

SAN GABRIEL VALLEY WATER COMPANY

February 22, 2016

Advice Letter No. 475

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>
2535-W	General Metered Service (cont'd)	FO-1	2520-W
2536-W	General Metered Service Conservation Rates	FO-1C	2521-W
2537-W	Recycled Water Metered Service (cont'd)	FO-6	2522-W
2538-W	Preliminary Statement (continued)	N/A	2392-W
2539-W	Table of Contents	N/A	2529-W

An original and four copies of this advice letter are submitted pursuant to General Order 96-B, Water Industry Rule 7.3.1(1), to amortize a portion of the undercollection in the California Alternative Rates for Water (CARW) Balancing Account as of December 31, 2015, through a temporary 24-month surcharge of \$0.1352 per Ccf applicable only to non-CARW customers. San Gabriel proposes a revision to the tariff Preliminary Statement, G2 California Alternative Rates for Water (CARW) Balancing Account for the Fontana Water Company Division to state that the balances approved for amortization shall be moved to the Previously Authorized Balances Balancing Account (PABBA) for the Fontana Water Company Division. The surcharge will increase annual revenues by \$1,818,993 from \$70,518,007 to \$72,337,000 or 2.6%. The requested amortization of \$3,637,986 will be moved to the

PABBA. The January 1, 2016 beginning balance in the CARW Balancing Account for the Fontana Water Company Division will be reset to \$0.

In accordance with Water Industry Rule 7.3.1(1) of General Order 96-B, **this filing is designated as Tier 1**. The enclosed tariff schedules will become effective upon the filing of this advice letter.

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 on November 19, 2015 through Advice Letter No. 470.

San Gabriel maintains a low-income customer assistance program called the California Alternative Rates for Water program in its Fontana Water Company division. This program implements the Commission's Water Action Plan objective to assist qualified low-income customers. Until May 2014, San Gabriel's CARW program provided low-income assistance by offering qualified low-income customers with a meter size of 1" or smaller a 50% discount on the service charge. D.14-05-001 modified the CARW benefit to be \$8, \$10, or \$20 per month, depending on the meter size. San Gabriel established the CARW Memorandum Account authorized by D.05-05-015 in A.03-04-025 to track the costs of the program against the estimates reflected in rates.

Decision 11-05-020 in Rulemaking 09-12-017 established a data sharing plan between regulated Class A water utilities and regulated energy utilities which resulted in a large increase in low-income customer participation and a subsequent rapid increase in the undercollection of the CARW Balancing Account.

Discussion

Ordering Paragraph No. 1 of Resolution W-5043, dated July 23, 2015 approved Advice Letter No. 453 which authorized the change of San Gabriel's CARW memorandum accounts to CARW balancing accounts stating:

- 1. San Gabriel Valley Water Company's request to re-designate its California Alternative Rates for Water memorandum accounts as balancing accounts is approved.*

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 \$0.1352 per Ccf for twenty-four months beginning on the submittal date of the advice letter. The new rates submitted with this advice letter will raise the monthly bill of the average residential customer on Schedule FO-1 with a 5/8" x 3/4" meter using 19 Ccf by \$2.57 or 3.5% from \$73.81 to \$76.38 and on Schedule No. FO-1C by \$2.57 or 3.4% from \$74.54 to \$77.11.

The requested amortization is not now the subject of any formal filings including a formal complaint, nor action in any court of law.

On August 24, 2015 San Gabriel filed application (A) 15-08-022, requesting authorization to increase the CARW surcharge in the Fontana division to reflect actual participation rates and thereby recover current costs, according to the scoping memo issued on October 30, 2015, a decision in A.15-08-022 is expected in the first quarter of 2016. The relief sought in A.15-08-022 relates to current costs, and not the amortization of the past undercollections which are the subject of this advice letter.

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

February 22, 2016

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.

