



CALIFORNIA WATER SERVICE

Oroville District 1905 High Street
Oroville, CA 95965 Tel: (530) 533-4034

May 30, 2023

Mr. Stephen Lucas
Executive Officer
Butte County Local Agency Formation Commission
1453 Downer Street, Suite C
Oroville, CA 95965

Re: Draft Municipal Service Review of the Oroville Area Water & Wastewater Services – Appendix C

Dear Mr. Lucas,

California Water Service (Cal Water) appreciates the opportunity to comment on the draft Municipal Service Review (MSR) regarding water and wastewater service in Oroville. The comments herein specifically address the recommendations made in Appendix C of the draft MSR. Given the radical nature of those recommendations, we felt it important to address them separately from the remainder of our comments on the draft MSR. Our comments herein are similar to those previously provided to the City of Oroville on January 11, 2017

Introduction

In Appendix C, the draft MSR recommends that the Butte County Local Agency Formation Commission (LFACo) consider reorganizing the water providers in Oroville, including Cal Water, under one agency.

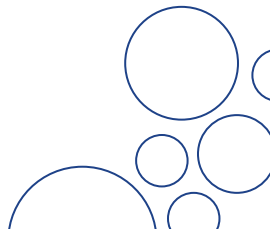
To be clear, what the draft MSR really recommends is that the heavy-handed government power of eminent domain be used to attempt a hostile takeover of one of Oroville's oldest businesses. If such an effort were successful, Cal Water's customers in Oroville would be saddled with substantially higher water rates and taxes for a generation and the subsidized, low water rates currently paid by South Feather Water & Power's (South Feather) customers would evaporate.

Cal Water's Business is Not for Sale

Cal Water is one of Oroville's oldest businesses as its service area in the community was established in 1927. In fact, Cal Water's roots in Oroville predate the incorporation of the city itself. The water system was acquired from PG&E in 1927. PG&E had previously purchased it from the Oroville Water Company, which had owned the water system since before the city's incorporation in 1906. Suffice it to say, Cal Water is in the business of providing our customers with safe, clean, reliable, and affordable drinking water service, not selling its water systems. Cal Water's business, property, and service area in Oroville **are absolutely not for sale.**

The Only Way to Reorganize Cal Water Under a Government Agency is With Eminent Domain

Because Cal Water's business is not for sale, the only means by which South Feather, another existing public agency or an entirely new government agency could attempt to take over Cal Water's business and property in Oroville is through lengthy and costly eminent domain litigation.





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Additionally, if a government agency tried to circumvent this legal process by establishing duplicative services to Cal Water's (e.g., beginning to serve Cal Water's customers), such an act would constitute a "taking" of Cal Water's property. In section 1503 of the Public Utilities Code, the Legislature declared:

it is necessary for the public health, safety, and welfare that privately owned public utilities regulated by the state be compensated for damages that they may suffer by reason of political subdivisions extending their facilities into the service areas of such privately owned public utilities.

Initiating a Hostile Takeover of Cal Water Using Eminent Domain Would Cost Millions

The significant legal costs incurred by the City of Claremont in its failed attempt to complete a hostile takeover of the local water company that serves the community is a cautionary tale for anyone considering pursuing such a path in Oroville.

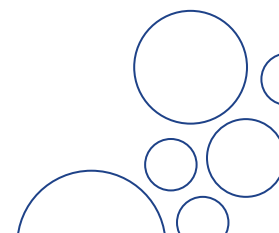
In 2014, Claremont filed an eminent domain action seeking to seize the business of its local water company, Golden State Water. In 2016, the Los Angeles Superior Court dismissed the action, ruling that a takeover of the local water company was not in the public interest. Over the two years, the City paid more than \$6 million in litigation expenses and was ordered to pay Golden State Water's legal bills, which totaled more than \$7 million. Accordingly, the City was on the hook for more than \$13 million in legal costs for its failed endeavor.

More recently, the Town of Apple Valley suffered a similar fate. The Town attempted to use eminent domain in a hostile takeover of its local water company, Apple Valley Ranchos Water. In 2021, the San Bernadino Superior Court dismissed the action, finding that "acquisition by the Town would constitute an experiment posing a risk to public health, safety, and the continued effective system operation by a long-term work force." The Town amassed millions in its own legal bills and was ordered to pay Apple Valley Ranchos Water's litigation expenses, which totaled more than \$13 million. In the end, tens of millions in taxpayer funds were wasted in the Town's ill-fated takeover effort.

