

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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In the Matter of Application of California Water Service Company (U-60-W) for a Certificate of Public Convenience and Necessity to Construct a Public Utility Water System Near Friant, CA in Madera County and to Establish Rates For Service.

Application No. _____

**APPLICATION OF CALIFORNIA WATER SERVICE COMPANY FOR A
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY**

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I. INTRODUCTION

Pursuant to Sections 451 and 1001 of the California Public Utilities Code and Articles 2 and 3 of the California Public Utilities Commission (“Commission”) Rules of Practice and Procedure (“Rules”), California Water Service Company (“Cal Water”) files this Application seeking a Certificate of Public Convenience and Necessity (“CPCN”) to establish a new non-contiguous service area near Friant, CA in Madera County and to establish rates for this service as a part of a new Millerton District.

II. OVERVIEW

In this Application, Cal Water seeks a CPCN from the Commission to provide public utility water and wastewater service to new customers at The Preserve at Millerton (originally known as Millerton North Shore), a 1,100-unit master-planned, mixed-use community in Madera County currently under development that will include residences, commercial/office space, parks, community facilities, and associated infrastructure (the “Project”). The Project was approved by the Madera County Board of Supervisors in 2008 and is currently being pursued by the developer NFV-1 Investments L.L.C. (“Developer”). As part of the development of the Project, Developer

will be constructing potable water, wastewater and irrigation (using recycled water) systems. The Project will be constructed in two phases. Under Phase 1, the Developer will construct up to 300 homes. It is anticipated that Phase 1 of the development will continue for at least the first 5 years of the development. Under Phase 2 the Developer will construct 800 additional homes. The total development at completion will total 1,100 single-family homes. Grading of Phase 1 is currently ongoing. Underground utility installation has started. The next steps in construction are the completion of the grading, finish utility installation, construction of reservoirs and pump stations, equipping the wells to be commissioned for Phase 1, and construction of the wastewater treatment plant. Concurrently with this Application, Cal Water has been working with the permitting agencies on permits for both the drinking water system and wastewater system. Further information regarding the status of the Project is provided in the Direct Testimony of James Gardiner, P.E.

On January 24, 2019, Cal Water and Developer executed an *Asset and Real Property Purchase and Sale Agreement* ("P&S Agreement") under which Developer will sell and Cal Water will pay for certain water distribution system and wastewater system assets currently constructed and to be constructed, as needed to serve the water, sewer, and irrigation needs of the Project once completed. A copy of the P&S Agreement is included as a confidential attachment to the Direct Testimony of Todd Pray. Pursuant to the P&S Agreement, among other items, approval and authorization from the Commission for the requested CPCN here is a condition precedent to closing

on the transaction.¹ Cal Water will then provide water and wastewater services pursuant to the terms of the P&S Agreement and requested CPCN.

III. APPLICANT INFORMATION

A. Corporate Information

The legal name of the applicant is California Water Service Company. Its principal place of business is located at 1720 N. First Street, San Jose, California, 95112. Applicant is primarily engaged in the business of supplying and distributing water for domestic, commercial, industrial, and landscaping purposes in service territories designated by the Commission located in 21 ratemaking areas throughout the state. Applicant is a California corporation. A copy of Applicant's Restated Articles of Incorporation, certified by the California Secretary of State, was filed with the Commission in connection with Application 96-12-029.

B. Notices

Correspondence and communications with respect to this Application should be addressed to:

Natalie D. Wales
Director, Regulatory Policy & Compliance
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1720 N. First Street
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¹ P&S Agreement, p. 19.

