

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

Advice Letter Cover Sheet

Utility Name: Owens Valley Water Company	Date Mailed to Service List: July 5, 2022
District: n/a	
CPUC Utility #: WTD 279	Protest Deadline (20th Day): July 25, 2022
Advice Letter #: 25-W	Review Deadline (30th Day): Aug 4, 2022
Tier <input type="checkbox"/> 1 <input type="checkbox"/> 2 <input checked="" type="checkbox"/> 3 <input type="checkbox"/> Compliance	Requested Effective Date: Aug 14, 2022
Authorization GO 96-B	
Description: Transfer of CPCN due to sale to Owens Valley Water Resources, Inc.	Rate Impact: \$-0- 0.00%

The protest or response deadline for this advice letter is twenty (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: Lindarea Goldstein	Utility Contact 2: Lawrence M. Morales
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DWA Contact: Tariff Unit
Phone: (415) 703-1133
Email: Water.Division@cpuc.ca.gov

DWA USE ONLY		
DATE	STAFF	COMMENTS
_____	_____	_____
_____	_____	_____
_____	_____	_____

<input type="checkbox"/> APPROVED	<input type="checkbox"/> WITHDRAWN	<input type="checkbox"/> REJECTED
Signature: _____	Comments: _____	
Date: _____	_____	

OWENS VALLEY WATER COMPANY

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July 5, 2022

ADVICE LETTER NO. 25-W

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

REQUEST

By Advice Letter No. 25-W, Owens Valley Water Company (WTD-279) ("OVWC" or "Seller") requests approval of the transfer of its Certificate of Public Convenience and Necessity ("CPCN") and all of OVWC's tariffs due to its sale to Owens Valley Water Resources, Inc. ("OVWR" or "Buyer").

OVWC requests authority under General Order 96-B; General Rules 4.2 and 7.6.2; Water Industry Rule 7.3.3(9); and Section 851 of the Public Utilities Code to complete the sale and transfer of service of OVWC to OVWR.

OVWC hereby submits this filing, the Asset Purchase Agreement ("APA" Attachment 1) between OVWC and OVWR, the valuation of OVWC (Valuation Attachment 2), Technical Memorandum by Trussell Technologies, Inc. ("Trussell" Attachment 3) and Site Report by Precision Utility Management Services ("PUMS" Attachment also Attachment 3), and OVWR Technical, Managerial, Financial Qualification (OVWR TMF Attachment 4), Notice of Proposed Sale to OVWR ("Notice" Attachment 5).

This filing will not conflict with any other schedule or rule.

Provided the Commission approves this Advice Letter, Buyer's acquisition of Seller's assets will occur pursuant to the asset purchase agreement dated May 10, 2022, between the Seller and Buyer.

This advice letter seeks approval of the sale to OVWR to transfer Seller's CPCN so Buyer may assume all public utility responsibilities for operation and ownership of the water utility operations in Seller's current service area. Specifically, OVWC requests CPUC authority:

- i. Transferring Seller's CPCN to Buyer so that Buyer may assume all public utility

- responsibilities for the operation and ownership of the water utility operations in Seller's current service area.
- ii. Relieving Owens Valley Water Company of its public utility responsibilities following completion of the transaction.
 - iii. Retaining the existing rate structure and maintaining existing Commission approved rates and charges in effect at the time the acquisition closes for the acquired water system until January 1, 2024.

The relief in this advice letter request is not controversial. The proposed acquisition furthers important policies and goals set by the California Legislature and the Commission. The acquisition will benefit Owens Valley Water Company customers by significantly increasing water system reliability, resiliency, safety and service. Additionally, the Buyer has access to expertise and capital not possessed by OVWC. Therefore, OVWC requests that this Advice Letter be approved expeditiously.

