



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

Application for Order Authorizing GOLDEN  
STATE WATER COMPANY (U 133 W) to  
Purchase Norwalk's Artesia Service Area's Water  
System's Assets and Related Approvals.

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Application No.

**APPLICATION FOR ORDER AUTHORIZING PURCHASE OF UTILITY ASSETS**

GOLDEN STATE WATER COMPANY  
Jon Pierotti  
630 East Foothill Boulevard  
San Dimas, CA 91773-9016  
(909) 394-3600, Ext. 680

Joseph M. Karp  
Chris A. Kolosov  
Sheppard Mullin Richter & Hampton LLP  
Four Embarcadero Center, 17th Floor  
San Francisco, CA 94111-4109  
Telephone: 415-774-3118  
Email: [jkarp@sheppardmullin.com](mailto:jkarp@sheppardmullin.com)  
[ckolosov@sheppardmullin.com](mailto:ckolosov@sheppardmullin.com)  
Attorneys for Golden State Water Company

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### Attachments:

- Exhibit A: Asset Purchase Agreement
- Exhibit B: Agenda Report
- Exhibit C: City of Norwalk Request for Proposals
- Exhibit D: Forecast of Results of Operations
- Exhibit E: Golden State Articles of Incorporation
- Exhibit F: Golden State Balance Sheet and Income Statement
- Exhibit G: Notices of Application

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### **Testimony (Separately Served):**

Prepared Testimony of Nem Ochoa

Prepared Testimony of Jenny Darney-Lane

Prepared Testimony of Stephen B. Johnson

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

Application for Order Authorizing GOLDEN  
STATE WATER COMPANY (U 133 W) to  
Purchase the City of Norwalk's Artesia Service  
Area's Water System's Assets and Related  
Approvals.

Application No.

**APPLICATION FOR ORDER AUTHORIZING PURCHASE OF UTILITY ASSETS**

**SECTION I  
INTRODUCTION**

Pursuant to Sections 851-854<sup>1</sup> and 2718-2720 of the California Public Utilities Code,<sup>2</sup> Decisions (“D.”) 99-10-064 and 20-08-047, and Article 2 and Rule 3.6 of the California Public Utilities Commission (“Commission”) Rules of Practice and Procedure (“Rules”), Golden State Water Company (U-133-W) (“Golden State” or “Applicant”) requests (i) the Commission’s authorization to purchase from the City of Norwalk (“City” or “Norwalk”) the Artesia Service Area (“ASA”) and all of its associated public utility

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<sup>1</sup> As D.99-10-064, Appendix D makes clear at Section 4.01 thereof, California Public Utilities Code Sections 852 and 854 do not apply to the acquisition of municipal water companies. Instead, Appendix D, Section 4.02 indicates that in such circumstances, the acquiring utility is permitted to complete the process through an advice letter. Although Golden State understands that the filing of this Application is not required to effectuate the Acquisition, Golden State nonetheless is filing this Application to maintain transparency and provide a forum for stakeholder input, as discussed below.

<sup>2</sup> Unless otherwise specified, all statutory references in this Application refer to sections of the California Public Utilities Code (“Sections”).

assets (such purchase and any related transactions between Golden State and Norwalk, the “Acquisition”), and (ii) all Commission approvals required to effectuate the Purchase, as detailed further in this application (“Application”). Golden State and the City would effectuate the Acquisition pursuant to the *Agreement for Purchase and Sale of Water System Assets – Artesia Service Area*, by and between the City and Golden State, dated October 11, 2024 (“Asset Purchase Agreement”), submitted herewith as Exhibit A.

Under Section 10061(b), a municipal corporation that owns and operates a public water or sewer utility is permitted to sell all or part of such utility that is located outside of its boundaries to any other municipal corporation, public agency, water corporation, or sewer system corporation if (i) the selling municipal corporation has determined that such public water or sewer utility, or part thereof, is not necessary for supplying water or sewer service to its own inhabitants, and (ii) the acquiring entity has agreed to the terms and conditions of the transaction and will be bound to provide water or sewer service (as applicable) to the customers formerly served by the system being acquired on terms and conditions that are “just and reasonable and do not unreasonably discriminate”<sup>3</sup> against such customers.

As described further in this Application and in the prepared direct testimony of Mr. Nem Ochoa, Ms. Jenny Darney-Lane, and Mr. Stephen B. Johnson, and the exhibits submitted herewith, the Acquisition meets the requirements of Section 10061(b): the ASA is outside of the City’s corporate boundaries; Golden State has agreed to purchase the ASA and the water system infrastructure used to serve the ASA

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<sup>3</sup> Pub. Util. Code, § 10061(b).

(“ASA System”) pursuant to the terms and conditions set forth in the Asset Purchase Agreement, and Golden State will be bound by applicable law and Commission regulation to provide just, reasonable, and non-discriminatory water service to the customers served by the ASA System.

It is the established policy of the State of California and the Commission to encourage the consolidation of small, struggling water systems, such as the ASA System, because economies of scale are achievable in the operation of public water systems and support the infrastructure investment required to meet stringent State and federal safe drinking water regulations and fire flow standards.<sup>4</sup> In assessing whether to approve the Acquisition, the Commission is to consider whether the Acquisition “achieves maximum economies of scale, provides quality system improvements or provides benefits to customers.”<sup>5</sup> Golden State’s acquisition of, and post-acquisition plans for, the ASA will leverage economies of scale to deliver more reliable, high quality water service to current ASA customers, and both current ASA customers and Golden State’s existing customers will benefit from the transaction. Specifically, Golden State plans to consolidate the ASA with its Region 2 service area (“Region 2”) for operational purposes immediately, and to consolidate the ASA with its Region 2 ratemaking area (“RMA”) for ratemaking purposes during its 2026 general rate case (“GRC”), such that the ASA would be consolidated with Region 2 for ratemaking purposes starting in test year 2028. The increased economies of scale resulting from these consolidations will lead to greater efficiencies, and cost sharing for future infrastructure replacement,

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<sup>4</sup> Pub. Util. Code, § 2719; D.20-08-047 at 85.

<sup>5</sup> D.99-10-064 at 9.

pipeline projects, and treatment system enhancements, ultimately leading to rate benefits for both ASA customers and existing Golden State customers, as contemplated by Section 2719.<sup>6</sup>

Golden State is able to cause these benefits to be realized because the ASA System is largely adjacent to Golden State's Artesia system, enabling Golden State to serve the ASA with excess water in Golden State's Artesia system following construction of a short (approximately 2,000-foot) interconnecting pipeline.<sup>7</sup> Accordingly, wells, water treatment facilities, pipelines and other facilities will be shared among the ASA customers and existing Region 2 customers, spreading the costs of that infrastructure across a larger customer base. This sharing of infrastructure is anticipated to result in savings to the ASA customers of 13.6%, as compared with City ownership based on the City's estimated bi-monthly bill for FY 2025-2026 escalated to 2026-2027 using the City's compounded annual growth rate.<sup>8</sup> Importantly, the initial rates that Golden State is proposing for the ASA, which include the acquisition price, tie-in and incremental costs of the ASA, result in rates that are slightly lower than the 2026 rates for the Region 2 RMA.<sup>9</sup> This indicates that Acquisition and subsequent consolidation of the ASA with the Region 2 RMA would not result in any rate burden on Golden State's existing customers.<sup>10</sup> To the contrary, Golden State's existing customers would benefit from future cost-sharing. Moreover, through the operational consolidation with Region 2

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<sup>6</sup> Pub. Util. Code, § 2719(d) (stating: "Providing water corporations with an incentive to achieve these scale economies will provide benefits to ratepayers.").

<sup>7</sup> Prepared Testimony of Nem Ochoa (hereinafter "Ochoa Testimony") at 7-8.

<sup>8</sup> Prepared Testimony of Jenny Darney-Lane (hereinafter "Darney-Lane Testimony") at 8.

<sup>9</sup> *Id.* at 8-9.

<sup>10</sup> *Id.* at 9.

that will happen immediately, ASA customers will benefit from the Acquisition through improved water quality and service reliability, including lower risk of shortages for ASA customers and enabling more efficient responses to peak demand emergencies, as detailed further in this Application and the testimony of Ms. Darney-Lane and Mr. Ochoa.

In light of the benefits to both the ASA customers and Golden State's existing customers, the Commission should approve both the Acquisition and establishing the rate base for the acquired ASA public utility assets at the full purchase price under the Asset Purchase Agreement. In accordance with Section 2720(a), that negotiated purchase price reflects the fair market value of the ASA public utility assets,<sup>11</sup> and it is lower than the fair market value independently established by Stetson Engineers Inc. in the appraisal attached to Mr. Johnson's testimony. To the extent that such fair market value exceeds the Replacement Cost New Less Depreciation, it is fair and reasonable to include the difference in rate base because the Acquisition will (i) improve water system reliability, (ii) improve the ability of the ASA System to comply with health and safety regulations, (iii) achieve efficiencies and economies of scale that would not otherwise be available, and (iv) have a fair and reasonable effect on both the existing ASA customers and Golden State's existing customers, as demonstrated in Section V of this Application and in the testimony of Ms. Darney-Lane. Accordingly, in the case of this transaction, each of the factors set forth in Section 2720(b) for including such an acquisition premium in rate base warrant inclusion.<sup>12</sup>

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11 Pub. Util. Code, § 2720(a).

12 Pub. Util. Code, § 2720(b).

Through this Application, Golden State asks the Commission to approve the Asset Purchase Agreement, the Acquisition, and certain related matters. Specifically, Golden State requests a Commission order that:

- (i) approves the Asset Purchase Agreement's terms and conditions;
- (ii) expands Golden State's Certificate of Public Convenience and Necessity ("CPCN") so Golden State may assume all public utility responsibilities for the operation and ownership of the water utility operations in the ASA;
- (iii) establishes the rate base of the acquired ASA System, at the time of issuance of a decision approving this Application, to be the full purchase price of \$5,250,000 paid by Golden State for the ASA's assets covered by the Asset Purchase Agreement;
- (iv) allows Golden State to consolidate the ASA customers into Region 2 for operational purposes immediately;
- (v) authorizes Golden State to invest \$1,830,000 in capital costs to tie in the ASA System with Golden State's existing Artesia system;
- (vi) authorizes Golden State to increase the rates of the ASA as proposed in this Application;
- (vii) authorizes Golden State to consolidate the ASA rates with its Region 2 ratemaking area as part of its 2028 test year GRC;
- (viii) establishes a transaction memorandum account, pursuant to Commission Standard Practice U-27-W, to track all transaction costs incurred to effectuate the Acquisition, with rate treatment determined in Golden State's subsequent GRC; and
- (ix) grants such other relief as appropriate.

D.99-10-064 establishes a schedule for processing applications to implement acquisitions of water utilities of the type contemplated by this Application, and a shortened timeline for advice letter approval in cases where a mutual or municipally owned water system is being acquired, or where improvements are mandated by the State Water Resources Control Board's ("SWRCB") Division of Drinking Water ("DDW"). Notwithstanding that D.99-10-064 specifically authorizes an investor-owned utility that acquires a water system from a municipal corporation to file an advice letter seeking Commission approval of such acquisition, Golden State is filing this Application to provide additional transparency and to allow for full participation by all interested parties. Golden State respectfully requests that this proceeding be placed on the Commission's agenda on or before 245 days from the date of this Application, in accordance with the timeline for processing applications established in D.99-10-064.<sup>13</sup>

## **SECTION II**

### **ESTABLISHED PUBLIC POLICY UNDERLYING THIS APPLICATION**

The State of California's public policy on water utility consolidations was established in 1997 when the California Legislature ("Legislature") enacted Senate Bill 1268 to add Section 2718 *et seq.*, the Public Water System Investment and Consolidation Act ("Consolidation Act"), effective January 1, 1998. The Consolidation Act reflects both the Legislature's recognition that meeting water quality standards had become increasingly costly and that "[t]he problem is more acute for smaller water systems who cannot take advantage of scale economies in the water supply

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<sup>13</sup> D.99-10-064, Settlement, Appendix D at 4-5.

business”<sup>14</sup> and its intention to incentivize acquisitions that serve the public interest.<sup>15</sup>

Accordingly, in Section 2719, the Legislature found and declared that water systems are faced with the need to replace or upgrade the public water system infrastructure to meet increasingly stringent State and federal safe drinking water regulations and fire flow standards for public fire protection<sup>16</sup> and that increasing amounts of capital are required to finance the necessary investment in that infrastructure,<sup>17</sup> and the Legislature further found and declared that “[s]cale economies are achievable in the operation of public water systems,”<sup>18</sup> and that “[p]roviding water corporations with an incentive to achieve these scale economies will provide benefits to ratepayers.”<sup>19</sup>

The incentive to promote acquisitions by water corporations who are able to leverage economies of scale is provided in Section 2720. That statute requires the Commission to “use the standard of fair market value when establishing the rate base value for the distribution system of a public water system acquired by a water corporation”,<sup>20</sup> thereby allowing the shareholders of the water corporation to receive a return on their investment in line with State and Commission policies and goals. The directive set forth in Section 2720(a) resulted from the Legislature’s determination that the Commission’s then-existing policy on water system purchases “to value the

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14 Sen. Rules Com., Analysis of Sen. Bill No. 1268 (1997-1998 Reg. Sess.) (Sept. 8, 1997).

15 *Id.*

16 Pub. Util. Code, § 2719(a).

17 Pub. Util. Code, § 2719(b).

18 Pub. Util. Code, § 2719(c).

19 Pub. Util. Code, § 2719(d).

20 Pub. Util. Code, § 2720(a)(2) (incorporating the definition of “fair market value” from Section 1263.320 of the Code of Civil Procedure by reference thereto).

acquired water system at book value, which is the original cost of the plant less depreciation”<sup>21</sup> created a disincentive to water utility consolidations that were in the public interest. Recognizing that “valuation is extremely important because it directly effects the profitability of the acquisition”,<sup>22</sup> the Legislature explained that “book value can often be lower than fair market value. Consequently, this [Commission] policy has discouraged the acquisition of water systems by water utilities. Yet, acquisitions can be in the public interest if they result in lower overall rates to customers and/or better service quality.”<sup>23</sup> As such, incentivizing acquisitions of small water systems by larger utilities that can achieve economies of scale is the objective of the Consolidation Act and the reason that Section 2720(a) requires the Commission to use fair market value when establishing the rate base of an acquired water system.

As detailed in this Application, including the supporting exhibits, due to the City’s small operations, it lacks the economies of scale that Golden State will be able to leverage to deliver reliable, high quality water service to the customers of the ASA at reasonable rates. The Acquisition, interconnection of the ASA System to Golden State’s existing Artesia system, and consolidation of the ASA with Golden State Region 2 RMA will result in improved service quality and lower overall rates. Accordingly, the Acquisition is precisely the type of transaction that the California Legislature intended to incentivize when it enacted the Consolidation Act.

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<sup>21</sup> Sen. Rules Com., Analysis of Sen. Bill No. 1268 (1997-1998 Reg. Sess.) (Sept. 8, 1997).

<sup>22</sup> *Id.*

<sup>23</sup> *Id.*

Moreover, Golden State is acquiring the ASA and associated public utility assets from the City through an arms-length negotiation process for a purchase price of \$5,250,000, which conforms to the applicable definition of “fair market value”, set forth in Section 1263.320(a) of the California Code of Civil Procedure and incorporated by reference into Section 2720(a), as follows:

...the highest price on the date of valuation that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for so doing, nor obliged to sell, and a buyer, being ready, willing, and able to buy but under no particular necessity for so doing, each dealing with the other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available.<sup>24</sup>

That \$5,250,000 purchase price is consistent with, and is in fact lower than, the estimate of the fair market value of the ASA and associated public utility assets of \$5,400,000 identified by Stephen B. Johnson, President of Stetson Engineers Inc. (“Stetson”), as discussed in the appraisal attached to his testimony served in support of this Application.<sup>25</sup> Further, as detailed in Section V, below, in this case, all of the factors to be considered under Section 2720(b) when the fair market value of a purchased water system exceeds the Replacement Cost New Less Depreciation warrant inclusion of the entire purchase price in rate base. Accordingly, approval of the Acquisition and establishing the rate base for the acquired ASA assets at the purchase price is entirely consistent with California law and policy.

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<sup>24</sup> Cal. Code Civ. Proc., § 1263.320(a).

<sup>25</sup> See Attachment 1 (*Report on Reconnaissance Level Appraisal of Fair Market Value of City of Norwalk Artesia North and South Systems*, Sept. 30, 2025 (“hereinafter “Appraisal Report”) to Testimony of Stephen B. Johnson (hereinafter “Johnson Testimony”).

## SECTION III

### THE PROPOSED TRANSACTION

#### **A. Parties to the Transaction**

##### **i. City of Norwalk and the ASA.**

The City's water division operates and maintains the Norwalk Municipal Water System ("NMWS"), delivering water service to a population of over 22,000 within the City of Norwalk, the City of Artesia, and a small portion of unincorporated Los Angeles County; NMWS serves approximately 5,300 domestic service connections in the aggregate.<sup>26</sup> The ASA refers to the geographical area primarily located within the City of Artesia, also within Los Angeles County and outside of the boundaries of the City of Norwalk. The ASA is comprised of two portions known as the North Artesia System ("North System") and South Artesia System ("South System").<sup>27</sup>

The City has been responsible for water system operation and maintenance within the ASA since the City acquired it in 2003 from the former County Water Company.<sup>28</sup> The ASA System provides potable water services to an established customer base totaling approximately 868 service connections, primarily residential, across its North System and South System.<sup>29</sup> The City currently holds the necessary permit from DDW to provide water service within the ASA's boundaries.<sup>30</sup>

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26 See Norwalk Municipal Water Systems home page; available at: [https://www.norwalk.org/departments\\_services/norwalk\\_municipal\\_water\\_system\\_nmws/index.php](https://www.norwalk.org/departments_services/norwalk_municipal_water_system_nmws/index.php) (accessed Jan. 25, 2026)

27 Ochoa Testimony at 2.

28 *Id.*

29 *Id.*

30 *Id.* at 3.

To serve its customers outside the ASA, NMWS depends on groundwater from local wells and Metropolitan Water District of Southern California's ("MWD") surface water from both the Colorado River and the State Water Project in northern California.<sup>31</sup> NMWS currently operates 300,000 feet of water mains that were mainly constructed in the 1940s and 1950s.<sup>32</sup> For the ASA System, which includes no wells, NMWS obtains water supplies through interconnections with the City of Cerritos' water system. This supply is a mix of MWD imported water, via Central Basin Municipal Water District, combined with groundwater from the City of Cerritos' own wells.<sup>33</sup> The ASA System does not include any storage facilities or booster pump stations, and relies solely on its interconnections with the City of Cerritos for supply and pressure.<sup>34</sup> Accordingly, the Acquisition does not include any water rights for the supply currently used to serve the ASA.

Water pipelines and a distribution network form the core of the ASA System, which includes approximately 18,134 linear feet of mains in the North System and 11,342 linear feet in the South System, for a total of approximately 29,476 linear feet of pipelines in the ASA System.<sup>35</sup> These mains are primarily comprised of asbestos cement pipe and also include cast iron pipe. On average, these pipelines are in excess

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31 See 2021 Consumer Confidence Report available at Norwalk Municipal Water Systems home page:

[https://www.norwalk.org/departments\\_services/norwalk\\_municipal\\_water\\_system\\_nmws/index.php](https://www.norwalk.org/departments_services/norwalk_municipal_water_system_nmws/index.php) (accessed Jan. 21, 2026).

32 See Infrastructure Metrics of Norwalk Municipal Water Systems available at: [https://www.norwalk.org/departments\\_services/public\\_services/utilities/water/norwalk\\_municipal\\_water\\_system.php](https://www.norwalk.org/departments_services/public_services/utilities/water/norwalk_municipal_water_system.php) (accessed Jan. 21, 2026).

33 Ochoa Testimony at 3.

34 *Id.*

35 *Id.*

of 40 years in age, indicating a mature infrastructure.<sup>36</sup> The North System includes approximately 670 service connections and 23 fire hydrants, and the South System includes 198 service connections and 21 fire hydrants.<sup>37</sup> This comprehensive network facilitates water delivery to the individual customers in the ASA and provides essential fire protection.

Beyond these physical components, the ASA assets to be acquired also include crucial operational and administrative assets vital for continuous and efficient operation of the ASA. These include all existing customer accounts and records, historical data, billing information, and the hardware and software systems necessary to manage these records, and essential engineering documentation, such as surveys, detailed plans (including as-built drawings), specifications, and equipment manuals, which are fundamental for system operation, maintenance, and future planning.<sup>38</sup>

Although the ASA System currently provides essential service, the pipelines, service connections, and other infrastructure are mature and require significant capital investment and operational enhancements to ensure long-term reliability. As described by the Director of Public Services/City Engineer for the City in his report recommending approval of the sale submitted herewith as Exhibit B, the City faces multiple operational and financial challenges in owning and operating the ASA System and serving the ASA, including strain on NMWS staff resulting from the need to travel outside of the City's

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36 *Id.*

37 *Id.* at 3-4.

38 *Id.* at 4.

boundaries and struggles in meeting increasingly stringent water quality regulations.<sup>39</sup> NMWS has deferred necessary maintenance and capital improvements to the ASA System due to these operational and financial constraints.<sup>40</sup> The City initiated the sale of the ASA with the intent to transfer the ASA System to a purchaser with the capability to develop and implement a comprehensive ASA Water System Capital Improvement Program.<sup>41</sup>

## **ii. Golden State and its Region 2 RMA**

Golden State is a “Class A” water utility and currently the second-largest regulated water utility in California, providing water service to over 264,000 customer connections within California in nine separate RMAs, located in twelve different counties in California. Golden State currently has over 500 employees and is a wholly owned subsidiary of American States Water Company (“AWR”). AWR is a publicly traded corporation listed on the New York Stock Exchange.

Golden State (formerly known as Southern California Water Company) has provided water service in California for over 90 years. Golden State divides its service territory into three geographical regions: Region 1, Region 2 and Region 3. Region 1 incorporates customer service areas in Northern California and California’s Central Coast. Regions 2 and 3 encompass areas of Southern California. A full description of Golden State’s plant, water systems and property are on file with the Commission in

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<sup>39</sup> Exh. B (City Council Agenda Report of the Director of Public Services/City Engineer recommending approval of the sale of the ASA System, subject line: Resolution No. 23-69 - Approving a Sale and Purchase Agreement for the Sale of the Artesia Service Area and Related Assets of the Norwalk Municipal Water System, dated Nov. 28, 2023 (hereinafter “Agenda Report”)) at 1-2.

<sup>40</sup> *Id.* at 2.

<sup>41</sup> Exh. C (City of Norwalk Request for Proposals) at §1.4; Darney-Lane Testimony at 12-13.

Golden State's 2024 Annual Report to the Commission. That description includes a statement of the cost of Golden State's property and the amortization reserve applicable to each item of property in its various operating systems.

Golden State is an experienced water system operator in multiple areas of Los Angeles County. Region 2 is comprised of eight non-contiguous water systems: Artesia, Bell-Bell Gardens, Culver City, Florence Graham, Hollydale, Norwalk, Southwest and Willowbrook. Altogether, Golden State currently provides water service to over 100,000 customers in Region 2.

Golden State's Artesia System is contiguous to the ASA's South System, and the North System is separated from Golden State's Artesia System by approximately 2,000 feet, pipeline to pipeline.<sup>42</sup> Because the Acquisition does not include the water rights currently used to serve the ASA, a new pipeline that connects the North System to Golden State's Artesia System is required to serve those customers, and Golden State's plans to build this pipeline are described in more detail in Section IV.A of this Application and in the testimonies of Mr. Ochoa and Ms. Darney-Lane.

## **B. The Asset Purchase Agreement**

Following Golden State's successful participation in an arm's-length bidding process, as detailed in the Request for Proposals provided with this Application as Exhibit C, Golden State and the City entered into the Asset Purchase Agreement on October 11, 2024. Under the terms and conditions of the agreement, which include obtaining the Commission's approval,<sup>43</sup> Golden State will purchase the business and all

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<sup>42</sup> Ochoa Testimony at 4.

<sup>43</sup> Exh. A (Asset Purchase Agreement) at § 8.b.vii.

of the assets of the ASA that are used by the City to provide water service to ASA customers, excluding water rights. The ASA assets to be acquired by Golden State include all improvements, infrastructure, mains, meters, hydrants, licenses, permits, equipment, accounts receivable, and other facilities, information, and records that are necessary to provide domestic water service in the ASA.<sup>44</sup> The Schedules attached to the Asset Purchase Agreement identify these assets with specificity. Golden State and the City have negotiated and agreed on a purchase price of \$5,250,000 for the assets of the ASA.<sup>45</sup>

## **SECTION IV**

### **CUSTOMER BENEFITS AND PUBLIC INTEREST**

#### **A. Benefits from Economies of Scale Support Application Approval**

The current customers of the ASA will benefit from the Acquisition through increased economies of scale, leading to more reliable water service. Currently, the approximately 868 service connections in the ASA are served by the City's municipal system, which has approximately 5,500 service connections in total. Subject to the Commission's approval of the requests in this Application, following the Acquisition of the ASA by Golden State, the ASA customers will become part of Golden State's Region 2, a ratemaking area that has over 100,000 service connections. The ASA will be served by a company with significantly more resources and professional staff than NMWS, and which already reliably and safely serves over 260,000 service connections. Golden State will be able to leverage its financial resources, existing physical system

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<sup>44</sup> *Id.* at § 2.c; Ochoa Testimony at 5.