Even a Successful Hostile Takeover of Cal Water Would Increase Water Rates and Taxes

Even if one were to assume that a government bureaucracy – be it South Feather, another existing public entity or an entirely new entity – could successfully litigate the seizure of Cal Water's business and property in Oroville, it is mistaken to believe that such an outcome would reduce water rates for Cal Water's customers. In fact, history shows that such hostile takeovers result in significantly higher water rates and taxes.

If a government bureaucracy convinced the courts that seizing Cal Water's business and property was necessary, that government entity would then be required to pay Cal Water "the highest price" the water system would bring on the open market. This would cost tens of millions of dollars. These costs would be added to the millions that would be paid to lawyers and consultants during litigation and would have to be paid by the residents and the taxpayers of Oroville, resulting in substantially higher water rates and taxes.





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There are a number of instances in which activists have promised communities that their water rates would go down if they use eminent domain to take over their local water company only to see both water rates and taxes balloon when the rubber meets the road. For example, in Felton, California, activists estimated that it would cost about \$2 million to take over the community's local water company. In the end, the total amount exceeded \$13 million, which required the new government bureaucracy to force every homeowner to pay an additional \$500 in annual property taxes to pay for the seizure. And, importantly, instead of being reduced, water rates have doubled. The community activists in Felton were successful in one regard: They saddled an entire generation with significantly higher water rates and taxes.

The outcome of a hostile takeover of Cal Water's business and property in Oroville would be no different. The most likely outcome would be that residents would end up with skyrocketing water rates and taxes. In fact, South Feather itself has recognized that seizing Cal Water would not lower water bills in Oroville. Mr. Mike Glaze, the former General Manager of South Feather, acknowledged that, due to the "cost residents would bear to pay off the financing for a . . . takeover," residents would not see a reduction in their water bills for at least 30 years, and possibly would see them increase.¹

A Hostile Takeover of Cal Water Would Trigger Higher Rates for South Feather Customers

One of the stated reasons for recommending that Cal Water's business and property be seized by a government bureaucracy is found on page 8-11 of the draft MSR, which quotes the 2006 MSR: "Given that [South Feather's] rates are significantly less than those charged by Cal Water Oroville . . . something should be done to resolve these discrepancies and inefficiencies in service provision." The premise, therefore, is if South Feather were to serve Cal Water's customers in Oroville, they would see their water bills decline.

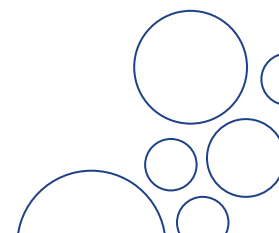
Putting aside the fact that this rationalization ignores the reality of having to finance a hostile takeover of Oroville's local water company, this line of argument overlooks the reason South Feather is able to have such low water rates. The draft MSR does provide the answer. On page 6-70, the draft MSR explains that the revenue South Feather generates from its hydroelectric power operations is used to "subsidize the price of water for retail customers," meaning that they "do not pay the full cost of water delivery."

This power-related subsidy would not grow if South Feather brought on new customers. Instead, as the number of water customers grows, existing customers end up with a smaller and smaller share of the subsidy, resulting in higher and higher water rates. If South Feather started to serve water to Cal Water's customers in Oroville, the number of customers getting a piece of the pie would increase substantially, reducing the amount existing South Feather customers receive, which would significantly increase their monthly water bills.

A Hostile Takeover of Cal Water Would Not Increase Operational Efficiencies

The second stated reason for recommending that Cal Water's business and property be seized by a government bureaucracy is found on page 1-3 of the draft MSR, where it is asserted that there are

¹ South Feather Water & Power Agency. "Minutes of the Regular Meeting of the Board of Directors of South Feather Water & Power Agency." March 26, 2013.





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duplicative services because there are several drinking water treatment plants in the area. However, in the same vein that having multiple police cruisers in an area is not, in and of itself, evidence of inefficiency in a police department, neither is having multiple drinking water treatment plants. The fact that South Feather itself operates two treatment plants stands as evidence that it may not only be efficient but also necessary to have multiple drinking water treatment plants in close proximity to each other. The draft MSR does not provide sufficient analysis to determine that consolidating the treatment plants under one government bureaucracy would even be possible, let alone more efficient.

The draft MSR fails to engage in the level of detailed analysis necessary to conclude that the treatment plants are duplicative. It is simply impossible to conclude that the treatment plants are duplicative without even addressing for what each of the plants is treating drinking water. Instead, the draft MSR rests on the assumption that each could be substituted for the other.

Likewise, the draft MSR provides scant details about the capacity of any of the treatment plants to be substituted for the others. While the draft MSR does discuss the overall design capacity of South Feather's treatment plants, it does not address their respective abilities to meet peak hourly or peak daily demand for what would amount to a greatly expanded service area, both critically important issues when evaluating the efficient operation of a water system.

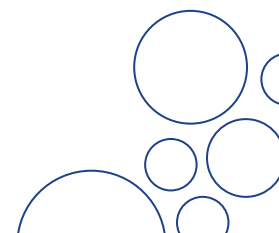
Additionally, the draft MSR does not provide any information regarding the feasibility, let alone cost, of connecting each of the water systems together so that one or more of the treatment plants could be taken offline. As was previously communicated to LAFCo, Cal Water commissioned a study to determine the feasibility of supplanting its existing supplies with water from South Feather. It was estimated that tens of millions of dollars of new infrastructure would be needed to facilitate the transfer of water from one South Feather's system to Cal Water's. The need to construct this costly infrastructure would not magically disappear simply because a new government bureaucracy took over the water systems.

Finally, the draft MSR fails to provide any information on the engineering, hydraulic, environmental, or water quality challenges that would be posed by attempting to operate all three of the water systems from South Feather's current treatment plants. For instance, the draft MSR is premised on the assumption that the water in South Feather's system could easily be used in those of the other suppliers. Such a change in water sources can have dire consequences. The Centers for Disease Control, Environmental Protection Agency, and countless other entities concluded that the water crisis in Flint, Michigan was caused because the City changed its supply source. Water from the new source was more corrosive to the City's water pipes, causing contaminants to leach into the drinking water system.

While it may be reasonable to recommend that issues like these should be further researched and analyzed, it is unreasonable to conclude, as the draft MSR does, that a takeover of the water systems in Oroville would result in improved efficiencies and/or that doing so would be safe for residents. Such conclusions – whether direct or implied – should be stricken from the MSR.

A Hostile Takeover of Cal Water Would Reduce Service Levels for Cal Water's Customers

Perhaps because the draft MSR does not evaluate the customer service offerings of the three water service providers, it wrongly concludes that the seizure of Cal Water's business and property by a





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government bureaucracy would allow current Cal Water customers to keep enjoying the same level of service as they do today. This is not the case, as Cal Water offers its customers a plethora of services not offered by South Feather or Thermalito Water & Sewer District. In reality, a hostile takeover of Cal Water's business and property would leave Cal Water's customers worse off.

The Means Consulting report referenced elsewhere in the draft MSR begins to provide some insight into the services offered by Cal Water but not the other providers around Oroville. For example, Means Consulting identified more than 40 water conservation programs – including substantial rebates, direct installation programs, and direct distribution programs – offered by Cal Water but not South Feather. This is particularly important as the Northern Sacramento Valley Integrated Regional Water Management Plan, Butte County General Plan, Butte County Climate Action Plan, City of Oroville General Plan, and City of Oroville Community Climate Action Plan all highlight the importance of robust water conservation programs to protect the long-term reliability of the region's water supplies and respond to climate change.

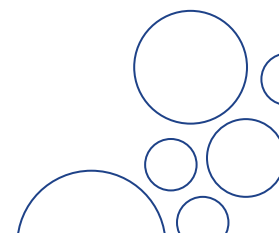
The report also highlights the value Cal Water's statewide operations provide to its customers. For instance, Cal Water has hundreds of employees and hundreds of pieces of deployable equipment – such as leak repair trucks – within driving distance of Oroville. As the Means Report explains, especially during an emergency event, "One of the key values that Cal Water provides is the ability to marshal significant resources from its nearby service areas if the need arises." Cal Water was able to activate these very resources during the Camp Fire, not only to help ensure the continuity of its operations as many Cal Water employees were directly impacted by the Fire, but also to assist Paradise Irrigation District in its recovery operations.

If Cal Water were to be taken over, these customer benefits – and numerous others – would be lost.

