

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE

SAN FRANCISCO, CA 94102-3298



August 24, 2021

Natalie Wales  
Director of Regulatory Policy & Compliance  
California Water Service Co.  
1720 North First St  
San Jose, CA 95112-4598

Dear Ms. Wales,

The Commission has approved California Water Service Company's Advice Letter No. 2413, filed on June 14, 2021, regarding Drought Memorandum Account 2 (DRMA2) to track costs and penalties associated with the implementation of Rule 14.1 and Schedule 14.1.

Enclosed are copies of the following revised tariff sheets, effective June 14, 2021, for the utility's files:

<b>P.U.C. Sheet</b>	
<b>No.</b>	<b>Title of Sheet</b>
12601-W	Preliminary Statement AL2, Drought Memorandum Account 2 (DRMA2)
12602-W	Table of Contents (page 4)
12603-W	Table of Contents (page 1)

Please contact Kevin Truong at VT4@cpuc.ca.gov or 415-703-1353, if you have any questions.

Thank you,

/s/ROBIN BRYANT

Robin Bryant  
Water Division

Enclosures

**CALIFORNIA PUBLIC UTILITIES COMMISSION  
DIVISION OF WATER AND AUDITS**

**Advice Letter Cover Sheet**

<b>Utility Name:</b> California Water Service Company	<b>Date Mailed to Service List:</b> 06/14/2021
<b>District:</b> All Districts	
<b>CPUC Utility #:</b> U-60-W	<b>Protest Deadline (20<sup>th</sup> Day):</b> 07/04/2021
<b>Advice Letter #:</b> 2413	<b>Review Deadline (30<sup>th</sup> Day):</b> 07/14/2021
<b>Tier:</b> <input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> Compliance	<b>Requested Effective Date:</b> 06/14/2021
<b>Authorization:</b> Resolution W-4976	
<b>Description:</b> Drought Memorandum Account 2 (DRMA2) to track costs and penalties associated with the implementation of Rule 14.1 and Schedule 14.1	<b>Rate Impact:</b> None

The protest or response deadline for this advice letter is 20 days from the date that this advice letter was mailed to the service list. Please see the "Response or Protest" section in the advice letter for more information.

**Utility Contact:** Natalie Wales

**Phone:** 408-367-8566

**Email:** [Nwales@calwater.com](mailto:Nwales@calwater.com)

**Utility Contact:** Albree Jewell

**Phone:** 916-205-4539

**Email:** [ajewell@calwater.com](mailto:ajewell@calwater.com)

**DWA Contact:** Tariff Unit

**Phone:** (415) 703-1133

**Email:** [Water.Division@cpuc.ca.gov](mailto:Water.Division@cpuc.ca.gov)

<b>DWA USE ONLY</b>
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DATE

STAFF

COMMENTS

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[ ] APPROVED

[ ] WITHDRAWN

[ ] REJECTED

Signature: \_\_\_\_\_

Comments: \_\_\_\_\_

Date: \_\_\_\_\_

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## CALIFORNIA WATER SERVICE COMPANY

1720 NORTH FIRST STREET  
SAN JOSE, CA 95112 • (408) 367-8200 • F (408) 367-8428

June 14, 2021

### Advice Letter No. 2413

To the California Public Utilities Commission:

California Water Service Company ("Cal Water") respectfully requests approval to implement the tariff changes listed below. *Please note that, due to limitations on non-essential travel as a result of the COVID-19 virus, this advice letter will only be distributed electronically to the Water Division and the attached service lists.*

New/Revised CPUC Sheet No.	Title of Sheet	Schedule No.	Cancelling CPUC Sheet No.
12601-W	Preliminary Statement AL2	DRMA2	New
12602-W	Table of Contents (page 4)	TOC 4	12555-W
12603-W	Table of Contents (page 1)	TOC 1	12600-W

### Summary

Cal Water requests authority to open a "Drought Memorandum Account 2" ("DRMA2") to address the Governor's Proclamations of State of Emergency regarding drought conditions in numerous California counties ("drought declaration"). Cal Water files this as a Tier 2 advice letter with a requested effective date of June 14, 2021.

