



STATE OF CALIFORNIA

GAVIN NEWSOM, Governor

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298

**FILED**

12/04/23

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A2301010

December 4, 2023

**Agenda ID #22141**  
**Ratesetting**

TO PARTIES OF RECORD IN APPLICATION 23-01-010

This is the proposed decision of Administrative Law Judge Carolyn Sisto. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's January 11, 2024, Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4).

/s/ MICHELLE COOKE

Michelle Cooke

Chief Administrative Law Judge

MLC:avs

Attachment

Decision **PROPOSED DECISION OF ALJ SISTO** (Mailed 12/4/2023)**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Joint Application of Cypress Ridge Sewer Company (U311S) and CSWR-California Utility Operating Company, LLC, for an Order Authorizing Cypress Ridge Sewer Company to Sell its Sewer Facilities to CSWR-California Utility Operating Company, LLC, and for a Certificate of Public Convenience and Necessity for CSWR-California Utility Operating Company, LLC, to Provide Sewer Service.

Application 23-01-010

**DECISION APPROVING THE SALE OF CYPRESS RIDGE SEWER COMPANY'S SEWER FACILITIES TO CSWR-CALIFORNIA UTILITY OPERATING COMPANY, LLC, AND THE CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR CSWR-CALIFORNIA, LLC, TO PROVIDE SEWER SERVICE**

**Summary**

This decision authorizes Central States Water Resources – California Utility Operating Company, LLC (CSWR-California), to acquire the assets of Cypress Ridge Sewer Company's Sewer Facilities in San Luis Obispo County.

This decision further conditionally approves a Certificate of Public Convenience and Necessity to CSWR-California to provide sewer service to customers in California. CSWR-California is directed to seek an operating permit

from the Central Coast branch of the California Regional Water Quality Control Board before starting operation of its acquired sewer assets.

This decision finally authorizes CSWR-California to implement the same rates as currently in place for Cypress Ridge Sewer Company's customers upon the closing of the sale between the two companies.

This proceeding is closed.

## **1. Background**

### **Procedural Background**

On January 5, 2023, Cypress Ridge Sewer Company (Cypress Ridge) and Central States Water Resources-California Utility Operating Company, LLC (CSWR-California), collectively referred to as the Joint Applicants, filed Application (A.) 23-01-010 seeking Commission authorization of the sale of Cypress Ridge's sewer facilities to CSWR-California, and for approval of a Certificate of Public Convenience and Necessity (CPCN) for CSWR-California to provide sewer service. The Joint Applicants stated the acquisition would be accomplished pursuant to an "Amended and Restated Agreement for Sale of Utility System" the two entities signed on September 1, 2022 (hereinafter Agreement).

No protest or response to A.23-01-010 was timely filed.

On May 9, 2023, the assigned Administrative Law Judge (ALJ) held a prehearing conference (PHC) to establish the service list and to discuss the categorization of, scope of issues, and schedule for the proceeding.

On September 8, 2023, the Assigned Commissioner issued the Scoping Memo and Ruling (Scoping Memo) identifying the scope of issues in this proceeding and setting the procedural schedule. Given there were no parties

intervening in this proceeding, this matter was submitted on September 8, 2023, with the issuance of the Scoping Memo.

### **1.1. Background on Cypress Ridge Sewer Company**

Cypress Ridge's wastewater system serves approximately 449 customers in a residential subdivision near Arroyo Grande, California, in San Luis Obispo County. Cypress Ridge's existing CPCN was granted in Decision (D.) 17-10-013, which also authorized the transfer of sewer utility assets from Rural Water Company to Cypress Ridge. Rural Water Company previously provided sewer utility service to the Cypress Ridge subdivision of Arroyo Grande, CA, and its assets were transferred to Cypress Ridge after Commission approval.<sup>1</sup>

Mr. Charles M. Baker owned Cypress Ridge until his passing. His widow, Mrs. Kathy Baker, is now seeking to divest herself of Cypress Ridge's sewer utility assets proposed in the instant Application.<sup>2</sup>

### **1.2. Background on CSWR-California**

CSWR-California's parent company is Central States Water Resources (Central States). Central States' affiliate group is headquartered in St. Louis, Missouri and operates over 500 water or wastewater systems in 10 states, currently.<sup>3</sup> Central States' affiliate group's utility operating companies serve over 95,000 connections, combined.<sup>4</sup>

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<sup>1</sup> We note that in D.14-08-059, the Commission granted a rehearing request for Resolutions W-4946 and W-4968 solely related to factual and ratemaking issues raised in those two resolutions. The rehearing is being addressed in a separate resolution and not addressed in this decision.

