Decision 26-09-050 September 17, 2026

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of California Water Service Company (U-60-W) for an order approving PFAS Compliance Program and adopting other related rulings and relief necessary to implement the Commissions ratemaking policies.	Application 25-06-001

DECISION ADOPTING SETTLEMENT AGREEMENT

Contents

DECISION ADOPTING SETTLEMENT AGREEMENT 2
Summary 2
1. Background 3
2. Settlement Agreement in Relation to Scoped Issues 5
3. Commission Review of the Settlement Agreement Under Article 12 of the Rules of Practice and Procedure 7
3.1. PFAS Treatment Projects (Scoped Issues Nos. 1, 2, and 4) 12
3.2. Land Acquisition (Scoped Issues Nos. 1, 2, and 4) 13
3.3. Capital Budgets (Scoped Issues No. 1, 2, 4, and 5) 14
3.4. PFAS Memorandum Account (Scoped Issue No. 3) 16
3.5. Capital Budget Ratemaking Treatment (Scoped Issue No. 5) 17
3.6. Grants and Litigation Settlement Proceeds (Scoped Issue No. 6) 18
3.7. ESJ Action Plan (Scoped Issue No. 7) 20
4. Summary of Public Comments 21
5. Conclusion 21
6. Waiver of Comment Period 22
7. Assignment of Proceeding 22
Findings of Fact 22
Conclusions of Law 23
ORDER 26

PROPOSED DECISION ADOPTING SETTLEMENT AGREEMENT

Summary

This decision grants the Joint Motion of California Water Service Company and the Public Advocates Office for Approval of Settlement Agreement and adopts the Settlement Agreement Between California Water Service Company and the Public Advocates Office (Settlement Agreement) that resolves all issues in scope in this proceeding.

The Settlement Agreement: removes the proposed treatment projects for two wells from the scope of this proceeding; removes $346,855 in capital costs associated with a proposed land acquisition from the scope of this proceeding; provides for an overall aggregate reduction of $15 million to the total capital budget, for a total capital budget of $11.33 million authorized for recovery in this proceeding; allows a Tier 1 advice letter process for the recovery of the per- and polyfluoroalkyl substances (PFAS) memorandum account costs incurred through December 31, 2024, plus authorized interest; allows a Tier 2 advice letter process, for cost recovery of capital projects up to the caps adopted; establishes that any potential grant, subsidies, settlement proceeds or other funding mechanisms that could offset costs relating to the utility's PFAS Compliance Program should be accounted for in accordance with the ratemaking rules set forth in Decisions 10-10-018 and 10-12-058; and recommends a factual finding or legal conclusion to the effect that the application supports the goals and objectives of the Commission's Environmental and Social Justice Action Plan.

The Settlement Agreement meets the requirements of the Commission's Rules of Practice and Procedure because it is reasonable in light of the whole record, consistent with law, and in the public interest.

This proceeding is closed.

1. Background

On June 2, 2025, California Water Service Company (Cal Water) filed Application (A.) 25-06-001 (Application) with the California Public Utilities Commission (Commission or CPUC).

In California, water companies that serve more than 10,000 customers are considered Class A water utilities. Cal Water is one of nine Class A water utilities regulated by the Commission; Cal Water is a public utility subject to the jurisdiction of this Commission pursuant to Public Utilities (Pub. Util.) Code Section 216(a)(1). Cal Water is the largest subsidiary of the California Water Service Group, which also includes Washington Water Service, New Mexico Water Service, Texas Water Service, and Hawaii Water Service.[1]

The Application sought approval of Cal Water's per- and polyfluoroalkyl substances (PFAS)[2] compliance program and requested authorization to recover costs in six of Cal Water's nineteen Class A ratemaking areas as part of the PFAS

[1] https://www.calwater.com/about/company-information/ as of November 11, 2025.

[2] PFAS are a class of synthetic chemicals that have been detected in certain groundwater sources. The Application seeks approval of capital investments to install treatment systems that would allow Cal Water to comply with federal and state drinking water requirements while maintaining safe and reliable service.

Compliance Program through rate changes effective January 1, 2027, and January 1, 2028.[3]

On July 2, 2025, the Public Advocates Office (Cal Advocates) filed a response to the Application, to which Cal Water replied on July 15, 2025.

On July 25, 2025, Cal Water and Cal Advocates filed a Joint Prehearing Conference Statement.

A virtual prehearing conference was held on August 5, 2025, with Administrative Law Judge (ALJ) Alberto T. Rosas presiding.

On September 3, 2025, Cal Water filed its Rule 3.2 Compliance Filing.

On September 25, 2025, the Commission issued the Assigned Commissioner's Scoping Memo and Ruling (Scoping Memo).

A virtual status conference was held on October 3, 2025, with ALJ Rosas presiding.

