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BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

- 2 **COMMISSIONERS**
- 3 KRISTIN K. MAYES, Chairman
- 4 GARY PIERCE
- 5 PAUL NEWMAN
- 6 SANDRA D. KENNEDY
- 7 BOB STUMP

2009 JAN -6 P 3:39

AZ CORP COMMISSION
DOCKET CONTROL

6 IN THE MATTER OF THE APPLICATION OF
7 CHAPARRAL CITY WATER COMPANY,
8 INC., AN ARIZONA CORPORATION FOR A
9 DETERMINATION OF THE CURRENT FAIR
10 VALUE OF ITS UTILITY PLANT AND
11 PROPERTY AND FOR INCREASES IN ITS
12 RATES AND CHARGES FOR UTILITY
13 BASED THEREON.

DOCKET NO. W-02113A-07-0551

NOTICE OF FILING

11 In connection with the inquiry by the Utilities Division of the Arizona Corporation
12 Commission ("Staff") concerning an on-going investigation by the California Public Service
13 Commission of Golden States Water Company, an affiliate of Chaparral City Water Company
14 ("CCWC"), Staff hereby provides the complaint filed in Los Angeles Superior Court, Case No.
15 BC380721, *Dickson, et al. v. Golden State Water Company, American States Water Company, et al.*
16 While the gravamen of the complaint is wrongful termination, the complaint contains allegations
17 regarding construction of the Shea Treatment plant, which is operated by CCWC.

18 RESPECTFULLY SUBMITTED this 6th day of January, 2009.

Robin R. Mitchell, Staff Counsel
Amanda Ho, Staff Counsel
Wesley C. Van Cleve, Staff Counsel
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-3402

Arizona Corporation Commission
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NA

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2 6th day of January, 2009 to:

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**CONFORMED COPY
OF ORIGINAL FILED
Los Angeles Superior Court**

NOV 15 2007

John A. Clarke, Executive Officer/Clerk
By *[Signature]* Deputy
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17 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
18 **FOR THE COUNTY OF LOS ANGELES, CENTRAL DISTRICT**

19 **JOEL DICKSON and SUSAN CONWAY,**

20 Plaintiffs,

21 v.

22 **GOLDEN STATE WATER COMPANY,**
23 **AMERICAN STATE WATER COMPANY;**
24 **AND DOES 1-50,**

Case No: BC380721

COMPLAINT FOR DAMAGES

- I. **WRONGFUL TERMINATION IN VIOLATION OF PUBLIC POLICY**
- II. **VIOLATION OF LABOR CODE § 1102.5**
- III. **VIOLATION OF GOV'T CODE § 12653**
- IV. **RETALIATION IN VIOLATION OF GOV'T CODE § 12940, et seq.**
- V. **FAILURE TO PREVENT DISCRIMINATION/RETALIATION, GOV'T CODE § 12940, et seq.**
- VI. **NEGLIGENT SUPERVISION**
- VII. **QUANTUM MERUIT**
- VIII. **BREACH OF CONTRACT**
- IX. **BREACH OF COVENANT OF GOOD FAITH AND FAIR DEALING**

JURY TRIAL DEMANDED

1 Plaintiffs Joel Dickson and Susan Conway allege as follows:

2 **INTRODUCTORY STATEMENT**

3 1. Plaintiffs Joel Dickson and Susan Conway brings this action against Defendants Golden
4 State Water Company, American State Water Company, and Does 1-50 for general, compensatory,
5 punitive, and statutory damages and penalties; interest, including prejudgment interest; costs and
6 attorneys' fees; and other appropriate and just relief resulting from defendants' unlawful conduct.

7 **PARTIES**

8 2. At all times material herein since May 2002, Plaintiff Joel Dickson ("Dickson") has been
9 a resident of the County of Los Angeles, State of California.

10 3. At all times material herein, Plaintiff Susan Conway ("Conway") has been a resident of
11 the County of Orange, State of California.

12 4. Plaintiffs are informed and believes and, based upon such information and belief, allege
13 that at all times material herein Defendant Golden State Water Company was and is a California
14 corporation with its principal place of business in the City of San Dimas, County of Los Angeles.

15 5. Plaintiffs are informed and believes and, based upon such information and belief, allege
16 that at all times material herein Defendant American State Water Company was and is a California
17 corporation with its principal place of business in the City of San Dimas, County of Los Angeles.

18 6. The true names and capacities, whether individual, corporate, associate, or otherwise of
19 the Defendants sued herein as Does 1 through 50 are unknown to Plaintiffs, who therefore sue these
20 Defendants by such fictitious names. Plaintiffs are informed and believes, and based upon such
21 information and belief, allege that at all times material herein each of the Doe Defendants was an agent,
22 employee or co-conspirator of one or more of the named Defendants, and was acting within the course
23 and scope of said agency, employment or conspiracy. Plaintiffs are further informed and believes, and
24 based thereon alleges, that each of the Doe Defendants is legally responsible in some manner for the
25 occurrences herein alleged, and that Plaintiffs' damages as herein alleged were proximately caused by
26 their conduct and the conduct of the named Defendants. All allegations in this complaint which refer to
27 the named Defendants refer in like manner to those Defendants identified as Does 1 through 50,

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1 inclusive. Plaintiff will amend this Complaint to allege the true names and capacities of the Doe
2 Defendants when the same have been ascertained.

3 **FACTUAL ALLEGATIONS**

4 **A. Defendants' Operations**

5 7. At all times material herein, Defendant American State Water Company has been a
6 holding company and the parent of Defendant Golden State Water Company, American States Utility
7 Services, Inc. and Chaparral City Water Company. Defendant American State Water Company currently
8 has an eight-member Board of Directors ("Board") with Lloyd E. Ross ("Ross") as Chairman of the
9 Board and Floyd E. Wicks ("Wicks") as President and Chief Executive Officer. The Board of Directors
10 for Defendant American State Water Company also serves as the Board of Directors for Defendant
11 Golden State Water Company.

