



For Immediate Release

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CLWA Takeover of Valencia Water Co. Leaves 116,000 Valley Water Customers without Government Representation

“Taxation without Representation” questions arise after recent ruling from the California Public Utilities Commission

April 8, 2014 (Newhall, Calif.) – More than 116,000 Santa Clarita Valley water users are now without government representation, according to a decision by the California Public Utilities Commission (CPUC) issued earlier this year.

The CPUC found the local water provider, the Valencia Water Co. (VWC), lost its oversight from the statewide utility regulator when it was acquired by Castaic Lake Water Agency (CLWA) in December 2012. The decision by the CPUC follows a yearlong investigation by two of its Administrative Law Judges and is effective immediately.

Valencia Water Co. does not have a publicly elected board of directors. Prior to the CLWA takeover, the interests of its customers were protected by the CPUC.

“This is akin to taxation without representation,” said Newhall County Water District Board of Directors President BJ Atkins. “The ratepayers of Valencia Water Co. still have to pay their bill, but have no elected representatives to listen to their concerns.”

Similar to a private electric or gas company, the operations and rates of VWC were regulated by the CPUC. However, when CLWA, a government agency, purchased 100 percent of VWC’s stock, it became a state-owned corporation, which falls outside the legal purview of the CPUC. As a result, VWC’s decisions are no longer subject to government oversight. Major financial decisions, including water rates, will be set by an appointed board of directors with no public accountability.

Broad Financial Impacts to the Region

To purchase VWC, the CLWA Board of Directors spent \$60 million of ratepayer money. This action has reduced funds available to CLWA for operational expenses and capital improvements. As a result, leaders for the Newhall County Water District are very concerned the Santa Clarita Valley water users will be forced to bail out the wholesale water agency.

“NCWD’s customers may very well end up paying for CLWA’s mistakes, which is an unacceptable outcome,” continued Atkins.

Legality of Acquisition, Transparency of CLWA Called into Question

The CPUC decision also noted CLWA’s acquisition of VWC raised questions under Assembly Bill (AB) 134 – state legislation passed and signed into law in 2001.

AB 134 brought to a close a similar set of concerns when CLWA purchased what was then the Santa Clarita Water Company (SCWC), formerly a private water provider. It prohibits CLWA from exercising retail water authority outside what was the service territory of SCWC. The final CPUC decision confirmed that VWC’s retail water service area falls outside the boundaries identified by AB 134, stating:

“The practical implication of this is that [CLWA] may not be able to rely on its authority ... to engage in retail sales, at least to the Valencia customers located outside the geographic area described in AB134.” (PUC Investigation No. 13-01-003, Administrative Law Judges Todd O. Edmister and Douglas M. Long)

As a result, CLWA has no legal authority to operate VWC.

“The law is crystal clear: CLWA cannot operate Valencia Water Co.,” said Atkins. “AB134 was enacted to help ensure monies paid to CLWA are used for wholesale water service exclusively, not to acquire and operate other entities.”

AB 134 was passed unanimously in 2001 and was sponsored by CLWA at the time of its passage. Litigation challenging CLWA’s acquisition of VWC under AB 134 is currently pending in Los Angeles Superior Court.

The CPUC decision also expressed concerns with the process by which CLWA acquired VWC. It noted CLWA’s board members were given only one day’s notice of the meeting where the acquisition was approved; a condemnation action was filed the next day; and less than a week later, a settlement agreement was filed with the court, on the last Wednesday before the Christmas and New Year’s holidays.

The Monopolization of the Valley’s Water

In addition to serious legal concerns, the purchase of VWC moves the Valley one step closer to a water monopoly. If the sale were permitted, more than 80 percent of all water connections in the Santa Clarita Valley would be under the authority of CLWA – a number it has looked to increase through its “One Valley, One Water” initiative.

However, CLWA was created to serve a very specific role: acquire and treat imported water and deliver it to the Santa Clarita Valley’s four retailers. Conversely, retail districts, like NCWD, must ensure a reliable, high-quality water supply for customers, regardless of its source. This creates a serious conflict of interest, as NCWD continues to pursue local sources including

responsible pumping of groundwater which it can provide at 20 percent of the cost of CLWA water. This reduces the need for and overall cost of imported supplies.

Meanwhile, CLWA has a financial interest in selling as much imported water as possible, even when this source is five to ten times the cost and less reliable. Earlier this year, the state's water allocation to CLWA was cut to zero percent.

Next Steps

The Newhall County Water District remains opposed to the acquisition of VWC by CLWA. It is working proactively to ensure its ratepayers are protected from additional costs, debt or reduced levels of service as a result of this action. More information on these efforts will be available soon.

For more information on the CPUC's decision and its impacts on Valley water users, please refer to the attached Issues Overview.

About Newhall County Water District

Newhall County Water District traces its roots back to 1913 and is the Santa Clarita Valley's first public water utility, currently providing service to more than 44,400 residents in the City of Santa Clarita and unincorporated Los Angeles County communities, including portions of Newhall, Canyon Country, Valencia, and Castaic.

For more information about the District, visit www.ncwd.org.

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