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April 12, 2024

**ADVICE 142-W  
(U 338-W)**

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA  
WATER DIVISION

**SUBJECT:** Request to Establish a Memorandum Account to Track and Record Costs incurred by Southern California Edison Company's Catalina Water that are Required to Comply with the United States Environmental Protection Agency's Lead and Copper Rule Revisions

Southern California Edison Company (SCE) respectfully submits this Tier 2 advice letter requesting approval to implement changes to its tariffs. The revised tariff sheets are listed on Attachment A and are attached hereto.

**PURPOSE**

SCE requests authority to establish a Lead and Copper Rule Memorandum Account (LCMA) to track costs incurred by SCE Catalina Water that are required to comply with the U.S. Environmental Protection Agency's (EPA) Lead and Copper Rule Revisions (LCRR) that are not otherwise covered in Catalina Water's authorized rates.

**BACKGROUND**

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 requires SCE 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. SCE 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 (Docket). Within the Docket, the EPA committed to propose and further revise the LCRR by October 2024 with the Lead and Copper Rule Improvements (LCRI). The EPA proposed LCRI in November 2023 and these rules are currently pending. The proposed LCRI would add new requirements and delay the implementation of portions of the LCRR beyond the original October 16, 2024 compliance date except for the service line material inventory requirements.

The proposed LCRI includes, for example, the following additional modifications and requirements to the LCRR:

- Timely replacement of lead service lines – 100% lead pipe replacement within 10 years with limited exceptions.
- Inventory of utility-owned and customer-owned service line materials – Required to regularly update inventories, create a service line replacement plan, and identify the materials of all service lines of unknown material. Also, requires tracking of lead connectors and to replace them where encountered.
- Revised tap sampling and lead action/trigger levels – Required to collect first liter and fifth liter samples at sites with lead service lines and use the higher of the two values when determining compliance with the rule. Also, lowers the lead action level from 15 ug/L to 10 ug/L and eliminates the existing rule's trigger level.
- Public education – Includes changes to content and delivery frequency for more proactive messaging about lead in drinking water and would introduce new public education requirements for lead and copper. Additionally, water systems with multiple lead action level exceedances would be required to conduct additional outreach to customers and make certified filters available to all consumers.

## **DISCUSSION**

The EPA requires public and private water systems to comply with the update of the LCRR. SCE will need to prepare its Catalina Water system for the LCRR, focusing on the regulatory requirements that are due by the compliance date. SCE is incurring and will incur costs in order to comply with the revisions. The LCRR requires a comprehensive inventory of service line materials on both SCE's and the customer's side of the meter, which requires researching and documenting state and local plumbing codes, permits and existing records or other available historic records that indicate service line materials in conjunction with field investigations. Per EPA guidelines, SCE is responsible for the eventual replacement of lead services lines on its side of the meter.

SCE is requesting to establish a Lead and Copper Rule Memorandum Account (LCMA) to record expenses associated with the LCRR for the initial study for service line material inventories and any operations and maintenance (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 included in SCE's authorized revenue requirement would be tracked in the memorandum account. The service line inventory study has recently been initiated (December 2023); however, the extent of future work is currently unknown and the duration of the LCMA cannot be determined at this time.

The costs that SCE expects to incur associated with the LCRR include, but may not be limited to, the following activities:

- Development of service line material inventories for the water system;
- Preparation of lead service line replacement plans for the water system;
- Replacement of lines (if necessary);
- Preparation of a Standard Operating Procedure (SOP) for 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 and replacement of lines (if necessary);
- Development of school and child care facility inventories for the water system, and preparation for sampling in these facilities and the cost of sampling; and
- Preparation of messaging for public education and customer notifications.

SCE is incurring costs for contract services to prepare the initial study for the service line material inventories of its Catalina Water system for the LCRR, focusing on the regulatory requirements that are due by October 2024. SCE also anticipates it will incur additional costs associated with full compliance of the LCRR due to expected field work and the comprehensive, evolving scope of the revisions.

### **REQUEST TO ESTABLISH A MEMORANDUM ACCOUNT**

In accordance with the Commission's Water Standard Practice U-27-W, the establishment of a memorandum account is conditional based on the following criteria, which have been met by SCE:

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

The EPA is a federal agency that is not under SCE's control, nor did SCE have any control over the EPA's release of the revised LCRR or upcoming release of the final LCRI. 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 proposed LCRI would further revise the LCRR and add new requirements. The requirement to comply with these revisions was outside of SCE's control and will result in new, unavoidable expenses for SCE.

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

SCE could not have reasonably foreseen the release of the revised LCRR and upcoming LCRI in its last GRC because both events happened after SCE filed its last GRC on October 30, 2020 (A.20-10-018). 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, the EPA committed to propose and revise the LCRR by October 2024 with the 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. For these reasons, SCE could not have reasonably foreseen the expenses necessary to comply with the LCRR and LCRI in its last GRC.

