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APPLE VALLEY, CALIFORNIA  
16 MARCH, 2015 - 2:01 P.M.

\* \* \* \* \*

ADMINISTRATIVE LAW JUDGE KIM: This hearing will come to order.

Please take a seat everyone.

Can everybody hear me okay?

The time is now 2 p.m., March 16, 2015. We're in the Town of Apple Valley Conference Center. This is the time and place for public participation hearing for Application 14-11-013.

My name is Kimberly Kim. I am the assigned judge in this matter and I will be hearing from all of you today.

The room's getting filled up so I'm going to try my best to figure out how I can make that happen, but that's my intention.

The purpose of this public participation hearing is to hear from all of you on your thoughts, views, opinions and concerns, if any, on the Application 14-11-013, which is a joint application by Liberty Utilities Company, Liberty WWH, Inc., Western Water Holdings, LLC, Park Water Company, and Apple Valley Ranchos Water Company. They're seeking authority for Liberty Utilities Company to acquire Park

1 Water Company and Apple Valley Ranchos Water  
2 Company.

3 I understand there's another  
4 proceeding before the California Utilities  
5 Commission relating to Apple Valley Ranchos  
6 Water Company, the rate increase application  
7 for 2015, 2016, 2017 which is referred to as  
8 Application 14-01-022. I also understand  
9 that that proceeding is at its tail end of  
10 the proceeding.

11 To allay any potential confusion,  
12 let me state that, for the record, in this  
13 proceeding, the proceeding that I preside  
14 over, I do not have the authority to rehear  
15 the same issues affecting rate increases  
16 being considered and are being resolved in  
17 that soon-to-be closed proceeding.

18 With that said, let me please thank  
19 the Town of Apple Valley for arranging this  
20 wonderful facility and you all for taking  
21 the time out of your busy day to come to  
22 speak and be part of this process. This is  
23 very important to the Commission to hear from  
24 the actual ratepayers that are affected, and  
25 that's why we're here today.

26 This public participation hearing  
27 is being transcribed by our court reporter,  
28 she's right next to me. And we also have

1 a note taker that's in the room. And you'll  
2 see me often tapping on the computer, and I'm  
3 taking notes. My personal style is to keep  
4 up with everybody as we go, but at the same  
5 time I'm going to have a transcript to refer  
6 back to it as I render a decision that  
7 I submit to the Commission for Commission  
8 consideration. So know that I will review  
9 everything. Know also that the assigned  
10 commissioner will review all of your comments  
11 with me. And then all of that will be  
12 considered as I render a final proposed  
13 decision that I submit.

14 Before I begin, I'm going to go  
15 through a brief overview of today's process.

16 If you picked up an agenda at the  
17 beginning, right before you entered the room,  
18 you'll have one of these and you can follow  
19 along (indicating). My plan so to go through  
20 and have the utilities who came up with  
21 the application and submitted that for the  
22 Commission's review, come up, speak for about  
23 ten minutes on introducing themselves and  
24 what they're applying for. I then have two  
25 parties that appear before me. One is the  
26 town of Apple Valley. The other is Office of  
27 Ratepayer Advocates. They're a consumer  
28 group that is an arm of the Commission who

1 are looking at consumer interests when they  
2 are looking at this application. And they  
3 will also be given each ten minutes to speak  
4 on consumers' behalf or on their own behalf.  
5 After that, I will be going through the list  
6 that I'm going to be getting from our Public  
7 Advisor's Office who are sitting outside,  
8 taking the registration for all the speakers.  
9 And I'm going to be going down the list and  
10 calling you each out so that you can come to  
11 the podium and speak.

12 And just so that I can hopefully  
13 get through, I might have to shorten  
14 the time, but starting with the first speaker  
15 I'm going to try to do three minutes and see  
16 how fast we clear out the list. And if we  
17 will get too jammed up, I might have to  
18 shorten that to two to one, and so on, but  
19 we'll just see.

20 My goal is to hear all of your  
21 views, and one of the ways you can help to  
22 make sure that I hear that and also get  
23 through all of you is to the extent that you  
24 have a point of view or concern that has  
25 already been spoken y another speaker, you  
26 can simply say that "So-and-So has already  
27 spoken my view" and then that will shorten  
28 the time for us.

1           Okay. With that said, we can  
2 begin. And I'm going to have the utility  
3 applicants come up and do the presentation.

4           And one reminder. Because this is  
5 being transcribed and I will be referring  
6 back to the record, please speak clearly and  
7 slowly so that our transcript is accurately  
8 reflective of what you said.

9           Thank you.

10                           STATEMENT OF MR. DOVE

11           MR. DOVE: Good afternoon, your Honor,  
12 parties, members of the Apple Valley  
13 community. My name is Robert Dove. I am  
14 the managing director with the Carlyle Group  
15 based in Washington, D.C. and today --

16           ALJ KIM: Excuse me. Can I interrupt  
17 before you actually --

18                           Can we turn the podium around  
19 towards me? I would love to have him speak  
20 to the public.

21           MR. DOVE: That's better.

22           ALJ KIM: Much better.

23           MR. DOVE: Sorry.

24           ALJ KIM: That's totally fine.

25           MR. DOVE: All right. I'll start  
26 again.

27                           Your Honor, parties to the  
28 application, and the members of the Apple



1 Valley community. My name is Robert Dove.  
2 I am a managing director with the Carlyle  
3 Group based in Washington D.C. I am also the  
4 head of the Carlyle Infrastructure Partners  
5 Limited Partnership and investment fund that  
6 is the owner of Western Water Holdings.  
7 Western Water Holdings is in turn the owner  
8 of Park Water Company which in turn provides  
9 management services to Apple Valley Ranchos  
10 Water Company, your local water service  
11 provider.

12 Here with me today is my colleague  
13 Bryan Lin and several representatives from  
14 Park and Apple Valley Ranchos Water Company:  
15 Chris Schilling, who serves as the CEO and  
16 president of both companies; Leigh Jordan is  
17 the executive vice-president with chief  
18 responsibility for regulatory affairs; Tony  
19 Penna, who I'm sure you all know, performs an  
20 important role as the general manager of  
21 Apple Valley Ranchos Water Company; and Eric  
22 Larson who is his very able customer service  
23 manager who is also here today. All of these  
24 company representatives and myself are  
25 available to respond to your questions should  
26 you have any that may come up at the end of  
27 this session.

28 Carlyle acquired the shares of Park

1 Water Company in 2011 from its long-time  
2 owner, the Wheeler family. Carlyle  
3 established Western Water Holdings to be  
4 the owner of Park Water and to provide equity  
5 capital needed for Park Water and Apple  
6 Valley Ranchos to make needed investments in  
7 new and upgrade facilities to ensure safe and  
8 reliable water services.

9 We believe that we have been good  
10 stewards of the existing assets of Park and  
11 Apple Valley Ranchos, and that we have  
12 prudently increased capital investment in  
13 these public utilities to create a more  
14 robust water system. We have invested in  
15 pipes and pumps, storage facilities, and  
16 water rights to maintain or improve our level  
17 of service to the community we serve. We  
18 have done this while always being committed  
19 to the safety of the public and our staff.

20 Carlyle Infrastructure Partners is  
21 a closed-end fund which means that from  
22 the formation, the fund was intended to  
23 operate for a finite period of time.

24 When Carlyle agreed to acquire Park  
25 and asked the CPUC to authorize the  
26 acquisition, concerns were expressed that  
27 Carlyle would just be such a short-term  
28 owner. We believe that we have done a good

1 job for the customers of Park Water and Apple  
2 Valley Ranchos during our tenure, and we have  
3 also addressed the concern of being  
4 a short-term owner by coming to an agreement  
5 with Liberty Utilities to take over ownership  
6 of Western Water and Park and Apple Valley  
7 utilities.

8 Liberty Utilities, as I'm sure  
9 Mr. Pasioka will tell you in a couple of  
10 minutes, intends to be a long-term owner and  
11 player in the California public utility  
12 sector, and will continue to be a long-term  
13 public owner of both Apple Valley and Park  
14 Water.

15 Thank you.

16 STATEMENT OF MR. PASIEKA

17 MR. PASIEKA: Good afternoon, everyone,  
18 your Honor. It's my pleasure to be here in  
19 front of the community of Apple Valley. My  
20 name is David Pasioka and I'm the president  
21 of Liberty Utilities. I've held that office  
22 for over five years at our company.

23 Joining me today are two members of  
24 my leadership team: First of all, Brian  
25 Ketcheson, our senior vice president of  
26 distribution operations; and Bill Killeen,  
27 our director of regulatory strategy. And  
28 they're here also to help support me in any

1 of the questions that may come about through  
2 our presentation today.

3 Some of the key objectives I have  
4 on the list today are really to introduce  
5 Liberty Utilities to this community, to talk  
6 a little bit about our local operating model,  
7 and more importantly, talk about the  
8 commitments that we plan to make to this  
9 community over the long period of time.

10 Our parent company is called  
11 Algonquin Power & Utilities Corporation.  
12 It's been around for some 30 years and it's  
13 currently listed on the Toronto Stock  
14 Exchange and is also an SEC registrant. And  
15 what that means is even though it's  
16 a Canadian company and listed on the Toronto  
17 Stock Exchange, it means it's under the same  
18 scrutiny as any U.S.-based company from our  
19 stocks and regulatory and compliance and  
20 disclosure perspective. So you should have  
21 lots of comfort with our company.

22 Over the past five years, we've  
23 raised in excess of a \$1.9 billion, which  
24 we've used to build, own and operate  
25 utilities here in North America.

26 Specifically, the Liberty Utilities  
27 brand is a U.S. brand and we operate in  
28 over -- we operate over 30 regulated

1 utilities in ten states, delivering  
2 distribution services for water, gas and --  
3 natural gas and electricity. We have over  
4 1200 employees. The majority of those  
5 employees are based here in the United  
6 States.

7           Some people ask us about our water  
8 expertise. And our first water utility was  
9 purchased in Arizona in the year 2000 and so  
10 we've had over 14 years of operating water  
11 utilities in the U.S. Today, we have  
12 something in the order of 180,000 customers  
13 split over five states with some 200-plus  
14 water professionals who deliver those high  
15 quality water services.

16           We also operate wastewater  
17 treatment plants in Arizona. So we actually  
18 do water and wastewater operations.

19           Some have also asked us about  
20 California, do we know anything about  
21 California. Absolutely we know something  
22 about California. We've been in California  
23 for over 14 -- so over 12 years.  
24 Specifically, the electrical distribution  
25 company that I run is up at Lake Tahoe. So  
26 we run the electrical wires and distribution  
27 up at Lake Tahoe, both on the north side and  
28 south side of Lake Tahoe. The California

1 side, if you will.

2 Operating water utilities has  
3 significant complexity. And our operating  
4 model is very consistent with the way that  
5 Ranchos has been running this facility.

6 Each of the states in my operating  
7 portfolio operate on a stand-alone basis with  
8 a stand-alone general manager. They also  
9 have an organizational structure to ensure  
10 that they have their own customer service,  
11 their own engineering and their own  
12 operations and their own finance people right  
13 here in the state that we're operating in.  
14 So the company will truly stay local and  
15 focused on this community.

16 Operating water utilities is quite  
17 complex. There's a number of factors that  
18 are affecting the industry. Aging  
19 infrastructure, some of the water pipes are  
20 getting older and older. There's drought  
21 obviously here in California. And we also  
22 experience some challenges down in southern  
23 Arizona, as you could appreciate. It's  
24 a little hotter down there too. Climate  
25 change and increased regulation, all of these  
26 factors will contribute to the fact that it's  
27 one thing to own the utility today, but you  
28 have to be prepared to put more capital into

1 the investment moving forward because all of  
2 those factors will absolutely have an impact  
3 on what's happening to deliver safe and  
4 reliable service.

5 So what does this all mean to you  
6 relative to Liberty Utilities?

7 Well, a couple of things. First of  
8 all, our approach is about being local,  
9 responsive and caring. And at the back, on  
10 the way out, you'll see a little poster, you  
11 might have seen our ads in the newspaper over  
12 the last little while describing our  
13 operating model.

14 Second thing is we're making  
15 a commitment to every one of the employees  
16 who currently works at Ranchos to ensure that  
17 they are going to be with us for the long  
18 haul. I've personally been down here  
19 a couple of times, and Brian's been here  
20 a couple of times too, spending time with the  
21 local operators of the system. I'm truly  
22 impressed by the professionalism and  
23 the quality in service that can be delivered.  
24 It's certainly one of the reasons we looked  
25 at acquiring this utility.

26 I also expect that as we get into  
27 it, we anticipate that we will repatriate  
28 some functions that currently exist outside

1 of this community and migrate additional jobs  
2 into this community. And as a result, I'm  
3 anticipating that we would actually add more  
4 people to the water staff over time.

5 And how do I know that? Well, I've  
6 done seven acquisitions in the last five  
7 years. And in each one of those cases,  
8 whether it's in Missouri, in New Hampshire,  
9 Massachusetts, when we got in and started to  
10 look at how the operation was run and the  
11 functions that were performed outside of  
12 the community, we made a conscious effort to  
13 bring those jobs back into the community, and  
14 actually the employment stats went up.

15 In the state of New Hampshire, for  
16 example, it was quite special when I got to  
17 meet the governor because I went to see him  
18 at that time and I said "I'm going to bring  
19 80 new jobs the state of New Hampshire" and  
20 I brought 80 new jobs by collapsing new  
21 things that the previous owner had been doing  
22 in New York and in Rhode Island and moved  
23 those functions back into the community.  
24 I expect to do the same thing here.

25 Our plan obviously includes to buy  
26 locally. A good example of that is I just  
27 had some new business cards printed up this  
28 morning and they were actually done by



1 a local printer within the community. And  
2 I took great pleasure in actually putting  
3 California on my business card.

4 So anyone who has some questions  
5 I'll have some cards in the back and you can  
6 feel free to e-mail me or call me, or drop in  
7 some mail to the local office here and we'll  
8 make sure that it gets to me.

9 We pride ourselves on being very  
10 active in the community we serve. One of the  
11 programs we have to enhance this is we  
12 provide the employees something called  
13 a liberty day. And the liberty day is  
14 a commitment that we will allow those  
15 individuals to take some time off work,  
16 obviously subject to the balance of their  
17 workload with their supervisor, and we will  
18 give them an equivalent day off in the near  
19 future.

20 So what does that mean? It means  
21 the local Ride for Cancer, the local  
22 walkathon, the local humane society  
23 fundraiser, we can actually staff it with  
24 some Liberty employees. And this program  
25 works very well throughout the U.S. You can  
26 be rest assured, this is a very significant  
27 way in which we can give back to the  
28 communities that we operate.

1           Our goal is really about the long  
2 term. It's to provide that safe and reliable  
3 drinking water to your children's children's  
4 children, and that's our commitment to you.

5           One last thing that I think is  
6 important is many people talk about the  
7 purchase price and the transaction costs  
8 about closing this transaction. Well, I'm  
9 here to tell you that none of -- the purchase  
10 price and the transaction closing costs will  
11 have no impact on rates in this community.  
12 We've taken that off the table. We've made a  
13 commitment to our filing to the CPUC that  
14 none of those additional costs would be  
15 passed on to anyone in this room.

16           So in summary, we're a seasoned  
17 water operator. We have strong access to  
18 capital, which is very important moving  
19 forward. We're making a significant  
20 commitment to both the employees and  
21 the community. And we look forward to  
22 serving this community for the very long  
23 term.

24           And also, did I tell you that the  
25 purchase price and the transaction costs will  
26 not affect your local rates?

27           Thank you for your time.

28           (Applause.)

1 ALJ KIM: I have a speaker from  
2 the Town of Apple Valley come up.

3 STATEMENT OF MR. NASSIF

4 MR. NASSIF: Good afternoon, your  
5 Honor --

6 ALJ KIM: Good afternoon.

7 MR. NASSIF: -- and members of  
8 the public. My name is Scott Nassif. I've  
9 been a resident since my family moved here in  
10 1959. I'm a business owner here in Apple  
11 Valley for over 39 years and a member of  
12 the town council for 12 years, over 12 years,  
13 and including two terms as mayor. Today I'm  
14 representing the Town of Apple Valley which  
15 includes I'm speaking on behalf of the town  
16 council. I think we've Mayor Cusack is here  
17 today, also Council Member Emick, Council  
18 Member Bishop. Mayor Pro Tem Barb Stanton is  
19 still recovering from knee surgery. I don't  
20 see her today. I'm sure she's still working  
21 on that.

22 First of all, I want to thank your  
23 Honor and the Commission staff for coming to  
24 the town of Apple Valley. I realize it's  
25 a long way away from San Francisco but we  
26 appreciate the efforts and the opportunity to  
27 speak and bridge the distances between the  
28 town, Washington D.C. and Oakville, Canada.

1           As a resident and business owner  
2 and councilmember, I have personally  
3 witnessed the huge increases in water rates  
4 over the years. Every three years, it seems  
5 Apple Valley Ranchos comes in, applying for  
6 significant increases which in one way or  
7 another are inevitably granted.

8           The sale of Apple Valley Ranchos  
9 to -- Apple Valley Ranchos Water Company to a  
10 Canadian power company with no experience  
11 operating water systems in California and no  
12 guarantees that the sale will not affect our  
13 ratepayer pocketbooks is a bad idea.

14           In recent years, our town residents  
15 have experienced economic downturn --  
16 the largest economic downturn in recent  
17 history. The town council staff have been  
18 working hard to promote and bring businesses  
19 and jobs to our town. Things are starting to  
20 look up. Several retail projects,  
21 infrastructure projects, bank projects, park  
22 projects are all in the planning stages.  
23 However, something threatens to stand in  
24 the way of the town's path to success:  
25 A reliable, stable and cost-effective water  
26 supply.

27           Right now existing prospective  
28 businesses do not have access to

1 cost-effective water supply, at least in our  
2 town. Our local businesses and residents  
3 often ask why the rates in surrounding  
4 communities and municipalities are so much  
5 lower.

6 I admire the men and women who work  
7 so hard to run Apple Valley Ranchos every  
8 day. They are our friends and they are our  
9 neighbors, but this isn't about the  
10 dedicated, hard working employees though.  
11 This isn't about a locally owned water  
12 company. It's about the relentless increases  
13 in water rates which will only be exacerbated  
14 if this proposed sale goes through.

15 The sale of Apple Valley Ranchos as  
16 part of the Park Water from the Washington  
17 D.C. based Carlyle Group to a Canadian based  
18 subsidiary of Algonquin-Liberty Utilities  
19 will not address this problem. And in fact,  
20 it most likely will cause further increases  
21 in rates.

22 These companies refuse to explain  
23 how on earth they have reached the valuation  
24 of over \$327 million for Park Water when it  
25 was sold to Carlyle Group in 2011 for  
26 156 million.

27 Are we really to believe that  
28 the system is worth in 2014 over twice what

1 it was worth in 2011?

2 I don't think so, and I don't  
3 think -- I don't believe the CPUC should  
4 thoroughly investigate -- I think the CPUC  
5 should thoroughly investigate this rush of  
6 foreign capital so eager to be invested in  
7 our water systems here in California.

8 This kind of irrational exuberant  
9 offer to purchase by a big company like  
10 Algonquin suggests there are other reasons  
11 Algonquin is delaying the release of  
12 quarterly earning reports, and demands  
13 further review by the CPUC.

14 My wife and I have been in business  
15 for over 40 years. And as a business owner,  
16 I know when you invest that kind of money,  
17 you expect a return.

18 The Carlyle Group expected a return  
19 during its ownership of the system, in fact  
20 bragged to investors about a favorable  
21 regulatory climate in California. By my  
22 reckoning, Park Water Company managed to  
23 obtain 8 percent return on its investment  
24 each year. Algonquin proposes to spend twice  
25 as much for the same assets just four years  
26 later.

27 Your Honor, I would support -- your  
28 Honor, should the PUC permit investment

1 bankers, asset managers, and investors from  
2 the Far East, Middle East, and Europe to  
3 squeeze as much from our town as they can by  
4 selling a commodity to unnecessary delight.

5           Make no mistake, Park Water Company  
6 managers, lawyers and consultants are already  
7 spending basketfuls of money, paid for by  
8 the town's ratepayers to attack the town as  
9 it's implied the town is to be anti-business  
10 in opposing this sale. I'll keep this up --  
11 they'll keep this up. They stand to  
12 personally gain from the sale. Or as  
13 the company filings put it, and I quote,  
14 derives a substantial benefit -- I'm sorry --  
15 consummation of this transaction contemplated  
16 by the merger agreement.

17           Your Honor, as you well know, the  
18 CPUC must find that the joint applicants  
19 Liberty Utilities, Algonquin and Park Water  
20 Company have met the taxpayer -- I'm sorry,  
21 ratepayer indifference standard. This is for  
22 the sale to be approved. In other words,  
23 the sale must not result in negative affect  
24 on the town's ratepayers without prolonging  
25 inquiry into the declining water rates,  
26 the need to raise the millions of dollars to  
27 fix the Yermo system, the reason for this  
28 inflated price purchase, the town's pending

1 delivery of recycled water and the pending  
2 acquisition of Mountain Water Company, I do  
3 not believe the standard to be met.

4 I would encourage to you extend the  
5 timeline for considering the sale for a full  
6 18 months to allow the Commission to fully  
7 evaluate whether the transaction will be  
8 met -- will meet the ratepayer indifference  
9 test because of the Missoula proceedings and  
10 because the joint applications are unwilling  
11 to share relevant documentation.

12 At this point, it might be worth  
13 recalling Let's Make a Deal history of  
14 the town's municipal water system. Less than  
15 four years ago, we were in the exact same  
16 position: The Commission was in town  
17 considering the sale of Park Water Company to  
18 Carlyle Group. That year 2011, the  
19 Commission approved the transaction despite  
20 the town's objections that it would harm  
21 ratepayers. The town was proven right.  
22 Ratepayers' suffered increases, substantial  
23 increases. Just last year, the Commission  
24 was in town again concerning the most recent  
25 exorbitant rate increases from Apple Valley  
26 Water Company. Please don't let the  
27 Commission repeat those mistakes again.

28 It's no wonder the application



1 doesn't mention many problems facing  
2 the system. The company makes no attempt for  
3 example to explain what happens when Mountain  
4 Water Company is acquired by Missoula.  
5 Mountain Water Company represents  
6 a significant portion, about a third of  
7 the ratepayers of Park Water Company. For  
8 nearly 30 years now, the ratepayers of Apple  
9 Valley Ranchos Company have, by contract,  
10 paid millions of dollars to Park Water  
11 Company as direct charges for identifiable  
12 costs, plus a percentage for other costs  
13 incurred by Park Water. According to its  
14 annual report 2013, Apple Valley Ranchos paid  
15 over \$3.2 million for this purpose.

16 How it will be impacted -- how will  
17 this be impacted when Mountain Water Company  
18 is gone?

19 The good citizens of Missoula will  
20 no longer help by covering the engineering  
21 and management fees for Park Water.  
22 The ratepayers in town will be asked to pick  
23 up a greater share of those costs at that  
24 time.

25 In light of this, how can the joint  
26 applicants neglect to deal with this issue in  
27 their application? It clearly bears on the  
28 value of the company as a whole. As

1 a result, we're relying on the Commission to  
2 make detailed inquiry into the allocations of  
3 those costs might charge Mountain Water  
4 Company is acquired by Missoula.

5 This application I do not believe  
6 to be either complete or transparent.

7 Likewise, companies are pushing  
8 the sale to fail -- fail to account for  
9 recent acquisition of Yermo Water Company by  
10 Apple Valley Ranchos. Updating this failed  
11 system will cost Apple Valley Ranchos  
12 \$7.7 million. In Yermo, there are only 250  
13 connections. That works out to \$31,000 per  
14 customer. As anyone in this town knows, it  
15 will be very difficult for Apple Valley  
16 Ranchos to cover that amount by collecting  
17 \$31,000 from each Yermo customer. Who is  
18 going to pick up that tab? The joint  
19 applicants refuse to answer this question.

20 It is impossible for your Honor to  
21 make an informed decision on ratepayer  
22 indifference if the companies involved refuse  
23 to fully disclose how such a large capital  
24 project is going to be paid for.

25 In closing, I want to stress how  
26 terrible a idea this sale is for the town's  
27 ratepayers. The joint applicants have  
28 completely failed thus far to show how the

1 sale will maintain or improve the quality of  
2 service in town or the town's rate base.  
3 Likewise, the joint applicants have failed to  
4 show that the sale will be beneficial to all  
5 of our local economy. Rather, the joint  
6 applicants have hidden from the major issues  
7 facing the company. Their focus has been on  
8 profit not transparency or honesty, honest  
9 communications with the public.

