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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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                  to Executive Director

RESOLUTION NO. W-3347

EVALUATION & COMPLIANCE DIVISION  
BRANCH/SECTION: Water Utilities  
DATE: February 11, 1987

- Director
- Numerical File
- Alphabetical File
- Accounting Officer

RESOLUTION

LITTLE BEAR WATER COMPANY, INC. (SEWER SERVICE)(LEWC). ORDER  
AUTHORIZING AN OFFSET INCREASE FOR SEWER SERVICE PRODUCING  
\$2,124 OR 8.5% ADDITIONAL ANNUAL REVENUE.

By Advice Letter No. 6, filed January 27, 1987, LEWC request authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates to offset a \$2,124 increase in liability insurance for its sewer system. LEWC provides sewer service to about 189 customers in King City and vicinity, Monterey County.

The present rates became effective on September 1, 1982 pursuant to Resolution No. W-3013, dated August 18, 1982, which authorized an offset increase for purchased power. The last general rate increase became effective on October 6, 1981 pursuant to Resolution No. W-2895 in which the Commission found a rate of return on rate base of 10.6% reasonable. This offset increase will not result in a rate of return greater than last authorized.

The \$2,124 increase is for liability insurance for LEWC's sewer operation. LEWC obtained this coverage through a bid process and it is considered reasonable by the Water Utilities Branch (Branch).

On May 7, 1986 the Commission approved a policy for one-time offsets for liability insurance to compensate for the substantial premium increases experienced recently. Although the adopted policy does not specifically address sewer operations, the Branch recommends that it be applied as it would be for water systems. The policy as applied to Class D utilities requires that they absorb the first 75 basis points (0.75%) loss in rate of return. However, in this instance LEWC is earning a negative return before considering the insurance increase and the Branch recommends that in such cases the 75 basis points absorption not be required. Accordingly, the Branch recommends that a gross revenue increase of \$2,124 be authorized.

Customers were notified of the proposed increase by mail on August 18 and 19, 1986. The Branch received no protests or other correspondence.

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.

A comparison of the present and Branch's recommended rates is shown below:

	<u>RESIDENTIAL SERVICE</u>		<u>Percent Increase</u>
	<u>Per Service Connection Per Month</u>		
	<u>Present Rates</u>	<u>Proposed Rates</u>	
For a single-family residential unit .....	\$11.02	\$11.96	8.5%
A. For each additional single-family residential unit on the same premises and served from the same service connection .....	11.02	11.96	8.5

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 Little Bear Water company is authorized on the effective date herein, to make effective revised Schedule No. 1 attached to Advice Letter No. 6 and concurrently to cancel the presently effective rate schedule for sewer service.

This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on February 11, 1987. The following Commissioners approved it:

STANLEY W. HULETT  
President  
DONALD VIAL  
FREDERICK R. DUDA  
G. MITCHELL WILK  
Commissioners



VICTOR R. WEISSER  
Executive Director