12 8. At all times material herein, Defendant Golden State Water Company has been the main
13 subsidiary of Defendant American State Water Company. Defendant Golden State Water Company was
14 formerly known as Southern California Water Company. Beginning in October of 2005, Southern
15 California Water Company, Arden-Cordova Water Service and California Cities Water Company
16 became known as Golden State Water Company.

17 9. According to Defendant Golden State Water Company's website, it has been "serving
18 Californians for 75 years" and "is a public utility company engaged principally in the purchase,
19 production, distribution, and sale of water to over 240,000 customers, or one out of every 30 persons in
20 California." Defendant Golden State Water Company's operations are grouped into three regions, eight
21 districts and twenty-two customer service areas throughout California and a portion of Arizona.
22 Region I includes the Company's customer services areas in Northern and Central California with Simi
23 Valley to the South. Region II currently includes customer service areas in metropolitan Los Angeles
24 County. Region III currently includes customer service areas in Eastern Los Angeles County, San
25 Bernardino County, Imperial County and at times Orange County.

26 10. At all times material herein, Defendant Golden State Water Company and its predecessor
27 Southern California Water Company have been public utilities governed by the California Public
28 Utilities Commission ("CPUC").

B. Conway's Employment with Defendants

11. Conway began working for Southern California Water Company in September 1988 as a Rate Analyst who assisted in the preparation and processing of regulatory matters before the CPUC. Southern California Water Company subsequently promoted Conway to Acting Manager of Regulatory Affairs in March 1989, Manager of Regulatory Affairs in February 1990 (also known as Director of Regulatory Affairs for part of 1993 and 1994), Vice President of Regulatory Affairs in January 1998, and Senior Vice-President of Administration in January 2004. Conway remained Senior Vice-President of Administration up until her termination on May 14, 2007, and, in that position, she not only oversaw the regulatory activities before the CPUC, but was also responsible for human resources, information technology, the customer service center and the Employee Development University.

12. As part of Conway's work for Defendants, she served as President of the California Water Association, a consortium of investor-owned water utilities providing services to customers throughout California. She also served as Director of the California Foundation on the Environment and the Economy, an independent nonprofit corporation which brings together leaders in government, business, labor, community groups, environmental organizations and academia to address economic and social issues. In addition, Conway was a charter member of the California Diversity Utility Counsel, a collaboration among the CPUC, California utility companies and businesses to promote diversity for utility companies doing business in California and the CPUC in the areas of governance, employment, procurement, banking, customer service, marketing and philanthropy.

13. During her nearly nineteen years of employment with Southern California Water Company and later Golden State Water Company, Conway received annual written evaluations of her job performance. All of these evaluations were favorable. Conway's personnel file does not contain any negative evaluations of her work.

14. While Conway was an employee of Southern California Water Company and later Golden State Water Company, she received a steady increase in her salary and other forms of compensation, such as stock options.

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1 C. Dickson's Employment with Defendants

2 15. Dickson began working for Southern California Water Company in June 1990 as the Vice
3 President of Regulatory Affairs and Utility Business Development. In that capacity, Dickson was
4 responsible for all activities before the CPUC and for the purchase and acquisition of regulated water
5 systems. Southern California Water Company subsequently promoted Dickson to Vice President
6 Customer Service Region III in April 1994 and to Vice President of Business Development in August
7 1996. In February 1998, Dickson was given the additional position of Vice President of Customer and
8 Operations Support with added responsibilities for the customer service center, information systems,
9 human resources, Employee Development University and Bear Valley Electric. In January 2001,
10 Dickson was promoted to Senior Vice President Administration for American States Water Company
11 while also holding the positions of Vice President Bear Valley Electric, Vice President Chaparral City
12 Water Company, and Vice President Water Quality. In January 2004, Dickson was promoted to Senior
13 Vice President American States Water Company. At that time he had two other Senior Vice Presidents
14 reporting to him: Conway and Denise L. Kruger ("Kruger"), Senior Vice President of Operation. As of
15 January 2004, Dickson was responsible for all operational, administrative and regulatory activities of
16 Southern California Water Company except for accounting, finance and new business.

17 16. As a result of a corporate reorganization conducted in September 2006, Dickson was
18 given the position of Senior Vice President of Regulated Operations for Golden State Water Company
19 and, in that capacity, oversaw all operations of American States Water Company's regulated utility
20 business. Dickson remained Senior Vice President of Regulated Operations for Golden State Water
21 Company up until his termination on May 14, 2007. At the time of this termination, Dickson was also
22 serving as the Secretary Treasurer of the California Water Association and on the Government Relations
23 Committee of the National Association of Water Companies, a nationwide association of investor-
24 owned water utilities.

25 17. During his nearly seventeen years of employment with Southern California Water
26 Company and later Golden State Water Company, Dickson received a number of annual written
27 evaluations of his job performance. All of these evaluations were favorable. To his knowledge,
28 Dickson's personnel file does not contain any negative evaluations of his work.

1 18. While Dickson was an employee of Southern California Water Company and later
 2 Golden State Water Company, he received increases in his salary each year. For many years, Dickson
 3 received the second highest salary next to Wicks, who was President and Chief Executive Officer.

4 **D. Illegal Acts by Defendants as to the CPUC**

5 19. In April 2003, Kruger told Dickson and Conway that she believed that Don Sadoris
 6 ('Sadoris'), her supervisor and Senior Vice President of Operations, has been favoring one construction
 7 firm, Richardson Engineering, and that she has been pressured into approving work orders that directed
 8 work to Richardson Engineering outside of the normal competitive bidding process.