10 In a rush to lure far away  
11 investors who are willing to pay for a safe  
12 haven in California's dream which is nothing  
13 more than a mirage to us who pay high rates,  
14 please bring clarity and common sense to this  
15 process.

16 If the Commission approves  
17 this sale, the town's previous water company  
18 will continue to be treated as a revolving  
19 wishing well for foreign and outside  
20 investors.

21 I ask your Honor to please consider  
22 the history of rate increases of private  
23 ownership when making your decision. We do  
24 not want our water system to be owned yet  
25 again by other company looking to drain our  
26 community resources until it can be spun off  
27 again in another four years.

28 I want to thank you for

1 the opportunity and helping -- allowing us to  
2 express our concerns.

3 (Applause.)

4 ALJ KIM: Thank you.

5 Do we have a representative from  
6 Office of Ratepayer Advocates here today?

7 MR. YUEN: Yes.

8 ALJ KIM: Please come forward.

9 STATEMENT OF MR. YUEN

10 MR. YUEN: Thank you, Judge Kim. Good  
11 afternoon, everybody. My name is Ting Yuen.  
12 I'm here today representing the Office of  
13 Ratepayer Advocates.

14 The Office of Ratepayer Advocates  
15 is an independent division within  
16 the company. Our primary function is to  
17 advocate on behalf of the ratepayers in  
18 Commission proceedings that affect  
19 the interest of ratepayers. Our statutory  
20 mission is to advocate the lowest possible  
21 rate, consistent with safe and reliable  
22 service. We participate in Commission  
23 proceedings as an active party. We examine  
24 the companies filing. We look at all  
25 their -- the information and we ask for  
26 information if we believe that there's some  
27 information that relevant that's not there  
28 with the purpose of protecting your interest

1 and also making sure that any resulting rates  
2 would be the lowest possible rates.

3 The Office of Ratepayer Advocates  
4 employs about 100 professionals with various  
5 experience and backgrounds. We have  
6 engineers, attorneys and then analysts with  
7 expertise in finance, economics and  
8 accounting. Based on the types and the needs  
9 of the proceeding, we assign staff  
10 accordingly and we thoroughly investigate and  
11 examine the company's filing in looking for  
12 anything that we consider would be bad for  
13 the ratepayers.

14 In the current proceeding, we're  
15 examining the financial data and transaction  
16 information associated with this acquisition.  
17 And we filed a protest with the Commission  
18 expressing our concern in a number of areas,  
19 focused primarily on negative impacts  
20 approving this acquisition may have on  
21 ratepayers. And we also send out data  
22 requests asking the company to provide  
23 information so that we can look at  
24 the information that we think is relevant but  
25 is not direct with the application.

26 At this point, we're still -- based  
27 on the schedule, we are still in the middle  
28 of our discovery. We are looking for I guess

1 remaining -- with the remaining information  
2 we still have to look at. We figure that you  
3 know like we'll finish our analysis sometime  
4 in the early May. So that's pretty much our  
5 schedule.

6           And this is the meeting for you.  
7 This is your meeting. This is the meeting  
8 for you to express your opinion and concern  
9 associated with this acquisition to the  
10 Commission and to Judge Kim. So I'm not  
11 going to take up any more of your time but  
12 I'm so glad to see all of you making  
13 yourselves come out here to express your  
14 opinions. And then we -- I'm going to stay  
15 after so if there's any questions that you  
16 may have for the Office of Ratepayer  
17 Advocates concerning this case or concerning  
18 services that you are getting now, I'm going  
19 to be available. And thank you.

20           (Applause.)

21           ALJ KIM: So before we move on to the  
22 speakers, I wanted to just at least indicate  
23 on the record that my intention is to the  
24 extent that we can get through all the  
25 speakers in a reasonable time, I might plan  
26 on having the utilities applicant, the town  
27 and Office of Ratepayer Advocates on a panel  
28 and be available to answer questions for

1 a few minutes, and do that on the record as  
2 opposed to off the record in the hallway,  
3 things of that nature, to make sure that  
4 everybody gets a chance to be asking  
5 a question, and that question and answer is  
6 actually recorded. So that's my hope.

7 And to that extent, we are going to  
8 start with three, three minutes each. And  
9 then hopefully we can get through without  
10 shortening the time. But like I said,  
11 I might have to shorten that time limit to  
12 two minutes or shorter.

13 So the first speaker I have is  
14 Derrick Sandwick. Please approach.

15 So what you are going to see is  
16 that timer go on. Then it's going to go down  
17 to zero. Then you're going to see that sign  
18 that goes up, reminding you your time is up  
19 if you actually get to three minutes.

20 All right. Proceed.

21 STATEMENT OF MR. SANDWICK

22 MR. SANDWICK: Thank you. My name is  
23 Derrick Sandwick. Along with my wife and my  
24 three sons, we own High Desert Underground.  
25 We're a contractor who's provided services  
26 for Apple Valley Ranchos, construction  
27 services, emergency services, operational  
28 services for 26 years. We started with Sam

1 Wheeler 26 years ago and I had the great  
2 opportunity and the pleasure to work for  
3 Sam Wheeler who took a water system that was  
4 nothing more than a used sprinkler system but  
5 he got it and turned into -- we work for all  
6 the water purveyors in the high desert with  
7 the exception of a couple, sixteen or so that  
8 are on our client list and we know who the  
9 good ones are and who they're not. And the  
10 Sam turned this into the best water purveyor  
11 in the desert, and I'm really proud to have  
12 been part of that.

13 A few years ago, the Carlyle Group  
14 came along. We had grave concerns. We were  
15 worried that things would change and things  
16 wouldn't continue on the way Sam set them in  
17 motion. But we did some research and we  
18 asked some questions and we talked to people  
19 from Carlyle. We determined that it looked  
20 exactly like what it was going to happen.  
21 They were going to continue doing Sam's work  
22 and the way stand did it, continue to  
23 improving the infrastructure. And they did  
24 exactly what they said they were going to do,  
25 actually in a bigger way. There's been more  
26 improvement in the last four years than there  
27 was in the previous ten years. Really good  
28 things now.



1           I can't speak to the cost of water.  
2    I pay water bills in Apple Valley. Most of  
3    my employees live in Apple Valley. We do  
4    business in Apple Valley. And I'm not here  
5    to speak about the rates, but I am here to  
6    say that the people that have owned and run  
7    this up till now have done a marvelous job.

8           Liberty came along here recently  
9    and we had those same concerns again. We  
10   wondered what's going to happen now. We like  
11   very much being a part of what's going on and  
12   the progress that this system's had. So we  
13   started doing our homework again and we  
14   talked to people that would talk to us and we  
15   learned that Liberty's headed in the same  
16   direction, that it's all been.

17           Turns out these big smart companies  
18   did their homework too when they bought Apple  
19   Valley Ranchos. And when Liberty bought it  
20   from Carlyle, they know what they are buying.  
21   They know they're buying a really good water  
22   system, that it's on its way to being a great  
23   water system. These more work that needs to  
24   be done but it's there, and these guys seem  
25   to be doing the same thing.

26           So we're convinced again now like  
27   we were before that Liberty's a great choice.  
28   I wouldn't say that if I didn't believe that

1 and I didn't do some homework. But however  
2 it turns out or whichever direction it goes,  
3 we certainly think that Liberty's a good  
4 choice. They do a very good job in every  
5 place that we could find out information.  
6 Where they do business now, they do a really  
7 good job.

8 So we hope that we can be part of  
9 that and we hope that they will serve  
10 the community as I thought they would.

11 Gotta go.

12 (Applause.)

13 ALJ KIM: Next speaker, Francis Scott.

14 STATEMENT OF MR. SCOTT

15 MR SCOTT: Yes. My name is Francis  
16 Scott. I live on Cuyamaca --

17 ALJ KIM: Can you all hear him?

18 UNIDENTIFIED SPEAKER: No.

19 ALJ KIM: Can you pull the mike closer.

20 MR. SCOTT: My name is Francis Scott.  
21 I live on Cuyamaca in Apple Valley. I'm kind  
22 of representing my street, and we're all  
23 against this sale. We'd like to see our  
24 money stay in the city and not go the Canada  
25 or New York or to Washington D.C. We kinda  
26 like the city to own the company because at  
27 least we'd have some representation. We'd  
28 have have a board that we could go to. We

1 could make different comments and have it  
2 heard. These other companies, you don't know  
3 who you're talking to. You don't -- you  
4 can't get ahold of nobody.

5 I had to deal on my street where  
6 a meter broke. They come out and it was  
7 late, so they dug a hole and left it  
8 four-foot deep and three-foot round. Didn't  
9 even put ribbons around it, just left it for  
10 the weekend.

11 This guy is telling me how safe  
12 they are. I don't think so. We -- you know,  
13 everybody I talked to -- and I've been  
14 talking to everybody I can see -- and nine  
15 out of ten of them are for the city owning  
16 the water company rather than a foreigner.  
17 And we would like to, whatever it takes, if  
18 it takes a petition to put -- make it go into  
19 public domain or whatever, so be it. But  
20 there's no foreigners. They're making money.  
21 They are going to try and make more money.  
22 And that's why they bought the company so  
23 they can make more money.

24 And then these rates, we pay so  
25 much now that the average person. I'm paying  
26 more for water than I do for gas and  
27 electricity put together.

28 Thank you.

1 ALJ KIM: Thank you.

2 (Applause.)

3 ALJ KIM: Next speaker Michael Hoyt.

4 STATEMENT OF MR. HOYT

5 MR. HOYT: Yes. My name is Michael  
6 Hoyt. And I'd like to take this opportunity  
7 to -- this is a quote from a recent newspaper  
8 article. It says: At this point, all we  
9 have is this feasibility study that shows --

10 It would probably be helpful if  
11 I put my glasses on. I knew there was  
12 something missing. That's better this way.

13 Okay. Quote: At this point, all  
14 we have is the feasibility study that shows  
15 we can afford to purchase Ranchos Water under  
16 certain parameters. End quote.

17 My question is, is one of  
18 the parameters asking all the taxpayers to  
19 pay for the purchase by an increase in their  
20 property taxes if the ratepayers of Ranchos  
21 can't generate enough revenue to purchase  
22 Ranchos.

23 And the same article per the CEO of  
24 Park Water Company: Our market value of  
25 \$1 million per mile and with 450 miles, it  
26 equals \$450 million. If this is shared by  
27 the 20,000 water connections listed by  
28 Ranchos, it equals 22,500 per connection or

1 ratepayer.

2 That amount is equal to the amount  
3 my wife and I pay to abandon our old well and  
4 have a new one drilled along with a new pump  
5 and control and sold about 1-1/2 years ago.

6 From the same article, quote:  
7 Public ownership could cause negative  
8 financial impacts. In order to finance the  
9 acquisition of the water system, the town  
10 will need to issue significant amount of debt  
11 that will need to be repaid through taxes,  
12 levied on properties or water rates. Whether  
13 or not a rate increase is required and the  
14 magnitude of increase is dependent on the  
15 purchase price which would be determined in  
16 the condemnation process. Property tax would  
17 need to be increased by a range \$65 to \$182  
18 per \$100,000 of assessed value to complete  
19 the AVR system acquisition using general  
20 obligation bonds. End quote.

21 I am well aware that the general  
22 obligation bonds require two-thirds majority  
23 approval of voters to succeed, but I'm also  
24 aware that not all voters are property  
25 owners. In our case, we would see an  
26 increase of \$120 to \$338 on our tax bill.

27 Please remember this, my wife and  
28 I do not get our water from Ranchos Water

1 Company along with the customers of Golden  
2 State Water, Rancho Rio Mutual Water along  
3 with other private well owners. Thank you.

4 ALJ KIM: Thank you.

5 (Applause.)

6 ALJ KIM: Next speaker Leanne Lee.

7 STATEMENT OF MS. LEE

8 MS. LEE: Thank you, your Honor. Can  
9 I be heard?

10 ALJ KIM: Yeah.

11 MS. LEE: I'm here speaking as a low,  
12 fixed income water customer but I want to  
13 speak in support of Liberty.

14 I have spent weeks going through  
15 numerous documents. There's been a lot of  
16 fallacy put out by the Town of Apple Valley  
17 and I'd like to to cover that, and it was  
18 done here today.

19 ALJ KIM: Can you pull up  
20 the microphone.

21 UNIDENTIFIED SPEAKER: Speak into the  
22 mike.

23 MS. LEE: Closer. Is that better?

24 UNIDENTIFIED SPEAKERS: Yes.

25 MS. LEE: There's been a lot said about  
26 these foreign investors. Well, I'm here to  
27 tell you who the foreign investors aren't.  
28 I looked up the investors for Carlyle. Their

1 largest investor pool is 38 percent public  
2 pensions. The Town of Apple Valley's pension  
3 is one of those, CalPERS, who has almost  
4 3 billion, with a B, invested in Carlyle.  
5 They are also invested in Algonquin and an  
6 affiliate Emera for over 4.5 million and  
7 3.6 million respectively.

8 So this issue of foreign investors,  
9 you have been duped.

10 Okay. Yesterday if you read  
11 the paper, our town's legal counsel, acting  
12 as an intermediary, entered into a PR  
13 contract for almost \$200,000. This was done  
14 in closed session and they were going to keep  
15 it from the public as attorney-client  
16 privilege. I am extremely disturbed by  
17 the lack of transparency by our own town.  
18 And that is what we can expect if they take  
19 over the water.

20 I truly think the best interest for  
21 the public today and tomorrow for quality  
22 water, appropriate infrastructure  
23 maintenance, we need to approve Liberty  
24 Utilities.

25 Thank you for your time.

26 (Applause.)

27 ALJ KIM: Next speaker is Alvin Rice.

28 STATEMENT OF MR. RICE

1 MR. RICE: Good afternoon. And welcome  
2 Judge Kim. My name is Alvin Rice.

3 ALJ KIM: Can you speak into the mike?

4 MR. RICE: Yes, I will.

5 ALJ KIM: Or you can actually pull that  
6 off the stand. There you go.

7 MR. RICE: My name is Alvin Rice. I've  
8 lived in Apple Valley for 15 years. I served  
9 32 years and retired as captain in the Navy.  
10 I have a Series 7 license stock broker.  
11 I was trained and certified as a third-party  
12 neutral. In these capacities, I was  
13 entrusted with lives and potential, personal  
14 assets of people for drawing down, to  
15 determine facts and evidence in making many  
16 appropriate but difficult decisions.

17 I've reviewed the application of  
18 the PUC and the protest of BBK and the ORA  
19 and understand the comments and provisions.  
20 I did not get a chance to review  
21 the transcript. It wasn't available.

22 The Town of Apple Valley council  
23 manager and counsel appointed planning  
24 commission strategies, very strange,  
25 confusing, abnormal and unhealthy in my  
26 opinion. I watched the Town of Apple Valley  
27 streaming videos, attended meetings, made  
28 public comments, and I'm compelled to share



1 my own personal experiences specifically  
2 since December 2014.

3 The town purposefully deflects any  
4 comments and does not engage with its  
5 residents. And they also criticize  
6 the residents too in that regard. I was one  
7 of the very few who actually made public  
8 comments to the Town of Apple Valley.

9 The Town of Apple Valley uses  
10 the Apple Valley News for publicizing its  
11 legal notes. And that I found that it's only  
12 going to about 300 subscribers. I reported  
13 these three issues to the town council on  
14 occasion and the planning commission on  
15 occasions asking why. There's no response  
16 from the dais to the residents. They just  
17 flipped me off by saying nothing and moved on  
18 to the next issue.

19 I made the allegation that the town  
20 was conspiring to waste and abuse taxpayers'  
21 funds by this newspaper which was mailed by  
22 the post office. I said I hope by sending  
23 a letter to the managing firm partner of BBK  
24 that provides stronger legal opinions and  
25 advice to improve the town's legal  
26 notification framework. I never received any  
27 written response.

28 Town manager and councilmember said

1 they were not going to change anything. They  
2 didn't want to reduce the 18-inch expensive  
3 ad to more precise.

4 Let's see here.

5 I see that it was already mentioned  
6 by the public relations backroom deal.

7 Also the manager wants to hold  
8 townhall meetings to discuss the possible  
9 purchase. I think that's great, but why are  
10 they doing it now?

11 The town has continued to practice  
12 contracting out services for years. Several  
13 are no-bid, out of areas. These are  
14 expensive to taxpayers, particularly if they  
15 are on a time-bill basis as in the case of  
16 BBK legal services arrangement.

17 BBK partner and Town of Apple  
18 Valley --

19 ALJ KIM: Times up. Can you wrap up?

20 MR. RICE: Yes, I will.

21 I take strong issue with Jason  
22 Ackerman's BBK representation in the Town of  
23 Apple Valley protest to include historical  
24 points of interest including the Sunset Hills  
25 burial site of our noted celebrities. Why  
26 not include the kitchen sink and the local  
27 strong emphasis on equestrian endeavors.

28 ALJ KIM: Thank you.

1 Next speaker, Greg Raven.

2 (Applause.)

3

4 MR. RICE: (Handing documents to  
5 ALJ Kim.)

6 ALJ KIM: Mr. Rice, what is this?

7 MR. RICE: That's a package of my  
8 exhibits and my speech.

9 ALJ KIM: (To the Reporter) Take that  
10 for the record (handing documents to  
11 reporter.)

12 Thank you.

13 STATEMENT OF MR. RAVEN

14 MR. RAVEN: My name is Greg Raven.  
15 I live here in Apple Valley. I'm in favor of  
16 allowing Liberty Utilities to purchase and  
17 control Park Water Company and Apple Valley  
18 Ranchos Water Company. However, first I want  
19 to thank comrade Nassif for so completely  
20 representing the collectivist point of view,  
21 which is one of fear, uncertainty and doubt.

22 I am opposed to the hostile  
23 government takeover of the Apple Valley  
24 Ranchos Water Company when the town needs to  
25 turn on the lights and just not condemn the  
26 power company and take over its power plants,  
27 nor should it. When the town needs to turn  
28 on the stove, it doesn't condemn the gas

1 company, seize its drilling platforms and  
2 pipelines, nor should it. When the town  
3 needs a road repaved or a well dug or outside  
4 legal advice, it contracts with a paving  
5 company or a well digger or an attorney as it  
6 should. Yet now we're told that the town  
7 needs water, so they're going to condemn  
8 Apple Valley Ranchos Water Company. That  
9 contemplated action is as wrong as the town's  
10 purchase of the country club and will end as  
11 badly.

12 If members of the town council  
13 think they know so much about running a water  
14 company, they should resign from the council  
15 and purchase the water company on the free  
16 market. Then they can give the water away if  
17 they want and show everybody just how smart  
18 they are.

19 As Ronald Reagan once said: The  
20 nine most terrifying words in the English  
21 language are "I'm from the government and I'm  
22 here to help."

23 The town council says it is  
24 business friendly, but you would never know  
25 it from looking around it these vacant  
26 businesses. And you can look right across  
27 the street and see one.

28 Using our tax dollars to seize

1 a legacy business here in Apple Valley could  
2 not be more unfriendly to business or to the  
3 residents of Apple Valley.

4 Thank you, Judge.

5 (Applause.)

6 ALJ KIM: Thank you, Mr. Raven.

7 Next speaker Jamie Johnson.

8 STATEMENT OF MS. JOHNSON

9 MS. JOHNSON: I'm a relatively new  
10 resident and I don't have anything  
11 constructive particularly --

12 ALJ KIM: Closer. Closer.

13 MS. JOHNSON: I'm a relatively new  
14 resident here. Three years. And we bought  
15 our property, our acre, to be with our other  
16 son who also owns an acre. And of course,  
17 we are all interested in the water property  
18 and the water company and the prices of  
19 the water as we have seen them going up, and  
20 I don't see any future that they -- in  
21 the future that they won't go up.

22 NASA said just yesterday that we  
23 are all going to be in trouble in California.  
24 It's going to be rationing come in a year's  
25 time. So I would like to see some kind of  
26 a constructive solution to this water company  
27 squabble, something that is really  
28 constructive.

1           And I have one question. This is  
2 not question time, right?

3           ALJ KIM: No. At the end, if we have  
4 time. If we get through all the speakers,  
5 I would like to have them come up.

6           MS. JOHNSON: I am going to say  
7 goodbye. Thank you very much.

8           ALJ KIM: Thank you.

9           (Applause.)

10          ALJ KIM: Next speaker, Patrick Davis.

11                   STATEMENT OF MR. DAVIS

12          MR. DAVIS: Judge Kim.

13          ALJ KIM: Good afternoon.

14          MR. DAVIS: My name is Patrick Davis  
15 and I live in the county of Apple Valley,  
16 sphere of town of Apple Valley.

17          UNIDENTIFIED SPEAKER: To the mike.

18          MR. DAVIS: Well, I'd like to echo what  
19 Scott Nassif had to say, but some concerns  
20 and things he didn't say in regards to --  
21 Leanne Lee was one of the speakers. She had  
22 questions of economics and such. And  
23 I agreed a lot with what she said, too. Both  
24 need to be taken into consideration.

25                   If this water company sells right  
26 now to Liberty-Algonquin, that's it.  
27 The town will never have another chance.

28                   Whether the town should be involved

1 now, I'm not sure. I don't have enough  
2 information. That is your decision, Judge.  
3 Please make a good decision.

4 ALJ KIM: I will do my best.

5 MR. DAVIS: Yeah. Sure.

6 And the other concern along the  
7 lines of taking over this water company. If  
8 that there has to be litigations, look at  
9 Adelanto and how they fought Victorville over  
10 land and water. Now they are terribly  
11 bankrupt. And I don't know what our reserves  
12 are here but be very careful, folks, because  
13 this is a lucrative town right now. And  
14 I really like the way the roads have been  
15 paved. And this town has taken care of their  
16 responsibilities.

17 Whether they can run a water  
18 company, I'm not here to say. I don't know.  
19 Careful. Careful.

20 And that's about all I have to say.  
21 Good luck to us all.

22 ALJ KIM: Thank you, Mr. Davis.

23 Next speaker, Laura Jean Reams.

24 STATEMENT OF MS. REAMS

25 MS. REAMS: Some things may be repeated.  
26 I apologize. Okay.

27 ALJ KIM: Speak loud into the mike,  
28 please.

1 MS. REAMS: Your Honor, as a customer  
2 of AVRW, I feel the need to speak on my own  
3 behalf as a resident fighting corrupted  
4 services of AVRW. I am vehemently opposed to  
5 our local government acquiring AVRW by  
6 eminent domain and do propose that we do  
7 allow Liberty Utilities to purchase them. My  
8 reasons are simple. Our local government  
9 needs to do their job as government, and the  
10 water company needs to be owned and managed  
11 by someone who is in the water business.  
12 These two entities must remain completely  
13 separate for them to operate properly in  
14 the best interest of the people.

15 History has proven recently with  
16 Big Bear Lake and Felton, California and  
17 Missoula of which you already have details  
18 on, that this will cost more than the town is  
19 currently proposing.

20 Those are just the most recent.  
21 And if I had had more time, I would have  
22 brought up more. There are many other issues  
23 that didn't turn -- sorry. I skipped it.  
24 There are many --

25 ALJ KIM: Speak into the mike, please.

26 MS. REAMS: There are many issues that  
27 need to be addressed with our tax dollars in  
28 Apple Valley. Our roads are in need of



1 repair. Most of the resident streets are  
2 dilapidated. Improvements to the sewer  
3 system, storm drains, street lights,  
4 sidewalks, et cetera. All those are current  
5 things that help our town be a better way of  
6 life for current and future residents.

7 The town of Apple Valley seems to  
8 be spending our money in any way they want in  
9 regards to this issue, and this concerns me.  
10 And for sure I will not reelect any of  
11 the current council members. They seem to  
12 have thrown out the recommendations of blue  
13 ribbon committee to forego their own  
14 ambitions of running a water company. That  
15 right there shows me that inexperience and  
16 lack of wisdom to be leading our community.

17 While the CPUC makes the rate  
18 making process complex and difficult to  
19 understand for the layperson, the town's own  
20 blue ribbon committee found the process  
21 results in fair and reasonable rates. And  
22 I concur with the blue ribbon committee  
23 results.

24 Liberty Utilities Company has all  
25 the financial means and resources to own and  
26 operate AVRW. They are well experienced in  
27 the cost of owning a water company now and in  
28 the future. The Town of Apple Valley and

1 the city council are not.

2 In conclusion, I would hope that  
3 your Honor would see between the lines here  
4 and make the correct decision for our town.  
5 Allow Liberty Utilities to purchase AVRW and  
6 Park, I guess. Put a stop to this situation  
7 in this town, spending any more of our money  
8 on something they will seem to know nothing  
9 about.

10 (Applause.)

