S&P Global
Market Intelligence

American States Water Company NYSE:AWR

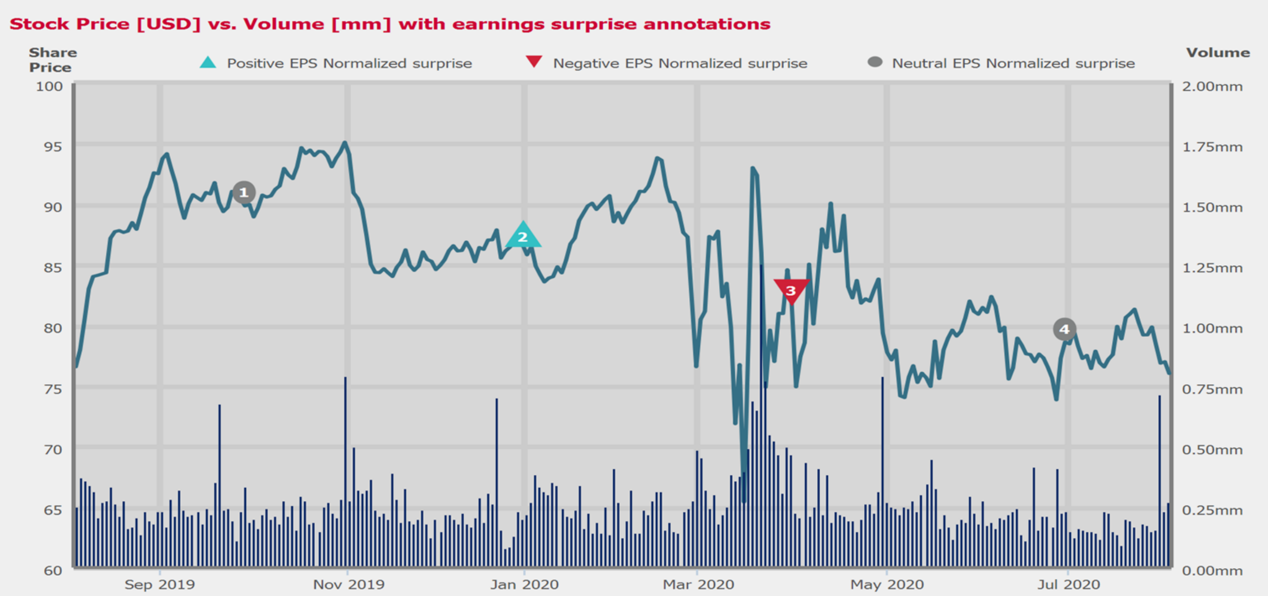
FQ2 2020 Earnings Call Transcripts

Tuesday, August 04, 2020 6:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2020-			-FQ3 2020-	-FY 2020-	-FY 2021-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.69	0.69	0.00	0.72	2.29	NA
Revenue (mm)	138.13	121.28	(12.20 %)	140.07	483.41	NA

Currency: USD
Consensus as of Aug-05-2020 12:15 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2019	0.69	0.69	0.00 %
FQ4 2019	0.38	0.45	18.42 %
FQ1 2020	0.43	0.38	(11.63 %)
FQ2 2020	0.69	0.69	0.00 %

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Call Participants

EXECUTIVES

Eva G. Tang
Senior VP of Finance, CFO, Corporate Secretary & Treasurer

Robert J. Sprowls
CEO, President & Director

ANALYSTS

Agnieszka Anna Storozynski
Seaport Global Securities LLC, Research Division

Jonathan Garrett Reeder
Wells Fargo Securities, LLC, Research Division

Presentation

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the American States Water Company conference call discussing the company's second quarter 2020 results. The call is being recorded. If you would like to listen to the replay of this call, it will begin this afternoon at approximately 5:00 p.m. Eastern Time and run through Tuesday, August 11, 2020, on the company's website, www.aswater.com.

The slides that the company will be referring to are also available on the website.

