

SAN GABRIEL VALLEY WATER COMPANY

June 11, 2018

Advice Letter 522-A

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>
2833-W	General Metered Service	FO-1	2777-W
2834-W	General Metered Service (cont.)	FO-1	2752-W
2835-W	General Metered Conservation Rates	FO-1C	2806-W
2836-W	Private Fire Service	FO-4	2754-W
2837-W	Recycled Water Service	FO-6	2779-W
2838-W	Recycled Water Service (cont.)	FO-6	2756-W
2839-W	Preliminary Statement, Paragraph H2	N/A	2780-W
2840-W	Table of Contents	N/A	2832-W

An original and four copies of this supplemental advice letter are submitted in compliance with Ordering Paragraph No. 7 of Decision No.17-06-008 in Application 16-01-002 to implement rates for Escalation Year 2018-2019. On May 14, 2018, San Gabriel submitted Advice Letter 522. Water Division subsequently advised San Gabriel to eliminate the rate base impacts of the New Tax Law, and instead record those impacts in the 2018 Tax Accounting Memorandum Account for later consideration. As with the initial advice letter, **no change from current rate levels is requested.** In accordance with Water Division's letter, dated May 8, 2018, to all Class A water utilities regarding implementation of the 2018 federal corporate tax rate of 21%, this advice letter is designated as **Tier 2**, with a requested July 1, 2018 effective date.

Purpose and Background

This supplemental advice letter requests authority to implement rates for Escalation Year 2018-2019 as authorized by the Commission for the Fontana Water Company division in

Decision No. 17-06-008, dated June 15, 2017 in Application No. 16-01-002. Ordering Paragraph No. 7 of Decision 17-06-008 states:

7. For escalation years 2018-2019 and 2019-2020, San Gabriel Valley Water Company shall file Tier 1 advice letters to implement escalation year rate increases, consistent with the estimated increases shown in Appendices A and B hereto, in conformance with General Order 96-B on or before May 16, 2018 and May 16, 2019, respectively, as set forth in the Commission's Rate Case Plan (Decision 07-05-062) for Class A Water Utilities. These advice letters shall include appropriate supporting workpapers. The revised tariff schedules shall take effect no earlier than July 1, 2018 and July 1, 2019, respectively, and shall apply to service rendered on and after their effective dates. The advice letters shall be reviewed by the Commission's Water Division. The Water Division 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, and if so, shall reject the filing.

In accordance with Ordering Paragraph No. 7 of Decision No. 17-06-008, the revised tariff schedules shall take effect on July 1, 2018.

The present rate schedules in the Fontana Water Company division became effective on January 1, 2018, through Advice Letter 510 to implement a water cost offset.

Discussion

Based on ORA's April 2018 escalation factors for 2018 and 2019, San Gabriel calculated a \$31,100 or 0.0% increase in revenue requirement for Escalation Year 2018-2019. This calculation incorporates some of the ratemaking impacts of the 2017 Tax Cuts and Jobs Act ("New Tax Law") which are currently being recorded in the 2018 Tax Accounting Memorandum Account, with the exception of excess deferred income taxes, which San Gabriel will be quantifying with the assistance of an outside tax consultant. San Gabriel proposes to pass these net savings on to its customers at this time in lieu of continuing to record such amounts in the 2018 Tax Accounting Memorandum Account. San Gabriel plans to request authority to amortize the balance recorded therein in a subsequent advice letter.

An earnings test is required to implement the Escalation Year 2018-2019 increase. However, the earnings test yields a pro forma rate of return of 8.84% which exceeds San Gabriel's adjusted adopted 8.56% rate of return. Because the earnings adjustment would be greater than \$131,100, San Gabriel may not implement the escalation increase. San Gabriel has provided workpapers supporting the calculation of the Escalation Year revenue

requirement and the earnings test to the Commission's Water Division staff for its review as required by the Decision.

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 Los Angeles County division. No further public notice is required because all public notices in connection with Application No. 16-01-002 have already been mailed to the customers or published in accordance with applicable law and Commission rules.

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 protest shall provide citations or evidence where available to allow staff to properly consider the protest.

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

Tariff Unit, Water Division
California Public Utilities Commission,
505 Van Ness Avenue, San Francisco, CA 94102
water_division@cpuc.ca.gov

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

San Gabriel Valley Water Company
Vice President of Regulatory Affairs
11142 Garvey Avenue
El Monte, CA 91733
FAX: (626)448-5530 or
E-mail jmreiker@sgvwater.com

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

Cities and counties that need approval of their Board of Supervisors or Board of Commissioners to protest should inform the Water Division, within the 20 day protest period, so that a late filed protest can be entered. The informing document should include an estimate of the date the proposed protest might be voted on.

Conclusion

San Gabriel requests processing by the Commission's Water Division so the proposed rates will become effective on July 1, 2018, as provided in Ordering Paragraph No. 7 of D.17-06-008. Thank you for your assistance in processing this advice letter.

