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ATTACHMENT I

Settlement Agreement
Between the Division of Ratepayer Advocates and San Gabriel Valley Water Company on Issues Presented in the Present General Rate Case

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APPENDIX A

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 Fontana Water Company Division by $8,164,800 or 14.2% in July 2012, $3,067,400 or 4.7% in July 2013, and $3,758,200 or 5.6% in July 2014.	)	Application No. 11-07-005 (Filed July 1, 2011)

SETTLEMENT AGREEMENT BETWEEN THE DIVISION OF RATEPAYER ADVOCATES AND SAN GABRIEL VALLEY WATER COMPANY ON ISSUES PRESENTED IN THE PRESENT GENERAL RATE CASE

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SETTLEMENT AGREEMENT BETWEEN THE DIVISION OF RATEPAYER ADVOCATES AND SAN GABRIEL VALLEY WATER COMPANY ON ISSUES PRESENTED IN THE PRESENT GENERAL RATE CASE

I. GENERAL PROVISIONS

1. Pursuant to Article 12 of the Rules of Practice and Procedure ("Rules") of the California Public Utilities Commission ("Commission"), the Division of Ratepayer Advocates ("DRA") and San Gabriel Valley Water Company ("San Gabriel"), referred to collectively as "the Parties," have agreed on the terms of this Settlement Agreement which they now submit for review, consideration, and approval by Administrative Law Judge Douglas Long and the Commission. This Settlement Agreement addresses most of the disagreements highlighted by the testimony and exhibits submitted into evidence by San Gabriel and DRA, respectively.

2. The specific issues that the Parties agree to resolve through this Settlement Agreement are set forth in Section II below. For each issue, Section II describes the positions of the Parties, the difference between San Gabriel's rebuttal position and DRA's position, the resolution provided by the Settlement Agreement, and provides references to the evidence of record relevant to each settled issue.

3. Because this Settlement Agreement represents a compromise of the Parties' positions with respect to each issue addressed herein, the Parties have agreed to resolve each issue addressed in the Settlement Agreement with the understanding that its approval by the Commission should not be construed as an admission or concession by any Party regarding any fact or matter of law that may be in dispute in this proceeding. Furthermore, consistent with Rule 12.5 of the Commission's Rules, the Parties intend that the approval of this Settlement Agreement by the Commission should not be construed as a precedent or statement of policy of any kind for or

against any Party in any current or future proceeding with respect to any issue addressed in the Settlement Agreement.

4. This Settlement Agreement is the product of a process of direct negotiation between the Parties as well as mediation conducted with the assistance of Administrative Law Judge Seaneen Wilson, who served as mediator in this matter. The public agency participants in this proceeding, the City of Fontana and the Fontana Unified School District, actively participated in the mediation and settlement process but are not parties to the Settlement Agreement and oppose certain of its terms. Accordingly, the Settlement Agreement is not presented as an all-party settlement.

5. The Parties agree that no signatory to the Settlement Agreement assumes any personal liability as a result of his or her execution of this document. All rights and remedies of the Parties are limited to those available before the Commission.

6. This Settlement Agreement may be executed in counterparts, each of which shall be deemed an original, and the counterparts together shall constitute one and the same instrument.

7. This Settlement Agreement settles all outstanding issues in this proceeding between San Gabriel and DRA except for the following:

a. Rate base adjustment associated with the Fontana Union Shares;
b. Rate base adjustment associated with the Plant F7 Retaining Wall;
c. Rate base adjustment associated with the Walnut Avenue Mains; and
d. Rate base adjustment and refund associated with the Sandhill Water Treatment Plant.

II. TOPICS RESOLVED BY SETTLEMENT AGREEMENT

Because San Gabriel has a Monterey-style water revenue adjustment mechanism ("WRAM") that provides for adjustment to revenues only to reflect the revenue effects of its conservation-oriented residential rate design, as contrasted to a uniform volumetric rate, forecasts of the numbers of customers and sales per customer in the present General Rate Case ("GRC") continue to have substantial importance. The respective positions of the Parties and the resolution of the differences between those positions are described below.

A. CUSTOMER FORECAST

ISSUE: Difficult economic conditions, including large numbers of home foreclosures and declining new home construction, continue to impact the Fontana service area. To account for this continuing trend, San Gabriel estimated its anticipated average number of customers using the customer growth experienced in 2010 through the rate case cycle in all customer classifications, except Public Authority Small and Public Authority Large. For the Public Authority Small and Public Authority Large

customer classifications, San Gabriel used the year-end 2010 number of customers to estimate customers for this rate case cycle. DRA agreed with San Gabriel's original Test Year forecast of the number of customers in each customer class. The City recommended that the number of customers in the metered residential-single family customer class be instead increased by 282 customers per year, which is equal to the total number of residential-single family customers, including customer reconnections, that San Gabriel added in calendar year 2010.

RESOLUTION: In order to resolve the issue presented by the City, San Gabriel has adjusted its forecast of growth in the number of metered residential-single family customers to reflect an increase of 169 customers per year, compared to its original estimate of 43 customers per year. San Gabriel accepts this compromise number of metered residential-single family customers accounts as a reasonable forecast for growth while still accounting for the ongoing economic conditions in the Fontana service area. DRA accepts this adjustment.

Issue	SGV Direct	SGV Rebuttal	City Testimony	Difference	Settlement
Annual Increase in Metered Residential -Single Family Customers	43	43	282	239	169

REFERENCES: Exhibit SG-1, Chapter 4; Exhibit SG-6 (LoGuidice), pp. 2-3; Exhibit DRA-1 (Canova), p. 2-2 to 2-3, Table 2-2 and Table 2-3; Exhibit SG-19-C (LoGuidice), pp. 1-4; Exhibit CF-1 (Ramas), pp. 12-17.

B. FORECASTED ANNUAL SALES PER CUSTOMER

ISSUES: San Gabriel used the New Committee Method (with modifications, especially to reflect effects of conservation programs) to forecast 2012 consumption for all customer classes, except for two large industrial customers, California Steel Industries, Inc. ("CSI") and Cemex USA Construction Materials, Inc. San Gabriel developed a company-specific estimate to forecast CSI's 2012 consumption, using a three-year average that reflects CSI's intended reliance on its own wells to meet its water supply needs. For calendar years 2013 and 2014, San Gabriel applied downward adjustments to the 2012 consumption forecast to reflect ongoing and increasing conservation programming and the implementation of tiered rates for residential customers. DRA concurred in San Gabriel's forecast of average customer sales for all customer classes and the resulting sales forecast for each customer class for calendar year 2012, but disagreed with San Gabriel's annual conservation adjustment for each customer class. The City recommended that the forecast of annual sales to CSI be based on a five-year average in order to account for the possibility that CSI, in order to supplement its water needs, may require deliveries that exceed San Gabriel's original estimate.

RESOLUTION: San Gabriel and DRA do not agree on the adjustment method, however, in the context of ongoing implementation of conservation efforts, they agree that the sales per customer numbers reflected below is a reasonable forecast of sales per customer. In order to resolve the issue presented by the City, San Gabriel has agreed to a forecast of annual sales to California Steel Industries of 78,494 Ccf for each of the three years, which DRA accepts.

The resultant annual sales forecasts in Ccf/customer, by class, for the Test Year and two Escalation Years, are as follows, except that Escalation Year sales may be revised in accordance with the Recycled Water Service Contract, which is now pending approval in A.11-06-005:

Customer Class	Settlement Annual Ccf/Customer
Residential – Single Family	232.89
Residential – Multi-Family, Small	618
Residential – Multi-Family, Large	8,209
Commercial, Small	492
Commercial, Large	4,132
Industrial, Small	681
Industrial, Large	8,745
California Steel Industries	78,494
Cemex USA – contract	115,450
Cemex USA – tariff	49,478
Public Authority, Small	915
Public Authority - Large	5,856
Construction, Small	459
Construction, Large	1,991
Recycled Water Service	0

REFERENCES: Exhibit SG-1, Chapter 4; Exhibit SG-6 (LoGuidice), pp. 2-14; Exhibit SG-14 (LoGuidice); Exhibit DRA-1 (Canova), p. 2-3 to 2-10; Exhibit SG-19-C (LoGuidice), pp. 2-4; Exhibit CF-1 (Ramos), pp. 12-17.

C. WATER LOSS

ISSUE: San Gabriel's estimate for the water loss factor is 9% which is equal to its recorded 2010 factor; DRA's estimate of 7.5% is a 2006-2010 recorded average.

RESOLUTION: For the Test Year and Escalation Years, DRA and San Gabriel agree on a Water Loss factor of 8.3%, which is the average of 2008, 2009 and 2010, to reflect more recent trends.

Issue	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
Water Loss Factor	9%	9%	7.5%	1.5%	8.3%

REFERENCES: Exhibit SG-6 (LoGuidice), pp. 16-19; Exhibit DRA-1 (Canova), p. 2-11; Exhibit SG-19-C (LoGuidice), p. 5; Exhibit CF-2 (Thornton), p.5.

D. OPERATION EXPENSES

1. Chemicals Expense

ISSUE: San Gabriel's estimate for Chemicals Expense was $877,600, based on recorded 2010 costs escalated by non-labor inflation factor, and increased by the costs of replacement resin used in the treatment process at three facility sites. DRA's estimate of $893,700 was based on the same methodology, but corrected an accounting error identified in San Gabriel's application. The City also recognized an error associated with the cost of a carbon change-out at Plant F10 that led the City to recommend an adjusted Test Year chemicals expense of $674,700.

RESOLUTION: In response to testimony by witnesses for DRA and the City, San Gabriel agrees to revise its estimate of Test Year Chemicals Expense to $690,600. The revised estimate removes the double counting of a carbon change-out cost at Plant F10 and corrects the recorded amount for 2010 Materials and Supplies subaccount. DRA accepts the corrected estimate.

Issue	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
Chemicals	$877,600	$690,600	$893,700	-$203,100	$690,600

REFERENCES: Exhibit SG-1, Table 5B; Exhibit SG-6 (LoGuidice), pp. 19-20; Exhibit DRA-1 (Canova), p. 3-6 to 3-7; Exhibit SG-19-C (LoGuidice), p. 4-5; Exhibit SG-9 (Sluss), p. 6; Exhibit SG-22 (Sluss), p 1; Exhibit CF-1 (Ramas), pp. 21-24.

2. Conservation Programs

ISSUE: San Gabriel proposed Conservation programs requiring an estimated Test Year expense totaling $573,698, DRA by contrast proposed $153,000.

RESOLUTION: DRA and San Gabriel agree to a total Test Year expense for Conservation programs of $326,443 subject to a one-way balancing account, with budgets specified for specific categories of regional and local Conservation programs, hardware, and activities. In arriving at this total expense amount, San Gabriel and DRA worked to tailor San Gabriel's Conservation programs to be effective in achieving conservation while also being cost-effective in doing so. DRA and San Gabriel also agree that San Gabriel should be allowed some flexibility in shifting funds among programs, but only as specified in Attachment A – Conservation Programs: (a) San Gabriel may shift funds among all rebate programs within its Regional Programs; (b) San Gabriel may shift funds from Education/Public Outreach or Water Conservation Kits programs to its Residential Landscape Retrofit and CII Retrofit Programs; and (c) the Education/Public Outreach and Water Conservation Kits programs will be subject to spending caps. Attachment A also details the parties' agreement regarding the one-way balancing account for conservation expenses as well as the parties' agreement regarding annual conservation evaluation and reporting requirements.

Issue	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
Conservation Programs	$573,968	$573,968	$153,974	$419,994	$326,443

REFERENCES: Exhibit SG-5 (DiPrimio), pp. 18-27; Exhibit DRA-1 (Worster), pp. 14-1 to 14-17; Exhibit SG-18 (DiPrimio), pp. 9-18.

3. Uncollectibles

ISSUE: San Gabriel estimated the Uncollectibles rate for the Test Year by using a five-year average divided by Total Billed Revenue less Miscellaneous Revenue. DRA agreed with San Gabriel's method of calculating Uncollectibles, but identified an error in San Gabriel's rate calculation. San Gabriel acknowledged and corrected the error in rebuttal testimony.

RESOLUTION: San Gabriel corrected its estimate of the Uncollectibles rate for the Test Year from 0.4732% to 0.4648%. San Gabriel and DRA agree that the corrected Uncollectibles rate of 0.4648% should be applied to adopted Operating Revenues

less Miscellaneous Revenues to arrive at the adopted Uncollectibles expense. The lower Settlement Uncollectibles amount shown in the table below reflects the lower Operating Revenues that would result from the terms of the Settlement Agreement.

Issue	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
Uncollectibles Rate	0.4732%	0.4648%	0.4648%	none	0.4648%
Uncollectibles (at present rates)	$272,700	$271,500	$266,000	$5,500	$264,900

REFERENCES: Exhibit SG-1, Table 5B; Exhibit SG-9 (Sluss), p. 11; Exhibit DRA-1 (Bumgardner), pp. 3-10 to 3-11; Exhibit SG-22 (Sluss), p. 2.

4. Payroll (and related employee benefits)[1]

ISSUES: San Gabriel proposed to include annual salaries and benefits in Test Year revenue requirement for two previously hired Customer Service Representatives ("CSRs") who had been hired prior to Commission authorization of rate recovery, and for a Water Resources Manager and a Water Quality Superintendent who were to be hired before the Test Year. DRA recommended disallowance of costs for the two CSRs and for the Water Quality Superintendent position.

RESOLUTION: San Gabriel and DRA agree that salaries and benefits for the two Customer Service Representatives ("CSRs") and the Water Resources Manager position should be included in Test Year revenue requirement. The Parties agree to exclude the Water Quality Superintendent position and the requested salary of $76,376 and benefits from the Test Year revenue requirement. This compromise payroll package allows for adequate staffing of the Fontana Commercial Office to respond to customer inquiries and water resource planning needs.

Issue	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
Payroll	$5,363,500	$5,363,500	$5,207,331	$156,169	$5,341,100
Related Employee Benefits	$2,272,200	$2,272,200	$2,201,900	$70,800	$2,139,600

[1] Note that this discussion of payroll includes payroll expenses for all of Operation & Maintenance as well as Administrative & General, but is addressed here because the contested payroll and related employee benefit expenses were all Operations expenses.

REFERENCES: Exhibit SG-1, Table 11C; Exhibit SG-9 (Sluss), pp. 6-9; Exhibit SG-11 (Young), pp. 16-17; Exhibit DRA-1 (Merida), pp. 3-7 to 3-9; Exhibit SG-22 (Sluss), p. 2; Exhibit SG-24 (Young), pp. 2-5.

5. Administrative Expenses Transferred/Capitalized Labor

EXPLANATION: There was no difference between the Parties regarding the method for calculating the amount of forecasted administrative expense transferred (Account 812) from operating expenses to capitalize projects in the various utility plant accounts. However, total amounts for capitalized labor differed only because of capital budgets proposed by the Parties. San Gabriel and DRA agree that Account 812 and the various utility plant accounts will use San Gabriel's methodology applied to adopted capital projects. The administrative expense transferred based on the capital projects provided for in this Settlement Agreement is $657,700.

E. MAINTENANCE EXPENSES

1. Materials & Supplies (Expense)

ISSUE: San Gabriel estimated this expense for the Test Year at $641,600, based on a five-year average. DRA excluded the high recorded expenses in Sub-account 748.02 for 2006 and in Sub-account 763.02 for 2008, resulting in a Test Year estimate of $536,700 for the entire account.

RESOLUTION: In the context of a broader resolution on Maintenance expenses, San Gabriel agrees to accept DRA's estimate as reasonable for this account.

Issue	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
Materials & Supplies	$641,600	$641,600	$536,700	$104,900	$536,700

REFERENCES: Exhibit SG-1, Table 5B; Exhibit SG-9 (Sluss) p. 7; Exhibit SG-22 (Sluss), pp. 1-2; Exhibit DRA-1 (Canova), pp. 3-12 to 3-13.

2. Outside Services

ISSUE: San Gabriel estimated this expense for the Test Year at $234,800, based on a five-year average. DRA excluded the high recorded expense in Sub-account 761-05 for 2009, resulting in a Test Year estimate of $218,000 for the entire account.

