



San Jose  
Water  
Company

110 W. Taylor Street  
San Jose, CA 95110-2131

October 30, 2019

California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

### **Advice Letter No. 539**

San Jose Water Company (U-168-W) (SJWC) hereby transmits for filing the following changes in tariff schedules applicable to its service area and which are attached hereto:

<u>Cal. P.U.C Sheet No.</u>	<u>Title of Sheet</u>	<u>Cancelling Cal. P.U.C. Sheet No.</u>
1999-W	Preliminary Statement	1988-W
2000-W	Table of Contents	1989-W

#### Purpose

With this advice letter SJWC requests authority to establish a California Consumer Privacy Act Expense Memorandum Account (CCPAEMA) to track the incremental costs for complying with the consumer privacy laws and regulations required in Assembly Bill 375 (Chau), the California Consumer Privacy Act of 2018. These tariffs are submitted pursuant to General Order No. 96-B. In accordance with GO 96B – Water Industry Rule 7.3.2(5), this advice letter is designated as a Tier 2 Advice Letter with an effective date of November 29, 2019 (30 days from filing). This advice letter will have no impact on rates.

#### Background

On June 28, 2018, Governor Brown signed Assembly Bill 375, now known as the California Consumer Privacy Act of 2018 (CCPA), which grants consumers new rights with respect to the collection of their personal information. The CCPA goes into effect on January 1, 2020, and broadly applies several criteria to determine if an organization would be subjected to complying with the act. SJWC is covered under the CCPA since its gross revenues exceed \$25 million.

The CCPA grants consumers broad rights to access and manage their personal information, including:

- To know what personal information is being collected about them;
- To know whether and to whom their personal information is sold/disclosed, and to opt-out of its sale;
- To access their personal information;
- To have a business delete their personal information; and,
- To not be discriminated against for exercising their rights under the CCPA.

Violations of CCPA carry the following significant non-compliance penalties:

- \$7,500 per violation under an Attorney General statutory action for intentional violations. This may mean \$2,500 per incident or per personal information record, pending forthcoming Attorney General published guidance on CCPA compliance.
- \$2,500 per violation under an Attorney General statutory action for uncured violations. This may mean \$2,500 per incident or per personal information record, pending forthcoming Attorney General published guidance on CCPA compliance.

Furthermore, beginning January 1, 2020, CCPA entitles California residents to an individual or class action, private right of action for breaches of unencrypted customer personal information subject to CCPA without the requirement of a claimant proving actual damages. Recovery amounts under such private right of action are potentially no less than \$100 or no more than \$750 per customer or per incident, or actual proven damages, whichever is greater. The potential costs of (inadvertent) non-compliance with CCPA pose significant financial risks to SJWC.

The requirements for complying with the CCPA will require SJWC to update its business policies, processes and systems, including:

- Update our website, as required by the law that address the consumer's right to know;
- Develop a change management plan, including training, aimed at ensuring employees are aware of and understand CCPA requirements and their specific responsibilities;
- Develop internal consumer privacy policies to ensure continued compliance;
- Evaluate, select, and purchase technology to identify, inventory, and provide information and data from SJWC's repository of electronic customer personal information to customers if requested as required by the CCPA;
- Develop, test, and execute processes and procedures to deliver information to customers in response to customer requests as required by the CCPA;
- Develop, test, and execute processes and purchase technology to delete, de-identify, or anonymize customer personal information in response to requests as required by the CCPA (i.e. in the case of former customers or other third parties who live in California);
- Develop internal policies and procedures to document, audit, and confirm CCPA compliance; and
- Integrate the CCPA requirements, where applicable, into our Cybersecurity Incidence Response Plan, including communication and customer outreach elements.

Decision 19-09-026 granted requests by Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company for memorandum accounts to record and track incremental costs to implement the CCPA.

According to a recent study commissioned by the State Attorney's Office, compliance costs for companies could total \$55 billion. California's Department of Finance provided a broad range of potential initial compliance costs of \$50,000 for firms with less than 20 employees to \$2 million for firms with more than 500 employees. Based on the size of SJWC's repository of personal customer information and data that will be subject to CCPA, our collection of robust personal customer data associated with the provision of water service (as required by the Public Utilities Code and Commission regulations), and the limitations with current staffing levels and customer information systems, we anticipate initial compliance costs will likely exceed \$1 million. We are working with outside experts to refine this estimate and ensure compliance with the CCPA.

