



ALJ/SW9/jds 09/18/2023

FILED

09/18/23

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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

R22-04-003

Order Instituting Rulemaking to review the existing guiding framework set forth in Decision 99-10-064 (consistent with Public Water System Investment and Consolidation Act of 1997) regarding acquisitions involving water utilities under the Commission's jurisdiction.

Rulemaking 22-04-003

**ADMINISTRATIVE LAW JUDGE'S RULING PROVIDING
THE WORKSHOP REPORT FOR WORKSHOP 3 AND
ALLOWING OPENING AND REPLY COMMENTS**

This Ruling issues the Workshop Report for Workshop 3. Attached to this ruling is the presentation slides from Workshop 3.¹

1. Procedural Background

On April 18, 2022, the Commission approved this Order Instituting Rulemaking (OIR) to improve the current acquisition process and develop a framework which will help to better guide the Commission in reviewing water utility acquisitions for regulated water utilities. Attached to the OIR was a White Paper drafted by staff of the Commission's Water Division. Respondents and other interested parties were provided with the opportunity to file opening and reply comments on the OIR and White Paper. A prehearing conference (PHC) was conducted remotely on August 5, 2022. On October 21, 2022, the assigned

¹ Attachment A is the Workshop 3 Report and Attachment B is the presentation slides from Workshop 3.

Commissioner's Scoping Memo and Ruling (Scoping Memo) was issued. The first of four Workshops was conducted remotely on November 29, 2022.² The Workshop Report for Workshop 1 was issued on February 10, 2023. The Workshop Report for Workshop 2 was issued on June 26, 2023. The parties were provided with the opportunity to make opening and reply comments on the Workshop 1 and 2 Reports. The third Workshop was conducted remotely on June 13, 2023.³ Workshop 3 was recorded and can be viewed at the following link: <https://www.youtube.com/watch?v=AEjT-bl25gY>

This Ruling issues the Workshop Report and the presentation slides from Workshop 3. Parties are now provided with the opportunity to make opening and reply comments on the third Workshop Report as well as the Issues/Questions raised in the Scoping Memo covered during Workshop 3.

2. Issues Covered at Workshop 3

The issues covered at Workshop 3 were:

1. How should the Commission examine ratepayer impacts when reviewing water utility acquisitions? What tests and criteria should be used, if any?
2. Should the impacts on existing customers of the acquiring water utility be included in the review of ratepayer impacts?
3. How should the Commission measure the benefits and costs of water utility acquisitions?

² The topic for Workshop 1 was *Options for Inadequately Operated and Maintained Systems*.

³ The topic for Workshop 2 was *Price and Valuation*. The topic for Workshop 3 was *Ratepayer Impacts*.

4. Should rate impacts from previous acquisitions be assessed when reviewing a proposed water utility acquisition? If so, how?
5. Should the Commission consider expanding the gain on sale rules established in Decision (D.) 06-05-041 to address water utility system acquisitions?
6. Should the Commission consider cost-sharing mechanisms between ratepayers and shareholders for water utility acquisitions?

3. Directions to the Parties

The parties may file and serve opening and reply comments on the third Workshop Report as well as the Issues/Questions raised in the Scoping Memo covered during Workshop 3. Opening comments are due on October 4, 2023. Reply comments are due October 11, 2023. Since many individuals at the Commission continue to work remotely, parties are directed not to send a paper copy of the opening and reply comments to the assigned Administrative Law Judge (ALJ). Parties shall provide only an electronic version of opening and reply comments served via email to the ALJ, unless specifically requested otherwise.

IT IS RULED that:

1. The third Workshop Report from Workshop 3 covering *Ratepayer Impacts* is released via this Ruling.
2. Parties may file and serve opening and reply comments on the Workshop Report from Workshop 3 as well as the Issues/Questions raised in the Scoping Memo and Ruling covered during Workshop 3. Opening comments shall be filed and served by October 4, 2023. Reply comments shall be filed and served by October 11, 2023.

3. At this time opening and reply comments shall be served on the assigned Administrative Law Judge (ALJ) only via email and the parties are directed not to send a paper copy of opening and reply comments to the ALJ.

Dated September 18, 2023, at San Francisco, California.

/s/ GERALD F. KELLY

Gerald F. Kelly
Administrative Law Judge

ATTACHMENT A

WATER DIVISION SUMMARY REPORT ON WORKSHOP #3

RATEPAYER IMPACTS

CALIFORNIA PUBLIC UTILITIES COMMISSION

R.22-04-003

September 12, 2023

(END OF ATTACHMENT A)

ATTACHMENT B

WORKSHOP 3 SLIDE PRESENTATION

