**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.	A.11-07-005 (Filed July 11, 2011)

OPENING COMMENTS OF THE OFFICE OF RATEPAYER ADVOCATES ON THE PROPOSED DECISION MODIFYING A PROPOSED BILATERAL SETTLEMENT OF SAN GABRIEL VALLEY WATER COMPANY'S 2012-2013 TEST YEAR GENERAL RATE CASE

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I. INTRODUCTION

Pursuant to Rule 14.3 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure ("Rules"), the Office of Ratepayer Advocates ("ORA")[1] files these opening comments regarding the Proposed Decision of Administrative Law Judge Long ("proposed decision" or "decision") in Application ("A.") 11-07-005 of the San Gabriel Valley Water Company ("San Gabriel").

ORA's comments first discuss the decision's well-reasoned ratebase adjustments associated with the Plant F7 Retaining Wall, the Slemmer Settlement, and the Sandhill Water Treatment Facility. However, ORA recommends corrections to dollar amounts presented in the proposed decision to reflect the proposed decision's stated Slemmer Settlement disallowance. ORA's comments then offer three modifications to correct the proposed decision's Sandhill-related refund calculations. Lastly, ORA's comments discuss errors in the decision's analysis of the Walnut Avenue pipeline project.[2]

II. DISCUSSION

A. The Proposed Decision's Ratebase Adjustments Associated with the Plant F7 Retaining Wall, the Slemmer Settlement, and the Sandhill Water Treatment Facility are Well Reasoned; ORA Recommends Only Minor Clarifications.

The proposed decision affirms the Commission's prior disallowance of the Plant F7 retaining wall costs, caps San Gabriel's recovery at approximately $1.5 million for the shares of Fontana Union's stock that San Gabriel acquired as part of the Slemmer Settlement Agreement that resolved litigation between San Gabriel and other parties, and limits costs for the Sandhill Water Treatment Facility Upgrade ("Sandhill").[3]

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[1] The Division of Ratepayer Advocates was renamed the Office of Ratepayer Advocates effective September 26, 2013 pursuant to Senate Bill No. 96 (Budget Act of 2013: public resources), which was approved by the Governor on September 26, 2013.

[2] ORA's proposed changes to the Finding of Facts, Conclusions of Law, and Ordering Paragraphs are included as Attachment ORA-B.

[3] Proposed Decision of ALJ Long ("PD"), at pp. 27-28, Ordering Paragraph 5, 7-8.

i. Slemmer Settlement - $2,614,080 Disallowance

Similarly, the proposed decision is correct to deny the cost of above the approximately $1.5 million for stock acquired by San Gabriel under the Slemmer Settlement. San Gabriel was permitted to revisit this limited issue only and the proposed decision is correct to limit San Gabriel to "information that was not available for the prior proceeding or new information subsequent to that proceeding."[4] The proposed decision correctly finds that issues related to the Slemmer Settlement have previously been addressed,[5] and that the cost for the additional shares acquired as part of settling the Slemmer litigation does not provide any value to ratepayers.[6]

The additional amount at issue here is $2,614,080 ($4,200,000 less the previously adopted cost of $1,585,920).[7] However, when citing the Slemmer costs, the proposed decision incorrectly switched the allowed amount ($1.5 million) with the disallowed amount ($2.6 million). ORA recommends the following clarifications and corrections to address this error[8]:

- Finding of Fact 17 on page 24 of the proposed decision should be revised to: "The additional cost of **$2,614,080** ~~$1,585,920~~ for shares acquired **was** ~~as~~ a part of ~~settling~~ **the settlement of** the Slemmer litigation **to** end~~ing~~ the litigation."
- Conclusion of Law 8 on page 25 of the proposed decision should be revised to: "The additional cost of **$2,614,080** ~~$1,585,920~~ for shares acquired **to settle** ~~as a part of settling~~ the Slemmer litigation does not provide any value to ratepayers; the cost benefited **San Gabriel's** shareholders by ending the

4 PD at p. 16.

5 PD at p. 18.

6 PD at p. 25, Conclusion of Law 8.

7 Opening Brief of San Gabriel Valley Water Company (U337W), June 1, 2012, p. 43, and Opening Brief of the Division of Ratepayer Advocates, June 1, 2012, p. 14.

8 Suggested additions are presented in bold, while suggested deletions are presented in strike-through format.

litigation, and therefore, **cannot be recovered from San Gabriel's customers** ~~is unreasonable~~."

- Ordering Paragraph 7 on page 27 of the proposed decision should be revised to: "The additional cost of **$2,614,080** ~~$1,585,920~~ for shares acquired **to settle** ~~as a part of settling~~ the Slemmer litigation **cannot be recovered form San Gabriel's ratepayers** ~~is denied~~."
- Additionally, the $1,585,920 amount is mentioned twice on page 16 of the proposed decision; it should be replaced with the value of $2,614,080.

ii. Sandhill Treatment Plant Upgrade– Capped at $17,000,000

The proposed decision's conclusion that costs for Sandhill should be capped at $17 million is entirely reasonable. As stated in the decision, "Sand Hill does not perform now, and has never performed to the production levels . . . that would reasonably justify the expenditures made by San Gabriel."[9] Thus, San Gabriel has not met its burden of proof to justify the level of rate recovery requested.

However, ORA does recommend several factual corrections and clarifications, as discussed in detail below.

B. The Proposed Decision's Calculations for the Sandhill Refund Contain Errors and Should Be Corrected.

The proposed decision requires San Gabriel to file a Tier 2 Advice Letter to refund its over-collection of rates associated with Sandhill.[10] For the required Sandhill refund, the proposed decision refers to its Attachment III[11] – Plant F14 (Sandhill) Ratebase Adjustment.

It appears that Attachment III applies a 57% Sandhill disallowance to ORA's Sandhill refund workpapers to produce the total refund amount. While ORA supports the 57% Sandhill disallowance factor and the use of ORA's Excel spreadsheet workpapers, ORA finds changes to Attachment III's input and calculations are needed. As explained

[9] PD at p. 19.

[10] PD at p. 24, Ordering Paragraph 10.

[11] The statement "See Attachment II for the required refund" on page 22 of the proposed decision appears to contain a typographical error. The refund calculations are in Attachment III of the proposed decision.

in ORA's direct testimony, its Sandhill refund estimate (and by extension its Sandhill refund workpapers) "is intended to show the importance of [the Sandhill disallowance] issue and is therefore provided as an example until a future calculation of the actual amounts associated with a 39% capacity adjustment is offered by San Gabriel."[12] San Gabriel failed to provide alternative calculations for the Commission to consider, and the proposed decision relied on ORA's approach (modified to reflect a 57% disallowance factor) to determine the Sandhill refund amount. For these reasons, ORA offers at this time the necessary corrections to the spreadsheet containing the refund calculations to ensure that ratepayers receive the refund amount consistent with the Sandhill disallowance adopted by the Commission.

ORA recommends three specific corrections to the spreadsheet presented as Attachment III of the proposed decision.

1. Modification #1 – Correct the interest rates. ORA's original workpaper and the proposed decision's Attachment III calculations inadvertently use the prior year's interest rate to calculate the interest amount for each year, e.g., the 3.42% interest rate used for 2006 in the proposed decision and ORA's workpapers was the 2005 interest rate. ORA recommends correcting that error and using the interest rates presented in the Modification #1 column in Table ORA-1 below. While this modification reduces the refund amount by about $143,000, it is necessary and appropriate to use the correct input for interest rates to calculate the interest owed by San Gabriel.

[12] ORA Report at p. 15-23.

Table ORA-1. Interest Rates for Sandhill Refund Calculations.

Year	90-day Commercial, Non-Financial Interest Rates[13]	
	Proposed Decision	Modification #1
2006	3.42%	5.10%
2007	5.10%	4.92%
2008	4.92%	2.13%
2009	2.13%	0.26%
2010	0.26%	0.24%
2011	0.24%	0.17%
2012	0.17%	0.19%
2013	0.14%	0.12%

2. Modification #2 – Correct the interest calculations. ORA's original workpaper and the proposed decision's Attachment III calculations both understate the applicable interest amounts. Both apply the interest rate to each year's Sandhill "Incremental Revenue Requirement"[14] to arrive at the "Incremental Revenue Requirement with Interest" amount for that year. To compensate ratepayers properly for the over-collection in rates through the years, the interest rate should be applied not only to the incremental revenue requirement for the current year *but also* to the accumulated incremental revenue requirement plus interest from prior years. Because the annual "Incremental Revenue Requirement with Interest" amounts are then summed to arrive at the "Total Refund with Interest," this modification increases the total refund by about $156,000 (or by $13,000 if netted against impacts from Modification #1). This modification correctly accounts for interest on the accumulated over-collection, and is therefore necessary and appropriate.

[13] Although not specifically stated in Attachment III, ORA's workpapers and thus Attachment III, which utilizes ORA workpapers for its calculations, relies on federal interest rates, located at: http://www.federalreserve.gov/releases/H15/data.htm. Interest rate for 2013 is estimated by averaging monthly values from January through October 2013.

[14] "Incremental Revenue Requirement" includes annual cost components enumerated in the proposed decision's Attachment III, namely depreciation, uncollectible and franchise fee expenses, income taxes and return on rate base.

3. Modification #3 – Correct calculations for "Total Refund of Interest." The formula for "Total Refund with Interest" in the proposed decision's Attachment III only calculates 7.5 years' worth of disallowed Sandhill revenue requirement plus interest – specifically, from 2006 through *mid-year* 2013.[15] Assuming the final decision is issued at the end of 2013 or early 2014, the "Total Refund with Interest" should include disallowed amounts from 2006 through at least *end-of-year* 2013. This modification increases the total refund amount by $1,596,758 (or by $1,609,469 if including impacts from Modifications #1 and #2), and is necessary and appropriate.

The impact of these modifications to the Sandhill refund amount is reflected in Table ORA-2 below. Attachment ORA-A, on page 1, provides detailed explanations and calculations supporting the refund amounts presented in Table ORA-2, and Attachment ORA-A, on page 2, should be used to replace Attachment III of the proposed decision.

Table ORA-2. Modifications to the Spreadsheet Supporting the Proposed Decision's Attachment III - Sandhill Refund Calculations

Refund with Interest	Proposed Decision	Modification #1	Modifications #1 & 2	Modifications #1, 2 & 3
Total	$19,997,868	$19,854,611	$20,010,578	$21,607,338
Change from Proposed Decision	--	($143,257)	$12,710	$1,609,469*

* Cumulative effect of modifications.

Further, ORA recommends that the Commission consider providing additional guidance as to how this refund should be implemented, such as the length of the refund period, the specific refund mechanism to be used, and how the refund will be allocated among San Gabriel's customers, in order to ensure timely and equitable distribution of the Sandhill refund owed to San Gabriel's ratepayers.

[15] Formula as shown in cell for "Total Refund with Interest:" P11+P12+P13+P14+P15+P16+P17+**0.5*P18**, where P11 through P18 are annual "Incremental Revenue Requirement with Interest" for 2006 through 2013, respectively.

C. The Walnut Avenue Pipeline Should Be Disallowed as in the 2008 General Rate Case; San Gabriel Was Not Permitted to Revisit the Issue and Has Not Provided Any New Information Demonstrating The Benefits of the Project.

