

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



December 29, 2023

Tiffany Thong
Manager, Rates and Regulatory Affairs
Liberty Utilities (Apple Valley Ranchos Water) Corp.
9750 Washburn Road
Downey, CA 90241

Dear Ms. Thong,

The Water Division of the California Public Utilities Commission has approved Liberty Utilities' (Apple Valley Ranchos Water) Advice Letter No. 278-A, (Supplement to Advice Letter No. 278), filed on December 14, 2023, regarding request to convert the Drinking Water Fees Memorandum Account to Drinking Water Fees Balancing Account.

Enclosed are copies of the following revised tariff sheets, effective December 15, 2021, for the utility's files:

P.U.C.	
Sheet No.	Title of Sheet
1239-W	Preliminary Statement JJ. Drinking Water Fee Memorandum Account, Sheet 27
1240-W	Preliminary Statement OO. Lead and Copper Rule Revisions Memorandum Account (LCRRMA) (Continued), Sheet 32
1241-W	Preliminary Statement PP. Drinking Water Fees Balancing Account. Sheet 33
1242-W	Table Of Contents, Sheet 1

Please contact Jeremy Ho at JRY@cpuc.ca.gov or 415-703-1905, if you have any questions.

Thank you.

Enclosures



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Advice Letter No. 278-W-A

December 14, 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 submits the attached revised tariff sheets applicable to water service in its service territory.

Pursuant to directives from the Water Division, this supplemental filing is being made to revise the Preliminary Statement to close the previously approved Drinking Water Fees Memorandum Account (DWFMA) and establish a new Drinking Water Fees Balancing Account (DWFMA). This supplemental filing will replace Advice Letter 278-W in its entirety.

Summary

Pursuant to GO 96-B, Water Industry Rules 7.3.2(7) and 8.2, Liberty Apple Valley requests treatment similar to the authority granted to Class B, C, and D water companies in Resolution (Res.) W-4698 to establish a balancing account for drinking water fees.

Specifically, Liberty Apple Valley seeks to close its existing DWFMA (Preliminary Statement JJ) and establish a (Preliminary Statement PP) for the DWFBA, that tracks all drinking water fees charged by the State Water Resources Control Board (Water Board) that are incremental to authorized rates.

Background and Discussion

On September 22, 2021, the Water Board adopted emergency regulations that adjusted drinking water fees to conform to the revenue levels set forth in the Budget Act for fiscal year (FY) 2021-22. The emergency regulation adjusted the fee schedule adopted in FY 2019-20 to increase fees to community water systems, including Liberty Apple Valley, by an average of approximately 26.6 percent.

On December 15, 2021, Liberty Apple Valley submitted Advice Letter (AL) 261-W requesting authority to establish the DWFMA to track the differences between actual drinking water fees charged by the Water Board’s Division of Drinking Water (DDW) “based upon the revised fee schedule adopted by the Water Board on September 22, 2021,” and the drinking water fees authorized in rates. AL 261-W was approved with an effective date of December 15, 2021.

Since approval of Liberty Apple Valley’s current DWFMA, the Water Board has continued to increase its drinking water fees on an annual basis, resulting in expense increases that are much higher than those included in presently-authorized rates.

Small Company User Fee Memorandum and Balancing Accounts: As indicated in Res. W-4698, the Commission has allowed Class B, C, and D water utilities to pass on costs reasonably incurred while complying with water quality and user fees since 1993.¹ In Res. W-4327, memorandum accounts for the small companies were authorized for water quality compliance costs because of the potentially limited financial ability of small water companies to comply, and their less frequent rate case filings.² In the same resolution, the Commission allowed the opening of memorandum accounts for fees charged by the Division of Drinking Water's (DDW's) predecessor³ because "due to the variation in each billing the inclusion of such costs in base rates is often not feasible."⁴

Upon expiration of the memorandum accounts for the small companies, the Commission determined in Res W-4698 that there was a continued need to track drinking water user fees in a regulatory mechanism,⁵ and further that the appropriate mechanism was a balancing account rather than a memorandum account, stating that:

[T]hese types of costs are always recoverable...; the only issue is the reasonableness of the amount to be recovered. In this they are similar to the purchased water, purchased power and pump tax balancing accounts approved for recovery without an earnings test by D.06-04-037, April 13, 2006. Thus, the accounts tracking these costs should be classified as balancing accounts and recovery should be by advice letter requesting amortization of a Balancing Account (Tier 1).⁶

Liberty Apple Valley's Request for Similar Treatment: Water Industry Rule 8.2 of General Order 96-B states that:

A Utility may submit an advice letter requesting approval, authorization, or other relief similar to that accorded another Utility by Commission order. The advice letter shall cite each decision or resolution relied upon, and shall demonstrate that the Utility submitting

¹ Resolution W-4698, Order Establishing Water Quality and User Fee Balancing Accounts for Class B, C, and D Water Utilities (Res. W-4698) at 1.