BACKGROUND

A. Owens Valley Water Company

I, Lindarea Goldstein, own 100% of the stock of OVWC. I do not have the capital that is required to install the much needed upgrades as described by the attached Trussell and PUMS reports

. More precisely, the system needs one or two small steel reservoirs to replace the hydropneumatic tank, addition of a chlorination system and a back-up power generator, among other things. I cannot secure funding from a traditional lender and public loans and grants will not only take several months, if not years to secure, such funding will likely generate tax, further burdening my customers.

I am requesting the asset sale to OVWR because they have the expertise and capital to upgrade the system and benefit customers for the long run.

B. System Description

OVWC obtains its water from a series of three wells. Currently, only two of the wells are operational. It was believed the third well could act as a standby well, but it was later determined that the third well has sustained a much higher level of degradation than was originally believed. As such, it is non-functional. Water from the wells is pumped into a hydropneumatic tank which feeds pressurized water into the distribution line. Well No. 1 steel casing is deteriorating. The well is equipped with a submersible pump that may be rated up to 250 gallons per minute, but current production of the pump is less than 100 gallons per minute. The well pump's 4-inch riser is equipped with just a vent and sample tap to be used while the pump is running. The well's concrete pad is cracked and seems to be in a state of decay. Well No. 2 is not producing in its current state and the owner has no plans of rehabilitating it. Well No. 3 is the primary

production well. It is equipped with a 250 gallon per minute submersible pump that is performing adequately. The well pump's 4-inch riser is equipped with a vent and a check valve. The check valve was added and was not installed to industry standards resulting in significant water hammer after the pump shuts down.

The hydropneumatic tank is approximately 59 years old and has exhausted its lifespan. The tank has one hatch opening and has developed pin-hole leaks. The tank appears to have repair welds or deformations. It does not have a specification tag and the manufacturer is no longer in business. Compounding this system vulnerability is the lack of a functional alternate water source, such as an interconnection with another water agency. Therefore, if the tank malfunctions, the entire OVWC system must be shut down until it is repaired and placed back into service.

According to PUMS and supported by Trussell, the OVWC distribution system requires immediate system upgrades in order to increase its system reliability, safety and resiliency. Trussell highlighted this fact in its report:

*"When delivering water system[s] reliability, safety and resiliency are crucial to maintain continuous drinking water supply and public health. The current existing production facility of OVWC in Bishop, CA, does not have much redundancy in its production, storage, and distribution capacities, and as a result does not offer much reliability and resiliency to its customers. The facility also lacks water quality controls and disinfection systems which would greatly increase the public health [and] safety of its customers."*¹

OVWC's power provider, Southern California Edison, has informed OVWC of the California Independent System Operator ("CAISO") potential rotating outages in the summer months. It also informed OVWC that the CPUC has designated OVWC, a public water utility, as a Category H customer and it is not exempt from Energy Emergency Alert 3 Outages (rotating outages). Without a back-up generator, OVWC does not have access to an alternate power source. Each and every instance in which SCE performs shut downs for maintenance or initiates rotating outages, OVWC water service is shut off for the duration of the outage, depriving customers of water service.

OVWC's current state of the water system is one of high risk. If the hydropneumatic tank fails, there is not any redundancy to rely on. Water service would halt at that point, and the only alternative would be to provide customers with bottled water. Obviously, this situational risk must be mitigated immediately.

BUYER'S TECHNICAL, MANAGERIAL AND FINANCIAL QUALIFICATIONS

Lawrence M. Morales owns 100% of the common stock of Owens Valley Water Resources, Inc. (OVWR).

¹ Trussell Technologies, Inc., Technical Memorandum, Owens Valley Water Co, 2/03/2021, Attachment 3.

OVWR management and staff have decades of experience in the water utility industry. Its lead manager has a State of California Water Certification DIII and TII. Other staff have obtained a DI certification.

Mr. Morales has successfully managed a Class B water utility for over 20 years. He holds a Bachelor of Science degree from Biola University and an MBA from the University of Southern California. He has an extensive background in management and operations, finance, utility legal aspects and has filed general rates cases ("GRC"), CPI, Advice Letter Offset requests and other CPUC regulatory filings. Please refer to Attachment 4 for a more detailed description of OVWR's TMF.

