

**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 Commission's ratemaking  
policies.

Application 25-06-\_\_\_\_  
Filed June 2, 2025

**APPLICATION FOR APPROVAL OF PFAS COMPLIANCE PROGRAM**

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Dated: June 2, 2025

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**APPLICATION FOR APPROVAL OF PFAS COMPLIANCE PROGRAM**

**I. INTRODUCTION**

Pursuant to California Public Utilities ("PU") Code Section 701 and Rule 2.1 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), California Water Service Company ("Cal Water") respectfully submits this Application requesting authority to recover costs in six (6) of Cal Water's nineteen (19) Class A ratemaking areas as part of its per- and polyfluoroalkyl substance ("PFAS") Compliance Program through rate changes effective January 1, 2027 and January 1, 2028.<sup>1</sup>

**II. BACKGROUND**

**A) Procedural Background**

On March 4, 2020, Cal Water submitted Advice Letter ("AL") 2376 requesting authority to establish a memorandum account to track incremental expenses and capital carrying costs for activities required to comply with PFAS regulatory standards set by the State's Water Resources Control Board ("SWRCB" or "State Board").

On August 6, 2020, the Commission approved Resolution W-5226 ("Resolution") addressing AL 2376 and similar advice letters by other water companies. The Resolution

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<sup>1</sup> The six ratemaking areas are the Bakersfield District (BKD), the East Los Angeles District (ELA), the Kern River Valley District (KRV), the Livermore District (LIV), the Stockton District (STK), and the Chico (CHI) and Oroville (ORO) service areas comprising the North Valley Region (NVR).

allowed the companies to establish memorandum accounts only to track expenses related to PFAS, not capital carrying costs.

On August 27, 2020, Cal Water submitted supplemental AL 2376-A requesting authority to modify its tariffs consistent with the Resolution. Specifically, AL 2376-A removed the request to include capital carrying costs in the memorandum account and proposed creation of the PFAS Memorandum Account (“PFASMA”) with Preliminary Statement BA. The Commission’s Water Division approved AL 2376-A on October 8, 2020.

On September 5, 2023, Cal Water filed Application (“A.”) 23-09-002 requesting authority to, among other things, modify its existing PFAS memo account to track capital costs incurred to comply with PFAS drinking water regulations. On April 19, 2024, the Commission issued Decision (“D.”) 24-04-012, denying Cal Water’s requests in A.23-09-002, without prejudice. In issuing D.24-04-012, the Commission noted that as capital costs were not yet formalized, any attempts to adequately review or evaluate for reasonableness were premature.<sup>2</sup> The Commission also directed Cal Water to submit its PFAS capital request in the next GRC or a separate application.<sup>3</sup>

On May 1, 2024, Cal Water served its proposed application in its current general rate case (“2024 GRC”), consistent with the Commission’s Rate Case Plan (“RCP”). On June 26, 2024, Cal Advocates informed Cal Water that it considered not including a PFAS capital budget in the 2024 GRC to be a deficiency of Minimum Data Requirement (“MDR”) II.G.10. After providing additional information with respect to PFAS in the 2024 GRC, on June 28, 2024, only three days before Cal Water was scheduled to file the 2024 GRC, Cal Advocates maintained its position that not including a proposed PFAS capital budget to be a deficiency under the RCP.

Also on June 28, 2024, Cal Water submitted an Appeal of Deficiency (“Appeal”) to the Commission’s Executive Director, pursuant to the RCP, requesting confirmation of the completeness of the 2024 GRC application and authorizing Cal Water to file that application. The Appeal presented information addressing both the standard for claiming an MDR deficiency

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<sup>2</sup> D.24-04-012, p. 7.

<sup>3</sup> D.24-04-012, p. 10, Conclusion of Law No. 4.

under the RCP and the explicit authority for Cal Water to submit its proposed PFAS capital budget in separate application, granted by D.24-04-012.

On July 3, 2024, the Executive Director responded to the Appeal, authorizing Cal Water to file its 2024 GRC application and directing Cal Water to file its proposed PFAS application no later than December 2, 2024. In granting the Appeal, the Executive Director determined that both 1) D.24-04-012 clearly provides the option for Cal Water to submit its proposed PFAS capital budget in either the 2024 GRC or a separate application, and 2) that not including PFAS in the 2024 GRC was not a material deficiency under the RCP.

