

Customer Questions from the Del Oro Water Company Meeting on 02/27/2018

River Island Water Treatment Plant

- 1. Will there be any stock options / ownership of the water treatment plant by the residents due to their contributions?**

Del Oro Water is an investor owned utility and there are no stock options to offer.

- 2. Is the meeting being recorded and will it be sent to the Board of Directors?**

Janice Hanna, Director of Corporate Accounting and Regulatory Affairs represented Del Oro Water at the meeting. She reports directly to management and the owners of Del Oro Water.

- 3. Why is a representative of the PUC not attending the meeting?**

Del Oro will be forwarding the Power Point Presentation and a copy of the narrative and questions asked at the meeting to the CPUC. Customers can also contact the CPUC directly. The information is on the back of the Notice and as follows:

California Public Utilities Commission, Water Division
505 Van Ness Avenue
San Francisco, CA 94102
Fax : 415-703-8481

E-Mail : water_division@cpuc.ca.gov

Re Del Oro Water Company, River Island District-Treatment Plant Project, Advice Letter No. 493

- 4. Where is the project located and what will the WTP look like from the outside?**

The project is located on a five-acre parcel located off Highway 190, just west of the Department of Forestry Station. An architectural rendering has not been completed.

- 5. How large are the storage tanks? Are they about the same size as the Weisenberger tank?**

Two new water storage tanks (which contain potable water) will have a capacity of 500,000 gallons each. An additional 100,000 gallon backwash tank and 10,000 gallon underground transfer tank (containing raw water) will also be installed and are used for water treatment purposes. The Del Oro (erroneously referred to as the Weisenberger tank) Tank No. 4 (located above the Weisenberger property) has a capacity of approximately 200,000 gallons.

- 6. Why does the River Island District Territory #1 service area not qualify for grant money?**

When the project started in 2009, the District's median income based on the 2007 Census from American Community Survey was \$56,770. In looking at recent data, the District's median income based on the 2016 census from American Community Survey was \$57,843. In both examples this puts the district over the allowed income to qualify for a grant.

- 7. Will new residents be charged an upfront fee?**

Growth in the district is taken into consideration. As new customers are added, they will have to pay a Safe Revolving Fund surcharge connection fee calculated as the total of the monthly

surcharges applicable from the effective date of the original tariff schedule authorizing the surcharge to the date of connection.

8. What is the total acre-foot volume of annual production?

Over the last ten years the total annual production for the Territory #1 service area has ranged from approximately 203 to 310 ac-feet/year. The largest annual production occurred in 2013 and the lowest annual production occurred in 2015.

9. If a resident could install their own reverse osmosis system, which costs approximately \$9,000 per resident initially, and \$806 on an annual basis, wouldn't this be a less expensive option that would meet the residents water quality needs?

Under State of California law, point-of-use treatment is limited to water systems with less than 200 service connections. The River Island District Territory #1 has over 400 service connections and as such it is not an acceptable treatment strategy for the River Island District Territory #1.

10. With the ending moratorium on new water hookups due to the improved water quality from the new WTP, will DOWC be able to add new water users and increase their profits?

There is currently no moratorium on new connections. The Treatment Plant is being built for approximately 440 customers. Currently, Del Oro has 419 Services in Territory One. Adding new water users will not increase the profits. It would help spread the cost of delivering water over a larger base and spread the SRF Surcharge over a larger base, therefore lowering the surcharge.

11. In the event of a drought, how will a lack of water in the PVC be handled? Is there a maximum number of homes that can be added so there is enough water for all residents if the PVC runs dry?

The River Island District Territory #1 will maintain the existing water supply wells for use as backup water supplies, if there is insufficient flow in the PVC canal to meet the water demand. Use of the uncontaminated wells will be prioritized to meet the water demand. The contaminated wells will only be used as a last resort, and only after all consumers have been notified and we have gained permission from the State Division of Drinking Water. The WTP will be constructed to meet the current water demands associated with the existing customer base.

12. Can the River Island District Territory #1 service area be split into smaller districts to qualify for point-of-use treatment?

State Water Board adopted Resolution No. 2016-0015, allowing the use of POU devices in lieu of centralizing treatment in small territories and water utilities with less than 200 customers. The Resolution also set forth a very specific process that is overseen by the State Water Board. The State will not allow Territory One to be split into smaller districts.

13. Why did DOWC not perform a smaller scale filter test before designing a full-scale system?

Two years of extensive water quality monitoring of the PVC water was performed to obtain an accurate picture of the PVC water quality. The Tri-Mite water treatment plant units were specifically selected for their ability to treat contaminants identified within the PVC surface water. The Tri-Mite water treatment plant units have been successfully utilized at other locations to treat raw water of similar quality (including Tule River water). Thus, a pilot test of the Tri-Mite water treatment plant units with PVC water was not performed given the costs and limited benefit.

