

Decision 24-08-011 August 1, 2024

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of CALIFORNIA WATER SERVICE COMPANY (U60W), a California corporation, for authorization to: (1) issue New Debt Securities and New Equity Securities in an aggregate principal amount up to \$1.3 billion, in addition to previously-authorized amounts; (2) include certain features in the Debt or Equity Securities or to enter into certain derivative transactions related to underlying debt in order to improve the terms and conditions of the new securities and with the goal of lowering the cost of money for the benefit of customers; and (3) take all other appropriate actions.

Application 23-10-006

DECISION AUTHORIZING CALIFORNIA WATER SERVICE COMPANY TO ISSUE UP TO \$1,300,000,000 IN NEW DEBT AND NEW EQUITY SECURITIES

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**DECISION AUTHORIZING CALIFORNIA WATER SERVICE COMPANY TO
ISSUE UP TO \$1,300,000,000 IN NEW DEBT AND EQUITY SECURITIES**

Summary

This decision grants California Water Service Company the authority to issue up to \$1.3 billion of new debt and new equity under the terms authorized herein.

This proceeding is closed.

1. Procedural Background

On October 6, 2023, California Water Service Company (Cal Water) filed Application (A.) 23-10-006 for authorization to: (1) issue New Debt Securities and New Equity Securities in an aggregate principal amount up to \$1.3 billion, in addition to previously authorized amounts; (2) include certain features in the Debt or Equity Securities or to enter into certain derivative transactions related to underlying debt in order to improve the terms and conditions of the new securities and with the goal of lowering the cost of money for the benefit of customers; and (3) take all other appropriate actions.

On January 26, 2024, the Commission held a telephonic prehearing conference; no persons appeared other than the applicant.

On April 2, 2024, Commissioner Houck issued the Assigned Commissioner's Scoping Memo and Ruling (Scoping Ruling). The Scoping Ruling affirmed the preliminary categorization of this proceeding as ratesetting.

There were no protests or responses to the application.

2. Request

Cal Water indicated it anticipates significant cash requirements in the immediate future years to invest in capital projects, ensure reliable water supply, repay maturing debt, and increase operational flexibility.

Cal Water requests authorization to issue up to \$1.3 billion of new debt or equity securities in order to meet its future financing needs based on a long-term forecast covering the period 2024 through 2027.

The terms and conditions of each new financing issue will be determined by Cal Water's management or Board of Directors according to market conditions at the time of sale or issuance.

Cal Water's authorization, if granted, would allow it to:

1. Issue, sell, and deliver New Securities in aggregate principal amount at maturity, in the case of debt securities, and proceeds received by Cal Water, in the case of equity securities, of up to \$1.3 billion. The \$1.3 billion does not include, and is in addition to, the approximately \$179 million of financing authority remaining from the Commission's previous authorization in D.20-11-004 as of the date of this Application (the "Previously Authorized Amount"). The New Securities would consist of, but not be limited to: (i) common shares and preferred shares (New Equity Securities); and/or (ii) bonds, debentures, notes, or other evidences of indebtedness (New Debt Securities) on terms and conditions in accordance with this Application (collectively, the New Securities). The New Debt Securities may be secured or unsecured, guaranteed or unguaranteed. Cal Water's management under supervision of its Board of Directors will determine the principal amount and terms and conditions of each issue of New Securities according to market conditions at the time of sale. Cal Water will seek the least-cost financing available.
2. Use the net proceeds received from the New Securities for any of the purposes permitted under Public Utilities (Pub. Util.) Code § 817, including but not limited to (i) water utility plant construction, completion, replacement, extension, or improvements of its existing facilities, (ii) acquisition of property and/or water systems, (iii) working capital for operations, (iv) repayment of maturing then outstanding debt, (v) redemption of then outstanding debt,