On November 15, 2024, Cal Water sent a letter to the Executive Director requesting an extension to comply with the directive to file the PFAS application including when granting Cal Water's Appeal. In the letter, Cal Water requested a six-month extension, until June 2, 2025, to comply with the directive to file the application, including sufficient details about the projects and associated costs. Cal Advocates submitted a response to Cal Water's request for extension on November 18, 2024.

On November 27, 2024, the Executive Director granted Cal Water's request for extension, noting that Cal Water was still actively planning and designing its PFAS capital program. The Executive Director also noted that granting the requested extension allows Cal Water to provide sufficiently detailed information to facilitate a thorough and accurate review by the Commission and stakeholders, balancing regulatory transparency and operational efficiency needs.

## **B) Factual Background**

PFAS are a family of widely used and long-lasting manmade chemicals with various industrial and consumer applications which have been produced since the 1940s. Perfluorooctane sulfonate ("PFOS") and Perfluorooctanoic acid ("PFOA") are two of the most widely recognized PFAS compounds and are used prevalently in firefighting foams and to make carpets, clothing, fabrics for furniture, paper packaging for food, non-stick cookware, and other items resistant to water, grease, fire, or stains. They are also used in a number of industrial processes. PFAS can get into drinking water when products containing them are used or spilled onto the ground or into lakes and rivers. Once in groundwater, PFAS are easily transported

large distances and can contaminate drinking water wells. Substances containing PFAS can also be spilled into lakes or rivers used as sources of drinking water. They have been described as “forever chemicals” because they take a long time to break down environmentally or metabolically and therefore persist in the areas exposed to them for long periods of time.

People can be exposed to PFAS in a variety of ways, including environmental exposure and ingestion. Studies indicate that long-term exposure to PFAS over certain thresholds could lead to various potential adverse effects to human health, including kidney cancers, heart attacks, strokes, and developmental defects.

In March 2023, the United States Environmental Protection Agency (“EPA”) published a proposed National Primary Drinking Water Regulation (“NPDWR”) to establish legally enforceable maximum contaminant levels (“MCLs”) for six PFAS compounds: PFOA, PFOS, PFNA, PFHxS, PFBS, and HFPO-DA (GenX Chemicals). The proposed NPDWR requires 1) monitoring for PFAS compounds, 2) public notification of monitoring results, and 3) treatment or replacement of a water supply if it exceeds the proposed regulatory standards.

On April 10, 2024, EPA finalized the proposed NPDWR for PFAS in drinking water (“PFAS Final Rule”). The PFAS Final Rule set individual MCLs for five PFAS (PFOA, PFOS, PFHxS, PFNA, and HFPO-DA), and a Hazard Index MCL for PFAS mixtures containing at least two or more of PFHxS, PFNA, HFPO-DA, and PFBS. The use of a Hazard Index accounts for the combined and co-occurring levels of these PFAS in drinking water. EPA also finalized health-based, non-enforceable MCL goals (“MCLGs”) for these. Following publication of the PFAS Final Rule, a Petition for Review (“Petition”) was filed by the American Water Works Association (“AWWA”) and the Association of Metropolitan Water Agencies (“AMWA”), which is still under review by the courts.

On February 18, 2025, Assembly Bill (“AB”) 794 was introduced to the California State Legislature, proposing amendments to the California Safe Drinking Water Act relating to PFAS. Specifically, AB 794 would require the SWRCB to adopt an emergency regulation to initiate establishing primary drinking water standards for PFAS, regardless of whether the PFAS Final Rule were repealed or amended. AB 794 would require that the new PFAS drinking water standard be no less stringent than the current PFAS Final Rule and may be more protective if

deemed necessary. The SWRCB's Division of Drinking Water ("DDW") also subsequently confirmed that the response levels ("RLs") for PFHxS would be reduced from 20 parts per trillion ("ppt") to 10 ppt, regardless of any federal action related to the PFAS Final Rule.

On May 14, 2025, the EPA issued a news release announcing the EPA's plan to rescind and reconsider aspects of the PFAS Final Rule. In relevant part, the EPA announced its intention to 1) rescind the MCLs established for four PFAS compounds: PFHxS, PFNA, GenX, and PFBS, 2) maintain the current MCLs for PFOA and PFOS, and 3) extend the MCL compliance deadline from 2029 to 2031.<sup>4</sup> The EPA plans to issue a new rulemaking process in the fall of 2025 with a revised rule anticipated in the Spring of 2026. The EPA also announced its ongoing support for the US Department of Justice in defending legal challenges to the MCLs for PFOA and PFOS.

