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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION W-5285

January 30, 2025

RESOLUTION

**(RES. W-5285), CALIFORNIA WATER SERVICE COMPANY.
ORDER AUTHORIZING RECOVERY OF \$1,393,447 IN
CONSERVATION-RELATED EXPENSES THROUGH
IMPLEMENTATION OF 12-MONTH QUANTITY-BASED
SURCHARGES APPLIED ON A DISTRICT-BY-DISTRICT
BASIS**

By Advice Letter 2490, filed July 28, 2023.

SUMMARY

By Advice Letter 2490, California Water Service Company (Cal Water) requested authority to recover \$1,393,447 in drought-related expenses incurred from June 14, 2021, to December 31, 2022, tracked in its Drought Memorandum Account 2 (DRMA2). The California Public Utilities Commission (Commission) authorizes Cal Water to implement a 12-month, quantity-based surcharge to recover these costs on a district-by-district basis for all Cal Water's ratemaking areas (excluding Grand Oaks and Travis), effective April 1, 2025. This resolution approves recovery of these expenses based on proportional usage and cost-causation factors aligned with each district's water conservation efforts.

BACKGROUND

Governor Gavin Newsom declared a regional drought throughout California in 2021. On April 21, 2021, Governor Newsom issued Executive Order N-10-21,¹ which declared a drought emergency for Mendocino and Sonoma counties due to severe drought conditions affecting the Russian River watershed. As conditions worsened, on May 10,

¹ Newsom, G. (2021). *Executive Order N-10-21: Drought proclamation* [PDF]. California State Government. <https://www.gov.ca.gov/wp-content/uploads/2021/04/4.21.21-Drought-Proclamation.pdf>

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2021, Executive Order N-07-21² expanded the emergency to include 39 additional counties, primarily in Northern and Central California. By July 8, 2021, through Executive Order N-10-21,³ the drought emergency declaration was extended to 50 counties, covering much of the state. On October 19, 2021,⁴ Governor Newsom issued Executive Order N-18-21, which extended the drought emergency declaration statewide to all 58 counties. Governor Newsom officially ended the drought emergency declaration for most California counties on March 24, 2023,⁵ following a particularly wet winter season that significantly improved the state's water conditions. The announcement lifted the drought emergency for most areas of the state, though a few regions in Northern California, specifically the Klamath River Basin, remained under the declaration due to ongoing water shortages. In its Tier 2 Advice Letter 2413 submitted June 14, 2021, Cal Water sought authorization to incorporate the Preliminary Statement of its "Drought Memorandum Account 2 (DRMA2)," into its tariff to facilitate the tracking of incremental costs associated with implementing Rule 14.1 and Schedule 14.1⁶. These provisions, established by Cal Water, address the management and reduction of non-essential and wasteful potable water usage across its regulated California service areas. Rule 14.1 prescribes specific water-use restrictions, defines relevant terms, and details enforcement mechanisms, including issuance of violation notices, installation of flow-restricting devices, and penalties for repeated violations. Schedule 14.1 supports these efforts through a multi-stage approach to mandatory water use reductions and drought surcharges, activated under specified conditions such as droughts, water shortages, or mandated conservation requirements. Implementation of Schedule 14.1 necessitates approval from the California Public Utilities Commission (CPUC) and is accompanied by structured public notifications and hearings. The Commission approved AL 2413 on August 24, 2021, with an effective date of June 14, 2021.

² Newsom, G. (2021). *Executive Order N-07-21: Drought proclamation* [PDF]. California State Government. <https://www.gov.ca.gov/wp-content/uploads/2021/05/5.10.21-Drought-Proclamation.pdf>.

³ Newsom, G. (2021). *Executive Order N-10-21: Drought proclamation* [PDF]. California State Government. <https://www.gov.ca.gov/wp-content/uploads/2021/07/7.8.21-Drought-Proclamation.pdf>.

⁴ Newsom, G. (2021). *Executive Order N-18-21: Drought proclamation* [PDF]. California State Government. <https://www.gov.ca.gov/wp-content/uploads/2021/10/10.19.21-Drought-Proclamation.pdf>.

⁵ Newsom, G. (2023). Governor Newsom declares end to most of California's drought emergency following wet winter [Press release]. California State Government. <https://www.gov.ca.gov/2023/03/24/california-snowpack-more-than-doubles-an-entire-years-worth-of-water/>.

