CALIFORNIA PUBLIC UTILITIES COMMISSION
WATER DIVISION

Advice Letter Cover Sheet

Utility Name:	Golden State Water Company	Date Mailed to Service List:	7/14/2023
District:	Clearlake (Crescent Bay Water System Acquisition)		
CPUC Utility #:	133 W	Protest Deadline (20th Day):	8/3/2023
Advice Letter #:	1905-W	Review Deadline (30th Day):	8/13/2023
Tier	☒ 1 ☐ 2 ☐ 3 ☒ Compliance	Requested Effective Date:	7/14/2023
Authorization	Res. W-5264	Rate Impact:	N/A
Description:	Acquisition Of Crescent Bay Water System		

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: Ronald Moore
Phone: (909) 394-3600 x 682
Email: rkmoore@gswater.com

Utility Contact: Jeff Linam
Phone: (909) 394-3600 x 664
Email: Jeff.Linam@gswater.com

WD Contact: Tariff Unit
Phone: (415) 703-1133
Email: Water.Division@cpuc.ca.gov

WD USE ONLY

DATE	STAFF	COMMENTS
_____	_____	_____
		_____

[ ] APPROVED **[ ] WITHDRAWN** **[ ] REJECTED**

Signature: _____ **Comments:** _____

Date: _____ _____

Golden State Water Company
A Subsidiary of American States Water Company

FILED
JUL 14 2023
PUBLIC UTILITIES COMMISSION
WATER DIVISION

July 14, 2023

Advice Letter No. 1905-W (133 W)

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Golden State Water Company ("GSWC") hereby transmits the following tariff sheets:

CPUC Sheet No	Title of Sheet	Canceling CPUC Sheet No.
Original No. 9287-W	Schedule No. CL-2 Clearlake District Flat Rate Service	
Revised No. 9288-W	Clearlake Tariff Area Map	Revised No. 6839-W
Revised No. 9289-W	Schedule No. LI Customer Assistance Program Residential Single Family Accommodation, Page 1	Revised No. 9235-W
Original No. 9290-W	Preliminary Statement Unanticipated Repair Cost Memorandum Account, Part TTTT	
Revised No. 9291-W	Table of Contents Page 4	Revised No. 9285-W
Revised No. 9292-W	Table of Contents Page 3	Revised No. 9128-W
Revised No. 9293-W	Table of Contents Page 2	Revised No. 9143-W
Revised No. 9294-W	Table of Contents Page 1	Revised No. 9286-W

Subject: *Crescent Bay Acquisition*

PURPOSE

On July 13, 2023, the California Public Utilities Commission ("Commission") adopted Resolution W-5264, which grants GSWC authority to, among other things, 1.) to acquire the Crescent Bay Water System ("Crescent Bay"), 2.) to consolidate Crescent Bay with the Clearlake Customer Service Area, 3.) to allow Crescent Bay customers to remain on their current flat rate until such time as meters can be installed on all services using state funding,

then consolidate Crescent Bay customers into the Clearlake metered tariff no sooner than January 1, 2025, and 4.) to establish an Unanticipated Repair Cost Memorandum Account ("URCMA") for Crescent Bay. Accordingly, GSWC is filing this Tier 1 advice letter to establish the URCMA, add the Crescent Bay Flat Rate Schedule to GSWC's tariff book and revise the Clearlake service map to include the Crescent Bay Water System.

BACKGROUND

On December 20, 2022, GSWC filed Advice Letter No. 1891-W (supplemented by Advice Letter 1891-WA on January 17, 2023) with the Commission to seek authority to acquire the Crescent Bay Water System, an inadequate operated and maintained small publicly owned water utility. As part of its acquisition request, GSWC informed the Commission of its plan to do the following:

(1) Authorize GSWC's proposed acquisition of Crescent Bay.
(2) Grant GSWC authority to consolidate Crescent Bay with the Clearlake Customer Service Area.
(3) Allow Crescent Bay customers to remain on their current flat rate until such time as meters can be installed on all services using state funding, then merge them on GSWC's Clearlake metered tariff. The merge will occur no sooner than January 1, 2025.
(4) Find that GSWC's proposal complies with the rules and guidelines for the acquisition of IOMSWUs, set forth by the Commission in D.99-10-064 and Standard Practice U-14-W.
(5) Find that GSWC's acquisition of Crescent Bay is in the public interest and is consistent with the law.
(6) Find that GSWC complies with all State and Federal drinking water Standards.
(7) To recognize/acknowledge the needed capital improvements to the Crescent Bay Water System and authorize GSWC to rate base the average debt costs on capital investments for the period between when the costs are incurred and when the costs are reimbursed through grant funding.
(8) Authorize GSWC to establish an Unanticipated Repair Cost Memorandum Account ("URCMA") for Crescent Bay.

In Resolution W-5264, the Commission granted GSWC authority to do all the items listed above.

Specifically, Ordering Paragraph Nos. 2, 3, and 5 in Resolution W-5264, states,

> 2. *Golden State Water Company's request to add the Crescent Bay Improvement Company to its Clearlake service tariff is granted.*
>
> 3. *Golden State Water Company's request to allow Crescent Bay Improvement Company's customers to stay on their current flat rate tariff until January 1, 2025, is amended to allow*

customers to stay on their current flat rate tariff for the later of the following options after all meters are installed: a year after meter installation or January 1, 2025.

