



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

August 18, 2020

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

Advice Letter No. 552

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>
2087-W	Preliminary Statement	New
2088-W	Table of Contents	2086-W

Purpose

With this Tier 2 advice letter SJWC requests authority to establish a Polyfluoroalkyl Substances Memorandum Account (“PFAS MA”). The PFAS MA will track incremental expenses not otherwise covered in SJWC’s current revenue requirement to comply with the regulatory standards set by the State Water Resources Control Board (“state board” or “SWRCB”), to detect, monitor, report and remediate per- and polyfluoroalkyl substances (“PFAS”) in drinking water.

This filing is submitted pursuant to General Order No. 96-B. In accordance with GO 96B – Water Industry Rule 7.3.2(5) and per Resolution W-5226 (Attachment A) approved by the Commission issued on August 13, 2020. Resolution W-5226 authorized California Water Service, Suburban Water Systems, San Gabriel Valley Water Company, and Golden State Water Company to establish PFAS MA and track the expenses related to testing, customer notification, and alternative water supply sources. This advice letter will have no impact on rates.

Background

On August 23, 2019, the SWRCB announced¹ updated guidelines for local water agencies to follow in detecting and reporting the presence of perfluorooctanoic (“PFOA”) and perfluorooctanesulfonic acid (“PFOS”) in drinking water. PFOA and PFOS are in the family of PFAS chemicals. The SWRCB also announced it has begun the process of establishing regulatory standards for these chemicals. The updated state guidelines lower the current notification levels from 14 parts per trillion (“ppt”) to 5.1 ppt for PFOA and from 13 ppt to 6.5 ppt for PFOS.

¹ State Water Board Media Release, August 23, 2019:
https://www.waterboards.ca.gov/press_room/press_releases/2019/pr082319_pfoa_pfos_guidelines_news_release.pdf

Notification levels are a precautionary health-based measure for concentrations in drinking water that warrant notification and further monitoring and assessment. Public water systems are encouraged to test their water for contaminants with notification levels, and in some circumstances may be ordered to test. If the systems do test, they are required to report exceedances to their governing boards and the SWRCB and are urged to report this information to customers.

In addition to the updated notification levels, the SWRCB has requested that the Office of California Environmental Health Hazard Assessment (“OEHHA”) develop public health goals (“PHGs”) for both PFOA and PFOS, the next step in the process of establishing regulatory standards, known as maximum contaminant levels (“MCLs”) in drinking water. Other chemicals in the broader group of PFAS may be considered later, either individually or grouped, as data permits. Unlike other states, California has not developed its own PHGs at this time.

The SWRCB is currently conducting a statewide assessment to determine the scope of contamination by PFAS, including PFOA and PFOS, in water systems and groundwater. In the first phase, pursuant to Health and Safety Code Section 116400, public water systems were ordered in March 2019 to sample (quarterly for one year) about 600 drinking water supply wells located near airports and landfills, where contamination is more likely, and near locations where PFAS was previously found. Within this phase, SJWC was mandated to test 17 of its wells. SJWC also voluntarily began monitoring the balance of its wells to both satisfy an informal request by DDW and to proactively develop a better understanding of the occurrence of PFAS in SJWC’s groundwater supply. In addition, SJWC received on May 5, 2020, an intent notice from DDW stating that the DDW will require SJW to monitor the balance of its wells for PFAS beginning in 2020.

While the SWRCB continues to assess the scope of contamination based on initial data reporting for the statewide assessment, the response levels for PFOA and PFOS of 70 ppt for the total combined concentration of both contaminants was changed to 10 ppt and 40 ppt, respectively, in February 2020.

