

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

**WATER DIVISION**

**RESOLUTION W-5277**

**August 1, 2024**

**RESOLUTION**

**(RES. W-5277) RESOLUTION CONFIRMING THE  
COMMISSION'S AUTHORIZATION OF CALIFORNIA-  
AMERICAN WATER COMPANY TO BE ASSIGNED TO  
AND ASSUME BASS LAKE WATER COMPANY'S  
DRINKING WATER STATE REVOLVING FUND LOAN.**

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**SUMMARY**

By Advice Letter (AL) 1446, filed on May 31, 2024, California-American Water Company (Cal-Am) requests confirmation of the Commission's approval that Cal-Am is assigned to, and will assume, Bass Lake Water Company's (Bass Lake) outstanding Drinking Water State Revolving Fund (DWSRF) loan issued by the State Water Resources Control Board (SWRCB) as granted through the Commission's authorization of Cal-Am's acquisition of Bass Lake authorized by the Commission in Decision (D.) 23-04-007.

This Resolution grants the authority for Bass Lake's DWRSF loan to be assigned to, and assumed by, Cal-Am. The existing surcharges and service fee to fund the loan will continue to be in effect and will only be applied to customers in Bass Lake once the acquisition is finalized.

**BACKGROUND**

Bass Lake is a Class C investor-owned water utility providing water service to approximately 1,000 customers in the community of Bass Lake in Madera County.

Cal-Am is a Class A investor-owned water utility providing water service to approximately 680,000 customers in parts of San Diego, Los Angeles, Ventura, Monterey, Sonoma, Yolo, Sacramento, Merced, and Placer counties.

Bass Lake's DWSRF Loan

On May 31, 2018, the Commission approved Resolution (Res.) W-5167 which authorized Bass Lake to enter into a loan agreement with the SWRCB for a \$4,611,800 loan under the DWSRF program. The purpose of the loan was to finance a new water system surface treatment plant.

On January 13, 2022, the Commission approved Res. W-5248 which authorized Bass Lake to borrow from the SWRCB an additional \$8,119,082 under the DWSRF program to finance the increased construction costs of the treatment plant project. The total DWSRF loan increased to \$12,730,882. To repay the total amount, Res. W-5248 authorized Bass Lake to establish a surcharge and service fee applied to all customers six months prior to the completion of the treatment plant project.

On July 28, 2023, Bass Lake filed AL 91 requesting implementation of the surcharge and service fee applied to all customers in the Bass Lake service area. A customer with a 5/8-inch meter would pay a surcharge of \$41.08 per month, or \$123.24 per quarter. A non-metered customer with a flat rate service would pay a surcharge of \$61.63 per month, or \$184.89 per quarter. AL 91 was approved with an effective date of September 11, 2023.

The treatment plant project, later named the Willow Creek Surface Water Treatment Plant, is yet to be completed as of June 2024. The estimated completion date is the end of July 2024.

Cal-Am's Acquisition of Bass Lake

On March 1, 2022, Cal-Am and Bass Lake jointly filed Application (A.) 22-03-002 requesting authorization for Cal-Am to purchase Bass Lake and incorporate Bass Lake into Cal-Am's Northern Division. The Commission issued D.23-04-007 on April 6, 2023, authorizing Cal-Am's acquisition of Bass Lake.

To complete the acquisition and expand Cal-Am's Certificate of Public Convenience and Necessity (CPCN) to include Bass Lake, Cal-Am is required to apply for and obtain a permit from the SWRCB to operate the Bass Lake water system.<sup>1</sup> In order for Cal-Am to obtain the operating permit, the SWRCB must authorize Bass Lake's DWSRF loan transfer to Cal-Am. On April 18, 2024, Cal-Am and Bass Lake sent a joint letter requesting to the SWRCB that the DWSRF loan be assigned to, and assumed by, Cal-Am.

The SWRCB has yet to approve the loan transfer and thus, Cal-Am has yet to obtain the permit to operate Bass Lake and finalize the acquisition. The SWRCB requires the loan transfer to be fully authorized by the Commission before the SWRCB can proceed with its own authorization of the loan transfer and operating permit.

