

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



June 15, 2022

Ronald K. Moore
Senior Regulatory Analyst
Golden State Water Company
630 East Foothill Blvd.
San Dimas, CA 91773

Dear Mr. Moore,

The Water Division of the California Public Utilities Commission has approved Golden State Water Company's Advice Letter No. 1878, filed on April 29, 2022, regarding acquisition of Robbins Water System.

Enclosed are copies of the following revised tariff sheets, effective May 1, 2022, for the utility's files:

P.U.C. Sheet No.	Title of Sheet
9062-W	Schedule No. AC-3 Arden-Cordova District Flat Rate Service, Page 1
9063-W	Schedule No. AC-3 Arden-Cordova District Flat Rate Service, Page 3
9064-W	Robbins System Tariff Map
9065-W	Table of Contents, Page 4
9066-W	Table of Contents, Page 3
9067-W	Table of Contents, Page 1

Please contact Jeremy Ho at JRY@cpuc.ca.gov or 415-703-1905, if you have any questions.

Thank you.

Enclosures

**CALIFORNIA PUBLIC UTILITIES COMMISSION
WATER DIVISION**

Advice Letter Cover Sheet

Utility Name: Golden State Water Company

Date Mailed to Service List: 4/29/2022

District: Arden-Cordova

CPUC Utility #: 133 W

Protest Deadline (20th Day): 5/19/2022

Advice Letter #: 1878-W

Review Deadline (30th Day): N/A

Tier: 1 2 3 Compliance

Requested Effective Date: 5/1/2022

Authorization: Resolution No. W-5237

Rate Impact: N/A

Description: Acquisition of Robbins 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

Utility Contact: Nguyen Quan

Phone: (909) 394-3600 x 682

Phone: (909) 394-3600 x 664

Email: rkmoore@gswater.com

Email: nquan@gswater.com

WD Contact: Tariff Unit

Phone: (415) 703-1133

Email: Water.Division@cpuc.ca.gov

WD USE ONLY

DATE

STAFF

COMMENTS

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

APPROVED

WITHDRAWN

REJECTED

Signature: _____

Comments: _____

Date: _____



April 29, 2022

Advice Letter No. 1878-W

(133 W)

California Public Utilities Commission

Golden State Water Company (“GSWC”) hereby transmits the following tariff sheets applicable to its Arden-Cordova Customer Service Area (“CSA”):

<u>CPUC Sheet No</u>	<u>Title of Sheet</u>	<u>Canceling CPUC Sheet No.</u>
Original No. 9062-W	Schedule No. AC-3 Arden-Cordova District Flat Rate Service, Page 1	
Original No. 9063-W	Schedule No. AC-3 Arden-Cordova District Flat Rate Service, Page 2	
Original No. 9064-W	Robbins System Tariff Map	
Revised No. 9065-W	Table of Contents, Page 4	Revised No. 9060-W
Revised No. 9066-W	Table of Contents, Page 3	Revised No. 9023-W
Revised No. 9067-W	Table of Contents, Page 1	Revised No. 9061-W

Subject: Acquisition of Robbins Water System

PURPOSE

The purpose of this advice letter is to acquire the Robbins Water System (“Robbins”) from Sutter County Water Works District No. 1 (“WWD1”), pursuant to Resolution No. W-5237, dated June 24, 2021. Specifically, Ordering Paragraph No. 2 in Resolution No. W-5237 states,

2. *Authority is granted to Golden State Water Company to submit a Tier 1 Advice Letter incorporating Robbins’ customers into its Arden-Cordova Customer Service Area and allowing Robbins’ customers to remain on their flat rate tariff for a 12-month period. After the 12-month period, Golden State Water Company must submit*

a Tier 1 Advice Letter transitioning Robbins' customers to Arden-Cordova's metered tariff.

The official acquisition date for the Robbins Water System is set for May 1, 2022.

BACKGROUND

On May 27, 2020, GSWC filed Advice Letter No. 1818-W to do the following:

- (1) To acquire the Robbins Water System ("Robbins") from Sutter County Water Works District No. 1 ("WWD1"), based on Robbins being an Inadequately Operated and Maintained Small Water Utility ("IOMSWU"), as defined in the Settlement adopted by the Commission in its Decision No. ("D.") 99-10-064;¹
- (2) Consolidate Robbins into the Arden-Cordova CSA;
- (3) Allow Robbins customers to remain on their current flat rate tariff for a 12-month grace period, then merge them on the Arden-Cordova general metered tariff AC-1;
- (4) To recognize/acknowledge the needed capital improvements to the Robbins system;
- (5) To establish an Unanticipated Repair Cost Memorandum Account for Robbins;
- (6) To establish a memorandum account to track tax liabilities and expenses (including costs associated therewith) resulting from approval of Golden State's proposed actions in this filing that are not otherwise provided for in a general rate case application or decision.

Resolution No. W-5237 granted five of the six items above. Item 5, the request to establish the Unanticipated Repair Cost Memorandum Account to track costs during the construction of the new well and treatment facility, was denied. Since GSWC was granted its request to consolidate Robbins into Arden-Cordova, an Unanticipated Repair Cost Memorandum Account was deemed unnecessary. Additionally, GSWC will be the recipient of a \$3.8 million principal-forgiveness grant fund from the Division of Drinking Water ("DDW") SAFER program to assist with the well and treatment facility construction, so the need for an Unanticipated Repair Cost Memorandum Account is no longer necessary.

