

March 31, 2004

Advice Letter No. 327

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>
1627-W	General Metered Service (cont.)	FO-1	1550-W
1628-W	Table of Contents	N/A	1626-W

An original and four copies of this advice letter is submitted in compliance with Ordering Paragraph No. 1 of Decision No. 03-06-072 in Rulemaking No. 01-12-009, dated June 19, 2003. This advice letter provides information for Calendar Year 2003 regarding the activity in the Water Production and Purchased Power balancing-type memorandum accounts for the San Gabriel's Fontana Water Company division, and requests amortization of balances in those accounts. The accounts are undercollected in the following amounts:

Water Production	\$120,198
Purchased Power	<u>\$446,763</u>
Net	\$566,961

In order to amortize this undercollection, San Gabriel proposes a temporary surcharge of \$0.030/Ccf for a 12-month period. The effective date of these tariff schedules is requested to be May 1, 2004.

Rate History

Prior to pending general rate case Application No. 02-11-044, San Gabriel's last general rate case in the Fontana Division was decided by D.95-06-017 in A.94-08-017. Because of the unique water supply conditions existing in the Fontana

Division, D.95-06-017 authorized the continued use of supply cost balancing accounts that vary from the Commission's standard balancing account procedures. The Proposed Decision of ALJ Patrick renews this prior Commission authorization.

By Advice Letter 297-W (filed August 22, 1997 and effective October 4, 1997), the company reduced its Quantity Rate by \$0.01/Ccf (an eleven cent increase for water production costs and a twelve cent reduction for purchased power costs).

Resolution No. W-4261, dated April 19, 2001, in Advice Letter No. 310-W authorized the company to increase its quantity rates effective April 24, 2001, by a surcharge of \$0.021/Ccf in order to reflect Southern California Edison's ("Edison") electric charges made effective by D.01-01-082.

Resolution No. W-4269, dated May 3, 2001, in Advice Letter No. 312-W authorized the company to increase its quantity rates effective May 8, 2001, by a surcharge of \$0.065/Ccf (resulting in a total surcharge of \$0.086/Ccf in order to reflect Edison's electric charges made effective by D.01-03-082). These rates are currently in effect.

On January 17, 2002, the company filed Advice Letter No. 320-W in compliance with D.02-12-055 in R.01-12-009, requesting amortization of the November 2001 balances in the supply cost balancing accounts (a \$1,460,004 overcollection in the Water Production balancing account and a \$1,659,558 undercollection in the Purchased Power balancing account). Resolution No. W-4382, dated March 13, 2003, denied this request because the net undercollected balance of \$199,554 was less than 2% of annual revenues, and instead authorized the company to incorporate the request for amortization of the net balance into the pending general rate case (A.02-11-044).

The Company opened its Water Quality Litigation Memorandum Account in January 2002 pursuant to Commission Resolution W-4094, dated March 26, 1998.

In Application No. 02-11-044, the company has requested authority to amortize the December 2002 balances of its Water Production and Purchased Power balancing accounts, and the July 2003 balance of its Water Quality Litigation Memorandum Account. The Proposed Decision of ALJ Patrick grants this request. San Gabriel, therefore, started with a zero balance in each of these accounts for this advice letter.

General

Two copies of supporting workpapers have been provided to Water Division for its review. These workpapers show, as of December 2003, a \$120,198 undercollection in the Water Production balancing account, and a \$446,763 undercollection in the Purchased Power balancing account. These workpapers also show a 10.46% authorized rate of return and a 4.16% recorded rate of return with adjustments in 2003 (note: the Proposed Decision in the pending general rate case authorizes a 9.41% return on rate base for Test Year 2003). Therefore, no earnings adjustment is required for this advice letter.

San Gabriel proposes a 12-month surcharge of \$0.030/Ccf, a 1.8% increase in annual revenues, to amortize the \$566,961 total undercollection. This proposed change raises the average residential customer's monthly bill (23 Ccf, with a 5/8" x 3/4" meter) by \$0.69 or 1.9% from \$37.11 to \$37.80.

In accordance with Section III-G of General Order 96-A, a copy of this advice letter is being mailed to all parties listed on the Distribution List attached to this advice letter. A notice of the proposed increase will be published in a newspaper of general circulation. No other parties have requested notification of tariff filings related to the Fontana Water Company Division.

Protests and Responses

There are two ways to respond to this notice. You can send a protest to the CPUC and the utility, or you can send a response to the CPUC, with a copy to the utility if you wish.

A protest is a document objecting to the granting in whole or in part of the authority sought in this advice letter. A response is a document that does not object to the authority sought, but nonetheless presents information that the party tendering the response believes would be useful to the Commission in acting on the request.

A protest must be mailed within 20 days of the date the California Public Utilities Commission accepts the advice letter for filing. It must state the facts constituting the grounds for the protest, the effect that approval of the advice letter might have on the protestant, and the reasons the protestant believes the advice letter, or part of it, is not justified. If the protest requests an evidentiary hearing, the protest must state the facts

the protestant would present at an evidentiary hearing to support its request for whole or partial denial of the advice letter. The utility must respond to the protest within five days.

All protests and responses to this filing should be sent to:

California Public Utilities Commission, Water Division
505 Van Ness Avenue
San Francisco, CA 94102
Fax: (415) 703-4426
E-Mail: water.division@cpuc.ca.gov.

All protests should be sent to this utility to:

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

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

San Gabriel Valley Water Company

Daniel A. Dell'Osa
Director of Rates and Revenue

c: Fred L. Curry, CPUC – Water Division
Richard Smith, CPUC – Water and Natural Gas Branch, ORA
Daniel R. Paige, CPUC – Water and Natural Gas Branch, ORA