

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



June 8, 2023

Tiffany Thong
Manager, Rates and Regulatory Affairs
Liberty Utilities (Apple Valley Ranchos Water) Corp.
21760 Ottawa Road
Apple Valley, CA 92308-6533

Dear Ms. Thong,

The Water Division of the California Public Utilities Commission has approved Liberty Utilities' (Apple Valley Ranchos Water) Advice Letter No. 272, filed on May 15, 2023, regarding authorization to Establish a Lead and Copper Rule Revisions Memorandum Account.

Enclosed are copies of the following revised tariff sheets, effective May 15, 2023, for the utility's files:

P.U.C.	
Sheet No.	Title of Sheet
1204-W	Preliminary Statement, Sheet 31 OO. Lead and Copper Rule Revisions Memorandum Account (LCRRMA)
1205-W	Preliminary Statement, Sheet 32 OO. Lead and Copper Rule Revisions Memorandum Account (LCRRMA) (Continued)
1206-W	Table Of Contents, Sheet 1

Please contact Jefferson Hancock at JHO@cpuc.ca.gov or 415-703-3453, if you have any questions.

Thank you.

Enclosures



Liberty Utilities (Apple Valley Ranchos Water) Corp.
21760 Ottawa Road
Apple Valley, CA 92308-6533
Tel: 760-247-6484
Fax: 760-247-1654

Advice Letter No. 272-W

May 15, 2023

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Liberty Utilities (Apple Valley Ranchos Water) Corp. (U 346-W) (“Liberty Apple Valley”) hereby transmits the attached revised tariff sheets applicable to water service in its service territory.

Summary

Liberty Apple Valley is seeking authorization to establish a Lead and Copper Rule Revisions Memorandum Account (LCRRMA) to track incremental costs incurred by Liberty Apple Valley that are required to comply with the United States Environmental Protection Agency’s (EPA) Lead and Copper Rule Revisions (LCRR) that are not otherwise covered in Liberty Apple Valley’s authorized rates.

Background and Discussion

On January 15, 2021, the EPA issued the revised LCRR. This regulation introduces several new compliance and reporting requirements for water systems in the United States, some of which must be completed by the compliance date of October 16, 2024.

The EPA’s revised LCRR are to protect consumers from the impact of lead exposure in drinking water. Under the LCRR revisions, the EPA requires water systems to conduct a comprehensive inventory of both utility-owned and customer-owned service line materials. The LCRR will require Liberty Apple Valley to identify any portion of a service line and categorize its findings as either lead, galvanized, non-lead (including copper, plastic or steel), or lead status-unknown service lines and lines requiring replacement. Liberty Apple Valley will also be required to make the inventory information available publicly.

On December 16, 2021, the EPA published Docket No. EPA-HW-OW-2021-0255 in the federal register. Within the Docket, EPA committed to propose and further revise the LCRR by October 2024 with the Lead and Copper Rule Improvements (LCRI). The LCRI are expected to delay the implementation of portions of the LCRR beyond the original October 16, 2024 compliance date with the exception of the service line material inventory requirements.

The LCRI may include additional modifications and requirements to the following LCRR sections:

- Timely replacement of lead service lines
- Revised tap sampling and lead action/trigger levels
- School and Child Care Center sampling
- Public education
- Corrosion control treatment

Memorandum Account Justification

The EPA requires public and private water systems to comply with the update of the LCRR. Liberty Apple Valley will need to prepare its water systems for the LCRR, focusing on the regulatory requirements that are due by the compliance date. Liberty Apple Valley anticipates incurring substantial costs in order to comply with the revisions. The LCRR will require a comprehensive inventory of service line materials, which requires researching and documenting state and local plumbing codes, permits and existing records or other available historic records that indicate service line materials.

Liberty Apple Valley is requesting to establish a Lead and Copper Rule Revisions Memorandum Account (LCRRMA), to record costs associated with the LCRR for the initial extensive study for service line material inventories and any incremental O&M expenses and carrying costs on any capital investments incurred for any additional modifications and requirements that may result from the final LCRI. Only costs that are not otherwise covered in the Liberty Apple Valley's revenue requirement would be tracked in the memorandum account.