### **III. STATEMENT OF RELIEF SOUGHT**

By this Application, Cal Water seeks general rate relief and specific findings, conclusions, and orders from the Commission. Cal Water presents the requests and materials in this Application in accordance with its longstanding goal of continuing to provide safe and reliable water service to its customers at the lowest possible just and reasonable rates.

Cal Water is requesting that the Commission authorize Cal Water's PFAS Compliance Program and associated ratemaking methodology to comply with PFAS drinking water regulations as proposed herein; specifically,

- Authorize forecasted capital budgets for PFAS treatment in 2026 in four ratemaking areas, with cost recovery through rate increases effective January 1, 2027. The rate increases would be based on actual costs incurred for used and useful projects, offset by applicable alternative funding received for those ratemaking areas;<sup>5</sup> and
- Authorize forecasted capital budgets for PFAS treatment in 2027 in six ratemaking areas, with cost recovery according to the same process as that described above (actual costs offset by funds received) for rate increases effective January 1, 2028; and

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<sup>4</sup> See <https://www.epa.gov/newsreleases/epa-announces-it-will-keep-maximum-contaminant-levels-pfoa-pfos>.

<sup>5</sup> The four ratemaking areas impact customers in the Bakersfield, Livermore, Stockton, Chico, and Oroville service areas. As discussed in Ratemaking Testimony in Testimony Book #3, the specific timing and amounts of settlement proceeds and any grants received for a given ratemaking area are uncertain, but will occur over several years.

- Authorize amortization of reasonable, incremental costs and cost categories tracked in the PFASMA for the six ratemaking areas addressed in this application<sup>6</sup> via surcharges effective January 1, 2027, and January 1, 2028.<sup>7</sup>

The current forecasted capital budgets and estimated revenue impacts for the PFAS projects proposed in this Application are provided in **Table 1** and **Table 2** below, respectively.

**Table 1: Forecasted PFAS Compliance Program Capital Cost**  
(*\$millions*)

Area	2026 <sup>8</sup>	2027	Total
Bakersfield	\$5.9	\$48.13	\$54.05
East Los Angeles	\$0.0	\$7.06	\$7.06
Kern River Valley	\$0.0	\$1.84	\$1.84
Livermore	\$8.5	\$0.00	\$8.47
North Valley Region (Chico and Oroville)	\$30.0	\$6.44	\$36.44
Stockton	\$5.2	\$12.02	\$17.17
<b>Total</b>	<b>\$49.5</b>	<b>\$75.5</b>	<b>\$125.0</b>

**Table 2: Estimated Revenue Impacts of PFAS Compliance Program**  
(*\$millions*)

Area	Current Authorized	Additional 2027 Revenue for PFAS Projects <sup>8</sup>	Additional 2028 Revenue for PFAS Projects	Total	% of Current Authorized
Bakersfield	\$104.8	\$0.47	\$5.74	\$6.2	5.9%
East Los Angeles	\$44.9	\$0.00	\$0.97	\$1.0	2.2%
Kern River Valley	\$8.1	\$0.00	\$0.25	\$0.3	3.1%
Livermore	\$32.0	\$1.18	\$0.40	\$1.6	4.9%
North Valley Region (Chico and Oroville)	\$39.9	\$4.42	\$0.13	\$4.5	11.4%
Stockton	\$67.3	\$0.61	\$1.47	\$2.1	3.1%
<b>Total PFAS Areas</b>	<b>\$297.0</b>	<b>\$6.7</b>	<b>\$9.0</b>	<b>\$15.6</b>	<b>5.3%</b>
<b>Total Company</b>	<b>\$864.8</b>				<b>1.8%</b>

<sup>6</sup> This application only addresses the six ratemaking areas with immediate capital needs for PFAS mitigation. PFAS expenses have also been incurred in other areas. A description of the costs tracked in the account is described in the Ratemaking discussion provided in **Testimony Book #3**.

