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 approval of Implementation by its Fontana Water Company Division of the Commission's Water Action Plan objectives, including a request to utilize existing Facilities Fee revenues for such purposes or in the alternative, for authority to increase rates not to exceed $882,200 or 2.0%.	Application 07-08-017 (Filed August 10, 2007)

SETTLEMENT AGREEMENT BETWEEN THE DIVISION OF RATEPAYER ADVOCATES AND SAN GABRIEL VALLEY WATER COMPANY, FONTANA WATER COMPANY DIVISION

I. GENERAL

1. Pursuant to Article 12 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), the Division of Ratepayer Advocates ("DRA") and San Gabriel Valley Water Company, Fontana Water Company Division ("FWC" or "the company") have agreed on the terms of this Settlement Agreement, which they now submit, for approval. The "Parties" referenced in this settlement document include DRA and FWC.

2. This Settlement Agreement addresses FWC conservation programs and budgets, and resolves all outstanding issues between the DRA and FWC within the scope of this proceeding as defined by the Assigned Commissioner's Scoping Memo. By filing its Application and entering into this Settlement Agreement, it is FWC's intention to implement the objectives of the Commission's Water Action Plan.

3. Because this Settlement Agreement represents a compromise by them, the Parties have entered into each stipulation contained in the Settlement Agreement on the basis that its approval by the Commission not be construed as an admission or concession by any Party regarding any fact or matter of law in dispute in this proceeding. Furthermore, the Parties intend that the approval of this Settlement Agreement by the Commission not be construed as a precedent or statement of policy of any kind for or against any Party in any current or future proceeding. (Rule 12.5, Commission's Rules on Practice and Procedure.)

4. The Parties agree that no signatory to the Settlement Agreement assumes any personal liability as a result of their agreement. All rights and remedies of the Parties are limited to those available before the Commission.

5. The Parties agree that this Settlement Agreement is an integrated agreement, so that if the Commission rejects any portion of this Settlement Agreement, each Party has the right to withdraw. Furthermore, the Settlement Agreement is being presented as an integrated package such that parties are agreeing to the Settlement as a whole, as opposed to agreeing to specific elements of the Settlement.

6. Parties agree to use their best efforts to obtain Commission approval of the Settlement Agreement. The Parties shall request that the Commission approve the Agreement without change and find the Agreement to be reasonable, consistent with the law, and in the public interest.

7. 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.

8. With the increased emphasis on water conservation by the Commission and the Department of Water Resources and in view of expected drought conditions in California, DRA and FWC agree that FWC should have the flexibility to expand its conservation programs during the interim period spanning the full or partial fiscal year ("FY") 2008/2009. Parties acknowledge that FWC will be seeking authorization for conservation programs for FYs 2009/2010, 2010/2011 and 2011/2012 and associated funding in its 2008 General Rate Case. Budgets authorized in this settlement are for the purpose of bridging the gap in funding until the new rates take effect.

9. In this settlement, Parties agree to budgets for conservation program expenses, a conservation specialist and additional payroll-related expenses. Parties also agree to an interim funding mechanism for FWC to fund these expenses and agree on conservation reporting requirements.

II. ISSUES SUBJECT TO SETTLEMENT AGREEMENT

1. **Interim Conservation Budget through July 1, 2009.**
    a. **Conservation Programs.** Parties agree that FWC should be authorized a maximum of $305,000 annual budget to fund conservation programs for the year beginning July 1, 2008, or the partial year remaining from the effective date of a decision authorizing this settlement through June 30, 2009.
    b. **Conservation Specialist.** See Section 10a below.
    c. **Payroll-related expenses**. See Section 10b below.

2. **Interim Funding Mechanism.** As an interim funding mechanism, parties agree FWC will fund the authorized conservation programs, new conservation specialist and other related payroll expenses agreed upon herein via a volumetric surcharge that will be identified on the bill as "Water Conservation Surcharge". The surcharge will have three components as follows:

    a. **Conservation programs component.** See Section 6 below.

b. **Conservation specialist component.** See Section 10.a.2 below.
c. **Additional payroll-related expenses component.** See Section 10.b.2 below.

