COM/DH7/vhj **PROPOSED DECISION** **Agenda ID #24624**
Ratesetting

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application for Order Authorizing Golden State Water Company (U 133 W) to Purchase Norwalk's Artesia Service Area's Water System's Assets and Related Approvals.	Application 26-01-015

DECISION ADOPTING SETTLEMENT AGREEMENT

Summary

This decision grants the Joint Motion by the Public Advocates Office at the California Public Utilities Commission and Golden State Water Company (GSW) for adoption of a settlement agreement, included with this decision as Attachment A.

This decision also adopts the revenue requirement associated with the system to be acquired by GSW, of $761,200 for year 2027, which will be incorporated into the utility's existing Region 2.

This proceeding is closed.

1. Procedural Background

On January 27, 2026, Golden State Water Company (GSW) filed Application 26-01-015 for an order authorizing the purchase of Norwalk's Artesia Service Area (ASA) water system assets.

On March 23, 2026, the Administrative Law Judge (ALJ) held a prehearing conference. On March 26, 2026, the Public Advocates Office filed a protest to the Application.

On April 2, 2026, GSW filed a reply to the Public Advocates Office's protest.

On April 23, 2026, the assigned Commissioner issued a Scoping Ruling.

On May 28, 2026, the ALJ issued a ruling directing the filing of stipulated facts, proposed witness schedule, and setting evidentiary hearings.

On June 17, 2026, GSW filed a Motion for Protective Order of Confidential Workpapers. The exhibits associated with this request were marked as GSW-JDL-003C and GSW-JDL-004C.

On June 22, 2026, the ALJ issued a ruling removing evidentiary hearing from the calendar and providing guidance on the filing of a settlement agreement.

On July 6, 2026, the ALJ issued a ruling noticing Public Participation Hearing, which was held on August 25, 2026.

On July 13, 2026, GSW and the Public Advocates Office filed a Joint Motion for Adoption of Settlement Agreement.

On September 3, 2026, the ALJ issued a Ruling Directing the Filing of Additional Information.

On September 4, 2026, the parties filed a Joint Motion to Accept Testimony into the Record. Specifically, GSW and the Public Advocates Office moved to admit Exhibits GSW-JDL-001, GSW-JDL-001A, GSW-JDL-002, GSW-JDL-003, GSW-JDL-003C, GSW-JDL-004, GSW-JDL-004C, GSW-NO-001, GSW-NO-002, GSW-SBJ-001, GSW-SBJ-002, and PUBADV-MT-001.

2. Submission Date

This matter was submitted on September 4, 2026, upon the filing of the Joint Motion to Move Testimony into Evidence.

3. Issues Before the Commission

The issues before the Commission, as presented in the Commissioner's Scoping Ruling, are as follows:

1. Whether the issues presented in the Application meet the requirements of California Public Utilities Code Section 10061(b);

2. Whether the acquisition will provide customer benefits that serve the public interest;
3. Whether the requested rate base of $5,250,000 for the Artesia Service Area System is just, reasonable, and meets the standard set by Public Utilities Code Section 2720;
4. Whether Golden State Water Company should be authorized to increase the rates of the Artesia Service Area as proposed in the instant application;
5. Whether Golden State Water Company is financially qualified to acquire the Artesia Service Area;
6. Whether the Asset Purchase Agreement should be approved;
7. Whether Golden State Water Company's Certificate of Public Convenience and Necessity (CPCN) should be expanded so that it may assume all public utility responsibilities for the operation and ownership of the water utility operations in the Artesia Service Area;
8. Whether Golden State Water Company should be authorized to immediately consolidate Artesia Service Area customers into Region 2 for operational purposes;
9. Whether Golden State Water Company should be authorized to invest $1,830,000 in capital costs to tie in the Artesia Service Area System with Golden State's existing Artesia system;
10. Whether Golden State Water Company should be authorized to consolidate the Artesia Service Area rates with its Region 2 ratemaking area as part of its 2028 test year General Rate Case (GRC);
11. Whether Golden State Water Company should be authorized to establish a transaction memorandum account, pursuant to Commission Standard Practice U-27-W, to track all transaction costs incurred to effectuate the Acquisition, with rate treatment determined in Golden State Water Company's subsequent GRC; and

