

WATER/FLC/SNR/LEP/ijj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER & AUDITS DIVISION

RESOLUTION NO. W-4649

June 7, 2007

R E S O L U T I O N

**(RES. W-4649), INTERIM CONSUMER PRICE INDEX-URBAN (CPI-U)
TEST YEAR RATE RELIEF IN THE MATTER OF THE GENERAL
RATE CASE APPLICATION OF LITTLE BEAR WATER COMPANY
(LITTLE BEAR) AUTHORIZING IT TO INCREASE RATES FOR
SEWER SERVICE BY \$5,314 OR 2.4% IN 2007.**

SUMMARY

Pursuant to Resolution (Res.) W-4540, this resolution grants interim CPI-U rate relief for Little Bear Water Company's Sewer Service in the Test Year (TY) 2007, while its General Rate Case (GRC) is being processed. The TY interim rate increase is based upon the most recent 12-month ending rate of inflation (February 2007) as compared to existing rates for Little Bear Water Company's Sewer Service.

The interim increase will be subject to refund and may be adjusted upward or downward, back to June 7, 2007, consistent with the final rates adopted by the Commission in the pending GRC.

The interim rates will result in a system-wide annual increase of \$5,314 or 2.4%.

BACKGROUND

By Draft Advice Letter filed on February 9, 2007, Little Bear Water Company requested a GRC increase for its sewer service of \$122,876 or 55.49% in annual gross revenue for TY 2007.

According to Res. W-4540, dated June 16, 2005, Little Bear may also file, as a parallel request with a GRC application, for interim relief based on the most recent 12-month ending CPI-U rate for the Test Year (TY) pending the processing of the utility's GRC. The increase is applied to all accounts except balancing accounts and no earnings test is required.

The utility's Advice Letter (AL) No. 18-S, filed April 13, 2007, requests the TY CPI-U rate adjustment based on the December 2006 CPI-U rate increase of 2.4% or a system-wide increase of \$5,314. The system consists of 393 customers.

According to the company's calculations, the cost of service rate for each residential connection will increase by \$1.11 from \$46.13 to \$47.24 per month.

DISCUSSION

Res. W-4540 allows water and sewer companies with less than 10,000 service connections to make rates effective during the test year, even when the GRC is not complete until later, and treats the Class B, C, and D water and sewer system utilities the same way with regard to GRCs that Public Utilities Code §455.2 treats the Class A water companies. Recovery of uncollected revenues or the return of over-collected revenues based on the Commission approved final rates are identical to those provided for Class A water utilities.

Normally, if the GRC filing occurs during the first six months of the calendar year, the utility asks for that calendar year to be its test year, in the hope rates can be effective upon approval of the GRC resolution during that year. This is the case with the Little Bear: its pending GRC's TY is also the calendar year in which it filed.

By the requirements of Res. W-4540, the utility filed AL No. 18-S for a CPI-U increase soon after its GRC. The Division of Water and Audits (Division) can prepare a resolution approving the request, *or alternately* a resolution approving the cash flow increase if the utility needs one, that also makes the interim rates subject to adjustment to the final rates.¹

According to the Division's Utility Audit, Finance and Compliance Branch, the utility does not qualify for a cash flow increase.

The calculation of the CPI-U surcharge or surcredit for the recoverable revenues is in accordance with Decision (D.) 04-06-019. The rate of inflation should be the most recent 12-month ending change in the U.S. Cities CPI-U published by the U.S. Bureau of Labor Statistics. This percentage should be applied to all revenue requirement components except those items included in balancing accounts.

¹ When the Water Division finds the utility needs a cash flow increase per the Service Guarantee Plan, it prepares a resolution that makes the increase subject to refund or increase depending on the Commission-approved final rates.

The revenue adjustment at 2.4% correlates to a system wide increase of \$5,314 which will raise the cost of service for each residential customer by \$1.11 per month from \$46.13 to \$47.24.

COMMENTS

This is an uncontested matter subject to the public notice comment exclusion provided in the Public Utilities Code Section 311 (g) (3).

FINDINGS

1. Pursuant to Res. W-4540, the Little Bear Water Company filed Advice Letter No. 18-S for a CPI-U increase for the 2007 Test Year of its General Rate Case application of February 9, 2007 for its sewer service.
2. The increase is subject to refund or increase to the rates to be found reasonable in the pending general rate case resolution or decision, for the requested Test Year of 2007.
3. No earnings test is required.
4. The calculation of the surcharge or surcredit for CPI-U increase for the recoverable revenues is in accordance with Decision 04-06-019.
5. This is an uncontested matter subject to the public notice comment exclusion provided in the Public Utilities Code Section 311 (g) (3).
6. This advice letter shall be made effective by Commission resolution.

THEREFORE IT IS ORDERED THAT:

1. Little Bear Water Company is authorized, five days after the effective date herein, to make effective the revised rate Schedule No. SS-1, Residential Sewer Service, attached to Advice Letter No. 18-S, and to concurrently cancel the presently effective rate schedule.
2. Little Bear Water Company is authorized to increase its annual sewer rate revenues by \$5,314 or 2.4%.

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 June 7, 2007; the following Commissioners voting favorably thereon:

/s/ PAUL CLANON

Paul Clanon
Executive Director

MICHAEL R. PEEVEY
President

DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners