



FILED

08-20-10
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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 Services in its Los Angeles County Division by \$10,232,700 or 17.8% in July 2011; \$1,767,700 or 2.6% in July 2012; and \$2,245,800 or 3.2% in July 2013 and in its Fontana Water Company division by \$1,252,200 or 2.1% in July 2011.

Application 10-07-019
(Filed July 16, 2010)

**PROTEST OF THE DIVISION OF RATEPAYER ADVOCATES
TO THE APPLICATION OF
SAN GABRIEL VALLEY WATER COMPANY**

I. INTRODUCTION

Pursuant to Rule 2.6 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure ("Rules"), the Division of Ratepayer Advocates ("DRA") hereby protests San Gabriel Valley Water Company's ("San Gabriel") Los Angeles and Fontana Water Company Divisions' Application ("A.") 10-07-019 for authority to increase the rates charged for water services in their service territories. In the Application, San Gabriel requests an increase in revenues for its Los Angeles County Division ("Los Angeles Division") of: (1) \$10,232,700 or 17.8% in July 2011; (2) \$1,767,700 or 2.6% in July 2012; and (3) \$2,245,800 or 3.2% in July 2013. San Gabriel also requests authorization to implement a surcharge on the Fontana Water Company Division ("Fontana") metered sales effective July 1, 2011 to collect

\$1,252,200 - equivalent to a 2.1% increase in rates - to reflect the additional allocated share of General Division expenses and rate base.

San Gabriel filed the Application on July 16, 2010, and it appeared on the Commission's Daily Calendar on July 21, 2010.

San Gabriel's Application raises several issues of concern that merit further investigation by the Commission. Therefore, DRA recommends that the Commission schedule both evidentiary and public participation hearings for this proceeding.

II. ISSUES

DRA is still reviewing the voluminous San Gabriel Application and is generally concerned with the size of San Gabriel's proposed rate increases, including a 17.8% increase in Los Angeles Division rates in Test Year 2011-2012. Although it is unclear at this time which aspects of the San Gabriel Application will be most contentious, the following lists some of the issues that currently concern DRA because they could have a significant effect on San Gabriel's requested revenue requirements, therefore requiring closer review:

- San Gabriel's proposed allocation of General Office costs among the Fontana and Los Angeles Divisions, and San Gabriel's affiliates;
- San Gabriel's proposed allocation of Fontana Office costs to the General Office;
- Plant additions that would have a significant effect on San Gabriel's revenue requirement, including, without limitation, those listed on page 7 of the Application;
- The accuracy of San Gabriel's projections of its number of customers, its sales forecast, and its projections of operating and other revenue;
- San Gabriel's projected increases in staff pension and benefit costs;
- San Gabriel's projected increase in General Office staff;

- Amortization, recovery, and San Gabriel’s proposed other treatment of funds related to litigation of groundwater contamination issues;¹
- The cost of assets required to offset reductions in groundwater basin operations;
- Additional costs of water treatment to remove contaminants from groundwater supplies; and
- San Gabriel’s overhead study and associated overhead rates.

In addition to the issues identified above, DRA is also concerned with the items routinely reviewed in rate case proceedings, including, without limitation, the reasonableness of estimated operating revenues, operating and maintenance (“O&M”) expenses, administrative and general (“A&G”) expenses, rate base, taxes, and compliance expenses.

Further review and/or discovery may disclose additional issues that DRA determines are important to submit testimony on during the upcoming proceedings in this matter. DRA accordingly reserves its rights to raise such additional issues as may be revealed during the course of its further review of San Gabriel’s Application.

III. NEED FOR HEARINGS

DRA agrees with San Gabriel that evidentiary hearings will be necessary because San Gabriel’s showing and DRA’s analyses are necessarily fact intensive and thus will likely result in a number of factual disputes. DRA recommends holding the evidentiary hearings in the Commission’s Los Angeles office. The majority of DRA’s and San Gabriel’s staff working on the proceeding is located in or near Los Angeles. Consequently, hearings in Los Angeles will minimize ratepayer costs – by minimizing travel costs - and make it easier for DRA and San Gabriel personnel, interested members of the public, and possible intervenors to attend the hearings.

