

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



January 17, 2025

Jonathan Morse
Sr. Manager Rates & Regulatory
California-American Water Company
520 Capitol Mall Ste. 630
Sacramento, CA 95814

Dear Mr. Morse,

The Water Division of the California Public Utilities Commission has approved California-American Water Company's Advice Letter No. 1416-A, (Supplement to Advice Letter No. 1416), filed on November 22, 2023, regarding West San Martin Water Works Acquisition.

Advice Letter 1416-A is approved consistent with the determinations made in Final Res. W-5280. Enclosed is a copy of the advice letter and Final Res. W-5280 with an effective date of January 16, 2025 for the utility's files.

Please contact Mahdi Jahami at MJ4@cpuc.ca.gov, if you have any questions.

Thank you.

Enclosures

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

Advice Letter Cover Sheet

Utility Name: California American Water

Date Mailed to Service List: November 22, 2023

District: All Service Areas

CPUC Utility #: U210W

Protest Deadline (60th Day): January 22, 2024

Advice Letter #: 1416-A

Review Deadline (70th Day): February 1, 2024

Tier 1 2 3 Compliance

Requested Effective Date: TBD

Authorization N/A

Rate Impact: \$See AL
See AL%

Description: West San Martin Acquisition

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: Jonathan Morse

Utility Contact: Chase Grady

Phone: 916-568-4237

Phone: 916-568-4241

Email: Jonathan.Morse@amwater.com

Email: chase.grady@amwater.com

DWA Contact: Tariff Unit

Phone: (415) 703-1133

Email: Water.Division@cpuc.ca.gov

DWA USE ONLY

<u>DATE</u>	<u>STAFF</u>	<u>COMMENTS</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

APPROVED

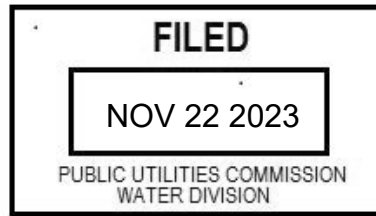
WITHDRAWN

REJECTED

Signature: _____

Comments: _____

Date: _____



November 22, 2023

ADVICE LETTER NO. 1416-A (Supplement to Original Advice Letter)

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

I. PURPOSE

This Supplement to Advice Letter 1416 includes an October 26, 2023 amendment to the asset purchase agreement (“Amendment”). The Amendment revises the original asset purchase agreement dated December 20, 2022 (“Asset Purchase Agreement”). The Amendment, consistent with a request from the California Public Utilities Commission’s (“Commission”) Water Division, revises the Asset Purchase Agreement. Whereas the Asset Purchase Agreement allowed for a final purchase price of between \$1.6 million and \$1.8 million, the Amendment now fixes the purchase price firmly at \$1.6 million. This Advice Letter has been supplemented (including at Sections IV. and VI.) to reflect that \$1.6 million fixed price.

Pursuant to Sections 851-854 and 2718-2720 of the California Public Utilities Code, Decision (“D.”) 99-10-064 and D.20-08-047, Article 2 of the Commission Rules of Practice and Procedure (“Rules”) and Rule 3.6, as well as Commission General Order 96-B, California-American Water Company (U-210-W) (“California American Water”) in this Advice Letter requests the Commission authorize the sale of West San Martin Water Works, Inc.’s (U-170-W) (“West San Martin”) assets, California American Water’s purchase of those assets, and certain related actions.

II. INTRODUCTION

Consolidation of West San Martin Water’s assets into California American Water’s much larger system is in the public interest. The consolidation furthers important public policies and customer interests.

Provided the Commission grants approval, California American Water’s acquisition of West San Martin’s utility assets will occur pursuant to the Asset Purchase Agreement, between West San Martin and California American Water. A copy of the Asset Purchase Agreement is included as “Confidential Attachment” to the minimum data requirements (“MDRs”) included with this Advice Letter. A copy of the Amendment has also been included as a “Confidential Attachment” to the MDRs. This Advice Letter asks the Commission to approve the Asset Purchase Agreement and Amendment, the transaction contemplated in that Agreement and Amendment, and certain related matters. Specifically, the Advice Letter requests Commission authority:

1. Approving the Asset Purchase Agreement and Amendment’s terms and conditions.

2. Expanding California American Water's Certificate of Public Convenience and Necessity ("CPCN") so the Company may assume all public utility responsibilities for the operation and ownership of the water utility operations in West San Martin's current service area.
3. Establishing the rate base of the acquired system, at the time of approval of a resolution in this Advice Letter proceeding, as the full purchase price to be paid by California American Water for the West San Martin system's assets covered by the Asset Purchase Agreement.
4. Authorizing California American Water to record the acquisition on a net basis consistent with generally accepted accounting principles.
5. Allowing California American Water immediate consolidation of the West San Martin system into California American Water's Central Division for operational purposes.¹
6. Permitting California American Water to (until implementation of the decision in the Company's next GRC) maintain existing Commission-approved rates and charges for West San Martin customers in effect at the time this acquisition closes.
7. Approving California American Water's request to file standard CPI-U rate increases for West San Martin as allowed for Class D utilities until West San Martin is consolidated for rate making purposes into one of California American Water's Divisions following the decision in the Company's next GRC.
8. Allowing California American Water to integrate the West San Martin system into one of its Divisions (and Corporate Office) for ratemaking purposes as of January 1, 2027. The rates for West San Martin customers from January 1, 2027, forward would be determined in California American Water's next GRC, set for filing in the summer of 2025.
9. Approving California American Water's Request to create a West San Martin Acquisition Contingency Memorandum Account ("WSMACMA"). This account would capture the differences between revenues billed at current West San Martin and California American Water rates and revenues that would have been billed under the final rates if West San Martin were fully consolidated for rate making purposes upon close of the acquisition.
10. Establishing a West San Martin Transaction Cost Memorandum Account, pursuant to Commission Standard Practice U-27-W, to track all transaction related costs with rate treatment determined in California American Water's subsequent GRC.
11. Approving California American Water's request to allow tracking of costs of addressing any required environmental improvements and compliance issues in the already established memorandum account related to the same issues for the Dunnigan, Geyserville, Meadowbrook, Rio Plaza, Fruitridge Vista, Hillview, East Pasadena, and Bass Lake acquisitions.

¹ No changes in California American Water's tariff schedules result from the acquisition. After the acquisition closes, West San Martin Water Works customers would be subject to tariff schedules and rules applicable to California American's Monterey County District. Such schedules and rules would become effective five days after California American Water files a Tier 1 Advice Letter that provides details of the finalized purchase of the water system. West San Martin customers would remain on their current rates until implementation of the decision from California American Water's next general rate case ("GRC").

12. Relieving, after the close of the asset acquisition, West San Martin of its public utility responsibilities and obligations to serve customers and cancelling its CPCN.

The relief requested in this Advice Letter should not be controversial. The proposed acquisition furthers important Legislative and Commission policies and goals. The acquisition also benefits West San Martin and California American Water customers. This proceeding, therefore, should move along quickly and be approved by resolution in accordance with the timeline established in D.99-10-064.

III. BACKGROUND:

West San Martin: Is a Commission-regulated Class D water service provider with approximately 318 metered customer connections. The system serves primarily residential connections with 47 commercial connections and 5 irrigation connections. The system is close (less than 50 miles) to California American Water's Monterey County service area. This will allow West San Martin's operations to be folded into California American Water's Central Division.

As a Class D water utility, West San Martin's revenue requirement is based on rate of margin instead of rate of return. In West San Martin's last GRC, the Commission authorized a revenue requirement that achieved the Commission's then authorized rate of margin of 24.89%.

California American Water: A California corporation, is a Class A public utility water and wastewater company regulated by the Commission. The Company provides regulated water and/or wastewater utility services in parts of San Diego, Los Angeles, Ventura, Monterey, Sonoma, Yolo, Sacramento, Merced, and Placer counties, serving approximately 680,000 people in 50 communities.

California American Water is an experienced water and wastewater system operator, with operations near West San Martin. California American Water has also recently received Commission approval to acquire several smaller water providers, ranging from Class D to Class B providers as well as mutual water companies and a municipal water system.² California

² See, e.g., D.15-11-012, *Decision Authorizing California-American Water Company to Purchase the Public Utility Assets of Dunnigan Water Works*, dated Nov. 10, 2015; Resolution W-5042, *Order Approving California American Water Company's Request to Acquire Ox Bow Mutual Water Company*, dated June 11, 2015; D.16-11-014, *Decision Authorizing the Sale and Adopting Settlement Agreement* (Geyserville acquisition), dated Nov. 17, 2016; D.16-12-014, *Decision Adopting Settlement Agreement and Approving Joint Application of California-American Water Company to Purchase and Meadowbrook Water Company of Merced, Inc., to Sell the Meadowbrook Water System*, dated Dec. 6, 2017; D.19-04-015, *Decision Authorizing Sale and Transfer*, dated May 2, 2019; D.19-12-038, *Decision Authorizing the Purchase of Water Utility Assets by California-American Water Company*, dated December 19, 2019; D.21-08-002, *Decision Approving the Sale of East Pasadena Water Utility Assets to California-American Water Company, Inc.*, issued August 6, 2021; D.22-10-003, *Decision Approving*

American Water is a subsidiary of American Water Works Company, Inc. (“American Water”), the largest publicly traded water and wastewater utility in the United States, with operations serving approximately 14 million people across North America. A description of California American Water’s plant, water systems, and property is on file with the Commission in California American Water’s most recent Annual Report to the Commission.

IV. ASSET PURCHASE AGREEMENT:

Under the Asset Purchase Agreement and the Amendment, California American Water will acquire certain assets associated with West San Martin. For those assets, California American Water will pay \$1,600,000 plus or minus a small adjustment amount.³

V. CUSTOMER BENEFITS AND PUBLIC INTEREST:

A. Legislative Declarations and Other Resolutions Support the Acquisition

In Public Utilities Code Section 2719, the Legislature found and declared (1) public water systems face the need to replace or upgrade infrastructure to meet increasingly stringent state and federal laws and regulations, (2) increasing amounts of capital are required to finance the necessary investment in that infrastructure, (3) scale economies are achievable in the operation of public water systems, and (4) providing water corporations with an incentive to achieve these scale economies provides benefits to ratepayers.⁴ Similarly, State Water Resources Control Board (SWRCB) Resolution No. 2008-0048 states: small water systems (1) often cannot provide the economies of scale necessary to build and maintain adequate water and wastewater systems; (2) lack resources and in-house expertise, including those necessary to best manage long-term operations; and (3) need financial and technical assistance to ensure compliance.

More recently, in D.20-08-047, the Commission recognized the benefits of transactions such as the one being proposed in this Advice Letter: “Consolidation may be a means to improve affordability, by leveraging greater economies of scale and scope, and by importing best, or better, practices related to operating a water utility, as well as designing rates to allow recovery of reasonable expenses.”⁵

California American Water serves a population of approximately 680,000 throughout California. It is one of the largest investor-owned water utilities in the State. Its parent company, American Water, is the largest publicly traded water and wastewater utility in the United States, with operations serving approximately 16 million people across North America. As is discussed in further detail below, California American Water’s size, experience, and

California-American Water Company’s Acquisition of Bellflower Municipal Water System, issued October 11, 2022.

³ See MDR Response Attachment 26(a) (Confidential), Asset Purchase Agreement, at Exhibit 1 thereto, under Definitions, p. 28 (“Cash Purchase Price”) as well as at Section 2.2(a), (b), and (e); see also MDR Response Attachment 26(b) (Confidential), Amendment to Asset Purchase Agreement, dated October 26, 2023.

⁴ Pub. Util. Code § 2719.

⁵ D.20-08-047, p. 85.

resources give it a distinct advantage in being able to replace or upgrade systems effectively and efficiently to meet increasingly stringent state and federal mandates and provide improved access to the capital needed to finance such infrastructure investments. California American Water's acquisition of West San Martin will also achieve efficiencies and economies of scale that would otherwise not be available.