[Operator Instructions] This call will be limited to 1 hour.

Presenting today from American States Water Company is Bob Sprowls, President and Chief Executive Officer; and Eva Tang, Senior Vice President of Finance and Chief Financial Officer.

As a reminder, certain matters discussed during this conference call may be forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. Please review a description of the company's risks and uncertainties in our most recent Form 10-K and Form 10-Q on file with the Securities and Exchange Commission.

In addition, this conference call will include a discussion of certain measures that are not prepared in accordance with generally accepted accounting principles or GAAP, in the United States and constitute non-GAAP financial measures under SEC rules. These non-GAAP financial measures are derived from consolidated financial information but are not presented in our financial statements that are presented in accordance with GAAP. For more details, please refer to the press release.

At this time, I will turn the call over to Bob Sprowls, President and Chief Executive Officer of American States Water Company. Please go ahead.

Robert J. Sprowls
CEO, President & Director

Thank you, Andrea. Welcome, everyone, and thank you for joining us today. I'll begin with some recent developments for the company, Eva will review some financial details and then I'll wrap it up with some updates on regulatory activity, ASUS and dividends, and then we'll take your questions.

We have had many positive recent developments including strong financial results, the filing of our water general rate case, the spin-off of our electric utility business to a separate subsidiary of American States Water, some term debt financing at Golden State Water, a nearly 10% dividend increase, new company leadership at American States Utility Services, or ASUS, for short, continued strong credit ratings and uninterrupted service to customers despite the ongoing pandemic.

Our consolidated results for the second quarter of 2020 were $0.69 per share as compared to $0.72 per share for the second quarter of 2019. Included in the results for the second quarter of 2019 was the retroactive impact from a final decision on the water general rate case issued in May 2019, which totaled approximately $0.08 per share related to the first quarter of 2019.

Excluding the retroactive impact related to the first quarter of 2019, consolidated diluted earnings during the second quarter of 2020 increased by $0.05 per share or 7.8% compared to the second quarter of 2019.

We continue to invest in the reliability of our water and electric systems. For the 6 months ended June 30, 2020, we spent $53.2 million in company-funded capital expenditures. The water utility segment continues with its construction program, however, we have tried to avoid construction projects that would temporarily shut off water to customers.

The construction programs for the electric segment have largely not been negatively impacted. We estimate we'll spend $105 million to $120 million for the year at our regulated utilities, barring any further delays resulting from changes in Golden State Water's capital improvement schedule due to the COVID-19 pandemic. This would be about 3.5x our expected annual depreciation expense.

On July 1, 2020, Golden State Water completed the transfer of the electric assets and liabilities of its electric division to Bear Valley Electric Service, Inc. or BVSI, for short, a wholly-owned subsidiary of American States Water.

Last week, the Board of Directors announced a 9.8% increase in the quarterly cash dividend, which is the 66th consecutive calendar year with an increase in the dividend. Regarding any effects on our business, customers and employees related to the COVID-19 pandemic, we continue to provide the same high-quality uninterrupted water, electric and wastewater services to our customers. We continue to make special accommodations for our customers in this uncertain time, including suspending service disconnections for nonpayment. Through our emergency response planning, we were well prepared to enable many of our employees to work remotely and have made other adjustments as needed until restrictions begin to ease. We don't expect a significant earnings impact on any of our subsidiaries.

I'm pleased to announce our new Senior Vice President of ASUS, Stuart Harrison, who joined our team on July 20. Stuart brings a wealth of experience. He has a strong leadership background and a proven business development track record working with the Department of Defense. He most recently served as Senior Vice President, of infrastructure and engineering for Amentum, a leading contractor, which provides its federal government customers with essential services and mission support and equipment sustainment, information technology, nuclear and environmental remediation and threat mitigation, along with other services. Amentum was formally a division of AECOM but was sold to private equity in 2020. Stuart worked with Momentum and AECOM from 2011 through 2020. Prior to Amentum and AECOM, Stuart worked for Parsons Corporation, held various positions in the U.S. Army that spanned approximately 25 years, as a master of arts in national security and strategic studies from the U.S. Naval War College, a master of science and environmental engineering from Pennsylvania State University, and is a graduate of the U.S. Military Academy at West Point. Stuart will build our successful contracted services business as well as our strong reputation with the U.S. government.

