

SAN GABRIEL VALLEY WATER COMPANY

April 15, 2016

Advice Letter No. 478

U337W

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

San Gabriel Valley Water Company ("San Gabriel") hereby requests review and approval of the following changes in tariff sheets applicable to its Fontana Water Company ("Fontana") division:

<u>CPUC Sheet No.</u>	<u>Title</u>	<u>Schedule No.</u>	<u>Canceling CPUC Sheet No.</u>
2565-W	General Metered Service (cont'd)	FO-1	2556-W
2566-W	General Metered Service Conservation Rates	FO-1C	2557-W
2567-W	Recycled Water Metered Service (cont'd)	FO-6	2560-W
2568-W	California Alternative Rates for Water (cont'd)	FO-CARW	2523-W
2569-W	Table of Contents	N/A	2564-W

An original and four copies of this advice letter are submitted pursuant to General Order 96-B, Water Industry Rule 7.3.3(7), to amortize the net undercollection in the Drought Lost Revenue Memorandum Account (DLRMA) and the Drought Surcharge Revenue Memorandum Account (DSRMA) as of January 31, 2016, through a temporary 12-month surcharge of \$0.1180 per Ccf.

San Gabriel also requests authorization to move the net balance of the DLRMA and the DSRMA approved for amortization to the Previously Authorized Balances Balancing Account (PABBA). The net balance proposed to be amortized is \$1,917,180 or 3.1% of the pending adopted revenue requirement. Upon approval, the requested amortization of \$1,917,180 will be moved to the PABBA, and the January 1, 2016 balances in both the DLRMA and the DSRMA for the Fontana Water Company Division will be reset to \$0.

In accordance with Water Industry Rule 7.3.3(7) of General Order 96-B, **this filing is designated as Tier 3 and requires a resolution.**

Background

Standard Practice U-27-W, Section E.43 states:

- 43. Reserve Account amortization for Class A utilities will be part of the General Rate Case or may be by advice letter when the account over or under collection exceeds 2%, at the utility's option.*

The current rate schedules in this division became effective subject to refund on March 21, 2016 through Advice Letter No. 476.

San Gabriel maintains a Drought Lost Revenue Memorandum Account (DLRMA) to track impacts of mandatory conservation on quantity rate revenues from potable water sales. The Commission has determined that this mechanism is appropriate in coordination with increasing water conservation activities or mandatory conservation required by outside government agencies or entities. With Advice Letter No. 464-A the Commission added Schedule No. 14.1, and activated Stage 2 of Schedule No. 14.1, establishing surcharges and penalties in Fontana's tariffs in accordance with Resolution W-5041. This resulted in a large reductions in water usage by customers in all customer classifications and a corresponding rapid increase in the DLRMA balance and an increase in the surcharges recorded in the DSRMA from June to December 2015, customers in the Fontana division reduced their water usage by 29% compared to 2013, contributing to a balance in the DLRMA of \$4,531,967 as of January 31, 2016. During the same period, San Gabriel recorded \$2,440,877 in the DSRMA.

Discussion

Fontana's Preliminary Statement, Paragraph V1.4, effective June 1, 2015 established the DLRMA and states:

- 4. 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.

Fontana's Schedule 14.1, Paragraph F.4, effective June 22, 2015, established the DSRMA, and states:

4. *All monies collected by the utilities through Drought Emergency Surcharges and/or Water Use Violation Penalties shall not be accounted for as recurring income, but shall be tracked in a memorandum account for disposition as directed or authorized from time to time by the Commission.*

In this advice letter, San Gabriel proposes to amortize the combined balance of the DLRMA and DSRMA, effectively refunding to customers all Drought Emergency Surcharges, with interest, collected through January 31, 2016.

In order to comply with the provision that recovery does not cause the authorized rate of return for the period covered by the DLRMA to be exceeded, San Gabriel calculated a pro forma rate of return of 6.73% which is less than the adopted 8.49% rate of return. Therefore, no reduction to the requested amortization, in addition to the 20-basis point reduction, is required.

San Gabriel has furnished the Commission's Division of Water and Audits staff workpapers providing detailed support for the proposed surcharge. These workpapers show the computation of a surcharge of \$0.1180 per Ccf for twelve-months beginning on the effective date of the resolution. These workpapers show the computation of the balances in the memorandum accounts requested to be amortized, as well as a 20-basis-point adjustment to the authorized Return on Equity, as required prior to amortization. The new rates submitted with this advice letter will raise the monthly bill of the average non-CARW residential customer on Schedule FO-1 with a 5/8" x 3/4" meter using 19 Ccf by \$2.24 or 2.9% from \$76.38 to \$78.62 and on Schedule No. FO-1C by \$2.24 or 2.9% from \$77.11 to \$79.35.

The matters addressed in this advice letter are not now the subject of any formal filings including a formal complaint, nor action in any court of law.

Notice of Rate Increase

In accordance with Water Industry Rule 3.2 of General Order 96-B, as modified by Commission Resolution W-4664, San Gabriel will inform its customers of the increase by bill insert (a draft of which is provided with the workpapers) in the first bill that includes the increased rates. No other parties have requested notification of tariff filings related to the Fontana Water Company division.

In accordance with Water Industry Rule 3.3 of General Order 96-B, San Gabriel will also post this advice letter on its website at www.fontanawater.com.

Also, 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.

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 Division of Water and Audits within 20 days of the date this advice letter is filed. 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. 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 San Gabriel, 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 advice letter.



