PROPOSED RESOLUTION

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION **RESOLUTION W-5279**
October 17, 2024

R E S O L U T I O N

(RES. W-5279). RESOLUTION AUTHORIZING CALIFORNIA AMERICAN WATER COMPANY'S PROPOSED ACQUISITION OF CORRAL DE TIERRA WATER COMPANY.

By California American Water Company's Advice Letter 1422; submitted on September 11, 2023, and Advice Letter 1422-A; submitted on October 27, 2023.

SUMMARY

By Advice Letter 1422 submitted on September 11, 2023, and as supplemented by Advice Letter 1422-A on October 27, 2023, California American Water Company (Cal-Am), a Class A water utility, requests Commission authority to acquire the Corral de Tierra Water Company (Corral de Tierra or Seller) located in Monterey County. This Resolution grants authority for Cal Am's acquisition of Corral de Tierra subject to the terms and conditions set forth in the Asset Purchase Agreement executed in February 2023, and as discussed herein.

BACKGROUND

Corral de Tierra is a California non-profit corporation that is not currently regulated by the Commission. Corral de Tierra provides water service to 15 non-metered customer connections. The system serves residential customers that are within Cal-Am's current service area. Corral de Tierra is currently supplied with water from a well that is located on the adjacent golf course. Another well is located on the Corral de Tierra Country Club's Golf Course and no longer produces water and has been abandoned and plugged for more than 30 years. The Corral de Tierra community has approximately 15 lots that are served by 800 lineal feet of 8-inch water line within Mesa del Sol Road. The system was set up in the 1970s and the condition of the existing pipes and facilities is unknown.

California American Water is a Class A public utility water and wastewater company regulated by the California Public Utilities Commission. Cal-Am provides regulated water and wastewater utility services in San Diego, Los Angeles, Ventura, Monterey, Sonoma, Yolo, Sacramento, Merced, and Placer Counties. Cal-Am serves approximately 680,000 people throughout 50 communities across California. Cal-Am is an experienced water and wastewater system operator that has operations near Corral de Tierra. Cal-Am previously received Commission approval to acquire several PUC regulated water systems, as well as mutual water companies and municipal water systems.

Cal Am's Request in Advice Letters 1422 and 1422-A

Cal-Am requests authority to: 1) approve the Asset Purchase Agreement's terms and conditions, for a purchase price of $0.00 for Corral de Tierra; 2) Establish the rate base of the acquired system as the full purchase price of $0, at the time of approval in this Advice Letter proceeding, as the full purchase price to be paid by Cal-Am for Corral de Tierra's assets covered by the Asset Purchase Agreement; 3) Authorize Cal-Am to record the acquisition on a net basis consistent with generally accepted accounting principles; 4) Allow Cal-Am immediate consolidation of the Corral de Tierra system into Cal-Am's Central Division for operational purposes; 5) Permit Cal-Am to do the following with respect to Corral de Tierra customer rates: a) maintain Corral de Tierra customers on their current rates immediately following closing of the transaction, and b) move Corral de Tierra customers to Cal-Am's current rates following the later of either the completion of three months of payments at their current flat rate of $125, or the installation of water meters for the fifteen Corral de Tierra connections; 6) establish a Corral de Tierra Transaction Cost Memorandum Account, pursuant to Commission Standard Practice U-27-W, to track all transaction related costs with rate treatment determined in Cal-Am's subsequent GRC; and 7) Approve Cal-Am's request to allow the tracking of costs addressing any required environmental improvements and compliance issues in the already established memorandum account for acquisitions related to the same issues for the Dunnigan, Geyserville, Meadowbrook, Rio Plaza, Fruitridge Vista, Hillview, East Pasadena, and Bass Lake acquisitions.

As described in the Asset Purchase Agreement between Cal-Am and Corral de Tierra, the only assets that Cal-Am is purchasing are the existing water pipes in the streets and the fire hydrants (including water connection thereto). Cal-Am is not purchasing Corral de Tierra's well located on property owned by the Corral de Tierra Country Club. All easements granted by Corral de Tierra Country Club for access to Seller's well, the water tank, water pump, and all equipment related thereto, and all cash and money in bank accounts are not being purchased by Cal-Am Pursuant to the Indemnification and Release Agreement (Indemnification Agreement) [1] between Corral de Tierra Country Club (Country Club) and Cal-Am. Corral de Tierra has

[1] Appendix A

offered to transfer its well and associated tank, pipes, and pump (well) that remain on the Country Club's property to the Country Club. Pursuant to the Agreement between the Corral de Tierra Country Club and Corral de Tierra (Country Club Agreement),[2] dated March 1989, if Corral de Tierra Water Company ever abandons any well, the Corral de Tierra shall convey the well to the Country Club. Due to the previous agreement in place between the Country Club and Corral de Tierra, the Indemnification Agreement will be executed, thus transferring ownership of the well from Corral de Tierra to the Country Club. Cal-Am will not own or be responsible for the well.

This Resolution: 1) grants authority to Cal-Am to acquire Corral de Tierra for $0.00 under the terms and conditions set forth in the Asset Purchase Agreement executed in February 2023; 2) grants authority to Cal-Am to add Corral de Tierra to Cal-Am's Central District tariff; 3) allows Corral de Tierra customers to remain on their current rates until the later of the given options: the completion of three months of payments at their current flat rate of $125 or the installation of water meters for the fifteen Corral de Tierra connections; 4) denies Cal-Am's request to establish a Corral de Tierra Transaction Cost Memorandum Account, pursuant to Commission Standard Practice U-27-W, to track all transaction related costs with rate treatment determined in Cal-Am's subsequent GRC; and 5) approves Cal-Am's request to expand their already established Memorandum Account for Environmental Improvements and Compliance Issues to include this acquisition and allow tracking of the costs of addressing any required environmental improvements and compliance issues.