On March 8, 2022, the Sutter County Board of Supervisors voted on and approved the Robbins Purchase and Sale Agreement, the 3rd Amendment, for the Robbins system and the sale of three property parcels that are needed for the Robbins water supply project. A resolution approving the four items passed.

¹ Decision No. 99-10-064, "Order Instituting Rulemaking on the Commission's own motion to set rules and provide guidelines for the Acquisition and Mergers of Water Companies" (Oct. 21, 1999) (hereinafter D.99-10-064) at Appendix D, Section 3.01 (defining an IOMSWU as "any water system serving less than 2,000 customers that is subject to an outstanding compliance order or citation from the Department of Health Services").

REQUEST

Pursuant to Resolution No. W-5237, GSWC is authorized to acquire the Robbins Water System. GSWC is adding Schedule No. AC-3 to service the Robbins customers. A new Robbins System tariff map is also being added to GSWC's tariff book.

TARIFF AMENDMENT

GSWC has established a separate tariff sheet, Schedule No. AC-3, for the Robbins customers. The rates on Schedule No. AC-3 are the same as the existing rates being charged to Robbins customers. This tariff sheet will remain in effect for a 12-month period, after which the Robbins' customers will be merged onto GSWC's Arden-Cordova General Metered tariff, Schedule No. AC-1 and will be billed from that rate schedule going forward. GSWC will file a Tier 1 advice letter, after the 12-month transition period expires, to close Schedule No. AC-3 and remove it from its tariff book. GSWC is also adding a Robbins System tariff map to its tariff book.

CUSTOMER ASSISTANCE PROGRAM ("CAP")

GSWC will offer its CAP program benefits to the Robbins customers, effective upon the acquisition. The key components of the CAP program are 1.) eligibility for the program is based on certain household income and household sizes, 2.) the monthly discount is a fixed amount equal to approximately 20% of the average bill for a residential customer in the Arden-Cordova CSA, and 3.) the costs of the program is recovered through a surcharge applied to all non-CAP customers. Robbins will be consolidated into GSWC's Arden-Cordova CSA and the Robbins' low-income customers will be able to qualify to receive the monthly CAP discount offered in the Arden Cordova CSA.

GENERAL REGULATORY COMPLIANCE

GSWC respectfully submits this advice letter in full compliance with Commission Resolution No. W-5237.

A full copy of Resolution No. W-5237 is attached to this advice letter. See Attachment A.

TIER DESIGNATION

Pursuant to Ordering Paragraph No. 2 in Resolution No. W-5237, this advice letter has a Tier 1 designation. May 1, 2022 is the scheduled acquisition date.

PROTEST AND RESPONSES

Anyone may submit a response or protest for this 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 AL. A **protest** objects to the AL in whole or in part and must set forth the specific grounds on which it is based. These grounds² are:

² G.O. 96-B, General Rule 7.4.2

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.

Water Division (“WD”) 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:
Water.Division@cpuc.ca.gov

Mailing Address:
CA Public Utilities Commission
Division of Water and Audits
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:
regulatoryaffairs@gswater.com

Mailing Address:
Golden State Water Company
Attn: 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 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.

REPLIES³

The utility shall reply to each protest and may reply to any response. Any 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 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.

Sincerely,

/s/Ronald Moore

Ronald Moore

Regulatory Affairs Department

Golden State Water Company

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

³ G.O. 96-B, General Rule 7.4.3

Schedule No. AC-3
Arden Cordova District
Flat Rate Service

APPLICABILITY

Applicable to all flat rate water service in the Robbins System. This schedule is closed to new installations.

TERRITORY

Robbins system is located approximately fifteen miles north of Woodland, in Sutter County.

RATES

	Per Service Connection Per Month
For a single unit of occupancy 1.0 EDUs per unit	\$ 70.00
Commercial, Industrial, Municipal 1.6 EDUs per unit	\$ 112.00
Apartments and Mobile Homes 0.4 EDUs per unit	\$ 28.00
Additional Occupied Structure 1 EDUs per unit	\$ 70.00
School 4.2 EDUs per unit	\$ 294.00

Additional Occupied Structures include any additional structures on a parcel in addition to the primary structure, such structures used for domestic occupancy or commercial use. Additional Occupied Structures shall be assumed to be occupied at all times. The only exception would be if the additional structure is equipped with separate water connection in which case the unit would have a unique Service Agreement.

(N)

(N)

(Continued)

(To be inserted by utility)

Advice Letter No. 1878-W
 Decision No. _____

Issued By
R. J. Sprowls
President

(To be inserted by P.U.C.)

Date Filed April 29, 2022
 Effective May 1, 2022
 Resolution No. W-5237

Schedule No. AC-3
Arden Cordova District
Flat Rate Service

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. UF.
2. For service covered by the above classification the utility shall provide service under Schedule No. AC-1, General Metered Service after a minimum of twelve (12) months of service under Schedule No. AC-3. The customer of record can request to be converted to Schedule No. AC-1 prior to twelve (12) months.
3. Pursuant to Decision No. 19-05-044 and Advice Letter No. 1842-W, a surcharge of \$1.30 per customer, per month will be applied to all flat rate customer bills excluding customers that are receiving the CAP credit. This surcharge will offset the CAP credits and CAP administrative cost recorded in the CAP Balancing Account.