California Water Association (CWA) and National Association of Water Companies (NAWC) filed motions for party status on March 6 and 10, 2026.

On March 12, 2026, Cal Water and Cal Advocates convened a settlement conference.[4]

On March 18, 2026, Cal Water and Cal Advocates filed a joint case management statement and motion for evidentiary hearings.

[3] Application at 1.

[4] Rule 12.1(b) requires parties to convene at least one settlement conference, with notice and opportunity to all parties to participate, for the purpose of discussing settlement.

CWA and NAWC's motions for party status were granted on the condition that CWA and NAWC file a response to the Application. CWA and NAWC filed their responses on April 2, 2026.

On May 1, 2026, Cal Water and Cal Advocates filed two motions: a Joint Motion to Move Exhibits into Evidence, and a Joint Motion for Approval of Settlement Agreement. Neither CWA nor NAWC were parties to this proceeding when Cal Water and Cal Advocates convened their March 12, 2026 settlement conference. The Joint Motion for Approval of Settlement Agreement indicates that CWA and NAWC have informed Cal Water that they do not have any objections to the proposed Settlement Agreement.[5] Furthermore, we note that CWA and NAWC did not file any objections to either of these joint motions.

On July 16, 2026, the Joint Motion to Move Exhibits into Evidence was granted; this matter was deemed submitted as of July 16, 2026, and the evidentiary record was closed.

2. Settlement Agreement in Relation to Scoped Issues

The Commission's September 25, 2025 Scoping Memo identified the following seven issues to be determined:

1. Whether Cal Water's $125 million in forecasted PFAS Compliance Program Capital Cost for 2026 and 2027, are just and reasonable for each expenditure and whether alternative, cost-effective solutions were considered;
2. Whether Cal Water's $15.6 million in Estimated Revenue Impacts of PFAS Compliance Program for 2027 and 2028, including the methodology used to estimate revenue

[5] Joint Motion for Approval of Settlement Agreement at 3.

impacts is just and reasonable and whether that methodology accounts for potential cost saving or alternative funding sources;

3. Whether Cal Water's PFAS Memorandum Account costs are reasonable and incremental and ensure proper recovery procedures are utilized;
4. Whether the proposed expenditures align with existing and anticipated state and federal PFAS regulations to ensure ratepayer safety and that Cal Water has provided sufficient justification for the necessity of each cost;
5. Assess how these costs will be distributed among ratepayers and customer classes within and across ratemaking areas (four areas in 2026 and six areas in 2027) and whether the financial burden is reasonable and equitable;
6. Evaluate potential grants, subsidies, settlement proceeds or other funding mechanisms that could offset costs and reduce the financial impact on customers; and
7. Whether Cal Water's Application supports the goals and objectives of the Commission's Environmental and Social Justice Action Plan.[6]

The Settlement Agreement resolves these seven issues. The Settlement Agreement discusses these scoped issues under the following categories: PFAS Treatment Projects (Scoped Issues Nos. 1, 2, and 4);[7] Land Acquisition (Scoped Issues Nos. 1, 2, and 4);[8] Capital Budgets (Scoped Issues Nos. 1, 2, 4, and 5);[9]

[6] Scoping Memo at 2–3.

[7] Settlement Agreement (Appendix A) at 3-4.

[8] *Id*. at 4.

[9] *Id*. at 4-6.

PFAS Memorandum Account (Scoped Issue No. 3);[10] Capital Budget Ratemaking Treatment (Scoped Issue No. 5);[11] Grants and Litigation Settlement Proceeds (Scoped Issue No. 6);[12] and Environmental and Social Justice (ESJ) Action Plan (Scoped Issue No. 7).[13]

These are the categories addressed below.

3. Commission Review of the Settlement Agreement Under Article 12 of the Rules of Practice and Procedure

To determine if the Settlement Agreement should be approved in whole or in part, or rejected outright, this decision analyzes the settlement in accordance with Article 12 of the Commission's Rules of Practice and Procedure (Rule), which applies to contested and uncontested settlements. The Settlement Agreement is uncontested. The Commission has long favored the settlement of disputes. Under Rule 12.1(d), the Commission will not approve a settlement unless it is reasonable in light of the whole record, consistent with law, and in the public interest.

On whether the settlement is reasonable in light of the whole record, Cal Water and Cal Advocates point out in their Joint Motion for Approval of Settlement Agreement that:

> The proposed Settlement Agreement is reasonable in light of the whole record, because the Settling Parties

[10] *Id*. at 6-7.

[11] *Id*. at 7-8.

[12] *Id*. at 8.

[13] *Id*. at 8-9.