### Background

Governor Gavin Newsom has issued a drought declaration for a total of 41 California counties through two State of Emergency Proclamations (on April 21, 2021 and May 10, 2021). The May 10, 2021 Proclamation states, in part:

Whereas recent warm temperatures and extremely dry soils have further depleted the expected runoff water from the Sierra-Cascade snowpack, resulting in a historic and unanticipated estimated reduction of 500,000 acre feet of water – or the equivalent of supplying water for up to one million households for one year – from reservoirs and stream systems, especially in the Klamath River, Sacramento-San Joaquin Delta, and Tulare Lake Watersheds; and

Whereas the extreme drought conditions through much of the State present urgent challenges, including the risk of water shortages in communities, greatly increased wildfire activity, diminished water for agricultural production, degraded habitat for many fish and wildlife species, threat to saltwater contamination of large fresh water



supplies conveyed through the Sacramento-San Joaquin Delta, and additional water scarcity if drought conditions continue into next year;<sup>1</sup>

Cal Water is currently updating its Water Shortage Contingency Plan (WSCP) in conjunction with the update to its Urban Water Management Plan.

As discussed in Advice Letter 2412 (filed concurrently with this advice letter), Cal Water is requesting updates to Rule 14.1 and Schedule 14.1 relating to voluntary and mandatory conservation, respectively.

### **Discussion**

Cal Water requests the creation of a new memorandum account called a Drought Memorandum Account 2 (“DRMA2”) to track the incremental operational and administrative costs incurred to further implement updated Rule 14.1 and Schedule 14.1, including those related to enhanced conservation efforts, staffing, and capital expenditures to ensure a safe, reliable supply of water. The DRMA2 would also track monies paid by customers for fines, penalties, or other compliance measures associated with water use violations; and penalties paid by Cal Water to its water wholesalers.

This request is consistent with the Commission’s Drought Procedures (adopted as Attachment A to Res. W-4976), which state as follows in paragraph 24 on page 9:

*24. All monies collected by the utility through water use violation fines shall not be accounted for as income but rather booked to a memorandum account to offset authorized expenses incurred and lost revenues from reduced sales due to conservation or rationing. All expenses incurred by utility to activate both Rule 14.1 voluntary conservations and Schedule 14.1 mandatory rationing efforts that have not been considered in a General Rate Case or other proceeding, shall be recoverable by utility if determined to be reasonable by Commission. These monies shall be accumulated by the utility in a separate memorandum account for disposition as directed or authorized from time to time by the Commission.*

Consistent with the limitations in paragraph 24, Cal Water affirms that the costs it proposes to track in the DRMA2 have not been addressed in Cal Water’s 2018 GRC or a separate proceeding. In addition, they will not be addressed in Cal Water’s 2021 GRC due to uncertainty regarding the duration and intensity of drought conditions. This request meets the commonly applied criteria for establishing a memorandum account as discussed below.

### **New Memorandum Account Requests**

General Order 96-B, Water Industry Rule 7.3.2, allows a Tier 2 advice letter filing for a “New Memorandum Account request.” This request meets the criteria for memorandum

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<sup>1</sup> <https://www.gov.ca.gov/wp-content/uploads/2021/05/5.10.2021-Drought-Proclamation.pdf>



accounts recently set forth in Resolution W-4824, as follows:<sup>2</sup>

The expense is caused by an event of an exceptional nature that is not under the utility's control: The Governor's announcement and the severe drought conditions in California are not under Cal Water's control.

The expense is of a substantial nature in the amount of money involved: Cal Water does not have an estimate for the expenses and other monies that are proposed for tracking in the DRMA2 because their magnitude will be dependent upon the severity of the ongoing drought conditions, the reactions of water wholesalers, and the reactions of the company's customers to conservation price and non-price signals.

The expense cannot have been reasonably foreseen in the utility's last GRC and will occur before the utility's next scheduled rate case: Cal Water's last GRC was filed in July 2018, prior to the Governor's drought announcement, and prior to the collective realization about the magnitude of the threat to water supplies caused by the current drought. Cal Water is filing its 2021 GRC on July 1, 2021 with a Test Year date of January 1, 2023, which is too late to address the current drought.

The ratepayers will benefit by the memorandum account treatment: Ratepayers will benefit from Cal Water's active commitment to encouraging voluntary conservation measures and, if necessary, mandatory rationing measures, and to offset its expenses by any monies collected from customers for water use violations.

Authorization of a Drought Memorandum Account 2 will not guarantee rate recovery of the recorded costs, and Cal Water will make a showing that any amounts sought for recovery are incremental and not already included in rates. Granting the DRMA2 would preserve the full range of regulatory options for disposition of those costs, and is in the public interest for the reasons discussed above. Cal Water proposes to seek recovery of appropriate costs in its next GRC or consistent with General Order 96-B and Standard Practices.

