

SAN GABRIEL VALLEY WATER COMPANY

May 6, 2015

Advice Letter 462

U337W

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

San Gabriel Valley Water Company ("San Gabriel") hereby submits the following proposed changes in tariff sheets applicable to both its Los Angeles County and Fontana Water Company divisions:

<u>CPUC Sheet No.</u>	<u>Title</u>	<u>Schedule No.</u>	<u>Canceling CPUC Sheet No.</u>
2464-W	Preliminary Statement (continued)	N/A	N/A
2465-W	Table of Contents	N/A	2463-W

An original and four copies of this advice letter are submitted herewith. San Gabriel seeks to add Paragraph V to its Preliminary Statement, describing the operations of a new Drought Lost Revenue Memorandum Account ("DLRMA"). The purpose of the DLRMA is to record impacts of unanticipated lost water sales due to the state mandate to reduce water consumption by 25% because of the serious drought that is now in its fourth year. **This advice letter is designated as a Tier 2 advice letter.**

Background

On February 28, 2014, the Commission issued Resolution W-4976, adopting Drought Procedures for Water Conservation, Rationing and Service Connection Moratoria based on an updated Standard Practice U-40-W (SP-40). Paragraph 36 of SP-40 states in part:

"... A utility without a full revenue decoupling WRAM may request adding a memorandum account to track lost revenue associated with reduced sales as a result of either voluntary conservation under Rule 14.1 or mandatory rationing under Schedule 14.1 in conjunction with a declared drought in California. ... Before seeking recovery of the memorandum account balance, the utility subtracts from the balance a revenue requirement amount equal to a 20-basis point reduction in the utility's most recently adopted return on

equity. Then if necessary, the utility further reduces the amount to be recovered to a level sufficient to ensure that such recovery does not cause the utility to exceed its authorized rate of return for the period covered by the memorandum account.”

Paragraph 37 of SP-40 states:

“The tracking of lost revenues as a result of conservation efforts in a lost revenue memorandum account is tied to the utility having Rule 14.1 or Schedule 14.1 in its tariffs and having activated either Rule 14.1 or Schedule 14.1.”

All of the above prerequisites have been satisfied. San Gabriel’s Rule 14.1 became effective on September 18, 2008 by way of Advice Letter 366. On January 17, 2014, Governor Brown proclaimed a drought emergency. Resolution W-4976, dated February 27, 2014, required water utilities to activate their Rule 14.1, and San Gabriel complied by notifying the Director of Water and Audits of such activation by letter dated March 28, 2014. Finally, San Gabriel does not maintain a full revenue decoupling WRAM.

San Gabriel’s proposed DLRMA is modeled after San Jose Water’s Mandatory Conservation Revenue Adjustment Memorandum Account (effective March 3, 2014). It acknowledges other existing balancing and memorandum accounts to prevent recording the same amounts in more than one account. It also requires that before seeking recovery of the memorandum account balance, San Gabriel will subtract from the balance a revenue requirement amount equal to a 20-basis point reduction in the utility’s most recently adopted return on equity. Then if necessary, San Gabriel will further reduce the amount to be recovered to a level sufficient to ensure that such recovery does not cause the utility to exceed its authorized rate of return for the period covered by the memorandum account.

Accordingly, San Gabriel requests that the attached proposed tariffs be made effective as soon as possible.

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 the utility 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 Division of Water and Audits within 20 days of the date this advice letter is filed. The address for mailing or delivering a protest is:

Tariff Unit, Division of Water and Audits, 3rd floor
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 Division of Water and Audits, the respondent or protestant shall send a copy by mail (or e-mail) to us, addressed to:

San Gabriel Valley Water Company
Director of Rates and Revenue
11142 Garvey Avenue
El Monte, CA 91733
(626) 448-6183
FAX (626) 448-5530 or
E-mail: dadellosa@sgvwater.com

Cities and counties that need Board of Supervisors or Board of Commissioners approval to protest should inform the Division of Water and Audits, within the 20 day protest period, so that a late filed protest can be entertained. The informing document

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should include an estimate of the date the proposed protest might be voted on.

Thank you for your assistance in processing this tariff filing.

A handwritten signature in black ink, appearing to read "Daniel A. Dell'Osa". The signature is fluid and cursive, with a long horizontal stroke at the beginning.

Daniel A. Dell'Osa
Director of Rates and Revenue

cc: James Boothe, CPUC – Water Division
Hani Moussa, CPUC – Water Branch, ORA
Danilo Sanchez, CPUC – Water Branch, ORA

PRELIMINARY STATEMENT
(Continued)

V. Drought Lost Revenue Memorandum Account (DLRMA)

1. Purpose

The purpose of the Drought Lost Revenue Memorandum Account is to track impacts of mandatory conservation on quantity rate revenues for future disposition. The Commission has determined that this mechanism is appropriate in coordination with increasing water conservation activities or mandatory conservation required by outside governmental agencies or entities. The water revenues subject to this account include but are not limited to those which may be affected by Rule 14.1.

2. Applicability

The DLRMA is applicable to all quantity rate-related revenues.