<sup>45</sup> Exh. A (Asset Purchase Agreement) at § 4.a.

resources, personnel, and expertise to provide superior water service to customers in the ASA. Although there would be incremental operations and maintenance costs incurred to serve the ASA, these costs would be distributed over a much wider customer base than if the ASA were to remain owned and operated by the City, creating economies of scale and ultimately benefitting ASA customers.<sup>46</sup>

As compared to other utilities, water utilities require significantly larger investment in fixed assets, relative to the variable cost of water production. In other words, the majority of costs to a water utility are fixed, and water utility infrastructure tends to comprise long-lived assets with low depreciation rates.<sup>47</sup> As a result, when these assets ultimately require replacement, the costs are significantly higher than the original cost of the assets many years prior, raising the cost of service.<sup>48</sup> Because of the proximity of the ASA to Golden State's existing Artesia system, following construction of an approximately 2,000-foot interconnecting pipeline,<sup>49</sup> Golden State will be able to serve the ASA with many of the same wells, water treatment facilities and other infrastructure used to serve its existing customers, which means that many of the fixed costs for the RMA would remain the same, but the customer base to whom those fixed costs would be allocated would be expanded.<sup>50</sup> Further, Golden State is committed to maintaining and replacing aging infrastructure to improve service reliability by reducing

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<sup>46</sup> Ochoa Testimony at 13-14.

<sup>47</sup> *Id.* at 14.

<sup>48</sup> *Id.*

<sup>49</sup> *Id.* at 7.

<sup>50</sup> *Id.* at 14.

the risk of service interruptions caused by system failures.<sup>51</sup> As a result of the consolidation of the ASA into Region 2, future investments in Region 2 infrastructure would be spread across the larger customer base, resulting in lower per-customer rate impacts.<sup>52</sup> Accordingly, consolidating the ASA with Golden State's Region 2 would benefit both the acquired ASA customers and Golden State's existing Region 2 customers.

In contrast, the City's relatively small water system, with a small customer base and no prospects for significant customer growth, lacks capacity to provide safe and reliable water service to the ASA customers into the future at costs that the ASA customers would be able to afford.<sup>53</sup> Using information provided by the City regarding the infrastructure improvements anticipated to be needed to bring water quality and reliability in line with current standards and a regulated utility financial model, Golden State calculated those costs on a per-ASA service connection basis, were the ASA to remain under City ownership. As reflected in the workpapers that Golden State has submitted in support of this Application, Golden State calculated that for four years of capital improvements under City ownership, each ASA customer would need to pay an additional \$90.31 per month.

Golden State conducted a corollary analysis that takes into account the costs of interconnecting the ASA with Golden State's existing Artesia system, the capital improvements that Golden State anticipates constructing in the ASA as described in

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51 *Id.* at 8-10.

52 *Id.* at 13-14.

53 Darney-Lane Testimony at 5-8.

Nem Ochoa's testimony, and the other Region 2 infrastructure improvements that Golden State anticipates constructing over the next five years, and Golden State concluded that costs charged to each ASA service connection would be 66.2% lower than under City ownership. Specifically, as shown in the workpapers that Golden State has submitted in support of this Application, under Golden State's ownership, the costs to each ASA service connection for the shared infrastructure over that five-year period is anticipated to be \$30.49 per month. Again, this is in contrast with the \$90.31 per month for four years of capital improvements under City ownership. And as discussed above, because of the proximity of the ASA System to Golden State's Artesia system, which will enable Golden State to serve the ASA with excess water in Golden State's Artesia system and spread infrastructure costs over a large customer base, the costs to the ASA customers will be materially lower than under City ownership with minimal impact to Golden State's existing Region 2 customers.<sup>54</sup> In sum, the Acquisition will result in increased economies of scale for the ASA customers, significantly reducing the rate impacts of funding the capital improvements that are required to provide ASA customers with safe and reliable water service.

The customers in the ASA will also benefit from the water utility professionals that Golden State has on staff—personnel with expertise in water and environmental quality, capital program planning, engineering, design and construction, water resource management, water conservation, and finance.<sup>55</sup> In the event of an emergency, Golden State will be able to act promptly to deploy the resources required to resolve any

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54 Ochoa Testimony at 13-15.

55 *Id.* at 7, 10-11.

reliability issues. Moreover, emergencies should be less likely to occur, as Golden State employs dedicated staff, including engineers and planners, who proactively evaluate infrastructure longevity and efficacy. This is formalized through a comprehensive Water System Master Plan completed every three years for each of Golden State's water systems.<sup>56</sup> A forecast of the results of operation for (1) Golden State, (2) the ASA, and (3) their combined operation for the first and fifth years following acquisition, together with all supporting documentation, is provided herewith as Exhibit D, in accordance with Appendix D, Section 2.04 of D.99-10-064.

## **B. The Commission's Water Action Plan Supports Application Approval**

The Commission's Water Action Plan ("Water Action Plan") recognizes that to maintain the highest standards of water quality, the Commission should provide incentives for the acquisition or operation of smaller water and sewer utilities by Class A utilities.<sup>57</sup> The Acquisition would further the objectives of the Water Action Plan both through the investments afforded by economies of scale and by extending policies and programs that are consistent with those objectives to the ASA customers. The Water Action Plan's objectives include: (1) maintaining the highest standards of water quality; (2) strengthening water conservation programs to a level comparable to those of energy utilities; (3) promoting water infrastructure investment; (4) assisting low-income ratepayers; (5) streamlining Commission regulatory decision making; and (6) setting rates that balance investment, conservation, and affordability.<sup>58</sup>

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56 *Id.* at 8-9.

57 Commission Water Action Plan 2010 at 9.

58 *Id.* at 3.

As described in Section IV.A above, Objectives (1), (3), and (6) are furthered by the increased economies of scale. The comparative abilities of the City and Golden State to address Per- and Polyfluoroalkyl Substances (“PFAS”) contamination is of particular importance when considering these objectives. These chemicals are a critical water quality concern, and addressing PFAS contamination requires significant water infrastructure investment. Balancing that investment with affordability concerns is extremely challenging for small water systems that have relatively few customers to bear the costs of PFAS treatment facilities. Noting that the regulation of PFAS has already added monitoring and reporting costs in the ASA, the Director of Public Services/City Engineer for Norwalk specifically identified the anticipated need for future PFAS water treatment facilities among the reasons that he recommended the City Council approve the sale of the ASA to Golden State.<sup>59</sup> He stated that Golden State is better situated than the City, both geographically and financially, to address these issues, explaining “[t]he City’s small operation simply cannot compete with the economy-of-scale offered by the size of the water company’s organization.”<sup>60</sup> Golden State’s size, financial strength, and expert employees who already are knowledgeable about and experienced in addressing PFAS contamination, together with its ability to spread the costs of needed infrastructure over a much larger customer base, are all factors that make it particularly well-positioned to address these issues into the future. Accordingly, the Acquisition supports the Commission’s objectives to maintain the

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59 Exh. B (Agenda Report) at 2.

60 *Id.*

highest standards of water quality, promote water infrastructure investment, and set rates that balance investment, conservation and affordability.

The Acquisition will further Objective (2), strengthening water conservation programs, in multiple ways. First, as discussed in Ms. Darney-Lane's testimony, whereas the ASA currently has one tariff for water service that is applicable to all metered customers in its service territory, the rate design for Golden State's Region 2, into which the ASA will be consolidated, is an increasing block, volumetric rate structure with three tiers that is designed to promote water conservation, plus a fixed monthly service charge.<sup>61</sup> Second, switching to Golden State's monthly meter-reading and billing practices, as opposed to the bi-monthly billing employed by the City, allows more immediate feedback to customers on their water usage to encourage conservation (in addition to aiding customers in budgeting for their water bills, as they will receive a bill every month and not have to remember whether they will receive a bill this month or the next).<sup>62</sup> Third, following the acquisition, the ASA customers will have access to the conservation programs that Golden State employs to help customers reduce their water usage, as detailed in Ms. Darney-Lane's testimony<sup>63</sup> and in Section IV.D below.

The Acquisition will further Objective (4), assisting low-income customers, because following the Acquisition, ASA customers will have access to the significant and valuable benefits offered by Golden State's low-income rate assistance programs

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<sup>61</sup> Darney-Lane Testimony at 4.

<sup>62</sup> *Id.* at 8.

<sup>63</sup> *Id.*

and Golden State's high quality customer service and monthly billing programs, each of which are described in more detail in Section IV.C below.

The Acquisition will further Objective (5), streamlining Commission regulatory decision making, because Golden State proposes to consolidate the ASA into Region 2. This means that for future GRCs, the AMA will be administered efficiently as part of that RMA.

For these reasons, Golden State's proposed acquisition of the ASA and ASA System is consistent with the principles and objectives of the Commission's Water Action Plan.

### **C. Access to Golden State's Customer Assistance Program and Consistency with the Commission's ESJ Goals**

Following the Acquisition, eligible ASA customers will have access to Golden State's Customer Assistance Program ("CAP"), which provides a discount to eligible customers on their water bills, with eligibility generally based on income.<sup>64</sup> Information about the CAP is readily available on Golden State's website, including in multiple languages by using the "translate" tool.<sup>65</sup> As discussed in the testimony of Ms. Darney-Lane, currently the monthly CAP discount is \$16 for eligible customers.<sup>66</sup>

In this regard, the Acquisition is consistent with the Commission's Environmental and Social Justice Action Plan ("ESJ Plan").<sup>67</sup> That plan not only identifies existing

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<sup>64</sup> The CAP income qualification criteria are available on Golden State's website at: <https://www.gswater.com/post/customer-assistance-program>.

<sup>65</sup> See *id.*

<sup>66</sup> Darney-Lane Testimony at 8.

<sup>67</sup> Environmental and Social Justice Action Plan, Version 2, adopted April 7, 2022.

inequities, it sets forth specific goals, including improving access to high-quality water for ESJ communities.<sup>68</sup> The objectives associated with this goal include supporting ESJ customers and communities with discounted rates for low-income customers,<sup>69</sup> and the ESJ Plan includes low-income households within the definition of “ESJ communities”.<sup>70</sup> Accordingly, the Acquisition furthers this ESJ Plan objective by expanding the CAP to those residents of the ASA who qualify.

#### **D. Access to Conservation Programs and Customer Support**

Following the Acquisition, the ASA customers would benefit from the many water conservation programs that Golden State has established for its customers. These programs include providing free high-efficiency showerhead and aerator kits, providing educational webinars, free water use surveys and rebates for water saving tools like irrigation controllers.<sup>71</sup> Golden State also provides water conservation advice to its customers to help them use water more efficiently and help reduce their monthly water bills.<sup>72</sup> Accordingly, ASA customers will be empowered to benefit from a direct reduction in their monthly water bills by participating in conservation programs offered by Golden State, while also contributing significantly to a sustainable water supply here in California.

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<sup>68</sup> *Id.* at 24 (identifying “Goal 3: Strive to improve access to high-quality water . . . for ESJ communities”).

<sup>69</sup> *Id.* at 24 at Objective 3.2, Water Customer Resilience.

<sup>70</sup> *Id.* at 11 (defining low-income households as “Household incomes below 80 percent of the area median income”).

<sup>71</sup> Darney-Lane Testimony at 8.

<sup>72</sup> *Id.*

Golden State has a fully staffed customer support services department, which operates a 24-hour customer call center that can respond to inquiries and requests at any time that is convenient for the customer. Following the Acquisition, the ASA customers will have access to Golden State's 24-hour customer service.<sup>73</sup>

### **E. Water Production Cost Savings**

Golden State plans to serve the customers in the ASA with water pumped from Golden State wells, which is available at a lower cost than the water that the City currently purchases from the City of Cerritos to serve the ASA customers. As described in more detail in the testimony of Ms. Darney-Lane, Golden State estimates that the cost per acre-foot ("AF") to serve the ASA with water pumped from Golden State wells will be \$598, which covers the cost of power, groundwater assessment taxes and chemicals.<sup>74</sup> In contrast, the current cost of water purchased from the City of Cerritos to serve the ASA, excluding the cost of power to move the water through the system, is \$1,528 per AF, according to information provided to Golden State by the City.<sup>75</sup> Thus, the proposed Acquisition and connection of the ASA System to Golden State's existing systems will enable an overall water-supply cost savings of \$944 per AF of water supply, or a savings of more than 61%,<sup>76</sup> which will ultimately be passed through to the ASA customers as detailed in Section V below.

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<sup>73</sup> Ochoa Testimony at 11.

<sup>74</sup> Darney-Lane Testimony at 15.

<sup>75</sup> *Id.*

<sup>76</sup>  $[\$1,528 - \$584]/\$1528 = 61.78\%.$

## **SECTION V**

### **PROPOSED RATEMAKING TREATMENT**

Pursuant to Ordering Paragraph No. 2 of D.99-10-064, the Commission must determine whether the proposed rates for the newly acquired water system are just and reasonable. Golden State is requesting to adjust the rates of the acquired ASA customers in the year of acquisition (anticipated to be 2027) to reflect (i) the acquisition cost of \$5,250,000 in rate base, (ii) the capital cost of the infrastructure required to tie-in the ASA to Golden State's Artesia System, and (iii) the anticipated incremental operating costs of the ASA (which are not reflected in current rates).<sup>77</sup> Golden State is also proposing to charge the ASA's private fire customers Golden State's private fire rate.<sup>78</sup> Golden State then proposes to fully consolidate the acquired customers into its Region 2 RMA for rate setting as part of its 2026 GRC, which will establish rates for the cycle beginning in 2028.<sup>79</sup>

#### **A. Rate Base for ASA Assets**

As discussed above, the Consolidation Act requires the Commission to use the fair market value ("FMV") when establishing the rate base for an acquired water system.<sup>80</sup> And in a transaction involving both a willing buyer and a willing seller, the Consolidation Act directs that the FMV be defined as "the highest price on the date of valuation that would be agreed to by" such a buyer and seller, "each dealing with the

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<sup>77</sup> Darney-Lane Testimony at 7-8.

<sup>78</sup> *Id.* at 7.

<sup>79</sup> *Id.*

<sup>80</sup> Pub. Util. Code, § 2720(a).

other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available.”<sup>81</sup> Accordingly, the purchase price of \$5,250,000 set forth in the Asset Purchase Agreement is the FMV for the ASA assets because it represents the highest price that was mutually agreed between Golden State and the City on an informed basis, following the City’s Request for Proposals provided herewith as Exhibit C and arm’s length negotiations.<sup>82</sup>

As set forth in the independent appraisal attached to the testimony of Mr. Johnson, Stetson determined that the FMV of the ASA assets is \$5,400,000,<sup>83</sup> slightly higher than \$5,250,000 purchase price. Stetson determined that the Replacement Cost New Less Depreciation (“RCNLD”) of the ASA System is \$3,288,200.<sup>84</sup> When the FMV is higher than the RCNLD, the Commission may include the difference (often referred to as the “acquisition premium”) in rate base if it finds that the additional amount is fair and reasonable.<sup>85</sup> Under Section 2720(b), in determining whether the acquisition premium is fair and reasonable the Commission shall consider (i) whether the acquisition will improve water system reliability, (ii) whether the ability of the water system to comply with health and safety regulations is improved, (iii) whether, by acquiring the public water system, the acquiring system can achieve efficiencies and economies of scale

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<sup>81</sup> Pub. Util. Code, § 2720(a)(2) (incorporating the definition of “fair market value” from Section 1263.320 of the Code of Civil Procedure by reference thereto)

<sup>82</sup> Ochoa Testimony at 6.

<sup>83</sup> Attachment 1 (Appraisal Report) to Johnson Testimony at 5.

<sup>84</sup> *Id.* at Table 5.

<sup>85</sup> Pub. Util. Code, § 2720(b).

that would not otherwise be available, and (iv) whether the effect on existing customers of the water corporation and the acquired public water system is fair and reasonable.

As further detailed in the testimony of Mr. Ochoa and Ms. Darney-Lane, and in both Sections IV and V.B of this Application, each of the foregoing supports approval of the Acquisition. As to the first and second considerations, the Acquisition and consolidation of the ASA System with Golden State's existing Artesia system will significantly improve the ASA System's reliability and ability to comply with health and safety regulations. As to the third consideration, the proposed consolidation of the ASA with Region 2 will permit both ASA customers and existing Region 2 customers to benefit from more efficient use of existing staff, water resources, and infrastructure, and spread the cost of future infrastructure improvements over a wider customer base. As to the final consideration, accounting for both rate impacts and improvements in water service, the impact of the Acquisition on both ASA customers and existing customers is fair and reasonable, as discussed in Section V.B, below.

## **B. Rate Impact**

As Ms. Darney-Lane addresses in her testimony, although the additional operating costs of the ASA (other than water supply costs) are minimal, the acquisition will result in rate increases for the acquired customers as compared with the rates currently charged by the City. Specifically, at the time of acquisition in 2027, the rate impact for the ASA customers would be an increase of 17.67% for residential customers with average usage of 8 CCF per month.<sup>86</sup> However, as Ms. Darney-Lane explains, this

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<sup>86</sup> Darney-Lane Testimony at 8.

is because the rates in the ASA have not been adjusted since 2021, and do not reflect current operating costs.<sup>87</sup>

The City last performed a water rate study for its customers in 2016 which set rates through 2021, and rates have remained at those levels since then.<sup>88</sup> The City has indicated that a water rate study is planned in order to update rates in 2026. If the Acquisition were to fail to occur and the City were to maintain ownership and operation of the ASA System, rates for ASA customers would likely increase significantly—by up to 60% starting in 2026, if in line with recent increases in customer rates in nearby water systems.<sup>89</sup> Accordingly, the 17.67% increase that would result under the Acquisition by Golden State is significantly less than would occur absent the Acquisition.

Golden State is also proposing, effective January 1, 2028, full rate consolidation of the ASA with Region 2, using the rates established in its 2026 GRC. As Ms. Darney-Lane discusses in detail in her testimony, the rates that Golden State proposes to charge the ASA customers in 2027 are very close to the 2026 rates for Region 2 (which are only slightly higher than the proposed ASA rates).<sup>90</sup>

Existing Region 2 customers will not be negatively impacted by the Acquisition and intertie of the ASA System into the Region 2 RMA. The costs associated with the Acquisition detailed above will be incorporated into the rates of the ASA customers and will not affect the rates of Region 2 customers prior to consolidation of the ASA into

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<sup>87</sup> *Id.* at 5-6.

<sup>88</sup> *Id.* at 5.

<sup>89</sup> *Id.* at 6 and Appendix B (Letter from Jesus Gomez at the City of Norwalk to Paul Rowley at Golden State, dated January 12, 2026) at 2.

<sup>90</sup> Darney-Lane Testimony at 9.

Region 2 (which Golden State will request in its 2026 GRC). The rates Golden State is proposing for the ASA, which would cover the incremental costs of the ASA including the acquisition price and interconnection to Golden State's existing Artesia system, result in rates that are very close, but slightly lower than the 2026 rates for the Region 2 RMA.<sup>91</sup> This indicates that there would be no rate burden on Golden State's existing customers.<sup>92</sup> In fact, current Region 2 customers are expected to benefit from the Acquisition, because future infrastructure investments will be shared among the larger customer base resulting from the Acquisition. Golden State's customers in RMAs other than Region 2 also will benefit from the increased customer base resulting from the Acquisition, because common costs from the General Office will be spread across all customers, including the newly acquired ASA customers. Ms. Darney-Lane discusses this in more detail in her testimony.<sup>93</sup>

## **SECTION VI** **MEMORANDUM ACCOUNT**

Golden State requests a memorandum account under which it would be permitted to defer any unrecovered transactional costs incurred to effectuate the Acquisition as a recoverable regulatory asset. The costs recorded in such memorandum account may include outsourced services, such as legal, engineering, surveying, Stetson's appraisal, noticing costs and other professional activities.<sup>94</sup> In its subsequent

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91 *Id.* at 8-9.

92 *Id.* at 9.

93 *Id.* at 15-16.

94 *Id.* at 21.

GRC, Golden State will support the prudence of the transactional costs, support their proposed regulatory treatment, seek recovery of the costs and request that the Commission authorize such recovery. Allowing appropriate costs incurred in connection with acquisitions such as the Acquisition—transactions that are consistent with the policy objectives of California and the Commission—to be tracked and recovered helps make such acquisitions possible.

The Commission has recognized that memorandum accounts of the type requested here, which will be used to track the transaction costs arising from the acquisition of a smaller water system, meet the requirements for memorandum accounts set forth in Standard Practice U27W, as follow:

- The item is caused by an event of exceptional nature not under the utility's control;
- It could not have been reasonably foreseen in the utility's last GRC and will occur before the utility's next scheduled rate case;
- It is of a substantial nature in the amount of money involved; and
- The ratepayer will benefit by the memorandum account treatment.<sup>95</sup>

Specifically, the Commission explained that such expenses are caused by an event outside of the acquiring utility's control, as “[w]hen a smaller water system is acquired, there are inherent transaction costs” and such costs “will be incurred between rate

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<sup>95</sup> D.23-04-007, *Joint Application of California-American Water Company (U210W) and Bass Lake Water Company (U190W) for Order Authorizing Bass Lake Water Company to sell and California-American Water to Purchase the Water Utility Assets of Bass Lake Water Company*, April 10, 2023, at 19 (citing Standard Practice U27W).

cases.”<sup>96</sup> The Commission further explained that outsourced services of the very type that Golden State requests to track—legal, engineering, surveying, appraisal, noticing, and other such professional activities—are likely to be substantial.<sup>97</sup> And acknowledging that such acquisitions promote the Commission’s “goals and directives which encourage the purchase of smaller water utilities”, the Commission found that ratepayers benefit from memorandum account treatment “as it allows for the tracking of costs for future prudence and reasonableness review by the Commission prior to cost recovery.”<sup>98</sup> Consistent with such reasoning, the Commission has approved memorandum accounts to track the transaction costs associated with small water system acquisitions in numerous proceedings.<sup>99</sup> Golden State’s request for the memorandum account to track the transaction costs associated with the Acquisition warrants approval on the same grounds.

## **SECTION VII**

### **SAFETY**

Golden State personnel are experts dedicated to compliance with all health and safety regulations, and Golden State has an excellent track record of compliance with

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96 D.23-04-007 at 19.

97 *Id.*

98 *Id.*

99 *Id.* at Ordering Paragraph 7; D.19-04-015, *Application of California-American Water Company, Rio Plaza Water Company, Inc., and John Chris Nickel, Sr., Trustee for the John C. Nickel Trust for an Order Authorizing the Sale of all Shares of Rio Plaza Water Company, Inc. to California-American Water Company and Approval of Related Matters*, April 25, 2019, at Ordering Paragraph 11; D.19-12-038, *Joint Application of California-American Water Company (U210W) and Cook Endeavors d/b/a Fruitridge Vista Water Company (U136W) for an Order Authorizing Cook Endeavors to Sell and California-American Water Company to Purchase the water utility assets of Cook Endeavors*, Dec. 19, 2019, at Ordering Paragraph 5.

health and safety regulations, as discussed below. Federal and State water quality regulations continue to evolve and threaten to impose additional increases to the costs and expenses of water production and delivery.<sup>100</sup> As discussed in Section IV.B, the Director of Public Services/City Engineer for Norwalk described the increased monitoring and reporting costs stemming from PFAS regulation and identified the need for future PFAS water treatment facilities as a specific concern that Golden State would be better able to address, due to the economies of scale that Golden State is able to leverage in comparison with the City's small operations.<sup>101</sup> Indeed, as a large, Class A regulated water utility that is already implementing systems to comply with such evolving safety requirements, Golden State is better situated than the City to address, in a cost-effective manner, such issues that may impact the ASA.<sup>102</sup> Moreover, as discussed above, because Golden State plans to supply the ASA with water from many of the same wells and treated at the same water treatment facilities as the supplies used to serve its existing Artesia customers, the costs borne by each service connection actually should be reduced, because those costs will be spread over a larger customer base.

The City has also stated that it struggles to provide timely and effective service to ASA customers, including in situations where customers are experiencing interruptions in water service, because of the geographic distance between the main NMWS system and the ASA System.<sup>103</sup> Given the proximity of the ASA to Golden State's existing

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<sup>100</sup> Darney-Lane Testimony at 13.

<sup>101</sup> Exh. B (Agenda Report) at 2.

<sup>102</sup> Ochoa Testimony at 9-10.

<sup>103</sup> Darney-Lane Testimony at 12-13; Exh. B (Agenda Report) at 1.

Artesia system, Golden State's highly trained and readily available service department will be better able to respond to customer concerns and issues, providing a more reliable water supply to the ASA customers.<sup>104</sup>

Finally, the water supply for the ASA is currently sourced solely from the City of Cerritos' water system, with no alternative back-up supply available.<sup>105</sup> This dependence on a single water supply puts water service in the ASA at risk in the event of maintenance, mechanical failure, or an unexpected emergency in the City of Cerritos's water system. Consolidation of the ASA System with Golden State's Artesia system will eliminate this single point of failure and provide the ASA with the full capacity of Golden State's Artesia water system, which has built-in supply redundancies.<sup>106</sup>

## **SECTION VIII**

### **CEQA REVIEW IS NOT REQUIRED**

Rule 2.4 requires applications 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

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<sup>104</sup> Darney-Lane Testimony at 12-13.

<sup>105</sup> Ochoa Testimony at 7, 11.

