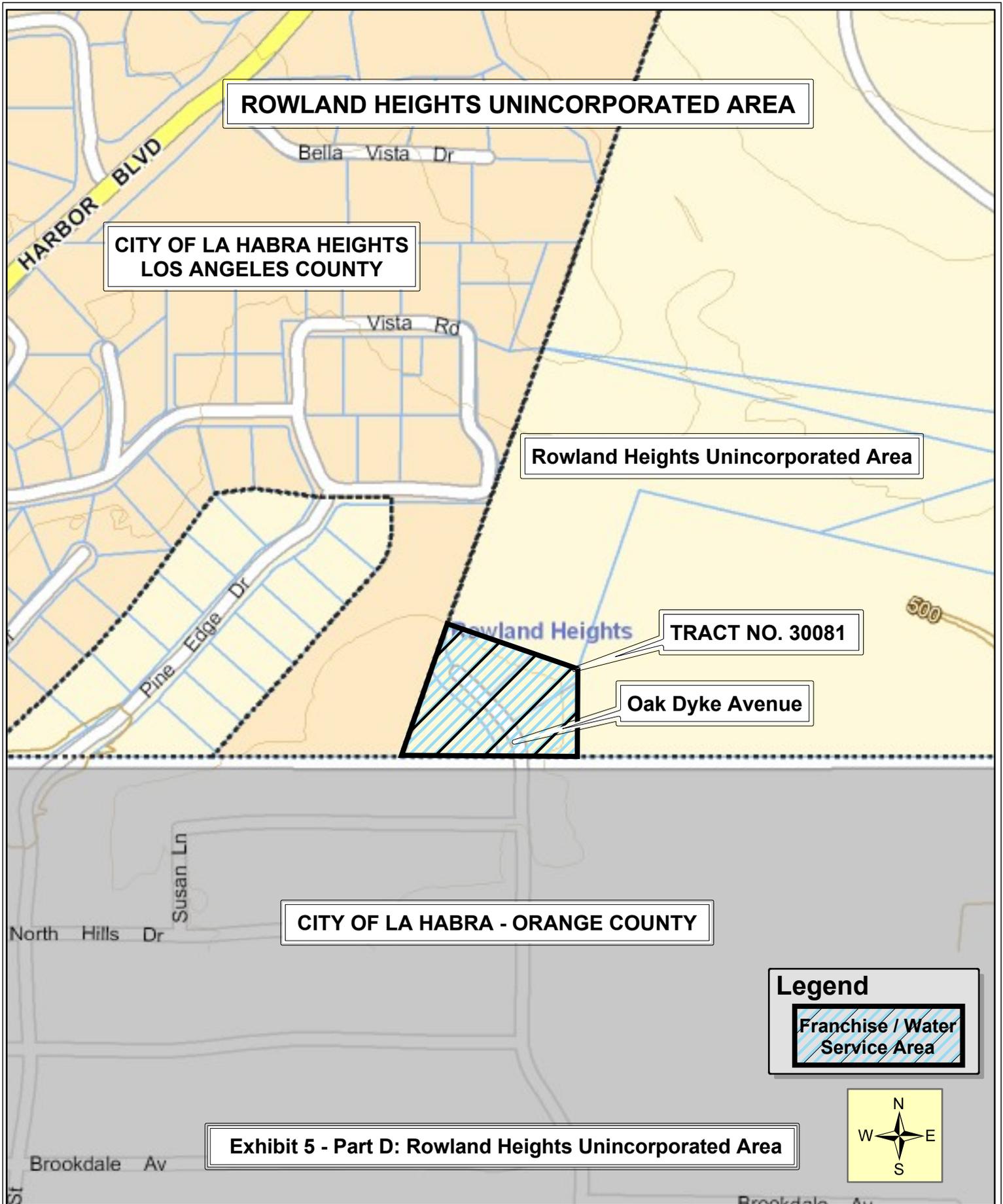


Exhibit 5 - Part D: Rowland Heights Unincorporated Area

Date
March 2010

Fourth
Supervisorial District

**COUNTY OF LOS ANGELES - CHIEF EXECUTIVE OFFICE
CALIFORNIA DOMESTIC WATER COMPANY
ROWLAND HEIGHTS UNINCORPORATED AREA**

Renew 85-0100F
Cal-Domestic Wtr. Co.