> negotiated its terms based upon each of the Settling Parties' knowledge and familiarity with the evidence each had recently developed and presented in prepared testimony and reports.[14]

In their joint motion, on the issue of consistency with the law, Cal Water and Cal Advocates also point out that:

> The Settling Parties are aware of no statutory provision or prior Commission decision that would be contravened or compromised by the proposed Settlement Agreement. The issues resolved in the proposed Settlement Agreement are within the scope of the proceeding.[15]

Finally, on the issue of public interest, Cal Water and Cal Advocates also point out that:

> The proposed Settlement Agreement is in the public interest. Commission approval of the proposed Settlement Agreement would efficiently resolve the proceeding's contested issues, would avoid unnecessary litigation, would provide cost recovery sufficient to enable Cal Water to provide safe and reliable water service to its customers while meeting all applicable water quality standards, and would protect ratepayers from rate increases resulting from unnecessary costs.[16]

In reviewing the Settlement Agreement, the Commission applies the standards set forth in Article 12 of the Commission's Rules of Practice and Procedure. Under Rule 12.1(d), the Commission will not approve a settlement

[14] Joint Motion for Approval of Settlement Agreement at 4.

[15] Joint Motion for Approval of Settlement Agreement at 4.

[16] Joint Motion for Approval of Settlement Agreement at 5.

unless it is reasonable in light of the whole record, consistent with law, and in the public interest.

California courts have long recognized that the evaluation of a settlement is not an exercise in deciding the underlying merits of the case but an assessment of whether the agreement as a whole is fair and reasonable.[17] The trial court, or in this context the Commission, "does not try out or attempt to decide the merits of the controversy" but instead determines whether the settlement meets established fairness criteria.[18] As explained in *7-Eleven Owners for Fair Franchising v. Southland Corp.* (2000) 85 Cal.App.4th 1135, 1146, courts exercise broad discretion in evaluating settlements and consider a range of factors, including the strength of the parties' positions, the risks and expense of further litigation, the extent of discovery, and the experience and views of counsel. Similarly, in *Dunk v. Ford Motor Co.* (1996) 48 Cal.App.4th 1794, the court recognized a presumption of fairness when: (1) the settlement is reached through arm's-length bargaining; (2) investigation and discovery are sufficient to allow counsel and the tribunal to act intelligently; (3) counsel are experienced in similar matters; and (4) there is little or no opposition to the settlement.

Federal precedent is to the same effect. As the Ninth Circuit observed in *Hanlon v. Chrysler Corp.* (9th Cir. 1998) 150 F.3d 1011, 1027, "Settlement is the offspring of compromise; the question we address is not whether the final product could be prettier, smarter or snazzier, but whether it is fair, adequate

[17] *City of Detroit v. Grinnell Corp.* (2d Cir. 1974) 495 F.2d 448, 456.

[18] *Ibid*.

and free from collusion." This pragmatic approach aligns with the Commission's policy favoring settlements as efficient, equitable, and resource-conserving resolutions of complex regulatory disputes. The focus is not on whether the agreement achieves the optimal result for any one party, but whether the negotiated outcome as a whole advances fairness, reasonableness, and the public interest.

Applying these principles, the Commission concludes that the Settlement Agreement satisfies the Rule 12.1(d) criteria in its entirety. The record demonstrates that the settlement was the product of arm's-length negotiations between knowledgeable and well-represented parties, each with extensive experience in Commission proceedings. Cal Water and Cal Advocates collectively represent a broad and balanced range of interests, including those of ratepayers and regulated utilities.

The Commission finds the Settlement Agreement to be reasonable in light of the whole record. The settlement was reached after discovery and submission of extensive written testimony. It resolves numerous issues supported by the evidentiary record and narrows the scope of remaining disputes. The agreement reflects compromises grounded in the data and testimony presented, resulting in rate and policy outcomes that are balanced and supported by the record as a whole.

The settlement is also consistent with the law. Cal Water and Cal Advocates represent that no term of the agreement contravenes any statute or prior Commission decision, and the Commission's independent review finds no conflict with governing law. The settlement complies with Pub. Util. Code

Sections 451 and 454, which require that all rates be just and reasonable and that no rate change occurs without Commission authorization. The settlement also aligns with longstanding Commission practice approving settlements that advance administrative efficiency and conserve public and party resources.

Finally, the Settlement Agreement is in the public interest. It provides rate and policy outcomes that will reduce litigation costs, conserve regulatory resources, and enhance regulatory certainty for both the utility and customers. The settlement reduces Cal Water's requested rate changes to recover costs as part of the PFAS Compliance Program through rate changes while still ensuring the utility can continue to provide safe and reliable water service at reasonable rates. The participation of Cal Advocates (the ratepayer's independent consumer advocate) further supports the conclusion that the settlement protects the interests of ratepayers, including residential and low-income customers.

