

# LOS ANGELES BUSINESS JOURNAL

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## Up Front



Howard Marks and Paul Kessler pushing to get their business accelerator on TV. **PAGE 3**

## News & Analysis



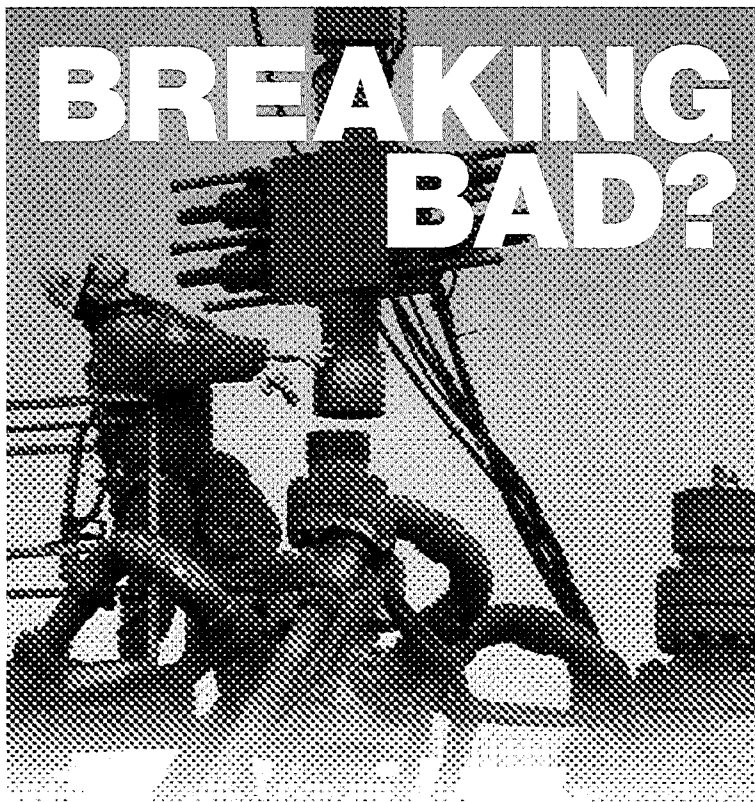
With Vincent Mehdizadeh's card, you can buy pot from vending machines. **PAGE 5**

## Real Estate



Biggest sales of 2011. **PAGE 24**

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## 'Fracking' challenges could hold up Oxy drilling

By **HOWARD FINE** Staff Reporter

**O**CCIDENTAL Petroleum Corp. has often run into political problems when drilling in such places as Libya and Ecuador. Now, as Occidental focuses more on its home turf, it faces a new political risk: environmental challenges over the "fracking" technology it uses to extract oil and natural gas.

Two environmental groups sued the federal government last month seeking to delay leases of 2,500 acres of federal land in California's Central

Valley to three oil companies, including 200 acres to an Occidental subsidiary. The groups want the government to conduct more thorough reviews of the effects of fracking before it proceeds with the leases.

As Occidental expands domestic drilling operations, particularly at its major new oil find in Kern County, the groups have made it clear that they may continue to sue and push for government regulation that limits the use or substantially raises the cost of fracking.

Please see **ENERGY** Page 33

## Digital Prints All Over Lab Layoffs

**ENTERTAINMENT:** Switch from film spurs Technicolor cuts.

By **JONATHAN POLAKOFF** Staff Reporter

**Technicolor SA** — a name that evokes the vivid color in films made during Hollywood's golden age — is laying off 50 employees from its Glendale film lab as the company finishes its transition from a film processor to a distributor of digital movie prints.

The company has let 46 employees go since November, with a handful to follow in coming months. With this latest round of cuts, about 500 Technicolor employees will have been laid off from the company's film processing labs in Los Angeles within the past year, according to data from the state Employment Development Department.

A company spokeswoman said the recent cuts will complete the phasing out of its U.S. 35 millimeter

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## Ojai Water Fight Drain on Business

**UTILITY:** American States unit hit with fines, fights forced sale.

By **HOWARD FINE** Staff Reporter

In the Old West, they used to say that "Whiskey is for drinking; water is for fighting over." It's a notion that applies to **American States Water Co.** in San Dimas today.

American State's water utility, **Golden State Water Co.**, is facing a battle over control of the water system in the Ventura County community of Ojai. Also, the company has been hit with millions of dollars of fines and reimbursements over a construction contract. Finally, state regulators could order the company to lower its profits and slow down rate hikes.

In Ojai, some residents are fed up with rate increases and want to have a local municipal water district take over the system. With Golden State so

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## Doctors Endorse Concierge Operation

**HEALTH CARE:** Firm nurses high-price, low-volume practices.

By **DEBORAH CROWE** Staff Reporter

Concierge medical practices are one of the biggest trends in health care: Doctors keep their patient rolls small, but charge the patients a retainer so the physicians can afford to give more individualized care.

Think earlier, slower-paced times when doctors even made house calls, and took phone calls at nights and on weekends.

Now, concierge medical practices have become popular enough that a cottage industry has developed

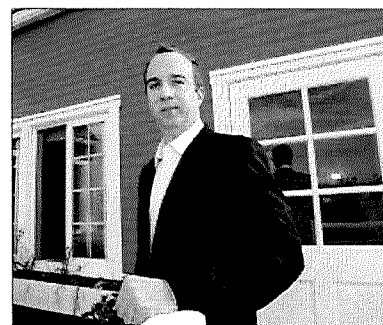
to serve them.

