

SAN GABRIEL VALLEY WATER COMPANY

July 23, 2018

Advice Letter 529

U337W

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

San Gabriel Valley Water Company ("San Gabriel") hereby submits one original and four copies of this advice letter requesting authority pursuant to General Order ("GO") No. 173 and Public Utilities ("PU") Code § 851 to conduct a land exchange at the location of Plant F15 in its Fontana Water Company ("Fontana") division. This advice letter does not have a tier designation. In accordance with Rule 7 of General Order 173, San Gabriel requests disposition by the Director of the Commission's Water Division.

Purpose and Background

San Gabriel is requesting approval of a property transfer under GO 173 with Rosemead Properties, Inc. ("Rosemead"), which is an affiliate of San Gabriel. The property transfer is a land swap of adjacent property interests of equivalent size and value, and as such, no payment will be made by either party. As a result, both San Gabriel and Rosemead will have the same size interest in land and easements both before and after the exchange, as shown on **ATTACHMENT A**, and **Table 1**, below.

San Gabriel's Plant F15 in its Fontana division is a 4.59 acre site composed of a 2.74 acre fee-owned parcel, and a 1.85 acre exclusive easement over adjacent property owned by Rosemead. Rosemead in turn owns a 5.70 acre parcel, of which 1.85 acres is covered by San Gabriel's exclusive easement, leaving Rosemead a net usable landholding of 3.85 acres. After the land swap, San Gabriel will have fee ownership of a rectangular 4.46 acre fee owned parcel and a 0.13 acre exclusive access easement, and Rosemead will own a 3.98 acre parcel with the 0.13 acre easement over it.

Table 1

	<u>Before Land Exchange</u>	<u>After Land Exchange</u>
San Gabriel:		
- Fee-owned parcel:	2.74 acres	4.46 acres
- Exclusive easement over adjacent property:	1.85 acres	0.13 acres
Net size interest:	4.59 acres	4.59 acres
Rosemead:		
- Fee-owned parcel:	5.70 acres	3.98 acres
- San Gabriel's exclusive easement:	-1.85 acres	-0.13 acres
Net size interest:	3.85 acres	3.85 acres

The purpose of the exchange is to allow for the replacement of the 130+-year old Plant F15 reservoir and related piping, booster station building, electrical system, SCADA system and related site improvements ("Plant F15 Project"). The no-cost land exchange was proposed jointly by the Office of Ratepayer Advocates ("ORA") and San Gabriel in Application ("A.") 11-07-005 (San Gabriel's 2012-2013 test year GRC for the Fontana division) under the terms of a settlement agreement in that proceeding in lieu of San Gabriel's proposal to acquire a new site, at an estimated cost of \$1.5 million, on which to build the facilities. However, the Commission's Decision ("D.") 14-05-001 excluded that portion of the settlement. In its subsequent GRC (A.16-01-002), San Gabriel proposed the Plant F15 Project under the same terms as the previous settlement agreement, and the proposal was agreed to by ORA and the Fontana Unified School District in a formal settlement, which was ultimately approved by the Commission in D.17-06-008. The relief sought by this advice letter is necessary in order for San Gabriel to proceed with the Commission-approved Plant F15 project.

GO 173 Requirements

GO 173 authorizes regulated utilities to request Commission approval pursuant to PU Code § 851 of certain transactions transferring interests in utility property valued at \$5 million or less by advice letter. Even though this is simply a land swap where San Gabriel essentially reconfigures the same size land holding at essentially the same location, since it technically

involves the disposition of some land currently owned by San Gabriel, the Company has filed this advice letter.

Rule 4 of GO 173 requires that certain information be included in advice letters related to PU Code § 851. This required information is set forth below:

a. Identity and address of all parties to the proposed transaction:

San Gabriel Valley Water Company
11142 Garvey Avenue
El Monte, CA 91733
Telephone: (626) 448-6183
Facsimile: (626) 448-5530
jmreiker@sgvwater.com

Rosemead Properties, Inc.
11142 Garvey Avenue
El Monte, CA 91733
Telephone: (626) 448-6183
Facsimile: (626) 448-5530
saguirre@sgvwater.com

b. A complete description of the property, including its present location, condition and use:

- San Gabriel Parcel #95 is a 2.74 acre, fee-owned property located at 5868 Citrus Avenue, Fontana, CA, composed of APN 1108-082-33, acquired in 1961 with a book value of \$433, and APN 1108-082-32, acquired in 1992 with a book value of \$7,362. This property is the site of a 4.1 million gallon buried concrete reservoir constructed in 1886/87. San Gabriel Parcel #198 is a 1.85 acre exclusive easement for utility facilities on a portion of APN 1108-082-31, located at 5888 Citrus Avenue, Fontana, CA, acquired in 1996, with a book value of \$167,716. This exclusive easement is the site of a groundwater well, six booster pumps, a disinfection equipment building and electrical power equipment. (see **ATTACHMENT A**)