(N)

(N)

(Continued)

(To be inserted by utility)

Advice Letter No. 1878-W
Decision No. _____

Issued By
R. J. Sprowls
President

(To be inserted by P.U.C.)

Date Filed April 29, 2022
Effective May 1, 2022
Resolution No. W-5237




GOLDEN STATE WATER COMPANY (U 133 W)
 630 E. FOOTHILL BLVD. - P.O. BOX 9016
 SAN DIMAS, CALIFORNIA 91773-9016

Original Cal. P.U.C. Sheet No. 9064-W



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

Insert Image of Company Logo Here

(To be inserted by Utility) (To be inserted by P.U.C.)
 Advice Letter No. 1878-W Date Filed April 29, 2022
 Decision No. _____ Effective May 1, 2022
Resolution No. W-5237

Issued By
R. J. Sprouls
 President

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Public Fire Service	AA-5	2931-W	
Cross Connection Control Fee	CCCF	7506-W	
Fire Flow Testing Charge	FF	7659-W	
Water Shortage Contingency and Staged Mandatory Water Conservation and Rationing	14.1	8977-W, 8978-W, 8979-W, 8980-W 8981-W, 8982-W	
Customer Assistance Program	LI	8882-W, 9057-W	
Arden-Cordova District			
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Flat Rate Service	AC-2	8938-W, 8890-W, 9033-W	
Flat Rate Service	AC-3	9062-W, 9063-W	(C)
Bay Point District			
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Los Osos District			
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(To be inserted by utility)
 Advice Letter No. 1878-W
 Decision No. _____

Issued By
R. J. Sprowls
President

(To be inserted by P.U.C.)
 Date Filed 04/29/2022
 Effective 05/01/2022
 Resolution No. W-5237

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Tanglewood	8638-W
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Wrightwood	6428-W

(Continued)

<i>(To be inserted by utility)</i>	<i>Issued By</i>	<i>(To be inserted by P.U.C.)</i>
Advice Letter No. <u>1878-W</u>	R. J. Sprowls	Date Filed <u>April 29, 2022</u>
Decision No. _____	President	Effective <u>May 1, 2022</u>
		Resolution No. <u>W-5237</u>

Table of Contents

The following tariff sheets contain all effective rates and rules affecting rates and service of the utility, together with information relating thereto:

<u>Subject Matter of Sheet</u>	<u>CPUC Sheet No.</u>
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KKK 2016 Interim Rates Memorandum Account	7368-W
MMM Los Osos Basin Management Committee Memorandum Account	
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OOO School Lead Testing Memorandum Account	7481-W

(To be inserted by utility)

Advice Letter No. 1878-W
 Decision No. _____

Issued By

R. J. Sprowls
 President

(To be inserted by P.U.C.)

Date Filed April 29, 2022
 Effective May 1, 2022
 Resolution No. W-5237

GOLDEN STATE WATER COMPANY

SERVICE LIST

ARDEN-CORDOVA DISTRICT

Sacramento Suburban Water District
3701 Marconi Avenue, Suite 100
Sacramento, CA 95821
HHernandez@sswd.org
DYork@sswd.org

Carmichael Water District
7837 Fair Oaks Blvd.
Carmichael, CA 95608
laura@carmichael.org

California-American Water Co.
4701 Beloit Drive
Sacramento, CA 95838
ca.rates@amwater.com

Citrus Heights Water District
6230 Sylvan Road
Citrus Heights, CA 95610

Fair Oaks Water District
10317 Fair Oaks Blvd.
Fair Oaks, CA 95628

Orange Vale Water Co.
P. O. Box 620800
9031 Central Avenue
Orange Vale, CA 95662

City of Folsom
50 Natoma Street
Folsom, CA 95630

City of Rancho Cordova
2729 Prospect Drive
Rancho Cordova, CA 95670

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County of Sacramento
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FOR: COUNTY OF SUTTER

ENVIRONMENTAL SCIENTIST
CALIFORNIA DEPARTMENT OF FISH & GAME
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RANCHO CORDOVA, CA 95670

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COUNTY OF SACRAMENTO
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SACRAMENTO, CA 95812-0839

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SACRAMENTO COUNTY
DEPARTMENT OF WATER RESOURCES
827 7TH STREET, ROOM 301
SACRAMENTO, CA 95814

DIRECTOR
SACRAMENTO COUNTY WATER AGENCY
827 7TH STREET, ROOM 301
SACRAMENTO, CA 95814

OFFICE OF THE COUNTY COUNSEL
1160 CIVIC CENTER BLVD., SUITE C
YUBA CITY, CA 95993

GEORGE CARPENTER
141 MORELLA COURT
ROSEVILLE, CA 95747

Attachment A

DATE OF ISSUANCE: 06/25/2021

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION W-5237

June 24, 2021

RESOLUTION

**(RES. W-5237) GOLDEN STATE WATER COMPANY. ORDER
AUTHORIZING GOLDEN STATE WATER COMPANY TO
ACQUIRE ROBBINS WATER SYSTEM FROM SUTTER
COUNTY WATER WORKS DISTRICT NO. 1.**

**By Golden State Water Company's Advice Letter 1818-W;
submitted on May 27, 2020.**

SUMMARY

By Advice Letter 1818-W submitted on May 27, 2020, Golden State Water Company (Golden State) requests Commission authority to: 1) acquire the Robbins Water System (Robbins) from Sutter County Water Works District No. 1 (Sutter County), based on Robbins being an Inadequately Operated and Maintained Small Water Utility (IOMSWU) as defined in Decision No. 99-10-064; 2) consolidate Robbins into the Arden-Cordova Customer Service Area; 3) allow Robbins' customers to remain on their current flat rate tariff for a 12-month grace period, then merge them on the Arden-Cordova metered rate tariff; 4) recognize/acknowledge the needed capital improvements to the Robbins system; 5) establish an Unanticipated Repair Cost Memorandum Account (URCMA) for Robbins; and 6) establish the Robbins Tax Memorandum Account to track tax liabilities and expenses (including costs associated therewith) resulting from approval of Golden State's proposed actions in this filing that are not otherwise provided for in a general rate case application or decision.