⁶ Rule 14.1 and Schedule 14.1: NON-ESSENTIAL, WASTEFUL USES OF POTABLE WATER https://www.google.com/url?sa=t&source=web&rct=j&opi=89978449&url=https://www.calwater.com/docs/rates/rules/rule_14.1.pdf&ved=2ahUKEwiVma_JhrKJAxWQMDQIHwawHZ8QFnoECCwQAO&usg=AOvVaw3ljFNOEj397XJDKdvf3EPP

NOTICE AND PROTESTS

Notice on this matter was provided in accordance with Commission rules. No protests were received.

DISCUSSION

As shown in Table 1, Cal Water requests \$1,393,447 for drought-related expenses, including communication and conservation efforts. The expenses were incurred from June 14, 2021, to December 31, 2022. These amounts are separated into the various categories as listed below.

Table 1. Conservation Related Expenses ⁷

Category	Total Recoverable	Category Includes
Conservation Expense	\$680,151	Drought advertising and design, conservation expenses ("drought supplemental campaign, lawn signs, rebate account, and clear results")
Miscellaneous Expense	\$96,780	Equipment/supplies for drought public meetings and expenses not included in other categories
Customer Records - Supplies	\$25,377	Office supplies and drought mailers
Postage	\$36,367	Postage for drought mailings (Purchased via P-card)
Drought Expense Allocation	\$555,965	Drought expense allocation: Consulting services for drought and drought advertising
Emergency Water Use Revenue Offset	(\$1,193)	Service charges received used to offset expense recovery
Grand Total	\$1,393,447	

⁷ Cal Water's Advice Letter 2490, Attachment A Page 1

The recoverable expenses total \$1,393,447. The largest category is Conservation Expense, amounting to \$680,151, covering advertising, design, and conservation programs related to drought. The Drought Expense Allocation accounts for \$555,965, including consulting services and targeted advertising for drought management including lawns signs, informercial marketing, and similar marketing activities. Miscellaneous expenses are \$96,780, consisting of equipment and supplies for drought public meetings and expenses not included in other categories. The Customer Records - Supplies expense total \$25,377, covering office supplies and materials for drought mailers, and Postage incurred \$36,367 for mailing materials related to drought activities. Other categories with no recoverable amounts include Rents, Stationery & Printing, Office Supplies, and General Corporate Expense Miscellaneous. The Emergency Water Use Revenue Offset expense shows a recovery of \$1,193 through service charges.

Table 2 outlines the distribution of the DRMA2 costs across various districts served by California Water Service Company. The total recoverable amount of \$1,393,447 is allocated based on each district's share of drought-related expenses incurred from June 14, 2021, to December 31, 2022. The largest share of costs is attributed to the Chico district at \$342,878, followed by Westlake with \$251,842, while smaller districts such as Dixon and Marysville incur relatively lower amounts of \$4,143 and \$4,615, respectively. Cal Water is not seeking recovery for expenses incurred during the first three months of 2023 when the declared drought was still in place. Future recovery of these expenses will be addressed in a subsequent advice letter.

Table 2. District Share of the DRMA Cost

District	District Share of the DRMA Cost
Bay Area Region	\$174,789
Bakersfield	\$141,784
Bear Gulch	\$60,783
Chico	\$342,878
Dixon	\$4,143
Dominguez	\$46,658
East Los Angeles	\$33,068

Hermosa Redondo	\$25,993
Kern River Valley	\$9,651
Livermore	\$43,999
Los Altos	\$57,334
Los Angeles County Region	\$52,276
Marysville	\$4,615
Salinas Valley Region	\$35,697
Oroville	\$5,548
Selma	\$6,248
Stockton	\$47,099
Visalia	\$40,448
Willows	\$8,593
Westlake	\$251,842
Total	\$1,393,447

Table 3 lists the quantity-based surcharges that Cal Water proposes to apply to customers in various ratemaking areas, excluding Grand Oaks and Travis, for the recovery of drought-related expenses incurred between June 14, 2021, and December 31, 2022, as shown on Table 2. These surcharges, varying by area from \$0.0033 to \$0.0777 per CCF (with Bakersfield unmetered services charged \$0.15 per month), would be effective from April 1, 2025, to March 31, 2026.

Table 3. Quantity-based Surcharges

Ratemaking Area	Surcharge (\$/CCF)	Effective Dates
Bakersfield	\$0.0056	4/1/25 – 3/31/26
Bakersfield Flat	\$0.15 / Mo.	
Bay Area Region	\$0.0194	
Bear Gulch	\$0.0118	
Chico	\$0.0368	
Dixon	\$0.0086	
Dominguez	\$0.0033	
East Los Angeles	\$0.0054	
Hermosa-Redondo	\$0.0057	
Kern River Valley	\$0.0348	
Livermore	\$0.0108	
Los Altos	\$0.0106	
Los Angeles County Region	\$0.0068	
Marysville	\$0.0058	
Oroville	\$0.0052	
Salinas Valley Region	\$0.0050	
Selma	\$0.0037	
Stockton	\$0.0047	
Visalia	\$0.0314	
Westlake	\$0.0777	
Willows	\$0.0169	

The \$1,393,447 in recoverable expenses from DRMA2 was allocated across California Water Service Company's various service areas based on a proportional analysis of several key factors. These factors included the volume of water usage in each district; the extent of drought-related activities and programs implemented; and the specific costs incurred by each district in responding to the drought.