Our goal remains to continue providing best-in-class service to the 11 military bases we currently serve and use our strong positioning to compete for new base contracts. I continue to be optimistic about our prospects going forward, that has only strengthened with the addition of Stuart.

I will now turn the call over to Eva to review the financial results for the quarter.

Eva G. Tang
Senior VP of Finance, CFO, Corporate Secretary & Treasurer

Thank you, Bob. Hello, everyone. Let me start with our second quarter financial results on Slide 9. Consolidated earnings for the quarter were $0.69 per share compared to $0.72 per share as reported for same period in 2019. As Bob mentioned, last year's second quarter earnings at our water segment were positively impacted by the CPUC final decision on the general rate case, with the new rates retroactive to January of 2019. The retroactive impact of the decision was reflected in the results for the second quarter. And of the consolidated company's $0.72 per share, $0.08 were related to the first quarter of 2019, which is shown on a separate line in the table on this slide.

Further impacting the comparability of the water segment's earnings between the 2 quarters, was the recording of a $1.1 million reduction to administrative and general expense during last year's second quarter, positively impacting earnings by $0.02 per share to effect the CPUC's May 2019 approval for recovery of costs previously expensed as incurred.

There was no similar reduction in 2020. The volatility in the financial markets due to the COVID-19 pandemic has resulted in significant fluctuation in the investments held to fund one of Golden State Water's retirement plan. Gains on these investments contributed a $0.04 per share increase in the water segment's earnings for the quarter.

Excluding the effect of these items, earnings for the second quarter of 2020 at the water segment increased by $0.01 per share as compared to the second quarter last year. The increase was due to a higher water gross margin from the new water rate and lower interest expense, partially offset by an increase in operating expenses and effective income tax rate.

Our electric segment's earnings for the second quarter of 2020 were $0.03 per share compared to $0.01 per share for the second quarter of '19. Largely due to an increase in electric gross margin resulting from new rates authorized by the CPUC in its decision on the electric GRC issued in August of 2019, which were retroactive to January of 2018.

Due to the delay in receiving the final decision, build electric revenue for the first 6 months of 2019 were based on 2017 adopted rates. Had the new rates being implemented timely on January 1, 2018, the earnings would have been $0.01 per share higher in the second quarter of 2019.

Earnings from our contracted services segment were $0.12 per share for each of the second quarters of 2020 and 2019. The increase management fee revenues and overall decrease in operating expenses were mostly offset by a decrease in construction activity during the second quarter of 2020.

Water revenues on this slide were $1 million lower during the second quarter of 2020 as compared to the same period in 2019. Again, due to the delay in receiving a final decision on the water GRC, as mentioned, the retroactive impact of CPUC decision was recorded during the second quarter of '19, which included approximately $3.4 million in revenue that related to the first quarter of 2019.

Excluding the retroactive effect, while the revenue increased $2.4 million for the quarter due to full second year step increases for 2020 as a result of passing the earnings test.

Electric revenues for the second quarter increased $300,000 to $7.7 million due to new rates approved by CPUC and effective January 1, 2020. In addition, billed revenue for the second quarter of '19 were based on 2017 adopted electric rates, pending a CPUC final decision under electric GRC, which was not received until August of '19 and was retroacted to January of 2018.

Contracted services revenue for the quarter decreased $2.6 million to $26.5 million, due primarily to a decrease in construction activity partially offset by increases in management fees due to the successful resolution of various economic price adjustments.