<sup>106</sup> *Id.* at 11.

physical change in the environment.”<sup>107</sup> A proposed “activity [that] will not result in a direct or reasonably foreseeable indirect physical change in the environment”<sup>108</sup> is not subject to CEQA. Similarly, where “it can be seen with certainty that there is no possibility that the [proposed] activity in question may have a significant effect on the environment, the activity is not subject to CEQA.”<sup>109</sup>

This Application seeks Commission approval of the acquisition of the ASA’s assets from the City by Golden State. Critically, once sold and transferred, there will be no change in the operation of the assets. They will be used and operated in the same manner and for the same purposes for which they are currently being used—to provide water service. The Commission has consistently held such a transfer of control and operation of existing water system facilities does not result in any changes to the environment, and thus, an application seeking authorization for such a transaction is not subject to CEQA.<sup>110</sup>

The only element of the Acquisition that will result in any physical change to the environment is the construction of the short interconnecting pipeline to tie the North System to Golden State’s existing Artesia system, and that construction is statutorily exempt from CEQA. As is typical for Golden State’s pipeline construction, Golden State

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<sup>107</sup> Pub. Resources Code, § 21065.

<sup>108</sup> Cal. Code Regs., Title 14, § 15060(c)(2).

<sup>109</sup> Cal. Code Regs., Title 14, § 15061(b)(3).

<sup>110</sup> D.13-01-033, *Application of California-American Water Company (U210W) and Garrapata Water Company (U212W) for an Order Authorizing Garrapata Water Company to Sell and California-American Water Company to Purchase the Assets of Garrapata Water Company*, Jan. 24, 2013, at 8-9; D.11-03-016, *Application of Watertek, Inc. a California corporation (U420W) for Authority to Sell and Del Oro Water Co., Inc (U61W) for Authority to Buy the Watertek, Inc. Water Utilities (Grand View Gardens and East Plano) in Tulare County and (Metropolitan) in Fresno County*, March 10, 2011 at 9-10.

will identify DDW as the appropriate lead agency for the construction of the interconnection pipeline, because DDW has primary discretionary authority over the project via the issuance or amendment of Golden State's Domestic Water Supply Permit. The basis for the statutory exemption is found in Section 21080.21 of the California Public Resources Code, which provides an exemption if three required criteria are met:

- Linear Threshold: The proposed main extension is approximately 2,000 linear feet, which is well below the one mile (5,280 feet) threshold mandated by statute.<sup>111</sup>
- Siting in Public Right-of-Way: The entire project alignment is confined to existing, developed public streets and rights-of-way within the city and unincorporated Los Angeles County.<sup>112</sup>
- Facility Specification: The project scope is limited to subsurface facilities as defined in Public Resources Code Section 21080.21(b); no new surface facilities related to the operation of the underground facility are included in this scope.<sup>113</sup>

Further, construction of the pipeline is not subject to the “exceptions” to statutorily exempt projects (such as cumulative impacts or unusual circumstances) that typically apply to Categorical Exemptions under CEQA Guidelines Section 15300.2. In sum, the

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<sup>111</sup> Pub. Resources Code, § 21080.21 (“...any project of less than one mile in length...”).

<sup>112</sup> Pub. Resources Code, § 21080.21 (“...within a public street or highway or any other public right-of-way...”).

<sup>113</sup> Pub. Resources Code, § 21080.21 (“...for the installation of a new pipeline.... For purposes of this section, “pipeline” includes subsurface facilities but does not include any surface facility related to the operation of the underground facility...”).

pipeline's compliance with the one-mile threshold and location within public rights-of-way provides a mandatory exemption from further environmental review.

Moreover, construction of the pipeline meets public necessity and safety standards because it is needed in order to achieve compliance with the Commission's General Order 103-A. The interconnection is vital for: (i) providing a primary and secondary supply sources for ASA customers (system redundancy), (ii) meeting the flow requirements of the Los Angeles County Fire Department (fire flow enhancement); and (iii) integrating a smaller system into a larger, more robust customer service area to ensure long-term water quality and supply reliability (regulatory compliance).<sup>114</sup>

## **SECTION IX**

### **FORMAL MATTERS AND PROCEDURAL REQUIREMENTS**

#### **A. Identity of Applicant and Communications**

Applicant's legal name is Golden State Water Company, which is a regulated subsidiary of American States Water Company. Applicant is California corporation organized under the laws of the State of California on December 31, 1929, and is a public utility rendering water service in various areas in the counties of Contra Costa, Imperial, Lake, Los Angeles, Orange, Sacramento, San Bernardino, San Luis Obispo, Santa Barbara, Sutter and Ventura. Applicant's postal address and principal place of business is:

630 East Foothill Boulevard,  
San Dimas, California 91773-9016  
Tel. (909) 394-3600, Ext. 680

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<sup>114</sup> See CPUC General Order 103-A, Sections II.2.A (Quality of Water), II.2.B (Quantity of Water), II.3 (Continuity of Service), and VI (Fire Protection Standards).

Correspondence and communications in regard to this Application should be addressed to Jon Pierotti, Vice President, Regulatory Affairs, Golden State Water Company, at the above address and telephone, with a copy of such correspondence to Golden State's counsel:

Joseph M. Karp, Esq.  
Sheppard Mullin Richter & Hampton LLP  
Four Embarcadero Center, 17th Floor  
San Francisco, CA 94111-4109  
Tel. (415) 774-3118

### **B. Articles of Incorporation and Financial Statements**

Applicant's Restated Articles of Incorporation (Articles), as amended on September 16, 2005, are provided herewith as Exhibit E.

Applicant formally changed its name from Southern California Water Company to Golden State Water Company on October 1, 2005.

Applicant's latest available audited Balance Sheet and Income Statement, demonstrating that Golden State is financially qualified to acquire the ASA, are provided herewith as Exhibit F.

No transaction requiring Golden State to report a material financial interest, as defined in General Order No. 104-A, has occurred since the last Annual Report filed by Applicant and Applicant does not propose at present to become party to any transaction requiring Golden State to report a material financial interest.

### **C. Categorization and Schedule**

Applicant requests that the Commission classify this Application as rate setting. The issues presented in the Application are whether the Acquisition meets the requirements of California Public Utility Code Section 10061(b), whether the Acquisition

will provide customer benefits that serve the public interest, whether Golden State is financially qualified to acquire the ASA, whether Golden State is qualified to operate the ASA, whether the rate base requested in this Application should be approved, and whether the Asset Purchase Agreement should be approved. As this Application and the exhibits submitted herewith demonstrate affirmative responses to each of the foregoing, these issues should not raise material contested issues of fact, such that hearings may not be required.

The following schedule is consistent with D.99-10-064, including the settlement attached to that decision between the Office of Ratepayer Advocates<sup>115</sup> and the water utilities.

Application Filed	January 27, 2026 (Day 0)
Protests Filed	30 Days after Notice
Replies to Protest	40 Days after Notice
Prehearing Conference	45 Days after Application filed
Cal PA's Report	90 Days after Application filed
Hearings (if required)	120-125 Days after Application filed
Briefs	155 Days after Application filed
Proposed Decision	215* Days after Application filed
Commission's Agenda	245** Days after Application filed

\* Or 60 days after the case is submitted.

\*\* Or 90 days after the case is submitted.

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<sup>115</sup> Now known as the Public Advocates Office.

**SECTION X**  
**NOTICE AND SERVICE OF THE APPLICATION**

Within 20 days of acceptance of the filing of this Application, Applicant will cause to be published a notice of the general terms of the proposed increase in a newspaper of general circulation in Region 2 and the ASA. Draft notices are attached to this Application as Exhibit G. Applicant will file proof of such publication with the Commission. Within 20 days of acceptance of the filing of this Application, Applicant will mail by electronic mail for those who have provided an e-mail address and by U.S. mail for those who have not, a copy of the Notice of Availability of the Application to the officers of political subdivisions and interested parties listed on the attachment to the Notice of Availability. Within 45 days of filing this Application, Applicant will provide each customer of record, the information required by Rule 3.2(d) of the Rules.

**SECTION XI**  
**CONCLUSION**

WHEREFORE, Applicant prays that this Commission issue its order that:

1. approves the Asset Purchase Agreement's terms and conditions;
2. expands Golden State's CPCN so Golden State may assume all public utility responsibilities for the operation and ownership of the water utility operations in the ASA;
3. establishes the rate base of the acquired ASA System, at the time of issuance of a decision approving this Application, to be the full purchase price of

\$5,250,000 paid by Golden State for the ASA's assets covered by the Asset Purchase Agreement;

4. allows Golden State to consolidate the ASA customers into Region 2 for operational purposes immediately;
5. authorizes Golden State to invest \$1,830,000 in capital costs to tie in the ASA System with Golden State's existing Artesia system;
6. authorizes Golden State to increase the rates of the ASA as proposed in this Application;
7. authorizes Golden State to consolidate the ASA rates with its Region 2 ratemaking area as part of its 2028 test year GRC;
8. establishes a transaction memorandum account, pursuant to Commission Standard Practice U-27-W, to track all transaction costs incurred to effectuate the Acquisition, with rate treatment determined in Golden State's subsequent GRC; and
9. grants such other relief as appropriate.

Respectfully submitted on January 27, 2026.

By /s/

JON PIEROTTI

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Jon Pierotti

Vice President, Regulatory Affairs

**GOLDEN STATE WATER COMPANY**

## **VERIFICATION**

With respect to the within Application, the undersigned certifies that he holds the position indicated below his name, that he is authorized to make this verification for and on behalf of said entity; that he has read the Application and knows the contents thereof; and that the same is true of his own knowledge and belief, except as to those matters which are thereon stated upon his information or belief, and as to those matters, he believes them to be true.

The undersigned declares under penalty of perjury that the foregoing is true and correct.

Executed on January 27, 2026, in the City of San Dimas, California.

By /s/ JON PIEROTTI  

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Jon Pierotti  
Vice President, Regulatory Affairs  
**GOLDEN STATE WATER COMPANY**

**AGREEMENT FOR PURCHASE AND SALE**

**OF**

**WATER SYSTEM ASSETS - ARTESIA SERVICE AREA**

**By and Between**

**CITY OF NORWALK, CALIFORNIA,  
a California Municipal Corporation**

(“Seller”),

**and**

**GOLDEN STATE WATER COMPANY,  
a California Public Utility Water Company**

(“Purchaser”)

**DATED: October 11, 2024**

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**APPENDICES**

- Appendix "A" (Inventory of Purchased Assets)
- Appendix "B" (Service Territory)
- Appendix "C" (Physical Facilities)
- Appendix "D" (Inventory)
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- Appendix "F" (Pending Legal Actions Certification)
- Appendix "G" (Customer Accounts)
- Appendix "H" (Purchase Price Allocation Schedule)

**AGREEMENT FOR PURCHASE AND SALE OF WATER ASSETS - ARTESIA SERVICE AREA**

THIS AGREEMENT FOR PURCHASE AND SALE OF WATER ASSETS (the "Agreement") is made as of this 11<sup>th</sup> day of October 2024, by and between The City of NORWALK California, a California Municipal Corporation (the "Seller"), and Golden State Water Company, a California corporation that is a California Public Utility as defined by the California Public Utilities Code (the "Purchaser").

WHEREAS, the Seller owns and operates a municipal water system that includes the Artesia Service Areas (the "ASA Water Systems"), located in the City of ARTESIA, Los Angeles County, California, and which is comprised of the "Purchased Assets" (as defined below); and

WHEREAS, the Seller has been granted a permit by the State of California Department of Water Resources, Division of Drinking Water (the "DDW") to provide potable water services within defined areas within the City of NORWALK, California, as well as portions of the ASA Water Systems that reside outside the City of NORWALK; and

WHEREAS, the Seller issued a Request for Proposal (the "RFP") seeking to sell the ASA Water Systems to a third party; and

WHEREAS, the Purchaser submitted a proposal in response to the RFP; and

WHEREAS, the Purchaser has been granted the authority by the California Public Utilities Commission (the "CPUC") to provide water service to the Artesia System as presented in CPUC Sheet Number 9022, which resides adjacent to or within the vicinity of the ASA Water Systems; and

WHEREAS, the Purchaser desires to purchase Seller's Artesia Service Area Water Systems assets pursuant to the terms and conditions contemplated in this Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals and benefits to be derived from the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Seller and the Purchaser hereby agree to sell and purchase the Water System, upon the following terms and conditions:

1. **RECITALS.** The foregoing recitals are true and correct and are incorporated herein.
2. **PURCHASE AND SALE; DESCRIPTION OF PURCHASED ASSETS.**
  - a. Subject to the terms and conditions set forth in this Agreement, the Purchaser shall buy from the Seller, and the Seller shall sell to the Purchaser, the ASA Water Systems and the Purchased Assets (as defined below), free and clear of all claims, liens (statutory or otherwise), encumbrances, restrictions, charges, instruments, licenses, preferences, priorities, security agreements, covenants, rights of recovery, hypothecations, security interests or other encumbrances or charges of any kind or nature whatsoever.
  - b. Subject to Section 5 of this Agreement, the Purchaser is purchasing the Purchased Assets and the ASA Water Systems "As-Is" "Where-Is".

- c. **"Purchased Assets"** shall mean all assets, properties, and rights, both tangible and intangible, that the Seller owns regarding the ownership, construction, operation or maintenance of the ASA Water Systems including, but not limited to:
  - i. The ASA Water Systems owned by Seller and all facilities and improvements located thereon in the Artesia Service Area, which is identified in **Appendix "B"** to this Agreement (the "Service Territory"). If applicable, all licenses, rights-of-way, rights to use public and private roads, streets and other areas used in the ASA Water Systems. All water supply, distribution, and transmission facilities, including, but not limited to, transmission mains, distribution mains, supply pipes, valves, meters, meter boxes, service connections and all other physical facilities, equipment and property installations owned by Seller or to which Seller possesses rights and used in connection with the ASA Water Systems, including those identified in **Appendix "C"** ("Physical Facilities") to this Agreement.
  - ii. Cash in the amount of the Seller's customer deposits as it relates to the Seller's customers of the ASA Water Systems.
  - iii. All supplier lists, customer records (including, without limitation, historical customer account information), customer billing, customer accounts, hardware and software, prints, plans, including plans in electronic or digital format, engineering reports, surveys, specifications, shop drawings, equipment manuals, and other information relating to the ASA Water Systems in the Seller's possession, including any rights of the Seller, if any, to obtain copies of such items from engineers, contractors, consultants or other third parties, in paper or electronic form.
  - iv. All sets of record drawings, including as-built drawings, showing all facilities of the ASA Water Systems, including all original tracings, sepia or other reproducible materials in the Seller's possession, including all rights of the Seller, if any, to obtain copies of such items from engineers, contractors, consultants or other third parties, in paper or electronic form.
  - v. All items of inventory owned by the Seller on the Closing Date (as defined below) and used to operate and maintain the ASA Water Systems. Inventory items/amounts as of the date of Agreement shall include, but is not limited to, those items listed in **Appendix "D"** ("Inventory").
  - vi. All accounts receivables and unbilled receivables of the Seller related to the ASA Water Systems existing as of the Closing Date (collectively, the "**Accounts Receivable**").

### 3. LIABILITIES.

- a. **Assumed Liabilities.** Subject to terms and conditions of this Agreement, the Purchaser shall assume as of the Closing Date only the following debts, obligations and other liabilities of Seller (the "**Assumed Liabilities**"), and the Purchaser shall not assume or otherwise be responsible for any other debts, obligations or other liabilities of the Seller:

- i. All liabilities to the customers of the ASA Water Systems incurred after the Closing Date, provided that the operative act giving rise to the liability occurred after the Closing Date. For the avoidance of doubt, all of the Seller's liabilities to the customers of the ASA Water Systems that arose as a result of an operative act that occurred before the Closing Date shall be treated as an Excluded Liability (as defined below); All liabilities related to customer deposits as of the Closing date related to the ASA Water Systems; and
- ii. Any liability arising from or related to the ownership, construction, operation and maintenance of the ASA Water Systems that arises after the Closing Date.

b. **Excluded Liabilities.** Notwithstanding the foregoing, the following are expressly excluded from the definition of Assumed Liabilities under this Agreement and shall not constitute liabilities assumed by the Purchaser (the "Excluded Liabilities"):

- i. Any debts, liabilities, obligations, or other financial or service obligations of the Seller, except as may be expressly provided in Section 3(a) of this Agreement;
- ii. Any expense, assessment, exposure, fine, penalty, liability, act or omission of any kind whatsoever imposed or required by any third party, whether known or unknown, contingent, liquidated or unliquidated, arising or accruing under contract, law, tort, ordinance, law, regulation or otherwise, or arising or accruing before or after the Closing Date where the operative act or omission was that of or attributable to the Seller for its actions prior to the Closing Date;
- iii. Any liabilities of the Seller for any present or former employees, officers, directors, retirees, independent contractors or consultants of the Seller, including any liabilities associated with any claims for wages or other benefits, bonuses, accrued vacation, workers' compensation, severance, retention, termination or other payments;
- iv. Any liabilities arising from any claim, demand, complaint, notice of violation, citation, action, governmental order, lien, or, as to each, any settlement or judgment arising therefrom, by or from any Person (as defined in Section 14 (d), below) alleging liability of whatever kind or nature (including liability or responsibility for the costs of enforcement proceedings, investigations, cleanup, governmental response, removal or remediation, natural resources damages, property damages, personal injuries, monitoring, penalties, fines, contribution, indemnification and injunctive relief) arising out of, based on or resulting from: (A) the presence or the release of or exposure to any Hazardous Materials; or (B) any actual or alleged non-compliance with any Environmental Law or any Environmental Permit (as these terms are further defined below), related to facts, circumstances or conditions that existed on, prior to or continue as of the Closing or otherwise arising out of any actions or omissions of Seller or any other Person regardless of first commencement;
- v. Any liabilities of the Seller relating or arising from unfulfilled commitments, quotations, purchase orders, customer orders or work orders related to the

Purchased Assets that: (A) do not constitute part of the Purchased Assets; or (B) did not arise in the ordinary course of business;

- vi. Any liabilities in respect of any pending or threatened action arising out of, relating to or otherwise in respect of the operation of the Purchased Assets to the extent such action relates to such operation on or prior to the Closing Date;
- vii. Any liabilities to the extent arising out of, in respect of or in connection with the failure by the Seller to comply with any law or governmental order; and
- viii. Any fees and expenses of the Seller arising or incurred in connection with the negotiation, preparation, investigation and performance of this Agreement and the transactions contemplated hereby and thereby, including fees and expenses of counsel, accountants, consultants, advisers and others.

- c. The Seller hereby acknowledges that it is retaining the Excluded Liabilities and it shall remain liable for and shall pay, perform or discharge all such Excluded Liabilities; provided, that the Seller is not hereby limited in its right to contest in good faith any such liabilities or obligations.
- d. The parties hereto acknowledge and agree that disclosure of any debt, obligation or other liability on any schedule to this Agreement shall not create an Assumed Liability or other liability of the Purchaser, except where such disclosed liability has been expressly assumed by the Purchaser as an Assumed Liability in accordance with the provisions of Section 3(a) of this Agreement.

**4. PURCHASE PRICE.** The total consideration to be paid for the ASA Water Systems and the Purchased Assets is the Purchase Price (as defined below) plus adjustments as set forth herein.

- a. The Purchaser shall pay to the Seller for conveyance of the Purchased Assets, subject to the additions, adjustments and prorations referenced in this Agreement, a cash payment in the amount of Five Million and Two-Hundred and Fifty Thousand U.S. dollars (\$5,250,000) (the “**Cash Purchase Price**”), which shall be paid to the Seller via wire transfer to the account(s) designated by the Seller at the Closing.
- b. As additional compensation to the Seller, the Seller shall receive payment for ninety percent (90%) of the Accounts Receivable (each less than sixty (60) days old) for monthly water and wastewater service, net of any credit balances as of the Closing Date (the “**Receivables Purchase Price**” and, together with the Cash Purchase Price, the “**Purchase Price**”).
- c. Adjustments to the Purchase Price shall include the reimbursement to the Seller for all costs incurred at the request of the Purchaser in the preparation of new surveys, and the Seller’s appraisal required pursuant to Section 8(b)(vi).

**5. REPRESENTATIONS AND WARRANTIES OF SELLER.** As a material inducement to the Purchaser to execute this Agreement and perform its obligations hereunder, the Seller represents and warrants to Purchaser as follows:

- a. The Seller is a California Municipal Corporation, and its status is active under the laws of the State of California. The Seller has all requisite power and authority and has taken all requisite action necessary to (i) enter into this Agreement, and (ii) perform all of the terms and conditions of this Agreement.
- b. The City Council of the City of NORWALK has approved the sale of the ASA Water Systems pursuant to Section 10061, subdivision (b) of the Public Utilities Code and has authorized the Seller entering into this Agreement.
- c. This Agreement constitutes, and all other agreements to be executed by the Seller with respect to this Agreement shall constitute, when executed and delivered, valid and binding obligations of the Seller, enforceable in accordance with their terms.
- d. The execution, delivery and performance of this Agreement will not violate any provision of law, order of any court or agency of government applicable to the Seller, the Seller's Articles of Incorporation or the California Municipal Code, nor any Certificate, indenture, agreement, or other instrument to which the Seller is a party, or by which it is bound.
- e. There are no developer agreements or other contracts or agreements relating exclusively to the ASA Water Systems.
- f. The Seller does not own or lease any real property, easements, rights of way or possess any other real property interest related to the operation of the ASA Water Systems.
- g. The Seller has exclusive possession, control and ownership of the Purchased Assets. All parts of the ASA Water Systems are located within the site identified in **Appendix "A."**
- h. The Seller has good and marketable title to the ASA Water Systems and all other Purchased Assets. At Closing, the ASA Water Systems and the Purchased Assets shall not be subject to any mortgage, pledge, lien, charge, security interest, encumbrance, or restriction.
- i. Environmental Law Compliance.
  - i. Definitions.
    - (a) **"Environmental Law"** means any federal, state, or local statute, order, regulation, or ordinance, or common law or equitable doctrine relating to the protection of human health, the environment or natural resources including all those relating to the generation, handling, transportation, treatment, storage, disposal, distribution, discharge, Release, threatened Release, control, or cleanup of any Hazardous Material and includes, but is not limited to, the California Water Code; the California Environmental Quality Act ("CEQA"); the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") (42 U.S.C. § 9601 et seq.); the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.); the Clean Water Act (33 U.S.C. § 1251 et seq.); the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.); and the Safe Drinking Water Act (42 U.S.C. § 300f et seq.); as such laws have been amended or supplemented as of

the Closing Date or hereinafter, the regulations promulgated pursuant thereto, and in effect as of the Closing Date or as amended hereinafter and any conditions and requirements contained in any permits, licenses, certificates, variances, or other authorizations issued by any federal, state or local agencies that are required to own and operate the ASA Water Systems (collectively, the “Environmental Permits”).

- (b) “**Hazardous Material**” means petroleum, and any byproduct, fraction or derivative thereof, urea formaldehyde, per- and polyfluoroalkyl substances, and any substance, material, or waste which is regulated under any Environmental Law including, without limitation, any material or substance that is defined as or considered to be a “hazardous waste,” “hazardous material,” “hazardous substance,” “extremely hazardous waste,” “restricted hazardous waste,” “pollutant,” “contaminant,” “toxic waste,” or “toxic substance” under any provision of Environmental Law.
- (c) “**Release**” means any release, spill, emission, leaking, pumping, pouring, migrating, escaping, injection, deposit, disposal, discharge, or dispersal into the environment, at or from any property owned or operated by Seller or related to Hazardous Materials generated by the Seller.
- (d) “**Remedial Action**” means all actions required to (i) clean up, remove, or treat any Hazardous Material; (ii) prevent the Release or threat of Release, or minimize the further Release of any Hazardous Material so it does not endanger or threaten to endanger public health or welfare or the environment; or (iii) perform pre- remedial studies and investigations or post-remedial monitoring and care related to or in connection with any such remedial action.

ii. **Representations.**

- (a) The Seller is in compliance with all applicable Environmental Laws and has no liability under Environmental Laws or related to a Release of or exposure to Hazardous Materials related to the ASA Water Systems, and there is no reasonable basis for Seller to believe that any such liability exists, except as specifically disclosed in **Appendix “E.”** Seller is not required to maintain any Environmental Permits in connection with the operation of the ASA Water Systems.
- (b) The Seller has not received any oral or written notice, claim or demand, and the Seller and the ASA Water Systems are not subject to any pending or threatened proceeding alleging any violations of Environmental Laws or Environmental Permits or related to the Release, threatened Release or exposure to Hazardous Materials relating to the ASA Water Systems, except as identified in **Appendix “F”** hereto.
- (c) There is no Hazardous Material in violation of or in a manner that has or could result in liability under any Environmental Law located on the Site, no ASA Water Systems property is listed or formally proposed for listing

under CERCLA, the Comprehensive Environmental Response, Compensation Liability Information System ("CERCLIS") or on any similar state list that is the subject of federal, state, or local enforcement actions or other investigations that may lead to claims against the Seller for clean-up costs, remedial work, damages to natural resources, or for personal injury or property damage claims, including, but not limited to, claims under CERCLA, and there is no reasonable basis for the Seller to be named in such claims or for any similar action to be brought against the Seller.