These costs were not included in SJWC's GRC Application (A.) 18-01-004 as the regulations were not in place at the time of filing. CPUC Standard Practice U-27-W provides that each advice letter requesting a new memo account must address a set of four parameters. These parameters are addressed below:

**a. The expense is caused by an event of an exceptional nature that is not under the utility's control.**

The CCPA was signed into law on June 28, 2018, well after SJWC had submitted its GRC A.18-01-004. There was no opportunity for SJWC to estimate the costs to comply with the CCPA and include it in the application. Therefore, these costs are of an exceptional nature that is not under the utility's control.

**b. The expense cannot have been reasonably foreseen in the utility's last general rate case and will occur before the utility's next scheduled rate case.**

SJWC submitted the draft application for the most recent GRC in November 2018 and filed the final Application (A.18-01-004) in January 2018. The record in the proceeding was closed in June 2018. As noted above, the CCPA became law on June 28, 2018, with an effective date of January 1, 2019. SJWC's next GRC application will not be filed until January 2021. Clearly, the expense could not have been reasonably foreseen in the utility's last general rate case and will occur before the next scheduled rate case.

**c. The expense is of a substantial nature as to the amount of money involved when any offsetting cost decreases are taken into account.**

The estimated initial compliance cost could easily exceed \$1 million with additional costs going forward. These costs are substantial in nature and will not be offset by any cost decreases.

**d. The ratepayers will benefit by the memo account treatment.**

The CCPA provides broad protection and treatment of customer data. SJWC's compliance will benefit ratepayers by ensuring their personal data is protected and appropriately managed in accordance with the CCPA requirements.

In the CCPAEMA, SJWC will track the initial implementation and ongoing maintenance costs to comply with the requirements. Additionally, interest shall accrue on a monthly basis by applying a rate equal to one-twelfth of the 3-month non-financial commercial paper rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

If the accumulated balance of the of the CCPAEMA exceeds 2% of the total authorized revenue requirement for the prior calendar year, SJWC will file an advice letter to amortize the balance. Prior to recovery, charges made to the CCPAEMA are subject to a reasonableness review in a General Rate Case proceeding or in an appropriate advice letter filing.

The CCPAEMA will sunset with new rates incorporating the compliance costs as anticipated in the next GRC decision. Per the Rate Case Plan, SJWC's next GRC decision should become effective in January 2022.

#### Effective Date

This advice letter is designated as Tier II with an effective date 30 days from date of filing, on or about November 29, 2019.

#### Protests and Responses

Anyone may respond to or protest this advice letter. A response does not oppose the filing but presents information that may prove 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 may include the following:

- (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;
- (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 relitigating a prior order of the Commission).

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

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 us, addressed to:

Regulatory Affairs  
San Jose Water Company  
110 West Taylor Street  
San Jose, CA 95110  
Fax 408.279.7934  
regulatoryaffairs@sjwater.com.

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.

SJWC has AL 532 suspended and AL 537 pending before the Commission.

In compliance with Paragraph 4.3 of General Order 96-B, a copy of this advice letter has been mailed to all interested and affected parties as detailed in Attachment A.

This filing will not cause the withdrawal of service, nor conflict with other schedules or rules.

Very truly yours,

/S/ JOHN TANG  
JOHN TANG  
Vice President of Regulatory Affairs

Enclosures

**SAN JOSE WATER COMPANY**

**ADVICE LETTER NO. 539**

**ATTACHMENT A**

**SERVICE LIST**

A copy of Advice Letter No. 539 has been sent to the following municipalities, water companies and interested parties:

City of San Jose  
Municipal Water Dept.  
Attn: Jeffrey Provenzano  
3025 Tuers Road  
San Jose, CA 95121

San Jose Mercury News  
Attn: Paul Rogers  
4 N. Second Street, Suite 800  
San Jose, CA 95113

California Water Service Co.  
Attn: Regulatory Affairs  
1720 North First Street  
San Jose, CA 95112

Town of Los Gatos  
Attn: Director of Public Works  
110 E. Main Street  
Los Gatos, CA 95032