On July 31, 2019, California Governor Gavin Newsom approved Assembly Bill No. 756 (“AB 756”) which authorizes the SWRCB to order a public water system to monitor for PFAS more broadly. AB 756 took effect on January 1, 2020. Under AB 756, “(a)ll monitoring results shall be submitted to the state board electronically as directed by the state board in its order.”² “If any monitoring undertaken pursuant to an order...results in a confirmed detection, a community water system or nontransient noncommunity water system shall report that detection in the water system’s annual consumer confidence report.”³ “(F)or perfluoroalkyl substances and polyfluoroalkyl substances with notification levels, a community water system or a nontransient noncommunity water system shall report the detection if the level exceeds the notification level

² AB 756, Section 1(b)

³ Ibid., Section 1(c)(1)

as required by Section 116455.”⁴ “For perfluoroalkyl substances and polyfluoroalkyl substances with response levels where detected levels of a substance exceed the response level, a community water system or a nontransient noncommunity water system shall take a water source where detected levels exceed the response level out of use or provide public notification within 30 days of the confirmed detection.”⁵

Some public water systems have been ordered by the SWRCB to detect, monitor, and report PFOA and PFOS. SJWC has completed sampling of its wells for these contaminants and found 10 wells with PFOS near or above the Notification Level. Additional costs are anticipated to continue monitoring wells that have been found to have PFOS concentrations near or above the Notification Level. These costs include, but are not limited to, the following:

- Sampling;
- Laboratory testing and monitoring;
- Alternative water supply sources; and,
- Customer/public notifications.

As of August 12, 2020, SJWC has spent \$231,680 in analytical costs and \$22,000 in notification costs, dating back to March 1, 2019. SJWC estimates that it will be required to spend another \$42,000 in 2020 in order to comply with the regulations. The PFAS MA will track only incremental costs, i.e., costs not otherwise covered in SJWC’s current authorized revenue requirement for 2019 through 2021. Ongoing expenses and any capital costs to address PFAS contamination will be requested in SJWC’s next general rate case application covering the years 2022-2024.

In accordance with Standard Practice U-27-W, each advice letter requesting a new memo account must address the following:

- a. The expense is caused by an event of an exceptional nature that is not under the utility’s control;

The costs tracked in the PFAS MA will be incurred due to factors outside of SJWC’s control, namely, orders issued by the SWRCB requiring public water systems to monitor for PFAS and developing plans to address public health concerns related to the anticipated publication of Public Health Goals for PFOS and PFOA this year.

- 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;

⁴ Ibid., Section 1(c)(2)

⁵ Ibid., Section 1(c)(3)

SJWC's last GRC was filed in January 2018 and new rates became effective January 2019. Monitoring orders were issued by the SWRCB in March 2019, and directed that monitoring begin during the second quarter of 2019. The Governor's approval of AB 756 then occurred on July 31, 2019. SJWC's next GRC will be filed in January 2021. SJWC has begun to incur, and anticipates it will continue to incur, expenses in order to comply with this new law and any regulatory standards set by the SWRCB.

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

To date, SJWC has already incurred significant testing and public notification costs associated with the compliance requirements resulting from the monitoring orders and AB 756. SJWC estimates incremental costs for testing, monitoring, and notifying customers due to the new and evolving requirements are expected to be substantial. Additional monitoring and compliance requirements remain in flux but are expected to increase substantially over the next year, and therefore all of the costs to comply with AB 756 and future mandates from the SWRCB are uncertain. The treatment costs associated with remedying issues associated with potential positive detections will be assessed by an ongoing study that will be completed in 2021. The treatment costs are already known to be significant and its need is not speculative.

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

Exposure to PFOA and PFOS can cause adverse health effects, including harmful effects to a developing fetus or infant, immune system and liver effects, and cancer. While consumer products are a large source of exposure to these chemicals for most people, drinking water has become an increasing concern due to the persistence and tendency of these chemicals to accumulate in groundwater. SJWC customers will benefit from the establishment of the PFAS MA because it will allow continual testing and monitoring, as well as timely customer notification when detected levels of PFAS exceed the state's established notification and response levels. SJWC rate payers, when responding to the over 14,000 PFOS notification letters mailed to impacted customers, generally indicated a high level of support in taking wells with concentrations over the NL out of service. Ratepayers also have indicated that they support SJWC in identifying solutions that will greatly reduce or eliminate concentrations of PFAS in their drinking water.