References to the Inefficiency of Water Service in Oroville and the Efficacy of Reorganization of the Suppliers Under One Agency Should be Stricken from the Draft MSR.

While it may be reasonable to recommend that issues like those raised herein should be further researched and analyzed, it is unreasonable to conclude, as the draft MSR does, that a takeover of the water systems in Oroville would result in improved efficiencies and/or that doing so would be safe for residents. Such conclusions – whether direct or implied – should be stricken from the MSR. It is recommended that the following language be stricken from the draft MSR in its entirety:

- **Page 1-33:** "SFWPA has more than adequate treated water supply capabilities that could assist its neighboring service provider, CWS, with more cost-effective water supplies that may reduce costs to CWS customers. This would also address the duplication of existing water treatment plants that serve the Oroville region."
- **Page 1-42:** "Duplicate domestic water service infrastructure is located near the Cal Water Oroville service area."
- **Page 6-63:** "Given that Oroville (and its environs) is a small to medium city (in relation to population size), having three water treatment plants isn't the most efficient approach. If, in the future, an opportunity to reduce the number of treatment plants were to arise, it is possible that the improved efficiency could be beneficial to the community."





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- **Page 6-68:** "If, in the future, an opportunity to reduce the number of treatment plants were to arise, it is possible that the improved efficiency could be beneficial to the community."
- **Page 7-75:** "If, in the future, an opportunity to reduce the number of drinking water treatment plants were to arise, it is possible that the improved efficiency could be beneficial to the community."
- **Page 8-11:** "LAFCO's 2006 Final MSR on Domestic Water and Wastewater Service Providers specified the following about governance and accountability for Cal Water – Oroville:
Cal Water Oroville has a service area but is not subject to LAFCo oversight in terms of expansion of its boundaries. Given that SFWPA's rates are significantly less than those charged by Cal Water Oroville, that Cal Water Oroville's service area immediately abuts SFWPA's service area, and that the providers' pipes actually overlap in a few isolated locations, something should be done to resolve these discrepancies and inefficiencies in service provision. Similarly, given that TID's rates are significantly less than those charged by Cal Water Oroville, that Cal Water Oroville's service area immediately abuts TID's service area, and that within TID's service area, a small residential area east of Table Mountain Boulevard known as Rancho Golden is provided water by Cal Water Oroville, something should be done to resolve these discrepancies and inefficiencies in service provision (LAFCO, 2006)."
- **Page 8-15:** "LAFCO's 2006 MSR determined that consideration should be given to resolving inefficiencies in service provision in relation to SFWPA and TID [TWSD] and this determination remains valid."
- **Page 8-43:** "Duplicate domestic water service infrastructure is located near the Cal Water Oroville service area."

Conclusion

Cal Water appreciates the interest in maximizing the efficiency of drinking water service in and around Oroville. However, the recommendation in Appendix C of the draft MSR to reorganize all of the water service providers under a government bureaucracy is a radical proposal that would harm Cal Water's customers, leaving them and South Feather's customers on the hook for tens of millions of dollars in needless expenses. The net result would be decades of substantially higher water rates and taxes.

We look forward to working with LAFCo as the MSR is completed and to identify ways to improve drinking water service in Oroville.

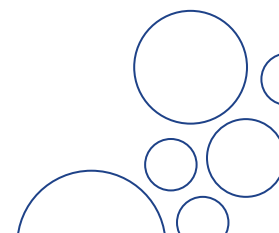
Respectfully,

A handwritten signature in blue ink, appearing to read "Justin Skarb".

Justin Skarb

Vice President, Government & Community Affairs

Cc: The Honorable Members of the Butte County Local Agency Formation Commission Board; Oroville City Council; South Feather Water & Power Agency Board; and Thermalito Water & Sewer District Board





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May 30, 2023

Mr. Stephen Lucas
Executive Officer
Butte County Local Agency Formation Commission
1453 Downer Street, Suite C
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Re: Draft Municipal Service Review of the Oroville Area Water & Wastewater Services

Dear Mr. Lucas,

California Water Service (Cal Water) appreciates the opportunity to comment on the draft Municipal Service Review (MSR) regarding water and wastewater service in Oroville. We have submitted comments specifically addressing Appendix C of the draft and associated determinations under separate cover.