¹ It is DRA’s understanding that Rulemaking 09-03-014, when resolved, will provide guidance on proper treatment of funds related to contamination litigation and rate treatment of assets constructed as a result of such litigation.

IV. PROPOSED SCHEDULE

DRA proposes a schedule at Attachment 1 that differs from San Gabriel's proposed schedule at Exhibit F of the Application. DRA analysts working on this Application are currently working on two other rate setting proceedings (A. 08-07-010 and A.10-01-009). Additionally, one DRA analyst critical to this proceeding is the lead analyst on a related affiliate transaction rulemaking which remains open and for which a proposed decision is expected soon. DRA's proposed schedule attempts to avoid unnecessary overlaps in due dates among these proceedings. DRA's proposed schedule also attempts to address the current state of the budget. DRA may be unable to travel and perform its customary site visits and examination of company facilities because staff – while located near the Los Angeles District's facilities - often rent vehicles for such visits or charge costs of their own vehicles to the state. Reimbursements for any staff expenditures are currently suspended. For these reasons, and due to the large and complex nature of San Gabriel's Application, DRA proposes the schedule set forth at Attachment 1, which includes additional time to prepare its analysis, as well as a break between settlement negotiations and the commencement of hearings to accommodate vacation schedules.

V. CATEGORIZATION

DRA agrees with San Gabriel's proposed categorization of this proceeding as ratesetting and that evidentiary hearings are likely to be necessary to resolve the issues.

VI. CONCLUSION

San Gabriel's Application requests substantial rate increases. DRA is conducting discovery to develop its testimony and recommendations. Hearings may be required and a schedule should be established at the prehearing conference that allows for a diligent review of the requested rate increase. Since DRA has not completed discovery or filed its

Staff Report/Testimony, it reserves the right to assert any issues discovered after this Protest has been filed.

Respectfully submitted,

/s/ **Traci Bone**

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August 20, 2010

ATTACHMENT 1
2010 RATE CASE
SAN GABRIEL VALLEY WATER COMPANY
LOS ANGELES COUNTY AND GENERAL DIVISIONS

DRA'S PROPOSED SCHEDULE

San Gabriel Proposed Date	Rate Case Plan Day D.07-05-062	DRA Proposed Date	Description
July 16, 2010	0	N/A	Application Filed
July 21, 2010	N/A	N/A	Application Appeared on Commission Calendar
September 2, 2010	10-90	N/A	Prehearing Conference Set
No Proposal	N/A	August 30, 2010	Update of Applicant's Showing, if necessary
September 29, 2010	10-90	Any time before October 14, 2010	Public Participation Hearings, if necessary
October 6, 2010	97	November 22, 2010	DRA and Intervenor(s) distribute Staff Reports/Testimony
October 22, 2010	112	December 6, 2010	Utility distributes Rebuttal Testimony
October 25, 2010	115-125	December 10, 2010	ADR Process/Settlement Negotiations Begin
November 8, 2010	126-130	January 10, 2011	Evidentiary Hearings
December 13, 2010	160	February 14, 2011	Opening Briefs
December 13, 2010	160	February 14, 2011	Motion for Interim Rates
December 14,	161	February 15,	Mandatory Status Conference

2010		2011	
December 28, 2010	175	March 1, 2011	Reply Briefs
January 3, 2011	180	March 7, 2011	Water Division Technical Conference f to discuss Results of Operations Tables
March 4, 2011	240	May 6, 2011	Proposed Decision Mailed
March 24, 2011	260	May 26, 2011	Comments on Proposed Decision
March 29, 2011	265	May 31, 2011	Reply Comments
April 18, 2011	280	June 15, 2011	Commission Meeting
July 1, 2011		July 1, 2011	New Rates Effective

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of “**PROTEST OF THE DIVISION OF RATEPAYER ADVOCATES TO THE APPLICATION OF SAN GABRIEL VALLEY WATER COMPANY**” in **A.10-07-019** by using the following service:

E-Mail Service: sending the entire document as an attachment to all known parties of record who provided electronic mail addresses.

U.S. Mail Service: mailing by first-class mail with postage prepaid to all known parties of record who did not provide electronic mail addresses.

Executed on August 20, 2010 at San Francisco, California.

/s/ NANCY SALYER

NANCY SALYER

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address and/or e-mail address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

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A.10-07-019

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