City of Cupertino  
10300 Torre Avenue  
Cupertino, CA 95014

City of Monte Sereno  
Attn: Jessica Kahn, City Engineer  
18041 Saratoga-Los Gatos Road  
Monte Sereno, CA 95030

City of Campbell  
70 North First Street  
Campbell, CA 95008

City of Santa Clara  
1500 Warburton Avenue  
Santa Clara, CA 95050

Great Oaks Water Company  
P.O. Box 23490  
San Jose, CA 95153

City of Milpitas  
Attn: Utilities Engineering  
455 East Calaveras Blvd.  
Milpitas, CA 95035

Santa Clara Valley Water District  
5750 Almaden Expressway  
San Jose, CA 95118

City of Saratoga  
Attn: Director of Public Works  
13777 Fruitvale Avenue  
Saratoga, CA 95070

County of Santa Clara  
70 W. Hedding Street  
San Jose, CA 95110

Department of Water Resources  
Safe Drinking Water Office, Room 804  
1416 9<sup>TH</sup> Street  
Sacramento, CA 95814

Mountain Springs Mutual Water Co.  
17956 Greenwood Road  
Los Gatos, CA 95033

Nina Hawk  
Chief Operating Officer  
Water Utility Enterprises  
Santa Clara Valley Water District  
5750 Almaden Expressway  
San Jose, CA 95118

Stagecoach Mutual Water Co  
21825 Stagecoach Road  
Los Gatos, CA 95033

Gillette Mutual Water Company  
21976 Gillette Drive  
Los Gatos, CA 95033

Pat Kearns, MD  
7 W Central Ave  
Los Gatos, CA 95030

Redwood Estates Services Association  
PO Box 591  
Redwood Estates, CA 95044-0591

Saratoga City Council Member  
Rishi Kumar  
13777 Fruitvale Avenue  
Saratoga, CA 95070

Big Redwood Park Water  
& Improvement Assoc.  
18522 Mt. View Avenue  
Los Gatos, CA 95033

WRATES  
Rita Benton  
18555 Ravenwood Drive  
Saratoga, CA 95070

Villa Del Monte Mutual Water Company  
P.O. Box 862  
Los Gatos, CA 95031

Saratoga Heights Mutual Water Company  
P.O. Box 337  
Saratoga, CA 95071

Ridge Mutual Water Company  
22316 Citation Drive  
Los Gatos, CA 95033

James Hunter  
6475 Dwyer Street  
San Jose, CA 95120

Summitt West Mutual Water Company  
P.O. Box 974  
Los Gatos, CA 95031

Raineri Mutual Water Company  
P.O. Box 11  
Los Gatos, CA 95031

Oakmount Mutual Water Company  
P.O. Box 31536  
Stockton, CA 95213

Mt. Summit Mutual Water Co  
P.O. Box 3416  
Saratoga, CA 95070

Brush & Old Well Mutual  
Water Company  
21105 Brush Road  
Los Gatos, CA 95033



**PRELIMINARY STATEMENT**  
**(Continued)**

**AA. CATASTROPHIC EVENT MEMORANDUM ACCOUNT (CEMA)**

1. Purpose  
 The Commission's blanket authorization to establish Catastrophic Event Memorandum Accounts (Commission Resolution No. E-3238, dated July 24, 1991) will ensure that all potentially affected utilities are provided the maximum incentive to restore service immediately after declared disasters. Resolution E-3238 required the utilities to notify the Commission's Executive Director by letter within 30 days after the catastrophic event, if possible, if it has started booking costs to the CEMA.
2. Applicability  
 The CEMA will record costs associated with:  
 (a) restoring utility service to its customers;  
 (b) repairing, replacing or restoring damaged utility facilities; and  
 (c) complying with government agency orders resulting from declared disasters.  
 Entries to the account will be segregated by qualifying event.
3. Disposition  
 If the accumulated balance for the CEMA exceeds 2% of the total authorized revenue requirement for the prior calendar year, the Company will file an advice letter to amortize the balance. Prior to recovery, charges made to the CEMA are subject to a reasonableness review. The recovery of under-collections will be passed on to the customers through volumetric surcharges."