12. Whether the Replacement Cost New Less Depreciation (RCNLD) put forth by Golden State is accurate and supported.[1]

4. Settlement Agreement

On July 13, 2026, GSW and the Public Advocates Office (Settling Parties) filed a Joint Motion for Adoption of Settlement Agreement (Settlement Agreement). The Settlement Agreement resolves all issues in this proceeding.[2]

The Settlement Agreement would permit GSW to purchase the Artesia Service Area from the City of Norwalk. The Settlement Agreement reduces the amount of the purchase price that is included in rate base for GSW's Region 2 area from $5,250,000, which, if adopted, would amount to a typical monthly residential bill of $79.78, to $3,400,000, which would amount to a typical monthly residential bill of $61.29.[3]

Settlements are governed by Article 12 of the Commission's Rules of Practice and Procedure (Rule). Rule 12.1(d) sets the requirements that must be met for the Commission to approve a settlement—namely, the settlement must: (1) be reasonable in light of the whole record, (2) consistent with the law, and (3) in the public interest.

We briefly discuss the litigated positions (where applicable) and compromise position of the Settling Parties on each of the issues presented in the Commissioner's Scoping Ruling below.

4.1. Requirements of California Public Utilities Code Section 10061(b)

Public Utilities Code Section 10061(b) governs the acquisition, operation, and sale of utilities by a municipal corporation. The Settling Parties state in the

[1] For the acronym RCNLD, "replacement" and "reproduction" are used interchangeably to mean the same thing in this proceeding, however we will only be referring to it as replacement.

[2] *See* Settlement Agreement at 1.

[3] *See* Settlement Agreement at 10.

Settlement Agreement that "[t]here was no dispute between the Parties with regard to any of, and the Parties are in agreement regarding all of, the following matters."[4] They go on to state that "[t]he ASA is outside of the boundaries of the City [of Norwalk] and therefore the requirements of California Public Utilities Code Section 10051(b) are met."[5]

4.2. Customer Benefits Associated with the Acquisition

GSW argued that "the acquisition of the ASA will provide customer benefits through increased economies of scale, leading to more reliable water service."[6] Furthermore, GSW contended that upon acquisition, ASA customers "will be eligible to participate in the Customer Assistance Program, water conservation and education programs and 24/7 customer service." GSW further notes that "ASA rates under Golden State ownership would likely be significantly lower than the City's anticipated future rates."[7]

The Public Advocates Office argued that "the acquisition will not significantly improve the reliability of service to the ASA, or compliance with health and safety regulations in the ASA."[8] The Public Advocates Office added that GSW did not analyze rate impacts and failed to meet the just and reasonable standard, and although customers would be provided with access to GSW's rate-assistance program, it did not justify GSW's request for an acquisition premium in rate base.[9]

The Settling Parties state that the resolution between them in regard to Issue 3 (discussed below) addresses this concern, and they are therefore in agreement

[4] *See* Settlement Agreement at 8.

[5] *See* Settlement Agreement at 8.

[6] *See* Settlement Agreement at 9.

[7] *See* Settlement Agreement at 9.

[8] *See* Settlement Agreement at 9.

[9] *See* Settlement Agreement at 9.

that the acquisition under the terms of the Settlement Agreement will provide customer benefits that serve the public interest.[10]

4.3. Reasonableness of the Requested Rate Base and Standards of Public Utilities Code Section 2720(b)

Public Utilities Code Section 2720(b) provides guidance to the Commission on establishing rate base value in for water system acquisitions. GSW requested a rate base of $5,250,000 for the ASA. GSW stated that "the $5,250,000 purchase price for ASA reflects a reduction from its initial offer and was negotiated following completion of due diligence on the condition of the ASA system, thus demonstrating that Golden State does not lack market incentives to negotiate a lower price."[11]

The Public Advocates Office argued that GSW's return on rate base eliminates typical market incentives to negotiate lower prices and that "based on the criteria in Public Utilities Code Section 2720(b) the Commission should not authorize a rate base value exceeding RCNLD [reproduction cost new less accrued depreciation]."[12] The Public Advocates Office also recommended adjustments to GSW's RCNLD and that the Commission authorize $2,226,700 to be included in GSW's rate base.[13]

The Settling Parties agreed that $3,400,000 of the purchase price amount should be included in rate base in GSW's Region 2 ratemaking area, and that the resolving of this issue in this manner is consistent with the standard and criteria set forth in Public Utilities Code Section 2720(b).[14]

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[10] *See* Settlement Agreement at 10.

[11] *See* Settlement Agreement at 10.

[12] *See* Settlement Agreement at 10.

[13] *See* Settlement Agreement at 10-11.

[14] *See* Settlement Agreement at 11.

4.4. Request to Increase Rates in Artesia Service Area

GSW requested to increase rates in the ASA based on its purchase price of $5,250,000, the capital costs to tie it into GSW's existing Artesia System of $1,830,000, and additional forecasted incremental operating costs that it expected to incur to serve the ASA.[15]

The Public Advocates Office recommended reducing the purchase price included in rate base from $5,250,000 to $2,226,700 (as discussed in Section 4.3 of the instant decision). The Public Advocates Office did not disagree with the other cost of service items proposed by GSW to be included in rates upon acquisition.[16]

The Settling Parties agreed that GSW should be authorized to adjust its proposed rates upon acquisition for the ASA to reflect a purchase price of $3,400,000.[17]

4.5. Financial Qualifications to Acquire ASA

Although this was proposed as an issue for the Commission to consider within the scope of this proceeding, the Settling Parties state that there was no dispute between the Settling Parties that GSW "is financially qualified to acquire the Artesia Service Area."[18]

4.6. Approval of Purchase Agreement

The Settling Parties state there was no dispute between the parties whether (1) the Asset Purchase Agreement should be approved, and (2) if the Commission

[15] *See* Settlement Agreement at 11.

[16] *See* Settlement Agreement at 11.

[17] *See* Settlement Agreement at 12.

[18] *See* Settlement Agreement at 12.

authorizes the Acquisition, then the Commission has discretion to determine the portion of the purchase price that may be included in GSW's rate base for the ASA.[19]

4.7. Expansion of CPCN in Conjunction with Acquisition

The Settling Parties state that there was no dispute between the parties on whether GSW's CPCN should be expanded so that it may assume all public utility responsibilities for the operation and ownership of the water utility operations in the ASA.[20]

4.8. Consolidation of Artesia Service Area Customers into Region 2

The Settling Parties state that there was no dispute between the parties on whether the Commission should authorize GSW to immediately consolidate the ASA customers into Region 2 for operational purposes.[21]

4.9. Investment to Tie Artesia Service Area with Existing Artesia System

The Settling Parties state that there was no dispute between the parties on whether the Commission should authorize GSW to invest $1,830,000 in the intertie between the ASA and the Artesia system of GSW's Region 2.[22]

4.10. Consolidation of Artesia Service Area Rates with Region 2 Ratemaking Area in 2028 GRC

The Settling Parties state that there was no dispute among the parties as to whether the Commission should authorize GSW to consolidate its ASA rates with its

[19] *See* Settlement Agreement at 12-13.

[20] *See* Settlement Agreement at 13.

[21] *See* Settlement Agreement at 13.

[22] *See* Settlement Agreement at 14.