1. Improved Access to Capital Supports Approving this Advice Letter

As the expense of meeting increasingly stringent regulations climbs, greater amounts of capital will be required to fund infrastructure projects. California American Water has better access to capital and likely at lower costs than West San Martin. By D.18-07-013, the Commission authorized California American Water to issue up to \$359,450,000 in long-term debt. Recently, in D.23-05-008, the Commission authorized California American Water to issue up to \$397,261,000 in new long-term debt securities. California American Water has a Financial Services Agreement with American Water Capital Corporation, another subsidiary of American Water. That Agreement's purpose is to provide financing to other subsidiaries, such as California American Water.⁶ The Commission and Legislature have recognized that access to capital is important and benefits the public interest. Additionally, the carrying cost of rate base for California American Water would be lower than the prevailing cost under West San Martin's current ownership. California American Water's current rate of return is 7.26%, which is below the 24.89% rate of margin that W-4905 authorized rates for West San Martin are forecasted to generate. Thus, California American Water's acquisition of West San Martin ensures access to capital needed to finance infrastructure necessary to supply West San Martin customers with safe water.

2. Benefits from Economies of Scale Support Approval

Benefits from economies of scale also strongly support approving this advice letter. Examples of where economies of scale often benefit larger utilities and their customers include: (1) compliance with regulatory requirements, (2) maintaining customer information and billing systems, (3) purchasing materials and supplies, (4) maintaining high levels of customer service, (5) maintaining and improving quality of treated water, (6) providing for current infrastructure needs and future growth, and (7) supporting a level of expertise required to navigate often complex requirements for government programs such as grant funds and revolving fund loans.

Larger utilities, such as California American Water, can develop greater in-house expertise, creating institutional knowledge. California American Water employs personnel with specific expertise in such specialized functions as water quality and testing, environmental compliance, customer service, engineering, and conservation. Smaller utilities frequently must rely on outside consultants who usually cost more and leave at the end of the project, taking their institutional knowledge with them. Benefits from more diverse and specialized workforces at larger utilities provide advantages over smaller systems in numerous areas, including environmental and water quality, financing, human resources, and general operations. In addition, with California American Water's greater size and more extensive personnel, West San Martin customers will have greater assurance of high-quality service. California American

⁶ See D.18-07-013, *Application of California-American Water Company (U210W) to issue, sell and deliver debt securities consisting of long-term notes not exceeding \$359,450,000 in the aggregate, and other related requests*, dated July 12, 2018 ("D.18-07-013").

Water has a more sizeable workforce with overlapping skills, which reduces the chance of coverage gaps due to illness, vacation, or unavailability. It also has greater access to more advanced equipment and technology, which aids in resolving issues more quickly.

California American Water's ability to spread fixed costs, lowering per-customer share of such costs, supports approval of this Advice Letter. Economies of scale are also driven by the relationship between the fixed and variable costs of operation. Utilities are capital intensive. Fixed costs are high relative to variable costs. For example, testing equipment for a system of 200 customers may cost the same as that for a system of 20,000. With greater environmental and regulatory requirements, fixed costs will likely only increase, presenting a problem for smaller water companies, such as West San Martin. With its much smaller customer base, West San Martin will have trouble spreading those increased fixed costs. Because of California American Water's large size, it has a much better ability to spread costs and improve efficiencies.

California American Water anticipates savings. These include from reducing West San Martin's miscellaneous expenses related to regulatory, materials, and plant maintenance through leveraging economies of scale, existing employees, and existing statewide shared services. These specific items will not necessarily create dollar-for-dollar savings, as much of the associated work will still need to be performed; however, California American Water will be able to leverage existing economies of scale to perform the work at lower cost, creating long-term savings for West San Martin customers.

Thus, economies of scale based on the ability to spread fixed costs, improved efficiencies through specialization, as well as things such as market presence (which includes access to capital and volume discounts for materials), as well as synergies all support approving this advice letter.

B. State Water Resources Control Board Policy Supports Advice Letter Approval

According to the Public Policy Institute of California, "...the state is actively encouraging one solution: the consolidation of smaller systems into larger ones." In Resolution No. 2008-0048, the SWRCB noted that small water systems: (1) often cannot provide the economies of scale necessary to build and maintain adequate water and wastewater systems; (2) lack resources and in-house expertise, including those necessary to best manage long-term operations; and (3) need financial and technical assistance to ensure compliance. Senate Bill 88 (2015) added sections 116680-116684 to the California Health and Safety Code, giving the SWRCB the ability to mandate consolidation when appropriate – underscoring the Legislature's recognition of the need for consolidation. In implementing that new authority, the SWRCB has publicly stated that it "has encouraged – and will continue to encourage –voluntary consolidations of public water systems...." According to the SWRCB, "Small public water systems are often less resilient to natural disasters, such as drought and fire, have more difficulty adjusting to regulatory changes, and may struggle to fund infrastructure maintenance and replacement due to poor economies of scale and lack of staff." This is why the SWRCB "supports water partnerships whenever feasible."

As noted above, California American Water's acquisition of West San Martin will help to provide greater economies of scale and bring greater resources and expertise (financial, technical, personnel) to the management and operation of West San Martin. This is consistent with the SWRCB's recognition of the benefits of this type of transaction.

C. The Commission's Water Action Plan Supports Advice Letter Approval

The Commission's Water Action Plan recognizes that to maintain the highest standards of water quality, the Commission should provide incentives for the acquisition or operation of smaller water and sewer utilities. In adopting the plan, the Commission noted:

Smaller water companies often do not have the resources or expertise to operate in full compliance with increasingly stringent and complex water quality regulations. Many water companies are too small to be viable in the long-term, raising questions as to whether they will be able to continue to provide clean and reliable water in the future. DPH requests Class A utilities (over 10,000 connections) to report on an annual basis which smaller utilities they might consider purchasing.

The Water Action Plan's objectives include: (1) maintaining the highest standards of water quality; (2) strengthening water conservation programs to a level comparable to those of energy utilities; (3) promoting water infrastructure investment; (4) assisting low-income ratepayers; (5) streamlining Commission regulatory decision making; and (6) setting rates that balance investment, conservation, and affordability. This advice letter seeks approval of a transaction that will further these Commission objectives.

1. Maintaining the Highest Standards of Water Quality

California American Water's purchase of West San Martin will ensure that the first objective of the Water Action Plan (maintaining the highest standards of water quality) is met. This Advice Letter seeks approval of a transaction that furthers these Commission objectives. The purchase of a smaller system by a larger system makes economic sense. California American Water will bring economies of scale, greater internal expertise, access to resources, and greater knowledge and experience. These will help maintain the highest standards of water quality.

2. Strengthening Water Conservation Programs

The proposed transaction will also promote the Water Action Plan objective of strengthening conservation. California American Water has an established, successful, more robust conservation program. West San Martin customers would ultimately have access to California American Water's wide-ranging conservation programs.

3. Promoting Water Infrastructure Investment

California American Water has greater access to resources, including financing and personnel trained in planning for infrastructure development, therefore helping to advance the Water Action Plan's goal of promoting water infrastructure investment.

4. Assisting Low-Income Ratepayers

West San Martin currently lacks a low-income program. Given West San Martin's size, such a program could prove difficult for West San Martin to implement. California American Water has a well-functioning low-income program and has implemented that program in acquired systems. Moreover, California American Water's program benefits from the company's ability (through coordination with energy companies) to identify customers that qualify. This ability is important because some qualified customers may be unaware of the programs or unsure how to subscribe to them. Because of California American Water's size and scope of operations, the data processing costs are kept low on a per-customer basis. The acquisition, therefore, advances the Water Action Plan's objective of assisting low-income ratepayers.

5. Streamlining Commission's Regulatory Decision-Making

California American Water's acquisition of West San Martin's assets will reduce the workload in terms of Commission review. It decreases the number of independent systems the Commission must regulate and better centralizes reporting for systems.

6. Setting Rates That Balance Investment, Conservation, and Affordability

Due to California American Water's size, financial strength, and the breadth of expertise of its employees, the acquisition supports the Commission Water Action Plan's objectives of strengthening water conservation programs and setting rates that balance investment, conservation, and affordability. In addition, California American Water can spread costs to operate, maintain, and invest over a much larger customer base.

For all these reasons, the acquisition will further the Commission's goals under the Water Action Plan and should be approved by the Commission.

D. Customer Benefits

As discussed above, the purchase will increase the likelihood of the West San Martin community's long-term access to safe and reliable water services at affordable prices. California American Water's size, and position in the industry and association with American Water, will allow California American Water to meet water quality, reliability, and customer service standards efficiently. California American Water's larger and more specialized workforce and nearby locations allow for expanded customer service options and for assistance in emergency situations. In addition, after the acquisition, customers now served by West San

Martin will have access to web self-service for many services, paperless billing and call centers that have the capacity to obtain translation services in several languages.

California American Water also has a robust safety program that focuses on leading indicators. The Company's near miss program is one example of this. Employees are encouraged to report incidents that could have created an injury or accident but did not in that instance. Near miss incidents are reported through a phone call, computer, or handheld device. Corrective actions are then taken if appropriate. Another program is the Company's Safety Lead Program, where field employees are empowered to perform job site safety checks and teach safety courses for co-workers. Learning from their peers is an excellent way to make certain that California American Water communicates safety information to employees and contractors. Finally, each worker carries a "Stop Work Authority" reminder on the back of his/her work identification card. This is a reminder that if an employee feels that a job is unsafe, the employee is empowered to stop the job immediately until the unsafe situation is remedied. All these programs will enhance the safety of the water service provided to customers now served by West San Martin.

The acquisition also benefits current California American Water customers. In the long run, a larger total customer base will spread costs and risks, benefiting all current and future California American Water customers.

E. The Transaction Furthers the Commission's Environmental and Social Justice Goals

The Commission's Environmental and Social Justice Action Plan ("ESJ Plan") identifies existing inequities and proposes actions for how the Commission can use its regulatory authority to address health and safety, consumer protection, program benefits, and enforcement to encompass all the industries it regulates, including energy, water, and communications programs. Goal 3 of the Commission's ESJ Plan is to improve access to high-quality water, communications, and transportation services for ESJ Communities. For water utilities, objectives for this goal include (1) consolidating small water systems, and (2) expanding low-income programs.

The ESJ Plan recognizes consolidation of smaller systems is an important tool to ensure customers receive safe and reliable water. The Commission recognizes smaller water systems often lack the ability to fully comply with increasingly stringent water quality regulations and to be viable in the long-term. As noted above, California American Water will bring economies of scale, internal expertise, access to resources, as well as greater knowledge and experience. California American Water's much larger size will also enable it to spread costs over a much broader customer base, reducing the chance of rate shock for customers and ensuring that necessary rate increases are more moderate.

As previously discussed, California American Water has a low-income assistance program that has assisted many customers. The Commission's approval of California American Water's acquisition of West San Martin could allow for expansion of that program to customers of West San Martin, which does not currently offer a low-income assistance program.

California American Water reports annually to the Commission on its supplier diversity. The Company also conducts diversity fairs to provide opportunities for diverse vendors. California American Water has a Diversity Champion Network and conducts numerous employee trainings. As is noted above, California American Water also provides translation services for customers who would prefer to communicate with the Company in a language other than English.

VI. RATES AND REGULATORY TREATMENT:

A. Request for Authorized Rate Base Equal to Fair Market Value

Applicant requests the Commission authorize rate base equal to the total final purchase price (i.e., \$1.6 million plus possible adjustments, if any).⁷

California American Water requests to record the acquisition on a net basis consistent with generally accepted accounting principles. At close of the acquisition, with California American Water's taking ownership of the West San Martin assets included in the transaction, the new rate base for the system would total \$1.6 million.