This Resolution finds that Cal-Am's ability to provide safe and reliable drinking water to Corral de Tierra is in the best interest of Corral de Tierra's customers, as well as Cal-Am's existing Central District customers through expanding the customer base over which fixed costs are allocated.

NOTICE AND PROTESTS

In accordance with General Order 96-B, General Rule 4.3 and 7.2 and Water Industry Rule 4.1, Cal-Am served copies of Advice Letter 1422 and 1422-A to the service list which included customers of Corral de Tierra and the Central Division of Cal-Am's customer service area. In accordance with Water Industry Rule 3.3, Cal-Am also posted Advice Letter 1422 and its supplement on its website.

On November 16, 2023 the Marina Coast Water District (MCWD) and the Marina Coast Water District Groundwater Sustainability Agency (MCWDGSA) submitted a protest to Advice Letter 1422 on the grounds that: 1) Cal-Am had not consulted with the Groundwater Sustainability Agency (GSA) and 2) AL 1422 is unclear whether pumping will be consistent with the

[2] Appendix B

Groundwater Sustainability Plan (GSP) or if pumping will further burden the Corral de Tierra management area of the Monterey Subbasin. MCWD and MCWDGSA requested the following conditions be imposed: 1) Cal-Am must abandon and destroy the acquired Corral de Tierra Well; 2) Cal-Am must incorporate in its tariffs for its Toro system, including the acquired Corral de Tierra territory, a mechanism that will ensure the change in supply location for its new Corral de Tierra customers does not result in pumping from the Monterey Subbasin and the Toro Primary Aquifer, by appropriate advice letter to the Commission; and 3) Cal-Am must provide the specific location information as to the proposed change in the location of the supply point for its new customers, so that the GSAs may incorporate the information into their Monterey Subbasin GSP execution plans.

Cal-Am responded to MCWD and MCWDGSA on November 27, 2023, stating that the acquisition is consistent with Commission and State Water Resource Control Board directives favoring consolidation of small systems. In response to the three conditions MCWD and MCWDGSA requested, Cal-Am responded: 1) Cal-Am did not contract to purchase the Corral de Tierra well that suffers from arsenic contamination, it will remain Corral de Tierra's asset. Since Cal-Am does not exercise responsibility over that well, there is no basis to require it to be abandoned or destroyed since it belongs to another entity; 2) The 15 unmetered customers that Cal-Am seeks to acquire will have meters installed shortly after the acquisition and will be moved to Cal-Am's Toro tariffs, which impose both fixed monthly charges plus tiered rates which provides an economic incentive to conserve water; and 3) Cal-Am agrees to meet with GSAs to discuss the location of the new connection, but will not permit public dissemination of that information.

On February 22, 2024, MCWD and MCWDGSA confirmed that they received the requested information regarding well information and ownership. They determined that the proposed transaction described in AL 1422-A does not impose an increased burden on the Monterey Subbasin of the Salinas Valley Groundwater Basin. Accordingly, MCWD and MCWDGSA withdrew their protest of AL 1422-A. No other protests were filed.

DISCUSSION

As a Class A water utility service with over 680,000 customers state-wide, Cal-Am has the financial resources, managerial experience, and technical experience in operating water systems to ensure the continuation of safe and reliable water service for Corral de Tierra's customers. In addition, the acquisition will grant Corral de Tierra's customers access to Cal-Am's extensive customer service and online resources. Under the terms and conditions of the Purchase Agreement, Cal-Am has agreed to acquire Corral de Tierra for the purchase price of $0.00. This acquisition is not expected to impact current Cal-Am customers' rates. Corral de Tierra customers' will see a bill increase of $69.27 per month, in transitioning from their pre-

acquisition bill of $125 per month to their post-acquisition forecasted bill of $194.27 per month. The forecasted bill is based on Cal-Am's Central Satellite rates adopted through the Commission's previously approved rates in Advice Letter 1420. Water Division finds that the purchase price is reasonable and that Cal-Am has the expertise to provide safe and reliable drinking water to Corral de Tierra customers.

Service Quality

Cal-Am will move the Corral de Tierra customers off their current well, which pumps from the El Toro Primary Aquifer located within the Corral de Tierra Management Area of the Monterey Subbasin. This well that currently supplies the Corral de Tierra customers is contaminated with arsenic. Corral de Tierra remains subject to an outstanding compliance order from the State Water Resources Control Board due to the elevated arsenic levels which Corral de Tierra cannot treat.[3] Cal-Am will connect Corral de Tierra's current customers to Cal-Am's Toro system. Cal-Am is not contracting to purchase the Corral de Tierra well that is contaminated with arsenic. Pursuant to the Indemnification Agreement and the Country Club Agreement discussed above, this well will become a Corral de Tierra Golf Club Asset. Cal-Am's Toro system's wells also pump from the El Toro Primary Aquifer located within the Corral de Tierra Management Area of the Monterey Subbasin. Corral de Tierra customers will be supplied from the same Monterey Subbasin. Consequently, the water that Corral de Tierra customers receive after the acquisition will meet state and federal standards for safe drinking water.

Continuity of Service

In February 2023, the Asset Purchase Agreement was signed by both Cal-Am and Corral de Tierra. The sale relieves Corral de Tierra of its duty to provide public water service to its own customers and grants public utility water service to Cal-Am. The sale also ensures an orderly transition of Corral de Teirra into Cal-Am's Central Division Service Area and provides a greater customer base for allocating future costs.

Given Cal-Am's financial, managerial, and operational capacity and its prior experiences with acquisition and operation of similar water systems, Corral de Tierra's customers will benefit from improved system reliability and continue to receive uninterrupted service after Corral de Tierra's acquisition by Cal-Am.

