

SAN GABRIEL VALLEY WATER COMPANY

March 4, 2015

Advice Letter No. 459

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>
2444-W	General Metered Service (cont'd)	FO-1	2437-W
2445-W	General Metered Service Conservation Rates	FO-1C	2438-W
2446-W	Recycled Water Metered Service (cont'd)	FO-6	2439-W
2447-W	California Alternative Rates for Water (cont'd)	FO-CARW	2440-W
2448-W	Table of Contents	N/A	2443-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 a portion of the undercollection in the Water Quality Litigation Memorandum Account (WQLMA) as of December 31, 2014, through a temporary 12-month surcharge of \$0.1842 per Ccf. The surcharge will increase annual revenues by \$2,992,751 from \$61,541,255 to \$64,534,006 or 4.6%.

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.** The enclosed tariff schedules will become effective upon a resolution by the Commission.

Background

This advice letter requests amortization of the December 31, 2014 balance in the WQLMA for the Fontana Water Company division as authorized by the Commission in Decision No. 10-12-058, in Rulemaking No. 09-03-014. Ordering Paragraph No. 2 of that decision states in part:

“A combined trigger default mechanism is adopted, as described in Decision 10-10-018, at section 5.5.2.3., whereby an investor-owned water utility may request cost recovery, through either a Tier 3 Advice Letter or a pending General Rate Case, of the balance in a contamination-related litigation expense memorandum account after either of the following has occurred: the balance in the memorandum account exceeds 2% of the utility’s authorized revenue requirement or three years have elapsed since the date the memorandum account was established.”

The recorded balance in the Water Quality Litigation Memorandum Account as of December 31, 2014 exceeds 2% of Fontana Water Company’s authorized revenue requirement.

The current rate schedules in this division became effective on February 23, 2015 through Advice Letter No. 457.

San Gabriel maintains the WQLMA to record outside legal fees and litigation-related expenses (such as expert consultants) of water quality litigation, as well as contamination proceeds that are not reflected in base rates and any amortization of those recorded balances in accordance with Resolution W-4094 incurred after March 26, 1998, the effective date of Resolution W-4094.

Commission Resolution W-4094 authorized San Gabriel’s WQLMA for the Fontana Water Company division. Ordering Paragraph No. 1 authorized San Gabriel to implement a WQLMA for both divisions.

- 1. All water utilities under Commission jurisdiction are authorized to establish memorandum accounts for the litigation expenses as discussed in this resolution and incurred after March 26, 1998, the effective date of this resolution.*

In each of the last four general rate cases for the Fontana Water Company division, the Commission authorized San Gabriel to amortize the undercollected WQLMA balances as of July 31, 2003 (D.04-07-034, Ordering Paragraph No. 12), February 28, 2007 (D.07-04-046, Ordering Paragraph No. 5), June 18, 2009 (D.09-06-027, Ordering Paragraph No. 21), and March 31, 2011 (D.14-05-001, Attachment 1, page 36), respectively. San Gabriel now seeks to amortize the additional expenses recorded since March 2011.

Discussion

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 \$0.1842 per Ccf for twelve-months beginning on the effective date of the resolution. The new rates submitted with this advice letter will raise the monthly bill of the typical non-CARW residential customer on Schedule FO-1 with a 5/8" x 3/4" meter using 19 Ccf by \$3.50 or 5.1% from \$69.06 to \$72.56 and on Schedule No. FO-1C by \$3.50 or 5.2% from \$66.71 to \$70.21.

As shown on Page 2 of Section A, 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.