3. **Flexibility and spending limits for conservation programs.** Parties agree that FWC will have flexibility to spend the authorized conservation funds on the following programs up to the maximum budget, subject to caps for each category. Authorized program expenses are as follows:
    a. **Education and Public Information Programs** (Capped at $50,000.)
        1) National Theatre for Children
        2) Garden in Every School
        3) Public Events & Supplies for Events
        4) Conservation Kits
        5) Other to be determined by FWC.
    b. **Residential** (Capped at $228,600.)
        1) Ultra-Low Flush Toilets
        2) High-Efficiency Clothes Washers
        3) Rotating Nozzles
        4) Smart Timers
    c. **Commercial, Industrial & Institutional** (Capped at $262,500.)
        1) Ultra-low flush toilets
        2) High-efficiency clothes washers
        3) Zero water urinal
        4) Food steamers
        5) Pre-rinse spray heads
        6) Pressurized water broom
    d. **Large Landscape** (Capped at $123,800.)
        1) Water 2 Save
        2) Weather Base Irrigation Controller
        3) Rotating Nozzles

4. **Accountability.** Parties agree it is FWC's obligation to provide records verifying that all the incentive payments or equipment provided through these conservation programs went solely to FWC customers. However, a total of up to $10,000 may be allocated to the overhead costs of third-party service providers.

5. **Guiding principle for customer rebates and/or incentive payments.** Parties agree on the importance of increasing the number of customers reached with conservation incentives. FWC agrees to prioritize funding incentives (rebates) to a greater number of customers over improving the marketability of the current incentives by increasing the dollar value of rebates offered. FWC will make a good faith effort to abide by this principle.

6. **Conservation programs surcharge component.** By a Tier 1 Advice Letter, FWC will collect conservation program expenses of $305,000 in annualized revenues (or approximately $25,420 per month) via a surcharge component of $0.0150 per Ccf effective on or after the date this settlement is adopted by the Commission. The

surcharge shall terminate on June 30, 2009 or by the effective date of new rates under the 2008 General Rate Case ("GRC") if that date is later.

7. **One-way balancing account.** Parties agree that on the effective date of a decision adopting this settlement, FWC shall establish a one-way balancing account to track amounts collected via the conservation expenses surcharge component and conservation expenses incurred up to an annualized limit. The annualized limit is the prorated portion of the $305,000 annual budget.

   For each item listed in the Residential, Commercial, Industrial & Institutional and Large Landscape categories, the expenses shall only be booked to the one-way balancing account once the rebate or equipment is provided to a FWC customer.

   This balancing account is subject to Standard Practice U-27-W.

8. **Effective dates.** The balancing account and the surcharge will end by the effective date of new rates under the 2008 GRC which is expected to be July 1, 2009.[1]

9. **Over-collections and under-collections.** Parties agree that within 60 days of July 1, 2009 or the effective date of new rates under the 2008 GRC, FWC will file an advice letter with the Commission. FWC will refund any over-collection to the extent that revenues collected exceed the lower of the annualized limit or the actual expense. FWC may collect any under-collection to the extent that revenues collected fall short of the lower of the actual expense or the annualized limit. The balancing account shall cease to exist upon the effective date of the above mentioned advice letter.

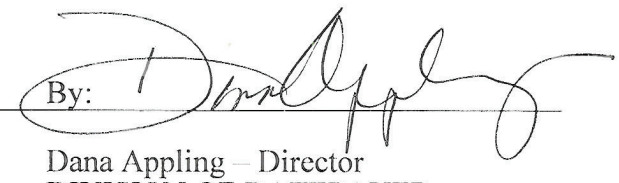
10. **Payroll Expenses.**
    a. **Customer Serviceman/Conservation Specialist.**
       1) Parties agree to a budget of $90,522 for a Customer Serviceman/Conservation Specialist. Parties agree that this employee would be hired on a permanent basis with the job duties listed in Exhibit A.
       2) After it has hired a customer serviceman, FWC will file an offset rate increase advice letter (Tier 1) to recover $90,522 in annualized revenues via a surcharge component of $0.0044 per Ccf.
    b. **Additional Payroll-Related Expenses.**
       1) Parties agree that FWC should be authorized an additional $43,000 for payroll expenses associated with conservation expenses.
       2) By the same Tier 1 Advice Letter referenced in Paragraph 6, above, FWC will collect additional conservation payroll-related expenses of $43,000 via a surcharge component of $0.0021 per Ccf.