Transitional Rates for Corral de Tierra

As stated in the Corral de Tierra Water System Asset Purchase Agreement, Cal-Am will continue charging Corral de Tierra customers their existing flat rate of $125.00 per month until the later of (1) the completion of 3 months of payments on their current flat rate; or (2) the

[3] Violation No. 2023-1600059 Issued on July 10, 2023

installation of water meters. Since meters are not currently installed, there will be a time lag that will occur for the meter installation. Cal-Am's request to transition Corral de Tierra's customers to its Central Division's metered rates until the later of (1) the completion of 3 months of payments on their current flat rate; or (2) the installation of water meters, is reasonable. This will give customers at least 3 months until they pay Cal-Am's Central Division's metered rates.

Corral de Tierra Transaction Cost Memorandum Account

Pursuant to Standard Practice U-27-W, the following requirements are considered to establish a memorandum account: (1) the expense is caused by an event of an exceptional nature that is not under the utility's control (2) the expense could not have been reasonably foreseen in the utility's last general rate case and will occur before the utility's next scheduled rate case; (3) the expense is of a substantial nature in monetary terms; and (4) the ratepayers will benefit from the memorandum account treatment. This memorandum account request does not meet the requirements pursuant to Standard Practice U-27-W. The expenses caused due to this acquisition are not caused by an event of an exceptional nature that is not under the utility's control. On the contrary, this acquisition is under the utility's control. The transaction costs that may be included within this acquisition are outsourced services such as legal, engineering, surveying, appraisal, and other professional services necessary to complete this transaction. The expenses of this acquisition are transaction-related expenses that are not associated with a voluntary transaction entered into by Cal-Am and are completely within Cal-Am's control.

Cal-Am's purchase of Corral de Tierra promotes public interest and reflects Commission and SWRCB directives. However, as Cal-Am is acquiring Corral de Tierra for $0.00, there is no evidence that the transaction costs are of a substantial nature.

Although Cal-Am requested authorization to track certain costs incurred from this acquisition, Cal-Am's request to track costs associated with the purchase of Corral de Tierra does not comply with Standard Practice U-27-W. Therefore, Cal-Am's request to establish a memorandum account to track the transaction costs associated with the acquisition of Corral de Tierra Water Company is denied.

Memorandum Account for Environmental Improvements and Compliance Issues

Cal-Am requested Commission authority to include this Corral de Tierra acquisition in its existing "Memorandum Account for Environmental Improvements and Compliance Issues for Acquisitions" (Environmental Improvements Memorandum Account). The Environmental Improvements Memorandum Account is intended to enable Cal-Am, in acquiring a small water company to make environmental improvements and work toward environmental compliance with the law, and to readily perform such work and recover its costs. Cal-Am reports that several similar acquisitions are already identified as appropriate for this Memorandum Account. It is apparent that future improvements may be necessary and are costs not under the

utility's control and cannot be reasonably foreseen. Compliance with such requirements ensures safety, thus benefitting ratepayers. Therefore, Cal-Am should be authorized to include Corral de Tierra in its Environmental Improvements Memorandum Account.

CEQA

Under Rule 2.4 of the Commission's Rules of Practice and Procedure, applications for authority to undertake any projects that are subject to CEQA shall comply with the review requirements set forth in CEQA, the regulation implementing CEQA, and Rule 2.4. A project triggering CEQA is an activity that may cause either a direct or a reasonably foreseeable indirect physical change in the environment.[4] In Advice Letter 1422, Cal-Am requests Commission approval of an Asset Purchase Agreement with Corral del Tierra. The Commission has held that the CEQA review is not required when a water utility submits an advice letter for approval of the purchase of the assets of another water utility.[5] Therefore, a CEQA review is not required in this resolution. We recognize that the contractual agreements we approve in this resolution may result in the future development of projects that are subject to CEQA review, and nothing in this resolution in intended to alter our authority to review such projects.

Permit Requirement

Pursuant to the provisions of California Health and Safety Code 116526(a), the SWRCB requires any person or entity operating a public water system to obtain a domestic water supply permit to operate that water system. Cal-Am must therefore apply for and receive a permit from the SWRCB to operate Corral de Tierra. Prior to obtaining a permit, Cal-Am must demonstrate to SWRCB that it possesses adequate technical, managerial, and financial (TMF) capability to assure the delivery of potable drinking water. Cal-Am will send a copy of the completed TMF Assessment Form along with all necessary attachments to the Commission. Accordingly, the transfer of operations of Corral de Tierra to Cal-Am should be conditioned on Cal-Am obtaining the required permit to operate Corral de Tierra.

Conclusion

Water Division's analysis of the acquisition of Corral de Tierra by Cal-Am demonstrates that it meets the ratepayer indifference test; is reasonable; is in the public interest; and provides a tangible benefit for the Corral de Tierra customers. Cal-Am has the technical, managerial, and financial expertise to bring the system into compliance with SWRCB's water quality standards. The transfer of ownership of the Corral de Tierra Water Company at a cost of $0 meets the

[4] CEQA Guidelines, California Code of Regulations, Title 14, Section 15378(a)(2003).
[5] CEQA Guidelines, California Code of Regulations, Title 14, Section 15061(b)(3) "A project is exempt from CEQA if ... it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA."

ratepayer indifference test. The Corral de Tierra customers will benefit in improved service and water quality post-acquisition. Based on the above findings, the acquisition is in the public interest.

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 policies continue to advance equity throughout the state. With this Resolution, the Commission addresses two goals of the ESJ Action Plan: Goal #1 "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".

Although the Salinas, CA area proposed for acquisition is not classified as a disadvantaged community, the Water Division considered equity and access through its review of the proposed transaction in this resolution. The California Communities Environmental Health Screening Tool, Version 4 (CalEnviroScreen 4.0) provided by the California Office of Environmental Health Hazard Assessment (OEHHA), identifies disadvantaged communities by collecting multiple metrics and outputting a single value at the census tract scale. CalEnviroScreen 4.0 ranks the census tract in the 0-10th percentile meaning it is in the top 10% of census tracts statewide. Census tracts in the 75th - 100th percentile are considered Disadvantaged Communities (DACs). Given Water Division's review of these current definitions and considerations, the proposed acquisition of Corral de Tierra will not affect the existing environmental and social justice conditions within the Salinas area and will improve the water quality conditions for Corral de Tierra's customers.

