

SCOPE

Santa Clarita Organization for Planning and the Environment

TO PROMOTE, PROTECT AND PRESERVE THE ENVIRONMENT, ECOLOGY
AND QUALITY OF LIFE IN THE SANTA CLARITA VALLEY

POST OFFICE BOX 1182, SANTA CLARITA, CA 91386



7-28-16

Press Release on the Appellate Court Decision in SCOPE v. CLWA – the illegal acquisition of the Valencia Water Company

SCOPE will be petitioning the Supreme Court to review this decision because we believe it was wrongly decided for the following reasons:

First, Castaic Lake Water Agency was formed in 1962 to deliver state project water to the Santa Clarita Valley. When it was established by a special act of the State Legislature, Section 15 of the Act stated that “The agency may acquire water and water rights, including, but not limited to, water from the State of California under the State Water Resources Development System, and provide, sell, and deliver that water at wholesale only [emphasis added]...”. CLWA was not set up to take over local retailers. The Court has just ignored this statutory language in CLWA's enabling act.

Second, the Decision will unintentionally broaden the Constitution in a way that the voters did not intend. A ballot measure that applied to the acquisition of only small mutual water companies by public agencies is now being applied to huge money making corporations. So what this Court has now said is that it is all right for CLWA (or other agencies) to own stock and for CLWA to continue to receive some \$200,000 a quarter in dividends from Valencia Water Company ratepayers and raise their rates if Valencia Water can't afford the dividends. The constitution has never allowed a public agency to own stock in a money making enterprise and receive dividends from a private enterprise. Now it appears public agencies may be able to go into business for profit just like corporations.

Last, the Decision completely ignores the State legislation passed in 2001 to settle the illegal acquisition by CLWA of Santa Clarita Water Company. That legislation said that CLWA could not sell water at retail outside the boundaries of Santa Clarita Water Co. unless the legislature granted them permission to extend those borders. No such permission has been granted.

SCOPE continues to believe that this acquisition is illegal and harms the rate payers of Valencia water company by creating a monopoly that will result in an unfair rate structure and may unfairly distribute our valley's water supply.

What are the implications for the merger ie what message is being sent by this ruling?

The merger is still illegal. What this Decision said, was that it was all right for them to own the stock because the two companies are NOT merged. (We disagree with the analysis the Court used to reach this conclusion). However, now if they merge, they will be openly and indisputably in violation of the law.

Lynne Plambeck
President Santa Clarita Organization for Planning and the Environment