The expenses tracked in the PFAS MA will go through a prudence review by the Commission before recovery is granted to ensure all expenses and costs in the account are justified and reasonable. 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 PFAS MA exceeds 2% of the total authorized revenue requirement for the prior calendar year, SJWC will file an advice letter to amortize the balance.

The PFAS MA will sunset with new rates incorporating the compliance and treatment 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 of March 1, 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 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 electronic mail protest is:

Tariff Unit, Water Division, 3rd floor
California Public Utilities Commission
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 electronic mail to us, addressed to:

Regulatory Affairs
San Jose Water Company

San Jose Water Company
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 548 pending before the Commission.

In compliance with Paragraph 4.3 of General Order 96-B, a copy of this advice letter has been sent via electronic mail 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

Enclosure

SAN JOSE WATER COMPANY

ADVICE LETTER NO. 552

ATTACHMENT A

DATE OF ISSUANCE: 08/13/2020

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION W-5226

August 6, 2020

RESOLUTION

(RES. W-5226) GOLDEN STATE WATER COMPANY, SUBURBAN WATER SYSTEMS, SAN GABRIEL VALLEY WATER COMPANY, AND CALIFORNIA WATER SERVICE COMPANY. THIS RESOLUTION REVERSES WATER DIVISION'S REJECTION OF GOLDEN STATE WATER COMPANY'S, SUBURBAN WATER SYSTEMS', AND SAN GABRIEL VALLEY WATER COMPANY'S REQUESTS AND GRANTS THE REQUEST OF CALIFORNIA WATER SERVICE COMPANY TO ESTABLISH MEMORANDUM ACCOUNTS FOR COSTS RELATED TO POLYFLUOROALKYL SUBSTANCES.

By Golden State Water Company's Advice Letter 1795-W-A, Suburban Water System's Advice Letter 343-W-A, San Gabriel Valley Water Company's Advice Letter 545-W, and California Water Service Company's Advice Letter 2376; filed on October 31, 2019, December 6, 2019, January 7, 2020, and March 4, 2020, respectively.

SUMMARY

This Resolution responds to requests by Golden State Water Company (Golden State), Suburban Water Systems (Suburban) and San Gabriel Valley Water Company (San Gabriel), collectively "the Utilities", for review of Water Division's rejection of Golden State's Advice Letter No. 1795-W-A, Suburban's Advice Letter No. 343-W-A, and San Gabriel's Advice Letter No. 545-W, each of which requested the establishment of a Polyfluoroalkyl Substance Memorandum Account (PFASMA). This Resolution reverses Water Division's disposition rejection of Advice Letters 1795-W-A, 343-W-A, and 545-W. In addition, this Resolution grants the request of California Water Service Company

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(Cal Water) in Advice Letter 2376 to establish a PFASMA that is currently pending with Water Division.

BACKGROUND

Golden State Water Company (Golden State), Suburban Water Systems (Suburban), San Gabriel Valley Water Company (San Gabriel), and California Water Service Company (Cal Water) each requested to establish a Polyfluoroalkyl Substance Memorandum Account (PFASMA) to recover costs they expect to incur including:

- Laboratory testing and monitoring – due to the specialized nature of the analyses (new and developing methods, low detection limits and sensitivity for sample contamination) the cost for each analysis is much greater than routine monitoring tests.
- Customer/public notifications
- Alternative sources of supply
- Chemical and operating costs for treatment
- Special studies related to treatment options, engineering design, and distribution system hydraulic modeling
- Incremental plant investment for treatment facilities to remove PFAS, including potential Granular Activated Carbon (GAC) and/or Ion Exchange treatment processes

Polyfluoroalkyl Substances

On August 23, 2019, the California State Water Resources Control Board (SWRCB) announced updated guidelines for local water agencies to follow in detecting and reporting the presence of perfluorooctanoic (“PFOA”) and perfluorooctanesulfonic acid (“PFOS”) in drinking water.¹ The SWRCB also announced it has begun the process of establishing regulatory standards for these chemicals. The updated state guidelines lower the current notification levels from 14 parts per trillion (“ppt”) to 5.1 ppt for PFOA and from 13 ppt to 6.5 ppt for PFOS. Notification levels are a precautionary health-based measure for concentrations in drinking water that warrant notification and further monitoring and assessment. Public water systems are encouraged to test their water for contaminants with notification levels, and in some circumstances may be ordered to test. If the systems do test, they are required to report exceedances to their