This Resolution grants Commission authority for the following to Golden State: 1) to acquire the Robbins Water System for the purchase price of \$1,000 under the terms and conditions set forth in the August 25, 2020 Second Amendment to Water System Purchase and Sale Agreement, 2) to add Robbins to its Arden-Cordova Customer Service Area; 3) to allow Robbins' customers to remain on their current flat rate tariff for a 12-month grace period; and 4) to grant authority to establish the Robbins Tax

Memorandum Account and recovery to be amortized across Golden State's entire customer base.

This Resolution rejects Golden State's request to establish the Unanticipated Repair Cost Memorandum Account due to the approval of Golden State consolidating the Robbins Water System with the Arden-Cordova Customer Service Area. Standard Practice U-14-W requires recovery of the URCMA from only IOMSWU customers and as Robbins' customers are being consolidated with Arden-Cordova's, the request is moot. In addition, Golden State will receive grant funding to assist with the well and treatment facility construction.

This Resolution finds that Golden State's ability to provide safe and reliable drinking water to the Robbins Water System is in the best interest for the Robbins' customers.

BACKGROUND

The Robbins Water System (Robbins) is a public water system operated by the Sutter County Water Works District No. 1 (Sutter County), a dependent district of the County of Sutter. Robbins contains approximately 94 connections on a flat monthly charge. In 2000, the State Water Resources Control Board granted a water supply permit amendment #01-02-93(P)51002-A1 to Robbins to construct and operate a new well with iron and manganese removal treatment known as the Wagner Aviation Well.

On January 2, 2009, Sutter County was issued a compliance order by the State Water Resources Control Board, Division of Drinking Water (DDW) to lower the average arsenic concentration of the treated water at the Wagner Aviation Well. Samples collected at the Wagner Aviation Well detected arsenic levels that exceeded the maximum contaminant level ("MCL") established for arsenic. Sutter County does not possess the financial capacity necessary to upgrade Robbins to comply with State and Federal drinking water standards and is subject to this outstanding compliance order from DDW.

On August 29, 2008, Golden State submitted Application (A.) 08-08-022 to grant Golden State a Certificate of Public Convenience and Necessity (CPCN) to construct a new non-contiguous service area in the southern portion of Sutter County. Decision (D.) 14-06-051 approved the CPCN and also approved a Settlement Agreement that included the potential future acquisition of Robbins by Golden State. In D. 14-06-051, the Commission did not "pre-approve" Golden State's acquisition of Robbins, rather the Commission would review the acquisition of Robbins when Golden State comes before the Commission to seek approval of the acquisition.

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On December 11, 2015, Sutter County received an amended compliance order, due to the Wagner Aviation Well's continued exceedance of the arsenic MCL in the treated water supply.¹ Furthermore, as specified in the amended compliance order, the failure of Sutter County to bring the potable water from the Wagner Aviation Well into compliance with the arsenic MCL, as specified in Section 64431 and 64432 of the California Code of Regulations, by December 31, 2018, could result in penalties, citations, and/or suspension or revocation of its water system operating permit. On March 1, 2018, DDW issued an additional Compliance Order for Violation of Secondary Drinking Water Standards² (total dissolved solids [TDS], specific conductance, and chloride) and in July 2019, Robbins entered into an Administrative Order on Consent with the US EPA.³ EPA's Administrative Order requires that the system meet the elements of their compliance plan by January 1, 2022.

On March 11, 2016, Golden State submitted Advice Letter No. 1653-W to acquire Robbins. Advice Letter No. 1653-W was supplemented on April 12, 2016 to extend Golden State's California Alternative Rates for Water program to the customer service area, if the Commission granted approval for the acquisition. Advice Letter No. 1653-WA was rejected due to State Water Resources Control Board's rules at the time against extending loans or grants for constructing a well in a recognized flood plain. As such, Golden State's acquisition of Robbins would require private capital investment and thus result in a negative cost-benefit acquisition for existing customers in Golden State Water's Arden-Cordova Customer Service Area. Since this rejection, Golden State has continued working with Sutter County to determine a viable approach to acquiring the Robbins System.