OVWR has immediate access to capital through its subsidiary finance company PFS².

Additionally, the Buyer has been consulting OVWC for close to 4 years. The Buyer has assisted OVWC in filing advice letters, addressing customer concerns, negotiating with contractors and even helping to negotiate a user fee payment plan with the CPUC on behalf of OVWC. Buyer's consulting of OVWC has given OVWR intimate knowledge of the system, operations and customers of OVWC.

For the aforementioned reasons, OVWR is uniquely positioned to acquire OVWC and is ready to immediately begin to increase water reliability, resiliency, quality and safety.

A. Proposed Improvements

The Buyer conducted two site visits to the OVWC plant: one visit in 2018 and the other in 2019. The latter visit was attended by Adam Thaler of the CPUC and Kathy Barton with Inyo County Health Department. Both visits reinforced the Buyer's (PUMS) opinion that the system must be improved. Although Trussell agreed with the majority of PUMS' recommendations, it provided a cost estimate that covered drawings only.³ Further, the estimate totaled \$188,000, less the additional cost of infrastructure. Trussell's estimated figure is well beyond PUMS estimated projections. We believe Trussell's projections were based upon a scenario wherein redundancy and resiliency is achieved, but without regard for the cost constraints faced by a Class D company with 111 service connections. PUMS suggests the following upgrades in year 1 and their estimated costs:

- i. Replacement of the 5,000 gallon hydropneumatic tank with two small steel tanks to pump open-to-atmosphere and obtain proper storage redundancies.
P.E. drawings, footing, delivery and installation: \$35,000- to \$50,000.
- ii. Installation of a back-up power generator: \$10,000 - \$20,000
- iii. Installation of Chlorinator. Procurement, site preparation, installation and

² EIN 86-2284391, CA Sec of State File 202104710977, California State Lender Law License Number 60DBO-151894.

³ Trussell Technologies, Inc., Technical Memorandum for OVWC, February 3, 2021, Attachment 3.

testing: \$25,000 - \$35,000.

VALUATION OF OVWC

As mentioned earlier, OVWC has little to no rate base. Its assets are fully depreciated. Therefore, the Commission has allowed rate of margin treatment when determining its ROR. For this same reason, a discounted cash flow ("DCF") was used to value the company. The estimated valuation of OVWC is within a range of \$142,959 to \$160,899.⁴ Please refer to OVWC Valuation Attachment 2.

CUSTOMER BENEFITS AND PUBLIC INTEREST

A. Improved Access to Capital

If the Commission grants this advice letter request, the current OVWC system would have access to capital for improvements such as reservoirs, back-up power generator and chlorination beginning in year one after closing. Today's lending environment is rapidly becoming more and more inaccessible, particularly for small water systems with no assets to encumber. Lack of funding presents an *uneven playing* field for underserved communities. As a result, people living in communities with a median household income that is lower than the California average, as is the case with OVWC, often experience lower water quality and a higher occurrence of service interruptions. A customer's zip code should not determine their water quality or service. OVWR intends to begin the process of installing upgrades in year one, which would increase redundancy, reliability, resiliency and safety for the community it serves.

B. Improved Technical, Managerial, Financial

If the Commission grants this advice letter request, OVWC's current customers will benefit from OVWR's ability to access capital, its certified operators, the increased compliance with SWRCB and CPUC and decades of experience operating a water system.

C. No Class A Or B Utilities Are Within A Beneficial Distance for Consolidation

Due to OVWC's service area location, Class A water companies have shown no interest in consolidating with OVWC. Further, Meadow Creek (the nearest mutual) and the City of Bishop, have no interest in consolidation with OVWC. In fact, both have viewed consolidation as a liability to their existing customer base. This opinion is understandable.

⁴ OVWC Discounted Cash Flow, Precision Utility Management Services, June 01, 2022, Attachment 2.