¹ State Water Board Media Release, August 23, 2019:

https://www.waterboards.ca.gov/press_room/press_releases/2019/pr082319_pfoa_pfos_guidelines_news_release.pdf

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governing boards and the SWRCB and are urged, but not required, to report this information to customers.

On July 31, 2019, California Governor Gavin Newsom approved Assembly Bill No. 756 (“AB 756”) which authorizes the SWRCB to order a public water system to monitor for PFAS more broadly. AB756 took effect on January 1, 2020. Under AB 756, if PFAS concentrations above the response level are detected at a given water source, water systems are required to either take that source out of service or notify their customers of the response level exceedance. A response level is set higher than a notification level and represents a recommended chemical concentration level at which water systems consider taking a water source out of service or provide treatment. On February 6, 2020, the SWRCB lowered the response levels to 10 ppt for PFOA and 40 ppt for PFOS, down from a combined 70 ppt for both chemicals.

In addition to the updated notification and response levels, the SWRCB has requested that the California Environmental Health Hazard Assessment (“OEHHA”) develop public health goals (“PHGs”) for both PFOA and PFOS, the next step in the process of establishing regulatory standards, known as maximum contaminant levels (MCLs), in drinking water. Other chemicals in the broader group of PFAS may be considered later, either individually or grouped, as data permits. Unlike other states, California has not developed its own MCLs at this time.²

The SWRCB is currently conducting a statewide assessment to determine the scope of contamination by PFAS, including PFOA and PFOS, in water systems and groundwater. In the first phase, pursuant to Health and Safety Code section 116400, in March 2019 public water systems were ordered to sample (quarterly for one year) about 600 drinking water supply wells located near airports and landfills, where contamination is more likely, and near locations where PFAS was previously found under the federal Environmental Protection Agency’s Unregulated Contaminant Monitoring Rule 3. Following this initial phase, the assessment will likely focus on sampling water sources near industrial sites and at wastewater treatment facilities. Currently, there are only a few labs in California that are accredited for analysis of PFAS which causes public water systems to pay for a rushing fee to meet the criteria directed in the order from the SWRCB.

² New Jersey was the first state to establish regulatory standards for PFAS, with an MCL of 14 ppt for PFOA in 2017 and an MCL 13 ppt for PFOS following. Colorado, Connecticut, Michigan, and Rhode Island have established regulatory standards of 70 ppt for the combined concentrations of several PFAS chemicals. More information can be found through the Interstate Technology Regulatory Council at <https://pfas-1.itrcweb.org/fact-sheets/>.

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Golden State Water Company

On March 15, 2019, the SWRCB ordered Golden State to begin collecting PFOA and PFOS samples on 19 of its 235 wells as part of the Phase 1 initiative, pursuant to Health and Safety Code section 116400 (quarterly for one year). Golden State determined that Imperial Well #2 in the Norwalk District, contained PFOS levels that exceeded the response level and in July 2019, the well was taken offline. As a result of exceeding the response levels, notification letters were sent to the SWRCB, California Public Utilities Commission, and customers on August 21, 2019.

On October 31, 2019, Golden State submitted Advice Letter (AL) 1795-W requesting to establish a PFASMA to recover the costs for collecting and submitting samples to specialized testing facilities, customer/public notifications, chemical and operating costs for treatment, and special studies related to treatment options.

On November 18, 2019, the Public Advocates Office (Cal PA) requested to extend the protest deadline from November 20th to December 4th. Water Division granted the extension and Cal PA did not file a protest. On December 5th, a supplemental advice letter, AL 1795-W-A was submitted to Water Division, which included updates discussed between Cal PA and Golden State. Water Division rejected Golden State's AL 1795-W-A by disposition letter pursuant to General Order 96-B, General Rule 7.6.1 and Water Industry Rule 7.3.2(5) on January 17, 2020. Golden State filed a Request for Review of Water Division's Disposition on January 27, 2020.

