

SAN GABRIEL VALLEY WATER COMPANY

June 22, 2015

Advice Letter 462-A

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

An original and four copies of this supplemental advice letter are submitted herewith. After consultation with Commission staff, San Gabriel amends the language in proposed 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.**

Thank you for your assistance in processing this tariff filing.



Daniel A. Dell'Osa
Senior Regulatory Specialist

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 from potable water sales 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 from potable water sales.

3. Accounting Procedures

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

- a. Adopted monthly sales will equal the annual adopted sales spread to the twelve months based on the recorded water sales during the previous three calendar years.
- b. Each month, Lost Revenues will be computed by multiplying the most recently adopted Quantity Rate in the General Service tariff on the effective date of AL 462 (adjusted for all subsequent rate changes), less the adopted annual purchased water, pump tax, and power expenses per Ccf sales, multiplied by the adopted monthly sales, and adjusted for the adopted Uncollectibles and Franchise Fees rates.
- c. 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.
- d. 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-A

R. W. Nicholson

Date Filed _____

Decision No. _____

NAME

Effective _____

President

TITLE

Resolution No. _____