- (d) No written or verbal notification of a Release of a Hazardous Material has been filed by or on behalf of the Seller or any third party with respect to the ASA Water Systems. No ASA Water System property is listed or proposed for listing on the National Priority List promulgated pursuant to CERCLA, or CERCLIS, or any similar state list of sites requiring investigation or clean up.
- (e) No Hazardous Material has been Released at, on, or under any ASA Water System or any water supply, treatment, distribution, and transmission facilities.
- (f) The Seller has not entered into any agreement that may require it to guarantee, reimburse, pledge, defend, hold harmless or indemnify any other party with respect to the liabilities arising under Environmental Laws.
- (g) Seller has provided to Purchaser copies of all environmental reports, if any, including Phase I environmental site assessments and Phase II reports and environmental compliance audits relating to the ASA Water Systems conducted in the last five (5) years, sampling data and material correspondence of any claim or proceeding related to: (i) the environmental condition associated with the ASA Water Systems; or (ii) Seller's compliance with Environmental Laws, each in Seller's possession or control.

j. Except as provided in **Appendix "F"** hereto, there are no current actions, suits or proceedings at law or in equity pending or, to Seller's knowledge, threatened against the Seller before any federal, state, municipal or other court, administrative or governmental agency or instrumentality, domestic or foreign, which affect the ASA Water Systems or any of the Purchased Assets, including, without limitation, any threat or possible threat of contamination to the ASA Water Systems or the Purchased Assets, or the Seller's right and ability to make and perform this Agreement, nor to the Seller's knowledge are there any facts likely to result in any such action, suit or proceeding. The Seller is not in default with respect to any Certificate, permit, order or decree of any court or of any administrative or governmental agency or instrumentality affecting the ASA Water Systems or any of the Purchased Assets. The Seller agrees and warrants that it shall have a continuing duty to disclose up to and including the Closing Date the existence and nature

of all pending judicial or administrative suits, actions, proceedings and orders which in any way relate to the ASA Water Systems or the Purchased Assets.

k. **Appendix "G"** sets forth: (i) a list of each customer account serviced by the ASA Water Systems as of the date of this Agreement; and (ii) the amount of consideration paid to Seller under each customer account during the most recent fiscal year.

l. Seller's operation of the ASA Water Systems is not in violation of any applicable state or local laws, rules or ordinances, including building, zoning or other applicable requirements, nor are there any encroachments of any kind related to any real property. Following Closing, neither the Seller nor any affiliate of the Seller shall provide water within the Service Territory or any property adjacent to the Service Territory in competition with the Purchaser.

m. No representation or warranty made by the Seller in this Agreement contains any untrue statement of material fact, nor does any such representation or warranty omit any material fact required to make the statement or statements herein contained true or correct.

**6. REPRESENTATIONS AND WARRANTIES OF PURCHASER.** As a material inducement to the Seller to execute this Agreement and to perform its obligations hereunder, the Purchaser represents and warrants to the Seller as follows:

a. The Purchaser is duly organized and is a validly existing corporation under the laws of the State of California. The Purchaser has all requisite corporate power and authority to (i) enter into this Agreement, and (ii) carry out and perform the terms and conditions of this Agreement.

b. This Agreement constitutes, and all other agreements to be executed by the Purchaser with respect to this Agreement, shall constitute, when executed and delivered, valid and binding obligations of the Purchaser, enforceable in accordance with their terms.

c. Subject to obtaining CPUC approval and required third-party consents, the execution, delivery and performance of this Agreement will not violate any provision of law, order of any court or agency of government applicable to Purchaser, nor any indenture, agreement, or other instrument to which Purchaser is a party, or by which it is bound.

**7. SERVICE AREA SURVEY.**

a. Within thirty days after the date of this Agreement, the Seller shall provide to the Purchaser a copy of any detailed service area survey of the ASA Water Systems which shall identify the service areas and all pipes, water mains and other tangible property located thereon. The Purchaser shall have the right, but not the obligation, to require Seller to update any service area survey (showing billing addresses of customers and maps of the physical ASA Water Systems) or request a new service area survey of the ASA Water Systems. Costs incurred by the Seller to update a survey or procure a new survey shall be paid by the Seller.

**8. CONDITIONS PRECEDENT TO CLOSING.**

- a. The obligations of the Seller to close the transactions contemplated by this Agreement are subject to the conditions that, at or before the Closing Date:
  - i. The Purchaser shall not be prohibited by decree or law from consummating the transactions contemplated by this Agreement.
  - ii. There is not pending on the Closing Date any legal action or proceeding that would: (i) prohibit the sale of the ASA Water Systems or the Purchased Assets; or (ii) prohibit Seller from closing the transactions contemplated by this Agreement.
  - iii. The Purchaser shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by this Agreement to be performed or complied with by it prior to or on the Closing Date; provided, that, with respect to agreements, covenants and conditions that are qualified by materiality, the Purchaser shall have performed such agreements, covenants and conditions, as so qualified, in all respects.
  - iv. All of the Purchaser's representations and warranties shall be true and correct in all respects on the date hereof and at and as of the Closing as though such representation or warranty was made at and as of the Closing, except, in each case, to the extent any such representation or warranty speaks as of a specific date, in which case such representation or warranty shall be, subject to the qualifications set forth above, true and correct at and as of such specific date.
  - v. The Purchaser shall have delivered or caused to be delivered to Seller all of the documents, instruments, and agreements to be delivered pursuant to Section 11(b)(ii) on or before Closing.
- b. The obligations of the Purchaser to close the transaction contemplated by this Agreement are subject to the conditions that, at or before the Closing Date:
  - i. The Seller shall not be prohibited by decree or law from consummating the transactions contemplated by this Agreement.
  - ii. There is not pending on the Closing Date any legal action or proceeding that would: (i) prohibit the Purchaser's acquisition of the ASA Water Systems or the Purchased Assets; (ii) prohibit the Purchaser from closing the transactions contemplated by this Agreement; or (iii) inhibit or restrict in any manner Purchaser's use, title, or enjoyment of the Purchased Assets.
  - iii. The Seller shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by this Agreement to be performed or complied with by it prior to or on the Closing Date; provided, that, with respect to agreements, covenants and conditions that are qualified by materiality, the Seller shall have performed such agreements, covenants and conditions, as so qualified, in all respects.
  - iv. All of the Seller's representations and warranties shall be true and correct in all respects on the date hereof and at and as of the Closing as though such

representation or warranty was made at and as of the Closing, except, in each case, to the extent any such representation or warranty speaks as of a specific date, in which case such representation or warranty shall be, subject to the qualifications set forth above, true and correct at and as of such specific date.

- v. There shall have been no material adverse change in the condition of the ASA Water Systems or the Purchased Assets. For purposes of this Agreement, a "material adverse change" shall mean any event, occurrence, fact, condition or change that is, or is reasonably likely to become, individually or in the aggregate, materially adverse to (i) the ability of the Seller to consummate the transactions contemplated hereby on a timely basis, (ii) the value of the ASA Water Systems or the Purchased Assets individually, or (iii) the ability of the Purchaser to operate the ASA Water Systems or the Purchased Assets in substantially the same scope, quality and nature as the Seller operated such assets within the twelve (12) month period prior to the Closing Date.
- vi. The Seller shall have provided to the Purchaser a replacement cost new less depreciation appraisal of the value of the ASA Water Systems.
- vii. The Purchaser shall have received CPUC authorization without condition unacceptable to the Purchaser for the acquisition of the ASA Water Systems, the Purchaser's proposed ratemaking treatment with respect thereto and any other material requests made by Purchaser in its application or other request for authorization to the CPUC, which CPUC authorization is final and no longer subject to appeal.
- viii. The Seller shall have delivered or caused to be delivered to Purchaser all of the documents, instruments, and agreements to be delivered pursuant to Section 11(b)(i) on or before Closing.

**9. PRE-CLOSING CONDUCT; SELLER COVENANTS.** Prior to the Closing Date, the Seller covenants to the Purchaser, and shall conduct itself, as follows:

- a. During the period between execution of this Agreement and the Closing Date, the Seller shall:
  - i. Operate and maintain the ASA Water Systems and Purchased Assets in compliance with all applicable laws and in substantially the same scope, quality and nature as the Seller operated such assets within the twelve (12) month period prior to the date hereof to ensure that the condition of the ASA Water Systems and the Purchased Assets remain in all material respects unchanged, normal wear and tear and usage excepted;
  - ii. Maintain its inventory levels regarding the ASA Water Systems and Purchased Assets in the ordinary course of business;
  - iii. Promptly notify the Purchaser of any notification received by the Seller from any person, business, or agency of any existing or potential Environmental Law violation;

- iv. Provide the Purchaser, or its designated agent(s), with unrestricted access to the business premises, ASA Water Systems, Purchased Assets, the Seller's books and records regarding its customers and operations, employees, agents, or representatives, each on at least one business day's advance notice and during business hours;
- v. Maintain its existing levels of insurance on the Purchased Assets and ASA Water Systems. For the avoidance of doubt, the risk of any loss shall remain with the Seller through the Closing Date;
- vi. Support and provide reasonable efforts to the Purchaser in the preparation and prosecution of the Purchaser's application or other request to the CPUC for: (A) the purchase of the ASA Water Systems and associated Purchased Assets; (B) extension of the service area of the Artesia System to include the ASA Water Systems; and (C) the establishment of rates for customers that reside in the ASA Water Systems area, including, but not limited to, furnishing necessary information, data or analysis regarding the project and infrastructure, submitting testimony, briefs and comments to the CPUC, and attending meetings or hearings at the CPUC; and
- vii. Promptly notify the Purchaser of any event, activity or occurrence that has, or may have, a material adverse change upon the ASA Water Systems, Purchased Assets or this transaction.

b. During the period between execution of this Agreement and the Closing Date, the Seller shall not:

- i. Enter into any contract, oral or written, relating to the ASA Water Systems or Purchased Assets without the prior written consent of the Purchaser, which consent shall not be unreasonably withheld, conditioned or delayed; and
- ii. Without the prior written consent of Purchaser, which shall not be unreasonably withheld, enter into any Developer Agreements.

#### **10. TERMINATION OF AGREEMENT.**

- a. This Agreement may be terminated (i) by mutual written consent of the parties, (ii) by either party if the transactions contemplated hereby have not closed within sixty (60) days following the CPUC's approval of this Agreement and the transactions contemplated hereby, which approval shall be final and no longer subject to appeal; provided, that both parties hereto shall use commercially reasonable efforts to cause all of the other conditions precedent to Closing in Section 8 to be satisfied within that timeline, or (iii) as provided in Sections 10(b) and (c) below.
- b. The Purchaser may terminate this Agreement, in its sole discretion, upon the occurrence of any of the following:

- i. The failure, in any material respect prior to Closing, of any conditions precedent to Closing, or the Seller's failure to comply with any pre-closing conduct or any covenant of Seller set forth in Section 8(a) or Section 9.
- ii. Any material breach of this Agreement by the Seller, including, but not limited to, a material breach of any representation or warranty, if the Seller has not cured such breach within thirty (30) days after receiving notice from the Purchaser of such breach; provided, however, such breach must in any event be cured by the Closing Date unless the date for cure has been extended by the Purchaser by a confirmed writing.

c. The Seller may terminate this Agreement, in its sole discretion, upon the occurrence of any of the following:

- i. The failure, in any material respect prior to Closing, of any of the conditions precedent to Closing set forth in Section 8(b).
- ii. Any material breach of this Agreement by the Purchaser, including, but not limited to, a material breach of any representation or warranty, if the Purchaser has not cured such breach within 30 days after receiving notice from the Seller, provided, however, such breach must in any event be cured prior to the Closing Date unless the date for cure has been extended by the Seller.

d. Upon the occurrence of any of the bases for termination of this Agreement, the party seeking to terminate this Agreement shall provide written notice of its termination of this Agreement to the other by delivering the same as provided in Section 15(b).

e. Upon the termination of this Agreement, the following shall occur:

- i. To the extent permitted by California law, each party shall return all documents, including copies, in its possession, custody, or control, or in the possession, custody, or control, of its agents and consultants to the other, as the case may be. Each party, its agents and consultants, shall treat any information previously received from the other party as confidential, and shall not disclose or use such information, unless required or permitted by applicable law.
- ii. Except as otherwise set forth in this Agreement, each party shall be responsible for payment of its own attorney and other professional fees and other costs of any nature whatsoever incurred prior to the termination of this Agreement.

## 11. CLOSING DATE AND CLOSING.

a. This transaction shall close on or before December 31, 2025, at a location mutually acceptable to both parties (the "Closing"). This deadline may be extended at the option of either party for a period of ninety (90) days to accommodate any required regulatory approvals or to secure financing. As used in this Agreement, the term "Closing Date" shall mean 12:01 a.m. on the date that the Closing occurs.

b. Deliveries at Closing:

2026 R04

- i. At or prior to the Closing, the Seller shall deliver (or cause to be delivered) to the Purchaser:
  - (a) Title to the ASA Water Systems and the Purchased Assets by bill of sale, special warranty deed or other conveyance instrument reasonably acceptable to the Purchaser, free of all claims, liens, or encumbrances whatsoever;
  - (b) At least ten (10) days prior to Closing, a listing of Seller's accounts by customer and individual amounts due for bills rendered in the ordinary course of business; and (ii) at least three (3) days prior to Closing, an estimate of the gross revenue for water services rendered but not yet billed as of the Closing Date;
  - (c) All customer deposits and accrued interest thereon, together with the list of customers for whom such deposits have been collected and corresponding amounts of such deposits through Closing;
  - (d) A certificate, dated as of the Closing Date and signed by an authorized officer of the Seller, stating that each of the conditions set forth in Section 8(b)(iii) and Section 8(b)(iv) have been satisfied;
  - (e) An opinion from the Seller's counsel to the effect that: (i) the Seller is validly organized, existing and its status is active under the laws of the State of California; (ii) this Agreement has been duly and validly authorized, executed and delivered by the Seller and is a valid and binding agreement enforceable against Seller in accordance with its terms; and (iii) the execution, delivery and performance of this Agreement will not violate any agreement of or binding on, or any law applicable to, the Seller; and
  - (f) Such other instruments of conveyance as shall be, in the reasonable opinion of the Purchaser and its counsel, necessary to transfer the ASA Water Systems and Purchased Assets in accordance with this Agreement and, when necessary or desirable, in recordable form.
- ii. At or prior to the Closing, the Purchaser shall deliver (or cause to be delivered) to Seller:
  - (a) The Purchase Price, subject to any adjustment as provided for in this Agreement;
  - (b) A certificate, dated as of the Closing Date and signed by a duly authorized officer of the Purchaser, stating that each of the conditions set forth in Section 8(a)(iii) and Section 8(a)(iv) have been satisfied; and
  - (c) Such other instruments of conveyance as shall be, in the reasonable opinion of the Seller and its counsel, necessary to transfer the ASA Water

Systems and Purchased Assets in accordance with this Agreement and, when necessary or desirable, in recordable form.

**12. TAXES AND OTHER EXPENSES.**

- a. Any applicable taxes, shall be prorated as of the Closing Date and the Seller shall be required to pay its pro rata share at Closing. All other taxes, assessments and regulatory assessment fees accrued or owed by the Seller as of the date of Closing with respect to the ASA Water Systems and Purchased Assets shall remain the obligation of the Seller. All other taxes and assessments imposed or attempted to be imposed from and after the date of Closing with respect to the ASA Water Systems and Purchased Assets, if any, shall be the obligation of Purchaser.
- b. Documentary stamps, recording fees, if any, to record the deeds and any other fees, assessments or charges and related instruments necessary to deliver title to the Purchaser shall be paid for by the Seller.
- c. Each of the parties shall pay the fees of its own attorneys, bankers, engineers, accountants, and other professional advisers or consultants in connection with the negotiation, preparation and execution of this Agreement, and any documents associated with the Closing.
- d. All bills of any kind for services, materials and supplies of any kind rendered in connection with the construction, operation and maintenance of the ASA Water Systems prior to Closing, including but not limited to electricity, phone service, and payroll for a period up to and including the Closing Date, shall be paid by the Seller. The Purchaser shall be responsible for all such costs and expenses incurred subsequent to Closing.
- e. The Seller and the Purchaser agree that the Purchase Price (plus any Assumed Liabilities properly taken into account for income tax purposes) shall be allocated among the ASA Water Systems and the other Purchased Assets in accordance with the applicable provisions of the Internal Revenue Code of 1986, as amended, and the methodologies as set forth on **Appendix "H"** to this Agreement (the "**Purchase Price Allocation Schedule**"). The Purchase Price Allocation Schedule shall be prepared by the Purchaser and delivered to the Seller within one-hundred and twenty (120) days following the Closing Date. The Purchaser and the Seller shall file all tax returns (including amended returns and claims for refund) and information reports in a manner consistent with the Allocation Schedule and will not take any position inconsistent with such schedule unless required by a determination of the applicable governmental authority that is final.

**13. POST CLOSING COOPERATION; SURVIVAL PERIOD.**

- a. The Seller and the Purchaser shall, after the Closing Date, upon reasonable request of the other party and at no cost to the other party, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, all such further documents, acts, deeds, easements, assignments, transfers, powers of attorney and assurances as may be required in order to implement and perform any of the obligations, covenants and agreements of the parties arising from this Agreement, and to permit the Purchaser to operate and maintain the ASA Water Systems and the Purchased Assets.

- b. Each of the parties hereto shall provide the other with such assistance as reasonably may be requested in connection with the preparation of any tax return, audit or other examination by any taxing authority or any judicial or administrative proceeding relating to liability for taxes relating to the transactions contemplated by this Agreement, including reasonable access during regular business hours to any and all necessary documentation and/or records. Subject to the provisions of Section 13(e) below, each party shall retain and provide the other with any records or information that may be relevant to such return, audit or examination, proceedings or determination. The party requesting assistance hereunder shall reimburse the other for reasonable expenses incurred in providing such assistance.
- c. The Seller agrees to provide assistance to the Purchaser to transition the administration (including customer services and accounting functions) and operation of the ASA Water Systems and Purchased Assets for a period of one hundred twenty (120) days after the Closing Date.
- d. If Ordered by the CPUC, the Seller and the Purchaser agree to cooperate in the preparation and submittal any subsequent filings required by the CPUC after Closing. The Seller shall file reports, if any, required to satisfy its outstanding gross receipts tax, regulatory assessment fees, and other obligations and governmental assessments through the date of Closing. All of Purchaser's costs and expense relative to the initiation of Purchaser's relationship with the CPUC, including regulatory assessment fees, shall be borne by the Purchaser. Copies of the Order(s) of the CPUC acknowledging sale of the system to the Purchaser shall be promptly provided to the Seller upon Purchaser's receipt thereof.
- e. The respective representations and warranties of the parties contained in Section 5 and Section 6 of this Agreement, or any document delivered pursuant to this Agreement, shall survive the consummation of the transactions contemplated hereby and continue for a period of one year from the Closing Date, and thereafter shall terminate.
- f. If applicable, at Closing, the Seller shall forever waive any claim or right to compensation or damages of any kind against the Purchaser or the County of Los Angeles which relates to any encroachment, damage or encumbrance of any nature, type or kind that existed on the Closing Date and affecting property of the Seller located contiguous to the ASA Water Systems as may result at any time in the future from the operation of the ASA Water Systems by the Purchaser.

#### **14. INDEMNIFICATION PROVISIONS.**

- a. Indemnification By the Seller.
  - i. Subject to the other terms and conditions of this Section 14, the Seller shall indemnify, defend and hold harmless the Purchaser and its affiliates and their respective directors, officers, employees, consultants, financial advisors, counsel, accountants and other agents (the "Purchaser Indemnitees") against, and shall hold each of them harmless from and against, and shall pay and reimburse each of them for, any and all losses incurred or sustained by, or imposed upon, the

Purchaser Indemnitees based upon, arising out of, with respect to or by reason of:

- (a) any inaccuracy in or breach of any of the representations or warranties of the Seller contained in this Agreement, or in any certificate or instrument delivered by or on behalf of the Seller pursuant to this Agreement, as of the date such representation or warranty was made or as if such representation or warranty was made on and as of the Closing Date (except for representations and warranties that expressly relate to a specified date, the inaccuracy in or breach of which will be determined with reference to such specified date);
- (b) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by Seller pursuant to this Agreement;
- (c) any Excluded Liability; or
- (d) any third-party claim based upon, resulting from or arising out of the business, operations, properties, assets, including, without limitation, the Purchased Assets, or obligations of the Seller or any of its affiliates conducted, existing or arising on or prior to the Closing Date.

b. Indemnification by the Purchaser.

- i. Subject to the other terms and conditions of this Section 14, the Purchaser shall indemnify, defend and hold harmless the Seller and its affiliates and their respective directors, officers, employees, consultants, financial advisors, counsel, accountants and other agents (the "Seller Indemnitees") against, and shall hold each of them harmless from and against, and shall pay and reimburse each of them for, any and all losses incurred or sustained by, or imposed upon, the Seller Indemnitees based upon, arising out of, with respect to or by reason of:
  - (a) any inaccuracy in or breach of any of the representations or warranties of Purchaser contained in this Agreement or in any certificate or instrument delivered by or on behalf of the Purchaser pursuant to this Agreement, as of the date such representation or warranty was made or as if such representation or warranty was made on and as of the Closing Date (except for representations and warranties that expressly relate to a specified date, the inaccuracy in or breach of which will be determined with reference to such specified date);
  - (b) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by Purchaser pursuant to this Agreement; or
  - (c) any Assumed Liability.

## c. Certain Limitations.

i. The indemnification provided for in Sections 14(a) and 14(b) shall be subject to the following limitations:

- (a) For purposes of this Section 14, the calculation of the amount of losses incurred in connection with any inaccuracy in or breach of any representation or warranty shall be determined without regard to any materiality, material adverse change or other similar qualification contained in, or otherwise applicable to, such representation or warranty.
- (b) In the event of any breach giving rise to an indemnification obligation under this Section 14, the Indemnified Party shall take, and cause its current and future affiliates to take, or cooperate with the Indemnifying Party if so requested by the Indemnifying Party in order to take, all commercially reasonable measures to mitigate the consequences of the related breach.

d. Indemnification Procedures. The party making a claim under this Section 14 is referred to as the "**Indemnified Party**", and the party against whom such claims are asserted under this Section 14 is referred to as the "**Indemnifying Party**".

- i. If any Indemnified Party receives notice of the assertion or commencement of any action made or brought by any individual, corporation, partnership, joint venture, limited liability company, governmental authority, unincorporated organization, trust, association or other entity (each a "**Person**" and, collectively, "**Persons**") who is not a party to this Agreement or an affiliate of a party to this Agreement or a director, officer, employee, consultant, financial advisor, counsel, accountant or other agent of the foregoing (a "**Third Party Claim**") against such Indemnified Party with respect to which the Indemnifying Party is obligated to provide indemnification under this Agreement, the Indemnified Party shall give the Indemnifying Party reasonably prompt written notice thereof, but in any event not later than thirty (30) calendar days after receipt of such notice of such Third Party Claim. The failure to give such prompt written notice shall not, however, relieve the Indemnifying Party of its indemnification obligations, except and only to the extent that the Indemnifying Party is actually prejudiced thereby. Such notice by the Indemnified Party shall describe the Third Party Claim in reasonable detail and shall indicate the estimated amount, if reasonably practicable, of the loss that has been or may be sustained by the Indemnified Party. The Indemnifying Party shall have the right to participate in, or by giving written notice to the Indemnified Party, to assume the defense of any Third Party Claim at the Indemnifying Party's expense and by the Indemnifying Party's own counsel, and the Indemnified Party shall cooperate in good faith in such defense; provided, that if the Indemnifying Party is the Seller, such Indemnifying Party shall not have the right to defend or direct the defense of any such Third Party Claim that (x) is asserted directly by or on behalf of a Person that is a supplier of the Purchaser, (y) seeks an injunction or other equitable relief against the

Indemnified Party or (z) relates to or arises in connection with any criminal action in which the Indemnified Party or any of its directors, officers, employees, consultants, financial advisors, counsel, accountants and other agents is a defendant. In the event that the Indemnifying Party assumes the defense of any Third Party Claim, subject to Section 14(d)(ii), it shall have the right to take such action as it deems necessary to avoid, dispute, defend, appeal or make counterclaims pertaining to any such Third Party Claim in the name and on behalf of the Indemnified Party. The Indemnified Party shall have the right to participate in the defense of any Third Party Claim with counsel selected by it subject to the Indemnifying Party's right to control the defense thereof. The fees and disbursements of such counsel shall be at the expense of the Indemnified Party, provided, that if in the reasonable opinion of counsel to the Indemnified Party: (A) there are legal defenses available to an Indemnified Party that are different from or additional to those available to the Indemnifying Party; or (B) there exists a conflict of interest between the Indemnifying Party and the Indemnified Party that cannot be waived, the Indemnifying Party shall be liable for the reasonable fees and expenses of counsel to the Indemnified Party in each jurisdiction for which the Indemnified Party determines counsel is required. If the Indemnifying Party elects not to defend such Third Party Claim, fails to promptly notify the Indemnified Party in writing of its election to defend as provided in this Agreement, or fails to diligently prosecute the defense of such Third Party Claim, the Indemnified Party may, subject to Section 14(d)(ii), pay, compromise and defend such Third Party Claim and seek indemnification for any and all losses based upon, arising from or relating to such Third Party Claim. The Seller Indemnitors and Purchaser shall cooperate with each other in all reasonable respects in connection with the defense of any Third Party Claim, including making available records relating to such Third Party Claim and furnishing, without expense (other than reimbursement of actual out-of-pocket expenses) to the defending party, management employees of the non-defending party as may be reasonably necessary for the preparation of the defense of such Third Party Claim.