### **Requested Effective Date**

Cal Water is submitting this as a **Tier 2** advice letter pursuant to General Order 96-B, Water Industry Rule 7.3.2(5) (New Memorandum Account request). Cal Water requests that the account be considered effective **June 14, 2021**.

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<sup>2</sup> See Resolution W-4824, *California-American Water (Cal-Am). Order Authorizing Memorandum Account to Track Costs Incurred to Address the State Water Resources Control Board (SWRCB) Cease and Desist Order (CDO) for Unauthorized Diversion of Water from the Carmel River in the Monterey District* (April 8, 2010) at 5.



## **Notice**

*Customer Notice* – Individual customer notice of this advice letter is not required under General Order 96-B, Water Industry Rule 3.1 (Method of Notice for Advice Letter Increasing Rates) because it does not propose a rate increase or trigger any other customer notice requirement.

*Service Lists* – In accordance with General Order 96-B, General Rule 4.3 and 7.2 and Water Industry Rule 4.1, a copy of this advice letter will be transmitted electronically on **June 14, 2021** to competing and adjacent utilities and other utilities or interested parties having requested such notification, including the Local Agency Formation Commission (LAFCO). ***Please note that, due to limitations on non-essential travel as a result of the COVID-19 virus, this advice letter will only be distributed electronically.***

## **Response or Protest**

Anyone may respond to or protest this advice letter. When submitting a response or protest, please include the utility name and advice letter number in the subject line. A response supports the filing and may contain information that proves useful to the Commission in evaluating the advice letter. A protest objects to the advice letter in whole or in part and must set forth the specific grounds on which it is based. These grounds are:

- (1) The utility did not properly serve or give notice of the advice letter;
- (2) The relief requested in the advice letter would violate statute or Commission order, or is not authorized by statute or Commission order on which the utility relies;
- (3) The analysis, calculations, or data in the advice letter contain material error or omissions;
- (4) The relief requested in the advice letter is pending before the Commission in a formal proceeding; or
- (5) The relief requested in the advice letter requires consideration in a formal hearing, or is otherwise inappropriate for the advice letter process; or
- (6) The relief requested in the advice letter is unjust, unreasonable, or discriminatory (provided such a protest may not be made where it would require relitigating a prior order of the Commission.)

A protest shall provide citations or proofs where available to allow staff to properly consider the protest. A response or protest must be made in writing or by electronic mail and must be received by the Water Division within 20 days of the date this advice letter is filed. The address for mailing or delivering a protest is:

Tariff Unit, Water Division, 3<sup>rd</sup> floor  
California Public Utilities Commission,  
505 Van Ness Avenue, San Francisco, CA 94102  
[water.division@cpuc.ca.gov](mailto:water.division@cpuc.ca.gov)

On the same date the response or protest is submitted to the Water Division, the respondent or protestant shall send a copy by mail (or e-mail) to Cal Water at the following address:



**CALIFORNIA WATER SERVICE COMPANY**

Advice Letter 2413 – Drought Memorandum Account 2 Request

Page 6

Natalie Wales  
California Water Service Company  
1720 North First Street,  
San Jose, California 95112  
E-mail: [cwsrates@calwater.com](mailto:cwsrates@calwater.com)

Cities and counties requiring Board of Supervisors or Board of Commissioners approval to protest should inform the Water Division within the 20-day protest period so a late-filed protest can be entertained. The informing document should include an estimate of the date the proposed protest might be voted on. The advice letter process does not provide for any responses, protests or comments, except for the utility's reply, after the 20-day comment period.

**Replies:** The utility shall reply to each protest and may reply to any response. Each reply must be received by the Water Division within 5 business days after the end of the protest period and shall be served on the same day to the person who filed the protest or response. If you have not received a reply to your protest within 10 business days, contact California Water Service Company at (408) 367-8200, and ask for the Rates Department.

