

BEFORE THE PUBLIC UTILITIES COMMISSION OF
THE STATE OF CALIFORNIA



FILED

06/23/26

01:06 PM

Rulemaking 22-04-003
R2204003
(Filed April 7, 2022)

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

**CENTER FOR ACCESSIBLE TECHNOLOGY'S REPLY COMMENTS ON PROPOSED
DECISION ON ORDER INSTITUTING RULEMAKING REGARDING ACQUISITIONS
INVOLVING WATER UTILITIES UNDER THE COMMISSION'S JURISDICTION**

Paul Goodman
Center for Accessible Technology
3075 Adeline Street, Suite 220
Berkeley, CA 94703
Phone: (510) 841-3224
Fax: (510) 841-7936
E-mail: service@c4at.org

June 23, 2026

Contents

I.	Introduction.....	1
II.	Discussion.....	1
	A. The PD Appropriately Changes the Framework to Incentivize Acquisitions of Failing, At-Risk, and Potentially At-Risk Water Systems.	1
	B. The Commission’s Revised Public Notice Requirements Are Reasonable and Supported by the Record.	2
	C. The PD’s Adoption of the Quantifiable Ratepayer Benefit is Justified.....	3
	D. The PD Could Benefit From Clarity Regarding Third Party Appraisals.....	5
III.	Conclusion	5

I. INTRODUCTION

In accordance with Rule 14.3(d) of the Commission’s Rules of Practice and Procedure, Center for Accessible Technology (CforAT) timely files these reply comments on the May 29, 2026 Proposed Decision on Order Instituting Rulemaking Regarding Acquisitions Involving Water Utilities Under the Commission’s Jurisdiction (the PD).

Subject to the recommendations set forth below, CforAT supports adoption of the PD.

II. DISCUSSION

A. The PD Appropriately Changes the Framework to Incentivize Acquisitions of Failing, At-Risk, and Potentially At-Risk Water Systems.

The PD makes substantive changes to the existing water utility acquisitions framework to incentivize acquisitions of failing, at-risk, and potentially at-risk water systems, by restricting the use of memorandum accounts to those acquisitions.¹ CforAT agrees with the PD and Cal Advocates that “for acquisitions involving not-at-risk systems, investor-owned utilities should use the general rate case (GRC) process to forecast acquisition-related costs and should not rely on memorandum accounts.”²

The IOUs and CWA object to this limitation, arguing that the PD’s changes to the current authorization for memorandum accounts are arbitrary³ and will disincentivize potential acquisitions.⁴ However, those parties do not address the PD’s finding that eliminating the use of memorandum accounts for acquisitions that do not involve failing, at-risk, or potentially at-risk systems promotes due diligence by acquiring companies and ensures that ratepayers do not bear the costs of an acquiring company’s failure to properly forecast the cost of an acquisition.⁵ The

¹ PD at p. 2.

² Cal Advocates comments at p. 8, citing PD at p. 31.

³ Cal Am Water comments at p. 2.

⁴ Cal Am Water comments at p. 8; CWA comments at p. 2; Cal Water comments at p. 3.

⁵ PD at p. 31.

industry parties' unspoken objection appears to be that the PD would decrease incentives for water companies to acquire the most lucrative water systems while increasing incentives for water companies to acquire those water systems most in need of investment.⁶ Yet this is the very intent of the change. While industry parties' may not like the Commission's revised incentive structure and its focus on ensuring investment in those water systems that most need that investment, that incentive structure is reasonable and the PD does not commit any error.

B. The Commission's Revised Public Notice Requirements Are Reasonable and Supported by the Record.

The PD requires that public notices be provided in all proposed acquisitions filed with the Commission regardless of the type of water system being acquired.⁷ CforAT supports the PD's finding that "[b]y applying these rules uniformly, the framework seeks to ensure that all ratepayers have the necessary information to understand and potentially influence the outcomes of utility acquisitions affecting their service and rates."⁸ As the PD acknowledges, CforAT has previously argued that "public noticing allows ratepayers the opportunity to participate in the acquisition process and that ratepayers often have little opportunity to participate in the acquisition process."⁹

CWA objects to this expanded notice requirement, arguing that the requirement for a public utility to notify potentially impacted members of the public of a transaction is problematic and that the "sheer administrative and financial burden of printing and mailing physical notices to thousands of existing and new customers remains high."¹⁰ CWA also asserts that the acquiring

⁶ Cal Water states that it "will not undertake the acquisition of a water system just because a memorandum account is available," indicating that it does not believe its own claims regarding incentives. Cal Water comments at p. 3.

⁷ PD at p. 52.

⁸ PD at p. 52.