<sup>7</sup> The PFASMA will continue to track incremental operating expenses to comply with PFAS drinking water regulations as Cal Water continues to incur costs throughout its ratemaking areas. For the ratemaking areas not addressed in this Application, Cal Water will likely seek amortization of PFASMA balances through submission of a Tier 3 advice letter, consistent with the Commission's established processes as described in General Order 96-B.

<sup>8</sup> These numbers reflect additional 2026 PFAS capital dollars offset by district-specific allocations of the settlement proceeds received thus far, which is approximately \$10 million.

Note that the actual revenue impacts will be adjusted by the actual incurred costs for projects, as further offset by litigation proceeds and/or grants when that funding is received. Note also that this Application only addresses the *immediate* capital needs identified in Cal Water’s PFAS Compliance Program. There are other treatment projects, plus well projects needed to replace supply sources contaminated by PFAS, that Cal Water forecasts can be aligned with future GRC schedules and therefore need not be addressed here.

Based on the capital costs and incremental revenue changes provided in Tables 1 and 2, above, and the expenses tracked in the PFASMA through the end of 2024 (calculated as a 12-month surcharge), estimated bill impacts for January 1, 2027 rates are provided in **Table 3**, below. As a caveat, however, there are several variables between now and January 1, 2027 that are likely to impact actual PFAS bill impacts on January 1, 2027, including: (1) the use of actual costs for capital projects put into service in 2026, rather than forecasted costs, (2) the application of additional settlement proceeds (and possibly grant proceeds) that will be received by the end of 2026, and (3) the amounts of the *additional* reasonable, incremental PFAS expenses incurred after January 1, 2025 and approved and approved for surcharge treatment by the Commission.

**Table 3: Typical Residential Bill Impacts**

Area	Median Usage (CCF)	Current Bill June 2025	Proposed Bill January 2027	Difference (\$)	Impact (%)
Bakersfield	12	\$50.55	\$51.43	\$0.88	1.7%
East Los Angeles	8	\$60.00	\$63.39	\$3.39	5.6%
Kern River Valley	3	\$74.36	\$78.53	\$4.17	5.6%
Livermore	8	\$57.63	\$59.98	\$2.35	4.1%
Chico (part of NVR)	8	\$33.23	\$37.46	\$4.23	12.7%
Oroville (part of NVR)	6	\$44.70	\$48.37	\$3.67	8.2%
Stockton	7	\$49.95	\$50.50	\$0.55	1.1%

Note that **Table 3** does not include bill impacts for January 1, 2028 rates due to uncertainties regarding (1) the actual costs for capital projects put into service in 2027, (2) the amount of settlement proceeds (and possibly grant proceeds) that will be received in 2027, and (3) the amounts of the reasonable, incremental PFAS expenses that will be incurred and approved by the Commission by January 1, 2028.



Cal Water considered many factors in developing its PFAS Compliance Program and the proposed cost recovery methodologies in this application. The results are just and reasonable proposals based on the best available information at this time. Cal Water's ratemaking proposals ensure that customers pay for actual costs to comply with PFAS drinking water regulations that are offset by other funding sources, receive good value for Cal Water's programmatic approach to PFAS compliance, and continue to benefit from high-quality drinking water service.

#### **IV. AFFORDABILITY**

Providing affordable, excellent service is one of Cal Water's core operating priorities. More importantly, Cal Water has considered the impact of its PFAS program on its impacted communities and is aggressively pursuing litigation against responsible parties as well as grants to offset the significant costs that will be necessary to meet the public's expectations for safe and reliable water.

Cal Water continually considers the implications of its operational and regulatory activities on the affordability of its customers. In every GRC, for example, Cal Water revisits its rate design to assess how its proposed rates will impact customers with lower water usage and customers in the Customer Assistance Program ("CAP") for low-income customers and make modifications if reasonable. Cal Water also reconsiders offsetting revenue and adjusting bill for various districts funded through the Rate Support Fund ("RSF"). The RSF provides a subsidy for customers in certain high-cost ratemaking areas with affordability challenges and is funded through a modest surcharge on the bills of all non-CAP customers.

