

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

Advice Letter Cover Sheet

Utility Name: San Gabriel Valley Water Co.

Date Mailed to Service List: 06/10/22

District: Companywide

CPUC Utility #: U337W

Protest Deadline (20th Day): 06/30/22

Advice Letter #: 582

Review Deadline (30th Day): 07/10/22

Tier 1 2 3 Compliance

Requested Effective Date: 07/01/22

Authorization Resolution W-4976

Rate Impact: \$0
 0.0%

Description: This advice letter requests the establishment of Drought Lost Revenue Memorandum Account (“DLRMA”).

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: Joel M. Reiker

Utility Contact: Crystal Navarro

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Email: cjnavarro@sgvwater.com

DWA Contact: Tariff Unit

Phone: (415) 703-1133

Email: Water.Division@cpuc.ca.gov

DWA USE ONLY

DATE

STAFF

COMMENTS

APPROVED

WITHDRAWN

REJECTED

Signature: _____

Comments: _____

Date: _____

SAN GABRIEL VALLEY WATER COMPANY

June 10, 2022

Advice Letter No. 582

U337W

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

San Gabriel Valley Water Company ("San Gabriel" or "Company") hereby requests ministerial review of the following changes in tariff sheets applicable to its Los Angeles County and Fontana Water Company divisions:

CPUC Sheet No.	Title	Schedule No.	Cancelling CPUC Sheet No.
3227-W	Preliminary Statement, Section O	n/a	n/a
3228-W	Table of Contents	n/a	3226-W

By this advice letter, San Gabriel seeks to add Paragraph O to its Preliminary Statement, describing the operation of a new Drought Lost Revenue Memorandum Account ("DLRMA"). The purpose of the DLRMA is to record impacts of unanticipated lost water sales as a result of either voluntary conservation under Rule 14.1 or mandatory rationing under Schedule 14.1 in conjunction with Governor Newsom's declared drought emergency, the State Water Resources Control Board's ("SWRCB") emergency water conservation regulations adopted in Resolution No. 2022-0018, dated May 24, 2022, and the California Public Utility Commission's ("Commission") Resolution No. W-4976 adopting drought procedures for voluntary and mandatory water conservation measures related to both Rule 14.1, voluntary water conservation and Schedule 14.1, mandatory rationing efforts. **This advice letter is designated as Tier 2.**

Background

On February 28, 2014, the Commission issued Resolution W-4976, adopting Drought Procedures for Water Conservation, Rationing and Service Connection Moratoria based on an updated Standard Practice U-40-W ("SP-40"). Paragraph 36 of SP-40 states, in part:

...A utility without a full revenue decoupling WRAM may request adding a memorandum account to track lost revenue associated with reduced sales as a result of either voluntary conservation under Rule 14.1 or mandatory rationing under Schedule 14.1 in conjunction with a declared drought in California. ... Before seeking recovery of the memorandum account balance, the utility subtracts from the balance a revenue requirement amount equal to a 20-basis point reduction in the utility's adopted return on equity. Then if necessary, the utility further reduces the amount to be recovered to a level sufficient to ensure that such recovery

does not cause the utility to exceed its authorized rate of return for the period covered by the memorandum account.

Paragraph 37 of SP-40 states:

The tracking of lost revenues as a result of conservation efforts in a lost revenue memorandum account is tied to the utility having Rule 14.1 or Schedule 14.1 in its tariffs and having activated either Rule 14.1 or Schedule 14.1.

As explained below, all of the above prerequisites have been satisfied.

On April 21, 2021, in an effort to actively respond to severe drought conditions and preparing for the possibility of a third consecutive dry year, Governor Newsom issued a proclamation declaring a Drought State of Emergency in two California counties. (*see ATTACHMENT 1*) Subsequently, in May and July 2021 the governor updated his Emergency proclamation to include 50 counties, or approximately 42% of the state's population, and directed state agencies to take further actions to bolster drought resilience and prepare for impacts on communities, businesses and ecosystems. Additionally, Governor Newsom called on all Californians to reduce their water use by 15% from 2020 levels. (*see ATTACHMENT 2*)