Suburban Water Systems

From August to November of 2019, Suburban performed voluntary initial and confirmation of its four Whittier system wells. All four wells detected levels of PFOS and PFOA that were above the notification level but below the response level. Consequently, Suburban sent notification letters to the SWRCB and the CPUC on December 19, 2019.

On December 6, 2019, Suburban submitted AL 343-W, requesting authorization to open a PFASMA; AL 343W was supplemented by 343-W-A on December 18, 2019 to include an inadvertently missing sheet. Water Division requested additional information related to well testing and cost predictions from Suburban on December 12, 2019. Water Division also requested the results of Suburban's voluntary well tests on December 16, 2019; Suburban timely responded to both data requests. On December 18, 2019, the Public Advocates' Office requested a 2-week extension of the protest period which Water Division granted. On January 6, 2020, Water Division suspended AL 343 as

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additional time beyond the initial review period was required; the Public Advocates' Office then timely protested on January 9, 2020. Water Division rejected Suburban's AL 344-W-A by disposition letter pursuant to General Order 96-B, General Rule 7.6.1 and Water Industry Rule 7.3.2(5) on January 17, 2020. Suburban filed a Request for Review of Water Division's Disposition on January 27, 2020.

San Gabriel Valley Water Company

On March 15, 2019, the SWRCB ordered San Gabriel to begin collecting PFOA and PFAS samples from eight of its 66 active wells, pursuant to Health and Safety Code section 116400 (quarterly for one year). San Gabriel also voluntarily sampled its remaining wells and found concentrations of PFOA and PFAS at concentrations above the notification level but below the response level at Wells W1C, W6C, and W6D.

Consequently, notification letters were sent to the SWRCB and CPUC on December 19, 2019. On February 20, 2020, San Gabriel once again notified the Commission of PFAS detections above the notification levels but below the response levels, this time at Wells 2D, 2E, and 2F.

On January 7, 2020, San Gabriel submitted AL 545-W, requesting authorization to open the PFASMA. Water Division requested additional information related to well testing and cost predictions from San Gabriel on January 13, 2019. On January 17, 2020, the Public Advocates' Office requested a 2-week extension of the protest period; this was not granted because Water Division rejected San Gabriel's AL 545-W by disposition letter pursuant to General Order 96-B, General Rule 7.6.1 and Water Industry Rule 7.3.2(5) the same day. San Gabriel filed a Request for Review of Water Division's Disposition on January 27, 2020.

California Water Service Company

On March 15, 2019, the SWRCB ordered Cal Water to begin collecting PFOA and PFOS samples on 23 of its 700 plus wells as part of the Phase 1 initiative, pursuant to Health and Safety Code section 116400 (quarterly for one year). In AL 2376, Cal Water did not report any test results from the 23 wells that exceeded either the response level or notification level for PFOA and PFOS.

On March 4, 2020, Cal Water submitted AL 2376, requesting authorization to open a PFASMA. On March 19, 2020, the Public Advocates' Office submitted a timely protest to AL 2376. Cal Water responded to Public Advocates' protest on March 26, 2020. Advice Letter 2376 was suspended by Water Division on April 2, 2020 and currently remains a pending matter.

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NOTICE AND PROTESTS

In accordance with General Rules 4.3 and 7.2 and Water Industry Rule 4.1 of General Order 96-B, Golden State served copies of Advice Letter (AL) 1795-W to adjacent utilities and other parties requesting such notification on October 31, 2019 with AL-1795A being served on December 5, 2019. Suburban served AL 343-W on December 6, 2019, San Gabriel served AL 545-W on January 7, 2020, and Cal Water served AL 2376 on March 4, 2020. In accordance with Water Industry Rule 3.3 (*id.*), Golden State, San Gabriel, Suburban, and Cal Water also posted the advice letters on their respective websites.