The Commission began addressing the issue of affordability across several of the industries it regulates with the opening of Rulemaking ("R.") 18-07-006 to Establish a Framework and Processes for Assessing the Affordability of Utility Service ("Affordability OIR"). On August 9, 2022, the Commission issued Decision ("D.") 22-08-023 adopted specific affordability metrics for the energy, communications, and water industries. D.22-08-023 also requires that any initial filing in a proceeding with an estimated expected revenue increase exceeding one percent of current approved systemwide revenues must include certain

information using the affordability metrics. Specifically, Cal Water is required to provide information related to the following:

- Affordability Ratio 20 by ratemaking area
- Affordability Ratio 50 by ratemaking area
- Hours at Minimum Wage at revenues in effect at the time of filing
- Essential Usage Bill by ratemaking area
- Average usage bills by ratemaking area and resulting affordability metrics

In this Application Cal Water presents its plan to invest roughly \$154.8 million in capital expenditures in its PFAS capital program, with a cumulative estimated revenue impact of \$32.5 million, including a reduction for an initial litigation settlement payment. Based on current adopted revenues, Cal Water's estimated PFAS capital program will result in a revenue increase of approximately 3.8 percent, exceeding the one percent threshold for providing affordability metrics. The required affordability information is provided in **Appendix G** to this Application.

Currently, Cal Water is planning PFAS mitigation projects in the following six ratemaking areas: 1) Bakersfield, 2) East Los Angeles, 3) Kern River Valley, 4) Livermore, 5) North Valley Region (Chico and Oroville), and 6) Stockton.<sup>9</sup> The Average (median) Usage Bills ("AUBs") for these districts range from a low of \$34.14 per month in the North Valley Region's Chico area to a high of \$67.98 per month in Kern River Valley. For customers enrolled in Cal Water's CAP the AUBs for these areas drop to \$13.32 and \$37.01, respectively. Kern River Valley customers also benefit from the RSF and receive a volumetric discount on monthly water consumption up to 10 centum cubic feet ("CCF").

Cal Water also notes that the inflection point for the AR20 metric, representing the "minimum AR20 values for areas where affordability concerns are more severe than most of the rest of the state," is 10 percent for the water industry. As shown in Appendix G of this Application, of the six areas identified above, all have AR20 values that are below the inflection point at both average and essential usage levels. The Livermore and Kern River Valley areas have the highest AR20 values for average usage, at 5.45 percent and 6.02 percent, respectively.

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<sup>9</sup> Affordability metrics are based on revenues in effect at the time of filing, consistent with D.22-08-023, Ordering Paragraph No. 8.

Concerns about affordability in these areas, and for all customers who qualify for CAP in any area, of course remain; the AR20 metric suggests, however, that such concerns are more serious in other areas of California.

While the Commission has not established an inflection point for the HM metric, Cal Water uses eight hours as a reasonable demarcation when assessing affordability in its service areas. As shown in Appendix G, none of the impacted ratemaking areas has an HM value above the eight-hour demarcation point at either essential or average usage levels.

Providing affordable, excellent service is one of Cal Water's core operating priorities. More importantly, Cal Water has considered the impact of its PFAS program on its impacted communities, and is aggressively pursuing litigation against responsible parties as well as grants to offset the significant costs that will be necessary to meet the public's expectations for safe and reliable water. Cal Water continuously seeks opportunities to enhance affordability for its customers, including ratemaking consolidation, updating the RSF and CAP, and managing the impact of proposed rate increases.

## **V. ENVIRONMENTAL AND SOCIAL JUSTICE**

Cal Water is committed to delivering high-quality drinking water service and value to its customers, communities, and the environment. Cal Water wholeheartedly supports the Commission Environmental and Social Justice ("ESJ") Action Plan in 2019 ("ESJ Action Plan 1.0"), through which the Commission integrates ESJ considerations in conducting its business.

The ESJ Action Plan 1.0 outlined nine goal areas with 44 related objectives for the Commission to consider throughout its operations, including striving to improve access to high-quality water in ESJ communities.<sup>10</sup> The ESJ Action Plan 1.0 also contained broad criterion used to define Environmental and Social Justice Communities ("ESJ Communities").<sup>11</sup>

In 2022, the Commission published the Environmental & Social Justice Action Plan version 2.0 ("ESJ Action Plan 2.0"), providing an update on the progress of implementing the ESJ Action Plan 1.0, reaffirming the Commission's commitment to furthering ESJ principles, and

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<sup>10</sup> ESJ Action Plan 1.0, p. 7.

<sup>11</sup> ESJ Action Plan 1.0, pp.9-10.

updating ESJ goals and objectives for consideration in CPUC proceedings.<sup>12</sup> The ESJ Action Plan 2.0 preserved the nine goals from the ESJ Action Plan 1.0 and revised objectives for eight of the nine published goals, while reducing the overall number of objectives.

