

SAN GABRIEL VALLEY WATER COMPANY

October 6, 2006

U337W

Mr. Steven K. Haine
Water Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

KEVIN P. COUGHLIN, Director
WATER DIVISION

OCT 10 2006

Subject Post-Workshop Comments on
Water Action Plan Implementation and
Rate Case Plan Improvement

Dear Steve

San Gabriel has reviewed your most recent draft of the matrix and offers the following additional comments:

General Rate Case

1. Item No. 9-Report and Application Format: San Gabriel supports CWA's comment that DRA should cross-reference their reports as the utility is required to do. San Gabriel opposes DRA's recommendation requiring water utilities to provide each document electronically as not all water utilities can provide all documents in that format.
2. Item No. 10-Cost Recovery: San Gabriel supports CWA's position regarding more frequent updating of costs that escalate much faster than general inflation.
3. Item No. 13-Limiting Rebuttal: In the summary of San Gabriel's position, please change "It will also lead intervenors..." to "It will also lead parties ...".
4. Item No. 16-Stipulations: Contrary to the positions of DRA and CWA, San Gabriel does not support more time for settlements (see our August 15 comments at page 5). Rather, San Gabriel suggests that settlement discussions would be made much more efficient with the use of a professional

mediator or other form of ADR. Also, a preview of the Staff Report by the applicant before it is issued would help to focus the settlement discussions on actual issues, rather than on perceived issues or erroneous data. Please change our ranking from A to B.

Conservation

5. Item No. 1-WRAM: The comment attributed to San Gabriel is unrelated to this issue. Please replace it with “San Gabriel supports Suburban’s position to eliminate WRAM from the GRC checklist because one size doesn’t fit all.”
6. Item No. 4: This Item is identical to Item No. 21 and therefore should be eliminated.
7. Item No. 9-Demand Reduction: San Gabriel does not believe that this item belongs in the Rate Case Plan and therefore changes its ranking from B to C.
8. Item No. 20-Annual Report: San Gabriel does not believe that this item belongs in the Rate Case Plan and therefore changes its ranking from B to C.
9. Item No. 21-Public Education: San Gabriel does not believe that this item belongs in the Rate Case Plan and therefore changes its ranking from B to C.

Infrastructure Improvement

10. Item No. 5-Memorandum Accounts: San Gabriel sees this issue as identical to Item No. 1 and therefore changes its ranking from C to A.

Ratemaking

11. Item No. 2-General Office Expense: San Gabriel supports CWA’s position that GO expenses for multidistrict companies should be based on the year in which rates are reviewed. Therefore, San Gabriel changes its ranking from B to A.
12. Item No. 3-Escalation Year Earnings Test: San Gabriel supports CWA’s position that earnings test for Escalation Year increases should be eliminated.
13. Item No. 4A- Escalation Year Earnings Test: San Gabriel supports CWA’s position that if the earnings test is not eliminated, a “rate base test” should be used instead.

Mr. Steven K. Haine
Page 3
October 6, 2006

14. Item No. 4B- Escalation Year Earnings Test: San Gabriel supports CWA's position that if the earnings test is not eliminated, the adopted rate of return should be for that specific district rather than the "lower of ...".
15. Item No. 5-CWIP in Rate Base: San Gabriel believes that the Commission already allows CWIP in rate base and therefore lowers its ranking from A to B.

If you have any questions about these additional comments, please call me at (626) 448-6183. Thank you.

Very truly yours,



Daniel A. Dell'Osa
Director, Rates and Revenue

cc: Kevin P. Coughlan