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<sup>1</sup> D.23-04-007 Ordering Paragraph 4-6.

## **NOTICE AND PROTESTS**

Cal-Am filed AL 1446 on May 31, 2024, and pursuant to GO 96-B Water Industry Rule 4.1, on the same day, Cal-Am served AL 1446 on its service list.

No protests were received.

## **DISCUSSION**

Cal-Am is requesting the Commission confirm the approval of the assignment to, and assumption by, Cal-Am of Bass Lake's DWSRF loan as granted through the Commission's authorization of Cal-Am's acquisition of Bass Lake authorized by D. 23-04-007. The Commission previously authorized Cal-Am to acquire Bass Lake through D.23-04-007, Ordering Paragraph 1, stating "Cal-Am is authorized to purchase the assets of Bass Lake and thereby obtain complete ownership of Bass Lake and the entirety of its water system and all its assets." This Decision intended that Bass Lake's DWSRF loan be included as part of the Commission's approval of the acquisition, and this Resolution confirms the Commission's prior approval of Cal-Am's assumption of Bass Lake's DWSRF loan. The loan being transferred from Bass Lake to Cal-Am is also consistent with the purchase agreement agreed to by both parties.<sup>2</sup>

When an acquisition between two utilities is authorized by the Commission, all outstanding loans are transferred to the acquiring utility. This is consistent with the Commission's existing water utility acquisition framework D.99-10-064. Section 2.06 of the Settlement Agreement titled "Facilities Funded by the Federal or State Government," which states in part, "the acquiring utility should be allowed to continue any surcharge established to repay any such loan until fully repaid."

To resolve any concern of the Commission's intent in D.23-04-007, this Resolution confirms the Commission authorization of the assignment to, and assumption by, Cal-Am of Bass Lake's DWSRF loan. The loan and the resulting surcharges have previously been authorized by the Commission in Res. W-5167 and W-5248; therefore, the review and re-authorization of the loan and resulting surcharges is unnecessary. The authorization of the loan transfer by this Resolution should allow Cal-Am to proceed in obtaining the operating permit from the SWRCB and finalize the acquisition of Bass Lake.

The current surcharges to fund the loan will continue to be in effect for Bass Lake customers. Once Cal-Am obtains the operating permit from the SWRCB and the acquisition is finalized by the Commission, the surcharges will continue to only be applied to Bass Lake customers and its service area for the duration of the loan until fully repaid.

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<sup>2</sup> Cal-Am and Bass Lake Asset Purchase Agreement Section 5.1(i).

## **ENVIRONMENTAL AND SOCIAL JUSTICE**

In February 2019, the Commission adopted an Environmental and Social Justice Action Plan (ESJ Action Plan) to serve as a roadmap to expand public inclusion in Commission decision-making processes to targeted communities across California. The ESJ Action Plan establishes a series of goals related to health and safety, consumer protection, program benefits, and enforcement in all the sectors the Commission regulates. On April 7, 2022, the Commission adopted Version 2.0 of the ESJ Action Plan to guide its decisions and determine that its broad regulatory authority continues to advance equity throughout the state. With this Resolution, the Commission addresses Goal #1 of the ESJ Action Plan, “Consistently integrate equity and access considerations throughout Commission regulatory activities,” and Goal #3: “Strive to improve access to high-quality water, communications, and transportation services for ESJ communities.”

## **EXEMPTION FROM CALIFORNIA ENVIRONMENTAL QUALITY ACT**

The California Environmental Quality Act (CEQA) applies to projects that require discretionary approval from a governmental agency, unless exempted by state or other regulations. It is long established that the act of ratemaking by the Commission is exempt from CEQA review. As stated in California Public Resources Code, the “establishment, modification, structuring or approval of rates, tolls, fares, or other charges by public agencies” is exempt from CEQA.<sup>3</sup> Likewise, “the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant impact on the environment” are not projects subject to CEQA.<sup>4</sup>

This Resolution does not authorize any capital expenditures or construction projects. CEQA review for future projects will occur through the regulatory processes applicable to each capital project when meaningful information necessary for conducting an environmental assessment is available.

