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10-27-10

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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of San Gabriel Valley Water Company (U337W) for Authority to Increase Rates Charged for Water Service in its Los Angeles County Division by \$10,232,700 or 17.8% in July 2011, \$1,767,700 or 2.6% in July 2012, and \$2,245,800 or 3.2% in July 2013 and in its Fontana Water Company division by \$1,252,200 or 2.1% in July 2011.

Application 10-07-019
(Filed July 16, 2010)

**ASSIGNED COMMISSIONER AND ADMINISTRATIVE LAW JUDGE'S
SCOPING MEMO AND RULING**

1. Summary

Pursuant to Rule 7.3 of the Commission's Rules of Practice and Procedure,¹ this Scoping Memo and Ruling sets forth the procedural schedule, assigns the presiding officer, and addresses the scope of this proceeding following the prehearing conference held on September 2, 2010. San Gabriel Valley Water Company filed its application on July 16, 2010 for Authority to Increase Rates Charged for Water Service in its Los Angeles County Division by \$10,232,700 or 17.8% in July 2011, \$1,767,700 or 2.6% in July 2012, and \$2,245,800 or 3.2% in July 2013 and in its Fontana Water Company division by \$1,252,200 or 2.1% in July 2011.

¹ All references to rules are to the Commission's Rules of Practice and Procedures. These rules are available on the Commission's website at http://www.cpuc.ca.gov/word_pdf/RULES_PRAC_PROC/63835.doc.

This scoping memo identifies the issues in this proceeding, and finds that hearings will be needed in this case. The main issues in this proceeding will be whether to approve the revenue requirement and rate increase proposed by San Gabriel Valley Water, either as proposed or with modifications. The Administrative Law Judge may modify the schedule adopted herein as necessary for the reasonable and efficient conduct of this proceeding.

2. Background

On July 16, 2010, San Gabriel Valley Water Company (SGVW) filed Application (A.) 10-07-019 (the Application), requesting approval for rate increases in its Los Angeles County Water Division and its Fontana Water District, pursuant to Decision (D.) 07-05-062 that adopted a rate case plan for Class A water companies such as SGVW. This Application focuses on the costs and revenues of SGVW's Los Angeles County Water Division, but also includes a rate increase for the Fontana District, due to the inclusion of proposed costs for the company's home office in Fontana.

This application follows A.08-07-009, SGVW's test year 2009-2010 General Rate Case for its Fontana Water District, and A.07-07-003, SGVW's last General Rate Case for its Los Angeles District. The Division of Ratepayer Advocates (DRA), the City of Fontana (Fontana), and the City of El Monte (El Monte) filed protests to this application. The Administrative Law Judge (ALJ) assigned to this case held a prehearing conference (PHC) on September 2, 2010 to discuss issues and set a schedule for this proceeding. Representatives of SGVW and DRA attended the PHC in person, and representatives of Fontana and El Monte participated by telephone.

3. Categorization, Need for Hearings, Ex Parte Rules and Designation of Presiding Officer

On July 29, 2010, the Commission preliminarily categorized this application as ratesetting as defined in Rule 1.3(e), and determined that hearings would be needed. (Resolution ALJ 176-3258.) Parties did not oppose the Commission's preliminary categorization of this proceeding, and we affirm the preliminary categorization of ratesetting and the need for hearing. This ruling is appealable under Rule 7.6 as to category only. Because hearings may be necessary in this proceeding, the *ex parte* rules as set forth in Rules 8.2(c), 8.3, and 8.5, and Pub. Util. Code § 1701.3(c) apply.

Pursuant to Rule 13.2(b), assigned Commissioner John Bohn has designated ALJ Jessica T. Hecht as the presiding officer. The provisions of § 1701.3(a) apply.