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C. Categorization, Need for Hearings, Issues, and Schedule

Cal Water proposes that this Application be categorized as ratesetting. At this time, Cal Water is unable to predict whether this Application will be protested or whether there will be material factual disputed issues on which hearings should be held. The issues to be considered in this Application include (1) whether the Commission should grant a CPCN to Cal Water to provide the proposed service pursuant to Public Utilities Code Section 1001 and (2) whether the proposed rates are just and reasonable in compliance with Public Utilities Code Section 451. Cal Water proposes the following schedules:

If no evidentiary hearings are required:

| Event | Proposed Date |
|-------------------------------|---|
| Application Filed | January 24, 2020 |
| Protests Due | 30 days after Application appears on daily calendar |
| Reply to Protests | 10 days after Protests are due |
| Prehearing Conference | 50 days after Application filed |
| Scoping Memo | 65 days after Application filed |
| Proposed Decision | 155 days after Application filed |
| Comments on Proposed Decision | 175 days after Application filed |

| | |
|-------------------------------------|-----------------------------------|
| Reply Comments on Proposed Decision | 180 days after Application filed |
| Final Decision | Next scheduled Commission meeting |

If evidentiary hearings are required:

| Event | Proposed Date |
|---------------------------------------|---|
| Application Filed | January 24, 2020 |
| Protests Due | 30 days after Application appears on daily calendar |
| Reply to Protests | 10 days after Protests are due |
| Prehearing Conference | 50 days after Application filed |
| Scoping Memo | 65 days after Application filed |
| Intervenors' Testimony Served | 125 days after Application filed |
| Applicant's Rebuttal Testimony Served | 155 days after Application filed |
| Evidentiary Hearings Begin | 175 days after Application filed |
| Opening Briefs Due | 200 days after Application filed |
| Reply Briefs Due | 215 days after Application filed |
| Proposed Decision | 305 days after Application filed |
| Comments on Proposed Decision | 325 days after Application filed |
| Reply Comments on Proposed Decision | 330 days after Application filed |
| Final Decision | Next scheduled Commission meeting |

IV. CPCN INFORMATION

A. Description of Proposed Service Area

The Project is a 2,100-acre master-planned community located in unincorporated Madera County known as The Preserve. Of the 2,100 acres of the property, Developer currently anticipates construction on 879 acres of 1,100 residential lots. Through the P&S Agreement, Cal Water would pay for the constructed water and wastewater infrastructure facilities and construct additional facilities in order to provide water and wastewater utility service to residents at the Preserve. A full description of the proposed construction and the manner it will be constructed is provided in the Direct Testimony of James Gardiner, P.E.

With respect to the proposed service area in this Application, Cal Water would not compete with any other utilities, corporations, persons, or entities – therefore, the requirements of Rule 3.1 are not applicable. Nonetheless, Cal Water will provide notice of the Application as a courtesy to the County of Madera and the City of Madera.

B. Service Area and Map

The Project and proposed service area will be located in Madera County north and east of Road 206, west of the Madera Canal, one mile northwest of the town of Friant located in Madera County. The Project is located on Subdivision Tract Nos. 280, 281, 282, and 283 of Madera County. A proposed service area map is attached as **Exhibit A**. Additional maps are included as confidential attachments to the Direct Testimony of James Gardiner, P.E.

C. Need for Service and Public Utilities Code Section 1002(a) Factors

For the Commission to issue a CPCN, Public Utilities Code Section 1001 requires that the Commission determine that the “present or future public convenience

and necessity require or will require such construction.”² Part of this analysis turns on whether the proposed service territory is currently being “served by a public utility of like character.”³ In this case, the Project is currently being constructed at this time and the Developer has entered into the P&S Agreement with Cal Water to allow it to provide water and wastewater service to the Project.

Cal Water is the largest Class A water utility operating in California under the Commission’s jurisdiction and has been providing water service to the public in California since 1926. The Commission has previously determined that “Cal Water has extensive experience in providing water services in the State of California under the regulated jurisdiction of the Commission since 1926.”⁴ Accordingly, Cal Water has the technical and managerial expertise, financial resources, and economies of scale to serve the anticipated needs of the future residents of the Project. Lastly, as described below, Cal Water’s proposed rates for the Millerton District would be just and reasonable. With respect to wastewater service, Cal Water currently provides wastewater services under an operations and maintenance agreement to the Tesoro Viejo development in Madera County and had previously provided wastewater services under contract to the Tejon Ranch development in Kern County. Additionally, other subsidiaries of Cal Water’s parent company, California Water Service Group, operate wastewater systems in Hawaii, New Mexico, and Washington State. Therefore, the Commission should find the present or future public convenience and necessity will

² Public Utilities Code Section 1001.