Region 2 ratemaking area as part of its 2028 test year GRC, which GSW filed on July 1, 2026. [23]

4.11. Establishment of a Memorandum Account for Acquisition Costs

GSW requested a memorandum account to track all transaction costs incurred to effectuate the Acquisition, with rate treatment determined in GSW's subsequent GRC.[24] GSW requested the memorandum account have a start date of May 9, 2023, which is the date it began incurring third party costs related to preparing its offer for the purchase of the ASA. GSW states that it does not expect the costs recorded to the memorandum account to exceed $100,000 and commits to demonstrating the prudency of the transaction costs recorded to the memorandum account when it requests recovery of the incurred costs in its July 2029 GRC filing.[25] The Settling Parties state there is no dispute regarding this issue.[26]

4.12. Accuracy of Replacement Cost New Less Depreciation (RCNLD)

GSW's independent appraiser calculated an RCNLD for the ASA of $3,288,200. The Public Advocates Office recommended that the RCNLD should be adjusted to remove components included for contingency, going concern, and organization expense, resulting in an RCNLD of $2,226,700. The Settling Parties state that although they did not agree on GSW's figure for RCNLD, "in order to resolve all issues in the proceeding the Parties have agreed to include in rate base a purchase price of $3,400,000, as discussed in Issue 3 (Section 4.3 of the instant decision) above.[27] We take this to mean that the Public Advocates Office withdraws its

[23] *See* Settlement Agreement at 13.

[24] *See* Settlement Agreement at 13.

[25] *See* Settlement Agreement at 14-15.

[26] *See* Settlement Agreement at 14.

[27] *See* Settlement Agreement at 16.

contention of GSW's RCNLD in conjunction with the outcome recommended by the Settling Parties for Issue 3.

5. Consistent with the Law

The Settling Parties state that they "are not aware of any statutory provisions or prior Commission decision that would be contravened or compromised by the Settlement Agreement."[28]

We find that the Settlement Agreement is consistent with the law and Commission decisions. The Settling Parties complied with the provisions of Rule 12. Furthermore, we find that there are no terms within the Settlement Agreement that would bind the Commission in the future or violate existing law. The Settling Parties are aware of no statutory provision or prior Commission decision that would be contravened or compromised by the Settlement Agreement. Further, the Settling Parties entered into the Settlement Agreement voluntarily and upon review and advice by their respective legal counsels and technical staff.

6. Public Interest

The Settling Parties state that the Settlement Agreement is "a reasonable compromise of the Settling Parties' respective positions" and provides " a speedy resolution of contested issues, which will save unnecessary litigation expense, and will conserve Commission resources."[29] The Settling Parties, representing both utility and customer interests, argue that the Settlement Agreement reflects careful consideration of their respective interests and "balances cost recovery with reasonable rates."[30] As an example, the Settling Parties note that "the typical monthly residential bill for ASA customers has been reduced from $79.78 as originally proposed by Golden State, to $61.29 under the terms of the Settlement

[28] *See* Joint Motion for Adoption of Settlement Agreement at 7.

[29] *See* Joint Motion for Adoption of Settlement Agreement at 8.

[30] *See* Joint Motion for Adoption of Settlement Agreement at 8.

Agreement, providing monthly savings of approximately $18.49"[31] relative to what was originally requested.

We find that the Settlement Agreement is in the public interest for the following reasons:

1. The Settling Parties represent both sides of this case: the utility and the ratepayers, and the Settlement Agreement balances those interests at stake;
2. The Settlement Agreement serves the public interest by resolving competing concerns in a collaborative and cooperative manner;
3. The Settlement Agreement minimizes the costs of evidentiary hearings and resources of the Commission, thus saving public and ratepayer funds to litigate the dispute;
4. The Settlement Agreement will provide efficient resolution of the contested issues, thus saving unnecessary litigation expenses and Commission resources; and
5. The Settlement Agreement is consistent with the Commission's long-standing policy favoring the settlement of disputes to avoid costly and protracted litigation.

Adoption of the Settlement Agreement is binding on all parties to the proceeding. However, pursuant to Rule 12.5, the Settlement Agreement does not bind or otherwise impose a precedent in this or any future proceeding. Parties should not presume that the Commission would deem the outcome adopted in this decision to automatically be reasonable in any subsequent application. Hence, future applications filed should fully justify every request and ratemaking proposal, as required by statute and Commission rule, and without reference to, or reliance on, the adoption of the Settlement Agreement.

