

**Summary California American Water Company  
Application to Purchase Bellflower Municipal Water System  
CPUC Case A1809013**

*Background*

In 2016, City of Bellflower solicited proposals for the sale of the City owned Bellflower Municipal Water System. California American Water Service was selected as the successful bidder. Bellflower voters approved the sale in 2016 and City Council approved the sale in 2017.

City of Bellflower made the decision to sell the water system because the system was not self-supporting and required transfers from the City's General Fund to remain financially solvent. The cost of capital improvements exceeded \$25 million dollars and Bellflower did not have the financial means to pay for the improvements.

*2010 U.S. Census*

	<b>City of Thousand Oaks</b>	<b>City of Bellflower</b>	<b>Difference</b>
<b>Median Income</b>	\$103,793	\$52,944	50%
<b>Wholesale sales</b>	\$5,097,661	\$98,437	98%
<b>Retail Sales</b>	\$2,880,594	\$551,517	80%
<b>Population</b>	127k	76k	
<b>Sq Miles</b>	55	6	
<b>Population/sq mi</b>	2,302	12,525	80%

*Water Companies in City of Bellflower*

	<b>No Customers</b>	<b>Percentage</b>
<b>Bellflower Municipal Water System</b>	1,827	10%
<b>Bellflower-Somerset Mutual Water Company</b>	6,938	61%
<b>Liberty Utilities</b>	2,843	25%
<b>Bellflower Home Garden Water Company</b>	455	4%

*Summary Cal Am Application to CPUC*

In their application to the CPUC, Cal Am sets forth their credit worthiness and indicates they serve approximately 630,000 people in 50 communities. Cal Am states customers in Bellflower will benefit from economies of scale and see a 21.1 percent decrease in their rates because costs can be spread amongst all customers, system wide.

Reasons the CPUC should approve the purchase:

- Legislative Declarations and other resolutions support the sale.*  
Per Cal Am, pursuant to Public Utilities Code section 2719 and SWRCB Resolution 2008-0048, the public benefits from the sale. PUC Code 2719 states the Legislature declared public water systems face the need to upgrade and they are providing water corporations with incentives to provide benefits to ratepayers through economy of scale. Resolution 2008-0048 states the public interest is benefitted by the transfer, so the application should be approved. The Commission's water action plan supports application approval.
- Bellflower Customers will have access to low-income water programs.*  
Cal Am has a low-income program, MWS does not.
- Bellflower customers will benefit from conservation programs.*

Cal Am will work one on one with customers and audit high consumption connections.

4. *Cal Am's acquisition of MWS will reduce regulatory workload.*

It decreases the number of independent systems that regulators must deal with, allowing for more centralized, efficient reporting.

5. *Proposed rate making is reasonable*

Purchase price of \$17 million is reasonable and meets definition of fair market value. The replacement costs new less depreciation (RCNLD) is \$20,945,831.

Rates for MWS customers won't be raised until 12:01 a.m. PST on January 1, 2021.

PUC Code Section 2720(a)(2) allows Cal Am to use the fair market value for rate making. They request the Commission authorize the inclusion of the full purchase price into Cal Am's rate base. The acquisition benefits ratepayers. If the acquisition is not approved prior to July 2019, Cal Am requests memorandum accounts and will include costs in the July 2019 GRC.

Jay S. notes-

Water system valuation (2014)= \$20M, incl \$3M well + \$13M grndwtr rights, using RCNLD  
needed improvements (2014)= \$26M, COP debt (2018)= \$8.2M, City GF subsidy= \$2.7M,  
City grants received/must repay= \$1.5M

Cal Am purchase bid 6.7.16= \$17M, purchase agrmnt 11.27.17, incl 700afy gndwtr rights  
BFMWS annual rpt 9.11.17- 9 separate service areas, 1829 customers, 1 well, 15 mi pipes,  
636afy consumpntn, 986afy gndwtr rights, avg bill 24hcf/\$113/bimo

AL1188 12.27.17- CTO received, request to approve BFMWS purchase by CAW, costs  
spread across only LA Co District @ +\$2.25/mo/customer

Application A.18-09-013 9.14.18- CTO did not receive notice, consolidate this purchase in SoDiv  
for ratemaking in 2019 GRC, state policy promotes purchase, economies of scale, LIRA,  
conservation, benefits to BF customers, benefits/minimal impacts to other customers(?)

Notice of Application Mar(?)2019- ?sent to all CAW customers/service list? CTO/Jay did not  
receive, indicates 46% of \$17M purchase cost (\$8M) to be recovered from all CAW  
customers @ +1.31% (+\$0.79/mo/customer), \$365k/yr from TO customers

Cal Advocates Initial Report 4.26.19- purchase price 2X comparable/4X per-customer investmnts,  
City BF relieved of \$45M liabilities (\$9M debt+\$36M capital), \$25k/customer way high (compare  
CTO water -0- debt + 5 yr CIP \$37M/17k customers = \$2k/cust), City BF nets \$12M for soccer  
flds/pools/pkg lots/museums, all 176k CAW customers pay +\$0.60/mo (\$1.3M/yr),

CalAdv recommends Commission deny approval of BFMWS purchase

Call from BBarreto- notified by Cal Advocates of TO concerns

Cal Am Rebuttal 5.10.19- technical discussion about valuation methodology, City Mgr assertions

Cal Adv report is inaccurate wrt City past positions, rate increase concerns, purchase cost set  
by market (bidding) so profits not an issue

Notice of PPH recd 5.22.19- Wed 5.29.19 7:00pm, Simms Park Auditorium, 16614 Clark Av, Bellflower