

## Ojai Valley News Blog

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# OJAI VALLEY NEWS

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## GSWC Must Pay Customers \$12M

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*Water company also fined \$1 million*

### **By Logan Hall**

Ojai's Golden State Water Company customers may soon be getting a break on their water bills. GSWC came under fire this month as the California Public Utilities Commission went public with information about a \$12 million settlement regarding Golden State contracts that included the Ojai area.

According to settlement documents, Ojai customers stand to be repaid \$1.2 million by GSWC through "surcredits" in monthly bills over a 36-month period. Customers would begin to see the changes in their bill after the CPUC reviews and accepts the proposed settlement, which could take several months.

According to GSWC records, \$23.7 million was paid by Golden State to Richardson Engineering Company for more than 100 contracts primarily in Region 1, which includes Ojai, dating back to 1989. The commission concluded that many of those contracts violated competitive bidding policies, which, in turn, affected Golden State's ratepayers. "GSWC's inclusion of the \$23.7 million in the calculation of rates has exposed GSWC's customers to unjust and unreasonable charges, and up to \$31 million of past ratepayer harm," read the CPUC's report. The report also indicates that Golden State will have to pay a \$1 million penalty to the state of California.

The trouble began in 2003 for Southern California Water Company, which became Golden State in 2005, after senior management found that two of the company's executives had awarded contracts to Richardson Engineering without following proper competitive bidding protocol. According to the report, GSWC fired the executives in question, and then launched an internal investigation without notifying the CPUC, which was also deemed by commission staff to be a violation.

When pressed for answers, Golden State had an outside source handle questions regarding the settlement. The Saylor Company, which is a public relations firm that specializes in, as they advertise on their website, "high stakes problems," responded to the OVN's questions with a general press release from GSWC which included a statement from Robert Sprowls, president and CEO of Golden State's parent company, American States Water Company. "I am pleased that we were able to reach an agreement that is good for all parties," stated Sprowls. "The settlement reflects our commitment to our customers ..."

The nonprofit organization Ojai Friends of Locally Owned Water has been fighting to remove Golden State from Ojai due to rapidly increasing water rates and has a different opinion on the company's tactics. "Not only was Golden State doing something wrong," said Ryan Blatz, Ojai F.L.O.W. representative, "they covered it up. They got fined \$1 million. There's a

lot of admitted culpability when you are talking about that much money in fines and settlements. They know they did something wrong.”

When asked why Golden State did not report the findings of its internal investigation, which concluded that ratepayers could be adversely affected, Saylor representatives referred to section 2.7 in the settlement document which reads, “... GSWC evaluated whether it was obligated to report the results of its REC (Richardson Engineering) investigation to the commission. After analysis, including consultation with its former regulatory counsel, GSWC determined that it had no such obligation ...”

In 2007, Golden State representatives informed the CPUC about the internal investigation and their failure to disclose the information to the commission. This prompted the CPUC to conduct an investigation of its own.

The commission found that Golden State, after concluding their internal investigation, continued to file for applications of rate increases that commission staff found to be, “excess costs associated with the Richardson Engineering Company contracts ...”

The city of Ojai decided to take a formal stance on the issue by becoming a party to the action, which gives any comments made by the city official status with the CPUC in the case against Golden State. “We told the commission that our situation needs to be looked at as they go through this process,” said Ojai city manager Rob Clark. “We made a general argument that (GSWC) ratepayers in Ojai are paying excessive rates. Being a party to the action, they have to take our comments into consideration.”

The CPUC will review the settlement and decide on approving it, possibly by the end of the year.

“This settlement is just with one company,” concluded Blatz. “They (GSWC) are going to be audited for everything. Who knows what that is going to turn up. They really got caught with their hand in the cookie jar.”

Written by admin

July 11th, 2011 at 8:01 pm

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1. “I am pleased that we were able to reach an agreement that is good for all parties,” stated Sprowls. “The settlement reflects our commitment to our customers ...”

Priceless!



[Suza](#)

11 Jul 11 at [9:01 pm](#)

2. Jesse James was more honest than GSW..