



Water IOU Acquisitions



Joint Public Workshop California Public Utilities Commission State Water Resources Control Board

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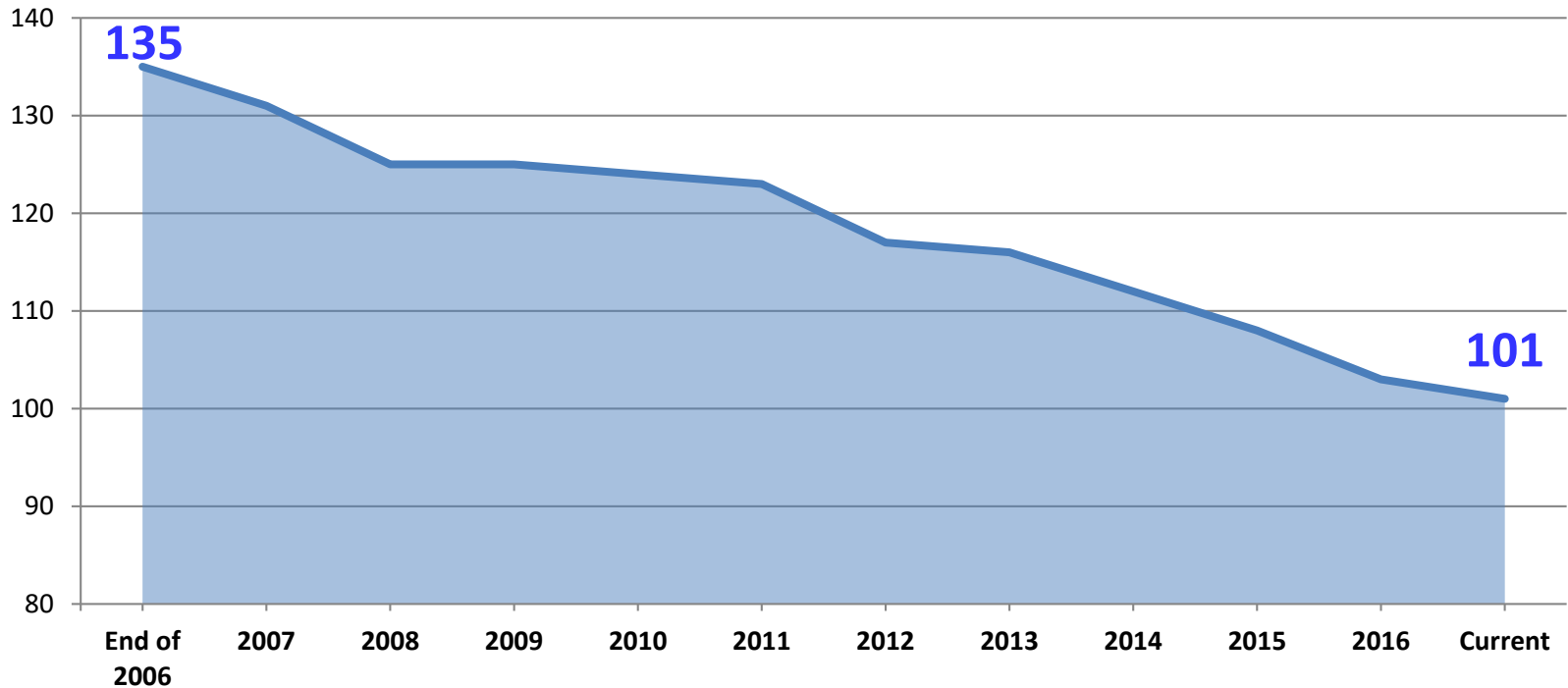
Topics

- Total Water IOUs
- Acquisitions since 2007
- Size of Acquired Utilities
- 1997 Consolidation Act
- Outlook





Total Investor-Owned Water Utilities



Acquisitions since 2007: **34**

Sewer IOUs

- Current Total: **12**
- Acquisitions since 2007: **2**





Where Did the IOUs Go?