<sup>2</sup> A.23-01-010 at 3-4.

<sup>3</sup> See Exhibit CSWR-1 at 5-6. Central States operates and is regulated by public utilities commissions in Missouri, Mississippi, Kentucky, Louisiana, Texas, Tennessee, North Carolina, Arizona, Florida, and Arkansas.

<sup>4</sup> Exhibit CSWR-1 at 6.

Since 2015 Central States' affiliates have invested and operate in sanitary sewer service across 10 states. Central States' affiliates are familiar with the regulatory approval processes necessary to construct new facilities or implement improvements to existing sewer infrastructure. Similarly, the affiliates have, with regulatory approval, invested in drinking water systems across the 10 states, including the construction of ground water storage tanks and repairs to leaking water lines.<sup>5</sup>

## **2. Jurisdiction**

Public Utilities Code (Pub. Util. Code) §§ 851–854 require advance approval of a CPCN and authorization by the Commission for transfer or sale of assets before any entity can acquire or purchase regulated utility assets. The Commission additionally reviews proposed water utility ownership changes under Pub. Util. Code §§ 2718-2720 to ensure the fair market value is used when determining how much of the purchase price of the acquired water company is to be incorporated into the rates of the purchasing water company. Because the Joint Applicants are not proposing to adjust customers' rates in this application, the fair market value of the assets could be considered when or if CSWR-California files a separate application to adjust rates for the customers served by the assets being purchased from Cypress Ridge.

In evaluating whether an acquisition should be approved, the Commission must consider, among other things:

1. Whether the transaction will improve the financial condition of the public utility;

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<sup>5</sup> Exhibit CSWR-1 at 6.

2. Whether the acquisition will maintain, or improve, the management of the utility and the quality of service to the utility's ratepayers; and
3. Whether the acquisition will be generally beneficial to the community served by the public utility.

Finally, Pub. Util. Code §§ 1001-1002 discuss the requirements acquiring companies must meet to receive a CPCN.

### **3. Issues Before the Commission**

The issues to be considered in this proceeding are as follows:

1. Whether the Commission should approve the Purchase Agreement memorializing the sale of sewer assets and facilities from Cypress Ridge to CSWR-California.
2. Do the terms of the Purchase Agreement comply with Pub. Util. Code Sections 851 to 854?
3. Does CSWR-California meet all the requirements to hold a certificate of public convenience and necessity to provide sewer service?
4. Should a certificate of public convenience and necessity to provide sewer service be granted to CSWR-California?
5. Whether Cypress Ridge should be relieved of its public utility responsibilities to provide sewer service following approval and completion of the Purchase Agreement.
6. Whether CSWR-California should continue to charge the current rates under Cypress Ridge's existing tariffs at the completion of the Purchase Agreement.
7. Whether the Application raises any safety concerns.
8. Whether the Application complies with applicable General Orders (GOs), including GO 104-A.<sup>6</sup>

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<sup>6</sup> GO 104-A, among other items, requires all public utilities providing service in California that have annual operating revenues that exceed \$50,000 per year to provide annual reports to the Commission and provide information about any executive that holds 10 percent or more voting power in the utility.

9. Whether the Application raises any issues concerning environmental and social justice communities.
10. Whether the Application complies with any other applicable Commission precedent, rules, and regulations.

#### **4. Proposed Sale of Cypress Ridge Sewer Facilities**

CSWR-California and Cypress Ridge entered into the Amended and Restated Agreement for Sale of Utility System (Agreement) on September 1, 2022.<sup>7</sup> Cypress Ridge's sewer assets are currently owned by The Baker Living Trust. Neither Cypress Ridge nor its sewer customers are charged by The Baker Living Trust for use of the sewer assets. Under the Agreement, Central States Water Resources, Inc., would acquire the tangible sewer system assets of Cypress Ridge and the associated real property assets of The Baker Living Trust.<sup>8</sup>