- ii. Notwithstanding any other provision of this Agreement, the Indemnifying Party shall not enter into settlement of any Third Party Claim without the prior written consent of the Indemnified Party, except as provided in this Section 14(d)(ii). If a firm offer is made to settle a Third Party Claim without leading to liability or the creation of a financial or other obligation on the part of the Indemnified Party and provides, in customary form, for the unconditional release of each Indemnified Party from all liabilities and obligations in connection with such Third Party Claim and the Indemnifying Party desires to accept and agree to such offer, the Indemnifying Party shall give written notice to that effect to the Indemnified Party. If the Indemnified Party fails to consent to such firm offer within ten (10) days after its receipt of such notice, the Indemnified Party may continue to contest or defend such Third Party Claim and in such event, the maximum liability of the Indemnifying Party as to such Third Party Claim shall not exceed the amount of such settlement offer. If the Indemnified Party fails to consent to such firm offer and also fails to assume defense of such Third Party Claim, the

Indemnifying Party may settle the Third Party Claim upon the terms set forth in such firm offer to settle such Third Party Claim.

- iii. Any action by an Indemnified Party on account of a loss which does not result from a Third Party Claim (a "Direct Claim") shall be asserted by the Indemnified Party giving the Indemnifying Party written notice thereof. Such notice by the Indemnified Party shall describe the Direct Claim in reasonable detail and shall indicate the estimated amount, if reasonably practicable, of the loss that has been or may be sustained by the Indemnified Party. The Indemnifying Party shall have thirty (30) days after its receipt of such notice to respond in writing to such Direct Claim. The Indemnified Party shall allow the Indemnifying Party and its professional advisors to investigate the matter or circumstance alleged to give rise to the Direct Claim, and whether and to what extent any amount is payable in respect of the Direct Claim and the Indemnified Party shall assist the Indemnifying Party's investigation by giving such information and assistance (including access to the Indemnified Party's premises and personnel and the right to examine and copy any accounts, documents or records) as the Indemnifying Party or any of its professional advisors may reasonably request. If the Indemnifying Party does not so respond within such thirty (30) day period, the Indemnifying Party shall be deemed to have rejected such claim, in which case the Indemnified Party shall be free to pursue such remedies as may be available to the Indemnified Party on the terms and subject to the provisions of this Agreement.
- e. Any indemnification payments required hereunder, shall be made by the Indemnifying Party to the Indemnified Party, within five (5) business days after the determination thereof.

## **15. MISCELLANEOUS PROVISIONS.**

- a. This Agreement and the Appendices hereto collectively embody the entire agreement and understandings between the parties and there are no other agreements or understandings, oral or written, with reference to this Agreement that are not merged into and superseded by this Agreement. This Agreement may be executed in one or more counterparts, each of which shall be considered an original.
- b. Any notice or other document required or allowed to be given pursuant to this Agreement by either party to the other shall be in writing and shall be delivered personally, or by recognized overnight courier, or by electronic correspondence or facsimile transmission with written confirmation.

If to the Seller, such notice shall be delivered at:

Jesus M. Gomez, City Manager  
CITY OF NORWALK  
12700 Norwalk Blvd.,  
Norwalk, CA 90651

with a copy (which shall not constitute notice) to:

Arnold M. Alvarez-Glasman  
City Attorney  
City of NORWALK  
ALVAREZ-GLASMAN & COLVIN  
13181 Crossroads Pkwy North  
Suite 400 – West Tower  
City of Industry, CA 91746  
Phone: (562) 699-5500  
Email: [aglasman@agclawfirm.com](mailto:aglasman@agclawfirm.com)

If to the Purchaser, such notice shall be delivered at:

GOLDEN STATE WATER COMPANY  
630 East Foothill Boulevard  
San Dimas, CA 91773  
Attn: Paul Rowley, Senior Vice President  
Email: [paul.rowley@gswater.com](mailto:paul.rowley@gswater.com)

with a copy (which shall not constitute notice) to:

WINSTON & STRAWN LLP  
333 South Grand Avenue, 38th Floor  
Los Angeles, California 90071  
Attn: D. Stephen Antion  
Email: [santion@winston.com](mailto:santion@winston.com)

Notices shall be effective upon receipt or failure to accept delivery, electronic correspondence or facsimile transmission shall be deemed received on the date sent if received by 4:00 p.m. Pacific Daylight Time on a business day. If received after 4:00 p.m. PDT, such transmission shall be deemed received on the next business day.

- c. The headings used are for convenience only, and they shall be disregarded in the construction of this Agreement.
- d. The drafting of this Agreement was a joint effort of the parties, and in the interpretation hereof, it shall be assumed that no party had any more input or influence than any other.
- e. This Agreement is solely for the benefit of the parties hereto, and except as otherwise provided herein, no other causes of action shall accrue upon or by reason hereof to or for the benefit of any third party (other than successors and assigns), who or which is not a formal party hereto.
- f. In the event any term or provision of this Agreement is determined by appropriate judicial authority to be illegal or otherwise invalid, such provision shall be given its nearest legal meaning or be construed as deleted, as such authority determines, and the remainder of this Agreement shall be construed to be in full force and effect.
- g. This Agreement may be amended or modified only by a writing executed by both of the parties hereto.

- h. This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of California.
- i. Except as provided for herein, this Agreement may not be assigned without the prior written consent of the non-assigning party. If properly assigned, this Agreement shall be binding upon and inure to the benefit of the parties' successors and assigns.
- j. Notwithstanding anything to the contrary contained herein or in any other instrument or document executed by or on behalf of the Purchaser or the Seller in connection herewith, no stipulation, covenant, agreement or obligation contained herein or therein shall be deemed or construed to be a stipulation, covenant, agreement, or obligation of any present or future member, officer, employee, contractor or agent of the Purchaser or the Seller, or of any incorporator, member, director, trustee, officer, employee or agent of any successor to the Purchaser or the Seller, in any such Person's individual capacity, and no such Person, in an individual capacity, shall be liable personally for any breach or non-observance of or for any failure to perform, fulfill or comply with any such stipulations, covenants, agreements or obligations, nor shall any recourse be had for the payment of the Purchase Price or for any claim based hereon or on any such stipulation, covenant, agreement, or obligation, against any such person, in an individual capacity, either directly or through the Purchaser or the Seller or any successor to the Purchaser or the Seller, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such Person, in an individual capacity, is hereby expressly waived and released. All references to the Purchaser in this paragraph shall be deemed to include the Purchaser and its officers, employees, attorneys, contractors and agents. The provisions of this Section shall survive the termination of this Agreement.
- k. The Purchaser shall bear no liability for accrued or current salaries or benefits of any kind related to Seller's construction, operation, or maintenance of the ASA Water Systems up to and including Closing.

*[Signature Page Follows]*

IN WITNESS WHEREOF, the parties have hereunto caused this Agreement to be executed the day and year aforesaid in counterparts, each counterpart to be considered an original.

**SELLER:**

**ATTEST:**



Arnold M. Alvarez-Glasman, City Attorney

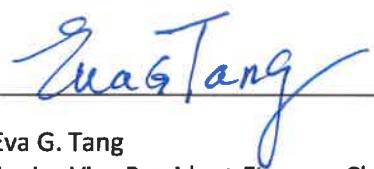
**CITY OF NORWALK, a California municipal corporation**



Jesus Gomez, City Manager

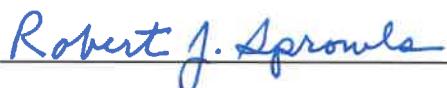
**PURCHASER:**

**ATTEST:**



Eva G. Tang  
Senior Vice President-Finance, Chief Financial Officer and Secretary

**GOLDEN STATE WATER COMPANY, a California Public Utility Water Company**



Robert J. Sprowls  
President and Chief Executive Officer

**APPENDIX "A"**  
**INVENTORY OF PURCHASED ASSETS**

**Description of Facilities for North Artesia System as of October 2022****Description**

Transmission and Distribution Mains

Services

Hydrants

Miscellaneous Equipment

**Transmission and Distribution Mains**

Description of Pipe	Linear Feet
4-inch PVC	626
6-inch Cast Iron	857
6-inch Cast Iron	3,422
6-inch PVC	6,780
6-inch Steel	1,144
8-inch Cast Iron	1,167
8-inch Cast Iron	841
8-inch PVC	3,297
<b>Total</b>	<b>18,134</b>

**Services**

Service Description	# of Units
5/8-inch	597
3/4-inch	49
1-inch	6
1.5-inch	1
2-inch	5
4-inch	3
2-inch Fire Service w/Detector Check	6
4-inch Fire Service w/Detector Check	3
<b>Total</b>	<b>670</b>

**Hydrants**

Service Description	# of Units
Fire Hydrant (Double Outlets)	23

**Miscellaneous Equipment**

Service Description	# of Units
Sampling Station	3

**Description of Facilities for South Artesia System as of October 2022****Description****Transmission and Distribution Mains****Services****Hydrants****Transmission and Distribution Mains**

<b>Description of Pipe</b>	<b>Linear Feet</b>
2-inch PVC	277
2-inch AC	2,357
2-inch Cast Iron	86
6-inch AC	4,407
6-inch Cast Iron	1,162
8-inch AC	3,053
<b>Total</b>	<b>11,342</b>

**Services**

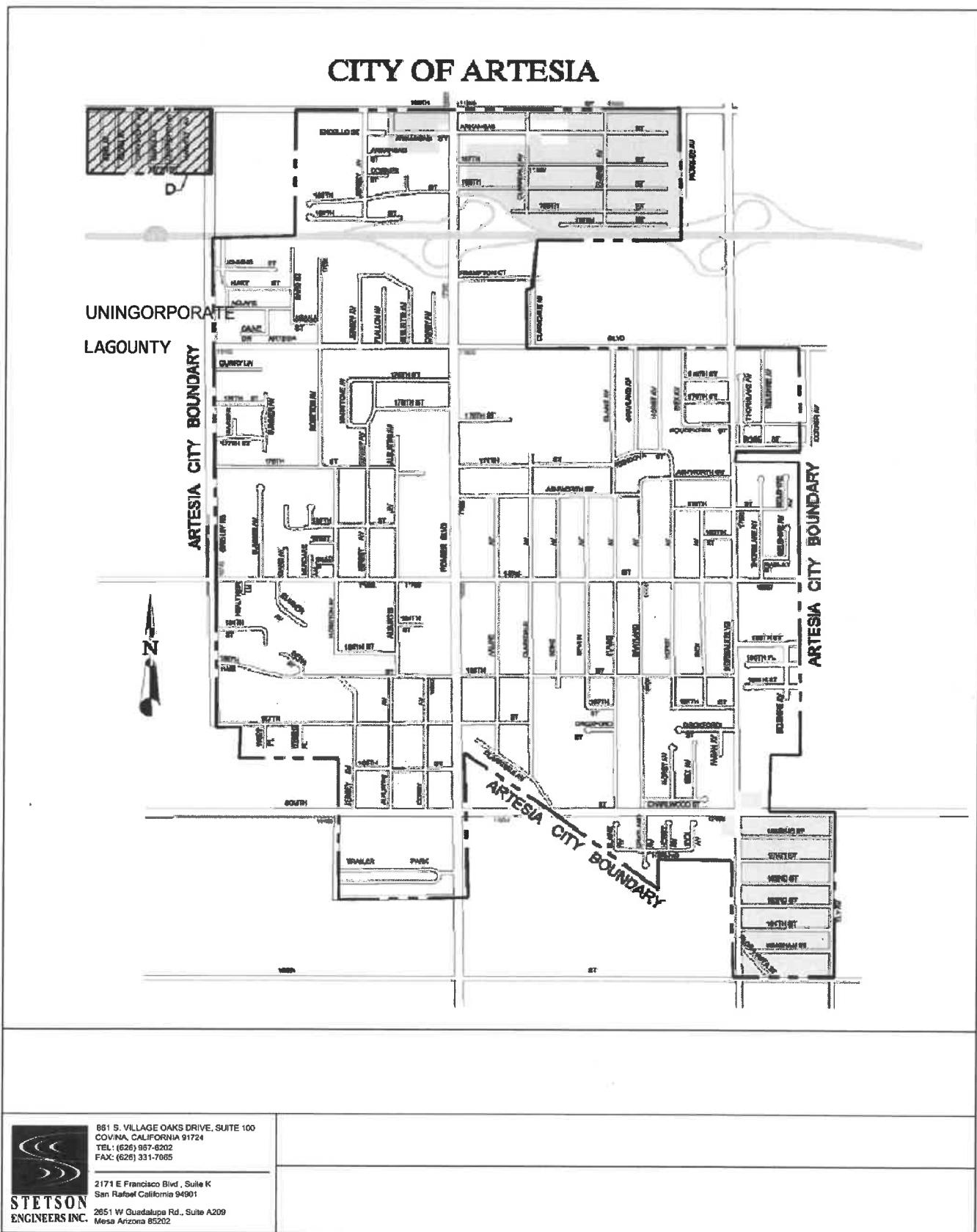
<b>Service Description</b>	<b># of Units</b>
5/8-inch	169
3/4-inch	21
1-inch	4
1.5-inch	3
2-inch	1
<b>Total</b>	<b>198</b>

**Hydrants**

<b>Service Description</b>	<b># of Units</b>
Fire Hydrant (Double Outlets)	21

**APPENDIX "B"**  
**SERVICE TERRITORY**

## Artesia Service Area (ASA) Map



**APPENDIX "C"**  
**PHYSICAL FACILITIES**

**None.**

**APPENDIX "D"**  
**INVENTORY**

**None.**

**APPENDIX "E"**  
**ENVIRONMENTAL LAW COMPLIANCE DISCLOSURE AND CERTIFICATION**

**THIS ENVIRONMENTAL LAW COMPLIANCE DISCLOSURE AND CERTIFICATION ("ENVIRONMENTAL DISCLOSURE") CONCERNS THE "ARTESIA SERVICE AREA WATER SYSTEM," "WATER SYSTEM PROPERTY," AND "PURCHASED ASSETS" SITUATED IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, DESCRIBED FURTHER IN APPENDIX "A" TO THE AGREEMENT FOR PURCHASE AND SALE OF THE ARTESIA SERVICE AREA WATER SYSTEM ASSETS BY AND BETWEEN THE CITY OF NORWALK AND GOLDEN STATE WATER COMPANY ("PURCHASE AND SALE AGREEMENT") IS MADE THIS 21 DAY OF October BY THE CITY OF NORWALK, A GENERAL LAW, MUNICIPAL CORPORATION.**

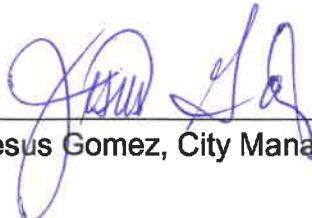
The City of Norwalk ("Seller") hereby declares that to the best of its knowledge, it has nothing to disclose related to the Environmental Disclosures required herein. Further, Seller declares to Golden State Water Company ("Buyer") that to the best of its knowledge:

- It is in material compliance with all applicable Environmental Laws (as defined in the Purchase and Sale Agreement) and has no material liability thereunder, and there is no reasonable basis for Seller to believe that any such liability exists.
- Has received no oral or written notice within the last three (3) years of the violations or alleged violations of Environmental Laws, applicable federal, state or local statutes, laws and regulations (including, without limitation, any applicable environmental, building, zoning, or other law, ordinance or regulation) relating to the Water System, Purchased Assets.

Seller certifies that the information herein is true and correct to the best of the Seller's knowledge as of the date signed by the Seller.

Seller  
(City of Norwalk)

Jesus Gomez, City Manager



Date: 10/21/24

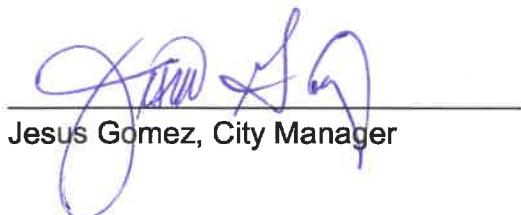
**APPENDIX "F"**  
**SELLER'S CERTIFICATION OF PENDING ACTIONS IN LAW OR IN EQUITY**

**THIS SELLER'S CERTIFICATION OF PENDING ACTIONS IN LAW OR IN EQUITY ("PENDING LEGAL ACTION CERTIFICATION") CONCERNS THE "ARTESIA SERVICE AREA WATER SYSTEM," "WATER SYSTEM PROPERTY," AND "PURCHASED ASSETS" SITUATED IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, DESCRIBED FURTHER IN APPENDIX "A" TO THE AGREEMENT FOR PURCHASE AND SALE OF THE ARTESIA SERVICE AREA WATER SYSTEM ASSETS BY AND BETWEEN THE CITY OF NORWALK, CALIFORNIA, AND GOLDEN STATE WATER COMPANY ("PURCHASE AND SALE AGREEMENT") IS MADE THIS 21 DAY OF October BY THE CITY OF NORWALK, A GENERAL LAW, MUNICIPAL CORPORATION.**

The City of Norwalk ("Seller") declares that to its knowledge, there are no current actions, suits or proceedings of law or in equity pending or threatened against or relating to the Seller, the Artesia Service Area Water System and/or the Water System Property before any federal, state, municipal or other court, arbitration or mediation body or panel, administrative or governmental agency or instrumentality, domestic or foreign, which affect the Artesia Service Area Water System or any of the Purchased Assets, Water System or the Seller's right and ability to make and perform the Purchase and Sale Agreement; nor is seller aware of any facts that are likely to result in any such action, suit or proceeding. Seller is not in default with respect to any certificate, permit, order or decree of any court or of any administrative or governmental agency or instrumentality affecting the Artesia Service Area Water System or any of the Purchased Assets and/or the Water System Property.

Seller certifies that the information herein is true and correct to the best of the Seller's knowledge as of the date signed by the Seller.

Seller  
(City of Norwalk)

  
Jesus Gomez, City Manager

Date: 10/21/24

APPENDIX "G"  
CUSTOMER ACCOUNTS

ACCOUNT #	SERVICE ADDRESS	CITY	ROUTE
3500000	11977 167	Artesia	21
3500020	11975 167	Artesia	21
3500040	11971 167	Artesia	21
3500060	11969 167	Artesia	21
3500080	11967 167	Artesia	21
3500100	11963 167	Artesia	21
3500120	11961 167	Artesia	21
3500140	11953 167	Artesia	21
3500160	11951 167	Artesia	21
3500180	11947 167	Artesia	21
3500200	11945 167	Artesia	21
3500220	11941 167	Artesia	21
3500240	11939 167	Artesia	21
3500260	11937 167	Artesia	21
3500280	11935 167	Artesia	21
3500300	11931 167	Artesia	21
3500320	11929 167	Artesia	21
3500340	11927 167	Artesia	21
3500360	11923 167	Artesia	21
3500380	11919 167	Artesia	21
3500400	11917 167	Artesia	21
3500420	11915 167	Artesia	21
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3500480	11901 167	Artesia	21
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3500540	11865 167	Artesia	21
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3500580	11859 167	Artesia	21
3500600	11857 167	Artesia	21
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3500640	11853 167	Artesia	21
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3500680	11845 167	Artesia	21
3500700	11841 167	Artesia	21
3500720	11839 167	Artesia	21
3500740	11837 167	Artesia	21
3500760	11833 167	Artesia	21
3500780	11829 167	Artesia	21
3500800	11817 168	Artesia	21
3500820	11825 168	Artesia	21
3500840	11829 168	Artesia	21

3500860	11837 168	Artesia	21
3500880	11839 168	Artesia	21
3500900	11843 168	Artesia	21
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3501100	11869 168	Artesia	21
3501120	11871 168	Artesia	21
3501140	11901 168	Artesia	21
3501160	11907 168	Artesia	21
3501180	11909 168	Artesia	21
3501200	11911 168	Artesia	21
3501220	11917 168	Artesia	21
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3501380	11949 168	Artesia	21
3501400	11953 168	Artesia	21
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3501780	11941 169	Artesia	21
3501800	11935 169	Artesia	21

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3501840	11929 169	Artesia	21
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3501880	11925 169	Artesia	21
3501900	11921 169	Artesia	21
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3504160	11937 ARKANSAS ST	Artesia	21
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3505140	11944 166	Artesia	22
3505160	11948 166	Artesia	22
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3505220	11956 166	Artesia	22
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3505360	11976 166	Artesia	22
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3505420	12008 166	Artesia	22
3505440	12014 166	Artesia	22
3505460	12016 166	Artesia	22
3505480	12020 166	Artesia	22
3505500	12022 166	Artesia	22
3505520	12028 166	Artesia	22
3505540	12032 166	Artesia	22
3505560	12036 166	Artesia	22

3505580	12040 166	Artesia	22
3505600	12042 166	Artesia	22
3505620	12048 166	Artesia	22
3505640	12050 166	Artesia	22
3505660	12054 166	Artesia	22
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3506120	11916 167	Artesia	22
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3506160	11908 167	Artesia	22
3506180	11906 167	Artesia	22
3506200	11902 167	Artesia	22
3506220	11866 167	Artesia	22
3506240	11864 167	Artesia	22
3506260	11862 167	Artesia	22
3506280	11858 167	Artesia	22
3506300	11856 167	Artesia	22
3506320	11854 167	Artesia	22
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3507800	11908 169-IRRIGATION	Artesia	22
3507820	11866 169	Artesia	22
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3507900	12002 169	Artesia	22
3507920	12004 169	Artesia	22
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3508000	12018 169	Artesia	22
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3508800	12042 167	Artesia	22
3508820	12048 167	Artesia	22
3508840	12050 167	Artesia	22
3508860	12054 167	Artesia	22
3508880	12058 167	Artesia	22
3508900	12058 ARKANSAS ST	Artesia	22
3508920	12054 ARKANSAS ST	Artesia	22
3508940	12050 ARKANSAS ST	Artesia	22
3508960	12048 ARKANSAS ST	Artesia	22
3508980	12042 ARKANSAS ST	Artesia	22
3509000	14429 PIONEER BLVD	Artesia	22
3509000	12038 ARKANSAS	Artesia	22
3509020	12036 ARKANSAS ST	Artesia	22
3509040	12034 ARKANSAS ST	Artesia	22
3509060	12030 ARKANSAS ST	Artesia	22
3509080	12024 ARKANSAS ST	Artesia	22
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3509160	12008 ARKANSAS ST	Artesia	22
3509180	12004 ARKANSAS ST	Artesia	22
3509200	12002 ARKANSAS ST	Artesia	22
3509220	11976 ARKANSAS ST	Artesia	22

3509240	11972 ARKANSAS ST	Artesia	22
3509260	11968 ARKANSAS ST	Artesia	22
3509280	11966 ARKANSAS ST	Artesia	22
3509300	11960 ARKANSAS ST	Artesia	22
3509320	11958 ARKANSAS ST	Artesia	22
3509340	11956 ARKANSAS ST	Artesia	22
3509360	11954 ARKANSAS ST	Artesia	22
3509380	11950 ARKANSAS ST	Artesia	22
3509400	11948 ARKANSAS ST	Artesia	22
3509420	11946 ARKANSAS ST	Artesia	22
3509440	11944 ARKANSAS ST	Artesia	22
3509460	11940 ARKANSAS ST	Artesia	22
3509480	11938 ARKANSAS ST	Artesia	22
3509500	11936 ARKANSAS ST	Artesia	22
3509520	11934 ARKANSAS ST	Artesia	22
3509540	11904 ARKANSAS ST	Artesia	22
3509560	11900 ARKANSAS ST	Artesia	22
3509580	12305 194	Artesia	23
3509580	12305 ACADEMY	Artesia	23
3509600	12303 ACADEMY	Artesia	23
3509620	12259 ACADEMY	Artesia	23
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3509660	12253 ACADEMY	Artesia	23
3509680	12249 ACADEMY	Artesia	23
3509700	12243 194	Artesia	23
3509700	12243 ACADEMY	Artesia	23
3509720	12241 194	Artesia	23
3509720	12241 ACADEMY	Artesia	23
3509740	12237 ACADEMY	Artesia	23
3509760	12233 ACADEMY	Artesia	23
3509780	12227 ACADEMY	Artesia	23
3509800	12311 ACADEMY	Artesia	23
3509820	12223 ACADEMY	Artesia	23
3509840	12221 194	Artesia	23
3509840	12221 ACADEMY	Artesia	23
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3509980	12245 HIBBING	Artesia	23
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3510060	19028 NORWALK	Artesia	23
3510080	12210 HIBBING	Artesia	23
3510100	12216 HIBBING	Artesia	23

