

SAN GABRIEL VALLEY WATER COMPANY

July 18, 2016

Advice Letter No. 484

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 Los Angeles County ("LA County") division:

<u>CPUC Sheet No.</u>	<u>Title</u>	<u>Schedule No.</u>	<u>Canceling CPUC Sheet No.</u>
2602-W	General Metered Service (cont'd)	LA-1	2541-W
2603-W	General Metered Service Conservation Rates	LA-1C	2585-W
2604-W	Recycled Water Metered Service (cont'd)	LA-6	2545-W
2605-W	California Alternative Rates for Water (cont'd)	LA-CARW	2549-W
2606-W	Table of Contents (cont'd)	N/A	2588-W
2607-W	Table of Contents	N/A	2601-W

An original and four copies of this advice letter are submitted pursuant to General Order 96-B, Water Industry Rule 7.3.3(7), to amortize the net undercollection in the Drought Lost Revenue Memorandum Account (DLRMA) and the Drought Surcharge Revenue Memorandum Account (DSRMA) as of June 30, 2016, through a temporary 12-month surcharge of \$0.2269 per Ccf. San Gabriel also requests authorization to move the June 30, 2016 balances of the DLRMA and the DSRMA approved for amortization to the Previously Authorized Balances Balancing Account (PABBA). The net balance proposed to be amortized is \$3,288,378 or 4.6% of the adopted revenue requirement.

In accordance with Water Industry Rule 7.3.3(7) of General Order 96-B, this filing is designated as Tier 3 and requires a resolution.

Background

The current rate schedules in this division became effective on July 1, 2016 through Advice Letter No. 481.

San Gabriel maintains a Drought Lost Revenue Memorandum Account (DLRMA) to track lost quantity rate revenues from potable water sales due to the drought. The Commission has determined that this mechanism is appropriate in coordination with increasing water conservation activities or mandatory conservation required by outside government agencies or entities. With Advice Letter No. 464-A the Commission added Schedule No. 14.1, Staged Water Shortage Surcharges and Penalties in accordance with Resolution W-5041. This resulted in large reductions in water usage by customers in all customer classifications and a corresponding rapid increase in the DLRMA balance and an increase in the surcharges recorded in the DSRMA.

From June 2015 through June 2016, customers in the LA County division reduced their water usage by 26% compared to 2013, contributing to a balance in the DLRMA of \$6,414,755 as of June 30, 2016. During the same period, San Gabriel recorded \$2,956,997 in the DSRMA.

Discussion

Preliminary Statement, Paragraph V1.4, effective June 1, 2015, established the DLRMA and states:

- 4. If the accumulated balance in either division for the DLRMA exceeds 2% of the total authorized revenue requirement as of the end of the prior calendar year, San Gabriel will submit an advice letter to amortize the balance. Before seeking recovery, the balance shall be reduced by an amount equal to a 20-basis point reduction in the most recently adopted return on equity and if necessary, further reduced to ensure that recovery does not cause the authorized rate of return for the period covered by the DLRMA to be exceeded.*

Schedule 14.1, Paragraph F.4, effective June 22, 2015, established the DSRMA, and states:

4. *All monies collected by the utilities through Drought Emergency Surcharges and/or Water Use Violation Penalties shall not be accounted for as recurring income, but shall be tracked in a memorandum account for disposition as directed or authorized from time to time by the Commission.*

In this advice letter, San Gabriel proposes to offset the Drought Lost Revenues with the Drought Emergency Surcharges, through June 30, 2016, effectively crediting to customers all drought emergency surcharges, with interest.

In order to comply with the provision that recovery does not cause the authorized rate of return for the period covered by the DLRMA to be exceeded, San Gabriel calculated a pro forma rate of return of 2.11% which is less than the adopted 8.49% rate of return. Therefore, no further reduction to the requested net balance to be amortized, other than the 20-basis point return on equity reduction, is required.

San Gabriel has furnished the Commission's Water Division staff workpapers providing detailed support for the proposed surcharge. These workpapers show the computation of a surcharge of \$0.2269 per Ccf for twelve-months beginning on the effective date of the resolution. These workpapers show the computation of the balances in the memorandum accounts requested to be amortized, as well as a 20-basis-point adjustment to the authorized Return on Equity, as required prior to amortization. The impact of this amortization causes an increase in the revenue requirement from \$72,172,110 to \$75,460,901, an increase of \$3,288,791 or 4.6%. The new rates submitted with this advice letter will raise the monthly bill of the average non-CARW residential customer on Schedule LA-1 with a 5/8" x 3/4" meter using 14 Ccf by \$3.18 or 4.8% from \$65.66 to \$68.84 and on Schedule No. LA-1C by \$3.18 or 5.0% from \$63.78 to \$66.96.

The matters addressed in this advice letter are not now the subject of any formal filings including a formal complaint, nor action in any court of law.

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 was provided to the Water Division with the workpapers). No other parties have requested notification of tariff filings related to the LA County 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.sgvwater.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 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.