³ *Id.*

⁴ D.12-02-003, p. 14 Finding of Fact 5.

require the proposed water and wastewater utility facilities and service by Cal Water for the Project and that authorizing such service would be in the public interest.

Additionally, Public Utilities Code Section 1002(a) requires the Commission to consider certain factors in its consideration of whether to grant a CPCN. As demonstrated below, granting the requested CPCN in this Application would be consistent with each of these factors.

1. Community Values

Approval of the requested CPCN in this Application would be consistent with the community values of the community that Cal Water would serve. The primary community to be served includes the future residents of the Project, which is currently under construction. For background, the Preserve at Millerton is a “Greenfield” or “New Cities” project and as such has no nearby developments. The nearest developed areas are the small hamlet of Friant in Fresno County to the southeast and the Tesoro development to the south (also a Greenfield project) in Madera County. The Preserve at Millerton project is the northern terminus of the Rio Mesa area plan originally adopted by Madera County in the late 1990s. The adjacent and surrounding area(s) of the Preserve project area are in agricultural production, livestock ranching and range land and State Lands (Madera Canal and San Joaquin River recreational area). As a “Greenfield” project, the project is required to develop from the ground-up a new municipal level infrastructure system – completely independent of any existing system (the only public improvements that exist are the electrical distribution/transmission lines and Road 206). Even with the lack of nearby developments, Cal Water has conducted outreach to surrounding property owners, public utility providers, governmental

agencies (local/state/federal), resource conservation districts, irrigation districts and school districts and is not aware of any current opposition to the Project.

The term “community values” is not defined in Section 1002 and the Commission has previously found that “the concept of community values is somewhat fluid.”⁵ However, in general, “[i]n assessing community values, the Commission considers the views of the local community, including the positions of the elected representatives of the area who address a matter on behalf of their constituents.”⁶ Here, the Project has the full support of the local community as reflected by the actions of the elected representatives of the area. For example, the project was approved by the Madera County Board of Supervisors in 2008 with a Final/Certified Environmental Impact Report (“EIR”),⁷ Infrastructure Master Plan and Specific Plan. During the EIR process comments were received and responded to from twenty-six persons, agencies and organizations. The Board of Supervisors approved the project by a 5-0 vote.

Additionally, the Madera County Board of Supervisors approved the first phase of Final Subdivision Maps in August 2019. The actions to approve the four Final Subdivision Maps was a ministerial action under CEQA and the Subdivision Map, as well as, the Madera County Municipal Code. Therefore, limited discussion was conducted at the public hearing. However, the comments by the Board of Supervisor’s reflected their full support of the project and the compliance with the provisions of the Madera County GSP under the SGMA legislation.

⁵ D.10-12-025, p. 8.

⁶ *Id.*

⁷ The Madera County Board of Supervisors voted to certify the Draft EIR documents in their entirety. Therefore, the documents provided in connection with this Application are the EIR documents as certified by the Madera County Board of Supervisors.

Additionally, in assessing “community values,” the Commission has also looked at efforts by the Applicant to diligently and proactively work with the County officials, elected leaders, and community members to ensure that key local objectives are met. For example, prior to filing this Application, Cal Water consulted the following persons/organizations and agencies:

- Chawanakee Unified School District
 - The school district is in the process of planning an elementary school site adjacent to the Preserve at Millerton Project. The school district is in full support of the project and has been issued a will serve letter by Cal Water for water and wastewater.
- Madera Irrigation District (MID)
 - MID has been consulted as part of the project development and fully supports the improvements that will be constructed. MID is supportive of the project’s groundwater sustainability under the provisions of the Madera Sub-Basin GSP.
- Sierra Foothills Conservation District (SFCD)
 - The SFCD is responsible for the maintenance and preservation of the 1,000 acres of habitat preserve land donated to the district by the developer. The SFCD is supportive of the ability to educate not only the residents of the Preserve at Millerton project on natural resources but the general public as well.