This purchase price resulted from negotiations between a willing and informed buyer and a willing and informed seller with neither side compelled to enter the transaction hastily or out of necessity. The purchase price conforms to the definition of "fair market value" set forth in Code of Civil Procedure Section 1263.320(a). Inclusion of the entire purchase price in rate base is supported by Commission Decision D.99-10-064 and the Public Water System Investment and Consolidation Act of 1997 ("Consolidation Act"), codified at Public Utilities Code Sections 2718-2720. The Legislature enacted the Consolidation Act to facilitate the acquisitions by Class A water utilities and to:

...aid water systems in making infrastructure improvements, to meet increasingly stringent state and federal drinking water laws, to recognize that economies of scale are achievable in the operation of public water systems, and to provide water corporations with incentives to achieve economies that benefit ratepayers.

Public Utilities Code Section 2720(a) provides that the Commission "shall use the standard of fair market value when establishing the rate base for the distribution system of a public water system acquired by a water [utility]. This standard shall be used for ratesetting." Public Utilities Code Section 2720(a)(2) defines "fair market value" as having the meaning set forth in Code of Civil Procedure Section 1263.320, which states that fair market value is "the highest price ... that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for doing, nor obligated to sell, and a buyer, being ready, willing, and able to buy but under no particular necessity for doing so." The Act, therefore, requires that any water

⁷ See MDR Response Attachment 26(a) (Confidential), Asset Purchase Agreement, at Exhibit 1 "Definitions," p. 28 thereto (CONFIDENTIAL); see also MDR Response Attachment 26(b) (Confidential), Amendment to Asset Purchase Agreement, dated October 26, 2023.

corporation acquiring a public water system use the fair market value as the rate base value of the acquired distribution system.

Applicants request that the Commission authorize inclusion of the full purchase price reached through the Asset Purchase Agreement into California American Water's rate base. As described above, this purchase price is the result of arms' length negotiations between a willing and knowledgeable buyer and seller. The total purchase price therefore represents the fair market value for the assets purchased, pursuant to Public Utilities Code Section 2720 and Code of Civil Procedure Section 1263.320(a).

D.99-10-064 specifically recognizes that Public Utilities Code Sections 2718-2720 require that any water corporation acquiring a public water system use the fair market value as the rate base value of the acquired distribution system. It should also be noted that, as the appraisal makes clear, the value of the rate base being requested is well below the replacement or reproduction cost new less depreciation value for the system. In addition to being required by statute, the ratemaking requested is in the public interest. The purchase of West San Martin's assets by California American Water supports and furthers the long-term provision of safe, reliable, and affordable water and services to current West San Martin customers.

B. The Appraisal Complies with Commission Guidelines and Supports the Acquisition

The "West San Martin Water Works, Inc. Water System Condition Assessment, Valuation and Capital Improvement Plan," dated March 2023 ("Appraisal"), is MDR Response 13 Attachment. The Appraisal complies with Commission guidelines and is appropriate for this type of transaction. The \$10.6 million appraised value for the system well exceeds the purchase price of \$1.6 million. Thus, the Appraisal supports approval of the acquisition.

Under the Commission guidelines for water system acquisitions established in D.99-10-064, Appendix D, Section 2.05, applications to acquire water systems should include an appraisal and that appraisal "should include all assets, including the value of the land and the cost of replacing the existing improvements, less accumulated depreciation." The Appraisal provided with this Advice Letter includes all assets and the cost of replacing those assets less accumulated depreciation.⁸ It, therefore, meets these requirements.

D.99-10-064, Appendix D, Section 2.05 further states: "The complexity and detail required [for the appraisal] will necessarily vary based on the size and price of the acquired water system." West San Martin is a small water system acquisition. The total purchase price is well below \$2 million dollars. The number of connections barely exceeds 300. The Appraisal, therefore, is simpler and not as complex as larger, more sophisticated acquisitions might require.⁹

⁸ See Appraisal, p. 13, include as MDR Response 13 Attachment.

⁹ The appraisal in this acquisition is a Replacement Cost New Less Depreciation Appraisal. It considers basic depreciation of the assets. It does not, as significantly more complex appraisals do, account for things such as economic obsolescence. By way of example, in A.20-04-003, California American Water sought Commission authorization to purchase the East Pasadena

Finally, pursuant to Cal. Pub. Util. Code section 2720(b), “[i]f the fair market value exceeds the reproduction cost, as determined in accordance with Section 820 of the Evidence Code, the commission may include the difference in rate base for rate setting purposes if” certain conditions are met. Here, there is no need to conduct the section 2720(b) analysis. The appraised value of \$10.6 million well exceeds the purchase price of \$1.6 million.¹⁰

C. Rate Impact

Eventual impacts to West San Martin Water Works customers transitioning to California American Water rates will vary, depending on a customer’s usage. This acquisition will not impact current California American Water Customers’ rates or West San Martin customers’ rates until 2027.

For purposes of illustration, if current California American Water customer rates did initially change based on the acquisition,¹¹ it is expected those changes would be as follows:

COMPARISON OF TOTAL RESIDENTIAL BILL PER CUSTOMER PER MONTH								
BASED ON CURRENT AUTHORIZED RATES								
District	Avg Res Usage (CGL) ⁽¹⁾				Pre-Acquisition Total Bill ⁽²⁾	Post-Acquisition Forecasted Total Bill	\$ Increase	% Increase
Sacramento	78.30	\$65.10	\$65.13	\$0.03			0.056%	
Fruitridge	78.30	\$70.90	\$70.94	\$0.04			0.056%	
Larkfield	60.47	\$81.40	\$81.44	\$0.04			0.056%	
Dunnigan WW	N/A	\$41.96	\$41.98	\$0.02			0.056%	
Meadowbrook	120.94	\$61.38	\$61.42	\$0.04			0.056%	
Monterey	34.83	\$117.48	\$117.55	\$0.07			0.056%	
Central Satellites	82.91	\$121.20	\$121.27	\$0.07			0.056%	
Chualar	117.19	\$45.52	\$45.55	\$0.03			0.056%	
Monterey Wastewater - Active	N/A	\$146.16	\$146.25	\$0.09			0.056%	

Water Company. That transaction involved a \$34 million purchase price for a system with over 3,000 connections. The “size and price” of that acquisition warranted a correspondingly more complex appraisal that considered economic obsolescence. In that case, the total value of the system prior to consideration of economic obsolescence was \$49.2 million. Applying economic obsolescence reduced the value in the appraisal to \$43.2 million. Given that the Appraisal in the current acquisition came in more than \$8 million over the \$1.6 million purchase price, it is not expected that, even if economic obsolescence was considered, that would reduce the appraised value to any point near where the purchase price exceeded that appraised value.

¹⁰ See Appraisal, p. 13, include here as MDR Response 13 Attachment.

¹¹ As used here, the current California American Water rates used are those as of July 2023.

Monterey Wastewater - Passive	N/A	\$93.15	\$93.20	\$0.05	0.056%
Ventura	92.68	\$100.96	\$101.02	\$0.06	0.056%
LA - Duarte	106.69	\$98.92	\$98.97	\$0.05	0.056%
LA - Baldwin Hills	89.06	\$87.79	\$87.83	\$0.04	0.056%
LA - San Marino	121.95	\$113.28	\$113.34	\$0.06	0.056%
San Diego	56.70	\$78.91	\$78.95	\$0.04	0.056%
West San Martin	113.56	\$72.44	\$72.48	\$0.04	0.056%

*CGL=100 gallons.

- (1) This number is based on residential usage per customer per month listed in A.22-07-001.
- (2) Total bill based on rates from Advice Letters 1404 & 1406.
- (3) Bill impacts are presented as monthly comparison; however, flat rate residential customers are billed on a semi-annual basis. Applicable surcharges are estimated based on location.

VII. MEMORANDUM ACCOUNTS

California American Water seeks authorization to track certain costs in the memorandum accounts discussed below. Costs included therein may be considered for recovery in subsequent GRCs. Establishing memorandum accounts does not guarantee recovery of costs. It is simply a first step in the recovery process. To establish a memorandum account, the following may be considered with respect to the expense to be tracked: (1) were they caused by an event of an exceptional nature not under the control of the utility; (2) could they have been reasonably foreseen; (3) are they of a substantial nature in monetary terms; and (4) do ratepayers benefit from the memorandum account treatment.

A. West San Martin Acquisition Contingency Memorandum Account

Although integration of West San Martin for ratemaking purposes will not take place until 2027, it is still necessary for California American Water to obtain recovery of the approved acquisition consideration paid in the interim period. To track this revenue requirement associated with the acquisition, California American Water requests authority to create the WSMACMA to track lost revenue from all affected entities until the acquisition can be integrated for ratemaking purposes as part of a subsequent GRC. This account would capture the differences between revenues billed at current West San Martin rates and revenues that would have been billed under the final rates effective January 1, 2024¹², if the West San Martin system

¹² This differential capture would include differences in all revenue requirements of all entities in California American Water where a difference may occur due to the inability to capture the West San Martin acquisition in the prior California American Water GRC.

were integrated for ratemaking following the decision in California American Water's pending GRC. The associated revenue requirement will consist of items including, but not limited to, return on investment, ad valorem tax, depreciation, general office costs, other taxes and fees, and incremental operating expenses.

Here, the requirements under Standard Practice U-27-W to establish a memorandum account are met. First, the expense is caused by an event of an exceptional nature not under the utility's control. This memorandum account is only required because the acquisition could not be incorporated into the GRC filed on July 1, 2022 for Test Year 2024. As noted above, the APA was executed on December 20, 2022, or a little more than 6 months after the submittal of California American Water's GRC application filed in July 2022, and this Advice Letter requesting approval of the acquisition was filed in July of 2023, with the Supplement submitted in November of 2023. Clearly, it was not possible for California American Water to include incorporation of the West San Martin acquisition within the last GRC filing. Further, the acquisition of a Class D water system with over 300 connections is an event of exceptional nature. The Commission will decide on the schedule for this proceeding and the date of the ultimate Resolution. Such a Resolution and its timing are outside of California American Water's control.

Second, the expenses in question here could not have been reasonably foreseen in California American Water's last GRC and would occur before the utility's next scheduled case. California American Water's last GRC for which there is a final decision is Application 19-07-004, filed on July 1, 2019 and closed with D.21-11-018 issued in November of 2021. As noted above, California American Water has a pending GRC Application, A.22-07-001. The Advice Letter for the acquisition of West San Martin was filed in July 2023 with the Supplement Advice Letter filed in November 2023, so clearly it could not have been reasonably foreseen in the last GRC decision issued by the Commission or even in the last GRC Application filed by California American Water. California American Water's next GRC Application will be filed in July of 2025 for Test Year 2027. Although this acquisition filing will be incorporated into that GRC, it will likely be approved prior to the 2027 Test Year.

Third, the expense is of a substantial nature as to the amount of money involved. The requested memorandum account would track the differences between revenues billed at current rates and revenues that would have been billed assuming full ratemaking integration upon close. The associated revenue requirement will consist of items including, but not limited to, return on investment, ad valorem tax, depreciation, other taxes and fees, and incremental operating expenses. Given the rate base at issue, these expenses would be of a substantial nature.

Fourth, the ratepayers will benefit by the memorandum account treatment. The purchase of West San Martin by California American Water promotes the public interest and is in line with Commission and SWRCB directives and findings, which recognize that the purchase of smaller utilities is important and provides benefits, including to ratepayers. Ensuring the appropriate recovery of costs associated with such transactions helps make such acquisitions possible. Further, a memorandum account provides for tracking of costs for future Commission prudence and reasonableness review prior to cost recovery. Thus, customers will benefit from the acquisition and will benefit by establishment of this account.

B. West San Martin Transaction Cost Memorandum Account

With any acquisition, certain transaction costs are inevitable. Here, they may include the cost for outsourced services, such as legal, engineering, surveying, the appraisal, noticing, and

other professional activities necessary to complete the proposed transaction. California American Water requests establishment of a memorandum account to track these transaction costs.

This memorandum account meets the requirements established pursuant to Commission Standard Practice U-27-W. With respect to transaction costs, each of these requirements is met. First, the expense is caused by an event of an exceptional nature that is not under the utility's control. This memorandum account is necessary given the acquisition of a Class D water utility with just above 300 connections is an event of exceptional nature. Transaction costs are inherent in the acquisition of smaller water systems and the acquiring company should receive due consideration of recovery of these costs. The Commission will decide on the schedule for this proceeding and the date of the ultimate decision and recovery of costs. Thus, such a decision and its timing are outside of California American Water's control.

