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**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

In the Matter of the Application of SAN GABRIEL VALLEY WATER COMPANY (U337W) for Authority to Increase Rates Charged for Water Service in its Los Angeles County Division by \$14,476,800 or 24.8% in July 2017, \$3,599,800 or 5.0% in July 2018, and \$4,778,200 or 6.4% in July 2019, and in its Fontana Water Company division by \$20,607,600 or 38.6% in July 2017, \$1,760,400 or 2.3% in July 2018, and \$2,664,800 or 3.4% in July 2019.

Application 16-01-002  
(Filed January 4, 2016)

**ASSIGNED COMMISSIONER'S SCOPING MEMO AND RULING**

**Summary**

Pursuant to Article 7 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure (Rules), this Scoping Memo and Ruling address issues, schedule, and other matters necessary to scope this proceeding.<sup>1</sup>

**1. Background**

On January 4, 2016, San Gabriel Valley Water Company (San Gabriel or Applicant) filed Application (A.) 16-01-002 (Application) requesting authority

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<sup>1</sup> See Commission's website (<http://www.cpuc.ca.gov/>), "Laws, Rules, and Procedures."

to service in its Los Angeles County Division by \$14,476,800 or 24.8 percent in July 2017, \$3,599,800 or 5 percent in July 2018, and \$4,778,200 or 6.4 percent in July 2019, and in its Fontana Water Company division by \$20,607,600 or 38.6 percent in July 2017, \$1,760,400 or 2.3 percent in July 2018, and \$2,664,800 or 3.4 percent in July 2019.<sup>2</sup>

The Office of Ratepayer Advocates (ORA) filed a protest on February 5, 2016, and the Fontana Unified School District (School District) filed a protest on February 8, 2016. The Applicant did not file a response.

A prehearing conference (PHC) was held on April 19, 2016, by the assigned Administrative Law Judge (ALJ) to determine parties, identify issues, establish a schedule, and address other procedural matters.

The Commission's Public Advisor's Office also received numerous public comments sent via U.S. mail and e-mail.

## **2. Scope of proceeding**

Through the Application, the protests to the Application, and discussions during the PHC, parties conducted an exchange that has helped refine the scope of the proceeding. The purpose of this proceeding is primarily to establish just and reasonable rates for San Gabriel for the period from July 2017 through June 2020, and to make all other necessary orders for San Gabriel to offer safe

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<sup>2</sup> San Gabriel Valley Water Company is a Class A Water Company and therefore subject to the requirements of Decision 07-05-062 (May 24, 2007) adopting a Revised Rate Case Plan for Class A water utilities (RRCP).

and reliable water service.<sup>3</sup> The scope of the proceeding includes the issues presented in the Application and in the protests of ORA and the School District.

The primary issues to be considered in this proceeding are whether San Gabriel's estimated revenues, expenses, plant and rate base are just and reasonable, whether San Gabriel's water quality, conservation efforts and customer service are adequate, and whether the Commission should approve San Gabriel's special requests. These issues include:

- A. Sales forecasting methodology;
- B. San Gabriel's requested treatment of its balancing and memorandum accounts;
- C. Operations and maintenance expenses;
- D. Administrative, payroll, pension and other general expenses;
- E. Capital budget requests;
- F. Conservation program and expenses including recycled water services;
- G. Rate base for a 2017 test year and 2018-2019 escalations years;
- H. Revenue requirements, rate design and rates for a 2017 test year and 2018-2019 escalation years;
- I. San Gabriel's rate design of meter charge, quantity rate, and other fees or charges as well as its requested changes in tariffs;
- J. San Gabriel's request to update its service area maps;

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<sup>3</sup> Every public utility shall furnish and maintain such adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities, including telephone facilities, as defined in Section 54.1 of the Civil Code, as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public. Pub. Util. Code § 451.

- K. San Gabriel's plant investment requests and unauthorized plants;
- L. Legal fees and costs related to water rights and water quality;
- M. Compliance with prior decisions;
- N. Any issues related to safety or San Gabriel's ability to furnish and maintain safe, efficient, and reliable water service to its customers at reasonable rates.