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3510300	12250 HIBBING	Artesia	23
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3510340	12260 HIBBING	Artesia	23
3510360	12302 HIBBING	Artesia	23
3510380	12306 HIBBING	Artesia	23
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3510520	12319 CAMBRIAN COURT	Artesia	23
3510540	12315 CAMBRIAN COURT	Artesia	23
3510560	12311 CAMBRIAN COURT	Artesia	23
3510580	12307 CAMBRIAN COURT	Artesia	23
3510600	12303 CAMBRIAN COURT	Artesia	23
3510600	12303 CAMBRIAN	Artesia	23
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3511150	12202 SOUTH/IRRIGATION	Artesia	23
3511160	12248 SOUTH	Artesia	23
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3511380	12321 HIBBING	Artesia	23
3511400	12317 HIBBING	Artesia	23
3511420	12313 HIBBING	Artesia	23
3511440	12309 HIBBING	Artesia	23
3511460	12305 HIBBING	Artesia	23
3511480	12258 192	Artesia	23
3511480	12258 MEADOW	Artesia	23
3511500	12302 MEADOW	Artesia	23
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3511980	12221 CARVER	Artesia	23
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3512070	19300 NORWALK BLVD	Artesia	23
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3512100	12220 CARVER	Artesia	23
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3512190	12244 CARVER	Artesia	23
3512200	12246 193	Artesia	23
3512200	12246 CARVER	Artesia	23
3512220	12211 CARVER	Artesia	23
3512240	12252 CARVER	Artesia	23
3512260	12313 ACADEMY	Artesia	23
3512280	12254 CARVER	Artesia	23
3512300	12302 CARVER	Artesia	23
3512320	12304 CARVER	Artesia	23
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3512360	12312 CARVER	Artesia	23
3512380	12316 CARVER	Artesia	23
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3512440	12328 193	Artesia	23
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3512460	19317 ELY	Artesia	23
3512480	12325 ACADEMY	Artesia	23
3512500	12321 ACADEMY	Artesia	23
3512520	12228 CAMBRIAN COURT	Artesia	23
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3512580	12242 CAMBRIAN COURT	Artesia	23
3512600	12246 CAMBRIAN COURT	Artesia	23
3512620	12250 CAMBRIAN COURT	Artesia	23
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3513040	12253 192	Artesia	23
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3513080	12245 192	Artesia	23
3513080	12245 MEADOW	Artesia	23
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3513180	12219 MEADOW	Artesia	23
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3513210	12213 MEADOW	Artesia	23
3513220	12207 MEADOW	Artesia	23
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3513400	12220 MEADOW	Artesia	23
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3513500	12240 192	Artesia	23
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3513580	12315 BINGHAM	Artesia	24

3513600	12319 BINGHAM	Artesia	24
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3513680	12308 BINGHAM	Artesia	24
3513700	12304 BINGHAM	Artesia	24
3513720	12300 BINGHAM	Artesia	24
3513740	12264 BINGHAM	Artesia	24
3513760	12260 BINGHAM	Artesia	24
3513780	12305 BINGHAM	Artesia	24
3513800	12256 BINGHAM	Artesia	24
3513820	12323 195	Artesia	24
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3513860	12244 BINGHAM	Artesia	24
3513880	12240 BINGHAM	Artesia	24
3513900	12234 BINGHAM	Artesia	24
3513920	12230 BINGHAM	Artesia	24
3513940	12253 FLORA VISTA	Artesia	24
3513960	12261 FLORA VISTA	Artesia	24
3513980	12303 195	Artesia	24
3514000	12307 195	Artesia	24
3514020	12311 195	Artesia	24
3514040	12315 195	Artesia	24
3514060	12317 195	Artesia	24
3514080	12333 195	Artesia	24
3514100	12339 195	Artesia	24
3514120	12341 195	Artesia	24
3514140	12328 BINGHAM	Artesia	24
3514160	12327 195	Artesia	24
3514180	12304 ACADEMY	Artesia	24
3514200	19421 ELY	Artesia	24
3514220	19415 ELY	Artesia	24
3514240	12326 ACADEMY	Artesia	24
3514260	12324 ACADEMY	Artesia	24
3514280	12322 ACADEMY	Artesia	24
3514300	12316 ACADEMY	Artesia	24
3514320	12312 ACADEMY	Artesia	24
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3514360	12254 194	Artesia	24
3514360	12254 ACADEMY	Artesia	24
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3514420	12242 ACADEMY	Artesia	24
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3514480	12228 ACADEMY	Artesia	24
3514500	12222 194	Artesia	24
3514500	12222 ACADEMY	Artesia	24

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3514800	12249 BINGHAM	Artesia	24
3514820	12253 BINGHAM	Artesia	24
3514840	12257 BINGHAM	Artesia	24
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3514880	11330 166-IRRIGATION	Artesia	25
3514890	11330 W 166 4 FIRE LINE	Artesia	25
3514900	11330 166	Artesia	25
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3514940	16625 166	Artesia	25
3514980	16628 LONGWORTH	Artesia	25
3515000	16702 LONGWORTH	Artesia	25
3515020	16705 GRIDLEY	Artesia	25
3515040	16721 LONGWORTH	Artesia	25
3515060	16706 LONGWORTH	Artesia	25
3515080	16710 LONGWORTH	Artesia	25
3515100	16715 GRIDLEY	Artesia	25
3515120	16716 LONGWORTH	Artesia	25
3515140	16720 LONGWORTH	Artesia	25
3515160	16726 LONGWORTH	Artesia	25
3515180	16728 LONGWORTH	Artesia	25
3515200	16729 LONGWORTH	Artesia	25
3515220	16727 LONGWORTH	Artesia	25
3515240	16729 MAPES	Artesia	25
3515260	16723 MAPES	Artesia	25
3515280	16715 MAPES	Artesia	25
3515300	16717 ALORA	Artesia	25
3515320	16711 ALORA	Artesia	25
3515340	16707 ALORA	Artesia	25
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3515400	16621 ALORA	Artesia	25
3515420	16611 ALORA	Artesia	25
3515430	16609 ALORA	Artesia	25
3515440	11226 166	Artesia	25

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3515480	16615 ALORA	Artesia	25
3515500	16610 EIRC	Artesia	25
3515500	16610 ERIC	Artesia	25
3515520	16725 ALORA	Artesia	25
3515540	16612 ERIC	Artesia	25
3515540	16612 ERIC AVE	Artesia	25
3515560	16707 ERIC	Artesia	25
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3515583	16618 ERIC	Artesia	25
3515587	16620 ERIC	Artesia	25
3515590	16622 ERIC	Artesia	25
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3515680	16718 ERIC	Artesia	25
3515700	16724 ERIC	Artesia	25
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3515800	16711 ERIC	Artesia	25
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3515960	11206 166	Artesia	25
3515980	16608 ELMCROFT	Artesia	25
3515985	16612 ELMCROFT AVE	Artesia	25
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3516000	16711 LONGWORTH	Artesia	25
3516020	16706 MAPES	Artesia	25
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3516120	16703 LONGWORTH	Artesia	25
3516140	16626 MAPES	Artesia	25
3516160	16627 MAPES	Artesia	25
3516180	16621 MAPES	Artesia	25
3516200	16617 MAPES	Artesia	25
3516220	16717 LONGWORTH	Artesia	25
3516240	16609 MAPES	Artesia	25
3516260	16716 GRAYSTONE	Artesia	25
3516280	16607 MAPES	Artesia	25
3516300	16603 MAPES	Artesia	25
3516320	16604 GRAYSTONE	Artesia	25
3516340	16606 GRAYSTONE	Artesia	25
3516360	16608 GRAYSTONE	Artesia	25
3516380	16610 GRAYSTONE	Artesia	25
3516400	16612 GRAYSTONE	Artesia	25
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3516480	16702 GRAYSTONE	Artesia	25
3516500	16708 GRAYSTONE	Artesia	25
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3516880	16624 ALORA	Artesia	25
3516890	16626 ALORA	Artesia	25
3516900	16700 ALORA	Artesia	25
3516920	16704 ALORA	Artesia	25
3516940	16708 ALORA	Artesia	25
3516960	16714 ALORA	Artesia	25

3516980	16718 ALORA	Artesia	25
3517000	16724 ALORA	Artesia	25
3517020	16728 ALORA	Artesia	25

**APPENDIX "H"**  
**PURCHASE PRICE ALLOCATION SCHEDULE**

<b>CPUC Approval:</b>	Payment of Purchase Price is conditioned on final approval of the Sale and Purchase Agreement by the California Public Utilities Commission (CPUC).
<b>Cash Purchase Price:</b>  \$5,250,000	Purchase Price due and payable to Seller at Closing (after Conditions Precedent to Closing have been satisfied, including, but not limited to CPUC approval), as a one-time, cash payment in the amount of <b>Five Million and Two-Hundred and Fifty Thousand U.S. dollars (\$5,250,000)</b> , which shall be paid to the Seller via wire transfer to the account(s) designated by the Seller at Closing.



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City Council Agenda Report  
December 5, 2023

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**TO:** Honorable City Council

**FROM:** Jesus M. Gomez, City Manager

**BY:** Glen W.C. Kau, P.E., Director of Public Services/City Engineer

**SUBJECT: RESOLUTION NO. 23-69 - APPROVING A SALE AND PURCHASE AGREEMENT FOR THE SALE OF THE ARTESIA SERVICE AREA AND RELATED ASSETS OF THE NORWALK MUNICIPAL WATER SYSTEM**

**Background:**

The Norwalk Municipal Water System (NMWS), which is owned and operated by the City, provides water delivery services to a portion of the City and a small portion outside of its corporate boundaries to three areas within the City of Artesia. These areas are known as the Artesia Service Area (ASA), and serve a population of approximately 2,300 residents consisting of 891 water meter connections. These areas are as shown on Attachment Nos. 1, 2, and 3.

The City purchased and acquired the ASA areas from the former County Water Company in 2003. As the ASA is outside of the City's corporate boundaries, operations and maintenance of the ASA places a strain upon the NMWS Utilities staff. The distance and travel time required to perform the water meter read services and ability to provide response to operational emergencies is very challenging. Due to current staffing levels, contract services are required and utilized for both water meter reading and emergency water system responses. As a result, the ASA system suffers from age, requiring major capital improvements.

Pursuant to the California Public Utilities Code Section 10061(b), which authorizes the City to sell all or any part of the portion of a public utility located outside its boundaries, the City initiated the process for the sale of the ASA portion of the NMWS in late 2018. City Council directed staff to engage with the solicitation process for sale of the ASA. On April 6, 2021, City staff generated and solicited a Request for Proposal (RFP) for the Purchase of the ASA and related assets (RFP 21-649) (Attachment No. 3).

It was determined that based on the ability to provide water services, delivery and operation, solicitation to potential providers would have to be geographically adjacent to the ASA.

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An RFP was solicited to both Golden State Water Company (GSWC) and Liberty Utilities water companies for potential interest of purchase. The City received just one proposal from GSWC. After careful review and consideration of the proposal, it was determined that GSWC was suitable for the acquisition of the ASA.

Federal and State water quality regulations continue to evolve and threaten an unpredictable additional cost increase to water production. The regulation of Per- and Polyfluoroalkyl Substances (PFAS) has already added monitoring and reporting costs and will likely add expensive water treatment requirements in the near future. GSWC is better situated geographically and financially to address the issues with the ASA. The City's small operation simply cannot compete with the economy-of-scale offered by the size of the water company's organization.

GSWC is offering a one-lump sum payment of \$5,250,000 to the City for the purchase of the ASA. Over the course of the last few months, City staff, along with the City Attorney's Office, have negotiated the terms and conditions of a proposed Purchase and Sale Agreement attached hereto in substantial form (Attachment 2). It should also be noted that under the terms of the agreement, the City will retain all of its water rights.

If the ASA Purchase and Sale Agreement is approved by City Council through the proposed Resolution No. 23-69, the next step involves City staff assisting GSWC to obtain the required approval of the sale from the California Public Utilities Commission (CPUC). The CPUC process is expected to take a number of months to finalize.

**Fiscal Impact:**

Upon completion of the sale transaction, the City would receive a one-time lump sum payment of \$5,250,000 from GSWC.

**Citizens Advised:**

N/A

**Strategic Plan 2023 Implementation:**

N/A

**Recommended Action:**

Staff recommends City Council adopt Resolution No. 23-69, A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF NORWALK, FINDING THAT REQUIREMENTS PURSUANT TO CALIFORNIA PUBLIC UTILITIES CODE SECTION 10061 FOR THE SALE OF THE CITY OF NORWALK'S ARTESIA SERVICE AREA WATER SYSTEM AND RELATED ASSETS

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LOCATED OUTSIDE OF ITS BOUNDARIES, HAVE BEEN MET AND APPROVAL OF THE SALE, for the purchase price of \$5,250,000.

**Attachments:**

1. Resolution No. 23-69 – Approving the Sale and Purchase Agreement
2. Draft Purchase and Sale Agreement

**RESOLUTION NO. 23-69**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF NORWALK,  
FINDING THAT REQUIREMENTS PURSUANT TO CALIFORNIA PUBLIC  
UTILITIES CODE SECTION 10061 FOR THE SALE OF THE CITY OF  
NORWALK'S ARTESIA SERVICE AREA WATER SYSTEM AND RELATED  
ASSETS LOCATED OUTSIDE OF ITS BOUNDARIES, HAVE BEEN MET  
AND APPROVAL OF THE SALE**

**WHEREAS**, the City of Norwalk ("City"), a California municipal corporation, is the owner of the Artesia Service Area Water System ("ASA Water System") and related assets described in DRAFT GSWC Purchase Agreement attached to this Resolution located outside of the City's boundaries; and

**WHEREAS**, the state legislature has found that public water systems are faced with the need to replace or upgrade the public water system infrastructure to meet increasingly stringent state and federal safe drinking water laws, but has also found that increasing amounts of capital needed to finance the necessary investment in public water system infrastructure is not possible for smaller, public water systems; and

**WHEREAS**, pursuant to such findings, the state legislature passed the Public System Investment and Consolidation Act of 1997 (Public Utilities Code Section 2718, *et seq.*), promoting economies of scale by encouraging the consolidation of smaller public water systems with larger public water systems equipped with the expertise and resources to undertake necessary capital investments; and

**WHEREAS**, on April 6, 2021, the City issued a *Request for Proposals for the Purchase of the City of Norwalk Artesia Service Area Water System and Related Assets* No. 21-649 for the acquisition of the ASA Water System, including full responsibility for its day-to-day management, operations, maintenance, repairs, and capital improvement projects ("RFP No. 21-649"); and

**WHEREAS**, the City received one proposal in response to RFP No. 21-649 from Golden State Water Company which has the experience, expertise, and capacity to take and better serve those customers in the ASA currently operated by the Norwalk Municipal Water System (NMWS); and

**WHEREAS**, Section 10061 of the California Public Utilities Code, authorizes a municipal corporation to sell, for just compensation, all or any part of its municipal water system that lies outside its municipal boundaries to any other public utility water corporation by following the provisions of Section 10061(b); and

**WHEREAS**, pursuant to Section 10061(b), before the City sells the ASA Water System portion located outside of its boundaries, it shall, by resolution adopted by a majority of its legislative body, determine that the subject public utility, or portion thereof, is not necessary for supplying water service to its own inhabitants.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF NORWALK  
HEREBY DETERMINES, FINDS, AND RESOLVES AS FOLLOWS:**

**Section 1. Findings.**

A. The City Council finds that the City's aging infrastructure, including the Water System, is in critical need of capital improvements.

B. The City Council finds that the ASA Water System located outside its municipal boundaries are not necessary for supplying water service to its own inhabitants.

C. The City Council finds that the acquiring entity will be bound to render water service to the person(s) formerly served through the Water System being sold on terms and conditions that are just and reasonable and do not unreasonably discriminate against the City's customers.

**Section 2. Final Action and Authority.** The City Council of the City of Norwalk hereby approves the sale of the City's ASA Water System located outside its municipal boundaries to Golden State Water Company on the terms and conditions set forth in that Sale and Purchase Agreement ("Agreement"), attached hereto in substantial form, subject to review by the City Attorney as to form and legality. The City Council hereby also vests in the City Manager the authority to finalize and execute all documents reasonably related to the performance of the Agreement and contemplated transaction.

**Section 3. Description of the Property.** The ASA Water System is depicted in Exhibit "A" attached to this Resolution.

**Section 4. Effectiveness.** This Resolution shall become effective immediately upon its adoption.

**Section 5.** The Mayor, or presiding officer, is hereby authorized to affix her signature to this Resolution signifying its adoption by the City Council of the City of Norwalk and the City Clerk, or her duly appointed assistant, is directed to attest thereto.

**APPROVED AND ADOPTED this 5<sup>th</sup> day of December 2023.**

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**ANA VALENCIA  
MAYOR**

**ATTEST:**

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**THERESA DEVOY, CMC  
CITY CLERK**

**REQUEST FOR PROPOSALS  
FOR THE PURCHASE  
OF THE CITY OF NORWALK ARTESIA SERVICE AREA  
WATER SYSTEM AND RELATED ASSETS**

**INSERT RFP No. 21-649**

**PROPOSAL SUBMITTAL DUE DATE: April 6, 2021**

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## **City of Norwalk**

### **1. INTRODUCTION; BACKGROUND**

#### **1.1 Introduction**

The City of Norwalk (“City”) is requesting proposals for the sale of Artesia Service Areas’ (ASA) portion of its Norwalk Municipal Water System’s ASA Water System (hereinafter simply the “**ASA Water System**”). The Purchaser shall provide a Proposal to acquire the ASA Water System in its entirety; taking over full responsibility for its day to-day management, operations, and maintenance, repair and capital improvement projects, and implementation of related support functions such as a computerized Maintenance and Management System (“MMS”) and a Supervisory Control and Data Acquisition (“SCADA”) System. Detailed breakdowns of the specific tenets of the proposed sale are set forth in Section 4 “Scope of Work,” below.

#### **1.2 Background**

Since 2003, following the purchase of the former County Water Company’s ASA Water System’s assets by the City of Norwalk; the operation and maintenance of the ASA Water System has been provided by the City. The City currently owns the ASA Water System, which is comprised of 859 users, and oversees its operations with the contracts for Repairs and Meter Reading.

#### **1.3 ASA Water System Overview**

##### **1.3.1 ASA Water System Supply**

The City’s ASA Water System obtains its ASA Water supplies through interconnections with the City of Cerritos’ Water system. Cerritos’ Water supplies are a mix of Metropolitan Water District (MET) Imported Water through the Central Basin Municipal Water Districts’ interconnections serving Cerritos and a combination of groundwater Water supplies from the City of Cerritos’ Water wells.

##### **1.3.2 ASA Water System Storage & Booster Pump Stations**

There are no ASA Water System storage facilities or pump stations serving the ASA Water System

##### **1.3.3 Transmission & Distribution Main ASA Water System**

The City’s ASA Water System transmission and distribution pipelines are primarily comprised of asbestos cement pipe (“ACP”), and include cast iron pipe (“CIP”), the pipelines on average are in excess of 40 years in age. The total length of transmission and distribution pipelines is approximately 5.6 miles in the ASA.

##### **1.3.4 ASA Water System Meters & Services**

The ASA Water System’s Meters and Services are in need of upgrading. Many are outdated and comprised of galvanized iron. A meter and service replacement program is needed to provide essential upgrade, which may include implementation of AMR or AMI electronic meter reading capability.

## 1.4 Current and Future Challenges

The City is in the process considering a Water Rate Study to consider increases the ASA Water rate structure to provide adequate funding for its overall ASA Water System's administration, operation, maintenance and Capital Improvement programs. ASA Water rates have not been raised since 2014 and as a result the City has continued to defer necessary maintenance and capital improvements.

The City anticipates the Purchaser would develop and implement a comprehensive ASA Water System Capital Improvement Program (CIP), as set forth in the City's existing ASA Water System Improvement Program (WSIP) included in its 2014 Water Master Plan (See Reference Hyperlink following: <http://norwalk.org/Home/ShowImage?id=5032&t=636384022611154184>; in the Appendix).

The challenges facing the City provide an opportunity for prospective Purchasers to provide in their proposals innovative solutions and a broad range of options to overcome such challenges.

## **2. PROPOSAL REQUIREMENTS AND SUBMISSION INSTRUCTIONS TO PROPOSERS**

### **2.1 Due Date**

Sealed **Proposals** are due on or before **Wednesday April 6, 2021, at 3:00 PM**. Proposals shall be submitted to the Office of the City Clerk, located at:

#### **City of Norwalk**

12700 Norwalk Boulevard  
Norwalk, CA 90650  
Attn: City Clerk

### **2.2 Cost Proposals**

A Cost Proposal shall be provided for each of the following Purchase options. The proposals shall clearly delineate the costs to purchase the ASA Water System for each of the Contract Options listed below.

**Option A** – Purchase of all ASA Water System facilities for both the ASA's Southern and Northern Service Areas, including easements and appurtenances thereto.

**Option B** - Purchase of ASA's Southern or Northern ASA Water System facilities separately, including easements and appurtenances thereto

Please note that the City reserves the right to award a single Purchase Contract for **Option A and B together** or for **Option A or B**, separately at its sole discretion.

At the end of this RFP process, the City intends to enter into an agreement for the sale of the ASA Water System (Purchase Agreement) with the selected Proposer; in accordance with the requirements of this RFP. To the extent that the City determines to proceed with a sale and disposition, the City would comply with the provisions of State and Municipal Codes to affect the sale of the ASA Water System.

The bidding process, Purchaser selection, contract negotiations and execution, and subsequent sale will be conducted by the City in accordance with applicable law. Proposers should carefully review this

document, which constitutes the formal RFP for the Proposed Transaction sought by the City, to ensure a clear understanding of the City's needs and objectives and, if appropriate, scope of work.

The Cost Proposal shall clearly identify the projected cost to purchase the City's ASA Water System under Option A or B, as set forth in this RFP.

### **2.3 Purchase Agreement**

Following the selection of the Purchaser, the City will prepare a Purchase Agreement related to the ASA Water System, and the City expects that any purchase resulting from this RFP process would incorporate the material terms and conditions described below:

- A. Contract Structure: Sale of the City's ASA Water System
- B. Scope of Contract: The Purchaser shall acquire from the City, all rights, title and interest in and to the ASA Water System, including the acquired assets; but excluding any excluded assets as detailed below.
- C. Risk Allocation: The Purchaser shall assume all risks associated with the ASA Water System, including the integrity of accounts receivable and accounts payable and cash flows and shall be solely and exclusively responsible for the financing of the ASA Water System, including the payment of all debt service obligations, equity returns, and taxes. In addition, the Purchaser will be responsible for delivering and managing the ASA Water Systems' operational services, any profit or loss from operations, any required maintenance or capital expenses associated with the operation, improvement or maintenance of the ASA Water System in a manner consistent with or superior to the current standards as documented in the Purchase Agreement.
- D. Acquisition Price: The consideration to be paid by the Purchaser to the City for the ASA Water System's Acquisition Price shall be proposed by the Purchaser and shall be comprised of (i) a Fixed Fee upfront cash payment for the ASA Water System assets, paid at the Final Closing of the Purchase Transaction; including all amounts necessary to defease any Pro-Rated ASA Water System debt to the extent practicable; and (ii) the assumption of interest-bearing and other indebtedness related to the ASA Water Systems' debt issued; as further summarized in Exhibit B (Pro-Rated Assumed Debt). This assumes receipt by the Purchaser of the various funds, accounts and contracts, if any, established under the indenture for such bonds held by the City.
- E. Acquired Assets: Under **Option A or B**, the Purchaser would acquire all of the assets of the City's ASA Water System (other than the Excluded Assets as defined below) including, without limitation: (i) all real and personal property owned, licensed by the City's ASA Water System, or by the City, its Public Services Department, or any of its other departments or affiliates if the real or personal property is used, necessary or important in the operation of one or both of the ASA Water System, except as otherwise excluded by mutual agreement of the City and the Purchaser; (ii) all contracts, & licenses related to the ASA Water System to which the City or any of its departments, affiliates or managers is a party; except those contracts, licenses and s excluded by mutual agreement by the City and the Purchaser; and (iii) any license of intellectual property owned or licensed by the City or any of its departments, affiliates or managers pertaining to the ASA Water System or any portion thereof, or which is otherwise used in or necessary to the

operation of the ASA Water System in at least the same manner as they are currently operated, except the Excluded Assets, those excluded by mutual agreement of the City and the Purchaser or assets which by their terms are not assignable (collectively, the "Acquired Assets"). To the extent any portion of the City's ASA Water System is within a public right of way, the right of way will remain the property of the City of Cerritos of the County of Los Angeles and the City of Cerritos and County of Los Angeles will enter into a Franchise Agreement to issue an easement in the City or County's standard form to the Purchaser for access to such portion of their respective rights of way.

- F. Excluded Assets: The Acquired Assets shall not include certain equipment and vehicles as as mutually agreed to by the City and the Purchaser in writing and all of the City's right, title and interest in and to intangible property and rights, including goodwill, associated with the ASA Water System and including the names "Norwalk" and "the City of Norwalk" and in each case, all variations thereof, and all trademarks, trade names and logos Incorporating any such names or any variation thereof, and all rights and interests of the City in and to all other trademarks, intellectual property, trade names, service marks and logos used or owned by the City (collectively, the "Excluded Assets"). Additionally, to the extent that in the course of due diligence the Purchaser determines that the ASA Water Systems are carrying on their books real estate or other property that was not funded with Assumed Debt and the same would not likely be used, necessary or important to the operations of the ASA Water Systems or to achieve the synergies sought by the Proposed Transaction, the Purchaser in good faith will discuss mutually agreeable arrangements for the use of such real estate or personal property, ownership of the brand name, etc. for the City's economic development.
- G. Assumed Liabilities: The Purchaser will assume only the liabilities of the City related to the Acquired Assets (other than the Excluded Liabilities), including performance obligations under all assumed contracts and the Assumed Debt, except as otherwise agreed to between the City and the Purchaser and included in the Purchase Agreement (collectively, the "Assumed Liabilities"). The parties intent that Assumed Liabilities will not include any liabilities or obligations with respect to any Excluded Assets (collectively, the "Excluded Liabilities").
- H. Rates and Charges: The City purchases its ASA Water supply under a contract with the City of Cerritos. This agreement inures to the Benefit of the City's successors and assigns. The Purchaser would be expected to assume the entire City's obligations thereunder. The ASA Water Rates and Charges Ordinance approved by the City Council in 2014 are in accordance with this agreement.

Purchaser's rate structure is subject to CPUC approval, regardless of the rates provided by the CPUC, for the two (2) year period starting on the first day of this agreement the Purchaser shall enter into a Rate Case requesting rates & charges higher than those approved in the City's latest ASA Water Rate Ordinance as of the date the agreement is executed both parties.

