

SAN GABRIEL VALLEY WATER COMPANY

November 9, 2012

Advice Letter No. 420

U337W

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

San Gabriel Valley Water Company ("San Gabriel") hereby requests ministerial 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>
2163-W	General Metered Service (cont'd)	FO-1	2149-W
2164-W	General Metered Service-Conservation	FO-1C	2150-W
2165-W	Recycled Water Metered Service (cont'd)	FO-6	2159-W
2166-W	Calif. Alternative Rate for Water (cont'd)	FO-CARW	2155-W
2167-W	Table of Contents	N/A	2162-W

An original and four copies of this advice letter are submitted pursuant to General Order 96-B, Water Industry Rule 8.5, to amortize a recorded overcollection in the Water Production Balancing Account through an additional temporary surcredit of \$0.46 per Ccf for 20 months. The surcredit is expected to decrease metered revenues during the next twenty months by \$11,679,101. In accordance with Water Industry Rule 7.3.1 as modified by Resolution W-4664 and Water Industry Rule 8.5 of General Order 96-B, **this filing is designated Tier 1**. The enclosed tariff schedules become effective immediately with the submittal of this advice letter.

Discussion

The current rate schedules in this division became effective on July 1, 2012 and on July 3, 2012 through Advice Letter No. 416 and Advice Letter No. 417, respectively. The present rates have been in effect since April 1, 2012.

The purchased water cost savings prompting the additional surcredit in this advice letter are the result of several very favorable but unexpected circumstances. First, Fontana was able to divert and treat far more than average quantities of low cost Lytle Creek surface water through its upgraded Sandhill Surface Water Treatment Plant. Second, Fontana was able to make an all-cash spot purchase of 20,000 acre-feet of water for Chino Basin groundwater replenishment available on a one-time basis from the Metropolitan Water District of Southern California ("MWD") at a deep discount from MWD's prevailing rates. And finally, Fontana was unexpectedly able to enter into favorable water leases from cities that had temporary surpluses.

In its pending General Rate Case Application 11-07-005, San Gabriel proposed to amortize the balances in each of its balancing and memorandum accounts as of the date of the decision in that proceeding. However, in a pending settlement with the Division of Ratepayer Advocates ("DRA"), San Gabriel agreed to amortize the March 2011 balances that were provided with the application and reviewed by DRA prior to the issuance of DRA's Report. The March 2011 balance in the Water Production Balancing Account was \$2,384,755 overcollected and in the Settlement Agreement is to be amortized through a 12-month temporary surcredit of \$0.1500/Ccf. The proposed general rate case decision is yet to be issued, but San Gabriel believes the Commission will in the near future approve the agreed upon amortization schedule of the Water Production Balancing Account.

Additionally, DRA and San Gabriel agreed in the Settlement Agreement in A.11-07-005 that the Commission adopt water supply costs at the rate of \$287.76 per acre-foot, down from the adopted rate of \$345.60 from its last rate case. When the Commission finalizes the GRC decision that reduction will be effective

as of July 1, 2012. As of the date of this advice letter, that lower rate is already below the actual rate and as such this will have the result of further reducing the over collection in the Water Production Balancing Account.

San Gabriel forecasted the effects of the foregoing factors from July 1, 2012 until July 1, 2014 (the date new rates are scheduled to become effective from San Gabriel's next general rate case). To bring the balance in the Water Production Balancing Account as near zero as possible by July 1, 2014, a \$.46 per ccf surcredit is needed.

Present rate revenues in Test Year 2012-2013 are \$55,706,452. San Gabriel proposes to amortize the undercollection in the Water Production Balancing Account over a twenty-month period in order to maintain rate stability and because of the broad range of water supply cost rates for the company's erratic and difficult to predict sources of water supply.