5. *Golden State Water Company's requests to establish an Unanticipated Repair Cost Memorandum Account is granted on the condition that the memorandum account tracks costs associated with expenses only and not construction expenditures.*

COMPLIANCE

GSWC is filing this Tier 1 advice letter in compliance with Resolution W-5264. GSWC is seeking to 1.) add the Crescent Bay Water System to the Clearlake service area map, 2.) add Rate Schedule No. CL-2 - Crescent Bay Flat Rate Schedule to its tariff book, and 3.) add the Unanticipated Repair Cost Memorandum Account to its Preliminary Statement, as Part TTTT.

GSWC has updated its Schedule No. LI to include Clearlake's Customer Assistance Program Flat Rate Credit for the Crescent Bay customers, until such time they are merged onto Clearlake's metered rate.

EFFECTIVE DATE

This advice letter is submitted with a Tier 1 designation. GSWC is requesting this filing have an effective date of July 14, 2023.

CUSTOMER NOTICE

This advice letter complies with a Commission and there are no rate changes being requested, therefore, a customer notice is not required.

RESPONSE OR PROTEST

Anyone may submit a response or protest for this Advice Letter (AL). When submitting a response or protest, **please include the utility name and advice letter number in the subject line.**

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 AL in whole or in part and must set forth the specific grounds on which it is based. These grounds are:

1. The utility did not properly serve or give notice of the AL;
2. The relief requested in the AL 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 AL contain material error or omissions;
4. The relief requested in the AL is pending before the Commission in a formal proceeding; or

5. The relief requested in the AL requires consideration in a formal hearing, or is otherwise inappropriate for the AL process; or
6. The relief requested in the AL is unjust, unreasonable, or discriminatory, provided that such a protest may not be made where it would require re-litigating a prior order of the Commission.

A protest 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 Water Division must receive a response or protest via email (**or** postal mail) within 20 days of the date the AL is filed. When submitting a response or protest, **please include the utility name and advice letter number in the subject line.**

The addresses for submitting a response or protest are:

Email Address:	**Mailing Address:**
Water.Division@cpuc.ca.gov	CA Public Utilities Commission Water Division 505 Van Ness Avenue San Francisco, CA 94102

On the same day the response or protest is submitted to WD, the respondent or protestant shall send a copy of the protest to Golden State Water Company at:

Email Address:	**Mailing Address:**
regulatoryaffairs@gswater.com	Golden State Water Company Ronald Moore 630 East Foothill Blvd. San Dimas, CA 91773

Cities and counties that need Board of Supervisors or Board of Commissioners approval to protest should inform the Water Division, 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 response. Any reply must be received by the Water Division within five business days after the end of the protest period, and shall be served on the same day on each person who filed the protest or response to the AL.

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.

No individuals or utilities have requested notification of filing of tariffs. Distribution of this advice letter is being made to the attached service list in accordance with General Order No. 96-B.

Sincerely,

/s/ Ronald Moore
Regulatory Affairs Department
Golden State Water Company

c: Terence Shia, CPUC- Water Division
Jim Boothe, CPUC- Water Division
Jeremy Ho, CPUC- Water Division
Victor Chan, CPUC- CalPA
Richard Rauschmeier, CPUC- CalPA

Schedule No. CL-2 (N)
Clearlake District
Flat Rate Service (N)

APPLICABILITY (N)

Applicable to all flat rate water service in the Crescent Bay system. This schedule is closed to new customers.

TERRITORY

Crescent Bay system is located adjacent to Clearlake Park and areas, Lake County.

RATES

	Per Service Connection Per Month
Water Service Fee	$ 125.64

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

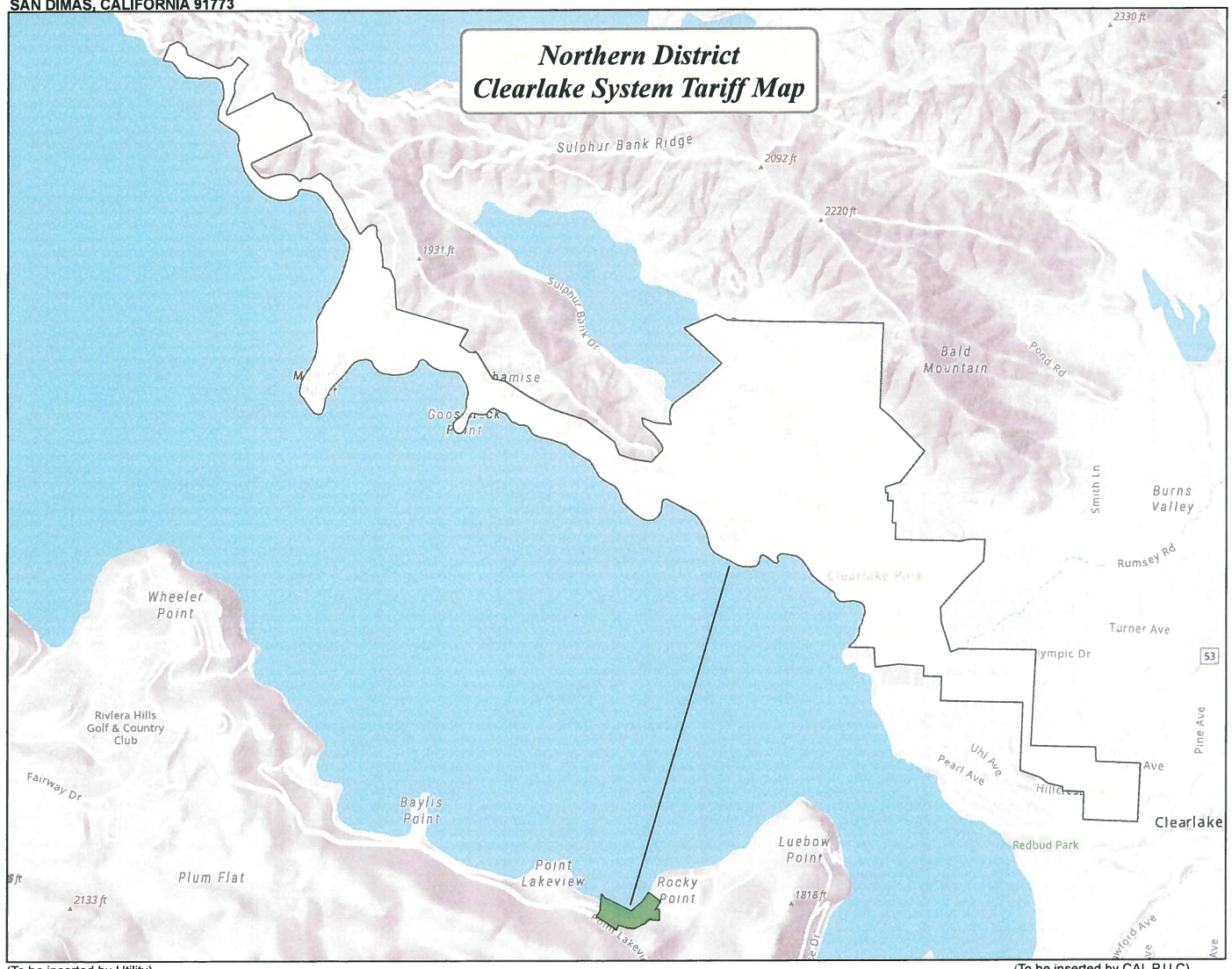
2. A surcharge of $0.54 per customer, per month will be applied to all flat rate customer bills excluding customer that are receiving the CAP credit. This surcharge will offset the CAP credits and CAP administrative program costs recorded in the CAP Balancing Account.

