

SAN GABRIEL VALLEY WATER COMPANY

May 13, 2011

Advice Letter 398

U337W

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

San Gabriel Valley Water Company ("San Gabriel") hereby requests review and approval of the following changes in tariff sheets applicable to its Fontana Water Company division:

<u>CPUC Sheet No.¹</u>	<u>Title</u>	<u>Schedule No.</u>	<u>Canceling CPUC Sheet No.</u>
	General Metered Service (cont.)	FO-1	1995-W
	General Metered Service Conservation Rates	FO-1C	2005-W
	California Alternative Rates for Water (cont.)	FO-CARW	1990-W
	Table of Contents	N/A	2008-W

An original and four copies of this advice letter are submitted pursuant to Ordering Paragraph No. 2 of Decision No. 10-12-058 in Rulemaking No. 09-03-014, to amortize the \$1,308,583 recorded balance in the Water Quality Litigation Memorandum Account ("WQLMA") through a temporary 12-month surcharge of \$0.0695 per Ccf. The new surcharge will increase revenues by \$1,322,205 or 2.1%. **This advice letter is designated as Tier 3 that will require a Commission resolution for approval.**

Purpose and Background

The purpose of this advice letter is to request amortization of the March 31, 2011 balance in the WQLMA for the Fontana Water Company division as authorized by the Commission in Decision No. 10-12-058, in Rulemaking No. 09-03-014. Ordering Paragraph No. 2 of that decision states in part:

"A combined trigger default mechanism is adopted, as described in Decision 10-10-018, at section 5.5.2.3., whereby an investor-owned water utility may request cost recovery, through either a Tier 3 Advice Letter or a pending General Rate Case, of the balance in a contamination-related

¹ "...all Tier 2 and Tier 3 advice letters from this moment on, do not file numbered tariff sheets with the advice letter. After approval, you will supplement the tariffs with properly numbered tariff sheets." Fred Curry's email dated April 27, 2009.

litigation expense memorandum account after either of the following has occurred: the balance in the memorandum account exceeds 2% of the utility's authorized revenue requirement or three years have elapsed since the date the memorandum account was established."

The recorded balance in the Water Quality Litigation Memorandum Account as of March 31, 2011 exceeds 2% of Fontana Water Company's authorized revenue requirement.

History of the Water Quality Litigation Memorandum Account

Pursuant to Resolution W-4094, Fontana Water Company opened this memorandum account in March 2002 for recording contaminated-related litigation expenses. In the three most recent general rate cases for the Fontana Water Company division, the Commission authorized San Gabriel to amortize the WQLMA balances as of July 31, 2003 (D.04-07-034, Ordering Paragraph No. 12), February 28, 2007 (D.07-04-046, Ordering Paragraph No. 5), and June 18, 2009 (D.09-06-027, Ordering Paragraph No. 21), respectively.

Discussion

The present rate schedules in the Fontana Water Company division became effective on January 1, 2011, pursuant to D.09-06-027. Per instructions from the Commission staff, this advice letter will be supplemented with tariff schedules reflecting the proposed surcharge after approval of this advice letter. San Gabriel has provided workpapers supporting the recorded amounts in the memorandum account from June 19, 2009 through March 31, 2011 and the calculation of the proposed \$0.0695 surcharge to the Commission's Water Division staff for their review.

The impact of this proposed increase will raise the monthly water bill of a typical residential customer (5/8" x 3/4" meter and 23 Ccf) by \$1.60 or 2.2% from \$70.87 to \$72.47 for General Service customers (Tariff Schedule No. FO-1) and by \$1.60 or 2.2% from \$70.80 to \$72.40 for Conservation Rate customers (Tariff Schedule No. FO-1C).

As shown on Table 1 of Page 1, of the Workpapers, San Gabriel separately tracks the charges and credits to the WQLMA in the category labeled as Contamination Job No. 4704F, which are comprised of outside legal fees, costs, and expenses associated with the company's claims against groundwater polluters.

