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to Executive Director

RESOLUTION NO. W-3344

EVALUATION & COMPLIANCE DIVISION  
BRANCH/SECTION: Water Utilities  
DATE: November 5, 1986\_\_\_\_\_  
Director\_\_\_\_\_  
Numerical File\_\_\_\_\_  
Alphabetical File\_\_\_\_\_  
Accounting OfficerR E S O L U T I O NLAKE ALPINE WATER COMPANY (LAWC). ORDER AUTHORIZING  
AN OFFSET INCREASE PRODUCING \$1,880 OR 2.41% ADDITIONAL  
ANNUAL REVENUE.

By Advice Letter No. 26, filed October 21, 1986, LAWC requests authority under Section VI of General Order 95-A and Section 454 of the Public Utilities Code to increase rates by \$1,880 annually to partially offset a \$3,820 increase in liability insurance. LAWC serves one metered customer (laundry shop) and about 457 flat rate customers near Lake Alpine, Alpine County.

The present rates became effective on January 7, 1985 pursuant to Resolution No. W-3222, dated January 3, 1985, in which the Commission found the rate of return on rate base of 7.54% for 1984 reasonable. This offset will not result in a rate of return greater than last authorized.

The \$3,820 increase in insurance expense submitted by LAWC is for liability insurance. LAWC obtained this estimate through a bid process and it is considered reasonable by the Water Utilities Branch (Branch).

In compliance with the Commission policy for offsets for insurance premium increases approved by the Commission on May 7, 1986, the Branch recommends that the \$3,820 for liability insurance be considered for partial offset treatment.

LAWC is currently earning a return of about 1.7%, which is less than last authorized by Resolution No. W-3222. Since LAWC is a Class D utility, the Commission's insurance offset policy requires LAWC to absorb the first 75 basis points (0.75%) loss in rate of return. Accordingly, the Branch has determined that a gross revenue increase of \$1,880 (2.41%) should be authorized to meet this requirement.

LAWC gave notification of its proposed increase in rates to its customers by mail on June 28 and 30, 1986. No customer protests or correspondence have been received by the Branch.

Service is satisfactory. There are no complaints registered with the Commission. There are no Commission orders requiring compliance nor are there significant problems requiring corrective action.

Consistent with past Commission policy for offsets, the increase applied to flat and metered customers' rates is about the same percentage (within the limitations of rounding) as the overall increase or about 2.4%. Since insurance expense is a fixed cost item, the percentage increase to the metered customer is applied only to the minimum charge.

LANC's metered rate schedule consists of a minimum charge and two rate blocks. At the Branch's recommended rates, the average monthly bill for the one metered customer (laundry shop) using an average of 237 hundred cubic feet per month will increase from \$150.31 to \$153.91. A comparison of the present and the Branch's recommended rates for flat rate service is shown below:

Annual Residential Flat Rate Service

	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Percent Increase</u>
For a single-family residential unit including premises .....	\$157.50	\$161.40	2.48
For each additional single-family residential unit on the same premises and served from the same service connection .....	68.25	69.60	1.98

Private Fire Protection Service

For each inch of diameter of service connection per month .....	2.63	2.70	2.66
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After investigation by the Branch, the Commission finds that the rate increase recommended by the Branch is reasonable and to the extent provided by the following resolution is justified.

THE COMMISSION FINDS that the increased rates hereby authorized are justified and that the present rates are for the future, unjust and unreasonable.

IT IS RESOLVED that Lake Alpine Water Company is authorized, on the effective date herein, to make effective revised Schedules Nos. 1A, 2AR and 4 attached to Advice Letter No. 26 and concurrently to cancel the corresponding presently effective rate schedules for water service.

This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on November 5, 1966. The following Commissioners approved it:

DONALD VIAL  
President  
VICTOR CALVO  
FREDERICK R. DUDA  
STANLEY W. HULETT  
Commissioners



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VICTOR R. WEISSNER  
Executive Director