11 ALJ KIM: Next speaker, Larry Calendar.

12 STATEMENT OF MR. CALENDAR

13 MR. CALENDAR: Thank you very much,  
14 Judge. If everybody can hear me.

15 ALJ KIM: Yes. Closer.

16 MR. CALENDAR: Too low.

17 Thank you very much, Judge. And  
18 I'm glad to see you made it here successfully  
19 with me escorting you.

20 ALJ KIM: Thank you.

21 MR. CALENDAR: You're welcome.

22 My attitude on this is basically  
23 that I would like to see the city take over  
24 the water district, the City of Apple Valley,  
25 rather than have a private entity at this  
26 point, would leave it with a private entity  
27 as this. But as far as the sale, it seems  
28 like a deep-pocket-thing where the company is

1 going to make a lot of money out of it and  
2 everybody is going to make money in 2015  
3 versus money in 2014. It's higher level.

4           When you think of the fact that  
5 the red light cameras are in Victorville,  
6 the red light cameras are in Victorville and  
7 everybody hates Victorville, including  
8 myself. And that's a company that's in  
9 Arizona.

10           Who do we go to fight in Arizona?  
11 Not too many people.

12           You don't have any success in doing  
13 business with Arizona. And then you've got  
14 a company that's in Canada. We're going to  
15 have another company that's a foreign entity  
16 to me, even though my name is Calendar and  
17 I'm from Canada.

18           I just would like to see the city  
19 take over the company, and the taxpayer can  
20 pay for it that way or could be divided onto  
21 the tax roll of the tax owners. The local  
22 control is going to bring us a board of  
23 directors which will be able to vote in, vote  
24 out. It will bring us a president. It will  
25 bring us an elected body to our district to  
26 have a complaint factor as far as  
27 I understand if it's a local control.

28           Who do we go to when it's not local

1 control? You don't have anybody to go to  
2 except a phone call somewhere back east or  
3 some representative that may call you back or  
4 may not. Everyone knows when you get to the  
5 Internet, you can look them up, find them,  
6 and you can talk to them but that doesn't  
7 mean you are going to get any results. I'd  
8 just like to see local control.

9 My time is up. Thank you.

10 ALJ KIM: Thank you.

11 (Applause.)

12 ALJ KIM: I'm going to call  
13 a five-minute break so that our court  
14 reporter could rest her fingers and everyone  
15 can stretch a little bit. But typically,  
16 I call a longer recess but just because  
17 the room is continually filling up and I'm  
18 getting a little nervous, I'm going to do  
19 five minutes. Let's all come back by 3:06.

20 (Recess taken.)

21 ALJ KIM: We're back on the record.

22 Next speaker, Tom Piper. Please  
23 approach the podium.

24 And I'd the mic is a little tricky,  
25 so you really need to speak right into --

26 MR. PIPER: Is it on? Thank you.

27 STATEMENT OF MR. PIPER

28 MR. PIPER: Good afternoon, your Honor.

1 ALJ KIM: Good afternoon.

2 MR. PIPER: My name is Tom Piper.

3 I have a shop in Apple Valley.

4 For the town government to buy the  
5 Ranchos Water Company by eminent domain, it  
6 sure sounds like out and out theft to me.  
7 This is bad government and bad capitalism.

8 The art of a deal is that both  
9 sides are happy. I don't think the Ranchos  
10 Water Company people are happy with this,  
11 with what the town government is trying to  
12 do.

13 If the town government wants to buy  
14 the water company, they need to make the --  
15 make them an offer they can't refuse. But  
16 they can't. Slight problem.

17 ALJ KIM: Closer.

18 MR. PIPER: They can't come up with the  
19 money. Even if they do eminent domain, not  
20 without a massive bond issue against property  
21 taxes for 30 years or so.

22 The price of water for Ranchos is  
23 higher than we like but the alternative is  
24 a much more expensive.

25 Thank you.

26 (Applause.)

27 ALJ KIM: Thank you.

28 Next speaker, Allen Tucker.

1           By the way, before you start  
2 speaking, I'm getting notice that even though  
3 we have a full room, the number of speakers  
4 is not as long as what I had anticipated. So  
5 I think we're going to keep to three minutes,  
6 then we're going to into a question and  
7 answer.

8           Thank you.

9           You may proceed.

10                   STATEMENT OF MR. TUCKER

11           MR. TUCKER: Good afternoon. Thank you  
12 for coming. My name is Allen Tucker. I'm an  
13 Apple Valley native since 1955. And I agree  
14 with everything that Scott Nassif brought  
15 forward and agreed with acquiring the water  
16 company here.

17           UNIDENTIFIED SPEAKER: Louder.

18           MR. TUCKER: Sorry.

19           ALJ KIM: You can take the mike off.

20           MR. TUCKER: I'm not a public speaker.

21           UNIDENTIFIED SPEAKER: Take off  
22 the mike.

23           ALJ KIM: Great. And keep it close to  
24 your mouth.

25           MR. TUCKER: Anyway, my highest water  
26 bill was \$698 with \$150 surcharge. That's my  
27 highest. Only my highest. I have rather  
28 high ones. About every three years, our

1 water company comes to us and asks for rate  
2 increases to repair aging infrastructure.  
3 How many times do they need to repair aging  
4 structure? Isn't that built into our rate?

5 Now, they say that they're  
6 investing in our water company, they're doing  
7 it with our rates. When they sell the water  
8 company, they sell it at a profit. They're  
9 looking to double the value. In fact, this  
10 one number that was brought forward as one of  
11 our previous speakers implied a million  
12 dollars a mile for 450 miles. Well,  
13 the whole of the holding company is only  
14 \$325 million. So those numbers are just way  
15 out there. I don't know where they get them.

16 In reality, we're looking at  
17 purchasing the water company for a little  
18 more than a hundred thousand dollars.  
19 I think a fair price would be maybe closer to  
20 \$75 million. But they want to make a profit.

21 Well, we put into our  
22 infrastructure with our money paying our  
23 rates. Shouldn't we be able to keep some of  
24 that locally, local ownership by the city?

25 Now when they sell this, are they  
26 going to sell some bond -- excuse me, not  
27 bond, they're going to sell debt. That debt  
28 was used to purchase this company. Now when

1 the Town of Apple Valley buys this water  
2 company, we'll incur some debt and we'll pay  
3 that off with the profits. You need to take  
4 profits out of the equation and buy this  
5 water company with our own profits. And  
6 that's doable with a bond or with debt which  
7 would be bond.

8 Thank you.

9 ALJ KIM: Thank you, sir.

10 (Applause.)

11 ALJ KIM: Next speaker, David Mueller.

12 STATEMENT OF MR. MUELLER

13 MR. MUELLER: Welcome, your Honor.

14 ALJ KIM: Hi.

15 UNIDENTIFIED SPEAKER: Little louder.

16 ALJ KIM: Can you take that off? That  
17 mike is temperamental.

18 MR. MUELLER: Sure.

19 My name is David Mueller.

20 I've lived in Apple Valley for 35 years.

21 I want to welcome you to Apple Valley.

22 I don't know how you're going to  
23 frame all these opinions into a legal  
24 decision, but to me this breaks down to two  
25 basic concepts: Should government take this  
26 over, and what is the legal reason why they  
27 can? Or should we not trust Carlyle  
28 Infrastructure selling to Western Water



1 Holdings to a new company which is  
2 the private sector which is capitalism. And  
3 to me, that's what our nation's about.

4 And unless somebody can say these  
5 people are corrupt and not doing their job,  
6 I don't see why they should be blocked.

7 I do have an issue with government  
8 running things. We have \$18 trillion in debt  
9 that our U.S. government has rolled up and no  
10 idea how to pay it off.

11 Our problems here locally you could  
12 say were caused by government. The Mojave  
13 River was dammed by the federal government  
14 which cut water off to Barstow, so they sued.

15 The Mojave Water Agency was formed,  
16 another government agency, to solve our water  
17 issues. They basically eliminated through  
18 all this judicial decision, there's no  
19 competition anymore. So whatever water  
20 rights you had frozen back in time, that's  
21 all you get, so --

22 And then we, on top of that, we  
23 have -- all of us can read the newspaper and  
24 see we are running out of water. So gosh,  
25 I'm so surprised that water rates are going  
26 through the roof. That's not their fault.  
27 They're responding to market forces. So I  
28 say yes, please approve them. They've done a

1 good job. There's been improvements here.  
2 I think Liberty Utilities will do a good job.

3 Actually, they're taking a risk in  
4 the current water system that we're in right  
5 now. They're taking a risk. So please, do  
6 approve them. Let's stick with capitalism.

7 (Applause.)

8 ALJ KIM: Next speaker, Diane Uli.

9 STATEMENT OF MS. ULI

10 MS. ULI: Thank you, your Honor.

11 I'm undecided as to whether or not  
12 this particular utility should take over  
13 Apple Valley Ranchos Water or should the  
14 town. However, if their application is  
15 successful, I strongly ask the Public  
16 Utilities Commission to be conscientious in  
17 assuring that this corporation does not pass  
18 down the cost of the acquisition to the  
19 ratepayers here in Apple Valley. I urge  
20 the PUC to make the stipulation  
21 non-negotiable and enforceable, and then  
22 the corporation is held accountable in  
23 the future to the stipulation.

24 That's what I had to say. And  
25 thank you.

26 ALJ KIM: Thank you so much.

27 (Applause.)

28 ALJ KIM: Next speaker, Gary Stater.

1                   STATEMENT OF MR. STATER

2                   MR. STATER: My name is Gary Stater.  
3                   I have lived in Apple Valley since 1969 and  
4                   I have paid Apple Valley Ranchos for water  
5                   since that time. I currently have six meters  
6                   and I think the water rates are high. Now we  
7                   can all say what was 40 years ago but  
8                   I realize that water is -- you know, you have  
9                   to raise rates but we have the Public  
10                  Utilities Commission to oversee this. I'm an  
11                  independent businessman and I believe in  
12                  independent businesses and I do not  
13                  believe -- I don't think the issue is whether  
14                  the town is going to buy the property. It  
15                  sounded like that though, listening to my  
16                  friend Scott Nassif talk.

17                  But I think that the issue is if  
18                  we're going to approve Liberty, and I think  
19                  that they are willing to come to the market,  
20                  come up, make the commitment. The price they  
21                  pay should not be anybody's concern. I sell  
22                  homes. If somebody wants to pay \$400,000,  
23                  I might say oh, no, you shouldn't don't that.  
24                  I think if they are willing to put up  
25                  the money, if they have the backing to run  
26                  the Ranchos, I personally like the -- having  
27                  the -- that they are going to keep all  
28                  the staff, keeping the staff and -- anyway,

1 I think that we should keep this public.

2 The town right now you know they  
3 are running a couple of organizations.

4 No, we're not speaking on that.  
5 I won't go there.

6 But anyway, I think that's all  
7 I have to say. I recommend that if they are  
8 qualified to purchase, they should not be  
9 looked at because of how much they're  
10 purchasing it for. I think that is  
11 a ludicrous assertion and anybody -- they  
12 should be able to pay what they want to pay  
13 for it.

14 Thank you.

15 (Applause.)

16 ALJ KIM: Thank you.

17 Next speaker, Bernadette McNulty.

18 If you'd like to sit, then you can  
19 hold the mike.

20 STATEMENT OF MS. MC NULTY

21 MS. MC NULTY: Oh, no. I'm fine.

22 Thank you, Judge, for coming.

23 I'm Bernadette McNulty.

24 I've resided on Apple Valley Road for --

25 ALJ KIM: Can you all hear her.

26 UNIDENTIFIED SPEAKER: No.

27 ALJ KIM: You need to get closer.

28 MS. MC NULTY: Can you hear me now?

1                   I'm Bernadette McNulty.  
2 I've resided on Apple Valley Road for  
3 20 years and owned property in this town  
4 since 1988. I have more than 20 years  
5 experience as a consultant to the Southern  
6 California Edison Company and to utilities in  
7 11 western states.

8                   In 2011, I was a member of the Town  
9 of Apple Valley Blue Ribbon Water Committee  
10 and served without compensation among the 15  
11 citizens appointed to advise the town on its  
12 best opportunity for affordable water and  
13 economic sustainability. After eight months  
14 of hard work, public hearings, and reviewing  
15 thousands of pages of documents, research and  
16 writing a report -- and I wrote the first  
17 draft of the report -- we submitted our  
18 recommended stipulations to Administrative  
19 Law Judge Long regarding the merger of Park  
20 Water Company and the Carlyle Group's Western  
21 Water Holdings. Both Apple Valley Ranchos  
22 Water Company and the Carlyle Group fiercely  
23 opposed our recommendations. And on  
24 December 1st in 2011, Judge Long approved the  
25 merger.

26                   The price in 2011 was \$107 million,  
27 plus assuming 40 million in long-term debt  
28 obligations. Now only three years later,

1 the Carlyle Group wants to sell Park Water  
2 Company to Algonquin Power Company-Liberty  
3 Utilities for 325 million, including  
4 80 million in debt. So the sale price of  
5 the company has more than doubled.

6 I'm opposed to this overvalued  
7 acquisition and the merger because  
8 the for-profit corporations get the gold, get  
9 the goldmine while Apple Valley Ranchos'  
10 ratepayers get the shaft.

11 I don't want a Canadian company  
12 controlling our town's water destiny. I want  
13 local oversight and accountability of Apple  
14 Valley Ranchos' operations. I'm fed up with  
15 the unbridled greed of for-profit  
16 multinational companies profitizing my water  
17 delivery services and creating a Byzantine  
18 network of limited liability corporations to  
19 enrich investors, thwart oversight, and  
20 accountability while always increasing my  
21 water rates.

22 I'm outraged that the PUC allows  
23 developed or provided water systems to be  
24 owned by private companies such as Apple  
25 Valley Ranchos. That expensive water  
26 infrastructure should be owned by the town.  
27 Such an ownership change will stop debt build  
28 up that current water users have to repay

1 plus profit on the debt to corporate  
2 investors.

3 I don't want to pay increasing  
4 water rates to expand Apple Valley Ranchos  
5 infrastructure to undeveloped land. Owners  
6 of that land now benefit from the increased  
7 property value of their land at water  
8 ratepayers' expense. Instead, we need  
9 a parcel tax on those property owners to  
10 extend water utilities to their private  
11 property.

12 I want better PUC oversight of  
13 Apple Valley Ranchos engineering and  
14 financial operations. For example, three  
15 years ago, the Mojave water agency --

16 UNIDENTIFIED SPEAKER: Time's up.

17 MS. MC NULTY: May I finish this?

18 ALJ KIM: Wrap it fast. Thank you.

19 MS. MC NULTY: Spent \$2 million of  
20 property taxpayers' money to construct a well  
21 at Jess Ranch in Apple Valley for use by  
22 Apple Valley Ranchos. However, Apple Valley  
23 Ranchos has never pumped water from this  
24 well. Why not? Because Apple Valley Ranchos  
25 cannot followed the \$2 million cost of  
26 the well into its rate base and add on its  
27 allowed PUC profit. I don't want to pay for  
28 gold-plated water infrastructure plus profit

1 for investors. And that is what Apple Valley  
2 Ranchos' customers are forced to do now.

3 Don't improve approve this merger  
4 and overvalued acquisition. It's not in  
5 the best interest of the state of California,  
6 the town of Apple Valley, or Apple Valley  
7 Ranchos' ratepayers.

8 Thank you, Judge.

9 (Applause.)

10 ALJ KIM: Thank you.

11 Next speaker was Judith White.  
12 I think she came up to me during the break,  
13 indicating that she was leaving but she's  
14 echoing the sentiments that have already been  
15 expressed. I'm going to take her off  
16 the list.

17 The speaker after that, James  
18 Youden.

19 STATEMENT OF MR. YODEN

20 MR. YODEN: Good afternoon, your  
21 Honor. Thank you for letting me speak.

22 Thank you, residents.

23 I'm a new resident to Apple Valley.  
24 Been here for only six months. I'm going to  
25 give you couple of little bit pieces of  
26 information that's very valuable. I'm not  
27 going to go into a long thing about --

28 ALJ KIM: Can everybody hear him?



1 AUDIENCE MEMBERS: No.

2 ALJ KIM: Speak louder.

3 MR. YODEN: Is that closer? Okay.

4 I'll leave it right under my lip.

5 I come from downhill. The City  
6 of Riverside has its own water utility, has  
7 owned it for over a hundred years. It  
8 operates every year in a surplus. The only  
9 reason the city doesn't have the money to put  
10 up raising rates to about 14 percent in  
11 the last ten years is because they use  
12 the money for other things. But that's just  
13 an example of a local government owning their  
14 own utility that can get water rates close to  
15 half of what they pay up here.

16 The question we have is regarding  
17 the price. I think that there's two reasons  
18 why this sale is being proposed. One,  
19 Carlyle Group wants to get their profit now.  
20 And two, if they can artificially or in any  
21 other form inflate the purchase price,  
22 \$400-something million is impossible for  
23 the city to be able to take it over and run  
24 it for the benefit of their citizens.  
25 I think that's the main reason why we're  
26 seeing this application.

27 The other thing is that it's  
28 better, better or whether or not you agree

1 with it or not, my experience has been it's  
2 much better to have the people in control of  
3 your resources locally. If you don't like  
4 the way the city or the city council people  
5 run the water company, it's a lot easier for  
6 us to get rid of them and get new people into  
7 office than it is to change the board of  
8 directors of a multinational corporation.

9           The cost and the profit needs of  
10 a multinational corporation are much more  
11 intense than it would be on a local level,  
12 therefore we're going to see a lot of  
13 increases.

14           If you're concerned with the  
15 increases, I would suggest a stipulation in  
16 the purchase price. Limit the price  
17 increases. Limit the rate increases over  
18 the 20 years, say 20 percent total for the  
19 next 20 years. That would be a maximum of  
20 one percent a year. See if they will still  
21 go through the purchase if they are getting  
22 one percent increase over the next 20 years.  
23 I would be willing to bet you the purchase  
24 goes away.

25           Thank you.

26           (Applause.)

27           ALJ KIM: Thank you.

28           As far as I know, this may be

1 the last speaker: Mike Lent.

2 STATEMENT OF MR. LENT

3 MR. LENT: Good afternoon, Judge.

4 ALJ KIM: If we can hear you.

5 MR. LENT: I'll do my best.

6 ALJ KIM: You have the final say, so go  
7 ahead.

8 MR. LENT: My name is Mike Lent. I've  
9 been a resident of Apple Valley for 39 years  
10 and an employee of Apple Valley Ranchos Water  
11 Company for 22 years.

12 When I started at Ranchos, we were  
13 owned by the Wheeler family. Safety,  
14 security, family and customer service were  
15 the top priorities. The Carlyle Group shared  
16 the same values, and Liberty Utilities will  
17 continue with these same core values.

18 People are concerned about their  
19 money leaving to Canada. The fact is all of  
20 our contractors are local, our employees are  
21 local, our vendors are local, and we will  
22 continue to spend locally. In fact, the town  
23 has a law firm from L.A., an assessment firm  
24 from Oceanside, a public relations firm from  
25 Los Angeles, all this from a town pushing to  
26 buy local.

27 The fact of the matter is the price  
28 of everything has gone up over the years.

1 Gasoline, electricity, cell phone bills, auto  
2 parts, even fire protection, every year those  
3 go up in price. Those increases affect  
4 Ranchos Water Company on a much larger scale  
5 than on a normal residential household. For  
6 example, permit fees for new 1200 square-foot  
7 house in Apple Valley, \$25,000. When they  
8 leave the town, they can come to Ranchos  
9 Water, sign up for water service for a \$75  
10 deposit. Tell me now who is building  
11 friendly and business friendly.

12 In closing, let me speak for myself  
13 and my co-workers. Liberty Utilities is the  
14 right fit to purchase Apple Valley Ranchos  
15 with their commitment to community service,  
16 customer service, sustainability, and their  
17 proven record in safety and customer  
18 satisfaction. We as a town will be well  
19 served by the Liberty Group.

20 Thank you.

21 (Applause.)

22 ALJ KIM: I want to make a couple of  
23 announcements. And let's take a ten-minute  
24 break and we'll resume.

25 One, we do have another public  
26 participation hearing this evening in case  
27 you have friends or family or anyone else who  
28 wishes to speak on this issue want to attend

1 this evening at 6:30 p.m. here. So go ahead  
2 and spread the word. I want to hear from as  
3 many of you as I can before I leave town.  
4 It's not to say that I'd be done with this  
5 after. But since I'm here, I want to hear  
6 from you.

7 Two, I want to preface that what  
8 we're going to do after the recess is  
9 a little bit unusual. I am having the joint  
10 applicants come up and sit here, I'm having  
11 the Office of Ratepayer Advocates also come  
12 up and sit here, I'm having the Town of Apple  
13 Valley representative come up, and sit here  
14 and be available to answer question and  
15 answer for about 20 minutes, and going to end  
16 the session with that.

17 That wasn't part of the original  
18 plan but I simply wanted to make sure that to  
19 the extent that they're here and they can  
20 answer the question, we give them  
21 the opportunity because they were gracious  
22 enough to extend that as something that  
23 they'd be willing to do today.

24 But they had no head's up notice  
25 before today, so they had no preparation.  
26 And it may very well be that -- I think you  
27 heard from the Ratepayer Advocates  
28 representative indicating that they're in

1 the middle of things. There may be a lot of  
2 questions to which we don't yet have answers  
3 for. So please be patient with us but we  
4 want to do our best to get the best  
5 information out to you today and then we will  
6 adjourn.

7 So we'll come back and do that. So  
8 let's do that by coming back at 3:40. And  
9 then 3:40 to 4:00, we will have a Q and A  
10 session.

11 Thank you.

12 (Off the record.)

13 ALJ KIM: Thank you, gentlemen.

14 I appreciate you guys offering to do this on  
15 the spot. I typically don't like to put  
16 parties on the spot without prior notice. It  
17 wasn't even on the agenda, but I felt that  
18 some of the questions, some of the comments  
19 suggested that there may be some confusion or  
20 things that could be clarified before we move  
21 out of the room.

22 So what I'd like to do is I have  
23 a couple of people helping me. I'm going to  
24 have them go around. Raise your hand and  
25 they are going to give you a mike. You can  
26 ask a question, and then I'm going to have  
27 any of the panelists answer the question as  
28 best that they can.

1 MR. MATTES: Your Honor, we don't know  
2 who this gentleman is.

3 ALJ KIM: Okay. Would you identify  
4 yourself?

5 MR. EMICK: Curt Emick, town council.

6 MR. MATTES: Your Honor, we don't  
7 believe it's appropriate to have counsel at  
8 the table.

9 ALJ KIM: Well, I gave him permission  
10 to be present to the extent that this is  
11 a question and answer session to allay any of  
12 the confusion. If he can lend an answer to  
13 a question that allays confusion, I think  
14 that helps the process.

15 MR. MATTES: Your Honor, then I reserve  
16 the right also to speak if necessary.

17 ALJ KIM: Absolutely you have that.  
18 I grant you that privilege.

19 MR. MATTES: Thank you.

20 UNIDENTIFIED SPEAKER: Your Honor,  
21 there's a miscommunication. The gentleman is  
22 a member of the town council. He is not the  
23 legal town counsel. I believe --

24 ALJ KIM: Understood.

25 And also just for the sake of  
26 the entire room so we can all understand the  
27 question and answer, speak only when you have  
28 a mike. So I have two people on both sides

1 of the room ready to run to you with a mike.  
2 So raise your right hand and I will point to  
3 whoever the person is, and we'll try to be as  
4 orderly as possible. And I'm going to end  
5 the session promptly at four.

6 So, I saw the gentleman in the back  
7 first, and then you, you're No. 2.

8 MR. MUELLER: Yes. My name is David  
9 Mueller and I have a quick question.

10 Mr. Nassif has made the allegation  
11 that the property -- the company has doubled  
12 in value. But my understanding was it's been  
13 almost four years and there's been  
14 infrastructure improvements made both at  
15 Mountain, here locally, and probably down in  
16 Park. So if you could give me a -- I spoke  
17 with Tony just a moment ago. He said he  
18 thought about approximately 5 million by  
19 the end of next year just here in Apple  
20 Valley Ranchos. So to explain to the public  
21 why the price has included based on  
22 infrastructure improvements, I'd just like to  
23 hear your side of that.

24 MR. DOVE: Well, let me answer that  
25 from Carlyle's perspective.

26 We have invested a lot of money.  
27 I do not have the numbers at my fingertips  
28 but we can definitely get that to you or put



1 it in the record. But the sale process was  
2 run by Wells Fargo, which is a bank, and they  
3 went out to a number of people and we got 13  
4 indications of interest that people would be  
5 interested in buying it. At the end of  
6 the day, we had four finalists who put in  
7 firm bids for the company. That is firm  
8 committed bids for the company, and the price  
9 range was somewhere I think around  
10 206 million at the low end and 250.6 at the  
11 high end. All four were public utilities.  
12 And at the end of the day, we made an  
13 agreement with Algonquin and Liberty. So it  
14 was a market place and the market spoke and  
15 the market put the price on it.

