

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 (U 314 W), and Apple Valley Ranchos Water Company (U346W) for Authority for Liberty Utilities Co. to Acquire and Control Park Water Company and Apple Valley Ranchos Water Company.

Application 14-11-013
(Filed November 24, 2014)

**DECISION ADOPTING THE SETTLEMENT AGREEMENT AND
CONDITIONALLY APPROVING THE APPLICATION**

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Appendix A - Settlement Agreement

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**DECISION ADOPTING THE SETTLEMENT AGREEMENT AND
CONDITIONALLY APPROVING THE APPLICATION****Summary**

This decision adopts the proposed settlement agreement (Agreement, attached as Appendix A) between Liberty Utilities Co. (Liberty Utilities), Liberty WWH, Inc. (Liberty WWH), Western Water Holdings, LLC (Western Water Holdings), Park Water Company (Park Water), and Apple Valley Ranchos Water Company (AVR) (collectively, the Joint Applicants) and the Office of Ratepayer Advocates.

This decision also conditionally approves the Application 14-11-013 and authorizes Liberty WWH to merge with Western Water Holdings and Liberty Utilities to indirectly acquire and control Park Water and AVR. Conditions of our authorization are the terms of the Agreement which reflect commitments by the Joint Applicants to (1) ensure continued safe, reliable and reasonable operation of Park Water and AVR; (2) safeguard against post-transaction rate increase; and (3) acknowledge and reaffirm the Commission's continued regulatory oversight over Park Water and AVR. These commitments address the ratepayer impact concerns raised by the parties in this proceeding.

The terms and conditions of the Agreement do not limit the Commission's future regulatory discretion. This decision changes no rates or charges, and it closes the proceeding.

1. Background

Since 2011, Park Water Company (Park Water) and Apple Valley Ranchos Water Company (AVR) have been wholly-owned subsidiaries of Western Water

Holdings, LLC (Western Water Holdings).¹ Prior to 2011, AVR was a wholly-owned subsidiary of Park Water, which was wholly-owned by Henry Wheeler, Sr. (Wheeler). In 2011, Wheeler retired.²

Park Water and AVR are Class A water utilities subject to the Commission's jurisdiction. Park Water operates in the southeastern portion of Los Angeles, serving approximately 133,000 people. AVR serves a population of roughly 61,000 people in and near the Town of Apple Valley (Apple Valley) in San Bernardino County.³

In Decision (D.) 11-12-017, the Commission recognized that Western Water Holdings' parent company (Carlyle Infrastructure Partners L.P.) "will dissolve no later than September 28, 2021;" the Commission therefore envisioned that another application would be filed before that time "for a transfer of control [over Park Water and AVR] for Commission review of such transaction."⁴

Liberty Utilities Co. (Liberty Utilities) is owned by Algonquin Power & Utilities Corp. (Algonquin)⁵ and holds all of Algonquin's \$1.8 billion in regulated utility assets, including water distribution and wastewater collection and treatment utilities, electricity distribution utilities, and natural gas distribution utilities serving an aggregate of approximately 485,000 customers in ten states,

¹ See D.11-12-017 granting conditional authorization to Western Water Holdings to acquire Park Water and AVR.

² Wheeler incorporated Park Water in the 1930s. He stayed on as a consultant when Western Water Holdings acquired and began operating Park Water and AVR pursuant to D.11-12-017.

³ Mountain Water Company is also wholly owned by Park Water.

⁴ D.11-12-017 at 17.

⁵ Algonquin has never sold a regulated entity that it has acquired.

including California. More than a third of those Liberty Utilities' customers are water utility customers. Liberty Utilities is also the parent company of Liberty WWH, Inc. (Liberty WWH). Liberty WWH was created expressly for the purposes of the Liberty Utilities' planned acquisition of Park Water and AVR.

On November 24, 2014, Liberty Utilities, Liberty WWH, Western Water Holdings, Park Water, and AVR (collectively, the Joint Applicants) filed Application (A.) 14-11-013 (the Application) to request Commission authorization for Liberty WWH to merge with Western Water Holdings and for Liberty Utilities to indirectly acquire control over Park Water and AVR (collectively, the Transaction). Appendix B to this decision illustrates the proposed post-Transaction corporate structure. Notice of the Application appeared in the Commission's December 1, 2014, Daily Calendar.

