Arrowhead Manor Water Company, Inc.

San Bernardino County (WTC 347)

October 4, 2006

CONFERENCE-
EFFECTIVE - 2/6/07
RESOLUTION-

Advice Letter No. 63-W-A

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Arrowhead Manor Water Company, Inc. hereby transmits for filing the following changes in its tariff schedules, which are attached hereto:

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Sheet No.
473-W	Schedule No. 1A, Annual Metered Service	470-W
-	Schedule No. 1A, Annual Metered Service	446-W
474-W	Schedule No. 2RA, Annual Residential Flat Rate Service	471-W
-	Schedule No. 2RA, Annual Residential Flat Rate Service	448-W
475-W	Table of Contents	472-W

On September 19, 2006, Arrowhead Manor Water Company (AMWC) filed Advice Letter No. 63-W, requesting Commission authorization to reinstate the SDWBA surcharge rates. Schedule No. 1A, Annual Metered Service and Schedule No. 2RA, Annual Residential Flat Rate Service in Advice Letter No. 63-W included two types of SDWBA surcharge rates. One for customers that directly benefited from the SDWBA water infrastructure (direct benefit) and one for customers that did not directly benefited from the SDWBA water infrastructure (non benefit).

By this supplement Advice Letter 63-W-A, AMWC respectfully requests Commission authorization to eliminate the non benefit SDWBA surcharge rates. As result of the San Bernardino fire of October 2003, in which AMWC lost over 300 customers and lost a large portion of its water plant (self invested and SDWBA), the operation of the water system has changed. All existing customers now directly benefit from the SDWBA water infrastructure. Moreover, future customers will also be directly benefited from the SDWBA water plant. For this reasons, AMWC believes it is proper to charge customers only the direct benefit SDWBA surcharge rates.

The present rates of Arrowhead Manor Water Company, Inc. (AMWC) became effective on August 9, 2006 pursuant to Decision 00-07-036, which authorized through advice letter No. 61, a surcharge to recover purchased water and contract work costs of $34,427 or 16.42%.

Ordering Paragraph No. 3 of Decision 02-07-009 dated July 17, 2002 states:

> "The general rate case increases and Safe Drinking Water Bond Act (SDWBA) loan Surcharges authorized in this order shall expire automatically 45 days after each semi-annual California Department of Water Resources (DWR) loan payment is due, if not extended. Arrowhead is authorized to submit an advice letter no sooner than the date the payment is actually made and not later than 30 days after the payment is due to reset the expiration clock for an additional six months (i.e., a new expiration date 45 days after the next semi-annual payment is due), after which the process shall be repeated for each subsequent payment due date until further order of the Commission. Those advice letters shall become effective upon Water Division's confirmation with DWR that DWR has received the corresponding semi-annual payment in full".

On May 29, 2003, the Superior Court of San Bernardino County appointed John W. Richardson as Receiver for Arrowhead Manor Water Company, Inc. The last time when the SDWBA loan surcharges were reinstated was through advice letter 53-W, with an effective date of August 15, 2003. During October 2003, Arrowhead Manor Water Company lost over 300 customers due to the fires in San Bernardino County. For this reason, the SDWBA surcharges were discontinued shortly after the San Bernardino fire. Moreover, on January 8, 2004, the Commission approved Resolution W-4450, which authorized AMWC, on an emergency basis, to divert SDWBA funds not deposited in the special trust account to pay its outstanding bill owed to Crestline Lake Arrowhead Water Agency and to undertake necessary emergency repairs. During year 2004, $10,023.35 was deposited in the special trust account, which included interest income of $23.35. Likewise, during year 2005, $33,813.46 was deposited into the special trust account, which included interest income of $43.46.

Additionally, during 2005, $39,000 was paid to the Department of Water Resources (DWR). This amount was applied by DWR to the interest balance due on the SDWBA loan. Due to the discontinuance of the SDWBA surcharge no more payments have been made to DWR.

At December 31, 2005, the principal balance of the SDWBA loan was $1,114,919.62 plus accrued regular interest of $355,152.55 and delinquent interest of $161,034.39.

Through this advice letter Arrowhead Manor Water Company requests Commission authorization to reinstate the SDWBA loan surcharges. In compliance with Decision 02-07-009, AMWC requests this advice letter be effective through February 15, 2007. AMWC will pay DWR all the SDWBA funds collected through December 31, 2006 and shortly after that it will file an advice letter requesting extension of the SDWBA surcharge rates for another six months. Proof of payment to DWR will be submitted with the advice letter. Since the company lost over 300 customers during the San Bernardino fire of 2003, the amount to be paid to DWR may be lower than the amount requested by DWR.

Since the SDWBA surcharge rates were already in place, Arrowhead Manor Water Company, Inc. believes that the reinstatement of the SDWBA surcharge rates does not need notification to customers.

There are two ways to respond to this notice. You can send a **protest** to the CPUC. If you do, you must send a copy of the protest to the utility; or you can send a **response** to the CPUC with a copy to the utility if you wish. A **protest** is a document objecting to the granting in whole or in part of the authority sought in this advice letter. A **response** is a document that does not object to the authority sought, but nevertheless presents information that the party tendering the response believes would be useful to the CPUC in acting on the request.

A **protest** must be mailed within 20 days of the date the CPUC accepts the advice letter for filing. The filing date is the date the advice letter was put on the CPUC Calendar. The Calendar is available at the CPUC Website of www.cpuc.ca.gov. A **protest** must state the facts on which the protest is based, the effect that approval of the advice letter might have on the protestant, and the reasons the **protestant** believes the advice letter, or a part of it, is not justified. If the protest requests an evidentiary hearing, the protest must state the facts the protestant would present at an evidentiary hearing to support its request for whole or partial denial of the advice latter. The utility must respond to a **protest** within five days.

All **protests** and **responses** should be sent to: California Public Utilities Commission, Water Division, 505 Van Ness Avenue, San Francisco, CA 94102, FAX: (415) 703-2655 or E-Mail: water_division @cpuc.ca.gov.

All **protests** should be sent to **Arrowhead Manor Water Company, Inc.,** 5161 Soquel Drive, Suite F, Soquel, CA 95073, FAX: (831) 475-1213, E-Mail jwrttee@earthlink.net. If you have not received a reply to your protest from the utility within 10 business days, contact John W. Richardson at (831) 475-2404.

Arrowhead Manor Water Company, Inc.

By: _____
John W. Richardson, Receiver

Attachments

SUPPLEMENTED BY
A.L. No. 63-W-A
P.U.C. Sheet No.
473-W-475-W

Arrowhead Manor Water Company, Inc.

San Bernardino County (WTC 347)

RECEIVED
SEP 19 2006
WATER ADVISORY BRANCH

September 19, 2006

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The purpose of this advice letter is to reinstate the SDWBA surcharges. Ordering Paragraph No. 3 of Decision 02-07-009 dated July 17, 2002 states:

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