- Rosemead Properties, Inc., Parcel #964 is a 5.70 acre parcel located at 5888 Citrus Avenue, Fontana, CA APN 1108-082-31 with a book value of \$342,216. 1.85 acres of this property are covered by a San Gabriel exclusive easement which contains the facilities noted above, and the remainder of the property is vacant. (see ATTACHMENT A)

c. Transferee's intended use of the property:

- San Gabriel will use the land it will acquire for the construction of a new Plant F15 reservoir and related piping, booster station building, electrical system, SCADA system and related site improvements.
- Rosemead intends to hold the property it will acquire as an investment holding.

d. A complete description of the financial terms of the proposed transaction:

- No monies will be exchanged in connection with the proposed land swap, as both San Gabriel and Rosemead will have a net ownership interest in land and easements of the same acreage, at the same general location, both before and after the exchange. As such, there are no financial terms.

e. A description of how the financial proceeds of the transaction will be distributed:

- No monies will be exchanged in connection with the proposed land exchange.

f. A statement of the impact of the transaction on rate base, and any effect on the ability of the utility to serve customers and the public:

- San Gabriel proposes to retain its \$175,511 basis in its current Plant F15 properties. As such, this proposed land exchange will result in no change in rate base, and costs to customers will be lower than the alternative of purchasing a new site for the needed replacement facilities. The needed replacement of the existing 130+-year old reservoir will result in improved service and reliability for customers and the public.
- g. For sales of real property and depreciable assets, the original cost, present book value, and present fair market value, and a detailed description of how the fair market value was determined (e.g., appraisal):
- No monies will be exchanged in connection with the proposed land exchange. As explained in part b, above, the original cost/present book value of San Gabriel's Plant F15 properties is \$175,511, and the original cost/present book value of Rosemead's property is \$342,216. Each party's property will be the same size and at the same location both before and after the exchange. Thus, they have an equivalent unit market value, which San Gabriel estimates to be roughly \$15 per square foot based on the Company's knowledge of land values in the area. If San Gabriel were to pay Rosemead for the roughly 2.7 acres they are receiving and be paid by Rosemead for the roughly 2.7 acres they are giving in exchange, it would result in an increase in rate base of approximately \$1.8 million. However, consistent with the intent of the settlement approved in D.17-06-008 of avoiding such an increase in rate base, San Gabriel proposes that no monies be exchanged in connection with the land exchange and that San Gabriel retain its \$175,511 basis in its current Plant F15 properties.
- h. For leases of real property, the fair market rental value, a detailed description of how the fair market rental value was determined, and any additional information necessary to show compliance with Rule 3 (g) above:

- This proposed land exchange does not involve a lease.
- i. For easements or rights-of-way, the fair market value of the easement or right-of way and a detailed description of how the fair market value was determined:
- Please see the response to part g, above. No monies will be exchanged in connection with the proposed land exchange.
- j. A complete description of any recent past (within the prior two years) or anticipated future transactions that may appear to be related to the present transaction, such as sales or leases of real property that are located near the property at issue or that are being transferred to the same transferee; or for depreciable assets, sales of similar assets or sales to the same transferee:
- There are no recent past transactions. Rosemead will grant San Gabriel a license in the form of **ATTACHMENT B** at no cost to continue to operate and maintain the old reservoir (which after the land exchange will temporarily be on Rosemead's property) until it is removed from service as part of the Commission-approved Plant F15 capital project.
- k. Sufficient information and documentation (including environmental documentation) to show that all of the eligibility criteria stated in Rule 3 of GO 173 have been met:
- No environmental affects will arise as a result of the land exchange. Because the land exchange has no potential for causing a direct or indirect physical change to the environment, the Commission's approval or the land exchange would not be a project pursuant to CEQA. 14C.C.R § 15378.
 - The Plant F15 project will not require an environmental review by the Commission as a Lead Agency under CEQA because the City of Fontana ("City"), acting as the Lead Agency under CEQA, has already completed

an environmental review of the Plant F15 reservoir project. The City Council certified the Final Environmental Impact Report (State Clearinghouse No. 2014121010) for the Plant F15 project by Resolution No. 2018-014. Please refer to **ATTACHMENT C** for a copy of the resolution and **ATTACHMENT D** for a copy of the Final Environmental Impact Report.