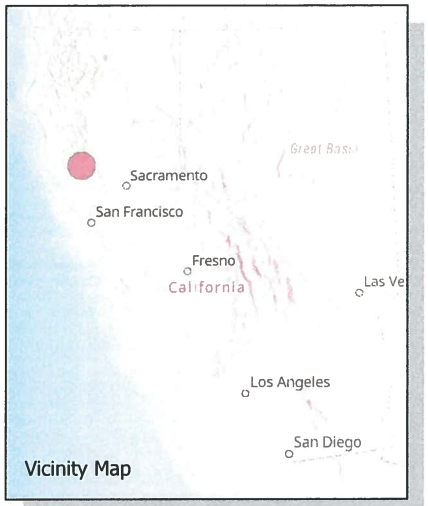
(N)

GOLDEN STATE WATER COMPANY (U 133 W)
630 EAST FOOTHILL BOULEVARD
SAN DIMAS, CALIFORNIA 91773

Revised Cal. P.U.C. Sheet No. 9288-W
Cancelling Revised Cal. P.U.C. Sheet No. 6839-W

Northern District Clearlake System Tariff Map





SHOWING TERRITORY WITHIN WHICH DULY ESTABLISHED AND REGULARLY FILLED TARIFF SCHEDULES APPLICABLE TO WATER SERVICE ARE IN EFFECT

"This map is only an approximate graphical representation of the service area. The underlying referenced GIS shape file shall be considered by the CPUC or any other public body as the final or conclusive determination or establishment of the dedicated area of service, or any portion thereof."

Indicates Existing Service Area

Indicates Service Area Added by the Filing of this Map

Indicates Service Area Being Removed by the Filing of this Map

(To be inserted by Utility)
Advice Letter No. 1905-W
Decision No. _____

ISSUED BY
R.J. SPROWLS
PRESIDENT

(To be inserted by CAL P.U.C.)
Date Filed: _____
Effective: _____
Resolution No. W-5264

Golden State Water Company
A Subsidiary of American States Water Company

Schedule No. LI
Customer Assistance Program (CAP)
Residential Single Family Accommodation

APPLICABILITY

Applicable to residential water service for domestic use rendered to low-income households where the customer meets all the Special Conditions of this rate schedule.

TERRITORY

Within all Customer Service Areas served by the Company.

RATES

Discount applied to the regular filed tariff in the applicable Customer Service Area.

CSA	Monthly CAP Credit Amount	
Arden Cordova	$ 6.10	
		(D)
Bay Point	$ 18.11	
Clearlake	$ 31.10	
Clearlake (Flat)	$ 25.00	(N)
Los Osos	$ 30.09	
Santa Maria	$ 11.10	
Simi Valley	$ 13.10	
Region 2	$ 17.10	
Region 3	$ 13.10	

QUALIFIED NON-PROFIT GROUP LIVING FACILITIES RATES

Non-profit group living facilities, agricultural employee housing facilities, and migrant farm-worker housing centers will receive a flat monthly credit of $28.26.

(Continued)

Preliminary Statement
Crescent Bay Unanticipated Repair Costs Memo Account

TTTT. CRESCENT BAY UNANTICIPATED REPAIR COSTS MEMORANDUM ACCOUNT (N)

PURPOSE: The purpose of the Crescent Bay Unanticipated Repair Costs Memorandum Account ("URCMA") is to track unexpected expenses in the Crescent Bay Water System that are not already in rates.

General Information. Upon acquisition of the Crescent Bay Water System, an Inadequately Operated and Maintained Small Water Utility, GSWC shall record in the URCMA expenses to repair any failed facilities detrimental to the safe operations and delivery of potable water to the customers served by the Crescent Bay Water System. The repairs shall be deemed crucial to the operation of the water system, including but not limited to, failed water pumps and leak repairs.