- (vi) satisfying sinking fund requirements on outstanding debt, (vii) redemption or repurchase of Cal Water equity securities, and (viii) reimbursement of moneys previously expended from income for which Applicant's treasury has not been reimbursed.
3. Execute and deliver one or more indentures, supplemental indentures or board resolutions, and/or common share, preferred share, loan, credit, or note purchase agreements or other agreements or documents which may be necessary or desirable to issue or sell debt or equity securities.
 4. Amortize any of the discount, expense, or premium associated with the issuance or redemption of its long-term obligations before the date of maturity of the long-term obligation, redeemed over the remaining life of the replacement obligation.
 5. Use enhancements, interest rate management, and hedging for its New Debt Securities, as described in the application, and to recover associated costs.¹
 6. Obtain a continuation of the waiver from those Pub. Util. Code § 818 requirements that apply to short-term borrowings in connection with the Company's revolving credit arrangements. The waiver would authorize Cal Water to continue to borrow under revolving credit arrangements repayable at periods up to twenty-four months from the date of each such borrowing, rather than the twelve-month period permitted for short-term borrowings under the terms of Pub. Util. Code § 818.
 7. Specify that any refinancing of the existing instruments listed in Attachment 2 of the application or instruments issued under the authority given pursuant to this Application shall not be counted against Cal Water's authorized amount of New Securities, as these instruments

¹ All debt issuances, enhancements, interest rate management, and hedging will be conducted in accordance with Decision (D.) 12-06-015.

would not affect the amount of the underlying securities outstanding.

8. Specify that the authority granted pursuant to this Application is in addition to that Cal Water received under prior financing decisions, of which the Previously Authorized Amount remains.
9. Obtain such other and further relief as the Commission may deem to be appropriate in this matter.

2.2. Remaining Financing Authority

The Commission granted Cal Water its most recent financing authority in D.20-11-004. Approximately \$179 million of financing authority remains from that decision. Should the Commission approve this Application, Cal Water will have approximately \$1,479,000,000 in total financing authority.

2.3. New Equity Securities

Cal Water seeks authority to issue New Equity Securities in proceeds received by Cal Water solely to its parent company, California Water Service Group in combination with New Debt Securities described below, with a combined total of \$1.3 billion. The \$1.3 billion does not include previously authorized and existing debt authority. Equity Securities may be common shares, preferred shares or other equity instruments. Proceeds from the sale would cover capital expenditures and other purposes permitted under Pub. Util. Code § 817.

2.4. New Debt Securities

Cal Water requests authorization to issue New Debt Securities up to the authorized amount with maturities of up to 100 years dependent on market conditions and Cal Water's capital requirements. Debt issuance may include one or more types of financial obligations, including but not limited to First Mortgage Bonds, Secured Notes, Unsecured Notes, or Tax-Free Bonds to the extent available under the state volume cap. Cal Water plans to use features to

enhance New Securities such as Put Option, Call Option and Sinking Fund instruments. Cal Water will also use interest rate management techniques. Interest rate management techniques that Cal Water proposes to use include but are not limited to treasury locks, treasury options, interest rate swaps, currency swaps, swaptions and cap and collars.

2.5. Use of Proceeds From Sale of New Debt and Equity Securities

Cal Water plans to use the proceeds from the sale of the New Securities for (a) water utility plant construction, completion, replacement, extension or improvements of its existing facilities, (b) acquisition of property and/or water systems, (c) working capital for operations, (d) repayment of maturing then outstanding debt, (e) redemption of then outstanding debt, (f) satisfying sinking fund requirements on outstanding debt, (g) redemption or repurchase of Cal Water equity securities, (h) reimbursement of moneys previously expended from income for which Cal Water's treasury has not been reimbursed and (i) any other purposes permitted by Pub. Util. Code § 817 during the calendar years 2024 through 2027.

2.6. Request for Waiver from Pub. Util. Code § 818 and Cal Water's Holding Company Rules

Cal Water requests a waiver from Pub. Util. Code § 818 and Cal Water's Holding Company Rules.² Pursuant to Pub. Util. Code § 818 and Cal Water's Holding Company Rules, the issuance of short-term debt securities is restricted to a 12-month period. Both rules require a utility to receive prior approval from

² See D.98-06-068, Attachment A, Item 16 "... Any loan of more than twelve months to the Utility by the holding company or any other affiliate requires prior approval by the Commission."

the Commission of any indebtedness payable at periods of more than 12 months after the date of issuance.

