



FILED

01-31-13
03:04 PM

DUG/sbf 1/31/2013

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Valencia Water Company(U342W) a Corporation, for an Order Authorizing it to Increase Rates Charged for Water Service in Order to Realize Increased Annual Revenues of \$4,013,000 or 15.97% in a Test Year Beginning January 1, 2014, \$858,000 or 2.93% in a Test Year Beginning January 1, 2015, and \$1,270,000 or 4.23% in an Escalation Year Beginning January 1, 2016, and to Make Further Changes and Additions to Its Tariff for Water Service and for other Items as Requested in this Application.

Application 13-01-003
(Filed January 2, 2013)

Santa Clarita Organization for Planning the Environment, a California non-profit corporation, and Friends of the Santa Clara River, a California non-profit corporation,

Complainants,

vs.

Valencia Water Company, a California corporation (U342W) and Castaic Lake Water Agency, as Valencia Water Company's sole shareholder,

Defendants.

Case 13-01-005
(Filed January 4, 2013)

(UNCONSOLIDATED)

ADMINISTRATIVE LAW JUDGE'S RULING REQUIRING APPLICANTS TO FILE PURSUANT TO PUBLIC UTILITIES CODE SECTION 851 FOR AUTHORITY TO TRANSFER CONTROL OF A PUBLIC UTILITY

In accordance with the Rate Case Plan for Class A Water Companies as adopted and modified by the Commission's Decision (D.) 04-06-018 and D.07-05-062, and Rule 6(a), Article 4, and Article 6 of the Commission's Rules of Practice and Procedure, Valencia Water Company, a California Water Corporation, (Valencia) filed its general rate case application for Test Years beginning January 1, 2014 and January 1, 2015, and for an Escalation Year beginning January 1, 2016.

Valencia asserts in the application that the Castaic Lake Water Agency (Agency), a public agency that obtains water from the State Water Project for sale on a wholesale basis to Valencia and other retail water purveyors in the Santa Clarita Valley, is pursuing a Superior Court action in eminent domain with the intention of acquiring all the capital stock of Valencia. Valencia further states that it expects that this change of ownership and control is likely to be completed no later than early 2013. (Application at 28.)

Thus Valencia disclosed in its general rate case application that it is transferring control of the utility from the currently authorized owners to the Agency. However, California Public Utilities (Pub. Util.) Code § 851 clearly requires approval by this commission before any transfer of control may legally occur. There is no specific exception in § 851 for acquisitions by public agencies. Although § 853 allows the commission to exempt a transfer, Valencia has failed to file to date either for an exemption under § 853 or for proper authority under § 851. Therefore Valencia must file an application for the transfer of control

pursuant to all relevant code requirements no later than 14 days from the date of this ruling. All parties are put on notice that any transactions that may occur or may have occurred without permission from the commission may be void.

In Case 13-01-005 Complainants, Santa Clarita Organization for Planning the Environment and Friends of the Santa Clara River, raise numerous violations of state law, Commission rules and the Pub. Util. Code by transferring control of Valencia to Agency. Although on first impression not every allegation in the complaint is likely to be subject to this commission's jurisdiction, it is clear that transfers of control of a public utility are within our jurisdiction. Therefore we expect Defendants Valencia and Agency to answer the complaint.

Valencia and Agency are normally allowed 30 days to reply in their formal Answer to the issues and allegations contained in a formal complaint. The unique nature of a public utility, its assets, its public obligation to serve customers, and its valuable water rights, all give us concern to ensure that this complaint is answered promptly and fully. It is foreseeable that the transfer of control of a public utility could have significant financial and safety implications for the customers served by Valencia. A delay in addressing the complaint could lead to serious and irreparable harm to ratepayers and to the state of California generally. This affirms electronic rulings which instructed Valencia and Agency to timely answer the complaint.

Therefore **IT IS RULED** that:

1. Valencia Water Company must file and serve an application for a transfer of control pursuant to California Pub. Util. Code § 851 and any other applicable code provisions. This application must be filed no later than 14 days from the date of this ruling.

2. Valencia Water Company and Castaic Lake Water Agency must timely file and serve a full and complete answer to Case 13-01-005.

3. All parties and persons of interest are hereby put on notice that any transfer of control of Valencia Water Company to Castaic Lake Water Agency or any other entity may be void absent specific authority granted by this Commission.

Dated January 31, 2013, at San Francisco, California.

/s/ DOUGLAS M. LONG

Douglas M. Long
Administrative Law Judge