- Friant Water Works District #18 (Fresno County) – FWWD
 - Cal Water has consulted with the Friant Water Works District #18 on the development of the Preserve at Millerton Utility systems and has received support. Even though FWWD is in Fresno County the general manager of the district was supportive in the project sustainability and use of recycled water from the wastewater treatment plant.
- United State Bureau of Reclamation (USBR)
 - The developer has the support of USBR in a cooperative agreement for the installation of joint access roads for along the Madera Canal for facilities maintenance and emergency access.
- Central Green – Larry Freels
 - Central Green is a 2,000-acre pistachio orchard located immediately south of the Preserve at Millerton Project. Mr. Freels the owner is currently in the planning process for the development of the land under the Rio Mesa Area Plan with Madera County. As such Mr. Freels and Cal Water have been in consultation regarding the consolidation under SB 1263 of the proposed development (River Ranch) and the Preserve at Millerton project water and wastewater systems.

This evidence indicates community support for the Project. Therefore, the Commission should find that the community values factor weighs in favor of granting the requested CPCN in this Application.

2. Recreation and Park Areas

Cal Water analyzed the impacts to recreation and park areas and believes that such impacts would be minimal or would be mitigated through the mitigation measures adopted in the EIR previously certified in 2008 by the Madera County Board of Supervisors for the Project as a whole (*i.e.*, beyond just the water and wastewater utility infrastructure).⁸ Section 5.14 of the certified EIR analyzed the anticipated impacts of the Project to parks and recreation.⁹

The Project has been designed to provide for a third of the buildable area to be dedicated to recreation, park and open space areas. The parks and recreation areas are designed for both passive and active opportunities. The irrigation of the park and recreation and open space areas will be accomplished by the use of the recycled/reclaimed wastewater (Title 22) via a "purple pipe system." The entire water system for the project has been designed for full sustainability and a net zero groundwater loss under the Sustainable Groundwater Management Act legislation.

Additionally, the Project's recreational trail system will interconnect with the State of California Millerton State Park recreational trail system and the San Joaquin River Trail System. The Project has specific benefit to parks and recreational opportunities in the region and greatly exceeds the Quimby Act requirements for Parks and Recreational space dedication.

⁸ See Section V below.

⁹ EIR, Section 5.14.

The Madera County Board of Supervisor's certified EIR ultimately found that "[i]n consideration of the additional recreational amenities that will be provided by the proposed project to serve both the County population and the population of the project, impacts to existing recreational facilities are less than significant."¹⁰ Therefore, the Commission should find that the recreation and park areas factor weighs in favor of granting the requested CPCN in this Application.

3. Historic and Aesthetic Values

Cal Water also analyzed the impacts to historic and aesthetic values and believes that such impacts would be minimal or would be mitigated through the mitigation measures adopted in the certified EIR.

Section 5.5 of the certified EIR analyzed the impacts of the Project to historical cultural resources.¹¹ Section 5.1 of the certified EIR analyzed the impacts of the Project to aesthetic resources.¹² Cal Water intends to comply with the mitigation measures adopted in the certified EIR to the extent they are applicable.

The certified EIR for the Project included the Mitigation Monitoring and Reporting Program. Under the adopted Mitigation Measures for Aesthetics as it relates to public/utility facilities, all well and potable water treatment facilities shall be enclosed by a wrought iron fencing and perimeter landscaping shall be install to accomplish visual shielding to the surrounding residents and traveling public. Additionally, all water storage tanks shall be designed to avoid visual nuisance to the surrounding landscape and natural environmental and be painted/coated a natural/neutral color with all

¹⁰ EIR, p. 5.14-4 (italics removed).

¹¹ EIR, Section 5.5.