Note: No construction expenditures will be recorded in the URCMA.

1. **Accounting Procedure**
   The URCMA does not have a rate component.

   Expenditure Entries
   a. A monthly debit entry shall be made to the URCMA to record expenses, which are not already in rates, that are detrimental to the safe operations and delivery of potable water to the customers served by the Crescent Bay Water System.

   Interest
   b. Interest shall accrue on the URCMA on monthly, by applying a rate equal to one-twelfth of the 3-month Commercial Paper Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of month balances.

2. **Effective Date**
   The URCMA shall have the effective date of July 14, 2023.

3. **Disposition of URCMA Balance**
   Disposition of amounts recorded in the URCMA shall be determined in GSWC's next General Rate Case application or by as otherwise determined by the Commission, if the account's cumulative balance exceeds 2% of GSWC's adopted gross revenues. (N)

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GOLDEN STATE WATER COMPANY

SERVICE LIST

CLEARLAKE DISTRICT

Highlands Water Company
14580 Lakeshore Drive
Clearlake, CA 95422

Konocti County Water District
15844 – 35th Street
Clearlake, CA 95422
kcwd@mchsi.com

City Clerk
City of Clearlake
14050 Olympic Drive
Clearlake, CA 95422
mswanson@clearlake.ca.us

City Attorney
City of Clearlake
14050 Olympic Drive
Clearlake, CA 95422

Local Agency Formation Commission
P. O. Box 2694
Granite Bay, CA 95746
j.benoit4@icloud.org

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DATE OF ISSUANCE: 07/14/2023

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION W-5264
July 13, 2023

RESOLUTION

(RES. W-5264) GOLDEN STATE WATER COMPANY. ORDER AUTHORIZING GOLDEN STATE WATER COMPANY TO ACQUIRE CRESCENT BAY IMPROVEMENT COMPANY

By Golden State Water Company's Advice Letter 1891-W; submitted on December 20, 2022, and Advice Letter 1891-WA submitted on January 17, 2023

SUMMARY

By Advice Letter 1891-W submitted on December 20, 2022, as supplemented by Advice Letter 1891-WA (January 17, 2023), Golden State Water Company (Golden State), a Class A water utility, requests Commission authority to: 1) authorize Golden State's proposed acquisition of Crescent Bay Improvement Company (aka Crescent Bay Water System or Crescent Bay); 2) grant Golden State authority to consolidate Crescent Bay with the Clearlake Customer Service Area; 3) allow Crescent Bay customers to remain on their current flat rate until such time as meters can be installed on all services using state funding, then consolidate Crescent Bay customers into the Clearlake metered tariff no sooner than January 1, 2025; 4) find that Golden State's proposal complies with the rules and guidelines for the acquisition of an Inadequately Operated and Maintained Small Water Utility as set forth by the Commission in D.99-10-064 and Standard Practice U-14-W; 5) find that Golden State's acquisition of Crescent Bay is in the public interest and is consistent with the law; 6) find that Golden State is in compliance with all State and Federal drinking water standards; 7) to recognize/acknowledge the needed capital improvements to the Crescent Bay Improvement Company and authorize Golden State to rate base the average debt costs for Allowance For Funds Used During Construction (AFUDC) on capital investments for the period between when the costs are incurred and when the costs are reimbursed through grant funding; and 8) authorize Golden State to establish an Unanticipated Repair Cost Memorandum Account (URCMA) for Crescent Bay.

This Resolution grants Commission authority for the following to Golden State: 1) to acquire Crescent Bay Improvement Company for $1,000 under the terms and conditions set forth in the Asset Purchase Agreement executed on October 12, 2022; 2) to add Crescent Bay to the Clearlake tariff; 3) to allow Crescent Bay customers to remain on their current flat rates until the later of the given options: a year after Golden State completes meter installations, or January 1, 2025; 4) approves Golden State's request for rate base treatment of interest costs using the average debt cost associated with AFUDC for capital expenditures associated with the Crescent Bay system for the period between when the costs are incurred and when the costs are reimbursed through grant funding; and 5) approves Golden State's request to establish an URCMA with clarification that costs applied to the memorandum account are limited to expenses only and not construction expenditures.

This Resolution finds that Golden State's purchase of Crescent Bay is in the public interest if all capital expenditures for metering, rehabilitation, and interconnect of the Crescent Bay system is paid for through grant monies from the State Water Resources Control Board (SWRCB).

BACKGROUND

Crescent Bay Improvement Company (Crescent Bay) was founded in the 1930s and serves approximately 24 residential service connections. The current source of supply is surface water from Clear Lake. The treatment provided is characterized as diatomaceous earth filtration and provides for the necessary removal of Cryptosporidium, Giardia, and viruses. The application of free chlorine, however, combined with dissolved organic content in the water supports the formation of disinfection byproducts (DBP).

Crescent Bay has one redwood storage tank (10,000-gallon capacity), installed in the 1970s. This storage tank leaks; requires frequent patching; and has reached the end of its useful life. There are four polyethylene tanks (5,000-gallon capacity each) currently in operation, which were installed in Crescent Bay's water system in the 1990s. Two of these tanks are used as chlorine contact basins, and two of which act as clearwells. One chlorine contact tank and one clearwell require plastic welding, and both are in poor condition due to age. One contact tank is equipped with an aeration system intended to remove DBPs formed during chlorination. The chlorine contact tanks float together as

they share an inlet and outlet pipe. These tanks can be valved-off and removed from operation independently to perform maintenance.