- I. Guaranteed Performance: The Purchaser will provide the City with performance guarantees and performance standards as mutually established by the City and the Purchaser and meet such guarantees and standards to be addressed in more detail during the negotiation of the Purchase Agreement and specified in the Purchase Agreement.
- J. Right of First Refusal: If at any time the Purchaser desires to accept an offer from any bona fide third party to purchase the ASA Water Systems (an "Offer"), the Purchaser shall notify the City of such offer, in writing, which notification (the "Notice") shall set forth the material terms and

conditions of the Offer. The Notice will include detailed information regarding the identity of the prospective purchaser and its affiliates, prospective purchaser's and its affiliates' financial condition, and prospective purchaser's and its affiliates' experience operating Water Systems comparable to the ASA Water System. The City shall have sixty (60) days from the receipt of the Notice in which to elect to purchase the ASA Water System, on the same terms and conditions as those contained in the Offer. Such election shall be made by written notice to the Purchaser (the "Election Notice"), and within sixty (60) days thereafter the parties shall enter into a formal contract for a sale of the ASA Water System containing all terms and conditions of the Offer made to the Purchaser, except as the parties may otherwise mutually agree. In the event that the City shall fail to give the Election Notice to the Purchaser within sixty (60) days from the receipt of Notice, or if the City fails to enter into a contract for sale as provided herein, then the Purchaser shall have the right to accept the Offer, but shall not accept any Offer at a price that is less than ninety five percent (95%) of the price contained in the Offer or on terms materially more favorable to the third party purchaser than that contained in the Offer, without again granting the City the right to purchase the ASA Water System as aforesaid. This right of first refusal will not apply to the transfer of the ASA Water System to any Affiliate of the Purchaser, the sale by the Purchaser or all or substantially all of its assets, or any merger, consolidation or reorganization of the Purchaser into or with another entity.

The Purchase Agreement will also include other provisions normally found in an asset purchase agreement.

#### **2.4 Number of Copies**

One (1) original and five (5) hard copies of your proposal must be submitted in a sealed envelope or container. In addition, one (1) electronic PDF version of the proposal must be submitted on CD or thumb drive.

#### **2.5 Sealed Package**

Proposals must be submitted in a sealed package or envelope listing the following information on the outside:

**RFP Title:**

**Purchase of the City of Norwalk ASA Water System and Related Assets**  
**21-649**

#### **2.6 Background Information**

Upon request the following background information can be obtained and reviewed by all proposers. This information is available as electronic PDF files from the City. Acknowledgement of receipt and review of this information is required as part of the bid proposal.

1. Southern and Northern ASA Service Area Maps
2. Operational Data & Information
3. State Department of Public Health ASA Water System Permit

#### **2.7 Pre-Proposal Conference**

A **Mandatory Pre-Proposal Virtual Conference** to discuss the RFP and its requirements will be held on **Wednesday March 3, 2021, from 2:00 PM to 3:00 PM, from the Public Services Department Offices**. An Optional Field Review of the ASA Water System Facilities, can be separately scheduled at the proposer's request.

## **2.8 Point of Contact**

This RFP is issued by the City, which is the sole point of contact ("Point of Contact") during the RFP submission and procurement process. Communications initiated by respondents to this RFP with members of the City Council, employees of incumbent Purchaser or City personnel, other than as coordinated by the Point of Contact, shall be grounds for disqualification. Any inquiries or requests during this submission or procurement process shall be submitted to the following Point of Contact, in writing or by email:

### **City of Norwalk**

Attention: Steve Bucknam, PE, Utilities Program Manager  
12700 Norwalk Boulevard  
Norwalk, CA 90650  
(949) 363-6461  
Email: [steve@bucknam.net](mailto:steve@bucknam.net)

## **3. PURCHASE AGREEMENT PROVISIONS**

### **3.1 Draft Purchase Agreement Provided**

A copy of a draft Purchase Agreement is attached hereto as **Exhibit A**. Applicants are expected to review the draft Purchase Agreement and provide any exceptions taken to the terms and conditions therein as part of their proposal to the City. The draft Purchase Agreement shall in no way be construed as a "final" offer or acceptance of specific terms and/or conditions by the City, and is subject to further amendment by the City prior to selection of a Purchaser. Additional information is provided below in Section 5, below.

### **3.2 Commencement Date**

Following approval of the Purchase Agreement within thirty (30) calendar days prior to the Commencement Date noted in said Purchase Agreement, the Purchaser shall have personnel shadow the current ASA Water System's Operations Contract staff and any service contractors, to become familiar with operations of the ASA Water System's facilities. Notification of selection of the Purchaser will be given upon approval by the City Council. Approval of the new Contract is anticipated upon approval of the State of California Public Utilities Commission (CPUC).

## **4. SCOPE OF WORK**

The following "Scope of Work" is not intended to be exhaustive. The final Scope of Work shall be negotiated between the City and chosen Purchaser, and memorialized in a final Purchase Agreement.

### **4.1 General Responsibilities**

- 4.1.1 Purchaser shall operate, maintain and monitor the ASA Water System on a 24-hour per day, seven-days per week basis, using the Purchaser's existing SCADA System to notify operators of matters requiring immediate attention. The SCADA System automatically forwards notice of emergency situations to Purchaser's Water System operators.
- 4.1.2 Purchaser shall provide an emergency telephone number to the public, the City or Cerritos and other as needed local agencies for afterhours contact to on-call personnel, to ensure prompt handling of any problem. On-call personnel shall respond within **thirty (30) minutes** of all calls for incidents that cannot be resolved over the phone.
- 4.1.3 Purchaser's business office shall be open, at a minimum, during the same hours and on the same business days as those observed by the City, or as mutually agreed upon to reflect local custom and practice.
- 4.1.4 Purchaser shall be responsible for all Maintenance and Minor Repairs to the Water System. Purchaser shall purchase materials and services necessary to perform the Scope of Work, directly.
- 4.1.5 The Purchaser shall pay for all power costs and all chemical costs for all facilities. Purchaser shall operate facilities in an energy and chemically efficient manner.
- 4.1.6 Purchaser shall maintain all facilities with a neat and clean appearance. All weeds and trash shall be regularly removed from all sites and equipment, tools, and any Water System assets properly stored.
- 4.1.7 Purchaser shall maintain and continuously update a Computerized Maintenance Management (CMMS) for the ASA Water System.
- 4.1.8 Purchaser shall maintain and continuously update the Geographic Information System (GIS) pertinent to ASA Water System. The ASA Water System is currently resident in the offices of the City of Norwalk's Public Services Department (PSD) offices, Note that it will be necessary for the Purchaser to coordinate with the PSD to transfer all ASA Water System hardware, & software from the PSD to the new Purchaser's facilities.
- 4.1.9 Purchaser shall provide its own staff communication system and vehicles to conduct Operation Contract activities within the ASA Water System.
- 4.1.10 Purchaser shall provide its own computers and software for ASA Water System operations, permit monitoring and compliance, daily reports, normal office functions, and monthly reporting to the City of Cerritos (If required) and periodic reports to the California Division of Drinking Water (DDW).
- 4.1.11 Purchaser shall request utilization of any City-provided computers and software for the GIS System (as noted above), unless otherwise approved by the City. During the Transition to the new Purchaser shall work with the City and its existing Operations Contractors TBD, to transfer I information relative to their maintenance and operations activities for the ASA Water System.
- 4.1.12 Purchaser shall manage the Backflow and Cross-Connection Program pertinent to the ASA Water System

- 4.1.13 In cases of emergency (including emergencies related to the protection of life, property, and the environment), Purchaser shall act immediately and appropriately in responding thereto.
- 4.1.14 Purchaser shall purchase all goods and employ personnel necessary to perform all services as necessary to satisfy this Scope of Services.
- 4.1.15 Purchaser shall maintain in a good and respectable condition, all ASA Water System operating equipment, buildings, materials, supplies, documents, manuals, and specifications
- 4.1.16 The Purchaser's CMMS shall utilize and integrate any City work orders, identified to date, for maintenance of the facilities. Purchaser shall conduct an inventory of existing City assets and property; inventory such items with the City, and enter the information into its CMMS within three (3) months of taking over ASA Water System's operations. Going forward, the Purchaser shall continuously track, update, and maintain the inventory the ASA Water System's assets and property as part of their CMMS.
- 4.1.17 Purchaser shall establish a comprehensive ASA Water System Capital Improvement Program (CIP) and Maintenance Project Program (MPP) to be updated on an annual basis.
- 4.1.18 Purchaser shall be familiar with and comply with all federal, state, and local laws, rules, and regulations pertaining to and governing the operation of the ASA Water System.
- 4.1.19 Purchaser shall ensure sufficient staffing levels of qualified personnel at all times as necessary to perform the required duties as set forth in the Scope of Work.
- 4.1.20 In the event of local or regional power failures, the Purchaser shall physically inspect all ASA Water System facilities within thirty (30) minutes after said power failure to ensure that all equipment, instrumentation, and control systems are working properly.
- 4.1.21 Purchaser shall perform maintenance of the ASA Water System as follows for all facilities.
  - 4.1.21.1 All preventative maintenance pertinent to the ASA Water System.
  - 4.1.21.2 Track and manage the routine maintenance and equipment troubleshooting and repairs of all ASA Water System facilities, equipment and appurtenances with its CMMS System. The CMMS shall have a priority protocol assigned to all work order items; based upon a criticality review conducted by operations staff.
  - 4.1.21.3 If any equipment, vehicles, and instrumentation, are not functioning properly, Purchaser shall perform industry standard troubleshooting as outlined in the applicable equipment operations and maintenance manuals.
  - 4.1.21.4 If, after completing all troubleshooting tasks, equipment or Systems which are deemed to be in need of repair or replacement, Purchaser shall manage the repair or replacement process.

## **4.2 ASA Water Operations Management**

### **4.2.1 ASA Water Production**

- 4.2.1.1 Purchaser shall provide properly certified employees as required by federal, state, and local laws to provide leadership of crews for proper decision making in performing their tasks. Purchaser shall be responsible for training of personnel to maintain their certification and improve their knowledge.
- 4.2.1.2 Purchaser services in this function shall specifically include, but not be limited to the activities described below.
- 4.2.1.3 Purchaser shall test the ASA Water and maintain chlorine residuals throughout the ASA Water System. Additionally, the ASA Water shall be sampled and confirmed acceptable for consumption per state and federal requirements. Purchaser to ensure all required testing is being done.
- 4.2.1.4 Purchaser has no responsibility for the quality of ASA Water received wells within the City of Cerritos water system; but is responsible for providing additional treatment to allow safe drinking water being delivered to customers,
- 4.2.1.5 Purchaser shall operate, maintain, and make planned and emergency repairs to the ASA Water System; and all equipment necessary to produce safe drinking water for the customers of the ASA Water System. Purchaser shall ensure that all water produced for drinking shall meet or exceed all federal, state, and local laws regulating the quality of safe drinking water through regular and DDW required laboratory analysis.
- 4.2.1.6 Purchaser shall operate, manage and perform required maintenance along with minor repairs on ASA Water System..
- 4.2.1.7 Purchaser shall annually certify or calibrate all water meters and repair and replace meters as necessary.
- 4.2.1.8 Purchaser shall maintain a crew for emergency operations and minor repairs of the ASA Water System twenty-four hour/seven days a week basis as needed. Purchaser shall diligently respond to all service calls for ASA Water System leaks, breaks, or emergencies water supplies to the ASA Water System in no event later than thirty (30) minutes after being notified of such incidents.

#### 4.2.2 ASA Water Transmission and Distribution Systems

- 4.2.2.1 Purchaser shall operate and maintain the water transmission and distribution systems; including valves fire hydrants and appurtenances. Purchaser shall diligently respond to all service calls for ASA Water System leaks, breaks, or emergencies regarding transmission and distribution systems in no event later than thirty (30) minutes of being notified of such incidents. Purchaser shall provide properly certified employees as required by federal, state, and local laws to provide leadership of crews for proper decision making in performing their tasks. Purchaser shall be responsible for training of personnel to maintain their certification and improve their knowledge.
- 4.2.2.2 Purchaser services in this function shall specifically include, but not be limited to the activities described below.

- 4.2.2.3 Purchaser shall clean/flush ten percent (10%) of ASA Water System's lines annually. Purchaser shall track the water volume used to conduct this service as part of the annual the Purchaser's water use accounting. The goal would be to have the entire ASA Water distribution system cleaned and flushed every ten (10)-years.
- 4.2.2.4 All valves shall be operated at a minimum frequency of every five (5) years; with the date of operation recorded for future reference. Each valve shall be verified to be left in proper operating position and in working condition. As part of these operations a Geographic Positioning System (GPS) reading shall be taken. The GPS valve location data shall be entered into a GIS System.
- 4.2.2.5 Purchaser shall manage emergency and other ASA Water System's line repairs.
- 4.2.2.6 Purchaser shall provide technical and operational reporting on an annual basis.
- 4.2.2.7 Purchaser shall respond to all Underground Service Alert (USA) marking requests.
- 4.2.2.8 Purchaser shall provide a fire hydrant inspection and maintenance program that complies with American Water Works Association's (AWWA) Manual of Water Supply Practices, Installation, Field Testing, and Maintenance of Fire Hydrants, Volume M17. If during the course of this program's development Purchaser becomes aware of an out-of-service fire hydrant, Purchaser shall place out-of-service bag and schedule their repair or replacement as soon as possible.
- 4.2.2.9 All service line installations and services and water main repairs will be completed by Purchaser.

#### 4.2.3 SCADA

- 4.2.3.1 Purchaser shall integrate all appropriate data from the ASA Water System into its existing Supervisory Control and Data Acquisition (SCADA) system.
- 4.2.3.2 Purchaser shall provide a team of SCADA personnel to operate and maintain the SCADA System.
- 4.2.3.3 Purchaser may implement new programming, hardware, and communication to its existing SCADA System to assist in operation of facilities.,
- 4.2.3.4 Purchaser shall provide personnel with experience and knowledge to provide normal maintenance and troubleshooting of the SCADA System, hardware and software.

#### 4.3 Emergencies

- 4.3.1 Emergencies within Purchaser's capabilities should be resolved in a timely manner.
- 4.3.2 In any emergency affecting the safety of persons or property, Purchaser shall act to prevent threatened damage, injury or loss of life.

#### **4.4 Additional Laboratory Testing**

- 4.4.1 Any additional testing and sampling requested by regulatory entities shall be coordinated by the Purchaser.
- 4.4.2 Analyses of drinking water to be performed by an independent laboratory for quality control of in-house test results, shall be paid for at the Purchaser's own expense.

#### **4.5 Hazardous Waste**

Any hazardous waste generated by Purchaser, like used oil, UV Lamps, etc., in any of its activities shall be disposed of by Purchaser, in accordance with applicable federal and state laws.

#### **4.6 Billing & Collections**

The Purchaser shall be responsible for the billing and collection of all rates, service charges and fees applied to the customers of the ASA Water System. Such rates, charges and fees shall be periodically submitted to the California Public Utilities Commission (CPUC), by the Purchaser, for consideration and approval of the CPUC.

### **5. TECHNICAL PROPOSAL**

The City will evaluate all of the proposals received on the same basis. It is required that all proposals conform in all respects to the requirements outlined in this RFP. If the policy of the Purchaser's company prevents the Purchaser from submitting a proposal on the basis of any of the specifications or assumptions, they may submit it on a basis that is in accordance with the firm's policy. In such a case, however, a statement of reasons for any such deviation must be included with a listing of all deviations. **The City reserves the right to accept or reject any or all proposals.**

Provide one (1) original and five (5) copies of your Proposal and an electronic PDF version of your proposal on CD or thumb drive. The proposal shall:

- 5.1 Be limited to a maximum length of thirty (30) pages, including any appendices.
- 5.2 Include a cover letter summarizing why the Purchaser is interested in this purchase. A party authorized to bind the entity submitting the proposal, as well as the Purchaser's Program Manager, must sign the cover letter. The cover letter should include the following points:
  - (a) Identity Purchaser including business address, email address, telephone and fax number.
  - (b) A Statement that the proposal is effective for the proposed start date of TBD.
  - (c) Statement that the Purchaser will comply with all terms and conditions as stated in this RFP; or identification of any exceptions taken to any of the requirements including the Sample Purchase Agreement, attached hereto as **Exhibit A**.

(d) A detailed description of corporate structure, including parent companies, subsidiaries, and partnerships. Identify both the program manager and the corporate contact proposed for this program.

(e) Give the number of years in the business of owning, managing and operating Water Utilities.

(f) A summary list of any pending, settled, tried, or other litigation the Purchaser's company has been involved in, for the past five (5) years, (California Cases only) with their current status.

(g) Date of incorporation in California.

5.3 Include a statement describing the Purchaser's organization and outlining its approach to completing the work required by this solicitation. This statement shall illustrate the Purchaser's overall understanding of the purchase.

5.4 Contain a Work Plan that concisely explains how the Purchaser's will carry out the objectives of the purchase. In the Work Plan, the Purchaser shall describe staffing levels, including that of key administrative personnel and sub-contractors; and the proposed approach to the work as clearly and thoroughly as possible. Organizational charts showing the staffing structure as well as the relationship of the Purchaser, its major sub-contractors shall be provided. This section should also include resumes of key employees in proposed on-site and off-site management positions, including applicable technical licenses, certifications and degrees.

5.5 Coordinate with the City with the establishment of a proposed Transition Plan and its Actions and Responsibilities in accomplishing the sale process. A Transition Team comprised of both Purchaser and City management to define and implement methods to be used to optimize the knowledge and understanding of the current Purchaser's management and staff; relative to the ASA Water System's facilities, currently under City's responsibility and control. Explain how your firm plans to enact the transition process successfully prior to taking over the ASA Water System.

5.6 Provide a summary of all reports and forms to be used by the Purchaser, with information as to frequency and purpose.

5.7 List, in detail, any types of sub-contractors, anticipated to be hired at cost in excess of \$100,000 per year. Provide nature and amount of sub-contract.

5.8 Describe Purchaser's philosophy and practice in working within the community it services.

5.9 Describe Purchaser's procedures for communicating with residents to inform them as to the status of an ongoing repair project that has disrupted traffic or service to their homes.

5.10 Include Purchaser's recent experience (past five (5) years) in acquiring a water system; similar to that anticipated herein. Proposing Purchasers shall have at least one contract of equivalent size and complexity for a water system in California. This description shall include the following:

(a) Dates of acquisition

(b) Name and address of Agency or Company water system purchased

- (c) Name and telephone number of individual in the Agency or Company, who is familiar with the purchase.
- (d) Short description of the water system(s) purchased.

5.11 Provide a summary list of all incidents of regulatory violations and their disposition, occurring in the Purchaser's water system operations within the last five (5) years in California. Identify the facility and the regulation violated.

5.12 Include documentation of any potential conflicts of interest. A conflict of interest shall be cause for disqualifying a Purchaser from consideration. A potential conflict of interest includes, but is not limited to:

- (a) Accepting an assignment where duty to the City would conflict with the Purchaser's personal interest, or interest of another client.
- (b) Performing work for a City or having an interest which conflicts with this contract.
- (c) In litigation or potential litigation with the City, outstanding claims or non-payments to the City, or have failed to honor contracts on prior instances with the City.

5.13 Contain a **Cost Proposal in a separate, sealed envelope or container**. The cost proposal should a full price offer, including all supporting detail on how the Purchaser arrived at such pricing. In addition the Purchaser should provide a detailed proposed budget separately identifying estimated costs for on-site labor, off-site Purchaser support services, sub-contracted labor and services, utilities, materials, supplies, fuel, etc.

## **6. EVALUATION OF PROPOSALS**

Proposals will be evaluated on the Purchaser's ability to provide services that meet the requirements set forth in the accompanying documents. The City reserves the right to make such investigations as it deems necessary to determine the ability of the Purchaser to provide services meeting a satisfactory level of performance in accordance with the City's requirements. The Purchaser shall furnish such information and data for this purpose as the City may request, at no cost to the City. Interviews and presentations by one, several, or all of the Purchasers submitting a proposal may be requested by evaluators; if deemed necessary to fully understand and compare the Purchaser's capabilities and qualifications. The adequacy, depth, and clarity of the proposal will influence, to a considerable degree, its evaluation. Presented below is the Evaluation Criteria which the City will utilize in reviewing and ranking the Proposals for the ASA Water System's Purchase.

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### **PROPOSAL EVALUATION CRITERIA**

#### **POINTS POSSIBLE**

1. Proposed Approach for fulfillment of the Purchase Agreement Contract	20
2. Quality and Innovation of the Proposers response to specific questions and concerns set forth in the RFP	20

3. Proposing Water System's Management & Operations Experience and Qualifications	35
4. Corporate experience and resources in management of Water Systems	25
<b>TOTAL</b>	<b>100</b>

Please note that the City will make a selection of the Purchaser to enter into negotiations, in regard to their **Proposal and Cost Proposal**; based upon the above Evaluation Criteria.

## **7. PROPOSAL FORMAT**

### **7.1 General Instructions**

- 7.1.1 Proposals shall be prepared simply and economically, providing a straightforward, concise description of the Purchaser's ability to meet the requirements of this RFP. Emphasis shall be on the quality, completeness, clarity of content, responsiveness to the requirements, and an understanding of City's objectives.
- 7.1.2 Proposers shall carefully read the information contained in this RFP and submit a complete response to all requirements and questions as directed. Incomplete proposals will be considered non-responsive and subject to rejection.
- 7.1.3 Proposals and any other information submitted by Proposers in response to this RFP shall become the property of the City.
- 7.1.4 Proposers shall prepare and develop proposals at the sole cost and expense of the Purchaser.
- 7.1.5 Proposals that are qualified with conditional clauses, alterations, items not called for in the RFP documents, or irregularities of any kind are subject to rejection by the City, at its option.
- 7.1.6 The City makes no representations of any kind that an award of contract will be made as a result of this RFP, or subsequent RFP. The City reserves the right to accept or reject any or all proposals, waive any formalities or minor technical inconsistencies, and/or delete any item/requirements from this RFP when deemed to be in City's best interest.
- 7.1.7 Proposals shall consist of answers to questions or requirements identified in this RFP. It is not necessary to repeat the question in the proposals; however, it is essential to reference the question number with the corresponding answer.
- 7.1.8 Failure to comply with all requirements contained in this RFP may result in the rejection of proposal.
- 7.1.9 Receipt of an addendum of the RFP by a Purchaser must be acknowledged by submitting the signed addendum with your proposal.
- 7.1.10 A proposal may be modified or withdrawn in person at any time before the scheduled due date and time of proposals provided a receipt for the withdrawn proposal is signed by the Purchaser's authorized representative. The City reserves the right to request proof of authorization to withdraw a proposal.

- 7.1.11 Purchaser shall attend a mandatory Pre-Proposal Conference and Field review of City's ASA Water System facilities; in order to propose for this RFP.
- 7.2 Page Size, Binding, Dividers and Tabs
  - 7.2.1 Proposals shall be printed on letter-size (8-1/2" x 11") paper and assembled with spiral or comb-type bindings or staples. Graphics incorporated into the proposal may exceed the paper-size requirement.
  - 7.2.2 Proposals should not exceed the page limit described herein.

### **7.3 Table of Contents**

Proposals shall include a "Table of Contents" and give page numbers for each section of the proposals.

### **7.4 Submission of Proposals**

- 7.4.1 Time: Proposals not received by the time and date indicated on this RFP will not be accepted.
- 7.4.2 Hand Carried: Proposals may be hand carried to the City's Office located at 12700 Norwalk Boulevard Norwalk, CA 90650
- 7.4.3 Mail / FedEx / UPS / etc.: Proposals may be mailed or shipped to the attention of the City of Norwalk, City Clerk's Office, and 12700 Norwalk Boulevard Norwalk, CA 90650. The City shall not be responsible for proposals that are mailed or shipped and not received by the opening date and time specified in this RFP.
- 7.4.4 Receipts: Receipts for hand delivered proposals shall be issued by the City's Office (upon request) for proposals that are hand carried.
- 7.4.5 No Other Methods of Proposal Delivery: Neither emailed nor faxed proposals shall be accepted.

## **8. MISCELLANEOUS INFORMATION**

- 8.1 Public information. All information, documentation, and other materials submitted in response to this solicitation are considered non-confidential and/or non-proprietary and are subject to public disclosure after the solicitation is completed.
- 8.2 City's Reservation of Rights. The City may evaluate the proposals based on the anticipated completion of all or any portion of the project. The City reserves the right to divide the project into multiple parts, to reject any and all proposals and re-solicit for new proposals, or to reject any and all proposals and temporarily or permanently abandon the project. The City makes no representations, written or oral, that it will enter into any form of agreement with any Purchaser to this RFP for any project and no such representation is intended or should be construed by the issuance of this RFP.
- 8.3 Clarification. The City may, in the evaluation of proposals, request clarification from Purchasers regarding their proposals, obtain additional material or literature, and pursue other avenues of research as necessary to ensure that a thorough evaluation is conducted.