RESOLUTION: In the context of a broader resolution on Maintenance expenses, DRA agrees to accept San Gabriel's estimate as reasonable for this account.

Issue	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
Outside Services	$234,800	$234,800	$218,000	$16,800	$234,800

REFERENCES: Exhibit SG-1, Table 5B; Exhibit SG-9 (Sluss), p. 8; Exhibit SG-22 (Sluss), p. 2; Exhibit DRA-1 (Canova), pp. 3-12 to 3-13.

3. Miscellaneous

ISSUE: San Gabriel used a five-year average to estimate this expense for the Test Year at $200,600. DRA relied on an average of the three most recent recorded years for Sub-account 761-00 to reflect a declining trend, resulting in a Test Year estimate of $178,300 for the entire account.

RESOLUTION: In the context of a broader resolution on Maintenance expenses, DRA agrees to accept San Gabriel's estimate as reasonable for this expense.

Issue	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
Miscellaneous	$200,600	$200,600	$178,300	$22,300	$200,600

REFERENCES: Exhibit SG-1, Table 5B; Exhibit SG-9 (Sluss), p. 10; Exhibit DRA-1 (Canova), pp. 3-15.

F. ADMINISTRATIVE & GENERAL EXPENSES

1. Injuries & Damages

ISSUE: San Gabriel estimated the Worker's Compensation Insurance expense based on a five-year recorded average. DRA's Test Year estimate is based on a 2010 actual to reflect a declining trend.

RESOLUTION: San Gabriel and DRA examined the 2011 actual and agree that using the latest four-year recorded average is a reasonable estimate for this expense. The resulting estimate for Worker's Compensation Insurance expense is $102,900, which results in a Test Year Injuries and Damages Insurance total of $509,004, compared to San Gabriel's original estimate of $525,200 and DRA's estimate of $494,500.

Issue	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
Injuries & Damages	$525,200	$525,200	$494,500	$30,700	$509,004

REFERENCES: Exhibit SG-1, Table 6B; Exhibit SG-8 (Nicholson) p. 2; Exhibit SG-9 (Sluss), p. 9; Exhibit SG-21 (Nicholson), p.2; Exhibit DRA-1 (Canova), pp. 4-3 to 4-5.

2. Health Insurance

ISSUE: San Gabriel estimated this expense for the Test Year at $895,138 (the expensed portion of $987,045 of total Health Insurance costs) based on Anthem Blue Cross's estimate of future percentage increases. DRA presented an estimate of $833,126, based on the lower health insurance cost percentage projections of IHS Global Insight for each year after 2011.

RESOLUTION: San Gabriel and DRA agree to apply the Anthem Blue Cross increase percentage projections only to the company's Anthem Blue Cross plan expenses and the Global Insight percentage projections to the company's Kaiser Health plan expenses. This results in a Test Year estimate of $846,325 for Health Insurance expense.

Issue	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
Health Insurance	$895,138	$895,138	$833,126	$153,919	$846,325

REFERENCES: Exhibit SG-8 (Nicholson) pp. 3-4; Exhibit DRA-1 (Canova), pp. 4-7 to 4-8; Exhibit SG-21 (Nicholson), p. 2.

3. Franchise Fees

ISSUE: San Gabriel calculated the Franchise Fees rate based on Total Revenues less Other Operating Revenues (Accounts 611 and 614), but erroneously applied the Franchise Fees rate to Total Revenues in the forecasted years.

RESOLUTION: San Gabriel and DRA agree that the Franchise Fees total should be based on Total Revenues less Other Operating Revenues.

Issue	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
Franchise Fees Rate	0.6857%	0.6857%	0.6857%	none	0.6857%

Franchise Fees (at present rates)	$395,100	$390,100	$392,400	$2,300	$390,700

REFERENCES: Exhibit SG-1, p. 6-2 and Tables 6B and 11B; Exhibit SG-9 (Sluss), p. 11; Exhibit SG-22 (Sluss), p. 2; Exhibit DRA-1 (Bumgardner), p. 5-3.

G. MATERIALS & SUPPLIES IN RATE BASE

ISSUE: San Gabriel's Test Year forecast of Materials & Supplies for inclusion in rate base was $1,383,278. San Gabriel's forecast was derived from a five-year (2006-2010) average, normalized to 2010, increased by the total percentage change in average plant from 2006 to 2011 and escalated by non-labor escalation factors. DRA's forecast was $1,087,018, based on the percentage of recorded 2006-2010 Materials & Supplies amount to recorded 2006-2010 average plant amount, applied to DRA's plant estimates. The City's forecast was $892,440, based on the actual 2010 12-month average balance, escalated by inflation.

RESOLUTION: In the context of a broader resolution of capital investment forecasts, San Gabriel accepts DRA estimate, rounded to $1,087,000, as reasonable for the Test Year and Escalation Years.

Issue	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
Materials & Supplies	$1,383,278	$1,383,278	$1,087,018	$296,260	$1,087,000

REFERENCES: Exhibit SG-1, Table 10D; Exhibit DRA-1 (Merida), p. 9-1; Exhibit CF-1 (Ramas), pp. 29-32.

H. UTILITY PLANT ADDITIONS

In its Application, San Gabriel proposed a capital projects budget totaling investments of $70,650,000. DRA's Report proposed substantial deferrals and disallowances resulting in a total proposed capital budget of $39,500,000. In the Settlement Agreement, San Gabriel agrees not to pursue certain projects and to defer others, resulting in a total capital budget of $48,793,000. The City accepted the resolution of many, but not all, of the proposed project investments.

Capital investment forecasts and settlement amounts for 2011-2014 are as shown in Table 1 below, followed by descriptions, by line item, of the positions of the parties and the resolution of contested items. The annual amounts and the 4-year budget totals are the amounts agreed upon by DRA and San Gabriel.

TABLE 1
($1,000)

Item No.	Plant	2011-2014 Capital Budget Before Settlement			2011	2012	2013	2014	2011-2014
		SGVW	DRA	Diff.	Settlement	Settlement	Settlement	Settlement	Settlement
1	Plant F10	55	0	55		55			55
2	Plant F13	105	105	0	105				105
3	Plant F14	265	140	125	90	50		125	265
4	Plant F15	6,970	0	6,970				4,650	4,650
5	Plant F16	1,585	0	1,585	1,585				1,585
6	Plant F20	2,650	0	2,650		300			300
7	Plant F21*	3,235	3,235	0		85	2,760	390	3,235
8	Plant F23	3,435	2,600	835	1,985	1,200	250		3,435
9	Plant F49	600	600	0					0
10	Plant F53	2,300	0	2,300	300		1,265	150	1,715
11	Plant F54	720	720	0	20	700			720
12	Plant F56	3,070	3,070	0	100		900	0	1,000
13	Plant F58	2,500	0	2,500					0
14	Plant F59	2,500	0	2,500	700				700
15	GIS	1,155	900	255	0	370	335	450	1,155
16	Miscellaneous	2,165	1,735	430	537	412	438	438	1,825
17	Mains	22,890	16,520	6,370	4,275	4,760	5,410	2175	16,620
18	Services	6,400	5,400	1,000	1,350	1,350	1,350	1,350	5,400
19	Fire Services	0	0	0					0
20	Meters	4,800	2,720	2,080	50	940	978	892	2,860
21	Fire Hydrants	400	400	0	100	100	100	100	400
22	Office Equipment	295	185	110	50	65	65	65	245
23	Transportation Equipment	745	745	0	265	145	185	150	745
24	Communication Equipment	15	15	0	5	5		5	15
25	Tools and Equip.	410	410	0	175	130	55	50	410
26	Hydro Turbine Pilot *	1,385	0	1,385		1,353			1,353
Total		70,650	39,500	31,150	11,692	12,020	14,091	10,990	48,793

*Tier 3 Advice letter project.

1. Plant F10

ISSUES: San Gabriel proposed to install a new booster flow meter and security camera at Plant F10 for a total requested cost of $55,000. DRA recommended disallowing this project on grounds that the flow meter cost should be recorded to San Gabriel's Operation and Maintenance Costs for the F10 Treatment Facility memorandum account and recovered from the County of San Bernardino. DRA also recommended San Gabriel purchase security cameras by securing Proposition 50 funds.

RESOLUTION: DRA agrees to San Gabriel's original request. The Parties agree to San Gabriel's position regarding the booster flow meter because San Gabriel clarified that the new booster flow meter is not part of the operation of the treatment facility or treatment process at Plant F10 and therefore is not recoverable from the County of San Bernardino. The Parties further agree to San Gabriel's position regarding the installation of a security camera because Proposition 50 funds are no longer available to fund the request.

Issue	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
Plant F10 (2008-12)	$55,000	$55,000	$0	$55,000	$55,000

REFERENCES: Exhibit SG-12 (Yucelen), Attachment B, Section Plant F10; Exhibit DRA-1 (Evans), pp. 7-7 to 7-9; Exhibit SG-25 (Yucelen), pp. 4-5.

2. Plant F14

ISSUE: San Gabriel requested a total of $265,000 for various improvements to the older facility at Plant F14, including, but not limited to, $125,000 to address drainage conditions and runoff impacting an adjacent private property. DRA agreed to a portion of San Gabriel's original request, but recommended the aforementioned Fence/Wall/Drainage request be disallowed.

RESOLUTION: DRA agrees to San Gabriel's original request, including the Fence/Wall/Drainage project to divert flow and build a drainage system to resolve the issue impacting the adjacent private property, but moves the Fence/Wall/Drainage dollars from the 2012 capital budget to the 2014 capital budget as a compromise.

Issue	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
Plant F14 (2011-2014)	$265,000	$265,000	$140,000	$125,000	$265,000

REFERENCES: Exhibit SG-12 (Yucelen), pp. 13-14 and Attachment B, Section Plant F14; Exhibit DRA-1 (Evans), pp. 7-9 to 7-11; Exhibit SG-25 (Yucelen), pp. 6-7.

3. Plant F15

ISSUE: San Gabriel requested a total of $6,970,000 to acquire land and to install a reservoir, booster station, emergency generator, SCADA system, and related equipment at Plant F15 to replace a 117-year old concrete water storage reservoir. DRA recommended the project be deferred or, alternatively, for San Gabriel to rehabilitate the existing site instead of acquiring new land.

RESOLUTION: DRA agrees to support the construction of a new 6.0 MG reservoir to replace the existing reservoir in this rate case cycle at the lower total cost of $4,650,000. San Gabriel will begin construction in 2014. San Gabriel agrees to construct the replacement tank at the existing site, which involves a land swap with Rosemead Properties (San Gabriel's affiliate), in accordance with all Commission rules regarding such transactions.

Issue	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
Plant F15 (2014)	$6,970,000	$6,970,000	$0	$6,970,000	$4,650,000

REFERENCES: Exhibit SG-12 (Yucelen), pp. 14-16 and Attachment B, Section Plant F15; Exhibit DRA-1 (Evans), pp. 7-11 to 7-15; Exhibit SG-25 (Yucelen), pp. 7-10.

4. Plant F16

ISSUE: San Gabriel requested $1,585,000 to complete construction of a new booster station and related electrical equipment, fence and wall, site work and landscaping, and install a new SCADA system and emergency generator at Plant F16. DRA agreed with the construction of the Plant F16 project as it was authorized in San Gabriel's last GRC. However, DRA opposed the budget request made in this GRC.

RESOLUTION: DRA agrees to San Gabriel's original request for $1,585,000 to complete this carry-over project, the expanded scope of which resulted from San Gabriel's need to comply with City conditions and other permitting requirements not addressed in the prior GRC. The project is estimated to cost a total of $2,846,846 (the original budget amount) plus the $1,585,000 shown here and expended in 2011.

Issue	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
Plant F16 (2011)	$1,585,000	$1,585,000	$0	$1,585,000	$1,585,000

REFERENCES: Exhibit SG-12 (Yucelen), pp. 16-17, 29-31, and Attachment B, Section Plant F16; Exhibit DRA-1 (Evans), pp. 7-15 to 7-17; Exhibit SG-25 (Yucelen), pp. 10-14.

5. Plant F20

ISSUE: San Gabriel planned to acquire land, construct a new water storage reservoir, piping, fencing and wall, and repaint the exterior of the existing water storage reservoir at Plant F20. DRA recommended total disallowance of the requested projects at Plant F20.

RESOLUTION: DRA agrees to include an estimated $300,000 in 2012 for the purchase of land for a new reservoir. The land will be treated as plant held for future use and San Gabriel will address its continued plan for this property in the next GRC.

Issue	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
Plant F20 (2012)	$2,650,000	$2,650,000	$0	$2,650,000	$300,000

REFERENCES: Exhibit SG-12 (Yucelen), pp. 17-18 and Attachment B, Section Plant F20; Exhibit DRA-1 (Evans), pp. 7-17 to 7-19; Exhibit SG-25 (Yucelen), pp. 14-17.

6. Plant F21

ISSUE: To meet operational requirements, disinfect the groundwater produced from the well at Plant F21 and meet customer demand in the surrounding area, San Gabriel requested $3,235,000 to demolish the existing structures at Plant F21, grade the site and construct a replacement well, a water storage reservoir, a fence and wall, and other site improvements. DRA recommended the Commission authorize only costs required to add the replacement well and reject all costs associated with the reservoir portion of the project, and that this project remain as an advice letter project. The City recommended that this project be deferred.

RESOLUTION: DRA agrees to San Gabriel's request but San Gabriel will keep this as a Tier 3 Advice Letter project with a capped expenditure of $3,235,000 and will shift the costs by one year to 2012-2014, as specified in Table 1 above.

Issue	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
Plant F21 (2012-2014)	$3,235,000	$3,235,000	$3,235,000 (Advice Letter)	N/A	$3,235,000 (Advice Letter)

REFERENCES: Exhibit SG-12 (Yucelen), pp 18-20, 31, and Attachment B, Section Plant F21; Exhibit DRA-1 (Evans), pp. 7-19 to 7-20; Exhibit CF-2 (Thornton), p. 19; Exhibit SG-25 (Yucelen), pp. 17-20.

7. Plant F23

ISSUE: San Gabriel planned to construct two water storage reservoirs, a booster station, an ion exchange treatment system, related site improvements, landscaping and street improvements at Plant F23 for a total requested budget of $3,435,000. DRA agreed with the construction of the project, authorized by the Commission in San Gabriel's last GRC as an advice letter project, but proposed to cap the company-funded portion of the budget at $2,600,000.

RESOLUTION: DRA agrees to San Gabriel's request for a project budget of $3,435,000 for 2011 through 2013, necessary in part to fund amenities required by the Conditional Use Permit imposed by the City of Fontana.

Issue	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
Plant F23 (2011-2013)	$3,435,000	$3,435,000	$2,600,000 (Advice Letter)	$835,000	$3,435,000

REFERENCES: Exhibit SG-12 (Yucelen), pp. 20-22 and Attachment C, Section Plant F23; Exhibit DRA-1 (Evans), pp. 7-22 to 7-25; Exhibit SG-25 (Yucelen), pp. 20-23.

8. Plant F49

ISSUE: San Gabriel budgeted $4,000,000 to construct an ion-exchange treatment system at Plant F49 in order to remove perchlorate from the groundwater produced by Well F49A. The budget included $600,000 in company funds and $3,400,000 in Contributions in Aid of Construction ("CIAC"). DRA does not oppose the project as

requested, but recommended authorizing the project as an Advice Letter Project contingent on San Gabriel securing the anticipated $3,400,000 in CIAC from parties responsible for the perchlorate contamination, and/or grants from governmental agencies.

RESOLUTION: San Gabriel agrees to remove this ion-exchange treatment project from consideration in this GRC. DRA expects San Gabriel will vigorously "pursue funding from the parties responsible for the perchlorate pollution as well as grants from public agencies" to fund this project, as indicated in its response to DRA's data request KKE-005, 3b.

Issue	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
Plant F49	$600,000	$600,000	$600,000 (Advice Letter)	$0	$0

REFERENCES: Exhibit SG-12 (Yucelen), p. 22 and Attachment C; Exhibit DRA-1 (Evans), pp. 7-25 to 7-26; Exhibit SG-25 (Yucelen), p. 24.