The Office of Ratepayer Advocates (ORA) and Apple Valley filed protests to the Application. ORA questioned whether the Transaction would result in rate increases or other negative impacts to the ratepayers. Apple Valley echoed some of ORA's concerns and also raised concerns that AVR customers may see future rate increases as results of certain pending legal actions in Montana against Park Water and/or one of its subsidiaries. Apple Valley also questioned whether the Transaction meets the Commission's "ratepayer indifference standard" and obliquely suggests that Apple Valley, not Liberty WWH, should become the owner and operator of AVR, at some point, as a municipal utility. The Joint Applicants filed a reply to the protests.

On February 6, 2015, the Commission held a prehearing conference. On March 16, 2015, the Commission held two public participation hearings (PPHs) in Apple Valley. The PPHs were attended by total of 273 representatives and residents of Apple Valley. The representatives of the Joint Applicants, Apple

Valley and ORA were present at the PPHs to answer questions and provide information.

At the PPHs, the majority of the speakers supported approval of the Transaction. Many, including AVR employees and ratepayers, consider the current AVR operation and service satisfactory and are supportive of the fact that Liberty WWH is proposing to operate AVR in a business-as-usual manner while also bringing in its experience as a utility company to deliver safe and reliable water service. Some speakers objected to Apple Valley's ultimate plans to own and operate AVR. A few speakers generally objected to rate increases in AVR service area and questioned whether the Transaction would result in a rate hike. Some opposed foreign ownership of AVR, noting that Liberty Utilities' parent company is headquartered in Canada.

On April 27, 2015, the assigned Commissioner and Administrative Law Judge (ALJ) issued the Scoping Memo and Ruling setting forth the issues in the proceeding, adopting a schedule, and confirming the preliminary determination that hearings would be necessary. The parties were also directed to file a Joint Case Management Statement by June 24, 2015, in the event that a settlement was not reached on all issues by June 22, 2015.

On May 29, 2015, the Joint Applicants and ORA (collectively, the Settling Parties) filed a Joint Motion for Approval of Settlement Agreement (Motion).⁶ Apple Valley was not a party to the Settlement Agreement (Agreement), and on

⁶ The Settling Parties timely informed Apple Valley of developments in the negotiation and settlement phase and also provided Apple Valley copies of drafts of the Settlement. Apple Valley, however, is not a signatory to the Settlement Agreement.

June 29, 2015, Apple Valley filed its comments on the Motion. No party filed any objection or opposition to the Motion.

2. Standard of Review

The Settling Parties in the Motion support approval of the Application and request adoption of the Agreement and its terms as conditions of the Commission's approval of the Application. Under Rule 12.1 of the Commission's Rules of Practice and Procedure (Rules), to approve and adopt a settlement, the Commission must find that a settlement is reasonable in light of the whole record, consistent with the law, and in the public interest.

3. Discussion

The Transaction involves a merger of two holding companies wherein Liberty WWH would merge with and into Western Water Holdings. As a result Liberty Utilities will acquire control over Park Water and AVR. This will effectively transfer the control over Park Water and AVR from Carlyle Infrastructure to Liberty Utilities.⁷ As discussed below, we conditionally authorize the Transaction and adopt the Agreement based on these findings:

- (1) The Agreement addresses the ratepayer impact concerns raised by the parties in this proceeding;
- (2) The Transaction set forth in the Application, with the proposed additional conditions set forth in the Agreement, complies with the requirements of the applicable statutes, including California Public Utilities Code⁸ § 854(a) and the ratepayer indifference standard;

⁷ See Appendix B to this decision which shows the post-Transaction schematics.

⁸ In this decision, all references to Code refer to California Public Utilities Code, unless otherwise specified, and all citations to "section" or "§" are to the California Public Utilities Code, unless otherwise specified.

- (3) The Settling Parties complied with the Rules 12.1 (a) and (b);
and
- (4) The Agreement complies with Rule 12.1(d) and is consistent with law, in the public interest, and reasonable in light of the whole record.