In response to these measures, the Commission's Water Division, by letter dated July 8, 2021, called on all investor-owned water utilities to implement water conservation measures to achieve the Governor's requested 15% reduction in water use, and specifically referenced the procedures and guidelines set forth in SP-40. Accordingly, San Gabriel notified the Director of the Commission's Water Division on July 16, 2021, of the Company's intention to communicate with customers the need to reduce water use by 15% compared to 2020 usage and implement voluntary conservation measures as described in Tariff Rule 14.1. (*see ATTACHMENT 3*) Accordingly, San Gabriel has distributed monthly notices to all customers in its Los Angeles County and Fontana Water Company divisions calling on them to reduce their water use by 15%.

On August 17, 2021, the Metropolitan Water District of Southern California ("MWD") issued a Condition 2 – Water Supply Alert under its Water Surplus and Drought Management Plan, calling on all of its member agencies, cities and counties to implement conservation measures that support retail customers in reducing their water use and continue to preserve regional storage reserves. Subsequently on August 25, 2021, the Upper San Gabriel Valley Municipal Water District ("USGVMWD"), an MWD member agency, activated Level 2 of its Water Shortage Contingency Plan, thereby triggering the implementation of a district-wide drought communications plan to support water use reductions in its service area, including the region served by San Gabriel's Los Angeles County division. (*see ATTACHMENT 4*)

On October 19, 2021, Governor Newsom issued another Drought Emergency Proclamation to include the entire state of California, including Los Angeles and San Bernardino counties. In this emergency proclamation, the governor directed local water suppliers, including San Gabriel, to execute their Water Shortage Contingency Plans at a level appropriate to local conditions that takes into account the possibility of a third consecutive dry year. (*see ATTACHMENT 5*)

By Advice Letter 574, effective January 13, 2022, San Gabriel updated and activated its Rule 14.1 – Water Shortage Contingency Plan, to align with its recently adopted 2020 Urban Water Management Plans for the Los Angeles County and Fontana Water Company divisions. By this advice letter, San Gabriel declared a Water Alert pursuant to Section A.1 of the Company’s new Rule 14.1, indicating the need for voluntary conservation in accordance with the Governor’s October 19, 2021 Proclamation of a Drought State of Emergency. In accordance with the Water Alert San Gabriel declared on January 13, 2022, customers shall not use utility-supplied water for non-essential or unauthorized uses, as outlined in Section B of Rule 14.1.

On March 28, 2022, Governor Newsom issued Executive Order N-7-22 directing the SWRCB to consider adopting, by May 25, 2022, emergency regulations, including the requirement that urban water suppliers implement, at a minimum, water shortage response actions reflective of a water shortage level of up to 20%. (*See ATTACHMENT 6*)

On April 26, 2022, MWD’s board voted unanimously to declare a water shortage emergency and implement an emergency water conservation program. By Resolution 9305, MWD called on all of its member agencies to make all possible changes in their operations to reduce their reliance upon MWD’s State Water Project (“SWP”) supplies, and immediately implement conservation requirements, efficiency measures, and limitations in accordance with their water shortage contingency plans. MWD further implemented an Emergency Water Conservation Program that provides two pathways for affected member agencies, which include either (1) restricting outdoor irrigation to one day per week beginning June 1, 2022, or (2) complying with monthly allocation limits subject to penalties of \$2,000 per acre-foot on all excess usage. (*See ATTACHMENT 7*)

On May 10, 2022, the USGVMWD adopted an Emergency Water Conservation Program applicable to 18 cities and 22 water retailers in the San Gabriel Valley, including San Gabriel’s Los Angeles County division. USGVMWD’s Emergency Water Conservation Program calls for reductions in water use of 20%, and limits outdoor irrigation to two days per week for its retail member agencies, including San Gabriel. (*See ATTACHMENT 8*)

On May 24, 2022, the SWRCB adopted emergency water conservation regulations, effective June 10, 2022, requiring San Gabriel and all urban water suppliers to implement the Level 2 demand reduction actions described in their Water Shortage Contingency Plans on file with the Department of Water Resources, and prohibiting the use of potable water for irrigating non-functional turf at commercial, industrial, and institutional (“CII”) sites. Level 2 actions are meant to achieve a reduction in water demands of up to 20% by limiting, among other things, the irrigation of landscapes with potable water to no more than two days per week, between the hours of 10 a.m. 6 p.m. (*See ATTACHMENT 9*)

Discussion

San Gabriel’s proposed DLRMA is identical in operation to the Company’s previous DLRMA which was authorized by the Commission in Advice Letter 462-A, and was in effect from June 1, 2015 through April 26, 2017 – a period during which both mandatory and voluntary conservation measures were in effect in conjunction with a declared drought emergency.