9. Plant F53

ISSUE: San Gabriel requested $2,300,000 for a rerouting project at Plant F53 to improve the energy efficiency of its water system. As part of this project, San Gabriel proposed to acquire land, perform grading, construct a booster station, water storage reservoir, fence and wall, and related site, landscaping and street improvements. DRA recommended the Commission reject San Gabriel's request for all plant investments associated with the rerouting project, citing the need for a cost-benefit analysis.

RESOLUTION: DRA agrees to San Gabriel's reduced dollar request to fund only the construction of a storage tank and directly related site improvements. The Parties agree not to fund any improvements at this site associated with the reroute project that are not directly related to the proposed tank construction.

Issue	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
Plant F53 (2011-2014)	$2,300,000	$2,300,000	$0	$2,300,000	$1,715,000

REFERENCES: Exhibit SG-12 (Yucelen), pp. 22-23 and Attachment C, Section Plant F53; Exhibit DRA-1 (Evans), pp. 7-26 to 7-28; Exhibit SG-25 (Yucelen), pp. 24-26.

10. Plant F56

ISSUE: San Gabriel requested $3,070,000 to make various improvements at the Plant F56 site intended to replace lost production capacity of Well F4A due to contamination. As part of this project, San Gabriel plans to grade the site and construct a booster station, a water storage reservoir, fence and wall and related site, landscaping and street improvements. DRA recommended that the project be authorized as an Advice Letter Project contingent upon San Gabriel receiving Proposition 84 funds.

RESOLUTION: DRA agrees to San Gabriel's request to reduce the scope of the requested project which now includes only drilling and equipping a new Well F56A to replace lost production capacity of Well F4A for a reduced cost of $1,000,000.

Issue	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
Plant F56 (2011-2013)	$3,070,000	$3,070,000	$3,070,000 (Advice Letter)	$0	$1,000,000

REFERENCES: Exhibit SG-12 (Yucelen), pp. 24-25 and Attachment C, Section Plant F56; Exhibit DRA-1 (Evans), pp. 7-29 to 7-30; Exhibit DRA-1 (Ma), p.7-36; Exhibit SG-25 (Yucelen), pp. 26-28, 32-35.

11. Plant F58

ISSUE: As part of San Gabriel's rerouting project described above in Section H.9 above regarding Plant F53, San Gabriel requested $2,535,000 to make various improvements at Plant F58 for grading the site and constructing a reservoir. DRA recommended the project be disallowed in its entirety for the same reasons as discussed in Section H.9.

RESOLUTION: San Gabriel agrees to withdraw its request for this site, which was proposed as part of the rerouting project.

Issue	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
Plant F58	$2,535,000	$2,535,000	$0	$2,535,000	$0

REFERENCES: Exhibit SG-12 (Yucelen), pp. 25-26 and Attachment C, Section Plant F58; Exhibit DRA-1 (Evans), pp. 7-30 to 7-31; SG-25 (Yucelen), pp. 24-26.

12. Plant F59

ISSUE: San Gabriel proposed to acquire land, perform grading and construct a treatment facility, fence and wall at Plant F59 in order to treat water from the Grapeland Tunnel at a requested budget of $2,500,000. DRA recommended the project be disallowed in its entirety for the following reasons: the potential for legal actions from water agencies that currently receive water from the Grapeland Tunnel; an incomplete assessment of the project's costs and benefits; and a lack of information relevant to whether San Gabriel will pursue compensation from third party(ies), if any, responsible for the well-water contamination.

RESOLUTION: DRA approves a $700,000 budget for land that was purchased in 2011. The land will be treated as plant held for future use and San Gabriel will address its plan for this property in the next GRC. As part of its request to proceed with this project in the next GRC, San Gabriel agrees to address DRA's concerns related to viability and costs of this project as stated in DRA's November 2011 report (pages 7-32 to 7-33). Specifically, San Gabriel will:

- address the risk of legal actions from agencies that might claim loss of current access to the water supply in question;
- provide a comprehensive cost-benefit assessment of the proposed plan which will include cost savings calculations; and
- report on efforts to identify party(ies) responsible for contamination leading to loss of water supply relevant to the need for this project.

Issue	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
Plant F59 (2011)	$2,500,000	$2,500,000	$0	$2,500,000	$700,000

REFERENCES: Exhibit SG-12 (Yucelen), pp. 26-27 and Attachment C, Section Plant F59; Exhibit DRA-1 (Evans), pp. 7-31 to 7-33; Exhibit SG-25 (Yucelen), pp. 28-29.

13. Geographical Information System

ISSUE: San Gabriel requested $1,155,000 for the four-year phase-in of its Geographical Information System ("GIS") in order to improve efficiency and better preserve its recorded data. DRA agreed with a reduced scale GIS project, but recommended a total budget of $900,000 and a later completion period of 2012-2015, instead of 2011-2014.

RESOLUTION: DRA and San Gabriel agree to the original amount requested by San Gabriel in this GRC but shift dollars as shown in Table 1 to reflect project delays.

Issue	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
GIS (2012-2014)	$1,155,000	$1,155,000	$900,000	$255,000	$1,155,000

REFERENCES: Exhibit SG-12 (Yucelen), pp. 27-29 and Attachment C, Section GIS; Exhibit DRA-1 (Ma), pp. 7-33 to 7-35; Exhibit SG-25 (Yucelen), pp. 30-32.

14. Miscellaneous

ISSUES: San Gabriel requested a total budget of $2,165,000 for Miscellaneous plant additions, which include improvements to pumping structures (including $250,000 for the construction of an equipment storage structure at Plant F56), pumping equipment (including booster refurbishment) and treatment equipment. DRA recommended a total budget of $1,735,000, which reflects removing $250,000 in 2014 associated with the Equipment Storage Structure at Plant F56 consistent with DRA's recommendation to disallow the Plant F56 project, and adjusting the annual budget for booster refurbishment from the requested $90,000 to $45,000.

RESOLUTION: The Parties agree to the following adjustments to San Gabriel's requested budget: DRA and San Gabriel agree to an annual budget of $67,500 for booster refurbishment which is based on a compromise between DRA's and San Gabriel's two estimation methods. Consistent with the resolution of the Plant F56 project, San Gabriel also agrees to remove the Equipment Storage Structure project at Plant F56 estimated at $250,000 from the 2014 capital budget, resulting in a total budget that is $90,000 above DRA's original recommendation.

Issue	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
Miscellaneous (2011-2014)	$2,165,000	$2,165,000	$1,735,000	$430,000	$1,825,000

REFERENCES: Exhibit SG-12 (Yucelen), pp. 32-35 and Attachment E, Sections Accts. 321, 324 and 332; Exhibit DRA-1 (Ma,), pp. 7-36 to 7-38; Exhibit SG-25 (Yucelen), pp. 32-34.

15. Mains (Acct 343)

ISSUES: San Gabriel requested a total of $29,790,000 in its Mains capital budget for years 2011 through 2014 (of which $22,890,000 would be company-funded) to

improve its water distribution system by replacing old pipes, pipes with a history of leaking and pipes that are no longer adequately sized to supply the current demands of the system, as well as to install pipelines to convey water to other locations in the system and pipelines to increase energy savings. The total length of proposed main installations from 2011 through 2014 was 146,079 linear feet. DRA recommended a Mains capital budget totaling $16,520,000 based on downward adjustments consistent with its initial recommendations to disallow certain plant projects described above and its recommended disallowance of $250,000 per year for unidentified 'miscellaneous' pipeline projects. Specifically, DRA accepted San Gabriel's requested Mains capital budget with the following adjustments:

- Plant F56 to Plant F10 (also identified as Item 13 on page 5 of Exhibit SG-12, Attachment A, Tab 'Project Budgets') – to exclude $100,000 in 2011, consistent with DRA's recommendation to disallow the Plant F56 improvements.

- Baseline Avenue E/Mango (Item 6) – to correct an apparent error and include $680,000 (instead of $700,000) in the budget for 2011.

- Plant F53 to Plant F58 Pipeline and Plant F58 to F19 Pipeline (Items 28 and 48) – to exclude $2,100,000 in 2012 and $4,000,000 in 2013, consistent with DRA's recommendation to disallow the reroute project including Plant F58 improvements.

- Miscellaneous (Item 52) – to exclude $250,000 per year for miscellaneous Mains projects in 2012, 2013 and 2014.

- Recycled Water System (Items 14, 29, and 30) – to exclude $1,900,000 in 2011 and $4,400,000 in 2013 (totaling $6,300,000 in contributions) in order to avoid addressing in this GRC the Recycled Water System that is being addressed in pending A.11-06-005.

RESOLUTION: DRA and San Gabriel agree to a total of $16,620,000 in San Gabriel's Mains capital project for years 2011 through 2014. The total length of settled main installations from 2011 through 2014 is 101,802 linear feet. This figure is primarily for main replacement projects. The settled budget is San Gabriel's original estimate for mains, which include the requested $100,000 in 2011 for Item 13 (consistent with the parties' agreement regarding a defined scoped of improvements to Plant F56), subject to the following adjustments:

- Baseline Avenue E/Mango (Item 6) – the Parties agree to include $680,000 for 2011 instead of $700,000 as recommended in DRA's testimony and agreed to in Yucelen's rebuttal testimony, Exhibit SG-12.

- Plant F53 to Plant F58 Pipeline and Plant F58 to Plant F19 Pipeline (Items 28 and 48) –agree to exclude $2,100,000 in 2012 and $4,000,000 in 2014,

consistent with San Gabriel's withdrawal of its request for the reroute project, including Plant F58.

- Miscellaneous (Item 52) – agree to include $150,000 per year for a four-year total of $600,000, instead of $250,000 for years 2012, 2013, and 2014, a total of $750,000, for miscellaneous Mains projects.

- Recycled Water System (Items 14, 29, and 30) – agree to exclude the $6,300,000 in Mains capital budget contributions related to the Recycled Water System in order to avoid any duplication with pending A.11-06-005.

- San Bernardino Road west of Cherry Avenue (Item 16) $440,000 – agree to move this pipeline project from 2013 to 2012 in order to spread investment more uniformly across the Test and Escalation Years.

- San Bernardino Road west of Banana Avenue (Item 17) $440,000 – agree to move this pipeline project from 2013 to 2012 in order to spread investment more uniformly across the Test and Escalation Years.

- San Bernardino Road west of Mulberry Avenue (Item 18) $670,000 – agree to move this pipeline project from 2013 to 2012 in order to spread investment more uniformly across the Test and Escalation Years.

Issue	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
Mains – Company Funded (Acct 343, 2011-2014)	$22,890,000	$22,870,000	$16,520,000	$13,250,000	$16,620,000
Forecasted Contributions for Mains	$6,300,000	$6,300,000	$0	$6,300,000	$0
Forecasted Advances for Mains	$600,000	$600,000	$600,000	$0	$600,000

REFERENCES: Exhibit SG-12 (Yucelen), pp. 35-37, Attachment A, Section Project Budgets, p. 5, and Attachment D; Exhibit DRA-1 (Rasmussen), pp. 7-38 to 7-40; Exhibit SG-25 (Yucelen), pp. 34-39.

16. Services (Acct 345)

ISSUE: San Gabriel requested a total budget of $6,400,000 to replace 800 services per year over four years, at an annual budget of $1,600,000 and an average unit cost of $2,000. DRA calculated the average unit cost by excluding the recorded costs for 2008 as an atypically high year, resulting in an average unit cost of $1,687. Using the lower unit cost estimate, DRA projected a budget of $1,350,000 per year or $5,400,000 over four years.

RESOLUTION: San Gabriel accepts DRA's estimate for the services replacement budget.

Issue	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
Services (Acct 345, 2011-2014)	$6,400,000	$6,400,000	$5,400,000	$1,000,000	$5,400,000

REFERENCES: Exhibit SG-12 (Yucelen), pp. 37-38 and Attachment E, Section Acct. 345; Exhibit DRA-1 (Ma), pp. 7-40 to 7-41; Exhibit SG-25 (Yucelen), pp. 40-41.

17. Meters (Acct 346)

ISSUE: San Gabriel requested a total budget of $4,800,000 for years 2011 to 2014 to install and replace compound meters and to convert manual-read meters to Automated Meter Reading ("AMR") meters over a 10-year period starting in 2012. DRA recommended a total budget of $2,720,000 for years 2011 to 2014 for Acct 346. DRA's recommendation includes $12,500 per year for compound meters, and $890,000 in 2012, $928,000 in 2013 and $842,000 in 2014 for AMR conversion over a 15-year period starting in 2012.

RESOLUTION: San Gabriel and DRA agree to an annual budget of $50,000 for compound meters. San Gabriel and DRA also agree that San Gabriel should be allowed to begin implementing the AMR project starting in 2012, over a 15-year period, at the corrected annual cost estimates specified in DRA's report. San Gabriel agrees to report on the progress of the project and actual cost and experience in the next GRC.

Issue	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
Meters (Acct 346, 2011-2014)	$4,800,000	$4,800,000	$2,720,000	$2,080,000	$2,860,000

REFERENCES: Exhibit SG-5 (DiPrimio), pp. 11-18; Exhibit SG-12 (Yucelen), pp. 38-39 and Attachment E, Section Acct. 346; Exhibit DRA-1 (Ma), pp. 7-42 to 7-45; Exhibit SG-18 (DiPrimio), pp. 8-9; Exhibit SG-25 (Yucelen), pp. 39-40.

18. Office Equipment (Acct 372)

ISSUE: San Gabriel requested a four-year budget of $295,000 for Office Equipment in order to purchase furniture, acoustical panels and other improvements. DRA opposed the $50,000 associated with the acoustical panels and the $15,000 annual budget for office furniture, and recommended a reduced four-year budget of $185,000 for Office Equipment,

RESOLUTION: San Gabriel agrees to remove the $50,000 specifically budgeted for acoustical panels in 2011 and DRA agrees that a $15,000 annual budget should be allowed for office furniture.

Issue	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
Office Equipment (Acct 372, 2011-2014)	$295,000	$295,000	$185,000	$110,000	$245,000

REFERENCES: Exhibit SG-12 (Yucelen), pp. 39-40 and Attachment E, Section Acct. 372; Exhibit DRA-1 (Ma), p. 7-45; Exhibit SG-25 (Yucelen), pp. 41-43.

19. Hydro Turbine Pilot Project

ISSUE: San Gabriel proposed to construct an in-conduit hydroelectric generating station as a pilot-project with NLine Energy, Inc. to demonstrate the viability of converting hydraulic pressure differential to clean renewable electrical energy. In its Application, San Gabriel sought Commission approval of the project and authorization to file an Advice Letter to recover all reasonable, recorded costs of the pilot project, at that time estimated to total $1,813,000. San Gabriel revised this request in Supplemental Testimony following completion in August 2011 of the feasibility study performed by NLine Energy, Inc., which estimated a reduced total cost of $1,385,661. The hydroelectric station would be located at San Gabriel's Sandhill Water Treatment Plant. Power generated at this facility would offset nearly all of the on-site power load from the Sandhill Plant, with excess energy exported to the power grid. DRA recommended that the Commission not authorize San Gabriel to file an advice letter for the $1,385,661 associated with the project, based on its concerns as to the proposed size of the turbine/generator unit (162 kW) and the related assumption of 5,000 acre-feet per year ("AFY") of purchased water from Inland Empire Utilities Agency (which would require a constant flow of 6.9 cubic feet

per second ("cfs") and a daily Sandhill Water Treatment Plant capacity usage of 4.46 MGD).

In December 2011, San Gabriel received a 50-percent design report from NLine Energy, Inc. which superseded the previous feasibility study provided in San Gabriel's Supplemental Testimony. The 50-percent design report included further design work and removed the previous assumption of 5,000 AFY of purchased water from Inland Empire Utilities Agency, and instead included a range of possible flows from approximately 2,000 to 5,000 AFY using two turbines operating part-time (6 to 9 months of the year). Upon receiving the 50-percent design report, San Gabriel submitted a request for bids for a turbine/generator in-conduit hydroelectric project equipment package. The winning bid, from Canyon Hydro in Deming, Washington, included two turbines (95 kW and 215 kW) sized for instantaneous flow rates of 12 cfs combined or 4 cfs and 8 cfs independently.