Joel M. Reiker
Vice President of Regulatory Affairs

cc: James Boothe, CPUC – Water Division
Hani Moussa, CPUC – Water Branch, ORA
Richard Smith, CPUC – Water Branch, ORA

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

APPLICABILITY

Applicable to all metered water service, except for those Residential customers required to be served under Schedule FO-1C.

TERRITORY

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

RATES

Quantity Rates:

For all water used, per 100 cu. ft. \$ 3.5157

Service Charges:

	<u>Per Meter</u> <u>Per Month</u>
For 5/8 x 3/4-inch meter	\$ 16.85
For 3/4-inch meter	25.27
For 1-inch meter.....	42.12
For 1-1/2-inch meter	84.24
For 2-inch meter.....	134.80
For 3-inch meter.....	252.68
For 4-inch meter.....	421.23
For 6-inch meter.....	841.00
For 8-inch meter.....	1,346.00
For 10-inch meter.....	1,940.00
For 12-inch meter.....	2,781.00

(continued)

(To be inserted by utility)

Issued by

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

Advice Letter No. 522-A

R. W. Nicholson

Date Filed _____

Decision No. _____

NAME

Effective _____

President

TITLE

Resolution No. _____

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	\$ 269.00
For three 2-inch meters	405.00
For four 2-inch meters.....	539.00
For two 3-inch meters	506.00
For two 4-inch meters	842.00
For one 8-inch meter, two 2-inch meters.....	1,613.00
For two 8-inch meters	2,692.00

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 surcharge of \$0.2425/Ccf is to be applied to the quantity rates of only non-CARW customers to recover the estimated benefits provided under the California Alternative Rates for Water (CARW) program.
3. A surcharge of \$0.1484 per Ccf is to be applied to the quantity rates for twelve months effective August 13, 2017 to amortize the net undercollection in the Plant F23 Perchlorate Facilities Balancing Account. (D)
4. A surcredit of \$0.0084 per Ccf is to be applied to the quantity rates for twelve months effective September 15, 2017 to amortize the net overcollection in the Conservation Program Balancing Account.

(To be inserted by utility)

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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..... \$ 3.3491
For all Ccf greater than 16 Ccf, per 100 cu. Ft..... \$ 3.8421

Service Charges:	<u>Per Meter</u>
	<u>Per Month</u>
For 5/8 x 3/4-inch meter	\$ 16.85
For 3/4-inch meter	25.27
For 1-inch meter	42.12
For 1-1/2-inch meter	84.24
For 2-inch meter	134.80
For 3-inch meter	252.68

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.
2. A surcharge of \$0.2425/Ccf is to be applied to the quantity rates of only non-CARW customers to recover the estimated benefits provided under the California Alternative Rates for Water (CARW) program.
3. A surcharge of \$0.1484 per Ccf is to be applied to the quantity rates for twelve months effective August 13, 2017 to amortize the net undercollection in the Plant F23 Perchlorate Facilities Balancing Account.
4. A surcredit of \$0.0084 per Ccf is to be applied to the quantity rates for twelve months effective September 15, 2017 to amortize the net overcollection in the Conservation Program Balancing Account.
5. A surcharge of \$0.2186 per Ccf is to be applied to the quantity rates for twelve months ending on January 31, 2019 to amortize the net undercollection in the Water Revenue Adjustment Mechanism (WRAM) memorandum account.

(To be inserted by utility)

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SCHEDULE NO. FO-4
Fontana Water Company
PRIVATE FIRE SERVICE

APPLICABILITY

Applicable to water service furnished to private fire systems and to private fire hydrants.

TERRITORY

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

RATE

Per Service
Per Month

For each inch of diameter of service connection \$11.29

SPECIAL CONDITIONS

1. The customer will pay, without refund, the entire cost of the private fire service facilities.
2. The private fire service facilities shall be installed by the utility or under the utility's direction and shall be the sole property and subject to the control of the utility, with the right to alter, repair, replace and the right to remove upon discontinuance of service.
3. The minimum diameter for the private fire service connection will be 4-inches. The maximum diameter shall not be larger than the diameter of the water main to which the private fire service facilities are attached unless said main is circulating, in which case with the approval of the utility the maximum diameter may be larger by not more than 2-inches than the diameter of said circulating main.
4. If a water main of adequate size is not available adjacent to the premises to be served, then a new main from the nearest existing main of adequate size will be installed by the utility at the cost of the customer. Such cost shall not be subject to refund.
5. The private fire service facilities will include a detector check valve or other similar device acceptable to the utility which will indicate the use of water. The facilities may be located within the customer's premises or within public right of way adjacent thereto. Where located within the premises, the utility and its duly authorized agents shall have the right of ingress to and egress from the premises for all purposes related to said facilities. In the event the installation is solely a private fire hydrant facility, the requirement for a detector check valve or other similar device may be waived.

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(To be inserted by utility)

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SCHEDULE NO. FO-6
Fontana Water Company Tariff Area
RECYCLED WATER METERED SERVICE

APPLICABILITY

Applicable to all recycled water metered service.