No protests were received in response to the filing for Golden State AL 1795-W-A and San Gabriel AL 545-W. Cal PA's January 17, 2020 request for a two-week extension of the protest period for San Gabriel AL 545-W was rendered moot by Water Division disposition letter of AL 545-W on the same day.

On December 18, 2019, the Public Advocates' Office (Cal PA) requested a two-week extension of the protest period for Suburban's Advice Letter 343. Cal PA then timely protested Advice Letter 343 on January 9, 2020.

On March 19, 2020 Cal PA timely protested Cal Water's AL 2376.

REQUEST FOR REVIEW

By letter, submitted in accordance with Section 7.7.1 of G.O.96-B, the Utilities request Commission review of Water Division's disposition of Golden State's AL 1795-W-A, Suburban's AL 343-W-A, and San Gabriel's AL 545-W. Golden State, Suburban, and San Gabriel outline the specific grounds on which they contend that Water Division's action is erroneous, as summarized below.

1. The rejection of each utility's advice letter does not serve the interests of ratepayers by way of delaying remediation of PFAS contamination.
2. Water Division failed to consider the necessary and substantial incremental costs that are expected to be incurred.
3. The full extent of costs that will be incurred is difficult to forecast at this time but are not speculative and will very likely be substantial.
4. Water Division's claims that any needed treatment costs will not occur before the Utilities' next respective rate cases are not true.

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5. Water Division fails to acknowledge that any incremental PFAS-related costs incurred prior to the Utilities' next respective test years can never be recovered if the ALs are rejected.

Subsequent to Water Division's rejection of the three Advice Letters, Cal PA requested the opportunity to respond to the Utilities' Requests for Review, which Water Division granted.

DISCUSSION

As the utilities note, the Commission has previously authorized memo accounts in the interests of other public policy concerns even if the four conditions usually required for a memorandum account are not met. Due to the significant public health concerns associated with PFAS, we believe the utilities have sufficiently made the case that they should be able to record a certain selection of the requested costs to memorandum accounts, to be subject to future recovery.

The emerging PFAS situation certainly represents an exceptional circumstance not under the utilities' control. While the utilities have some flexibility in allocating their budgets, many PFAS-related costs, such as testing and monitoring, alternative sources of supply, and customer notices merit special attention. These costs could not have been foreseen in the utilities' last respective general rate cases and will occur before the next rate case—indeed, the utilities have already begun incurring many of these costs. Even if these operating expenses are *de minimis* at this time as Water Division argues, PFAS-related expenses have the potential to become significant in the near term, given the rapidly changing regulatory landscape around this class of chemicals. It is in the ratepayer interest to ensure the utilities are supported in responding to this public health concern and provide safe, clean, and affordable water service.

Memorandum account treatment provides the utilities an incentive to be proactive in their response by way of testing and monitoring and procurement of alternative water sources. At the same time, as the memo account process does not guarantee recovery of costs, it encourages the utilities to only incur those costs which are necessary and prudent.

This resolution authorizes the utilities to establish PFASMAAs for a limited selection of the requested PFAS-related costs. Specifically, the utilities are authorized to record PFAS-related operating expenses, including testing and monitoring; customer and public notifications; and alternative sources of supply, to the extent that the utilities are

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not already able to recover these expenses. Given the large amounts of money associated with construction of treatment plant, and the current lack of an MCL to determine the appropriate levels of treatment, we find that increases in rate base should still be requested through the application process, whether through each utility's next rate case or a separate application.

COMMENTS

Public Utilities Code section 311(g)(1) requires that a proposed resolution be served on all parties and be subject to a public review and comment period of 30 days or more, prior to a vote of the Commission on the resolution.

Comments to this draft resolution were received from Golden State, California Water Association (CWA), and the Public Advocates' Office. Golden State's and CWA's comments were largely in support of the resolution, while encouraging the Commission to handle applications for PFAS-related capital projects with appropriate urgency. Public Advocates' comments also supported the resolution, noting that the Commission is correct to exclude rate base costs from the PFASMA. Public Advocates also proposed two factual corrections to the resolution, which have been incorporated above.