**AB. California Consumer Privacy Act Expense Memorandum Account**

(N)

1. Purpose  
 The purpose of the California Consumer Privacy Act Expense Memorandum Account (CCPAEMA) is to track the incremental expenses associated initial implementation and ongoing maintenance costs and other related expenses to comply with the requirements of the California Consumer Privacy Act of 2018.
2. Applicability  
 The entries in the CCPAEMA may include the following:  
 a. All initial implementation costs associated with complying with the California Consumer Privacy Act of 2018.  
 b. All ongoing maintenance costs and other expenses associated with compliance with the California Consumer Privacy Act of 2018.  
 c. A debit entry shall be made to the CCPAEMA at the end of each month to record the expenses as discussed above.  
 d. Interest shall accrue on a monthly basis by applying a rate equal to one-twelfth of the 3-month non-financial Commercial Paper, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.
3. Disposition  
 If the accumulated balance for the CCPAEMA exceeds 2% of the total authorized revenue requirement for the prior calendar year, the Company will file an advice letter to amortize the balance. Prior to recovery, charges made to the CCPAEMA are subject to a reasonableness review in the Company's next General Rate Case or in an appropriate advice letter filing or regulatory proceeding. The recovery of under-collections will be passed on to the customers through volumetric surcharges and over-collections will be amortized by surcredits.
4. Effective Date  
 The CCPAEMA shall go into effect on November 29, 2019.
5. Sunset Date  
 The CCPAEMA will remain in effect until new rates incorporating the requirements for the California Consumer Privacy Act of 2018 are placed into effect under the Company's next General Rate Case decision.

(To be inserted by utility)

Issued by

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

Advice No. 539

JOHN TANG

Date Filed \_\_\_\_\_

Vice President,

Effective \_\_\_\_\_

Dec. No. \_\_\_\_\_

Regulatory Affairs

Resolution No. \_\_\_\_\_

TITLE

TABLE OF CONTENTS

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

Subject Matter of Sheet	C.P.U.C. Sheet No.
Title	1495-W
Table of Contents	2000-W, 1795-W, 848-W and 1906-W (T)
Preliminary Statement	919-W, 1303-W, 1699-W, 1700-W, 1702-W, 1420-W, 1889-W, 1427-W, 1469-W, 1492-W, 1508-W, 1542-W, 1799-W, 1818-W, 1933, 1934-W and 1999-W (C)
Service Area Map Locator	1266-W
Service Area Map Locator, Index	1589-W
Map of Areas With Special Pressure and Fire Flow Conditions	1590-W
Index to Map of Areas With Special Pressure and Fire Flow Conditions	1079-W, 1591-W 1082-W, 1087-W and 1404-W
Rate Schedules:	
Schedule No. 1, General Metered Service	1947-W, 1915-W and 1962-W
Schedule No. 1B, General Metered Service With Automatic Fire Sprinkler System	1949-W, 1741-W, 1882-W and 1963-W
Schedule No. 1C, General Metered Service Mountain District	1951-W, 1952-W, 1884-W and 1964-W
Schedule No. 4, Private Fire Service	1954-W and 1965-W
Schedule No. 9C, Construction and Other Temporary Metered Service	1118-W and 1094-W
Schedule No. 10R, Service to Employees	152-W
Schedule No. 14.1 Water Shortage Contingency Plan With Staged Mandatory Reductions And Drought Surcharges	1668-W, 1669-W, 1780-W, 1671-W, 1672-W, 1673-W, 1766-W, and 1820-W
Schedule No. RW, Raw Water Metered Service	1955-W, 1920-W and 1966-W
Schedule No. RCW, Recycled Water Metered Service	1957-W, 1958-W and 1967-W
Schedule No. UF, Surcharge to Fund Public Utilities Commission, Reimbursement Fee	1969-W
Schedule No. WRAP, Water Rate Assistance Program	1972-W and 1211-W
List of Contracts and Deviations	1857-W
Rules:	
No. 1 - Definitions	764-W and 976-W
No. 2 - Description of Service	525-W
No. 3 - Application for Service	351-W and 903-W
No. 4 - Contracts	352-W
No. 5 - Special Information Required on Forms	1936-W thru 1937-W
No. 6 - Establishment and Re-establishment of Credit	354-W
No. 7 - Deposits	355-W and 356-W
No. 8 - Notices	1054-W and 825-W
No. 9 - Rendering and Payment of Bills	996-W, 997-W and 1146-W

(Continued)

(To be inserted by utility)

Issued by

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

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