¹² EIR, Section 5.5.

lettering/symbols or designs being prohibited. Moreover, while the certified EIR analyzed the impacts to aesthetic resources for the Project as a whole, Cal Water notes that much of the water distribution infrastructure will be located underground.

Therefore, the Commission should find that the historic and aesthetic values factor weighs in favor of granting the requested CPCN in this Application.

4. Influence on Environment

Cal Water believes that the water and wastewater infrastructure components of the project would have a minimal negative influence on the environment and to the extent that substantial impacts are anticipated to occur, the certified EIR sets forth sufficient mitigation measures. Cal Water intends to comply with the mitigation measures adopted in the certified EIR to the extent they are applicable. Overall, the certified EIR analyzed the impact to the environment in great detail as required by CEQA. Therefore, the Commission should find that the influence on the environment factor weighs in favor of granting the requested CPCN in this Application.

D. Necessary Permits and Agency Authorizations

1. Division of Drinking Water

The initial drinking water permit application was submitted to the Department of Drinking Water ("DDW") by MKN Associates on behalf of Developer on July 18, 2018. Cal Water has had regular discussions on the work required to obtain the drinking water permit. The drinking water permit will not be issued until such time as all Phase 1 water system infrastructure is constructed and functional. To date, Cal Water has collected the Title 22 compliance samples for the Well Nos. 14, 2 & 17 and have received the complete lab results for 14 & 2.

The final drinking water permit application will include an Operations & Maintenance (“O&M”) plan, well logs, final design drawings, maps, Bacteriological Sample Siting Plan (“BSSP”), Emergency Notification Plan (“ENP”), and other supporting documents. Wells need to be operational; water quality testing completed; dedicated bacterial sampling sites, meters, backflow and cross connection devices installed; and storage tanks in place all before DDW will complete a final inspection.

Cal Water is currently preparing the Technical, Managerial, and Financial assessment and operations plan as required by DDW. Various other plans will be prepared as part of the permitting process. These plans include an O&M Plan, BSSP, Disinfection By-Products Plan, and ENP. The permit will not be issued until facilities (wells, tanks, pipelines, etc.) are in place and functional, and DDW has conducted their inspection and approved the construction.

2. Wastewater Permitting

The Report of Waste Discharge (“RWD”) for the Project was originally approved by the Regional Board Water Quality Control Board (“Regional Board”) in 2005. On October 29, 2018, MKN Associates prepared and submitted an Update to the RWD as well as the Title 22 Report. The Regional Board has granted conditional approvals to these reports and work is proceeding with gaining final approval. As part of this effort, Cal Water provided comments on the draft Memo, Notice of Applicability, and Monitoring & Reporting Program documents issued to MKN Associates by the Regional Board. MKN addressed the comments and submitted the documents to the Regional Board.

A Sanitary Sewer Management Plan (“SSMP”) will also be required to be prepared and approved by the Regional Board before operation of the collection system

begins. In addition, per the Notice of Applicability, the following plans must be prepared and submitted to the Regional Board 90 days prior to commencing operations at the Facility:

- Spill Prevention and Emergency Response Plan (Provision E.1.a)
- Sampling Analysis Plan (Provision E.1.b)
- Sludge Management Plan (Provision E.1.c)

For the recycled water use areas, MKN Associates intends to transfer the use area application to Cal Water.

3. Potable Water System Discharge Permitting

The Statewide National Pollutant Discharge Elimination System (“NPDES”) permit for drinking water system discharges to Waters of the United States is obtained when all underground infrastructure is installed. Cal Water will seek the requisite permits at the appropriate time.

4. Air Permitting

The air permitting process commences when any generators are identified and the specifications are available. Cal Water will seek the requisite permits at the appropriate time.