Consistent with judicial and administrative precedent, the Commission's review of the settlement does not require parceling each fact or issue resolved therein.[19] The Commission's role is to ensure that the agreement as a whole complies with Rule 12.1(d). Having conducted a comprehensive, high-level assessment of the settlement and the corresponding evidentiary record, the Commission concludes that the Settlement Agreement, taken in its entirety, is reasonable in light of the whole record, consistent with law, and in the public interest.

[19] *See Title Ins. Co. v. State Bd. of Equalization* (1992) 4 Cal.4th 715, 733 ["A court will respect a stipulation limiting the issues in a case."].

3.1. PFAS Treatment Projects (Scoped Issues Nos. 1, 2, and 4)

Cal Water's PFAS Compliance Program addresses PFAS contamination at 49 sites in the following six ratemaking areas: (1) Bakersfield District, including the Bakersfield and North Garden systems (20 projects), (2) North Valley Region, including the Chico and Oroville systems (18 projects), (3) Stockton District (5 projects), (4) Livermore District (three projects), (5) East Los Angles District (two projects), and (6) Kern River Valley District (one project). The 49 sites include 45 treatment projects and four projects to replace wells. The four replacement wells are not relevant to this proceeding.[20]

Cal Water and Cal Advocates, as the Settling Parties, agree that Cal Water will remove the proposed treatment projects for one well in the Bakersfield District (BK 150-01) and one well in the Stockton District (STK 021-01) from the scope of this proceeding, and that Cal Advocates does not oppose the remaining PFAS treatment projects in the Application.[21] Under the Settlement Agreement, however, the Settling Parties agree that removal of these two project from the Application is not intended to have any precedential value.[22] Thus, these two wells may be addressed in a future general rate case.

[20] Settlement Agreement (Appendix A) at 3.

[21] Settlement Agreement (Appendix A) at 3.

[22] *Ibid*.

For the total capital budget for PFAS treatment projects, removing these wells reduces the budget by $2,289,945.67 for the well in the Bakersfield District (BK 150-01) and $4,396,508.30 for the well in the Stockton District (STK 021-01).[23]

3.2. Land Acquisition (Scoped Issues Nos. 1, 2, and 4)

Cal Water identified four well replacements for which Cal Water plans to seek cost recovery in future General Rate Cases (GRCs). Cal Water explained that one of the new wells needed to meet demand requirements in the Oroville District first requires the purchase of suitable land. Therefore, Cal Water included a land purchase for ORO-W-018-01 (PID #00136497) in its Application in the amount of $346,855.[24]

Under the Settlement Agreement, Cal Water will remove the $346,855 in capital costs associated with the proposed Oroville land acquisition from the scope of this Application.[25] Under the Settlement Agreement, however, the Settling Parties agree that removal of this project from the Application is not intended to have any precedential value.[26] Thus, this land acquisition may be addressed in a future general rate case.

The Commission finds this represents a reasonable compromise supported by the evidentiary record.

[23] Settlement Agreement (Appendix A) at 5.

[24] Settlement Agreement (Appendix A) at 4.

[25] Settlement Agreement (Appendix A) at 4.

[26] *Ibid*.

3.3. Capital Budgets (Scoped Issues No. 1, 2, 4, and 5)

Cal Water's Application includes, among other things, proposed installation of Granular Activated Carbon (GAC) treatment systems at 45 sites and one land purchase, with future cost recovery of used and useful projects via Tier 2 advice letters. Cal Water's proposed capital budgets included certain individual cost components in addition to direct costs (i.e., contingency, construction management, and special inspections). Cal Water also included Allowance for Funds Used During Construction (AFUDC) financing costs for Construction Work in Progress (CWIP) at its Commission-authorized rate of return. In total, Cal Water sought Commission approval of a total capital budget of approximately $135,087,129 for all projects proposed in the Application.[27]

Under the Settlement Agreement, there will be an overall aggregate reduction of $15 million to Cal Water's total capital budget, after removal of the two wells described in Section 3.1 above and the land acquisition described above in Section 3.2; the removal of which results in a total reduction of $7,033,309.22.[28]

The total capital budget authorized for recovery in this proceeding is $113,053,820 for the remaining 43 individual PFAS treatment projects.

For the purposes of cost recovery authorized in this proceeding, the Commission authorizes the adjusted capital budget caps for the 43 individual

[27] Settlement Agreement (Appendix A) at 4.

[28] Settlement Agreement (Appendix A) at 4-5.