In San Gabriel's 2008 GRC, the Commission disallowed $1,055,893 of plant addition associated with the Walnut Avenue Pipeline project ("Walnut Avenue project" or "Job No. 5111"), finding that San Gabriel failed to demonstrate "how this project will increase reliability or whether an increase in reliability is even needed."[16] The proposed decision incorrectly grants San Gabriel's request for rate recovery, finding that "the record this time is sufficiently robust to support a finding that the Walnut Avenue project does, in fact, provide reliability benefits," and allows San Gabriel to recover project costs in rates.[17]

First, the proposed decision is internally inconsistent. With regard to the Plant F7 retaining wall project (Job No. 4870), which the decision disallows, the decision notes that "San Gabriel was not given leave to bring this issue back and ORA is correct that D.09-06-027 disposed of the issue."[18] The same is true for the Walnut Avenue project. The proposed decision misstates that "San Gabriel was allowed to revisit [the Walnut Avenue project] issue in this proceeding."[19] The 2008 GRC decision allowed San Gabriel to revisit issues related to the Sandhill facility and the Slemmer Settlement.[20] However, no such allowance was made with regard to the Walnut Avenue project.[21] The proposed decision's determination that San Gabriel was allowed to revisit the Walnut Avenue project is a legal error. The Commission excluded this project from rate

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[16] D.09-06-027 at p. 45. D.09-06-027 (in proceeding A.08-07-009) is the 2008 GRC decision adopting Test Year 2009/2010 revenue requirements and rates for San Gabriel's Fontana Water Company Division.

[17] PD at p. 15.

[18] PD at p. 14.

[19] PD at p. 24, Finding of Fact 15.

[20] D.09-06-027 at p. 112, Ordering Paragraph 6 ("San Gabriel Valley Water Company may revisit the issue of the ratemaking treatment of the settlement costs of the Slemmer law suit ($4,200,000), discussed in Section 8 of this decision, in its next general rate case."); *Id*. at p. OP 16 (San Gabriel's rates are subject to refund, subject to a reasonableness review of the Sandhill facility in the next GRC).

[21] *See* ORA Reply Brief at p. 3.

base in the 2008 GRC because it determined that the company had ample opportunity to meet its burden of proof in that proceeding and had not done so.[22]

Second, while the proposed decision seems to rely on purportedly new information regarding the Walnut Avenue project that was not provided in the last GRC, the proposed decision does not identify the new information that San Gabriel allegedly provided in this proceeding.[23] Given that the alleged provision of new information forms part of the rationale for granting San Gabriel's request for rate recovery for the Walnut Avenue project, the proposed decision's failure to identify this information is a significant concern. ORA has thoroughly examined the record in both this proceeding and the 2008 GRC and was not able to identify any new information regarding this project that San Gabriel had not already provided in the 2008 GRC. Thus, it appears that the decision's reference to San Gabriel's "sufficiently robust" showing on the Walnut Avenue project in this case is in error since San Gabriel did not produce any new information on the Walnut Avenue project in this case.

In the 2008 GRC, San Gabriel presented information on the general benefits of the Walnut Avenue project, including that the project delivers a reliable water supply to the Fontana Plant F16 reservoir and booster station, which in turn is the primary source of water to the company's Plant F15 reservoir.[24] San Gabriel also attempted to justify the project by noting that the project was coordinated with the City of Fontana's road work construction, thus reducing ratepayer costs.[25]

In the current GRC, San Gabriel has presented the exact same information it did in 2008 to justify rate recovery for the Walnut Avenue project. San Gabriel's application

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[22] D.09-06-027 at p. 45.

[23] *See* PD at p. 15 ("It would appear that the record this time is sufficiently robust to support a finding that the Walnut Avenue project does, in fact, provide reliability benefits.").

[24] Exhibit DRA-1 (ORA Report on the Results of Operations San Gabriel Valley Water Company) at pp. 7-48 to 7-49 (Nov. 3, 2011), citing "Showing of San Gabriel Valley Water Company on Reasonableness of Post-2002 Construction Projects" November 24, 2008 filing (A.08-07-009).