16 ALJ KIM: Thank you.

17 And the gentleman right there.  
18 Thank you.

19 MR. ESKUL: My name is Ryan Eskul  
20 [phonetic]. I've been a resident of Apple  
21 Valley for the last seven years. Fifty years  
22 plus ago I saw an advertisement that we had  
23 unlimited water in Apple Valley. We know  
24 that's not true. But what I noticed in the  
25 last few months -- I fish on the California  
26 Aqueduct which is not flowing because we have  
27 no water in Northern California and they are  
28 proposing to try and make the thing flow

1 north. What is your intention of the water  
2 rights that you will include in the purchase?  
3 Would we be sold to dry dust?

4 ALJ KIM: Anybody ready to take that?

5 MR. PASIEKA: Well, first of all, on  
6 the water rights, you know, obviously to run  
7 this utility we need a number of water  
8 rights, and we will get those because we've  
9 inherited them. Or in some cases, we're  
10 purchasing new ones. And those are part of  
11 the -- that's part of the value.

12 And to the extent that there's  
13 another owner, whether it's us or somebody  
14 else, okay, they're going to have the same,  
15 the same situation. This is why I think it's  
16 important that the company or the  
17 organization running the organization has  
18 access to capital so that whatever  
19 the situation turns out to be, there's an  
20 opportunity to make sure that there will be  
21 water flowing through those pipes.

22 Robert?

23 MR. DOVE: I've got nothing to add.

24 ALJ KIM: Thank you.

25 Lady in pink in the back.

26 UNIDENTIFIED SPEAKER: I have  
27 a question for the Town of Apple Valley and  
28 one for Apple Valley Ranchos.

1           Scott Nassif in his statement made  
2 reference to the surrounding areas with lower  
3 water rates. I'd like to ask him if he is  
4 aware that Hesperia's water department  
5 operates in over a million dollars in the  
6 red.

7           MR. NASSIF: I am not familiar with  
8 Hesperia's financials because I believe they  
9 just purchased quite a bit of water rights in  
10 the area where the Tapestry project was.  
11 When I was referring to the rates, Hesperia's  
12 water rates are 139 percent higher than Apple  
13 Valley.

14           Victorville's, if you take Hesperia  
15 out of it, is 89 percent higher than we are  
16 locally. Both municipally run.

17           If you take the county's rates,  
18 I don't have the percentage but it's close to  
19 200 percent, Apple Valley's close to 200  
20 percent higher. All run by municipal and  
21 government organizations.

22           So the vast majority of water, when  
23 I was referring to that, vast majority of  
24 water companies are municipally owned  
25 throughout the country and are run by local  
26 elected officials and they're answerable to  
27 that. That's what I was referring to.

28           I did want to touch a little bit,

1 if you don't mind, on Mr. Mueller's question  
2 directed at me regarding my point that the  
3 amount of difference between what Carlyle  
4 paid in 2011 of 157 million now at  
5 327 million, isn't just infrastructure that's  
6 part of a business evaluation and it's  
7 calculated usually by an investors on how  
8 much return on investment they can get. And  
9 that's where our concern is most investors  
10 who look and bid on the water system, the  
11 the whole park which of course is not just  
12 Apple Valley Ranchos. This is Downey,  
13 probably one-third Yermo and also Missoula,  
14 Montana Mountain Water District. So we are  
15 concerned how is that going to affect our  
16 rates. So that's what I was referring to on  
17 that particular issue.

18 ALJ KIM: We had a hand up. This lady,  
19 she was next. Then I'll go to you in back in  
20 the red.

21 MS. MARKS: Hello. My name is Linda  
22 Marks [phonetic]. I'm a local businessperson  
23 and I've known almost everybody here for a  
24 long time. They're all my neighbors. I hate  
25 to see the squabble that is about to ensue  
26 over all of our water.

27 My concern is regardless of what we  
28 pay for this or what the people pay for

1 the company and all of that is that this is  
2 an eminent domain issue more than it is  
3 anything else, is they don't want to be  
4 purchased by the town. This is going to be  
5 end up in a court battle that is going to  
6 cost all of us a great much more money.

7 And I'm a retired person, still  
8 working. We've all been through hell with  
9 the last seven years in the state financially  
10 and economically and hopefully Liberty knows  
11 that. And so obviously keeping water rates  
12 down is primary to everybody's interest.

13 But who in Apple Valley is going to  
14 be the agency that is actually supposed to  
15 run it better than Apple Valley Ranchos?  
16 That's what I want to know.

17 Who are they?

18 How do we know what they are going  
19 to do?

20 And if they fail at it, learning  
21 how do it, what do we do then?

22 ALJ KIM: Is that a question?

23 MS. MARKS: Yeah. That is a question.

24 I think maybe Scott can figure it  
25 out.

26 MR. NASSIF: I understand this is very  
27 complicated.

28 Let me first address that our

1 intent has never been to try to do the  
2 eminent domain. We tried very, very hard.  
3 Obviously, a third of Park Water is under  
4 eminent domain. I think they have a court  
5 date set later this week on the 18th.

6 We have been trying -- Mr. Dove  
7 will recall -- several outreaches by our town  
8 manager to be part of purchase -- the last  
9 four years the Town of Apple Valley has tried  
10 to get into the line purchase, be part of  
11 the solution. We were told Ranchos wasn't  
12 for sale; Park Water was. So we have been  
13 trying to orchestrate straight a sale that  
14 would include all Park Water. That was our  
15 intention.

16 Keep in mind this the about  
17 ownership. This isn't about the company.  
18 They talk about the employees, they're our  
19 friends, they're our neighbors, they do  
20 a fantastic job. This is about the ownership  
21 of the local company, water company. And  
22 I think that's where we're trying to come  
23 from.

24 Would we like to be part of that?  
25 Would we like to have a seat at the table?  
26 Yes. We haven't come to that decision with  
27 whether want to have condemnation as part of  
28 the solution. That's a subject for

1 the public to decide, whether inevitably  
2 that's something they would like to embark  
3 on.

4 We would like to have a seat at  
5 that table and talk about that acquisition.

6 So that's just speaking from  
7 the town council's point of view.

8 I think Curt Emick --

9 MR. EMICK: I agree.

10 MR. NASSIF: I just want to make sure.

11 UNIDENTIFIED SPEAKER: How does that  
12 impact the Apple Valley taxpayer, or  
13 ratepayer as you call it, if all does end up  
14 in a big litigated thing? Because we have no  
15 control at that point over the costs and what  
16 ends up being distributed to all of us.

17 MR. NASSIF: You're right. It would be  
18 up to -- if it does go to that point, it  
19 would be better to have a negotiated sale  
20 such as what's happening currently.

21 If you look at the current  
22 negotiating sale and the value, our  
23 feasibility study shows that we could  
24 purchase at a fair market value which is what  
25 they purchased it, if you divide it by  
26 a third and consider Apple Valley Ranchos is  
27 a third of the 3.3, 337 -- 327 million  
28 purchase price, the town council, the Town of

1 Apple Valley could afford it without raising  
2 taxes and without raising fees and rates.

3 The reason they can do, let me real  
4 quickly as I mentioned earlier in my talk,  
5 there's \$3.2 million worth of service  
6 agreements and they go to Park Water. That  
7 would go away. That would stay -- need the  
8 management fees to go to Park Water. That  
9 would stay here.

10 The 9.7 percent profit that they  
11 get every year would no longer exist and that  
12 would all go towards the bond payment.

13 So we are still studying that.  
14 We're still looking at that. I'm just  
15 letting you know there's things that are out  
16 there that we are looking at and that's  
17 spelled out in the feasibility study. So I'm  
18 not saying anything that isn't public  
19 knowledge.

20 But if you look at what's in there,  
21 fair market value, whether a judge -- that's  
22 something we have to look at in the future,  
23 and we're getting there. But I just want to  
24 let you know that we're not just in the dark  
25 throwing darts.

26 UNIDENTIFIED SPEAKER: Who would run  
27 our water if the town were to have it?

28 MR. NASSIF: Curt will agree with me.



1 90 percent of the folks -- remember that  
2 almost all water companies are controlled by  
3 public water companies -- Victorville,  
4 Hesperia, the county. Most of the employees  
5 that work for the Town of Apple Valley work  
6 for the city at one level or another that  
7 have a municipal water system. So virtually  
8 everybody in the town has been part of  
9 a municipal water district, so it's not that  
10 different.

11 And keep in mind, we're the owners  
12 and we still have the operation in place.

13 ALJ KIM: Let me interject because  
14 I really value the time and I do want to end  
15 at 4:00, and it's not that I have disrespect  
16 for this discussion. I think it's an  
17 important one. I think you're raising a very  
18 important question. You should continue to  
19 ask those questions to your elected official.  
20 However, I want to make it very clear that  
21 what I have the authority to make a decision  
22 on in this case is limited to this  
23 acquisition. This acquisition does not  
24 involve decisions about the town's future  
25 desires to pursue potentially alternative  
26 options which may be out there which may be  
27 wonderful. That's just not before me. I am  
28 looking at this purchase and the prudence

1 related to this purchase.

2 And so if we could narrow  
3 the questions going forward to that, that  
4 would be helpful to me and why I'm here.

5 And I want to give the utility who  
6 has been doing this for a little while at  
7 least a second to address because he's been  
8 doing that for a little while.

9 MR. PASIEKA: Thank you, your Honor.

10 I wanted to come back to this one  
11 point about local control. I think you heard  
12 my story which is consistent with the way  
13 the business is being run today. But it goes  
14 further than that. The money that Scott  
15 talked about, Councilman Scott talked about  
16 going out of the state is actually for  
17 services that are rendered. So for example,  
18 those -- that money goes to pay for the  
19 billing system and the customer service  
20 system that are there. Over time, it would  
21 be our goal to repatriate those servers and  
22 that technology here back to the state so  
23 that that service can be provided here as  
24 opposed to there.

25 The other thing that will happen  
26 too -- and we have done this in a number of  
27 our utilities, and it's done consistently in  
28 Mountain Water, to get the local voice to

1 supplement the local voice we create advisory  
2 councils, and we create advisory councils of  
3 business leaders who volunteer their time to  
4 come in and talk through the issues  
5 associated with the drought, with climate  
6 change, the things that are out there.

7           So it goes beyond just, you know,  
8 operating the thing.

9           The local folks here in the town of  
10 Apple Valley will have a local voice over  
11 the decision and the choices that are being  
12 made by the general manager here. I think  
13 that goes -- you know, we haven't gone  
14 through our testimony in California yet.  
15 When you see that, you're going to see  
16 the dialogue associated with advisory boards  
17 consistent with Mountain Water.

18           ALJ KIM: Well, lady in the black  
19 sweatshirt. Yes. He's going to come to you  
20 with a mike.

21           UNIDENTIFIED SPEAKER: I'm wondering  
22 about the acquisition.

23           ALJ KIM: Can you get the mike closer  
24 to you?N

25           UNIDENTIFIED SPEAKER: Yes. I'm  
26 wondering about this acquisition. The City  
27 of Apple Valley is -- are we a part of this  
28 acquisition right now, Judge? Are we a part

1 of this?

2 No. Are we? We are not.

3 So this hearing really has nothing  
4 to do today with whether Apple Valley can  
5 purchase our own sovereign water company; is  
6 that correct?

7 MR. DOVE: Yes.

8 ALJ KIM: That's outside of my control  
9 in this case.

10 UNIDENTIFIED SPEAKER: Can I make  
11 a comment?

12 ALJ KIM: The gentleman in the red  
13 sweatshirt was next.

14 Who else raised your hand?

15 I wanted to make sure I get -- I'm  
16 going to go to you, you, and you.

17 UNIDENTIFIED SPEAKER: I live in north  
18 Victorville --

19 ALJ KIM: You're the last.

20 UNIDENTIFIED SPEAKER: -- and will we  
21 connect with the Rancho Water Company, will  
22 we go along with this program here or not?

23 MR. DOVE: Yes.

24 ALJ KIM: Okay. And lady in green up  
25 front.

26 UNIDENTIFIED SPEAKER: I thought that  
27 monopolies were supposed to be illegal in  
28 the United States. But -- and as Longfellow

1 extends its reach and juggernaut across  
2 different states, it -- I'm wondering how  
3 Longfellow can assure us that you're not  
4 creating a monopoly in utilities and water  
5 particularly.

6 MR. MATTES: Your Honor, may I make a  
7 comment on that, because we talked about  
8 legality.

9 I'm Martin Mattes. I'm counsel for  
10 Western Water Holding --

11 MR. PASIEKA: You have to speak louder.

12 MR. MATTES: Can you hear?

13 I'm Martin Mattes. I'm counsel for  
14 Western Water Holding.

15 Monopolies are not regulated, are  
16 frowned upon by the United States law,  
17 the Sherman Act and the Clinton Act, and so  
18 forth. But the public utilities sector is  
19 one where monopolies have been allowed,  
20 subject to regulation on the theory that only  
21 one provider --

22 ALJ KIM: Closer.

23 MR. MATTES: -- something like water  
24 service is the more efficient way to go  
25 rather than have the pipes down the street.  
26 And therefore, there are monopolies but  
27 they're regulated and the Public Utilities  
28 Commission is a regulator.

1 ALJ KIM: Thank you.

2 And the gentleman in the back.

3 MR. SEMPLY: My name is Steve Semply  
4 [phonetic]. I'm a recent newcomer to Apple  
5 Valley.

6 Many of the people that I've been  
7 talking to are concerned about the, what  
8 appears to be the inflated purchase price.

9 We're wondering since, yes, sir,  
10 there are some regulations of your type of  
11 monopoly. However, there's not a lot of  
12 transparency. And we have not been able to  
13 successfully find the answer from a trusted  
14 authority. We are playing a hedge fund  
15 roulette. We've seen one owns another,  
16 another, da da da, and we're buying  
17 supposedly the same type of system.

18 ALJ KIM: You have a question?

19 MR. SEMPLY: The question is how much  
20 ownership is between the companies, either  
21 direct or indirect, what is the relationship  
22 between Carlyle and your organization?

23 MR. DOVE: There is none.

24 UNIDENTIFIED SPEAKER: Good. That is  
25 on the record.

26 ALJ KIM: And we have one last speaker.  
27 We're just passing four, but I saw you before  
28 so you get to speak the final question.

1 UNIDENTIFIED SPEAKER: Judge, I have  
2 a question for you and then a comment.

3 The question for you is how much  
4 longer are you going to take comment past  
5 today, our public input? Can they send you  
6 comments?

7 You haven't addressed that issue.

8 Is it strictly today is the comment  
9 period from the public in our input?

10 And the second question, the second  
11 issue of comment was I spent Saturday  
12 yesterday or Saturday two days ago and Friday  
13 watching the California Channel and this year  
14 water 2015. And almost eight hours of  
15 discussion in Sacramento across the board  
16 talked about water rate increases. It's  
17 a common projection by the folks up in  
18 Sacramento that water rate increases are  
19 going to be a thing of the future.

20 ALJ KIM: Let me address the first  
21 question because the water rate issue is  
22 a little bit outside of the purview of this  
23 case.

24 So the first question in terms of  
25 whether I plan on taking further comments  
26 beyond today, to the extent that there is  
27 a need shown that someone wants to comment  
28 beyond today, I'm happy to take them. But

1 I have afforded the parties enough  
2 opportunity I think to raise their concerns  
3 in the proceeding.

4           When we have -- if we believe that  
5 an evidentiary hearing is needed, obviously  
6 there's going to be that opportunity. If  
7 this goes to a proposed decision of the judge  
8 before the Commission, there's obviously then  
9 time to comment on that as well. So there's  
10 going to be opportunity to chime in as  
11 appropriate at each juncture.

12           So at this point, this is the forum  
13 that I anticipated would get me  
14 the information I need to hear directly from  
15 the Apple Valley residents, so I think that's  
16 the last one.

17           MS. PORTILLO: Just a clarification.  
18 You can send public comment to the Public  
19 Advisor while the proceeding is still open.

20           UNIDENTIFIED SPEAKER: The public  
21 advisor?

22           MS. PORTILLO: That's us, the Public  
23 Advisor's Office. We have our information at  
24 the table.

25           ALJ KIM: Okay. He was the last  
26 questioning party. I wanted to stop at 4:00.

27           And so you can actually approach  
28 them. I'm sure they're very friendly.



1 They'll be more than happy to talk to you  
2 this afternoon before you run out the door.

3 Thank you. Thank you all.

4 The hearing's adjourned.

5 (Whereupon, at the hour of  
6 4:04 p.m., a recess was taken until  
6:30 p.m.)

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1                   APPLE VALLEY, CALIFORNIA  
2                   16 MARCH, 2015 - 6:30 P.M.

3                   \* \* \* \* \*

4                   ADMINISTRATIVE LAW JUDGE KIM: This  
5 hearing will come to order.

6                   It's now 6:30 p.m. on March 16th,  
7 2015. We're in the Town of Apple Valley's  
8 Conference Center. This is the time and  
9 place for second of the two public  
10 participation hearings I am holding for  
11 Application 14-11-013.

12                   My name is Kimberly Kim. I am the  
13 assigned judge. I'm California Public  
14 Utilities Commission. The purpose of this  
15 Public Participation Hearing is to hear from  
16 each and every one of you who wishes to speak  
17 on your thoughts, views, concerns, if any, on  
18 the Application 14-11-013.

19                   This is a joint application by  
20 Liberty Utilities Company; Liberty WWH, Inc.;  
21 Western Water Holdings, LLC; Park Water  
22 Company; and Apple Valley Ranchos Water  
23 Company. Those are the applicants, and  
24 they're seeking authority for Liberty Utility  
25 Company to acquire and control Park Water  
26 Company and Apple Valley Ranchos Water  
27 Company.

28                   I understand there's another

1 proceeding before California Public Utilities  
2 Commission related to Apple Valley Ranchos  
3 Water Company: the rate increase application  
4 for 2015, 2016, and 2017, Application  
5 14-01-022. I also understand that proceeding  
6 is at its tail end of the process.

7 To allay any potential concerns or  
8 confusion about the two proceedings, the one  
9 that I'm presiding over and that rate  
10 increase proceeding, let me state for the  
11 record that in this proceeding, I do not have  
12 the authority to be hear the same issues  
13 affecting the rate increases considered and  
14 are being resolved in that proceeding.

15 Also, at the first Public  
16 Participation Hearing which was held this  
17 afternoon, I faced a few questions suggesting  
18 that perhaps I would be looking at some  
19 proposals or comments concerning an eminent  
20 domain action that is being contemplated by  
21 some persons or residents of this town.

22 I want to make sure that I'm clear  
23 that only matter that I have before me for my  
24 consideration is the joint application by the  
25 utilities that I mentioned earlier to acquire  
26 and control Park Water and Apple Valley  
27 Ranchos Water Company. Nothing more.

28 With that said, let me please thank

1 the town for providing the facility and  
2 arranging for the Public Participation  
3 Hearing. And I want to thank you all for  
4 coming out this evening. I want to make sure  
5 we had evening opportunity to allow people  
6 who have commitments during the day to also  
7 be able to attend and share their views on  
8 the issue.

9 This Public Participation Hearing is  
10 being transcribed by the court reporter  
11 sitting to my left. And we also have a note  
12 taker. So there's careful notes being taken.  
13 And you also see me typing on my computer,  
14 and I'll be taking notes on my notepad as  
15 well. And all of that will be reviewed  
16 before I sit down with the assigned  
17 commissioner, Carla Peterman, and we'll be  
18 deliberating on the issue and the proposal  
19 that is before us.

20 After that, and only after that, we  
21 will be rendering and submitting a proposed  
22 decision for consideration to be voted on by  
23 the full commission. And there'll be ample  
24 time to comment on any proposed decision that  
25 goes before the full Public Utilities  
26 Commission.

27 Before we begin today's hearing, I  
28 want to go over a little bit of the process

1 for today. If you picked up an agenda at the  
2 entrance, you can follow along. So my plan  
3 is to give the applicants an opportunity to  
4 present for about 10 minutes. And then the  
5 same opportunity will be afforded to two  
6 parties that have formally appeared before  
7 me. That would be the Town of Apple Valley  
8 and Office of Ratepayer Advocates. They'll  
9 all be given 10 minutes each.

10 And then after that, looking at the  
11 size of the attendees, we're going to have to  
12 figure out as we go, but typically what I  
13 start with is three minutes per speaker. And  
14 then it looks like we're not going to get  
15 through the evening giving everyone three  
16 minutes each. I might shorten that time as  
17 the evening goes on. But three minutes  
18 worked okay this afternoon. So I'm going to  
19 stick to that. So that's going to happen.

20 I'm also going to put the utilities  
21 and the Apple Valley representatives and  
22 Office of Ratepayer Advocates on the spot yet  
23 again because I think it worked really well  
24 this afternoon. It's not on the agenda. The  
25 agenda called for presentations and then  
26 public comments and adjournment. But I felt  
27 that some questions were out there that  
28 needed to be answered. And all of those

1 participants felt that they could afford some  
2 of that.

3           And so we had a little bit of time  
4 set aside at the end of the process to have  
5 the panel sit up here to field some  
6 questions. So we took 20 minutes this  
7 afternoon. And, hopefully, we can do the  
8 same, if we can get through the speakers in  
9 time. If we get too jammed up, we might have  
10 to shorten that time. But my goal is to get  
11 through all the speakers as much as I can and  
12 then get to a panel.

13           And to that end, the way you can  
14 help us is to speak clearly and concisely  
15 when you get up to the podium. And we've had  
16 some microphone issues. Be sure that you put  
17 it really close to your mouth just like I'm  
18 doing now. That's one.

19           And, two, if you heard someone else  
20 make the same comment as you did, come up and  
21 just state so. And you don't have to  
22 reiterate the entire argument or concern. So  
23 that will help us at least know that there's  
24 support, but we don't have to rehear the  
25 whole thing, and we'll give other people the  
26 opportunity to speak as well.

27           So I'm going to try to do that and  
28 then try to get through everything. If we

1 get into some time jam, we'll adjust as we  
2 go. I try to have a break every 45 minutes  
3 to an hour. That's so that my court reporter  
4 doesn't lose his fingers. So just plan on  
5 that. And that's my plan, so we'll get  
6 started.

7 So I have the utility -- Joint  
8 Utilities come in. And then if we can do the  
9 same thing as earlier put the podium --

10 STATEMENT OF MR. DOVE

11 MR. DOVE: Your Honor, can you hear me?  
12 Now you can hear me.

13 Good evening, your Honor, parties,  
14 and members of the Apple Valley community.  
15 My name is Robert Dove. I am a managing  
16 director with the Carlyle Group based in  
17 Washington, D.C. I am also the head of  
18 Carlyle Infrastructure Partners, an  
19 investment fund that is the owner of Western  
20 Water Holdings. Western Water Holdings is  
21 also the owner of Park Water, which in turn  
22 owns and provides management services for  
23 Apple Valley Ranchos Water Company, your  
24 local water service provider.

25 Here with me today is my colleague  
26 Bryan Lin and several representatives of both  
27 Park Water and Apple Valley Ranchos Water  
28 Company. Chris Schilling serves as the CEO

1 and president of both companies. And Leigh  
2 Jordan is their executive vice-president with  
3 chief responsibilities around regulatory  
4 matters. Tony Penna, who most of you should  
5 know, who performs an important role as the  
6 general manager of the Apple Valley Ranchos  
7 Water Company. And Eric Larsen is the  
8 customer service manager who is here as well.  
9 All of these company representatives are  
10 available to respond to questions that may  
11 come up in the course of today's session.  
12 And, as Judge Kim has said, unbeknownst to  
13 me, there is this panel at the end. So I  
14 will be on the panel as well.

15           Carlyle acquired the shares of Park  
16 Water Company in 2011 from its long-time  
17 owner the Wheeler family. Carlyle  
18 established Western Water Holdings to be the  
19 owner of Park Water and to provide the equity  
20 capital needed for Park Water and Apple  
21 Valley Ranchos to make needed investments in  
22 new and upgraded facilities to ensure safe  
23 and reliable water service.

24           We believe that we will be good  
25 stewards of the existing assets of Park and  
26 Apple Valley Ranchos and that we have  
27 prudently increased capital investments in  
28 these public utilities to create more robust



1 water system. We have invested in pumps,  
2 pipes, storage facilities, and water rights  
3 to maintain or improve our level of service  
4 to the community we serve. We have done this  
5 while always being committed to the safety of  
6 both the public and our staff.