PFAS treatment projects as shown in the table found in Settlement Agreement,[29] and included here:

Table 1

Area	PID	Description	Estimated Completion Date	Total Cost Authorized
Bakersfield	00135583	BK 002-10 PFAS Treatment	2027	$2,119,829
"	00135584	BK 007-07 PFAS Treatment	"	$4,046,083
"	00135585	BK 040-02 PFAS Treatment	"	$3,086,393
"	00135586	BK 042-02 PFAS Treatment	"	$2,408,046
"	00135588	BK 043-02 PFAS Treatment	"	$2,669,161
"	00135590	BK 047-02 PFAS Treatment	2026	$1,130,538
"	00135592	BK 062-02 PFAS Treatment	2027	$2,749,472
"	00135594	BK 077-02 PFAS Treatment	"	$836,598
"	00135595	BK 089-01 PFAS Treatment	"	$2,617,751
"	00135599	BK 105-01 PFAS Treatment	"	$2,690,279
"	00135600	BK 130-01 PFAS Treatment	"	$2,769,819
"	00135601	BK 134-01 PFAS Treatment	"	$1,469,700
"	00135603	BK 145-01 PFAS Treatment	2026	$2,041,036
"	00135604	BK 149-01 PFAS Treatment	2027	$1,040,095
"	00135605	BK 150-01 PFAS Treatment	"	$0 (Removed)
"	00135607	BK 157-01 PFAS Treatment	"	$2,125,412
"	00135609	BK 158-01 PFAS Treatment	"	$2,181,939
"	00135611	BK 184-01 PFAS Treatment	2026	$2,526,742
"	00135577	BK 188-01 PFAS Treatment	2027	$2,109,858
"	00135813	BK-10-02 PFAS Treatment	"	$3,142,584
East Los Angeles	00135614	ELA 013-02 PFAS Treatment	"	$3,282,451
"	00135627	ELA 039-02 PFAS Treatment	"	$4,567,374
Kern River Valley	00135616	ARD 018-01 PFAS Treatment	"	$2,769,819
Livermore	00135628	LIV 009-01 PFAS Treatment	2026	$2,352,791
"	00135630	LIV 019-01 PFAS Treatment	"	$2,638,316

[29] *Id*. at 5-6.

"	00135631	LIV 031-01 PFAS Treatment	"	$2,743,996
Chico (North Valley Region)	00135578	CH 005-02 PFAS Treatment	2027	$2,387,086
"	00135582	CH 011-01 PFAS Treatment	2026	$2,015,652
"	00135587	CH 012-01 PFAS Treatment	"	$1,896,376
"	00135817	CH 021-01 PFAS Treatment	"	$3,527,511
"	00135620	CH 049-01 PFAS Treatment	2027	$1,281,589
"	00135818	CH 052-01 PFAS Treatment	"	$4,431,710
"	00135622	CH 059-01 PFAS Treatment	2026	$2,614,417
"	00135624	CH 071-01 PFAS Treatment	"	$2,283,389
"	00135597	CH 28-01 PFAS Treatment	2027	$2,674,502
"	00135598	CH 29-01 PFAS Treatment	"	$2,272,159
"	00135606	CH 30-01 PFAS Treatment	2026	$2,348,426
"	00135608	CH 40-01 PFAS Treatment	"	$2,053,330
"	00135615	CH 41-01 PFAS Treatment	"	$4,646,512
"	00123900	CH 007-04 PFAS Treatment	"	$3,180,414
Oroville (North Valley Region)	00136497	ORO 018 Land Purchase	2025	$0 (Removed)
Stockton	00135575	STK 016-01 PFAS Treatment	2027	$1,890,820
"	00135571	STK 066-02 PFAS Treatment	2026	$3,578,343
"	00135566	STK 068-01 PFAS Treatment	2027	$3,649,901
"	00135613	STK 071-01 PFAS Treatment	"	$4,205,602
"	00135572	STK 21-02 PFAS Treatment	"	$0 (Removed)
			TOTAL	**$113,053,821**[30]

3.4. PFAS Memorandum Account (Scoped Issue No. 3)

Cal Water's Application included certain ratemaking proposals related to its existing PFAS Memorandum Account (Preliminary Statement BA) in which

[30] In the Settlement Agreement, the Settling Parties indicate that the total capital budget requested for recovery in this proceeding is $113,053,820. Settlement Agreement (Appendix A) at 5. When we add the 43 individual PFAS treatment projects listed above, however, we arrive at $113,053,821. It is in the public interest to use the lesser of the two amounts. Thus, let's go with $113,053,820, as stated in the Settlement Agreement.

expenses related to PFAS (e.g. for testing, customer notification, etc.) are tracked for future disposition by the Commission.[31]

The Commission finds it reasonable that Cal Water can recover PFAS Memorandum Account costs incurred through December 31, 2024, plus interest as authorized in the PFAS Memorandum Account, for the ratemaking areas as set forth in the Application via a Tier 1 advice letter.[32] In addition, to facilitate the review of future requests for PFAS Memorandum Account amortization, the Commission finds that costs falling squarely within the following high-level cost categories (which encompass the five expense subcategories identified by Cal Advocates) are valid for recovery, if demonstrated to be reasonable, prudent, and incremental: 1) water sample collection, testing, and analysis, and 2) chemicals and filtration materials.[33]

3.5. Capital Budget Ratemaking Treatment (Scoped Issue No. 5)

Cal Water proposed to recover actual costs for used and useful PFAS-related capital projects with authorized budgets via Tier 2 advice letters.[34]

The Settling Parties agree to the Tier 2 advice letter process, consistent with General Order 96-B, Water Industry Rule 7.3.3(8),[35] for cost recovery of capital

[31] Settlement Agreement (Appendix A) at 6.