[25] Exhibit DRA-1 (ORA Report on the Results of Operations San Gabriel Valley Water Company) at pp. 7-48 to 7-49 (November 3, 2011), citing "Showing of San Gabriel Valley Water Company on Reasonableness of Post-2002 Construction Projects" November 24, 2008 filing (A.08-07-009).

includes nothing beyond what it included in its 2008 filing. For example, San Gabriel simply reiterates its earlier contention that the Walnut Avenue project supplies water to Plant F16 and the reservoir at Plant F15.[26] San Gabriel also states (as it did in its 2008 GRC) that constructing the pipeline in conjunction with the City of Fontana's street improvements reduced costs to ratepayers.[27]

Finally, while the proposed decision finds that the project provides reliability benefits, the proposed decision errs by failing to discuss additional benefits of the project under the Public Utilities Code's "just and reasonable" standard.[28] The proposed decision finds that the Walnut Avenue project can now be recovered in rates based on a finding that the project "has now been shown to provide enhanced reliability."[29] In the 2008 GRC decision, the Commission specifically stated that in order for San Gabriel to meet its burden of proof with regard to the Walnut Avenue project, it must establish "an affirmative demonstration of the need."[30]

While the proposed decision finds that the project enhances reliability, it fails to explain if this area of San Gabriel's service territory needed a capital investment to improve service reliability. Furthermore, the proposed decision did not explain why the alleged improvement in service reliability justifies the additional cost of $1,055,893. In fact, the evidence demonstrates that this area did not need to have its reliability improved. For instance, ORA noted that "if reliability in the area served by the Walnut Avenue Pipeline needed to be enhanced in 2006 when the project was constructed, it would have been included in San Gabriel's 2005 Water System Master Plan. However, [the Walnut Avenue Pipeline] project was not included in the Master Plan."[31]

[26] San Gabriel Opening Brief at p. 29.

[27] San Gabriel Opening Brief at pp. 29-30.

[28] California Public Utilities Code § 451.

[29] PD at p. 24, Ordering Paragraph 15.

[30] D.09-06-027 at p. 30.

[31] ORA Opening Brief at p. 10 (internal footnotes omitted).

Even if the Commission determines – contrary to its 2008 general rate case decision — that San Gabriel should be allowed to revisit this issue, the company has once again failed to demonstrate the need for the Walnut Avenue project.

III. CONCLUSION

In conclusion, the proposed decision, in resolving disputed items between San Gabriel and ORA, presents a reasonable outcome for this proceeding. The proposed decision benefits ratepayers, and affirms the Commission's long standing position that a utility needs to fully and adequately justify all projects. However, ORA does take issue with the proposed decision's analysis of the Walnut Avenue project as discussed above.

With regards to the Slemmer Settlement disallowance, ORA recommends that the proposed decision's Finding of Fact 17, Conclusion of Law 8, and Ordering Paragraph 7 be corrected to reflect the stated disallowance in the proposed decision.

Additionally, ORA recommends three specific corrections or modifications to the Sandhill refund calculations to ensure that the amount to be returned to ratepayers is consistent with the adopted Sandhill disallowance. Specifically, ORA recommends that the refund amount corresponding to the 57% Sandhill disallowance be no less than $21,607,338, which is the total refund amount after ORA's recommended modifications. Furthermore, ORA recommends that the Commission provide additional guidance on refund implementation to ensure timely and equitable distribution of the Sandhill refund owed to ratepayers.

Finally, as discussed above, ORA recommends re-examining the proposed decision's conclusions and analysis regarding the Walnut Avenue project, particularly because the Commission did not give San Gabriel leave to re-visit this issue in this proceeding.

Respectfully submitted,

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ATTACHMENT ORA-A:

Sandhill Refund Calculations

ATTACHMENT ORA-A. SANDHILL REFUND CALCULATIONS (page 1 of 2)

Substantive changes to the calculations in Attachment III of 10/15/2013 Proposed Decision are made and/or explained in shaded areas

Plant F14 (Sandhill) Ratebase Adjustment
Modified for City of Fontana Recommended Disallowance
San Gabriel Valley Water Company - Fontana Water Company Division