14. Why does DOWC not have financial reserves to cover big expenditures such as the River Island WTP? Why can't DOWC finance the project themselves instead of passing the cost onto the customers?

If Del Oro invested its own monies, the plant would become an asset of Del Oro and it would be able to annually earn on its investment. Your rates would increase by approximately \$149 per month versus \$67.20 per month.

15. Why did DOWC raise the water rate during the last drought when all the residents were conserving water?

River Island District's last General Rate Case became effective with Resolution W-5121 on December 16, 2016 adjusting rates according to historical water use and current expenses and trends. The prior General Rate Case was dated May 12, 2012, four years prior.

16. Is DOWC guaranteed a profit from the PUC?

The CPUC does not guarantee a profit to the utility. The CPUC reviews the expenses of the utility at least every three years and adjusts the customer's rates to cover these expenses plus a rate of return on the invested assets, less depreciation, less contribution in aid of construction, and advance construction contributions. There is a possibility that the actual expenses may exceed what was estimated and approved by the CPUC, then Del Oro's actual rate of return declines or can disappear. The CPUC defines the maximum Rate of Return that Del Oro is allowed on the investment in the district. Currently River Island's Rate of Return is 10.1%.

17. Why is the River Island District Territory #1 service area considered too rich to receive state funding? How does the state know what their medium income is? How can this issue be challenged?

The State used the current data for 2016 from the American Community Survey. The State can have a private survey contracted at which time they would interview members of the community and customers' income would have to be verified.

18. Who will own the River Island WTP?

Del Oro Water Company – River Island District. The project will be a contributed asset having zero value on its books; therefore, Del Oro will not be able to earn a rate of return on the treatment plant.

19. If DOWC sells the River Island District water system, will it discount the 5 million dollars that is invested into the WTP?

Yes, the treatment plant will show that it was contributed by the customers through the SRF Funding Loan and have no saleable value.

20. Who will own the River Island WTP after the 20-year loan is paid off?

Del Oro Water Company – River Island District as a contributed asset.

21. Will the residents of River Island District Territory #1 service area get a tax write-off for contributing to the WTP project?

No, they will not.

22. What will happen if the bid for the project comes in lower or higher than the engineer's estimate?

After the bidding process is completed, the State will adjust the loan to the bidding amount of the project plus 15% contingency. If the contingency is not used, the loan will be lower.

23. Why can't the SRF loan be spread over a period of 30 or 40 years instead of 20 years? Wouldn't this ease the burden on the residents?

Yes, it would. Del Oro, at the request of the CPUC, checked into a longer loan term. With Federal monies being used along with the State monies, River Island does not qualify for a longer term. Del Oro and the CPUC will continue throughout the construction progress to investigate all avenues to keep the surcharge as low as possible.

24. Many of the residents use water for irrigation purposes or for livestock. Can residents drill a small agricultural well that will be used for agricultural purposes and decrease the surcharge and water usage from the new WTP?

Del Oro Water has not approved nor will approve any new private wells which may interfere with its existing well field.

25. Other communities, such as Lindsay and Terra Bella have poor water quality and cannot drink the water, but do not have to take on the burden of constructing a new WTP. Why does DOWC have to build a new WTP? Is this the only option?

All public water utilities (including Del Oro Water Company) in the State of California have to comply with the Federal Safe Drinking Water Act and California's Chapter 15 of the California Title 22 Code of Regulations. Currently, some of the River Island District Territory #1 wells produce water with elevated levels of nitrate and uranium exceeding the Maximum Contaminant Level (MCL). There are several other wells that have elevated levels of nitrate, uranium, gross alpha and arsenic levels but fortunately are currently below the MCL. Several options were evaluated to determine the most economical and effective method of providing drinking water, including constructing additional groundwater sources, treating the existing groundwater sources, blending of contaminated and uncontaminated water sources, consolidation with nearby systems, and constructing a centralized water treatment system using

water from the PVC. A central water treatment system using water from the PVC was found to be the most economical option, provides additional source capacity for reasonable future growth, and allows Del Oro to utilize a less complex treatment strategy with a manageable waste byproduct.

26. Why does DOWC not pick up part of the tab for this new WTP?

Using the SRF Funded Loan is the cheapest way Del Oro can complete the project. If Del Oro invested its own monies, the plant would become an asset of Del Oro and it would be able to earn approximately \$524,107 annually that would be reflected with increase rates over the next 40 years by \$149 per customer per month. The estimated surcharge we will be collecting from you is \$337,867 annually, and will stop in 20 years. The savings is approximately \$80 per customer per month by using SRF funds.

27. Will the water treated at the WTP be blended with the well water?

Blending will occur inherently when water is supplied by both the WTP and the existing wells. This will happen only during periods when the PVC source capacity is reduced and the WTP is unable to meet the system water demands alone.

