

Water company agrees to \$2.5 million settlement with Simi, Ojai customers

By Mike Harris

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In a proposed settlement with the California Public Utilities Commission, the Golden State Water Co. has agreed to pay \$12.5 million in rate refunds and reductions to customers throughout the state, including \$2.5 million to Simi Valley and Ojai customers.

Under the deal made public last week, the company's some 13,300 Simi Valley customers will receive \$993,167 in rate refunds amortized over 24 months and \$267,457 in rate reductions. The company's roughly 2,900 Ojai customers will receive \$986,463 in rate refunds amortized over 36 months and \$250,651 in rate reductions.

In a statement released Monday, the San Dimas-based company said it also will pay a \$1 million fine and has agreed to undergo three independent audits over the next 10 years.

The proposed settlement stems from a commission investigation that found evidence that from 1989 to 2010, Golden State included in rate calculations \$23.7 million in costs associated with more than 100 contracts it awarded to an outside engineering firm.

The investigation concluded that many of the contracts awarded to the Richardson Engineering Co. were done so in violation of Golden State's procurement policy, including lack of competitive bidding and appropriate documentation, according to a joint commission/company motion for adoption of the proposed settlement.

The investigation found that the water company paid the engineering firm "in excess of fair market value" for several of the contracts.

"Commission staff determined that GSWC's inclusion of the \$23.7 million in the calculation of rates has exposed GSWC's customers to unjust and unreasonable charges," the motion states.

It continues that Golden State fired two company executives over the awarding of the contracts without competitive bidding.

Golden State disputed many of the commission staff's findings, yet agreed to the

proposed settlement “to avoid the uncertainty of a costly legal battle,” according to the company’s statement.

Among other findings, “GSWC disputed commission staff’s findings that the failure to comply with GSWC’s internal procurement policy necessarily resulted in harm to ratepayers, and that customer rates have been impacted by excess costs associated with (Richardson Engineering) contracts,” the motion states.

In 2004, after learning that six of the Richardson Engineering contracts exceeded the estimated fair market value, Golden State considered reporting that finding to the commission, but decided it was not legally obligated to do so, the motion states. Commission staff is recommending the company be penalized for not reporting it under the Public Utilities Code.

Golden State President and CEO Robert Sprowls said Monday that he was pleased with the proposed agreement “that is good for all parties.

“The settlement reflects our commitment to our customers, who will be the greatest beneficiaries of this agreement, and our recognition of the importance of maintaining positive relations with the CPUC,” he said in the company’s statement.

Sprowls added that the company “long ago put in place safeguards to ensure that such a problem would not happen again.”

The PUC must approve the proposal to finalize the deal. It is expected to consider the matter in the next few months, said Jason Zeller, a commission attorney.

Ojai FLOW, a volunteer group that is urging the Casitas Municipal Water District to buy Golden State Water, which is owned by the American States Water Co., lauded the proposed settlement. Casitas is a public agency that provides water to some parts of the Ojai Valley.

“We are glad Golden State Water Company practices have been revealed and hope such investigations will continue,” Ojai FLOW chairman Pat McPherson said in a statement released Monday. “I am sure the stock holders of American State’s Water will not be happy to pay back this money and may change their mind about investing in a company that has such poor ethics and strong opposition by its customers in Ojai.”

In an interview, McPherson said about 2,000 registered Ojai voters have signed petitions in support of his group’s push for Casitas to take over Golden State, while the city of Ojai and the Ojai Unified School District have passed similar resolutions.

Under the settlement, customers in the Sacramento County communities of Arden Manor and Rancho Cordova will receive the largest amount: \$4.8 million.





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