

WATER/SNR/MEY:jrb

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION NO. W-4498

September 23, 2004

R E S O L U T I O N

(RES. W-4498), SAN GABRIEL VALLEY WATER COMPANY, (SGVW), FONTANA WATER COMPANY DIVISION. ORDER AUTHORIZING A TEMPORARY SURCHARGE TO RECOVER UNDER-COLLECTIONS IN ITS PURCHASED POWER AND WATER PRODUCTION BALANCING ACCOUNTS, PRODUCING AN ANNUAL INCREASE IN REVENUE OF \$566,951 OR 2.8% OVER 12 MONTHS.

SUMMARY

By Advice Letter No. 327, filed April 1, 2004, SGVW seeks revision of tariff Schedule No. FO-1, General Metered Service, to add a surcharge of \$0.030/Ccf (one Ccf is equal to one hundred cubic feet) over a 12-month period to provide an increase in total revenues of \$566,951 or 2.8%, to recover under-collections in its purchased power and water production balancing accounts accrued from January 1, 2003 to December 31, 2003. This increase is a result of increased costs for water production and purchased power occurring after SGVW's then present rates became effective. This resolution authorizes the requested increase. The rate increase will not result in a rate of return greater than last authorized for SGVW.

BACKGROUND

SGVW, a Class A water company, produces, distributes, and sells water through two divisions, which are the Los Angeles and the Fontana Divisions. The Fontana Division serves approximately 39,000-metered services in the Cities of

Fontana, Rancho Cucamonga, and Rialto and adjacent unincorporated areas in San Bernardino County.¹

Prior to general rate case (GRC) Application No. 02-11-044, San Gabriel's last GRC in the Fontana Division was decided by Decision (D.) 95-06-017 in A.94-08-017. Because of the unique water supply conditions existing in the Fontana Division, D.95-06-017 authorized the continued use of supply cost balancing accounts that vary from the Commission's standard balancing account procedures. The recently issued D.04-07-034 to the A.02-11-044 GRC upheld the continued use and need of "full cost" rather than "incremental" balancing accounts. The "full cost" method allows differences in actual costs versus amounts collected through incremental rates to be recorded dollar-for-dollar in these balancing accounts.

In compliance with Ordering Paragraph No. 1 of D.03-06-072 dated June 19, 2003 in Rulemaking No. 01-12-009, SGVW filed Advice Letter No. 327 requesting authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to offset two under-collected balances totaling \$566,951: \$446,763 for the purchased power balancing account and \$120,188 for the water production balancing account. These under-collections are for the period from January 1, 2003 to December 31, 2003 inclusive.

Before the GRC D.04-07-034, SGVW's last rate Schedule No. FO-1, General Metered Service, became effective on May 8, 2001. After the issuance of D.04-07-034 to the GRC application A.02-11-044, a new rate Schedule No. FO-1 was filed under Advice Letter No. 328 on July 12, 2004, and it became effective on July 17, 2004. The GRC decision authorizes the recovery of other under-collections in water production, purchased power, DHS/EPA, and water quality litigation accounts, all of which are separate from this Advice Letter No. 327 filing.

¹ For year 2003, active metered connections as adopted in D.04-07-034 for the Fontana Division are 38,634, with 610 private fire service connections, or a total of 39,244 active connections, including private fire service.

DISCUSSION

In 2003, SGVW earned a rate of return on a recorded basis of 4.16% with adjustments; this number does not exceed the rate of return of 10.46% authorized in D.95-06-017 nor the 9.41% authorized in the recent GRC decision D.04-07-034 issued after the Advice Letter No. 327 was filed. Therefore, no earnings adjustment is required.

SGVW proposes a temporary surcharge of \$0.030/Ccf for a 12-month period to recover the total under-collection balance in its purchased power and water production balancing accounts in the amount of \$566,951 representing 2.8% of total annual revenue. The Water Division (Division) has reviewed SGVW's request along with its supporting workpapers and finds it to be reasonable. As mentioned previously in the Background section, the "full cost" method was used to calculate the under-collection amounts on both the purchased power and water production balancing accounts.

In view of this, the Division recommends authorization of the surcharge of \$0.030/Ccf for 12 months. Since the requested increase is caused by expenses directly related to water consumption, the surcharge is applied to water use. During the amortization period, the proposed surcharge will raise the typical residential customer's monthly bill (23 Ccf with a 5/8" x 3/4" meter) by \$0.69 or 1.9% from \$37.11 to \$37.80. The Division has reviewed the request with the supporting workpapers submitted by SGVW and finds it reasonable.

Generally, the service provided by SGVW is satisfactory. There have been third parties responsible for contaminating Fontana Division's ground water sources. The subject of subsequent litigation and required corrective actions has been addressed in the last two GRC applications and Commission Resolution W-4094 dated March 26, 1998.

NOTICE AND PROTESTS

In compliance with Section III-G of General Order 96-A, SGVW mailed a copy of Advice Letter No. 327 to the City of Fontana, the City of Colton Water Department, the Cucamonga County Water District, the City of Ontario Water Department, the City of Rialto Water Department, West San Bernardino County Water District and the Local Agency Formation Commission for San Bernardino County. In addition, SGVW also gave notice of the proposed increase by

publishing a public notice in the local newspaper of general circulation, The Sun, on April 8, 2004. The Proof of Publication was provided to the Water Branch by the utility. No protest letters were received concerning the proposed offset increase.

FINDINGS

1. SGVW filed Advice Letter No. 327 to recover under-collections in its purchased power and water production balancing type memorandum accounts in compliance with Ordering Paragraph No. 1 of D.03-06-072 dated June 19, 2003 in Rulemaking No. 01-12-009.
2. Water Division has reviewed the advice letter and supporting workpapers and finds them reasonable.
3. The Commission finds, after investigation by the Water Division, that the changes hereby authorized are justified and the resulting rates are just and reasonable.
4. This is an uncontested matter subject to the public notice comment exclusion provided in the Public Utilities Code Section 311(g)(3).

THEREFORE IT IS ORDERED THAT:

1. San Gabriel Valley Water Company is authorized to make effective revised Schedule No. FO-1, General Metered Service attached to Advice Letter No. 327, and to cancel the corresponding presently effective rate schedule. The effective date of the revised rate schedule shall be five days after the date of this resolution.
2. San Gabriel Valley Water Company is directed to keep its balancing-type memorandum accounts as required by Public Utilities Code Section 792.5.

3. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on September 23, 2004; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director

MICHAEL R. PEEVEY
President

CARL W. WOOD
LORETTA M. LYNCH
GEOFFREY F. BROWN
SUSAN P. KENNEDY
Commissioners