

# SAN GABRIEL VALLEY WATER COMPANY

June 11, 2010

Advice Letter No. 385

U337W

## TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

San Gabriel Valley Water Company ("San Gabriel") hereby requests ministerial review and approval 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>
1948-W	General Metered Service	FO-1	1935-W
1949-W	Conservation Rate	FO-1C	--
1950-W	California Alternative Rate for Water	FO-CARW	1939-W
1951-W	Preliminary Statement (cont.)	N/A	--
1952-W	Table of Contents	N/A	1947-W

This **compliance** filing implements a pilot two-tier increasing block water conservation rate design methodology in the Fontana Water Company division as required by the Commission in Decision No. 10-04-031 in Application No. 08-09-008.

The Commission specified that the pilot two-tier rate design will be applicable only to direct-metered residential customers, excluding apartments, trailer parks, and any other facility in which customers receive service through a master meter. This filing also implements a limited, Monterey-style Water Revenue Adjustment Mechanism (WRAM) in accordance with the Commission's Water Action Plan. The conservation rates and the WRAM are not intended to increase San Gabriel's revenues. In accordance with Decision No. 10-04-031, **this filing is designated Tier 1** and the enclosed tariff sheets become effective July 1, 2010.

**Discussion**

Decision No. 10-04-031 in Application No. 08-09-008 contains the following Ordering Paragraphs:

2. San Gabriel Valley Water Company shall file a tier 1 advice letter no later than 20 days prior to July 1, 2010 in order to implement the adopted conservation rate design procedure that is effective July 1, 2010. San Gabriel Valley Water Company shall apply this rate design only for the duration of the pilot, which is effective until the effective date of rates approved in the 2011 General Rate Case in the Fontana Water Company division and the effective date of rates approved in the 2013 General Rate Case in the Los Angeles County division, unless extended by further order of the Commission. This rate design shall apply only to direct-metered residential customers, excluding apartments, trailer parks, and any other facility in which residential customers receive service through a master meter.
3. San Gabriel Valley Water Company shall apply in each division flat rate "California Alternative Rates for Water" (CARW) discounts equivalent to 50% of the residential service charges under traditional rate design. If the Commission authorizes a change to San Gabriel's revenue requirement, San Gabriel shall calculate the discount for CARW customers using the method used in this decision and described in the Conservation Rate Design Procedure set out in this decision and in the Attachment as Figure 1. In the next General Rate Case (GRC), San Gabriel shall propose a new method for determining CARW discounts that results in discounts comparable to that which qualifying customers received in the last GRC for that division, independent of the amount of the authorized service charge.
4. Monterey-styled water revenue adjustment mechanisms shall be applied in the two divisions.
  - (a) San Gabriel Valley Water Company shall file a Tier 1 advice letter updating the preliminary statement in its tariff to incorporate the Monterey-styled WRAM prior to its July 1, 2010 effective date.
  - (b) Commencing in 2011, San Gabriel Valley Water Company shall submit a written report to the Division of Water and Audits on the revenue over- or under-collected relative to sales of the same quantity of water at single quantity rates in each of the two ratemaking areas during the preceding calendar year

by March 31 of the following year. That difference shall accrue interest at the 90-day commercial rate.

- (c) The single quantity rate that shall be used as the baseline for the limited, Monterey-styled WRAM must be included in the advice letter filing, to be set effective July 1, 2010, based on the conservation rate design procedure adopted herein.
- (d) If the water revenue adjustment mechanism over- or under-collection for either ratemaking division exceeds 2% of that area's total authorized revenue requirement for the preceding calendar year, a tier 1 advice letter shall be filed within 30 days by San Gabriel Valley Water Company that requests amortization of the balance in the account, which applies only to the residential class of customers. If the percentage is 2 or less, San Gabriel Valley Water Company shall propose amortizing in the next General Rate Case.

The present rate schedules in the Fontana Water Company division became effective on February 12, 2010, and the recently approved Advice Letter No. 383-B established Escalation Year rates effective July 1, 2010. The proposed rate schedules are attached hereto. San Gabriel has provided workpapers supporting the calculation of the tiered conservation rates to the Commission's Water Division for their review as required by the Decision. In order to achieve the Commission's target ratio of 72.03% of revenue from Quantity Rates, the company is shifting \$1,692,168 of Service Charge revenue to Quantity Rates. The new Conservation Rate (Schedule No. FO-1C) contains the reduced monthly Service Charges compared to Schedule No. FO-1, and replaces the uniform Quantity Rate from that schedule with a two-tier increasing block rate with the charge for all usage greater than 16 Ccf per month being 15% higher than the charge for the initial tier. As a result, some monthly bills will be lower than under present rates, while others will be higher, depending on the level of water usage. San Gabriel provides a bill comparison in its workpapers.

The adopted Monterey-style WRAM will track the difference between recorded revenues collected through the tiered Quantity Rates and the revenues that would have been collected through a single block Quantity Rate for the same water usage. The WRAM balance will be amortized through a Tier 1 advice letter whenever the balance exceeds 2% of the total authorized revenue requirement for the preceding calendar year, or in the next general rate case.

**Notice of Rate Change**

San Gabriel has already notified its customers of the proposed rate change in Application No. 08-09-008. San Gabriel is planning to augment that notice through customer outreach in the form of bill inserts and postings to the company website which alert customers to the new two-tier conservation rates and explain how they work. No other parties have requested notification of tariff filings related to the Fontana Water Company division.

In accordance with Water Industry Rule 3.3 of General Order 96-B, San Gabriel will also post this advice letter to its website [www.fontanawater.com](http://www.fontanawater.com). 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.

San Gabriel Valley Water Company

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