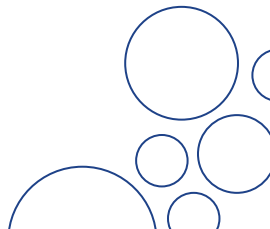
At the outset, we would like to express our gratitude for the time and energy that LAFCo and SWALE have put into preparing the draft. We also appreciate the effort that went into addressing the concerns we raised in our initial review of Chapter 8 of the draft.

The comments herein address the balance of the draft. While the majority of our comments are presented in the same order as issues appear in the draft, there are several foundational issues that deserve special attention as they call into question other information and determinations in the draft.

As you know, it was not until December 2022 that Cal Water was asked to participate in the process, nearly two years after the other service providers were interviewed. It is unfortunate that Cal Water was not asked to be involved sooner as many of the errors and omissions that remain in the draft could have been addressed early on.

In light of the delay in requesting Cal Water's participation in the MSR process and the significant number of concerns that we outline herein, we respectfully request that LAFCo pause formal action on the MSR for a period of six months.

This pause will allow Cal Water to further review and validate the contents of the draft MSR and enable LAFCo staff and the MSR Author to adequately address the concerns that have been raised. Even though this pause will only provide us with about half the amount of participation





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time as the other service providers, we are confident that it is sufficient for us to complete a thorough review of the draft MSR.

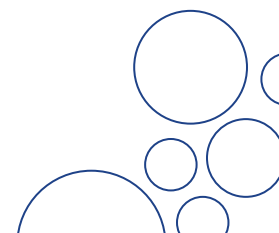
We appreciate the interest in completing this important planning document, but its significance is the very reason care should be taken to ensure its accuracy. We look forward to working with LAFCo and the MSR Author to ensure the residents of Oroville have a document on which they can rely.

Sincerely,

A handwritten signature in black ink, appearing to read "Justin Skarb". The signature is fluid and cursive, with a horizontal line at the end.

Justin Skarb
Vice President, Government & Community Affairs

Cc: The Honorable Members of the Butte County Local Agency Formation Commission Board; Oroville City Council; South Feather Water & Power Agency Board; and Thermalito Water & Sewer District Board

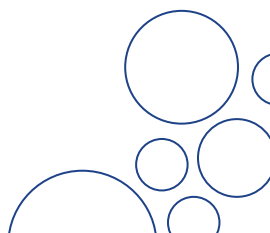




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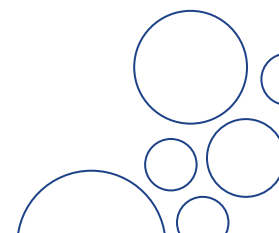
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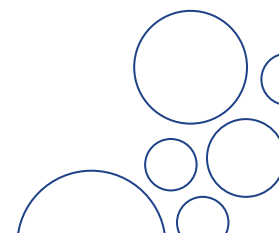
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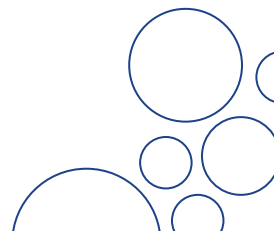
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1. The draft incorrectly includes an entire section about a completely separate water utility that does not provide water service in Butte County, let alone Oroville.

On pages 8-45 to 8-46, in the section labeled “Requested Rate Increases,” the draft includes an entire paragraph and table of information about an application California American Water submitted to the California Public Utilities Commission. The draft goes so far as to erroneously claim that data provided by the California Public Utilities Commission shows that this application would result in higher rates for customers in Oroville.

1.1. The entity identified in the draft is not associated with Cal Water and its application to the California Public Utilities Commission will not impact customers in Oroville.

California American Water is a completely separate entity from Cal Water that does not provide water service in Butte County, let alone Oroville. The application this entity submitted to the California Public Utilities Commission has no bearing on the water rates paid by Cal Water’s customers in Oroville.

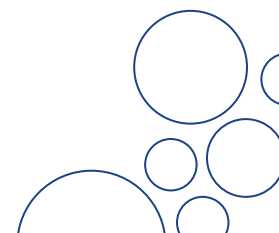
It is unclear why the MSR Author did not make any attempt to contact Cal Water to verify this information or even ask if Cal Water had submitted an application with the California Public Utilities Commission.

1.2. The conflation of Cal Water and a completely separate entity calls into question the accuracy of the draft’s other conclusions about Cal Water.

