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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 Fontana Water Company Division by $5,662,900 or 13.1% in July 2006; $3,072,500 or 6.3% in July 2007; and by $2,196,000 or 4.2% in July 2008.	)	Application 05-08-021 (Filed August 5, 2005)
Order Instituting Investigation on the Commission's Own Motion into the Rates, Operations, Practices, Service, and Facilities of San Gabriel Valley Water Company (Utilities 337 W).	)	Investigation 06-03-001 (Filed March 2, 2006)

NOTICE OF EX PARTE COMMUNICATION

Pursuant to Rules 8.2 and 8.3 of the Commission's Rules of Practice and Procedure, San Gabriel Valley Water Company ("San Gabriel") hereby gives notice of an ex parte communication regarding the above captioned general rate case.

On March 28, 2007, at approximately 1:30 p.m., San Gabriel's President, Michael Whitehead; its General Counsel, Timothy Ryan; its Director of Rates and Revenue, Daniel Dell'Osa; and Martin Mattes of Nossaman, Guthner, Knox & Elliott, LLP, counsel for San Gabriel, met with Robert Lane, chief of staff for Commissioner Bohn, and Laura Krannawitter, advisor to Commissioner Bohn, in Commissioner Bohn's office on the 5th floor at the California Public Utilities Commission, 505 Van Ness Avenue in San Francisco. The meeting lasted approximately 50 minutes.

Mr. Mattes initiated the communication by noting that San Gabriel had requested the present meeting primarily to address and correct certain inaccuracies in recent

communications to Commissioners' advisors by representatives of the Division of Ratepayer Advocates and the City of Fontana regarding the Proposed Decision of Administrative Law Judge Barnett and the Alternate Proposed Decision of Commissioner Bohn currently under consideration in this proceeding. Specifically, Mr. Mattes referred to these parties' ex parte communications regarding the impacts on utility revenues and customer bills of allowing advice letter offsets for investments in San Gabriel's Sandhill Surface Water Treatment Plant upgrade project and its office complex project and regarding San Gabriel's collection of deposits from developers in anticipation of the imposition of facilities fees on new customers.

Mr. Mattes noted that both the Proposed Decision and the Alternate Proposed Decision expressly included $12 million of the projected investment in the Sandhill project in the calculation of revenue requirement for Test Year 2006-2007. Based on a table prepared by Mr. Dell'Osa, Mr. Mattes estimated that the overall impact on present customers' rates of the Alternate Proposed Decision, including immediate rate changes and later advice letter adjustments and taking account the moderating effect of the new facilities fees, would be a 6.2% increase spread over three years.

Mr. Mattes also provided a collection of evidence regarding the cost/benefit analysis of the Sandhill project, consisting of prepared testimony and exhibits from the record and cross-examination of San Gabriel's witnesses. He and Mr. Dell'Osa particularly called attention to Table B5, which sets forth the considerable water replenishment costs (pump taxes) and power costs associated with production from wells in the Chino Basin, which will be avoided through greater use of surface water and state water processed through the Sandhill plant. Based on Table B1 in those materials, Mr. Mattes noted that the net benefit to ratepayers would turn positive by the third year of operating the upgraded Sandhill plant. Mr.

Whitehead explained that San Gabriel has facilities in place to receive sufficient state water into the Sandhill plant to allow it to continue operating at full capacity during summer months when surface flows from Lytle Creek are less than during the spring runoff period.

With regard to facilities fees, Mr. Whitehead and Mr. Mattes explained that San Gabriel had anticipated issuance of a decision imposing facilities fees at the end of last year and so, pursuant to its Main Extension Rule 15, had begun including the amount of such fees in estimates of deposits requested from developers submitting plans to San Gabriel for construction projects likely to occur after the Commission issues its decision in this case. Mr. Whitehead further explained that as the decision was delayed, San Gabriel refunded such deposits to developers or did not even collect deposits for the estimated facilities fees at all for projects not likely to be covered by the Commission's decision in this GRC.

Mr. Mattes challenged the propriety of the penalties that both the Proposed Decision and the Alternate Proposed Decision would impose on San Gabriel in connection with San Gabriel's purchase of a parcel of real estate from an affiliated company. He noted that the claim that San Gabriel had violated an affiliate transaction rule was not presented in the evidentiary phase of this proceeding, but first appeared in the Division of Ratepayer Advocates' opening brief. He further noted that the Commission has not identified an affiliate transaction rule applicable to San Gabriel which San Gabriel is alleged to have violated. He explained that the closest thing to an applicable rule – a Water Division standard practice – specifically prescribes the pricing standard San Gabriel applied. While acknowledging the Commission's authority to disallow a portion of the purchase price from rate base, Mr. Mattes challenged the propriety of imposing penalties in the absence of an identified violation of any specific rule applicable to San Gabriel. Mr. Whitehead emphasized that San Gabriel had fully

disclosed the transaction to DRA at the outset of this GRC and had not at any time intended or tried to mislead or to conceal information from the Commission.

Two documents were used and provided to Mr. Lane and Ms. Krannawitter in the course of the March 28 meeting. Copies of the two documents are attached to this notice.

To obtain a copy of this notice, please contact:

Ms. Jeannie Wong
NOSSAMAN, GUTHNER, KNOX & ELLIOTT, LLP
50 California Street, 34th Floor
San Francisco, CA 94111-4799
Tel: (415) 398-3600
Fax: (415) 398-2438
e-mail: jwong@nossaman.com

In accordance with Rule 8.3(b), this notice is being served electronically on all persons appearing on the Commission's electronic service list for the above-captioned

Respectfully submitted,

NOSSAMAN, GUTHNER, KNOX & ELLIOTT, LLP

By: */S/ MARTIN A. MATTES* _____
Martin A. Mattes

50 California Street, 34th Floor
San Francisco, CA 94111-4799
Tel: (415) 398-3600
Fax: (415) 398-2438
Email: mmattes@nossaman.com

Attorneys for SAN GABRIEL VALLEY WATER COMPANY

Dated: April 2, 2007

CERTIFICATE OF SERVICE

I, Jeannie Wong, hereby certify that on this date I will serve the foregoing NOTICE OF EX PARTE COMMUNICATION, on the parties on the service list for A.05-08-021/I.06-03-001 below.

By electronic mail:

dadellosa@sgvwater.com; tjryan@sgvwater.com; jallen@elthlaw.com; dpoulsen@californiasteel.com; sawymt@fusd.net; Kendall.MacVey@BBKlaw.com; bfinkelstein@turn.org; mlm@cpuc.ca.gov; sel@cpuc.ca.gov; ttf@cpuc.ca.gov; pucservice@manatt.com; cbader340@aol.com; james_peterson@feinstein.senate.gov; plarocco@pe.com; bowen@raolaw.com; smt@tragerlaw.com; jjz@cpuc.ca.gov; scott.sommer@pillsburylaw.com; bda@cpuc.ca.gov; flc@cpuc.ca.gov; jl1@cpuc.ca.gov; kok@cpuc.ca.gov; rac@cpuc.ca.gov; rab@cpuc.ca.gov; dlh@cpuc.ca.gov;

Executed this 2nd day of April, 2007 in San Francisco, California.

/S/ JEANNIE WONG
Jeannie Wong