Crescent Bay has riparian rights allowing it to draw surface water from Clear Lake without paying usage fees. Two 1.5 hp/33 gallons per minute (gpm) manually cycled submersible pumps (Pumps C and D) draw water from the lake and direct it to the treatment plant. Pumps C and D are located approximately 15 and 50 ft. beyond the dock near the water treatment plant (WTP). Pump D is at an unknown depth, and Pump C is located 2 ft. from the lake bottom. Although water level switches installed in a 350-gallon tank at the WTP trigger both surface water pumps, only Pump D has been used recently as it has better raw water quality. Pump C is known to become clogged with algae during the summer months. The intake pumps' controls need to be upgraded to allow for automatic cycling. The water system does not have backup power capabilities, so the intake pumps shut down during power outages leaving customers without reliable water service. Water production between 2010-2015 and 2018-2019 varied seasonally from approximately 83,000 gallons per month in winter to 398,000 gallons per month in summer.

Pressure in Crescent Bay's system is maintained exclusively through elevation head in the system tanks. The target pressure is 20 pounds per square inch (psi) but elevations within the system make this pressure difficult to maintain. The tank site is at an elevation of approximately 1,525 feet, while customer services range from 1,350 feet to as high as 1,420 feet. Any future services located higher than the storage tank cannot maintain a pressure of 20 psi, which would require a water source level approximately 45 feet above any future connection, or the installation of a pumping system. The distribution system primarily consists of 3/4-inch to 2-inch Galvanized Iron (GI) water mains installed in 1935. Portions of the system are located outside of the public right of way, as well as routed across lawns and under structures. The system does not have maintenance easements. The fittings are of unknown age and material but are assumed to have been installed in 1935. Customer laterals are of unknown size and material and are unmetered.

The distribution system includes a single main which branches into four legs along Anderson Road. Each branch of the main is equipped with a manually operated control valve, which can be used to isolate a branch in case of a leak or emergency. Residences which utilize lake water pumped through private irrigation systems are equipped with

backflow assemblies to prevent cross-contamination. Six (6) connections are equipped with backflow devices, which are tested regularly and are in good condition.

The system does not have fire hydrants, but one 2-inch standpipe is located along the distribution main, which is intended for fire protection. This is not considered appropriate or serviceable for fire protection or flushing, due to its small diameter and the relatively low system pressure. Crescent Bay has an existing emergency intertie with Baycliff Water Company to the east, but it has not been used, maintained, or exercised. This intertie is assumed to be inoperable.

Raw water from Clear Lake is treated at the 20-gpm WTP-site using a polymer and sodium hypochlorite injection, and a diatomaceous earth (DE) filtration process. Crescent Bay's water treatment system is manually operated requiring manual reset upon failure. As the system is old, most of the original treatment system controls are inoperable. The Crescent Bay's intake system pumps water through a filter, where it is injected with polymer, and stored in the raw water tank. Water is then pumped through the DE filtration system. Crescent Bay's treatment system is limited by this process. Constant water circulation and frequent replacement of the diatomaceous earth media is required to maintain the DE filters. This is a time-consuming process, particularly in summer months when organic material concentrations are high. Backwash water is stored in waste tanks then applied to a nearby spray field.

After DE filtration, water is stored in a 350-gallon tank and pumped through one 10 hp booster pump and one 5 hp high lift (pressure) pump, then sodium hypochlorite is injected. Turbidity and chlorine are measured downstream of the chlorine injection point. The aeration system in the two polyethylene tanks was installed to assist with the removal of volatile DBPs after formation but has not been effective in preventing DBP violations.

On April 28, 2017, Crescent Bay was issued domestic water supply permit #02-03-17P1700519 by the SWRCB, Division of Drinking Water (DDW) to operate its system.

On August 3, 2020, Crescent Bay was issued Citation No. 02_03_20C_021 by DDW for failure to comply with the maximum containment level for the DBP, total trihalomethanes, and haloacetic acids during the period of the fourth quarter of 2019 to the second quarter of 2020. To address this outstanding citation, Crescent Bay requires additional work to upgrade the system including replacement of infrastructure (mains, services, and meters), tanks, and treatment plant. The system's distribution, storage,

and treatment infrastructure were built approximately 80, 40, and 20 years ago, respectively. The Crescent Bay system deficiencies include ineffective water treatment; aging, undersized and inaccessible distribution mains and appurtenances; manual and aging controls; insufficient storage capacity; degraded tank conditions; and an inaccessible tank site. The Crescent Bay system remains out of compliance due to its lack of financial ability to fund the necessary upgrades.

The majority of Crescent Bay's production and treatment facilities are located at the WTP site. Facilities at the site include backwash, raw, and treated water tanks and a treatment building. The treatment building houses a diatomaceous earth (DE) filter system, polymer and sodium hypochlorite injection systems, two booster pumps, and system controls. Crescent Bay's storage facilities are located at the tank site. Facilities at this site include five tanks and a bubble aeration system. The tank site is accessible only by foot via a 152-step staircase. Most of the system is manually operated, which increases the risk of operational failures during natural disasters. A more accessible storage site and alternate storage solution is needed.

On October 12, 2022, Golden State and Crescent Bay Improvement Company executed an Asset Purchase Agreement (Agreement) for Crescent Bay, a potable water distribution system located in Lake County, California.

Golden State submitted Advice Letter 1891-W on December 20, 2022, requesting to acquire Crescent Bay. Crescent Bay is considered an Inadequately Operated and Maintained Small Water System, as defined in the Settlement Agreement adopted by D.99-10-064, due to its lack of financial capacity necessary to upgrade Crescent Bay's system to comply with State and Federal drinking water standards. Golden State will purchase Crescent Bay for $1,000 in accordance with the Agreement, and all assets will be transferred "as is", free and clear of all encumbrances, claims, and liens.