Each district's share of the recoverable expenses reflects the direct costs associated with their respective drought management efforts, including conservation programs, communication campaigns, and other related activities. Districts like Chico and Westlake, which had significant conservation activities and higher levels of water usage, were allocated larger portions of the recoverable amount. In contrast, smaller districts or those with less intensive drought-related activities received proportionally smaller allocations.

The surcharges in the table above are calculated by dividing the allocated total recoverable drought-related expenses of \$1,393,447 across the various ratemaking areas by water sales per hundred cubic feet (CCF) from D.24-03-042 for each area.

In order to implement the effective date of rates adopted in this resolution, Cal Water should revise the effective date of the proposed changes from January 2024 to April 1, 2025. Cal Water may implement this revision by submitting a supplemental Tier 1 advice letter with the adjusted effective date.

WATER DIVISION EXPENSE REVIEW

WD conducted a comprehensive review of the total expenses requested for recovery by Cal Water in its DRMA2, encompassing all 50 eligible expenses (100%) to ensure there were no duplications. Due to the large volume of individual invoices, WD selected a sample of five expenses—each from a different Cal Water district—for detailed examination. This sampling involved an in-depth review of primary documentation provided by Cal Water to verify the authenticity of these expenditures. Table 4 provides a list of the five selected expenses examined.

Table 4. Expenses for Review

District	Summary of Earnings Description	DRMA2 Eligible	WD Notes
Bakersfield	Drought Expense Allocation	\$75,716	DRMA2 2022= \$54,236 and 4-factor Average for Drought = \$21,480 Total= \$75,716
Chico	Drought Expense Allocation	\$30,530	DRMA2 2022= \$21,869 and 4-factor Average for Drought = \$8,661 Total= \$30,530
Livermore	SOE03-07- A&G Exp- Non-specifics	\$11,807	DRMA 2022 Adopted= \$57,217 and DRMA2 2022 Recorded= \$69,024. Difference is \$11,807 which is

			the total eligible for DRMA2
Los Angeles County Region	SOE01-09- Oper Exp- Conservation	\$17,044	Q1 2022 Drought Supplemental Campaign= \$10,000; Q2 2022 Drought Supplemental= \$5,000 Lawn Signs= \$2,044
Westlake	SOE01-09- Oper Exp- Conservation	\$230,678	Rebate Account Replenishment= \$200,129; Q2 2022 Drought Supplemental Campaign= \$24,600; Lawn Signs= \$1,310; Westlake Conservation Mailing = \$4,639

WD determined that the expenses submitted by Cal Water are reasonable. No discrepancies were detected during the sample review, and while specific amounts of conservation are not readily evident, all the expenses contribute to continued conservation of water.

Cal Water's request for the amortization of drought-related expenses is deemed reasonable as a reflection of its water savings. An additional \$1.39 million was necessary in sustaining the momentum of conservation, which ultimately contributed to the additional water savings recorded.

Table 5 lists the various rebate expenses paid by Cal Water to customers for qualifying installations of conservation activities. The requested expenses to be amortized include \$680,151 for Conservation Expenses and \$555,965 for Drought Expense Allocation, comprising approximately 89% of the total requested amount of \$1,393,447. The remaining 11% was spent on miscellaneous expenses, postages, and customer records

supplies. Of the \$680,151 allocated for Drought Expenses, \$508,610 was utilized towards direct costs of water-saving equipment, as detailed in Table 5. These rebates included \$442,185 for Lawn-to-Garden conversions covering 141,513 square feet, \$47,434 for Spray-to-Drip conversions covering 94,868 square feet, and additional rebates for high-efficiency devices such as toilets, clothes washers, smart irrigation controllers, sprinkler nozzles, spray bodies, and rotary nozzles. Importantly, the water reductions as a result of these installations will continue into future years.

