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**NOTICE OF PUBLIC PARTICIPATION HEARING
REGARDING SAN GABRIEL VALLEY WATER COMPANY'S REQUEST TO INCREASE RATES
FOR ITS COST OF CAPITAL APPLICATION NO. 18-05-005**

FONTANA WATER COMPANY DIVISION

**August 22, 2018, at 7:00 PM
Junipero Serra State Office Building – Carmel Room (Auditorium)
320 West 4th Street
Los Angeles, CA 90013**

A Public Participation Hearing (PPH) has been scheduled at the date and time listed above to receive your comments about San Gabriel Valley Water Company's (San Gabriel) Cost of Capital Application No. 18-05-005. A California Public Utilities Commission (CPUC) Administrative Law Judge (Judge) will preside at the PPH to listen to concerns, comments, and opinions on the proposed application.

The hearing location is wheelchair accessible. If you need a language translator or special assistance, please contact the CPUC's Public Advisor's Office (PAO) at the address listed at the bottom of this notice at least five days in advance of the hearing date. If you cannot attend the PPH, you may submit your comments via a letter or email to the PAO.

San Gabriel's Application

On May 1, 2018, San Gabriel filed Application No. 18-05-005 with the CPUC requesting authority to increase its cost of capital and authorized rate of return. This application covers the years 2019, 2020, and 2021. San Gabriel's application requests an increase in the rate of return of 0.01%, from the current authorized return of 8.49% to 8.50%. If approved by the CPUC, this application would result in a \$165,700 (0.23%) increase in revenues from customers in San Gabriel's Fontana Water Company division, effective January 1, 2019.

San Gabriel's filing requests the following companywide cost of capital for 2019:

| Cost Factor | Capital Structure (Weight) | Cost | Weighted Cost |
|--------------------|---------------------------------------|-------------|--------------------------|
| Long-Term Debt | 35.54% | 6.17% | 2.19% |
| Common Equity | <u>64.46%</u> | 9.79% | <u>6.31%</u> |
| Total | 100.00% | | 8.50% |

The authorized cost of capital determines the amount of money San Gabriel can recuperate in rates as a return on the money it has invested in utility infrastructure. In this proceeding, the CPUC will determine a reasonable capital structure (financial plan), the cost of long-term debt (i.e. interest paid to loans over one year), and an appropriate rate of return on common equity (profit returned to San Gabriel shareholders).

San Gabriel is also requesting approval of a Water Cost of Capital Adjustment Mechanism (WCCM). If approved, the WCCM would allow for automatic annual adjustments to the 2019 authorized rate of return. If triggered, any change in rate of return would be reflected in the subsequent years (2020 and/or 2021).

Customer Impact

San Gabriel is seeking an average rate of return on rate base of 8.50%. The proposed revenue increases are shown by customer class in the chart below and are based on rates presently in effect:

**Proposed Revenue Increases
(Dollars in Thousands)**

| Customer Class | Current Revenue | Proposed Increase | % |
|-----------------------|------------------------|--------------------------|----------|
| Residential | \$46,999.3 | \$110.1 | 0.23% |
| Commercial | \$11,295.0 | \$26.4 | 0.23% |
| Industrial | \$4,715.0 | \$11.0 | 0.23% |
| Public Authority | \$5,560.3 | \$13.0 | 0.23% |
| Recycled Water | \$412.4 | \$1.0 | 0.23% |
| Private Fire Service | \$1,000.2 | \$2.3 | 0.23% |
| Construction | \$779.8 | \$1.8 | 0.23% |

The following chart shows the bill impact for a typical residential customer on conservation rate schedule FO-1C using 15 Ccf per month, if approved by the CPUC. The impact on any particular customer's bill will depend on actual usage and meter size.

| | Present Monthly Bill | Proposed Increase | Proposed Monthly Bill | Proposed Increase % |
|------------------------|-----------------------------|--------------------------|------------------------------|----------------------------|
| Monthly Service Charge | \$16.85 | \$0.04 | \$16.89 | 0.23% |
| Quantity Rate | \$59.25 | \$0.12 | \$59.37 | 0.20% |
| Total | \$76.10 | \$0.16 | \$76.26 | 0.21% |

More Information/Copies

More information, including a copy of the cost of capital application, may be obtained or reviewed at San Gabriel's business office listed below:

Fontana Water Company

15966 Arrow Route
Fontana, CA 92335
(909) 822-2201
(800) 784-7040

The application may also be reviewed at the CPUC's Central Files Office in San Francisco by appointment. For more information, you may contact ajcentralfilesid@cpuc.ca.gov, or (415) 703-2045. A digital copy of the application may be reviewed on the CPUC's Docket Card webpage at <https://apps.cpuc.ca.gov/apex/f?p=401:1:0>; type the proceeding number, without dashes, in the Proceeding Number Search box, then click Enter/Search box.

CPUC Process

This application has been assigned to a Judge who will determine how to receive evidence and other related documents, necessary for the CPUC to establish a record upon which to base its decision. Evidentiary hearings may be held where utilities, consumer advocacy groups, and other entities that are given official status as parties, present their testimony and are subject to cross-examination by other parties. Evidentiary hearings are open to the public, but only those who are parties may participate.

After considering all proposals and all evidence presented during the formal hearing process, the assigned Judge will issue a proposed decision, determining whether to adopt San Gabriel's request, modify it, or deny it. Any CPUC Commissioner may sponsor an alternate decision. The proposed decision, and any alternate decisions, will be discussed and voted upon at a scheduled Commission Voting Meeting.

The Office of Ratepayer Advocates (ORA) has reviewed this application. ORA is the independent consumer advocate within the CPUC with a legislative mandate to represent investor-owned utility customers to obtain the lowest possible rate for service consistent with reliable and safe service levels. ORA has a multi-disciplinary staff with expertise in economics, finance, accounting and engineering. For more information about ORA, please call (415) 703-1584, e-mail ora@cpuc.ca.gov or visit ORA's website at www.ora.ca.gov.

Stay Informed

If you would like to follow this proceeding, or any other issue before the CPUC, you may use the CPUC's free subscription service. Sign up at: <http://subscribecpuc.cpuc.ca.gov/>.

If you would like to learn how you can participate in the proceeding, have informal comments, or have questions about the CPUC processes, you may access the CPUC's Public Advisor's Office (PAO) webpage at <http://consumers.cpuc.ca.gov/pao/>. You may also contact the PAO as follows:

Write: CPUC Public Advisor's Office
505 Van Ness Avenue
San Francisco, CA 94102

Email: public.advisor@cpuc.ca.gov

Phone: 1-866-849-8390 (toll-free) or 1-415-703-2074
1-866-836-7825 (toll-free) or TTY 1-415-703-5282

Please reference **A.18-05-005, San Gabriel's Cost of Capital Application** in any communications you have with the CPUC regarding this matter. All public comments will become part of the correspondence file for this proceeding and made available to the assigned Judge, Commissioners, and appropriate CPUC staff.