Looking at Slide 11. Our other electric supply costs were $26.3 million for the quarter, a decrease of $2.6 million from the same period last year. The decrease was partially due to a $1.7 million increase recorded in the second quarter of '19, which related to the first quarter of '19 to reflect the new adopted supply cost and corresponding while the revenue retroactive to January of 2019. The changes were part of the May 2019 CPUC's final decision on the water general rate case.

Total operating expenses, excluding supply costs, increased $3 million versus Q2 of '19, partially due to a $1.1 million reduction to reflect the CPUC's approval in May of '19 for recovery of previously-incurred costs that were being tracked in CPUC authorized memorandum count, as well as a $1.7 million decrease in depreciation expense recorded in the second quarter of '19 related to the first quarter due to lower authorized composite rate authorizing the water general rate case.

There were no similar reduction in 2020. There was also an increase in maintenance activity in all of our business segments. These increases were partially offset by a decrease in construction expense at ASUS due to an overall decrease in construction activity.

Interest expense, net of interest income and other income, including investments held in a trust to fund a retirement benefit plan decreased $3 million for the quarter due to higher investment gains as a result of recent market conditions. There was also a decrease in interest expense due to a decrease in interest rates, partially offset by higher average borrowings.

Slide 12 shows the EPS bridge for the quarter. Comparing the second quarter of 2020 with the same quarter of 2019.

This slide reflects our year-to-date earnings per share by segment, fully diluted earnings for each of the 6-month periods ended June 30, 2020, and 2029 -- 2019 were $1.07 per share. For more detail, please refer to yesterday's press release and Form 10-Q.

In terms of the company's liquidity, net cash provided by operating activities for the first 6 months of 2020 was $46.3 million as compared to $44.7 million for the same period in 2019. The increase in cash was due to deferrals of certain payroll income tax payments as a result of COVID-19 relief legislation. This increase was partially offset by a decrease in cash flow from accounts receivable by utility customers due to the economic impact of the pandemic and the suspension of service disconnection to customers for nonpayment.

Our regulated utilities invested $53.2 million in the company-funded capital projects during the first 6 months of 2020. While COVID-19 has caused delays in certain projects, our regulated utility are still planning to spend $105 million to $120 million in company-funded capital expenditure for the year, barring further delays during the pandemic.

On July 8, this year, Golden State Water completed the issuance of unsecured private placement notes totaling $160 million. Golden State Water used the proceeds to repay a large portion of its intercompany notes issued to the holding company, which allowed American States water to pay down short-term borrowings under its credit facility. As a result, American States Water took action to reverse its borrowing capacity back to $200 million, which was its original level when the facility was sized in 2018.

We also established a separate 3-year $35 million revolving credit facility for the Electric segment with the company option to increase it to $50 million. In June of 2020, Standard & Poor's Global Ratings affirmed an A+ credit rating with a stable outlook on both American States Water and Golden State Water Company. Also in June, Moody's Investors Service affirm its A2 rating with a stable outlook for Golden State Water. At this time, we do not expect American States Water to issue additional equity.

With that, I'll turn the call back to Bob.

Robert J. Sprowls
CEO, President & Director

Thank you, Eva. I'd like to provide an update on our recent regulatory activity. In July, Golden State Water filed a general rate case application for all of its water regions and the general office. This general rate case will determine new water rates for the years 2022, 2023 and 2024. Among other things, Golden State Water requested capital budgets in this application of approximately $450.6 million for the 3-year rate cycle and another $11.4 million of capital projects to be filed for revenue recovery through a letters when those projects are completed. A decision in the water general rate case is scheduled for the fourth quarter of 2021, with new rates to become effective January 1, 2022.

On July 3, the CPUC issued a proposed decision in the low-income affordability rulemaking, which is related to the low-income ratepayer assistance and affordability objectives contained in the CPUC's 2010 Water Action Plan. The proposed decision also addressed other issues, including matters associated with the continued use of the water revenue adjustment mechanisms, also known as the WRAM. If approved, California water utilities that use full decoupling WRAM accounts, including Golden State Water, would be required to replace their WRAM accounts with a limited price adjustment mechanism known as the Monterey-Style WRAM in their next general rate case filing. This proposed decision was originally scheduled to be on the commission's consent agenda for a vote this Thursday. However, it is currently on the hold list, which means it will not be decided this Thursday. The next CPUC meeting after this week is Thursday, August 27.