COMPLIANCE

Cal-Am has no outstanding compliance orders, and the utility has been filing annual reports as required. Cal-Am is also in compliance with the SWRCB's water quality standards for safe drinking water. Corral de Tierra remains subject to an outstanding State Water Resources compliance order as previously discussed in the Resolution,[6] and the acquisition of Corral de Tierra by Cal-Am provides for a pathway to address this outstanding compliance order.

[6] Violation No. 2023-1600059 Issued on July 10, 2023

P.U. Code Section 433(a) requires utilities 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 is current with its annual fee payments.

COMMENTS

Public Utilities Code section 311(g)(1) requires that a proposed resolution be served on all parties and be subject to a public review and comment period of 30 days or more, prior to a vote of the Commission on the resolution. Accordingly, pursuant to PU Code section 311(g)(3), the proposed decision in this matter will be mailed to the parties. Under Rule 14.3 of the Commission's Rules of Practice and Procedures, comments will be allowed.

On October 3, 2024, Cal-Am filed comments opposing the denial for Cal-Am's request to establish a Corral de Tierra Transaction Cost Memorandum Account. In its comments, Cal-Am requested the Resolution be revised to authorize this request. Cal-Am argued that since past acquisitions of different natures have been authorized to establish a transaction cost memorandum account, that Cal-Am should be granted authorization as well. The information submitted by Cal-Am does not present any new evidence or information to contradict the Commission's findings in this resolution.

Contrary to the claims made by Cal-Am, this memorandum account request does not meet the requirements pursuant to Standard Practice U-27-W. This acquisition is within the utility's control and the transaction-related expenses of this acquisition are not associated with a voluntary transaction. Cal-Am's request to track costs associated with purchasing Corral de Tierra does not comply with Standard Practice U-27-W, therefore its request to establish a Corral de Tierra Transaction Cost Memorandum Account is denied.

FINDINGS AND CONCLUSIONS

1. By Advice Letter 1422, submitted on September 11, 2023, and supplemented by Advice Letter 1422-A on October 27, 2023, California American Water, a Class A water utility, requested Commission authorization to acquire Corral de Tierra Water Company for $0 under the terms and conditions set forth in the Asset Purchase Agreement dated February 2023.
2. The Marina Coast Water District and Marina Coast Water District Groundwater Sustainability Agency submitted a protest to Advice Letter 1422 on November 16, 2023.
3. Cal-Am replied to MCWD and MCWDGSA's protest on November 27, 2023, and agreed to incorporate changes into its supplemental Advice Letter Filing 1422-A. MCWD and MCWDGSA's protest was subsequently withdrawn.
4. Corral de Tierra is a publicly operated water system that serves 15 non-metered connections that are in Cal-Am's service area.
5. Cal-Am's request for the acquisition of Corral de Tierra by advice letter is consistent with the process set forth by Decision 99-10-064 and General Order 96-B.
6. Cal-Am requests full consolidation of Corral de Tierra into their Central Division Customer Service Area.
7. Cal-Am requests that Corral de Tierra's customers remain on their current flat rate tariff until the later of (1) the completion of 3 months of payments at such rates or (2) the installation of water meters, at which time such households will be incorporated into Cal-Am's tiered meter rates.
8. The California Environmental Quality Act (CEQA) does not apply as this Advice Letter request only involves a transfer of ownership of existing water facilities. No new construction or changes in the source of water supply are being proposed or approved by the resolution.
9. This resolution finds that Cal-Am's acquisition of Corral de Tierra is in the public interest by providing clean, safe, affordable, and adequate drinking water for Corral de Tierra customers.
10. The transfer of operations of Corral de Tierra's water system to California American Water Company should be conditioned on Cal-Am obtaining the domestic water supply permit required by the State Water Resources Control Board to operate the water system under the new ownership.
11. Corral de Tierra customers will benefit from Cal-Am's technical, managerial, and financial resources as well as low-income programs.
12. Pursuant to the Indemnification and Release Agreement between Cal-Am and the Corral de Tierra Golf Course, Cal-Am is not contracting to purchase the Corral de Tierra well that is contaminated with arsenic. The well will become an asset of the Corral de Tierra Golf Course.

13. The "Purchase Agreement" ensures an orderly water system ownership transition, and thereby offers continued provision of quality water service by Cal-Am.
14. California American Water's acquisition of Corral de Tierra is consistent with the State Water Resource Control Board's recognition of benefits for this type of transaction.
15. Corral de Tierra is currently subject to an outstanding State Water Resources Control Board compliance order, Violation No. 2023-1600059 Issued on July 10, 2023, because of arsenic levels in its water.
16. Cal-Am complies with all State and Federal drinking water standards.
17. Allowing Corral de Tierra customers to remain on their current flat rate until (1) the completion of 3 months on payments on Cal-Am's metered rates flat rates; or (2) the installation of water meters, whichever date is later, is reasonable and should be approved.
18. Cal-Am's request to establish the Corral de Tierra Transaction Cost Memorandum Account does not comply with Standard Practice U-27-W and therefore should be denied.
19. Cal-Am should be granted authority to submit a Tier 1 Advice Letter to incorporate Corral de Tierra into their Central Division service area.
20. Cal-Am should be granted authority to add the acquisition of Corral de Tierra Water Company to its existing Memorandum Account for Environmental Improvements and Compliance Issues for Acquisitions.

THEREFORE, IT IS ORDERED THAT:

1. Pursuant to Public Utilities Code Sections 851-854 and Resolution ALJ-272, this Resolution authorizes California American Water Company to acquire the Corral de Tierra Water Company for $0.00, under the terms and conditions set forth in the Asset Purchase Agreement signed in February 2023, conditioned on California American Water Company obtaining the required permit to operate the Corral de Tierra Water Company water system from the State Water Resources Control Board.

