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Good Morning, here is the article written by Michael Hiltzik, that appears on Section B, Page 1. In addition, talk on Claremont's Measure W will be featured between 10 - 10:30 this morning.

According to his published bio, Hiltzik has written extensively for the Los Angeles Times. In 1999, he won a beat reporting Pulitzer Prize for co-writing an article about corruption in the music industry. In 2004, he won a Gerald Loeb Award for Distinguished Business and Financial Journalism.

Firm tries to drown buyout

MICHAEL HILTZIK

Self-preservation is the most basic instinct in nature.

For Golden State Water Co., it also has a price: \$300,000. That's about how much the water system is spending to defeat a Claremont ballot measure enabling the city to try to seize its local water system by eminent domain and convert it to a municipal service. The San Dimas-based corporation is overwhelming the opposition, which has assembled a war chest of about \$30,000. For Golden State, that's chump change: The firm collected \$359 million last year from water customers in 75 California communities and recorded a profit of \$48.6 million.

"They're obviously trying to maintain an asset they think is quite valuable," says Claremont Mayor Joe Lyons. "No doubt it is."

In spending so heavily in its corporate self-interest, Golden State is following a California electoral tradition. We've been reporting on Chevron's \$3-million campaign to unseat several City Council members unfriendly to the company in Richmond, where Chevron has a big refinery. Looking back to 2010, Pacific Gas & Electric spent \$46 million to pass Proposition 16, its handcrafted statewide ballot measure to hamstring the creation of public municipal electric systems, some of which would compete with PG&E.

Proposition 16 failed. But that same year the liquor, tobacco and oil industries joined in a successful \$18-million effort to pass Proposition 26. That measure made it more difficult for the state to impose fees on those industries (and others) to fund regulatory agencies.

Claremont's effort to take over its private water company is also a California tradition: Los Angeles did so in 1902, and formed its public power system in 1917, creating the present-day Department of Water and Power.

That brings us to Claremont's Measure W, which will appear on next month's ballot. Measure W doesn't actually mandate an eminent domain seizure. It authorizes the city to issue a revenue bond of up to \$135 million if Golden State's water system is purchased, either by negotiated sale or eminent domain. The bond

- only in the amount needed to complete the deal
- would be repaid from water rates.

The city has appraised Golden State's system at \$55 million; Golden State says the real value is considerably higher, though the company hasn't specified a price. The system is not for sale, it says.

Golden State has obvious incentives to fight the measure. The commercial water business is thriving. Despite the California drought, the firm is guaranteed a healthy return on its investment by the state Public Utilities Commission, which regulates commercial water companies.

For an indication of how aggressively Golden State is willing to defend itself, one need only to look at Ojai, which voted overwhelmingly last year to take over its Golden State-owned water system. The company has tied up the effort in court ever since.

If Claremont or Ojai succeed, many of the scores of other California communities that get their water through Golden State might consider following suit.

Sharp increases in water bills are driving these efforts. In Claremont, residents are angry over a 14% increase in rates over three years.

Ratepayers are especially resentful about a PUC-approved surcharge imposed on customers when conservation drives water usage down. The PUC says allowing water companies to maintain their income even when they deliver less water removes a disincentive for them to promote conservation. But customers observe, rightly, that it eliminates savings they might reap by cutting usage.

Such charges aren't uncommon in the utility business, but they're imperfect at balancing utility and consumer interests. Robert

J. Sprowls, CEO of Golden State's parent, American States Water Co., put the virtues of the surcharge in perspective during a recent conference call with Wall Street analysts: "I think it is a good system," he said. "It works for the company and it works for sort of reducing demand."

Mayor Lyons offers the ratepayers' view: "If we conserve, we don't benefit."

In 2005, smarting from a series of triennial double-digit rate increases, a group of Claremont citizens discovered that several neighboring communities with public water systems were charging rates half of what Claremont was paying, or less. The takeover movement was born.

As one might expect, Measure W is being fought with innuendo and misdirection. The slogan of the opposition campaign funded by Golden State is "Stop the Water Tax," even though any bonds issued pursuant to the measure would be repaid from water fees, not taxes. The proponents say the cost of a takeover can be covered by existing rates if the purchase price is no more than \$80 million, well above the city's appraised value.

Lyons and other proponents believe Measure W, which was placed on the ballot by a unanimous vote of the Claremont City Council, is on track for a win. (The Ojai measure was approved by 87% of voters.) Naysayers appear to be thin on the ground.

"I'm pretty much the only person in town looking at this as a risk," says James Belna, a Los Angeles County assistant district attorney who wrote the "against" argument in the ballot pamphlet. Belna, who says he's unaffiliated with Golden State, fears the city will have to spend at least \$4 million in fees to push ahead with eminent domain, even if the effort ultimately falls through. "It's not inconsequential to try this and fail," he says.

Measure W is motivated by an "unreasonable expectation" of lower rates, says Denise L. Kruger, Golden State's senior vice president. "Rates are going up everywhere."

What should give Claremont voters pause is the scale of Golden State's spending on this municipal election. It's not unusual for both sides to put their thumbs on the scale. But Golden

State's 10-to-1 spending, in a community of 11,000 customers, is a very fat thumb. It's standing up for its shareholders' interests, and the voters shouldn't forget that.

Michael Hiltzik's column appears Sundays and Wednesdays. Read his blog, the Economy Hub, at latimes.com/business/hiltzik, reach him at mhiltzik@latimes.com, check out facebook.com/hiltzik / hiltzik and follow @hiltzikm on Twitter.



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CLAREMONT'S EFFORT to take over its private water company is a California tradition: Los Angeles did so in 1902, and formed its public power system in 1917. Above, a sign on Indian Hill Boulevard.

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For more information about Claremont and our quest to oust GSW -- visit us on Facebook Claremonters Against Outrageous Water Rates. In addition you can also go to ClaremontFLOW.com