Management believes the proposed decision, if approved, should not have any impact on Golden State Water's WRAM balances during the current rate cycle, which includes years 2019 through 2021. Since its implementation in 2008, the WRAM has helped mitigate fluctuations in Golden State Water's revenues due to changes in water consumption by its customers. Replacing the WRAM with the mechanism recommended in the proposed decision would undo the current decoupling mechanism, which could result in more volatility in Golden State Water's future revenues and prevent full recovery of its authorized revenues. Golden State water filed comments to the proposed decision. At this time, management cannot predict the outcome of this matter, including its potential impact on the water general rate case application filed last month, which will set new rates for the years 2022 through 2024.

Turning our attention to our electric utility business. On July 1, of this year, Golden State Water completed the transfer of the electric utility assets and liabilities from its electric division to Bear Valley Electric Service, Inc. a wholly owned subsidiary of American States Water. This reorganization is not expected to result in a substantive change to American States Water's operations or business segments.

As you'll see from this slide, the weighted average water rate base, as adopted by the CPUC has grown from $717 million in 2017 to $916 million in 2020, a compound annual growth rate of 8.5%. The rate base amounts for 2020 do not include the $20.4 million of advice letter projects approved in Golden State Water's last general rate case.

Let's move on to ASUS on Slide 19. ASUS's earnings contribution for the quarter was $0.12 per share, consistent with last year. As we look ahead to the full year, we reaffirm our previous guidance for ASUS' 2020 earnings contribution of $0.46 to $0.50 per share. We are still involved in various stages of the proposal process at a number of military bases considering privatization of their water and wastewater systems. The U.S. government is expected to release additional bases for bidding over the next several years due to our strong relationship with the U.S. government as well as our expertise and experience in managing bases, we are well positioned to compete for these new contracts.

I'd like to turn our attention to dividends, outlined on Slide 20. Board of Directors last week approved a 9.8% dividend increase, increasing the annual dividend from $1.22 per share to $1.34 per share on American State's common shares. This is in addition to the 10.9% increase in 2019. This nearly 10% dividend increase reflects our Board's continued confidence in the growth and sustainability of the company's earnings. We believe achieving strong and consistent financial results, along with providing a growing dividend, allows the company to continue to attract capital to make necessary investments in the utility infrastructure for the communities and military bases that we serve and return value to our shareholders. American States Water Company has paid dividends to shareholders every year since 1931, increasing the dividends received by shareholders each calendar year for 66 consecutive years, which places it in an exclusive group of companies on the New York Stock Exchange that have achieved that result.

The company's current dividend policy is to achieve a compound annual growth rate in the dividend of more than 7% over the long term.
I'd like to conclude our prepared remarks by thanking you for your interest in American States Water. I'll now turn the call over to the operator for questions.

Question and Answer

Operator

[Operator Instructions] Our first question will come from Angie Storozynski of Seaport Global.

Agnieszka Anna Storozynski
Seaport Global Securities LLC, Research Division

Okay. So I wanted to ask a question, obviously, about this potential change to your decoupling mechanism. You mentioned that there wouldn't be any impact to your earnings through '21, which is obvious given that that's the duration of the current rates set up. Now you have always managed to earn your allowed ROE on the water side. Now given those changes that could happen on the decoupling side, is there anything you can do in the way you manage your business that would allow you to still hit your allowed ROEs without that WRAM mechanism in place? And also, is there anything in that filing you made in July of the next years that will allow you to have those additional, basically, levers to manage your earnings?

Robert J. Sprowls
CEO, President & Director

Angie, and good to hear from you. So let me start with the proposed decision that's out there. We believe the language in the proposed decision is fairly clear, first of all, that it would apply to the first general rate case filed after the date of the final decision. So we've filed our general rate case for 2022 through 2024. Right now, we don't believe the language in the proposed decision would apply but would require us to use the Monterey-Style WRAM for 2022 through 2024.