9 20. In response to Kruger's above-mentioned allegations, Dickson conducted his own internal
 10 investigation over the next two months. Dickson's investigation revealed that from January 1994
 11 through March 2003 Richardson Engineering had been awarded nearly 100 construction contracts.
 12 Those contracts with Richardson Engineering totaled approximately \$20 million and represented a
 13 disproportionate percentage of all work performed throughout Region I of Southern California Water
 14 Company. Given Defendants' competitive bidding process, Dickson became concerned that the award
 15 of so many projects to just a single firm was a sign of wrongdoing.

16 21. In June 2003, Dickson informed Wicks of the unusual number of construction projects
 17 awarded to Richardson Engineering and the large dollar amounts of the combined total of those
 18 contracts. Wicks and Dickson agreed to commence a formal investigation into the contracting activities
 19 within Region I.

20 22. In July 2003, Dickson and Wicks informed Southern California Water Company's Board
 21 of Directors ("Board") about the commencement of the above-mentioned investigation. Dickson
 22 thereafter prepared weekly reports on the progress of the investigation for the Board beginning in August
 23 2003 and continuing through November 2003. After November 2003 and through November 2004, the
 24 Board received additional reports on a quarterly basis in advance of their quarterly meetings. As part of
 25 this investigation, Dickson determined that Richardson Engineering had in all likelihood overcharged
 26 Southern California Water Company on several projects, including but not limited to work performed on
 27 the Shea treatment plan and the Y2K generation project.

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1 23. At all times material herein, attorneys at O'Melveny & Myers have provided legal
 2 services to Defendants on a wide variety of matters. Plaintiffs will seek leave to amend this Complaint
 3 to add allegations relating to the activities of, and/or communications with, attorneys at O'Melveny &
 4 Myers once it has been determined that these activities and communications with O'Melveny & Myers
 5 are not covered by the attorney-client, attorney work product and/or any other privileges and/or these
 6 privileges have been waived by Defendants.

7 24. In September 2003, Wicks placed Saddoris and James Carson ("Carson"), Vice President
 8 Water Quality and Saddoris' immediate subordinate, on paid administrative leave. That same month
 9 Michael Zachary, Manager of Southern California Water Company's audit department, sent demand
 10 letters to Ted Richardson ("Richardson") of Richardson Engineering, asking him to explain his actions
 11 on the Shea treatment plan and the Y2K generation project. Richardson replied with an ambiguous
 12 explanation and refunded \$37,000 of the billings for the Shea Treatment Plant.

13 25. In late September or early October 2003, Dickson and Kris O'Connor ("O'Connor"),
 14 Manager of Human Resources, met with Saddoris and Carson and, among other things, asked these two
 15 men to provide their version of events. Neither Saddoris nor Carson offered a reasonable explanation as
 16 to why so many contracts had been awarded to Richardson Engineering.

17 26. In October 2003, Dickson, acting at Wicks' direction, informed Saddoris and Carson of
 18 the termination of their employment.

19 27. Pursuant to direction of the Board in November 2003, Dickson was directed to retain an
 20 accountant plus an engineering and consulting firm to determine the damages caused by Richardson
 21 Engineering, Saddoris and Carson.

22 28. In January 2004, after considering several alternatives, Kruger retained Stantec to perform
 23 the expert engineering study. The study included several of the largest projects performed by
 24 Richardson Engineering.

25 29. At the Board meeting on November 1, 2004, Dickson reported Stantec's findings to the
 26 Board and recommended that additional work need to be done to complete the final damage assessment.
 27 During a break in the meeting, the Board Chairman, Ross, took Dickson aside and informed him that the
 28 damage assessment phase of the investigation was taking too long and that Dickson should end the

1 investigation immediately. In response Dickson stated that the investigation should continue and that it
2 would take several more months to complete. Ross reiterated his direction to Dickson that the
3 investigation should be terminated.

4 30. A few days after the above-mentioned Board meeting, Dickson met with Wicks and
5 informed him of Ross' direction to end the investigation. Dickson told Wicks, *inter alia*, that it would
6 be unethical to end the investigation without informing the CPUC and that Stantec needed to conduct
7 additional work. Dickson and Wicks argued over the ethics of what Defendants intended to do. At
8 Dickson's insistence, Wicks ultimately agreed to rehire Stantec and continue with the investigation.
9 Dickson then spoke with Kruger and told her that Ross had ordered an end to the investigation but that
10 he had persuaded Wicks that Stantec should be rehired. Kruger agreed to do this. During this time
11 period, Dickson also advised Conway about the instructions from Ross to end the investigation.

12 31. In December 2004 and January 2005, Dickson asked Kruger on more than occasion
13 whether she had rehired Stantec. Kruger's answer was evasive and Stantec was never rehired. After
14 January 2005, Wicks did not mention again to Dickson the rehiring of Stantec or Kruger's failure to do
15 so. Meanwhile, the Board never asked Dickson after the November 2004 meeting to give any additional
16 formal report on the total damage of all the non-conforming work orders given to Richardson
17 Engineering.

18 32. In July 2005, the CPUC's Division of Ratepay Advocates issued its report regarding the
19 Region III rate request by Southern California Water Company. This report recommended disallowance
20 of the costs for the Calipatria Treatment Plant's Backwash Decant Basin, one of Richardson
21 Engineering's projects in Region III, on the grounds of lack of proper documentation of costs and poor
22 record-keeping, including no proof of competitive bidding. Despite knowing or suspecting that
23 Richardson Engineering had engaged in similar conduct on projects in Region I, the Board did not bring
24 any of this information to the attention of the CPUC at that time.