² Resolution W-4327, Order Authorizing All Class B, C, and D Water Utilities to Establish Water Quality Memorandum Accounts (WRMA) for Recording the Expenses Resulting from Drinking Water Regulations, Including Water Sampling, Testing, Reporting, and Treatment Costs, and Office of Drinking Water (ODW) User Fee Memorandum Accounts (UFMA) to Track California Department of Health Services (DHS) User Fees Not Presently Included in Rates; and Authority to File Advice Letters for the Recovery of such Charges and Expenses (Res. W-4327) at 2.

³ Res. W-4327 refers to the California Department of Health Service's Office of Drinking Water (DHS's ODW), the relevant responsibilities of which are now at the State Water Resources Control Board's Division of Drinking Water (Water Board's DDW).

⁴ Res. W-4327 at 3.

⁵ Res. W-4698 at 1. In the resolution, the Commission provides the same treatment for water quality compliance costs of Class B, C, and D water utilities, however Liberty Apple Valley does not seek to address water quality compliance costs in this advice letter.

⁶ *Id.* at 1-2 (footnote omitted).

the advice letter is similarly situated in all material respects, and is requesting the same relief and relying on the same justification as in the cited order(s).

As discussed in AL 261-W, and similar to the experience of the small water companies described in Res. W-4327, Liberty Apple Valley has not been able to reflect the current level of drinking water fees in customer base rates because of the “variation” in user fee billing since DDW adopted its new fee structure on September 21, 2021. Liberty Apple Valley seeks the same relief granted to the small water companies in Res. W-4698, pursuant to Water Industry Rule 8.2 of GO 96-B. Accordingly, Liberty Apple Valley requests that its DWFMA in Preliminary Statement JJ be converted to a “Drinking Water Fees Balancing Account” (DWFBA) with the same effective date of the DWFMA (December 15, 2021).

Tier Designation and Effective Date

In accordance with General Order 96-B, Water Industry Rules 7.3.2(7) and 8.2, this advice letter is submitted with a Tier 2 designation, with an effective date of December 15, 2021 for the reasons discussed above.

Notice and Service

In accordance with General Order 96-B, General Rules 4.3 and 7.2, and Water Industry Rule 4.1, a copy of this advice letter will be electronically transmitted on December 14, 2023 to competing and adjacent utilities and other utilities or interested parties having requested such notification.

Customer notice is not required as there is no increase in rates.

Response or Protest

Anyone may respond to or protest this advice letter. A response supports the filing and may contain information that proves useful to the Commission in evaluating the advice letter. A protest objects to the advice letter in whole or in part and must set forth the specific grounds on which it is based. These grounds are:

- (1) 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 upon 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 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 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 Liberty Apple Valley, addressed to:

Tiffany Thong
Manager, Rates and Regulatory Affairs
Liberty Utilities
9750 Washburn Road
P. O. Box 7002
Downey, CA 90241
Fax: (562) 861-5902
E-Mail: Tiffany.Thong@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.
1239-W	PRELIMINARY STATEMENT Sheet 27	1169-W
1240-W	PRELIMINARY STATEMENT Sheet 32	1205-W
1241-W	PRELIMINARY STATEMENT Sheet 33	
1242-W	TABLE OF CONTENTS Sheet 1	1238-W

PRELIMINARY STATEMENT

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JJ. Drinking Water Fee Memorandum Account

(D)

1. Purpose

The purpose of the Drinking Water Fees Memorandum Account (DWFMA) is to track the difference between actual drinking water fees charged by the State Water Resources Control Board (State Board)(based upon the revised fee schedule adopted by the State Board on September 22, 2021) and the drinking water fees authorized in rates.