However, if the decision were to get changed, then we would need to basically refile our rate case. So sort of back to your original question about, is there anything we can do on that front? Well, introducing the Monterey-Style WRAM, I think, would cause us to change our rate design a bit. We would look to probably reduce the tier structure that's in our rates, therefore, make it a little easier for us to forecast our sales. It's really important when you have a Monterey-Style WRAM that you are able to achieve the sales forecast that you have included in your adoptive revenue requirement. So we sort of have to start, I believe, from Square 1 on -- in terms of designing our rates and perhaps, flattening the tiers so that the company is able to do a better job of forecasting sales. With the tiered rates, the significant tiered rates that we have, which, as you know, encourage conservation. It does make sales forecasting more difficult because you're not sure how much usage is going to be used at the higher tiers. So again, perhaps flattening the tier structure. And then although we spend a great deal of time trying to get the sales forecast right, I think the tiered structure makes it more difficult.

Agnieszka Anna Storozynski
Seaport Global Securities LLC, Research Division

Okay. Because I understand that the -- one of the consumer advocates has already suggested not to wait until the next rate case, but instead incorporate it in current or pending GRCs. I guess, in your case, it would be easier because you've just made a filing, and you could actually probably make some corrections, but it's my understanding that there are 2 other large water utilities with pending GRCs or pending decisions in their GRC. So I mean, I'm assuming that at the very least, the commission would apply any rule change to all of the utilities at the same pace instead of just somewhat penalizing you but not applying the same role to say, CWT or American Water's New Jersey -- I'm sorry, California utility, would you agree?

Robert J. Sprowls
CEO, President & Director

I would agree that if they are to move -- they won't -- I don't believe they'll move select companies to the Monterey WRAM. I think they would need to move. There's actually 4 of us that have full WRAM at this point, so they would need to move all 4 of us. How it affects their rent currently filed rates and their outstanding rate case, I'm really not the right person to sort of comment on that. But I just want to let you know, though, that it's not easy to go back and do rate design on our -- on a rate case, it's very, very complex. And so having to refile the GRC, if they require us to do that would be a difficult task, which we would be, of course, willing to do if we're expected to do that. Because the current filing we have with the commission and the current rate debt design we have filed with the commission for 2022 through 2024, does not anticipate moving to a Monterey-Style WRAM.

Agnieszka Anna Storozynski
Seaport Global Securities LLC, Research Division

Okay. That's great. And then secondly, on ASUS. So I understand that you have new management in place, and we're waiting probably for some new contract awards. Do you actually think that, that's still possible this year, given COVID? And given the changes in leadership, are you becoming more bullish about longer-term growth expectations for that business? You never really gave us the long-term growth, you just gave us this year's guidance. But if you comment about ASUS at all?

Robert J. Sprowls
CEO, President & Director

Sure. There's a number of privatization awards pending. And we haven't heard from the government that none of them are going to be awarded this year. So the expectation is still that we may see some awards before year-end. With regard to the new hire at ASUS, we're expecting big things from them. He's a very talented person, and we would be looking to sort of step up our game on the business development front. We've -- we're very good in that area, we believe. We're just, I would say, adding a little muscle to the team at this point. So looking forward to the future at ASUS.

Agnieszka Anna Storozynski
Seaport Global Securities LLC, Research Division

Great. And just last question. So we haven't had much of a growth to date in that business, and it's -- but you did maintain the guidance range. So I'm assuming that most of the growth happens in the remainder of the year? And also, as you see it right now, let's say, $0.03 annual growth in that business, do you think is sustainable? Or is it very lumpy depending on the -- on those contract awards?