Second, the expenses in question here could not have been reasonably foreseen in California American Water's last GRC and will occur before the utility's next scheduled case. The West San Martin acquisition could not have been included in California American Water's last GRC given that the agreement between West San Martin and California American Water was not executed until December 2022 – six months after the 2022 GRC was filed. Were the Commission to approve this acquisition, California American Water intends to integrate for rates purposes the West San Martin system in California American Water's 2025 GRC, provided that can be achieved. Therefore, these transaction costs have been and will be incurred between rate cases.

Third, the expense is of a substantial nature as to the amount of money involved. As noted above, transaction costs include outsourced services, such as legal, engineering, surveying, the appraisal, noticing costs, and other professional activities necessary to complete the proposed transaction. These costs are substantial in nature.

Fourth, the ratepayers will benefit by the memorandum account treatment. As discussed in this Advice Letter, the purchase of West San Martin by California American Water promotes the public interest and is in line with Commission and SWRCB directives and findings, which recognize that the purchase of smaller utilities is important and provides benefits, including to ratepayers. Ensuring the appropriate recovery of costs associated with such transactions helps make such acquisitions possible. Further, a memorandum account provides for tracking of costs for future Commission prudence and reasonableness review prior to cost recovery. Thus, customers will benefit from the acquisition and will benefit by this account.

California American Water should be permitted to establish a memorandum account to track transaction costs for future recovery. California American Water further proposes that it be allowed to defer any unrecovered transaction cost as a recoverable regulatory asset. In its subsequent GRC, California American Water will support the prudence of the transaction costs, seek recovery of the costs, and request that the Commission authorize such recovery.

C. West San Martin Memorandum Account for Environmental Improvements and Compliance Issues

California American Water also requests Commission approval to expand the currently authorized memorandum account entitled "Memorandum Account for Environmental Improvements and Compliance Issues for Acquisitions." That approval would allow California American Water to record in that account the same type of costs in connection with the West

San Martin acquisition as California American Water was allowed to record in that account for the acquisitions of the Dunnigan, Geyserville, Meadowbrook, Fruitridge Vista, East Pasadena, and Rio Plaza water systems.¹³ The costs to address environmental compliance and required improvements have yet to be determined. Such costs are not under the utility's control, nor can they be reasonably foreseen. Compliance with such requirements, however, ensures safety, benefitting ratepayers. The proposed memorandum account treatment helps make certain that the requisite capital expenditures will be subject to regulatory oversight and that funds will be used judiciously.

VIII. CALIFORNIA ENVIRONMENTAL QUALITY ACT

California Environmental Quality Act (CEQA) review is not required as this advice letter filing involves only the transfer of the existing water facilities and no new construction or changes in the source of water supply are being proposed with the proposed asset sale. Accordingly, approval of this advice letter is not a CEQA project as it is not possible that the transaction will have any significant effect on the environment.

IX. NOTICE

The final draft of the proposed notice is included as MDR Response 20 Attachment. It was provided to and approved by the Commission's Public Advisor's Office ("PAO") in November 2023. The notice will be served on both California American Water customers across California as well as West San Martin Customers. Because it will take up to 45 days to send out all the notices, as indicated in the notice, the protest period for this Advice Letter will be 65 days rather than the standard 20 days.

Tier Designation:

Pursuant to General Order No. 96-B, this advice letter is designated as a Tier 3 filing.

Effective Date:

California American Water requests California American Water's Monterey District tariffs become effective for five days after California American Water files a Tier 1 Advice Letter that provides details of the finalized purchase.

Notice and Service List:

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

¹³ Because California American Water is not seeking to establish a new memorandum account, meeting the prerequisites for creating such an account is not necessary. That said, because of the nature of the costs to be tracked, such prerequisites are nonetheless satisfied. The memorandum account treatment helps make certain that the requisite capital expenditures will be subject to regulatory oversight and that funds are used judiciously.

this advice letter will only be distributed electronically. As noted above, the final draft of the proposed notice to customers is included as MDR Response 20 Attachment.

Protest and Responses:

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 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; 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 relitigating 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 Water Division within 60 days of the date this advice letter is filed. The address for mailing or delivering a response or 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:

Recipients:	E-Mail:	Mailing Address:
CA Rates	ca.rates@amwater.com	520 Capitol Mall, Suite 630

Sarah E. Leeper <i>Vice President - Legal, Regulatory</i>	sarah.leeper@amwater.com	Sacramento, CA 95814 555 Montgomery Street Suite 816 San Francisco, CA 94102 Fax: (415) 863-0615
Nicholas Subias Director, Legal – Regulatory	nicholas.subias@amwater.com	555 Montgomery Street Suite 816 San Francisco, CA 94102 Fax: (415) 293-3024
Jonathan Morse <i>Sr. Manager – Rates & Regulatory</i>	jonathan.morse@amwater.com	520 Capitol Mall, Suite 630 Sacramento, CA 95814

Cities and counties that need Board of Supervisors or Board of Commissioners approval to protest should inform the Water Division, within the protest period (here, 60-days), 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.

The actions requested in this advice letter are not now the subject of any formal filings with the California Public Utilities Commission, including a formal complaint, nor action in any court of law.

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

If you have not received a reply to your protest within 10 business days, please contact me at (916) 568-4241.

CALIFORNIA-AMERICAN WATER COMPANY

/s/ Chase Grady

Chase Grady

Associate Rates & Regulatory Specialist

DATE OF ISSUANCE: 01/17/2025

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION W-5280

January 16, 2025

RESOLUTION

**(RES. W-5280) CALIFORNIA-AMERICAN WATER
COMPANY. ORDER AUTHORIZING CALIFORNIA-
AMERICAN WATER COMPANY TO ACQUIRE WEST SAN
MARTIN WATER WORKS**

**By California-American Water Company's Advice Letter 1416
submitted July 26, 2023, and Advice Letter 1416-A submitted
on November 22, 2023**

SUMMARY

By Advice Letter 1416 submitted July 26, 2023, and as supplemented by Advice Letter 1416-A submitted on November 22, 2023, California American Water Company (Cal Am) requests Commission approval for the sale and acquisition of West San Martin Water Works, Inc. (WSM), located in Santa Clara County, and to revoke WSM's Certificate of Public Convenience and Necessity (CPCN) due to Cal Am's acquisition. Pursuant to Public Utilities (PU) Code Sections 851-854, this resolution approves the proposed acquisition of WSM by Cal Am under the conditions set forth in the December 20, 2022, Asset Purchase Agreement between Cal Am and WSM. Accordingly, WSM will no longer be a Commission regulated utility, and WSM's CPCN shall be revoked.

BACKGROUND

West San Martin Water Works, Inc. (WSM) was incorporated in California on November 22, 1967, and operates as a Class D water utility serving approximately 309 metered customers (272 residential and 37 industrial/commercial) and 21 fire protection and hydrant customers in San Martin, an unincorporated area south of Morgan Hill, Santa Clara County, California. California American Water Company (Cal Am), a larger Class

WD

A utility, requests to acquire WSM's assets as outlined in Advice Letter No. 1416-A, intending to consolidate WSM's operations into Cal Am's Central Division¹, enhancing service quality, operational efficiency, and access to capital for infrastructure improvements. WSM relies on groundwater extracted from the Llagas subbasin, one of three sub-basins in the Santa Clara Valley Groundwater Basin. The company's infrastructure includes three wells, each approximately 400 feet deep, with the shallowest one at about 387 feet, capable of producing 400 gallons per minute (GPM), 340 GPM, and 260 GPM, respectively. Additionally, WSM has three 50,000-gallon and one 400,000-gallon concrete storage tanks. The acquisition proposes to transition ownership of WSM to Cal Am. WSM has a majority of large meter connections. The breakdown of connections by meter size for WSM, according to the 2020 Annual CPUC Report, is as follows:

- 5/8 x 3/4 inch – 117 meters
- 1-inch – 78 meters
- 1-1/2 – 44 meters
- 2-inch – 65 meters
- 3-inch – 3 meters
- 4-inch – 2 meters

NOTICE AND PROTESTS

AL 1416-A was served in accordance with General Order 96-B, on November 22, 2023, to adjacent utilities, and persons on the AL 1416-A service list. AL 1416-A is a supplement to the original filing AL 1416 submitted on July 26, 2023. A notice was also mailed to each Cal AM customer on November 22, 2023. Several protests were received.

The WD timely received nine protests regarding Cal Am's acquisition of WSM. The protests contend that the acquisition would cause financial impacts on existing Cal Am ratepayers; raise fears of unjust and unreasonable rate increases; posed queries on the fairness of passing acquisition costs onto customers; levied criticisms regarding operational expenditures, service issues, and the effectiveness of acquisitions in reducing bills. Protestors also highlight disparities in water rates across districts and propose alternative financing methods to alleviate the burden on current ratepayers.

¹ Cal Am AL 1416- A Acquisition of WSM page 2 of 18, #5.

The Monterey Peninsula Water Management District (MPWMD) expressed concern in its protest² of AL 1416 regarding this consolidation stating it could interfere with the district's ongoing efforts to acquire Cal-Am's Monterey assets, following the voter-approved Measure J, which mandates public ownership of those assets. The district argues that consolidating WSM into Monterey could complicate the public acquisition process and affect potential severance damages in any eminent domain proceedings. MPWMD also notes that Monterey has unique water supply challenges that should not be further complicated by the addition of a system with different operational needs. While the district does not object to the acquisition itself, it strongly opposes including Monterey in the consolidation.

In response to MPWMD's protest, Cal Am argues that MPWMD's objections are speculative and lack statutory or logical support. Cal Am asserts that consolidating WSM into its Central Division is operationally necessary, as WSM is located within 50 miles of other Central Division service areas, while it is over 100 miles from the Northern Division and 250 miles from the Southern Division. Cal Am dismisses MPWMD's concerns about potential impacts on severance damages in the ongoing eminent domain proceedings, noting that MPWMD's condemnation efforts are likely to fail based on previous legal precedents. Cal Am further argues that the protest should not delay the acquisition, emphasizing the operational benefits, economies of scale, and minimal rate impacts, which would not take effect until 2027, and recommends that the CPUC approve the acquisition despite MPWMD's objections.

In response to other protests, Cal Am justifies the acquisition by referencing legislative and regulatory support for such endeavors, while highlighting the long-term benefits of economies of scale, compliance improvements, and system upgrades. Cal Am invokes the Public Water System Investment and Consolidation Act and past Commission rulings under the "ratepayer indifference standard" to argue that the projected minor rate increases are justified by the significant operational and service improvements that would follow the acquisition. Cal Am explained the anticipated broad benefits of the acquisition, including better water system management and the advantages of economies of scale.

² De LAY & LAREDO- RE: California-America Water Company Advice Letter No. 1416 West San Martin Acquisition. This letter was received September 26, 2023.

DISCUSSION

The discussion below explains the merits of the acquisition in terms of regulatory compliance, public interest, customer benefits, and alignment with the California Public Utilities Commission's (CPUC) goals and policies.

The proposed acquisition of West San Martin Water Works by California American Water (Cal Am) encompasses several critical considerations that warrant thorough evaluation.

The Water Division's analysis focused on the alignment of the acquisition with the CPUC's regulatory framework and public policy objectives:

- System Assessment, Condition and Recommendations
- Fair Market Value (FMV)
- Ratepayer Impacts
- Impact on Rate Base and Rates
- Continuity of Service
- Memorandum Accounts
- Environmental and Social Justice (ESJ)
- CEQA
- Compliance
- Utility Safety

SYSTEM ASSESSMENT, CONDITION AND RECOMMENDATIONS³

WSM has a history of non-compliance with the State Water Resources Control Board (Water Board) water quality requirements, as WSM was cited for violations including the presence of coliform,⁴ perchlorate, and nitrates. An email from the Water Board's engineer to Cal Am confirms that the WSM system has "returned to compliance on all historical violations,"⁵ demonstrating that previous issues have been addressed.

