

**CALIFORNIA PUBLIC UTILITIES COMMISSION  
DIVISION OF WATER AND AUDITS**

**Advice Letter Cover Sheet**

**Utility Name:** San Gabriel Valley Water Co.

**Date Mailed to Service List:** 03/31/23

**District:** Fontana Water Company  
Division

**CPUC Utility #:** U337W

**Protest Deadline (20<sup>th</sup> Day):** 04/20/23

**Advice Letter #:** 586

**Review Deadline (30<sup>th</sup> Day):** 04/30/23

**Tier**  1  2  3  Compliance

**Requested Effective Date:** 03/31/23

**Authorization**

**Rate Impact:** \$0

**Description:** Decision 22-12-006 Summit Upgrades  
Status Report

The protest or response deadline for this advice letter is 20 days from the date that this advice letter was mailed to the service list. Please see the "Response or Protest" section in the advice letter for more information.

**Utility Contact:** Crystal Navarro

**Utility Contact:** Joel M. Reiker

**Phone:** (626) 448-6183

**Phone:** (626) 448-6183

**Email:** [cjnavarro@sgvwater.com](mailto:cjnavarro@sgvwater.com)

**Email:** [jmreiker@sgvwater.com](mailto:jmreiker@sgvwater.com)

**DWA Contact:** Tariff Unit

**Phone:** (415) 703-1133

**Email:** [Water.Division@cpuc.ca.gov](mailto:Water.Division@cpuc.ca.gov)

**DWA USE ONLY**

DATE

STAFF

COMMENTS

<u>DATE</u>	<u>STAFF</u>	<u>COMMENTS</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

APPROVED

WITHDRAWN

REJECTED

**Signature:** \_\_\_\_\_

**Comments:** \_\_\_\_\_

**Date:** \_\_\_\_\_

\_\_\_\_\_

# SAN GABRIEL VALLEY WATER COMPANY

March 31, 2023

Advice Letter No. 586

U337W

## TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

San Gabriel Valley Water Company (“San Gabriel” or “Company”) submits this advice letter pursuant to Ordering Paragraph No. 1 of Decision (“D.”) 22-12-006 and the settlement attached thereto as ATTACHMENT A (“Settlement”), Section II.C.5, to update interested parties on the status of water quality related improvements being made to the Summit surface water treatment plant in the Fontana Water Company division. In accordance with Section II.C.5 of the Settlement adopted in D.22-12-006 and Water Industry Rule 7.3.1(7) of General Order 96-B, **this is designated as a Tier 1 advice letter.**

### Background

In Application (“A.”) 21-01-017 San Gabriel proposed modifications to the Summit surface water treatment plant (“Summit Plant”) which included decommissioning and retiring the existing outdated Diatomaceous Earth (“DE”) facility, adding two filters to the conventional treatment facility, increasing the amount of filter media in each filter, and adding granular activated carbon (“GAC”) contactors (the “Project”). Additionally, San Gabriel requested Commission authority to offset all such Project costs with facilities fees collected pursuant to Fontana Water Company division Tariff Schedule No. FO-FF to be recorded as contributions in aid of construction, thereby excluding such Project costs from rate base and customer rates.

On December 6, 2022, the Commission issued D.22-12-006 adopting the Settlement between San Gabriel and the Commission’s Public Advocates Office (the “Parties”). Among the provisions adopted in the Settlement was Section II.C.5, which requires San Gabriel to file a Tier 1 advice letter on or before March 31 of each year until the project is completed and placed in service to update interested parties on the status of the Project.

### Discussion

Section II.C.5 of the Settlement requires San Gabriel to update the Commission on three items in this advice letter:

- a. *Ongoing Project construction costs incurred through the most recently-closed accounting period (for a March 31 advice letter submission date, this will be December 31 of the previous calendar year). The job cost worksheets itemizing the individual charges to the work order, including a description of the charge (i.e. payroll, AP vendor invoice, etc.) shall be provided as supporting workpapers. To the extent any AFUDC or post-in service capitalized interest is recorded in the Project work order on any balance of*

*project costs not covered by Facilities Fees in any given month, San Gabriel shall provide detailed workpapers showing the calculation of the AFUDC/post-in service capitalized interest.*

The ongoing Project construction costs incurred through December 2022 are \$1,789,836. This amount includes \$987,655 for design and permitting, \$559,631 for pilot testing, and \$242,549 for the initial water quality study. The job cost worksheets itemizing the individual charges to the different components of the Project are provided as **ATTACHMENT A** to this advice letter. San Gabriel notes that to date, the Company has not recorded any AFUDC related to the Project because there has been a sufficient balance in the facilities fee memorandum account to cover all of the Project costs incurred thus far.