##### **4.1. CSWR-California's Qualifications**

CSWR-California stated the experience its parent company, Central States, has built operating and seeking regulatory approval for improvements of water and wastewater systems in 10 different states provide it with expertise that smaller utility operators, like Cypress Ridge, do not have the capacity to access. CSWR-California also noted that its centralized management could provide economies of scale that Cypress Ridge is not currently able to provide its customers, given its small scale of operations.<sup>9</sup>

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<sup>7</sup> A.23-01-010 at 1. The Agreement was entered among Cypress Ridge, a regulated California sewer corporation and Kathleen M. Baker, successor trustee of the Baker Living Trust as sellers, and Central States Water Resources, Inc., a Missouri corporation, as the buyer. Central States Water Resources, Inc., assigned its rights to the acquired assets to CSWR-California.

<sup>8</sup> A.23-01-010 Attachment 1 at 1-2.

<sup>9</sup> Exhibit CSWR-1 at 7 and at 10-11.

#### **4.2. CSWR-California Proposed Service Improvements**

CSWR-California proposed operational customer-service related changes that could improve service to Cypress Ridge customers, such as online bill payment options and a fully-staffed 24-hour emergency service phone line to more timely address and properly track utility service issues.<sup>10</sup> Customers would also have access to customer service representatives during normal business hours and CSWR-California would create a dedicated webpage, utility-specific email address, and new social media pages to keep customers informed about their utility service.<sup>11</sup>

CSWR-California proposed to hire a local, non-affiliated third-party operations and maintenance (O&M) firm that can manage daily wastewater operations of the Cypress Ridge assets. This O&M firm would staff the 24-hour emergency service line to support customers experiencing service disruptions.<sup>12</sup>

CSWR-California proposed to use Central States' existing geographic information system (GIS) survey information to map its existing infrastructure assets and identify assets in need of re-investment.

CSWR-California also proposed to use a non-affiliated third-party customer service firm to address CSWR-California-specific customer billing and service questions. The third-party customer service is already used by all Central States' water and wastewater utility affiliates.<sup>13</sup>

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<sup>10</sup> Exhibit CSWR-1 at 7-9. CSWR-California noted that calls to the customer service line will be transferred into a computerized maintenance management system, that would create work orders and create a historical record of reported service issues.

<sup>11</sup> Exhibit CSWR-1 at 9.

<sup>12</sup> Exhibit CSWR-1 at 11-12.

<sup>13</sup> Exhibit CSWR-1 at 11-12.



#### **4.3. CSWR-California's Financial Capacity to Acquire Cypress Ridge Assets**

CSWR-California noted that Central States has historically attracted investment capital to construct and maintain facilities for its affiliates as necessary to provide safe and reliable water and wastewater service. In its confidentially filed year-end 2021 financial statements, Central States illustrated it has the financial capacity to own and operate the Cypress Ridge assets. Further, CSWR-California and Central States noted they have access to the capital that may be necessary to invest in Cypress Ridge's assets to ensure they comply with applicable state and federal regulations. CSWR-California proposed to fund the purchase and initial operations of Cypress Ridge's assets using equity from Central States and will determine whether to use equity, debt, or a combination of both, to fund necessary infrastructure improvements.<sup>14</sup>

#### **4.4. CSWR-California – Cypress Ridge Acquisition Proposal**

CSWR-California proposed to acquire Cypress Ridge's wastewater system, which serves approximately 449 customers in San Luis Obispo County.<sup>15</sup> In the Agreement, CSWR-California agreed to pay Cypress Ridge an aggregate of \$385,790 to purchase the assets and property identified in A.23-01-010. The closing date of the Agreement would not occur until all necessary regulatory authorities have approved the terms.<sup>16</sup>

CSWR-California also proposed to initially adopt the tariffs, rules, and rates currently in effect for Cypress Ridge customers in San Luis Obispo County.

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<sup>14</sup> Exhibit CSWR-1 at 12-13.

<sup>15</sup> As noted in the Agreement, Central States assigned its rights to CSWR-California. (See Exhibit CSWR-1 at 14 and A.23-01-010 Attachment 1 at 2.)

<sup>16</sup> A.23-01-010 Appendix 1 at 3.

Its customer-service-related improvements detailed in Section 4.2 above did not include any initial incremental changes to customer rates and tariffs. No changes to customer rates and tariffs will occur without proper regulatory approvals consistent with Commission rules and requirements.