FINDINGS AND CONCLUSIONS

1. By AL 1795-W and 1795-W-A, filed on October 31, 2019 and December 5, 2019, respectively, Golden State Water Company (Golden State) requested to establish a Polyfluoroalkyl Substances Memorandum Account (PFASMA).
2. By AL 343-W and 343-W-A, filed on December 6, 2019 and December 18, 2019, respectively, Suburban Water Systems (Suburban) requested to establish a PFASMA.
3. By AL 545, filed on January 7, 2020, San Gabriel Valley Water Company (San Gabriel) requested to establish a PFASMA.
4. By AL 2376, filed on March 4, 2020, California Water Service Company (Cal Water) requested to establish a PFASMA.
5. On January 17, 2020, Water Division rejected ALs 1795-W-A, 343-W-A, and 545-W because Golden State, Suburban, and San Gabriel had not satisfied the four conditions set forth in Decision 02-08-054 for the establishment of a memorandum account.
6. On January 27, 2020, the Utilities each requested Commission review of Water Division's rejection of their respective advice letters.

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7. Cal Water's pending AL 2376 raises the same issues posed in the rejected advice letters submitted by Golden State, Suburban, and San Gabriel.
8. The Department of Drinking Water (DDW) has established regulatory limits for PFAS in the form of Notification and Response Levels.
9. Given the public health concerns associated with per- and polyfluoroalkyl substances (PFAS), it is in the ratepayers' interest to allow the utilities to recover operating expenses related to PFAS.
10. The utilities have made the showing that regulatory developments related to PFAS represent an event of an exceptional nature that is out of the utilities' control.
11. The utilities have made the showing that PFAS-related operating expenses including laboratory testing and monitoring, customer notice, and alternative sources of supply cannot have been reasonably foreseen in the utilities' last respective general rate cases and will occur before their next scheduled rate cases.
12. The appropriate place to request rate increases to cover incremental plant costs is an application where the utility can make the showing that the incremental plant is necessary to provide safe water service.
13. Cal Water's AL 2376 should be resolved in this Resolution consistent with resolution of the advice letters for Golden State, Suburban, and San Gabriel.

THEREFORE, IT IS ORDERED THAT:

1. Water Division’s rejections of Golden State Water Company’s Advice Letter No. 1795-W-A, Suburban Water Systems’ Advice Letter No. 343-W-A, and San Gabriel Valley Water Company’s Advice Letter No. 545-W are reversed.
2. California Water Service Company’s Advice Letter No. 2376 is approved consistent with Water Division’s approval of the advice letters in Ordering Paragraph No. 1 and as discussed in this Resolution.
3. Golden State Water Company, Suburban Water Systems, San Gabriel Valley Water Company, and California Water Service Company are authorized to establish memorandum accounts for tracking of incremental operating costs related to per- and polyfluoroalkyl substances (PFAS), but shall file applications to request increases in rate base for incremental plant and capital costs.

This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on August 6, 2020; the following Commissioners voting favorably thereon:

 /s/ALICE STEBBINS

ALICE STEBBINS
 Executive Director

MARYBEL BATJER
 President

LIANE M. RANDOLPH
 MARTHA GUZMAN ACEVES
 CLIFFORD RECHTSCHAFFEN
 GENEVIEVE SHIROMA
 Commissioners

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Attachments

Service Lists, emails, USPS

Golden State Water Company- Advice Letter 1795-A (Service List)

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Jon Pierotti Jon.Pierotti@gswater.com

Ronald K. Moore RKMOORE@gswater.com

Suburban Water Systems – Advice Letter 343-A (Service List)

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San Gabriel Valley Water Company – Advice Letter 545 (Service List)

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Joel Reiker jmreiker@sgvwater.com

California Water Service Company – Advice Letter 2376 (Service List)

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SAN JOSE WATER COMPANY

ADVICE LETTER NO. 552

ATTACHMENT B

A copy of Advice Letter No. 552 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 9TH Street
Sacramento, CA 95814

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

Richard Rauschmeier
Public Advocates Office
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Garth Hall
Deputy 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)

V. Polyfluoroalkyl Substances (PFAS) Memorandum Account

(N)

1. Purpose

The purpose of the Polyfluoroalkyl Substances Memorandum Account (PFASMA) is to track incremental operating costs and expenses that are not otherwise covered in San Jose Water Company's revenue requirement in order to comply with the regulatory standards set by the State Water Resources Control Board to detect, monitor, report, and remediate perand polyfluoroalkyl substances ("PFAS") (such as perfluorooctanoic (PFOA) and perfluorooctanesulfonic acid (PFOS)) in drinking water.