7 Carlyle Infrastructure Partners is a  
8 closed-end fund, which means that from its  
9 formation, the fund was intended to operate  
10 for a finite period of time. When Carlyle  
11 agreed to acquire Park and asked the  
12 California Public Utilities Commission to  
13 authorize the acquisition, a number of  
14 concerns were expressed that Carlyle would be  
15 a short-term owner.

16 We believe that we have done a good  
17 job for the customers of Park and Apple  
18 Valley Ranchos during our tenure. But we  
19 have also addressed this concern about being  
20 a short-term owner by coming to an agreement  
21 with Liberty Utilities to take over ownership  
22 of Western Water and Park and Apple Valley  
23 utilities.

24 Liberty Utilities, as I'm sure  
25 Mr. Pasieka will tell you, intends to be a  
26 long-term player in California in the public  
27 utilities sector and long-term owner of both  
28 Park Water and Apple Valley Ranchos Water

1 Company. Thank you.

2 (Applause.)

3 STATEMENT OF MR. PASIEKA

4 MR. PASIEKA: Good evening, ladies and  
5 gentlemen, your Honor, community of Apple  
6 Valley. It's my pleasure to be here tonight  
7 with you. My name is David Pasioka. I'm the  
8 president of Liberty Utilities. This is an  
9 office that I have held for the last five  
10 years.

11 With me tonight, joining me from the  
12 Liberty family are two of my colleagues.  
13 Brian Ketcheson over here is our senior  
14 vice-president of utility distribution  
15 operations, and Bill Killeen is our director  
16 of regulatory strategy. I'm happy to invite  
17 them and welcome them to the family party  
18 here tonight.

19 Some key objectives for tonight I'd  
20 like to do three things. One is I'd like to  
21 introduce everyone in the group to Liberty  
22 Utilities. I'd also like to talk a little  
23 bit about our operating model and how we  
24 operate our utilities throughout the U.S. and  
25 then provide some comments and commentary on  
26 the commitments that we will be making to the  
27 Town of Apple Valley as a result of the  
28 acquisition of this asset and this group.

1           Our parent company is a company  
2 called Algonquin Power and Utilities  
3 Corporation. It's been around for some 29  
4 years. It's currently listed on the Toronto  
5 Stock Exchange. So it's a publicly traded  
6 company.

7           And it is also an SEC registrant,  
8 which means that we have to do all of the  
9 things that U.S. based companies who are  
10 listed on U.S. stock exchange have to do. We  
11 have to be completely transparent. We have  
12 to follow the stock's guidelines. And we  
13 have to make sure that our committees are set  
14 up in such a way that we would actually look  
15 just like a U.S. registered or listed  
16 company.

17           Over the past five years, our  
18 company has been very successful in the  
19 capital markets. We've raised in excess of  
20 \$1.9 billion, which we've used to buy, own,  
21 and operate water and electrical generation  
22 companies throughout the U.S. and a little  
23 bit in Canada.

24           Contrary to popular belief, we are a  
25 very seasoned utility -- U.S. utility  
26 operator. We operate 30 regulated utilities  
27 in 10 states across this country. And we  
28 distribute water, natural gas, and electrical

1 services.

2 We have something in the order of  
3 about 1200 employees. And the majority of  
4 those employees are based here in the United  
5 States.

6 Our first water utility that we  
7 acquired was acquired some 14 years ago. And  
8 it was acquired in Arizona. And we've been  
9 operating that utility ever since. And we  
10 have not sold any of our utilities since  
11 we've acquired them. We are definitely  
12 long-term holders of utility assets.

13 Specifically to water, a lot of  
14 people say, hey, what does Liberty Utilities  
15 know about water? Well, we actually operate  
16 water utilities in five states. We also  
17 offer wastewater facilities in a couple of  
18 our states, also. We have 180,000 water  
19 customers and some 200 plus water  
20 professionals in the five states that we're  
21 operating. So I hope you can see that  
22 clearly we are a seasoned and professional  
23 water organization.

24 Some also ask, what about  
25 California? Well, I'm here to tell you that  
26 our company's been in California for 12  
27 years. And one of the assets that we own in  
28 California is we run the electrical

1 distribution company up in Lake Tahoe. So we  
2 run the California side of Lake Tahoe --  
3 north Lake Tahoe and South take Tahoe. So we  
4 are quite used to the California state as  
5 well as the regulatory body that governs our  
6 California asset, specifically the California  
7 Public Utilities Commission and our  
8 friends -- or your friends, the Office of  
9 Ratepayer Advocate, the ORA.

10 Operating water utilities is clearly  
11 for professionals. And I'll just underscore  
12 that "professionals." Our operating model is  
13 Liberty Utilities is very consistent with the  
14 way the water professionals have been  
15 operating Ranchos here in Apple Valley.

16 Each of the state utilities that we  
17 have operates a local standalone team which  
18 includes a general manager plus senior  
19 operations people, senior engineering people,  
20 senior customer service people, and senior  
21 financial people in each of the states. So  
22 each state is able to operate as autonomous,  
23 standalone utility.

24 We see the model rolling out exactly  
25 the same here. We're embracing every one of  
26 the employees who currently work at Ranchos  
27 to be part of our team moving forward.

28 We've also in some of our states had

1 great success engaging the public at large in  
2 the running and operation of our utilities.  
3 And we have set up local advisory councils in  
4 a number of our states to allow public input  
5 into the senior leadership of our utilities.

6 So to say that the decisions are  
7 made somewhere outside of the state would be  
8 wrong. The state will make the decisions  
9 here by the people who work here. And  
10 they'll be supported by local business  
11 leaders from here.

12 Operating water utilities is a very  
13 complex business. And it's getting more so.  
14 We hear about drought. We hear about climate  
15 change. We hear about water rights. We hear  
16 about aging infrastructure. All of these  
17 things are a matter of fact, and none of  
18 those things are actually going away in the  
19 near future.

20 So one of the key things there as  
21 the climate changes and as the drought  
22 increases, you know, what you're going to  
23 need is you're going to need a well funded  
24 water utility to be able to make the  
25 investments today, tomorrow, and in five  
26 years from now as the situation and the  
27 factors change within the water sector.

28 So what does this all mean to

1 everyone in the room? Well, I think one of  
2 the things -- one of our mantras -- and many  
3 of the employees who I see in the room here  
4 today will know that I'm a big fan of  
5 something called global, responsive, and  
6 caring. It's actually a little tag line that  
7 we put on all of our literature. I believe  
8 we have some fact sheets out the back, and  
9 you can pick them up on the way out. And it  
10 talks a little bit about our local engaging  
11 culture.

12 We have made a strong commitment to  
13 each and every one of the employees who  
14 currently operate this system today. And, in  
15 fact, we actually see it might be an  
16 opportunity for additional expansion. Our  
17 plan is to take some of the roles that are  
18 currently performed outside of Apple Valley  
19 and repatriate those functions in that  
20 accountability back to the local community.  
21 And as a result of that, we anticipate adding  
22 additional jobs to this community over the --  
23 in the fullness of time.

24 And how can I say that with some  
25 confidence? Well, I've done seven  
26 acquisitions in the last five years in the  
27 water, gas, and electric spaces. The best  
28 example I have was in New Hampshire where

1 when we inherited the electric and natural  
2 gas distribution systems from National Grid,  
3 there was 145 employees running the utilities  
4 in New Hampshire.

5           The National Grid also had some call  
6 center people who were working in Syracuse.  
7 They had some engineering crews who were  
8 working in Rhode Island. And they had some  
9 operations crews who were working in Mass.  
10 We took all those jobs, and we repatriated  
11 those jobs back into the State of New  
12 Hampshire.

13           So you can imagine the meeting that  
14 I had some three years ago with the governor  
15 of New Hampshire when I said I'm going to  
16 take the number of jobs here from 143 and  
17 today we're operating that utility at 245  
18 employees with no change in the labor line.  
19 So, in other words, we took jobs that were  
20 being performed somewhere else and moved them  
21 back to where they should be, which is in the  
22 local community. So I am confident that we  
23 can do the same thing here.

24           We take great pride in our community  
25 spirit. And we take such pride in our  
26 community spirit that we actually endorse the  
27 work that our employees would do to support  
28 the local community.



1           We have a program called Liberty  
2 Days in our utility. And we've already  
3 talked to the employees here about Liberty  
4 Day Program. And, essentially, what we do is  
5 we give our employees the time -- some time  
6 off from their day-to-day job to actually go  
7 work in the community for their favorite  
8 charity or cause.

9           So could you imagine that? The  
10 power of the 40 employees that we have there  
11 actually having a friendly boss to say "I  
12 think you should go spend some time working  
13 on that Humane Society initiative or that  
14 Ride for Life or Walk for Cancer."

15           In Oakville -- the Town of  
16 Oakville -- by the way which is where I'm  
17 from. It's a town not dissimilar to the size  
18 of this town. Brian and I are actually  
19 participating in an 80-kilometer Ride for  
20 Heart and Stroke. And there's an example of  
21 the kinds of commitments that we make --  
22 local causes by local individuals who want to  
23 give back time to a couple of causes.

24           Our goal really is to provide a safe  
25 and reliable water service to your children's  
26 children's children's. So everything that we  
27 do, unlike our friends at Carlyle who has a  
28 very short and finite fuse relative to how it

1 is they're going to make their investments,  
2 we're here for the long haul.

3           And the last point that I think is  
4 very important and I think I want to kind of  
5 clarify this myth. You've probably read a  
6 little bit about how much we paid for this  
7 asset. Well, interesting thing it was a very  
8 competitive bid process. There were actually  
9 135 companies in the U.S. who were interested  
10 in making a bid on the three water companies  
11 that are in Western Water Holdings.

12           And it got narrowed down to a final  
13 four. And the final four bids were closely  
14 coupled together. So imagine if you were  
15 trying to sell your home and you had 135  
16 expressions of interests and then you had  
17 four various serious bids that were all  
18 closely clustered together.

19           Well, I've got think that that's  
20 fair market value, don't you? But some  
21 people would say well, the price is pretty  
22 high that you paid. But I'm here to tell  
23 you -- I'm here to confirm with you -- and  
24 it's actually in our testimony in front of  
25 the CPUC and in front of the ORA -- that the  
26 price that we pay and the transaction costs  
27 to close this thing will not go into the  
28 rates associated with this transaction. So

1 as a result of us buying this company or the  
2 set of companies, the rates will not go up as  
3 a result of that. So the fact that the price  
4 was maybe higher than what you thought it  
5 would be, not to worry. It doesn't affect  
6 anyone in this room.

7 So, in summary, I think I'd like to  
8 think that I've demonstrated to you in nine  
9 short minutes that we're a seasoned water  
10 operator. We have strong access to capital  
11 which will be important now and in the future  
12 as things change. We've made a significant  
13 commitment to the employees and the  
14 community. And we look forward to serving  
15 this community for the long haul.

16 And, also, did I forget to tell you  
17 that the purchase price and the transaction  
18 costs to close this transaction will not be  
19 reflected in the rates of this utility moving  
20 forward? Thank you for your time.

21 (Applause.)

22 ALJ KIM: Town of Apple Valley.

23 STATEMENT OF MR. NASSIF

24 MR. NASSIF: Good evening, your Honor  
25 and members of the public. Thank you for  
26 coming out tonight. It's great to see  
27 everyone here. Such an important issue that  
28 we're facing.

1           I'm Scott Nassif. I've been a  
2 resident of this community since my family  
3 moved here in 1959. I've been a business  
4 owner for over 39 years and a council member  
5 for over 12 and served two terms of mayor.

6           First off, I'd like that thank your  
7 Honor and the Commission for coming out to  
8 Town. I know San Francisco is a long way  
9 away, but we appreciate the efforts that you  
10 give us to help the opportunity to bridge the  
11 distances between Washington, D.C., the Town,  
12 and Oakville, Canada.

13           As a resident and business owner and  
14 a council member, I have personally witnessed  
15 the huge increases in rates over the past few  
16 years. Every three years, Apple Valley  
17 Ranchos Company applies for significant rate  
18 increases which in one form or another are  
19 inevitably granted.

20           The sale of Apple Valley Ranchos  
21 Water Company to a Canadian power company  
22 with no operating water experience in  
23 California, with no guarantee that the sale  
24 will not affect our ratepayers' pocketbook,  
25 is a bad idea.

26           In recent years, the Town residents  
27 have suffered through one of the worst  
28 economic downturns in recent history. The

1 Town's council and the Town's staff have been  
2 working very hard to bring businesses and  
3 jobs to the Town. Things are starting to  
4 look up. We have several infrastructure  
5 projects, park projects, and are all in the  
6 planning stages.

7           However, something seems to stand in  
8 the way of the Town's path of success.  
9 That's a reliable, stable, and cost-effective  
10 water supply. Right now existing and  
11 prospective businesses do not have a cost-  
12 effective water supply -- in our town at  
13 least. Our business owners and residents  
14 often ask, why are the municipalities and  
15 water districts in our various -- surrounding  
16 our area so much lower than we have?

17           I admire the men and women who work  
18 for Ranchos every day. They are our friends.  
19 They are our neighbors. But this isn't about  
20 the hard-working employees. This isn't about  
21 locally owned water company. It's about the  
22 relentless increases in water rates, which  
23 will only be exacerbated if this sale goes  
24 through.

25           The sale of Apple Valley Ranchos  
26 Water Company from a Washington, D.C., based  
27 Carlyle Group to a Canadian-based subsidiary  
28 of Algonquin Power, Liberty Utilities, will

1 not address this problem. In fact, it will  
2 most likely cause further increases in rates.

3 These companies refuse to explain on  
4 how on earth a valuation of \$327 million for  
5 Park Water Company when Carlyle in 2011 paid  
6 \$156 million. Are we really to believe that  
7 the system is worth in 2014 more than double  
8 what it was in 2011? I don't think so. I  
9 believe the CUPC should look thoroughly and  
10 investigate this rush of foreign capital so  
11 eager to be invested in our water systems in  
12 California.

13 This kind of irrationally exuberant  
14 offer to purchase by a big company like  
15 Algonquin suggests there may be other reasons  
16 Algonquin is delaying the release of its  
17 quarterly earnings reports and demands  
18 further review by the CUPC and your Honor.

19 My wife and I have been in business  
20 for over 40 years. As a businessman, I know  
21 that when you invest that kind of money, you  
22 expect a return. Carlyle also expected a  
23 return during its ownership of the system.  
24 In fact, it bragged to its investors about  
25 the favorable regulatory climate in  
26 California.

27 By my reckoning, Park Water Company  
28 managed to obtain a roughly eight percent

1 return on investment each year. Algonquin  
2 now proposes to spend twice as much for the  
3 same assets in less than four years.

4 Your Honor, should the CUPC permit  
5 investment bankers, managers from Far East  
6 and Middle East and Europe to squeeze as much  
7 out of our Town by selling a commodity so  
8 necessary to life?

9 Make no mistake Park Water Company's  
10 managers, lawyers, and consultants are  
11 spending bucketsful of money paid for by the  
12 Town's ratepayers to attack the Town and to  
13 imply that the Town is anti-business by  
14 opposing this sale.

15 They'll keep this up because they  
16 stand to personally gain from the sale or, as  
17 the company's filings put it -- and I  
18 quote -- "derive substantial benefits from  
19 the consumption of the transactions  
20 contemplated by the merger." Basically,  
21 they'll gain from the sale.

22 Your Honor, as you well know, the  
23 CUPC must find that the Joint Applicants --  
24 Liberty Utilities, Algonquin, and Park Water  
25 Company -- have met the taxpayer -- I'm  
26 sorry -- "ratepayer indifference standard"  
27 for this sale to be approved. In other  
28 words, the sale must not result in negative

1 effects for the Town's ratepayers.

2 Without prolonging inquiry into  
3 declining water rates, the need to raise  
4 millions of dollars for the Yermo system, the  
5 reasons why they inflated purchase price, the  
6 Town's pending delivery of recycled water,  
7 and the pending acquisition of Mountain Water  
8 Company, I do not believe this standard could  
9 be met.

10 I would encourage you to extend the  
11 timeline for considering this sale to 18  
12 months to allow for the Commission to fully  
13 evaluate whether the transaction will meet  
14 the ratepayers' indifference because of the  
15 Missoula proceeding and also because of the  
16 Joint Applicants who are unwilling to share  
17 relevant documentation.

18 At this point, I might recall the  
19 recent "let's make a deal" history of the  
20 Towns's municipal water system. Less than  
21 four years ago, we were in exactly the same  
22 position. The Commission was in town  
23 considering the sale of Park Water Company to  
24 the Carlyle Group. That year was 2011. The  
25 Commission approved the transaction despite  
26 the Town's objection that it would harm  
27 ratepayers.

28 The Town was proven right.



1 Ratepayers suffered as rates increased  
2 substantially. Last year, the Commission was  
3 in town considering the most recent  
4 exorbitant rate case filing of Apple Valley  
5 Ranchos. Please do not permit this  
6 Commission to repeat those mistakes.

7           There's no wonder this application  
8 does not mention many problems facing the  
9 system. The company makes no attempt, for  
10 example, to explain what happens when  
11 Mountain Water Company is acquired by  
12 Missoula.

13           Mountain Water Company represents  
14 about a third of all ratepayers in Park  
15 Water. For 30 years now, the ratepayers in  
16 Apple Valley -- of Apple Valley Ranchos Water  
17 Company have contracted and paid millions of  
18 dollars to Park Water Company as a direct  
19 charge for identifiable costs plus a  
20 percentage for other costs incurred by Park  
21 Water Company.

22           According to the annual report in  
23 2013, Apple Valley Ranchos paid over  
24 \$3.2 million for that purpose. How will this  
25 impact when Mountain Water Company is gone?  
26 The good citizens of Missoula will no longer  
27 be helping cover the engineering and  
28 management costs of Park Water Company. The

1 ratepayers in the Town of Apple Valley will  
2 be asked to pick up a greater share of the  
3 cost at that time.

4           In light of this, how can the Joint  
5 Applicants negotiate a deal with this issue  
6 in this application? It clearly bears on the  
7 value as a whole. As a result, we are  
8 relying upon the Commission to make a  
9 detailed inquiry into the allocation of those  
10 costs and how they might -- and how they  
11 might change Mountain Water Company's  
12 relationship with Park Water.

13           This application, your Honor, I do  
14 not believe to be either complete or  
15 transparent. Likewise, the company's pushing  
16 the sale failed to account for the recent  
17 acquisition of Yermo Water Company by Apple  
18 Valley Ranchos. Updating this failed system  
19 will cost Apple Valley Ranchos \$7.7 million.

20           There are only 250 connections in  
21 Yermo. That works out to about \$31,000 per  
22 customer. As anyone in the Town knows, this  
23 will be very difficult for Ranchos to recover  
24 that amount by collecting \$31,000 from each  
25 customer in Yermo. Who is going to pick up  
26 that tab? The Joint Applicants refuse to  
27 answer that question.

28           It's impossible for your Honor to

1 make an informed decision on ratepayer  
2 indifference if that company is involved  
3 refused to fully disclose how such large  
4 capital projects are going to be paid for.

5 In closing, I want to stress the  
6 terrible idea this is for the Town of Apple  
7 Valley and their ratepayers. The Joint  
8 Applicants have completely failed so far to  
9 show how the sale will maintain, improve the  
10 quality of service for the Town of  
11 ratepayers.

12 Likewise, the Joint Applicants have  
13 failed to show that the sale would benefit  
14 overall to our economy. Rather, the Joint  
15 Applicants have hidden from the major issues  
16 facing our company. Their focus has been on  
17 profit, not on transparency for honest  
18 communications with the public.

19 This is a rush to lure foreign  
20 investors willing to pay huge premiums for a  
21 safe haven in California's dream that is  
22 nothing more than a mirage for those of us  
23 who pay the high water rates. Please bring  
24 some clarity and some common sense to this  
25 process.

26 If the Commission approves the sale,  
27 the Town's precious water resources will  
28 continue to be treated as a revolving wishing

1 well for the foreign and outside investors.  
2 I ask to please consider the history of water  
3 rates and water increases under private  
4 ownership when it's making your decision.

5 We do not want our water system to  
6 be owned by yet another outside company  
7 looking to drain our community and its  
8 resources and then spin it off in another  
9 four years. I want to thank you all for your  
10 consideration and the opportunity to express  
11 our opinion. Thank you.

12 (Applause.)

13 ALJ KIM: Thank you.

14 Office of Ratepayer Advocates.

15 STATEMENT OF MR. YUEN

16 MR. YUEN: Good evening, Judge Kim.  
17 Good evening, everybody. My name is Ting  
18 Yuen. I'm here tonight representing the  
19 Office of Ratepayer Advocates.

20 The Office of Ratepayer Advocates is  
21 an independent division within the  
22 Commission. Our primary function is to  
23 advocate on behalf of the ratepayers in  
24 Commission proceedings that may affect your  
25 interest -- the ratepayers' interest. Our  
26 statutory mandate is to advocate the lowest  
27 possible rates consistent with safe and  
28 reliable service.

1           And what we do is we participate in  
2 Commission proceeding as an active party  
3 examining the filing, examining the  
4 application, with the purpose of protecting  
5 your interest and making sure that any rate  
6 impact that may result will be the lowest  
7 possible rates.

8           The Office of Ratepayer Advocates  
9 employs about 100 professionals with various  
10 backgrounds and experience. We have  
11 engineers, attorneys, and analysts with  
12 expertise in the areas like economics,  
13 accounting, and finances.

14           Based on the types and on needs of  
15 the proceeding, we assign staff accordingly  
16 and to thoroughly investigate and examine the  
17 company's filing, looking for information or  
18 looking for things that we think is best for  
19 the ratepayers.

20           In the current proceeding, we are  
21 examining the financial data and then  
22 transaction information associated with this  
23 acquisition. And we filed a protest on the  
24 application with the Commission expressing  
25 concerning a number of areas focused  
26 primarily on potential impacts that approving  
27 this application may have on the ratepayers.

28           We also sent out data requests

1 asking for information that we think is  
2 relevant and that wasn't provided as part of  
3 the application. And at this point, we're  
4 still in middle of our discovery process.

5 And based on the schedule and the  
6 amount of information we still have to look  
7 at -- we still have to look at -- sorry.  
8 Based on the amount of information and  
9 schedule that we still have to look at, I  
10 kind of think that despite that, we'll  
11 complete our analysis in early May.

12 And this is your meeting. This is  
13 the meeting for all of you to express to the  
14 Commission your concerns -- and Judge Kim --  
15 regarding this application and acquisition.  
16 And I'm so glad to see so many of you taking  
17 your time to come out here tonight and then  
18 doing that. And it means a lot to the Office  
19 of Ratepayer Advocates.

20 I'm going to be right here later on  
21 as part of the panel. And if you have any  
22 questions for the Office of Ratepayer  
23 Advocates, I'll be happy to answer your  
24 questions. Thank you.

25 (Applause.)

26 ALJ KIM: So now we're going to move on  
27 to the comment -- public comment period. I'm  
28 going to hand over a written comment that was

1 submitted to me a minute before this public  
2 hearing commenced. And so the particular  
3 individual could not stay but wanted to  
4 ensure that her comments were not ignored.

5 So please attach that as Exhibit A  
6 to the transcript.

7 (Exhibit No. A was marked for  
8 identification and attached.)

9 ALJ KIM: And then what I want to do is  
10 for those of you who have not yet gone and  
11 spoken with our Public Advisor's Office, the  
12 representatives that are sitting at the table  
13 outside, do so, if you wish to get on the  
14 list of speakers. I am getting an updated  
15 list as this evening progresses, and so I  
16 want to make sure everybody who wishes to  
17 speak get on that list. And so the way for  
18 you to do that is to go outside and get on  
19 the list by telling them that you want to  
20 speak.

21 So what I'd like to do is I'm going  
22 to be calling -- at least from my initial  
23 list, I'm going to go down the list by  
24 calling the name. And then individuals will  
25 come up. And you'll have three minutes each  
26 to speak. And you will be looking at that  
27 time clock right there to my right, your  
28 left.

1           And that number -- it's going to be  
2 three minutes. It's going to go down. And  
3 then you're going to see "your time's up"  
4 sign flag go up. That just means you're  
5 done. Try to wrap up as soon as you can when  
6 you get that, okay?

7           So first speaker Tamara Alaniz.

8           And, as with all of the speakers  
9 that have been having some trouble with the  
10 mike, put it really close to your mouth.

11                   STATEMENT OF MS. ALANIZ

12           MS. ALANIZ: Good evening, your Honor.  
13 I'm a High Desert water professional. My  
14 name is Tamara Alaniz.

15           Thank you for the opportunity to  
16 comment on the change of ownership  
17 application for Apple Valley Ranchos Water  
18 Company. As a Ranchos customer and resident  
19 of Apple Valley, I'm personally reassured to  
20 know that there are still companies who see  
21 our town as a good business investment.