San Gabriel Valley Water Company



Joel M. Reiker
Vice President of Regulatory Affairs

February 22, 2016

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 \$0.1047 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 \$0.1297/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.
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 (N) for twenty-four months beginning on the effective date of Advice Letter 475 and ending on (N) February 21, 2018 to amortize the undercollection in the California Alternative Rates for Water (N) (CARW) Balancing Account. (N)

(To be inserted by utility)

Issued by

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

Advice Letter No. 475

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
	<u>Per Month</u>
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 \$0.1047 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 \$0.1297/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.
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 \$0.1617 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. (N)
(N)
(N)

(To be inserted by utility)

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TITLE

Resolution No. _____

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

(continued)

RATES – (continued)

	Per Battery <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, 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 \$0.1047 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 \$0.1297/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.
7. 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. (D)
8. 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.
9. 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. (N)
(N)
(N)

(To be inserted by utility)

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Advice Letter No. 475

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Date Filed _____

Decision No. _____

NAME

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TITLE

Resolution No. _____

PRELIMINARY STATEMENT
(Continued)

G2. California Alternative Rates for Water (CARW) Balancing Account For The Fontana Water Company Division

1. Purpose: The purpose of the balancing account is to track the costs of the program against the estimates reflected in rates, until sufficient experience with the CARW program is attained that such costs can be reliably forecast in a general rate case proceeding.
2. The following entries will be made monthly to the CARW Balancing Account in the Fontana Water Company division:
 - a. The recorded reduction in billed Service Charge revenues for service provided under Schedule No. FO-CARW (debit).
 - b. Franchise fees and uncollectible account expense, based on 2a above and the CPUC-adopted rates for franchise fees and uncollectible accounts expense (credit).
 - c. CARW program costs of performing incremental activities which would not have been incurred absent the CARW program and which have not been reflected in authorized rates (debit).
 - d. One-twelfth of the annual CPUC-adopted revenue reduction for the CARW program as reflected in rates (credit)¹. These CPUC-adopted amounts are as follows:

<u>Effective</u>	<u>Annual Amount</u>
July 2009	\$1,004,712
July 2010	\$1,114,417
October 28, 2010	\$1,108,002
January 2011	\$1,105,407
July 2011	\$1,142,363
April 2013	\$1,196,577
May 2013	\$1,169,400

- The above amounts will be proportionately adjusted when monthly service charges change.
- e. Monthly interest expense calculated 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.text>), or its successor publication (debit or credit).
3. The balancing account will terminate when so ordered in a CPUC general rate case decision, at which time any remaining debit (undercollection) or credit (overcollection) balance will be amortized through a rate surcharge or surcredit.
 4. Balances approved for amortization shall be moved to the Previously Authorized Balances Balancing Account (PABBA) and shall earn interest according to Paragraph 2c above. (N)
(N)

¹ CPUC D.05-05-015 describes this item as a "debit" at page 5 of the decision. After further review, the Company finds that this item will regularly be a credit, so it is being described as such in this tariff sheet.

Authorization: Established pursuant to D.05-05-015, Ordering Paragraph 3

(To be inserted by utility)
Advice Letter No. 475

Issued by
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President
TITLE

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

TABLE OF CONTENTS

The following listed tariff sheets contain all effective rates and rules affecting the rates and services of the utility, together with information relating thereto:

<u>Subject Matter of Sheet</u>	<u>C.P.U.C. Sheet No.</u>	
Title Page	1559-W	
Table of Contents	2539-W, 2500-W	(T)
	2533-W, 1563-W	
	1637-W, 2456-W	
Preliminary Statement	634-W, 390-W, 2389-W to 2395-W,	(T)
	2518-W, 2397-W to 2409-W, 2464-W,	
	2410-W to 2412-W, 2530-W, 2538-W	(T)
Service Area Maps:		
Fontana Water Company	1533-W	
Los Angeles County Division		
Service Area - East Portion	1183-W	
- South Portion	869-W	
- West Portion	1171-W	
Area Maps of Less Than 40 p.s.i.g.	871-W	
	691-W to 697-W	
	<u>Schedule</u>	
	<u>Number</u>	
<u>Rate Schedules</u>		
All Tariff Areas		
Surcharge to Fund Public Utilities		
Commission Reimbursement Fee	AA-UF	2525-W
Stages Water Shortage Surcharges and Penalties	14.1	2481-W to 2485-W
Fontana Water Company		
General Metered Service - General	FO-1	2379-W, 2535-W (C)
General Metered Service - Conservation	FO-1C	2536-W (C)
Private Fire Service	FO-4	2382-W, 1087-W, 1476-W
Recycled Water Metered Service	FO-6	2383-W, 2537-W (C)
Construction and Tank Truck Service	FO-9C	2385-W, 1516-W
Service to Tract Houses During Construction	FO-9CL	2386-W
California Alternative Rates For Water	FO-CARW	2451-W, 2523-W
Facilities Fees	FO-FF	1875-W, 1876-W

(continued)

(To be inserted by utility)

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