Section D of the workpapers contains copies of the job cost worksheets and monthly invoices supporting the recorded amounts in the Fontana Water Company WQLMA from April 2011 through December 31, 2014. 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 experts and consultants. Prior to payment, all invoices and the accompanying detailed billing statements are reviewed and approved by both San Gabriel's Vice President and General Counsel, Timothy J. Ryan and by its Chief Executive Officer, 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. 11-07-005, Mr. Whitehead's prepared testimony Exhibit SG-10, pages 6 to 14 (Section C of the Workpapers), 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 legal 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 the Commission's decision in that proceeding, San Gabriel was authorized to amortize the \$1,244,598 WQLMA balance as of April 2011, pursuant to a Settlement Agreement between San Gabriel and ORA (no other party in the case objected to the agreed-upon amortization). Since that date San Gabriel has continued to amass legal fees and related litigation expenses which it now seeks to amortize.

In May 2014, pursuant to D.14-05-001, Appendix A, Section 11Q, San Gabriel combined its WQLMA and Water Quality Memorandum Account (WQMA) into a single memorandum account, the balance of which this advice letter seeks to amortize. Previously, proceeds from polluters and insurance companies were tracked in the WQMA and recorded to Account 614 if related to operating expenses or to Contributions in Aid of Construction if related to capital projects – to the benefit of ratepayers, resulting in a zero balance in WQMA. This practice continues today, so that the combination of the two memorandum accounts into one does not impact the recorded balance in the new WQLMA as the proceeds are entered and removed simultaneously.

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 General Rule 4.2 of General Order 96-B, San Gabriel will give its customers at least 30 days' notice before the effective date of this advice letter by bill insert (a draft of which is included in Section F of the workpapers). 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. Finally, 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.

No other parties have requested notification of tariff filings.

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; 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

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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
11142 Garvey Avenue
El Monte, CA 91733
Tel: (626) 448-6183
FAX (626) 448-5530
e-mail: dadellosa@sgwater.com

Thank you for your assistance in processing this advice letter.

Sincerely,



Daniel A. Dell'Osa
Director of Rates and Revenue

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)

	<u>Per Battery</u> <u>Per Month</u>
For two 2-inch meters	\$ 222.00
For three 2-inch meters	333.00
For four 2-inch meters.....	444.00
For two 3-inch meters	417.00
For two 4-inch meters	696.00
For one 8-inch meter, two 2-inch meters.....	1,331.00
For two 8-inch meters	2,202.00

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 \$0.2165 per Ccf is to be applied to the quantity rates for thirty-six months beginning on August 1, 2014 and ending on July 31, 2017 to refund an overcollection associated with the Sandhill Water Treatment Facility Plant.
3. A surcredit of \$0.0330 per Ccf is to be applied to the quantity rates for a 12-month period beginning on May 6, 2014 to amortize the March 2011 balances in five balancing and memorandum accounts as authorized by D.14-05-001.
4. A surcharge of \$0.1297/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.
5. A surcharge of \$0.1597 per Ccf is to be applied to the quantity rates of only non-CARW customers for a 12-month period ending September 20, 2015 to amortize the undercollection in the California Alternative Rates for Water (CARW) Memorandum Account.
6. A surcharge of \$0.1440 per Ccf is to be applied to the quantity rates for thirty-six months beginning on February 17, 2015 and ending on February 16, 2018 to recover an overcollection recorded in the Interim Rates Memorandum Account.
7. A surcharge of \$0.1842 per Ccf is to be applied to the quantity rates for a 12-month period beginning on the effective date of Advice Letter No. 459 to amortize the undercollection in the Water Quality Litigation Memorandum Account (WQLMA).

(D)

(N)
(N)
(N)

(To be inserted by utility)

Issued by

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

Advice Letter No. 459

R. W. Nicholson

Date Filed _____

Decision No. _____

NAME

Effective _____

President

TITLE

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..... \$ 2.5032
For all Ccf greater than 16 Ccf, per 100 cu. Ft..... \$ 2.8789

Service Charges: Per Meter
Per Month

For 5/8 x 3/4-inch meter \$ 14.53
For 3/4-inch meter 21.80
For 1-inch meter 36.34
For 1-1/2-inch meter 72.67
For 2-inch meter 116.30
For 3-inch meter 217.98