According to Cal Water, the waiver would authorize each Cal Water borrowing under revolving credit arrangements to be payable at periods up to twenty-four months, rather than the twelve-month period currently permitted for short-term borrowing under Pub. Util. Code § 818. Before the expiration of each twenty-four month period, Cal Water must submit a Tier 2 Advice Letter to renew the waiver.

Cal Water proposes to use this debt for the purposes described in Section 2.4 above. Additionally, Cal Water will use proceeds when short-term cash outflows exceed inflows, and to cover regulatory asset balances. Cal Water asserts that the waiver could provide financing cost savings by allowing it to avoid issuing long-term debt during periods of high market volatility and by allowing it to bring larger offerings to market, potentially lowering transaction costs. Moreover, larger offerings may lower effective yield requirements, making Cal Water's financing more efficient and helping to lower the cost of providing utility service. In short, according to Cal Water, the waiver will allow it to aggregate its need for long-term debt into an "index eligible" offering, further lowering issuance costs.

3. Discussion

3.1. Public Utilities Code Requirements for Issuance of Securities

Cal Water's request is subject to Pub. Util. Code §§ 816, 817, 818, 824 and 851. The Commission has broad discretion under §§ 816 *et seq.*, to determine if a utility should be authorized to issue debt. Where necessary and appropriate, the Commission may attach conditions to the issuance of debt and stock to protect and promote the public interest.

Pursuant to Pub. Util. Code § 817, a public utility may only issue and use financing for selected purposes.³ Those purposes not listed in Pub. Util. Code § 817 may only be paid with funds from normal utility operations.

Pub. Util. Code § 818 states that no public utility may issue notes or other evidences of indebtedness payable at periods of more than 12 months unless, in addition to the other requirements of law, it shall first have secured from the Commission an order authorizing the issue, stating the amount thereof and the purposes to which the issue or the proceeds thereof are to be applied. Pub. Util. Code § 818 also requires the Commission, in issuing such an order, to find that

³ Section 817: A public utility may issue stocks and stock certificates or other evidence of interest or ownership, and bonds, notes, and other evidences of indebtedness payable at periods of more than 12 months after the date thereof, for any one or more of the following purposes and no others:

- (a) For the acquisition of property.
- (b) For the construction, completion, extension, or improvement of its facilities.
- (c) For the improvement or maintenance of its service.
- (d) For the discharge or lawful refunding of its obligations.
- (e) For the financing of the acquisition and installation of electrical and plumbing appliances and agricultural equipment which are sold by other than a public utility, for use within the service area of the public utility.
- (f) For the reorganization or readjustment of its indebtedness or capitalization upon a merger, consolidation, or other reorganization.
- (g) For the retirement of or in exchange for one or more outstanding stocks or stock certificates or other evidence of interest or ownership of such public utility, or bonds, notes, or other evidence of indebtedness of such public utility, with or without the payment of cash.
- (h) For the reimbursement of moneys actually expended from income or from any other money in the treasury of the public utility not secured by or obtained from the issue of stocks or stock certificates or other evidence of interest or ownership, or bonds, notes, or other evidences of indebtedness of the public utility, for any of the aforesaid purposes except maintenance of service and replacements, in cases where the applicant has kept its accounts and vouchers for such expenditures in such manner as to enable the commission to ascertain the amount of money so expended and the purposes for which such expenditure was made.

the money, property, or labor to be procured or paid for with the proceeds of the debt securities authorized is reasonably required for the purposes specified in the order and, unless expressly permitted in an order authorizing debt securities, that those purposes are not, in whole or in part, reasonably chargeable to expenses or to income. These purposes are authorized by Pub. Util. Code § 817 and, as required by § 818, are not reasonably chargeable to operating expenses or income. Cal Water has substantiated its need for issuance of new debt securities and equity securities and that the proceeds would be used for proper purposes, such as the acquisition of property and for the construction, completion, and extension or improvement of Cal Water's facilities.