- b. The amount of Facilities Fees collected and applied to the Project through the most recently-closed accounting period. A copy of the Facilities Fee Memorandum Account showing Facilities Fees collected, Facilities Fees applied to the Project, the applicable commercial paper rate, and interest recorded in the memorandum account shall be provided as a supporting workpaper.*

Prior to applying any facilities fees to the Project, the available balance recorded in the facilities fee memorandum account (including interest) as of December 2022, was \$23,468,096. Upon the Commission's adoption of D.22-12-006 in December 2022, San Gabriel applied \$1,789,836 in facilities fees to the Project, resulting in a December 2022 balance in the facilities fee memorandum account of \$21,761,420. The facilities fees memorandum account showing the facility fees collected, the facilities fees applied to the project, the applicable commercial paper rate, and the interest recorded in the memorandum account is provided as **ATTACHMENT B** to this advice letter.

- c. A detailed discussion/explanation addressing the following:*
- i. Percentage of completion for each stage/component of the project (e.g. design, construction of additional filters, pilot testing, etc.).*
  - ii. How the recorded costs for each stage/component of the project compare to San Gabriel's original estimated cost, based on the percentage of completion.*
  - iii. To the extent there is any variance between the recorded costs for a given stage/component of the Project and San Gabriel's original estimated cost, San Gabriel shall provide a detailed explanation and justification of the variance with supporting documentation, as applicable.*

As of December 2022, design and permitting of the two additional filters is 90% complete. Pilot testing to determine if the necessary water quality improvements can be achieved by replacing the dual media (anthracite coal and sand) with GAC, in lieu of constructing GAC contactors, was 95% complete as of December 2022, and was 100% completed in January 2023. The results of the pilot testing are currently being compiled by San Gabriel's consultant, West Yost, with a final report and recommendation to be issued in April 2023. In accordance with Section II.C.4 of the Settlement, the final pilot study report, along with correspondence between San Gabriel and the State Water

Resources Control Board, Division of Drinking Water (“DDW”), will be provided to the Public Advocates Office when available.

San Gabriel’s original estimated cost for the design and permitting of the two additional filters and GAC contactors was \$4,709,337, as shown in **ATTACHMENT C**. As explained above, San Gabriel incurred \$987,655 related to the design and permitting of the two additional filters as of December 2022, and is currently awaiting the results of pilot testing to determine if the necessary water quality improvements can be achieved without constructing GAC contactors.

San Gabriel has not yet begun decommissioning and removal of the outdated DE filtration facility.

#### Service and Notice

This advice letter is filed in accordance with Standard Practice U-27-W. No customer notice is required.

Distribution of this advice letter is being made to the attached service list in accordance with Water Industry Rule 4.1 of General Order 96-B. 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 to its website [www.fontanawater.com](http://www.fontanawater.com).

#### 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;
- (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 may not rely on a policy objection to an advice letter where the relief requested in the advice letter follows rules or directions established by statute or Commission order applicable to the utility. 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 Water Division within 20 days of the date this advice letter is filed. The address for mailing or delivering a response or protest is:

March 31, 2023

Email Address:  
[water.division@cpuc.ca.gov](mailto:water.division@cpuc.ca.gov)

Mailing Address:  
California Public Utilities Commission  
Water Division, 3<sup>rd</sup> Floor  
505 Van Ness Avenue  
San Francisco, CA 94102

On the same date the response or protest is submitted to the Water Division, the respondent or protestant shall send a copy of the protest by mail to San Gabriel addressed as follows:

Email Address:  
[imreiker@sgvwater.com](mailto:imreiker@sgvwater.com)

Mailing Address:  
San Gabriel Valley Water Company  
Vice President of Regulatory Affairs  
11142 Garvey Avenue  
El Monte, CA 91733

Cities and counties that need Board of Supervisors or Board of Commissioners approval to protest should inform the Water Division, within the 20 day protest period, so that a late filed protest can be entertained. The informing document should include an estimate of the date the proposed protest might be voted on.

The advice letter process does not provide for any further responses, protests or comments, except for San Gabriel's reply, after the 20-day comment period. San Gabriel will reply to each protest and may reply to any response. Each reply must be received by the Water Division within five business days after the end of the protest period, and shall be served on the same day to the person who filed the protest or response in accordance with General Order 96-B, General Rule 7.4.3.

If you have not received a reply to your protest within ten business days, contact San Gabriel at (626) 448-6183.

San Gabriel Valley Water Company

/s/ Crystal Navarro

Crystal Navarro  
Regulatory Analyst

cc: Bruce DeBerry, CPUC – Water Division  
Victor Chan, CPUC – Water Branch, Cal Advocates  
Richard Rauschmeier, CPUC – Water Branch, Cal Advocate

ADVICE LETTER DISTRIBUTION LIST

San Gabriel Valley Water Company  
Fontana Water Company Division  
Advice Letter No. 586

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City of Rialto Water Department  
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