On May 27, 2020, Golden State submitted Advice Letter (AL) No. 1818-W to acquire Robbins, an Inadequately Operated and Maintained Small Water Utility (IOMSWU), and add Robbins to Golden State's Arden-Cordova Customer Service Area. Golden State references Decision 99-10-064 which authorizes utilities the use of an Advice Letter process to acquire an IOMSWU. General Order 96-B, Water Industry Rule Section 7.3.3(10) provides further guidance that a utility acquiring an IOMSWU must submit a

¹ Amended Compliance Order

https://www.waterboards.ca.gov/drinking_water/programs/documents/ddwem/dwp%20enforcement%20actions/Sutter/2015/01_21_15R_008_5100107_02.pdf

² Violation of Secondary Drinking Water Standards,

https://www.waterboards.ca.gov/drinking_water/programs/documents/ddwem/dwp%20enforcement%20actions/Sutter/2018/01_21_18R_001_5100107_MA.pdf

³ Golden State AL 1818-W Exhibit X-13

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Tier 3 Advice Letter which will be disposed of by a Commission resolution pursuant to General Rule 7.6.2.

AL 1818-W outlines Golden State's proposal to drill a new well and install a treatment facility, expected to cost \$3.8 million, to comply with the arsenic MCL and secondary MCLs. Golden State also applied for principal-forgiveness funding through the State Water Resource Control Board DDW's Safe Affordable Funding for Equity and Resilience (SAFER) program to pay for the new well and treatment facilities for the Robbins' customers. Golden State requested to continue applying Robbins' current flat rates to the customers for a 12-month grace period and transition the customers to Arden-Cordova's current metered rates. Sutter County previously installed meters to all connections within the Robbins territory without charging metered rates, and no further meter installations are necessary after Golden State acquires Robbins and transitions the customers from flat rates to metered rates. The 12-month grace period will ease the transition for Robbins' customers to move from flat rate service to metered tariff rates while Golden State will inform these customers of their water usage and potential costs under metered rates.

Lastly, Golden State requests in AL 1818 to establish two memorandum accounts: 1) the Unanticipated Repair Cost Memorandum Account (URCMA) and 2) the Robbins Tax Memorandum Account (RTMA). The URCMA will track any costs associated with unanticipated repairs to Robbins for later recovery in rates, subject to its prudent administration of such repairs. The RTMA will allow Golden State recovery of an estimated \$1.1 million from federal tax liabilities associated with the principal-forgiveness funding. The Tax Cuts and Job Act (TCJA) enacted on December 22, 2017 changed the tax code to cause grant funding to be treated as income, and thus counted as taxable, for private utilities.

On June 15, 2020, Public Advocates Office (CalPA) submitted a letter to Water Division supporting Golden State's acquisition of Robbins. CalPA acknowledges that Sutter County is unable to meet numerous primary and secondary drinking water standards and does not seek profit from its inability to maintain the system at a reasonable cost. CalPA stated that Sutter County's sale of Robbins "appears to be precisely the type of water utility acquisition that can help achieve every Californian's 'right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes.'"⁴

⁴ CalPA's response letter at p. 1.

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Discussions between Water Division and Golden State were held on October 6, 2020, and November 10, 2020, to review strategies to unburden Golden State's customers with the tax liability caused by the TCJA. Golden State recommended distributing the \$1.1 million surcharge among all customers to lessen the surcharge amount paid by Arden-Cordova customers. Water Division suggested that Sutter County request funding through the SAFER program and hire Golden State as an administrator to build the project. Hiring Golden State as an administrator would mitigate the tax liability while allowing Golden State to continue running the project with Sutter County as the grant recipient. Golden State would then acquire Robbins once the project was complete.

On February 23, 2021, Golden State responded via e-mail stating that Water Division's recommendation for Sutter County to receive the grant funding would still incur a tax liability. Golden State cites to Internal Revenue Code (IRC) Sections 61, 115, and 118. IRC Section 61 which defines gross income and provides examples of items specifically included and excluded from gross income in IRC Section 71 to 140. Golden State considered Sutter County's installation of the new well and treatment facility as a contribution in aid of construction (CIAC) where a Fair Market Value (FMV) will be assessed to the new installation. Golden State estimates a tax liability of at least \$1.1 million. Accordingly, Golden State contends that an income tax liability will be assessed on the sale regardless of when Golden State acquires Robbins.

NOTICE AND PROTESTS

In accordance with General Rules 4.3 and 7.2 and Water Industry Rule 4.1 of General Order 96-B, Golden State served copies of Advice Letter (AL) 1818-W to the service list which included customers of Robbins and the Arden-Cordova customer service area. In accordance with Water Industry Rule 3.3 (id.), Golden State also posted the advice letters on their website.

No protests were received in response to Advice Letter No. 1818-W.

DISCUSSION

Golden State has provided water service to its Arden-Cordova Customer Service Area since 1964 and currently serves approximately 16,200 customers in this area. 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 provide safe and reliable water service for the Arden-Cordova and Robbins' customers. In addition, the acquisition will allow Robbins' customers access to Golden

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State's extensive customer service and online resources, along with Golden State's low-income customer assistance program, or the California Alternative Rates for Water program.

Need for Robbins Acquisition and Consolidation with Arden-Cordova

Currently, Robbins is unable to adequately serve its customers with safe and reliable water service as its water quality exceeds the arsenic MCL established by DDW. Therefore, Robbins has been delivering to its customers bottled water, funded by a grant from DDW for potable water needs. Sutter County is applying for an extension of the grant in order to continue to receive funding for bottled water purchases. At the time of the acquisition, Sutter County will transfer the grant to Golden State, at which time Golden State will continue providing bottled water service until the construction of the new well and treatment facility is complete.

