





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

September 15, 2023

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

Advice Letter No. 592A

Per the Water Division’s request, San Jose Water Company (U-168-W) (SJWC) is supplementing Advice Letter 592 to modify language in its Water Conservation Memorandum Account (WCMA), Water Conservation Expense Memorandum Account (WCEMA), and Schedule 14.1.

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>
2244-W	Preliminary Statement (Continued)	2125-W
2272-W	Preliminary Statement (Continued)	2155-W
2273-W	Schedule 14.1 (Continued)	2146-W
2274-W	Table of Contents	2271-W

With this advice letter, SJWC requests authorization to modify language in its WCMA to allow the continuation of the WCMA when either Schedule 14.1 or Rule 14.1 is activated in response to calls for mandatory or voluntary conservation. Furthermore, the Water Division recommended modifying the language in WCMA, WCEMA, and Schedule 14.1 to move the tracking of drought surcharges and fees from WCMA to WCEMA. The drought surcharges and fees collected via the activation Schedule 14.1 in Advice Letter 569<sup>1</sup> will continue to be tracked in WCMA, however any future drought surcharges and fees from activation of Schedule 14.1 will be tracked in WCEMA.

These tariffs are submitted pursuant to General Orders (GO) No. 96-B Water Industry Rules 7.3.2(5). This advice letter is designated as a Tier II Advice Letter.

Background

The Commission authorized SJWC to establish its WCMA and WCEMA via Advice Letter 565 effective July 19, 2021, in response to the water shortage emergency condition in Resolution 21-

<sup>1</sup> This drought surcharge was deactivated via AL 591; SJWC is currently not collecting any drought surcharge

68 adopted by Valley Water, SJWC's wholesaler, on June 9, 2021. Resolution 21-68 set a mandatory 15% conservation level compared to 2019 consumption with corresponding reduced treated water deliveries to retailers as set forth below<sup>2</sup>:

3. Establishes a water reduction program pursuant to Article C(4)(c) of Valley Water's treated water contracts by calling for water retailers to achieve a water use reduction equal to 33 percent of 2013 water use (15 percent of 2019 water use), which will result in a 23 percent reduction of Valley Water treated water scheduled deliveries to water retailers while such water reduction program is in effect; and

On April 11, 2023, Valley Water rescinded its emergency drought declaration. On the same day, SJWC filed Advice Letter 591 to move from Stage 3 to Stage 1 of its Schedule 14.1 and terminate its drought allocations and surcharges.

The language approved in SJWC's WCMA references the impacts of mandatory conservation as follows:

**X. Water Conservation Memorandum Account**

1. Purpose

The purpose of this Water Conservation Memorandum Account (WCMA) is to track impacts of mandatory conservation on quantity revenues for future disposition. 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. The water revenues subject to this account include but are not limited to those which may be affected by Rule 14.1.

While the first sentence speaks only to "mandatory conservation", the second infers inclusion of both voluntary or mandatory conservation affected by Rule 14.1 as follows:

"...that this mechanism is appropriate in coordination with increasing water conservation activities or mandatory conservation..."

The existing language did not capture the true intent of Resolution W-4976.

Discussion

On February 27, 2014, the Commission adopted Resolution W-4976 (Attachment B) authorizing water utilities without full revenue decoupling mechanisms to request a memorandum account "to track revenue shortfalls associated with reduced sales from either activation of voluntary conservation measures or a mandatory rationing plan pursuant to a declared drought emergency."<sup>3</sup> SJWC is one of the Class A water utilities who has not been granted a full revenue decoupling mechanism. Resolution W-4976 clarifies that the use of 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."<sup>4</sup> Accordingly, SJWC is requesting authorization to modify its WCMA language consistent with Resolution W-4976 as follows:

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<sup>2</sup> Resolution 21-68, page 4.

<sup>3</sup> Resolution W-4976, page 11

<sup>4</sup> Ibid

“The purpose of this Water Conservation Memorandum Account (WCMA) is to track impacts of mandatory or *voluntary conservation under Rule 14.1 or Schedule 14.1* on quantity revenues for future disposition. 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. The water revenues subject to this account include but are not limited to those which may be affected by Rule 14.1 *or Schedule 14.1*”

The Governor issued a number of drought-related orders including:

- Proclamation of a State of Emergency – April 21, 2021
- Proclamation of a State of Emergency – May 10, 2021
- Executive Order N-10-21 – July 8, 2021
- Proclamation of a State of Emergency – October 21, 2021
- Executive Order N-7-22 – March 28, 2022
- Executive Order N-3-23 – February 13, 2023
- Executive Order N-5-23 – March 23, 2023

Executive Order N-10-21 expanded the drought state of emergency to include Santa Clara County. The October 21 Proclamation expanded the drought state of emergency statewide. Citing improving water supply conditions, the Governor in Executive Order N-5-23 rescinded the voluntary call for conservation and retained the statewide drought state of emergency.