Cal Water’s support of the Commission’s ESJ objectives is demonstrated by its commitment to providing safe, reliable water service at affordable rates. Cal Water is also committed to being a responsible steward of the environment, giving back to the communities we serve, fostering a positive and enriching environment for employees, and maintaining the highest ethical standards. For this Application, the following areas are identified as containing ESJ Communities: Bakersfield, Chico, East Los Angeles, Kern River Valley, Oroville,<sup>13</sup> and Stockton. Cal Water has considered the potential impacts – both positive and negative – of this Application on ESJ Communities, as discussed in the following sections.

### **1. Water Quality, Compliance, and Protecting Customer Health**

As a public water provider, the health and safety of Cal Water’s customers comes first. Cal Water’s Water Quality Department manages an extensive program and processes to collect water samples, test water quality, and treating water to meet or exceed regulatory requirements in providing safe drinking water to customers.

The EPA published its final PFAS MCL in April 2024. Cal Water’s prior testing has identified PFAS contamination in multiple districts serving ESJ Communities. Where PFAS was detected above the “response level” in California, we have taken action to address the impacted sources. Cal Water is currently planning its PFAS Capital Program to make the necessary infrastructure investments to comply with the PFAS MCL.

Cal Water is proactive in taking the necessary steps to comply with numerous regulations and general orders to ensure that customers are protected from PFAS contamination. Customers deserve to have a safe and reliable water service every day – it is critical for Cal Water to be proactive in this area rather than only reacting when problems arise.

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<sup>12</sup> Updated Action Plan, pp. 2-6.

<sup>13</sup> While the City of Oroville does not itself appear to meet the definition of an ESJ Community under the ESJ Action Plan 2.0, the Water Board considers the Oroville system to be a DAC according to its criteria.

## 2. Affordability and Access

Affordability of utility rates is a top concern for Cal Water. In this Application, Cal Water presents multiple proposals aimed at balancing the necessary costs to comply with PFAS drinking water regulations and the affordability of water service for customers.

Cal Water offers and has participated in numerous programs to support affordability and access for all customers, including those in ESJ Communities, and to offset capital costs with settlements proceeds and grant funds, including:

- **CAP** – Cal Water has offered a CAP since 2006 for income-qualified customers. The CAP provides enrolled customers with a 50% reduction to the monthly service charge. Currently over 123,000 customers are enrolled in Cal Water’s CAP throughout its service areas, including those with PFAS capital projects as discussed in this application.
- **RSF** – Cal Water’s RSF provides a subsidy to that partially offsets customer bills in high cost-of-service districts. These high-cost districts often contain ESJ Communities and have fewer customers over which necessary costs to operate, maintain, and upgrade are spread. The RSF currently applies to Cal Water’s Kern River Valley District, providing discounted rates for customers in that area.
- **Litigation Proceeds** – Cal Water has pursued class action litigation against PFAS manufacturers to recover costs incurred in connection with testing for and treating PFAS contamination in sources of supply. Cal Water is represented under a contingent fee agreement with its outside counsel. Cal Water recently received the first payment of approximately \$10 million from the 3M settlements, net of attorney fees, with payments from the DuPont, Tyco and BASF settlements expected by either late 2025 or early 2026. Any litigation settlement funds actually received will be used to offset costs that would otherwise need to be recovered from customers.
- **Grants** – Cal Water is also pursuing multiple high value grants through the Drinking Water State Revolving Fund Emerging Contaminant Funding (“DWSRF-EC”) to offset PFAS project costs to support affordability. Cal Water is currently pursuing roughly \$22.1 million in financial support through this funding opportunity for six projects across the Kern River Valley and North Valley Region ratemaking areas, with any grant funds received directly offsetting costs that would otherwise need to be recovered from customers.

## 3. Service Quality, Reliability, and Resiliency

Cal Water’s goal is to provide safe and reliable service to customers in the face of emerging trends and threats. To achieve this goal, Cal Water is adaptive and forward-looking in

the capital plant investments proposed in this Application. This allows the company to build and operate a more resilient system helping to ensure that customers continue to have a reliable supply of safe, high-quality water. Cal water strives to achieve this by improving operational resiliency, maintaining a diversified water supply portfolio, and extensive water supply and demand planning. The Company's plans integrate impacts across risk areas to help develop strategies to guide water supply planning and infrastructure investment to sustainably meet water supply needs.