E. Customer and Water Supply Information

1. Water

Per the SB1263 Technical Report prepared by MKN & Associates dated December 3, 2018, the water system for the Project is comprised of seven existing proven wells. The water system will have approximately 10 unique pressure zones – the majority of which will be pumped zones. Each zone will have a minimum of two points of connection while pumped zones will have a redundant booster station design. The

water system will be sized to accommodate fire flows as specified by Madera County Fire standards and for peak hour demands. The distribution and water storage system shall be designed and constructed to meet all health and fire code requirements. Sizing of water supply facilities, tanks and distribution pumps shall be based on the peak demand of the water system. All storage facilities, booster stations, and well treatment and supply facilities shall be constructed to county and American Water Works Association (“AWWA”) standards and equipped with back-up power generators sufficient to maintain operation in the event of a multi-hour power failure. Treatment requirements shall be established in coordination with DDW and Madera County Environmental Health Department. Further information regarding the anticipated water distribution infrastructure is found in the Direct Testimony of James Gardiner, P.E.

2. Wastewater

Due to undulating terrain of the project, the sewer system will consist of a combination of gravity, force main and pressure sewer systems. A sewer treatment plant has been sited on an 11.7-acre parcel adjacent to Cottonwood Creek and South Mesa Neighborhood. This facility will be designed to accommodate an ultimate flow of 0.70 MGD with wastewater treated to a tertiary level. Reclaimed water shall be used on common area landscaping as well as landscaping requirements for school ground, local parks, and landscaped areas. Lift stations will be designed with redundant backup systems. Lift stations will be designed with submersible pumps and a singular wet well. Flow settings will be dictated by the depth of water in the wet well. In areas where lift stations are not deemed economically feasible, pressure sewers will be installed which will require the installation of a grinder pump with a small storage tank at each residence. As the tank fills, the grinder pump emulsifies the effluent and pumps the

sewage into a small diameter discharge pipe under pressure. The possibility exists, given the hilly terrain, that several designated estate home sites will require an onsite septic system. In those situations, percolation will be proven to Madera County Health Department standards. The collection system shall be designed to accommodate peak sewer flows as derived from the Fedorov peaking equations. The treatment plant shall dewater digested sludge prior to disposal to an off-site facility, in accordance with existing USEPA 40 CFR 503 regulations and the State Water Resources Control Board Water Quality #200-01-DWQ *General Waste Discharge Requirements For The Discharge of Bio-solids to Land for use as a Soil Amendment in Agricultural, Silvicultural, Horticultural, and Land Reclamation Activities* (General Order) as applicable. The wastewater treatment process shall meet the requirements of tertiary treatment consistent with Title 22 Requirements. Further information regarding the anticipated wastewater infrastructure is found in the Direct Testimony of James Gardiner, P.E.

3. Customers and Water Supply

The number of customers to be served are estimated to be 46 at the end of the first year and 206 at the end of year 5. Four wells (14, 2, 15 & 17) will be equipped to provide potable water to Phase 1 of the Preserve. The combined production capacity of the wells is 1049 gpm. John Ennis and MKN & Associates have estimated the Maximum Day Demand (MDD) for Phase 1 to be 300 gpm. With the highest producing well (14; 540 gpm) offline, the combined production capacity of the remaining three wells exceed the MDD for Phase 1. A 250,000 gallon storage tank will be constructed on the hill above the Phase 1 area. The tank will provide the required fire flows as well as maintain the pressure in the distribution system for Phase 1 of the development. Further

information regarding the anticipated water supply is found in the Direct Testimony of James Gardiner, P.E.

Treated reclaimed wastewater discharge will also be distributed through purple pipe for irrigating the developed properties and open spaces within the Property. The recycled water system is the means of disposal of the treated effluent from the wastewater treatment plant.

F. Operating Plan

Cal Water currently operates many water systems in California, including in the City of Selma (Cal Water's Selma District) near the Project. Cal Water plans to operate the proposed water system at the Project using the same care and methods it uses to provide water service in the other communities it serves. Cal Water will ensure that the water production and distribution system will be operated and maintained to provide residents at the Project with a safe and reliable water supply that will meet all state and federal water quality standards.