4. Scope of Issues

At the PHC, parties identified several issues that may be within the scope of this proceeding. The major issues in this GRC include:

- Reasonableness of general office expenses,
- Accuracy of sale and revenue forecasts,
- Reasonableness of O&M and A&G expenses,
- Accuracy of projected increases in staff as well as staff pension and benefit costs,
- Amount and recovery of water quality litigation expenses,
- Amount and recovery of water treatment costs,
- Proposed capital improvements during the GRC term,
- Capital improvements placed in service since the previous rate case,

- Allocation of general office costs among the Los Angeles and Fontana Divisions, and
- Costs of Fontana office complex.

The scope of this proceeding encompasses any information reasonably necessary for the Commission to make findings on these questions. Because several of these issues raise factual, technical, legal, and policy questions we anticipate the need for testimony, hearings, and briefing in this case.

5. Schedule

The following schedule announced at the PHC will be followed in this proceeding:

Activity	Dates from PHC
Prehearing Conference	September 2, 2010
Staff Water Quality Report	November 9, 2010
DRA and other parties serve opening testimony	November 16, 2010
Reply testimony	December 3, 2010
Settlement Discussions and Alternate Dispute Resolution Period	December 1-17, 2010
Evidentiary Hearings	December 15-22, 2010 10:00 a.m. Junipero Serra State Office Bldg. 320 West 4 th Street, Suite 500 Los Angeles, CA 90013
Concurrent Opening briefs filed	January 21, 2011
Mandatory Status Conference	On or around January 22, 2011
Concurrent reply briefs filed	February 4, 2011
Target Date for Proposed Decision	May 2011
Target Date for Commission Decision	June 2011

This schedule departs from the standard Water Rate Case Schedule in allowing extra time for preparation of testimony and briefs. This additional time is warranted in this case because of the timing of the evidentiary hearings immediately before the December holidays, requiring additional time for completion of briefs.

This schedule includes an additional date for service on parties of a Water Quality Report prepared by the Commission's Division of Water and Audits. The assigned Commissioner and/or ALJ may modify this schedule as needed. It is expected that this proceeding will be completed within 18 months from the date of this scoping memo.

6. Briefs

Parties shall use a common outline for briefs. The outline is to be developed jointly by the parties. The parties may bring any unresolved disputes regarding the outline to the attention of the ALJ, before the end of hearings.

7. Final Oral Argument

Motions for a final oral argument shall be filed and served concurrently with opening briefs. The motion shall state the request, subjects to be addressed, amount of time requested, recommended procedure and order of presentations, and anything else relevant to the motion. The motion shall contain all the information necessary to make an informed ruling on the motion. If more than one party plans to file such a motion, parties shall use their best efforts to present a joint motion, including a joint recommendation on procedure, order of presentation, and anything else relevant to the motion. Responses to the motion may be filed concurrently with the reply briefs.

8. Settlements

Any settlements between parties, whether regarding all or some of the issues, shall comply with Article 12 of the Rules and shall be served by paper copy. Such settlements shall include a complete explanation of the settlement and a complete explanation of why it is reasonable in light of the whole record, consistent with law and in the public interest. The proposing parties bear the burden of proof as to whether a settlement should be adopted by the Commission.

If a settlement is proposed, the Commission may adopt it or reject it. Rule 12.4 addresses the steps the Commission may take in rejecting a settlement. Therefore, in developing and proposing a settlement, the parties should keep in mind the Commission's options regarding the settlement. In any motion proposing a settlement, the settling parties shall indicate whether individual components of the settlement are severable, and what procedural remedy they would prefer the Commission to pursue if the Commission does not adopt the settlement. Before offering a full or partial settlement, parties should request appropriate settlement format models from the ALJ for use in preparation of the settlement documents.

9. Alternative Dispute Resolution

The Commission's Alternative Dispute Resolution (ADR) program offers mediation, early neutral evaluation, and facilitation services, and uses ALJs who have been trained as neutrals. The Rate Case Plan for Class A water utilities, adopted by D.07-05-062, requires the active parties to meet with a neutral ALJ at least once between the distribution of rebuttal testimony and the start of evidentiary hearings. ADR can do more than merely assist in negotiations after exhibits have been served. For example, it can be used to help resolve discovery

issues. It can also be used to hold workshops where parties exchange information and, more importantly, gain an understanding of the other parties' positions and concerns. At the PHC, parties expressed interest in ADR, and requested to have a mediator available during the first half of December 2010, after parties intend to hold initial settlement discussions on their own. I have referred this case to the Commission's ADR coordinator for assignment of a neutral ALJ, and I encourage the parties to take full advantage of the ADR program. ADR options and procedures were explained at the PHC, and additional detailed information is available on the Commission's website.