### **3. Water Quality**

The Revised Rate Case Plan (RRCP) for Class A water companies' requires General Rate Case (GRC) proceedings to review water quality to ensure that water utilities provide safe, healthy water. To improve the Commission's review of water quality, the RRCP requires the presiding officer to appoint a water quality expert to assist the Commission in making specific findings and recommendations concerning a utility's water quality compliance unless good cause exists to forego such appointment.<sup>4</sup>

Consistent with the RRCP, the water quality expert, a member of the Commission's Division of Water and Audits, provided an informal report to the ALJ and identified no issues with San Gabriel's water quality over the last three years. Two drinking water standard exceedances were noted in the Interim Report for LA County Division, which covers calendar years 2010-2012. One involved detection of elevated perchlorate concentrations in the effluent from Plant B6, which was corrected within 48 hours of discovery with prompt customer notification. The other involved elevated levels of 1,4-dioxane at Plant

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<sup>4</sup> Decision (D.) 07-05-062, Appendix A, Section II.F. Nicole Belle Isle in the Division of Water and Audits is the Commission's water quality expert.

W6 which does not currently have a state or federal Maximum Contamination Limit.

#### 4. Schedule

The schedule for this proceeding is as follows:

EVENT	DATE
Public Participation Hearings	July 2016 (The exact dates, times, and locations will be set in a subsequent ruling.)
ORA/Parties Testimony served	July 25, 2016
Other Interested Party Testimony served	August 8, 2016
Rebuttal Testimony served	September 21, 2016
ADR and Settlement negotiations	October 3-20, 2016
Deadline for submitting the settlement status report	October 20, 2016
Applicant provides cross-examination time estimates and proposed schedule of witnesses to ALJ. Send to: <a href="mailto:s.pat.tsen@cpuc.ca.gov">s.pat.tsen@cpuc.ca.gov</a>	October 20, 2016
Evidentiary Hearings <sup>5</sup>	October 24, 2016 to November 2, 2016 to be held in the Commission's Los Angeles Office.
Deadline to file Settlement Agreement	December 2, 2016
Opening briefs filed and served	December 6, 2016

<sup>5</sup> Evidentiary hearings will be held in the Commission's Los Angeles Office.

Deadline for requesting final oral argument	December 6, 2016
Deadline for filing/serving motions for interim rates <sup>6</sup>	December 6, 2016
Mandatory status conference <sup>7</sup>	December 7, 2016
Reply Briefs filed and served	December 20, 2016
ALJ Proposed Decision	First Quarter 2017
Commission Decision on Agenda	Second Quarter 2017

The last Public Participation Hearing (PPH) held in a San Gabriel GRC was in 2008. We have not required PPHs since that time due to lack of attendance and the low number of public comments received by the Public Advisor's Office. Since the Application was filed in January, we have received a number of public comments. We therefore direct the utility to work with the Public Advisor's Office and other parties to arrange one PPH each to be held in Los Angeles and Fontana.

A separate ruling with specific date and location information will be issued for the PPHs after this scoping memorandum.

The proceeding will stand submitted for decision by the Commission upon the filing of reply briefs, unless oral argument is scheduled. In such case, the proceeding will stand submitted upon conclusion of oral argument. The adopted

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<sup>6</sup> See D.07-05-062, Appendix A, Section V.D.

<sup>7</sup> See D.07-05-062, Appendix A, Section IV.O.

schedule may be changed by the ALJ or assigned Commissioner. We anticipate that the issues in this proceeding will be resolved within 18 months of the date of this Scoping Memo. (Pub. Util. Code § 1701.5(a).)

## **5. Alternative Dispute Resolution (ADR) and Settlements**

The Commission's ADR program offers mediation, early neutral evaluation, and facilitation services, and uses ALJs who have been trained as neutrals. The RRCP requires the active parties to meet and confer at least once between the distribution of rebuttal testimony and the beginning of evidentiary hearings. At the parties' request, the assigned ALJ can refer this proceeding to the Commission's ADR Coordinator. Additional ADR information is available on the Commission's website.<sup>8</sup>

The schedule set forth in this Scoping Memo includes a date for the completion of settlement talks. No later than this date, the parties must submit to the assigned ALJ a status report of their efforts, identifying agreements reached and unresolved issues requiring hearing.

Any settlements between parties shall comply with Article 12 of the Rules and shall be served on all parties. Such settlements shall include a complete explanation of the settlement and a complete explanation of why it is reasonable in light of the whole record, consistent with the law and in the public interest. The motion to approve settlement shall include a comparison exhibit detailing the parties' initial and settled positions. The proposing parties bear the burden of proof as to whether the settlement should be adopted by the Commission.

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<sup>8</sup> <http://www.cpuc.ca.gov/puc/adr/>

**6. Discovery**

Discovery will be conducted according to Articles 10 and 11 of the Rules. If the parties have discovery disputes they are unable to resolve through the meet and confer process, they must raise these disputes under the Commission's Law and Motion procedures as soon as possible to avoid unnecessary delay in the proceeding (see Rule 11.3).

