

AMENDED IN ASSEMBLY AUGUST 1, 2016

AMENDED IN SENATE APRIL 27, 2016

SENATE BILL

No. 1112

Introduced by Senator Cannella

February 17, 2016

An act to add Section 853.2 to the Public Utilities Code, relating to utilities.

LEGISLATIVE COUNSEL'S DIGEST

SB 1112, as amended, Cannella. Utilities: water and sewer systems corporations: transactions.

The Public Utilities Act prohibits, with certain exemptions, any public utility other than a common carrier by railroad, from selling, leasing, assigning, mortgaging, or otherwise disposing of or encumbering the whole or any part of specified property necessary or useful in the performance of the public utility's duties to the public, among other things, without first having either secured an order from the Public Utilities Commission authorizing it to do so for qualified transactions valued above \$5,000,000, or for qualified transactions valued at \$5,000,000 or less, having filed an advice letter and obtained approval from the commission authorizing it to do so. Under existing law, every sale, lease, assignment, mortgage, disposition, encumbrance, merger, or consolidation made other than in accordance with the advice letter and approval from the commission authorizing it is void.

Existing law requires the commission, before authorizing the merger, acquisition, or change in control of an electric, gas, or telephone utility when one of the parties has revenues in excess of a specified amount, to consider, among other things, whether the proposal provides short-term and long-term economic benefits to ~~ratepayers~~, *ratepayers*

and equitably allocates the short-term and long-term forecasted economic benefits of the proposed merger, acquisition, or *change in control*, as determined by the commission, between shareholders and ratepayers, ~~where~~ *if* the commission has ratemaking authority. Under existing law, any merger, acquisition, or change in control without that prior authorization is void.

This bill would provide that if a water or sewer system corporation *or an entity merging with or acquiring control of a water or sewer system corporation* with less than 2,000 service connections fails to receive the commission's approval before entering into any of the specified transactions valued at \$5,000,000 or less, the transaction is voidable by the commission until the commission either retroactively approves or conditionally approves the transaction. The bill would authorize the commission to delegate this approval authority to a specified division director.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 853.2 is added to the Public Utilities
- 2 Code, to read:
- 3 853.2. For a water or sewer system corporation *or an entity*
- 4 *merging with or acquiring control of a water or sewer system*
- 5 *corporation* with less than 2,000 service connections, the following
- 6 shall apply to transactions valued at five million dollars
- 7 (\$5,000,000) or less, notwithstanding Sections 851 and 854:
- 8 (a) (1) A water or sewer system corporation *or an entity*
- 9 *merging with or acquiring control of a water or sewer system*
- 10 *corporation* shall receive the commission's approval before
- 11 entering into a transaction that would otherwise be subject to
- 12 Section 851 or 854.
- 13 (2) If a water or sewer system corporation *or an entity merging*
- 14 *with or acquiring control of a water or sewer system corporation*
- 15 fails to receive the commission's approval pursuant to paragraph
- 16 (1), the transaction is voidable by the commission until the
- 17 commission does either of the following:
- 18 (A) Retroactively approves the transaction upon a determination
- 19 that the transaction is in the best interests of both the corporation
- 20 and its ratepayers.

1 (B) Conditionally approves the transaction, subject to the
2 fulfillment of specified conditions that would ensure that the
3 transaction is in the best interests of both the corporation and its
4 ratepayers.

5 (b) The commission may delegate the authority to make the
6 determinations described in subdivision (a) to the director of the
7 division that investigates water and sewer system service quality
8 issues and analyzes and processes utility rate change requests.

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