San Gabriel provided DRA a revised cost estimate based on the 50-percent design report and a firm bid from Canyon Hydro, totaling $1,353,000, as shown in Table 2. A summary of the expected flow options with unit conversions from cfs to MGD and annual acre-feet is provided in Table 3.

TABLE 2 – HYDRO TURBINE PROJECT
ENGINEER'S ESTIMATE OF PROBABLE COST (December, 2011)

Element Description	Quantity	Units	Unit Price (installed)	Total Price (installed)
7Mobilization & Site work				
Mobilization, Bonds, Insurance	1	LS	$20,000	$20,000
Traffic Control	1	LS	$1,200	$1,200
Site Grading	1	LS	$2,500	$2,500
5 foot Retaining Wall	1	LS	$12,000	$12,000
			Subtotal =	**$35,700**
Pipe, Valves , tanks and Fittings				
24" Fittings	6	EA	$1,200	$7,200
24" Cement Lined & Fusion Epoxy coated Steel Pipe	15	LF	$295	$4,425
24" Intake and Discharge Manifolds	2	LS	$15,000	$30,000
16" fittings & couplings	10	EA	$950	$9,500
16" Cement Lined & Fusion Epoxy coated Steel Pipe	30	LF	$210	$6,300
24" isolation valve	2	EA	$8,000	$16,000
Misc gauges, minor piping	1	LS	$9,500	$9,500
1500 gallon Surge Tank	1	LS	$12,000	$12,000
			Subtotal =	**$94,925**
Turbine/Generators				
Canyon Hydro (Deming, WA): 4 cfs and 8 cfs units (95 kW and 215 kW) delivered	1	LS	$262,107	$262,107
Turbine/Generators/ Swithcgear/controls Installation	1	LS	$75,000	$75,000
Start up & Training Services	5	days	$2,500	$11,400
SalesTax				$5,565
			Subtotal =	**$348,507**

Element Description	Quantity	Units	Unit Price (installed)	Total Price (installed)
Electrical Equipment & Tie-in to Grid				
Electrical Controls & SCADA	1	LS	$75,000	$75,000
Site electrical	1	LS	$45,000	$45,000
SCE tie-in costs	1	LS	$75,000	$75,000
			Subtotal =	**$195,000**
Building and Misc Structural				
Metal	625	SF	$80	$50,000
Foundation structure (concrete)	18	CY	$750	$13,500
HVAC	1	LS	$8,500	$8,500
Roofing, doors & Misc supports	1	LS	$25,000	$25,000
			Subtotal =	**$97,000**
			Materials/Installation Subtotal =	**$771,132**
15% Construction Contingency Costs (excl. Canyon Hydro Equipment and Sales Tax) =				$75,519
			TOTAL CONSTRUCTION COST =	**$847,000**
Non-Construction Costs				
Engineering		LS		$88,342
Project/Const Mgmt		LS		$88,342
Bonds & Insurance		AC		$30,916
Admin / Legal		LS		$26,511
Permitting		LS		$14,039
			Subtotal =	**$248,150**
15% Contingency				$37,222
			TOTAL ESTIMATED COST =	**$1,132,000**
Developer Fee				$215,080
Grand Total				**$1,353,000**

TABLE 3 – HYDRO TURBINE PROJECT FLOW OPTIONS

Current Design (December 2011) based on 50-percent specifications and Canyon Hydro bid:			In Operation for 6 months / year	In Operation for 9 months / year
Turbine/ Generator units in Operation	Instantaneous Flow Rate (cfs)	Instantaneous Flow Rate (MGD)	Annual Acre-Feet (AFY)	Annual Acre-Feet (AFY)
95 kW unit only	4 cfs	2.59 MGD	1,448 AFY	2,172 AFY
215 kW unit only	8 cfs	5.17 MGD	2,896 AFY	4,344 AFY
Both units	12 cfs	7.76 MGD	4,344 AFY	6,516 AFY
Previous Assumption in San Gabriel's Application which was at issue in DRA's Testimony and is no longer being considered by San Gabriel:				
162 kW unit	6.9 cfs	4.46 MGD	4,995 AFY (In Operation for 12 months / year)	

RESOLUTION: DRA agrees that San Gabriel should be authorized to proceed with the proposed Hydro Turbine Pilot Project as a Tier 3 Advice Letter project at a forecasted cost of $1,353,000 with the expectation that San Gabriel will also diligently pursue a U.S. Treasury Department grant and the Commission's Self-Generation Incentive Program ("SGIP") in an effort to reduce this project's capital cost.

The U.S. Treasury Department grant program under Section 1603 of the American Recovery and Reinvestment Act of 2009, if received, is expected to fund approximately $405,900 based on 30% of the final capital costs of the project currently estimated to be $1,353,000. In addition, the Commission's SGIP grant, if received, is expected to offset the project's capital cost by an additional $193,750 in year one of operation and $48,438 annually thereafter over the remaining four years of the program.

The SGIP program is a five-year payment plan and calculated based on the name-plate generation capacity of the turbines multiplied by $1.25 per Watt. The name-plate capacity of this project is 310 kW, resulting in a total grant of $387,500, with 50 percent of the amount disbursed in the first year of operation and the remaining 50 percent disbursed evenly over the next four years.

Issue	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
Hydro Turbine Pilot Project (2012)	$1,385,000 (Advice Letter)	$1,385,000 (Advice Letter)	$0	$1,385,000	$1,353,000 (Advice Letter)

REFERENCES: Exhibit SG-5 (DiPrimio), pp. 27-33; Exhibit SG-15 (DiPrimio); Exhibit DRA-1 (Rasmussen), pp. 7-52 to 7-57; Exhibit SG-18 (DiPrimio), pp. 18-24.

I. WORKING CASH ALLOWANCE

ISSUE: San Gabriel's forecast for Working Cash was $3,284,225 for Test Year 2012-2013 and $3,626,467 for Test Year 2013-2014, based on the same methodology that San Gabriel has used in past rate cases in accordance with Standard Practice U-16. (This forecast did not include San Gabriel's separate calculation of Operational Cash Requirements totaling $28,000, which DRA did not dispute.) DRA's Working Cash forecast was $718,690 for both test years, based on a five-year average. The City's forecast was $1,670,379, which was calculated by dividing the net lead-lag days in the test year by 365 days and multiplying the result by the test year expenses.

RESOLUTION: San Gabriel and DRA agree that an estimate of Working Cash of $1,600,000 for the Test Year and Escalation Years would be reasonable in the context of a broader resolution of capital investment forecasts.

Issue	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
Working Cash Allowance – TY 2012-2013	$3,284,225	$3,284,225	$718,690	$2,565,535	$1,600,000
TY 2013-2014	$3,626,467	$3,626,467	$718,690	$2,907,777	$1,600,000

REFERENCES: Exhibit SG-3 (Batt), pp. 7-12; Exhibit DRA-1 (Merida), pp. 9-1 to 9-2; Exhibit CF-1 (Ramas), pp. 32-36; Exhibit SG-16 (Batt), pp. 1-3; Exhibit SG-28 (Lead/Lag Workpapers).

J. TAXES OTHER THAN INCOME

1. Ad Valorem Tax

ISSUE: San Gabriel estimated this expense based on a 2010 effective tax rate of 1.322% with a 2% annual escalation. DRA based its estimate on a 2010 effective tax rate of 1.314% without any escalation. In rebuttal testimony, San Gabriel defended its assumption of a 2% annual escalation in the effective tax rate but applied an updated formula that reduced the 2010 effective rate to 1.182%.

RESOLUTION: DRA and San Gabriel agree that applying San Gabriel's updated formula to the adopted forecast of utility plant based on the 2010 effective tax rate of 1.182% with a 1% annual escalation will provide a reasonable estimate of Ad Valorem Taxes for the Test Year.

Issue	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
Ad Valorem Tax	Tax rate of 1.322% with 2% annual escalation	Tax rate of 1.182% with 2% annual escalation	Tax rate of 1.314% with no annual escalation	0.008% plus 2% annual escalation	Tax rate of 1.182% with 1% annual escalation

REFERENCES: Exhibit SG-1, Chapter 7, pp. 7-2 to 7-3; Exhibit DRA-1 (Bumgardner), pp. 5-1 to 5-2; Exhibit SG-17 (Dell'Osa), pp. 1-2.

2. Payroll Taxes

ISSUE: San Gabriel and DRA estimated payroll taxes using different rates to calculate expense associated with State Unemployment Insurance ("SUI"). In addition, San Gabriel and DRA estimated payroll taxes using different bases to

calculate expense associated with Social Security, a component of Federal Insurance Contributions Act ("FICA") taxes.

RESOLUTION: DRA and San Gabriel agree that the correct rate to apply for State Unemployment Insurance expense is 3.7%. San Gabriel accepts DRA's use of the published FICA base of $110,100 for Test Year 2012-2013 to calculate the employer's Social Security expense for the Test Year.

Issue	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
Payroll Tax, SUI Rate	3.6%	3.7%	1.2%	2.5%	3.6%
Payroll Tax, FICA Base for 2012	$110,580	$110,580	$110,100	$780	$110,100

REFERENCES: Exhibit SG-1, Chapter 7, p. 7-2 and Table 7B; Exhibit DRA-1 (Bumgardener), p. 5-2; Exhibit SG-16 (Batt), pp. 7-8.

K. AMORTIZATION OF INCOME TAXES PAID ON CIAC SERVICES

ISSUE: IRS regulations require water utilities to treat advances and contributions received from developers and customers for service connections ("CIAC") as taxable income in the year received. The Commission requires water utilities to gross-up the contributed cost of service connections using Method 5, adopted in D.87-09-026. Method 5 takes into account that depreciation of the facilities over the life of the asset will result in a tax saving in the future and passes these benefits on to the developer, resulting in a lower gross-up. The required accounting method does not allow the utility to recover 100% of the tax it pays in the year received from the developer but instead credits a portion of taxes paid to a deferred income account that is then amortized to income over the life of the asset. The amount recorded to income is included in the revenue requirement revenue. DRA recommended treating the deferred income tax as a tax deduction and recommended allowing only 35% of the amortized amount in rates.

RESOLUTION: San Gabriel and DRA agree to allow in the adjustment to income taxes, included in the revenue requirement, 50% of the amount San Gabriel initially proposed.

Issue		SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
Amortization of Income Taxes Paid on CIAC Services	Federal	$50,300	$50,300	$17,600	$32,700	$25,150
	State	$13,900	$13,900	$1,200	$12,700	$6,950

REFERENCES: Exhibit SG-1, Chapter 7, Tables 7C-1 and 7C-2; Exhibit DRA-1 (Bumgardener), p. 6-5; Exhibit SG-16 (Batt), pp. 8-9.

L. AMERICAN JOBS ACT – DOMESTIC PRODUCTION ACTIVITIES DEDUCTION

ISSUE: In calculating the Federal income tax deduction for Domestic Production Activities, San Gabriel and DRA applied different methodologies. San Gabriel applied a simplified method to forecast the deduction used in the forecasted Federal income tax calculation for the Test Year. DRA used a more complex method for its forecast, applying the production percentages from San Gabriel's 2009 Federal Income Tax Return for revenue, expense, and depreciation to DRA's forecasted Test Year numbers.

RESOLUTION: San Gabriel and DRA agree that the formula recommended by DRA will provide a reasonable estimate of the Domestic Production Activities Deduction, with all revenue, expense, and depreciation calculations based on adopted numbers.

Issue	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
American Jobs Act – Domestic Production Activities Deduction	$122,900	$351,000	$787,300	$436,300	Deduction to be calculated by DRA's recommended formula.

REFERENCES: Exhibit SG-1, Chapter 7, p. 7-1 and Tables 7C-1 and 7C-2; Exhibit DRA-1 (Bumgardner), pp. 6-4 to 6-5; Exhibit SG-16 (Batt), pp. 4-5.

M. CUSTOMER SERVICE REPORTING

ISSUE: DRA's Report raised concerns regarding billing inquiries and service leaks and recommended that San Gabriel be required to report on its efforts to reduce the number of customer inquiries regarding billing and service leaks.

RESOLUTION: In response to DRA's concerns, San Gabriel agrees to provide a status report to DRA on these subjects by March 31, 2012, including an analysis of

the company's actions to reduce the frequency of these occurrences, and specifically address these issues in its next GRC application.

REFERENCES: Exhibit SG-1, Chapter 12; Exhibit DRA-1 (Ma), pp. 10-1 to 10-6.

N. CONSERVATION RATE DESIGN

ISSUE: San Gabriel proposed to adjust the Conservation Rate Design adopted in D.08-09-008 by reducing the proportion of revenues recovered through volumetric rates from 72.03% to the 70% standard consistent with the Best Management Practices established by the California Urban Water Conservation Council. DRA proposed to retain the present 72.03% allocation in order to maintain the current conservation rate design as part of a pilot project.

RESOLUTION: San Gabriel accepts DRA's proposal to retain the 72.03% allocation. DRA and San Gabriel also agree that the rate design should be and is revenue neutral, and that San Gabriel will provide procedural documentation for implementing the 9-step Conservation Rate Design process prior to and at the technical conference in this GRC. DRA recognizes that San Gabriel provided in the present GRC filing the Rate Design information required by D.08-09-008, but San Gabriel agrees to DRA's request that it also provide the comparable information with its next GRC application.

	SGV Direct	SGV Rebuttal	DRA Report	Difference	Settlement
Percentage of revenue recovered through volumetric rates	70%	70%	72.03%	2.03%	72.03%

REFERENCES: Exhibit SG-7 (Magallanes), pp. 3-4; Exhibit DRA-1 (Worster), pp. 11-1 to 11-9; Exhibit SG-20 (Magallanes), p. 3.

O. CALIFORNIA ALTERNATIVE RATES FOR WATER (CARW)

ISSUE: DRA's Report recommended that San Gabriel: (1) be required to supplement its current California Alternative Rates for Water ("CARW") reporting with additional information regarding participation rates; (2) perform random income verification checks on a quarterly basis; (3) separately bill CARW benefits and funding as a surcredit and surcharge, respectively; (4) identify CARW surcredits and surcharges on customer bills; (5) use a volumetric surcharge to fund the CARW program; (6) modify the calculation of surcredit and surcharge amounts; and (7) change its existing memorandum account to a balancing account.

RESOLUTION: San Gabriel and DRA agreed to resolve the issues identified above as follows:

- San Gabriel agrees to DRA's request that the benefits for low-income customers provided pursuant to the CARW Program be removed from rate design and be separately billed as a surcredit provided to CARW Program participants and a volumetric surcharge on the usage of all non-CARW customers.

- San Gabriel and DRA further agree that notice of the applicable surcredit or surcharge should be provided on the customer's bill, although not necessarily as a line item. To allow for programming changes, San Gabriel will be allowed 90 days from the date of adoption of a decision approving the settlement to implement the notice requirement.

- When tracking the program's costs, San Gabriel should use the latest ratio of CARW customers by meter size, rather than assuming a uniform participation rate for all meter sizes. The CARW balancing account should track actual surcharge revenue collected and actual discount amounts provided.

- For this rate case cycle only, DRA and San Gabriel agree that the discount should be set at $8.00 per month for CARW customers with a 5/8"x3/4" meter, $10.00 per month for CARW customers with a 3/4" meter, and $20 per month for CARW customers with a 1" meter. The forecast of annual CARW benefits produced by these discounts totals $1,715,760, which should be recovered through a $0.1297/Ccf surcharge billed on sales to non-CARW customers. The CARW balancing account will track each month the actual CARW benefits provided and the actual revenues provided by the CARW surcharge.

- DRA and San Gabriel will continue working together to fashion a gradual transition for implementing a uniform CARW surcredit amount regardless of the customer's meter size.

- San Gabriel agrees to report on the implementation of low-income customer information sharing between San Gabriel and the energy utilities serving San Gabriel's customers. Based on its experience in data sharing with the energy utilities, San Gabriel also will report in its next GRC the following:

  - San Gabriel's total number of CARW customers before sharing information with the energy utilities.
  - The number of matches: the number of CARW customers that also are on an energy utility's low-income list.
  - The number of customers added as a result of sharing data with the energy utilities.