[32] Settlement Agreement (Appendix A) at 7.

[33] *Ibid*. at 7.

[34] Settlement Agreement (Appendix A) at 7.

[35] General Order 96-B, Water Industry Rule 7.3.3(8) specifies that a Tier 2 advice letter can be utilized to address rate base offsets when staff determines the project scope is consistent with a prior Commission approval that included a budget cap and the rate base offset request is at or below the budget cap.

projects up to the adopted caps identified above in Section 3.3. For each rate area, the Tier 2 advice letters shall not be submitted more frequently than annually and will describe any substantive deviations from the project scopes provided in the Application.[36]

The Commission finds it reasonable to require, under the terms of the Settlement Agreement, that Cal Water may submit these Tier 2 advice letters at any time once projects are placed into service but no later than December 31, 2028. Any costs either not requested for recovery by this date or exceeding the adopted caps identified above in Section 3.3 are not eligible for recovery under this Settlement Agreement and may be addressed in a future GRC.[37]

3.6. Grants and Litigation Settlement Proceeds (Scoped Issue No. 6)

Cal Water indicated that it was pursuing multiple outside funding sources to offset costs of the PFAS Compliance Program. These outside funding sources included class action litigation settlements and grant funds. Cal Water asserted that its proactive participation in PFAS litigation settlements and pursuit of grants provide substantial financial benefits to customers in areas impacted by PFAS. Cal Water indicated that it is participating in Public Water System Settlements with the potential to receive funds from four different settling defendants: 3M, Dupont, Tyco, and BASF. Cal Water also indicated that it

[36] Settlement Agreement (Appendix A) at 7.

[37] Settlement Agreement (Appendix A) at 7-8.

prioritized grants applications for PFAS projects in Disadvantaged Communities (DACs).[38]

The Commission finds that any potential grant, subsidies, settlement proceeds or other funding mechanisms that could offset costs relating to Cal Water's PFAS Compliance Program should be accounted for in accordance with the Commission's ratemaking rules set forth in Decision (D.) 10-10-018 and D.10-12-058.[39]

In D.10-10-018, the Commission ordered that "[e]ach investor-owned water utility shall account for local or federal grants, government loans, damage awards, settlements, government ordered funds and insurance proceeds used to replace contaminated water supplies as Contributions in Aid of Construction…."[40] And in D.10-12-058, we ordered as follows:

> Contamination-related local and federal government grants and loans, and damage awards, settlements, government ordered funds and insurance proceeds, all of which are to be treated as Contributions in Aid of Construction under Decision 10-10-018, shall be accounted for in the manner set forth in the implementing rules in Appendices A, B and C to this decision. Appendices A, B and C are adopted. Appendix A of D.10-10-018 is no longer in effect.[41]

Appendix A of D.10-12-058 established rules applicable to all transactions involving local and federal Contamination grant funds; Appendix B of D.10-12-

[38] Settlement Agreement (Appendix A) at 8.

[39] Settlement Agreement (Appendix A) at 8.

[40] D.10-10-018 at Ordering Para. 1.

[41] D.10-12-058 at Ordering Para. 1.

058 established rules applicable to all transactions involving government contamination loan funds; and Appendix C of D.10-12-058 established rules applicable to all transactions involving contamination proceeds from damage awards, settlements, government order, or insurance and the use of such proceeds to fund remediation and replacement plant sufficient to meet the requirements of General Order 103-A.

Furthermore, as pertaining to grant funds and water contamination proceeds, the records supporting the entries to these accounts must be kept in such a manner that the utility can furnish information as to the purpose of each grant, and as to the purpose of the water contamination proceeds, and shall be segregated between depreciable and non-depreciable property.[42]

As such, we find it reasonable to require that any potential grant, subsidies, settlement proceeds or other funding mechanisms that could offset costs relating to Cal Water's PFAS Compliance Program be accounted for in accordance with the Commission's ratemaking rules set forth in D.10-10-018 and D.10-12-058, including but not limited to Appendices A, B, and C of D.10-12-058.

