

SAN GABRIEL VALLEY WATER COMPANY

December 29, 2017

Advice Letter 511

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 both its Los Angeles County and Fontana Water Company divisions:

<u>CPUC Sheet No.</u>	<u>Title</u>	<u>Schedule No.</u>	<u>Canceling CPUC Sheet No.</u>
2782-W	Preliminary Statement (cont.)	N/A	N/A
2783-W	Preliminary Statement (cont.)	N/A	N/A
2784-W	Table of Contents	N/A	2781-W

The purpose of this advice letter is to establish a new memorandum account (“2018 Tax Accounting Memorandum Account”) to track the revenue requirement impacts, not otherwise reflected in rates, resulting from the federal 2018 Tax Cuts and Jobs Act (“New Tax Law”). In accordance with Water Division’s directive, **this filing is designated as Tier 1.**

Background

On December 22, 2017, the Commission’s Water Division instructed all Class A water and sewer utilities, by an e-mailed letter, to file a Tier 1 advice letter to establish and add a 2018 Tax Accounting Memorandum Account to the Preliminary Statement of their tariffs. The New Tax Law, which is the first major overhaul of the Internal Revenue Code since 1986, was signed into law on December 22, 2017, and is effective as of January 1, 2018.

Discussion

San Gabriel submits an original and four copies of this advice letter in compliance with Water Division's directive. This memorandum account will record and track revenue requirement impacts of the New Tax Law and shall be used in determining whether any future rate adjustment is appropriate to reflect impacts of the New Tax Law in San Gabriel's next general rate case (scheduled to be filed in January 2018) or at such other time as ordered by the Commission. In accordance with Water Division's instructions, San Gabriel requests that the attached proposed tariff sheets be made effective as of January 1, 2018.

By granting San Gabriel authority to establish a 2018 Tax Act Memorandum Account, the Commission avoids retroactive ratemaking and preserves the opportunity for San Gabriel to reflect in rates, at a future date, all of the impacts that are caused by the New Tax law, including the process of determining the applicable federal income tax liability portion of revenue requirement. Since San Gabriel's request seeks only to record and track the revenue requirement effects resulting from the New Tax Law in a memorandum account, Commission approval of this advice letter will have no effect on San Gabriel's current rates.

Notice

Since this filing is made in compliance with a Water Division directive and does not result in an increase to rates, withdrawal of service or more restrictive terms or conditions, customer notice in accordance with Section 3.2 of General Order 96-B is not required. However, copies of this filing are being distributed to the parties on the attached distribution lists in accordance with Water Industry Rule 4.1, and will also be posted to San Gabriel's websites, www.sgvwater.com and www.fontanawater.com, in accordance with Water Industry Rule 3.3.

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 relitigating a prior order of the Commission.

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:

Tariff Unit, Water Division, 3rd floor
California Public Utilities Commission,
505 Van Ness Avenue, San Francisco, CA 94102
Email: water_division@cpuc.ca.gov

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:

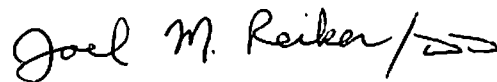
December 29, 2017

San Gabriel Valley Water Company
Vice President of Regulatory Affairs
11142 Garvey Avenue
El Monte, CA 91733
FAX: (626) 448-5530 or
E-mail: jmreiker@sgvwater.com

The advice letter process does not provide for any responses, protests or comments, except for San Gabriel's reply, after the 20-day comment period.

Replies: San Gabriel will reply to each protest and may reply to any response. Each reply must be received by the Water Division within 5 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.

If you have not received a reply to your protest within 10 business days, contact me at (626) 448-6183.

Handwritten signature of Joel M. Reiker in black ink, with a stylized flourish at the end.

Joel M. Reiker
Vice President of Regulatory Affairs

cc: James Boothe, CPUC – Water Division
Richard Smith, CPUC – Water Branch, ORA
Hani Moussa, CPUC – Water Branch, ORA

PRELIMINARY STATEMENT

(Continued)

I. 2018 Tax Accounting Memorandum Account for the Los Angeles County and Fontana Water Company divisions

1. Purpose

The 2018 Tax Accounting Memorandum Account is established in accordance with Water Division's directive to all Class A water and sewer utilities, dated December 22, 2017. The purpose of this memorandum account is to track on a CPUC-jurisdictional, revenue requirement basis all of the impacts of the 2018 Tax Cuts and Jobs Act ("The New Tax Law") not otherwise reflected in rates during the period between the effective date of the New Tax Law and the effective date of the revenue requirement changes in San Gabriel's next General Rate Case or at such other time as ordered by the Commission ("Memo Account Period"). San Gabriel shall record in this memorandum account the revenue requirement impacts of: (a) the reduction in the federal tax rate for businesses from 35% to 21%; and (b) any other impacts of changes in revenue requirement directly resulting from the New Tax Law's effects on San Gabriel.