- 8.4 Acceptance of Evaluation Methodology. By submitting a proposal in response to this RFP, the Purchaser accepts the evaluation process and acknowledges and accepts that determination will require subjective judgments by the City.
- 8.5 No Reimbursement for Cost. Purchaser acknowledges and accepts that any costs incurred from the Purchaser's participation in this RFP process shall be at the sole risk and responsibility of the Purchaser. Purchaser will submit proposals at their own risk and expense.
- 8.6 Ethical Conduct. The City of Norwalk expects the highest level of ethical conduct from Proposers including adherence to all applicable laws and local ordinances regarding ethical behavior.
- 8.7 Right to Terminate Negotiations. If an agreement cannot be made with the highest scoring Purchaser, City reserves the right to terminate negotiations with that party and enter into negotiations with the next highest ranked Purchaser.
- 8.8 Presentations. Finalists in the selection process may be asked to attend an interview once the RFP process is complete.
- 8.9 Modification. Offers may be modified by written notice provided such notice is received prior to the hour and the date specified for receipt of offers.
- 8.10 Acceptance of Proposals. Acceptance of proposal is contingent upon the Purchaser's certification and agreement by submittal of its offer, to comply and act in accordance with all provisions of the City's Municipal Code.
- 8.11 Requests for Explanations by Purchasers. Any explanation desired by the Purchaser regarding the meaning or interpretation of specifications or any part of this Request must be requested in writing and received in the City's Office not less than seven (7) calendar days prior to due date of proposals. Oral explanations or instructions given prior to the opening of the offer shall not be binding. The City's Office shall issue any official Addendums in writing or via e-mail to all listed proposers.

## **9. Alternative Solutions / Options**

- 9.1 If after reviewing the above RFP and the Purchaser feels that some other solution or options might be warranted, the City would be interested in seeing these as well.

**RFP NO. 21-649**  
**RFP ACKNOWLEDGMENT FORM**

Please complete this form and return it to the City of Norwalk. Failure to return this form will not exclude a firm from submitting a proposal; however, only those prospective respondents who elect to return this form will receive Addenda, if issued, and/or other information pertaining to this solicitation.

Name:

Representative:

Title:

Phone: Fax:

E-Mail:

Address:

City : State: Zip:

When completed, please e-mail this form to the following contact:

**City of Norwalk**

Theresa Devoy, City Clerk  
12700 Norwalk Boulevard  
Norwalk, CA 90650

Phone: (562) 929-5700  
Email: [tdevoy@norwalkca.gov](mailto:tdevoy@norwalkca.gov)

**APPENDIX**

Exhibit A – Draft Purchase Agreement – [Hyperlink](#)

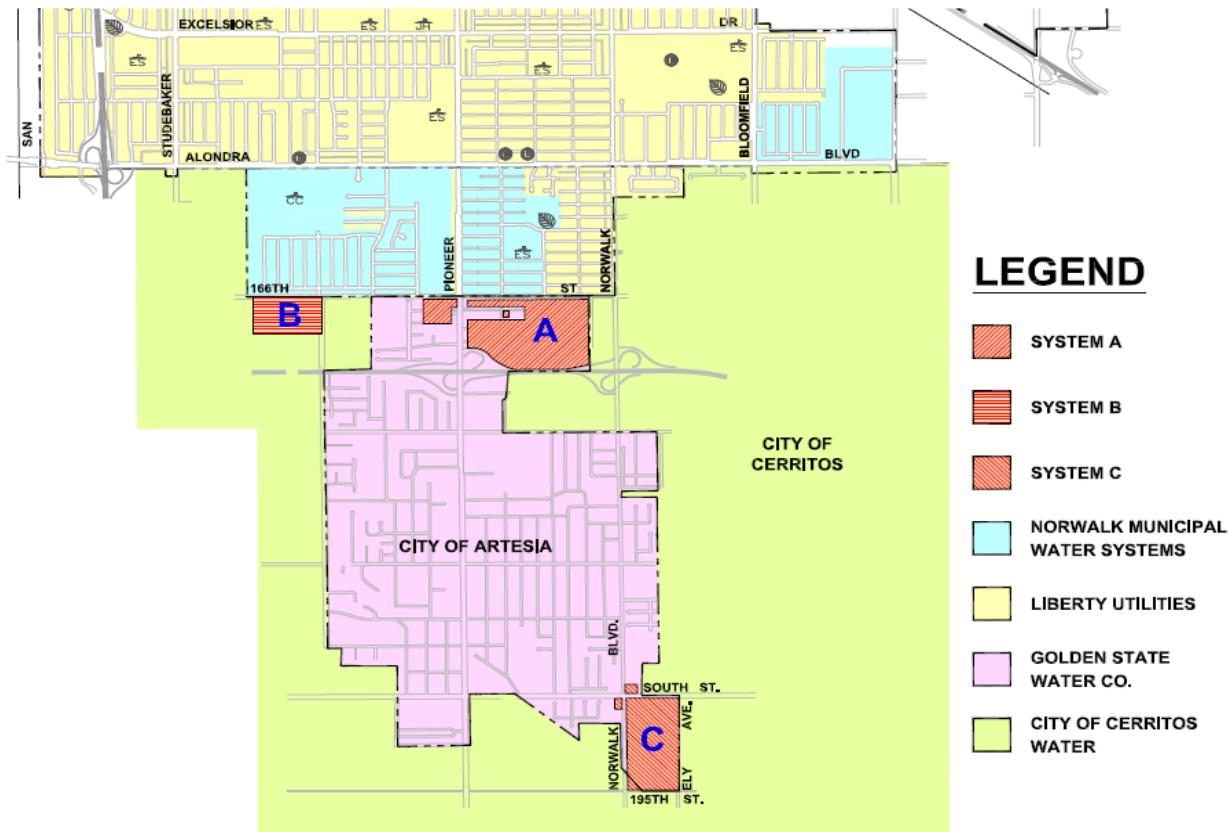


Exhibit B -Norwalk Municipal 2014 Water System Master Plan



Hyperlink

Exhibit C – ASA Water System Service Area Map



GOLDEN STATE WATER COMPANY  
THE ACQUIRED ARTESIA SERVICE AREA  
FORECAST OF RESULTS OF OPERATIONS  
FUNCTIONAL SUMMARY OF EARNINGS-Year 1 and Year 5  
FORECAST OF RESULTS OF OPERATIONS

CPUC WUDF ACCOUNT		The Acquired Artesia SA		Region 2 - Rate Making Area		Region 2 - Rate Making Area with The Acquired Artesia SA		
		Year 1	Year 5	Year 1	Year 5	Year 1	Year 5	
		2027	2031	2027	2031	2027	2031	
1	61500	OPERATING REVENUES	990,398	1,657,603	223,235,914	285,492,841	224,226,312	287,150,444
		OPERATION EXPENSES						
2	70400	Purchased Water	0	0	57,127,190	73,075,983	57,127,190	73,075,983
3	72600	Purchased Power	29,117	32,251	3,464,120	4,431,235	3,493,237	4,463,486
4	73500	Pump Taxes	98,019	108,571	10,312,191	13,191,153	10,410,210	13,299,724
5		TOTAL SUPPLY EXPENSES	127,136	140,822	70,903,501	90,698,371	71,030,637	90,839,193
6		REVENUE LESS SUPPLY EXPENSES	863,262	1,516,781	152,332,413	194,794,470	153,195,675	196,311,251
7	74400	Chemicals	3,671	4,067	1,306,552	1,671,316	1,310,223	1,675,383
8	77300	Allocated (GO) Utility Support Services	0	16,295	2,763,738	3,527,184	2,763,738	3,543,480
9	77300	Common Cust. Acct. (Region)	0	0	0	0	0	0
10	77300	Allocated Common Cust. Acct. (District)	0	0	0	0	0	0
11	77325	Postage	0	0	0	0	0	0
12	77500	Uncollectibles	4,656	7,792	1,049,370	1,342,333	1,054,025	1,350,125
13	78000	Operation Labor	37,576	41,760	4,387,668	5,612,619	4,425,245	5,654,379
14	78100	Other Operation Expenses	24,572	27,218	2,545,433	3,256,068	2,570,005	3,283,286
15	78600	TOTAL OPERATION EXPENSES	197,611	237,954	82,956,262	106,107,892	83,153,873	106,345,846
16	78700	Maintenance Labor	8,074	8,973	1,014,495	1,297,722	1,022,569	1,306,695
17	78800	Other Maintenance Expenses	10,183	11,279	3,667,318	4,691,161	3,677,501	4,702,440
18	78900	TOTAL MAINTENANCE EXPENSE	18,257	20,252	4,681,812	5,988,883	4,700,069	6,009,135
19	79000	TOTAL O&M EXCLUDING A&G	215,868	258,206	87,638,074	112,096,775	87,853,942	112,354,981
20	79200	Office Supplies & Expenses	0	0	567,293	725,670	567,293	725,670
21	79300	Property Insurance	0	0	0	0	0	0
22	79400	Injuries and Damages	0	0	908,222	1,161,780	908,222	1,161,780
23	79500	Pension and Benefits	0	0	1,596,628	2,042,376	1,596,628	2,042,376
24	79600	Business Meals	0	0	8,144	10,418	8,144	10,418
25	79700	Regulatory Expenses	0	0	0	0	0	0
26	79800	Outside Services	0	0	133,514	170,789	133,514	170,789
27	79900	Miscellaneous	0	0	4,961	6,347	4,961	6,347
28	79910	Allocated GO - Corporate Support	0	56,219	26,052,610	33,267,952	26,052,610	33,324,171
29	79910	Allocated GO - Centralized Operations Suppo	0	65,639	0	0	0	65,639
30	79910	Allocated District Office Expenses	0	0	0	0	0	0
31	80500	Other Maintenance of General Plant	289	320	23,562	30,140	23,851	30,460
32	81100	Rent	0	0	531,686	680,122	531,686	680,122
33	81200	A&G Expenses Capitalized	0	0	0	0	0	0
34	81500	A&G Labor	1,419	1,577	1,020,794	1,305,780	1,022,213	1,307,357
35	81700	TOTAL ADMIN & GENERAL EXPENSES	1,708	123,755	30,847,415	39,401,373	30,849,123	39,525,127
36	50300	DEPRECIATION AND AMORTIZATION	81,919	183,991	17,625,544	22,546,252	17,707,463	22,730,242
37	50710	Property Taxes	65,083	108,805	8,154,898	10,431,587	8,219,982	10,540,391
38	50720	Payroll Taxes	3,839	4,240	486,530	622,359	490,369	626,599
39	50730	Local Taxes	13,799	23,094	3,110,212	3,978,522	3,124,010	4,001,616
40	50740	TOTAL TAXES NOT ON INCOME	82,721	136,139	11,751,640	15,032,468	11,834,360	15,168,606
41	82000	TOTAL EXPENSE EXCLUDING INCOME TAX	382,215	702,090	147,862,673	189,076,867	148,244,889	189,778,957
42	82500	NET OPER REVENUE BEFORE INCOME TAX	608,183	955,513	75,373,240	96,415,974	75,981,423	97,371,487
43		State Income Tax	36,787	49,053	3,959,589	5,065,028	3,996,376	5,114,081
44		Federal Income Tax	92,142	107,351	10,950,292	14,007,399	11,042,434	14,114,749
45		TOTAL INCOME TAXES	128,930	156,404	14,909,880	19,072,427	15,038,810	19,228,831
46		TOTAL OPERATING EXPENSES	511,145	858,494	162,772,554	208,149,294	163,283,698	209,007,788
47		NET OPERATING REVENUE	479,253	799,109	60,463,360	77,343,547	60,942,613	78,142,656
48		RATE BASE	6,043,492	10,076,821	762,510,493	975,388,504	768,553,985	985,465,325
49		RATE OF RETURN		7.93%	7.93%	7.93%	7.93%	7.93%

A0634227

**ENDORSED - FILED**  
In the office of the Secretary of State  
of the State of California

SEP 30 2005

**CERTIFICATE OF AMENDMENT  
OF  
RESTATE ARTICLES OF INCORPORATION  
OF  
SOUTHERN CALIFORNIA WATER COMPANY,  
a California corporation**

Floyd E. Wicks and Robert J. Sprowls certify that:

1. They are the duly elected and acting President and Chief Executive Officer and Chief Financial Officer, Senior Vice President-Finance and Secretary, respectively, of the corporation named above.
2. The Restated Articles of Incorporation of the corporation are amended by amending Article One to read as follows:

NAME

One: The name of the corporation is Golden State Water Company.

3. The above amendment has been approved by the Board of Directors of the corporation.

4. The above amendment was approved by the vote of the sole shareholder of the corporation in accordance with Section 902 of the California Corporations Code; the total number of outstanding shares of each class entitled to vote with respect to the amendment was 122 Common Shares, all of which voted in favor of the above amendment.

We further declare under penalty of perjury under the law of the State of California that the matters set forth in this certificate are true and correct of our own knowledge:

September 16, 2005

Floyd E. Wicks  
Floyd E. Wicks  
President and Chief Executive Officer

Robert J. Sprowls  
Robert J. Sprowls  
Chief Financial Officer, Senior Vice President-Finance and  
Secretary



**GOLDEN STATE WATER COMPANY**

**BALANCE SHEET**

	<b>December 31, 2024</b>	<b>December 31, 2023</b>	<b>December 31, 2023</b>	<b>December 31, 2024</b>
	(in thousands)		(in thousands)	
<b>Assets</b>				
<b>Utility Plant, at cost</b>				
Water	\$ 2,227,311	\$ 2,082,927	\$ 2,082,927	\$ 2,082,927
Less - Accumulated depreciation	(561,256)	(543,135)	1,539,792	1,539,792
Construction work in progress	1,666,055	245,314	195,742	1,735,334
Net utility plant	1,911,369			
<b>Other Property and Investments</b>				
State Water Project	1,515	1,418	1,418	1,411,330
Other physical property, net	941	941	941	605,547
Other Investments	44,851	37,695	37,695	1,244,566
Funds held in trust	446	426	426	-
Total other property and investments	47,753			
<b>Current Assets</b>				
Cash and cash equivalents	11,338	3,195	3,195	245,779
Accounts receivable - customers (less allowance for doubtful accounts of \$3,368 in 2024 and \$3,394 in 2023)	34,712	31,018	31,018	99,949
Other accounts receivable - customers (less allowance for doubtful accounts of \$110 in 2024 and \$53 in 2023)	3,122	4,301	4,301	
Intercorp receivable	120	380	380	
Income taxes receivable from Parent	3,253	222	222	
Unbilled revenue	19,417	17,185	17,185	
Materials and supplies, at average cost	7,543	7,380	7,380	
Regulatory assets - current	41,099	44,007	44,007	
Prepayments and other current assets	5,880	4,544	4,544	
Total current assets	126,484			
<b>Regulatory and Other Assets</b>				
Unamortized debt expense and redemption premium	558	719	719	6,394
Operating lease right-of-use assets	7,981	7,796	7,796	474,822
Regulatory assets	-			
Other accounts receivable	960	2,944	2,944	6,568
Other	36,876	715	715	571,640
Total regulatory and other assets	46,375			
<b>Total Assets</b>	<b>\$ 2,131,981</b>	<b>\$ 1,916,155</b>	<b>\$ 2,131,981</b>	<b>\$ 1,916,155</b>
<b>Capitalization and Liabilities</b>				
<b>Capitalization</b>				
Common shareholder's equity	\$ 805,833	\$ 605,547	\$ 605,547	\$ 703,828
Long-term debt				
Total capitalization	124,000			
<b>Current Liabilities</b>				
Notes payable to bank	-	385	385	353
Long-term debt - current				
Accounts payable	70,896			
Accrued employee expenses	12,271			
Accrued interest	7,438			
Operating lease liabilities	2,036			
Other	28,753			
Total current liabilities	245,779			
<b>Other Credits</b>				
Notes payable to bank	-	69,836	69,836	150,000
Advances for construction				
Contributions in aid of construction	160,306			
Deferred income taxes	166,410			
Unamortized investment tax credits	942			
Accrued pension and other postretirement benefits	33,351			
Regulatory liabilities	22,926			
Other	14,657			
Operating lease liabilities	6,394			
Total other credits	474,822			
<b>Total Capitalization and Liabilities</b>	<b>\$ 2,131,981</b>	<b>\$ 1,916,155</b>	<b>\$ 2,131,981</b>	<b>\$ 1,916,155</b>

GOLDEN STATE WATER COMPANY  
STATEMENT OF INCOME FOR WATER SEGMENT  
MONTH ENDED AND YEAR TO DATE  
December 31, 2024 and 2023

	THIS MONTH December, 2024	December, 2023 December, 2023	Increase (Decrease)	Percent Change	YEAR TO DATE December, 2024	December, 2023 December, 2023	Increase (Decrease)	Percent Change	TWELVE MONTHS ENDED December, 2024	December, 2023 December, 2023	Increase (Decrease)	Percent Change
<b>Operating Revenues</b>												
Water	\$ 27,152,530	\$ 25,740,166	\$ 1,412,364	5.49%	\$ 411,849,450	\$ 427,764,510	\$ (15,915,060)	-3.72%	\$ 411,849,450	\$ 427,764,510	\$ (15,915,060)	-3.72%
<b>Total Operating revenues</b>	<b>\$ 27,152,530</b>	<b>\$ 25,740,166</b>	<b>1,412,364</b>	<b>5.49%</b>	<b>\$ 411,849,450</b>	<b>\$ 427,764,510</b>	<b>\$ (15,915,060)</b>	<b>-3.72%</b>	<b>\$ 411,849,450</b>	<b>\$ 427,764,510</b>	<b>\$ (15,915,060)</b>	<b>-3.72%</b>
Supply Costs												
Water Purchased	6,199,561	5,443,166	756,395	13.90%	74,274,028	72,864,377	1,409,650	1.93%	74,274,028	72,864,377	1,409,650	1.93%
Supply cost balancing accounts	(2,421,532)	(1,544,882)	(876,650)	56.75%	(1,621,241)	13,839,291	(15,460,533)	-111.71%	(1,621,241)	13,839,291	(15,460,533)	-111.71%
Power for pumping	1,069,021	943,420	125,601	13.31%	15,025,123	12,828,690	2,196,433	17.12%	15,025,123	12,828,690	2,196,433	17.12%
Pump taxes	2,144,932	1,816,916	328,916	18.05%	24,144,551	20,850,211	3,294,340	15.80%	24,144,551	20,850,211	3,294,340	15.80%
<b>Total supply costs</b>	<b>6,981,982</b>	<b>6,658,620</b>	<b>333,361</b>	<b>5.01%</b>	<b>\$ 111,822,461</b>	<b>\$ 120,382,570</b>	<b>\$ (8,560,109)</b>	<b>-7.11%</b>	<b>\$ 111,822,461</b>	<b>\$ 120,382,570</b>	<b>\$ (8,560,109)</b>	<b>-7.11%</b>
Revenues Less Supply Costs												
<b>Revenues</b>	<b>\$ 20,160,548</b>	<b>\$ 19,081,546</b>	<b>1,079,002</b>	<b>5.65%</b>	<b>\$ 300,026,989</b>	<b>\$ 307,381,940</b>	<b>\$ (7,354,951)</b>	<b>-2.39%</b>	<b>\$ 300,026,989</b>	<b>\$ 307,381,940</b>	<b>\$ (7,354,951)</b>	<b>-2.39%</b>
Other Operating Expenses												
Other operation expenses	745,413	1,989,662	(1,244,248)	-62.54%	28,347,434	29,049,129	(701,685)	-2.42%	28,347,434	29,049,129	(701,685)	-2.42%
Maintenance expenses	1,379,409	980,030	399,379	40.75%	9,380,860	9,611,677	(230,817)	-2.40%	9,380,860	9,611,677	(230,817)	-2.40%
Administrative and general expenses	4,437,815	4,746,323	(308,509)	-6.50%	59,971,699	56,048,735	3,922,964	7.00%	59,971,699	56,048,735	3,922,964	7.00%
Depreciation and amortization	3,444,342	2,970,206	474,136	15.98%	37,417,080	35,884,621	1,532,469	4.27%	37,417,080	35,884,621	1,532,469	4.27%
Property and other taxes	1,860,873	1,605,994	254,879	15.87%	21,911,419	19,572,262	2,339,156	11.95%	21,911,419	19,572,262	2,339,156	11.95%
<b>Total other operating expenses</b>	<b>\$ 11,867,851</b>	<b>\$ 12,292,215</b>	<b>(424,363)</b>	<b>-3.45%</b>	<b>\$ 157,028,502</b>	<b>\$ 150,166,424</b>	<b>\$ 6,862,077</b>	<b>4.57%</b>	<b>\$ 157,028,502</b>	<b>\$ 150,166,424</b>	<b>\$ 6,862,077</b>	<b>4.57%</b>
Operating Income												
State income taxes	1114,932	4,234	110,698	2614.44%	7,201,727	9,534,046	(2,332,319)	-24.46%	7,201,727	9,534,046	(2,332,319)	-24.46%
Federal income taxes	(3,988,532)	1,712,464	(5,700,906)	-332.91%	13,404,898	23,938,141	(10,533,243)	-44.00%	13,404,898	23,938,141	(10,533,243)	-44.00%
<b>Total income taxes</b>	<b>(3,873,601)</b>	<b>1,716,698</b>	<b>(5,590,299)</b>	<b>-325.64%</b>	<b>\$ 20,606,625</b>	<b>\$ 33,472,187</b>	<b>\$ (12,865,562)</b>	<b>-38.44%</b>	<b>\$ 20,606,625</b>	<b>\$ 33,472,187</b>	<b>\$ (12,865,562)</b>	<b>-38.44%</b>
Income Before Interest Charges												
Interest expenses (income)	2,369,369	2,170,958	198,411	9.14%	32,671,477	25,853,582	6,817,895	26.37%	32,671,477	25,853,582	6,817,895	26.37%
Non-regulatory income (loss):												
Other	(168,008)	1,928,589	(2,096,597)	-108.71%	7,004,611	7,035,478	(30,868)	-0.44%	7,004,611	7,035,478	(30,868)	-0.44%
Income taxes on non-regulatory items	(44,345)	(629,270)	584,925	-92.95%	(2,282,457)	(2,217,078)	(45,379)	2.05%	(2,282,457)	(2,217,078)	(45,379)	2.05%
<b>Total non-regulatory income (loss)</b>	<b>\$ 9,584,575</b>	<b>\$ 4,200,994</b>	<b>\$ 5,383,581</b>	<b>-116.34%</b>	<b>\$ 4,742,154</b>	<b>\$ 4,818,401</b>	<b>\$ (76,247)</b>	<b>-1.58%</b>	<b>\$ 4,742,154</b>	<b>\$ 4,818,401</b>	<b>\$ (76,247)</b>	<b>-1.58%</b>
<b>Net Income (Loss)</b>	<b>\$ 9,584,575</b>	<b>\$ 4,200,994</b>	<b>\$ 5,383,581</b>	<b>128.15%</b>	<b>\$ 94,462,539</b>	<b>\$ 102,708,148</b>	<b>\$ (8,245,609)</b>	<b>-8.03%</b>	<b>\$ 94,462,539</b>	<b>\$ 102,708,148</b>	<b>\$ (8,245,609)</b>	<b>-8.03%</b>

**NOTICE OF APPLICATION FILING BY GOLDEN STATE WATER COMPANY  
OF PROPOSED ACQUISITION OF CITY OF NORWALK'S  
NORTH AND SOUTH ARTESIA SYSTEM  
APPLICATION 26-0X-xxx**

**What is Being Requested?**

Golden State Water Company (GSWC) filed Application 26-0X-xxx to request authorization from the California Public Utilities Commission's (CPUC) to purchase from the City of Norwalk, the Artesia Service Area ("ASA") and all of its associated public utility assets. The proposed sale is valued at \$5,250,000.

The City of Norwalk serves approximately 868 customers in the ASA located within the City of Artesia outside of the municipal boundaries of the City of Norwalk which is comprised of two portions known as the North and South Artesia system, in Los Angeles County. GSWC's Region 2 Ratemaking Areas ("RMA") serves approximately 100,000 customers in Los Angeles County.

GSWC is requesting authorization to incorporate the acquired ASA customers into GSWC's Region 2 (RMA) immediately for operational purposes, and to consolidate them for ratemaking purposes during its 2026 General Rate Case Application, with full rate consolidation in 2028.

ASA customers will benefit from this acquisition through improved water quality and service reliability, including lower risk of water shortages for ASA customers and enabling more efficient responses to peak demand emergencies. GSWC's Region 2 customers will benefit from the larger customer base.

GSWC is requesting an estimated increase in revenue of \$224,777 which would generate the revenues needed to cover the cost of service. The acquired ASA customer's rates would be adjusted in 2027 the year of the anticipated acquisition.

**How Would This Impact the Average Residential Customer?**

If the request is approved, **current GSWC customers will not see an immediate impact**. For the average residential customer in the ASA with a 5/8 x 3/4" meter using 8 ccf (1 ccf = 748 gallons) per month would see a rate increase of approximately \$11.98 per month. The actual impact will vary based on usage and other factors.

**Additional Information**

An administrative law judge will hold hearings, consider evidence, testimony, and public comments before drafting a proposed decision on this application. CPUC Commissioners will then vote on a final decision at a public meeting.

You can read more about the utility's request and make public comment by visiting [\[apps.cpuc.ca.gov/c/XXXXXXX\]](http://apps.cpuc.ca.gov/c/XXXXXXX). For questions about participating in CPUC matters, you can contact the Public Advisor's Office at [Public.Advisor@cpuc.ca.gov](mailto:Public.Advisor@cpuc.ca.gov), 1-866-849-8390, or 505 Van Ness Ave., San Francisco, CA 94102. Please reference [A.XX-XX-XXX] in any communication with the CPUC.

**Questions About the Request**

For questions about this application, please contact GSWC Regulatory Affairs Department at: [GSWC\\_Reg\\_Affairs@gswater.com](mailto:GSWC_Reg_Affairs@gswater.com), or 1-800-999-4033.

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