- Based on these numbers, San Gabriel's report will make recommendations for what might be done differently. San Gabriel will report the participation

rate or the percentage of residential customers enrolled in the CARW program calculated by dividing the latest recorded number of CARW customers by the latest recorded number of residential customers with a meter size of 1" or less. San Gabriel also will develop a way to estimate the number of customers eligible for CARW and will present a proposal in the next GRC for reporting this metric on an annual basis.

TABLE 2

Proposed Discounts to CARW customers

Meter Size	Present CARW Discounts	San Gabriel Proposed CARW Discounts	DRA Proposed CARW Discount	Settlement CARW Discount
5/8"	$9.58	$10.75	$10.75	$8.00
3/4"	$14.37	$16.12	$10.75	$10.00
1"	$23.95	$26.87	$10.75	$20.00

CARW customers presently pay for the CARW program along with non-CARW customers, as the subsidy cost is currently built into the rate design. Conversion of the CARW program to a surcredit/surcharge basis will increase the relative benefit to CARW customers. Thus, under the settlement, if a non-CARW customer uses an average of 23 Ccf per month with the proposed surcharge of $0.1297 per Ccf, the CARW surcharge on that customer's bill would be $2.98. For a CARW customer using 23 Ccf per month, the proposed CARW discounts would result in a monthly bill that is $10.98 and $22.98 lower than the bill of an equivalent usage non-CARW customer served by a 5/8" or a 1" meter, respectively.

REFERENCES: Exhibit SG-7 (Magallanes), p. 8 and Attachment C; Exhibit DRA-1 (Bautista), pp. 12-1 to 12-15; Exhibit SG-16 (Batt), pp. 9-10; Exhibit SG-29 (General Workpapers), Tables RV5 and RV6a.

P. FONTANA OFFICE BUILDING A

ISSUE: In direct testimony, San Gabriel presented a final accounting of costs for the Fontana Water Company Headquarters Complex (the "Office Complex"), which consists of two buildings, Building A and Building B. The final cost of the Office Complex, excluding land acquisition costs, was $18,836,051. That total includes an allowance for funds used during construction ("AFUDC") of $375,851, accumulated at San Gabriel's authorized rate of return of 9.35% on project investment exceeding amounts previously allowed in rate base.

Despite the Commission's disallowance in D.09-06-027 of $3,100,896 of the investment in Building A, San Gabriel requested in this proceeding that the full amount of Fontana Building A investment ($13,160,568) be included in rate base,

based on its contention that the entire Office Complex is necessary and useful to San Gabriel in its utility operations. With reference to the General Office revenue requirement related to inclusion of Building A investment in rate base that was authorized subject to refund by D.08-06-022, San Gabriel provided a showing that the revenue requirement subsequently authorized by D.09-06-027 (including both rate base and rental expense) exceeded the amount allowed by the previous decision, so that no amount is subject to refund. As called for by D.09-06-027, San Gabriel also provided comparative information on office rental costs, but proposed to eliminate the rent allowance provided by that decision in the context of proposing to include the entire Building A investment in rate base. San Gabriel further requested recovery of imputed rental costs for space occupied by 16 General Office employees in Building A and authorized for balancing account treatment by D.09-06-027.

DRA recommended approval of San Gabriel's accounting for the rental costs balancing account but opposed San Gabriel's proposal to include the full Building A investment in rate base. DRA recommended that the current disallowance continue and that an audit of the construction costs be required, with D.08-06-022's subject to refund conditions remaining in effect until the audit is completed. DRA also recommended that San Gabriel be ordered to conduct a cost analysis, for submission in the next GRC, of an alternative "Tilt-Up" construction method that might have been used for the Office Complex. Finally, DRA challenged San Gabriel's calculation of AFUDC, recommending allowing only $70,238.; DRA adjusted San Gabriel's requested AFUDC because: (1) San Gabriel incorrectly calculated its AFUDC on construction costs that included the $3.1 million of previously disallowed plant; and (2) DRA disagreed with San Gabriel's use of its authorized rate of return to calculate the AFUDC.

RESOLUTION: San Gabriel and DRA agree to settle the Fontana Building A issues on the following terms:

- San Gabriel accepts DRA's calculation of AFUDC, which results in a permanent reduction in utility plant of $305,613.

- The Parties agree to an additional permanent disallowance from utility plant of $1,500,000, for which San Gabriel agrees not to seek future recovery.

- San Gabriel agrees to remove from its recorded utility plant accounts a total of $1,805,613 permanently, in accordance with the two prior points.

- The Parties agree to an additional temporary disallowance of $1,600,896 (equaling $3,406,509 less $1,805,613), which San Gabriel will be allowed to recover (on a depreciated plant basis) from facilities fees after recycled water project costs (proposed for recovery through facilities fees in A.11-06-005) have been fully recovered .

- Accordingly, the total reduction in Office Complex costs allowed in rate base in this GRC, as compared to the costs presented in San Gabriel's direct testimony, will be $3,406,509 – equal to the continuing disallowance of $3,100,896 plus the AFUDC reduction of $305,613 – which are the same disallowances proposed in the DRA Report.

The amounts referred to above are plant and not rate base (depreciated plant) dollars. San Gabriel and DRA will continue to work together to ensure that this and various adjustments are made to plant balances so that no depreciation or ad valorem tax expenses associated with disallowed plant are included in the calculated revenue requirement amounts (which was the case in San Gabriel's application/revised/rebuttal/SG-27 workpapers).

San Gabriel and DRA further agree that:

- DRA withdraws its recommendation that the Commission require an audit of the Office Complex costs or an analysis of the construction method used for the buildings.

- The imputed rent balancing account authorized in D.09-06-027 will terminate, with no rental expense associated with Fontana Office Building A imputed into rates in this or future GRCs.

- The permanent and temporary disallowance described above will apply only to the Fontana Water Company division.

REFERENCES: Exhibit SG-3 (Batt), pp. 23-26; Exhibit SG-8 (Nicholson), pp. 6-15, Attachments H-L; Exhibit DRA-1 (Ma), pp. 7-57 to 7- 59, and (Evans), pp. 16-12 to 16-47; Exhibit SG-16 (Batt), pp. 5-7; Exhibit SG-21 (Nicholson), pp. 2-7, Attachment B.

Q. BALANCING AND MEMORANDUM ACCOUNTS

ISSUE: In its Application, San Gabriel sought authority to amortize over an appropriate period, the balances in the following balancing and memorandum accounts as of the date of the decision in this proceeding: Water Supply Cost Balancing Account, Power Supply Cost Balancing Account, Water Quality Litigation Memorandum Account ("WQLMA"), Water Revenue Adjustment Mechanism ("WRAM"), and California Alternative Rates for Water ("CARW") Balancing Account. San Gabriel also sought authority to continue to maintain its existing Water Quality Memorandum Account ("WQMA") which currently has a zero balance.

DRA reviewed San Gabriel's supporting workpapers for the recorded March 2011 balances in the Water Supply Cost, Power Supply Cost, CARW, and WRAM accounts and found those balances to be reasonable. DRA did not agree, however, to San Gabriel's request to amortize balances in these accounts as of a more recent date because information about such balances was not yet available to review.

At the time DRA submitted its report on November 3, 2011, it had not yet completed its audit of the recorded March 2011 balance in the WQLMA, which was the subject of San Gabriel's Advice Letter 398. DRA objected to certain payments to ZENVIRONMENT that had been recorded therein. DRA also recommended that the Preliminary Statement of San Gabriel's tariffs be supplemented to describe the WQLMA.

A further issue concerned San Gabriel's Facilities Fees Memorandum Account, which was established pursuant to D.07-07-046 to accrue facilities fee revenues for application, through an annual advice letter filing, to reduce the amount of investment in the Sandhill Water Treatment Plant that is included in rate base. DRA asserted that between advice letter filings, the Facilities Fee account should accrue interest at the 90-day commercial paper rate, like other balancing and memorandum accounts. In rebuttal testimony, San Gabriel noted that deposits taken from developers and customers pursuant to Tariff Rule No. 15 do not accrue interest and are adjusted to actual costs when those are determined, at which time the known facilities fees are placed in the memorandum account. San Gabriel was concerned that accrual of interest would not comply with Rule 15, and that any accrued interest on deposits would belong to the developer or customer who made the deposit.

RESOLUTION: The Parties agree that the following recorded March 2011 adjusted balances (excluding the ZENVIRONMENT payments from the WQLMA) should be amortized through a 12-month $0.0330/Ccf net surcredit based on Test Year sales:

Account	March 2011 Balance	Surcharge(Surcredit)
Water Cost	($2,384,755)	($0.1500)
Power Cost	$143,796	$0.0090
WQLMA	$1,244,598	$0.0783
WRAM	$193,439	$0.0122
CARW	$278,437	$0.0175
Total	($524,285)	($0.0330)

To address DRA's concerns about potential confusion as to which account San Gabriel should use to record certain expenses and proceeds, San Gabriel agrees to file a new advice letter to combine its WQMA and WQLMA into a single memorandum account. Attachment B provides the language that the advice letter would propose to insert into the Preliminary Statement. Further, given the Parties' settlement on the amortization of the March 2011 balance in the WQLMA as noted above, San Gabriel agrees to withdraw, and has withdrawn, pending Advice Letter 398. Finally, for settlement purposes, San Gabriel agrees with DRA to accrue interest at the commercial paper rate on the balance in the Facilities Fees Memorandum Account in that such accrued interest will be applied as part of that balance as a credit against rate base through an annual advice letter filing.

REFERENCES: Exhibit SG-3 (Batt), pp. 16, 30; Exhibit SG-7 (Magallanes), pp. 7-10; Exhibit SG-10 (Whitehead), p. 15; DRA-1 (Charvez), pp. 1-3 to 1-5; DRA-1 (Kotyrlo), Chapter 13; Exhibit SG-16 (Batt), pp. 3-4; Exhibit SG-20 (Magallanes), pp. 1-2.

III. ATTACHMENTS

Attachment A – Conservation Program (see Section II.D.2 above).

Attachment B – Balancing Accounts – Preliminary Statement (See Section II.Q above).

Attachment C – Comparison Exhibit. Pages 1 through 3 of Attachment C set forth the original positions of the Parties on various elements of revenue requirement, income taxes, and rate base as presented in San Gabriel's application and direct testimony, DRA's report, and the settlement terms stated herein, showing the differences between settlement amounts for the various elements as calculated by San Gabriel and DRA and attributing those differences among the four remaining issues that have not been resolved. Pages 4 through 9 of Attachment C set forth the settlement quantities to which the Parties have agreed; these quantities are unaffected by the remaining issues. DRA's Summary of Earnings, as presented on pages 1 through 3 of Attachment C, reflect DRA's recommended adjustments on the forecasted basis but do not reflect DRA's recommended $11.5 million refund related to the Sandhill Water Treatment Plant.

Respectfully submitted,

DIVISION OF RATEPAYER ADVOCATES

By: _____

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Respectfully submitted,

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Dated: April 26, 2012

ATTACHMENT A

CONSERVATION PROGRAM

1. Conservation Program Budgets.

ISSUE: San Gabriel Valley Water Company ("San Gabriel") submitted a proposed conservation budget for its Fontana Water Company division of $573,968 for test year 2012/2013 with escalation factors added for years 2013-2014 and 2014-2015 when the rates become effective.

The Division of Ratepayer Advocates ("DRA") disagreed with San Gabriel's estimated budget on a number of conservation programs. San Gabriel's justification and its method of projecting the total number of customers for several programs did not provide for a sufficient showing of the need to increase its budget. In addition, DRA found that several of San Gabriel's programs are duplicative and could be merged with those of the Inland Empire Utilities Agency, the regional wholesale water supplier.

In determining a recommended budget, DRA considered other factors such as California's current economic situation and San Gabriel's current 20x2020 status.

Based on information provided by San Gabriel and the factors described above, DRA recommended a budget of $153,974.

RESOLUTION: San Gabriel and DRA agree that San Gabriel should be authorized a budget of $326,443 for 2012-2013 with escalation factors added for years 2013-2014 and 2014-2015 when the rates become effective.

[CONTINUED ON NEXT PAGE]

Program	San Gabriel Proposed	DRA Recommended	Stipulated
Regional Programs			
Residential Incentive Program	$62,525	$0	$19,300
Residential High Efficiency Toilet Installation Program			
Single-Family	$30,600	$14,040	$18,000
Multi-Family	$3,048	$1,848	$1,848
CII Save-A-Buck Program	$24,525	$2,172	$13,800
Subtotal	**$120,698**	**$18,060**	**$52,948**
Local Programs			
Residential Audit			
Weather Based Irrigation Controllers	$10,920	$9,620	$9,620
Residential Landscape Retrofit Program	$33,600	$0	$24,000
Water Conservation Kits	$8,750	$4,375	$4,375
CII Audit Reports	$15,000	$3,000	$10,500
CII Retrofit Programs	$310,000	$105,461	$200,000
Education/Public Outreach	$75,000	$13,458	$25,000
Industrial Water Broom			
Water2Save			
Misc. & Customer Promotional Items			
Subtotal	**$453,270**	**$135,914**	**$273,495**
Total	**$573,968**	**$153,974**	**$326,443**

In settlement, the Parties agreed that within its Regional Programs, San Gabriel may shift its budget amongst all rebate programs. For the Residential Incentive Program, San Gabriel agreed to 193 HECW rebates at $100 each. For the Residential High Efficiency Toilet Installation Program, San Gabriel agreed to 500 toilets at $36 each for Single Family customers and 77 toilets at $24 each for Multi-Family residential customers.

Within the Local Programs, the Parties agreed that San Gabriel may shift its budget amongst all Local Programs except the Education/Public Outreach and Water Conservation Kits programs, which will be capped at the program spending levels shown in the above Table. The Parties agreed that no monies will be added to the Education/Public Outreach or Water Conservation Kits programs. However, at its discretion, San Gabriel will be permitted to shift monies from these programs to its Residential Landscape Retrofit and CII Retrofit Programs.

Under San Gabriel's Residential Landscape Retrofit Program, San Gabriel agrees to provide onsite installation and operational training to recipients of Weather Based Irrigation Controller ("WBIC") Systems prior to the distribution of free WBICs.

2. One-Way Balancing Account for Conservation Expense

ISSUE: DRA recommended a one-way balancing account to track conservation expenses with any unspent funds refunded to ratepayers. A one-way balancing account will ensure that funds authorized for conservation programs are dedicated to that purpose.

RESOLUTION: San Gabriel agrees with DRA's recommendation to continue tracking expenses in a capped, one-way balancing account with any unspent funds refunded to ratepayers after the end of the rate case period.

3. Annual Conservation Evaluation and Reporting Requirements

ISSUE: DRA recommended that San Gabriel be required to include the results of 10 random audits for each new quantifiable program including actual water savings per customer in its Annual Conservation Programs and Activities Report. This additional information would complement, and not override, existing reporting requirements and wouild not prevent DRA from requesting additional data in the future.

In addition, DRA recommended that San Gabriel be required to provide DRA with a copy of its California Urban Water Conservation Council (CUWCC) Best Management Practices (BMP) Implementation Reports which are filed with CUWCC every other year providing information on the progress being made towards implementing the BMPs process. San Gabriel agreed to provide DRA copies of the CUWCC BMP reports when requested, but objected to the proposal for random measure audits.

RESOLUTION: San Gabriel and DRA agree that additional reporting is not needed at this time. DRA acknowledges that San Gabriel's existing conservation reporting requirements include categories such as the name and description of the program, estimated water savings per unit per year and annual measure savings.

San Gabriel agrees to provide DRA copies of its CUWCC BMP Implementation Reports, which are filed with CUWCC every other year, upon DRA's request.

ATTACHMENT B

BALANCING ACCOUNT – PRELIMINARY STATEMENT

PRELIMINARY STATEMENT
(Continued)

N. Water Quality Litigation Memorandum Account (WQLMA) for the Fontana Water Company Division

1. Purpose: The purpose of this memorandum account is to record outside legal and consulting expenses for water quality litigation, as well as contamination proceeds that are not reflected in base rates and any amortization of those recorded balances in accordance with Resolution W-4094 incurred after March 26, 1998, the effective date of Resolution W-4094.