2. The transfer of operations of Corral de Tierra's water system to California American Water Company is conditioned on Cal-Am obtaining the domestic water supply permit required by the State Water Resources Control Board to operate the water system under the new ownership.

3. California American Water Company's request to add Corral de Tierra Water Company to its Central Division Service Area is granted.

4. Authority is granted to California American Water Company to submit a Tier 1 Advice Letter incorporating Corral de Tierra's customers into its Central Division Service Area and allowing Corral de Tierras' customers to remain on their flat rate tariff until (1) the completion of 3 months of payments on Corral de Tierra Water Company's current flat rates of $125/month; or (2) the installation of water meters, whichever date is later. After such time, California American Water must submit a Tier 1 Advice Letter transitioning Corral de Tierra's customers to the Central Division's metered tariff.

5. California American Water Company's request to establish a Corral de Tierra Transaction Cost Memorandum Account is denied.

6. California American Water Company is authorized to file a Tier 1 Advice Letter to add the acquisition of Corral de Tierra Water Company to its existing Memorandum Account for Environmental Improvements and Compliance Issues for Acquisitions.

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 October 17, 2024; the following Commissioners voting favorably thereon:

RACHEL PETERSON
Executive Director

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ADVICE LETTER NO. 1422
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APPENDIX A

Indemnification Agreement

Indemnification and Release Agreement

This Indemnification and Release Agreement (this "***Agreement***") is made as of the 27th day of March 2023 by and between Corral de Tierra Country Club, a California nonprofit mutual benefit corporation ("***Obligor***"), and California-American Water Company, a California corporation (together with its successors and assigns, "***Buyer***").

Recitals

WHEREAS, Corral de Tierra Water Company, a California non-profit corporation ("***Seller***") and Buyer are entering into an Asset Purchase Agreement, pursuant to which Buyer will purchase from Seller (the "***Transaction***") a water system consisting of mains and distribution lines necessary to provide domestic water service, serving approximately fifteen (15) customers in Monterey County, California.

WHEREAS, in accordance with an agreement between Seller and Obligor, Seller has offered to transfer its primary well and associated tank, pipes and pump on Obligor's property (collectively the "***Well***") and roadway easement to Obligor. If Obligor accepts the Well, then one condition of Buyer closing the Transaction is that Obligor execute and deliver to Buyer this Agreement, in which Obligor holds Buyer harmless and indemnifies Buyer from and against any and all liabilities associated with the Well, whether arising prior to or after Closing.

WHEREAS, if Obligor accepts the Well and signs this Agreement, Seller shall abandon and/or relinquish its easement to such property at the closing of the Transaction.

WHEREAS, Obligor acknowledges and confirms that it will derive substantial direct and indirect benefits from the Transaction, that this Agreement is intended to be an inducement to the Buyer to enter into the Transaction, and that the Buyer is relying upon this Agreement in entering into and performing its obligations in connection with the Transaction.

NOW THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

Agreements

1. Definitions. As used in this Agreement, the terms defined in the Preamble and in the Recitals hereto shall have the respective meanings specified therein, and the following additional terms shall have the meanings specified:

"***Environmental Claim***" means any complaint, action, notice, order, claim, investigation, judicial or administrative proceeding or action, or other similar claims or communications from any Person involving or alleging any non-compliance with any Environmental Requirement or the existence of any unsafe or hazardous condition resulting from or related to the Release of any Hazardous Material.

"***Environmental Law***" means any and all applicable federal, state or local laws, statutes, ordinances, rules, regulations, orders, principles of common law, judgments, permits, licenses or determinations of any judicial or regulatory authority, now or hereafter in effect, imposing liability, establishing standards of conduct or otherwise relating to protection of the environment (including natural resources, surface water, groundwater, soils, and indoor and ambient air), health and safety, land use matters or the presence, generation, treatment, storage, disposal, Release or threatened Release, transport or handling of any Hazardous Material.

"***Environmental Requirement***" means any Environmental Law, or any other applicable agreement or restriction (including any condition or requirement imposed by any third party or insurance or surety company), now or hereafter in effect, which relates to any matters addressed by any Environmental Law, Hazardous Material, or the prevention of any unsafe or hazardous condition resulting from or related to the Release of any Hazardous Material.

"***Hazardous Material***" means any substance, material, element, compound, waste or chemical, whether solid, liquid or gaseous, which is defined, listed, classified or otherwise regulated in any way under any Environmental Laws, or any other such substances or conditions (including mold and other mycotoxins or fungi) which may create any unsafe or hazardous condition or pose any threat to health and safety.

"***Indemnified Party***" means and includes Buyer, any Persons owned or controlled by, owning or controlling, or under common control or affiliated with Buyer, the directors, officers, partners, employees and agents of Buyer and/or such Persons, and the successors and assigns of each of the foregoing Persons.

"***Person***" means an individual, a corporation, a partnership, a joint venture, a limited liability company, a trust, an unincorporated association, any governmental authority or any other entity.

"***Release***" means the presence of or any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, seeping, migrating, dumping or disposing of any Hazardous Material (including the abandonment or discarding of barrels, drums, tanks, and other similar containers, containing any Hazardous Material) into the indoor or outdoor environment.