TIER DESIGNATION AND REQUESTED EFFECTIVE DATE

This AL and enclosed tariffs are submitted pursuant to Water Industry Rule 7.3.3(5) of General Order (GO.) 96-B and this AL is designated as a Tier 3 filing. This advice letter will become effective upon approval through a Commission Resolution.⁵

NOTICE

OVWC shall inform its customers by mail, or electronic mail, of this AL request.⁶ A copy of this AL has been served to all parties listed on the service list⁷ on the last page of this AL. This filing will not cause withdrawal of service nor conflict with any other schedule or rule.

RESPONSE OR PROTEST⁸

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 this advice letter. A protest objects to this advice letter in whole or in part and must set forth the specific grounds on which it is based. These grounds are:

1. The utility did not properly serve or give notice of this advice letter;
2. The relief requested in this 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 this advice letter contain material error or omissions;
4. The relief requested in this advice letter is pending before the Commission in a formal proceeding;
5. The relief requested in this advice letter requires consideration in a formal hearing, or is otherwise inappropriate for the advice letter process; or
6. The relief requested in this 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 may not rely on policy objections to an AL where the relief requested in the AL follows rules or directions established by statute or Commission order applicable to the utility.

A protest shall provide citations or proofs where available to allow staff to properly consider the protest. The WD must receive a response or protest via e-mail (or postal mail) within twenty (20) days of the date the AL is filed. The addresses for submitting a response or protest are:

⁵ GO. 96-B, Water Industry Rule 7.3.3

⁶ GO. 96-B, General Rule 4.2

⁷ GO 96-B, General Rule 4.3

⁸ GO. 96-B, General Rule 7.4.1

Mailing Address:

Tariff Unit
Water Division, 3rd Floor
California Public Utilities
Commission
505 Van Ness Avenue
San Francisco, CA 94102

Email Address:

water.division@cpuc.ca.gov

On the same day the response or protest is submitted to WD, the respondent or protestant shall send a copy of the protest via postal mail or e-mail to OVWC at:

Mailing Address:

Owens Valley Water Company
Lindarea Goldstein
P.O. Box 691250
Los Angeles, CA 90069

Email Address:

owensvalleywaterco@gmail.com

Cities and Counties that need Board of Supervisors or Board of Commissioners approval to protest should inform WD, within the 20-day protest period, so that a late filed protest can be entertained. The informing document should include an estimate of the date the proposed protest might be voted on.

REPLIES

The utility shall reply to each protest and may reply to any responses. Each reply must be received by WD within five business days after the end of the protest period and shall be served on the same day to the Person who filed the protest or response.⁹

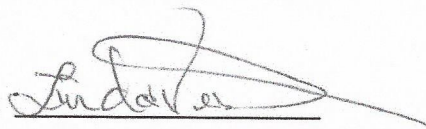
⁹ GO. 96-B, General Rule 7.4.3

CERTIFICATE OF SERVICE

I hereby certify that the service list from Advice Letter 25-W has been served a copy of the AL on 7.5, 2022.

Executed in Los Angeles, California on 7.5, 2022.

Owens Valley Water Company

By: 

Lindarea Goldstein

Owner

Enclosures

Advice Letter 25-W
Service List

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San Francisco, CA 94102

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Robert Keijonen, Esq.
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Meadow Creek Mutual Water
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Bishop, CA 93514

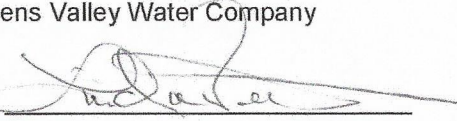
Neil Wasserman
Email: neil@neilsbookkeeping.com

City of Bishop Water Dept.
377 W Line St.
Bishop, CA 93514

Inyo county Water Dept.
135 S. Jackson St.
Independence, CA 93526

I hereby certify that the above service list has been served a copy of AL 25-W on 7.5.2022.
Executed in Los Angeles, California on July 5, 2022.

Owens Valley Water Company

By: 
Lindarea Goldstein
Owner