

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



June 2, 2025

Natalie Wales
Director of Regulatory Policy & Compliance
California Water Service Company
1720 North First Street
San Jose, CA 95112-4598

Dear Ms. Wales,

The Water Division of the California Public Utilities Commission has approved California Water Service Company's Advice Letter No. 2549, filed on February 7, 2025, regarding the Bakersfield Property Lease for Solar Project in the Bakersfield District.

Enclosed is a copy of the advice letter and disposition letter with an effective date of March 9, 2025 for the utility's files.

Please contact Mahdi Jahami at MJ4@cpuc.ca.gov, if you have any questions.

Thank you.

Enclosures

**CALIFORNIA PUBLIC UTILITIES COMMISSION
DIVISION OF WATER AND AUDITS**

Advice Letter Cover Sheet

Utility Name: California Water Service Company	Date Mailed to Service List: 02/07/2025
District: Bakersfield District	
CPUC Utility #: U-60-W	Protest Deadline (20th Day): 02/27/2025
Advice Letter #: 2549	Review Deadline (30th Day): 03/09/2025
Tier: <input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> Compliance	Requested Effective Date: 03/09/2025
Authorization: GO 173 and PU Code Section 851	
Description: Bakersfield Property Lease for Solar Project	Rate Impact: n/a

The protest or response deadline for this advice letter is 20 days from the date that this advice letter was mailed to the service list. Please see the "Response or Protest" section in the advice letter for more information.

Utility Contact: Natalie Wales
Phone: 408-367-8566
Email: nwales@calwater.com

DWA Contact: Tariff Unit
Phone: (415) 703-1133
Email: Water.Division@cpuc.ca.gov

DWA USE ONLY

DATE

STAFF

COMMENTS

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<input type="checkbox"/> APPROVED	<input type="checkbox"/> WITHDRAWN	<input type="checkbox"/> REJECTED
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Signature: <hr/>	Comments: <hr/>
Date: <hr/>	<hr/>



CALIFORNIA WATER SERVICE COMPANY

1720 NORTH FIRST STREET
SAN JOSE, CA 95112 (408) 367-8200

February 7, 2025

Advice Letter No. 2549

To The Public Utilities Commission of the State of California:

California Water Service Company (**Cal Water**) respectfully submits this advice letter requesting approval of a land lease to a third-party solar developer to permit construction of an onsite solar project on Cal Water's property as described below.

Summary

Pursuant to General Order 173 (GO 173), Cal Water requests approval to lease space on Cal Water's property to EDP Renewables (**EDPR**). Cal Water intends to enter into a power purchase agreement (**PPA**) with EDPR. This PPA will involve construction and operation of an onsite solar project by EDPR on Cal Water's property. This onsite solar project will provide discounted, renewable energy to Cal Water's facilities on the property and export energy to the electric grid through interconnection with the local utility, Pacific Gas & Electric (**PG&E**). The proposed lease term would align with the initial PPA term of twenty (20) years with the potential for two additional terms of five (5) years at Cal Water's option, subject to Commission approval.

Authority for Advice Letter

Under GO 173, the Commission's advice letter process may be used to obtain approval of certain transactions involving utility property valued at \$5 million or less in lieu of filing a formal application under Public Utilities Code Section 851.

Eligible transactions (Rule 3) and the contents of the advice letter (Rule 4) are described in GO 173. While no tier level is identified, the advice letter is subject to protests within 20 days (Rule 6), and an initial 30-day review period by the Water Division (Rule 7.a(2)). The Water Division may reject, approve, or seek additional information about the advice letter.

Under Rule 7(a)(5), the Commission's Executive Director or the Director of the Water Division may issue a disposition letter resolving the advice letter if it is not rejected, is not subject to a protest, and does not require environmental review by the Commission as a "Responsible Agency" under CEQA.¹ Otherwise, the advice letter will be resolved through a Commission resolution (Rule 7(a)(6)).

The Commission must take action on the advice letter within 120 days of filing unless a protest is submitted or the advice letter was found to be incomplete.

¹ The California Environmental Quality Act (codified under PRC §§ 21000 et seq.).



