

# SAN GABRIEL VALLEY WATER COMPANY

November 17, 2008

Advice Letter 368

U337W

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

San Gabriel Valley Water Company ("San Gabriel") hereby requests 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>
1868-W	General Metered Service	FO-1	1823-W
1869-W	General Metered Service (cont.)	FO-1	1864-W
1870-W	Private Fire Service	FO-4	1825-W
1871-W	Construction and Tank Truck Service	FO-9C	1826-W
1872-W	Service to Tract Houses during Construction	FO-9CL	1827-W
1873-W	California Alternative Rates for Water	FO-CARW	1828-W
1874-W	Table of Contents	N/A	1863-W

An original and four copies of this advice letter are submitted in compliance with Ordering Paragraph No. 3 of Decision No. 07-04-046 in Application 05-08-021, dated April 12, 2007, to reflect in rates, the new revenue requirement based on additional rate base reflecting the Sandhill Surface Water Treatment Plant Upgrade Project. The rate base is offset by Facilities Fees revenues recorded in the Facilities Fees Memorandum account. Approval of this advice letter will decrease the adopted annual revenue requirement by on January 1, 2009 by \$523,918 or 1.0%. Approval of this advice letter will cause the monthly bill of the typical residential customer to decrease by a net of \$0.59 or 1.1% from \$52.75 to \$52.16. **This advice letter is designated as Tier 2 and does not require a Commission Resolution for approval.**

### Purpose and Background

In the last general rate case for this Division (D.07-04-046 in A.05-08-021), the Commission ordered:

3. Not later than November 15, 2007, and *each succeeding year until San Gabriel's next GRC decision*, San Gabriel shall file an advice letter in conformance with GO 96-B, proposing new revenue requirements (and corresponding revised tariff schedules) for the Fontana Division based on new rate base reflecting: (i) inclusion in utility plant of all investment recorded during the then-current calendar year in the Sandhill Surface Water Treatment Plant Upgrade Project, and (ii) inclusion in CIAC of all revenues recorded in the facilities fees memorandum account during said calendar year. The advice letter shall include appropriate supporting workpapers. The revised tariff schedules shall take effect on January 1 of the succeeding calendar year and shall apply to service rendered on or after their effective dates. The proposed revenue requirements and rates shall be reviewed by the Commission's Water Division, which shall inform the Commission if it finds that the revised rates do not conform to the Rate Case Plan, this order, or other Commission decisions, in which case all revenues collected under the revised rates shall be subject to refund until the Commission has decided the matter. (*emphasis added*)
  
11. The costs of Sandhill water treatment plant upgrade project authorized for inclusion in rate base shall be capped at \$35 million, of which \$12 million is included in rate base for Test Year 2006-2007 and up to \$23 million may be added to rate base by annual advice letter filings.

### **Discussion**

As of September 30, 2008, San Gabriel has invested \$40,307,114 for the recorded costs for construction, engineering, and applicable overhead and other costs for the Sandhill Surface Water Treatment Plant upgrade project, but only \$35,000,000 of capital expenditures may be added to rate base by advice letter in accordance with D.07-04-046. Advice Letter 358 was submitted last year to reflect in rates the investment in the Sandhill upgrade and the offsetting facilities fees recorded through October 2007. This advice letter provides the same information for the period November 2007 through September 2008. Invoices, job cost worksheets, and other supporting documents for this advice letter have been provided to the Water and Audit Division.

The following summarizes the proposed change to Rate Base:

Maximum addition to Rate Base by Advice Letter	\$35,000,000
Investment already in rates (D.07-04-046 and AL 358)	<u>(\$32,916,281)</u>
Additional Investment for this advice letter	\$ 2,083,719
Additional Facilities Fees collected (since AL 358)	<u>(\$ 3,083,850)</u>
Subtotal: Addition to Rate Base	(\$ 1,000,131)
Accumulated Depreciation already in rates	(\$ 525,278)
Additional Accumulated Depreciation (since AL 358)	<u>(\$ 1,033,603)</u>
Net Reduction to Rate Base	<u>(\$ 2,559,012)</u>

The revenue requirement based on the net reduction to rate base in this advice letter produces a \$523,918 or 1.0% decrease to the previously adopted \$51,215,000 revenue requirement. The proposed rates were designed in conformance the Commission's Water Rate Design Policy adopted in D.86-05-064.

In accordance with the requirements of Section 4 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. 05-08-021 have already been mailed to the customers or published in accordance with applicable law and Commission rules.

### **Conclusion**

Pursuant to Ordering Paragraph No. 3 of D.07-04-046, San Gabriel requests processing by the Commission's Water and Audit Division so the rates proposed herein will become effective on January 1, 2009. Thank you for your assistance in processing this advice letter.

San Gabriel Valley Water Company

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Director of Rates and Revenue

c: Fred L. Curry, CPUC – Water and Audit Division  
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