CSWR-California noted this initial post-acquisition period of unchanged rates will provide it the opportunity to determine what capital improvements are necessary in the Cypress Ridge wastewater system. CSWR-California could seek a rate increase in a separate application that would go through the necessary public process, once it has identified the nature and extent of capital improvements the system requires, if any.<sup>17</sup>

CSWR-California also noted that it and Central States are both familiar with the Commission's rules and regulations, and that Central States' existing utility affiliates have operated systems across 10 states in a manner that complies with state and federal requirements. CSWR-California stated that it is fully qualified to own and operate the Cypress Ridge assets and noted that the assets would remain subject to the Commission's jurisdiction after the acquisition is complete.<sup>18</sup>

#### **4.5. Alignment to the Commission's Environmental and Social Justice Action Plan**

In February 2019, the Commission adopted its Environmental and Social Justice (ESJ) Action Plan as a comprehensive strategy and framework for addressing ESJ issues in each proceeding. The ESJ Action plan was updated and adopted by the Commission on April 7, 2022.

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<sup>17</sup> Exhibit CSWR-1 at 13-14.

<sup>18</sup> Exhibit CSWR-1 at 15-16.

Environmental justice means the fair treatment of people of all races, cultures, and incomes with respect to the development, adoption, and enforcement of environmental laws, regulations, and policies.<sup>19</sup>

CSWR-California stated its ability to leverage its larger operating systems – from ordering parts to providing customer service solutions – could create economies of scale that a small-scale utility like Cypress Ridge would not have access to inherently support the Commission’s ESJ Action Plan.<sup>20</sup> It also suggested that consolidating smaller wastewater systems could help improve Californians’ access to higher-quality utilities services in ESJ communities.

#### **4.6. Discussion**

Upon review of the Joint Applicants’ application and testimony, we agree that CSWR-California’s proposed acquisition of Cypress Ridge’s wastewater system assets in San Luis Obispo County is reasonable and in the public interest. The economies of scale identified by CSWR-California could support infrastructure and customer service improvements across Cypress Ridge’s service territory at a lower cost to customers than might otherwise occur if the Cypress Ridge system is not acquired by CSWR-California. Further, Cypress Ridge customers would not see any rate impact due to the acquisition as proposed in A.23-01-010. CSWR-California’s proposed acquisition of Cypress Ridge’s assets is therefore approved.

#### **5. Certificate of Public Convenience and Necessity**

To close the acquisition of Cypress Ridge’s sewer assets, CSWR-California needs a CPCN to provide service to the San Luis Obispo County customers

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<sup>19</sup> <https://www.cpuc.ca.gov/news-and-updates/newsroom/environmental-and-social-justice-action-plan>

<sup>20</sup> Exhibit CSWR-1 at 16.

currently receiving service from Cypress Ridge. Public Utilities Code § 1001 and Rule 3.1(m) of the Commission's Rules of Practice and Procedure, describe the requirements an applicant must meet to receive a certificate to operate in California as a regulated utility.

CSWR-California is managed by Central States and was formed for the purpose of acquiring, owning, and operating water and wastewater systems in California as regulated public utilities. Central States' other water utility affiliates operate across 10 states and have acquired distressed systems in the past to improve water quality, health, and safety concerns.<sup>21</sup> CSWR-California stated it has the technical, financial, and managerial capability to improve the Cypress Ridge wastewater system and operate it in compliance with all applicable state and federal environmental, health, and safety regulations.

CSWR-California stated the existing Cypress Ridge assets serve a residential community in the northwest portion of the Nipomo Mesa in San Luis Obispo County. The community consists of approximately 380 residences and a golf course, community center, wastewater treatment plant, and other facilities. It provided a service area map as Attachment 7 to A.23-01-010.<sup>22</sup> As discussed in Section 3 above, CSWR-California expects to maintain the financial and technical ability to provide sewer service using the assets it proposed to acquire. CSWR-California also anticipated offering improved customer service quality by leveraging economies of scale that may otherwise not be available to a small-scale wastewater service provider.

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<sup>21</sup> A.23-01-010 at 4.

<sup>22</sup> A.23-01-010 at 5, and Attachment 7.