Joel M. Reiker
Vice President of Regulatory Affairs

July 18, 2016

cc: James Boothe, CPUC – Division of Water and Audits
Hani Moussa, CPUC – Water Branch, ORA
Danilo Sanchez, CPUC – Water Branch, ORA

SCHEDULE NO. LA-1
Los Angeles County Tariff Area
GENERAL METERED SERVICE
(continued)

RATES (continued)

Per Battery
Per Month

For two 2-inch meters.....	S 320.00
For three 2-inch meters.....	483.00
For four 2-inch meters.....	643.00
For two 3-inch meters.....	603.00
For three 3-inch meters.....	904.00
For two 4-inch meters.....	1,003.00
For three 4-inch meters.....	1,506.00
For one 8-inch meter, one 2-inch meter.....	1,765.00

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for water used 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 surcharge of \$0.2372 per Ccf is to be applied to the quantity rates for twelve-months beginning on the effective date of Advice Letter 468 and ending September 1, 2016 to amortize the undercollection in the California Alternative Rates for Water (CARW) Balancing Account.
3. A surcharge of \$0.1851/Ccf is to be applied to the quantity rates of only non-CARW customers to cover the estimated benefits provided under the California Alternative Rates for Water (CARW) Program.
4. A surcharge of \$0.2269 per Ccf is to be applied to the quantity rates for twelve-months beginning on the effective date of Advice Letter 484 to amortize the net undercollection in the Drought Lost Revenue and Drought Surcharge Revenue Memorandum Accounts. (N)
(N)
(N)

(To be inserted by utility)

Issued by

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

Advice Letter No. 484

R. W. Nicholson

Date Filed _____

Decision No. _____

NAME

Effective _____

President

TITLE

Resolution No. _____

SCHEDULE NO. LA-1C
Los Angeles County Tariff Area
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 Arcadia, Baldwin Park, El Monte, City of Industry, Irwindale, La Puente, Montebello, Monterey Park, Pico Rivera, Rosemead, San Gabriel, Santa Fe Springs, South El Monte, West Covina, Whittier and vicinity, Los Angeles County.

RATES

Quantity Rates:

For the first 13 Ccf of water used, per 100 cu. ft.	\$ 2.6730
For all Ccf greater than 13 Ccf, per 100 Cu. Ft.	\$ 3.0284

Per Meter
Per Month

Service Charges:

For 5/8 x 3/4-inch meter	\$ 20.09
For 3/4-inch meter	30.12
For 1-inch meter	50.19
For 1-1/2-inch meter	100.41
For 2-inch meter	160.65
For 3-inch meter	301.20

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.
2. A surcharge of \$0.1851/Ccf is to be applied to the quantity rates of only non-CARW customers to cover the estimated benefits provided under the California Alternative Rates for Water (CARW) Program.
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SCHEDULE NO. LA-6
Los Angeles County Tariff Area
RECYCLED WATER METERED SERVICE
(continued)

RATES – (continued)

	Per Battery <u>Per Month</u>
For two 2-inch meters.....	\$ 320.00
For three 2-inch meters.....	483.00
For four 2-inch meters.....	643.00
For two 3-inch meters.....	603.00
For three 3-inch meters.....	904.00
For two 4-inch meters.....	1,003.00
For three 4-inch meters.....	1,506.00
For one 8-inch meter, one 2-inch meter.....	1,765.00

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 85% of the Quantity Rate of Schedule No. LA-1.
2. The customer is responsible for compliance with all local, state, and federal rules and regulations that apply to the use of reclaimed water on the customer's premises.
3. The utility will supply only such reclaimed water at such pressure as may be available from time to time from the reclaimed 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 surcharge of \$0.2372 per Ccf is to be applied to the quantity rates for twelve-months beginning on the effective date of Advice Letter 468 and ending September 1, 2016 to amortize the undercollection in the California Alternative Rates for Water (CARW) Balancing Account.
6. A surcharge of \$0.1851/Ccf is to be applied to the quantity rates of only non-CARW customers to cover the estimated benefits provided under the California Alternative Rates for Water (CARW) Program.
7. A surcharge of \$0.2269 per Ccf is to be applied to the quantity rates for twelve-months beginning on the effective date of Advice Letter 484 to amortize the net undercollection in the Drought Lost Revenue and Drought Surcharge Revenue Memorandum Accounts.

(N)
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Resolution No. _____

SCHEDULE NO. LA-CARW
Los Angeles County Tariff Area
CALIFORNIA ALTERNATIVE RATES FOR WATER

(continued)

SPECIAL CONDITIONS (continued)

- 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 surcharge of \$0.2269 per Ccf is to be applied to the quantity rates for twelve-months beginning on the effective date of Advice Letter 484 to amortize the net undercollection in the Drought Lost Revenue and Drought Surcharge Revenue Memorandum Accounts. (N)
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Revised
 Cancelling Revised

Cal. P.U.C. Sheet No. 2606-W

Cal. P.U.C. Sheet No. 2588-W

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(continued)

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(continued)

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