Despite this, the system has faced significant challenges in maintaining water quality, which is evident from the multiple citations and the necessity for ongoing vigilance to

³ West San Martin Water Works, Inc. Water System Condition Assessment, Valuation and Capital Improvements Plan, June 2023.

⁴ Attachments B: Correspondence between WSM and Water Board.

⁵ Attachment A: Correspondence between Cal AM and Water Board.

prevent future violations. The history of these issues underscores the system's struggle with maintaining the water quality standards required by regulatory bodies. Recent efforts appear to have successfully rectified these historical compliance issues.

The operational condition and current service capacity of the WSM system are marked by challenges related to well capacity and contamination. One of WSM's four groundwater wells is out of service due to nitrate contamination, and another is not currently used because of total coliform detections. The system's ability to meet its maximum daily demand is compromised. The remaining wells, despite being active, suffer from perchlorate contamination, though below maximum contaminant level (MCL). Recommendations for immediate improvement focus on treating and potentially returning contaminated wells to service, alongside a thorough investigation into the conditions and potential longevity of all wells within the system. Furthermore, the condition of the system's storage tanks and booster pump stations, which is rated as fair, and the distribution system, whose exact condition remains undetermined, indicate a need for significant maintenance and potential upgrades to ensure reliability and compliance. This evaluation highlights the importance of addressing both water quality issues and infrastructure challenges to maintain an effective and compliant water service system.

Costs related to future system maintenance, repairs, and investments are typical operational expenses for a water utility and not considered acquisition liabilities. These costs are expected to be distributed across a larger customer base, which helps mitigate the financial impact on individual customers and reduces the likelihood of significant rate increases, often referred to as "rate shock."

The proposed acquisition by Cal Am is expected to bring a structured approach to solving the issues identified with WSM through enhanced financial resources, technical expertise, and established operational practices. Cal Am's capacity for significant infrastructure investment is expected to address the critical needs for well rehabilitation, contamination treatment, and system upgrades.

Additionally, leveraging Cal Am's management practices is expected to improve operational efficiencies, ensure regulatory compliance, and enhance service quality, addressing the system's challenges in a comprehensive manner, consistent with regulatory expectations and the public interest.

SYSTEM VALUATION

Cal Am seeks to record the acquisition on a net basis in accordance with generally accepted accounting principles. Upon completing the acquisition and assuming ownership of the WSM assets, the new rate base for the system will be \$1.6 million, which is the proposed purchase price to be paid by Cal Am as provided in the Purchase Agreement⁶.

An appraisal was conducted by a third party, Valentine Environmental Engineers (Valentine)⁷, who evaluated the system and estimated the required future capital costs to rehabilitate the system. The method used by Valentine to appraise the West San Martin Water Works (WSM) system was Replacement Cost New Less Depreciation (RCNLD). This method evaluates the cost to replace existing assets with new ones made from modern materials, minus depreciation. The RCNLD for the WSM system, based on the components and their conditions, is approximately \$10.6 million.

Under Commission guidelines (D.99-10-064, Appendix D, Section 2.05),⁸ water system acquisition applications must include an appraisal covering all assets, including land value and replacement costs minus depreciation. The appraisal for WSM meets these requirements, incorporating all assets and their replacement costs. Given the system's small size and the nature of the acquisition, the appraisal is appropriately simpler compared to larger, more complex acquisitions.

RATE IMPACT ANALYSIS

The purchase price for the acquisition of the WSM is \$1.6 million. Upon completion of the acquisition, Cal Am requests that the amount of the acquisition price that is incremental to WSM's existing rate base will be incorporated into Cal Am's rate base, establishing the new rate base for the WSM system. Cal Am requests that the incremental revenue requirement associated with the \$1.6 million rate base over and above the authorized revenue requirement for the existing authorized rate base for WSM will be recovered from all Cal Am's existing customers, including both water and wastewater customers.

The incremental difference between the current authorized rate base for WSM and the new requested rate base post-acquisition will result in an additional revenue

⁶ AL 1416: West San Martin Acquisition MDR Response Attachment 26(b), Amendments to the Exhibits (a), Page 2.

⁷ Third Party Appraisal and Assessment, MDR Response Attachment 13.

⁸ D.99-10-064 Order Instituting Rulemaking on the Commission's Own Motion to Set Rules and to Provide Guidelines for the Acquisition and Mergers of Water Companies [82511.DOC \(live.com\)](https://www.cpuc.ca.gov/82511.DOC)

requirement that will need to be collected from Cal Am's existing customers. Cal Am is also proposing to keep WSM existing rates constant until Cal Am's next General Rate Case 2027 Test Year. Cal Am requests that this additional revenue requirement, attributed to the increased rate base, be initially distributed proportionally across all Cal Am districts through the end of 2027. This is estimated to result in an increase of approximately 0.056% when spread proportionally across all Cal Am districts.

In its upcoming General Rate Case, scheduled to be filed on July 1, 2025, with rates effective January 1, 2027, Cal Am may request its initial incremental revenue requirement impact of the WSM acquisition be allocated to its Central District for ratemaking purposes. The Commission will review this matter in the 2025 GRC application.

The objection of MPWMD to WDM's system being consolidated into Cal Am's Central District is premature, since WDM is not being incorporated into Cal Am's Central district at this time. We do note that Cal Am's intention to incorporate WSM into its Central District makes sense given WSM's geographic proximity with that district. Furthermore, whether and how the incorporation of WSM into Cal Am's Central District would impact MPWMD's potential acquisition of Cal Am's assets within its service territory is speculative at best, and does not serve as a basis for disapproving Cal Am's acquisition of WSM.

OPERATIONAL AND SERVICE ENHANCEMENTS FOLLOWING THE WSM ACQUISITION

The operational and service enhancements resulting from the acquisition of WSM by Cal Am are expected to provide indirect benefits for customers in other districts. These improvements, including potential cost reductions due to scale economies, expanded customer services, expertise in emergency preparedness, and long-term infrastructure planning, may contribute to enhanced operational efficiency and service quality across Cal Am's service areas.

Following the acquisition, Cal Am intends to provide underserved communities in WSM with essential services and programs, including the implementation of Cal Am's Customer Assistance Program (CAP) tailored to low-income ratepayers. When WSM customers become eligible for the CAP program (usually upon implementation of a GRC or through a discretionary Advice Letter filing), income-eligible WSM customers would be able to enroll in the program.

Additionally, Cal Am plans to introduce expanded customer services such as translators, 24-hour emergency contacts, web-based self-service options, and paperless billing. Moreover, educational materials on water efficiency and conservation will be provided to all WSM residents, ensuring accessibility and addressing the specific needs of underserved communities.

FUTURE RATE BASE AND RATES IMPACTS

Cal Am has not determined the specific post-transition rate structure for WSM customers. Given the high average usage and relatively larger meters in WSM compared to other service areas, Cal Am plans to maintain a separate rate structure for WSM customers over several General Rate Case cycles to prevent rate shock, gradually shifting them towards more conservation-oriented rates. Conservation efforts will also be promoted to reduce average consumption. The next General Rate Case application, including a rate design proposal for WSM, is expected to be on July 1, 2025. Following the 2025 General Rate Case, WSM will be included in the Escalation and Attrition Year filings consistent with other Cal Am service areas.

CONTINUITY OF SERVICE

For the proposed physical integration of WSM, Cal Am will secure the necessary operating permit from the State Water Resources Board. Prior to the effective date of the acquisition, WSM will manage payment collections. After the effective transition date, Cal Am will manage the system and handle customer monthly payments. Customers will continue to receive groundwater from local wells, with planned infrastructure upgrades from Cal Am including disinfection systems, standby generators, improved site security, automatic read meters, and a new SCADA system. Cal Am will also provide new services such as web self-service, paperless billing, and multilingual call center support. Existing rates for West San Martin customers will remain unchanged until a decision is adopted in Cal Am's 2025 general rate case. The continuity of service will be contingent on Cal Am receiving the necessary operating permit from the SWRCB.

MEMORANDUM ACCOUNTS

Cal Am seeks authorization to track specific costs associated with the acquisition of WSM in memorandum accounts, intending these costs to be considered for recovery in future General Rate Cases (GRCs). The establishment of such accounts, Cal Am argues, would not guarantee the recovery of costs but serve as a preliminary step in the process. For an expense to be tracked, it needs to meet certain criteria, including causation by an exceptional event not under Cal Am's control, unforeseeable, substantial in monetary terms, and demonstrating benefits to ratepayers. Cal Am proposed the establishment of the West San Martin Acquisition Contingency Memorandum Account (WSMACMA) to track lost revenue until the acquisition could be integrated for ratemaking purposes, as well as a Transaction Cost Memorandum Account for expenses including legal and engineering services. The lost revenues are the differences between revenues billed at current rates based on pre-acquisition rate base for customers of an acquired water system and revenues that would have been billed based on the new, post-acquisition rate base and revenue requirement, assuming the acquisition could have been fully integrated at the time of the acquisition. Cal Am maintains that these accounts meet the requisite criteria, emphasizing the exceptional nature of the acquisition, the unforeseeable timing and costs involved, the substantial monetary impact, and the perceived benefits to ratepayers from such account treatments.

The enumerated criteria for establishment of memorandum accounts in Water Division's Standard Practice U-27⁹ specify that memorandum accounts are intended to track costs that are both unforeseen and beyond the utility's control, and that offer clear ratepayer benefits. These costs must also be substantial enough to justify the administrative effort in processing the memorandum account.

Cal Am has failed to satisfy the criteria outlined in Standard Practice U-27, particularly regarding the necessity of the expenses being both unforeseeable and beyond the utility's control. In Decision D.22-10-003,¹⁰ the Commission denied Cal Am's requests for the establishment of new memorandum accounts to track acquisition costs and create a "contingency" memorandum account for capturing differences in revenue between current and final rates associated with an acquisition. In this case, Cal Am made the decision to purchase the assets of West San Martin and knew or should have

⁹ Standard Practice U-27: STANDARD PRACTICE FOR PROCESSING RATE OFFSETS AND ESTABLISHING AND AMORTIZING MEMORANDUM ACCOUNTS <https://docs.cpuc.ca.gov/published/REPORT/84069.htm>.

¹⁰ D.22-10-003: Decision Approving California-American Water Company's Acquisition Of Bellflower Municipal Water System [497649784.PDF](https://docs.cpuc.ca.gov/published/REPORT/497649784.PDF) (ca.gov)

known of the expenses it would incur to consummate the purchase. Therefore, the costs Cal Am seeks to track in this memorandum account are not exceptional and are under the utility's control. As such, we find Cal Am's request to establish a new memorandum account to track costs related to the acquisition of West San Martin should be denied.

Similarly, we find that Cal Am's request to establish a "contingency" memorandum account to capture the difference in revenue between current and final rates associated with the West San Martin acquisition fails to satisfy Standard Practice U-27 (SP 27) criteria. SP 27 requires that the event is of an exceptional nature and beyond the utility's control. neither of those criteria are present here. Therefore, Cal Am's request to create a "contingency" memorandum account should be denied.

Cal Am has requested Commission authorization to include the West San Martin (WSM) acquisition within its existing "Memorandum Account for Environmental Improvements and Compliance Issues for Acquisitions" (Environmental Improvements Memorandum Account). This memorandum account is designed to allow CalAm, upon acquiring a small water utility, to undertake necessary environmental improvements and achieve compliance with applicable environmental regulations, with the ability to recover the associated costs. CalAm has indicated that several prior acquisitions have been deemed suitable for inclusion in this account. It is anticipated that future environmental improvements may be required, with associated costs that are beyond the utility's control and not reasonably foreseeable. Compliance with these requirements is essential for ensuring the safety and well-being of ratepayers. Consequently, CalAm should be granted authority to include the WSM acquisition in its Environmental Improvements Memorandum Account.

