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# PUC division lambasts Cal-Am in IPO attempt

By **Chuck Anderson**  
Press-Banner

In a scathing rebuke, a state Public Utilities Commission division accused the German utility that owns Felton's water system of making misleading and erroneous claims in its attempt to spin off its American water holdings.

The Division of Ratepayer Advocates of the PUC has filed a brief that recommends that a long list of conditions be attached to any commission approval of the proposal to issue stock in an initial public offering.

RWE Aktiengesellschaft and its subsidiary, Thames Water Aqua Holdings, have sought PUC permission to spin off American Water Works Co., the parent of California-American Water Co., which provides Felton water.

In the brief, attorney Selina Shek argues that many of RWE's claims that the public will benefit by the IPO are "non-quantifiable, false or misleading." She also said the value of American Water "stagnat-

ed" under RWE's ownership, while its largest competitor increased revenues and earnings by 11 percent.

She said RWE "is now asking Cal-Am's ratepayers to pay for its mistakes."

An independent American Water would incur new and ongoing expenses that would be passed on to customers, she said, including the cost of Securities and Exchange Commission compliance, investor relations, stock exchange listings, executives' insurance, an employee stock purchase program and audits.

"Unless the commission imposes conditions on the proposed transaction, Cal-Am's ratepayers will be harmed by the IPO," she said, "because it will inevitably result in additional ongoing costs and higher debt costs."

Felton water customers have worked more than four years to oust Cal-Am by having San Lorenzo Valley Water District buy their system. Those negotiations are under way.