### **5.1. CEQA Review is Not Required for this Acquisition**

Rule 2.4 of the Commission's Rules of Practice and Procedure requires applicants to address the applicability of the California Environmental Quality Act (CEQA) to the proposed project or transaction that is the subject of the application. The transaction described in this application is not subject to CEQA because it does not constitute a "project" within the meaning of CEQA. Projects under CEQA are those specifically defined as any "activity which may cause either a direct physical change [to] the environment, or a reasonably foreseeable indirect physical change in the environment."<sup>23</sup>

Application 23-01-010 seeks Commission approval of CSWR-California's acquisition of Cypress Ridge's existing, operational sewer system assets. In the instant application, CSWR-California did not propose any change in the infrastructure or operation of the assets it seeks to acquire, nor did it propose any changes to customer rates. The Commission has consistently found that a transfer of control and operation of existing water or wastewater system facilities would not result in any changes to the environment, and that applications seeking authorization for an acquisition of existing assets are not subject to CEQA.<sup>24</sup>

However, pursuant to California Health and Safety Code § 116525(a), when a change in ownership of a public water system occurs, the buyer of the public water system must apply for a new operating permit from the appropriate branch of the California Regional Water Quality Control Board (RWQCB). While Cypress Ridge has an operating permit from the Central Coast RWQCB in place,

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<sup>23</sup> See California Public Resources Code § 21065.

<sup>24</sup> See D.13-01-033 and D.11-03-016.

CSWR-California has not provided evidence to show it has sought and received a new operating permit from the Central Coast RWQCB.

## **5.2. Discussion**

CSWR-California noted that the assets it proposed to acquire from Cypress Ridge will remain under Commission jurisdiction, including any ratemaking changes that may arise to recover costs to improve infrastructure. CSWR-California has agreed to maintain Cypress Ridge customers' current rate and tariff structure until or unless it identifies system upgrades that may be necessary to provide better customer service or improve water quality. Prior to assuming the responsibilities of Cypress Ridge, CSWR-California must be granted a CPCN to assume all public utility responsibilities for the operation and ownership of the Cypress Ridge sewer assets. Upon review of A.23-01-010, its associated documentation, and CSWR-California's testimony, we find it appropriate to grant CSWR-California a conditional CPCN to provide service to customers currently receiving service from Cypress Ridge, contingent upon CSWR-California receiving an operating permit from the Central Coast RWQCB.

## **6. Summary of Public Comment**

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the "Public Comment" tab of the online Docket Card for that proceeding on the Commission's website. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding. No public comments appear on the Docket Card.

## **7. Conclusion**

The Joint Applicants' request to sell Cypress Ridge's sewer system assets to CSWR-California for \$385,795, as proposed in A.23-01-010, is approved.

CSWR-California is also granted a conditional CPCN to own and operate the assets it acquires from Cypress Ridge, contingent upon its receipt of an operating permit from the Central Coast RWQCB.

Finally, CSWR-California shall charge Cypress Ridge customers the existing tariffs and rate schedules already in place until or unless it files a separate application seeking rate increases and receives Commission approval of its proposed tariff and rate changes.

### **8. Comments on Proposed Decision**

Although this proceeding is an uncontested matter in which the decision grants the relief requested, the relief is contingent upon CSWR-California receiving an operating permit from the Central Coast RWQCB. Accordingly, parties identified on the record have 30 days for public review and comment on the proposed decision, pursuant to Pub. Util. Code § 311 and Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed by \_\_\_\_\_ on \_\_\_\_\_, and reply comments were filed on \_\_\_\_\_, by \_\_\_\_\_. Any comments that raised issues already addressed in earlier filings are not further discussed in this decision.

### **9. Assignment of Proceeding**

Commissioner Darcie L. Houck is the assigned Commissioner and Carolyn Sisto is the assigned ALJ in this proceeding.

### **Findings of Fact**

1. Cypress Ridge is currently owned by The Baker Living Trust.
2. Cypress Ridge was formerly owned by Mr. Charles M. Baker, who is now deceased.
3. Mr. Baker's widow seeks to divest The Baker Living Trust of the Cypress Ridge sewer utility assets.

4. CSWR-California's parent company, Central States, oversees regulated water and wastewater utility affiliates operating in 10 states outside of California.

5. CSWR-California and Central States are familiar with state and federal regulations for water and wastewater utilities.

6. Cypress Ridge's sewer system assets currently serve approximately 449 customers in San Luis Obispo County. Its service territory includes residential homes, a golf course, a community center, and a wastewater treatment facility.