3.1. Review of the Agreement and Ratepayers' Concerns

As discussed below, the Agreement directly responds to and addresses the three key concerns raised by the parties in this proceeding. In doing so, it also addresses the concerns noted by the members of the public during the PPHs.⁹

Safeguard against post-Transaction Rate Increase

The Agreement protects ratepayers from rate increases and additional costs resulting from the Transaction. One of the notable concerns raised by Apple Valley in its protest was the concern that the purchase price of Park Water and AVR would result in rate increases. This concern was also shared by some members of the Apple Valley community at the PPHs and examined by ORA.

We observe that the Agreement in Section 3.26(a) specifically affirms the understanding and commitment by the Settling Parties that there will be no recovery in rates for any excess of the purchase price over the regulatory basis of the utility assets (or “premium”) that Liberty Utilities may pay. Specifically, Park Water and AVR shall not record any such premium in their respective accounts utilized in their respective establishment of rates and tariffs. This

⁹ Although PPH speakers' statements are not evidence, we have reviewed the speakers' statements to note the sentiments and concerns. In this proceeding, ORA has aptly represented the ratepayers by raising the concerns noted by the speakers and addressing those concerns in its negotiation of the Agreement terms. Apple Valley has raised some of the same ratepayer impact concerns.

commitment is also reaffirmed in Section 3.19 of the Agreement, which provides:

The utility customers of Park Water and AVR shall not incur, directly or indirectly, any transaction costs or other liabilities or obligations arising from the proposed transaction....

Thus, we are satisfied that nothing requested in the Application, or contained in the Agreement, will increase rates to the customers. As noted above, rates for Park Water and AVR will only change pursuant to the Commission's review of subsequent rate applications and advice letters, as part of the Commission's ongoing regulatory oversight.

Continued safe, reliable and reasonable operation

Another concern raised by ORA and shared by some members of the Apple Valley community is the importance of continued high quality water service for the desert community of Apple Valley. This concern includes both safe and reliable water service as well as reasonable management and operation of the utility. To address this concern, the Agreement ensures that the operation of Park Water and AVR will continue seamlessly in the business as usual manner after the Transaction. The Application proposes to do this by delivering the current or improved quality of service under the same terms and conditions of existing tariffs.

Specifically, Section 3.16 of the Agreement states: "Customer service to Park Water's and AVR's customers will not be affected by the transaction. Park Water's and AVR's commitment to high quality public utility water service and community involvement shall be maintained." Similarly, Section 3.25(f) provides: "Park Water and AVR shall adopt, maintain and strive to improve the high quality of service standards that Park Water and AVR presently provide

their customers.”

We find that the Agreement and its conditions provide reasonable protection for the customers of Park Water and AVR by ensuring continued safe and reliable water service and reasonable operation.

Preserve Commission's Regulatory Oversight

Last of the concerns raised by ORA, and echoed by some members of the public, was that the acquiring company's (Liberty Utilities') parent company, Algonquin, was foreign-owned and headquartered in Canada. This concern had to do with how Park Water and AVR would operate under such ownership and whether such ownership would weaken the Commission's regulatory authority and oversight over Park Water and AVR.

As noted above, the Agreement addresses this concern by ensuring that Park Water and AVR will operate in a business as usual manner after the Transaction. In addition and as discussed below, the Agreement ensures that the Commission's regulatory authority and oversight remain unaffected by the change in ownership.

By several terms in the Agreement, the Joint Applicants acknowledge and commit to the Commission's future oversight. Specifically, these commitments include agreement that the Commission's existing Affiliate Transaction Rules (adopted in D.10-10-019) and other regulatory policies will continue to apply to Park Water, AVR, and the proposed owner, Liberty Utilities. In part, Affiliate Transaction Rule, Section VIII provides:

- (1) The officers and employees of the utility and its affiliated companies shall be available to appear and testify in any proceeding before the Commission involving the utility;
- (2) The utility and its affiliated companies shall provide the Commission, its staff, and its agents with access to the relevant

books and records of such entities in connection with the exercise by the Commission of its regulatory responsibilities in examining any of the costs sought to be recovered by the utility in rate proceedings or in connection with a transaction or transactions between the utility and its affiliates; and

- (3) The utility shall continue to maintain its books and records in accordance with all Commission rules and maintain and make them available in California.