Golden State requests to fully consolidate Robbins to its Arden-Cordova Customer Service Area by continuing to charge Robbins' customers a \$70 per month flat rate for a 12-month period and transition them to Arden-Cordova's metered rates following this grace period. During the 12-month timeframe, Golden State will assist in familiarizing Robbins' customers to metered rates by including information in customer bills on their water usage and potential costs when they transition to metered rates.

The distance between Robbins and the closest Arden-Cordova service territory is approximately forty-six miles and both areas would continue to use independent water sources. Financial resources and facility operators are the only items shared among the two districts. However, Robbins is a disadvantaged community⁵, as defined by Health and Safety Code Section 116275, subd. (aa) and placing Robbins in a separate customer service territory with a separate rate design would make rates unaffordable for the Robbins' customers. Water Division finds that Golden State fully consolidating Robbins with Arden-Cordova is in the best interest for the Robbins' customers where they will receive safe and reliable drinking water. Existing Arden-Cordova's customers will benefit from the expansion of the overall customer base with the addition of Robbins customers. In addition, Water Division finds that allowing Robbins' customers to remain on their flat rates for one year while familiarizing them to metered rates is a reasonable method to transition these customers into the Arden-Cordova district.

⁵ "Disadvantaged community" means the entire service area of a community water system, or a community therein, in which the median household income is less than 80 percent of the statewide annual median household income level.

Under the terms and conditions of the August 25, 2020 Second Amendment to Water System Purchase and Sale Agreement, Golden State has agreed to acquire Robbins for the purchase price of \$1,000. The impact on Golden State's rate base from the acquisition of Robbins will be of a nominal amount. Water Division finds that the \$1,000 purchase price is reasonable and should be added to the Arden-Cordova rate base due to Golden State's request for full consolidation of Robbins with Arden-Cordova. Golden State has the expertise to properly provide safe drinking water to Robbins' customers.

Robbins Tax Memorandum Accounts

Golden State applied for \$3.8 million in principle-forgiveness grant funds through DDW's SAFER program to construct Robbins' new well and treatment facility. The Tax Cuts and Jobs Act (TCJA), enacted on December 22, 2017, amended Internal Revenue Code Section 118 to remove a section that exempted water utilities from paying taxes on monies received as grants from government agencies.⁶ Contributions that a utility receives to provide or encourage the provision of services to or for the benefit of the contributor must be reported as income by the utility. Golden State requests establishment of the Robbins Tax Memorandum Account (RTMA) to track the tax liabilities associated with the \$3.8 million grant funding, estimated to reach \$1.1 million and would be amortized in full via a surcharge.

Golden State proposes two options for the tax liability recovery: 1) allocate the surcharge to Arden-Cordova customers only with an estimated \$0.22/CCF surcharge for metered rate customers and an additional \$6.60 surcharge for flat rate customers; or 2) allocate a surcharge across the entire customer base of Golden State with an estimated \$0.020/CCF surcharge for metered rate customers and an additional \$2.90 surcharge for flat rate customers. In order to minimize the potential rate effects, Golden State should submit a Tier 3 advice letter or request in their next General Rate Case to amortize the RTMA across the entire customer base. Water Division finds that establishing the RTMA complies with Standard Practice U-27-W, which provides that costs associated with the RTMA can be tracked due to events of an exceptional nature that: a) are not under the utility's control; b) could not have been reasonably foreseen in the utility's last general rate case; c) will occur before the utility next scheduled rate case; d) are of a substantial nature such that the amount of money involved is worth the effort of processing a memo account; and e) have ratepayer benefits.

⁶ IRC Section 118(c), 1996

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The tax liability is not under the utility's control and was enacted as part of the TCJA 2017 where grant funds are considered taxable income to utilities. The acquisition of Robbins was not foreseen in Golden State's 2017 GRC application. Further discussions were held between Golden State and Sutter County before a settlement agreement was reached. The Administrative Order on Consent (AOC) from the US EPA requires Robbins to comply with the Arsenic MCL and secondary MCL levels prior to January 1, 2022. Golden State's General Rate Case (GRC) for 2022-2024 is expected to be completed by December 2021. The one month between the completed GRC and Administrative Order on Consent is not sufficient for Golden State to complete the necessary improvements.

Golden State is expected to incur a \$1.1 million tax liability from grant funds which is substantial in nature. Lastly, Golden State's request to establish the RTMA will allow Robbins' customers the resources needed to replace and/or upgrade their water system infrastructure to receive much needed potable water.

Unanticipated Repair Cost Memorandum Account

Golden State is requesting to establish the Unanticipated Repair Cost Memorandum Account (URCMA) to track costs during the construction of the new well and treatment facility. Standard Practice U-14-W Section 8(g) allows utilities to establish an URCMA when acquiring an Inadequately Operated Maintained Small Water Utility (IOMSWU) and recovery of the URCMA must apply to only the IOMSWU. However, Golden State requests to consolidate Robbins into Arden-Cordova and therefore the request for a URCMA is moot. In addition, Golden State is requesting \$3.8 million in grants to assist with the well and treatment facility construction. As Golden State is the entity receiving the grant funding it should not be allowed to establish an URCMA.

California Environmental Quality Act (CEQA)

The CEQA Guidelines define "responsible agency" as "a public agency which proposes to carry out or approve a project, for which a lead agency is preparing or has prepared an EIR or negative declaration." (14 Cal. Code Reg. ("CEQA Guidelines"), Sec. 15381.) For purposes of CEQA, the term "responsible agency" includes all agencies other than the lead agency that have "discretionary approval power" over the project (Id.) The approvals referred to in the definition are those within the jurisdiction of the responsible agency, rather than approval of the project as a whole (See, e.g., Public Resource Code Sec. 21153(c).) In the present case the Commission is a responsible agency with respect to the actions requested in advice letter 1818-W.