2. Applicability

Liberty Apple Valley shall maintain the DWFMA by making entries at the end of each month as follows:

- a. A debit entry shall be made to the DWFMA at the end of each month to record the expenses.
- b. Interest shall accrue to the DWFMA 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. H.15, (<http://www.federalreserve.gov/Releases//H15>NFCP>M3.txt>), or its successor publication (debit or credit).

3. Effective Date

The DWFMA shall go into effect on the effective date of Liberty Apple Valley's Advice Letter 261-W. The DWRMA will sunset with the effective date of Liberty Apple Valley's rates from its July 2024 General Rate application.

4. Disposition

Disposition of amounts recorded in the DWFMA shall be determined in Liberty Apple Valley's next General Rate Case application, or as otherwise determined by the Commission if the account's cumulative balance exceeds 2% of Liberty Apple Valley's adopted gross revenues. The recovery of over/under collections will be passed on to the customers through volumetric surcredits or surcharges.

(D)

KK. Drought Revenue Memorandum Account

1. Purpose

The purpose of the 2022 Drought Revenue Memorandum Account ("2022 DRMA") is to track the usage revenue shortfalls and drought surcharge revenues associated with the activation of Schedule 14.1 and Rule 14.1 for future disposition. The 2022 DRMA is consistent with Commission's Resolution W-4976 and Standard Practice U-40-W, Procedures for Water Conservation, Rationing, and Service Connection.

2. Applicability

The 2022 DRMA is apply to all areas served.

3. Definitions

- A. Usage Revenue is all revenue excluding metered service charges, gravity irrigation quantity charges, public and private fire protection service, and unmetered and other miscellaneous revenue. In addition, surcharges and surcredits, unless specifically included in adopted revenue requirement, are excluded from usage revenue.

(Continued)

PRELIMINARY STATEMENT

Page 32

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

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.

(Continued)

Advice Letter No. 278-W-A
Decision No.

Issued by
Edward N. Jackson
PRESIDENT

Date Filed 12/14/2023
Effective 12/15/2021
Resolution No.

PRELIMINARY STATEMENT

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PP. Drinking Water Fees Balancing Account

(N)

1. Purpose

The purpose of the Drinking Water Fees Balancing Account (DWFBA) is to track the difference between all actual drinking water fees charged by the State Water Resources Control Board (State Board) (based upon the revised fee schedule adopted by the State Board on September 22, 2021, and any subsequent revisions) and the drinking water fees authorized in rates.

2. Applicability

Liberty Apple Valley shall maintain the DWFBA by making entries at the end of each month as follows:

a. A debit entry shall be made to the DWFBA at the end of each month to record the difference between actual drinking water fees and adopted fees.

b. Pursuant to Standard Practice U-27-W of the Water Division, interest shall accrue to the DWFBA 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. H.15, (<http://www.federalreserve.gov/Releases//H15>NF&CP>M3.txt>), or its successor publication (debit or credit).

3. Effective Date

The DWFBA shall go into effect on the effective date of Liberty Apple Valley's Advice Letter 261-W, which is December 15, 2021.

4. Disposition

Disposition of amounts recorded in the DWFBA shall be determined in Liberty Apple Valley's next General Rate Case application, or as otherwise determined by the Commission if the account's cumulative balance exceeds 2% of Liberty Apple Valley's adopted gross revenues. The recovery of over/under collections will be passed on to the customers through volumetric surcredits or surcharges.

(N)

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

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Service Area Map-Yermo		846-W	
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Schedule No. 1 YE-R	Residential General Metered Service-Yermo	1183-W, 1184-W	
Schedule No. 2	Gravity Irrigation Service	1208-W, 1220-W	
Schedule No. 3	Non-Residential General Metered Service-Apple Valley	1209-W, 1221-W, 1222-W, 1223-W	
Schedule No. 3 YE-NR	Non-Residential General Metered Service-Yermo	1187-W, 1188-W	
Schedule No. 4	Non-Metered Fire Services	1210-W, 1224-W, 1225-W	
Schedule No. 5	Fire Flow Testing Charge	850-W	
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Schedule 14.1	Water Shortage Contingency Plan	1133-W through 1135-W, 1172-W, 1137-W through 1139-W, 1173-W	
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LIST OF CONTRACTS AND DEVIATION:

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No. 6	Establishment and Re-establishment of Credit	362-W
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No. 16	Service Connections, Meters, and Customer Facilities	1227-W through 1237-W

(Continued)

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