7. The Commission received no comments regarding this proceeding's proposed acquisition or the CPCN requested by CSWR-California.

8. Acquisition of Cypress Ridge by CSWR-California is in the public interest due to the experience CSWR-California's parent company, Central States, has exhibited by providing safe and reliable water and wastewater services in 10 states spanning different segments of the United States.

9. The negotiated purchase price of \$385,790 is reasonable given the scale and market value of the assets being transferred.

10. CSWR-California agreed to not increase the rates of Cypress Ridge customers upon the closing of the proposed acquisition.

11. The proposed acquisition could support progress toward meeting the Commission's ESJ Action Plan policy goals.

12. The Central Coast RWQCB provided Cypress Ridge with an operating permit for its sewer system in 1997 through Order No. 97-66.

13. CSWR-California should obtain an operating permit from the Central Coast RWQCB before commencing its operations of the Cypress Ridge sewer system assets.



**Conclusions of Law**

1. The proposed transaction is subject to Pub. Util. Code §§ 851-854, requiring the Applicants to seek Commission approval regarding the transfer of utility property.

2. The proposed transaction is subject to Pub. Util. Code § 2718, et seq.

3. The Application and the proposed transaction comply with Pub. Util. Code §§ 851-854.

4. Given the size, fiscal backing, familiarity, and sophistication, of its parent company, CSWR-California is in a superior position to use economies of scale, resources, and knowledge to better service the sewer service needs of Cypress Ridge customers; therefore, the proposed transaction complies with Pub. Util. Code § 2718, et seq.

5. CSWR-California's acquisition of Cypress Ridge's sewer assets is in the public interest as the acquisition will maintain or improve the financial condition and management of the utility, will improve the quality of service to the utility's ratepayers, will be fair to employees of the utility, and generally beneficial to the community served by the public utility.

6. The proposed transaction is subject to Pub. Util. Code § 2720, requiring the Applicant to seek Commission assessment of the fair market value of the acquisition assets.

7. The proposed acquisition purchase price of \$385,790 is the fair market value of the assets CSWR-California proposed to acquire from Cypress Ridge.

8. CSWR-California's CPCN to own and operate Cypress Ridge's sewer assets should be effective upon CSWR-California's receipt of a new operating permit from the Central Coast branch of California's Regional Water Quality Control Board.

9. Within 10 days of the completion of CSWR-California acquisition of Cypress Ridge, CSWR-California should notify the Commission's Director of the Water Division in writing that the transaction has been completed.

10. The proposed acquisition of Cypress Ridge's existing sewer assets by CSWR-California is exempt from CEQA and no further environmental review or assessment is required for this acquisition.

11. CSWR-California should obtain an operating permit from the Central Coast RWQCB prior to operating the Cypress Ridge sewer system assets it is authorized to acquire in this decision.

12. This proceeding should be closed.

## **O R D E R**

### **IT IS ORDERED** that:

1. Central States Water Resources – California Utility Operating Company, LLC is authorized to acquire the assets of Cypress Ridge Sewer Company's sewer system assets.

2. Central States Water Resources – California Utility Operating Company, LLC must apply for and obtain a permit from the Central Coast branch of the California Regional Water Quality Control Board to operate the Cypress Ridge Company's sewer system assets.

3. Central States Water Resources – California Utility Operating Company, LLC's (CSWR-California) Certificate of Public Necessity and Convenience is contingent upon CSWR-California's receipt of an operating permit from the Central Coast branch of the California Regional Water Quality Control Board.

4. Within 30 days from receipt of its operating permit from the Central Coast branch of the California Regional Water Quality Control Board, Central States Water Resources – California Utility Operating Company, LLC must file a Tier 1

Advice Letter to implement the Certificate of Public Convenience and Necessity authorized herein.

5. Within 10 days of the completion of the sale of Cypress Ridge Sewer Company's assets to Central States Water Resources - California Utility Operating Company, LLC (CSWR-California), CSWR-California must notify the Commission's Director of the Water Division that the sale has been completed.

6. Central States Water Resources - California Utility Operating Company, LLC must continue the existing customer tariff and rate schedules currently in place for Cypress Ridge Sewer Company's customers upon its acquisition of the sewer assets described in this Application.

7. Application 23-01-010 is closed.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California