To comply with CEQA, a responsible agency must consider the final CEQA document prepared by the lead agency and reach its own conclusions on whether and how to approve the project. (CEQA Guidelines 15096(a), (f).) Before reaching a decision, a responsible agency must consider the environmental effects identified in the CEQA document and must independently decide whether to require additional environmental documentation with respect to the parts of the project under its jurisdiction. (Public Resource Code Sec. 21001.1(d); CEQA Guidelines Sec. 15096(a), (f), (g)(1).)

An initial study and Mitigated Negative Declaration were adopted by Sutter County's Water Works District No. 1 in accordance with CEQA guidelines on May 26, 2020. The study finds that the Robbins' project could have a significant impact on the environment under Biological Resources; however, mitigation measures have been incorporated into the project which reduce potential impacts to a less than significant level.

A responsible agency must make the findings required by Public Resource Code Sec. 21081 and CEQA Guidelines 15091 in regard to the part of the project subject to its jurisdiction. The Commission has reviewed the lead agency's Mitigated Negative Declaration and Mitigation Monitoring Program, and the findings supporting them and independently finds that they are adequate for our purposes.

Permit Requirement

Pursuant to the provisions of California Health and Safety Code (CH&S) Section 116525(a), the State Water Resources Control Board (SWRCB) requires any person or entity operating a public water system to obtain a domestic water supply permit (permit) to operate that water system. Golden State must therefore apply for and receive a permit from the SWRCB to operate the Robbins Water System. Prior to obtaining a permit, Golden State must demonstrate to SWRCB that they possess 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 Robbins to Golden State should therefore be conditioned on Golden State obtaining the required permit to operate the Robbins Water System under the new ownership.

Conclusion

As discussed above, Golden State's proposal to acquire the Robbins Water System and consolidate it within Golden State's Arden-Cordova service area is reasonable.

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Accordingly, the Commission should authorize the following: 1) the acquisition of Sutter County's Robbins Water System by Golden State for \$1,000 as stated in the terms and conditions of the Second Amendment to Water System Purchase and Sale Agreement dated August 25, 2020. The addition of the \$1,000 purchase price to Arden-Cordova's rate base as Golden State requests represents a full consolidation of Robbins with Arden-Cordova, 2) that Golden State is granted the authority to add Robbins to the Arden-Cordova Customer Service Area, 3) that Robbins' customers may remain on their flat rate tariff for a 12-month grace period, after which they may be merged into the Arden-Cordova metered rate tariff, and 4) that Golden State may establish a Robbins Tax Memorandum Account to track any income tax liability resulting from the purchase of Robbins.

The Commission should deny Golden State's request to establish the URCMA. While Standard Practice U-14-W Section 8(g) allows utilities to establish an URCMA when acquiring an IOMSWU, recovery of the UCRMA applies only to the IOMSWU. As, Golden State requests to consolidate Robbins into Arden-Cordova this request is moot. Furthermore, as, Golden State is requesting \$3.8 million in grants to assist with the well and treatment facility construction Golden State is the entity receiving the grant funding, and therefore it should not be allowed to establish an URCMA.

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. With this Resolution, the Commission addresses Goals #1 and #3 of the ESJ Action Plan, "Consistently integrate equity and access considerations throughout Commission regulatory activities; and strive to improve access to high-quality water, communications, and transportation services for ESJ communities."

The Commission acknowledges that some populations in California such as those served by Robbins, face higher barriers in accessing safe and affordable utility services. The ESJ Action Plan tasks the Commission with the responsibility to serve Californians in a way that helps address these inequities. The action proposed in this Resolution for the acquisition of Sutter County's Robbins Water System by Golden State creates a pathway to provide safe and reliable water service for the Robbins community that currently does not have access to high-quality water with the previously mentioned water quality issues related to arsenic, TDS, chloride, and specific conductance.

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Robbins is classified as a disadvantaged community, as defined by Health and Safety Code Section 116275, subd. (aa). The California Communities Environmental Health Screening Tool, Version 3 (CalEnviroScreen 3.0) provided by the California Environmental Protection Agency, identifies disadvantaged communities by collecting multiple metrics and outputting a single value at the census tract scale. CalEnviroScreen 3.0 ranks Robbins in the 65-70th percentile of the highest scoring census tracts statewide, the census tract notably falls into the 98th percentile for Impaired Water, and in the 91st percentile for Groundwater Threats. Given these definitions and considerations, this action will provide direct relief to residents of Robbins which experience disproportionately poor water quality and demonstrates the Commission actively improving access to high-quality water for the Robbins Water System with this proposed Resolution.

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. Robbins is still subject to an outstanding compliance order as previously discussed in the Resolution.

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

COMMENTS

Public Utilities Code section 311(g)(1) requires that a proposed resolution be served on all parties and be subject to a public review and comment period of 30 days or more, prior to a vote of the Commission on the resolution.

Accordingly, this proposed resolution was mailed to the utilities and their service lists and made available for public comment on May 7, 2021. Comments in support of this draft resolution were received from Golden State and Regional Water Authority.