For the proposed service, Cal Water will hire additional full-time employees that will be dedicated to operating and maintaining that potable water system along with procuring additional vehicles for those new employees. In addition, Cal Water employees based at the Preserve will be supported by local management from Cal Water's Selma District, and from Customer Support Services (General Office) in San Jose, California. Cal Water will provide operation and maintenance services, engineering support, 24-hour customer service support, and analytical laboratory support from its San Jose water quality laboratory. The proposed water system will conform to the requirements set forth in General Order 103-A, as discussed further in the Direct Testimony of James Gardiner, P.E.

G. Anticipated Costs

A statement detailing the estimated cost of the proposed water and wastewater systems and the estimated annual costs is provided in the Direct Testimony of Todd Pray. The developer is currently in the process of constructing the potable water and wastewater systems. The systems are being built in multiple phases to correspond with the phases of the overall project. While final costs may not be known for some time, the developer's engineer, Ennis Consulting, provided their latest estimate of the systems asset costs on December 5, 2019. According to the Ennis Consulting estimate, the anticipated phase one cost of the water system is approximately \$2.2 million dollars. The anticipated phase one cost of the wastewater system is approximately \$4.4 million dollars. At project completion, the cost of the water system is estimated to be approximately \$3.2 million dollars and the wastewater system approximately \$4.9 million dollars. Notwithstanding these estimates by developer's engineer, the pricing in the P&S Agreement represents the fair market value of the assets since the pricing was determined through the negotiations of a willing and informed buyer and a willing and informed seller with neither side compelled to enter into the transaction hastily or out of necessity. Pursuant to the P&S Agreement, Cal Water is making incremental payments as connections are established annually. More information regarding the costs is provided in the Direct Testimony of Todd Pray.

H. Financial Information

The 10-K and Proxy Statement of Cal Water's parent company California Water Service Group is included as **Exhibit B** to this Application.

The incremental payment for the assets is small compared to the size of Cal Water and could easily be financed with operating cash flow. However, if long-term

financing is required, the Commission approved Cal Water's most recent financing order, D.16-05-013, on May 12, 2016 granting authority to issue new debt and equity securities of \$350 million, of which \$94 million of that authority remains. Cal Water has also filed A.19-12-013 requesting authority to issue an additional \$700 million of debt and equity securities. More information regarding this financial information is provided in the Direct Testimony of Todd Pray.

I. Proposed Rates

For this Application, Cal Water is proposing to have rate base reflect only the incremental payments less applicable depreciation. The Commission has previously found the incremental payment for system infrastructure as customers move into the development economically feasible and consistent with Commission policies in D.14-06-051. Additionally, since Millerton is a new development, there will likely be very few customers during the initial years after construction begins. Under traditional cost of service rate making, these initial customers would absorb and bear the burden of the fixed costs until more connections are added to the system, which can result in rates that place an unfair economic burden on the first customers. In an effort to alleviate some of this burden, Cal Water also proposes to calculate initial rates using the estimates from year five as a phase-in toward eventual normalized ratemaking. This methodology takes into account the higher estimated customer base and uses rates that are lower than they would be in earlier years. As a result, the rates for water and wastewater using the year five estimate would represent the initial set of tariffs charged to customers from day one of service until new rates are established in a GRC under the normal rate cycle. **Exhibit C** to this Application contains a tariff with Cal Water's

proposed water and wastewater rates for the Millerton District. **Exhibit D** to this Application contains a set of proposed wastewater tariff rules.

Cal Water envisions the rates above being in place for the next few years until they are revisited in a subsequent rate filing. Cal Water's next GRC filing is scheduled to occur in July 2021. At that time, assuming a CPCN is approved, Cal Water will have barely started operating the systems and likely have minimal new information to include in a filing. Given this, if current schedules hold, it is expected Cal Water would include a new proposal in its 2024 GRC filing for a test year beginning in 2026.