2. Applicability

The entries in the PFASMA will track the incremental operating and administrative costs incurred in order to comply with the regulatory standards set by the State Water Resources Control Board to detect, monitor, report, and remediate perand polyfluoroalkyl substances ("PFAS") (such as perfluorooctanoic (PFOA) and perfluorooctanesulfonic acid (PFOS)) in drinking water and shall include, but is not limited to:

- a. Laboratory testing and monitoring fees;
and the school, and all laboratory coordination and instruction;
- b. Customer outreach costs and public notifications;
- c. Chemical and operating costs for treatment;
- d. Incremental labor and necessary labor costs associated with complying with the regulatory standards set by the State Water Resources Control Board to detect, monitor, report, and remediate perand polyfluoroalkyl substances ("PFAS") (such as perfluorooctanoic (PFOA) and perfluorooctanesulfonic acid (PFOS));
- d. A debit entry shall be made to the PFASMA at the end of each month to record the expensed as discussed above;
- f. Interest shall accrue on a monthly basis by applying a rate equal to one-twelfth of the 90-day 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 Polyfluoroalkyl Substances Memorandum Account exceeds 2% of the total authorized revenue requirement for the prior calendar year, the Company will file an advice letter to amortize the balance. If the cumulative 2% threshold is not met, the balance in the account will be amortized in San Jose's next General Rate Case. The recovery of under-collections or refunds of over-collections will be passed on to the customers through volumetric surcharges or surcredits.

4. Effective Date

The PFASMA shall go into effect on March 1, 2019.

5. Sunset Date

The PFASMA will remain in effect until new rates incorporating the requirements for treatment and remediation of PFAS/PFOS 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. 552

JOHN TANG

Date Filed _____

Vice President,

Effective _____

Dec. No. Res. W-5226

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	2088-W, 2081-W, 848-W and 2085-W	(T)
Preliminary Statement	919-W, 1303-W, 2008-W, 1702-W, 1420-W, 2034-W, 2035-W, 2036-W, 2037-W, 2038-W, 2039-W, 2040-W, 2041-W, 2042-W, 2087-W	(N)
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	
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Rate Schedules:		
Schedule No. 1, General Metered Service	2001-W, 1915-W and 2058-W	
Schedule No. 1B, General Metered Service With Automatic Fire Sprinkler System	2002-W, 1741-W, 1882-W and 2059-W	
Schedule No. 1C, General Metered Service Mountain District	2003-W, 1952-W, 1884-W, and 2060-W	
Schedule No. 4, Private Fire Service	2004-W and 2053-W	
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Schedule No. 10R, Service to Employees	152-W	
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Schedule No. RCW, Recycled Water Metered Service	2006-W, 2047-W and 2062-W	
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Schedule No. WRAP, Water Rate Assistance Program	2083-W and 2056-W	
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No. 2 - Description of Service	525-W	
No. 3 - Application for Service	351-W and 903-W	
No. 4 - Contracts	352-W	
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No. 6 - Establishment and Re-establishment of Credit	354-W	
No. 7 - Deposits	355-W and 356-W	
No. 8 - Notices	2069-W, 2070-W and 2017-W	
No. 9 - Rendering and Payment of Bills	996-W, 997-W and 1146-W	

(Continued)

(To be inserted by utility)

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JOHN TANG

Date Filed _____

Dec. No. Res. W-5226

Vice President,
Regulatory Affairs

Effective _____

Resolution No. _____

TITLE