FINDINGS AND CONCLUSIONS

1. In July 2019, Sutter County received an Administrative Order on Consent from the EPA for violations of the arsenic MCL and secondary MCLs with a compliance date of January 1, 2022, with respect to the Robbins water system.

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2. By AL 1818-W, submitted on May 27, 2020, Golden State Water Company (Golden State) requested Commission authorization to acquire the Robbins Water System for a purchase price of \$1,000 under the terms and conditions set forth within the filing.
3. On June 5, 2020, Golden State requested funding from the State Water Resources Control Board (SWRCB), Division of Drinking Water's (DDW), SAFER program to construct a new well and treatment facility to comply with the US EPA's Administrative Order on Consent on Robbins' violation of arsenic MCL and DDW's Secondary MCLs for TDS, chloride, and specific conductance.
4. Golden State's request for the acquisition for Robbins by advice letter process is consistent with the process authorized by Decision 99-10-064 and General Order 96-B.
5. Golden State requests full consolidation of the Robbins Water System into the Arden-Cordova Customer Service Area.
6. Golden State requests that Robbins' customers remain on their current flat rate tariff for a 12-month grace period, then be merged onto the Arden-Cordova metered rate tariff.
7. Golden State requests to establish two memorandum accounts: 1) the Unanticipated Repair Cost Memorandum Account and 2) the Robbins Tax Memorandum Account. The Unanticipated Repair Cost Memorandum Account will track additional repair costs that are otherwise unaccounted for. The Robbins Tax Memorandum Account will be used to track the recovery of the estimated \$1.1 million tax liability resulting from the SWRCB grant funding to construct a new well and treatment facility for Robbins.
8. The acquisition serves the interest of the Robbins' customers by providing the "right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes."⁷

⁷ Water Code Section 106.3

9. Existing Golden State's Arden-Cordova's customers will benefit due to the expansion of the existing customer base with the addition of Robbins' customers.
10. No protests were received for Advice Letter 1818-W.
11. On June 15, 2020, Public Advocates Office submitted a letter to Water Division supporting Golden State's acquisition of Robbins which provides Robbins' customers with safe, clean, affordable, and reliable drinking water.
12. An environmental review under the California Environmental Quality Act (CEQA) was completed by Sutter County on January 27, 2020.
13. The Commission reviewed the lead agency's Mitigated Negative Declaration and Mitigation Monitoring Program with the findings supporting them and independently finds that they are adequate for our purposes.
14. The Robbins Water System serves a disadvantaged community as defined by Health and Safety Code Section 116275, subd. (aa).
15. Golden State's request to acquire the Robbins Water System for \$1,000 under the terms and conditions set forth in the August 25, 2020 Second Amendment to Water System Purchase and Sale Agreement is reasonable. This request should be approved and the \$1,000 should be added to Arden-Cordova's rate base.
16. Golden State can provide Robbins' customers with safe, clean, affordable, and adequate drinking water through a full consolidation and should be approved.
17. Allowing Robbins' customers to remain on their current flat rate for a 12-month period, then merging them to Arden-Cordova's metered tariff will allow Robbins' customers to acclimate to metered billing cycles and should be approved.
18. Golden State's request to establish the Robbins Tax Memorandum Account complies with Standard Practice U-27-W and should be approved. Golden State should seek recovery of the Robbins Tax Memorandum Account through

amortization across Golden State's entire customer base by a Tier 3 advice letter or in its next General Rate Case.

19. Golden State should be denied the request to establish an Unanticipated Repair Cost Memorandum account due to the consolidation of Robbins with Arden-Cordova. Recovery of the Unanticipated Repair Cost Memorandum Account applies only to the Inadequately Operated Maintained Small Water Utility and since Robbins is being consolidated with Arden-Cordova, the request is moot. In addition, Golden State is requesting grant funding to assist with the well and treatment facility construction.
20. Golden State should be granted authority to submit a Tier 1 Advice Letter to incorporate Robbins into the Arden-Cordova service territory.

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 Robbins Water System for \$1,000 to be included in the Arden-Cordova Customer Service Area rate base, under the terms and conditions set forth in the August 25, 2020, Second Amendment to Water System Purchase and Sale Agreement.
2. Authority is granted to Golden State Water Company to submit a Tier 1 Advice Letter incorporating Robbins' customers into its Arden-Cordova Customer Service Area and allowing Robbins' customers to remain on their flat rate tariff for a 12-month period. After the 12-month period, Golden State Water Company must submit a Tier 1 Advice Letter transitioning Robbins' customers to Arden-Cordova's metered tariff.
3. Authority is granted to Golden State Water Company to submit a Tier 1 Advice Letter to establish the Robbins Tax Memorandum Account in its Preliminary Statements. Golden State shall submit a Tier 3 Advice Letter or a request in their next General Rate Case to recover through amortization the Robbins Tax Memorandum Account across the entire customer base.
4. Golden State Water Company's request to establish an Unanticipated Repair Cost Memorandum Account is denied.

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 June 24, 2021; the following Commissioners voting favorably thereon:

/s/RACHEL PETERSON

RACHEL PETERSON
Executive Director

MARYBEL BATJER
President

MARTHA GUZMAN ACEVES
CLIFFORD RECHTSCHAFFEN
GENEVIEVE SHIROMA
DARCIE L. HOUCK
Commissioners

**GOLDEN STATE WATER COMPANY
RESOLUTION NO. W-5237
SERVICE LIST**

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