2. The following entries will be made monthly to the WQLMA in the Fontana Water Company division:

   a. The recorded outside legal and consulting expenses for water quality litigation as well as expenditures related to water quality, including capital costs and operations and maintenance expenses of needed wellhead treatment facilities that cannot be reasonably forecasted (debit).

   b. The billed revenues to amortize the recorded balances in the WQLMA (credit).

   c. Franchise fees expense, based on 2b above, and the CPUC-adopted rates for franchise fees (debit).

   d. Water contamination proceeds from damage awards, settlements, government sources, and insurance (credit).

   e. Monthly interest calculated at 1/12 of the most recent month's interest rate on Commercial Paper (prime, 3-month), published in the Federal Reserve Statistical Release, H.15 (http://www/federalreserve.gov/releases/H15/data/m/ cp3m.txt), or its successor publication (debit or credit).

3. The balance in the memorandum account shall be amortized by a Tier 3 advice letter whenever the balance exceeds 2% of the authorized revenue requirement for the Fontana Water Company division or three years have elapsed since the date the memorandum account was established. If the balance is below 2%, San Gabriel shall propose its amortization in a general rate case.

ATTACHMENT C

San Gabriel Valley Water Company
Fontana Water Company Division
SUMMARY OF EARNINGS
Test Year 2012-2013

(Dollars in Thousands)

	San Gabriel Application	San Gabriel @Settlement	REMAINING ISSUES Sandhill Treatment Plant	Walnut Ave. Pipeline	F7 Retaining Wall	FUWC Shares	DRA @Settlement	DRA Report
Operating Revenues	$65,783.9	$63,833.3	$2,683.5	$144.9	$48.8	$360.9	$60,595.2	$58,912.7
		11.1%		REVENUE INCREASE			5.5%	
Operating Expenses								
Purchased Water & Assessments	$11,600.3	$11,652.3					$11,652.3	$11,642.7
Purchased Power	$4,661.4	$4,672.7					$4,672.7	$4,672.7
Chemicals	$877.6	$690.6					$690.6	$893.7
Payroll	$5,363.5	$5,341.1					$5,341.1	$5,207.3
Materials & Supplies (incl. Postage & Subscrip.)	$981.6	$857.8					$857.8	$857.8
Transportation	$875.7	$875.7					$875.7	$875.7
Insurance	$525.2	$509.0					$509.0	$494.5
Pensions & Benefits	$2,272.7	$2,139.6					$2,139.6	$2,201.9
Uncollectibles	$311.3	$294.5	$12.4	$0.6	$0.2	$1.7	$279.6	$304.6
Franchise Fees	$451.1	$434.5	$18.4	$1.0	$0.4	$2.5	$412.2	$449.3
Regulatory Commission Expense	$363.3	$363.3					$363.3	$363.3
Outside Services	$534.6	$534.6					$534.6	$517.9
Utilities & Rents	$69.9	$69.9					$69.9	$69.8
Miscellaneous Expense	$1,611.5	$993.4					$993.4	$798.6
Administrative Expense Transferred	($1,296.5)	($657.7)					($657.7)	($559.9)
Subtotal	$29,203.3	$28,771.3	$30.8	$1.6	$0.6	$4.2	$28,734.2	$28,790.0
Bank Charges	$56.3	$56.5					$56.5	$56.3
Allocated Common Expenses	$4,238.0	$4,243.1					$4,243.1	$4,238.0
Total Operating Expense	$33,497.6	$33,071.0	$30.8	$1.6	$0.6	$4.2	$33,033.8	$33,084.3
Depreciation Expense	$6,608.9	$6,511.0	$408.2	$20.8	$12.5		$6,069.5	$6,207.6
Ad Valorem Taxes	$2,001.4	$1,770.4	$179.1	$11.3	$4.8		$1,575.2	$1,742.7
Payroll Taxes	$498.1	$496.2					$496.2	$492.9
Total Expense before Income Taxes	$42,606.0	$41,848.7	$618.1	$33.7	$17.9	$4.2	$41,174.7	$41,527.5
Net Revenue Before Income Taxes	$23,177.9	$21,984.6	$2,065.4	$111.2	$30.9	$356.7	$19,420.5	$17,385.2
State Income Tax	$1,415.7	$1,347.2	$183.8	$9.5	$2.9	$25.3	$1,125.9	$1,601.2
Federal Income Tax	$6,240.0	$5,446.3	$535.4	$27.8	$6.5	$90.9	$4,785.6	$6,365.1
Total Expenses	$50,261.8	$48,642.2	$1,337.3	$71.0	$27.3	$120.4	$47,086.2	$49,493.8
							($20.4)	$2,742.4
Net Operating Revenues	$15,522.1	$15,191.1	$1,346.2	$73.9	$21.5	$240.5	$13,488.6	$12,161.3
Rate Base	$167,830.5	$164,312.5	$14,557.0	$926.2	$392.8	$2,614.0	$145,822.6	$131,491.8
Rate of Return	9.25%	9.25%					9.25%	9.25%

ATTACHMENT C
Page 2 of 9

San Gabriel Valley Water Company
Fontana Water Company Division
COMPUTATION OF TAXES ON INCOME
AT PROPOSED RATES
Test Year 2012-2013

(Dollars in Thousands)

			REMAINING ISSUES					
Description	**San Gabriel Application**	**San Gabriel @ Settlement**	**Sandhill Treatment Plant**	**Walnut Ave. Pipeline**	**F7 Retaining Wall**	**FUWC Shares**	**DRA @ Settlement**	**DRA Report**
Operating Revenues	$65,783.9	$63,833.3	$2,683.5	$144.9	$48.8	$360.9	$60,595.2	$65,532.1
Deductions								
Operating Expenses, excluding Depreciation & Income Taxes	$35,997.2	$35,337.7	$210.1	$13.1	$5.4	$4.2	$35,104.9	$35,319.8
Interest Expense	$4,460.9	$4,407.2	$396.2	$25.2	$10.7	$71.2	$3,903.9	$3,530.5
Subtotal	$40,458.1	$39,744.8	$606.2	$38.3	$16.1	$75.4	$39,008.8	$38,850.3
State Tax Calculation								
Taxable Income Before Other Deductions	$25,325.9	$24,088.5	$2,077.3	$106.7	$32.7	$285.6	$21,586.2	$26,681.8
Less: Depreciation-State	$9,468.1	$8,927.1					$8,927.1	$8,582.6
State Taxable Income	$15,857.7	$15,161.4	$2,077.3	$106.7	$32.7	$285.6	$12,659.1	$18,099.2
State Corporate Franchise Tax at 8.84%	$1,401.8	$1,340.3	$183.7	$9.5	$2.9	$25.3	$1,118.9	$1,600.0
Amortization of CIAC Tax	$13.9	$7.0					$7.0	$1.2
Total State Income Tax Expense	$1,415.7	$1,347.2	$183.8	$9.5	$2.9	$25.3	$1,125.9	$1,601.2
Federal Tax Calculation								
Taxable Income Before Other Deductions	$25,325.9	$24,088.5	$2,077.3	$106.7	$32.7	$285.6	$21,586.2	$26,681.8
Less: Depreciation-Federal (book)	$6,608.9	$6,511.0	$408.2	$20.8	$12.5	$0.0	$6,069.5	$6,207.6
Less: American Jobs Creation Act	$122.9	$1,159.9	$191.7	$9.9	$3.1	$25.7	$929.5	$1,483.9
Less: State Corp. Franchise Tax - Prior Yr.	$909.2	$928.6	($52.7)	($3.4)	($1.5)	$0.0	$986.2	$854.6
Federal Taxable Income	$17,684.9	$15,488.9	$1,530.1	$79.4	$18.6	$259.9	$13,601.0	$18,135.7
Federal Tax at 35%	$6,189.7	$5,421.1	$535.5	$27.8	$6.5	$90.9	$4,760.4	$6,347.5
Amortization of CIAC Tax	$50.3	$25.2					$25.2	$17.6
Total Federal Income Tax Expense	$6,240.0	$5,446.3	$535.4	$27.8	$6.5	$90.9	$4,785.6	$6,365.1

ATTACHMENT C
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San Gabriel Valley Water Company
Fontana Water Company Division
AVERAGE DEPRECIATED RATE BASE
Test Year 2012-2013

(Dollars in Thousands)

Description	San Gabriel Application	San Gabriel @ Settlement	REMAINING ISSUES: Sandhill Treatment Plant	Walnut Ave. Pipeline	F7 Retaining Wall	FUWC Shares	DRA @ Settlement	DRA Report
Utility Plant *	$319,596.0	$298,494.8	$15,700.0	$1,055.9	$473.5		$281,265.4	$294,771.8
Depreciation Reserve *	$74,523.0	$73,156.8	$1,428.7	$144.3	$89.6		$71,494.2	$73,943.4
Net Utility Plant	$245,073.1	$225,338.0	$14,271.3	$911.6	$383.9	$0.0	$209,771.2	$220,828.4
Less:								
Advances	$34,148.9	$34,148.9					$34,148.9	$34,148.9
Contributions	$30,285.8	$25,165.1					$25,165.1	$23,713.9
Accumulated Deferred Income Taxes	$29,133.2	$27,976.7	($285.7)	($14.6)	($8.8)		$28,285.8	$26,071.7
Deferred Investment Tax Credit	($326.5)	($326.5)					($326.5)	($326.5)
Subtotal	$151,831.6	$138,373.8	$14,557.0	$926.2	$392.8	$0.0	$122,497.9	$137,220.4
Plus:								
Materials and Supplies	$1,383.3	$1,087.0					$1,087.0	$1,087.0
Operational Cash Requirement	$28.0	$28.0					$28.0	$28.0
Working Cash-Lead Lag	$3,284.2	$1,600.0					$1,600.0	$718.7
Tax on Advances and Contributions	$1,900.8	$1,900.8					$1,900.8	$1,900.8
Water Entitlements - Fontana Union	$5,189.7	$5,189.7				$2,614.0	$2,575.7	$5,189.7
Net Common Plant Allocation	$8,612.2	$7,639.6					$7,639.6	$8,612.2
66% Direct Share of Building A	$0.0	$8,493.6					$8,493.6	$0.0
Ratemaking Adjustments **	($4,399.4)							($23,265.0)
Average Rate Base	$167,830.5	$164,312.5	$14,557.0	$926.2	$392.8	$2,614.0	$145,822.6	$131,491.8

* Excluding 66% Direct Share of Building A
** Moved to Net Utility Plant, in Settlement

ATTACHMENT C
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San Gabriel Valley Water Company
Fontana Water Company Division

Quantities
(Dollars in Thousands)

1.	**Net-to-Gross Multiplier:**	1.801351
2.	**Federal Income Tax Rate:**	35.00%
3.	**State Income Tax Rate:**	8.84%
4.	**Franchise Fee Rate:**	0.6857%
5.	**Uncollectibles Rate:**	0.4648%

6. **Number of Services & Supply:**

	No. of Services			Ccf/	Usage -Ccf		
Class	**'12-'13**	**'13-'14**	**'14-'15**	**Customer**	**'12-'13**	**'13-'14**	**'14-'15**
Residential- Single Family	39,994	40,163	40,332	232.89	9,314,086	9,353,445	9,392,803
Residential- Multi-Family, Small	973	973	973	618.00	601,314	601,314	601,314
Residential- Multi-Family, Large	131	131	131	8,209.00	1,075,379	1,075,379	1,075,379
Commercial, Small	2,194	2,217	2,240	492	1,079,202	1,090,518	1,101,834
Commercial, Large	345	348	351	4,132	1,423,474	1,435,870	1,448,266
Industrial, Small	37	37	37	681	25,197	25,197	25,197
Industrial, Large	49	49	49	8,745	428,505	428,505	428,505
California Steel Industries	1	1	1	78,494	78,494	78,494	78,494
Cemex USA - contract	1	1	1	115,450	115,450	115,450	115,450
Cemex USA - tariff	N/A	N/A	N/A	49,478	49,478	49,478	49,478
Public Authority, Small	272	272	272	915	248,880	248,880	248,880
Public Authority, Large	290	290	290	5,856	1,698,240	1,698,240	1,698,240
Construction, Small	33	33	33	459	15,147	15,147	15,147
Construction, Large	11	11	11	1,991	21,901	21,901	21,901
Recycled Water	0	0	0	N/A	0	0	0
	44,330	44,525	44,720		16,174,747	16,237,818	16,300,888
Private Fire Servce	916	936	956				
	45,246	45,461	45,676				
Water Loss @ 8.3%					1,464,018	1,469,726	1,475,435
Total Water Supply, Ccf					17,638,765	17,707,544	17,776,323
Total Water Supply, AF					40,493.0	40,650.9	40,808.8

(continued)

ATTACHMENT C
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San Gabriel Valley Water Company
Fontana Water Company Division

Quantities
Test Year 2012-2013

7. Water Supply Quantities & Cost:

Item	Unit Cost ($/AF)	Quantity Basis (AF)	Total Cost or Assessment ($000)
Chino Basin Wells			
Replenishment Assessment	$541.00	3,242.0	$1,753.9
Administrative Assessment	$7.40	4,493.0	$33.2
OBMP Assessment	$42.01	4,493.0	$188.8
Appropriative Pool & 85/15 Assessment	$14.90	4,493.0	$66.9
Land Use Conversion Assessment	$30.89	750.0	$23.2
Appropriative Rights	$0.00	1.0	$0.0
Leases	$527.00	500.0	$263.5
Total - Chino Basin Wells		4,493.0	$2,329.6
Non-Chino Basin Wells			
FWC Share	$0.00	14,247.6	$0.0
CCWD Share Purchased	$458.15	7,552.5	$3,460.2
Total - Non-Chino Basin Wells		21,800.0	$3,460.2
Lytle Creek Surface Water			
FWC Share	$0.00	5,293.8	$0.0
CCWD Share Purchased	$458.15	2,806.2	$1,285.7
Total - Lytle Creek Surface Water		8,100.0	$1,285.7
Other Sources of Supply			
SWP Purchases - MWD	$664.00	5,500.0	$3,652.0
SWP Purchases - SBVMWD	$125.80	500.0	$62.9
CCWD Emergency Purchases	$515.00	100.0	$51.5
Recycled Water	$115.00	0.0	$0.0
Total Purchased Water		6,100.0	$3,766.4
Other Charges			
IEUA Assessment (active meters)	$12.90	44,329.5	$571.9
IEUA Monthly Capacity Charge	$6,000.00		$72.0
Water Stock Assessments (shares)	$28.00	5,951.5	$166.6
Total Water Supply		40,493.0	$11,652.3

Composite Cost $287.76 per AF

(continued)

ATTACHMENT C
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San Gabriel Valley Water Company
Fontana Water Company Division

Quantities
(Dollars in Thousands)

Test Year 2012-2013

8. Purchased Power Costs

Schedule PA-1	N/A	0
		$6.5
Schedule PA-2	$0.118194	1,323,207
		$156.4
Schedule GS-1	$0.169146	48,213
		$8.2
Schedule GS-2	$0.047829	791,705
		$37.9
Schedule TOU-8	$0.163196	15,218,686
		$2,483.6
Schedule TOU-PA-A	$0.153819	73,194
		$11.3
Schedule TOU-PA-B	$0.101060	17,832,218
		$1,802.1
Schedule TOU-GS-3B	$0.210050	793,999
		$166.8
Total $		$4,672.7
Total kWh		36,081,222
$/kWh		$0.129505

(continued)

ATTACHMENT C
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San Gabriel Valley Water Company
Fontana Water Company Division

Quantities
(Dollars in Thousands)

9. Number of Services by Meter Size

	TY 2012-2013	EY 2013-2014	EY 2014-2015
Residential- Single Family			
5/8 x 3/4-in.	22,981	23,078	23,175
3/4-In.	29	29	30
1-in.	16,971	17,043	17,114
1.5-in.	8	8	8
2-in.	4	4	4
Subtotal:	39,994	40,163	40,332
Residential- Multi-Family, Small			
5/8 x 3/4-in.	523	523	523
3/4-In.	4	4	4
1-in.	229	229	229
1.5-in.	164	164	164
2-in.	50	50	50
3-in.	2	2	2
6-in.	1	1	1
3-2-in.	2	2	2
Subtotal:	973	973	973
Residential- Multi-Family, Large			
5/8 x 3/4-in.	4	4	4
1-in.	6	6	6
1.5-in.	20	20	20
2-in.	34	34	34
3-in.	2	2	2
6-in.	11	11	11
8-in.	17	17	17
10-in.	4	4	4
2-2-in.	25	25	25
3-2-in.	7	7	7
4-2-in.	1	1	1
Subtotal:	131	131	131