25 33. In November 2005, the CPUC issued its rate order for the Region III rate application and
26 penalized Southern California Water Company, now known as Golden State Water Company, 10 basis
27 points on its rate of return due to problems with record-keeping and documentation of costs, including in
28 particular the Calipatria Treatment Plant's Backwash Decant Basin. Defendants subsequently filed an

1 appeal with the CPUC regarding this penalty but they did not challenge the adverse findings as to the
2 Backwash Decant Basin. CPUC denied the appeal as to this penalty in September 2006.

3 34. Meanwhile, attorneys at Steffel, Levitt & Weiss have provided legal services to
4 Defendants on a number of labor and employment matters beginning in approximately the Spring 2006.
5 Plaintiffs will seek leave to amend this Complaint to add allegations relating to the activities of, and/or
6 communications with, attorneys at Steffel, Levitt & Weiss once it has been determined that these
7 activities and communications with Steffel, Levitt & Weiss are not covered by the attorney-client,
8 attorney work product and/or any other privileges and/or these privileges have been waived by
9 Defendants.

10 35. In July and August 2006, Dickson had more than one conversation with Wicks regarding
11 the investigation of Richardson Engineering in which Dickson stated that he believed the fact of the
12 investigation and concerns about the company's practices be disclosed to the CPUC. In these
13 discussions, Wicks said, *inter alia*, that the Board was responsible for this issue and indicated that he
14 did not want to talk about the issue any further.

15 36. From August through December 2006, Defendants prepared the rate filing for Region I.
16 This was the first complete rate filing for Region I since the investigation of Richardson Engineering had
17 ended. The rate filing by Defendants did not disclose any irregularities regarding the projects that
18 Richardson Engineering had performed for Defendants in Region I even though Wicks, Kruger, Robert
19 J. Sprowls ("Sprowls"), Chief Financial Officer, Ross and some of the other Board members knew or
20 should have known that the costs of all the projects by Richardson could be subject to disallowance by
21 the CPUC based on irregularities in the bidding process and/or overcharges which rendered the rates
22 sought unjust or unreasonable, in violation of Public Utility Code Section 451.

23 37. On February 6, 2007, Dickson met privately with Randy Wu, Chief Counsel for the
24 CPUC, and provided basic information regarding Richardson Engineering's work for Defendants,
25 because Dickson was concerned that Defendants had not disclosed and did not intend to disclose
26 irregularities in the bidding process and/or overcharges by Richardson Engineering to the CPUC
27 regarding the requested rate increase for Region I, where the vast majority of such conduct had taken
28 place.

1 38. On February 15, 2007, CPUC issued a subpoena to Ross, Wicks, Sprowls, Dickson,
 2 Conway and others, requesting, *inter alia*, all unredacted reports prepared for the Board on work orders
 3 and charges by Richardson Engineering, all unredacted Board minutes relating to these reports on
 4 Richardson Engineering, and any weekly updates prepared by Dickson for the Board members on the
 5 investigation of Richardson Engineering. Conway was called to sign for receipt of the subpoena and
 6 then delivered it to Sprowls. She informed Sprowls that a subpoena from the CPUC meant that the
 7 CPUC is very concerned and discussed potential company liability and SEC noticing obligations.
 8 Conway subsequently sent an email to Wicks on or about March 27, 2007, raising concerns that the
 9 CPUC's inquiry into the Sadoris investigation might trigger further inquiry into prior and current rate
 10 approvals, as well as potentially reopen the resolution of litigation regarding pollution of the water
 11 supply by Aerojet and funds set aside as resolution of that complaint, a resolution which originally had
 12 been approved by the CPUC.

13 39. Plaintiffs are informed and believe that from February 15, 2007 until April 4, 2007, Wicks
 14 and others had several meetings and/or conference calls to discuss the response to the subpoena. Neither
 15 Plaintiff was invited to participate. Nor were Plaintiffs given any explanation as to why they were
 16 excluded from these planning sessions. Plaintiffs are informed and believe that Defendants, and their
 17 agents and officers, suspected that Conway and/or Dickson had made the original complaint to the PUC.

18 40. On March 27, 2007, Defendants commenced an investigation into Dickson's accusation
 19 that Ross had put an end to the investigation of Richardson Engineering. Teri Toffer, the investigator
 20 retained by Defendants, interviewed Dickson for one hour. Shortly after the interview, Dickson met with
 21 Wicks and O'Connor. At that time Wicks stated that he had grave concerns about Dickson's behavior
 22 without providing any specifics and placed Dickson on paid administrative leave for an unspecified
 23 period of time.

24 41. On or about April 3, 2007, Conway was interviewed for more than three hours by Toffer
 25 regarding the CPUC investigation.

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1 42. On or about April 6, 2007, Wicks responded via email to Plaintiffs' March 27 email,
 2 dismissing the concerns she raised in her March 27 email about the Aerojet settlement and that the
 3 CPUC might uncover any irregularities with respect to the Sadoris/Richardson investigation.

4 43. On April 30 and May 1, 2007, Conway was interviewed for over four hours by Michael
 5 George, Defendants' new Senior Executive Vice President. George questioned her about the Y2K
 6 generators, specifically any write off associated with the Y2K generators. Conway was also questioned
 7 whether she was aware of any "smoking guns" relating to the subpoena. Conway informed George that
 8 she was aware of several areas of concern: overcharges by Richardson; personal monetary benefit
 9 between Richardson Engineering and the two officers who were let go; Richardson's billing for used
 10 parts at full rates; and illegal dumping by Richardson. Conway also raised concerns regarding the
 11 Aerojet settlement, which she believed might have an impact on rate charges. George told Conway that
 12 he did not believe that the company had done anything wrong; that he did not want her to follow up on
 13 any of the issues she had raised; and he encouraged her to consider retiring. Although George had
 14 promised her a full report based on her allegations, a few days later he provided her with only a brief
 15 summary, in which he downplayed the various unlawful conduct she had raised and her concerns
 16 regarding improper rate setting.

