

SAN GABRIEL VALLEY WATER COMPANY

July 31, 2009

Advice Letter 374

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>
1898-W	General Metered Service (cont.)	FO-1	1891-W
1899-W	California Alternative Rates for Water (cont.)	FO-CARW	1896-W
1900-W	Table of Contents	N/A	1897-W

An original and four copies of this advice letter is submitted in compliance with Ordering Paragraph No. 21 of Decision No. 09-06-027 in Application No. 08-07-009 to amortize the \$2,595,399 recorded balance in the Water Quality Litigation Memorandum Account ("WQLMA") through a temporary 12-month surcharge of \$0.1359 per Ccf. This surcharge is requested to become effective on August 22, 2009, simultaneously with the expiration of a \$0.0739 per Ccf surcharge that is currently amortizing a previous balance of the same memorandum account. The new surcharge will increase revenues by \$1,184,581 or 2.1% which is the difference between the annual revenues produced by the expiring surcharge and the newly authorized surcharge. **This advice letter is designated as Tier 1.**

Purpose and Background

The purpose of this advice letter submittal is to request amortization of the June 18, 2009 balance in the WQLMA for the Fontana Water Company division as authorized by the Commission in Decision No. 09-06-027, dated June 18, 2009, in Application No. 08-07-009. Ordering Paragraph No. 21 states:

San Gabriel Valley Water Company is authorized to amortize the balance in the Water Quality Litigation Memorandum Account as of the *effective*

date of this decision, over a one-year period through a surcharge (emphasis added).

Conclusion of Law Paragraph No. 89 states:

SGV's request to amortize the balance in the Water Quality Litigation Memorandum Account as of the effective date of this decision, over a one-year period through a surcharge is unopposed and should be granted.

The impact of this proposed increase will raise the monthly water bill of a typical residential customer (5/8" x 3/4" meter and 23 Ccf) by \$1.43 or 2.2% from \$64.04 to \$65.47.

Discussion

The present rate schedules in the Fontana Water Company division became effective on July 1, 2009, pursuant to D.09-06-027 and Advice Letter No. 373. The tariff schedules reflecting the proposed surcharge are attached hereto. San Gabriel has provided workpapers supporting the recorded amounts in the memorandum account from March 2007 through June 18, 2009 and the calculation of the proposed \$0.1359 surcharge to the Commission's Water Division staff for their review. Presently, the balance in the WQLMA as of February 28, 2007 is being amortized from August 22, 2007 through August 21, 2009.

As shown on Table 1 of Page 1, of the Workpapers, San Gabriel separately tracks the charges and credits to the WQLMA in the category labeled as Contamination Job No. 4704F, which are comprised of outside legal fees, costs, and expenses associated with the company's claims against groundwater polluters.

Enclosed as Section C, Pages 1 through 70 are copies of monthly invoices supporting the recorded amounts in the Fontana Water Company WQLMA from March 2007 through June 18, 2009. The amounts recorded in the WQLMA are the actual amounts incurred and paid by San Gabriel in accordance with written engagement agreements with each law firm and outside consultant. Prior to payment, all invoices and the accompanying detailed billing statements are reviewed and approved by both

San Gabriel's General Counsel, Timothy J. Ryan and by its President, Michael L. Whitehead. Review of the invoices and statement of services rendered includes verification that the hourly rates, time charged, services performed, and expenses incurred are reasonable and proper and in accordance with the terms of the applicable retention and service agreements.

In the most recent Fontana Water Company general rate case A. 08-07-009, Mr. Whitehead's prepared testimony Exhibit SG-9 pages 5 to 13, explained the necessity, nature, scope, benefits, and costs of outside legal services to pursue Fontana Water Company's legal claims against groundwater polluters. In general, outside counsel services for this matter have included representation of Fontana Water Company before the State of California Superior Court, the United States District Court (Central District), the Regional Water Quality Control Board, State Water Resources Control Board, Department of Toxic Substance Control, and United States Environmental Protection Agency.

In accordance with the requirements 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

In order to minimize the frequency of rate changes, San Gabriel requests processing by the Commission's Water Division so the rates proposed herein will become effective on August 22, 2009. The effective date is in accordance with General Order No. 96-B, Rule 7.3.2. Thank you for your assistance in processing this advice letter.

July 31, 2009

San Gabriel Valley Water Company

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Director of Rates and Revenue

c: Fred L. Curry, CPUC – Water Division
Hani Moussa, CPUC – Water Branch, DRA
Danilo Sanchez, CPUC – Water Branch, DRA