ENVIROMENTAL 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. With this Resolution, the Commission addresses two goals of the ESJ Action Plan: Goal #1: "Consistently integrate equity and access

considerations throughout Commission regulatory activities,” and Goal #3: “Strive to improve access to high-quality water, communications, and transportation services for ESJ communities.”

Although the San Martin, CA area proposed for acquisition is not classified as a disadvantaged community, the Water Division has thoroughly considered equity and access in its review of the proposed transaction within this resolution. The California Communities Environmental Health Screening Tool, Version 4 (CalEnviroScreen 4.0), developed by the California Office of Environmental Health Hazard Assessment (OEHHA), identifies disadvantaged communities by aggregating various metrics to produce a single value at the census tract level. According to CalEnviroScreen 4.0, the relevant census tract rank inclusive of San Martin, CA is in the 0-10th percentile, placing it within the upper 10% of census tracts statewide. It is important to note that census tracts in the 75th-100th percentile are classified as Disadvantaged Communities (DACs). Based on the Water Division’s review of these criteria and considerations, the proposed acquisition of WSM is not expected to impact the current environmental and social justice conditions within the San Martin area.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

California Environmental Quality Act (CEQA) review is not required as this advice letter involves only the transfer of the existing water facilities and no new construction or changes in the source of water supply are being proposed with this asset sale. Accordingly, approval of this advice letter is not a CEQA project as it is not possible that the transaction will have any significant effect on the environment.

COMPLIANCE

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

Pursuant to PU Code § 433(a), public utilities are required to pay an annual Public Utilities Reimbursement Fee (annual fee) to the CPUC. WD confirmed that WSM is current with its annual fee payments.

UTILITY SAFETY

Safety for water utilities considers several factors such as water quality, system design, operation and maintenance, and service. One of the highest safety priorities for the Commission is ensuring that water utilities serving water for human consumption provide water that is not harmful or dangerous to health. As noted in the Compliance section of this resolution, WSM currently complies with all SWRCB water quality standards for safe drinking water and has no on-going or pending violations.

CONCLUSION

Following Water Division's analysis of Cal Am's proposed acquisition of West San Martin, Water Division recommends the CPUC approve the acquisition. We conclude that the acquisition of West San Martin by Cal Am aligns with the CPUC's goals of ensuring reliable, high-quality water service and efficient utility operation. It is expected that the proposed acquisition will bring about operational efficiencies, better compliance with regulatory standards, and improved service quality for West San Martin customers.

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 a contested matter and was mailed for a 30-day comment period.

On December 13, 2024, California-American Water Company (Cal Am) submitted comments on Proposed Resolution W-5280, expressing concerns about duplicative advice letter requirements and the denial of its request for a West San Martin Transaction Cost Memorandum Account. It argues that the Proposed Resolution unnecessarily includes two separate post-closing advice letters that cover identical matters, requesting the removal of one.

Additionally, Cal Am contends that the denial of the memorandum account is unjustified, as the transaction costs associated with the acquisition are exceptional and beyond the utility's control, citing the Commission's previous approval of similar accounts for other utilities. It emphasizes that denying the memorandum account would hinder the ability to track and recover these costs, undermining the Commission's and the State Water Resources Control Board's goals of fostering water system consolidation. Cal Am requests that the resolution be revised to approve the establishment of the requested memorandum account and remove the redundant advice letter requirement. In response, the Water Division revised the Ordering Paragraphs (OPs) and removed OP #8 due to duplicacy. This revision ensures that the process is streamlined, with the required updates to service maps, tariff schedules, and other tariff-related aspects being addressed through the Tier 1 compliance advice letter outlined in OP #4.

On December 14, 2024, Lynne Sawyer submitted a letter opposing Cal Am's proposed acquisition of WSM, arguing that the acquisition would lead to higher rates without benefiting customers. Sawyer challenges Cal Am's claims of improved service quality and infrastructure, noting that no such improvements were seen when Cal Am took over their previous water provider. The letter also criticizes Cal Am's focus on "access to capital" for infrastructure improvements, suggesting that these funds primarily support corporate growth rather than reducing customer rates. Additionally, Sawyer highlights poor service, including delays in replacing faulty meters, as evidence that Cal Am

cannot adequately manage its existing customer base. Sawyer urges the CPUC to reject the acquisition and halt future acquisitions until Cal Am demonstrates actual benefits, such as rate reductions, from its claimed "economies of scale."

The arguments raised above were previously made in Advice Letter 1416-A and in the protest by Cal Am and Lynne Sawyer, respectively. We considered the arguments and find them unpersuasive and, as such, have made no further changes to this resolution in response to the above comments, beyond the removal of the duplicative Ordering Paragraphs (OPs) raised by Cal Am.

FINDINGS AND CONCLUSIONS

1. Pursuant to Advice Letter No. 1416-A filed by California American Water Company (Cal Am), the company seeks CPUC approval for the acquisition of West San Martin Water Works, Inc. (West San Martin) in Santa Clara County, requesting to integrate West San Martin's operations into either Cal Am's Central or Northern Division.
2. Integration of the WSM is expected to enhance service quality, operational efficiency, and access to capital for infrastructure improvements for approximately 309 metered customer connections primarily serving residential customers in West San Martin.
3. The acquisition cost of \$1.6 million as stated in the purchase agreement for WSM is determined to be reasonable, as the estimated valuation is significantly greater.
4. The acquisition proposal has been carefully evaluated against the CPUC's regulatory framework and public policy objectives, ensuring compliance with Sections 851-854 and 2718-2720 of the California Public Utilities Code. This compliance underscores the acquisition's alignment with legislative mandates, emphasizing the importance of serving the public interest through improved service quality and economic benefits to ratepayers through utility acquisitions.
5. The acquisition provides significant West San Martin customer benefits, including enhanced operational efficiencies, better compliance with regulatory standards due to Cal Am's greater technical, managerial, and financial capacity, and improved service quality.
6. Rate impact analysis indicates minimal immediate effects on customer rates, projecting no changes until 2027.
7. The proposed acquisition meets the ratepayer indifference test, ensuring that the transaction is reasonable, in the public interest, and provides tangible benefits for

- the customers of WSM. The integration under Cal Am is expected to yield economies of scale, lowering operational costs and improving service delivery.
8. Integrating WSM into the Central Division for ratemaking purposes is operationally sound and reasonable.
 9. Cal Am did not demonstrate that the costs it proposes to include in the West San Martin Acquisition Contingency Memorandum Account (WSMACMA) and the Transaction Cost Memorandum Account are of an exceptional nature and beyond Cal Am's control.
 10. The establishment of both the WSMACMA and the Transaction Cost Memorandum Account are denied, consistent with CPUC Decision D.22-10-003 and U-27 as failing to meet requirements for establishing a memorandum account.
 11. CalAm should be granted authority to add the acquisition of WSM to its existing Memorandum Account for Environmental Improvements and Compliance Issues for Acquisitions.
 12. The acquisition is consistent with CPUC policies encouraging water utility consolidations to achieve operational efficiencies and enhance service reliability. The legislative and regulatory framework, including the Public Water System Investment and Consolidation Act, supports such transactions for their long-term benefits to the water system infrastructure and service quality.
 13. Protests received in response to the proposed acquisition were considered, with Cal Am addressing concerns regarding potential rate increases, operational expenditures, and the overall benefits of the acquisition. Cal Am's responses underscore the acquisition's alignment with policy goals for better water system management and the advantages of achieving economies of scale.
 14. MPWMD's protest based on the potential impacts of WSM being incorporated into Cal Am's Central District is premature. At this time, the additional revenue requirement attributable to WSM is allocated across all WSM districts. Furthermore, any potential impact of this acquisition on MPWMD's intended acquisition of Cal Am assets within its service territory is speculative and does not serve as basis to disapprove Cal the acquisition of WSM.
 15. Cal Am's request to consolidate WSM into its Central Division should be reviewed in its next GRC.
 16. The transaction does not involve new construction or significant changes to the existing water supply sources, and therefore is exempt from the California Environmental Quality Act (CEQA).

THEREFORE, IT IS ORDERED THAT:

1. Pursuant to Public Utilities Code §§ 851-854, this Resolution approves the acquisition of West San Martin Water Works, Inc. by California American Water Company (Cal Am) and expansion of California American Water Company Certificate of Public Convenience and Necessity to include the service area of West San Martin Water Works, Inc. under the terms and conditions set forth in Advice Letter No. 1416-A and as stated in Ordering Paragraph No. 3 below.
2. Cal Am shall submit in its next GRC its request to implement the new incremental rate base for the West San Martin Water Works, Inc. acquisition and the incremental associated revenue requirement from all existing Cal Am customers across its districts, including water and wastewater entities through an increase in rates once Cal Am has notified the Commission that the West San Martin Water Works, Inc. acquisition has closed.
3. Cal Am's request to integrate WSM into its Central Division for ratemaking purposes shall be reviewed in its next GRC.
4. Cal Am shall submit a Tier 1 compliance advice letter within ten days of the acquisition of WSM acquisition closing to update its service maps, tariff schedules, and other aspects of its Tariff to recognize WSM customer service area in Cal Am's Tariff.
5. Cal Am shall notify the Director of the Water Division in writing within five days when the acquisition of WSM has been completed and the transaction has closed.
6. The transfer of operations of WSM's water system to California American Water Company is conditioned on Cal-Am obtaining the domestic water supply permit required by the State Water Resources Control Board to operate the water system under the new ownership.
7. West San Martin Water Works, Inc. shall be relieved of its public utility obligation effective on the closing of the acquisition transaction and receipt of the required regulatory approvals by California American Water Company. West San Martin Water Works, Inc.'s Certificate of Public Convenience and Necessity shall be revoked at that time.
8. California American Water Company's requests to establish a new memorandum account to track acquisition costs and to establish a contingency memorandum account for capturing revenue differences between current and final rates linked to the acquisition are denied.
9. California American Water Company is authorized to file a Tier 1 Advice Letter to add the acquisition of WSM to its existing Memorandum Account for Environmental Improvements and Compliance Issues for Acquisitions.

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 16, 2025; 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-AMERICAN WATER COMPANY
ADVICE LETTER NO. 1416-A
SERVICE LIST

Public Advocates Office
PublicAdvocatesOffice@cpuc.ca.gov

Richard Rauschmeier
Richard.Rauschmeier@cpuc.ca.gov

James R. Lough, City Attorney
City of Imperial Beach
825 Imperial Beach Blvd.
Imperial Beach, CA 91932

Ventura County Waterworks District
7150 Walnut Canyon Road
P.O. Box 250
Moorpark, CA 93020

Temple City
City Clerk
9701 Las Tunas Dr.
Temple City, CA 91780

Robert C. Baptiste
9397 Tucumcari Way
Sacramento, CA 95827-1045

Michelle Keith
City Manager
City of Bradbury
600 Winston Avenue
Bradbury, CA 91008

City of Los Angeles
Department of Water and Power
111 North Hope Street
Los Angeles, CA 90012
Attn: City Attorney

Mario Gonzalez
111 Marwest Commons Circle
Santa Rosa, CA 95403

City of Sand City
City Hall
California & Sylvan Avenues
Sand City, CA 93955
Attn: City Clerk

Darryl D. Kenyon
Monterey Commercial Property Owners
Association
P.O. Box 398
Pebble Beach, CA 93953

William M. Marticorena
Rutan & Tucker, LLP
611 Anton Blvd., 14th Floor
Costa Mesa, CA 92626-1931

Yazdan Enreni, P.E.
Public Works Director
Monterey County DPW
168 West Alisal Steet, 2nd Floor
Salinas, CA 93901-4303

Edward W. O'Neill
Davis Wright Tremaine LLP
505 Montgomery Street
San Francisco, CA 94111-6533

WD

James L. Markman
Richards, Watson & Gershon
355 South Grand Avenue, 40th Floor
Los Angeles, CA 90071-3101

Marc J. Del Piero
4062 El Bosque Drive
Pebble Beach, CA 93953-3011

Rex Ball
SR/WA, Senior Real Property MGMT
County of Los Angeles
222 South Hill Street, 3rd Floor
Los Angeles, CA 90012