[31] *See* Joint Motion for Adoption of Settlement Agreement at 9.

7. Reasonableness in Light of the Whole Record

In considering whether the Settlement Agreement is reasonable in light of the whole record, we consider each party's litigated position and the ultimate outcome as a result of negotiations.

The Settling Parties state that the Settlement Agreement would allow GSW to recover enough to ensure safe and reliable water service while promoting operational efficiency and prudent infrastructure development, "all while keeping rates lower than originally requested" and for some residential customers "lower than the City's current non-tiered rates."[32] The Settling Parties assert that the outcomes of the Settlement Agreement were arrived at through "diligent negotiations" that reflect "careful consideration of the interests of utility shareholders and ratepayers."[33]

GSW initially requested the inclusion of the $5,250,000 purchase price for the ASA in the rate base for Region 2. The Public Advocates Office recommended the Commission authorize $2,226,700 of the purchase price be included in the Region 2 rate base. Through negotiations, the Settling Parties agreed that $3,400,000 of the ASA purchase price be included in the rate base for Region 2. This reflects a reduction of $1,850,000, or approximately 35 percent from GSW's initial request.

We find that the Settlement Agreement is reasonable in light of the whole record. We have weighed each party's argument, noting that each party reasonably and mutually compromised on the issues resulting in compromises in the Settlement Agreement that lessen the burden on ratepayers relative to GSW's initial request in the instant application. Specifically, we note with the adoption of the Settlement Agreement, "the typical monthly residential bill for ASA customers has

[32] *See* Settlement Agreement at 4.

[33] *See* Settlement Agreement at 4.

been reduced from $79.78, as originally proposed by Golden State, to $61.29 under the terms of the Settlement Agreement, providing monthly savings of approximately $18.49. We consider this to be a significant reduction to what GSW's initial request. Furthermore, customers stand to benefit from incorporation into GSW's service territory. We find the terms of the Settlement Agreement mutually beneficial to both GSW and ratepayers.

8. Summary of Public Comment

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the "Public Comment" tab of the online Docket Card for that proceeding on the Commission's website. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding.

At the time of the writing of this decision, the Commission received seventeen comments from the public. Comments express confusion at the benefits to customers from the acquisition, opposition to rate increases, and emphasize the significant hardship customers are facing due to increasing costs and stagnant incomes.

9. Procedural Matters

On June 17, 2026, GSW filed Motion for Protective Order of Confidential Workpapers. Specifically, GSW seeks confidential protection for the exhibits marked as GSW-JDL-003C and GSW-JDL-004C, arguing that they contain "confidential, commercially sensitive information and trade secrets that are exempt from public disclosure" and disclosure "would place Golden State at an unfair business disadvantage, impairing its ability to be an effective competitor in the water utility acquisition market."[34] After reviewing the confidential information, we grant GSW's

[34] *See* Motion of Golden State Water Company for Protective Order of Confidential Workpapers at 2-4.

June 17, 2026 Motion for Protective Order of Confidential Workpapers for Exhibits GSW-JDL-003C and GSW-JDL-004C. These exhibits are granted confidential treatment for a period of three years. During this three-year period, this information shall not be publicly disclosed except on further Commission order or ALJ ruling. If GSW believes that it is necessary for this information to remain under seal for longer than three years, GSW may file a motion showing good cause for extending this order by no later than 30 days before the expiration of the grant of confidentiality.

On September 4, 2026, the Settling Parties filed a Joint Motion to Accept Testimony into the Record. Exhibits GSW-JDL-001, GSW-JDL-001A, GSW-JDL-002, GSW-JDL-003, GSW-jDL-003C, GSW-JDL-004, GSW-JDL-004C, GSW-NO-001, GSW-NO-002, GSW-SBJ-001, GSW-SBJ-002, and PUBADV-MT-001 are admitted into the evidentiary record.