Recognizing the financial impact of increased conservation measures during a declared drought

emergency on those water utilities without a full decoupling water revenue adjustment mechanism (“WRAM”), the Commission authorized such utilities (including San Gabriel) to add a memorandum account to track lost revenues associated with reduced sales from voluntary conservation or mandatory rationing:

A lost revenue memorandum account to track revenue shortfalls associated with reduced sales from either activation of voluntary conservation measures or a mandatory rationing plant [sic] pursuant to a declared drought emergency is available only to utilities that do not have an existing full revenue decoupling WRAM. Utilities requesting a lost revenue memorandum account should activate either voluntary conservation measures pursuant to Rule 14.1 or mandatory rationing pursuant to Schedule 14.1 before booking revenue shortfalls to the memorandum account. Lost revenues should be tracked only so long as conservation measures are in effect. Affected utilities should file a Tier 2 advice letter to add the memorandum account to the Preliminary Statements in its tariff. (Res. W-4976 at p. 11)

More recently, in Decision (“D.”) 20-08-047 in Phase 1 of the currently open Rulemaking 17-06-024, the Commission expressed its *expectation* that water utilities without a full WRAM, like San Gabriel, would avail themselves of a DLRMA:

During the Governor declared drought emergencies, the Commission has adopted appropriate measures which allowed utilities without a WRAM/MCBA to track lost revenues due to reductions in water use due to both voluntary and mandatory customer reductions. As described in Resolution W-4976 adopted February 27, 2014, these measures provide that a utility without a WRAM/MCBA was authorized to establish a Lost Revenue Memorandum Account to track revenue shortfalls. ... If, in the future, there are Governor declared droughts, we expect that water utilities that no longer have WRAM/MCBA for tracking lost drought revenues will be provided an opportunity to establish similar lost revenue memorandum accounts during the time of declared drought. (D.20-08-047 at pp. 74-75)

Moreover, the Commission found as a matter of fact in D.20-08-047 that:

21. During a governor declared drought emergency, it is reasonable to provide utilities not using a WRAM/MCBA mechanism an option to establish lost revenue memorandum accounts. (D.20-08-047, Finding of Fact No. 21.)

Accordingly, San Gabriel respectfully requests Commission authority to add Paragraph O to the Company’s Preliminary Statement describing the operation of a DLRMA, the purpose of which is to record impacts of unanticipated lost water sales due to increasing conservation as a result of the governor’s declared drought emergency and the SWRCB’s emergency water conservation regulations adopted in Resolution 2022-0018.

Service and Notice

Distribution of this advice letter is being made to the attached service lists in accordance with

Water Industry Rule 4.1 of General Order 96-B. No other parties have requested notification of tariff filings related to the Los Angeles County or Fontana Water Company divisions. In accordance with Water Industry Rule 3.3 of General Order 96-B, San Gabriel will also post this advice letter to its websites www.sgvwater.com and www.fontanawater.com.

Protest and Responses

Anyone may respond to or protest this advice letter. 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) San Gabriel 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 San Gabriel 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;
- (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 that such a protest may not be made where it would require re-litigating a prior order of the Commission.