Enclosed as Section D, Pages 1 through 80 are copies of monthly invoices supporting the recorded amounts in the Fontana Water Company WQLMA from June

19, 2009 through March 31, 2011. The amounts recorded in the WQLMA are the actual amounts incurred and paid by San Gabriel in accordance with written engagement agreements with each law firm and outside consultant. Prior to payment, all invoices and the accompanying detailed billing statements are reviewed and approved by both San Gabriel's Vice President and General Counsel, Timothy J. Ryan and by its Chief Executive Officer, Michael L. Whitehead. Review of the invoices and statement of services rendered includes verification that the hourly rates, time charged, services performed, and expenses incurred are reasonable and proper and in accordance with the terms of the applicable retention and service agreements.

In the most recent Fontana Water Company general rate case A. 08-07-009, Mr. Whitehead's prepared testimony Exhibit SG-9, pages 5 to 13 (Section C of the Workpapers), explained the necessity, nature, scope, benefits, and costs of outside legal services to pursue Fontana Water Company's legal claims against groundwater polluters. In general, outside legal services for this matter have included representation of Fontana Water Company before the State of California Superior Court, the United States District Court (Central District), the Regional Water Quality Control Board, State Water Resources Control Board, Department of Toxic Substance Control, and United States Environmental Protection Agency.

Notice of Rate Increase

In accordance with Water Industry Rule 3.1 of General Order 96-B, San Gabriel will inform its customers of the increase by bill insert.

In accordance with Water Industry Rule 3.3 of General Order 96-B, San Gabriel will also post this advice letter to its website. Finally, distribution of this advice letter is being made to the attached service list in accordance with Water Industry Rule 4.1 of General Order No. 96-B. No other parties have requested notification of tariff filings related to the Fontana Water Company division.

Protest and Responses

Anyone may respond to or protest this advice letter. A response supports the filing and may contain information that proves useful to the Commission in evaluating the advice letter. A protest objects to the advice letter in whole or in part and must set forth the specific grounds on which it is based. These grounds are:

- (1) San Gabriel did not properly serve or give notice of the advice letter;
- (2) The relief requested in the advice letter would violate statute or Commission order, or is not authorized by statute or Commission order on which San Gabriel relies;
- (3) The analysis, calculations, or data in the advice letter contain material error or omissions;
- (4) The relief requested in the advice letter is pending before the Commission in a formal proceeding;
- (5) The relief requested in the advice letter requires consideration in a formal hearing, or is otherwise inappropriate for the advice letter process; or
- (6) The relief requested in the advice letter is unjust, unreasonable, or discriminatory, provided that such a protest may not be made where it would require relitigating a prior order of the Commission.

A response or protest must be made in writing or by electronic mail and must be received by the Division of Water and Audits within 20 days of the date this advice letter is filed. The address for mailing or delivering a response or protest is:

Tariff Unit, Division of Water and Audits, 3rd floor
California Public Utilities Commission,
505 Van Ness Avenue, San Francisco, CA 94102
Email: water_division@cpuc.ca.gov

On the same date the response or protest is submitted to the Division of Water and Audits, the respondent or protestant shall send a copy of the protest by mail to San Gabriel addressed as follows:

San Gabriel Valley Water Company
Director, Rates and Revenue
11142 Garvey Avenue
El Monte, CA 91733
FAX: (626) 448-5530 or
E-mail: dadellosa@sgwater.com

The advice letter process does not provide for any responses, protests or comments, except for San Gabriel's reply, after the 20-day comment period.

Replies: San Gabriel will reply to each protest and may reply to any response. Each reply must be received by the Division of Water and Audits within 5 business days after the end of the protest period, and shall be served on the same day to the person who filed the protest or response.

If you have not received a reply to your protest within 10 business days, contact me at (626) 448-6183.