[1] Parties note that even if the final GRC decision is late, the authorization for new rates is trued up back to the first day of the test year. Hence, any conservation budget included in rates as a result of that GRC will be collected in rates beginning July 1, 2009.

11. **Reporting Requirements.** FWC shall file a summary report of conservation activities in October 2009 with the Commission and DRA covering the interim period between an effective date of a decision adopting this settlement to July 1, 2009. This report shall be consistent with any Commission water conservation reporting requirements generally applicable to Class A water utilities that are in effect in October 2009 and it shall include the following:
    a. FWC's actual expenditures on conservation budgets and staff by month including a descriptive account of expenses in the Education and Public Information Programs category and the "Water 2 Save" item.
    b. Actual number of rebates or equipment provided for each type of water saving device or other equipment provided to FWC customers.
    c. Estimated water savings based on number of rebates or equipment provided to FWC customers.
    d. Names of organizations FWC granted funds to and the amount of money granted to each organization by month.
    e. Description of all other conservation activities performed by the company, or by other agencies on behalf of FWC (i.e., performed by another entity using FWC ratepayer funds).

12. **Resolution of all issues within the scope of A.07-08-017.** This settlement resolves all outstanding issues within the scope of A.07-08-017 as defined by the Assigned Commissioner's Scoping Memo.

Respectfully submitted,

By: 

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Dated: May 27, 2008

Respectfully submitted,

By: _____

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Tel: (626) 448-6183
Fax: (626) 448-5530

Dated: May 27, 2008

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    a. FWC's actual expenditures on conservation budgets and staff by month including a descriptive account of expenses in the Education and Public Information Programs category and the "Water 2 Save" item.
    b. Actual number of rebates or equipment provided for each type of water saving device or other equipment provided to FWC customers.
    c. Estimated water savings based on number of rebates or equipment provided to FWC customers.
    d. Names of organizations FWC granted funds to and the amount of money granted to each organization by month.
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Dated: May 27, 2008

CUSTOMER SERVICEMAN/CONSERVATION SPECIALIST – LOS ANGELES COUNTY

FONTANA WATER COMPANY

JOB SUMMARY

Under the direction of the Customer Service Superintendent and/or Customer Service Foreman, performs Customer Service department duties as prescribed in the company's operating memorandums and tariff schedules and acts as the Company's Conservation Specialist.

JOB DUTIES AND ESSENTIAL FUNCTIONS

Responsible for a variety of tasks and duties which may include, but would not be limited to, the following:

- Perform residential and commercial water audits.
- Investigate high water bill inquiries.
- Assist in implementing the Company's Conservation Program.
- Support the Company's residential and commercial irrigation water users.
- Perform skip and rereads for billing.
- Perform service shut-off and follow-up for delinquent accounts.
- Perform customer requested service turn-on and turn-off.
- Deliver delinquent notices.
- Investigate high and low water pressure complaints.
- Investigate water quality complaints.
- Conduct meter and service flow tests.
- Assist with fire hydrant flow testing.
- Read water meters for billing when necessary.
- Other tasks and duties as directed.

SKILLS, KNOWLEDGE AND PHYSICAL REQUIREMENTS

Skills, knowledge and physical requirements include, but are not limited to:

- Familiarity with the Company's Conservation Program.
- Familiarity with California Urban Water Conservation Council's Best Management Practices.
- Working knowledge of general plumbing practices.
- Familiarity with company policies and procedures regarding service and collections.
- Familiarity with all duties of a Meter Reader.
- Ability to work and communicate effectively with customers and the general public.
- Neat and presentable appearance.
- Ability to write legibly to complete paperwork, and good reading comprehension.
- Basic knowledge of computer skills and inter-net access.
- Must be dependable, punctual, and have good attendance.
- Ability to work independently with limited supervision, and to follow oral and written instructions.
- Ability to interact with supervisors and co-workers in a cooperative and professional manner.
- Familiarity with safety practices and procedures.
- Ability to perform repetitive physical activities, including sit, stand, walk, bend, stoop, reach, grasp, push, pull, dig, climb, crouch, squat, crawl, twist and lift up to 65 lbs.

EDUCATION, TRAINING AND EXPERIENCE

The following are required:

- High school diploma.
- Valid California driver license and acceptable driving record.
- DHS Grade D1 Water Distribution Operator certificate.

ATTACHMENT D

FROM EX.10 IN A.07-07-003

Exhibit A

(END OF APPENDIX A)