2. Indemnification.

2.1 Indemnified Matters. Obligor hereby agrees to protect, indemnify, defend, release and hold each Indemnified Party harmless from and against, and reimburse each Indemnified Party on demand for, any and all losses, costs, liabilities (including strict liabilities), claims (including Environmental Claims), damages, expenses (including reasonable attorneys' fees incurred in connection with enforcing this provision), penalties or fines of any kind whatsoever paid, incurred or suffered by, or asserted against, any Indemnified Party by any Person in connection with, arising out of or resulting in any way whatsoever from:

a. the presence, Release or threatened Release of any Hazardous Material on, at, in, under, above or about or from the Well or any property adjacent to the Well; or

b. the breach of any covenant or agreement contained in this Agreement because of any act, omission, event, or condition existing or occurring before, on, or after the date hereof; or

c. any violation or potential violation of any Environmental Requirement, regardless of whether any act, omission, event or circumstance giving rise to the violation constituted a violation at the time of the occurrence or inception of such act, omission, event or circumstance; or

d. any Environmental Claim related to any, act, omission, event or condition existing or occurring in connection with the use of the Well; or

e. the filing or imposition of any environmental lien against the Well;

and regardless of whether any matter set forth in the foregoing Subsections (a) through (e) was caused by Obligor, a prior owner of the Well, or any other Person whatsoever. Such indemnity shall not apply, however, to a particular Indemnified Party to the extent that the subject of the indemnification is or was caused by or arises out of the sole or gross negligence or willful misconduct of that particular Indemnified Party.

2.2 Defense of Claims. Upon demand by an Indemnified Party, Obligor shall diligently defend any Environmental Claim which relates to the Well or is threatened or commenced against such Indemnified Party, all at Obligor's own cost and expense and by counsel to be approved by Buyer in the exercise of its reasonable judgment. In the alternative, Buyer may elect, at any time and for any reason, to conduct its own defense through counsel selected by Buyer and at the sole cost and expense of Obligor.

3. Release. Obligor hereby releases and forever discharges, and covenants not to sue, each Indemnified Party from any and all claims, injuries, demands, costs, penalties, attorneys' fees, costs of litigation and causes of action of any kind whatsoever, now or hereafter in existence, known or unknown, which Obligor may have against any Indemnified Party and which are related to events, omissions or circumstances arising from or related to the Well or matters addressed in this Agreement, including any events described in Section 2.1. The release set forth in this Section 3 shall not apply, however, to a particular Indemnified Party to the extent that the subject of the release is or was caused by or arises out of the sole or gross negligence or willful misconduct of that particular Indemnified Party.

4. Notices. All notices, requests, consents, demands and other communications required or which any party desires to give hereunder shall be in writing and shall be deemed sufficiently given or furnished if delivered by personal delivery, by nationally recognized overnight courier service or by certified United States mail, postage prepaid, addressed to the party to whom directed at the addresses specified at the end of this Agreement (unless changed by similar notice in writing given by the particular party whose address is to be changed) or by facsimile. Any such notice or communication shall be deemed to have been given either at the time of personal delivery or, in the case of courier or mail, as of the date of first attempted delivery at the address and in the manner provided herein, or, in the case of facsimile, upon receipt; provided that no notice of change of address shall be effective except upon actual receipt. Notwithstanding the foregoing, service of a notice or communication required by any applicable statute shall be considered complete when the requirements of that statute are met.

5. Miscellaneous.

5.1 Consideration. Obligor acknowledges that Buyer has relied and will rely on the representations, warranties, covenants and agreements herein in closing the Transaction, and that the execution and delivery of this Agreement is an essential condition but for which Buyer would not close the Transaction.

5.2 Survival. The covenants and agreements in this Agreement shall be binding upon Obligor and its successors, assigns and legal representatives and shall inure to the benefit of Buyer and its successors, assigns and legal representatives.

5.3 Rights Under Environmental Requirements and Other Rights. Nothing in this Agreement shall limit or impair any claims, rights or remedies of Buyer or any other Indemnified Party against Obligor or any other Person under any Environmental Requirement or otherwise at law or in equity, including any claims for fraud, misrepresentation, waste or breach of contract other than this Agreement, and any rights of contribution or indemnification.

5.4 No Waiver. No delay or omission by Buyer to exercise any right under this Agreement shall impair any such right nor shall it be construed to be a waiver thereof. No waiver of any single breach or default under this Agreement shall be deemed a waiver of any other breach or default. Any waiver, consent or approval under this Agreement must be in writing to be effective.

5.5 Invalid Provisions. A determination that any provision of this Agreement is unenforceable or invalid shall not affect the enforceability or validity of any other provision and a determination that the application of any provision of this Agreement to any Person or circumstance is illegal or unenforceable shall not affect the enforceability or validity of such provision as it may apply to other Persons or circumstances.

5.6 Construction. Whenever in this Agreement the singular number is used, the same shall include plural where appropriate, and vice versa; and words of any gender in this Agreement shall include each other gender where appropriate. The headings in this Agreement are for convenience only and shall be disregarded in the interpretation hereof. The words "include" and "including" shall be interpreted as if followed by the words "without limitation."

5.7 Applicable Law; Forum. This Agreement is performable in Monterey County, California, and the laws of the State of California (without regard to its conflicts of law principles) and applicable United States federal law shall govern the rights and duties of the parties hereto and the validity, enforcement and interpretation hereof. Obligor hereby irrevocably submits generally and unconditionally for itself and in respect of its property to the jurisdiction of any state court or any United States federal court, sitting in the State of California and to the jurisdiction of any state court or any United States federal court, sitting in the state of California, over any suit, action or proceeding arising out of or relating to this Agreement. Obligor hereby irrevocably waives, to the fullest extent permitted by law, any objection that Obligor may now or hereafter have to the laying of venue in any such court and any claim that any such court is an inconvenient forum. Obligor hereby agrees and consents that, in addition to any methods of service of process provided for under applicable law, all service of process in any such suit, action or proceeding in any state court or any United States federal court sitting in the state(s) specified above may be made by certified or registered mail, return receipt requested, directed to Obligor at the address for notice to Obligor stated below, or at a subsequent address of which Buyer received actual notice from Obligor, and service so made shall be complete five (5) days after the same shall have been so mailed. Nothing herein shall affect the right of Buyer to serve process in any manner permitted by law.

5.8 Counterparts; Modification. This Agreement has been executed in a number of identical counterparts, each of which shall be deemed an original for all purposes and all of which constitute, collectively, one agreement. This Agreement may be amended only by an instrument in writing intended for that purpose executed jointly by an authorized representative of each party hereto.

