

May 29, 2019

California Public Utilities Commission  
Public Advisors office  
505 Van Ness Avenue  
San Francisco, CA 94102

**Re: California American Water Company Application A.18-09-013**

Dear Public Advisor's office:

The purpose of this letter is to express the City of Thousand Oaks (City) strong opposition to spreading costs associated with the purchase of the Bellflower Municipal Water System (BFMWS) over California American Water Company (Cal Am) Ventura District customers.

In December 2017, Advice Letter (AL) 1188 was filed by Cal Am with the CPUC, requesting approval to purchase BFMWS. The City received a copy of this AL, which noted that the purchase cost would only be spread across Cal Am's LA County District, with an estimated impact of \$2.25 per month per customer. As the AL indicated this action would not affect Ventura District customers (Thousand Oaks residents), the City did not comment nor seek status in the proceeding.

In September 2018, Cal Am filed application A.18-09-013. The City did not receive notification of this filing as it was not on the service list. The application is for approval of the BFMWS acquisition, and states that Bellflower customers would benefit from a 21 percent rate decrease, among other things. The application does not specifically mention how the purchase cost would be spread, but implies that all Cal Am customers state-wide would somehow receive benefits and see only minimal rate impacts.

In March or April 2019, a Notice of Application was received by some customers in the Cal Am Ventura District. The City, a Cal Am customer with over 150 service accounts, did not receive this notice, nor did the undersigned who is also a Cal Am residential customer. The City only became aware of this notice when a Thousand Oaks resident opposed to the rate increase contacted us. The notice states, "The integration of the Bellflower Municipal system into California American Water's systems is expected to benefit existing customers by creating synergies and spreading costs, rates, etc. over a larger service area." The notice goes on to indicate that all Cal Am water customers would see an approximate 1.31 percent increase in water rates beginning January 2021 due to the BFMWS acquisition.

On May 22, 2019, a Notice of Public Participation Hearing was received by the City, and the undersigned at his residence on May 23, 2019. The notice states, "The application was recently revised based on the CPUC decision in California American Water's 2016 General Rate Case." The notice goes on to indicate that all Cal Am water customers would see an

approximate 0.5 percent increase in water rates beginning January 2021 due to the BFMWS acquisition.

In its decision D 18-12-021 regarding Cal Am's 2016 GRC, the CPUC denied the consolidation of the Ventura, Los Angeles and San Diego Districts because Cal Am failed to meet its burden of proof regarding the consolidation proposal. The decision points out that, while Cal Am generally asserts that the proposed consolidation advances various public interest objectives, Cal Am did not address the specific facts and circumstances for its Southern Division, nor did Cal-Am address the public interest benefits that would be achieved in light of proximity, rate comparability, water supply, or operation of the districts. In the BFMWS proceeding, Cal Am states the acquisition would benefit existing customers by "creating synergies and spreading costs, rates, etc. over a larger service area." However, these general assertions are similarly not addressed with specific facts and circumstances for its state-wide customer base. Accordingly, as in its 2016 GRC consolidation proposal, Cal Am has similarly failed to meet its burden of proof regarding the BFMWS acquisition proposal.

Cal Advocates in its Initial Report dated April 26, 2019 provided analyses and recommendations regarding the Cal Am purchase proposal. The City concurs with one point from the report in particular. In as much as Cal Am proposes to spread a portion of the purchase price over existing Thousand Oaks (and other) customers, setting a reasonable value for the water system sale is especially important when both the buyer and seller are financially incentivized towards a higher valuation. In other words, if Thousand Oaks residents must subsidize this acquisition, they would want the cost to be as low as possible.

Costs incurred by Cal Am as the result of the purchase of BFMWS should not be passed on to Thousand Oaks residents, as specific benefits are not demonstrated and justified in Cal Am's application. The lack of notification by Cal Am to all its Ventura District Customers, and the changing narrative of how and where the BFMWS purchase cost would be spread, are also a concern, as full participation in this proceeding was missed by the City due to this lack of transparency.

The City does not object to the sale of the BFMWS to Cal Am, but strongly urges the CPUC to deny approval to spread the purchase cost over existing Ventura District (Thousand Oaks residents) customers.

Please feel free to contact me at 805-449-2444 or [jspurgin@toaks.org](mailto:jspurgin@toaks.org) if you have any questions.

Sincerely,

Jay T. Spurgin, P.E.  
Public Works Director

C: Cal Advocates