Robert J. Sprowls
CEO, President & Director

Well, yes, I think it's a little bit lumpy because it is a bit of a function of new contract awards. Also, as you know, Angie, we're always trying to get more work on the bases we currently serve. We're also looking to try to get additional assets transferred to us on the basis we currently serve. And so there's really sort of 3 different avenues in terms of trying to grow the revenue stream. But clearly, we had a step-up in our revenue projection through winning the Eglin Air Force Base and Fort Riley. When you get new privatizations, it does make the growth easier, I'll have to say that.

Operator

[Operator Instructions] And our next question will come from Jonathan Reeder of Wells Fargo.

Jonathan Garrett Reeder
Wells Fargo Securities, LLC, Research Division

Robert and Eva. I think the midpoint of the new CapEx range is like $15 million lower than what your range was at the beginning of the year. Do you expect to make that shortfall up, perhaps, in like 2021?

Eva G. Tang
Senior VP of Finance, CFO, Corporate Secretary & Treasurer

I think it's $10 million.

Robert J. Sprowls
CEO, President & Director

Yes. I guess, it's $10 million from the -- it was $115 million to $130 million is now $105 million to $120 million. So $10 million. Yes, because, I mean, these are all projects that are approved, and it's just some of the struggles we're running into is just getting projects permitted and because of the pandemic. And then the other issue is we've avoided taking customers out of water. And so it would be a little bit of a function of COVID-19 and where that has. But we're making really good progress, I would say, on our capital plan despite the pandemic. So again, we would look forward to try and make that up in 2021.

Jonathan Garrett Reeder
Wells Fargo Securities, LLC, Research Division

Okay. Great. And then on the WRAM MCBA, hypothetically, they went away. What kind of like net income headwind would that have created for you maybe for full year 2019?

Robert J. Sprowls
CEO, President & Director

Well, so Jonathan, I think looking back is very difficult, given that our tier rates were structured with the full WRAM in mind. In other words, they're a lot steeper. And therefore, the forecast is sort of more difficult to forecast. So I don't know that it's -- it would be fair to even overlay on 2019 if the WRAM went away. I mean, we did have some under collections because sales were a bit lower than what was included in the rate case. But as long as we're able to -- allowed to adjust our rate structure, I think we can control that.

Jonathan Garrett Reeder
Wells Fargo Securities, LLC, Research Division

Okay. So you think going to the Monterey WRAM could be manageable if you do modify them -- that tier design? And I guess, you kind of push a little harder on the sales forecast to make it as reasonable as possible. You still think achieving or exceeding your allowed ROEs on a go-forward basis could be reasonable?

Robert J. Sprowls
CEO, President & Director

Yes. The PUC has always been pretty fair on these things. I don't think removing the full WRAM is the greatest thing for conservation. It's a real head-scratcher to me in terms of public policy. But if you start needing to flatten the pricing curves are the tiered rates. Then all of a sudden, perhaps you'll see increases in water use. But other companies that have the -- there's a few companies that have the Monterey WRAM that like it. I personally prefer the full WRAM because we're just used to it. So -- but it does come down to forecasting, and it does come down to tiered rates.

Jonathan Garrett Reeder
Wells Fargo Securities, LLC, Research Division

Right. And I mean, should we interpret anything in the fact that it was held that commissioners are maybe not expressing the same view as commissioner Guzman Aceves who pen the proposed decision or is it just too early to kind of tell how receptive your efforts to get the PD modified event?

Robert J. Sprowls
CEO, President & Director

Yes. It'd be difficult to speculate at this point. I think it's a little bit of a good sign that is being held. What caused that, I really don't know. I know perhaps some of the environmentalists are not fans of getting rid of the full WRAM. But it's a bit of a head scratcher to some of the folks as to what's driving this? It really doesn't help low-income customers because it basically reduces -- if you reduce the trio rates, the folks with the biggest property end up paying less. And for the same revenue requirement, that means others pay more. So I just -- I just don't understand it. But anyway, enough about that.

Jonathan Garrett Reeder
Wells Fargo Securities, LLC, Research Division

All right. Another question I had, completely unrelated, on the electric side, has the CPUC acted on Bear Valley's solar project application, I think a Q2 '20 decision had been expected?