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

The release of the LCRR and final LCRI, and the expenses necessary to comply with these requirements, have and will occur before SCE's next anticipated rate case. SCE's Catalina Water utility is a Class C water utility, and as such, it does not follow a Class A utility GRC filing schedule. The Commission adopted a final decision in Catalina Water's most recent GRC on December 15, 2023, which included an extended phase-in of most costs through 2029 with smaller rate increases through 2039 (Decision (D.)23-12-007). SCE does not anticipate filing its next Catalina Water GRC in the near term due to the rate increase phase-in ordered in its most recent GRC. To comply with the LCRR and expected LCRI, SCE has already incurred expenses and will continue to incur costs before SCE's next anticipated rate case.

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

SCE is incurring and will incur costs to complete the service line inventory requirement in compliance with EPA's LCRR by October 2024 and anticipates, should pipelines need to be replaced, incurring relatively large costs for Catalina Water. SCE also anticipates additional costs will be incurred once the EPA issues the final LCRI, which are expected to delay implementation of portions of the LCRR beyond the original due date of October 2024. For these reasons, the amount of current and potential costs warrants a memorandum account.

The final 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 likely increase due to the comprehensive, evolving scope of the rules revisions. The anticipated additional costs are currently not included in the rates adopted in SCE's last GRC, D.23-12-007.

5. The memorandum account has ratepayer benefits.

SCE's customers will benefit from the establishment of this memorandum account because it will allow SCE to improve its Catalina Water system to comply with updated LCRR and LCRI requirements. Compliance with the LCRR and LCRI would protect SCE customers from the risks and impact of lead and copper exposure in drinking water. The costs recorded to this memorandum account will support: an inventory of lead service lines; developing sampling plans for lead and copper compliance at customers' taps; developing school and childcare facility inventories and sampling at these facilities; and preparing messaging for public education and customer notifications.

For these reasons, SCE requests to establish Preliminary Statement Part X, LCMA, with an effective date of April 12, 2024. SCE will seek reasonableness review and recovery of the costs recorded in the LCMA in its GRC or in an appropriate advice letter or separate application filing consistent with Standard Practice U-27-W, General Order 96-B, and/or Commission direction.

### **TIER DESIGNATION**

Pursuant to Water Standard Practice U-27-W and General Order 96-B, this advice letter is submitted with a Tier 2 designation.

### **EFFECTIVE DATE**

This advice letter will become effective on April 12, 2024, the date submitted.

### **NOTICE**

Anyone wishing to protest this advice letter may do so only electronically. Protests must be received no later than 20 days after the date of this advice letter. Protests should be submitted to the CPUC Energy Division at:

Director, Water Division  
California Public Utilities Commission  
E-mail: [water\\_division@cpuc.ca.gov](mailto:water_division@cpuc.ca.gov)

In addition, protests and all other correspondence regarding this advice letter should also be sent electronically to the attention of:

Connor Flanigan  
Managing Director, State Regulatory Operations  
Southern California Edison Company  
E-mail: [AdviceTariffManager@sce.com](mailto:AdviceTariffManager@sce.com)

and

Adam Smith  
Director, Regulatory Relations  
c/o Karyn Gansecki  
Southern California Edison Company  
E-mail: [Karyn.Gansecki@sce.com](mailto:Karyn.Gansecki@sce.com)

There are no restrictions on who may file a protest, but the protest shall set forth specifically the grounds upon which it is based and shall be submitted expeditiously.

In accordance with Section 4 of GO 96-B, SCE is serving copies of this advice filing to the interested parties shown on the attached Water GO 96-B and A.20-10-018 service lists. Address change requests to the GO 96-B service list should be directed by electronic mail to [AdviceTariffManager@sce.com](mailto:AdviceTariffManager@sce.com) or at (626) 302-4747. For changes to all other service lists, please contact the Commission's Process Office at (415) 703-2021 or by electronic mail at [Process\\_Office@cpuc.ca.gov](mailto:Process_Office@cpuc.ca.gov).

To view other SCE advice letters submitted to the Commission, log on to SCE's web site at <https://www.sce.com/wps/portal/home/regulatory/advice-letters>.

For questions, please contact Ryan Stevenson at (626) 302-3613 or by electronic mail at [Ryan.Stevenson@sce.com](mailto:Ryan.Stevenson@sce.com).