The substantial costs Liberty Apple Valley expects to incur include for the initial comprehensive study of service line materials. This effort alone will entail, but not be limited to, the following components:

- Development of service line material inventories for each of Liberty Apple Valley's three water systems;
- Preparation of Lead Service Line Replacement (LSLR) Plans for each system; Replacement of lines (if necessary);
- Prepare a Standard Operating Procedure (SOP) for development, and for ongoing maintenance, of the customer service line inventory;
- Development of sampling plans for lead and copper compliance monitoring at the taps of customers, daycares and schools for each system and replacement of lines (if necessary);
- Development of school and childcare facility inventories for all of Liberty Apple Valley's systems, and preparation for sampling in these facilities and the cost of sampling; and
- Preparation of messaging for public education and customer notifications.

The EPA is expected to issue further improvements to the LCRR which are expected to delay the implementation of portions of the LCRR beyond the original October 2024 compliance date. The EPA is in the process of defining and establishing grant funding options for disadvantaged communities and qualifying utilities in California. Liberty Apple Valley may pursue grant funding options for cost associated with the LCRR, if available.

Request to Establish a Memorandum Account

In accordance with the Commission's Standard Practice U-27-W, establishing a memorandum account is conditional and in consideration with the following criteria which have been met by Liberty Apple Valley:

1. The event is not under the utility's control.

On January 2021, the EPA issued a revised LCRR to protect consumers from the impact of lead exposure in drinking water. Under the LCRR, the EPA requires water systems to conduct a comprehensive inventory of both utility owned and customer owned service line materials. The LCRR requires water systems to identify any lead and galvanized lines requiring replacement, or lead status-unknown service lines. The water system is

required to make the inventory information available publicly. The EPA is not under Liberty Apple Valley's control, the requirement to comply with the revisions will result in new, unavoidable expenses for Liberty Apple Valley, both exceptional in nature and not under Liberty Apple Valley's control.

2. The event could not have been reasonably foreseen in the utility's last general rate case.

The EPA's revisions to the LCRR were issued in January 2021. On December 16, 2021, the EPA published Docket No. EPA-HW-OW-2021-0255 in the federal register. Within the Docket, EPA committed to propose and revise the LCRR by October 2024 with the Lead and Copper Rule Improvements (LCRI). The LCRI are expected to delay the implementation of portions of the LCRR beyond the original October 16, 2024 compliance date with the exception of the service line material inventory requirements. Therefore, the expenses could not have been reasonably foreseen in Liberty Apple Valley's recently concluded general rate case for 2022 (A.21-07-003 covering years 2022-2024) filed in July 2021 and will begin to be incurred before the next scheduled general rate case filing in January 2024.

3. The event occurred before the utility's next scheduled rate case.

Liberty Apple Valley's next general rate case application is not scheduled to be filed until January 2024 for Years 2025-2027. The expenses will be incurred before the next scheduled general rate case in order meet the compliance date of October 2024.

4. The event is of a substantial nature in that the amount of money involved is worth the effort of processing a memo account.

Liberty Apple Valley anticipates incurring significant costs in order to initiate the service line inventory requirement in compliance with the LCRR revisions required by the EPA by October 2024. Liberty Apple Valley also anticipates additional substantial costs will be incurred once the EPA issues the LCRI which are expected to delay the implementation of portions of the LCRR beyond the original due date of October 2024.

The LCRI may include additional modifications and requirements to the following LCRR sections:

- Field verification of lead service line inventory
- Timely replacement of lead service lines
- Revised tap sampling and lead action/trigger levels
- School and Child Care Center sampling
- Public education
- Corrosion control study and treatment

The total magnitude of costs associated with full compliance of the LCRR will undoubtedly increase due to the comprehensive, evolving scope of the rules revisions. The anticipated substantial costs are currently not included in current rates.

5. The Memorandum Account has ratepayer benefits.

Liberty Apple Valley's customers will benefit from the establishment of this Memorandum Account because it will allow Liberty Apple Valley to adequately prepare all of its water systems for compliance with the updated LCRR requirements. The revisions will concentrate on inventory of lead service lines; developing sampling plans for lead and copper compliance at customers' taps; developing of school and childcare facility inventories and sampling at these facilities; and preparing messaging for public education and customer notifications. Compliance with the regulatory requirements of the EPA's LCRR for its water systems protects consumers from the risks and impact of lead and copper exposure in drinking water.