22           You know, as a Facebook follower of  
23 the Town government, I saw a positive post  
24 just this last week. Fellow rating a new  
25 pizza restaurant company moving into an  
26 existing store front.

27           You have the recent cold calling  
28 email blasts and postcard mailing campaign



1 around town disparages another company --  
2 this company who also wants to do business  
3 here.

4 I want the Town to be encouraging  
5 the jobs that come with all of the different  
6 business investments in our community instead  
7 of picking and choosing who should have the  
8 liberty to come and who should go.

9 Now, it has been said that one of  
10 the problems with having a private company as  
11 our water provider is this nine percent  
12 profit formula permitted by the PUC and how  
13 this will go away if the Town takes the water  
14 company.

15 However, the truth is it will just  
16 be replaced by an even higher percentage of  
17 your rates and property taxes to pay for dead  
18 interest on the bond. It could easily be  
19 well over a hundred million dollars in bonds  
20 the Town government will have to buy to  
21 purchase both the company facilities and  
22 infrastructure as well as the water rights,  
23 which frankly are themselves worth more than  
24 the rest of Ranchos combined.

25 I would rather know that my money is  
26 not being wasted on unnecessary bond debt and  
27 instead see the company is reinvesting its  
28 profits back into the water system. This is

1 what we have seen with examples like recent  
2 booster station and pipeline upgrades.

3 Lastly, we only need to go half an  
4 hour up the mountain to Big Bear where the  
5 City took over a private water company and  
6 ended had up saddling customers with tens and  
7 tens of millions of dollars more than the  
8 original estimated cost of their system.

9 I don't see why generations of debt  
10 and additional property taxes should be  
11 created so that the Town can try to duplicate  
12 a reliable service that we already receive  
13 but do it without the expertise or economic  
14 advantage that a utility company has.

15 This seems especially obvious when  
16 we have before us tonight a successful  
17 experienced utility company who wants to  
18 invest its own capital and resources to  
19 maintain and improve our water system without  
20 raising taxes or dumping water revenues into  
21 the overall Town budget. Thank you.

22 (Applause.)

23 ALJ KIM: Next speaker, Gary Kassabum.

24 STATEMENT OF MR. KASSABUM

25 MR. KASSABUM: Okay. Your Honor, the  
26 reason I came here is because I wanted to  
27 hear what people had to say.

28 ALJ KIM: Mike closer.

1           MR. KASSABUM: Closer? Okay. And I  
2 don't have my hearing aids on anyhow because  
3 I just got done babysitting my grand-kid.

4           Anyhow, I got over 26 years as an  
5 employee of a water career, okay? Got a  
6 great tool and treatment, right? I know what  
7 it takes to a little bit what it takes to run  
8 a water company and what qualifications it  
9 takes and how much money you got to put in  
10 something.

11           And I just want to put my two cents  
12 in here. I don't think I want the Town of  
13 Apple Valley to take over a water company.  
14 That's my personal opinion, okay?

15           (Applause.)

16           MR. KASSABUM: The place I retired  
17 from, okay, they destroyed the water company  
18 that I was working for. And I didn't like  
19 that one bit. And they also tripled my  
20 workload and cut my pay before I retired.

21           So I don't think this water player  
22 is going to do that to the City -- to the  
23 Town of Apple Valley. I lived here over 35  
24 years, okay? I started out in the ditch and  
25 retired from the engineering department. I  
26 wasn't an engineer. But let me tell you they  
27 sure were picking my brain a lot.

28           I'm a guy for details. And I

1 believe that this company's going to provide  
2 us with quality water. There's a whole lot  
3 of things that people do not know and  
4 understand about a water company, what it  
5 takes to run one, okay? And let me tell you  
6 for a fact the Town of Apple Valley, as far  
7 as I can see, has no qualifications  
8 whatsoever to run a water company, all right?

9           They said some things in the  
10 newspaper. And I don't believe them. They  
11 said management think they got qualified  
12 management people to do this. I been through  
13 a lot and lot of board meetings, okay, and  
14 talked to lots and lots of engineers, people  
15 who design water systems, people treat stuff.  
16 You know, I got to take all these state tests  
17 to get my qualifications.

18           You got to keep all that stuff up,  
19 okay? And you got to have individuals who  
20 know what they're doing to run a water  
21 company. And let me tell you, it don't start  
22 in management all the time, okay. Lot of  
23 people who think they can manage something,  
24 and they're not managers, all right.

25           Just because they say they're a  
26 manager doesn't mean they're a manager  
27 because they might not know a doggone thing  
28 about water. All right.

1           So I love Apple Valley. That's why  
2 I moved here. I was last stationed at the  
3 air force base out here. Jet engine  
4 mechanic, auto mechanic. Then went in the  
5 water industry, all right?

6           I grew up on a farm in Illinois.  
7 Started working when I was a kid. I got 18  
8 seconds left, right?

9           (Laughter.)

10          MR. KASSABUM: My father was a World  
11 War II vet. All his boys were in the  
12 military, all right? Let's make it right,  
13 and do what's right for the Town of Apple  
14 Valley. Remember we live in a desert, okay?  
15 You want to fall on your ground? It's going  
16 to cost you some money.

17          (Applause.)

18          ALJ KIM: Next speaker, Daryl Batten.

19                 STATEMENT OF MR. BATTEN

20          MR. BATTEN: Good evening, everyone.  
21 My name is Daryl Batten. I'm a resident of  
22 California some 80 years. I've been up here  
23 in Apple Valley for about 15 years. And I  
24 presently reside at Jess Ranch.

25                 I personally am not interested in  
26 having someone from Canada or China or Russia  
27 or any other country come in and tell me what  
28 to do with my water.

1 (Applause.)

2 MR. BATTEN: Water is our most  
3 important commodity in the State of  
4 California. We don't have electricity  
5 without water. We don't have anything to  
6 drink without water.

7 I'm telling everyone here please  
8 consider very carefully what it is that  
9 you're thinking when you think about letting  
10 someone else come in from the outside.  
11 They're only here to make money. They're not  
12 interested in whether you have water or not.

13 (Applause.)

14 ALJ KIM: Lawrence McArdy.

15 STATEMENT OF MR. MC ARDY

16 MR. MC ARDY: Your Honor, my name is  
17 Lawrence McArdy. I been a resident Apple  
18 Valley for 33 years.

19 ALJ KIM: Closer.

20 MR. MC ARDY: For 33 years. Probably  
21 lived here half of that time.

22 Being an electrical engineer, I had  
23 jobs throughout the United States throughout  
24 the United States and Canada, Alaska, Asia,  
25 basically putting in space track stations  
26 communication sites, and guided systems.

27 I was here this afternoon listening  
28 to all this talk. And I just heard about all

1 the money being put into the infrastructure  
2 and so forth and didn't all that money come  
3 from Apple Valley ratepayers.

4 I heard the price doubled in the  
5 last three years -- price doubled for the  
6 ratepayers -- I mean, for the company in  
7 three years. Won't that real soon here  
8 double our rates as far as the customers?

9 I've been buried in mailers from  
10 Ranchos and which I don't understand. It  
11 seems like all the Ranchos employees are  
12 talking against Apple Valley taking over this  
13 water company. But aren't the Ranchos  
14 employees a big part of that water company?  
15 I mean, that's a piece the way I see it.  
16 Apple Valley residents need to have a say in  
17 their water source.

18 (Applause.)

19 MR. MC ARDY: They have some control in  
20 the ballot box, if the Town takes care of its  
21 water source. Thank you.

22 ALJ KIM: Thank you.

23 (Applause.)

24 ALJ KIM: Next speaker is Kevin  
25 Philips.

26 STATEMENT OF MR. PHILIPS

27 MR. PHILIPS: Good evening, your Honor.  
28 Hello residents. My name is Kevin Philips.

1 I'm an employee with Apple Valley Ranchos  
2 Water Company. I've lived in Apple Valley  
3 for the past 30 years. I worked for the  
4 Apple Valley Ranchos Water Company, Park  
5 Water for the past 25 years.

6 I've trusted my fire protection  
7 needs to Apple Valley fire board and worked  
8 there part-time for 18 years. I've trusted  
9 my electric and gas needs to Edison and  
10 Southwest Gas, both private companies.

11 Now, I've been asked to follow trust  
12 Liberty Utility for my water needs. That  
13 answer is yes. The Liberty Utility has a  
14 proven track record. They have other water  
15 utilities in states and are doing well. Not  
16 only do they have a great safety record, but  
17 they have a great public safety record in  
18 serving clean and safe drinking water.

19 There's something to be said about  
20 private versus public entities. Private  
21 entities must jump through more hoops and are  
22 regulated by more entities than public  
23 entities are. Private companies just have to  
24 do it better than the next guy and answer to  
25 more people, more directors than the public  
26 ones.

27 In my years of experience with Apple  
28 Valley Ranchos Water Company, I found that



1 good and well educated people work for both  
2 public and private entities. However, when  
3 you consider the built-in oversight that the  
4 public regulated utilities must satisfy, is  
5 putting critical resources of water in the  
6 hands of politicians the right idea?

7           Knowing this, who do you want to  
8 trust your water needs to? So as for me and  
9 my family -- and I think I can echo the  
10 thoughts of my extended family, the employees  
11 for Apple Valley Ranchos Water Company -- we  
12 would like to work for Liberty Utilities  
13 working for people who know water as we do.  
14 Thank you.

15           (Applause.)

16           ALJ KIM: Next speaker, Pam Brown.

17           STATEMENT OF MS. BROWN

18           MS. BROWN: Hello, your Honor Kim, and  
19 the Town of Apple Valley. I want to say hi  
20 to our Canadian friends and wanted to remind  
21 the people that they really took care of all  
22 of us Americans when 911 happened. They did  
23 a great job. And I just want to thank you  
24 for that.

25           (Applause.)

26           MS. BROWN: However, you don't get my  
27 vote. You know, the town council of Apple  
28 Valley are elected people. We have elected

1     them to do what they think is best for us.  
2     And I highly doubt that a private company is  
3     really going to do what they think is the  
4     best for us.  They're going to do what they  
5     think is the best for the stockholders.

6             So I implore the judge to take  
7     highly into consideration that we look  
8     seriously at the Town of Apple Valley and its  
9     council purchasing our water rights.

10            (Applause.)

11            ALJ KIM:  Ann Fowler.

12            STATEMENT OF MS. FOWLER

13            MS. FOWLER:  Good evening, your Honor.  
14     I came back this evening because I was here  
15     earlier today and I heard all of the people  
16     touting the Liberty.  And I'm sure they're  
17     wonderful people.  But the crux of the matter  
18     for me is, how much is my water going to  
19     cost?

20            I've lived here since 1964.  And the  
21     old Apple Valley Ranchos Water Company  
22     provided us with water at a very very low  
23     cost.  I know we'll never have that again.  
24     But the minute it was sold to a publicly  
25     traded company and they have an investment  
26     that they need to make money for their  
27     stockholders, our water prices have  
28     absolutely skyrocketed.  We have gone --

1 (Applause.)

2 MS. BROWN: So when I came back tonight  
3 and I heard some of the same people speak, I  
4 realized that they were people who are  
5 advocates for Liberty. And that's fine. And  
6 I like the Canadians, too.

7 And I just wanted to say that I also  
8 have a vested interest. But my vested  
9 interest is lower water prices. And I want  
10 the Town of Apple Valley to take this over,  
11 and so do 75 percent of the people in Apple  
12 Valley. And I brought this for your  
13 investigation. And I want to leave it with  
14 you.

15 (Applause.)

16 ALJ KIM: Attach this as Exhibit B.

17 (Exhibit No. B was marked for  
18 identification and attached.)

19 ALJ KIM: Next speaker, Gerry Bender.

20 STATEMENT OF MR. BENDER

21 MR. BENDER: Thank you, your Honor, for  
22 holding this Public Participation Hearing and  
23 all the residents for showing up --

24 ALJ KIM: You need to hold that.

25 MR. BENDER: -- in taking part in being  
26 here.

27 First of all, if I lose my place, if  
28 I lose my place and thought here, please

1 excuse me. I just did a stay of about 49  
2 days in a hospital in the convalescent home  
3 and just started to learn to walk again about  
4 three weeks ago.

5 (Applause.)

6 MR. BENDER: First of all, Apple Valley  
7 Ranchos Water Company has a proven record for  
8 over 50 years. And I'm proud to say -- I get  
9 emotional on this because I was a part of  
10 that for 33 years. And I couldn't ask for a  
11 better company to work for. I am now retired  
12 as of about a year and a third ago.

13 First of all, Apple Valley Ranchos  
14 Water Company has provided quality and  
15 reliable water service to its customers for  
16 those 50 years. After studying the  
17 philosophy of Liberty Utilities, it is bad of  
18 continuing global decision-making management  
19 customer service. And being part of the  
20 community is very important, keeping our --  
21 retaining every employee because of the value  
22 and trust in their insight and expertise,  
23 expertise gained from servicing the community  
24 as they always have.

25 The Town of Apple Valley managers  
26 stated yesterday in a news article that the  
27 costs of reliably providing clean, safe water  
28 is climbing everywhere, especially because of

1 the expense of replacing aging delivery  
2 systems and commodities. It is a situation  
3 that prevails nationwide, as noted by the  
4 U.S. Environmental Protection Agency.

5 This brings us to the point where  
6 presently Apple Valley Ranchos Water  
7 Company's main replacement projects are in  
8 progress in one phase or another to ensure  
9 the reliability of the water distribution  
10 system and are again in the amount of about  
11 \$9 million this year. So they are definitely  
12 investing into the water system.

13 Also, for the next three years, they  
14 are projecting \$35 million worth of water  
15 improvements. This is done through the  
16 employees making the decisions here locally  
17 through management and, like I say, the  
18 actual employees --

19 ALJ KIM: Please wrap up.

20 MR. BENDER: It's time?

21 ALJ KIM: Yeah, you need to wrap up.

22 MR. BENDER: Then I'll skip over this  
23 part.

24 Okay, the people of Apple Valley are  
25 facing a major issue. For those that are  
26 presently being served or in the allocated  
27 service area of Apple Valley Ranchos Water  
28 Company and for those that could be in the

1 future, this is that of the proposed purchase  
2 or takeover by the Town of Apple Valley. I  
3 just think this is another attempt for local  
4 government to gain control to take the  
5 proposed revenues -- and you like all the  
6 others -- and put them where they want to,  
7 not continue to use them to improve the water  
8 system. Thank you.

9 (Applause.)

10 ALJ KIM: Thank you.

11 Recess. And we'll resume at 7:40.

12 (Recess.)

13 ALJ KIM: Back on the record.

14 Bret Kadei. Can you please come up  
15 to the podium?

16 Everyone take a seat. I need my  
17 first speaker after this recess to start.  
18 Please quiet down. Please, in the back.

19 And we're not going to start until  
20 people settle down because I don't want to  
21 eat up your time. Everyone, could you please  
22 respect the speaker and quiet down in the  
23 back?

24 Okay, Mr. Kadei.

25 MR. KADEL: Kadel.

26 ALJ KIM: L? K-a-d-e-l.

27 STATEMENT OF MR. KADEL

28 MR. KADEL: Thank you for this time.

1 Thanks, Apple residents of Apple Valley. My  
2 name is Bret Kadel. I've lived in Apple  
3 Valley for the last five with my family. To  
4 give you a little bit of background, I've  
5 been in the water industry for 19 years. I  
6 currently hold the highest certificate levels  
7 for water, a T5 in the Distribution 5.

8 I worked with multiple agencies  
9 including cities and municipalities, special  
10 agencies, as both employee and as a  
11 contractor. I currently work for the largest  
12 wholesaler of water in the United States --  
13 Metropolitan Water Company. And I also have  
14 a vocational college that teaches water  
15 technology. So I am spawned from the water  
16 spigot, you know. I know a lot about water.

17 So I've worked most of my present  
18 life in water and think I'm very qualified to  
19 offer such another expert perspective with  
20 regards to the Town of Apple Valley trying to  
21 invoke eminent domain or purchase Apple  
22 Valley Ranchos Water Company. I do not agree  
23 with the idea the Town pursuing a takeover of  
24 Apple Valley Ranchos Water Company.

25 Any usual owner of a water utility  
26 in Apple Valley would have to contend with  
27 the following: drought conditions.  
28 Currently, we're in a D5 drought condition in

1 California. It's rated D1 through 5. We're  
2 rated at the D5, which is the extreme. We  
3 can't get any higher than that when it comes  
4 to drought.

5 As far as Metropolitan, we have five  
6 plants that serves about 40 million people in  
7 southern California. And one of our plants  
8 right now has a zero allocation from the  
9 Colorado or from the California Aqueduct  
10 because of the drought condition. They  
11 haven't seen this in 80 years. So it's very  
12 significant.

13 Regulations is another thing they  
14 would have to contend with. Current upcoming  
15 regulations -- big one. The utilities are  
16 overwhelmed with having to update their  
17 systems to meet regulatory requirements.

18 Another one that we talked about  
19 tonight a couple of times is infrastructure.  
20 Water systems have to be in a position that  
21 facilities meet and uphold the current and  
22 future supply demands while maintaining the  
23 integrity of the system.

24 When we talk about integrity, I  
25 think of the situation we just had with  
26 LEWDP, that mainline that broke and flood  
27 half of UCLA. One of the reasons it did that  
28 is because it's a city that has disregarded



1 their infrastructure and their water system.  
2 This is what happens when a city runs a water  
3 utility. The focus is not water.

4 Meeting the need of upcoming demands  
5 for operation and maintenance of a water  
6 utility from Liberty Utility's perspective,  
7 Liberty Utility needs the capital supply  
8 needed to keep up with forecasted  
9 infrastructure, regulatory and environmental  
10 impact needs.

11 They have the expertise of 200  
12 current water employees to help the  
13 operational and budgetary goals along with  
14 all the water expertise that we have with  
15 Park Water.

16 Water is a small part of Liberty  
17 Utility infrastructure. They have other  
18 aspects of business to rely on. And Apple  
19 Valley Ranchos encounters constraints due to  
20 these three categories -- regulations,  
21 environmental impact, or need for  
22 infrastructure -- that would affect revenue  
23 or capital.

24 The future of the water for the Town  
25 of Apple Valley is going to be predicted by  
26 who is responsible for it. Liberty's vision  
27 consists of paying cash for the utility, not  
28 bonds.

1 ALJ KIM: Mr. Kadel, wrap it up,  
2 please.

3 MR. KADEL: Okay. Our role should not  
4 be entrusted to a town that has to raise  
5 bonds for purchase, no expertise in operating  
6 or managing a water utility, and would have  
7 to continue to raise bond money at increased  
8 rates to facilitate new infrastructure,  
9 regulatory compliance, and future drought  
10 conditions. We never understand the value of  
11 water until the well runs dry. Liberty is a  
12 company that can safeguard this precious  
13 resource while retaining the objectives of  
14 Apple Valley community. Thank you.

15 (Applause.)

16 ALJ KIM: Kathy Jonas, next speaker.

17 STATEMENT OF MS. JONAS

18 MS. JONAS: Good evening, your Honor.

19 ALJ KIM: Good evening.

20 MS. JONAS: And my fellow Apple  
21 Valley-ites. I'm nervous. I'm just a  
22 homeowner. I lived in the High Desert for 33  
23 years, Apple Valley for 33 years.

24 First thing I want to say is I was  
25 very disappointed that the Office of  
26 Ratepayer Advocates did not have a statement  
27 tonight. I feel it was needed.

28 That being said, what I believe the

1 fiduciary responsibility is to the person  
2 who's paying the bill. I believe that  
3 locally owned or city owned business will  
4 provide accountability. And that  
5 accountability is a cornerstone and  
6 affordability to those of us who ultimately  
7 will be paying the bill.

8           It is inconceivable to me to think  
9 there is any comparison between locally or  
10 town-owned and accountable and a foreign  
11 owned investment firm. Why would Algonquin  
12 Power and Utility Corp. of Canada care if I  
13 can afford my water? I won't --

14           (Applause.)

15           MS. JONAS: I won't run into them at  
16 Target. And I won't be voting for them in  
17 the next city election.

18           The Town of Apple Valley is not a  
19 for-profit company. It is me. It is my  
20 husband, and it is my neighbors and my  
21 elected city officials. We all drink this  
22 water. It matters to us.

23           Please don't take away control of  
24 the only utility that I cannot live without,  
25 the utility that my very life depends upon  
26 and trust it to a foreign corporation who has  
27 no reason to even stop by for a drink. Thank  
28 you.

1 ALJ KIM: Thank you. Gilda R. Vincent.

2 STATEMENT OF MS. VINCENT

3 MS. VINCENT: Good evening. I have  
4 been a resident of Apple Valley for 23 years.  
5 I am now retired. And I'll be to the point.  
6 We do not need Apple Valley Ranchos Water to  
7 be owned by an outside company. Good  
8 evening.

9 ALJ KIM: David Christman.

10 STATEMENT OF MR. CHRISTMAN

11 MR. CHRISTMAN: Good evening. My name  
12 is David Christman. I live on Ta Wan Ka Road  
13 in Apple Valley. Thank you, your Honor, for  
14 allowing us to speak on this matter.

15 My wife and I and two kids moved  
16 here 24 years ago. It was a great place to  
17 raise a family back then. Things have  
18 changed now, water prices being a factor.  
19 Our town is beginning to look like a third  
20 world country because people can't afford  
21 water with what little lawns or bushes they  
22 have left.

23 I live in a 2200 square foot home,  
24 no swimming pool, no alfalfa farm. The kids  
25 are gone. Life is good, with the exception  
26 of spending almost \$2500 for water in 2014.

27 My highest water bill was \$729 in  
28 August and September. Mind you, that's for

1 two people, no kids, and approaching  
2 retirement age.

3 I did the Cash for Grass Boondoggle.  
4 We spent \$7500 on rock landscaping all to see  
5 our water bills increase. Our most recent  
6 water bill has \$70.10 in fees and surcharges  
7 before we even use our first drop of water.

8 Mr. Penna recently wrote in local  
9 paper about how the citizens of Apple Valley  
10 are getting good clean water at a fair price  
11 and we shouldn't even consider trying to take  
12 over a private sector company. Mr. Penna, I  
13 ask you name another private sector company  
14 or business that is protected by the PUC like  
15 you are.

16 I know you cringe at the word  
17 guaranteed profit. But what other private  
18 sector company can come back to their  
19 customer base and get more money, work for  
20 items that they didn't -- weren't able to  
21 sell or service in the prior year in the form  
22 of surcharges?

23 I work in the paper industry. We  
24 don't get to come back to merchants and say  
25 sorry, we didn't sell all of our paper last  
26 year. Therefore, you have to buy it this  
27 year. What other private sector company gets  
28 to make capital improvements just because

1 they say we need it -- and we might -- but is  
2 guaranteed to get paid for it?

3 I understand rising electricity  
4 rates. I understand rising personal rates.  
5 But you just get to submit those costs. And  
6 you're guaranteed payment. A true private  
7 sector company has to skinny down and find  
8 other ways to survive where you don't have  
9 to.

10 A few years back, we gathered water  
11 bills from across southern California that  
12 proved Apple Valley has incredibly high water  
13 rates. At the time, Ranchos said well,  
14 that's not really a fair comparison comparing  
15 us with Palm Springs or Palmdale or Santa  
16 Clarita because that city gets to spread  
17 their costs around.

18 Mr. Penna and Apple Valley Ranchos  
19 and the new owners, if it goes through, which  
20 I hope it doesn't, you've gouged, you've  
21 pillaged Apple Valley long enough.

22 To the comment to the gentleman we  
23 live in the desert, guess what, we've always  
24 lived in the desert. To the gentleman who  
25 was very proud about we have 135 bids for the  
26 company, what does that say to the average  
27 ratepayer? We're going to pay for it. It  
28 doesn't matter. Anyway, thank you, your

1 Honor.

2 (Applause.)

3 ALJ KIM: Next Bernadette McNulty.

4 Bernadette McNulty.

5 STATEMENT OF MS. MC NULTY

6 MS. MC NULTY: I'm Bernadette McNulty  
7 and have resided in Apple Valley for 20  
8 years. I have more than 20 years' experience  
9 consulting to the southern California Edison  
10 Company. I do utilities in 11 western  
11 states.

12 In 2011, I was a member of the Town  
13 of Apple Valley Blue Ribbon Water Committee  
14 and served without compensation among the 15  
15 citizens appointed to advise the Town on its  
16 best opportunity for affordable water and  
17 economic sustainability.

18 After eight months of hard work,  
19 public hearings, and reviewing thousands of  
20 pages of documents, research, and writing  
21 reports -- and I wrote the first draft -- we  
22 submitted our recommended stipulations to  
23 Administrative Law Judge Long regarding the  
24 merger of Park Water Company with the Carlyle  
25 Group's Western Water Holdings. Both Apple  
26 Valley Ranchos Water Company and the Carlyle  
27 Group fiercely opposed their recommendations.

