



Minutes

Lakewood City Council

Special Meeting held
August 28, 2001

MEETING WAS CALLED TO ORDER at 6:08 p.m. by Mayor Wagner in the Executive Board Room at the Civic Center, 5000 Clark Avenue, Lakewood, California. Due to the size of the audience in attendance, the meeting was relocated to the City Council Chambers.

ROLL CALL: PRESENT: Mayor Robert Wagner
Vice Mayor Larry Van Nostran
Council Member Joseph Esquivel
Council Member Wayne Piercy
Council Member Todd Rogers

UPDATE ON THE PEERLESS WATER COMPANY MERGER WITH SOUTHERN CALIFORNIA WATER COMPANY

Assistant City Manager Michael Stover stated that the Water Resources Director would provide a brief update on where the City stood in the process regarding the Peerless Water Company for the City Council and the audience and that the City Council would be meeting in closed session for possible litigation strategy at the beginning of the regular meeting.

Council Member Piercy clarified that the focus of the session was to provide an informational update and was not intended to be a public hearing.

Jim Glancy, Director of Water Resources, stated that it had been one year since notice had been mailed to Peerless Water customers advising of a potential merger with the Southern California Water Company. He noted that So. Cal. Water was a very large company with over 240,000 accounts in 11 counties, including 4,600 accounts in the eastern portion of the City of Lakewood. He advised that Peerless Water Company had a total of 2,000 accounts, with 105 of them within the City of Lakewood, all in a five block area. He noted that it was documented that those residents were receiving poor service from Peerless, both in the quality and water pressure. The original notice indicated that the merger would mean an 18 percent rate hike to the Peerless customers. The City had opposed the merger through the Public Utilities Commission hearing process but it appeared that following an agreement which had been reached between the merger parties and the PUC staff regarding a 3-year phase in of rate increases, the PUC staff would be recommending approval of the merger. He concluded by stating that a judgment was pending from an administrative law judge regarding the merger.

John Cavanaugh, special legal counsel, noted that the judge had requested more information on the rate increase impacts which had caused a delay in the final decision.

City Attorney, John S. Todd, advised that Mr. Cavanaugh was acting as special counsel to the cities of Lakewood and Paramount on the Peerless Water issue and presented a brief history of activity to date.

UPDATE ON THE PEERLESS WATER COMPANY MERGER WITH SOUTHERN CALIFORNIA WATER COMPANY - Continued

Mr. Cavanaugh stated that initially the PUC staff had advocated denial of the merger based on the rate impacts, but had subsequently struck a deal with the merger parties. He noted that the decision of the administrative law judge would be in the form of a recommendation to the PUC.

Responding to questions from the City Attorney, Mr. Cavanaugh stated that there would be a further opportunity to be heard before the PUC and that although it would be rare for the PUC to disagree with the recommendation of the administrative law judge, they were not bound by the judge's decision and could make their decision based on other factors.

Mr. Glancy responded to a question from the City Attorney by stating that although the City had made an offer for the voluntary purchase of the Peerless accounts in Lakewood, the replies had not been favorable.

Mr. Glancy stated that Southern California Water Company did have the necessary resources to upgrade the Peerless system and improve service, but at substantially higher rates. He noted that the system would be operated as a separate system and not interconnected with the larger So. Cal. Water Co. system and that the lack of interconnection would leave the system with no backup. He stated that since the City of Lakewood water system was contiguous, interconnection would be straightforward and could provide those water customers with better service as part of a large system. He further stated that although So. Cal. Water Co. could properly serve those water customers, the customers would have to pay for all the necessary system improvements and that a portion of the cost of improvements would be shared by all So. Cal. Water Co. customers in the area, including those in the eastern portion of Lakewood.

Council Member Rogers inquired if there was any possible scenario where the City might be able to acquire the Lakewood customers in a friendly manner rather than through an eminent domain process. Mr. Glancy responded by stating that there had been some conversation with So. Cal. Water Co. management about the possible acquisition after the merger, but no guarantees were offered. He also noted that they were not happy with the City's interference with the PUC merger process.

Responding to a question from Council Member Esquivel, Mr. Cavanaugh stated that once the PUC received the recommendation of the administrative law judge regarding the merger settlement agreement, they could either approve or deny the agreement. Denying the agreement would mean the merger would not go forward.

Mayor Wagner inquired if there was any chance that the PUC might make a decision that would be favorable to the City if both the PUC staff and the administrative law judge recommend approval. Mr. Cavanaugh stated that although it would be much more difficult, the PUC still had the authority to make its own decision. He also noted that the PUC was under significant pressure to be helpful to utility customers.