Memorandum Account Treatment

Liberty Apple Valley is aware that a memorandum account is not a guarantee of eventual recovery of expenses, nor is it carried as a regular account under the uniform system of accounts for water utilities. It is carried "off the books", as a memorandum account. Further, it is also known that Commission policy on memorandum account treatment has always been that the burden of proof of the reasonableness of expenses charged to the account is the responsibility of the utility requesting reimbursement of such costs.

Additional Authority for Requested Memorandum Account

The Commission approved an identical (in nature) request for authority to establish a LCRRMA for Golden State Water Company.¹

Tier Designation and Effective Date

This advice letter is submitted with a Tier 2 designation. Liberty Apple Valley is requesting that this filing become effective May 15, 2023 on the filing date of the advice letter.

Notice and Service

This advice letter requests the establishment of a memorandum account only, there are no rate changes being requested, therefore, a customer notice is not required.

Response or Protest

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

- (1) The utility did not properly serve or give notice of the advice letter;
- (2) The relief requested in the advice letter would violate statute or Commission order, or is not authorized by statute or Commission order on which the utility relies;
- (3) The analysis, calculations, or data in the advice letter contain material error or omissions;
- (4) The relief requested in the advice letter is pending before the

¹ Golden State Advice Letter No. 1894-W-A, approved on April 10, 2023.

- Commission in a formal proceeding; or
- (5) The relief requested in the advice letter requires consideration in a formal hearing, or is otherwise inappropriate for the advice letter process; or
 - (6) The relief requested in the advice letter is unjust, unreasonable, or discriminatory (provided that such a protest may not be made where it would require re-litigating a prior order of the Commission).

A protest shall provide citations or proofs where available to allow staff to properly consider the protest.

A response or protest must be made in writing or by electronic mail and must be received by the Division of Water and Audits within 20 days of the date this advice letter is filed. The address for mailing or delivering a protest is:

Tariff Unit, Water Division, 3rd 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 by mail (or e-mail) to us, addressed to:

Tiffany Thong
Manager, Rates and Regulatory Affairs
Liberty Utilities (California)
9750 Washburn Road
P. O. Box 7002
Downey, CA 90241
Phone: (562) 923.0711
Fax: (562) 861-5902
E-Mail: AdviceLetterService@libertyutilities.com

Cities and counties that need Board of Supervisors or Board of Commissioners approval to protest should inform the Division of Water and Audits 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.

If you have not received a reply to your protest within 10 business days, contact Tiffany Thong at Tiffany.Thong@libertyutilities.com.

Sincerely,

LIBERTY UTILITIES (APPLE VALLEY RANCHOS WATER) CORP.

/s/ Tiffany Thong

TIFFANY THONG

Manager, Rates and Regulatory Affairs

TT/as

Attachments

Cal P.U.C. Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
1204-W	PRELIMINARY STATEMENT Sheet 31	1194-W
1205-W	PRELIMINARY STATEMENT Sheet 32	
1206-W	TABLE OF CONTENTS Sheet 1	1202-W

PRELIMINARY STATEMENT

NN. Incremental Cost Balancing Account (ICBA)

4. Accounting Procedure (continued)

a. The following entries will be recorded monthly in the ICBA: (continued)

8. Multiply (7) by recorded A.F.
9. Recorded Replenishment Make-up Assessment cost per A.F.
10. Adopted Replenishment Make-up Assessment cost per A.F.
11. Difference between (8) and (9)
12. Multiply (11) by recorded A.F.
13. Recorded Replenishment Leased Water Rights cost per A.F.
14. Adopted Replenishment Leased Water Rights cost per A.F.
15. Difference between (13) and (14).
16. Multiply (15) by recorded A.F.
17. Recorded chemicals cost per A.F.
18. Adopted chemicals cost per A.F.
19. Difference between (17) and (18).
20. Multiply (19) by recorded A.F.
21. Total Net ICBA = (4) + (8) + (12) + (16) + (20)
22. A negative (-) balance in the ICBA reflects a utility over collection to refunded, whereas a positive (+) balance reflects a utility under collection to be recovered in rates.