Agent
R. Ball

RESOLUTION OF INTENTION

To Grant a

Water Pipeline Franchise

To

California Domestic Water Company

**RESOLUTION OF INTENTION TO GRANT A 15-YEAR WATER PIPELINE
FRANCHISE TO CALIFORNIA DOMESTIC WATER COMPANY**

BE IT RESOLVED by the Board of Supervisors of the County of Los Angeles, State of California:

A. California Domestic Water Company, a California corporation ("Franchisee"), has applied to the Board of Supervisors of the County of Los Angeles, State of California, for a franchise for a period of fifteen (15) years, beginning on July 12, 2010, the operative date of the franchise, to lay, construct, reconstruct, maintain, operate, renew, repair, change the size of, and remove or abandon in place, pipes and pipelines for the transportation and distribution of water, waste water, mud, and other liquid substances, including those substances that are generally accepted as appropriate for the treatment of water, excluding any hazardous substances or hazardous waste within the meaning of the "Comprehensive Environmental Response Compensation and Liability Act of 1980," 42 U.S.C. § 9601 et seq., and amendments thereto (provided, however, that this exclusion shall not apply to substances in such amounts as are generally accepted as appropriate for the treatment of water), together with all manholes, valves, cathodic protection systems, appurtenances, and connections necessary or appropriate for the operation of said pipes or pipelines, adjunct communications lines, including poles, conduits, wire, cables, and other appurtenances and equipment for telegraph or telephone lines, or both, necessary or appropriate solely for the Franchisee's operations in, under, along, or across any and all highways as defined in Section 16.36.080 of the Los Angeles County Code, now or hereafter dedicated to public use within the unincorporated territory of the County of Los Angeles, State of California, located within the franchise areas described in the proposed Ordinance to grant the franchise, attached hereto as Exhibit A, and depicted on the exhibit map(s) attached thereto.

B. It is the intention of the Board of Supervisors of the County of Los Angeles, State of California, to grant the franchise applied for upon the terms and conditions herein mentioned. The Franchisee, and its successors and assigns will, during the life of its franchise, pay annually to the County of Los Angeles, State of California, the amount specified in the proposed Ordinance to grant the franchise, from the date of the granting of the franchise, and in the event such payment is not made, the franchise will be forfeited.

C. The franchise is described in the Ordinance attached hereto as Exhibit "A" and is a franchise for water transportation and distribution purposes.

D. That on the 9th day of JUNE, 2010, at the hour of 9:30 a.m. of said day, a day not less than twenty (20) nor more than sixty (60) days after the date of the passage of this Resolution of Intention, in the hearing room of the Board of Supervisors, Room 381, Kenneth Hahn Hall of Administration, 500 West Temple Street (corner of Temple Street and Grand Avenue), Los Angeles, CA 90012, all persons having any objection to the granting of the franchise hereinabove described may appear before the Board of Supervisors and be heard thereon.

E. The Executive Officer, Board of Supervisors, shall cause notice of said hearing to be published at least once within fifteen (15) days after adoption of this Resolution of Intention in a newspaper of general circulation published in the County of Los Angeles, State of California.

The foregoing resolution was on the 18th day of MAY, 2010, adopted by the Board of Supervisors of the County of Los Angeles, State of California, and ex-officio the governing body of all other special assessment and taxing districts, agencies and authorities for which said Board so acts.



SACHI A. HAMAI , Executive Officer-Clerk
of the Board of Supervisors of the
County of Los Angeles

By *[Signature]*
Deputy

APPROVED AS TO FORM BY:

ANDREA SHERIDAN ORDIN
County Counsel

By *[Signature]*
Grace V. Chang
Senior Deputy County Counsel