CALIFORNIA WATER SERVICE COMPANY

/s/

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Natalie Wales, Director,  
Regulatory Policy & Compliance

cc: Syreeta Gibbs (Public Advocates Office)  
[PublicAdvocatesWater@cpuc.ca.gov](mailto:PublicAdvocatesWater@cpuc.ca.gov)

## Preliminary Statement AL2

Page 1

(N)

## AL2. Drought Memorandum Account 2 (DRMA2)

(N)

1. Purpose: The purpose of the Drought Memorandum Account 2 (DRMA2) is to track costs and penalties associated with the implementation of Rule 14.1 and Schedule 14.1 consistent with Resolution W-4976 in which the Commission adopted Drought Procedures. The effective date for the DRMA2 will be June 14, 2021.
2. Applicability: The DRMA2 will track the following items:
  - a. Incremental operating and administrative costs associated with implementing voluntary and mandatory conservation measures consistent with Rule 14.1 and Schedule 14.1, such as additional staffing, efforts to encourage conservation, and capital expenditures to ensure a safe, reliable water supply;
  - b. Monies paid by customers for fines, penalties, or other compliance measures associated with water use violations; and
  - c. Penalties paid by Cal Water to its water wholesalers.
3. Disposition: Charges made to the Drought Memorandum Account 2 are subject to a reasonableness review in a General Rate Case, or in an appropriate advice letter filing consistent with General Order 96-B and Standard Practices.

(N)

(To be inserted by utility)

Advice Letter 2413

Decision

Issued By

Greg A. MillemanVice President

(To be inserted by CPUC)

Date Filed 06/14/2021Effective 06/14/2021

Resolution \_\_\_\_\_



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Preliminary Statements

<u>Sheet</u>	<u>Subject Matter</u>	<u>Service Area</u>	<u>CPUC Sheet No.</u>
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AI	Chromium 6 Memorandum Account (CHROMIUM-6 MA)		
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	Page 2		12502-W
AJ	Customer Assistance Program Balancing Account (CAP BA)		
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	Page 2		12542-W
AL2	Drought Memorandum Account 2 (DRMA2)		
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AM	Rate Support Fund Balancing Account (RSF BA)		
	Page 1		12544-W
	Page 2		12545-W
AN	Infrastructure Memorandum Account (IMA)		10447-W
AO	Memorandum Account Water Contamination (WCL MA)		10448-W
	Litigation		
AP	General District Balancing Accounts (District BAs)		10449-W
AR	Sales Reconciliation Mechanism Balancing Account (SRM BA)		10467-W
AS	Asbestos Remediation Memorandum Account		
	Page 1		12503-W
	Page 2		12504-W
AT	School Lead Testing Memorandum Account (SLTMA)		11359-W
AU	Phase 1 Sites Reservoir Memorandum Account (PHASE 1 SITES MA)		11468-W
AV	2018 Tax Accounting Memorandum Account (TAMA)		12505-W
AX	Lead Service Memorandum Account (LSMA)		12016-W
AY	Public Safety Power Shut-Off (PSPS) Memo Account (PSPS MA)		
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AZ	2018 GRC Interim Rate Memorandum Account (2018 IRMA)		
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BA	Polyfluoroalkyl Substances (PFAS) Memorandum Account		12313-W

(continued)

(To be inserted by utility)  
Advice Letter No. 2413  
Decision No. \_\_\_\_\_

Issued by  
GREG A. MILLEMAN  
Name  
Vice President  
TITLE

(To be inserted by CPUC)  
Date Filed 06/14/2021  
Effective 06/14/2021  
Resolution No. \_\_\_\_\_

**Table of Contents - Page 1**

The following listed tariff sheets contain all effective rates and rules affecting the rates and service of the Utility together with information relating thereto:

<u>Sheet</u>	<u>Subject Matter</u>	<u>Service Area</u>	<u>Schedule No.</u>	<u>CPUC Sheet No.</u>
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Page 5	Rate Schedules - All Districts			12593-W
Page 6	Rate Schedules - District Specific			12599-W
Page 7	Rate Schedules - District Specific			12598-W
Page 8	Rate Schedules - District Specific			12463-W
Page 9	Rate Schedules - District Specific			12476-W
Page 10	Rate Schedules - District Specific			12461-W
Page 11	Service Area Maps			12337-W
Page 12	Rules			12480-W
Page 13	Rules			12589-W
Page 14	Sample Forms			12553-W
Page 15	Sample Forms			2926-W
Page 16	Sample Forms			12552-W

(continued)

(To be inserted by utility)  
Advice Letter No. 2413  
Decision No. \_\_\_\_\_

Issued by  
GREG A. MILLEMAN  
Name  
Vice President  
TITLE

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