Golden State plans to consolidate Crescent Bay with its Clearlake district. Improvements to the Crescent Bay system include but are not limited to replacement of distribution mains; replacement of control valves; installation of blowoffs; installation of fire hydrants; and installation of residential meters at each service connection. Golden State proposes two methods to bring Crescent Bay into compliance in response to DDW's Citation No. 02_03_20C_021, either: 1) building a new treatment plant using the existing Crescent Bay intake at Clear Lake; or 2) creating a tie-in with Golden State's Sonoma treatment plant in its Clearlake District to provide a connection to Crescent Bay via a pipeline along the shallow lake bottom.

NOTICE AND PROTESTS

In accordance with General Order 96-B, General Rules 4.3 and 7.2 and Water Industry Rule 4.1, Golden State served copies of Advice Letter 1891-W to the service list which included customers of Crescent Bay and the Clearlake customer service area. In accordance with Water Industry Rule 3.3, Golden State also posted Advice Letter 1891-W and its supplement on its website.

On January 9, 2023, Public Advocates Office submitted a protest to Advice Letter 1891-W on the grounds that (1) Golden State's request for recovery of funds used during construction should align with the company's short-term interest rate or average debt cost instead of the authorized rate of return in the AFUDC; and (2) clarifying that the URCMA should be used to track expenses only instead of any capital expenditures associated with unanticipated repairs.

Golden State responded on January 17, 2023, stating that they did not agree with Public Advocates Office's proposal to limit Golden State's carrying-cost calculation for its AFUDC to short term interest rates or average debt costs instead of calculating carrying costs based on Golden State's authorized rate of return; however, it is willing to accept this change for the purpose of expediting approval of Advice Letter 1891-W. The AFUDC will be added to rate base at the average debt carrying costs on capital investments for the period between when capital expenditures are incurred and when capital expenditures are reimbursed through grant funding.

In addition, Golden State agreed to clarify that the URCMA is limited to recovery of expenses and will not include capital expenditures. Golden State submitted a supplemental Advice Letter 1891-WA incorporating the changes proposed in Public Advocates protest.

On June 8, 2023, Public Advocates Office withdrew its protest stating that Golden State's supplemental Advice Letter 1891-WA successfully resolved the protested issues.

DISCUSSION

Golden State has served 2,100 customers in the Clearlake Customer Service Area for more than 35 years. As a Class A water utility serving over 260,000 customers state-wide for more than 80 years, Golden State has the financial resources and technical experience in operating water systems to ensure the continuation of safe and reliable water service for Clearlake's and Crescent Bay's customers. In addition, the acquisition

will grant Crescent Bay's customers access to Golden State's extensive customer service and online resources, along with Golden State's California Assistance Program.

Under the terms and conditions of the Agreement, Golden State agreed to acquire Crescent Bay for the purchase price of $1,000. The impact on Golden State's rate base from the acquisition of Crescent Bay will be of a nominal amount. We find that the purchase price is reasonable and Golden State has the expertise to provide safe drinking water to Crescent Bay customers. While Golden State can provide safe and reliable drinking water to Crescent Bay, additional analyses are needed to address concerns in Golden State's requests in Advice Letter No. 1891-WA.

Crescent Bay Acquisition and Consolidation with Clearlake

Crescent Bay does not possess the financial capacity necessary to upgrade its water system to comply with State and Federal drinking water standards. Through Golden State's request to acquire and fully consolidate Crescent Bay to its Clearlake CSA, Crescent Bay will have the capacity to install meters for all connections by January 1, 2025, in order to meet the statutory deadline listed in Assembly Bill 2572 (Kehoe, 2004) and Assembly Bill 975 (2009, Fong). In addition, Golden State can provide much-needed upgrades to Crescent Bay's system by using their technical experience and financial capacity to maintain the system for many years to come. The State Water Resources Control Board provided the Technical Assistance Work Plan 6080-A study on May 2021 to evaluate the feasibility and improvements for Crescent Bay and other systems in the area. The study identified other baseline improvements including replacing service laterals; and installing a new distribution system, control valves, and fire hydrants. Golden State estimates the cost for this phase for system improvements to cost $1.7 million and will be paid for through grant funding issued by SWRCB, Division of Financial Assistance (DFA).

Allowance for Funds Used During Construction

Golden State will use its own funding to begin making the necessary capital improvements for Crescent Bay until grant funding from DFA is received. Once grant funding is received, Golden State will stop using its own funds for capital improvements. The carrying costs of capital expenditures prior to grant funds being authorized by DFA will be applied to an AFUDC account at Golden State's average cost of debt for the period between when costs are incurred and when costs are reimbursed through grant funding. Once grant funding is received, Golden State should submit a Tier 2 advice letter to add the AFUDC balance to the Clearlake District's rate base.

Transitional Rates for Crescent Bay

Golden State will continue charging Crescent Bay customers their existing flat rate of $125.64 per month until January 1, 2025, and then transition them to Clearlake's metered rates once meters are installed. Since meters are not currently installed, there will be a time lag that will occur for the meter installation. As an amendment to Golden State's request, Crescent Bay customers will transition to Clearlake's metered rates only (1) Golden State completes the meter installations; and (2) after whichever date is later: either one year after Golden State completes the meter installations, or January 1, 2025. (In other words, if Golden State completes the installations on October 1, 2023, customers would switch to the metered rate on January 1, 2025. If the installations are complete on February 1, 2024, they would switch on February 1, 2025.) This will give customers adequate time to transition from their flat rates to metered rates.