Joel M. Reiker
Vice President of Regulatory Affairs

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

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

RATES (continued)

	Per Battery Per Month
For two 2-inch meters	\$ 224.00
For three 2-inch meters	336.00
For four 2-inch meters.....	447.00
For two 3-inch meters	420.00
For two 4-inch meters	701.00
For one 8-inch meter, two 2-inch meters.....	1,341.00
For two 8-inch meters	2,219.00

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 surcredit of \$0.1047 per Ccf is to be applied to the quantity rates for the remainder of the thirty-six months ending on July 31, 2017 to refund an overcollection associated with the Sandhill Water Treatment Facility Plant.
3. A surcharge of \$0.2408/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.
4. A surcharge of \$0.1440 per Ccf is to be applied to the quantity rates for thirty-one months beginning on February 13, 2015 and ending on September 12, 2017 to recover an undercollection recorded in the Interim Rates Memorandum Account.
5. A surcharge of \$0.1257 per Ccf is to be applied to the quantity rates for twenty-four months beginning on May 6, 2015 and ending on May 5, 2017 to recover the March 2015 undercollection recorded in the Water Production Balancing Account.
6. A surcharge of \$0.1394 per Ccf is to be applied to the quantity rates for a twelve month period beginning on October 27, 2015 to amortize the undercollection in the Water Quality Litigation Memorandum Account (WQLMA).
7. A surcharge of \$0.1352 per Ccf is to be applied to the quantity rates of non-CARW customers for twenty-four months beginning on the effective date of Advice Letter 475 and ending on February 21, 2018 to amortize the undercollection in the California Alternative Rates for Water (CARW) Balancing Account.
8. A surcharge of \$0.1180 per Ccf is to be applied to the quantity rates for twelve-months beginning on the effective date of Advice Letter 478 to amortize the net undercollection in the Drought Lost Revenue and Drought Surcharge Revenue Memorandum Accounts. (N) (N)

(To be inserted by utility)
 Advice Letter No. 478
 Decision No. _____

Issued by
 R. W. Nicholson
NAME
 President
TITLE

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

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..... \$ 2.5221
For all Ccf greater than 16 Ccf, per 100 cu. Ft..... \$ 2.9006

Service Charges:	Per Meter
	Per Month
For 5/8 x 3/4-inch meter	\$ 14.64
For 3/4-inch meter	21.96
For 1-inch meter	36.61
For 1-1/2-inch meter	73.22
For 2-inch meter	117.18
For 3-inch meter	219.62

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6. A surcharge of \$0.1394 per Ccf is to be applied to the quantity rates for a twelve month period beginning on October 27, 2015 to amortize the undercollection in the Water Quality Litigation Memorandum Account (WQLMA).
7. A surcharge of \$0.1617 per Ccf for an 11-month period beginning on August 27, 2015 is to be applied to the quantity rate to amortize the undercollection in the Water Revenue Adjustment Mechanism (WRAM) Balancing Account.
8. A surcharge of \$0.1352 per Ccf is to be applied to the quantity rates of non-CARW customers for twenty-four months beginning on the effective date of Advice Letter 475 and ending on February 21, 2018 to amortize the undercollection in the California Alternative Rates for Water (CARW) Balancing Account.
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Decision No.

NAME

Effective

President

TITLE

Resolution No.

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

RATES - (continued)

Table with 2 columns: Description of metered service and Per Battery Per Month rate. Includes rows for two 2-inch meters, three 2-inch meters, four 2-inch meters, two 3-inch meters, two 4-inch meters, one 8-inch meter and one 2-inch meter, and two 8-inch meters.

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.
4. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.
5. A surcredit of \$0.1047 per Ccf is to be applied to the quantity rates for remainder of the thirty-six months ending on July 31, 2017 to refund an overcollection associated with the Sandhill Water Treatment Facility Plant.
6. A surcharge of \$0.2408/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.
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Resolution No.

SCHEDULE NO. FO-CARW
Fontana Water Company
CALIFORNIA ALTERNATIVE RATES FOR WATER
(continued)

SPECIAL CONDITIONS (continued)

2. Application and Eligibility Declaration: An application and eligibility declaration on a form authorized by the Commission is required for each request for service under this schedule. Renewal of a customer's eligibility declaration will be required every two years and may be required on an annual basis. Customers are only eligible to receive service under this rate schedule at one residential location at any one time, and the rate applies only to the customer's permanent primary residence. The schedule is not applicable where, in the opinion of the Utility, either the accomodation or the occupancy is transitory.
3. Commencement of Rate: Eligible customers shall be billed on this schedule commencing no later than one billing period after receipt and approval of the customer's application by the Utility.
4. Verification: Information provided by the applicant is subject to verification by the Utility. Refusal or failure of a customer to provide documentation of eligibility acceptable to the Utility, upon the request of the Utility, shall result in removal from this rate schedule.
5. Notice from Customer: It is the customer's responsibility to notify the Utility if there is a change in the customer's eligibility status.
6. Customers may be re-billed for periods of ineligibility under the applicable rate schedule.
7. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.
8. A surcredit of \$0.1047 per Ccf is to be applied to the quantity rates for the remainder of the thirty-six months ending on July 31, 2017 to refund an overcollection associated with the Sandhill Water Treatment Facility Plant.
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13. A surcharge of \$0.1180 per Ccf is to be applied to the quantity rates for twelve-months beginning on the effective date of Advice Letter 478 to amortize the net undercollection in the Drought Lost Revenue and Drought Surcharge Revenue Memorandum Accounts. (N)
(N)
(N)

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(continued)

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