Monterey Regional Water Pollution
Control Agency (MRWPCA)
5 Harris Court Road. Bldg D.
Monterey, CA 93940

Barbara Morris Layne
36652 Hwy 1, Coast Route
Monterey, CA 93940
City of San Gabriel
City Clerk
425 S. Mission Drive
San Gabriel, CA 91776

Carol Smith
6241 Cavan Drive, 3
Citrus Heights, CA 95621

Irvin L. Grant
Deputy County Counsel
County of Monterey
168 W. Alisal Street, 3rd floor
Salinas, CA 93901-2680

Michelle Keith
City Manager
City of Bradbury
600 Winston Avenue
Bradbury, CA 91008

Anthony La Bouff, County Counsel
Placer County
175 Fulweiler Avenue
Auburn, CA 95603

Deborah Mall, City Attorney
City of Monterey
512 Pierce Street
Monterey, CA 93940

Penngrove/Kenwood Water Co
4984 Sonoma Hwy
Santa Rosa, CA 95409

Will and Carol Surman
36292 Highway One
Monterey, CA 93940

City of Thousand Oaks Water Dept.
2100 E. Thousand Oaks Blvd.
Thousand Oaks, CA 91362

City of Monrovia
City Clerk
415 South Ivy Ave
Monrovia, CA 91016

Don Jacobson
115 Farm Road
Woodside, CA 94062-1210

Rio Linda Water District
730 L Street
Rio Linda, CA 95673

City of Rosemead
City Clerk
8838 E. Valley Blvd
Rosemead, CA 91770

Jose E. Guzman, Jr.
Guzman Law Offices
288 Third Street, Ste. 306
Oakland, CA 94607

Robert A. Ryan, Jr.
County of Sacramento
Downtown Office
700 H Street, Suite 2650
Sacramento, CA 95814

Alco Water Service
249 Williams Road
Salinas, CA 93901

Sacramento Suburban Water District
3701 Marconi Avenue, Suite 100
Sacramento, CA 95821-5303

Valerie Ralph, Clerk of the Board
County of Monterey
P.O. Box 1728
Salinas, CA 93902

Lori Ann Dolqueist
Nossaman LLP
ldolqueist@nossaman.com

Johanna Canlas, City Attorney
City of Coronado
jcanlas@bwslaw.com

Ms. Lisa Bilir
California Public Utilities Commission
Public Advocates Office
Lwa@cpuc.ca.gov

Sunnyslope Water Company
sswc01_jcobb@sbcglobal.net

Christina Baker, City Clerk
City of San Marino
cityclerk@cityofsanmarino.org

Annette Juarez, City Clerk
City of Duarte
ajuarez@accessduarte.com

Lisa Travis
Deputy County Counsel
County of Sacramento
travisl@saccounty.net

Cliff Finley, PE
Director of Public Works
City of Thousand Oaks
cfinley@toaks.org

B. Tilden Kim
Attorney At Law
Richards Watson & Gershon
tkim@rwglaw.com
Placer County Water Agency
Customer Service Department
customerservices@pcwa.net

Barry Gabrielson
bdgabriell@aol.com

Monterey Peninsula Water Mgmt Dist.
Chief Financial Officer
suresh@mpwmd.net

John Corona
Utilities Superintendent
City of Arcadia Water Dept.
jcorona@arcadiaca.gov

Jennifer Capitolo
Executive Director
California Water Association
jcapitolo@calwaterassn.com

Rates Department
California Water Service Company
rateshelp@calwater.com

San Gabriel Valley Water Company
11142 Garvey Blvd.
El Monte, CA 91734

Laura Nieto
City of Irwindale
Chief Deputy City Clerk
lnieto@IrwindaleCA.gov

City of Inglewood
City Hall
brai@cityofinglewood.org

Brent Reitz
Capital Services
reitzb@pebblebeach.com

Dana McRae
County Counsel
County of Santa Cruz
dana.mcrae@co.santa-cruz.ca.us

James Boulter
Larkfield/Wikiup Water District Advisory
jboulter@comcast.net

Citrus Heights Water District
hstraus@chwd.org

Tim & Sue Madura
suemadura@sbcglobal.net

Jim McCauley, Clerk-Recorder
Placer County
skasza@placer.ca.gov

Johnny Yu
johannyu@sbcglobal.net

City of Sacramento, Water Division
utilities@cityofsacramento.org

Jim Heisinger
hbm@carmellaw.com

Florin County Water District
fcwd@sbcglobal.net

Amy Van, City Clerk
City of Citrus Heights
avan@citrusheights.net

Laura L. Krannawitter
California Public Utilities Commission
Executive Division, Rm 5303
Laura.krannawitter@cpu.ca.gov

George Riley
Citizens for Public Water
georgetriley@gmail.com

Yvonne Zepeda, Deputy City Clerk
City of Isleton
Yvonne.zepeda@cityofisleton.com

City of Monterey
City Hall
Attn: City Clerk
connolly@ci.monterey.ca.us

City of Del Rey Oaks
City Hall
Attn: City Clerk
citymanager@delreyoaks.org
kminami@delreyoaks.org

Clerk of the Board
County of Monterey
cob@co.monterey.ca.us

City of Seaside, City Hall
Attn: City Clerk
dhodgson@ci.seaside.ca.us
to'halloran@ci.seaside.ca.us
cityatty@ix.netcom.com
cityattorney@ci.seaside.ca.us

David C. Laredo and Fran Farina
Attorneys at Law
DeLay & Laredo
dave@laredolaw.net

Bernardo R. Garcia
PO Box 37
San Clemente, CA 92674-0037

City of Salinas
Christopher A. Callihan, Esq.
City Attorney
chrisc@ci.salinas.ca.us

City of El Monte
Chief Deputy City Clerk
Cityclerk@elmonteca.gov

Mike Niccum
General Manager
Pebble Beach Community Svcs. District
mniccum@pbcsd.org

Audrey Jackson
Golden State Water Company
afjackson@gswater.com

County of Ventura
wspc@ventura.org

Carmel Area Wastewater District
buikema@cawd.org

David Heuck
Accounting
heuckd@pebblebeach.com

Jennifer Ekblad, MMC, CPM
City Clerk
City of Coronado
cityclerk@coronado.ca.us

Monterey Peninsula Water Mgmt Dist.
Chief Financial Officer
suresh@mpwmd.net

Mara W. Elliott, City Attorney
City of San Diego
cityattorney@sandiego.gov

Thomas Montgomery, County Counsel
County of San Diego
County Administration Center
thomas.montgomery@sdcounty.ca.gov

Jacqueline M. Kelly, MMC
City Clerk
City of Imperial Beach
jkelly@imperialbeachca.gov

Elizabeth Maland, City Clerk
City of San Diego
cityclerk@sandiego.gov

Sheri Damon
City of Seaside, City Attorney
cityatty@ix.netcom.com
cityattorney@ci.seaside.ca.us

Susan Sommers
City Of Petaluma
suesimmons@ci.petaluma.ca.us

Jon Giffen
City Attorney
City of Carmel-By-The-Sea
jgiffen@kaglaw.net

Rafael Lirag
California Public Utilities Commission
Administrative Law Judge
Rafael.lirag@cpuc.ca.gov

Charles A Lerable
lerable@sbcglobal.net

Lynne Sawyer
lynnemsawyer@icloud.com

Suzanne Thomas
ellenacres@aol.com

Richard Hellam
rsh.49@aol.com

Dan Jacobson
dmoritzj@yahoo.com

Richard Baldwin
mjbaldwin2002@yahoo.com

Helen Bill Birdsong
helenbirdsong@comcast.net

John Schlener
johnnybegood12@att.net

Melina Sukyas
melinasukyas@gmail.com

Joan Campos
4 Voe Place
Monterey, CA 93940-5523

Dr. Theodore Baehr
4073 Mission Oaks Blvd.
Camarillo, CA 93012

Robin Rakouska
De Lay & Laredo
Attorneys At Law
robin@laredolaw.net

David C. Laredo
De Lay & Laredo
Attorneys At Law
dave@laredolaw.net

David J. Stoldt, General Manager
MPWMD
DStoldt@mpwmd.net

Thanh C Lam
thanhyson@gmail.com

Imad Nuha Kafilmout
kafilmout20@gmail.com

William Querfurth
560 Hamilton Ave
Seaside, CA 93955-4737

ALL DISTRICTS SERVICE LIST
CALIFORNIA-AMERICAN WATER COMPANY

BY MAIL:

	Noland, Hamerly, Etienne & Hoss 333 Salinas Street Salinas, CA 93901	Mark Brooks Utility Workers Union Of America 521 Central Ave. Nashville, TN 37211
Maxine Harrison California Public Utilities Commission Executive Division 320 West 4th Street Suite 500 Los Angeles, CA 90013	Wallin, Kress, Reisman & Krantiz, LLP 11355 West Olympic Blvd., SUITE 300 Los Angeles, CA 90064	Ann Camel City Clerk City of Salinas 200 Lincoln Avenue Salinas, CA 93901
Gregory J. Smith, County Clerk County of San Diego County Administration Center 1600 Pacific Highway, Room 260 San Diego, CA 92101	Barbara Delory 4030 Bartlett Avenue Rosemead, CA 91770-1332	Carol Nickborg POB 4029 Monterey, CA 93942
Jim Sandoval, City Manager City of Chula Vista 276 Forth Avenue Chula Vista, CA 91910	Gary E. Hazelton County Clerk – Recorder Santa Cruz County 701 Ocean Street, Room 210 Santa Cruz, CA 95060	Steven J. Thompson 5224 Altana Way Sacramento, CA 95814
Sacramento County WMD 827 7th Street, Room 301 Sacramento, CA 95814	Henry Nanjo Department of General Services Office of Legal Services, MS-102 PO Box 989052 West Sacramento, CA 95798-9052	Hatties Stewart 4725 S. Victoria Avenue Los Angeles, CA 90043
Citrus Heights Water District 6230 Sylvan Road Citrus Heights, CA 95610 rchurch@chwd.org	City of Chula Vista Director of Public Works 276 Forth Avenue Chula Vista, CA 91910	Anne Moore, City Attorney City of Chula Vista 276 Forth Avenue Chula Vista, CA 91910
San Gabriel County Water District 8366 Grand Ave Rosemead, CA 91770	City of Camarillo 601 Carmen Drive Camarillo, CA 93010	Karen Crouch City Clerk, Carmel-By-The-Sea PO Box CC Carmel-by-the-Sea, CA 93921
Louis A. Atwell Director of Public Works City of Inglewood One W. Manchester Blvd. Inglewood, CA 90301	Los Angeles Docket Office California Public Utilities Commission 320 West 4th Street, Suite 500 Los Angeles, CA 90013	Marcus Nixon Asst. Public Advisor 320 W. 4th Street, Suite 500 Los Angeles, CA 90013

ALL DISTRICTS SERVICE LIST
CALIFORNIA-AMERICAN WATER COMPANY

James R. Lough, City Attorney
City of Imperial Beach
825 Imperial Beach Blvd.
Imperial Beach, CA 91932

Robert C. Baptiste
9397 Tucumcari Way
Sacramento, CA 95827-1045

Mario Gonzalez
111 Marwest Commons Circle
Santa Rosa, CA 95403

William M. Marticorena
Rutan & Tucker, LLP
611 Anton Blvd., 14th Floor
Costa Mesa, CA 92626-1931

James L. Markman
Richards, Watson & Gershon
355 South Grand Avenue, 40th Floor
Los Angeles, CA 90071-3101

Rex Ball
SR/WA, Senior Real Property MGMT
County of Los Angeles
222 South Hill Street, 3rd Floor
Los Angeles, CA 90012

City of San Gabriel
City Clerk
425 S. Mission Drive
San Gabriel, CA 91776

Michelle Keith
City Manager
City of Bradbury
600 Winston Avenue
Bradbury, CA 91008

Ventura County Waterworks District
7150 Walnut Canyon Road
P.O. Box 250
Moorpark, CA 93020

