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Decision No. 77335

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of Peerless Water Co., inc., for  
authority to enter into a contract  
other than contained in tariff  
schedule and increase its rates  
for water service.

Application No. 51653  
(Filed January 26, 1970)

O P I N I O N

Applicant Peerless Water Co.<sup>1/</sup> seeks authority to carry out the terms and conditions of a non-standard main extension agreement and to increase rates for water service to offset increases in operating expenses due to (1) purchase of water for resale, and (2) increased county license fee. Copies of the application have been served in accordance with this Commission's rules of procedure.

The Commission staff has reviewed and analyzed this application and has prepared a report thereon, dated May 12, 1970, which hereby is received as Exhibit No. 1.

Service Area and Source of Supply

Applicant owns and operates a water system serving about 1,970 customers in portions of the Cities of Bellflower, Lakewood and Paramount, in Los Angeles County.

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<sup>1/</sup> By Advice Letter No. 20, filed January 27, 1969, applicant advised the Commission of its change in corporate title from "Peerless Land and Water Co." to "Peerless Water Co." Applicant is sometimes incorrectly referred to in various documents in this proceeding as "Peerless Water Co., inc.", "Peerless Water Co., Inc." and "Peerless Water Company".

Main Extension Agreement

Applicant has entered into an agreement, subject to Commission authorization, with Hyman H. Bubar, pursuant to which Mr. Bubar agrees to contribute to applicant the cost of a water main extension for fire hydrant service. A copy of the agreement dated January 19, 1970, is attached to the application as Exhibit "D".

Mr. Bubar must satisfy Los Angeles County fire flow requirements at his property in Bellflower before the county will accept his application for a building permit. Applicant's existing mains in that location will not supply the 2,000 gpm required by the county. The estimated cost of a supplemental main to provide that flow is \$5,480.

Purchased Water

Applicant has entered into an agreement, contingent upon approval of this application, with the City of Bellflower, providing for the purchase by applicant of at least 150 acre-feet of water per year, commencing October 1, 1970. A copy of the agreement, dated December 22, 1969, is attached to the application as Exhibit "E".

The new source of supply will enable applicant to improve water quality by blending it with, or substituting it for, lower-quality water from some of applicant's present wells. It will also provide greater flows for periods of peak demand, with less fluctuation in pressure.

The net increase in applicant's annual expenses, after adding the cost of purchased water and deducting savings in pumping costs, is \$1,650.

Public Health License

The County of Los Angeles has increased the annual fee for applicant's Public Health License by \$500.

Effect on Rates

The main extension agreement referred to herein does not affect the offset rate increase requested by applicant. The contributed plant does not increase rate base or depreciation expense.

In order to offset the additional cost of purchased water and public health license fees, applicant requests a surcharge of nine cents per month on each customer's bills. For a typical customer using 1,600 cubic feet of water per month, the nine cent surcharge will represent a rate increase of less than two percent.

It appears that the benefits to be derived by applicant's customers warrant applicant's purchase of water from the City of Bellflower and the offsetting of the additional expense by a rate increase for applicant's customers. The public health license fee is beyond applicant's control. In Exhibit No. 1 the Commission staff states that (1) the revenue produced by the proposed rate increase will not exceed the estimated total increase in net water supply expenses and license fees, (2) applicant's rate of return under the increased water rate will not exceed 4 1/2 percent, based upon a 1969 test year, and (3) the application should be granted. We concur in the staff's recommendation.

Findings and Conclusion

The Commission finds that:

1. The proposed main extension agreement is not adverse to the public interest.

2. Applicant is in need of increased revenues to offset increases in expenses to be incurred for water purchased for resale and to offset an increase in public health license fees.

3. Applicant's estimate of the rate increase required to offset the effect of those increases in expenses is reasonable.

4. The increases in rates and charges authorized herein are justified; the rates and charges authorized herein are reasonable; and the present rates and charges, insofar as they differ from those prescribed herein, are for the future unjust and unreasonable.

A public hearing is not necessary.

The Commission concludes that the application should be granted and that the order herein should be effective immediately to permit applicant to proceed with its plans to obtain water from the City of Bellflower commencing October 1, 1970.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, applicant is authorized to carry out the terms and conditions of the main extension agreement, Exhibit "D" to the application.

2. After the effective date of this order, Peerless Water Co. is authorized to file the revised rate schedules attached to this order as Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall

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be October 1, 1970, or four days after the date of filing, whichever is later. The revised schedules shall apply only to service rendered on and after the effective date thereof.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 9<sup>th</sup> day of JUNE, 1970.

William J. Lyons, Jr.  
President

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J. Williams

Yuman L. Stinson  
Commissioners

Schedule No. B-1

Bellflower Tariff Area

METERED SERVICE

APPLICABILITY

Applicable to all metered service.

TERRITORY

Within portions of the City of Bellflower and vicinity, Los Angeles County.

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Quantity Rates:		
First 500 cu.ft. or less .....	\$ 2.01	(I)
Next 1,000 cu.ft., per 100 cu.ft. ....	.27	
Next 3,500 cu.ft., per 100 cu.ft. ....	.22	
Next 5,000 cu.ft., per 100 cu.ft. ....	.17	
Over 10,000 cu.ft., per 100 cu.ft. ....	.13	
Minimum Charge:		
For 5/8 x 3/4-inch meter .....	2.01	(I)
For 3/4-inch meter .....	2.66	
For 1-inch meter .....	4.16	
For 1 1/2-inch meter .....	6.16	
For 2-inch meter .....	10.16	
For 3-inch meter .....	20.16	(I)

The minimum charge will entitle the customer to the quantity of water which that minimum charge will purchase at the quantity rates.

Schedule No. LP-1

Lakewood-Paramount Tariff Area

METERED SERVICE

APPLICABILITY

Applicable to all metered service.

TERRITORY

Within portions of the Cities of Lakewood and Paramount, and vicinity, Los Angeles County.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>	
First 500 cu.ft. or less .....	\$ 1.95	(I)
Next 1,000 cu.ft., per 100 cu.ft. ....	.27	
Next 3,500 cu.ft., per 100 cu.ft. ....	.22	
Next 5,000 cu.ft., per 100 cu.ft. ....	.17	
Over 10,000 cu.ft., per 100 cu.ft. ....	.13	
 Minimum Charge:		
For 5/8 x 3/4-inch meter .....	1.95	(I)
For 3/4-inch meter .....	2.60	
For 1-inch meter .....	4.10	
For 1 1/2-inch meter .....	6.10	
For 2-inch meter .....	10.10	
For 3-inch meter .....	20.10	(I)

The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Quantity Rates.