TERRITORY

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

RATES

Quantity Rates:

For all water delivered per 100 cu. ft..... \$ 2.6368

	Per Meter
Service Charge:	
For 5/8 x 3/4-inch meter.....	\$ 16.85
For 3/4-inch meter.....	25.27
For 1-inch meter.....	42.12
For 1-1/2-inch meter.....	84.24
For 2-inch meter.....	134.80
For 3-inch meter.....	252.68
For 4-inch meter.....	421.23
For 6-inch meter.....	841.00
For 8-inch meter.....	1,346.00
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For 12-inch meter.....	2,781.00

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SCHEDULE NO. FO-6
Fontana Water Company Tariff Area
RECYCLED WATER METERED SERVICE
(continued)

RATES – (continued)

	Per Battery Per Month
For two 2-inch meters.....	\$ 269.00
For three 2-inch meters.....	405.00
For four 2-inch meters.....	539.00
For two 3-inch meters.....	506.00
For two 4-inch meters.....	842.00
For one 8-inch meter, one 2-inch meter.....	1,613.00
For two 8-inch meters.....	2,692.00

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

SPECIAL CONDITIONS

1. The Quantity Rate is set at 75% of the Quantity Rate of Schedule No. FO-1.
2. The customer is responsible for compliance with all local, state, and federal rules and regulations that apply to the use of recycled water on the customer's premises.
3. The utility will supply only such recycled water at such pressure as may be available from time to time from the recycled water system. The customer shall indemnify the utility and save it harmless against any and all claims arising out of service under this schedule and shall further agree to make no claims against the utility for any loss or damage resulting from service under this schedule.
4. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.
5. A surcharge of \$0.2425/Ccf is to be applied to the quantity rates of only non-CARW customers to recover the estimated benefits provided under the California Alternative Rates for Water (CARW) program.
6. A surcharge of \$0.1484 per Ccf is to be applied to the quantity rates for twelve months effective August 13, 2017 to amortize the net undercollection in the Plant F23 Perchlorate Facilities Balancing Account.
7. A surcredit of \$0.0084 per Ccf is to be applied to the quantity rates for twelve months effective September 15, 2017 to amortize the net overcollection in the Conservation Program Balancing Account.

(D)

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PRELIMINARY STATEMENT
(Continued)

H2. Water Revenue Adjustment Mechanism (WRAM) Memorandum Account for the Fontana Water Company Division

1. Purpose: The purpose of this memorandum account is to track the Quantity Rate revenues collected under Schedule FO-1C tiered rates against the revenues that would have been collected under a single block Quantity Rate.
2. The following entries will be made monthly to the WRAM memorandum Account in the Fontana Water Company division:
 - a. The recorded revenues collected through the tiered Quantity Rate under Schedule No. FO-1C (debit).
 - b. The calculated revenues that would have been collected under a single block Quantity Rate for the same water usage as in 2a above (credit).
 - c. The CPUC-adopted Quantity Rates (\$/Ccf) to be used in calculating the revenues for 2a and 2b above are as follows:

		0-16 Ccf/mo.	Over 16 Ccf/mo.	
<u>Effective Date</u>	<u>Single Block Rate</u>	<u>Tier 1 Rate</u>	<u>Tier 2 Rate</u>	<u>Tier 3</u>
July 1, 2016	\$2.6973	\$2.5338	\$2.9139	
August 30, 2016	\$2.6593	\$2.4981	\$2.8729	
January 5, 2017	\$2.7236	\$2.5585	\$2.9423	
July 1, 2017	\$3.4884	\$3.3200	\$3.8181	
September 15, 2017	\$3.4525	\$3.2859	\$3.7789	
January 1, 2018	\$3.5157	\$3.3491	\$3.8421	
July 1, 2018	\$3.5157	\$3.3491	\$3.8421	(N)

- d. Franchise fees and uncollectible account expense, based on the net of 2a and 2b above, and the CPUC-adopted rates for franchise fees and uncollectible expenses.
 - e. Monthly interest calculated at 1/12 of the most recent month's interest rate on Commercial Paper (prime, 3-month), published in the Federal Reserve Statistical Release, H.15 (<http://www.federalreserve.gov/releases/H15/data/m/cp3m.txt>), or its successor publication.
3. The balance in the memorandum account shall be amortized by a Tier 1 advice letter whenever the balance exceeds 2% of the authorized revenue requirement for the preceding calendar year. If the balance is below 2%, San Gabriel shall propose its amortization in a general rate case.
4. The memorandum account will terminate when so ordered in a CPUC general rate case decision, at which time any remaining debit (undercollection) or credit (overcollection) balance will be amortized through a rate surcharge or surcredit.

Authorization: Established pursuant to D.10-04-031, Ordering Paragraph 4; and Advice Letter 385

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DISTRIBUTION LIST
San Gabriel Valley Water Company
Fontana Water Company Division
Advice Letter No. 522-A

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