Michelle Keith
City Manager
City of Bradbury
600 Winston Avenue
Bradbury, CA 91008

City of Sand City
City Hall
California & Sylvan Avenues
Sand City, CA 93955
Attn: City Clerk

Yazdan Enreni, P.E.
Public Works Director
Monterey County DPW
168 West Alisal Steet, 2nd Floor
Salinas, CA 93901-4303

Fruitridge Vista Water Company
P.O. Box 959
Sacramento, CA 95812

Monterey Regional Water Pollution
Control Agency (MRWPCA)
5 Harris Court Road. Bldg D.
Monterey, CA 93940

Carol Smith
6241 Cavan Drive, 3
Citrus Heights, CA 95621

Anthony La Bouff, County Counsel
Placer County
175 Fulweiler Avenue
Auburn, CA 95603

Temple City
City Clerk
9701 Las Tunas Dr.
Temple City, CA 91780

City of Los Angeles
Department of Water and Power
111 North Hope Street
Los Angeles, CA 90012
Attn: City Attorney

Darryl D. Kenyon
Monterey Commercial Property Owners
Association
P.O. Box 398
Pebble Beach, CA 93953

Edward W. O'Neill
Davis Wright Tremaine LLP
505 Montgomery Street
San Francisco, CA 94111-6533

Marc J. Del Piero
4062 El Bosque Drive
Pebble Beach, CA 93953-3011

Barbara Morris Layne
36652 Hwy 1, Coast Route
Monterey, CA 93940

Irvin L. Grant
Deputy County Counsel
County of Monterey
168 W. Alisal Street, 3rd floor
Salinas, CA 93901-2680

Deborah Mall, City Attorney
City of Monterey
512 Pierce Street
Monterey, CA 93940

ALL DISTRICTS SERVICE LIST
CALIFORNIA-AMERICAN WATER COMPANY

Penngrove/Kenwood Water Co
4984 Sonoma Hwy
Santa Rosa, CA 95409

Will and Carol Surman
36292 Highway One
Monterey, CA 93940

City of Thousand Oaks Water Dept.
2100 E. Thousand Oaks Blvd.
Thousand Oaks, CA 91362

City of Monrovia
City Clerk
415 South Ivy Ave
Monrovia, CA 91016

Don Jacobson
115 Farm Road
Woodside, CA 94062-1210

Rio Linda Water District
730 L Street
Rio Linda, CA 95673

City of Rosemead
City Clerk
8838 E. Valley Blvd
Rosemead, CA 91770

Jose E. Guzman, Jr.
Guzman Law Offices
288 Third Street, Ste. 306
Oakland, CA 94607

Robert A. Ryan, Jr.
County of Sacramento
Downtown Office
700 H Street, Suite 2650
Sacramento, CA 95814

Alco Water Service
249 Williams Road
Salinas, CA 93901

Sacramento Suburban Water District
3701 Marconi Avenue, Suite 100
Sacramento, CA 95821-5303

Valerie Ralph, Clerk of the Board
County of Monterey
P.O. Box 1728
Salinas, CA 93902

BY E-MAIL:

Public Advocates Office
California Public Utilities Commission
dra_water_al@cpuc.ca.gov

Lori Ann Dolqueist
Nossaman LLP
50 California Street, 34th Floor
San Francisco, CA 94111
ldolqueist@nossaman.com

Johanna Canlas, City Attorney
City of Coronado
501 West Broadway, Suite 1600
Coronado, CA 92101
jcanlas@bwslaw.com

Sunnyslope Water Company
1040 El Campo Drive
Pasadena, CA 91109
sswc01_jcobb@sbcglobal.net

Richard Rauschmeier
California Public Utilities Commission
PAO - Water Branch, Rm 4209
505 Van Ness Ave
San Francisco, CA 94102
rra@cpuc.ca.gov

Ms. Lisa Bilir
California Public Utilities Commission
Public Advocates Office
505 Van Ness Avenue
San Francisco, CA 94102
Lwa@cpuc.ca.gov

East Pasadena Water Company
3725 Mountain View
Pasadena, CA 91107
larry@epwater.com

Christina Baker, City Clerk
City of San Marino
2200 Huntington Drive, 2nd floor
San Marino, CA 91108
cityclerk@cityofsanmarino.org

**ALL DISTRICTS SERVICE LIST
CALIFORNIA-AMERICAN WATER COMPANY**

Annette Juarez, City Clerk
City of Duarte
1600 Huntington Drive
Duarte, CA 91010
ajuarez@accessduarte.com

B. Tilden Kim
Attorney At Law
Richards Watson & Gershon
355 South Grand Avenue, 40th Floor
Los Angeles, CA 90071
tkim@rwglaw.com

Monterey Peninsula Water Mgmt Dist.
Chief Financial Officer
P.O. Box 85
Monterey, CA 93942
suresh@mpwmd.net
arlene@mpwmd.net
Rates Department
California Water Service Company
1720 North First Street
San Jose, CA 95112
rateshelp@calwater.com

Laura Nieto
City of Irwindale
Chief Deputy City Clerk
5050 North Irwindale Avenue
Irwindale, CA 91706
lnieto@IrwindaleCA.gov

Dana McRae
County Counsel
County of Santa Cruz
701 Ocean Street, Room 505
Santa Cruz, CA 95060
dana.mcrae@co.santa-cruz.ca.us

Citrus Heights Water District
6230 Sylvan Road
Citrus Heights, CA 95610
hstraus@chwd.org

Johnny Yu
5356 Arnica Way
Santa Rosa, CA 95403
johnnyyu@sbcglobal.net

Lisa Travis
Deputy County Counsel
County of Sacramento
600 8th Street
Sacramento, CA 95814
travisl@saccounty.net

Barry Gabrielson
bdgabriel1@aol.com

John Corona
Utilities Superintendent
City of Arcadia Water Dept.
Arcadia, CA 91006
jcorona@arcadiaca.gov

San Gabriel Valley Water Company
11142 Garvey Blvd.
El Monte, CA 91734
dadellosa@sgvwater.com

City of Inglewood
City Hall
One W. Manchester Blvd.
Inglewood, CA 90301
brai@cityofinglewood.org

James Boulter
Larkfield/Wikiup Water District Advisory
133 Eton Court
Santa Rosa, CA 95403
jboulter@comcast.net

Tim & Sue Madura
411 Firelight Drive
Santa Rosa, CA 95403
suemadura@sbcglobal.net

City of Sacramento, Water Division
1391 35th Avenue
Sacramento, CA 95822
utilities@cityofsacramento.org

Cliff Finley, PE
Director of Public Works
City of Thousand Oaks
2100 Thousand Oaks Blvd
Thousand Oaks, CA 91363
cfinley@toaks.org

Placer County Water Agency
Customer Service Department
customerservices@pcwa.net

John K. Hawks
Executive Director
California Water Association
601 Van Ness Avenue, Suite 2047
San Francisco, CA 94102-3200
jhawks_cwa@comcast.net

Mary Martin
4611 Brynhurst Ave.
Los Angeles, CA 90043
Marymartin03@aol.com

Brent Reitz
Capital Services
P.O. Box 1767
Pebble Beach CA 93953
reitzb@pebblebeach.com

Marvin Philo
3021 Nikol Street
Sacramento, CA 95826
mhphilo@aol.com

Jim McCauley, Clerk-Recorder
Placer County
2954 Richardson Drive
Auburn, CA 95603
skasza@placer.ca.gov

Jim Heisinger
P.O. Box 5427
Carmel, CA 93921
hbm@carmellaw.com

ALL DISTRICTS SERVICE LIST
CALIFORNIA-AMERICAN WATER COMPANY

Florin County Water District
P.O. Box 292055
Sacramento, CA 95829
fcwd@sbcglobal.net

George Riley
Citizens for Public Water
1198 Castro Road
Monterey, CA 91940
georgetriley@gmail.com

City of Del Rey Oaks
City Hall
650 Canyon Del Rey Road
Del Rey Oaks, CA 93940
Attn: City Clerk
citymanager@delreyoaks.org
kminami@delreyoaks.org

David C. Laredo and Fran Farina
Attorneys at Law
DeLay & Laredo
606 Forest Ave
Pacific Grove, CA 93950
dave@laredolaw.net

City of El Monte
Chief Deputy City Clerk
11333 Valley Blvd
El Monte CA 91731-3293
Cityclerk@elmonteca.gov

County of Ventura
800 South Victoria Avenue
Ventura, CA 93009
wspc@ventura.org

Jennifer Ekblad, MMC, CPM
City Clerk
City of Coronado
1825 Strand Way
Coronado, CA 92118
cityclerk@coronado.ca.us

Amy Van, City Clerk
City of Citrus Heights
6237 Fountain Square Drive
Citrus Heights, CA 95621
avan@citrusheights.net

Yvonne Zepeda, Deputy City Clerk
City of Isleton
P.O. Box 716
Isleton, CA 95641
Yvonne.zepeda@cityofisleton.com

Clerk of the Board
County of Monterey
P.O. Box 1728
Salinas, CA 93902
cob@co.monterey.ca.us

Bernardo R. Garcia
PO Box 37
San Clemente, CA 92674-0037

Mike Niccum
General Manager
Pebble Beach Community Svcs. District
3101 Forest Lake Road
Pebble Beach, CA 93953
mniccum@pbcsd.org

Carmel Area Wastewater District
3945 Rio Road
Carmel, CA 93923
buikema@cawd.org

Monterey Peninsula Water Mgmt Dist.
Chief Financial Officer
P.O. Box 85
Monterey, CA 93942
suresh@mpwmd.net

Laura L. Krannawitter
California Public Utilities Commission
Executive Division, Rm 5303
505 Van Ness Avenue
San Francisco, CA 94102
Laura.krannawitter@cpu.ca.gov

City of Monterey
City Hall
Monterey, CA 93940
Attn: City Clerk
connolly@ci.monterey.ca.us

City of Seaside, City Hall
Seaside, CA 93955
Attn: City Clerk
dhodgson@ci.seaside.ca.us
to'halloran@ci.seaside.ca.us
cityatty@ix.netcom.com
cityattorney@ci.seaside.ca.us

City of Salinas
Christopher A. Callihan, Esq.
City Attorney
200 Lincoln Avenue
Salinas, CA 93901
chrisc@ci.salinas.ca.us

Audrey Jackson
Golden State Water Company
630 E. Foothill Blvd.
San Dimas, CA 91773
afjackson@gswater.com

David Heuck
Accounting
2700 17 Mile Drive
Pebble Beach, CA 93953
heuckd@pebblebeach.com

Mara W. Elliott, City Attorney
City of San Diego
1200 Third Avenue, Suite 1620
San Diego, CA 92101
cityattorney@sandiego.gov

ALL DISTRICTS SERVICE LIST
CALIFORNIA-AMERICAN WATER COMPANY

Thomas Montgomery, County Counsel
County of San Diego
County Administration Center
1600 Pacific Highway, Room 260
San Diego, CA 92101
thomas.montgomery@sdcounty.ca.gov

Sheri Damon
City of Seaside, City Attorney
440 Harcourt Avenue
Seaside, CA 93955
cityatty@ix.netcom.com
cityattorney@ci.seaside.ca.us

Rafael Lirag
California Public Utilities Commission
Administrative Law Judge
505 Van Ness Avenue Room 4101
San Francisco, CA 94102-3214
Rafael.lirag@cpuc.ca.gov

Jacqueline M. Kelly, MMC
City Clerk
City of Imperial Beach
825 Imperial Beach Blvd.
Imperial Beach, CA 91932
jkelly@imperialbeachca.gov

Susan Sommers
City Of Petaluma
P.O. Box 61
Petaluma, CA 94953
suesimmons@ci.petaluma.ca.us

Elizabeth Maland, City Clerk
City of San Diego
202 C Street, 2nd Floor
San Diego, CA 92101
cityclerk@sandiego.gov

Jon Giffen
City Attorney
City of Carmel-By-The-Sea
P.O. Box 805
Carmel-By-The-Sea, CA 93921
jgiffen@kaglaw.net