17 **E. Discriminatory Conduct by Defendants**

18 44. At all times material herein, more than 500 employees have worked at Southern
 19 California Water Company and later at Defendant Golden State Water Company. Although these
 20 companies had more than 40 managers, none was African-American until approximately February or
 21 March 2007, when the first African American manager was hired.

22 45. At all times material herein prior to January 2007, all members of the Board were
 23 Caucasian. None of them were African-American, Asian-American or Hispanic.

24 46. As of the summer of 2004, Wicks, Dickson, Conway and other senior executives of
 25 Golden State Water Company Golden State Water Company's Employee Retirement Plan entitled most
 26 employees to receive 2% per year in retirement income for each year of service. Under the then existing
 27 Supplemental Retirement Plan ("SERP") employees were entitled to receive 2% per year in retirement
 28 income for each year of service for their compensation in excess of \$200,000 per year. The 2% was

1 based on the average of the five highest years of salary for each SERP participant. The SERP had a
 2 maximum of 80% of a participant's average salary, which meant that a participant would need 40 years
 3 of service to achieve the maximum amount.

4 47. At an August 10, 2004 meeting with senior officers, Ross promised to improve the SERP.
 5 Ross stated that the Board would vote on this proposal to improve the SERP at its quarterly meeting in
 6 January 2005.

7 48. Meanwhile, in 2004 Conway was working with Jean Auer ("Auer"), former Chairwoman
 8 of the nominating committee for the Board of Directors of Southern California Water Company to
 9 improve the diversity of the Board members. To that end, Conway had approached Jessie Knight
 10 ("Knight"), an African-American man who had previously been a CPUC commissioner and who then
 11 was a member of Governor Schwarzenegger's transition team.

12 49. Plaintiffs are informed and believe that during the Executive Committee Session of the
 13 Board's Nominating and Governance Committee meeting on November 1, 2004, Ross said words to the
 14 effect that "no black person will ever be added to the AWR Board." Plaintiffs are informed and believe
 15 that later that same day, Auer confided in Kruger what Ross had said during the Executive Committee
 16 Session.

17 50. On November 3, 2004, Auer spoke with Conway and discussed Knight's status as a
 18 possible Board candidate. Auer asked Conway to postpone a interview that they had scheduled with
 19 Knight for later in November. Conway did as requested.

20 51. On or about November 8, 2004, Ross went to the General Office of Southern California
 21 Water Company and specifically asked Dickson for an oral, not a written, report regarding the
 22 Company's diversity statistics. Dickson in turn asked O'Connor to be prepared to provide such an oral
 23 report to Ross when he next visited to the General Office. On or about November 22, 2004, Ross
 24 returned to the General Office. Although both Dickson and O'Connor attended meetings that day with
 25 Ross, Ross did not ask either Dickson or O'Connor for an oral report on the Company's diversity
 26 statistics. Nor did Ross request such an oral report from Dickson at any time after November 22, 2004.
 27 Plaintiffs are informed and believe that Ross also did not ask Kruger for such an oral report on the
 28 Company's diversity statistics at any time after November 22, 2004.

1 52. In or about late November 2004, Kruger told Conway that she had heard from Auer about
 2 Ross' racial comments during the Executive Committee Session of the Board's Nominating and
 3 Governance Committee meeting.

4 53. In December 2004 or January 2005, Conway discussed Ross' request for diversity
 5 statistics with Dickson and she said words to the effect that Ross' request for this information had been
 6 prompted by his desire to avoid diversity at the Board level.

7 54. Auer died on or about January 8, 2005. In the next two to three weeks, Conway and
 8 Kruger together told Dickson about Ross' above-mentioned racist remarks. Dickson and Conway then
 9 urged Wicks to open up an investigation into this racist remark or to report it to the Board.

10 55. On or about January 26, 2005, Wicks reported the allegations of racial discrimination
 11 against Ross to two Board members: N.P. Dodge, Jr. ("Dodge"), and Anne M. Holloway ("Holloway").
 12 A few days later, Holloway informed Ross of the allegations against him. Plaintiffs are informed and
 13 believe that Ross was extremely angered by this allegation of racial discrimination and that Wicks had
 14 raised these allegations with the other Board members.

15 56. At a separately held meeting during the January 2005 Board meeting, held on or about
 16 January 30, 2005, Wicks and Dickson officially confronted Ross about his comments that no black
 17 would ever serve on the American State Board. Board members Holloway and Anderson were also in
 18 attendance. In the Board meeting that followed on or about January 31 and February 1, 2005, the Board
 19 voted to postpone any decision about the new SERP proposal, which would have allowed senior officials
 20 to receive 80% of annual salary after 20 years of service.

21 57. In February 2005, Holloway oversaw an investigation into the allegations against Ross.
 22 Plaintiffs are informed and believe that at a meeting on or about March 1, 2005, of the Audit/Finance
 23 Committee, the Committee concluded that there was no evidence that Ross had committed any violation
 24 of American States Water Company's Code of Conduct or any other Company policy.