Current Year	Year #	Total Sandhill Plant Additions	Disallowance of 57% of Sandhill Plant in Service **	EOY Accum. Depreciation	Avg. Accum. Depreciation	Avg. Rate Base	Depre-ciation Expense	Uncollect. & Franchise Fee Expense	Ad Valorem Tax	Income Taxes	Return on Rate Base	[a] Incremental Revenue Requirement For Current Year	[b] Interest Rate from Current Year	[c]= [a] + [prior yr's e] Balance Subject to Interest, from Prior and Current Years	[d]= [b]*[c] Current Year's Interest on Accumu-lated Rev Req & Interest	[e]=c]+[d] Total End-of-Year Rev Req & Interest	Current 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	5.10%	$536,677	$27,371	$564,048	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	4.92%	$1,627,424	$80,069	$1,707,494	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	2.13%	$4,635,501	$98,736	$4,734,237	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	0.26%	$8,261,292	$21,479	$8,282,771	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	0.24%	$11,720,021	$28,128	$11,748,150	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	0.17%	$15,095,595	$25,663	$15,121,258	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	0.19%	$18,378,899	$34,920	$18,413,819	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	0.12%	$21,581,656	$25,682	**$21,607,338**	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
2015	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					2015
2016	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					2016
2017	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					2017
2018	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					2018
2019	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					2019
2020	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					2020
2021	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					2021
2022	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					2022
2023	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					2023
2024	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					2024
2025	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					2025
2026	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					2026
2027	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					2027
2028	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					2028
2029	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					2029
2030	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					2030
		$40,307,114					$16,062,725	$613,784	$3,475,504	$9,078,016	$32,148,409	$61,378,439			$342,048		

[a] Incremental revenue requirement is same as that presented in the Proposed Decision's Attachment III.
[b] Interest rates are from current (same) year; Proposed Decision uses prior year's interest rate. For 2013, annual rate is estimated by averaging latest available monthly rates (in this case Jan-Oct 2013).
Monthly and annual 90-day commercial, non-financial values are from *http://www.federalreserve.gov/releases/H15/data.htm*

Summary of ORA-Recommended Modifications to Proposed Decision's Sandhill Refund Amount.

Description	[f] From Proposed Decision, Attachment III	[g] Start with Modification #1 to correct/update interest rates	[h] Difference from Proposed Decision [h] = [g] - [f]	[i] Add Modification #2 to apply interest rate on accumulated balance	[j] Difference from Proposed Decision [h] = [i] - [f]	Add Modification #3 to correct "Total Refund with Interest" formula	[l] Difference from Proposed Decision [l] = [k] - [f]
Total Refund with Interest:	**$19,997,868** (2006 thru ,6/2013 only)	**$19,854,611** (2006 thru 6/2013 only)	($143,257)	**$20,010,578** (2006 thru 6/2013 only)	$12,710 $155,967 w/o #1	**$21,607,338** (2006 thru 2013)	$1,609,469 $1,596,759 w/o #1&#2
Adjustment to Plant: (Test Year 2012-2013)	**$22,975,055**	**$22,975,055**	$0	**$22,975,055**	$0	**$22,975,055**	$0
Adjustment to Ratebase: (Test Year 2012-2013)	**$19,354,523**	**$19,354,523**	$0	**$19,354,523**	$0	**$19,354,523**	$0

ATTACHMENT ORA-A. SANDHILL REFUND CALCULATIONS (page 2 of 2)

Recommended Replacent for Attachment III of the 10/15/2013 Proposed Decision

Plant F14 (Sandhill) Ratebase Adjustment
Modified for City of Fontana Recommended Disallowance
San Gabriel Valley Water Company - Fontana Water Company Division