The inclusion of this erroneous information calls into question the accuracy of the remainder of the draft’s observations and conclusions about Cal Water. In addition to conflating two completely separate water utilities, the MSR Author refers to Cal Water by at least 14 different names throughout the draft. In light of these errors and seemingly careless lack of clarity or consistency, it is entirely possible that there are additional instances in which data about other unrelated entities was incorrectly used to form recommendations and determinations about Cal Water.

1.3. Because Cal Water was brought into the MSR process long after the other suppliers, additional time should be provided to review and validate the MSR.

Because Cal Water was not brought into the process until nearly two years after the other service providers, there simply has not been sufficient time to verify and validate other information in the 739-page draft to ensure that it is actually about Cal Water. To preserve the credibility of this important planning document, Cal Water recommends that LAFCo refrain from





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finalizing MSR at this time and give the MSR Author and service providers the opportunity to review and validate the accuracy of the report.

1.4. The information about the completely separate entity should be stricken in its entirety and replaced with accurate information.

The entire section on pages 8-45 to 8-45 labeled “Requested Rate Increases” should be stricken from the report. If there is a desire to include information about the California Public Utilities Commission most recent, and ongoing, review of Cal Water operations, budgets, rates, and proposed water system improvements, the section should be revised as follows:

In July 2021, Cal Water – Oroville submitted an application with the California Public Utilities Commission which initiated the statutorily required review of the water utility’s operations, budgets, rates, and proposed water system improvements. As part of the application, Cal Water – Oroville proposed \$6 million in infrastructure improvements over the three-year cycle, which covers the years 2023, 2024, and 2025. In its application, Cal Water also proposed the consolidation of rates between its Oroville and Chico service areas. If the proposal is approved by the California Public Utilities Commission, Cal Water’s customers in Oroville would see their bills increase from \$47.82 (as of 2021) to \$51.73 in 2025. Information about Cal Water – Oroville’s application is available on Cal Water’s website at: < <https://www.calwater.com/rates/iip-2021/>>.

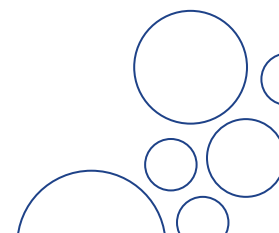
2. The draft speciously asserts that Cal Water’s Urban Water Management Plan (UWMP) does not factor the effects of climate change into its water demand and supply projections.

Multiple sections and chapters of the draft include various conclusions about the completeness of Cal Water’s most recent UWMP for its Oroville service area. The draft asserts that the UWMP does not factor the effects of climate change into its water demand projections nor water supply projections, including future availability of supply from PG&E.

Cal Water’s most recent UWMP for its Oroville service area is available on its website at <https://www.calwater.com/conservation/uwmp2020/>.

2.1. Cal Water’s UWMP explicitly examines and accounts for the effects of climate change on water demand in Oroville.

Even a cursory review of just the introduction to Cal Water’s UWMP makes it clear that the report accounts for the effects of climate change on future water demand in Oroville. On Page





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15, the UWMP states plainly that climate change is a factor of the demand analysis: “Taking into account historical water use, expected population increase and other growth, **climatic variability**, and other assumptions, water demand within the District is projected to be 2,654 AFY in 2025 and decrease to 2,586 AFY by 2045, a change of 6 percent compared to the 2016-2020 average [emphasis added].”

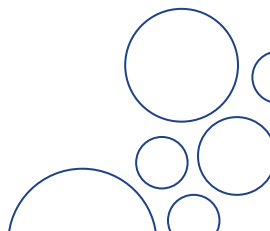
Additionally, Section 4.3 of the UWMP is dedicated to addressing the effects climate change will have on water demand in Oroville. The research Cal Water has conducted in this area is summarized on Page 41 of the UWMP:

Climate strongly influences the level and seasonal pattern of District water demands. Cal Water has analyzed the effect of climate and weather variability on both aspects of demand. Using this information, Cal Water has estimated the effect of alternative climate warming scenarios on future water demand. Table 4-9 summarizes the results of this analysis. It shows that for plausible emission scenarios and corresponding temperature increases, climate change may, on average, increase future District demands by 2 to 3 percent compared to current climate conditions.