25 58. On or about August 1, 2005, the Board requested a meeting with Dickson, Kruger and
 26 Conway to discuss the findings of the investigation. At the meeting, Ross made numerous accusations
 27 against Conway and indicated that he was extremely angry at Conway's role in initiating the
 28 investigation. Ross stated that he viewed the investigation as a "personal vendetta" against him. Ross

1 criticized the way the investigation had been handled, indicating that he felt that it should have been
 2 handled quietly by senior management. Jim Anderson, a Board member, stated that he believed that no
 3 investigation should have been initiated unless Ross had first admitted to making the statement that no
 4 African American would ever be added to the Board. Mr. Anderson was extremely critical of Dickson's
 5 participation in the earlier January 30, 2005 meeting where he accused Dickson of not informing Ross of
 6 the allegations first and then not dismissing them after Ross's denial. Anderson commented sarcastically
 7 to Dickson, "this [referring to his failure to dismiss the complaint] is what we pay you a quarter of a
 8 million dollars annually for?" Other Board members present affirmed that it was their opinion that no
 9 investigation should have been initiated unless Ross had admitted to this statement. During this
 10 meeting, Conway and Dickson repeatedly voiced their disagreement with this position, stating, among
 11 other things, that racial discrimination deserved serious treatment and that an investigation could not be
 12 dependent on waiting for those accused of race discrimination to first admit to it. None of the Board
 13 members presented supported Conway's and Dickson's position and most indicated that they disagreed
 14 that the remark by Ross should have been formally reported and investigated. At this meeting, Conway
 15 raised the issue of the Sadoris investigation, pointing out that the investigation had raised very serious
 16 allegations and had been advanced by people within the company who were not willing to take a denial
 17 of wrongdoing at face value. Holloway stated that situation was very different and could have had a
 18 financial impact on the company. Conway again voiced her opinion that the racial comment was a
 19 serious issue. Wicks was the only Board member present to openly agree with Conway on this point.

20 59. Plaintiffs are informed and believe that in April 2006 at an agenda planning meeting
 21 attended by several Board members, Ross told a racial joke to Wicks and Sprowl. Immediately after this
 22 meeting, Wicks informed Dickson and Conway of the racial joke.

23 60. At a Board meeting on May 9, 2006, the Board voted on the new SERP for executives.
 24 The new SERP was much less than what the Board had previously discussed. Following that meeting,
 25 Ross asked to speak privately with Conway, at which time she expressed the view that the reductions in
 26 the SERP that occurred after January 2005 were retribution for the executives' prior complaints of race
 27 discrimination against Ross and their request that a formal investigation be undertaken. With respect to

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1 reductions in the new SERP, Ross told Conway that not all promises are honored and could be made up
2 in other ways.

3 61. On June 29, 2006, Conway submitted a letter to O'Connor, Manager of American States
4 Water Company's Human Resources Company, with copies to Wicks and Dickson, wherein she
5 asserted, *inter alia*, that Defendants had retaliated against her based upon her participation in the
6 investigation of the Board Chair for discriminatory conduct. The letter further asserted that the
7 retaliation primarily involved a reduction in Conway's benefits and other types of compensation. The
8 letter also complained of the more recent incident wherein the Board Chair had told a racist joke.
9 Dickson was interviewed as part of a subsequent investigation into this racist joke and was repeatedly
10 criticized for his insistence that he remain an independent witness and that he should deal directly with
11 the investigator and not have to filter his information through his supervisors at the company.

12 62. On June 10, 2006, Conway took a leave of absence from the Company and filed a
13 worker's compensation claim. On November 13, 2006, Wicks sent a letter to Conway, advising her that
14 she could take leave without pay until January 1, 2007, and that the Company would keep her position
15 open until January 2, 2007. On January 2, 2007, Conway returned to work. Upon her return to work,
16 plaintiff Conway was ostracized by senior management, excluded from meetings, relieved of many of
17 her duties and responsibilities, not informed of important developments within the company and
18 criticized unfairly for her performance of her job.

19 63. On or about February 27, 2007, at a meeting discussing employee performance reviews,
20 Wicks bragged about the company's diversity policy. While Dickson concurred that the policy was
21 working well at some levels, Dickson stated that there was no diversity program for the top management
22 positions in the company. Dickson stated that diversity in hiring had to "start at the top." Wicks
23 demanded to know what "at the top" meant. Dickson replied by naming Wicks and the other Board
24 members. Wicks became extremely angry and stated he resented Dickson for making this comment.

25 **F. Termination of Both Plaintiffs**

26 64. On April 16, 2007, due to the emotional distress he was experiencing as a result of
27 retaliation, Dickson requested that he be placed on paid medical leave and submitted a letter from his

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1 physician to the effect that Dickson was unable to work for the next 30 days. Dickson received no
2 response to his request to be placed on medical leave.

3 65. In late April and/or early May of 2007, both Dickson and Conway submitted paperwork
4 to Defendants to inform them that they intended to exercise certain stock options then available to them
5 during the "window" period beginning approximately May 15, 2007.

6 66. On Saturday, May 12, 2007, Defendants delivered similar letters by messenger to
7 Dickson and Conway, notifying each of them that their employment was terminated effective Monday,
8 May 14, 2007, and that their employment had been terminated "for cause." While the letters did not
9 provide any details as to the grounds for their termination, pursuant to their written agreements with
10 defendants a termination for cause is grounds to not permit employees, such as Dickson and Conway, to
11 exercise their stock options.

12 67. On June 21, 2007, plaintiffs each filed charges of retaliation with the Department of Fair
13 Employment and Housing ("DFEH"). On or about June 29, 2007, the DFEH issued a notice of right to
14 sue to each of the plaintiffs, copies of which are attached hereto as Exhibit 1.

15 **FIRST CAUSE OF ACTION**

16 **(Wrongful Termination in Violation of Public Policy)**

17 **[Both Plaintiffs against all Defendants]**

18 68. Plaintiffs restate and incorporate by reference each and every allegation contained in
19 paragraphs 1 through 67, as though fully set forth herein.