UPDATE ON THE PEERLESS WATER COMPANY MERGER WITH SOUTHERN CALIFORNIA WATER COMPANY - Continued

Mr. Glancy reported that although the City of Lakewood had not ever been approached by Peerless to purchase the accounts in the City, there were other private companies who could be interested in taking over service to that area.

Mayor Wagner noted that as a comparison of current water rates, for the same quantity of water Lakewood system customers would pay \$44.90, Peerless system customers would pay \$73.00 and So. Cal. Water Co. system customers would pay \$84.00.

Responding to a question from Council Member Piercy, Mr. Glancy stated that the capital improvements necessary to the Peerless system would cause rates to rise for all So. Cal. Water Co. system customers in the area, including those in the eastern portion of Lakewood.

Council Member Rogers inquired if the PUC decision on the merger had to be an “all-or-nothing” decision or whether they could opt to exclude the Lakewood portion from the merger. Mr. Cavanaugh stated that the PUC could give conditional approval to the merger and eliminate the Lakewood and Paramount sections of the system, but it would probably be too complicated for the PUC to give it much consideration.

At 6:49 p.m., the Mayor Wagner called for a recess. At 6:55 p.m., the City Council reconvened in the Executive Board Room with all members present.

THE WEST SAN GABRIEL RIVER RECREATION AREA PROJECT

Dave Rodda, Director of Recreation and Community Services, and Community Services Coordinator Dave Allen displayed slides and gave a presentation on a proposed project for a recreation area on the west side of the San Gabriel River. Mr. Rodda stated that the proposed project would provide for improvements, such as landscaping and trails, for the 28 acres of open space along the west side of the San Gabriel River, north of Carson Street, directly across from Rynerson Park and the Lakewood Equestrian Center. Mr. Allen reported that in November, 2000, the voters in California had approved Proposition 12, funding San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy Projects. The Gateway Cities Council of Governments had requested potential projects which might meet criteria for those funds and had successfully submitted our proposed project. He advised, however, that although the cost of the project was estimated at \$2.5 million, only \$1 million had been awarded for the project. Due to the funding shortfall, a phased project was recommended.

Council Member Piercy noted that as the City’s representative to the Gateway Cities COG, he was very pleased about the grant award and that considering the limited amount of funding to be awarded, it was quite a coup for Lakewood to have been chosen.

THE WEST SAN GABRIEL RIVER RECREATION AREA PROJECT - Continued

Mr. Rodda displayed slides showing the proposed Phase 1 of the project which would include the westerly 100 feet of the 200 foot wide strip on the west side of the San Gabriel River, running from Monte Verde Park on the north to Carson Street on the south. He reported that staff would be recommending that Steve Lang of Purkiss-Rose be retained as the project architect. Mr. Lang had previously served as the landscape architect on the Rynerson Park and Monte Verde Park renovation projects.

Responding to a question from Vice Mayor Van Nostran, Mr. Rodda stated that the proposed pathways would be wide enough to accommodate bicycles.

The City Attorney responded to a question from the Vice Mayor by stating that although the Los Angeles Department of Water and Power had an easement for their power lines across the property, it was only an easement and the property belonged to the City of Lakewood. He advised that the City had acquired the property through its purchase of the Lakewood Water and Power Company in 1957.

Noting that the area must still provide Los Angeles Department of Water and Power with right-of-way access, Council Member Rogers inquired if there would be a separate path provided for their truck traffic. Mr. Rodda advised that they would not be using the pathway but would have access from the western-most section of the turf area. He noted that since their use was infrequent, it would not damage the turf area.

Mr. Rodda stated that staff would continue to search for possible funding sources to complete the other phase of the project. He responded to questions from Council Members Piercy and Rogers by stating that all work scheduled for Phase 1 would translate into the total project and that all aspects of Phase 1, such as irrigation, would be designed for extension into the Phase 2 portion of the project.

Vice Mayor Van Nostran determined from Mr. Rodda that the tentative schedule placed completion of Phase 1 at about May of 2003.

Mr. Rodda concluded by stating that the architect would prepare the plans for the entire project and divide them into separate phases.

ADJOURNMENT

There being no further business to be brought before the City Council, Mayor Wagner adjourned the meeting at 7:20 p.m.

Respectfully submitted,

Denise R. Hayward, CMC
City Clerk