On April 11, 2023, Valley Water established a call for 15% voluntary conservation via Resolution 23-24. In its April 19, 2023 letter, Valley Water clarified that “the Resolution does not modify the level of conservation the Board is asking the community achieve” and that reduced treated water deliveries to retailers, including SJWC, remain unchanged at 23 percent as set forth in Resolution 21-68.

In light of the continued drought state of emergency, Valley Water’s call for voluntary conservation and reduced treated water deliveries, and upon approval of this advice letter in accordance with Resolution W-4976, SJWC will continue tracking revenue impacts in both the WCMA. All future activation of drought surcharges and fees will be tracked in the WCMA.

#### Effective Date

SJWC requests that the updated tariff sheets be effective April 20, 2023.

#### 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 email or 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. Public notice is not required.

In compliance with Paragraph 4.3 of General Order 96-B, a copy of this advice letter has been emailed to all interested and affected parties as detailed in SJWC's Service List. No hardcopies of this filing are being mailed.

SJWC has Advice Letter 590 pending before the Commission.

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

Very truly yours,

/S/ NANJI TRAN  
NANJI TRAN  
Manager of Regulatory Affairs

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

**W. Water Conservation Expense Memorandum Account**

1. Purpose

The purpose of the Water Conservation Expense Account (WCEMA) is to track all operational and administrative costs associated with the implementation of Rule 14.1, Section A, as requested in AL 564 and surcharges and fees implemented after AL 569 (surcharges and fees implemented from AL 569 will remain in WCMA). (N)

2. Applicability

The WCEMA will track the operating and administrative costs incurred in developing and implementing expanded and/or new conservation program under Rule 14.1, Section A and drought surcharges and fees including: (N)

- a. Customer education and outreach activities.
- b. Program monitoring, data recording and reporting expense.
- c. Operational costs, such as water supply cost changes, associated with mandatory conservation compliance.
- 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.
- e. Drought surcharges and fees collected from Schedule 14.1 (with the exception of amount collected from the implementation of AL 569). (N)

3. Disposition

If the accumulated balance for the WCEMA 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 Mandatory Conservation Memorandum Account are subject to a reasonableness review in the Company's next General Rate Case or in an appropriate advice letter filing. 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 WCEMA shall go into effect on the effective date of Advice Letter No. 564.

**X. Water Conservation Memorandum Account**

1. Purpose

The purpose of this Water Conservation Memorandum Account (WCMA) is to track impacts of mandatory or voluntary conservation under Rule 14.1 or Schedule 14.1 on quantity revenues for future disposition. 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. The water revenues subject to this account include but are not limited to those which may be affected by Rule 14.1 and Schedule 14.1. (N)

2. Applicability

The WCMA is applicable to all quantity related rate revenue.

3. Definitions

- a. Non- WCMA revenue is all revenue excluded from the WCMA account, such as metered service charges and public and private fire protection service. In addition, surcharges and surcredits, unless specifically included in adopted revenue requirement, will be excluded from WCMA tracking.
- b. WCMA -eligible revenue is all revenue not excluded in 3.a, above.
- c. Recorded WCMA -eligible revenue is the amount of quantity rate revenue collected from customers in any particular period.
- d. Adopted WCMA eligible revenue is the amount of quantity related revenue necessary in conjunction with adopted non- WCMA revenue to generate the adopted revenue requirement.

(Continued)

(To be inserted by utility)

Issued by

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

Advice No. 592A

JOHN TANG

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

Dec. No. W-4976

Vice President,  
Regulatory Affairs

Effective \_\_\_\_\_

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

TITLE

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

**X. Water Conservation Memorandum Account (Continued)**

4. Accounting Procedure

a. The following entries will be recorded monthly in the WCMA:

1. Most recently adopted water sales revenue on the effective date of Advice Letter 564 adjusted for all subsequent rate increases.
2. Actual water sale revenue collected adjusted for existing Revenue Adjustment Mechanism. The actual water sales revenue collected in the WCMA will be kept distinct from revenue Tracked by SJWC's existing Monterey-style WRAM.
3. Most recently adopted variable expenses for purchased water, pump tax and power
4. Actual recorded variable expenses
5. Drought Surcharges and fees collected from Schedule 14.1 activated via AL 569 (future surcharges and fees will be tracked in WCEMA) (N)
6. Total net WCMA balance = (1 minus 2) minus (3 minus 4) minus 5 (N)
7. A negative (-) balance in the memorandum account reflects a utility over collection to be refunded, while a positive balance reflects a utility under collection to be recovered in rates.

b. The Company will record the accumulated WCMA balance monthly, by adding its entry in Section a.5. above to the prior accumulated monthly balance.

c. 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.

d. Before seeking recovery of the WCMA balance, the balance shall be reduced by an amount equal to a 20-basis point reduction in the most recently adopted return onequity.