(Signatures contained on following page)

IN WITNESS WHEREOF, Obligor and Buyer have executed this Indemnification and Release Agreement as of the dates written below.

OBLIGOR:

CORRAL DE TIERRA COUNTRY CLUB,
a California nonprofit mutual benefit corporation

By: Scott Ferreira Dated: 4-12-2023

Print Name: SCOTT FERREIRA

Title: GENERAL MANAGER

Mailing Address: 81 Corral de Tierra Road
Salinas 93908

BUYER:

CALIFORNIA-AMERICAN WATER COMPANY,
a California corporation

By: Kevin A. Tilden Dated: 4/13/23

Print Name: Kevin A. Tilden

Title: President

Mailing Address: 655 west Broadway #1410
San Diego, CA 92101

APPENDIX B

Country Club Agreement

Corral de Tierra Country Club

81 Corral de Tierra Road - Telephone 484-1112 - Salinas, California 93908

March 15, 1989

Mr. Ed Adams
18 Mesa del Sol
Salinas, CA 93908

Dear Mr. Adams:

Enclosed is a signed copy of the agreement for the relocation of your homeowners association well for your records.

Sincerely,

CORRAL DE TIERRA COUNTRY CLUB

Darlene Bramlett

DARLENE BRAMLETT
Club Manager

DB/jp
Enc.

AGREEMENT

This agreement is made and entered into this 2nd day of March, 1989, by and between Corral de Tierra Country Club, a California corporation, and Corral de Tierra Water Company, a California corporation, in light of the following facts and circumstances:

A. Club and the predecessor to Water Company entered into an agreement dated March 29, 1960, covering rights and obligations of the parties relating to a well lot and road and utility easement referred to therein; and

B. Water Company wishes to relocate its well for the convenience of both parties to a location outside but contiguous to the existing well lot; and

C. The Club has no objection to relocating the well so long as the terms and conditions of the existing agreement and this agreement are fully complied with by the Water Company.

NOW, THEREFORE, the parties agree as follows:

1. Corral de Tierra Country Club hereby grants to Corral de Tierra Water Company, the right to drill and construct a well on that portion of land described in Exhibit A. Corral de Tierra further grants to Corral de Tierra Water Company the right to extract water from said well in connection with the ordinary conduct of the business of Water Company. The right to drill and construct granted hereunder shall include the right to do those things ordinarily associated with such activity, on or adjacent to the land described in Exhibit A.

2. It is understood that the rights granted pursuant to this agreement and those already existing are coincident with use of the land by Corral de Tierra Country Club for golf course purposes. In the event any repair to the well, pipe line, or any other portion of the water system on the property described in Exhibit A shall become necessary, such repair shall be performed by Water Company in such manner as to interfere with the use of said parcel for golf course purposes no more than is absolutely necessary. Following any excavations, the surface shall be restored as near as possible to the condition it was in immediately prior to said excavation by Water Company at its own expense.

3. Water Company agrees that it will not erect a pump or other surface structure on the portion of land described in

Exhibit A. If Water Company ever abandons any well now or hereafter located on said land, Water Company shall convey the well to Corral de Tierra Country Club. Water Company further agrees not to damage or cut down any existing trees on said land or Water Company's existing well lot without club's prior written consent.

4. In all other respects, the parties reaffirm their agreement dated March 29, 1960.

EXECUTED on the day and year first written above.

CORRAL DE TIERRA COUNTRY CLUB

By Skip Schwellenbach
SKIP SCHWELLENBACH, President

By Terry W. Slaughter
TERRY SLAUGHTER, Secretary

CORRAL DE TIERRA WATER COMPANY

By J. Ed. Adams
President

By _____
Secretary

(Well lot ease., R° El Toro)

Corral de Tierra Golf and Country Club to:

Certain real property situate in the Rancho El Toro, Monterey County, California, being a part of that certain 42.2232 acre tract of land shown on map filed in Volume 5 of Surveys at Page 161, records of said county, said part being particularly described as follows:

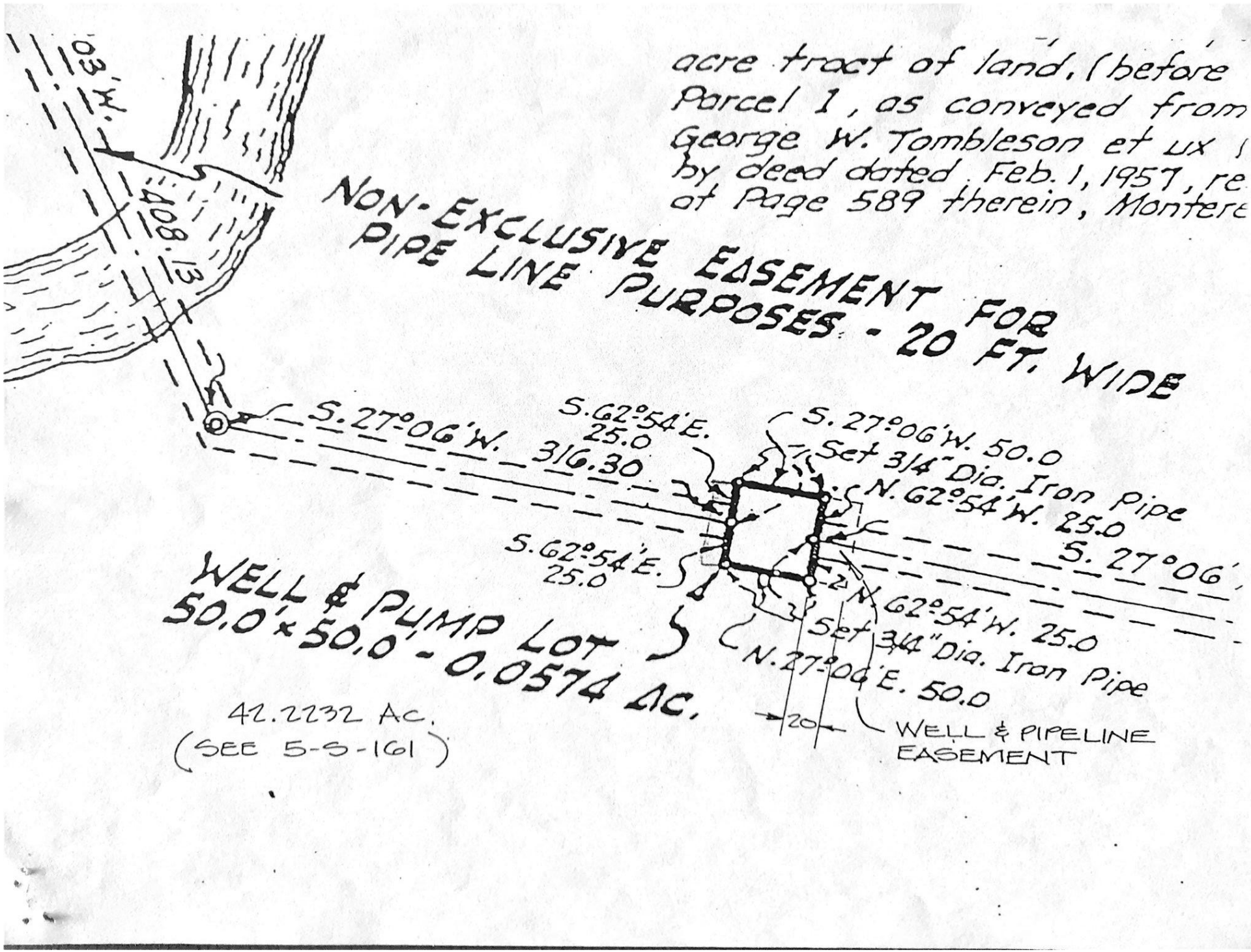
An easement for well and pipeline purposes, 20 feet wide, lying along, contiguous to and northeasterly from that certain 50 foot by 50 foot "Well and Pump Lot" as shown on said map.

This description was prepared under my direction.

Alan G. Miller LS 3880



AGM/kg
MCS., INC.
1/12/89


acre tract of land, (before
Parcel 1, as conveyed from
George W. Tombleson et ux
by deed dated Feb. 1, 1957, re
of Page 589 therein, Montere
NON-EXCLUSIVE EASEMENT FOR
PIPE LINE PURPOSES - 20 FT. WIDE
N. 03° W.
408.13
S. 27°06' W. 316.30
S. 62°54' E. 25.0
S. 27°06' W. 50.0
Set 3/4" Dia. Iron Pipe
N. 62°54' W. 25.0
S. 27°06'
S. 62°54' E. 25.0
N. 62°54' W. 25.0
Set 3/4" Dia. Iron Pipe
N. 27°06' E. 50.0
20
WELL & PIPELINE EASEMENT
WELL & PUMP LOT
50.0' x 50.0' - 0.0574 AC.
42.2232 AC.
(SEE 5-5-161)

1970

REEL 651 PAGE 835

DECLARATION MODIFYING RESTRICTIONS, EASEMENTS AND AGREEMENTS

WHEREAS, the undersigned are the owners of lots in Tract No. 352, CORRAL DE TIERRA ESTATES, filed for record October 14, 1959, in Volume 6 of Maps, "Cities and Towns", at page 165, Monterey County Records, California.

Whereas there is imposed a Declaration Imposing Restrictions, Easements and Agreements, dated the 16th day of October, 1959, and recorded in Volume 1998 of Official Records at page 295, Monterey County Records, on the above described Tract No. 352.

WHEREAS, Paragraph 3 of said Declaration provides for the approval of plot plans and building plans and specifications by the Subdividers, which restriction expires at 10 years from recording date or all of the lots in said subdivision have been sold, both of which events have taken place, and further provides that a majority of the record owners of the lots in said subdivision may execute and record a declaration restoring said restriction and designating representatives to approve plans and specifications,

NOW, THEREFORE, the undersigned do hereby declare as follows:

1. We are the record owners of the majority of the aforementioned lots in said subdivision.

2. The restrictions mentioned in this paragraph 3 are hereby restored.

3. We hereby designate the following representatives for the approval of plans and specifications: Stuart Dufour, 10 Mesa del Sol, Paul H. Caswell, 22 Mesa del Sol, and William L. Stewart, 12 Mesa del Sol--all of Salinas, California

C 11733

MAY 22 1970

Dated:

William L. Stewart 5/11/70 Flora L. Stewart 5/11/70

Ed. Adams 5/14/70 Clark Kate Adams 5/14/70

Stuart Dufour 5-19-70 William G. Dufour 5-19-70

John Sheehy 5/19/70 Jean L. Pattyn 5-19-70

Elmira H. Miller 5/19/70

Margie N. Smith 5/19/70 Jean D. Stuart 5-19-70

Samuel Cohon 5/19/70 Sara J. Cohon 5-19-70

Frank V. Allen 5-19-70 Ruth A. Allen 5-19-70

Aubrey J. Nunes 5-19-70 Rosa M. Nunes 5-19-70

H. E. Crackel 5-20-70 Esperanza Crackel 5-20-70

Mont Packwood 5/20/70 Margaret Packwood 5-20-70

Paul H. Carroll 5/20/70 Charmion H. Carroll 5/20/70

G 11733
RECORDED AT REQUEST OF
Stuart Dufour.
MAY 22 4 08 PM '70
OFFICE OF RECORDER
COUNTY OF MONTEREY
SALINAS, CALIFORNIA
2.80
REEL 651 PAGE 835

END OF DOCUMENT

William L. Stewart
12 Mesa Del Sol
Salinas, Calif 93901