**Southern California Edison Company**

/s/ Connor Flanigan  
Connor Flanigan

CF:rs:bvs  
Enclosures

**CALIFORNIA PUBLIC UTILITIES COMMISSION  
DIVISION OF WATER AND AUDITS**

**Advice Letter Cover Sheet**

**Utility Name:** Southern CA Edison

**Date Mailed to Service List:** Apr. 12, 2024

**CPUC Utility #:** WTC 338

**Protest Deadline (20<sup>th</sup> Day):** May. 02, 2024

**Advice Letter #:** 142-W

**Review Deadline (30<sup>th</sup> Day):** May. 12, 2024

**Tier**    1    2    3    Compliance

**Requested Effective Date:** Apr. 12, 2024

**Authorization**

**Rate Impact:** \$

**Description:** Request to Establish a Memorandum Account to Track and Record Costs incurred by Southern California Edison Company's Catalina Water that are Required to Comply with the United States Environmental Protection Agency's Lead and Copper Rule Revisions

The protest or response deadline for this advice letter is 20 days from the date that this advice letter was mailed to the service list. Please see the "Response or Protest" section in the advice letter for more information.

**Utility Contact:** Darrah Morgan

**Utility Contact 2:** Brent Valencia Santos

**Phone:** (626) 302-2086

**Phone 2:** (626) 302-4747

**Email:** [advicetariffmanager@sce.com](mailto:advicetariffmanager@sce.com)

**Email 2:** [advicetariffmanager@sce.com](mailto:advicetariffmanager@sce.com)

**DWA Contact:** Tariff Unit

**Phone:** (415) 703-1133

**Email:** [Water.Division@cpuc.ca.gov](mailto:Water.Division@cpuc.ca.gov)

**DWA USE ONLY**

DATE

STAFF

COMMENTS

\_\_\_\_\_

APPROVED

WITHDRAWN

REJECTED

**Signature:** \_\_\_\_\_

**Comments:** \_\_\_\_\_

**Date:** \_\_\_\_\_

\_\_\_\_\_

**CALIFORNIA PUBLIC UTILITIES COMMISSION  
DIVISION OF WATER AND AUDITS**

**Advice Letter Cover Sheet**

Original 1485-W

Revised 1486-W

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APPROVED

WITHDRAWN

REJECTED

Signature: \_\_\_\_\_

Comments: \_\_\_\_\_

Date: \_\_\_\_\_

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Cal. P.U.C.  
Sheet No.

Title of Sheet

Cancelling Cal.  
P.U.C. Sheet No.

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Original 1485-W

Preliminary Statements X

Revised 1486-W

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Revised 1466-W

Preliminary Statement

Sheet 1

X. LEAD AND COPPER RULE MEMORANDUM ACCOUNT (LCMA)

1. Purpose

The purpose of the Lead and Copper Rule Memorandum Account (LCMA) is to track incremental operations and maintenance (O&M) expenses and the capital-related revenue requirements associated with cost incurred by SCE Catalina Water to comply with the U.S. Environmental Protection Agency's (EPA) Lead and Copper Rule Revisions (LCRR) pursuant to Docket No. EPA-HW-OW-2021-0255 and Lead and Copper Rule Improvements (LCRI) that are not otherwise covered in SCE Catalina Water's authorized revenue requirement.

2. Applicability

Applicable to all customers supplied by the Catalina Island Water Utility whose service includes volumetric billing. This includes all Residential (e.g., W-1-R), Commercial (e.g., W-1-GS), and irrigation (e.g., W-3) customer classes.

3. Operation of the LCMA

a. The following entries will be recorded on a monthly basis to the LCMA:

- (1) A debit entry equal to the incremental O&M expense incurred related to the implementation of the new compliance and reporting requirements for water systems from the LCRR and LCRI.
- (2) A debit entry equal to the incremental capital-related revenue requirements (depreciation, taxes and return on rate base) incurred related to the implementation of the new compliance and reporting requirements for water systems from the LCRR and LCRI.

b. The LCMA will accrue interest expense monthly by applying one-twelfth of the most recent Federal Reserve's three-month Commercial Paper Rate – nonfinancial, from the Federal Reserve's Statistical Release H.15 (expressed as an annual rate) to the monthly balance in the LCMA. If a nonfinancial rate is not published by the Federal Reserve in a given month, SCE shall use the Federal Reserve's three-month Commercial Paper – financial.

4. Disposition and Review Procedures

SCE will seek reasonableness review and recovery of the costs recorded in the LCMA in its General Rate Case or in an appropriate advice letter or separate application filing consistent with Standard Practice U-27-W, General Order 96-B, and/or Commission direction.

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(To be inserted by utility)  
 Advice 142-W  
 Decision \_\_\_\_\_

Issued by  
**Michael Backstrom**  
Vice President

(To be inserted by Cal. PUC)  
 Date Filed Apr 12, 2024  
 Effective \_\_\_\_\_  
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(To be inserted by utility)  
Advice 142-W  
Decision \_\_\_\_\_

Issued by  
Michael Backstrom  
Vice President

(To be inserted by Cal. PUC)  
Date Filed Apr 12, 2024  
Effective \_\_\_\_\_  
Resolution \_\_\_\_\_