A protest may not rely on a policy objection to an advice letter where the relief requested in the advice letter follows rules or directions established by statute or Commission order applicable to the utility. 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 response or protest is:

Email Address:
water.division@cpuc.ca.gov

Mailing Address:
California Public Utilities Commission
Water Division, 3rd Floor
505 Van Ness Avenue
San Francisco, CA 94102

On the same date the response or protest is submitted to the Water Division, the respondent or protestant shall send a copy of the protest by mail to San Gabriel addressed as follows:

Email Address:
jmreiker@sgvwater.com

Mailing Address:
San Gabriel Valley Water Company
Vice President of Regulatory Affairs
11142 Garvey Avenue
El Monte, CA 91733

Cities and counties that need Board of Supervisors or Board of Commissioners approval to protest should inform the Water Division, within the 20 day protest period, so that 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 further responses, protests or comments, except for San Gabriel's reply, after the 20-day comment period. San Gabriel will reply to each protest and may reply to any response. Each reply must be received by the Water Division within five 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 in accordance with General Order 96-B, General Rule 7.3.2.

If you have not received a reply to your protest within ten business days, contact San Gabriel at (626) 448-6183.

San Gabriel Valley Water Company

/s/ Joel M. Reiker

Joel M. Reiker
Vice President of Regulatory Affairs

cc: Bruce DeBerry, CPUC – Water Division
Victor Chan, CPUC – Water Branch, Cal Advocates
Richard Rauschmeier, CPUC – Water Branch, Cal Advocates

ADVICE LETTER DISTRIBUTION LIST

San Gabriel Valley Water Company

Los Angeles County Division

Advice Letter No. 582

City of Arcadia
240 West Huntington Drive
Arcadia, CA 91006

City Clerk, City of Baldwin Park
14403 East Pacific Avenue
Baldwin Park, CA 91706

California-American Water Company
655 W. Broadway, Suite 1410
San Diego, CA 92101

City of El Monte Water Department
11333 Valley Boulevard
El Monte, CA 91734

Industry Public Utilities
Post Office Box 3165
City of Industry, CA 91744

City Clerk, City of Irwindale
5050 North Irwindale Avenue
Irwindale, CA 91706

City Clerk, City of La Puente
15900 East Main Street
La Puente, CA 91744

La Puente Valley County Water District
112 North 1st Street
La Puente, CA 91744

City of Montebello
1600 West Beverly Boulevard
Montebello, CA 90640

City of Monterey Park Water Department
320 West Newmark Avenue
Monterey Park, CA 91754

City of Pico Rivera Water Department
6615 Passons Boulevard
Pico Rivera, CA 90660

Pico Water District
Post Office Box 758
Pico Rivera, CA 90660-0758

City Clerk, City of West Covina
1444 West Garvey Avenue
West Covina, CA 91790

City Clerk, City of Rosemead
8838 Valley Boulevard
Rosemead, CA 91770

City Clerk, City of San Gabriel
425 South Mission Drive
San Gabriel, CA 91778

San Gabriel County Water District
8366 East Grand Avenue
Rosemead, CA 91770

City of Santa Fe Springs Water Department
Post Office Box 2120
Santa Fe Springs, CA 90670

City Clerk, City of South El Monte
1415 Santa Anita Avenue
South El Monte, CA 91733

Golden State Water Company
Attn: Ronald Moore, Regulatory Affairs
630 East Foothill Boulevard
San Dimas, CA 91773
rkmoore@gswater.com

Suburban Water Systems
Attn: Bob Kelly
1325 N. Grand Ave., Suite 100
Covina, CA 91724

Valley County Water District
14521 East Ramona Boulevard
Baldwin Park, CA 91706

City of Whittier Water Department
13230 East Penn Street
Whittier, CA 90602

Kiki Carlson
Suburban Water Systems
kcarlson@swwc.com

Liberty Utilities (Park Water) Corp.
9750 Washburn Road
P.O. Box 7002
Downey, CA 90241

AdviceLetterService@LibertyUtilities.com

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San Gabriel Valley Water Company

Fontana Water Company Division

Advice Letter No. 582

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3390 University Avenue 5th Floor
Riverside, CA 92501

Carlos Rodriguez
Building Industry Association of Southern California
17192 Murphy Ave., #14445
Irvine, CA 92623

City of Colton Water Department
650 North La Cadena Drive
Colton, CA 92324

Golden State Water Company
Attn: Ronald Moore, Regulatory Affairs
630 East Foothill Boulevard
San Dimas, CA 91773
rkmoore@gswater.com

