

SAN GABRIEL VALLEY WATER COMPANY

May 28, 2010

Advice Letter 383-B

U337W

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

<u>CPUC Sheet No.</u>	<u>Title</u>	<u>Schedule No.</u>	<u>Canceling CPUC Sheet No.</u>
1935-W	General Metered Service	FO-1	1919-W
1936-W	General Metered Service (cont.)	FO-1	1910-W
1937-W	Construction and Tank Truck Service	FO-9C	1912-W
1938-W	Service to Tract Houses During Construction	FO-9CL	1913-W
1939-W	California Alternative Rates For Water	FO-CARW	1924-W
1940-W	Preliminary Statement (cont.)	N/A	1829-W
1941-W	Table of Contents	N/A	1929-W
1942-W	Private Fire Service	FO-4	1911-W

Advice Letter 383 was timely filed on May 17, 2010 using the February 2010 escalation factors as those were the most recent escalation factors available at that time. On May 20, 2010 the Division of Water and Audits requested San Gabriel to supplement its filing using the more recent April 2010 escalation factors received from Division of Ratepayer Advocates on May 19, 2010. The purposes of this supplemental filing are to update the February 2010 escalation factors used in the previous filing of Advice Letter 383 to those from the April 30, 2010 memoranda (received on May 19, 2010) and to correct minor formulaic errors in the original revenue requirement calculations. These updates result in a \$69,897 reduction to the previously requested increase. An original and four copies of this advice letter are submitted in compliance with Ordering Paragraph No. 4 of Decision No. 09-06-027 in Application No. 08-07-009 to implement a \$1,537,606 or 2.6% increase for Escalation Year 2010-2011. This is designated as a Tier 1 advice letter, with a requested July 1, 2010 effective date.

Purpose and Background

This advice letter submittal is to implement rates for Escalation Year 2010-2011 authorized by the Commission for the Fontana Water Company division in Decision No. 09-06-

027, dated June 18, 2009 in Application No. 08-07-009. Ordering Paragraph No. 4 of Decision 09-06-027 states:

4. Escalation advice letters for July 2010 and July 2011, including workpapers, may be filed in accordance with General Order 96-B no later than 45 days prior to the first day of the escalation year. To the extent that the pro forma earnings test for the 12 months ending September 30, as adopted in D.04-06-018, exceeds the amount authorized in this decision, the requested increase shall be reduced by the utility from the level authorized in this decision to conform to the pro forma earnings test. Advice letters filed in compliance with this decision shall be handled as Tier 1 filings, effective on the first day of the test year.

Based on DRA's April 2010 escalation factors for 2010, 2011, and 2012, San Gabriel requests a revenue increase of \$1,537,606 or 2.6% for Escalation Year 2010-2011. The effect of the adopted increase will raise the typical monthly bill of the typical residential customer (5/8" x 3/4" meter and 23 Ccf) by \$1.49 or 2.2% from \$66.73 to \$68.22. In accordance with Ordering Paragraph No. 4 of Decision No. 09-06-027, the revised tariff schedules shall take effect on July 1, 2010.

Discussion

The present rate schedules in the Fontana Water Company division became effective on February 12, 2010, pursuant to D.09-06-027 and Advice Letter No. 380.

The following summary lists the recorded, authorized, and pro forma rates of return in Fontana Water Company division for the twelve months ending December 31, 2009. The pro forma rate of return is calculated in accordance with guidelines provided by the Commission's Water Division staff.

Recorded	5.12%
Authorized	9.32%
Pro Forma	9.10%

The tariff schedules reflecting the Escalation Increase are attached hereto. San Gabriel has provided workpapers supporting the recorded and pro forma rates of return set forth herein, as well as the calculation of the proposed rates, to the Commission's Water Division staff for their review as required by the Decision. The present Quantity Rates already recover a greater percentage of revenue than the rate design target. Rather than lowering the Quantity Rates

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(which could be viewed as counterproductive to water conservation measures) and increasing the monthly Service Charges by an even greater amount, the revenue increase proposed in this advice letter was applied to the monthly Service Charges.

In compliance with D.10-04-031 in A.08-09-008, San Gabriel will supplement the rates proposed in this advice letter with a Conservation rate schedule to be submitted in a future advice letter no later than twenty days before July 1, 2010. The Conservation rates will be designed to be "revenue neutral", therefore, neither increasing nor decreasing the revenues proposed herein.

In accordance with the requirements of Water Industry Rule 4.1 of General Order No. 96-B, this advice letter is being sent to the parties listed on the attached distribution list. No other parties have requested notification of tariff filings related to the Fontana Water Company division. No further public notice is required because all public notices in connection with Application No. 08-07-009 have already been mailed to the customers or published in accordance with applicable law and Commission rules.

Conclusion

San Gabriel requests processing by the Commission's Water Division so the proposed rates will become effective on July 1, 2010, as provided in Ordering Paragraph No. 4 of D.09-06-027. Thank you for your assistance in processing this advice letter.

San Gabriel Valley Water Company



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