

# SAN GABRIEL VALLEY WATER COMPANY

February 19, 2009

**Advice Letter No. 370**

**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 Los Angeles County division:

<b>CPUC Sheet No.</b>	<b>Title</b>	<b>Schedule No.</b>	<b>Canceling CPUC Sheet No.</b>
1878-W	General Metered Service (cont.)	LA-1	1840-W
1879-W	Reclaimed Water Metered Serv.(cont.)	LA-6	1844-W
1880-W	California Alternative Rates for Water (cont.)	LA-CARW	1832-W
1881-W	Table of Contents (continued)	N/A	1855-W
1882-W	Table of Contents	N/A	1877-W

An original and four copies of this advice letter are submitted in compliance with Ordering Paragraph No. 11 of D.08-06-022, dated June 12, 2008, in Application 07-07-003. This advice letter proposes a temporary 12-month surcharge of \$0.0238/Ccf to amortize a \$422,663 balance of defense-related expenses recorded in the Water Quality Litigation memorandum account ("WQLMA"). **In accordance with D.08-06-022, this is a Tier I advice letter.**

### **Background**

In Advice Letter No. 354, San Gabriel requested amortization of the \$1,717,274 under-collection of the defense-related expenses in the WQLMA as of December 2004. A temporary \$0.0954/Ccf surcharge was billed during the 12-month period ending August 22, 2008. In the last general rate case for the Los Angeles County division (A.07-07-003), San Gabriel requested further amortization of such defense-related expenses recorded in the WQLMA, and Decision No. 08-06-022 authorized the requested amortization.

On June 12, 2008, the Commission issued D.08-06-022 in Application No. 07-07-003. Ordering Paragraph No. 11 states:

SGV shall file in accordance with GO 96-B, a Tier 1 advice letter, with appropriate supporting workpapers, for authority to amortize the remaining balance in its defense-related component within its Water Quality Litigation Memorandum Account (WQLMA). Future costs recorded in the WQLMA shall be recovered through the advice letter process.

This advice letter seeks to implement Ordering Paragraph No. 11.

### **Discussion**

Subsequent to the date of the balance previously approved for amortization (December 2004), San Gabriel continued to incur defense-related expenses and recorded those expenses in the WQLMA. As a result, the balance has not been fully amortized, and interest on the uncollected balance continues to accrue. With this advice letter, San Gabriel is seeking to amortize an undercollected balance in its defense-related component in its WQLMA as of December 2008 in the amount of \$422,663. In order to amortize this under collection, San Gabriel proposes a temporary 12-month surcharge of \$.0238/Ccf. The proposed surcharge will increase the typical (5/8" meter using 23 Ccf) residential customer's monthly bill by \$0.55 or 1% from \$56.05 to \$56.59.

### **General**

Two copies of supporting workpapers have been provided to the Water and Audits Division for its review. These workpapers show the calculations and supporting data for the balance that is sought to be amortized. These workpapers provide the same type of information as those submitted with Advice Letter No. 354.

As shown on Table 1 of the Workpapers San Gabriel separately tracks the charges and credits to the defense-related component of the LA County division WQLMA in six categories as briefly described below:

1. Toxic Tort (Job No. 6611) – Legal costs associated with Toxic Tort/Defense related matters.
2. South El Monte Operable Unit Defense (Job No. 6794L) – Legal costs incurred to defend against counterclaims and third party complaints filed against the Company

by polluters in the superfund site designated by USEPA as the South El Monte Operable Unit (“SEMOU”).

3. Water Quality Insurance (Job No. 6611L) – Legal costs incurred to pursue resolution of the Company’s rights under its insurance policies including reimbursement of its defense costs in the toxic tort water quality lawsuits filed against the Company.
4. SEMOU Insurance Coverage-Defense (Job No. 7266L) – Legal costs incurred to pursue resolution of the Company’s rights under its insurance policies including reimbursement of its costs to defend against countersuits filed against the Company by South El Monte polluters.
5. SEMOU Insurance Reimbursements – Reimbursements received from the Company’s insurers of legal costs of defending against counterclaims and third party complaints filed against the Company by the South El Monte groundwater polluters.
6. Insurance Reimbursements – Reimbursements received from the Company’s insurers of legal costs of defending the toxic tort water quality lawsuits filed against the Company.

Outside Legal Services for the Defense Related matters have been provided by:

MUSICK PEELER & GARRETT, LLP One Wilshire Boulevard, Suite 2000 Los Angeles, CA 90017 Telephone: (213) 629-7600	Barry C. Groveman, Esq. Gregory J. Patterson, ESq. Steven J. Elie, Esq. Ryan Hiete, Esq.
CHRISTENSEN, MILLER, FINK, JACOBS, GLASER, WEIL, & SHAPIRO, LLP 10250 Constellation Boulevard, Nineteenth Floor Los Angeles, CA 90067-5010 Telephone: (310) 553-3000	Aaron P. Allan, Esq.

The amounts recorded in the WQLMA are the actual amounts incurred and paid by San Gabriel in accordance with engagement agreements with each law firm. Prior to payment, all invoices and the accompanying detailed billing statements are reviewed and approved by both San Gabriel’s General Counsel, Timothy J. Ryan and by its President, Michael L. Whitehead. Review of the invoices and statement of services rendered includes verification that the hourly rates, time charged, services performed, and expenses incurred are reasonable and proper and in accordance with the terms of the applicable retention agreement.

In accordance with Section 4 of General Order 96-B, a copy of this advice letter is being mailed to all parties listed on the Distribution List attached to this advice letter.

February 19, 2009

Since this filing is made in compliance with D.08-06-022, no further customer notification is required. No other parties have requested notification of tariff filings related to the Los Angeles County division.

Thank you for your assistance in processing this advice letter.

San Gabriel Valley Water Company

Daniel A. Dell'Osa  
Director of Rates and Revenue

cc: Fred L. Curry, CPUC – Water & Audits Division  
Danilo Sanchez, CPUC – Water and Natural Gas Branch, DRA  
Hani Moussa, CPUC– Water and Natural Gas Branch, DRA