Since Cal Water's request for issuance of new debt securities and equity securities is in compliance with Pub. Util. Code § 816 *et seq.*, we grant it authority to issue new debt securities and equity securities for the aforementioned purposes and terms, and for the amounts determined in the order of this decision.

Pursuant to Pub. Util. § 824, the Commission may require, in part, that public utilities account for the disposition of the proceeds of all sales of stock and debt. Pursuant to this code section, the Commission may also establish rules to ensure the disposition of such proceeds are for the purposes required by the authorizing order.

Pursuant to Pub. Util. Code § 851, we grant Cal Water authority to encumber utility properties in conjunction with the issuance of bonds and secured notes.

3.2. Forecast of Sources and Uses

Utility applications seeking authority to issue debt or other securities are based, in part, on forecasted sources and uses of funds that illustrate the

requested need for funding. Cal Water used a long-term forecast covering the five-year period of 2020-2024 to determine its future financings needs. Cal Water's forecast includes uses of funds such as capital expenditures and to repay an inter-company accounts payable charge from its parent company. Cal Water's forecast also includes sources of funds, such as cash flow from operations.

Table 1 below describes Cal Water's forecast of Sources and Uses for this application.

Table 1: Sources and Uses

Projected (Millions of Dollars)						
	2023	2024	2025	2026	2027	Total 2023-2027
ESTIMATED USES OF FUNDS (1)						
Capital Expenditures	374	418	580	727	634	2,358
Maturing Long Term Debt	1	-	70	-	-	70
Net Short-term Debt Repayments	-	-	90	-	-	90
Dividends Paid	56	62	70	80	86	298
Total Uses of Funds	431	570	720	807	720	2,816
ESTIMATED SOURCES OF FUNDS						
Cash from operating activities	236	249	275	289	309	1,122
Net short-term borrowings	85	-	-	-	-	260
Remaining Financing Authority	123	0	0	0	0	178
Total Net Source of Funds	444	249	275	289	309	1,566
<i>Difference Between Use & Source</i>	13	(321)	(445)	(518)	(411)	(1,250)

Table 1 above indicates that Cal Water has a need for \$2.816 billion in funds to support its operations between 2023 and 2027. However, the funds available, from internal sources and future short-term borrowing total \$1.566 billion. The difference between Cal Water's need and the funds it has

available equals approximately \$1.3 billion. The Commission authorizes Cal Water to issue \$1.3 billion in new debt and equity securities. This new financing will allow Cal Water to fund its capital expenditures plans for the period 2023 through 2027, for capital expenditures and to manage Cal Water's inter-company accounts payable charges to its parent company.

Granting of financing authority to a utility does not obligate the Commission to approve any capital projects. This financing authority provides Cal Water with enough liquid resources to timely finance its upcoming public utility projects and to repay an inter-company accounts payable charge from its parent. Review of the reasonableness of capital projects occurs as needed through the regulatory process applicable to each capital project. Therefore, approval of this financing request does not prejudge any of Cal Water's forecasted projects for the period 2023 through 2027.

3.3. New Financing Rule, General Order 24-C, and Women-Minority-Disabled-Veteran Business Enterprises

In recognition of market conditions and Commission policies enacted since the 1986 review of the Competitive Bidding Rule (CBR), the Commission introduced the "New Financing Rule" set forth in D.12-06-015. The "New Financing Rule," replaced the 1986 CBR authorized in Resolution F-616. These "New Financing Rule" revisions include but are not limited to:

- Allowing utilities to choose whether to issue debt securities via competitive or negotiated bid, as long as the basis for the method is chosen to achieve the lowest cost of capital;
- Requiring utilities with \$25 million or more of operating revenues to make every effort to encourage, assist, and recruit Women-, Minority-, Disabled Veteran-Owned Business Enterprises (WMDVBE) in being appointed as

lead underwriter, book runner or co-manager of debt securities offerings;

- Eliminating the notification and form of communication requirement for the solicitation of bids;
- Establishing requirements for the use of debt securities “Enhancement Features”; and
- Providing additional exemptions applicable to use of the “New Financing Rule.”