This commitment directly addresses the concern about the Commission's jurisdiction over foreign management, because Affiliate Transaction Rule VIII would ensure Commission's ongoing regulatory authority over the operation, management and record keeping activities of the officers and employees of the utility *and its affiliated companies*.

The Agreement also does not restrict this Commission's ongoing authority over any of the Joint Applicants. The Agreement does not limit the applicability of our previously adopted regulatory rules and policies, reduce our oversight, or limit our ability to adopt new or revised rules and policies for any of these matters. The rates for Park Water and AVR will only change pursuant to the Commission's future review of subsequent rate applications and advice letters. Specifically, Section 3.25 (d) of the Agreement provides:

Park Water and AVR shall provide service to their customers in compliance with all rules, regulations and decisions issued by the Commission. Among other matters, Park Water and AVR will not change any rate or any other terms and conditions of service for their respective customers without first having obtained the necessary Commission approvals and Park Water and AVR shall comply with all existing statutes and applicable Commission regulations regarding affiliated interest transactions.

The Agreement further protects the ratepayers' benefits from the water

rights held by Park Water and AVR. Regulatory Commitment 3.13 provides that neither Park Water nor AVR shall sell, transfer, or encumber any utility assets necessary or useful to provide utility service, *or any water rights*, without prior approval by the Commission. Therefore, we retain and will exercise our full jurisdiction and oversight over those protected water rights. Park Water and AVR will continue in uninterrupted operation and the transfer of control will not impact any existing water rights.

In sum, the Agreement imposes no new obligation or duty on the Joint Applicants; however, the express acknowledgments and commitments confirm Joint Applicants', including Liberty Utilities', awareness of and commitment to abide by the Commission's regulatory rules and policies.

**3.2. Review of Public Utilities Code §§ 851 *et seq.*,
Ratepayer Indifference Standard and Reasonable
Options or Alternatives**

Sections 851 *et seq.* provide the general statutory framework that governs Commission authority over a proposal to transfer or encumber utility property. Germane to the instant proceeding, § 854(a) requires Commission authorization before any person or corporation may acquire or merge with any public utility. To determine whether the Transaction should be authorized under § 854, the Commission must weigh the affected public interests¹⁰ and apply the "ratepayer indifference standard" to determine that no harm or negative effect on the ratepayer would result from the change of control.¹¹

¹⁰ D.10-09-012, 2010 Cal.PUC LEXIS 333, *13 (citing *In the matter of Qwest Corporation et al.*, (2000) 7CPUC 3d 101, 107).

¹¹ D.11-12-007 at 5.

In weighing the potential negative impacts and applying the ratepayer indifference standard, we consider the factors set forth in §§ 854(b) and 854(c),¹² and we also evaluate reasonable options/alternatives, if any, presented under § 854(d). Under the ratepayer indifference standard, the Transaction does not need to fully meet the §§ 854(b) and (c) requirements. Instead, the ratepayer indifference standard provides that, looking at those considerations, we must find that there is no negative ratepayer impact.

As explained below, we find that no negative impact results from the Transaction, and that the Transaction, combined with the proposed additional conditions set forth in the Agreement, complies with the applicable legal requirements, including § 854(a) and the ratepayer indifference standard.

§ 854(b) Considerations

§ 854(b) considerations are whether the proposal:

- (1) Provides short-term and long-term economic benefits to ratepayers.
- (2) Equitably allocates, where the Commission has ratemaking authority, the total short-term and long-term forecasted economic benefits, as determined by the commission, of the proposed merger, acquisition, or control, between shareholders and ratepayers. Ratepayers shall receive not less than 50 percent of those benefits
- (3) Not adversely affect competition. In making this finding, the Commission shall request an advisory opinion from the

¹² The Commission has determined that while §§ 854(b) and 854(c) do not, by their terms, apply to water utilities, the Commission could consider some or all of those factors in examining the public interest impacts; and the Commission found that the proposed transaction there met the applicable “ratepayer indifference standard” of not adversely affecting the public interest. See D.01-09-057 at 7-10 and Conclusion of Law 9.

Attorney General regarding whether competition will be adversely affected and what mitigation measures could be adopted to avoid this result.