- **17** to other IOUs
 - IOUs also acquired
 - 4 Mutuals
 - 1 New Development
- **10** to Municipals/Public Agencies
- **7** to Mutual Water Companies



In general, IOUs acquire IOUs





Size of Acquired Water Utilities

- **33** Small Class C/D
 - Class C; less than 2,000 connections
 - Class D; less than 500 connection
- **1** Large Class A
 - Valencia Water Company
 - 30,000 Connections

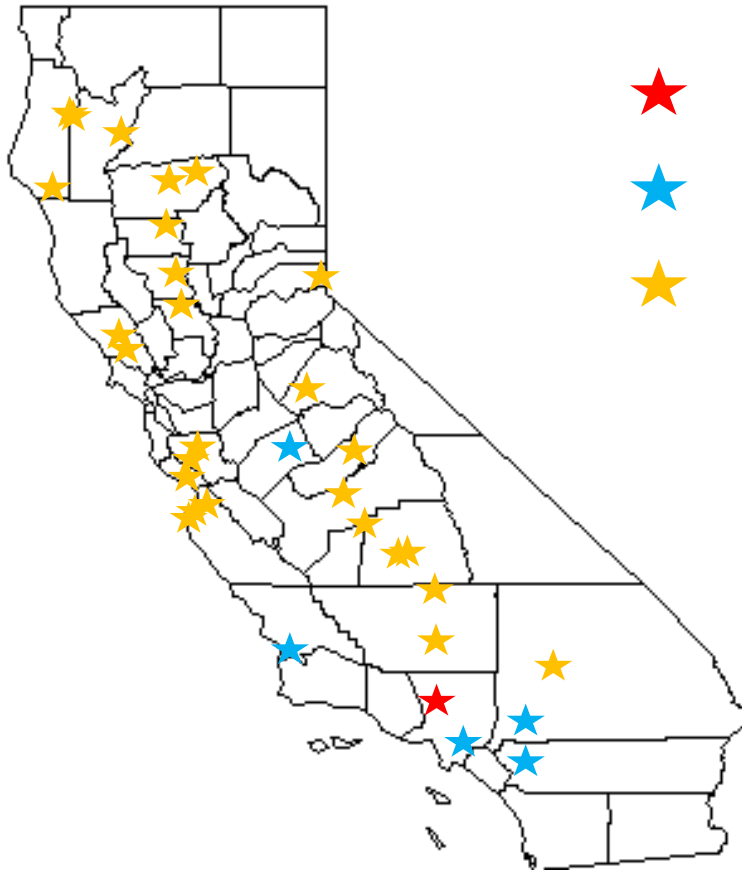


Small systems are ripe for acquisition





Location of Acquired Water Utilities



★ Class A

★ Class C

★ Class D

*No Class B acquired...yet





Public Water System Investment and Consolidation Act of 1997

- **Public Utilities Code Sections 2718 – 2720**
 - Needs of Water Utilities
 - Infrastructure
 - Capital
 - Scale
 - Incentives
- Use Fair Market Value
 - As opposed to “book value”
- Can Exceed Reproduction Cost
 - Reliability
 - Health and Safety Regulations
 - Economies of Scale
 - Effect on customers “fair and reasonable”





Public Water System Investment and Consolidation Act of 1997

- CPUC Actions
 - Rulemaking 97-10-048
 - “Guidelines for the Acquisition and Mergers of Water Companies”
 - Filed October 22, 1997
- Decision 99-10-064
 - Issued October 21, 1999
 - Adopted a settlement between the ratepayer advocate and many of the water utilities
 - Six pages in length
 - Timelines, incentives, notices



In 1997, the CPUC regulated about 200 water utilities





Pending Acquisitions

- **Fruitridge Vista Water Company**
 - Class B
 - 4,800 connections
 - Service Area: Sacramento
 - California-American Water Company
- **Mesa-Crest Water Company**
 - Class C
 - 700 connections
 - Service Area: La Cañada Flintridge
 - Liberty Utilities





Summary

- Number of Water IOUs have decreased
- Majority of acquisitions are by other Water IOUs
- Acquisitions are happening throughout California
- Size matters
- Acquisitions will continue