We direct Cal Water to comply with the requirements of General Order (GO) or GO 24-C including: 1) the filing of a GO 24-C report on a quarterly, then semi-annual, instead of a monthly basis; 2) revisions to the type of information provided in such reports; and 3) the elimination of the requirement that a utility maintain a separate bank account to record securities proceeds except as required by the Commission.

In compliance with the “New Financing Rule,” GO 156, and Pub. Util. Code §§ 8281-8286, Cal Water is directed to use its best efforts to encourage the participation of diverse suppliers in any transaction conducted under the requested authorization in this application. In addition, where diverse suppliers may be unavailable or unqualified to provide the product or service, Cal Water is encouraged to use its best efforts to encourage the secondary use of diverse suppliers by its chosen suppliers, within the spirit of the supplier diversity program.

4. Fees

Whenever the Commission authorizes a utility to issue debt, the Commission is required to charge and collect a fee pursuant to Pub. Util. Code §§ 1904(b) and 1904.1. The fee is calculated as follows:

California Water Service Company - Computation of Fee			
	\$1,000,000	\$2 per \$1,000	\$2,000.00
New Debt and Equity Securities	\$9,000,000	\$1 per \$1,000	\$9,000.00
Remaining Fee	\$1,290,000,000	\$0.50 per \$1,000	\$645,000.00
Total Fee			\$656,000.00

In compliance with Pub. Util. Code §§ 1904(b) and 1904.1, Cal Water must remit a check for the \$656,000.00 fee to the Commission's Fiscal Office for the amount specified above.

5. Financial Information

We place Cal Water on notice that the reasonableness of any resulting interest rate and cost of money arising from debt capital and capital structures are normally subject to review in the appropriate cost of capital or general rate case proceeding. Therefore, we will not make a finding in this decision of the reasonableness of the projected capital ratios for ratemaking purposes. We also will not make a finding in this decision on the reasonableness of Cal Water's proposed construction program. Construction expenditures and the resulting plant balances in rate base are issues that are normally addressed in a general rate case or specific application. The authority to issue securities is distinct from the authority to undertake construction or the right to recover the cost of capital in rates.

6. California Environmental Quality Act (CEQA)

Cal Water's request for new financing authority is exempt from the California Environmental Quality Act (CEQA). CEQA applies to projects that require discretionary approval from a government agency, unless exempted by statute or regulation. It is long established that the act of ratemaking by the Commission is exempt from CEQA review. As stated in the California Public

Resources Code, the “establishment, modification, structuring, restructuring, or approval of rates, tolls, fares, or other charges by public agencies” is exempt from CEQA.⁴ Likewise, the creation of government funding mechanisms or other government fiscal activities that do not involve any commitment to any specific project that may result in a potentially significant impact on the environment is not a “project” subject to CEQA.⁵

This decision does not authorize any capital expenditures or construction projects. New construction projects which Cal Water intends to finance with the proceeds from any financing authority granted herein must comply with all applicable CEQA requirements, and must undergo CEQA review as early as feasible in the planning process as required by CEQA Guidelines, Section 15004(b).

7. Category and Need for Hearing

In Resolution ALJ 176-3535, dated November 2, 2023, the Commission preliminarily categorized this proceeding as ratesetting. No party has filed a protest or response or raised any factual issues that would require a hearing. The Scoping Ruling affirmed that the category for this proceeding is ratesetting and affirmed that a hearing is not necessary. We affirm the Scoping Ruling herein.

8. Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code and Rule 14.6(c)(2), the otherwise applicable 30-day period for public review and comment is waived.

⁴ Public Resource Code Section 21080(b)(8).

⁵ CEQA Guidelines Section 15478(b)(4).

9. Assignment of Proceeding

Darcie L. Houck is the assigned Commissioner and Amin Nojan is the Administrative Law Judge for this proceeding.