Based on the record of this proceeding, we find that (1) there is no evidence of quantifiable short- and long-term economic benefits to ratepayers resulting from the Transaction; (2) without any evidence of short- and long-term quantifiable economic benefits to ratepayers resulting from the Transaction, there is no need to consider equitable allocations of forecasted benefits between shareholders and ratepayers; and (3) there is no evidence that the Transaction would adversely affect competition.

§ 854(c) Considerations

Below, we also consider the eight § 854(c) factors:

- (1) Maintain or improve the financial condition of the resulting public utility doing business in the state.
- (2) Maintain or improve the quality of service to public utility ratepayers in the state.
- (3) Maintain or improve the quality of management of the resulting public utility doing business in the state.
- (4) Be fair and reasonable to affected public utility employees, including both union and nonunion employees.
- (5) Be fair and reasonable to the majority of all affected public utility shareholders.
- (6) Be beneficial on an overall basis to state and local economies, and to the communities in the area served by the resulting public utility.
- (7) Preserve the jurisdiction of the commission and the capacity of the commission to effectively regulate and audit public utility operations in the state.

PROPOSED DECISION

- (8) Provide mitigation measures to prevent significant adverse consequences which may result.

Based on the record of this proceeding and as discussed below, we find that the Transaction, as conditioned by the Agreement, will:

- (1) Maintain or improve (a) the financial condition of the resulting public utility doing business in the state, (b) the quality of service to public utility ratepayers in the state, and (c) maintain or improve the quality of management of the resulting public utility doing business in the state;
- (2) Be fair and reasonable to (a) affected public utility employees, including both union and nonunion employees, and (b) the majority of all affected public utility shareholders;
- (3) Be beneficial on an overall basis to state and local economies, and to the communities in the area served by the utilities; and
- (4) Not result in any known significant adverse consequences, such as safety impacts, for which the Joint Applicants should provide mitigation measures.

As proposed, after consummation of the Transaction, Park Water and AVR will continue to operate business as usual. Operation and service will not be disrupted or changed. A notable benefit to both the ratepayers and shareholders would be that the new owners bring significant management and industry experience with a long-term commitment to maintaining high-quality service for the customers of Park Water and AVR. Liberty Utilities demonstrated the resources, expertise and service track record with water utilities (e.g., 1/3 of its 485,000 customers receiving water service) to operate Park Water and AVR. No party has provided any evidence to the contrary. Similarly, there is no evidence

that the Transaction will have any adverse effect on the financial condition, quality of customer service, or quality of management of the affected utilities.

The Joint Applicants reassure the Commission that the Transaction will not impact the utilities' costs of capital or operations, assets or liabilities, or their revenue requirements. They also reassure the Commission that the Transaction will not affect the policies of either Park Water or AVR with respect to customer service, capitalization, rates, or other matters relating to the public interest or to the utilities' operations.¹³

The Transaction is fair and reasonable for the utilities' employees, because it assures the Park Water and AVR employees future stability and certainty of employment after consummation of the Transaction. The Transaction ensures the stable future operation of Park Water and AVR beyond 2021 (or sooner) when the Carlyle Infrastructure dissolves. The Exhibit B to the Application, the Merger Agreement, also explicitly requires that continuing employees will be compensated at current or greater wage and salary levels and be provided benefits and terms of employment that are substantially equivalent to those they currently enjoy. In addition, Liberty Utilities has committed to retaining the operational headquarters of Park Water and AVR in California.

The Transaction is fair and reasonable for the utilities' shareholders, because it assures them long-term commitment, support and backing of Algonquin that has never sold any of the utilities it previously acquired. The Joint Applicants further assure the Commission that Liberty Utilities has no plan to sell Park Water or AVR after acquisition.

¹³ *Id.* at 4.

PROPOSED DECISION

The Transaction is also beneficial on an overall basis to state and local economies, and to the communities in the area served by the utilities. As discussed in Section 3.1 of this decision, one of the key concerns raised by the parties (and echoed by the members of the public at the PPHs) is ensuring continued safe and reliable water service for the Park Water and AVR customers. Such continuity has both direct and indirect beneficial effects on the local and state economies. Safe and reliable water service is vital to the production of goods and services in many sectors including agriculture, tourism, fishing, manufacturing, and energy production. Moreover, the ripple effects of disrupted or uncertain water service in the affected local regions will go far beyond the local areas to impact the state's economy. The Transaction resolves service continuity concerns by putting in place a qualified owner/operator for Park Water and AVR well in advance of the planned dissolution of Carlyle Infrastructure, which currently controls these utilities.