On Page 41, the UWMP incorporates by reference a separate study that Cal Water completed on water demand. As mentioned in the UWMP, the study, entitled “Cal Water Long-Term Water Demand Forecast Model,” examines the effect of alternative climate change scenarios on water demand in Oroville. The results of the demand analysis are presented in Table 4-9 on Page 42 of the UWMP:

Table 4-9. Climate Change Effect on Demand

Emissions Scenario	Change in Mean Temperature by 2040 (degree F)	Change from Current Mean Temperature (%)	Effect on Demand (%)
Lower Emissions Scenario (B1)	2.5	3.4%	2.0%
Higher Emissions Scenario (A2)	2.7	3.7%	2.1%
80%ile Temperature Scenario	3.6	4.9%	2.8%
NOTES: (a) Predicted temperature increases for Southwest United States for alternative emission scenarios reported in Kunkel et al. (2013). Predicted effect on demand derived from weather response models estimated with historical monthly water use, temperature, and rainfall data. (b) The physical climate framework for the 2013 National Climate Assessment is based on climate model simulations of the future using the high (A2) and low (B1) Special Report Emissions Scenarios (SRES). The A1B emission scenario reflects a middle case between the A2 and B1 scenarios. The 80%ile scenario is the 80 th percentile temperature change across the family of emissions scenarios. Further description of emission scenarios can be found at https://www.ipcc.ch/site/assets/uploads/2018/03/sres-en.pdf			





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2.2. Cal Water’s UWMP explicitly examines and accounts for the effects of climate change on water supplies in Oroville, including those purchased from PG&E.

Here too, a simple cursory review of the introduction to Cal Water’s UWMP makes it clear that the report accounts for the effects of climate change on future water supply in Oroville. On Page 16, a summary of Chapter 7 of the report is provided in the UWMP:

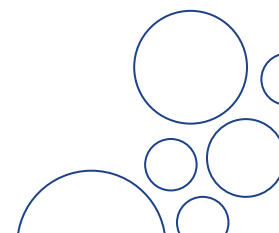
This chapter assesses the reliability of the Oroville District’s water supplies, with a specific focus on potential constraints such as groundwater supply availability, water quality, **and climate change**. The intent of this chapter is to identify any potential constraints that could affect the reliability of the District’s supply (such as drought conditions) to support the District’s planning efforts to ensure that its customers are well served [emphasis added].

The introduction to Chapter 7 of the UWMP, entitled “Water Supply Reliability Assessment,” also makes it clear that climate change, along with other environmental conditions and expected growth, was factored into the analysis of Cal Water’s future supplies in Oroville, including those provided by PG&E. On page 72, the UWMP states:

Assessment of water supply reliability is complex and dependent upon a number of factors, such as the number of water sources, regulatory and legal constraints, hydrological and environmental conditions, **climate change**, and expected growth, among others. Based on available historical information and projections of future water uses, regulatory and legal constraints, and hydrological and environmental conditions, **including climate change**, California Water Service Company (Cal Water) has made its best determination of future water supply reliability of for the Oroville District [emphasis added].

On Pages 72 to 73, the UWMP concludes that, when accounting for climate change and other constraints on water supply, Cal Water will have sufficient supplies to meet the needs of its customers in Oroville, including those supplies provided to Cal Water by PG&E:

The Oroville District derives its water supply from a combination of purchased water and groundwater. Cal Water has identified several potential constraints on future groundwater and purchased water supply availability, water quality, and **climate change** . . . Cal Water expects that, **under all hydrologic conditions, its supply for the Oroville District will fully meet future demands** . . . Cal Water’s contractual agreement with the **Pacific Gas and Electric Company (PG&E)** for up to 3,000 acre-feet per year (AFY) is considered highly reliable in normal and dry years. These water rights are considered pre-1914 water rights





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and are therefore the last to be cut back by the State Water Resources Control Board (SWRCB) in dry years. Additionally, the District has a contractual agreement with Butte County for 150 AFY of California State Water Project (SWP) supply, which can be increased to up to 3,000 AFY in the event of unforeseen supply interruptions or increased demands. This supply is also considered highly reliable in normal and dry years and is protected by “area-of-origin” statutes, which protect local supply from cutbacks due to export of water [emphasis added].