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Discussion

Cal Water respectfully requests that the Commission approve the proposed land lease (***Proposed Transaction***) with EDPR described further below. Under the Proposed Transaction, Cal Water would allow EDPR to occupy a portion of its property, defined below, to construct, operate and maintain the onsite solar project and conduct any additional upgrades or modifications necessary to interconnect the system to the electricity grid. EDPR would supply Cal Water's facilities on the property with renewable energy. When the amount of renewable energy generated exceeds the amount that Cal Water facilities can use, EDPR will export the renewable energy to the grid passing the net metering credits to Cal Water. Cal Water anticipates that this onsite solar project will provide long-term cost savings for Bakersfield District customers, improved climate resilience and reliability, and greenhouse gas emissions reductions.

EDPR would construct the planned 2.4 MW-dc (megawatts of direct current) solar project within an approximately 45-acre leased portion of property (***Property***) in Cal Water's Bakersfield District described further below.

Information Requested by General Order 173

1. Interested parties and addresses (aside from Cal Water):

EDPR: EDP Renewables
100 Park Avenue, Floor 24
New York, NY 10017
Phone: 346-439-0716
Email: info@edpr.com

EDPR NA Distributed Generation ("EDPR NA DG," www.edprnadg.com) is a Houston and New York City based subsidiary of EDP Renewables North America LLC ("EDPR NA," www.edprnorthamerica.com), which develops, constructs, owns, and operates wind farms and solar parks throughout North America. EDPR NA's rigorous approach has led to the successful development of more than 8,800 MW of renewable energy facilities, making EDPR NA the 4th largest operator of renewable energy in the United States.

2. Description of property (present location, condition, and use):

The Property consists of a portion of land at Cal Water's Station 101_216 where Cal Water has a treatment plant. The land is at the intersection of Valley Lane and Lookout Hill Drive in Bakersfield (APN 386-040-03-30; 10000 Bella Drive, Bakersfield, CA 93306). The Property is



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approximately 45 acres, or 1,960,207.841 sq. ft., to the west of the water treatment plant facility on the land as shown on the map provided as **Attachment A**.

3. Intended use of property:

If the Commission approves the Proposed Transaction in this advice letter, pursuant to the PPA EDPR intends to occupy the Property and construct and maintain the onsite solar project and related interconnection equipment for the term of the lease. Cal Water does not have an immediate use for the portion of the Property contemplated under the Proposed Transaction.

Cal Water will only enter the Proposed Transaction with EDPR to facilitate the onsite solar project on the property. Cal Water requires mutual agreement with EDPR to the PPA terms for the project to enter into the lease agreement. The final terms and conditions of the Proposed Transaction and the PPA will include the limitation on the use of the property and express assumption of all risks, costs, and expenses related to the Proposed Transaction and PPA, among other things.

EDPR may not construct, operate, or maintain any facilities that interfere with Cal Water's facilities or use of portions near the Property that Cal Water uses and maintains in its day-to-day operations. This includes present and future uses of areas around the Property.

4. Financial terms of transaction (complete description):

In the Proposed Transaction, Cal Water intends to lease the use of the Property to EDPR for up to twenty (20) years consistent with the twenty (20)-year initial term of the PPA with options for two (2), five (5)-year extension options. Any PPA term extensions would include amendments to the lease or a new lease if the PPA continues past the initial term, and Cal Water would obtain all necessary Commission approvals to extend the lease prior to executing an extension to the PPA term. Cal Water will be purchasing power from EDPR throughout the term of the PPA at a rate lower than the rate charged by the local electric utility provider.

Cal Water has partnered with a third-party renewable energy consultant to represent Cal Water's interests in entering into the Proposed Transaction and PPA. The consultant has expertise on standard industry practices for land lease rates to solar developers to facilitate onsite PPAs. The consultant has indicated that a nominal amount is typically charged for consideration in the lease agreement; additional lease fees would in turn increase the electric rate charged by the solar developer to provide the electric service through the PPA. Therefore, to maximize the benefit of the electric cost savings from existing electric utility rates that would be passed on to customers, Cal Water proposes charging \$5.60/acre/month for the lease rate, which is consistent with 2024 lease rates in Kern County, California, for pastureland provided by the U.S. Department of Agriculture.²

² <https://quickstats.nass.usda.gov/results/A7B0484D-FAFB-38BD-8E24-9F542AAEAA60>.