5. Disposition

If the accumulated balance for the WCMA 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 WCMA are subject to a reasonableness review. The recovery of under-collections or refunds of over-collections will be passed on to the customers through volumetric surcharges or surcredits.

6. Effective Date

The WCMA shall go into effect on the effective date of Advice Letter No. 564

7. Sunset Date

The WCMA will remain in effect until the Wholesaler declares the water shortage is over and the mandatory conservation mandates are ceased.

**Y. 2021 GRC Interim Rates Memorandum Account**

1 Purpose

The purpose of the 2021 GRC Interim Rates Memorandum Account is to track the difference between Interim rates and new rates to be adopted in a final decision in A.21-01-003

2 Applicability

The 2021 GRC Interim Rates Memorandum Account is applicable to all areas served.

3 Definitions

a. Revenues based on interim rates are revenues derived using interim rates authorized via AL 573 and any subsequent rates authorized until a final decision is issued in A.21-01-003.

(To be inserted by utility)

Issued by

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

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JOHN TANG

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

Vice President,

Effective \_\_\_\_\_

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

Regulatory Affairs

Resolution \_\_\_\_\_

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



**SCHEDULE No. 14.1  
WATER SHORTAGE CONTINGENCY PLAN  
WITH STAGED MANDATORY REDUCTIONS AND DROUGHT SURCHARGES  
(Continued)**

**FLOW RESTRICTOR REMOVAL FEE**

The charge for removal of a flow-restricting device is:

<u>Meter Size</u>	<u>Removal Fee</u>
5/8" to 1"	\$50
1-1/2 to 2"	\$100
3" and Larger	Actual Cost

**SPECIAL CONDITIONS**

1. For the purpose of charging Drought Surcharges the effective date is 15<sup>th</sup> November 2021
2. Schedule 14.1 is effective until terminated by an advice letter filing to the Commission, on five days' notice, when the utility determines that mandatory restrictions are no longer necessary.
3. Schedule 14.1 shall not apply to those covered under the medical exemption provided for under Rule No. 11.B.1.e(1).
4. Drought Surcharges will be separately identified on each bill.
5. All bills are subject to the reimbursement fee set forth on Schedule No.UF.
6. All monies collected by the utility through surcharges or fees authorized via AL 569 shall be booked (N) to SJWC's existing Water Conservation Memorandum Account (WCMA); future implementation of (N) surcharges and fees shall be booked in SJWC's existing Water Conservation Expense (N) Memorandum Account (WCEMA) but would be used to offset lost revenue tracked in WCMA. (N)
7. All expenses incurred by the utility to implement Rule 14.1 and Schedule 14.1 that have not been considered in a General Rate Case or other proceeding shall be recoverable by the utility if determined to be reasonable by the Commission. These additional 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.
8. Other restrictions on use of potable water as prescribed in Rule No. 14.1, SWRCB, the CPUC, SJWC, or other governing body or agency may be implemented.
9. None of the restrictions apply to the use of recycled water. The Limits on Watering and Limits on Watering Days shall not apply (except for Stage 4) to commercial nurseries, golf courses, or other water-dependent businesses, unless specifically required by SJWC or a governing jurisdiction.

(To be inserted by utility)

Issued by

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Vice President,

Effective \_\_\_\_\_

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

Regulatory Affairs

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

TITLE

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utility) Advice No. 592A

JOHN TANG  
Vice President,  
Regulatory Affairs

Date Filed \_\_\_\_\_  
Effective \_\_\_\_\_  
Resolution No. \_\_\_\_\_

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

## SAN JOSE WATER COMPANY (U-168-W)

### ADVICE LETTER 592A SERVICE LIST

Big Redwood Park Water	waldoburford@gmail.com;
Brush & Old Well Mutual Water Company	BOWMWC@brushroad.com;
Cal Water	cwsrates@calwater.com;
City of Campbell	publicworks@cityofcampbell.com;
City of Cupertino City Attorney	cityattorney@cupertino.org;
City of Cupertino Director of Public Works	rogerl@cupertino.org;
City of Milpitas	<a href="mailto:tndah@ci.milpitas.ca.gov">tndah@ci.milpitas.ca.gov</a> ;
City of Milpitas	smachida@ci.milpitas.ca.gov;
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Gillette Mutual Water Company	keyoung@pacbell.net;
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WRATES	rita_benton@ymail.com;
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