Current Year	Year #	Total Sandhill Plant Additions	Disallowance of 57% of Sandhill Plant in Service **	EOY Accum. Depreciation	Avg. Accum. Depreciation	Avg. Rate Base	Depre-ciation Expense	Uncollect. & Franchise Fee Expense	Ad Valorem Tax	Income Taxes	Return on Rate Base	[a] Incremental Revenue Requirement For Current Year	[b] Interest Rate from Current Year	[c] = [a] + [prior yr's e] Balance Subject to Interest, from Prior and Current Years	[d] = [b]*[c] Current Year's Interest on Accumu-lated Rev Req & Interest	[e] =c]+[d] Total End-of-Year Rev Req & Interest	Current 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	5.10%	$536,677	$27,371	$564,048	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	4.92%	$1,627,424	$80,069	$1,707,494	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	2.13%	$4,635,501	$98,736	$4,734,237	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	0.26%	$8,261,292	$21,479	$8,282,771	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	0.24%	$11,720,021	$28,128	$11,748,150	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	0.17%	$15,095,595	$25,663	$15,121,258	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	0.19%	$18,378,899	$34,920	$18,413,819	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	0.12%	$21,581,656	$25,682	**$21,607,338**	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
2015	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					2015
2016	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					2016
2017	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					2017
2018	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					2018
2019	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					2019
2020	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					2020
2021	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					2021
2022	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					2022
2023	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					2023
2024	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					2024
2025	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					2025
2026	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					2026
2027	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					2027
2028	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					2028
2029	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					2029
2030	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					2030
		$40,307,114					$16,062,725	$613,784	$3,475,504	$9,078,016	$32,148,409	$61,378,439			$342,048		

Total Refund with Interest:
$21,607,338
(2006 - 2013)

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

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

ATTACHMENT ORA-B: PROPOSED CHANGES TO PROPOSED DECISION

(Proposed additions are shown in **bold**, proposed deletions are shown in ~~strike-through~~ format)

Findings of Fact

15. **San Gabriel has not provided any new information to show that the** ~~The~~ Walnut Avenue facility ~~has now been shown to provides enhanced reliability, a point not shown previously.~~ **is just and reasonable.** San Gabriel was **not** allowed to revisit this issue in this proceeding in D.**09-06-027** ~~XX-XX-XXX~~.

~~16.The remaining undepreciated book value invested in the Walnut Avenue facility provides enhanced reliability to customers.~~

17. The additional cost of **$2,614,080** ~~$1,585,920~~ for shares acquired **was** ~~as~~ a part of ~~settling~~ **the settlement of** the Slemmer litigation **to** end~~ing~~ the litigation.

Conclusions of Law

7. **San Gabriel was not allowed to revisit the Walnut Avenue project in the last General Rate Case D.09-06-027; even if it had,** San Gabriel has **not** ~~now~~ met its burden of proof that the Walnut Avenue facility **was needed and that the cost was reasonable** ~~provides enhanced reliability~~, and therefore, the undepreciated value should **not** ~~now~~ be recovered in rates.

8. The additional cost of **$2,614,080** ~~$1,585,920~~ for shares acquired **to settle** ~~as a part of settling~~ the Slemmer litigation does not provide any value to ratepayers; the cost benefited **San Gabriel's** shareholders by ending the litigation, and therefore, **cannot be recovered from San Gabriel's customers** ~~is unreasonable~~.

IT IS ORDERED that:

3. In the event that San Gabriel Valley Water Company (San Gabriel) for its Fontana Water Company Division and the Office of Ratepayer Advocates accept the modified settlement adopted in Ordering Paragraphs 1 and 2, San Gabriel must file within 14 days of accepting the modified settlement a Tier 1 Advice Letter to implement the rate changes

incorporated in the modified settlement as included in the revenue requirement and related tables attached as Attachment ~~III~~ **II** to this decision.

6. The Walnut Avenue Pipeline Project **was previously disallowed in D.09-06-027,** has **not** been shown to ~~**have reliability benefits**~~ **be needed or that the cost was reasonable,** and is **not being allowed herein** ~~approved~~.

7. The additional cost of **$2,614,080** ~~$1,585,920~~ for shares acquired **to settle** ~~as a part of settling~~ the Slemmer litigation **cannot be recovered from San Gabriel's ratepayers** ~~is denied~~.

10. San Gabriel Valley Water Company must file a Tier 2 Advice Letter to implement a refund of any over-collection in rates for Sand Hill Water Treatment Facility plant costs recovered in rates that exceed the rate base cap of $17 million**, consistent with calculations in Attachment III of this decision**.