All motions not ruled on are deemed denied.

10. Exemption from Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

11. Assignment of Proceeding

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

Findings of Fact

1. On January 27, 2026, GSW filed A.26-01-015 for authority to purchase Norwalk's Artesia Service Area's water systems assets and related approvals.
2. On March 26, 2026, the Public Advocates Office filed a Protest to the Application.

3. On July 13, 2026, GSW and the Public Advocates Office filed Joint Motion for Approval of Settlement Agreement.

4. The Settlement Agreement complies with Rule 12.1.

5. The Settlement Agreement is reasonable in light of the record.

6. The Settlement Agreement is consistent with the law.

7. The Settlement Agreement balances utility and customer interests.

8. The Settlement Agreement serves the public interest by resolving competing interests in a collaborative and cooperative manner.

9. The Settlement Agreement is consistent with the Commission's long-standing policy favoring the settlement of disputes to avoid costly and protracted litigation.

10. There are no terms within the Settlement Agreement that would bind the Commission in the future or that would violate existing law.

Conclusions of Law

1. The Joint Motion for Adoption of Settlement Agreement, filed July 13, 2026, complies with the requirements of Rule 12.1 and should be granted.

2. GSW should be authorized to recover $761,200 in revenue requirement for year 2027, which will be incorporated into the utility's existing Region 2.

3. The Settlement Agreement, included with this decision as Attachment A, is reasonable in light of the record, consistent with existing law, and in the public interest, and should be approved and adopted.

4. It is reasonable to grant GSW and the Public Advocates Office's September 4, 2026, Joint Motion to Accept Testimony into the Record. Exhibits GSW-JDL-001, GSW-JDL-001A, GSW-JDL-002, GSW-JDL-003, GSW-JDL-003C, GSW-JDL-004, GSW-JDL-004C, GSW-NO-001, GSW-NO-002, GSW-SBJ-001, GSW-SBJ-002, and PUBADV-MT-001 should be moved into the evidentiary record.

5. It is reasonable to grant GSW's June 17, 2026, Motion for Protective Order of Confidential Workpapers. Exhibits GSW-JDL-003C and GSW-JDL-004C should be granted confidential treatment.

6. All rulings issued by the assigned Commissioner and ALJ should be affirmed herein; and all motions not specifically addressed herein or previously addressed by the assigned Commissioner or ALJ should be denied.

7. The proceeding should be closed.

O R D E R

IT IS ORDERED that:

1. Golden State Water Company is authorized to recover $761,200 in revenue requirement for year 2027, which will be incorporated into the utility's existing Region 2.

2. The July 13, 2026, Joint Motion for Settlement Agreement is granted.

3. The Settlement Agreement, included with this decision as Attachment A, is approved and adopted.

4. Golden State Water Company's (GSW) June 17, 2026, Motion for Protective Order of Confidential Workpapers for Exhibits GSW-JDL-003C and GSW-JDL-004C is granted. Exhibits GSW-JDL-003C and GSW-JDL-004C are granted confidential treatment for a period of three years. During this three-year period, this information shall not be publicly disclosed except upon further Commission order or Administrative Law Judge ruling. If GSW believes that it is necessary for this information to remain under seal for longer than three years, GSW may file a motion showing good cause for extending this order by no later than 30 days before the expiration of this order.

5. The September 4, 2026, Joint Motion to Accept Testimony into the Record is granted, and Exhibits GSW-JDL-001, GSW-JDL-001A, GSW-JDL-002, GSW-JDL-003, GSW-JDL-003C, GSW-JDL-004, GSW-JDL-004C, GSW-NO-001, GSW-NO-002, GSW-SBJ-001, GSW-SBJ-002, and PUBADV-MT-001 are admitted into the evidentiary record.

6. All Administrative Law Judge and Commissioner rulings in this proceeding are affirmed.

7. All motions not ruled on to date are denied.
8. Application 26-01-015 is closed.

This order is effective today.

Dated _____, at Sacramento, California.