28. Will the new WTP remove uranium and nitrate?

The new WTP is designed to comply with the California Surface Water Treatment Rule. The plant will remove viruses, Giardia lamblia cysts, and Cryptosporidium oocyst, and reduce turbidity to levels acceptable per Chapter 17 of the California Title 22 Code of Regulations. The new WTP is not designed to remove uranium and nitrate. The 2-year water quality study indicates that there are insignificant levels of radiological activity (well below the MCL standards) and nitrate (sample results indicating not-detected to trace amounts well below the MCL standards) and these constituents are expected to remain at low levels in the surface water.

29. During the 20-day period of the canal cleaning, will the River Island District Territory #1 service area be provided with drinking water from wells contaminated with uranium and nitrate?

The 20-day period of canal cleaning occurs during the first quarter, which is typically a period of low water demand. During this period of low water demand, drinking water for the River Island District Territory #1 can be supplied from the uncontaminated wells.

30. What will happen to the existing wells on the resident's property?

If you are referring to contracted wells with Del Oro Water, they will still be used. If, on the other hand the reference to a private well currently being used by a customer, they may continue to use the source.

31. Can't DOWC just drill new wells to solve this issue?

Due to variations in the subsurface geological formations, and shallow depth to basement rock, groundwater quality can vary significantly within a small area. Currently, a majority of existing wells contain elevated levels of nitrates, and several other wells contain elevated levels of uranium, and or gross alpha particle contamination. As the service area is located within a

relatively small ground water basin and the majority of the service area does not contain a structured sanitation system, it is anticipated that the nitrate levels will continue to increase. Additionally, there is no long-term data or other information pertaining to the ability of the groundwater basin to sustain long-term pumping or tolerate additional groundwater well development.

32. What happens when the surface water dries up? What will DOWC do if the surface water is gone and the residents are back to drinking from contaminated wells?

LSCE reviewed decades of canal flow data and noted that cessation of canal water was a rare occurrence. As with any utility in the state, the supply is dependent only on the water available in the area be it from groundwater, surface water, or a combination of both. Thus, reduced water flows from the canal will increase the dependence on backup groundwater sources including mandatory reductions of deliveries to consumers.

33. Triple R and Bear Creek districts are using the individual reverse osmosis units to treat water. What is their RO system removing? Would this solution not work for River Island?

In the State of California, point-of-use treatment in lieu of centralized treatment is limited to water systems with less than 200 service connections, by law. The River Island District Territory #1 has over 400 service connections. Thus, POU treatment is not an acceptable treatment strategy for the River Island District Territory #1.

34. Why can't the DOWC just blend water from the wells to produce a blended water that meets the water quality requirements?

To blend water from contaminated and uncontaminated wells, a centralized blending facility is required to ensure the blended water meets the required water quality standards prior to entering the water distribution system. The water supply wells in the River Island District Territory #1 are spread out over a wide area, making a centralized blending facility impractical. Additionally, blending the existing water supply addresses only the water quality issues, and does not address the need for additional system emergency and fire storage.

35. Can DOWC just use the non-contaminated wells to meet the water needs?

The non-contaminated wells do not provide sufficient capacity to meet the water demand for the River Island District Territory #1, during prolonged periods of high demand.

36. Can the DOWC reduce their rate of return from 10% to 8% to help with the cost of the new WTP?

The current water rates have nothing to do with the SRF funding and there are no dollars going to Del Oro Water for the cost of the project let alone profit. The SRF Funded Loan is the cheapest way to fund this project and that is why the CPUC requires the utility to apply for this funding especially when there is a quality of water issue.

37. Do residents of the River Island Water District Territory #1 service area need approval to drill new wells, even if they are solely for irrigation purposes?

Yes.

38. Why are some wells contaminated while other wells are not?

Due to subsurface variations in the groundwater basin structure and geology, locations of sources of contamination, and the amount of water withdrawn from the aquifer can vary greatly, thus impacting the quality of the groundwater.

39. Visalia uses groundwater, but their wells are much deeper than the ones in River Island. Is the DOWC not drilling deep enough wells? Would the water quality be better if the wells were drilled deeper?

The groundwater basin in the River Island District Territory #1 is a relatively shallow basin with basement rock observed at relatively shallow depths. Thus, it is not possible to drill deeper. Visalia is within a completely different groundwater basin the depth of which extends for hundreds of feet.

40. How will the new wells drilled on Frazier Valley Road for irrigation affect the existing DOWC River Island wells?

It is unknown at this time.

Other comments / notes:

- 1. Resident requested that the meeting notice be printed on a separate sheet of paper, instead of combined with the notice. The resident said that she would have missed the meeting if her neighbor had not told her about it.**

The meeting portion of the notice was highlighted and darkened and was mailed separately from the normal bill in hopes that the customers would read it and call with any questions. (See Attached)

- 2. Resident requested that the Tulare County Board of Supervisors receive a copy of the meeting notes and presentation.**

A copy will be provided.