(continued)

ATTACHMENT C
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San Gabriel Valley Water Company
Fontana Water Company Division

Adopted Quantities
(Dollars in Thousands)

9. Number of Services by meter size (continued)

	TY 2012-2013	EY 2013-2014	EY 2014-2015
Commercial, Small			
5/8 x 3/4-in.	799	807	815
1.5-in.	3	3	3
1-in.	513	518	524
1.5-in.	381	385	389
2-in.	490	496	501
6-in.	3	3	3
2-2-in.	4	4	4
2-4-in.	1	1	1
Subtotal:	2,194	2,217	2,240
Commercial, Large			
5/8 x 3/4-in.	3	3	3
1-in.	10	10	10
1.5-in.	48	49	49
2-in.	238	240	243
4-in.	1	1	1
6-in.	1	1	1
8-in.	1	1	1
10-in.	4	4	4
2-2-in.	25	25	25
3-2-in.	10	10	10
4-2-in.	3	3	3
2-4-in.	1	1	1
Subtotal:	345	348	351
Industrial, Small			
5/8 x 3/4-in.	11	11	11
1-in.	3	3	3
1.5-in.	7	7	7
2-in.	16	16	16
Subtotal:	37	37	37
Cemex USA			
10-in.	1	1	1
California Steel Industries			
10-in.	3	3	3
2-2-in.	1	1	1

(continued)

ATTACHMENT C
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San Gabriel Valley Water Company
Fontana Water Company Division

Adopted Quantities
(Dollars in Thousands)

9. Number of Services by meter size (continued)

	TY 2012-2013	EY 2013-2014	EY 2014-2015
Industrial, Large (excluding CSI and Cemex)			
1.5-in.	4	4	4
2-in.	26	26	26
3-in.	1	1	1
6-in.	1	1	1
10-in.	3	3	3
2-2-in.	9	9	9
3-2-in.	4	4	4
2-3-in.	1	1	1
Subtotal:	49	49	49
Public Authority, Small			
5/8 x 3/4-in.	17	17	17
3/4-in.	1	1	1
1-in.	56	56	56
1.5-in.	63	63	63
2-in.	125	125	125
2-2-in.	8	8	8
3-2-in.	2	2	2
Subtotal:	272	272	272
Public Authority, Large			
5/8 x 3/4-in.	1	1	1
1-in.	4	4	4
1.5-in.	9	9	9
2-in.	180	180	180
3-in.	4	4	4
4-in.	1	1	1
6-in.	1	1	1
2-2-in.	59	59	59
3-2-in.	22	22	22
4-2-in.	9	9	9
Subtotal:	290	290	290
Construction, Small	33	33	33
Construction, Large	11	11	11
Recycled Water	0	0	0
Total Metered:	44,330	44,525	44,720
Private Fire Service			
7.65" diameter (avg.)	916	936	956
Total Services	45,246	45,461	45,676

(End of Attachment C)

(END OF ATTACHMENT I)

ATTACHMENT II

San Gabriel Valley Water Company
Fontana Water Company Division
(Rate Tables)

APPENDIX A

San Gabriel Valley Water Company
Fontana Water Company Division
Summary of Earnings
(Dollars in Thousands)

		Adopted Rates	
	Present Rates	**TY 2012-2013**	**EY 2013-2014**
Operating Revenues	$56,674.6	$58,806.6	$60,076.3
Operating Expenses			
Purchased Water & Assessments	$11,652.3	$11,652.3	$11,697.7
Purchased Power	$4,672.7	$4,672.7	$4,690.9
Chemicals	$675.2	$675.2	$687.4
Payroll	$5,362.0	$5,362.0	$5,477.0
Materials & Supplies	$836.5	$836.5	$851.6
Transportation	$856.1	$856.1	$871.6
Insurance	$509.2	$509.2	$518.5
Pensions & Benefits	$2,142.4	$2,142.4	$2,188.3
Uncollectibles	$261.2	$271.2	$277.1
Franchise Fees	$385.4	$400.0	$408.7
Regulatory Commission Expense	$363.3	$363.3	$369.9
Outside Services	$523.7	$523.7	$533.3
Utilities & Rents	$68.3	$68.3	$69.6
Miscellaneous Expense	$983.5	$983.5	$1,001.2
Administrative Expense Transferred	($268.8)	($268.8)	($273.6)
Subtotal	$29,023.1	$29,047.6	$29,369.3
Bank Charges	$55.7	$55.7	$56.7
Allocated Common Expenses	$4,187.0	$4,187.0	$4,264.7
Total Operating Expense	$33,265.8	$33,290.4	$33,690.7
Depreciation Expense	$5,657.8	$5,657.8	$5,739.7
Ad Valorem Taxes	$1,502.4	$1,502.4	$1,542.2
Payroll Taxes	$498.0	$498.0	$508.7
Total Expense before Income Taxes	$40,924.0	$40,948.6	$41,481.3
Net Revenue Before Income Taxes	$15,750.6	$17,858.1	$18,595.0
State Income Tax	$1,873.4	$2,059.6	$2,411.6
Federal Income Tax	$3,291.3	$3,977.4	$4,165.6
Total Expenses	$46,088.7	$46,985.6	$48,058.5
Net Operating Revenues	$10,585.9	$11,821.0	$12,017.7
Rate Base	$139,216.0	$139,216.0	$141,591.8
Rate of Return	7.60%	8.49%	8.49%

(continued)

APPENDIX A
Page 2 of 3
San Gabriel Valley Water Company
Fontana Water Company Division

Utility Plant, Depreciation Reserve, and Rate Base
(Dollars in Thousands)

	TY 2012-2013	TY 2013-2014
Utility Plant		
Plant BOY	$257,160.2	$261,045.5
CWIP BOY	$3,556.8	$3,556.8
Utility Additions	$4,597.9	$3,818.5
Advances	$200.0	$200.0
Contributions	$500.0	$2,200.0
Total Additions	$5,297.9	$6,218.5
Retirements	($1,020.7)	($1,020.7)
Transfers & Adjustments	($391.9)	($391.9)
Plant EOY	$3,885.3	$4,805.9
CWIP EOY	$3,556.8	$3,556.8
Weighted Average Plant Additions	$1,942.7	$2,403.0
Wtd. Average Plant	$262,659.6	$267,005.3
Depreciation Reserve		
Reserve BOY	$67,382.5	$72,834.6
Contributions	$676.0	$712.1
Depreciation Expense	$5,437.8	$5,519.8
Clearing Accounts	$331.1	$336.9
Total Accruals	$6,444.9	$6,568.8
Retirements	($992.9)	($992.9)
Reserve EOY	$72,834.5	$78,410.4
Wtd. Average Accrued Reserve	$70,108.5	$75,622.5
RATE BASE		
Utility Plant	$262,659.6	$267,005.3
Materials and Supplies	$1,087.0	$1,087.0
Operational Cash Requirement	$28.0	$28.0
Working Cash-Lead Lag	$1,600.0	$1,600.0
Depreciation Reserve	($70,108.5)	($75,622.5)
Advances for Construction	($34,148.9)	($33,048.7)
Contributions in Aid of Construction	($25,165.1)	($25,821.1)
Accumulated Deferred Income Taxes	($17,672.3)	($14,413.7)
Deferred Investment Tax Credit	$326.5	$307.3
Taxes on Advances and Contributions	$1,900.8	$1,836.3
Water Entitlements - Fontana Union	$2,575.7	$2,575.7
66% Direct Share of FWC Office Building	$8,493.6	$8,303.3
Division Rate Base	$131,576.4	$133,836.8
Net Common Plant Allocation	$7,639.6	$7,755.0
Average Rate Base	$139,216.0	$141,591.8

(continued)

APPENDIX A
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San Gabriel Valley Water Company
Fontana Water Company Division

Income Tax Calculation
(Dollars in Thousands)

	TY 2012-2013	EY 2013-2014
Operating Revenue	$58,806.6	$60,076.3
Purchased Water & Assessments	$11,652.3	$11,697.7
Purchased Power	$4,672.7	$4,690.9
Chemicals	$675.2	$687.4
Payroll	$5,362.0	$5,477.0
Materials & Supplies	$836.5	$851.6
Transportation	$856.1	$871.6
Insurance	$509.2	$518.5
Pensions & Benefits	$2,142.4	$2,188.3
Uncollectibles	$271.2	$277.1
Franchise Fees	$400.0	$408.7
Regulatory Commission Expense	$363.3	$369.9
Outside Services	$523.7	$533.3
Utilities & Rents	$68.3	$69.6
Miscellaneous Expense	$983.5	$1,001.2
Administrative Expense Transferred	($268.8)	($273.6)
Bank Charges	$55.7	$56.7
Allocated Common Expenses	$4,187.0	$4,264.7
Ad Valorem Taxes	$1,502.4	$1,542.2
Payroll Taxes	$498.0	$508.7
Subtotal	$35,290.8	$35,741.6
Interest	$3,204.1	$3,263.1
Total Common Deductions	$38,494.8	$39,004.8
Taxable Income before Other Deductions	$20,311.8	$21,071.5
State Tax Depreciation	($2,908.8)	($6,129.1)
Net Taxable Income	$23,220.6	$27,200.6
State Corp. Franchise Tax @ 8.84%	$2,052.7	$2,404.5
Amortization of CIAC Tax	$7.0	$7.1
Total State Income Tax Expense	$2,059.6	$2,411.6
Federal Tax Depreciation	$5,657.8	$5,739.7
American Jobs Creation Act	$1,346.5	$1,442.9
State Franchise Tax - Prior Year	$2,015.2	$2,059.6
Federal Taxable Income	$11,292.2	$11,829.2
Federal Income Tax @ 35%	$3,952.3	$4,140.2
Amortization of CIAC Tax	$25.2	$25.4
Total Federal Income Tax Expense	$3,977.4	$4,165.6

(end of Appendix A)

APPENDIX B
Page 1 of 6
San Gabriel Valley Water Company
Fontana Water Company Division

Quantities
(Dollars in Thousands)

1.	**Net-to-Gross Multiplier**	1.801351
2.	**Federal Income Tax Rate**	35.00%
3.	**State Income Tax Rate**	8.84%
4.	**Franchise Fees Rate**	0.6857%
5.	**Uncollectibles Rate**	0.4648%

6. Number of Services & Supply

	No. of Customers			Annual Ccf			Usage - Ccf	
Class	**2012-2013**	**2013-2014**	**2014-2015**	**per Customer**		**2012-2013**	**2013-2014**	**2014-2015**
Tier 1					57%	5,309,029	5,331,463	5,353,898
Tier 2					43%	4,005,057	4,021,981	4,038,905
Residential - Single Family	39,994	40,163	40,332	232.89		9,314,086	9,353,445	9,392,803
Residential - Multi-Family, Small	973	973	973	618		601,314	601,314	601,314
Residential - Multi-Family, Large	131	131	131	8,209		1,075,379	1,075,379	1,075,379
Commercial, Small	2,194	2,217	2,240	492		1,079,202	1,090,518	1,101,834
Commercial, Large	345	348	351	4,132		1,423,474	1,435,870	1,448,266
Industrial, Small	37	37	37	681		25,197	25,197	25,197
Industrial, Large	49	49	49	8,745		428,505	428,505	428,505
California Steel Industries	1	1	1	78,494		78,494	78,494	78,494
Cemex USA - contract	1	1	1	115,450		115,450	115,450	115,450
Cemex USA - tariff	N/A	N/A	N/A	49,478		49,478	49,478	49,478
Public Authority, Small	272	272	272	915		248,880	248,880	248,880
Public Authority, Large	290	290	290	5,856		1,698,240	1,698,240	1,698,240
Construction, Small	33	33	33	459		15,147	15,147	15,147
Construction, Large	11	11	11	1,991		21,901	21,901	21,901
Recycled Water	0	0	0			0	0	0
Total	44,330	44,525	44,720			16,174,747	16,237,818	16,300,888
Unaccounted-for Water factor						8.3%	8.3%	8.3%
Total Water Supply, Ccf						17,638,765	17,707,544	17,776,323
Total Water Supply, AF						40,493.0	40,650.9	40,808.8

(continued)

APPENDIX B
Page 2 of 6
San Gabriel Valley Water Company
Fontana Water Company Division

Quantities
Test Year 2012-2013

7. Water Supply Quantities & Cost

Item	Quantity Basis (AF)	Unit Cost ($/AF)	Total Cost or Assessment ($000)
Chino Basin Wells			
Replenishment Assessment	3,242.0	$541.00	$1,753.9
Administrative Assessment	4,493.0	$7.40	$33.2
OBMP Assessment	4,493.0	$42.01	$188.8
Appropriative Pool & 85/15 Assess.	4,493.0	$14.90	$66.9
Land Use Conversion Assessment	750.0	$30.89	$23.2
Appropriative Rights	1.0	$0.00	$0.0
Leases	500.0	$527.00	$263.5
Total - Chino Basin Wells	4,493.0		$2,329.6
Non-Chino Basin Wells			
FWC Share	14,247.6	$0.00	$0.0
CVWD Share Purchased	7,552.5	$458.15	$3,460.2
Total - Non-Chino Basin Wells	21,800.0		$3,460.2
Lytle Creek Surface Water			
FWC Share	5,293.8	$0.00	$0.0
CVWD Share Purchased	2,806.2	$458.15	$1,285.7
Total - Lytle Creek Surface Water	8,100.0		$1,285.7
Other Sources of Supply			
SWP Purchases - MWD	5,500.0	$664.00	$3,652.0
SWP Purchases - SBVMWD	500.0	$125.80	$62.9
CVWD Emergency Purchases	100.0	$515.00	$51.5
Recycled Water	0.0	$115.00	$0.0
Total - Purchased Water	6,100.0		$3,766.4
Other Charges			
IEUA Assessment (active meters)	44,329.5	$12.90	$571.9
IEUA Monthly Capacity Charge		$6,000.00	$72.0
Water Stock Assessments (shares)	5,951.5	$28.00	$166.6
Total	40,493.0		$11,652.3
Composite Cost per Acre-Foot		$287.76	

(continued)

APPENDIX B
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San Gabriel Valley Water Company
Fontana Water Company Division

Quantities
Test Year 2012-2013

8. Purchased Power Costs (SCE rates effective March 1, 2011)

	kWh	Unit Cost	Cost ($000)
Schedule PA-1	0	N/A	$6.5
Schedule PA-2	1,323,207	$0.118194	$156.4
Schedule GS-1	48,213	$0.169146	$8.2
Schedule GS-2	791,705	$0.047829	$37.9
Schedule TOU-8	15,218,686	$0.163196	$2,483.6
Schedule TOU-PA-A	73,194	$0.153819	$11.3
Schedule TOU-PA-B	17,832,218	$0.101060	$1,802.1
Schedule TOU-GS-3B	793,999	$0.210050	$166.8
TOTAL POWER COSTS	36,081,222		$4,672.7

(continued)

APPENDIX B

San Gabriel Valley Water Company
Fontana Water Company Division

Quantities

9. Number of Services by Meter Size

	TY 2012-2013	EY 2013-2014	EY 2014-2015
Residential - Single Family			
5/8 x 3/4-in.	22,981	23,078	23,175
3/4-in.	29	29	30
1-in.	16,971	17,043	17,114
1-1/2-in.	8	8	8
2-in.	4	4	4
Total	39,994	40,163	40,332
Residential - Multi-Family, Small			
5/8 x 3/4-in.	523	523	523
3/4-in.	4	4	4
1-in.	229	229	229
1-1/2-in.	164	164	164
2-in.	50	50	50
3-in.	2	2	2
6-in.	1	1	1
3-2-in.	2	2	2
Total	973	973	973
Residential - Multi-Family, Large			
5/8 x 3/4-in.	4	4	4
1-in.	6	6	6
1-1/2-in.	20	20	20
2-in.	34	34	34
3-in.	2	2	2
6-in.	11	11	11
8-in.	17	17	17
10-in.	4	4	4
2-2-in.	25	25	25
3-2-in.	7	7	7
4-2-in.	1	1	1
Total	131	131	131

