

SAN GABRIEL VALLEY WATER COMPANY

April 13, 2012

Advice Letter 412

U337W

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

San Gabriel Valley Water Company ("San Gabriel") hereby requests ministerial review of the following changes in tariff sheets applicable to its Los Angeles County and Fontana Water Company divisions:

CPUC		Sheet	Canceling
<u>Sheet No.</u>	<u>Title</u>	<u>No.</u>	<u>CPUC</u>
			<u>Sheet No.</u>
2108-W	Preliminary Statement (Continued)	N/A	1901-W
2109-W	Table of Contents	N/A	2107-W

This advice letter modifies the Preliminary Statement to document the application of the existing Cost of Capital Litigation Memorandum Account to the 2012 Cost of Capital proceeding, as authorized by Decision 11-11-018 in Application 10-07-019. **This is designated as a Tier 1 Advice Letter** under Water Industry Rule 7.3.1(3).

Discussion

In the last general rate case for the General Division (A.10-07-019), San Gabriel included in its forecast of the Regulatory Commission Expense the upcoming 2012 Cost of Capital Proceeding. As part of the settlement in that proceeding, San Gabriel and the Division of Ratepayer Advocates agreed that those costs should be recovered on a recorded basis rather than on a forecasted basis. Section III.D.1 of the settlement agreement between San Gabriel and the Division of Ratepayer Advocates (adopted in Ordering Paragraph No. 1 of D.11-11-018), stipulated that "the cost that will be incurred for participation in the next

April 13, 2012

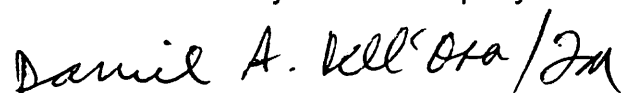
Cost of Capital proceeding should be recorded in a memorandum account for later recovery.”

Section I of the Preliminary Statement in San Gabriel’s tariffs describes the Cost of Capital Litigation Memorandum Account utilized to record \$76,824 in costs for the 2009 Cost of Capital proceeding, of which Section III.D.1 of the Commission-approved settlement agreement authorized recovery. This advice letter adds the following sentence to Section I of the Preliminary Statement: “In accordance with D.11-11-018, this memorandum account will also be used to record costs associated with litigation of the 2012 cost of capital proceeding.” Copies of the relevant pages are attached hereto.

No additional workpapers or earnings tests are associated with this advice letter. Distribution of this Advice Letter is being made to the attached service lists in accordance with Water Industry Rule 4.1 of General Order 96-B, and San Gabriel will post this Advice Letter on its website in accordance with Water Industry Rule 3.3. No further public notice is required because all public notices in connection with Application No. 10-07-019 have already been made in accordance with applicable law and Commission rules.

Thank you for your assistance in processing this tariff filing.

San Gabriel Valley Water Company



Daniel A. Dell'Osa
Director of Rates and Revenue

cc: Bruce DeBerry, CPUC – Water Division
Hani Moussa, CPUC – Water Branch, DRA
Danilo Sanchez, CPUC – Water Branch, DRA

PRELIMINARY STATEMENT

(Continued)

H. Implementation of Water Action Plan Objectives (WAP) Balancing Account For The Fontana Water Company Division

1. Purpose: This temporary, one-way balancing account is established in accordance with Decision No. 08-08-018 in Application No. 07-08-017 to track amounts collected via the conservation expenses surcharge component and conservation expenses incurred up to an annualized limit. The prorated limit is the prorated portion of the \$305,000 annual budget.
2. The following entries will be made monthly to the WAP Balancing Account:
 - a. The recorded Conservation Surcharge revenues billed at the interim surcharge rate of \$0.015 per hundred cubic feet (credit).
 - b. Franchise fees and uncollectible account expense, based on 2a above and the CPUC-adopted rates for franchise fees and uncollectible accounts expense (debit).
 - c. Conservation program costs incurred up to the prorated portion of the \$305,000 annual budget (debit). The prorated portion of the annual budget is \$263,219 for the period August 21, 2008 through June 30, 2009. Conservation program costs will be recorded by the following categories:
 1. Education and Public Information Programs (capped at \$50,000)
 2. Residential (capped at \$228,600)
 3. Commercial, Industrial & Institutional (capped at \$262,500)
 4. Large Landscape (capped at \$123,800)
3. The balancing account will terminate when so ordered in a CPUC general rate case decision, at which time any credit (overcollection) balance will be amortized through a rate surcredit.

I. Cost of Capital Litigation Memorandum Account

The Cost of Capital Litigation Memorandum Account includes the incremental costs incurred by San Gabriel Valley Water Company limited to incremental non-employee resources engaged in litigating the cost of capital proceeding Application 09-05-004 to determine the just and reasonable cost of capital for base year 2010. These costs are eligible for recovery in the next general rate case amortized over the life of the rate case cycle after San Gabriel Valley Water Company makes a persuasive showing in the next general rate case that the costs were incremental, reasonable, and prudently controlled and managed. In accordance with D.11-11-018, this memorandum account will also be used to record costs associated with litigation of the 2012 cost of capital proceeding.

(N)
(N)

(To be inserted by utility)

Issued by

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

Advice Letter No. 412

R.W. Nicholson

Date Filed _____

Decision No. 11-11-018

NAME

Effective _____

President

TITLE

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	2106-W	2109-W (C)
	2032-W	1563-W
	1637-W	2029-W
Preliminary Statement	634-W, 390-W, 2088-W, 2024-W, 2108-W, 2025-W, 2089-W, 2071-W, (C) 2060-W, 2061-W	
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>Rate Schedules</u>	<u>Number</u>	
All Tariff Areas		
Surcharge to Fund Public Utilities		
Commission Reimbursement Fee	AA-UF	1807-W
Fontana Water Company		
General Metered Service - General	FO-1	2063-W 2096-W
General Metered Service - Conservation	FO-1C	2101-W
Private Fire Service	FO-4	2066-W 1087-W 1476-W
Construction and Tank Truck Service	FO-9C	2067-W 1516-W
Service to Tract Houses During		
Construction	FO-9CL	2068-W
California Alternative Rates For Water	FO-CARW	2069-W 2098-W
Facilities Fees	FO-FF	1875-W 1876-W

(continued)

(To be inserted by utility)

Issued by

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

Advice Letter No. 412

R. W. Nicholson

Date Filed _____

Decision No. 11-11-018

NAME

Effective _____

President

Resolution No. _____

TITLE