Findings of Fact

1. There are no contested factual issues in this proceeding.
2. Cal Water requests authority to issue new debt and securities in the amount of \$1.3 billion over the 2023-2027 period.
3. This is an uncontested Application.
4. The difference between Cal Water's need of \$2.816 billion and funds available of \$1.566 billion results in a need for new debt and equity securities of approximately \$1.3 billion.
5. D.98-06-068, Attachment A, Item 16 states "[a]ny loan of more than 12 months to the Utility by the holding company or any other affiliate requires prior approval by the Commission."
6. Pub. Util. Code § 818 requires that long-term debt securities (term of greater than 12 months) be used for proper purposes, such as purchase of regulatory assets, unless expressly permitted in an order authorizing debt securities. The Commission has authorized such exceptions in the past for other utilities (*see* D.01-06-016 at 7-8, D.10-09-026 and D.11-01-034), when good cause is shown and the purposes of the debt securities specifically identified.
7. The Commission may require, pursuant to Pub. Util. Code § 824, in part, that public utilities account for the disposition of the proceeds of all sales of stock and debt. Pursuant to this code section, the Commission may also establish rules to ensure the disposition of such proceeds are for the purposes required by the authorizing order.

8. The relief requested by Cal Water in this Application is reasonable and in the public interest.

9. The proposed new financing requested by Cal Water and the associated money, property, or labor to be procured or paid for with the proceeds of this proposed new financing are pursuant to Pub. Util. Code §§ 817 and 818, reasonably required for proper purposes, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

10. When a utility issues fewer and larger issuances of long-term debt securities, the costs it incurs to issue such debt securities is less than if it issued more but smaller issuances.

11. The dollar amount Cal Water must remit by check to the Commission pursuant to Pub. Util. Code §§ 1904(b) and 1904.1 is \$656,000.

12. This decision does not determine that Cal Water's construction budget, cash requirements forecast, and capital structure are necessary or reasonable for ratemaking purposes. These issues are normally reviewed and authorized in general rate case or cost of capital proceedings.

Conclusions of Law

1. The Commission has broad discretion under Pub. Util. Code § 816 *et seq.*, to determine whether a utility should be authorized to issue debt securities. Where necessary and appropriate, the Commission may attach conditions to the issuance of debt securities and stock to protect and promote the public interest.

2. Pub. Util. Code § 818 allows for exceptions to the requirements of Pub. Util. Code § 817.

3. Cal Water's request complies with Pub. Util. Code §§ 816, 817, 818, 824 and 851.

4. Pursuant to Pub. Util. Code § 824, the Commission may require, in part, that public utilities account for the disposition of the proceeds of all sales of stock and debt. Pursuant to this code section, the Commission may also establish rules to ensure the disposition of such proceeds are for the purposes required by the authorizing order.

5. Pursuant to Pub. Util. Code § 851, Cal Water should be authorized to encumber utility properties in conjunction with the issuance of bonds and secured notes.

6. Cal Water should be authorized to issue new debt and equity securities of \$1.3 billion over the period 2023 through 2027, all of which are for proper purposes and consistent with the requirement of Pub. Util. Code §§ 817 and 818.

7. Cal Water should be authorized to issue new debt securities, secured or unsecured; guaranteed; or unguaranteed, including: bonds; common shares and preferred shares; debentures; mortgage bonds; notes; other evidence of indebtedness; indentures; loan; and credit or note purchase agreements, among other financing instruments.

8. Cal Water should be authorized to use the following debt enhancement and interest rate management features to improve the terms and condition of new debt securities: put options; call options; sinking funds; treasury locks; treasury options; interest rate swaps; currency swaps, swaptions, and caps and collars among other credit enhancements.

9. Cal Water should be authorized, pursuant to the New Financing Rule, adopted in D.12-06-015, to exclude such new debt enhancement and interest rate management features from its authorized new debt securities.

10. Cal Water should be authorized, as needed, to issue and sell new shares of common equity securities to its parent, California Water Service Group, for capital expenditures and other proper purposes.

11. Cal Water should be authorized to issue and sell new shares of its preferred equity securities to the public by private placements with investors, or to its parent company. The terms and conditions of such securities should include liquidation preferences, dividend preferences or requirements, and redemption features.

12. Cal Water should be granted a waiver from the requirements of Pub. Util. Code § 818 and the Holding Company Rules as they apply to Cal Water's new short-term borrowings under its revolving credit arrangements. By doing so, Cal Water should be authorized to issue new short-term debt under its revolving credit arrangements for short-term purposes for a term of up to 24 months and amend its Credit Agreement as ordered herein.