Cucamonga Valley Water District
Post Office Box 638
Rancho Cucamonga, CA 91730

Phillip Burum
Deputy City Manager
City of Fontana
8353 Sierra Avenue
Fontana, CA 92335

Dan West
City of Fontana Public Service Department
16489 Orange Way
Fontana, CA 92335

Marvin T. Sawyer, District Counsel
Fontana Unified School District
Business Services Office
9680 Citrus Avenue
Fontana, CA 92335

Samuel Martinez, Executive Officer
Local Agency Formation Commission for
San Bernardino County
1170 West Third Street, Unit 150
San Bernardino, CA 92415-0490

City of Ontario Water Department
303 East B Street
Ontario, CA 91764

City of Rialto Water Department
150 South Palm Avenue
Rialto, CA 92376

West Valley Water District
Post Office Box 920
Rialto, CA 92377

Kiki Carlson
Suburban Water Systems
kcarlson@swwc.com

PRELIMINARY STATEMENT
(Continued)

O. Drought Lost Revenue Memorandum Account (DLRMA)

1. Purpose

The purpose of the Drought Lost Revenue Memorandum Account is to track lost revenue associated with reduced sales as a result of either voluntary conservation under Rule 14.1 or mandatory rationing under Schedule 14.1 in conjunction with Governor Newsom’s declared drought emergency, the State Water Resources Control Board’s emergency water conservation regulations adopted in Resolution No. 2022-0018, and the California Public Utilities Commission’s Resolution No. W-4976 adopting drought procedures for voluntary and mandatory water conservation measures related to both Rule 14.1, voluntary water conservation and Schedule 14.1, mandatory rationing efforts. The Commission has determined that this mechanism is appropriate in coordination with increasing water conservation activities or mandatory conservation required by outside governmental agencies or entities.

2. Applicability

The DLRMA is applicable to all quantity rate-related revenues from potable water sales.

3. Accounting Procedures

- San Gabriel shall maintain separate DLRMAs for its Los Angeles County and Fontana Water Company divisions, making entries for potable water sales at the end of each month as follows:
- a. Adopted monthly sales will equal the annual adopted potable water sales spread to the twelve months based on the recorded potable water sales during the previous three calendar years.
 - b. Each month, Lost Revenues will be computed by multiplying the most recently adopted Quantity Rate in General Service tariff schedule LA-1 (Los Angeles County) or FO-1 (Fontana Water Company), less the adopted annual purchased water, pump tax, and power expenses per Ccf, by the difference between the adopted monthly sales and recorded monthly sales, and adjusted for the adopted Uncollectibles and Franchise Fees rates.
 - c. Monthly interest expense calculated on the average balance at 1/12 of the most recent month's interest rate on Commercial Paper (prime, 3-month), published in the Federal Reserve Statistical Release, H.15 (<http://www/federalreserve.gov/releases/H15/data/m/cp3m.txt>), or its successor publication.
 - d. A negative balance in the memorandum account reflects a utility overcollection to be refunded, while a positive balance reflects a utility undercollection to be recovered in rates.

4. Disposition

If the accumulated balance in either division for the DLRMA exceeds 2% of the total authorized revenue requirement as of the end of the prior calendar year, San Gabriel will submit an advice letter to amortize the balance. Before seeking recovery, the balance shall be reduced by an amount equal to a 20-basis point reduction in the most recently adopted return on equity and if necessary, further reduced to ensure that recovery does not cause the authorized rate of return for the period covered by the DLRMA to be exceeded. Prior to recovery, amounts recorded in the DLRMA are subject to a reasonableness review. The recovery of undercollections or refunds of overcollections will be reflected in rates through volumetric surcharges or surcredits.

5. Sunset Date

The DLRMA will remain in effect until the declared drought emergency is over and increasing water conservation activities or mandatory conservation mandates are no longer required.

(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 582

J. M. Reiker

Date Filed _____

Decision No. _____

NAME

Effective _____

V.P. Regulatory Affairs

TITLE

Resolution No. _____

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(continued)

(To be inserted by utility)
Advice Letter No. 582
Decision No. _____

Issued by
J. M. Reiker
NAME
Vice President of Regulatory Affairs
TITLE

(To be inserted by Cal. P.U.C.)
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