May 13, 2011

San Gabriel Valley Water Company



Daniel A. Dell'Osa
Director of Rates and Revenue

cc: James Boothe, CPUC – Division of Water and Audits
Hani Moussa, CPUC – Water Branch, DRA
Danilo Sanchez, CPUC – Water Branch, DRA

SCHEDULE NO. FO-1
Fontana Water Company
GENERAL METERED SERVICE
(continued)

RATES (continued)

	<u>Per Battery</u> <u>Per Month</u>
For two 2-inch meters	\$ 296.58
For three 2-inch meters.....	444.38
For four 2-inch meters.....	593.17
For two 3-inch meters	556.46
For two 4-inch meters	927.44
For one 8-inch meter, two 2-inch meters.....	1,785.45
For two 8-inch meters	2,975.74

The Service Charge is a readiness-to-serve charge applicable to all metered service and to which is added to the quantity charge computed at the Quantity Rates.

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.
2. A reserve account surcharge of \$0.0695 per Ccf is to be applied to the quantity rates for a 12- (N)
month period beginning xxxxx, xx, 2011 and ending xxxxx, xx, 2012. (N)

(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 398

R. W. Nicholson
NAME

Date Filed _____

Decision No. _____

President
TITLE

Effective _____

Resolution No. _____

SCHEDULE NO. FO-1C
Fontana Water Company
GENERAL METERED SERVICE - CONSERVATION RATES

APPLICABILITY

Applicable to all metered Residential customers, excluding apartments, trailer parks, and any other facility in which Residential customers receive service through a master meter.

TERRITORY

Portions of Fontana, Rancho Cucamonga, Rialto, and vicinity, San Bernardino County.

RATES

Quantity Rates:

For the first 16 Ccf of water used, per 100 cu. ft..... \$ 2.2527
For all Ccf greater than 16 Ccf, per 100 cu. Ft..... \$ 2.5906

**Per Meter
Per Month**

Service Charges:

For 5/8 x 3/4-inch meter \$ 16.63
For 3/4-inch meter 24.98
For 1-inch meter..... 41.61
For 1-1/2-inch meter 83.20
For 2-inch meter..... 133.07
For 3-inch meter..... 249.64

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.
2. A reserve account surcharge of \$0.0695 per Ccf is to be applied to the quantity rates for a 12- (N)
month period beginning xxxxx, xx, 2011 and ending xxxxx, xx, 2012. (N)

(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 398

R. W. Nicholson

Date Filed _____

Decision No. 10-10-018

NAME

Effective _____

President

TITLE

Resolution No. _____

SCHEDULE NO. FO-CARW
Fontana Water Company
CALIFORNIA ALTERNATIVE RATES FOR WATER
(continued)

SPECIAL CONDITIONS (continued)

2. Application and Eligibility Declaration: An application and eligibility declaration on a form authorized by the Commission is required for each request for service under this schedule. Renewal of a customer's eligibility declaration will be required every two years and may be required on an annual basis. Customers are only eligible to receive service under this rate schedule at one residential location at any one time, and the rate applies only to the customer's permanent primary residence. The schedule is not applicable where, in the opinion of the Utility, either the accomodation or the occupancy is transitory.
3. Commencement of Rate: Eligible customers shall be billed on this schedule commencing no later than one billing period after receipt and approval of the customer's application by the Utility.
4. Verification: Information provided by the applicant is subject to verification by the Utility. Refusal or failure of a customer to provide documentation of eligibility acceptable to the Utility, upon the request of the Utility, shall result in removal from this rate schedule.
5. Notice from Customer: It is the customer's responsibility to notify the Utility if there is a change in the customer's eligibility status.
6. Customers may be re-billed for periods of ineligibility under the applicable rate schedule.
7. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF. (N)
8. A reserve account surcharge of \$0.0695 per Ccf is to be applied to the quantity rates for a 12-month period beginning xxxxx, xx, 2011 and ending xxxxx, xx, 2012. (N)

(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 398

R.W. Nicholson

Date Filed _____

Decision No. 10-10-018

NAME

Effective _____

President

TITLE

Resolution No. _____