#### **4. Responsible Sourcing and Supplier Diversity**

Cal Water aims to acquire goods and services in a way that's sensitive to environmental, social, and ethical considerations. Cal Water collaborates with suppliers to understand the lifecycle impacts of products and services and the Company's expectations for responsible conduct. Cal Water requires all suppliers to comply with our Supplier Code of Conduct, which outlines our commitments and expectations regarding anti-corruption, anti-bribery, fair dealing, conflicts of interest, confidential information, workplace conduct and safety, environmental management, human rights and labor practices, supplier diversity, compliance, and the need for an anonymous worker grievance process.

Cal Water's Supplier Diversity Program helps ensure we receive high-quality products and services while increasing partnerships with businesses owned by women, minorities, disabled veterans, LGBTQ individuals, and persons with disabilities. The Company has produced an annual Supplier Diversity Report since 2012 and aims to meet the Commissions goals of overall spending on diverse suppliers. Through our Supplier Diversity Program, we support qualified suppliers aiming to achieve certification through the CPUC Supplier Clearinghouse. To benefit our communities, we also purchase locally when possible. Cal Water strives to find ways in improving its annual diverse supplier spending and continues to pursue the short-, medium-, and long-term goals set by the Commission.

Cal Water has demonstrated its commitment to providing the highest levels of service to the customers and communities which it serves. That commitment continues with this Application. Cal Water respectfully requests the Commission include a Finding of Fact and/or

Conclusion of Law recognizing the Company's commitment to ESJ compliance when issuing a Final Decision in this Application.

## VI. STATUTORY AND REGULATORY REQUIREMENTS

### A) Applicant Information

In support of its request, Cal Water represents the following:

- A. The legal name of Applicant is California Water Service Company. Its principal place of business is located at 1720 N. First Street, San Jose, California 95112.
- B. Applicant is primarily engaged in the business of supplying and distributing water for domestic, commercial, industrial, and landscaping purposes in service territories designated by the Commission located in 20 regulated ratemaking areas (including Grand Oaks, regulated as a Class D utility) throughout the state.
- C. Applicant is a California corporation. A copy of Applicant's Restated Articles of Incorporation, certified by the California Secretary of State, was filed with the Commission in connection with Application 96-12-029.
- D. Applicant's most recent financial statements are in the 2025 Proxy Statement and 2024 Form 10-K provided as **Appendix B** to this Application.
- E. General descriptions of Applicant's properties and its operations for areas included in this Application are provided in the District Summaries that are presented for each district in **Testimony Book #2**.

### B) Contact Information

Correspondence and communications with respect to this Application should be addressed to Greg A. Milleman, with copies to Natalie D. Wales, as follows:

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## **VII. PROCEDURAL MATTERS**

### **A) Proposed Categorization**

Cal Water proposes that this Application be categorized as a ratesetting proceeding.

### **B) Need for Hearings**

Cal Water believes there may be a need for an evidentiary hearing.

### **C) Issues To Be Considered**

The issues to be considered in this Application include (1) establishing authorized budgets for PFAS treatment projects in 2026 and 2027, (2) establishing cost recovery mechanisms for those projects through rate changes that can be implemented on January 1, 2027 and January 1, 2028, respectively, that reflect actual costs incurred and alternative funding received, (3) authorizing amortization of reasonable, incremental expenses tracked in the PFASMA through surcharges effective January 1, 2027 and January 1, 2028.

### **D) Proposed Procedural Schedule**

Cal Water proposed schedule is provided in **Appendix A** to this Application. Cal Water appreciates the efforts of the Commission and its staff to process applications in a timely fashion and is committed to assisting the Commission to reach a timely decision in this proceeding. As the Commission is well aware, it is critical to avoid undue delays in processing applications in order to avoid unintentional customers impacts that such delays cause. Lengthy delays in processing applications can lead to unintentional consequences where Commission-approved rate changes are compressed into shorter time periods of recovery in order to make up for delayed implementation of those new rates. This can lead to more sudden and sustained rate changes for customers that impact their cash flow.