- The proposed land exchange is in the public interest, as the Plant F15 Project was recommended by all parties to A.16-01-02 as part of a settlement agreement approved by the Commission in D.17-06-008. The Commission concluded in D.17-06-008 that the all-party settlement agreement in A.16-01-002 "is reasonable in light of the whole record, consistent with the law, in the public interest, and should be adopted. (see D.17-06-008, Conclusion of Law No. 3) Further, the proposed land exchange is necessary in order to effectuate the replacement of the existing Plant F15 reservoir, which was constructed in 1886/87, and which serves more than 7,800 customers in the Fontana division.
 - There are no financial proceeds associated with the proposed land exchange, as both San Gabriel and Rosemead will have a net ownership interest in land and easements of the same acreage both before and after the exchange.
 - The property to be exchanged does not have a fair market value in excess of \$5 million.
 - Because there are no proceeds associated with the proposed land exchange, there will be no impact on the rate base of the utility.
- I. The filing utility may submit additional information to assist in the review of the advice letter, including recent photographs, scaled maps, drawings:

- A map showing property lines and easements both before and after the proposed land exchange is attached hereto as **ATTACHMENT A**.

m. Environmental Information:

(1) If the applicant believes that the transaction is exempt from environmental review under a statutory or categorical exemption from CEQA, the applicant shall provide the following information:

(a) Has the proposed transaction been found exempt from CEQA by another government agency?

(i) If yes, the applicant shall attach the Notice of Exemption to the advice letter and shall state the name of the applicable public agency, the date of the Notice of Exemption, and State Clearing House #.

(ii) If no, the applicant shall state the specific CEQA exemption or exemptions that the applicant claims apply to the transaction, including citations to the applicable State CEQA Guideline(s) and/or statutes, and an explanation of why the applicant believes that each exemption applies. The applicant shall confirm that no exemptions to the claimed CEQA exemption(s) apply.

- Please see the response to item k above and items m(2) and m(3) below.

(2) If the Applicant Believes that the transaction is not a project under CEQA, the applicant shall include an explanation of its position.

- No environmental affects will arise as a result of the land exchange. Because the land exchange has no potential for causing a direct or indirect physical change to the environment, the Commission's approval

of the land exchange would not be a project pursuant to CEQA. 14C.C.R. § 15378.

(3) If another public agency, acting as the Lead Agency under CEQA, has completed an environmental review of the project and has approved the final CEQA documents, and the Commission is a Responsible Agency under CEQA, the applicant shall submit the following information to the Commission Energy Division staff handling CEQA issues:

- Not applicable. The Commission is not a Responsible Agency under CEQA for the Plant F15 Project.

(a) The name, address, and phone number of the Lead Agency, the type of CEQA document that was prepared (Environmental Impact Report, Negative Declaration, Mitigated Negative Declaration), the date on which the Lead Agency approved the CEQA document, the date on which a Notice of Determination was filed:

- The Lead Agency is the City of Fontana, located at 8353 Sierra Avenue, Fontana, CA 92335. The Phone Number is (909) 305-7600. Refer to **ATTACHMENT D** for a copy of the Final Environmental Impact Report that was certified by the City and filed on April 19, 2018. The Notice of Determination was filed on March 29, 2018. Refer to **ATTACHMENT E** for a copy of the Notice of Determination.

(b) A copy of all CEQA documents prepared by or for the Lead Agency regarding the project and the Lead Agency's resolution or other document approving the CEQA Documents;

- Please see response to k and m(3)(a) above.

- (c) A list of section and page number for the environmental impacts, mitigation measures, and findings in prior CEQA documents that relate to the approval sought from the Commission:
- Not applicable.
- (d) An explanation of any aspect of the project or its environmental setting which has changed since the issuance of the prior CEQA document:
- The environmental setting has not changed since the City's certification of the Final Environmental Impact Report.
- (e) A statement of whether the project will require approval by the additional public agencies other than the Commission and the Lead Agency, and, if so, the name and address of each agency and the type of approval required.
- The Plant F15 Project will require an operating permit amendment for the new reservoir to be approved by the State Water Resources Control Board Division of Drinking Water, District 13, San Bernardino County, located at 464 W. 4th Street, Room 437, San Bernardino, CA 92401, (909) 383-4328.

Service and Notice

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, including the Commission's Energy Division staff handling CEQA issues, the relevant departments of the city and county in which the proposed land exchange will occur, as required by Rule 5 of GO 173. 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. No other parties have requested notification of tariff filings related to the Fontana Water Company division.

Protest and Responses

Anyone may respond to or protest this advice letter. When submitting a written response or protest please include San Gabriel Valley Water Company's name and this advice letter number in the subject line. 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; or
- (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 re-litigating a prior order of the Commission.

A protest shall provide citations or proofs 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, 3rd floor

July 23, 2018

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 by mail (or e-mail) to us, addressed to:

San Gabriel Valley Water Company
11142 Garvey Avenue
El Monte, CA 91733
Tel: (626) 448-6183
FAX (626) 448-5530
e-mail: jmreiker@sgvwater.com

Thank you for your assistance in processing this tariff filing.



Joel M. Reiker
Vice President of Regulatory Affairs

cc: James Boothe, CPUC – Water Division
Victor Chan, CPUC – Water Branch, ORA
Richard Smith, CPUC – Water Branch, ORA