Table 5. Customer Rebates

Device/Activity	Rebates Issued	Quantity
Lawn-to-Garden Conversion	\$442,185	141,513 square feet
Spray-to-Drip Conversion	\$47,434	94,868 square feet
High-Efficiency Toilet	\$800	7
High-Efficiency Clothes Washer	\$7,500	23
Smart Irrigation Controller	\$4,909	58
High-Efficiency Sprinkler Nozzle	\$1,230	246
Spray Body	\$4,244	233
Large Rotary Nozzle	\$308	22
Total	\$508,610	

ENVIRONMENTAL AND SOCIAL JUSTICE

The ESJ Action Plan establishes a series of goals related to health and safety, consumer protection, program benefits, and enforcement in all the sectors the Commission regulates. On April 7, 2022, the Commission adopted Version 2.0 of the ESJ Action Plan to guide its decisions and determine that its broad regulatory authority continues to advance equity throughout the state.

Cal Water serves Environmental and Social Justice (ESJ) communities in several of its districts. The authorization granted in this Resolution, and the requirement for Cal Water to implement Rule 14.1 and Schedule 14.1 to reduce non-essential and wasteful potable water use addresses ESJ Action Plan Goals #1 and #3 by prioritizing equitable water management practices and enhancing water security for ESJ communities.

For Goal #1, which aims to "consistently integrate equity and access considerations throughout Commission regulatory activities," the Resolution ensures that conservation efforts are equitably implemented across all districts, including ESJ communities. This equitable implementation of water restrictions protects critical resources in areas that

may face disproportionate impacts from water shortages, promoting sustainable access to water resources statewide.

For Goal #3, which focuses on "improving access to high-quality water for ESJ communities," the Resolution's support for a structured conservation plan helps secure water availability for essential needs. The staged reductions in Schedule 14.1 are specifically designed to ensure that water-saving measures are responsive to supply conditions, thus providing ESJ communities with more resilient and reliable access to potable water resources in the face of potential drought or scarcity.

COMPLIANCE

Cal Water has no outstanding compliance orders, and the utility has been filing annual reports as required. Cal Water is also in compliance with the SWRCB's water quality standards for safe drinking water.

P.U. Code Section 433(a) requires utilities to pay an annual public utilities reimbursement fee (annual fee) to the Commission. The Water Division confirmed with the Commission's Fiscal Office that Cal Water is current with its annual fee payments.

CONCLUSION

Cal Water should be authorized to amortize expenses tracked in its DRMA2 from June 14, 2021, to December 31, 2022, in the amount of \$1,393,447. Cal Water's is authorized to apply the quantity-based surcharges shown in Table 2 for all customers in its Class A ratemaking areas (except Grand Oaks and Travis), effective April 1, 2025, as requested.

COMMENTS

Public Utilities Code section 311(g)(1) provides that resolutions generally must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. This is an uncontested matter and was not mailed for public comment.

FINDINGS AND CONCLUSIONS

1. Cal Water's drought-related expenses of \$1,393,447, incurred from June 14, 2021, to December 31, 2022, are reasonable and were appropriately tracked in the Drought

Memorandum Account 2 (DRMA2). These expenses are primarily for marketing (\$884,837) and drought-specific rebates (\$555,965).

2. Cal Water should be authorized to amortize the \$1,393,447 in drought-related expenses.
3. The quantity-based surcharges shown in Table 2 of this Resolution were calculated in a manner consistent with regulatory guidelines and the allocation of the total recoverable expenses of \$1,393,447 is based on the adopted water usage in each ratemaking area.
4. Cal Water should be authorized to apply a quantity-based surcharge to customers in its ratemaking areas (except Grand Oaks and Travis) to recover the authorized balance of \$1,393,447.
5. Cal Water should revise the effective date of the proposed changes from January 2024 to April 1, 2025 as requested.

THEREFORE, IT IS ORDERED THAT:

1. California Water Service Company is directed to submit a supplement to Advice Letter 2490 to modify the start date of the approved surcharges from January 1, 2024, to April 1, 2025. The supplement shall include updated tariff sheets reflecting the new implementation date, ensuring that the surcharges are applied appropriately starting April 1, 2025. No interest shall accrue during the period between the date of this Resolution and the implementation of the surcharge.
2. California Water Service Company is authorized to implement the surcharge amounts as proposed in Advice Letter 2490, subject to the terms and conditions set forth in Rule 14.1 and Schedule 14.1. The authorized surcharge amounts shall be applied to recover costs associated with implementing water use restrictions and conservation measures as approved by the CPUC.

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 January 30, 2024; the following Commissioners voting favorably thereon:

/s/ Rachel Peterson

RACHEL PETERSON

Executive Director

ALICE REYNOLDS

President

DARCIE L. HOUCK

JOHN REYNOLDS

KAREN DOUGLAS

MATTHEW BAKER

Commissioners

**CALIFORNIA WATER SERVICE COMPANY
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Cal Water Service Lists for all Class A Districts