Unanticipated Repair Cost Memorandum Account

Golden State proposes establishing an URCMA to track any costs associated with unanticipated repairs to Crescent Bay, as well as the possible construction of a new treatment facility or infrastructure needed to connect the current facility to Golden State's Sonoma treatment plant. Standard Practice U-14-W Section 8(g) allows utilities to establish an URCMA when acquiring an Inadequately Operated Maintained Small Water Utility and recovery of the URCMA must apply to only the inadequately operated utility. Golden State clarifies in their response to Cal PA's protest that costs applied to the URCMA are limited to recovery of expenses and will not include capital expenditures. Golden State's request to establish an URCMA is granted with the clarification explained above.

California Environmental Quality Act (CEQA) Review

Under Rule 2.4 of the Commission's Rules of Practice and Procedure, applications for authority to undertake any projects that are subject to CEQA shall comply with the review requirements set forth in CEQA, the regulations implementing CEQA, and Rule 2.4. A project triggering a CEQA review is an activity that may cause either a direct or a reasonably foreseeable indirect physical change in the environment.[1] In advice letter

[1] Public Resources Code Section 21065.

1891-W, Golden State requests Commission approval of an Asset Purchase Agreement with Crescent Bay. The Commission has held that CEQA review is not required when a water utility submits an advice letter for approval of the purchase of the assets of another water utility.[2] Therefore, a CEQA review is not required in this Resolution. We recognize that the contractual agreements we approve in this Resolution may result in the future development of projects that are subject to CEQA review, and nothing in this Resolution is intended to alter our authority to review such projects.

Permit Requirement

Pursuant to the provisions of California Health and Safety Code Section 116525(a), the SWRCB requires any person or entity operating a public water system to obtain a domestic water supply permit to operate that water system. Golden State must therefore apply for and receive a permit from the SWRCB to operate Crescent Bay. Prior to obtaining a permit, Golden State must demonstrate to SWRCB that it possesses adequate technical, managerial, and financial (TMF) capability to assure the delivery of pure, wholesome, and potable drinking water. Golden State will send a copy of the completed TMF Assessment Form along with all necessary attachments to the Commission. Accordingly, the transfer of operations of Crescent Bay to Golden State should therefore be conditioned on Golden State obtaining the required permit to operate Crescent Bay.

Conclusion

Water Division finds that Golden State's acquisition of Crescent Bay for $1,000 is reasonable. Golden State has the technical, managerial, and financial expertise to bring the system into compliance with SWRCB's water quality standards. The acquisition is in the public's interest based on Golden State's acquisition of Crescent Bay for $1,000. Golden State's request to record AFUDC and establish the URCMA as discussed in this resolution are granted.

[2] D.21-08-002 at p38 and D.22-10-003 at p25

AFFORDABILITY OF RATES

The median household income (MHI) for Lower Lake, the location where Crescent Bay resides is $34,384[3] and Clearlake's MHI is $37,783.[4] SWRCB considers an area with an MHI of less than 60% of the Statewide MHI, or $47,203, as a severely disadvantaged community,[5] and therefore both Clearlake and Crescent Bay qualify as severely disadvantaged communities. The average monthly bill for a Crescent Bay residential customer is $125.64 per month, which is approximately 4.4% of MHI. The average monthly bill for Clearlake residential customers in 2023 using 5 CCF of water is projected at over $105.00 per month in the current general rate case, A.20-07-012, which is approximately 3.4% of MHI.

Using metrics from Rulemaking (R.)18-07-006, the Crescent Bay location yields an Affordability Ratio at the 20th percentile (AR20) of 12%. This means that customers whose income is at the 20th percentile in this area spend roughly 12% of their income for water utility bills on an annual basis. The 2020 Annual Affordability Report classifies any water utility service area with an AR20 greater than 10% as an Area of Affordability Concern and should be a priority within the Commission.[6] Clearlake's location yields an AR20 of 11.2% and is therefore considered an Area of Affordability Concern.

The Clearlake Customer Service Area has the highest average monthly residential bill for the lowest average water usage of all Golden State rate areas in the state.

ENVIRONMENTAL AND SOCIAL JUSTICE

In February 2019, the Commission adopted an Environmental and Social Justice Action Plan (ESJ Action Plan) to serve as a roadmap to expand public inclusion in Commission decision-making processes to targeted communities across California. 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

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[3] https://www.california-demographics.com/lower-lake-demographics
[4] Census Bureau 2021 Clearlake Data
[5] https://www.waterboards.ca.gov/drinking_water/services/funding/documents/srf/mhi.pdf
[6] 2020 Annual Affordability Report, page 13

decisions and make sure its broad regulatory authority continues to advance equity throughout the state. With this Resolution, the Commission addresses three goals of the ESJ Action Plan: Goal #1"Consistently integrate equity and access considerations throughout Commission regulatory activities;" Goal #3: "Strive to improve access to high-quality water, communications, and transportation services for ESJ communities;" and Goal #5: "Enhance outreach and public participation opportunities for ESJ communities to meaningfully participate in the CPUC's decision-making process and benefit from CPUC programs."

We have considered equity and access considerations through our review of the proposed transaction in this Resolution and note that Crescent Bay and Golden State's Clearlake District are classified as severely disadvantaged communities as defined by the SWRCB and are Areas of Affordability Concern.