3. Accounting Procedures

San Gabriel shall maintain separate DLRMAs for its Los Angeles County and Fontana Water Company divisions, making entries at the end of each month as follows:

- a. Most recently adopted Quantity Rate revenue on the effective date of AL 461 adjusted for all subsequent rate changes.
- b. Actual Quantity Rate revenue collected. The actual Quantity Rate revenue recorded in the DLRMA will be kept distinct from revenue tracked by San Gabriel's existing Monterey-style WRAM.
- c. Most recently adopted variable expenses for purchased water, pump tax, and power.
- d. Actual recorded variable expenses for purchased water, pump tax, and power.
- e. Net amount to be recorded = (a - b) minus (c - d).
- f. Monthly interest expense calculated on the average balance 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.
- g. A negative balance in the memorandum account reflects a utility overcollection to be refunded, while a positive balance reflects a utility undercollection to be recovered in rates.

4. Disposition

If the accumulated balance in either division for the DLRMA exceeds 2% of the total authorized revenue requirement as of the end of the prior calendar year, San Gabriel will submit an advice letter to amortize the balance. Before seeking recovery, the balance shall be reduced by an amount equal to a 20-basis point reduction in the most recently adopted return on equity and if necessary, further reduced to ensure that recovery does not cause the authorized rate of return for the period covered by the DLRMA to be exceeded. Prior to recovery, amounts recorded in the DLRMA are subject to a reasonableness review. The recovery of undercollections or refunds of overcollections will be reflected in rates through volumetric surcharges or surcredits.

5. Sunset Date

The DLRMA will remain in effect until the water shortage is over and the mandatory conservation mandates are no longer required.

(To be inserted by utility)

Issued by

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

Advice Letter No. 462

R. W. Nicholson

Date Filed _____

Decision No. _____

NAME

Effective _____

President

TITLE

Resolution No. _____

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(continued)

(To be inserted by utility)
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Issued by
R. W. Nicholson
NAME

President
TITLE

(To be inserted by Cal. P.U.C.)
Date Filed _____
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Resolution No. _____

DISTRIBUTION LIST
San Gabriel Valley Water Company
Los Angeles County Division
Advice Letter No. 462

City of Arcadia
240 West Huntington Drive
Arcadia, CA 91006

City Clerk, City of Rosemead
8838 Valley Boulevard
Rosemead, CA 91770

City Clerk, City of Baldwin Park
14403 East Pacific Avenue
Baldwin Park, CA 91706

City Clerk, City of San Gabriel
425 South Mission Drive
San Gabriel, CA 91778

California-American Water Company
1033 B Ave. Suite 200
Coronado, CA 92118-3439

San Gabriel County Water District
8366 East Grand Avenue
Rosemead, CA 91770

City of El Monte Water Department
11333 Valley Boulevard
El Monte, CA 91734

City of Santa Fe Springs Water Department
Post Office Box 2120
Santa Fe Springs, CA 90670

City of Industry Waterworks System
Post Office Box 3136
La Puente, CA 91744

City Clerk, City of South El Monte
1415 Santa Anita Avenue
South El Monte, CA 91733

City Clerk, City of Irwindale
5050 North Irwindale Avenue
Irwindale, CA 91706

Golden State Water Company
Attn: Ronald Moore, Regulatory Affairs
630 East Foothill Boulevard
San Dimas, CA 91773

City Clerk, City of La Puente
15900 East Main Street
La Puente, CA 91744

Suburban Water Systems
Attn: Bob Kelly
1325 N. Grand Ave., Suite 100
Covina, CA 91724

La Puente Valley County Water District
112 North 1st Street
La Puente, CA 91744

Valley County Water District
14521 East Ramona Boulevard
Baldwin Park, CA 91706

City of Montebello Water Department
1600 West Beverly Boulevard
Montebello, CA 90640

City of Whittier Water Department
13230 East Penn Street
Whittier, CA 90602

City of Monterey Park Water Department
320 West Newmark Avenue
Monterey Park, CA 91754

California Public Utilities Commission
Office of Ratepayer Advocates
505 Van Ness Avenue
San Francisco, CA 94102-4208

City of Pico Rivera Water Department
6615 Parsons Boulevard
Pico Rivera, CA 90660

Pico Water District
Post Office Box 758
Pico Rivera, CA 90660-0758

Kiki Carlson
Suburban Water Systems
kcarlson@swwc.com

City Clerk, City of West Covina
1444 West Garvey Avenue
West Covina, CA 91790

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San Gabriel Valley Water Company
Fontana Water Company Division
Advice Letter No. 462

Kendall H. MacVey, Esq.
Best, Best & Krieger, LLP
3750 University Avenue
Riverside, CA 92501

City of Rialto Water Department
150 South Palm Avenue
Rialto, CA 92376

City of Colton Water Department
650 North La Cadena Drive
Colton, CA 92324

West Valley Water District
Post Office Box 920
Rialto, CA 92377

Cucamonga Valley Water District
Post Office Box 638
Rancho Cucamonga, CA 91730

Kiki Carlson
Suburban Water Systems
kcarlson@swwc.com

Debbie Brazill
Deputy City Manager
City of Fontana
8353 Sierra Avenue
Fontana, CA 92335

Chuck Hays
Public Works Director
City of Fontana Public Service Department
16489 Orange Way
Fontana, CA 92335

Marvin T. Sawyer, District Counsel
Fontana Unified School District
9680 Citrus Avenue, Bldg. No. 4
Fontana, CA 92335

Kathleen Rollings-McDonald, Executive Director
Local Agency Formation Commission for
San Bernardino County
215 North D Street, Suite 204
San Bernardino, CA 92415

City of Ontario Water Department
303 East B Street
Ontario, CA 91764