Robert J. Sprowls
CEO, President & Director

They have not. We're working through that at this point. They are asking a number of questions about the solar facility. And so we're answering those questions and working through it. As you know, we have a settlement with public advocates on that particular project. But there's a few moving parts to it. So we'll just continue to work through that.

Jonathan Garrett Reeder
Wells Fargo Securities, LLC, Research Division

I didn't realize you did have a public advocate. I mean, was that for the project to move forward? Or how did that compare to your proposal?

Robert J. Sprowls
CEO, President & Director

Give me the last part of your question, Jonathan, sorry.

Jonathan Garrett Reeder
Wells Fargo Securities, LLC, Research Division

Just how does the settlement compare to your proposal? I wasn't aware that there was a settlement.

Robert J. Sprowls
CEO, President & Director

Yes. We have a settlement on it. Yes, it's -- we're fine with the settlement. The administrative law judge is asking questions and has -- he or she or their staff have a bit of a background in the solar area. So we're happy to answer any of their questions. It's just -- it's taking a bit of a while. And as you know, Jonathan, PUC is pretty focused on PG&E, wildfire, mitigation efforts, et cetera. So we're continuing to work with the PUC on the solar project. I mean, it's a long-term project, and we're very patient. So we're working hard to try to push it across the goal line here.

Jonathan Garrett Reeder
Wells Fargo Securities, LLC, Research Division

Right. But the public advocate is in support of you guys going forward with that project? I mean, is that what the settlement does say? And just trying to get the ALJ to support it at this juncture?

Robert J. Sprowls
CEO, President & Director

Yes. I mean, we have a settlement to move the project forward with public advocates.

Jonathan Garrett Reeder
Wells Fargo Securities, LLC, Research Division

Okay. And it's like the size contemplated roughly or?

Robert J. Sprowls
CEO, President & Director

Yes.

Eva G. Tang
Senior VP of Finance, CFO, Corporate Secretary & Treasurer

Yes.

Robert J. Sprowls
CEO, President & Director

That's kind of what we submitted.

Jonathan Garrett Reeder
Wells Fargo Securities, LLC, Research Division

Okay. Sorry, I wasn't aware of the settlement. Just -- yes, I didn't know if it was kind of an agreement with what you kind of submit it, which it sounds like it is.

Robert J. Sprowls
CEO, President & Director

Well, so -- okay. So there is a bit of a wrinkle, Jonathan, there. We had filed a solar facility where we were going to sell some of the power to the Big Bear area wastewater facility and the government entity that does wastewater up at Big Bear. And they do their own generation at this point, but they were going to come on as part of this. And they had a specified rate that they were willing to pay to become part of the project. Ultimately, public advocates did not like that rate. And therefore, the acronym is bar a lot, Big Bear area, regional wastewater authority. Yes, so they got taken out of the project because the price that was in the filing was sort of their price and public advocates wanted to increase the price to them. And so they backed out of the project, and then we were able to adjust the project and still get a settlement with the public advocates. Once borrower backed out of the project or because of that, we were able to get a settlement with public advocates. So it did incur a bit of a wrinkle along the way.

Jonathan Garrett Reeder
Wells Fargo Securities, LLC, Research Division

So it's a little smaller than what you're thinking, but.

Robert J. Sprowls
CEO, President & Director

Actually, it's still the same size.

Eva G. Tang
Senior VP of Finance, CFO, Corporate Secretary & Treasurer

Same size, about $14 million.

Robert J. Sprowls
CEO, President & Director

Yes, $14 million, yes.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Bob Sprowls for any closing remarks.

Robert J. Sprowls
CEO, President & Director

Yes. I just want to wrap it up today by thanking all of you for your participation. And we look forward to speaking with you next quarter. And thank you very much for your participation.

Operator
The conference has now concluded. Thank you for attending today's presentation, and you may now disconnect.