2. Applicability

The 2018 Tax Accounting Memorandum Account will maintain separate balances for San Gabriel's Los Angeles County division service area and Fontana Water Company division service area.

3. Memorandum Account Entries

The entries made to the 2018 Tax Accounting Memorandum Account may include the following:

- a. Credit or debit for increase or decrease, respectively, in revenue requirement (adjusted for actual sales) resulting directly from the New Tax Law's effects on San Gabriel.
- b. Monthly interest expense calculated at 1/12 of the most recent month's interest rate on Non-financial Commercial Paper (AA, 3-month), published in the Federal Reserve Statistical Release, H.15 (www.federalreserve.gov/release/H15), or its successor publication (debit or credit).

(continued)

(To be inserted by utility)

Issued by

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

Advice Letter No. 511

R. W. Nicholson

Date Filed _____

Decision No. _____

NAME

Effective _____

President

TITLE

Resolution No. _____

PRELIMINARY STATEMENT
(Continued)

This memorandum account shall be tracked "off balance sheet," and no general ledger entries are required at this time. At such time that the Commission rules that San Gabriel is required to make an adjustment to its revenue requirement and rates, as a result of the tax impacts not otherwise reflected in rates, San Gabriel will make the appropriate entries in its general ledger.

4. Disposition

In San Gabriel's next General Rate Case (GRC), or at such other time as ordered in that GRC decision, the Commission shall address the disposition of amounts (a) recorded in the 2018 Tax Accounting Memorandum Account and (b) forecast for the remainder of the Memo Account Period, and may cause any net revenue requirement change to be reflected in prospective rates.

(To be inserted by utility)

Issued by

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

Advice Letter No. 511

R. W. Nicholson
NAME

Date Filed _____

Decision No. _____

President
TITLE

Effective _____

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	2784-W, 2769-W	(T)
	2600-W, 1563-W	
	1637-W, 2687-W	
Preliminary Statement	634-W, 390-W, 2389-W to 2392-W,	
	2724-W, 2757-W, 2782-W, 2783-W,	(T)
	2744-W, 2749-W, 2713-W, 2401-W,	(T)
	2714-W to 2718-W, 2407-W to 2409-W,	(T)
	2464-W, 2410-W, 2412-W, 2530-W, 2668-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	2690-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	2775-W
Stages Water Shortage Surcharges and Penalties	14.1	2580-W, 2482-W to 2484-W, 2581-W
Fontana Water Company		
General Metered Service - General	FO-1	2777-W, 2771-W
General Metered Service - Conservation	FO-1C	2778-W
Private Fire Service	FO-4	2754-W, 1087-W, 1476-W
Recycled Water Metered Service	FO-6	2779-W, 2762-W
Construction Service	FO-9	2707-W, 2708-W
California Alternative Rates For Water	FO-CARW	2709-W, 2773-W
Facilities Fees	FO-FF	2710-W, 1876-W

(continued)

(To be inserted by utility)
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R. W. Nicholson
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President
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Rosemead, CA 91770

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11333 Valley Boulevard
El Monte, CA 91734

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Santa Fe Springs, CA 90670

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South El Monte, CA 91733

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Irwindale, CA 91706

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San Dimas, CA 91773

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La Puente Valley County Water District
112 North 1st Street
La Puente, CA 91744

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Baldwin Park, CA 91706

City of Montebello
1600 West Beverly Boulevard
Montebello, CA 90640

City of Whittier Water Department
13230 East Penn Street
Whittier, CA 90602

City of Monterey Park Water Department
320 West Newmark Avenue
Monterey Park, CA 91754

California Public Utilities Commission
Office of Ratepayer Advocates
505 Van Ness Avenue
San Francisco, CA 94102-4208

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6615 Parsons Boulevard
Pico Rivera, CA 90660

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San Gabriel Valley Water Company
Fontana Water Company Division
Advice Letter No. 511

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