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If the Proposed Transaction is approved, the rates for the lease are listed below:

EDPR Lease

<u>Period:</u>	<u>Minimum Annual Rent:</u>
2026 – 2046	\$5.60/acre/month
2046 – Expiration/Renewal	\$5.60/acre/month

The net present value (NPV) of the monthly rent through the final term of the Proposed Transaction is as follows:

EDPR NPV Rent Details

PV: \$33,005

Years: 20

Monthly Rent for Property: \$252

Discount Rate: 7.44%

Under these terms, it is estimated that there will be savings of approximately \$1.7 million over the term of the proposed lease due to the lower electricity costs achieved through purchasing electricity from EDPR. EDPR will bear their own costs and expenses to use the Property and to build and operate the Solar Project.

The proposed lease terms are in accordance with GO 173 Rule 3(g) which requires that, in order to be eligible for an advice letter filing, the value of the lease be under \$5 million and that the term of the lease not exceed 25 years. While the key terms of the proposed lease have been agreed-upon, the lease is not yet final. At the Commission's request, Cal Water can provide a copy of the final lease subject to confidential treatment.

5. Distribution of financial proceeds (description):

Cal Water will apply the nominal (\$5.60/acre/month) monthly rent received from the Proposed Transaction as a credit that will fully benefit customers in the Bakersfield District. Accordingly, in Cal Water's next general rate case, Cal Water will forecast the rent income from EDPR and create an offset to the forecasted expenses in the district (which decreases the revenue requirement).

This approach complies with the second option under Rule 3.c in GO 173 requiring that financial proceeds be "immediately divided between shareholders and ratepayers based on a specific distribution formula previously approved by the Commission" for Cal Water.

6. Impact on operating expenses, and effect on service to customers:

The use of the Property for construction of the onsite solar project made possible through this lease arrangement would reduce the operating expenses for the Bakersfield District largely due to a decrease in electricity costs for the Bakersfield Northeast Treatment Plant, with a slight nominal decrease in operating expense for the monthly rent customers would receive from



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EDPR for use of the Property. The Property Transaction would not impact the rate base of the Bakersfield District.

The onsite solar project would be located on a portion of the Property that Cal Water does not currently use. EDPR will design and operate the onsite solar project and its related equipment such that it will not interfere with Cal Water's facilities or operations. The onsite solar project would sit on the western portion of the Property outside of Cal Water's current treatment plant fence line while Cal Water's existing facilities sit on the eastern portion of the Property. The physical arrangement of the system would include a fence around the system separating Cal Water's facilities from EDPR's facilities, and the legal rights and interests under the Proposed Transaction are designed to avoid impacts to or interference with Cal Water's own use and operations on its property and for the benefit of Cal Water's customers and the public.

The proposed lease fees under the Proposed Transaction are designed to be nominal in order to maximize electric cost savings for Cal Water's customers. Charging a higher lease rate would be factored into the electricity rate Cal Water would be charged for the power produced by the onsite solar project. EDPR will bear all the costs of constructing, operating and maintaining the onsite solar project.

7. Documentation that transaction is eligible for GO 173 (see Rule 3):

EDPR is responsible for conducting all environmental reviews for the onsite solar project as the project developer in consultation with the appropriate lead agency, if applicable. As discussed herein, the Proposed Transaction in this advice letter filing will not require CEQA review by the Commission and will not have an adverse effect on the public interest or on the ability of Cal Water to provide safe and reliable service at reasonable rates. The transaction involves a lease, which is less than a fee interest in real property, with a fair market rental net present value that is less than \$5 million. Finally, in conjunction with the PPA, the transaction will decrease operating expenses for purchased power, Cal Water will not own the onsite solar project, and the approval of the Proposed Transaction will have no significant physical operational change to Cal Water's system. There are no relevant circumstances other than those described herein; therefore, this request for approval of the Proposed Transaction does not merit a more comprehensive review beyond this advice letter.

Environmental information (see Rule 4(m)):

Under Rule 3(a) of General Order 173, an Advice Letter is appropriate for proposed transactions that will not require CEQA review by the Commission as a lead agency because: (a) the proposed transaction is statutorily or categorically exempt; (b) the proposed transaction is not a "project"; or (c) because another public agency completed environmental review of the project as the lead agency and the Commission is only required to review the project as a responsible agency.

By definition, the Proposed Transaction is not a "project" under Public Resource Code § 20165, which defines a "project" as:



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. . . an activity which may cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment, and which is any of the following:

- (a) An activity directly undertaken by any public agency.
- (b) An activity undertaken by a person which is supported, in whole or in part, through contracts, grants, subsidies, loans, or other forms of assistance from one or more public agencies.
- (c) An activity that involves the issuance to a person of a lease, permit, license, certificate, or other entitlement for use by one or more public agencies.