28 And on December 1st, 2011, Judge

1 Long approved the merger. The price in 2011  
2 was 107 million plus assuming 40 million in  
3 long-term debt obligations. Now, only three  
4 years later, the Carlyle Group wants to sell  
5 Park Water Company to Algonquin Power  
6 Company's Liberty Utilities for 325 million  
7 including 80 million in debt.

8 So the sale price of the company has  
9 more than doubled. I'm opposed to this  
10 overvalued acquisition and merger because the  
11 for-profit corporations get the gold mine  
12 while Apple Valley Ranchos ratepayers get the  
13 shaft.

14 I don't want to give a Canadian  
15 company controlling our town's water destiny.  
16 I want local oversight and accountability of  
17 Apple Valley Ranchos operations.

18 (Applause.)

19 MS. MC NULTY: I am fed up with the  
20 unbridled greed -- unbridled greed of  
21 for-profit multinational companies  
22 profitizing my water delivery services and  
23 creating a Byzantine network of limited  
24 liability corporation --

25 ALJ KIM: Ms. McNulty, you need to wrap  
26 up.

27 MS. MC NULTY: Okay. To enrich  
28 investors without oversight and



1     accountability while always increasing my  
2     water rates. Don't approve this merger and  
3     overvalued acquisition. It's not in the best  
4     interest of the State of California, the Town  
5     of Apple Valley, or Apple Valley Ranchos  
6     ratepayer.

7             ALJ KIM: Thank you.

8                     (Applause.)

9             ALJ KIM: Next speaker, Emily  
10     Saltmeris.

11                     STATEMENT OF MS. SALTMERIS

12             MS. SALTMERIS: Good evening, your  
13     Honor. And good evening, ladies and  
14     gentlemen of Town of Apple Valley.

15                     My name is Emily Saltmeris. And I  
16     have lived in the Town of Apple Valley for 28  
17     years. I'm on a mutual water company for 25  
18     years. And just this year alone, we have had  
19     to raise our rates higher than Apple Valley  
20     Ranchos not because we are not sound. It's  
21     because of the rules and regulations the  
22     government has imposed on us.

23                     I feel Apple Valley Ranchos provides  
24     excellent service, safe reliable drinking  
25     water under the ownership by the Carlyle  
26     Group. And I don't see that changing under  
27     Liberty Utilities will make a difference in  
28     how Apple Valley Ranchos will continue to

1 operate.

2 I support purchase of Apple Valley  
3 Ranchos by Liberty Utilities. I rather see  
4 private entities develop our town, not the  
5 government. So say no to the government  
6 takeover. It never works. Thank you, your  
7 Honor.

8 (Applause.)

9 ALJ KIM: Leann Lee. Leann Lee.

10 STATEMENT OF MS. LEE

11 MS. LEE: Thank you, your Honor, for  
12 giving me this opportunity to speak.

13 ALJ KIM: Good evening.

14 MS. LEE: I just wanted to cover some  
15 things. There's been a lot of discussion  
16 about the 2011 PUC decision. And I wanted to  
17 point out back then the PUC made those  
18 decisions because the arguments were  
19 speculative. And that's not something the  
20 PUC can do. You cannot make decisions on  
21 speculation. So I ask you to recognize that  
22 the Town of Apple Valley again is merely  
23 making speculation and decisions can't be  
24 made based on that.

25 I also noticed the Town is asking  
26 you to extend your decision for 18 months.  
27 Unfortunately, they have a different  
28 motivation for doing so. And that's to

1 pursue an eminent domain. I would ask that  
2 you hurry up with your decision because, as  
3 you can see, this is kind of tearing up the  
4 town. And it's important to get that  
5 decision made so that everybody can move  
6 forward with that final decision.

7 And I would like to finally say -- I  
8 won't repeat the whole situation as I did  
9 earlier -- pointing out that the largest  
10 investor in Carlyle is actually public  
11 pensions, which our Town of Apple Valley is  
12 invested in. But they are the ones who are  
13 taking issue with the late quarterly report  
14 being filed. It is not a major issue. These  
15 are minor things. And it should not stop the  
16 PUC from going forward. Thank you very much.

17 (Applause.)

18 ALJ KIM: Thank you. Evelyn Stone.

19 STATEMENT OF MS. STONE

20 MS. STONE: Thank you, your Honor, for  
21 allowing us to have -- is that close enough?

22 ALJ KIM: Perfect.

23 MS. STONE: I am Evelyn Stone. And I  
24 worked for and retired from a utility for a  
25 few days less than 30 years. Not one in the  
26 High Desert.

27 The town council is an elected body.  
28 And I believe they do have the interests of

1 the residents at heart because we do express  
2 ourselves with our vote. I believe they  
3 should be capable of hiring skilled resources  
4 to operate and provide water to the residents  
5 of Apple Valley.

6 I did want to just mention -- and  
7 someone else mentioned the same thing  
8 earlier -- a private company made a decision  
9 to expend revenue on the Cash for Grass  
10 program. And then when the residents reduced  
11 the usage very diligently, they raised the  
12 rates so that their bottom line could remain  
13 the same. That's a bad business decision.

14 (Applause.)

15 MS. STONE: A bad business decision  
16 should not be rewarded with increased rates.  
17 Thank you, your Honor.

18 ALJ KIM: Thank you.

19 (Applause.)

20 ALJ KIM: Elaine Gowell.

21 STATEMENT OF MS. GOWELL

22 MS. GOWELL: Thank you. I just want to  
23 say I'm very very proud of the citizens of  
24 Apple Valley who got up here and expressed  
25 faith in our city to run our home water  
26 plant. Actually, we don't have a water  
27 plant. We just have lines going places.  
28 It's a very simple thing, but I agree we can

1 hire very very competent people.

2 And a lot of the people do not worry  
3 about their jobs. I'm sure you can still  
4 have jobs here. So, again, please please  
5 consider having our city have a say in our  
6 water. And you can see Apple Valley the way  
7 it looks like lately it is just going  
8 downhill with this new water company. And we  
9 don't need another for-profit company. Thank  
10 you.

11 (Applause.)

12 ALJ KIM: Steve Sampley.

13 STATEMENT OF MR. SAMPLEY

14 MR. SAMPLEY: Hi. My name is Steve  
15 Sampley. And my wife and I have lived here  
16 in Apple Valley for three years. We're both  
17 retirees, LA County Department of Health  
18 Services. And I worked both rank and file as  
19 an educator -- medical educator as well as an  
20 administrator in LAC USC Medical Center. So  
21 I understand a wide range.

22 The lady who just spoke about the  
23 moneys that you were promised for Cashing in  
24 your Grass -- and, yes, they did raise the  
25 rate to keep their bottom line intact.

26 Now as late as last week or the week  
27 before, there was an article in the  
28 newspaper, comments by Mr. Penna. It had to

1 do with the discovery of an abandoned well on  
2 the golf course properties now owned by the  
3 township.

4 His comment was that if the City  
5 unions activated the well and used the water  
6 to reduce the cost of the water they  
7 purchased from Rancho for the golf course,  
8 that it would only cause a rate increase for  
9 the loss of water to the ratepayer.

10 Now, you can project what may happen  
11 in the future with the organization with what  
12 has happened in the past. Twice now we have  
13 been -- actually done and threatened that if  
14 we do anything to reduce their bottom line,  
15 they will raise our rates.

16 Ladies and gentlemen, I served  
17 government for 37 years. Believe me, I was  
18 very close to the supervisors, LA County. I  
19 trust our elected officials because they are  
20 good people who are --

21 (Applause.)

22 MR. SAMPLEY: Thank you.

23 ALJ KIM: Thank you. Bruce Kallen.

24 STATEMENT OF MR. KALLEN

25 MR. KALLEN: Thank you, your Honor, for  
26 this opportunity. I appreciate it.

27 ALJ KIM: Closer.

28 MR. KALLEN: This issue is not easy to

1 decide. I know it's complicated. And I had  
2 to get talked into to get here tonight  
3 because I don't have faith in your system.

4           The PUC in the past -- I've been  
5 here. This will be my third time to discuss  
6 water rates in Apple Valley. Every time  
7 they're granted their profits. Every time.  
8 It may not be as much as they ask for, but  
9 it's like a negotiation. They ask for 10; we  
10 want four. They end up with six or eight.

11           This is not an unusual situation.  
12 This has happened over and over and over  
13 through the years. Our water has gone up  
14 dramatically, as you can see.

15           The problem I see that we have here  
16 is there's no competition with Apple Valley  
17 Ranchos. We have waterlines under the  
18 ground. I have FiOS, but I want a cheap  
19 charter cable. I can compete between the two  
20 and get the best deal. There's no deal with  
21 Ranchos. They're guaranteed a profit.

22           At what point -- and I want to make  
23 something real clear to everybody in this  
24 audience tonight. Everybody on our town  
25 council -- they're conservative. They're  
26 fiscally responsible, good people. They want  
27 what's best for the town. They don't want to  
28 buy Apple Valley Ranchos.

1           Do you think they really want to be  
2 in the water business? Do you think we  
3 really --

4           ALJ KIM: Hold your mike closer.

5           MR. KALLEN: They didn't want to be in  
6 that business. But at what point do you say  
7 enough is enough? At what point? Because  
8 the water just keeps going up. We have  
9 people on fixed incomes. We got retirees.  
10 We've got people that just want to live their  
11 lives. They lived 10 years ago. And not  
12 have their water rates double and triple over  
13 the years and not know what's going to happen  
14 in the future.

15           I had a long conversations with my  
16 friend Scott Weldy, who ran the water company  
17 for years. It's a profit deal for Ranchos.  
18 Apple Valley is the only High Desert  
19 community that's not run by a public water  
20 system. It's private. And they are in  
21 business to make money.

22           And I guarantee no matter what they  
23 do, they are going to continue to try and  
24 make money. Whether you can serve, whether  
25 you get rid of your grass, whether you stop  
26 drinking water, they still have to make a  
27 profit.

28           They have shareholders demanding a



1 profit. Until we make it so that the water  
2 is fair and we are in line with the other  
3 communities -- we're the highest water in the  
4 High Desert. And that's a PUC item. That's  
5 been discussed over the last 10 years. Every  
6 time we come to these, we are the highest.  
7 Why can't we at least be at a level of  
8 service the same as the other High Desert  
9 communities. That would be a relief in  
10 itself.

11 So I urge everybody to let the Town  
12 continue with this. If they can't make this  
13 purchase, that's fine. But in the meantime,  
14 it's incumbent to the PUC to do something  
15 about this. This is a company that's going  
16 to double. I don't know of any companies  
17 that double their money. I'm in the real  
18 estate business. The highest -- eighty  
19 percent of our homes here in the High  
20 Desert -- I know I'm out of time.

21 Eighty percent of the sales of homes  
22 is under 200,000. We are at almost poverty  
23 level for the people who live here. But yet  
24 the water rates are higher than anywhere else  
25 I can think of, even down the hill, even  
26 where you live at. So thank you for the  
27 opportunity.

28 (Applause.)

1 ALJ KIM: Thank you. Adolph Collaso.

2 STATEMENT OF MR. COLLASO

3 MR. COLLASO: Thank you, your Honor.

4 With me, the issue is trust. Now, I'm  
5 looking at a lot of Apple Valley residents  
6 here. And you guys write the checks. You  
7 write the checks for your water bill every  
8 single month. So here is the deal.

9 Are you going to trust these guys to  
10 come in? Are you going to trust that they're  
11 going to do the right thing?

12 My God, we have elected officials.  
13 If we don't like what they're doing, we can  
14 vote them out. What do you think is going to  
15 happen if they take control? Are you going  
16 to go to the president to the CEO and tell  
17 them we don't like what you're doing? What  
18 do you think they're going to do?

19 They come in here boasting about 1.9  
20 billion in capital. Where do you think that  
21 money came from? On the backs of other  
22 ratepayers? What happened to the other  
23 cities that they acquired that they took  
24 over? I would like to see what their rates  
25 are today after they've taken over.

26 (Applause.)

27 MR. COLLASO: I'm just tired of paying  
28 higher and higher rates. You know, we've --

1 collectively, we've done what was asked of  
2 us. We got rid of our grass. We have water  
3 conservation throughout our houses. We've  
4 done everything. And yet we're still paying  
5 more. We got to wake up guys. I don't trust  
6 these people. I don't trust them one bit.

7 (Applause.)

8 MR. COLLASO: You know, I'm in the  
9 mortgage banking business. And we've gone  
10 through a pretty rough time. As a town,  
11 we're coming out of one of the worst  
12 recessions. We saw a lot of bank mergers.  
13 Do you think banks buy smaller banks just to  
14 buy them? There's money involved, guys. A  
15 lot of money.

16 These people are paying a lot of  
17 money for this. Why won't they come clean  
18 with Yermo? What's going on there? Did they  
19 slide that one under the carpet? Are they  
20 pulling the "okie-doke" on us? Wake up.

21 For the record, I'm against Liberty  
22 taking over. And I'm for the Town of Apple  
23 Valley.

24 (Applause.)

25 ALJ KIM: Bob Kirkland.

26 And I only have one more speaker  
27 after this one. If you wish to speak and  
28 haven't registered, you need to do that right

1 away. Otherwise, we're moving on.

2 STATEMENT OF MR. KIRKLAND

3 MR. KIRKLAND: Good evening, your  
4 Honor. Good evening, Apple Valley residents.  
5 I don't have a piece of paper that I've  
6 carved out before I got here. But after  
7 listening to the presentation, I --

8 ALJ KIM: Hold the mike closer, please.

9 MR. KIRKLAND: I can tell you you need  
10 to wake up and think about an outside coming  
11 in taking over a public utility. I've been  
12 here for 30 years. I've had good services  
13 from Rancho. I haven't heard Ranchos say  
14 that they were in trouble financially.

15 So why are they selling? They are  
16 being coerced from a larger company to come  
17 in and do what all other companies in America  
18 are doing. It's called buy out, sell out,  
19 force out, monopolize and make plenty of  
20 money. Look at Apple. Look at Apple. Look  
21 at your tech companies. They're all buying  
22 each other out for the little man's money.

23 California is in a bad fix with  
24 water. We can live without oil. We can live  
25 without gas. But when you run out of water,  
26 dig your grave the day before. You can't  
27 live without water. I'm sorry. The body is  
28 99.9 percent water. When your body gives up

1 water, you're dead.

2 So that's what Liberty intends for  
3 us to do. When they come in, maybe the first  
4 three years will be a honeymoon. Everything  
5 will be hunky-dory. But come 2020, your bill  
6 is going to go up. Get out the checkbooks  
7 because you'll need more money. A company  
8 that is not allied with the locals are not  
9 going to have sympathy for you.

10 Trust me. Read the paper. Check  
11 your stock market. See where Liberty is  
12 today. I guarantee you they're not in the  
13 red. If they were, they would not be trying  
14 to buy another piece of property in some  
15 other state.

16 They talk about all these 11 states  
17 they're in. Like the man before me said,  
18 they're not wanting to buy a little company  
19 to get ahead. They want to buy a company to  
20 get ahead for your money.

21 Think about it. Let's do all we can  
22 to keep Liberty in New Hampshire or wherever  
23 they are. We don't need them in Apple  
24 Valley. Ranchos can do it. I am totally  
25 against the sell out to anybody other than  
26 Ranchos Water.

27 Let them tell us they're in trouble.  
28 I have not heard that. And what's going to

1 happen? Now we going to get new wells? We  
2 get more water? I doubt it. I doubt it.

3 Arizona said we're not going to get  
4 any more water. Nevada says you're not going  
5 to get any more water. Where is that water  
6 coming from? Think about it.

7 (Applause.)

8 ALJ KIM: Thank you.

9 I'm actually going to go back on  
10 this paper that was missing earlier and may  
11 have shown back up. Joe Saltmeris.

12 STATEMENT OF MR. SALTMERIS

13 MR. SALTMERIS: Thank you for giving me  
14 the opportunity to speak. I've lived up in  
15 the High Desert for 40 years. I know a  
16 little bit about the water. And we are  
17 definitely in a severe drought.

18 We've been forced to cut back and  
19 ration our water. I definitely am in full  
20 support of the purchase of Apple Valley  
21 Ranchos by Liberty Utilities because it does  
22 matter who owns the water company. Water  
23 rates will always need to go up in order to  
24 operate, maintain safe and reliable water  
25 source that is heavily regulated by the  
26 government.

27 I would rather see a private company  
28 operate Apple Valley Ranchos, not the

1 government. It's only fair to make a profit.  
2 This is still the United States and the  
3 American way.

4 I wish I had about a year to explain  
5 to you what it takes to operate a water  
6 company. It's very very difficult. It's  
7 heavily regulated. And it's unfortunate, but  
8 everything else has gone up. I don't hear  
9 anybody complaining about the air tax, the  
10 gas tax, sales tax increases, property tax  
11 increases, school tax increases, income tax  
12 increases. It's just the way it is. Thank  
13 you very much.

14 ALJ KIM: Thank you.

15 (Applause.)

16 ALJ KIM: I have two more speakers.  
17 Roman Diaz and then Salvador Ortiz after  
18 that.

19 STATEMENT OF MR. DIAZ

20 MR. DIAZ: Thank you, your Honor. My  
21 name is Roman Diaz. I'm employed by Apple  
22 Valley Ranchos Water. I've been there for  
23 just under three years.

24 I've been a resident of the High  
25 Desert since 1975. I lived in Apple Valley  
26 since 2004 in the county where my rates are  
27 higher than Ranchos, just for the record.

28 I can only attest for knowing Park

1 Water and the way they run their company.  
2 I'm not the previous owners. And as far as I  
3 can see, they're committed to community  
4 service and quality of water and safety.

5 I've done my homework on Liberty  
6 Utilities because I have a vested interest  
7 because I do live in Apple Valley and I am an  
8 employee of Ranchos Water. Everything I  
9 found on Liberty Utilities is they do share  
10 the same core values. And they are a  
11 long-term -- here for the long haul. And  
12 that's what we're looking for.

13 So my vote is for Liberty Utilities  
14 to own the water company because we will get  
15 reliable safe drinking water. And that's  
16 what I have to say. Thank you, your Honor.

17 ALJ KIM: Thank you.

18 (Applause.)

19 ALJ KIM: Salvador Ortiz is our last  
20 speaker.

21 STATEMENT OF MR. ORTIZ

22 MR. ORTIZ: Thank you, your Honor.

23 ALJ KIM: Closer to the mike. Can you  
24 hold the mike closer?

25 MR. ORTIZ: Thank you, your Honor, for  
26 this opportunity. Residents of Apple Valley,  
27 some of them -- some of you already know me.  
28 I like to go to the facts when we are



1 speaking about matter of business. We going  
2 to speak with what I think -- what I feel. I  
3 am an engineer. Mathematics don't lie. We  
4 need to be aware that some of the politicians  
5 even applying fake mathematics.

6 I'm going to give you an example.  
7 They are changing the word billions for ten  
8 thousand millions. You are familiar with  
9 that. Check that later the facts about the  
10 quality of the water. I been doing my own  
11 test on the water that we are receiving over  
12 here.

13 I don't want any private -- my  
14 private business being taken over by the  
15 government. We already have proofs that when  
16 the government take over private business,  
17 they becoming a fiasco. We already have here  
18 to prove the country club. What does it mean  
19 to the country club? Do you know how much  
20 you are paying for the country club? You  
21 don't know, don't you? Millions of dollars.  
22 Now, it is our money.

23 Now let's go to the next facts.  
24 This is the water quality. More than two  
25 years on this water not a speck of dirt  
26 inside. I did my own test. This was under  
27 the sun. This was in the shade. After I  
28 noticed that the cup was breaking own, I put

1 it together in the shade. Those are very  
2 good. That's quality of the water. That's a  
3 fact we are seeing from a private entity.

4 What we are seeing from the country  
5 club we are paying the golfers. We put money  
6 to pay free over there. That's quality.

7 Second, use your basic mathematics.  
8 How much we'll have to pay when they charge  
9 us on all our properties the price of the  
10 company between the properties.

11 Third, if you are paying high bills  
12 for all those guys who are paying high bills,  
13 you are wasting your water. Check your  
14 system for leaks. Check the calibration of  
15 your meters. Very simple.

16 Four, if you want to going business  
17 over here in Apple Valley like me, you have  
18 to put a guideline. It will cost you a  
19 thousand -- a lot of thousand dollars. I pay  
20 almost 60,000 for one. And I'm going to be  
21 reimbursed for that money. Those guys over  
22 there take over the company, do you know how  
23 much I'm going to get? Zero cents.

24 That's something you don't know.  
25 That's -- you don't speak your feelings. You  
26 only speak and think. That's the mission of  
27 the human beings. Use --

28 ALJ KIM: You need to wrap up.

1           MR. ORTIZ: Just one more. If the  
2 manage of the Town wants to take over the  
3 company, purchase on the stock market. If  
4 some of you want also, go to the stock market  
5 and buy shares from this company. I will do  
6 that, but no buy with my taxes because that's  
7 not their money. Thank you.

8           (Applause.)

9           ALJ KIM: Thank you. Thank you all for  
10 coming. That's actually the end of the  
11 comments section.

12           What I'm going to do is take a brief  
13 recess nine minutes or so. And it will start  
14 exactly at 8:30. And what I'm going to ask  
15 that you do is to limit your questions to  
16 just that. I'm going to allocate 20 minutes  
17 total for this panel. This is only out of  
18 the gracious offering that everyone has made  
19 to be available to present themselves. They  
20 weren't part of the agenda. I just felt that  
21 sometimes actual answers from the parties are  
22 more helpful than just having all of the  
23 rumors being reiterated.

24           And so I want to have the  
25 applicants, the two parties, come up as panel  
26 at 8:30. And they'll be asked questions.  
27 And we'll be giving you guys opportunity to  
28 ask those questions -- not to reiterate the

1 questions already been made in the record.  
2 And I'm doing all that on the record. And so  
3 it will be part of the Commission proceeding  
4 docket record.

5 Okay. So we'll resume at 8:30  
6 promptly.

7 (Recess.)

8 ALJ KIM: We're back on the record.

9 It's 8:30 now. It's my intention to  
10 wrap this up within 20 minutes, which was  
11 precisely what we did this afternoon. This  
12 was an optional addition to our activity  
13 today. And I'm really hoping to illuminate  
14 the residents of Apple Valley with  
15 information that they want and need, to the  
16 extent that we can provide that for you with  
17 the panel members that are here.

18 And they consist of the utility  
19 applicants, Town of Apple Valley  
20 representatives, and Office of Ratepayer  
21 Advocates. What I'm going to have to do is  
22 individually identify themselves one by one  
23 again. And then what I'm going to do is have  
24 you raise your hand. And I'm going to try to  
25 do my best in keeping track of who's raising  
26 the hand and in reasonable order. And then  
27 we have mikes that will be going to you so  
28 that you can ask the question that you need

1 answered to with the mike. And only when you  
2 have a mike, you should speak.

3 Okay. So I will let you speak.

4 MR. DOVE: Thank you, Judge. Robert  
5 Dove with Carlyle, current owners of  
6 indirectly Apple Valley Ranchos Water.

7 MR. PASIEKA: David Pasieka, the  
8 president of Liberty Utilities.

9 MR. NASSIF: Scott Nassif, council  
10 member, Town of Apple Valley.

11 MR. EMICK: Curt Emick, council member,  
12 Town of Apple Valley.

13 MR. YUEN: Ting Yuen, Office of  
14 Ratepayer Advocates.

15 ALJ KIM: So what I'm going to do is  
16 have you raise your hand. And we're going to  
17 go to you. And it will be just question and  
18 answer, no more comments. And I see a hand  
19 in the back. Pink sweater.

20 UNIDENTIFIED SPEAKER: My question is  
21 for the Office of Ratepayer Advocate. Can  
22 you explain whether the acquisition cost will  
23 affect the ratepayers and their costs on  
24 their bills, if so, if not, and why, in a way  
25 we understand?

26 MR. YUEN: Okay. At this point, we're  
27 looking at all the information. We sending  
28 out data requests to ask for information that

1 we think relevant, but it's not provided as  
2 part of the application.

3 So we try to look at additional  
4 information. But, you know, based on what we  
5 have written in the application and the  
6 indication from the company that they are not  
7 going to -- that is not going to the  
8 acquisition cost, it's not going to result in  
9 any rate increases, as you know, if this  
10 acquisition is funded by the Commission.

11 However, what we are trying to find  
12 out by sending out data requests is to look  
13 at whether there's direct versus indirect  
14 impact on the ratepayers' rates. So those  
15 are the information we're looking at.