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.
2. A surcredit of \$0.2165 per Ccf is to be applied to the quantity rates for thirty-six months beginning on August 1, 2014 and ending on July 31, 2017 to refund an overcollection associated with the Sandhill Water Treatment Facility Plant. (D)
3. A surcredit of \$0.0330 per Ccf is to be applied to the quantity rates for a 12-month period beginning on May 6, 2014 to amortize the March 2011 balances in five balancing and memorandum accounts as authorized by D.14-05-001.
4. A surcharge of \$0.1297/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.
5. A surcharge of \$0.1597 per Ccf is to be applied to the quantity rates of only non-CARW customers for a 12-month period ending September 20, 2015 to amortize the undercollection in the California Alternative Rates for Water (CARW) Memorandum Account.
6. A surcharge of \$0.1440 per Ccf is to be applied to the quantity rates for thirty-six months beginning on February 13, 2015 and ending on February 12, 2018 to recover an undercollection recorded in the Interim Rates Memorandum Account.
7. A surcharge of \$0.1842 per Ccf is to be applied to the quantity rates for a 12-month period beginning on the effective date of Advice Letter No. 459 to amortize the undercollection in the Water Quality Litigation Memorandum Account (WQLMA). (N)
(N)
(N)

(To be inserted by utility)

Issued by

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President

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Resolution No. _____

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.....	\$ 222.00
For three 2-inch meters.....	333.00
For four 2-inch meters.....	444.00
For two 3-inch meters.....	417.00
For two 4-inch meters.....	696.00
For one 8-inch meter, one 2-inch meter.....	1,331.00
For two 8-inch meters.....	2,202.00

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 surcredit of \$0.2165 per Ccf is to be applied to the quantity rates for thirty-six months beginning on August 1, 2014 and ending on July 31, 2017 to refund an overcollection associated with the Sandhill Water Treatment Facility Plant. (D)
6. A surcredit of \$0.0330 per Ccf is to be applied to the quantity rates for a 12-month period beginning on May 6, 2014 to amortize the March 2011 balances in five balancing and memorandum accounts as authorized by D.14-05-001.
7. A surcharge of \$0.1297/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.
8. A surcharge of \$0.1597 per Ccf is to be applied to the quantity rates of only non-CARW customers for a 12-month period ending September 20, 2015 to amortize the undercollection in the California Alternative Rates for Water (CARW) Memorandum Account.
9. A surcharge of \$0.1440 per Ccf is to be applied to the quantity rates for thirty-six months beginning on February 13, 2015 and ending on February 12, 2018 to recover an undercollection recorded in the Interim Rates Memorandum Account.
10. A surcharge of \$0.1842 per Ccf is to be applied to the quantity rates for a 12-month period beginning on the effective date of Advice Letter No. 459 to amortize the undercollection in the Water Quality Litigation Memorandum Account (WQLMA). (N)
(N)
(N)

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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 \$0.2165 per Ccf is to be applied to the quantity rates for thirty-six months beginning on August 1, 2014 and ending on July 31, 2017 to refund an overcollection associated with the Sandhill Water Treatment Facility Plant. (D)
9. A surcredit of \$0.0330 per Ccf is to be applied to the quantity rates for a 12-month period beginning on the effective date of Advice Letter 435 to amortize the March 2011 balances in five balancing and memorandum accounts as authorized by D.14-05-001.
10. A surcharge of \$0.1440 per Ccf is to be applied to the quantity rates for thirty-six months beginning on February 13, 2015 and ending on February 12, 2018 to recover an undercollection recorded in the Interim Rates Memorandum Account.
11. A surcharge of \$0.1842 per Ccf is to be applied to the quantity rates for a 12-month period beginning on the effective date of Advice Letter No. 459 to amortize the undercollection in the Water Quality Litigation Memorandum Account (WQLMA). (N)
(N)
(N)

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