

WATER/ABJ/HJL:jj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION NO. W-4414

August 21, 2003

R E S O L U T I O N

**(RES. W-4414), PEERLESS WATER CO. (PWC). ORDER
AUTHORIZING AN OFFSET RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUES OF \$19,237 OR 2.54% FOR
INCREASES IN THE COST OF PURCHASED WATER.**

SUMMARY

By Advice Letter No. 93 filed June 26, 2003, PWC seeks revision of tariff Schedule No. 1, General Metered Service, and Schedule No. 6, Reclaimed Water Service, to provide for an increase in revenues. This resolution grants PWC's request for authority to increase rates by \$19,237 or 2.54%, to offset purchased water rates increased by Bellflower-Somerset Mutual Water Co. (BSMWC), Park Water Co. (PARK) and Central Basin Municipal Water District (CBMWD). This increase is a result of increased costs for purchased water since PWC's present rates became effective November 27, 1999. The offset rate increase will not result in a rate of return greater than last authorized for PWC.

BACKGROUND

PWC requests authority under Section VI of General Order No. 96-A and Section 454 of the Public Utilities Code to offset \$19, 237 or 2.54% increase in purchased water costs. The higher costs for purchased water were imposed on PWC by BSMWC effective January 1, 2003, PARK effective January 1, 2003, and CBMWD effective July 1, 2003.

PWC serves approximately 1,800 metered customers in the city of Bellflower. The present rates for PWC became effective on May 21, 2003 pursuant to Resolution (Res.) W-4327 authorizing a one-time surcharge to offset Department of Health Services fees. PWC's last general rate increase became effective on November 27, 1999 pursuant to Res. W-4171, which authorized a general rate increase of \$40,527 or 4.96%, and a rate of return of 12.00%.

DISCUSSION

The offset increase requested herein is for the purpose of recovering in rates, on a dollar-for-dollar basis, changes in expenses that have occurred since the present rates became effective. BSMWC changed the rates and charges for purchased imported water effective January 1, 2003. PARK was granted authority by California Public Utilities Commission to change rates for purchased water effective January 1, 2003. These two changes increased PWC's purchased potable water costs by \$18,709. Effective July 1, 2003, CBMWD increased its rates for reclaimed water thereby increasing PWC's cost for reclaimed water by \$528. Altogether, the three purchased water rate increases result in a total increase in cost to PWC by \$19,237.

These increases in purchased water cost are directly related to water usage and therefore the associated rate increase for PWC shall be applied to the quantity rates. In order to recover the higher costs, PWC will increase its quantity charge for potable water in Schedule No. 1 by \$0.054/Ccf (One Ccf is equal to one-hundred cubic feet) and for reclaimed water in Schedule No. 6 by \$0.055/Ccf. The monthly bill for the average residential customer utilizing 1,500 cubic feet of water per month would increase by \$0.81, from \$31.73 to \$32.54 or 2.55 %.

Service by PWC is satisfactory. There are no Commission orders requiring system improvements nor are there any service problems requiring corrective action. PWC is currently authorized to earn 12% rate of return. The Water Division conducted an earnings test on an actual basis for recorded year 2002 and found PWC to be operating at a loss, therefore the utility is not earning in excess of its current authorized rate of return of 12.00%.

NOTICE AND PROTESTS

PWC has given public notice of the request for an increase by publishing in a local newspaper of wide circulation in the Bellflower area as evidenced by the proof of publication provided to the Water Division by the utility. No protest letters were received concerning the proposed offset increase.

FINDINGS

1. Effective January 1, 2003, BSMWC increased its wholesale purchased water rates and charges, and PARK increased its rates for potable water. CBMWD increased its rates for reclaimed water effective July 1, 2003.

2. Three separate increases in purchased water rates charged by these utilities will result in a \$19,237 increase in purchased water cost to PWC.
3. PWC has requested to increase its quantity charge, by \$0.054 in Schedule No. 1 for potable water and \$0.055 in Schedule No. 6 for reclaimed water, to offset the \$19,237 in increased cost for purchased water.
4. The Commission finds, after investigation by the Water Division, that the changes hereby authorized are justified and the resulting rates are just and reasonable.

THEREFORE IT IS ORDERED THAT:

1. Peerless Water Co. is authorized to make effective revised Schedule No. 1, General Metered Service and Schedule No. 6, Reclaimed Water Service; attached to Advice Letter No. 93, and to cancel the corresponding presently effective rate schedules. The effective date of the revised rate schedules shall be five days after the date of this resolution.
2. Peerless Water Co. is directed to maintain its balancing account as required by Public Utilities Code Section 792.5.
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 August 21, 2003; the following Commissioners voting favorably thereon:

WILLIAM AHERN
Executive Director

MICHAEL R. PEEVEY
President

CARL W. WOOD
LORETTA M. LYNCH
GEOFFREY F. BROWN
SUSAN P. KENNEDY

Commissioners