16 We're still in the middle of our  
17 discovery process. And, like the lady was  
18 saying, yeah, I also wish to be able to  
19 provide more definite statement tonight. But  
20 then since we have not completed our  
21 analysis, I'm not able to at this point.

22 Does that answer your question?

23 UNIDENTIFIED SPEAKER: Not really.

24 MR. YUEN: I'm sorry.

25 ALJ KIM: Any other questions? You and  
26 then I will get to you.

27 MR. KASSABUM: Hi. Gary Kassabum here.  
28 I spoke a little bit earlier. But I just

1 wanted to ask our town council -- and I enjoy  
2 living in Apple Valley. Okay. That's why I  
3 moved here over 35 years ago. But I don't  
4 believe that the Town of Apple Valley has the  
5 capability of running a water company, okay,  
6 because I worked for one.

7 ALJ KIM: Let's limit this to a  
8 question.

9 MR. KASSABUM: To a question, yes.  
10 This gentleman in an article that was printed  
11 in the Daily Press -- he -- this same thing I  
12 had, too, okay? What qualifications does the  
13 City of -- the Town of Apple Valley have in  
14 senior management with extensive water agency  
15 management experience? And I was thinking  
16 the same thing, you know.

17 ALJ KIM: Is that your question?

18 MR. KASSABUM: That's the question. I  
19 know you're going to have to hire people in  
20 the future to do it.

21 But where do you come up with this  
22 statement?

23 ALJ KIM: Let him answer your question.

24 MR. NASSIF: That question was asked  
25 earlier at the earlier hearing. And I like  
26 to explain the vast -- keep in mind the vast  
27 majority of water companies are municipal  
28 water companies throughout California and

1 throughout the country and even throughout  
2 the world. So we're talking well over 90  
3 percent of water companies.

4           So the employees we have -- our  
5 town's incorporated in 1988 -- the vast  
6 majority of our employees have come from  
7 municipal water companies throughout  
8 California, even throughout Texas. Virtually  
9 almost everyone we've hired has worked for a  
10 municipality that has owned a water district.

11           Also, keep in mind that this is --  
12 when we're talking about this is an  
13 ownership, you still have Apple Valley  
14 Ranchos would still be the operating function  
15 within the Town of Apple Valley as a water  
16 company. We're talking about different  
17 ownership and different rules. And you would  
18 have a different ownership by the council.

19           But the employees of the Town of  
20 Apple Valley currently, you can go through  
21 their resumes. Many of them have come from  
22 water districts. Many of them have worked in  
23 municipalities that have owned water  
24 districts.

25           So it's not unusual -- look  
26 throughout the country, throughout the state,  
27 even throughout the world -- that there's  
28 plenty of municipal governments that all run



1 municipal water districts. So that's really  
2 not an issue we're afraid of. And, again, as  
3 you said, if there's somebody that needs to  
4 be hired, that can happen as well.

5 ALJ KIM: Did you have something to  
6 add?

7 MR. PASIEKA: First of all, I believe  
8 in the U.S. the number's actually 15 and 85  
9 percent. So 15 percent privately held and 85  
10 municipal. But, you know, I think this is  
11 one of the things that we would obviously  
12 bring to the table with our deep water  
13 experience and the ability to bring other  
14 resources to bear, especially if there's a  
15 situation that would occur from an emergency  
16 perspective.

17 But I think the other thing is that  
18 15 and 85 percent stat is actually changing.  
19 A day doesn't go by where I don't get a  
20 municipality phoning me up and saying, could  
21 you come and look at our water system? Why?  
22 Because our system -- our city is in trouble.  
23 Our town is in trouble. And we like to take  
24 some cash off the table. Will you buy our  
25 water system for us so that we can build that  
26 park for the kids?

27 ALJ KIM: And gentleman in back here.

28 UNIDENTIFIED SPEAKER: This question is

1 for the president of Liberty Utilities. It  
2 was now stated that Public Utilities  
3 Commission in New Hampshire suspended a rate  
4 increase.

5 Can you comment on that rate  
6 increase? And did it have anything to do  
7 with the Canadian Securities Commission?

8 MR. PASIEKA: I have no knowledge of  
9 that suspension of the rate increase. We  
10 currently have an open hearing underway for  
11 natural gas services in -- sorry -- for  
12 natural gas services. And we also have  
13 applied for a rate case in the electrical  
14 system. So I have no knowledge of to what  
15 you speak.

16 ALJ KIM: Gentleman in the back with  
17 the red shirt and this gentleman in front of  
18 him.

19 UNIDENTIFIED SPEAKER: Yes, sir.  
20 Algonquin indicates that you come from an  
21 area of the United States that does not have  
22 any problem with water. They're storms,  
23 there's snow, and all that. I looked at a  
24 picture in the paper that showed, like you  
25 say, 10 states. One of it -- was it one like  
26 Arizona that you're in? And if so, have you  
27 found a problem finding water -- drilling  
28 finding an aquifer, if you have, in that

1 state, that area? Has the rates of the  
2 people who pay rates -- have they had to pay  
3 higher because you had to drill deeper or  
4 more exploration? And if that's so, you come  
5 out here to Apple Valley and well, we dug  
6 this. No. Well, we dug this. No. Oh, here  
7 we find one. Now we better pass to haul that  
8 to the ratepayers.

9 Would that happen?

10 MR. PASIEKA: Okay. So you've got a  
11 lot in that dialogue. First of all, we are  
12 operating in the following states from a  
13 water perspective: We're in Illinois,  
14 Missouri, Arkansas, and Arizona. In Arizona,  
15 we're located -- we have a couple of  
16 facilities in and around Phoenix, Arizona,  
17 Avondale, and Gold Canyon to the east. And  
18 then we're down in Rio Rico and Sierra Vista.  
19 So down in the southern part of Arizona on  
20 the Mexican border.

21 In all cases, those are wells.  
22 They're fairly deep wells because, as you can  
23 appreciate, the aquifer is not as resilient  
24 down there. And those wells are fairly deep.  
25 And the way our model works -- and you're  
26 probably quite familiar with it -- we through  
27 the regulation are provided a fair return on  
28 the equity that we put into the system. And

1 those returns are anywhere between eight and  
2 a half and ten and a half percent depending  
3 on what utility and the state of those  
4 utilities.

5 So I think the question relative to  
6 if the well is deeper and you have to put  
7 more capital into the ground, the regulator  
8 does provide us a return through our rate  
9 case filing and our process there to adjust  
10 the rates in a fair and reasonable manner.  
11 Hope that answers your question.

12 ALJ KIM: Gentleman in white shirt here  
13 and then you in burgundy after.

14 UNIDENTIFIED SPEAKER: This is Scott,  
15 Apple Valley Council. You have bond measure  
16 for the fire department for a million dollars  
17 that failed recently. And that being said,  
18 over the next year, Apple Valley is going to  
19 have at least \$10 million in capital  
20 improvement projects.

21 If you can't get the City to agree  
22 on a million dollar bond for the fire  
23 department to increase response times, I'm  
24 just really curious to see how you're going  
25 to raise \$10 million for the next year in  
26 capital improvement project.

27 The second part of that question  
28 would be, if you have to come up with the

1 bonds or create a financing, you're going to  
2 need to actually purchase this company for  
3 two to four hundred million dollars.

4 How are you going to guarantee that  
5 that's not going to go back into the rates or  
6 in property taxes for Apple Valley?

7 MR. NASSIF: You're talking about a  
8 bond or a measure that was put out by the  
9 fire protection industry. The council  
10 members supported that in the interest of  
11 public safety and continuing that. It's  
12 really an argument, assessment that's on the  
13 website. That's a different issue.

14 But when we're talking about the  
15 financing on this issue, we haven't gotten to  
16 that point yet. And I've stated that before.  
17 We're still in the -- we would like to have a  
18 seat at the table. We mentioned that before  
19 in an earlier meeting when we talked about  
20 the acquisition and how that's funded.

21 I mentioned before that the \$3.2  
22 million that is a management fee that's given  
23 to Park Water will go a long way to paying a  
24 bond measure for the interest and the  
25 payments on the acquisition. So would the 10  
26 percent or maybe 9.7 percent interest on  
27 profit and return on investment will go a  
28 long way to paying that off without raising

1 taxes and without raising fees on the water  
2 district.

3 It's about water rate stabilization  
4 and local controls, our goals are. We're not  
5 adding. We're not proposing and have not  
6 talked about adding taxes or an assessment to  
7 our public, so. We'll go from there.

8 ALJ KIM: Did you have a comment?

9 MR. PASIEKA: Yes, I did. On the \$3.2  
10 million that council man has talked about,  
11 these are for services that are provided to  
12 deliver the service that we are delivering  
13 here in Apple Valley. For example, there's a  
14 billing system that's resident in the central  
15 basin. And that system is resident a couple  
16 hundred miles away. And that system is part  
17 of the \$3.2 million.

18 So it's hard to imagine having a  
19 water company that doesn't have the ability  
20 to actually kick out a bill. So that service  
21 will ultimately have to come from somewhere.  
22 Maybe the City has a billing system, but I  
23 doubt it. And there's an example where it's  
24 fantasy to think that \$3.2 million could just  
25 evaporate because these are for real services  
26 that are provided by real people.

27 And, as I indicated in my  
28 presentation earlier, it's my job to

1 repatriate as many of those services as I  
2 possibly can back to this town so that we can  
3 increase the number of employees that work  
4 here and the tax base associated with those  
5 employees and the multiplier associated with  
6 that.

7 ALJ KIM: Gentleman in burgundy and  
8 then --

9 UNIDENTIFIED SPEAKER: My question is  
10 this: Why are you motivated to buy Apple  
11 Valley Ranchos Water? Second part of that  
12 question is, why are you the only one? Are  
13 we going to end up in a Holly Burton  
14 situation?

15 MR. PASIEKA: First of all, why am I  
16 motivated? This is the business I'm in. I'm  
17 in the business of building, acquiring, and  
18 owning and operating utilities for the long  
19 run. So this particular acquisition, the  
20 three water companies of which I'm already a  
21 water operator in five states, is right down  
22 the fairway relative to what it is we need to  
23 do. So that's why.

24 The other thing, as you heard  
25 earlier, there was a lot of interest from  
26 other water companies. A couple them  
27 actually based here in California. And one  
28 of the reasons why the price was so

1 significant because there's a lot of interest  
2 in utilities. Why? Because from a return  
3 perspective, there's a small return. It's  
4 not a home-run return. But shareholders like  
5 the fact that there's at least a little bit  
6 of certainty in the earnings stream. And  
7 that's why there's a lot of interest in  
8 people owning utilities.

9 ALJ KIM: It's getting late in the day.  
10 Did I miss you?

11 UNIDENTIFIED SPEAKER: No.

12 ALJ KIM: Okay. I did get you. Good.  
13 Gentleman over here and then right  
14 behind you.

15 UNIDENTIFIED SPEAKER: This is for the  
16 president of Liberty. You are in the water  
17 business. You stated that you own or you  
18 operate five different water companies. So  
19 my question to you is, of these companies,  
20 immediately after acquisition -- I mean, I  
21 know you're saying in this acquisition  
22 there's going to be no increase in rates due  
23 to the acquisition.

24 However, can you comment and tell me  
25 of the others that you acquired in subsequent  
26 years -- and, if you could, give me a little  
27 bit more detail. One year? Two years? How  
28 much did the water go up, if at all? Water



1 rates.

2 MR. PASIEKA: Well, it's a fairly  
3 complicated question. There's actually 22  
4 water utilities, I believe, that I'm  
5 operating in the five states. So they're all  
6 over the place relative to, you know, in  
7 pockets of Arizona, southern Arizona,  
8 northern Arizona, eastern Arizona, etc.

9 Some of them were actual fix me  
10 uppers. In other words, in Arkansas, for  
11 example, we acquired that utility about a  
12 year and a half ago. There hadn't been a  
13 rate increase in that arena for the previous  
14 five years. And the system was actually  
15 falling over due to the aging infrastructure.

16 We opened up our wallets and put in  
17 \$7 million of capital to restore the  
18 chlorinator, the settling ponds, and fixed  
19 some critical leaks that were out in the  
20 system. So we opened up our wallets. And  
21 the way the regulatory systems work is you  
22 put the capital out up front. And you wait  
23 for your rate case, to file your rate case a  
24 year, a year and a half down the road, to  
25 actually get back the return on that capital  
26 moving forward. So there's a regulatory lag  
27 sort of built into the system.

28 So it depends on what the system

1 needs. In this particular case, we  
2 understand the system to be in a good  
3 reasonable working order. That's at least  
4 the due diligence that we had. We understand  
5 the people here to be doing a fine job  
6 delivering. We also understand that the  
7 quality of the service is quite excellent.

8 So our initial plan is to step into  
9 the capital investment plan that Tony and his  
10 team have put together here. And I think  
11 they're in the order of five to seven million  
12 dollars of capital that needs to go into the  
13 system each and every year for the next  
14 couple of years.

15 And depending on when, you know,  
16 probably in I don't know in a year or two,  
17 we'll probably look backwards and decide when  
18 is it time to get back or get a return, if  
19 you will, on the capex that went into the  
20 ground since the last rate case. So I hope  
21 that answers your question.

22 ALJ KIM: I'm going to go to the back.  
23 I'm going to come back here, but I think that  
24 will be the last because we're already at 20  
25 minutes. So I'm going to go to you, you,  
26 you, and then another hand over here. That's  
27 it. Okay. All right.

28 UNIDENTIFIED SPEAKER: One more

1 question on the rate structure and the  
2 invested capital at which the rate of return  
3 is based. I hope you can answer. Probably  
4 Office of Ratepayer Advocate.

5 Do the laws in California permit  
6 recognizing the purchase price of the company  
7 as the investment rather than the investment  
8 in the actual infrastructure?

9 MR. YUEN: My understanding is there is  
10 a provision that allows if the purchaser is  
11 local water companies like -- let's say, one  
12 of the I'll say water companies acquired the  
13 Park Water, in that case, the price that they  
14 paid the premium could be considered as part  
15 of the rate base. And that might result in  
16 rate impacts to ratepayers.

17 But, you know, since Liberty is not,  
18 they don't get to do that. So that's why  
19 partly I guess they recognize that at the  
20 very beginning, that's why partly their  
21 application says it's not going to result in  
22 rate impacts to the ratepayers.

23 But our job, you know, goes beyond  
24 that. We want to make sure that not just the  
25 direct, but also indirect impact. So that's  
26 why we're looking at more information than  
27 was provided.

28 ALJ KIM: We're going to go to the back

1 of room.

2 UNIDENTIFIED SPEAKER: This is for the  
3 Town of Apple Valley. You say you haven't  
4 really thought about how you're going to pay  
5 to purchase it. But on your website, kind of  
6 buried, I found feasibility study. And  
7 actually says it's going to add \$3.5 million  
8 a year over 40 years plus raise the rates 12  
9 and a half percent right off the bat. That's  
10 just to purchase Ranchos at 134 million,  
11 which isn't quite near what Liberty is going  
12 to pay.

13 So how we on that end Ranchos  
14 service area -- so I have to carry that  
15 burden on my property taxes.

16 MR. NASSIF: I think I understand what  
17 you're saying. On the feasibility study,  
18 it's assuming that there's not a rate case  
19 granted. And keep in mind they've applied  
20 for 35 percent rate increase over the next  
21 three years. That's somewhat less than 20,  
22 but in any case it will be more than 13.

23 UNIDENTIFIED SPEAKER: It had 12 and a  
24 half.

25 MR. NASSIF: For the first year, I  
26 think. We're talking in the study, it showed  
27 about 13 percent. So I think what the  
28 feasibility study -- and there's my staff

1 here could probably support us on this --  
2 what the feasibility study says assuming that  
3 the rate case is going to be granted,  
4 somewhere between 15 and 30 percent. There  
5 will be no rate increases beyond that.

6 So the current rate case that's  
7 being contemplated at the PUC, there wouldn't  
8 be an increase over that. That's what we're  
9 talking about.

10 As far as property taxes, the bond,  
11 if you extrapolate how much you're paying  
12 for, keep in mind that the Apple Valley  
13 Ranchos portion is only one-third of the  
14 total Park Water being sold for at 325  
15 million.

16 So take one-third of that out.  
17 That's what Apple Valley would be worth. You  
18 got Missoula, you got Downey, and now Yermo  
19 too mixed in there, so. And the intent would  
20 not be to put that on property owners that do  
21 not have a stake hold in Ranchos. At least  
22 that's my point. I'm only speaking for  
23 myself. I would not want to put that on -- a  
24 tax burden on any of our taxpayers. So we  
25 could afford it through the rates, so.

26 But that's something that has to  
27 come back. That's why we want to negotiate a  
28 purchase with Carlyle. We couldn't get

1 there. We're trying to get together. Maybe  
2 we want to sell it in pieces. Understood.  
3 We tried to put the project together. They  
4 sold -- they chose to sell it in a different  
5 way. So we would still like a seat at that  
6 table.

7 Missoula is way ahead of us. We're  
8 taking our time being a little bit more due  
9 diligence in the process. But we still have  
10 responsibility to our residents, our  
11 citizens, to look at this and look in the  
12 future and look where we're going so they  
13 don't look back at me and say why didn't you  
14 do something in 2015.

15 UNIDENTIFIED SPEAKER: So either way  
16 that burden is going to fall back on  
17 taxpayers, though.

18 MR. NASSIF: I'm saying that's not.  
19 It's not, unless the community wants to vote  
20 for that and you get community effort and  
21 petition they want to vote to put on their  
22 tax bill. I'm not supporting that at this  
23 time.

24 UNIDENTIFIED SPEAKER: Unless they gave  
25 it to you --

26 UNIDENTIFIED SPEAKER: It's not a  
27 debate.

28 ALJ KIM: I have two questions left.

1 You in the back, and then going to come back  
2 to the front final question.

3 UNIDENTIFIED SPEAKER: My question is  
4 for the council man over there. Since you  
5 said you're working so hard for attracting  
6 new business, how is it possible that  
7 presently you increase 10 percent of the  
8 construction business? And also how we  
9 are -- why we don't have enough business over  
10 here?

11 The extreme example which I've been  
12 exposing is with only one used car dealer.  
13 Why do business are not coming? You are  
14 working so hard for that. Why do work not  
15 becoming a fact like I'm telling you? Speak  
16 of facts, not words. Thank you.

17 ALJ KIM: What was the question?

18 UNIDENTIFIED SPEAKER: Again, Scott  
19 Nassif said that they are working so hard to  
20 bring new business to the town. Evidently,  
21 that's not true because we have only one car  
22 dealer. And also they increase the property  
23 fee, the fees for construction 10 percent  
24 recently. And they didn't even were aware  
25 that they increased the taxes.

26 ALJ KIM: All right. I got your  
27 comment. I didn't hear a question. So I'm  
28 not going to have you answer it -- a comment.

1 So we're going to finish this with a  
2 question.

3 UNIDENTIFIED SPEAKER: Okay. This is  
4 for Mr. Pasieka.

5 MR. PASIEKA: Pasieka. Very close.

6 UNIDENTIFIED SPEAKER: Pasieka. Kind  
7 of an honest question. I asked you a  
8 question at one of the breaks. You gave me  
9 one of your business cards. And you have the  
10 address here on Ottawa. That's a water  
11 company address, isn't it?

12 MR. PASIEKA: Let me tell you about  
13 that. And that's actually a very good point.  
14 One of the things that we're truly committed  
15 to is to buy locally. And when we're here,  
16 when I arrived here today, I realized that I  
17 was out of business cards. And so we have a  
18 local relationship with a local printer here.  
19 Apple Valley did.

20 And so I said, do you think I could  
21 purchase some business cards? I can get the  
22 artwork emailed down here right away. And  
23 could you put that together for me? And I  
24 said that I wanted the cards to hand out to  
25 the residents of Apple Valley because I  
26 wanted them to email -- feel free to email  
27 me, feel free to call me on my cell phone, or  
28 in some cases drop something in the mail to



1 me. And what we agreed to do was to put the  
2 Apple Valley Ranchos address on the card so  
3 that the customer service people when they  
4 see a letter it's addressed to me, they'll  
5 know that it came from one of these  
6 consultations. And they know that there's  
7 someone interested in talking to me or to  
8 raising a question or a comment. But I think  
9 the most important thing of all that was  
10 buying local.

11 So, you know, we're committed to the  
12 contractors, to the printers, to the  
13 suppliers, to the dealer, to the car dealers,  
14 the truck dealers, to buy all their goods and  
15 services here. So that's the point of the  
16 card. That's why the address is on there. I  
17 have Tony's commitment that whatever cards  
18 and letters show up at the office, he'll make  
19 sure that -- under my dollars and cents,  
20 he'll email those up or he'll scan those and  
21 send them up to me at my office.

22 UNIDENTIFIED SPEAKER: Because I  
23 actually came back. It was bugging me. I  
24 turned around. I came back. And it almost  
25 looks like you already own the company like  
26 it's a done deal and you already have an  
27 office in there. And it made me wonder I  
28 wonder if that's why all the employees are

1 standing behind you because you're already in  
2 there, they better stand there.

3 MR. PASIEKA: Well, I'll tell you a  
4 point that because -- one of the things that  
5 is very angst provoking in an acquisition is  
6 the employees. The employees feel very  
7 uncomfortable at this stage of the  
8 acquisition.

9 Why? Because they have an existing  
10 owner. They have a new pending owner subject  
11 to the approval of the CPUC. And we're an  
12 unknown quantity. So we make a point of  
13 actually coming down to the town and spending  
14 some time with the employees.

15 My colleague Brian Ketcheson was  
16 here all last week. He was doing some -- he  
17 was on lines in the Kiwanis Club and doing  
18 some meet and greet with Tony and the group.  
19 And when I showed up this morning, we spent  
20 two hours with the employees giving them an  
21 update on where we're at, giving them an  
22 update on where the transition is coming  
23 together, giving them an update on what's  
24 happening in some of the other -- in the  
25 other state that as part of this transaction  
26 all because it's important to make sure that  
27 these employees feel comfortable, that we're  
28 the right utility to run this company moving

1 forward, and they get to know us from our  
2 values.

3 So very important. I'm doing same  
4 thing in Missoula. We're doing the same  
5 thing in Central Valley. It's all part of  
6 what we do. And that's how we've been  
7 successfully able to acquire these last --  
8 these utilities over the last five years.

9 UNIDENTIFIED SPEAKER: Thank you.

10 ALJ KIM: I've been completely  
11 unsuccessful in wrapping this up in 20  
12 minutes. Now we are at 30-minute mark. But  
13 I want to thank you all for coming. You were  
14 the most important part of my day. These  
15 guys are really helpful. And I am grateful  
16 for your service in offering up all the  
17 answers that you didn't volunteer for. But  
18 thank you for doing that.

19 It was really helpful for me. And  
20 the biggest -- the most important part was  
21 your participation. Thank you. And I will  
22 go back and go through my notes with you, the  
23 transcript, and really consider them. So  
24 have a good night. And thank you to the Town  
25 of Apple Valley for allowing to come.

26 (Whereupon, at the hour of  
27 9:00 p.m., this matter having been  
28 concluded, the Commission then  
adjourned.)

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE  
STATE OF CALIFORNIA

	)	
	)	
Joint Application of Liberty	)	
Utilities Co., Liberty WWH, Inc.,	)	
Western Water Holdings, LLC, Park	)	
Water Company (U314W), and Apple	)	Application
Valley Ranchos Water Company (U346W)	)	14-11-013
for Authority for Liberty Utilities	)	
Co. To Acquire and Control Park	)	
Water Company and Apple Valley	)	
Ranchos Water Company.	)	
	)	

CERTIFICATION OF TRANSCRIPT OF PROCEEDING

I, Alejandrina E. Shori, Certified Shorthand Reporter No. 8856, in and for the State of California do hereby certify that the pages of this transcript prepared by me comprise a full, true and correct transcript of the testimony and proceedings held in the above-captioned matter on March 16, 2015.

I further certify that I have no interest in the events of the matter or the outcome of the proceeding.

EXECUTED this 16th day of March, 2015.

\_\_\_\_\_  
Alejandrina E. Shori  
CSR No. 8856

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE  
STATE OF CALIFORNIA

	)	
	)	
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Co. To Acquire and Control Park	)	
Water Company and Apple Valley	)	
Ranchos Water Company.	)	
	)	

CERTIFICATION OF TRANSCRIPT OF PROCEEDING

I, Michael J. Shintaku, Certified Shorthand Reporter No. 8251, in and for the State of California do hereby certify that the pages of this transcript prepared by me comprise a full, true and correct transcript of the testimony and proceedings held in the above-captioned matter on March 16, 2015.

I further certify that I have no interest in the events of the matter or the outcome of the proceeding.

EXECUTED this 16th day of March, 2015.

\_\_\_\_\_  
Michael J. Shintaku  
CSR No. 8251