Locally, Marina del Rey's **SignatureMD** helps doctors make the conversion to concierge from high-volume practices by offering everything from marketing services to advice on regulations to working with insurance companies.

Founder and Chief Executive **Matt Jacobson** said his company helps its client doctors offer patients extra care in an era when health insurance practices make that very difficult.

"The doctors we select already were going the extra mile, delivering concierge-level care for years without getting paid for it. It's time they were given a

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At Your Service: **SignatureMD's** Jacobson.

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information,  
see page 28

# Utility: Rate Battle Could Sink Ojai Water System

Continued from page 1

far refusing to consider a sale, the residents want the city to force one through eminent domain.

Company executives said that any other operator would probably not be able to lower rates, and an eminent domain battle would likely turn into a long and expensive process.

"We believe that we are operating the system as cheaply as anyone can handle it," said Robert Sprowls, Golden State's chief executive.

In a separate issue, the state Public Utilities Commission last month fined Golden State \$1 million and ordered the company to refund

## American States Water Co. (NYSE: AWR)

San Dimas	FRI. CLOSE. PAST 5 WKS	36
CEO: Robert Sprowls		35
Employees: 720		34
Market Cap: \$645 million		33
P/E*: 13		32
EPS: \$2.56		31
*Twelve months trailing.	12/2 12/9 12/16 12/23 12/30	
	Jan. 4: \$34.40	

Source: Yahoo Finance

\$9.5 million to customers in several water districts. The fine and refund are part of Golden State's settlement of allegations that a construction contract of about 10 years ago was improperly handled. The company took charges against earnings in the second half of 2010 after the settlement was reached.

The company had failed to exercise reasonable management oversight and apply adequate internal controls over the contracting process, according to the PUC. The settlement requires three independent audits of Golden State over the next 10 years. Sprowls acknowledged the audits could have an impact on the company in the future.

So far, though, these developments have had little effect on American States' stock price, which has traded in the \$33-\$36 range

for much of the past year and was right in the middle of that range in late December.

But investor confidence in American States could drop if California regulators decide to lower the amount of allowable profit for its Golden State subsidiary and for a handful of other investor-owned water utilities.

American States has two divisions. One is Golden State, a regulated water utility that serves more than 250,000 customers in 75 communities in California. The utility generates about 80 percent of the company's revenue. The other is American States Utility Services, an unregulated water and wastewater services division. American States Water Co. also provides electricity to about 23,000 customers in Big Bear.

The question of whether to lower Golden State's allowable profit follows an agreement several months ago with the rate watchdog arm of the Public Utilities Commission to a return on equity of just under 10 percent. But in late November, a regulatory judge announced that he was skeptical a 10 percent ROE was justified due to today's low interest rates and consumer hardship. He ordered additional hearings on the question for early this year. The decision is up to the PUC.

If the commission does order a lower rate of return, that could sour investors on American States.

"This is something that investors are monitoring pretty closely," said Heike Doerr, senior research associates for utilities with Robert W. Baird & Co. in Philadelphia, which follows American States and other water companies.

Doerr said that the conflict in Ojai isn't on investors' radar.

## Takeover campaign

The focus of Ojai residents is on trying to convince the nearby Casitas Municipal Water District to launch a takeover of Golden State's Ojai water system.



**'We've made a significant effort to educate our Ojai customers on the system and how the rates work.'**

ROBERT SPROWLS,  
Golden State Water Co.

"The main reason we want Golden State out is their rates," said Ryan Blatz, an Ojai attorney who is one of the founders of Ojai Flow, an organization formed a few years ago to try to evict Golden State. "The rates are two to three times what people in the Casitas Municipal Water District pay."

He said some Ojai residents pay nearly \$300 a month for water supplied by Golden State and that Golden State has proposed hiking rates 25 percent over the next four years.

At a public hearing in the summer, Golden State representatives said the system was not for sale. Ojai Flow members asked the City Council about invoking eminent domain to force a sale. But eminent domain can only be used if a municipal water authority wants to buy the system, and, so far, the Casitas Municipal Water District, which serves the rest of the Ojai Valley, has said it is only

considering the proposal.

American States' Sprowls said that Golden State's rates have been rising due to the amount of maintenance and upgrades required for the aging system. He noted that any other company or agency would have to spend similar amounts to make the upgrades and would have to spend ratepayer money to buy out Golden State and pay legal costs for eminent domain proceedings. He said that water customers ultimately would have to shoulder those costs.

"We believe that the costs will be greater than customers have been led to believe by Ojai Flow," he said.

Estimates on the value of the Ojai system range from \$15 million to \$30 million.

Sprowls said that even if Golden Water had to sell its water system, it would have little impact on the company as a whole because the 2,900 residential and business customers in Ojai represent only about 1 percent of the utility's 256,000 customers statewide.

"That being said, we don't want to lose any of our customers," he said. "We've made a significant effort to educate our Ojai customers on the system and how the rates work."

Outside of Ojai, Sprowls said Golden State is looking to grow by acquiring small existing water systems and applying to serve new developments. The utility hopes to gain final approval soon to serve up to 17,500 planned homes in a proposed development in Sutter County adjacent to existing Golden State service territory.

American States Utility Services, meanwhile, contracts with cities, agencies and utilities for water and wastewater services. Its biggest client is the U.S. military, which has launched an initiative to privatize its water services. American States has 50-year contracts with nine military bases in six states and is looking for more.

"With more bases scheduled for privatization, we see this as a major growth area," Sprowls said.

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