No Negative Ratepayer Impact under Code §§ 854(b) and (c)

Given the circumstances of the Transaction and based on our foregoing discussion, we find that there are numerous positive public interest effects of the Transaction and no negative adverse impact to ratepayers resulting from the Transaction. We find that, the Transaction, as conditioned by the Agreement, meets the ratepayer indifference standard and is in the public interest.

No Negative Safety Impact

Based on our foregoing discussion and our review of the record, we find that there is no adverse safety impact resulting from the Transaction.

§ 854(d) and Reasonable Options/Alternatives

§ 854(d) provides that when reviewing a merger, acquisition, or control proposal, such as the Transaction here, the Commission shall consider reasonable

options or alternatives recommended by other parties, including no new merger, acquisition, or control, to determine whether comparable short-term and long-term economic savings can be achieved through other means while avoiding the possible adverse consequences of the proposal.

Here, in considering other reasonable options or alternatives to the Transaction, no alternative option has been presented by any of the parties to this proceeding. We note, in particular that Apple Valley did not oppose the Agreement or present any alternate proposal. Moreover, as discussed above, the Transaction does not result in any adverse consequence. As such, there is no need to explore alternatives or options to avoid or mitigate any adverse consequences here.

3.3. Compliance with Rule 12.1

The record of this proceeding shows that the Settling Parties made timely and required filings of the Motion and the Agreement. The record also shows that the settlement conference was timely and properly noticed and held. The Motion states factual and legal considerations adequate to advise the Commission of the scope of the Agreement and of the grounds for its adoption, and the Agreement was limited to the issues in this proceeding. We therefore find that the Settling Parties complied with the Rules 12.1 (a) and (b).

The Agreement complies with Rule 12.1(d). As discussed in the foregoing Section 3.2 of this decision, we find that the Agreement complies with the applicable statutes, prior Commission decisions, and other applicable laws governing the Transaction, including §§ 851 *et seq.* and the ratepayer indifference standard. Also as discussed in Sections 3.1 and 3.2 of this decision, we find the Agreement reasonable and in the public interest.

3.4. Conclusion

Based on the foregoing, we conditionally authorize the Transaction and adopt the Agreement.

4. California Environmental Quality Act

Under the California Environmental Quality Act (CEQA)¹⁴ and Rule 2.4, we are required to consider the environmental consequences of projects that are subject to our discretionary approval.¹⁵ The Application demonstrates that Park Water and AVR will continue to operate as they did before the transfer of control under the Transaction. Therefore, the Transaction qualifies for an exemption from CEQA pursuant to § 15061(b)(3) of the CEQA Guidelines, inasmuch as it can be seen with certainty that the project will have no significant impact upon the environment. As such, there is no need for an environmental review here.

5. Categorization and Need for Hearings

In Resolution ALJ 176-3347 dated December 4, 2014, the Commission preliminarily categorized this application as Ratesetting and preliminarily determined that hearings were necessary. However, based upon the Agreement and the Motion, we determine that a hearing is no longer necessary.

6. Assignment of Proceeding

Carla J. Peterman is the assigned Commissioner and Kimberly Kim is the assigned ALJ in this proceeding.

¹⁴ California Public Resources Code §§ 21000 *et seq.*

¹⁵ See Public Resources Code § 21080.

Findings of Fact

1. The Transaction proposed in the Application involves a merger of two holding companies wherein Liberty WWH would merge with and into Western Water Holdings.

2. The surviving entity, Western Water Holdings, will continue to be the direct parent company of Park Water and AVR, but will become a direct wholly-owned subsidiary of Liberty Utilities. As a result, Liberty Utilities will acquire control over Park Water and AVR from Carlyle Infrastructure.

3. Park Water and AVR will continue to operate as they did before the transfer of control.

4. On May 29, 2015, in accordance with Rule 12.1 of the Commission's Rules, the Settling Parties filed the Motion seeking Commission adoption of the Agreement which includes 26 Regulatory Commitments to govern various aspects of the future governance and operations of Park Water and AVR.