20 69. Plaintiffs refused to engage in illegal conduct and protested illegal conduct which
21 violated the public policies of this State as expressed in, *inter alia*, the Government's Code's prohibition
22 against racial discrimination and retaliation (Gov't Code Section 12940, et seq.); the Public Utility
23 Code's provisions, including but not limited to Section 451 requiring just and reasonable rates and
24 making it unlawful for a utility to seek unjust or unreasonable rates; all rules and regulations issued by
25 the CPUC, including but not limited to Rule 1.1 of the Rules of Practice and Procedure, making it
26 unethical for anyone to mislead the Commission or its staff by artifice or false statement of fact or law;
27 and all state statutes prohibiting retaliation in the workplace.

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1 70. Defendants terminated plaintiffs' employment because, among other things, they 1)
 2 complained about or refused to engage in unlawful race discrimination in violation of Gov'r Code
 3 Section 12940, et seq; 2) complained about or protested Defendants' non-disclosure of illegal conduct by
 4 Richardson Engineering to the CPUC; Defendants' failure to comply with Rule 1.1 of the Rules of
 5 Practice and Procedures issued by the CPUC; and Defendants violation of Public Utility Code Section
 6 451; and/or 3) complained about or protested Defendants' handling of the CPUC's subsequent
 7 investigation and requests for information regarding such conduct, all in an effort to silence or punish
 8 them for such complaints and protests.

9 71. The conduct of Defendants in terminating plaintiffs was contrary to the interests of the
 10 state and public policy, as embodied in the following laws, statutes and regulations, among others:
 11 Government Code Section 12940, et seq.; the Public Utility Code; and the Labor Code.

12 72. As a direct and proximate result of Defendants' unlawful conduct, Plaintiffs have
 13 suffered and will continue to suffer both physical and emotional injuries, including, but not limited to,
 14 depression, stress, anxiety, insomnia and physical disorders. Plaintiff have suffered and continue to
 15 suffer loss of earnings, stock options and other employment benefits, and impairment to their earning
 16 capacities. Plaintiffs are thereby entitled to general and compensatory damages in amounts to be proven
 17 at trial.

18 73. The conduct of Defendants Golden State Water Company and American State Water
 19 Company and Does 1-50, and/or their agents/employees, as described herein, was malicious, fraudulent
 20 and/or oppressive or done with a wilful and conscious disregard for plaintiff's rights and for the
 21 deleterious consequences of defendants' actions. Consequently, Plaintiffs are entitled to punitive
 22 damages from each of the Defendants.

23 **SECOND CAUSE OF ACTION**

24 **(Violation of California Whistle Blower Statute, Labor Code § 1102.5)**

25 **[Both Plaintiffs Against all Defendants]**

26 74. Plaintiffs restate and incorporate by reference each and every allegation contained in
 27 paragraphs 1 through 73, as though fully set forth herein.

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1 depression, stress, anxiety, insomnia and physical disorders. Plaintiffs have suffered and continue to
 2 suffer loss of earnings, stock options and other employment benefits, and impairment to their earning
 3 capacities. Plaintiffs are thereby entitled to general and compensatory damages in amounts to be proven
 4 at trial.

5 81. The conduct of Defendants Golden State Water Company and American State Water
 6 Company and Does 1-50, and/or their agents/employees, as described herein, was malicious, fraudulent
 7 and/or oppressive or done with a wilful and conscious disregard for plaintiff's rights and for the
 8 deleterious consequences of Defendants' actions. Consequently, Plaintiffs are entitled to punitive
 9 damages from each of the Defendants.

10 82. Pursuant to Gov't Code Section 12653 (c), Defendants are liable for all relief necessary to
 11 make Plaintiffs whole, including reinstatement with the same seniority status that they had but for their
 12 termination, two times the amount of back pay owed, interest on the back pay, compensation for all
 13 special damage sustained as a result of Defendants' acts, and damages.

14 **FOURTH CAUSE OF ACTION**

15 **(Retaliation in Violation of the FEHA, Gov't Code Section 12940, et seq.)**

16 **[Both Plaintiffs against all defendants]**

17 83. Plaintiffs restate and incorporate by reference each and every allegation contained in the
 18 foregoing paragraphs, as though fully set forth herein.

19 84. At all relevant times herein, and in violation of Government Code section 12940,
 20 subdivision (h), Defendants, and each of them and/or their agents/employees, retaliated against Plaintiffs
 21 for opposing racial discrimination.

22 85. As a direct and proximate result of Defendants' unlawful conduct, Plaintiffs have
 23 suffered and will continue to suffer both physical and emotional injuries, including, but not limited to,
 24 depression, stress, anxiety, insomnia and physical disorders. Plaintiffs have suffered and continue to
 25 suffer loss of earnings, stock options and other employment benefits, and impairment to their earning
 26 capacities. Plaintiffs are thereby entitled to general and compensatory damages in amounts to be proven
 27 at trial.

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SIXTH CAUSE OF ACTION

(Negligent Supervision)

[Both Plaintiffs Against All Defendants and Does 1-10]

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4 90. Plaintiffs restate and incorporate by reference each and every allegation contained in
5 the foregoing paragraphs, as though fully set forth therein.

6 91. As alleged herein, Defendants Golden State Water Company and California State Water
7 Company, and Does 1-50, and their agents and employees, knew or reasonably should have known that
8 employees of these Defendants, individually and together in varying combinations, were engaging in the
9 conduct set forth above.

10 92. At all relevant times, these Defendants, and their agents and employees knew or
11 reasonably should have known that the conduct and omissions set forth above violated Plaintiffs' rights
12 under the law.