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<sup>3</sup> Public Resources Code § 21080(b)(8).

<sup>4</sup> CEQA Guidelines § 15378(b)(4)

## **COMPLIANCE**

Cal-Am and Bass Lake have no outstanding compliance orders, and the utilities have been filing annual reports as required. Cal-Am and Bass Lake are also in compliance with the SWRCB's water quality standards for safe drinking water.

Pursuant to Public Utilities Code section 433(a), public utilities are required to pay an annual Public Utilities Reimbursement Fee (annual fee) to the Commission. The Water Division confirmed with the Commission's Fiscal Office that Cal-Am and Bass Lake are up to date with their annual fee payments.

## **UTILITY SAFETY**

Safety for water utilities considers several factors such as water quality, system design, operation and maintenance, and service. One of the highest safety priorities for the Commission is ensuring that water utilities serving water for human consumption provide water that is not harmful or dangerous to health. As noted in the Compliance section of this Resolution, Cal-Am and Bass Lake currently comply with the SWRCB's water quality standards for drinking water.

## **COMMENTS**

Public Utilities Code section 311(g)(1) provides that resolutions must generally be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. There were no protests or concerns received from the parties on the service list of AL 1446. This is an uncontested matter that pertains solely to a water corporation in which the Resolution grants the relief requested.

Accordingly, pursuant to Public Utilities Code section 311(g)(3), the otherwise applicable 30-day period for public review and comment is waived.

## **FINDINGS**

1. The outstanding Drinking Water State Revolving Fund (DWSRF) loan issued to Bass Lake Water Company (Bass Lake) by the State Water Resources Control Board (SWRCB) and resulting surcharges and service fee to fund the loan was authorized by the Commission in Resolution (Res.) W-5167 and W-5248.
2. The Commission authorized California-American Water Company (Cal-Am) to acquire Bass Lake in Commission Decision (D.) 23-04-007.
3. D.23-04-007 requires Cal-Am to obtain a permit from the SWRCB to operate Bass Lake in order to finalize the acquisition.

4. The SWRCB has not issued the operating permit to Cal-Am as the SWRCB requires the transfer of the outstanding DWSRF loan from Bass Lake to Cal-Am to be authorized by the Commission.
5. Consistent with the Commission's existing water acquisition framework D.99-10-064, the authorization of the loan transfer was presumed in D.23-04-007.
6. To affirm the Commission's authorization of the acquisition and loan transfer in D.23-04-007, this Resolution should authorize Cal-Am to be assigned to, and assume, Bass Lake's DWSRF loan.
7. The existing surcharges and service fee currently in effect to fund the loan should continue to be applied only to customers in Bass Lake when the acquisition by Cal-Am is finalized.

**THEREFORE, IT IS ORDERED THAT:**

1. California-American Water Company is authorized the assignment to, and assumption of, Bass Lake Water Company's outstanding Drinking Water State Revolving Fund loan issued by the State Water Resources Control Board.
2. Once the acquisition of Bass Lake Water Company by California-American Water Company is finalized, the existing surcharges and service fee to fund the loan shall continue to be applied only to customers in the Bass Lake service area.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on August 1, 2024, the following Commissioners voting favorably thereon:

/s/ RACHEL PETERSON  
RACHEL PETERSON  
Executive Director

ALICE REYNOLDS  
President

DARCIE L. HOUCK

JOHN REYNOLDS

KAREN DOUGLAS

MATTHEW BAKER

Commissioners

**CALIFORNIA-AMERICAN WATER COMPANY**

**ADVICE LETTER NO. 1446  
SERVICE LIST**

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**CALIFORNIA-AMERICAN WATER COMPANY**

**ADVICE LETTER NO. 1446  
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**CALIFORNIA-AMERICAN WATER COMPANY**

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