(continued)

APPENDIX B
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San Gabriel Valley Water Company
Fontana Water Company Division

Quantities

9. Number of Services by Meter Size (cont.)

	TY 2012-2013	EY 2013-2014	EY 2014-2015
Commercial, Small			
5/8 x 3/4-in.	799	807	815
3/4-In.	3	3	3
1-in.	513	518	524
1-1/2-in.	381	385	389
2-in.	490	496	501
6-in.	3	3	3
2-2-in.	4	4	4
2-4-in.	1	1	1
Total	2,194	2,217	2,240
Commercial, Large			
5/8 x 3/4-in.	3	3	3
1-in.	10	10	10
1-1/2-in.	48	49	49
2-in.	238	240	243
4-in.	1	1	1
6-in.	1	1	1
8-in.	1	1	1
10-in.	4	4	4
2-2-in.	25	25	25
3-2-in.	10	10	10
4-2-in.	3	3	3
2-4-in.	1	1	1
Total	345	348	351
Industrial, Small			
5/8 x 3/4-in.	11	11	11
1-in.	3	3	3
1-1/2-in.	7	7	7
2-in.	16	16	16
Total	37	37	37
Cemex USA			
10-in.	1	1	1
California Steel Industries			
10-in.	3	3	3
2-2-in.	1	1	1

(continued)

APPENDIX B
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San Gabriel Valley Water Company
Fontana Water Company Division

Quantities

9. Number of Services by Meter Size (cont.)

	TY 2012-2013	EY 2013-2014	EY 2014-2015
Industrial, Large (excluding CSI and Cemex)			
1-1/2-in.	4	4	4
2-in.	26	26	26
3-in.	1	1	1
6-in.	1	1	1
10-in.	3	3	3
2-2-in.	9	9	9
3-2-in.	4	4	4
2-3-in.	1	1	1
Total	49	49	49
Public Authority, Small			
5/8 x 3/4-in.	17	17	17
3/4-in.	1	1	1
1-in.	56	56	56
1-1/2-in.	63	63	63
2-in.	125	125	125
2-2-in.	8	8	8
3-2-in.	2	2	2
Total	272	272	272
Public Authority, Large			
5/8 x 3/4-in.	1	1	1
1-in.	4	4	4
1-1/2-in.	9	9	9
2-in.	180	180	180
3-in.	4	4	4
4-in.	1	1	1
6-in.	1	1	1
2-2-in.	59	59	59
3-2-in.	22	22	22
4-2-in.	9	9	9
Total	290	290	290
Construction	44	44	44
Total Metered	44,330	44,525	44,720
Private Fire Services			
7.65" diameter (avg.)	916	936	956
Total Services	45,246	45,461	45,676

(end of Appendix B)

APPENDIX C
Page 1 of 4

San Gabriel Valley Water Company
Fontana Water Company Division

Comparison of Monthly Bills
General Rates (non-CARW)
(5/8" x 3/4" meter)

Comparison of typical bills for residential metered customers of various usage levels and average level at present and authorized rates

		Test Year 2012-2013		Escalation Year 2013-2014	
Monthly Usage	**Present Rates** (eff. 05/28/13)	**Authorized Rates**	**Percent Increase**	**Forecasted Rates**	**Percent Increase**
5	$29.95	$29.21	-2.5%	$29.68	1.6%
10	$41.16	$42.25	2.6%	$42.96	1.7%
20	$63.58	$68.32	7.5%	$69.50	1.7%
23 (avg.)	$70.31	$76.14	8.3%	$77.47	1.7%
30	$86.00	$94.39	9.8%	$96.05	1.8%
50	$130.84	$146.52	12.0%	$149.14	1.8%
100	$242.94	$276.87	14.0%	$281.88	1.8%

(continued)

APPENDIX C
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San Gabriel Valley Water Company
Fontana Water Company Division

Comparison of Monthly Bills
General Rates (CARW)
(5/8" x 3/4" meter)

Comparison of typical bills for residential metered customers of various usage levels and average level at present and authorized rates

		Test Year 2012-2013		Escalation Year 2013-2014	
Monthly Usage	**Present Rates** (eff. 05/28/13)	**Authorized Rates**	**Percent Increase**	**Forecasted Rates**	**Percent Increase**
5	$20.79	$20.57	-1.1%	$21.04	2.3%
10	$32.00	$32.95	3.0%	$33.66	2.1%
20	$54.42	$57.72	6.1%	$58.91	2.1%
23 (avg.)	$61.15	$65.16	6.6%	$66.49	2.0%
30	$76.84	$82.50	7.4%	$84.16	2.0%
50	$121.68	$132.04	8.5%	$134.66	2.0%
100	$233.78	$255.90	9.5%	$260.91	2.0%

(continued)

APPENDIX C
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San Gabriel Valley Water Company
Fontana Water Company Division

Comparison of Monthly Bills
Conservation Rates (non-CARW)
(5/8" x 3/4" meter)

Comparison of typical bills for residential metered customers of various usage levels and average level at present and authorized rates

		Test Year 2012-2013		Escalation Year 2013-2014	
Monthly Usage	**Present Rates** (eff. 05/28/13)	**Authorized Rates**	**Percent Increase**	**Forecasted Rates**	**Percent Increase**
5	$27.27	$27.08	-0.7%	$27.74	2.4%
10	$39.04	$40.28	3.2%	$41.34	2.6%
20	$63.99	$68.17	6.5%	$69.30	1.7%
23 (avg.)	$72.10	$77.21	7.1%	$78.49	1.7%
30	$91.04	$98.32	8.0%	$99.94	1.7%
50	$145.16	$158.62	9.3%	$161.23	1.6%
100	$280.44	$309.38	10.3%	$314.44	1.6%

(continued)

APPENDIX C
Page 4 of 4

San Gabriel Valley Water Company
Fontana Water Company Division

Comparison of Monthly Bills
Conservation Rates (CARW)
(5/8" x 3/4" meter)

Comparison of typical bills for residential metered customers of various usage levels and average level at present and authorized rates

		Test Year 2012-2013		Escalation Year 2013-2014	
Monthly Usage	**Present Rates** (eff. 05/28/13)	**Authorized Rates**	**Percent Increase**	**Forecasted Rates**	**Percent Increase**
5	$18.04	$18.44	2.2%	$18.90	2.5%
10	$29.81	$30.98	3.9%	$31.66	2.2%
20	$54.76	$57.58	5.2%	$58.71	2.0%
23 (avg.)	$62.87	$66.23	5.3%	$67.51	1.9%
30	$81.81	$86.43	5.6%	$88.05	1.9%
50	$135.93	$144.14	6.0%	$146.75	1.8%
100	$271.21	$288.41	6.3%	$293.48	1.8%

(end of Appendix C)

APPENDIX D
Page 1 of 2

San Gabriel Valley Water Company
Fontana Water Company Division

Adopted Rates

	Test Year 2012-2013	Escalation Year 2013-2014	Estimated Increase Escalation Year 2014-2015
Schedule FO-1 (General Metered Service)			
Quantity Rate			
Per 100 cu. Ft (Ccf)	$2.4772	$2.5250	$0.0450
Service Charges			
Per service per month			
5/8 x 3/4-in.	$16.18	$16.41	$0.20
3/4-in.	$24.27	$24.62	$0.30
1-in.	$40.45	$41.03	$0.50
1-1/2-in.	$80.90	$82.05	$1.00
2-in.	$129.40	$131.30	$1.60
3-in.	$242.70	$246.20	$3.00
4-in.	$404.50	$410.30	$5.00
6-in.	$810.00	$820.00	$10.00
8-in.	$1,290.00	$1,310.00	$20.00
10-in.	$1,860.00	$1,890.00	$20.00
12-in.	$2,670.00	$2,710.00	$30.00
2-2-in.	$259.00	$263.00	$3.00
3-2-in.	$388.00	$394.00	$5.00
4-2-in.	$518.00	$525.00	$7.00
2-3-in.	$485.00	$492.00	$6.00
2-4-in.	$809.00	$821.00	$10.00
1-8-in., 2-2-in.	$1,550.00	$1,570.00	$30.00
2-8-in.	$2,580.00	$2,620.00	$40.00
Schedule FO-1C (Conservation Rates)			
Quantity Rate			
For the first 16 Ccf	$2.5090	$2.5518	$0.0815
For all Ccf greater than 16 Ccf	$2.8854	$2.9346	$0.0937
Service Charges			
Per service per month			
5/8 x 3/4-in.	$13.89	$14.14	$0.25
3/4-in.	$20.83	$21.22	$0.37
1-in.	$34.72	$35.36	$0.61
1-1/2-in.	$69.44	$70.72	$1.22
2-in.	$111.06	$113.17	$1.95
3-in.	$208.31	$212.20	$3.66

APPENDIX D
Page 2 of 2

San Gabriel Valley Water Company
Fontana Water Company Division

Adopted Rates
(continued)

	Test Year 2012-2013	Escalation Year 2013-2014	Estimated Increase Escalation Year 2014-2015
Schedule FO-4 (Private Fire Service)	$10.95	$10.90	$0.00
Schedule FO-6 (Recycled Water Service)			
Quantity Rate			
Per 100 cu. Ft (Ccf)	$1.8579	$1.8938	$0.0337
Service Charges	(same as Schedule FO-1)		
Schedule FO-9C (Construction and Tank Truck Service)			
sidewalk (per 100 sq. ft.)	$0.83	$0.84	$0.01
street curb (per 100 lineal ft.)	$1.65	$1.68	$0.02
trench settling (per lineal foot)	$0.07	$0.07	$0.00
road constuction (per 3000 sq. ft.)	$11.62	$11.79	$0.14
fill compaction (per cubic yard)	$0.10	$0.11	$0.00
tank truck (per 100 gallons)	$0.27	$0.27	$0.00
Minimum charge	$41.63	$42.22	$0.51
Schedule FO-9CL (Tract Houses During Construction)			
per lot	$14.24	$14.44	$0.18
Schedule FO-CARW (Low Income Program)			
Surcharge, per Ccf	$0.1297	$0.1297	$0.0000
Surcredits			
5/8 x 3/4-in.	$8.00	$8.00	$0.00
3/4-in.	$10.00	$10.00	$0.00
1-in.	$20.00	$20.00	$0.00

(END OF ATTACHMENT II)

ATTACHMENT III

Plant F14 (Sandhill) Ratebase Adjustment

Plant F14 (Sandhill) Ratebase Adjustment
Modified for City of Fontana Recommended Disallowance

San Gabriel Valley Water Company - Fontana Water Company Division

Year	Year #	Total Sandhill Plant Additions	Disallowance of 57% of Sandhill Plant in Service	EOY Accum. Deprec.	Avg. Accum. Deprec.	Avg. Rate Base	Depreciation Expense	Uncoll. & Franch. Fees Expense	Ad Valorem Tax	Income Taxes	Return on Rate Base	Incremental Revenue Requirement	90-day Commercial Paper Rate	Incremental Revenue Requirement with Interest	Year
2006	1	$6,000,000	$3,420,000	($97,714)	($48,857)	$3,371,143	$97,714	$5,367	$33,711	$88,054	$311,831	$536,677	3.42%	$555,032	2006
2007	2	$6,000,000	$6,840,000	($296,017)	($196,866)	$6,643,134	$198,303	$10,634	$66,431	$173,519	$614,490	$1,063,376	5.10%	$1,117,608	2007
2008	3	$20,916,281	$18,762,280	($855,601)	($575,809)	$18,186,471	$559,584	$29,280	$181,865	$475,031	$1,682,249	$2,928,008	4.92%	$3,072,066	2008
2009	4	$7,390,833	$22,975,055	($1,546,833)	($1,201,217)	$21,773,838	$691,233	$35,271	$217,738	$568,733	$2,014,080	$3,527,055	2.13%	$3,602,181	2009
2010	5		$22,975,055	($2,238,066)	($1,892,450)	$21,082,605	$691,233	$34,373	$210,826	$550,678	$1,950,141	$3,437,250	0.26%	$3,446,187	2010
2011	6		$22,975,055	($2,929,299)	($2,583,683)	$20,391,372	$691,233	$33,474	$203,914	$532,623	$1,886,202	$3,347,446	0.24%	$3,355,480	2011
2012	7		$22,975,055	($3,620,532)	($3,274,916)	$19,700,139	$691,233	$32,576	$197,001	$514,568	$1,822,263	$3,257,641	0.17%	$3,263,179	2012
2013	8		$22,975,055	($4,311,765)	($3,966,149)	$19,008,906	$691,233	$31,678	$190,089	$496,513	$1,758,324	$3,167,837	0.14%	$3,172,272	2013
2014	9		$22,975,055	($5,002,998)	($4,657,382)	$18,317,673	$691,233	$30,780	$183,177	$478,458	$1,694,385	$3,078,032			2014
	10		$22,975,055	($5,694,231)	($5,348,615)	$17,626,440	$691,233	$29,882	$176,264	$460,403	$1,630,446	$2,988,228			
	11		$22,975,055	($6,385,464)	($6,039,848)	$16,935,207	$691,233	$28,984	$169,352	$442,348	$1,566,507	$2,898,424			
	12		$22,975,055	($7,076,697)	($6,731,081)	$16,243,974	$691,233	$28,086	$162,440	$424,293	$1,502,568	$2,808,619			
	13		$22,975,055	($7,767,930)	($7,422,314)	$15,552,741	$691,233	$27,188	$155,527	$406,238	$1,438,629	$2,718,815			
	14		$22,975,055	($8,459,163)	($8,113,547)	$14,861,508	$691,233	$26,290	$148,615	$388,183	$1,374,690	$2,629,010			
	15		$22,975,055	($9,150,396)	($8,804,779)	$14,170,275	$691,233	$25,392	$141,703	$370,128	$1,310,750	$2,539,206			
	16		$22,975,055	($9,841,629)	($9,496,012)	$13,479,043	$691,233	$24,494	$134,790	$352,073	$1,246,811	$2,449,401			
	17		$22,975,055	($10,532,862)	($10,187,245)	$12,787,810	$691,233	$23,596	$127,878	$334,018	$1,182,872	$2,359,597			
	18		$22,975,055	($11,224,095)	($10,878,478)	$12,096,577	$691,233	$22,698	$120,966	$315,963	$1,118,933	$2,269,793			
	19		$22,975,055	($11,915,328)	($11,569,711)	$11,405,344	$691,233	$21,800	$114,053	$297,908	$1,054,994	$2,179,988			
	20		$22,975,055	($12,606,561)	($12,260,944)	$10,714,111	$691,233	$20,902	$107,141	$279,853	$991,055	$2,090,184			
	21		$22,975,055	($13,297,794)	($12,952,177)	$10,022,878	$691,233	$20,004	$100,229	$261,798	$927,116	$2,000,379			
	22		$22,975,055	($13,989,027)	($13,643,410)	$9,331,645	$691,233	$19,106	$93,316	$243,743	$863,177	$1,910,575			
	23		$22,975,055	($14,680,260)	($14,334,643)	$8,640,412	$691,233	$18,208	$86,404	$225,688	$799,238	$1,820,770			
	24		$22,975,055	($15,371,493)	($15,025,876)	$7,949,179	$691,233	$17,310	$79,492	$207,633	$735,299	$1,730,966			
	25		$22,975,055	($16,062,725)	($15,717,109)	$7,257,946	$691,233	$16,412	$72,579	$189,578	$671,360	$1,641,162			
		$40,307,114					$16,062,725	$613,784	$3,475,504	$9,078,016	$32,148,409	$61,378,439			

Total Refund with Interest:
$19,997,868
(2005 - June 2013)

Adjustment to Plant:
$22,975,055
(Test Year 2012-2013)

Adjustment to Ratebase:
$19,354,523
(Test Year 2012-2013)

(END OF ATTACHMENT III)