⁹ PD at p. 53, citing CforAT Comments on Staff Proposal at p. 5.

¹⁰ CWA Comments at p. 11.

company “does not own or control the seller’s customer database and frequently lacks accurate names, physical addresses, or email contact information for the acquired system’s customers.”¹¹ The internal contradictions of CWA’s arguments aside (i.e., the claim of the administrative and financial burden of sending notices to an *unknown* number of customers served by the to-be-acquired company), there is no reason that the two companies involved in the transaction would be unable to work together to ensure that the company to be acquired provides notice to its customers. Acquiring companies are presumably sophisticated entities and could easily include such a requirement in any acquisition agreement.

The PD further holds that in acquisitions of failing, at-risk, and potentially at-risk water systems, “public noticing should be conducted at the lowest cost to ensure that affected customers are adequately informed” as an incentive to IOUs to acquire those failing, at-risk, and potentially at-risk systems.¹² While CforAT interprets “ensure that affected customers are adequately informed” as modifying “lowest cost” (i.e., public noticing should be conducted at the lowest cost that is sufficient to ensure that affected customers are adequately informed), the language is ambiguous and could be interpreted as only requiring the lowest cost means of communications. The Commission should clarify that the method of providing public notice of any acquisition should be sufficient to reach all customers, including in-language notices and notices in accessible formats.

C. The PD’s Adoption of the Quantifiable Ratepayer Benefit is Justified.

The PD replaces the “Tangible Ratepayer Benefit” standard (which allowed applicants to demonstrate a “net benefit” to ratepayers by merely “claiming unquantified benefits such as

¹¹ CWA Comments at p. 11.

¹² PD at p. 53.

“enhanced management and operational expertise without quantification”)¹³ with a “Quantifiable Ratepayer Benefit” standard.¹⁴ Under the Quantifiable Ratepayer Benefit Standard, applicants would be required “to provide detailed evidence of how the acquisition would benefit ratepayers.”¹⁵ The IOUs object to this standard, arguing, for example, that “[t]his standard would mandate that utilities show measurable benefits backed by explicit data, including increased economies of scale and direct impacts on customers.”¹⁶ It is difficult to comprehend how requiring that applicants show that a proposed water acquisition creates *some* measurable benefit to ratepayers, a standard which is far lower than the Commission uses when reviewing proposed acquisitions in other industries,¹⁷ is unreasonable.

In comments, some of the water utilities indeed argue that certain benefits such as “operational efficiencies and water conservation programs are difficult to quantify.”¹⁸ CforAT acknowledges that in some instances, it can be difficult to place a dollar value on specific ratepayer benefits. However, there is a substantial difference between claiming “the acquiring company will expand its water conservation program to customers of the acquired company” and “the acquiring company will extend its water conservation program to customers of the acquired company and, consistent with results in the acquiring company’s service territory, expects to see a ten percent reduction in water consumption by customers of the acquired company.” It is absolutely reasonable for the Commission to require that applicants provide some evidence supporting those claimed ratepayer benefits such outcomes in prior water acquisitions, a sufficiently robust methodology for estimating benefits, or historical trends. Even for benefits

¹³ PD at p. 56.

¹⁴ PD at p. 56.

¹⁵ PD at p. 57.

¹⁶ Cal Am Water comments at p. 12.

¹⁷ See Cal. Pub. Util. Code §854.

¹⁸ PD at pp. 57-58, citing Cal. Am. Water Comments on Staff Proposal at pp. 7-8.

that may be challenging to quantify in dollars, evidentiary support is vital.

D. The PD Could Benefit From Clarity Regarding Third Party Appraisals.

The PD declines to adopt a requirement that a water acquisition include an appraisal of the water system by an independent third-party appraiser, holding that mandatory third-party appraisals would require ongoing administrative oversight which could consume significant Commission resources without a proven benefit.¹⁹ This conclusion is well-supported by the record. However, CforAT shares Cal Advocates' concern that the current language in Ordering Paragraphs 25 and 26 (stating that mandatory third-party appraisals are not required) is overbroad and could limit the Commission's ability to order third-party appraisals on a case-by-case basis. Accordingly, CforAT respectfully requests that the Commission amend the PD consistent with Cal Advocates' recommendations.

III. CONCLUSION

Subject to the recommendations discussed above, CforAT supports the Proposed Decision.

Respectfully submitted,
June 23, 2026

/s/ Paul Goodman
PAUL GOODMAN

Center for Accessible Technology
3075 Adeline Street, Suite 220
Berkeley, CA 94703
Phone: 510-841-3224
Fax: 510-841-7936
Email: service@c4at.org

¹⁹ PD at p. 40.