3.7. ESJ Action Plan (Scoped Issue No. 7)

Of the areas included in Cal Water's Application, six districts were identified as containing ESJ communities: Bakersfield, Chico, East Los Angeles, Kern River Valley, Oroville, and Stockton.[43] The Settling Parties agree that the Commission should include a Finding of Fact and/or Conclusion of Law

[42] D.10-12-058 at Appendix A (Section 3.1) and Appendix C (Section 4.2).

[43] Settlement Agreement (Appendix A) at 8.

recognizing that Cal Water's Application supports the goals and objectives of the Commission's ESJ Action Plan.[44] Under the facts and circumstances of this proceeding, including the exhibits moved into evidence, the Commission finds that such request is reasonable. We recognize that Cal Water's Application supports the goals and objectives of the Commission's ESJ Action Plan.

4. Summary of Public Comments

As of July 24, 2026, there were two public comments submitted for this proceeding. One comment, on behalf of the California Hispanic Chamber of Commerce, urges approval of the program to eliminate toxic PFAS chemicals. The other comment demands a rejection of any rate hikes, stating that utility cost increases are completely unaffordable for residents on fixed incomes.

5. Conclusion

The Settlement Agreement is reasonable in light of the whole record, consistent with law, and in the public interest. Therefore, the Settlement Agreement should be adopted in its entirety.

We find no evidentiary hearings are necessary, and the Scoping Ruling finding that evidentiary hearings may be necessary should be changed to no evidentiary hearings are necessary. Cal Water should file a Tier 1 Advice Letter to implement the terms of the Settlement Agreement in rates within 30 days of issuance of this decision, to take effect on January 1, 2027.

[44] *Id*. at 9.

6. Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, as provided in Rule 14.6(c)(2), the otherwise applicable 30-day public review and comment period for this decision is waived.

7. Assignment of Proceeding

Matthew Baker is the assigned Commissioner and Alberto T. Rosas is the assigned ALJ in this proceeding.

Findings of Fact

1. The Settlement Agreement was executed on May 1, 2026, by Cal Water and Cal Advocates.
2. The provisions of the Settlement Agreement are the result of arm's-length negotiations between the Settling Parties.
3. The Settling Parties have a thorough understanding of the issues and the underlying assumptions and data and could therefore make informed decisions in the settlement process.
4. The Settling Parties adequately represent the broad set of interests participating in this proceeding.
5. The Settlement Agreement reflects a compromise by the Settling Parties.
6. The Settlement Agreement resolves all issues set forth in the Scoping Memo.
7. Cal Water's PFAS Compliance Program addresses PFAS contamination at 49 sites, which include 45 treatment projects.
8. For the total capital budget for PFAS treatment projects, removing these wells reduces the budget by $2,289,945.67 for the well in the Bakersfield District (BK 150-01) and $4,396,508.30 for the well in the Stockton District (STK 021-01).

9. The removal of the land purchase for ORO-W-018-01 (PID #00136497) will result in a reduction of $346,855 in capital costs.

10. The total capital budget authorized for recovery in this proceeding is $113,053,820 for the remaining 43 individual PFAS treatment projects, and the Commission's specifically authorized adjusted capital budget caps for each of these PFAS treatment projects are shown in Table 1 above.

11. Costs falling squarely within the following high-level cost categories are valid for recovery, if demonstrated to be reasonable, prudent, and incremental: 1) water sample collection, testing, and analysis, and 2) chemicals and filtration materials.

12. Cal Water's Application supports the goals and objectives of the Commission's ESJ Action Plan.

Conclusions of Law

1. The Commission has jurisdiction over Cal Water pursuant to Public Utilities Code Sections 451, 454, and 701.

2. Rule 12.1(d) of the Commission's Rules of Practice and Procedure provides that the Commission will not approve a settlement unless it is reasonable in light of the whole record, consistent with law, and in the public interest.

3. The Settlement Agreement resolves all material issues within the scope of A.25-06-001 as enumerated in the eight scoped issues in the Scoping Memo.

4. Each of the issues resolved in the Settlement Agreement is addressed by evidence in the record.

5. The Settlement Agreement is reasonable in light of the whole record, including Cal Water's application, supporting testimony, rate and cost analyses, and the Joint Motion for Adoption of the Settlement Agreement.

6. The Settlement Agreement is consistent with applicable law, including: Public Utilities Code Sections 451 and 454, and the ratemaking rules set forth in D.10-10-018 and D.10-12-058.

7. The Settlement Agreement is in the public interest; it avoids the need for litigation and provides timely and just cost recovery.

8. The process by which the Settlement Agreement was developed complied with Rule 12.1(b), and adoption of the Settlement Agreement is binding on all parties to the proceeding.

9. Given that no evidentiary hearings are required for this proceeding, it is reasonable to change the preliminary determination regarding hearings to "no hearings are necessary."