**7. Hearing Preparation**

San Gabriel is directed to organize a telephonic meet-and-confer conference with all parties to identify the principal issues on which the hearings will focus, key disputes, and any stipulations or settlements. Parties should also use the meet-and-confer to discuss witness schedules, time estimates from each party for the cross-examination of witnesses, scheduling concerns, and the order of cross-examination.

Hearings are scheduled for October 24, 2016 to November 2, 2016. There will be no hearings on October 27, 2016 to accommodate a Commission Voting Meeting. If hearings are to go forward as calendared, on or before Thursday, October 20, 2016, San Gabriel shall submit a list of the principal issues on which the hearings will focus, key disputes, any stipulations or settlements, time estimates from each party for the cross-examination of witnesses, and the order of cross-examination to the ALJ and serve this information to parties on the service list.

The first morning of hearings on October 24, 2016 will begin at 10:00 a.m., but the time may be adjusted on subsequent days according to the participants' needs.

Before post-hearing briefs are filed, the parties must agree on a common outline, and use that outline for the briefs and reply briefs.



**8. Final Oral Argument**

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

**9. Filing, Service and Service List**

The official service list was created at the PHC, and is now on the Commission's webpage. Parties must confirm that their information on the service list is correct, and serve notice of any errors on the Commission's Process Office, the service list, and the ALJ. Prior to serving any document, each party must ensure that it is using the most up-to-date service list. The list on the Commission's website meets that definition.

Electronic service is the standard under Rule 1.10. All parties to this proceeding shall serve documents and pleadings using electronic mail whenever possible, transmitted no later than 5:00 PM, on the date scheduled for service to occur. Parties are reminded that, when serving copies of documents, the document format must be consistent with Rule 1.10.

Rules 1.9 and 1.10 govern service of documents only and do not change the Rules regarding the tendering of documents for filing. Parties can find information about electronic filing of documents with the Commission's Docket Office at <http://www.cpuc.ca.gov/PUC/efiling>. All documents formally filed

with the Commission's Docket Office must include the proceeding caption approved by the Docket Office.

Other documents, including prepared testimony, are served on the service list but not filed with the Docket Office. Parties must follow the electronic service protocols of Rule 1.10 whether a document is formally served and filed or only served but not filed. This Rule provides for electronic service of documents in a searchable format unless the appearance or state service list member did not provide an e-mail address. If no e-mail address was provided, service must be made by United States mail, FedEx, UPS or another private delivery or courier service. Additionally, parties must serve paper copies of all filings on the presiding officer.

E-mail communication about this proceeding must include, at a minimum, the following information on the subject line of the e-mail: "A.16-01-002 San Gabriel Valley Water Company GRC." In addition, the party sending the e-mail must briefly describe the attached communication, e.g., "Opening Brief".

#### **10. Categorization and *Ex Parte* Communication**

Commission Resolution ALJ 176-3349, dated January 15, 2016, preliminarily categorized this matter as ratesetting and requiring evidentiary hearings. The categorization of this proceeding is confirmed as ratesetting with evidentiary hearings. Appeals of this ruling on category, if any, must be filed and served within 10 days of this Scoping Memo. *Ex parte* communications are permitted subject to the restrictions and reporting requirements specified in Article 8 of the Rules.

**11. Presiding Officer**

Administrative Law Judge S. Pat Tsen is the Presiding Officer.

**IT IS RULED** that:

1. The final categorization of this proceeding is ratesetting, and hearings are required.
2. *Ex parte* communications, if any, shall comply with Article 8 of the Commission's Rules.
3. The scope of the proceeding is set forth above unless amended by the assigned Commissioner.
4. The proposed schedule is set forth above unless amended by the assigned Commissioner or the assigned ALJ.
5. Parties shall work with the Public Advisor's Office to arrange a date and location for the Public Participation Hearings (PPH), and draft appropriate notice of PPH to San Gabriel's customers.
6. Parties may proceed with discovery as set forth in Section 9 of this ruling.
7. Parties shall use a common outline for briefs.
8. Parties shall follow the procedure stated above in making any request for final oral argument.
9. Any settlements reached between parties shall be served in hard copy and by e-mail as discussed above.
10. Administrative Law Judge S. Pat Tsen is the presiding officer in this proceeding.

11. The procedure for filing and service of documents and service of testimony in this proceeding is as set forth above.

Dated May 3, 2016 at San Francisco, California.

/s/ LIANE M. RANDOLPH

Liane M. Randolph  
Assigned Commissioner