13 93. At all relevant times, these Defendants, and their agents and employees, knew or
14 reasonably should have known that the conduct set forth above would and did proximately result in
15 physical injury and emotional distress to Plaintiffs.

16 94. At all relevant times, these Defendants, and their agents and employees, knew or
17 reasonably should have known that unless they intervened to protect Plaintiffs, and to adequately
18 supervise, prohibit, control, regulate, discipline, and otherwise penalize the conduct of its agents and
19 employees set forth above, their agents and employees, and the remaining defendants, would perceive
20 the conduct and omissions described as being encouraged, ratified, and condoned.

21 95. At all relevant times, the negligent failure of these Defendants to protect Plaintiffs, and to
22 supervise, prohibit, control, regulate, discipline, and/or otherwise penalize adequately the conduct and
23 omissions of their agents and employees, or of the other Defendants, violated Plaintiffs' rights under the
24 Constitution, state statutes and common law, as alleged herein.

25 96. As a direct and proximate result of Defendants' unlawful conduct, Plaintiffs have
26 suffered and will continue to suffer both physical and emotional injuries, including, but not limited to,
27 depression, stress, anxiety, insomnia and physical disorders. Plaintiffs have suffered and continue to
28 suffer loss of earnings, stock options and other employment benefits, and impairment to their earning

1 capacities. Plaintiffs are thereby entitled to general and compensatory damages in amounts to be proven
2 at trial.

3 **SEVENTH CAUSE OF ACTION**

4 **(Quantum Meruit)**

5 **[Plaintiffs Against all Defendants]**

6 97. Plaintiffs restate and incorporate by reference each and every allegation contained in the
7 foregoing paragraphs, as though fully set forth herein.

8 98. Plaintiffs, and each of them, as part of their compensation package were promised stock
9 options. The value of Defendants' stock increased, in part due to the contributions of Plaintiffs' work,
10 labor, unique skills and services to defendant, at the special request of Defendants for which defendants,
11 then and there, promised to pay the reasonable value of such services.

12 99. Defendants have refused to honor Plaintiffs' request to exercise stock options, as
13 promised, the value of which is due, in part, to their services. Plaintiffs are entitled to damages based on
14 Defendants' refusal to permit them to exercise stock options according to proof, but in excess of the
15 jurisdictional threshold of this court.

16 **EIGHTH CAUSE OF ACTION**

17 **(Breach of Contract)**

18 **[Plaintiffs Against all Defendants]**

19 100. Plaintiffs restate and incorporate by reference each and every allegation contained in the
20 foregoing paragraphs, as though fully set forth herein.

21 101. Plaintiffs, and each of them, as part of their compensation package were promised stock
22 options. Defendants breached the contractual obligation with Plaintiffs by terminating them and refusing
23 to permit them to exercise stock options.

24 102. As a direct and proximate result of Defendants' actions, Plaintiffs are entitled to damages
25 based on Defendants' refusal to permit them to exercise stock options according to proof, but in excess
26 of the jurisdictional threshold of this court.

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NINTH CAUSE OF ACTION

(Breach of the Implied Covenant of Good Faith and Fair Dealing)

[Plaintiffs Against all Defendants]

103. Plaintiffs restate and incorporate by reference each and every allegation contained in the foregoing paragraphs, inclusive, as though fully set forth herein.

104. In the contractual promises made to Plaintiffs in exchange for the value of their services, there was implied by law a covenant that neither party would act in such a way as to deprive the other party of the benefits of the agreement, including the right to exercise stock options. Inasmuch as Plaintiffs devoted their full energies towards building Defendants into highly successful companies, the implied covenant of good faith and fair dealing required Defendants not to obstruct Plaintiffs' job performance and to utilize reasonable efforts to inform Plaintiffs of problems, if any, prior to terminating them. In terminating Plaintiffs under these circumstances, Defendants breached the covenant of good faith and fair dealing implied in the contract between the parties.

105. As a direct and proximate result of defendants' actions, Plaintiffs are entitled to damages based on Defendants' refusal to permit them to exercise stock options according to proof, but in excess of the jurisdictional threshold of this court.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs Joel Dickson and Susan Conway pray for relief as follows:

1. For compensatory damages for loss of earnings, stock options and other employment benefits, impairment of future earnings, and the expenses incurred in obtaining substitute employment according to proof at trial, including but not limited to an award of two times the plaintiffs' back pay damages pursuant Gov't Code Section 12653;

2. For compensatory damages for suffering severe mental and emotional pain, humiliation, anguish and distress damage according to proof at trial;

3. For compensatory damages for medical bills according to proof at trial;

4. For punitive damages;

5. For interest, including prejudgment interest;

6. For reasonable attorneys' fees pursuant to Gov't Code Section 12653 (c) and Gov't

1 Code Section 12940, et seq., Code of Civil Procedure Section 1021.5 and all other appropriate statutes;

2 7. For reinstatement and other injunctive and equitable relief;

3 8. For costs of suit incurred herein; and

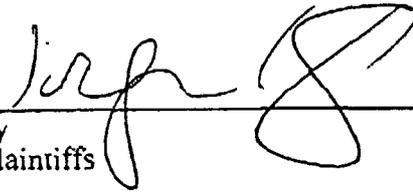
4 9. For such other and further relief as the Court may deem proper.

5 A JURY TRIAL IS DEMANDED

7 Dated: November 14, 2007

Respectfully submitted,

8 ROBERT D. NEWMAN, ATTORNEY AT LAW
9 HADSELL & STORMER, INC., A LAW CORPORATION

10 By 
11 Virginia Keeny
12 Attorney for Plaintiffs

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