In this case, EDPR is not a public agency, there is no entitlement for use by public agencies, and there is no direct physical change in the environment from the Proposed Transaction. The Proposed Transaction allows EDPR access to and use of the Property, but EDPR must complete all required environmental reviews and permitting to begin construction of the onsite solar project.

Tier Designation

This advice letter does not have a tier designation. In accordance with Rule 7 of GO 173, Cal Water requests disposition by the Director of the Water Division.

Requested Effective Date

Cal Water requests that approval of the Proposed License be granted 30 days from the submission of this advice letter.

Notice and Service

In accordance with Rule 5 of General Order 173, a copy of this advice letter will be transmitted electronically on **February 7, 2025** to interested parties that have requested such notification for the Bakersfield District (on the advice letter service list), the Water Division, the Public Advocates Office, the Energy Division, and relevant departments of the city and county in which the real property involved in the transaction is located (see attached Service List). *Please note that this advice letter will only be distributed electronically unless an e-mail address is unavailable.*

Response or Protest

Anyone may respond to or protest this advice letter. When submitting a response or protest, please include the utility name and advice letter number in the subject line. A response supports the filing and may contain information that proves useful to the Commission in evaluating the advice letter. A protest objects to the advice letter in whole or in part and must



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set forth the specific grounds on which it is based. These grounds are:

- (1) The utility did not properly serve or give notice of the advice letter;
- (2) The relief requested in the advice letter would violate statute or Commission order, or is not authorized by statute or Commission order on which the utility relies;
- (3) The analysis, calculations, or data in the advice letter contain material error or omissions;
- (4) The relief requested in the advice letter is pending before the Commission in a formal proceeding; or
- (5) The relief requested in the advice letter requires consideration in a formal hearing, or is otherwise inappropriate for the advice letter process; or
- (6) The relief requested in the advice letter is unjust, unreasonable, or discriminatory (provided such a protest may not be made where it would require relitigating a prior order of the Commission.)

A protest shall provide citations or proofs where available to allow staff to properly consider the protest. A response or protest must be made in writing or by electronic mail and must be received by the Water Division within 20 days of the date this advice letter is filed. The address for mailing or delivering a protest is:

Tariff Unit, Water Division, 3rd floor
California Public Utilities Commission,
505 Van Ness Avenue, San Francisco, CA 94102
water.division@cpuc.ca.gov

On the same date the response or protest is submitted to the Water Division, the respondent or protestant shall send a copy by mail (or e-mail) to Cal Water at the following address:

Natalie Wales
California Water Service Company
1720 North First Street,
San Jose, California 95112
E-mail: cwsrates@calwater.com

Cities and counties requiring Board of Supervisors or Board of Commissioners approval to protest should inform the Water Division within the 20-day protest period so a late-filed protest can be entertained. The informing document should include an estimate of the date the proposed protest might be voted on. The advice letter process does not provide for any responses, protests or comments, except for the utility's reply, after the 20-day comment period.

Replies: The utility shall reply to each protest and may reply to any response. Each reply must be received by the Water Division within 5 business days after the end of the protest period and shall be served on the same day to the person who filed the protest or response. If you



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have not received a reply to your protest within 10 business days, contact California Water Service Company at (408) 367-8200, and ask for the Rates Department.

CALIFORNIA WATER SERVICE COMPANY

/s/

Natalie Wales, Director of Rates

cc: Syreeta Gibbs (Public Advocates Office), PublicAdvocatesWater@cpuc.ca.gov

ATTACHMENT A



Onsite Solar (@ STA 216)

Bakersfield Water System

Legend



Solar Panel Location



CWS Station



1720 North First St
San Jose, CA-95112
(408)-367-8200



Bakersfield District

ADVICE LETTER FILING MAILING LIST
PER SECTION III (G) OF GENERAL ORDER NO. 96-A

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casalomawater@gmail.com

TIMOTHY RUIZ
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P.O. Box 6038
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truiz@eastnilescsd.org

CITY MANAGER'S OFFICE
City of Bakersfield
1600 Truxton Avenue
Bakersfield, CA 93301
admmgr@bakersfieldcity.us

Victory Mutual Water Company
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