5. The 26 Regulatory Commitments reflect (a) the commitments proposed and set forth in Exhibit I of the Application; (b) the same conditions that the Commission adopted in approving similar recent transfers of control of utilities; and (c) additional regulatory commitments to address the concerns raised by the protesting parties to this proceeding.

6. The 26 Regulatory Commitments directly respond to and address the ratepayer impact concerns raised by the parties in this proceeding, including those raised by the members of the public at the PPHs by (a) ensuring continued safe, reliable and reasonable operation of Park Water and AVR; (b) protecting the ratepayers from post-Transaction rate increases; and (b) expressly acknowledging and reaffirming Commission's continued regulatory oversight over Park Water and AVR.

PROPOSED DECISION

7. All of the parties to this proceeding, with the exception of Apple Valley, are parties to the Agreement and support the Motion and the adoption of the Agreement. No party filed any objection or opposition to the Motion.

8. To determine whether the Transaction should be authorized under § 854, the Commission must weigh the affected public interests and apply the “ratepayer indifference standard” to determine that no harm or negative effect on the ratepayer would result from the change of control.

9. Under the ratepayer indifference standard, the Transaction does not need to fully meet the §§ 854(b) and (c) requirements. Instead, the ratepayer indifference standard provides that, looking at those considerations, we must find that there is no negative ratepayer impact.

10. In weighing the potential negative public interest impacts of the Transaction, the Commission may consider some or all of the § 854(b) and § 854(c) factors.

11. Under § 854(d), the Commission must consider reasonable options, if any, as alternatives to the Transaction to determine whether comparable short-term and long-term economic savings can be achieved while avoiding the possible adverse consequences of the Transaction.

12. No alternative option has been presented by any of the parties to this proceeding; and the Transaction does not result in any adverse consequence.

13. The Transaction has numerous positive public interest effects and no adverse impact on ratepayers.

14. There is no adverse safety impact resulting from the Transaction.

15. This decision makes no changes to rates or charges.

Conclusions of Law

1. The Agreement should be adopted.

PROPOSED DECISION

2. The Application should be conditionally approved and the conditions of our approval should be the 26 Regulatory Commitments set forth in the Agreement.

3. The Transaction set forth in the Application, combined with conditions set forth in the Agreement, complies with and meets the requirements of the applicable statutes, prior Commission decisions, and other applicable laws governing the Transaction, including Code §§ 851 *et seq.* and the ratepayer indifference standard.

4. The Settling Parties complied with the Rules 12.1 (a) and (b); and the Agreement complies with Rule 12.1(d) and is consistent with law, in the public interest and reasonable in light of the whole record.

5. Because there is no adverse consequence of the Transaction, there is no need to explore alternative options to avoid or mitigate any adverse consequences from the Transaction.

6. The Transaction is exempt from CEQA pursuant to § 15061(b)(3) of the CEQA Guidelines, inasmuch as it can be seen with certainty that the project will have no significant impact upon the environment.

7. Adoption of the Agreement does not constitute approval of, or precedent regarding, any principle or issue in the proceeding or in any future proceeding.

8. Adoption of the Agreement does not prejudice or limit the Commission's discretion in the future regulation of Park Water or AVR.

9. This decision makes no changes to rates or charges.

10. A hearing is no longer necessary.

11. This proceeding should be closed, and the decision should take effect immediately.

PROPOSED DECISION

O R D E R

IT IS ORDERED that:

1. The proposed settlement agreement of the Office of Ratepayer Advocates with Liberty Utilities Co, Liberty WWH, Inc., Western Water Holdings, LLC, Park Water Company, and Apple Valley Ranchos Water Company, is attached and incorporated as Appendix A to this decision and is approved and adopted.

2. Pursuant to Public Utilities Code Sections 851, 852, and 854, the merger of Liberty WWH, Inc. with and into Western Water Holdings, LLC. is conditionally authorized, subject to the 26 Regulatory Commitments detailed in Appendix A to this decision.

3. Hearings are not necessary.

4. Application 14-11-013 is closed.

This decision is effective today.

Dated _____, 2015, at San Francisco, California.