

Town of Apple Valley

NEWS RELEASE

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Town Protests Mesa Crest Acquisition by Liberty

Apple Valley, CA – May 22, 2017: On Friday, the Town of Apple Valley filed a protest before the California Public Utilities Commission (CPUC) against a move by Liberty Utilities to buy another failing water company. In its protest, the Town expressed concern that Liberty might place the burden on ratepayers in Apple Valley.

The Town filed a formal protest against Liberty's intended takeover of Mesa-Crest Water Company, a small water company with only 709 connections in La Cañada Flintridge that was recently under investigation by the CPUC. In its order initiating the investigation, the CPUC alleged that the company had been mismanaged and that officers had acted inappropriately – increasing management salaries beyond CPUC-approved levels, borrowing funds from the water company at no interest and without repayment plans, and loaning money to the same company at 4.5 percent interest.

Liberty proposes to buy the system for around \$3 million and invest \$2.6 million in capital improvements. This investment amounts to approximately \$3,659 per connection. No environmental review is currently contemplated for the capital improvements and Liberty has requested that the CPUC not evaluate the environmental impacts of its actions. Under the deal with Mesa-Crest, Liberty has agreed to hire back two of the company's officers at six-figure salaries.

"I'm shocked the CPUC would allow this," said Mayor Scott Nassif. "Liberty intends to buy another failing system and improve it with the profits it makes from Apple Valley customers. Worse still, Liberty is hiring back two members of the team that got this company in the state it's in. Current ratepayers in the Liberty system will likely end up footing the bill for these employees."

Nassif noted that the CPUC recently approved Liberty's purchase of the Yermo water system which had only 250 service connections with plans to invest over \$7 million for upgraded distribution, transmission, and storage facilities. "In one form or another, the costs of the Yermo system are being passed on to Apple Valley ratepayers."

Town manager Frank Robinson said, "Now Liberty wants to do it all over again. They have their cash cow in Apple Valley and they are using our citizens to fund their purchases and expensive improvements of other water systems."

Nassif added, "Liberty is a publicly traded company based in Canada that has promised exorbitant growth to its shareholders. We will not let them take advantage of Apple Valley consumers to pay off their shareholders. We have filed this protest to protect the interests of ratepayers in Apple Valley."

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