- b. The company will record the accumulated ICBA balance monthly, by adding its entry in Section a.21 above to the prior accumulated monthly balance.
- c. Monthly interest expense shall be calculated at 1/12 of the most recent month's interest rate on the 3-month non-financial Commercial Paper Rate, published in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances. H.15, (<http://www.federalreserve.gov/Releases/H15>NFCP>M3.txt>) or its successor publication.

5. Disposition

If the accumulated balance for the ICBA 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 Liberty Apple Valley's next General Rate Case.

OO. Lead and Copper Rule Revisions Memorandum Account (LCRRMA)

1. Purpose

The purpose of the LCRRMA is to track and recover any incremental expenses and carrying costs on capital investments incurred by Liberty Apple Valley that are required to comply with the United States Environmental Protection Agency's (EPA) Lead and Copper Rule Revisions (LCRR) that are not otherwise covered in Liberty Apple Valley's authorized rates.

(N)
|
(N)

(Continued)

PRELIMINARY STATEMENT

OO. Lead and Copper Rule Revisions Memorandum Account (LCRRMA) (Continued)

(N)

2. Applicability

Liberty Apple Valley expects to incur expenses related to the initial comprehensive study of service line materials that include incremental operations and maintenance (O&M) costs, and carrying costs on capital investments that may be required. Costs may include but are not limited to the following:

- Development of service line material inventories for each of Liberty Apple Valley's water systems;
- Preparation of Lead Service Line Replacement (LSLR) Plans for each system;
- Replacement of service lines (if necessary);
- Preparation of a Standard Operating Procedure (SOP) for the development and ongoing maintenance of the customer service line inventories;
- Development of sampling plans for lead and copper compliance monitoring at the taps of customers, daycares and schools for each system;
- Development of school and childcare facility inventories for all Liberty Apple Valley's systems, and preparation for and the cost of sampling in these facilities; and
- Preparation of messaging for public education and customer notifications.

3. Accounting Procedure

The LCRRMA does not have a rate component.

- a. A debit entry shall be made to the LCRRMA to record all related costs including, but not limited to, developing of service line material inventories, lead and copper sampling plans/monitoring at the taps of private customers, daycares and schools/preparation of lead Service Line Replacement plans/public messaging, education and customer notifications.
- b. Monthly interest expense shall be calculated at 1/12 of the most recent month's interest rate on the 3-month non-financial Commercial Paper Rate, published in the Federal Statistical Release, to the average of the beginning-of-month and the end-of-month balances. H.15, (<http://www.federalreserve.gov/Releases/H15/NFCP/M3.txt>) or its successor publication.
- c. A debit entry equal to the revenue of each capital expenditure at Liberty Apple Valley's authorized rate of return and related expenses (including return, income taxes, ad valorem tax, depreciation, and other taxes and fees).
- d. A credit entry to transfer all or portion of the balance in the LCRRMA to other adjustment clauses for future rate recovery, as may be approved by the CPUC.

4. Effective Date

The LCRRMA shall go into effect on the filing date of Advice Letter No. 272-W. The LCRRMA will remain open until one year after the completion of the LCRR.

5. Disposition

Disposition of amounts recorded in the LCRRMA shall be determined in Liberty Apple Valley's next General Rate Case.

(N)

TABLE OF CONTENTS

The following listed tariff sheets contain all effective rates and rules affecting the charges and service of the utility, together with other pertinent information:

<u>Subject Matter of Sheet:</u>		<u>CPUC Sheet No.</u>
Title Page		900-W
Table of Contents		1206-W, 1203-W (T)
Preliminary Statement	845-W, 533-W, 1069-W, 624-W, 914-W, 1104-W, 902-W, 1070-W, 1071-W, 1072-W, 1073-W, 1074-W, 1075-W, 1076-W, 1077-W, 1078-W, 1079-W, 934-W, 1080-W, 994-W, 996-W, 1044-W, 1105-W, 1046-W, 1047-W, 1166-W, 1169-W, 1172-W, 1192-W, 1193-W, 1204-W, 1205-W	1131-W (T)
Service Area Map-Apple Valley Ranchos		1131-W
Service Area Map-Yermo		846-W
<u>Rate Schedules:</u>		
Schedule No. 1	Residential General Metered Service-Apple Valley	1182-W, 1158-W, 1198-W
Schedule No. 1 YE-R	Residential General Metered Service-Yermo	1183-W, 1184-W
Schedule No. 2	Gravity Irrigation Service	1185-W, 1084-W
Schedule No. 3	Non-Residential General Metered Service-Apple Valley	1186-W, 1160-W, 1199-W
Schedule No. 3 YE-NR	Non-Residential General Metered Service-Yermo	1187-W, 1188-W
Schedule No. 4	Non-Metered Fire Services	1189-W, 1087-W
Schedule No. 5	Fire Flow Testing Charge	850-W
Schedule No. LC	Late Payment Charge	1028-W
Schedule 14.1	Water Shortage Contingency Plan	1133-W through 1135-W, 1172-W, 1137-W through 1139-W, 1173-W
Schedule UF	Surcharge to Fund PUC Reimbursement Fee	1180-W
Schedule CAP	Customer Assistance Program	1190-W, 1094-W
Schedule No. CAP-SC	Customer Assistance Program Sur-Charge	1191-W 819-W

LIST OF CONTRACTS AND DEVIATION:

Rules:

No. 1	Definitions	999-W, 1000-W
No. 2	Description of Service	159-W
No. 3	Application for Service	13-W, 553-W
No. 4	Contracts	361-W
No. 5	Special Information Required on Forms	1022-W, 1023-W, 1001-W, 1002-W
No. 6	Establishment and Re-establishment of Credit	362-W
No. 7	Deposits	711-W, 730-W
No. 8	Notices	1003-W through 1006-W
No. 9	Rendering and Payment of Bills	689-W, 690-W, 1195-W, 1196-W
No. 10	Disputed Bills	1007-W, 1008-W
No. 11	Discontinuance and Restoration of Services	1029-W, 1010-W through 1019-W
No. 12	Information Available to Public	366-W, 367-W
No. 13	Temporary Service	368-W, 369-W
No. 14	Continuity of Service	370-W
No. 14.1	Water Conservation and Rationing Plan	1141-W through 1152-W
No. 15	Main Extensions	386-W through 392-W, 529-W, 1044-W, 1045-W, 564-W, 396-W through 398-W, 1178-W, 984-W
No. 16	Service Connections, Meters, and Customer Facilities	399-W through 405-W

(Continued)

Jim Hansen
Navajo Mutual Water Company
P. O. Box 392
Apple Valley, CA 92307
jhansenjr@email.com

Kendall MacVey
Best Best & Krieger LLP
PO Box 1028
Riverside, CA 92502
kendall.macvey@bbklaw.com

Town of Apple Valley
Attention: Frank Robinson
14955 Dale Evans Parkway
Apple Valley, CA 92307
dcron@applevalley.org

Joshua Nelson
Best Best & Krieger LLP
500 Capitol Mall, Suite 1700
Sacramento, CA 95818
joshua.nelson@bbklaw.com

Manuel Benitez
County of San Bernardino
Special Districts Department
Water and Sanitation Division
12402 Industrial Blvd.
Bldg. D, Ste. 6
Victorville, CA 92392

California Public Utilities Commission
Attention: Ting-Pong Yuen
ORA Water
505 Van Ness Avenue
San Francisco, CA 94102
tpy@cpuc.ca.gov

Samuel Martinez
Executive Officer
Local Agency Formation Commission
1170 West 3rd Street, Unit 150
San Bernardino, CA 92415-0490
lafco@lafco.sbcounty.gov

Perry Dahlstrom
District Manager
Mountain Desert
Golden State Water Company
13608 Hitt Road
Apple Valley, CA 92308
Perry.Dahlstrom@gswater.com

Ronald Moore
Senior Regulatory Analyst
Golden State Water Company
630 East Foothill Blvd
San Dimas, California 91773
rkmoore@gswater.com