San Gabriel has furnished the Commission's Division of Water and Audits staff workpapers providing detailed support for the proposed surcredit. These workpapers show the computation of the \$0.46/Ccf twenty-month surcredit, based on the sales levels that were included in the settlement of the pending general rate case and that are expected to be adopted by the Commission within the next several months. For an average residential customer on Schedule No. FO-1C using 19 Ccf per month, the \$0.46/Ccf surcredit produces a \$8.74 or 16.2% reduction to the monthly bill under existing rates.

The matters addressed in this advice letter are not now the subject of any formal filings (other than A. 11-07-005 as discussed above), including a formal complaint, nor action in any court of law.

Background

When it is available, Fontana uses as much local Lytle Creek surface water treated at its upgraded Sandhill Surface Water Treatment Plant as possible because it provides a very low cost source of water supply. However, available surface water from Lytle Creek is directly linked to unpredictable weather

fluctuations. When the flow of surface water from Lytle Creek declines, Fontana must obtain a greater proportion of its water supplies from more costly sources, such as Chino Basin wells which, in turn, requires Fontana to pay Chino Basin Watermaster groundwater replenishment and administration assessments (pump taxes). In the past, Fontana has been able to reduce its exposure to the Chino Basin Watermaster's groundwater replenishment assessments by leasing a limited quantity of groundwater rights on an annual basis from Cucamonga Valley Water District ("CVWD") and other water producers in the Chino Basin. But CVWD notified Fontana that it cannot lease much if anything in the future because of increases in their own pumping requirements, also from 2007 until 2011, other Chino Basin producers were unable to lease groundwater production rights, leaving Fontana to pay applicable Chino Basin Watermaster replenishment assessments. Even so, because of the recent and prolonged drought and other limitations on replenishment water – normally obtained from MWD whose sources are the State Water Project and Colorado River water – MWD ended its favorable replenishment rates and stopped delivering water for groundwater replenishment.

Because the Watermaster could not obtain replenishment water Fontana incurred a cumulative unmet replenishment obligation ("CURO") with the Chino Basin Watermaster starting in 2006 that reached 18,277 acre-feet as of June 30, 2008. At the same time, MWD's rate for Untreated Water went from \$427 per acre-foot on January 1, 2007 to \$686 per acre-foot on January 1, 2012 and is scheduled to go to \$735 in 2014.

On May 12, 2011, MWD unexpectedly announced a one-time offer to sell on a first-come-first-served basis up to 200,000 acre-feet of imported water for groundwater replenishment at a deep discount from its prevailing rates. MWD's offer required immediate response and payment on delivery. Within minutes of MWD's announcement, Fontana made a written offer to purchase 20,000 acre-feet of that discounted water. As a result, Fontana was able to purchase 20,000 acre-feet for \$8,471,766.00 which the company paid for in the first half of Fiscal

Year 2011-2012. That equals \$423.58 per acre foot compared to MWD's 35% higher prevailing rate of \$574 per acre foot at that same time. In addition, Fontana was able to lease 4,781 acre-feet of groundwater pumping rights from four cities that had a temporary surplus of rights at a price below the Chino Basin Watermaster's applicable replenishment assessment rate. As a result, in the first six months of 2012, Fontana's overall cost of water has fallen from \$345.60 per acre-foot to \$253.91 per acre-foot, and the CURO liability was completely eliminated. That ongoing savings helped produce the additional Balancing Account savings that Fontana seeks to amortize through this advice letter filing.

Notice of Advice Letter

In accordance with the requirements of Water Industry Rule 4.1 of General Order No. 96-B, this advice letter is being sent to the parties listed on the attached distribution list. 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 www.fontanawater.com. Individual notice to customers is not required because this advice letter does not seek to increase rates or restrict service.

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 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@sgvwater.com

Thank you for your assistance in processing this advice letter.

November 9, 2012

San Gabriel Valley Water Company

A handwritten signature in black ink, appearing to read "Daniel Dell'Osa". The signature is fluid and cursive, with the first name "Daniel" and the last name "Dell'Osa" clearly distinguishable.