10. It is reasonable to authorize the adjusted capital budget caps for the PFAS treatment projects as shown in Table 1 above.

11. It is reasonable to allow Cal Water to submit Tier 2 advice letters at any time once projects are placed into service but no later than December 31, 2028; and it is also reasonable that costs either not requested for recovery by this date or exceeding the adopted caps identified above in Section 3.3 are not eligible for recovery under the Settlement Agreement and may be addressed in a future GRC.

12. The Settlement Agreement should be adopted.

13. It is reasonable to require that the cost recovery via Tier 2 advice letter will reflect construction financing costs applied to the actual costs incurred at a rate consistent with that authorized by the Commission in the final decision resolving Cal Water's 2024 GRC (Application (A.) 24-07-003).

14. It is reasonable to require that any potential grant, subsidies, settlement proceeds or other funding mechanisms that could offset costs relating to Cal Water's PFAS Compliance Program should be accounted for in accordance with the Commission's ratemaking rules set forth in D.10-10-018 and D.10-12-058, including but not limited to Appendices A, B, and C of D.10-12-058.

15. As pertaining to grant funds and water contamination proceeds, it is reasonable to require that the records supporting the entries to these accounts must kept in such a manner that the utility can furnish information as to the purpose of each grant, and as to the purpose of the water contamination proceeds, and shall be segregated between depreciable and non-depreciable property.

16. It is reasonable for the Commission to recognize that Cal Water's Application supports the goals and objectives of the Commission's ESJ Action Plan.

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

18. A.25-06-001 should be closed.

O R D E R

IT IS ORDERED that:

1. The joint motion filed by California Water Service Company and the Public Advocates Office on May 1, 2026, for adoption of the Settlement Agreement (attached as Appendix A) is granted.

2. California Water Service Company (Cal Water) is authorized to recover a total capital budget of $113,053,820 for the 43 individual per- and polyfluoroalkyl substances (PFAS) treatment projects, subject to the following:

   (a) The specifically authorized adjusted capital budget caps for each of these PFAS treatment projects are shown in Table 1 of this decision and are incorporated herein by reference.

   (b) Cal Water shall use the Tier 2 advice letter process to recover actual costs for used and useful PFAS-related capital projects with authorized budgets.

   (c) For each rate area, the Tier 2 advice letters shall not be submitted more frequently than annually and will describe any substantive deviations from the project scopes provided in the Application 25-06-001.

   (d) Cal Water may submit these Tier 2 advice letters at any time once projects are placed into service but no later than December 31, 2028.

   (e) Any costs either not requested for recovery by December 31, 2028, or exceeding the adopted caps identified above in Table 1 of this decision are not eligible for recovery under the Settlement Agreement (attached as Appendix A) and may be addressed in a future general rate case.

3. California Water Service Company is authorized to recover per- and polyfluoroalkyl substances (PFAS) Memorandum Account costs incurred through December 31, 2024, plus interest as authorized in the PFAS Memorandum Account, for the ratemaking areas as set forth in the Application via a Tier 1 advice letter. Furthermore, to facilitate the review of future requests for PFAS Memorandum Account amortization, costs falling squarely within the following high-level cost categories (which encompass the five expense subcategories identified by Cal Advocates) are valid for recovery, if demonstrated to be reasonable, prudent, and incremental: 1) water sample collection, testing, and analysis, and 2) chemicals and filtration materials.

4. Any potential grant, subsidies, settlement proceeds or other funding mechanisms that could offset costs relating to California Water Service Company per- and polyfluoroalkyl substances (PFAS) Compliance Program shall be accounted for in accordance with the Commission's ratemaking rules set forth in Decision (D.) 10-10-018 and D.10-12-058, including but not limited to Appendices A, B, and C of D.10-12-058.

5. Cal Water's Application supports the goals and objectives of the Commission's ESJ Action Plan.

6. The Commission's approval of the Settlement Agreement dated May 1, 2026 (attached as Appendix A), shall not be construed as an admission or concession by California Water Service Company (Cal Water) and/or the Public Advocates Office (Cal Advocates) as to any fact or matter of law that may be in dispute in this proceeding. Furthermore, the Commission's approval of this Settlement Agreement shall not be construed as a precedent or statement of

policy of any kind for or against Cal Water and/or Cal Advocates in any current or future proceeding with respect to any issue addressed in the Settlement Agreement, including but not limited to any future general rate case filed by Cal Water.

7. All rulings issued by the assigned Commissioner and the assigned ALJ are affirmed, and all motions not specifically addressed in this decision or previously addressed by the assigned Commissioner or the assigned ALJ are denied.

8. Application 25-06-001 is closed.

This order is effective today.

Dated September 17, 2026, in San Marcos, California.

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

APPENDIX A

Settlement Agreement

Adopted by D.26-09-050