Our review of the proposed sale considering the ESJ goals indicates the proposed acquisition of Crescent Bay by Golden State would improve the existing water service by bringing the system into compliance with SWRCB water quality standards. Golden State also has the technical, managerial, and financial expertise as it served water to California customers for over 90 years. Lastly, through the acquisition, Crescent Bay customers may be eligible for rate assistance programs that are currently not readily available through their current water service.

COMPLIANCE

Golden State has no outstanding compliance orders, and the utility has been filing annual reports as required. Golden State is also in compliance with the SWRCB's water quality standards for safe drinking water. Crescent Bay is still subject to an outstanding compliance order as previously discussed in the Resolution, and the acquisition of Crescent Bay by Golden State provides for a pathway to address this outstanding compliance order.

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

COMMENTS

This is an uncontested matter that pertains solely to a transfer of a water corporation in which the resolution grants the relief requested.

Accordingly, pursuant to PU Code § 311(g)(3), the 30-day period for public review and comment is waived.

FINDINGS AND CONCLUSIONS

1. By Advice Letter 1891-W, submitted on December 20, 2022, and supplemented by Advice Letter 1891-WA on January 17, 2022, Golden State Water Company, a Class A water utility, requested authorization to acquire Crescent Bay for $1,000 under the terms and conditions set forth in the Asset Purchase Agreement dated October 12, 2022.

2. The Public Advocates Office submitted a protest to Advice Letter 1891-W on January 9, 2023.

3. Golden State replied to Public Advocates Office's protest on January 17, 2022, and agreed to incorporate changes into its supplemental Advice Letter Filing 1891-WA.

4. Crescent Bay is a publicly operated water system that serves 24 connections and is considered an Inadequately Operated and Maintained Small Water System as defined by Decision 99-10-064 and SP-14-W.

5. On August 20, 2020, Crescent Bay was issued a citation from the State Water Resources Control Board (SWRCB), Division of Drinking Water for failing to comply with the maximum contaminant level for disinfection byproducts HAA5 and has continued to be out of compliance.

6. Crescent Bay is a Severely Disadvantaged Community as defined by the SWRCB.

7. Golden State's Clearlake District is a Severely Disadvantaged Community as defined by the SWRCB.

8. Crescent Bay is an Area of Affordability Concern as defined by the Affordability Ratio at the 20th income percentile (AR20) in the 2020 Annual Affordability Report.

9. Golden State's Clearlake District is an Area of Affordability Concern as defined by AR20 in the 2020 Annual Affordability Report.

10. Golden State's request for the acquisition of Crescent Bay via an advice letter is consistent with the process set forth by Decision 99-10-064 and General Order 96-B.

11. Golden State requests to allow Crescent Bay customers to remain on their current flat rate tariff until installations of meters, no sooner than January 1, 2025, and then consolidate Crescent Bay customers into the Clearlake metered tariff.

12. This resolution finds that Golden State's acquisition of Crescent Bay is in the public interest by providing safe and affordable drinking water for Crescent Bay residents.

13. Crescent Bay customers will benefit from Golden State's technical, managerial, and financial resources as well as low-income programs.

14. Golden State's planned improvements will bring the system into compliance with SWRCB and provide safety features by installing fire protection measures.

15. Golden State complies with all State and Federal drinking water standards.

16. Golden State will apply for grant funding through the SWRCB's Division of Financial Assistance to fully fund Crescent Bay's system improvements.

17. Capital investments to Crescent Bay are needed to bring the system into compliance.

18. It is reasonable to amend Golden State's request to allow for Crescent Bay customers to remain on their current flat rates until (1) Golden State completes meter installations; and (2) after whichever date is later: one year after Golden State completes meter installations, or January 1, 2025.

19. Golden State's request to rate base the average debt costs for Allowance for Funds Used During Construction on capital investments for the period between when investments are made and when the costs of those investments are reimbursed through grant funding should be approved.

20. Golden State' s request to establish the Unanticipated Repair Cost Memorandum Account should be approved on the condition that costs applied to the memorandum account track expenses only and not construction expenditures.

THEREFORE, IT IS ORDERED THAT:

1. Pursuant to Public Utilities Code Sections 851-854 and Resolution ALJ-272, this Resolution authorizes Golden State Water Company to acquire the Crescent Bay Improvement Company for $1,000, under the terms and conditions set forth in the Asset Purchase Agreement signed on October 12, 2022, conditioned on Golden State Water Company obtaining the required permit to operate the Crescent Bay Improvement Company water system from the State Water Resources Control Board.

2. Golden State Water Company's request to add the Crescent Bay Improvement Company to its Clearlake service tariff is granted.

3. Golden State Water Company's request to allow Crescent Bay Improvement Company's customers to stay on their current flat rate tariff until January 1, 2025, is amended to allow customers to stay on their current flat rate tariff for the later of the following options after all meters are installed: a year after meter installation or January 1, 2025.

4. Golden State Water Company is authorized to include Allowance for Funds Used During Construction at the average cost of debt associated with the time between when investments are made to provide safe drinking water for the Crescent Bay Improvement Company and when the costs of those investments are reimbursed through grant funding from the State Water Resources Control Board.

5. Golden State Water Company's requests to establish an Unanticipated Repair Cost Memorandum Account is granted on the condition that the memorandum account tracks costs associated with expenses only and not construction expenditures.

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 July 13, 2023; the following Commissioners voting favorably thereon:

/s/ RACHEL PETERSON
RACHEL PETERSON
Executive Director

ALICE BUSCHING REYNOLDS
President
GENEVIEVE SHIROMA
DARCIE L. HOUCK
JOHN REYNOLDS
KAREN DOUGLAS
Commissioners