Daniel A. Dell'Osa
Director of Rates and Revenue

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

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	\$ 307.00
For three 2-inch meters	460.00
For four 2-inch meters	613.00
For two 3-inch meters	575.00
For two 4-inch meters	958.00
For one 8-inch meter, two 2-inch meters	1,840.00
For two 8-inch meters	3,060.00

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 rate adjustment of \$0.0298 per Ccf for the adopted increase revenue requirements associated with the General Division is to be added to the quantity rates beginning November 15, 2011 and ending on the effective date of the rates from Application 11-07-005. (D)
3. A surcredit of \$0.46 per Ccf is to be applied to the quantity rates for twenty-months beginning on the effective date of Advice Letter 420 and ending on June 30, 2014 to refund an overcollection in the Water Production Balancing Account. (N)
(N)
(N)

(To be inserted by utility)
Advice Letter No. 420
Decision No. _____

Issued by
R. W. Nicholson
NAME
President
TITLE

(To be inserted by Cal. P.U.C.)
Date Filed _____
Effective _____
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..... \$ 2.3529
For all Ccf greater than 16 Ccf, per 100 cu. Ft..... \$ 2.7057

Per Meter
Per Month

Service Charges:

For 5/8 x 3/4-inch meter \$ 15.85
For 3/4-inch meter 23.77
For 1-inch meter 39.62
For 1-1/2-inch meter 79.28
For 2-inch meter 126.81
For 3-inch meter 237.74

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.
2. A rate adjustment of \$0.0298 per Ccf for the adopted increase revenue requirements associated with the General Division is to be added to the quantity rates beginning November 15, 2011 and ending on the effective date of the rates from Application 11-07-005. (D)
3. A surcredit of \$0.46 per Ccf is to be applied to the quantity rates for twenty-months beginning on the effective date of Advice Letter 420 and ending on June 30, 2014 to refund an overcollection in the Water Production Balancing Account. (N)

(To be inserted by utility)

Issued by

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

Advice Letter No. 420

R. W. Nicholson

Date Filed _____

Decision No. _____

NAME

Effective _____

President

TITLE

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	\$ 307.00
For three 2-inch meters	460.00
For four 2-inch meters.....	613.00
For two 3-inch meters	575.00
For two 4-inch meters	958.00
For one 8-inch meter, one 2-inch meter.....	1,840.00
For two 8-inch meters	3,060.00

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 rate adjustment of \$0.0298 per Ccf for the adopted increased revenue requirement associated with the General Division is to be added to the quantity rates beginning November 15, 2011 and ending on the effective date of the rates from Application 11-07-005.
6. A surcredit of \$0.46 per Ccf is to be applied to the quantity rates for twenty-months beginning on the effective date of Advice Letter 420 and ending on June 30, 2014 to refund an overcollection in the Water Production Balancing Account.

(D)
(N)
(N)
(N)

(To be inserted by utility)
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Issued by
R. W. Nicholson
NAME
President
TITLE

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

SCHEDULE NO. FO-CARW
Fontana Water Company
CALIFORNIA ALTERNATIVE RATES FOR WATER

(continued)

SPECIAL CONDITIONS (continued)

<u>No. of Persons In Household</u>	<u>Total Gross Annual Income</u>
6	\$61,940
7	\$69,860
8	\$77,780

For households with more than eight persons, add \$7,920 annually for each additional person residing in the household.

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 rate adjustment of \$0.0298 per Ccf for the adopted increase revenue requirements associated with the General Division is to be added to the quantity rates beginning November 15, 2011 and ending on the effective date of the rates from Application 11-07-005.
9. A surcredit of \$0.46 per Ccf is to be applied to the quantity rates for twenty-months beginning on the effective date of Advice Letter 420 and ending on June 30, 2014 to refund an overcollection in the Water Production Balancing Account. (D)
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TITLE

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

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