With respect to its existing customers, Cal Water is not seeking any increases to current rates in any of its other districts in this Application at this time. Moreover, with the additional customer base achieved through the creation of a water district for the Millerton area, Cal Water will be able to spread shared costs, such as those for Customer Support Services (General Office) in San Jose over a larger number of customers in future proceedings, thereby eventually reducing per customer costs over time.

Further information regarding Cal Water's proposed rates for the proposed Millerton District is provided in the Direct Testimony of Todd Pray.

V. ENVIRONMENTAL REVIEW

The California Environmental Quality Act ("CEQA") (Pub. Resources Code Sections 21000 *et seq.*) applies to discretionary projects to be carried out or approved by public agencies. Since the proposed CPCNs are subject to CEQA and the Commission must issue a discretionary decision without which the project cannot proceed, the Commission must act as either a Lead or a Responsible Agency under

CEQA. The Lead Agency is the public agency with the greatest responsibility for supervising or approving the project as a whole.¹³

With respect to the Project, the Madera County has been acting as the Lead Agency for the proposed construction and the Commission is a Responsible Agency. A certified EIR, Specific Plan, Area Plan, and other related documents were adopted by the Madera County Board of Supervisors on December 8, 2008 under CEQA State Clearinghouse Number 2006011101.¹⁴ Among those documents is an Infrastructure Master Plan that assesses the environmental impacts associated with the water production and distribution system associated with the Project.

The certified EIR analyzed a maximum of 2,966 dwelling units within the Specific Plan. Subsequent to the certification of the EIR by the Madera County Board of Supervisors in 2008, the developer for the Project negotiated with State and Federal agencies in the implementation of the adopted mitigation measures for endangered species and natural resource preservation. The result is the present reduced Project-developable area of approximately 879 acres and 1,100 lots versus the 2,100 acres and 2,966 lots originally approved. Accordingly, Cal Water believes that there will not be any additional environmental impacts from the Project as contemplated today that have not already been assessed as part of the certified EIR.

Similarly, the proposed actions for which Cal Water is seeking authorization from the Commission in this Application are consistent with the certified EIR and its

¹³ CEQA Guidelines, Section 15051(b).

¹⁴ The certified EIR documents adopted by the Madera County Board of Supervisors are included as **Exhibit E** and are being provided on an archival grade DVD to the Commission's docket office in connection with this Application. Please note that while the cover page says "DRAFT," this was the version that was considered and formally certified by the Madera County Board of Supervisors (*i.e.*, there is no further revised "final" draft).

supporting documentation. Therefore, Cal Water respectfully requests that the Commission review and consider Madera County's 2008 certified EIR for the Project for its decision-making purposes under CEQA for this Application.¹⁵

VI. SUPPORTING DOCUMENTATION

In support of this Application, Cal Water also submits the following supporting documentation and testimony:

Exhibit A – Proposed Service Area Map

Exhibit B – 2018 10-K and Proxy Statement

Exhibit C – Tariff of Proposed Rates for Millerton District

Exhibit D – Proposed Wastewater Tariff Rules

Exhibit E – Madera County Board of Supervisors Certified EIR

Direct Testimony of James Gardiner, P.E. – Project scope, Engineering, Operations, and Compliance with General Order 103-A

Direct Testimony of Todd Pray – Anticipated Costs and Proposed Rates

¹⁵ See, e.g., D.07-04-018, pp. 10-12 (reviewing another agency's Mitigated Negative Declaration and finding that it is adequate for the Commission's decision-making purposes under CEQA).

VII. CONCLUSION

For the reasons stated above, Cal Water respectfully requests that the Commission grant it a CPCN to provide water service to the proposed Millerton District and to establish rates for that service.

January 24, 2020

Respectfully submitted,

/s/ Natalie D. Wales

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VERIFICATION

I am an officer of the applicant corporation herein and I am authorized to make this verification on its behalf. The statements in the foregoing document are true of my own knowledge, except as to matters which are therein stated on information or belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on January 24, 2020 at San Jose, California.

/s/ Greg Milleman

Greg Milleman

Vice President, California Rates
California Water Service Company