Customers also dislike having rate changes and surcharges/surcredits implemented at unanticipated times throughout the year. Cal Water's ratemaking proposals are therefore designed to affect customer bills on January 1<sup>st</sup> of the year whenever possible, at the same time



other rate changes are generally scheduled to occur.<sup>14</sup> To avoid unnecessarily impacting customers in a manner that is negative in both magnitude and timing, Cal Water respectfully requests that the Commission to strive to reach a final decision in this Application in a timely manner.

In particular, Cal Water respectfully requests that the Commission address cost recovery for both the PFAS treatment projects completed in 2026, and the reasonable incremental expenses incurred in the PFASMA, in time for rate changes and surcharges **effective January 1, 2027**. If the proposals in this Application appear unlikely to be resolved in time to change bills on January 1, 2027, however, Cal Water may seek an Interim Decision that would (1) allow timely cost recovery for both the PFAS projects put into service in 2026, and the incremental expenses tracked in the PFASMA subject to review in the proceeding, through customer bill changes that coincide with those that will occur on January 1, 2027, and (2) still enable parties and the Commission to continue with the regulatory procedures needed to reach a final decision.

#### **E) Service and Notice**

The official service list has not yet been established in this proceeding. Cal Water is additionally serving this Application and supporting testimony on the Commission's Public Advocates Office.

### **VIII. REQUIREMENTS OF RULE 3.2 (APPLICATIONS FOR AUTHORITY TO INCREASE RATES)**

- A. This Application meets the requirements of Rule 3.2 (applicable to applications other than those for general rate increases) as described below.
- B. Materials meeting the requirements of the following subsections of Rule 3.2(a) are provided in the appendices to this Application (as identified in Section IX below):
  - Rule 3.2(a)(1): Balance Sheet and Income Statement
  - Rule 3.2(a)(2): Statement of Presently Effective Rates

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<sup>14</sup> Cal Water's annual base rate change and purchased water offsets are based on the calendar year, so new rates and step increases occur on January 1<sup>st</sup>.

- Rule 3.2(a)(4) and (5): Summary of Earnings
- C. As required by Rule 3.2(a)(3), the increases proposed by Cal Water are provided in Section III of this Application.
- D. Cal Water will provide the notices required by Rule 3.2, subsections (b) through (d), and file the associated proofs of compliance.

## IX. CONTENTS OF THIS APPLICATION

Cal Water's filing includes the following materials:

Filed with CPUC Docket Office	
Application to Increase Rates	
Appendix A	Proposed Procedural Schedule
Appendix B	Proxy Statement (Including Financial Statements)
Appendix C	Summary of Earnings
Appendix D	Proposed Customer Notices
Appendix E	Current Tariffs
Appendix F	Proposed Tariffs
Appendix G	CPUC Affordability Metrics

Supplemental Materials (to be served)		
Exhibit	Testimony and Reports	Witness
Testimony Book #1	Water Quality Testimony	Tarrah Henrie
Testimony Book #2	PFAS Capital Program Testimony	Various
Testimony Book #3	Ratemaking Testimony	Cooper Cameron
Testimony Book #4	PFAS Treatment Site Plans (Confidential)	Andrew Borgic

*\* Confidential materials are available to CPUC staff and to parties who sign a Nondisclosure Agreement ("NDA").*

**X. PRAYER**

WHEREFORE, Cal Water respectfully requests that the Commission issue its findings and orders to the effect that:

1. The rates proposed and requested by Cal Water are fair, just, and reasonable;
2. Cal Water has properly complied with prior orders of the Commission as described;
3. The requests made by Cal Water are just, reasonable, and in the public interest; and
4. Granting such further, additional and other relief as may be deemed by the Commission to be necessary or proper.

Respectfully Submitted,

/s/

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Vice-President  
Rates and Regulatory Affairs  
California Water Service Group

Dated: June 2, 2025

/s/

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Director, Rates  
California Water Service Company

## **XI. VERIFICATION**

I, Greg Milleman, declare and say that I am an officer, Vice President of California Water Service Company, a California corporation, making the foregoing Application; that I make this verification on behalf of said corporation; that I have read the Application and know the contents thereof; that the same is true of my own knowledge except as to the matters that are therein stated on information or belief, and as to those matters that I believe to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on June 2, 2025, at San Jose, California.

/s/ Greg A. Milleman

Greg A. Milleman  
Vice President, Rates and Regulatory Affairs