13. The order herein should not be construed as a finding of the reasonableness of Cal Water 's proposed construction plan or expenditures, the resulting plant balances in rate base, the capital structure, or the cost of money, nor should it indicate approval of matters subject to review in a general rate case or other proceedings.

14. Cal Water should not use the proceeds from the new securities authorized by this order to fund its capital projects until Cal Water has obtained all required approvals for the projects, including any required environmental review under CEQA.

15. The order herein does not involve any commitment to any specific project which may result in a potentially significant impact on the environment; thus, it is not a project subject to CEQA.

16. The authority granted to Cal Water herein complies with Pub. Util. Code §§ 816, 817, 818, 824, 851 and the New Financing Rule adopted in D.12-06-015.

17. Cal Water should remit by check to the Commission, pursuant to Pub. Util. Code §§ 1904(b) and 1904.1, the amount of \$656,000.

18. A.23-10-006 should be closed.

O R D E R

IT IS ORDERED that:

1. California Water Service Company is authorized to issue up to \$1.3 billion of new debt securities, common equity securities, and preferred equity securities, as described in Application 23-10-006, to cover its needs for proper purposes over the period 2023 through 2027, all of which are for proper purposes and consistent with the requirement of Public Utilities Code §§ 817 and 818.

2. The authority granted to California Water Service Company herein has no expiration date and is consistent with Commission Decisions (D.) 00-12-054 and D.07-02-014.

3. California Water Service Company is authorized to issue new debt securities including common shares, preferred shares, and bonds; debentures; mortgage bonds; notes; and loans, among other debt instruments.

4. California Water Service Company is authorized to use the following debt enhancement and interest rate management features to improve the terms and condition of new debt securities: put options; call options; sinking funds; treasury locks; treasury options; interest rate swaps; currency swaps; swaptions; caps and collars; and other credit enhancements.

5. California Water Service Company is authorized to exclude, pursuant to the New Financing Rule adopted in Decision 12-06-015, such new debt

enhancement and interest rate management features from its authorized new debt securities.

6. California Water Service Company is authorized to issue and sell shares of new common equity securities, for capital expenditures and other proper purposes.

7. California Water Service Company is authorized to issue and sell shares of its new preferred equity securities to the public, in private placement, or to its parent, California Water Service Group for capital expenditures and other proper purposes.

8. California Water Service Company is granted a waiver from the requirements of Public Utilities Code § 818 and the Holding Company Rules (adopted in Decision 98-06-068) as they apply to California Water Service Company's new short-term borrowings under its revolving credit arrangements. By doing so, California Water Service Company is authorized to issue new short-term debt securities under its revolving credit arrangements for short term purposes for a term of up to 24 months.

9. California Water Service Company's request for the Public Utilities Code § 818 waiver remains in effect until the financing authority granted in this proceeding is fully utilized.

10. California Water Service Company shall submit a Tier 2 Advice Letter for a new Public Utilities Code § 818 waiver before the expiration of each twenty-four-month period.

11. California Water Service Company may not use the proceeds from the new debt securities, new common equity securities, and new preferred equity securities authorized by this order to fund its capital projects until California Water Service Company has obtained all required approvals for the projects,

including any required environmental review under the California Environmental Quality Act.

12. The order herein does not involve any commitment to any specific project which may result in a potentially significant impact on the environment, thus it is not a project subject to California Environmental Quality Act.

13. California Water Service Company shall remit by check to the Commission, pursuant to Pub. Util. Code §§ 1904(b) and 1904.1, the amount of \$656,000.

14. The authority granted to California Water Service Company herein complies with Public Utilities Code §§ 816, 817, 818, 824, 851 and the New Financing Rule adopted in Decision 12-06-015.

15. Application 23-10-006 is closed.

This order is effective today.

Dated August 1, 2024, at San Francisco, California.

ALICE REYNOLDS
President
DARCIE L. HOUCK
JOHN REYNOLDS
KAREN DOUGLAS
MATTHEW BAKER
Commissioners