10. Filing, Service and Service List

All formally filed documents in this proceeding must be filed with the Commission's Docket Office and served on the service list for the proceeding. Article 1 of the Rules contains all of the Commission's filing requirements. Parties are encouraged to file electronically whenever possible as it speeds processing of the filings and allows them to be posted on the Commission's website. More information about electronic filing is available in Rule 1.13 and at <http://www.cpuc.ca.gov/PUC/efiling>. We will follow the electronic service protocols adopted by the Commission in Rule 1.10 of the Commission's Rules of Practice and Procedure for all documents, whether formally filed or just served. This Rule allows electronic service of documents, in a searchable format, unless the appearance or state service list member did not provide an e-mail address. If no e-mail address was provided, service should be made by United States mail. In this proceeding, we require e-mail service if used, to be concurrent to ALL persons on the service list for whom an e-mail address is available, including those listed under "Information Only." Parties are expected to provide paper copies of served documents upon request.

E-mail communication about this case should include, at a minimum, the following information on the subject line of the e-mail: A.10-07-019-SGVW 2011 GRC. In addition, the party sending the e-mail should briefly describe the attached communication; for example, *Brief*. Paper format copies, in addition to electronic copies, shall be served on the assigned Commissioner and the ALJ.

The official service list for this proceeding is available on the Commission's web page. Parties should confirm that their information on the service list is correct, and serve notice of any errors on the Commission's Process Office, the service list, and the ALJ. Prior to serving any document, each party must ensure that it is using the most up-to-date service list. The list on the Commission's web site meets that definition.

Any person interested in participating in this proceeding who is unfamiliar with the Commission's procedures or who has questions about the electronic filing procedures should contact the Commission's Public Advisor at (866) 849-8390 or in San Francisco at (415) 703-2074, or (866) 836-7825 (TTY-toll free), or send an e-mail to public.advisor@cpuc.ca.gov.

IT IS RULED that:

1. This ruling confirms the Commission's preliminary finding in Resolution ALJ 176-3258 that the category for this proceeding is ratesetting and that hearings will be needed. This ruling, only as to category, is appealable under Rule 7.6.
2. Administrative Law Judge (ALJ) Jessica T. Hecht is the presiding officer for this proceeding.
3. The ex parte rules as set forth in Rules 8.2(c), 8.3, and 8.5, and Pub. Util. Code § 1701.3(c) apply in this proceeding.
4. The scope of this proceeding is as set forth in Section 4 of this ruling.
5. The schedule for this proceeding is as set forth in Section 5 of this ruling.

6. The assigned ALJ may make any revisions or provide further direction regarding the scope of this proceeding and the manner in which issues shall be addressed, as necessary for a full and complete development of the record.

7. The ALJ may modify the schedule adopted herein as necessary for the reasonable and efficient conduct of this proceeding.

8. Parties shall serve all filings as set forth in Section 10 of this Ruling.

Dated October 27, 2010, at San Francisco, California.

 /s/ JESSICA T. HECHT
Jessica T. Hecht
Administrative Law Judge

 /s/ JOHN BOHN
John Bohn
Assigned Commissioner

INFORMATION REGARDING SERVICE

I have provided notification of filing to the electronic mail addresses on the attached service list.

Upon confirmation of this document's acceptance for filing, I will cause a Notice of Availability of the filed document to be served upon the service list to this proceeding by U.S. mail. The service list I will use to serve the Notice of Availability of the filed document is current as of today's date.

Dated October 27, 2010, at San Francisco, California.

/s/ TERESITA C. GALLARDO

Teresita C. Gallardo

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074 or TDD# (415) 703-2032 five working days in advance of the event.