Additionally, Chapter 7 of the UWMP, which addresses Cal Water’s existing water supplies in Oroville, incorporates by reference a separate study Cal Water completed that analyzed the impact climate change would have on its water supplies. On Page 68, the UWMP explains that the study, entitled “Potential Climate Change Impacts on the Water Supplies of California Water Service,” “relied on the best available projections of changes in climate (temperature and precipitation) through the end of the century to examine how surface water flows and groundwater recharge rates may change.” The executive summary of that report is included in Appendix G of the UWMP.

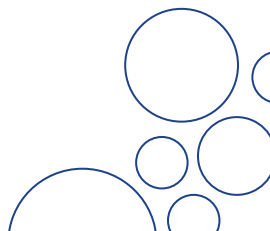
2.3. Cal Water has established itself as a leader in analyzing and addressing the effects climate change will have on the water utility sector.

Far from failing to take into account the effects climate change will have on water supply and demand in its service areas, Cal Water has established itself as a national leader on climate change issues in the water utility sector. A simple Google search for “Cal Water” and “Climate Change” results in a plethora of information about the various research, planning, mitigation, and adaptation efforts Cal Water is taking to address the risks climate change poses to its ability to provide customers with safe, clean, reliable, and affordable drinking water.

Just last year, the Public Policy Institute of California (PPIC), an entity which the MSR Author cites and relies upon in other sections of the report, reported on Cal Water’s climate change initiatives. The report, “A Large California Water Utility Prepares for Climate Change,” can be found at the PPIC website at <https://www.ppic.org/blog/a-large-california-water-utility-prepares-for-climate-change/>.

This year alone, Cal Water has been invited to discuss its work on climate change at a number of industry conferences, including:

- April 17, 2023 - American Water Works Association Sustainable Water Management Conference: “Modern Climate Considerations and Actions”





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- May 10, 2023 - Arizona Water Conference: “North to South and Urban to Rural, Quantifying California Water Service’s Resilience to Climate Change”
- May 23 - Western Conference of Public Service Commissioners: “Providing Safe, Reliable Water in an Era of Droughts and Climate Change”
- June 13 - American Water Works Association Annual Conference & Exposition: “Water Supply Assessment and Strategies for a Changing Climate”

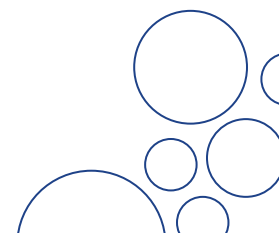
These efforts are a direct result of the research Cal Water has commissioned to understand how climate change will affect water supplies and demand in its service areas, including Oroville. These studies include:

- ICF. “California Water Service Climate Change – Water Resource Monitoring and Adaptation Plan – Phase 1.” December 2020.
- Gary Fiske and Associates, Inc. and Balance Hydrologics. “Potential Climate Change Impacts on the Water Supplies of California Water Service,” January 2016.
- A&N Technical Services. “Cal Water Long-Term Water Demand Forecast Model.” December 2014.

More recently, ICF completed Phase 2 of its study of the challenges climate change will pose to Cal Water. That report, “California Water Service: Climate Change Risk Assessment & Adaptation Framework,” was completed in December 2021. The executive summary of the report is available on Cal Water’s website at bit.ly/43trqCs. The researchers not only examined how climate change will affect water supply and demand, but also Cal Water’s operations and assets.

In addition to adapting to the realities of climate change, Cal Water is also taking steps to mitigate the effects of climate change. For example, Cal Water recently completed an inventory of its Scope 1 and Scope 2 greenhouse gas emissions. The analysis was prepared by an independent third party in accordance with the Greenhouse Gas Protocol, the global standard for measuring and managing organizational GHG emissions. With this data in hand, Cal Water will be setting science-based greenhouse gas emission target reductions. Information about these efforts is available on Cal Water’s website at <https://www.calwatergroup.com/news-media/press-releases/detail/547/california-water-service-group-completes-emissions>.

Finally, Cal Water has a dedicated officer, the Chief Water Resource Sustainability Officer, who leads the organization’s efforts to improve the reliability of its water supplies and respond to the challenges posed by persistent droughts and climate change.





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2.4. The draft's singular focus on Cal Water's climate change research and specious conclusions regarding those efforts calls into question whether the draft MSR was prepared in a fair, even-handed manner.

Whereas the draft spends a good deal of space speciously asserting that Cal Water's UWMP did not account for the effects of climate change on water supply and demand in Oroville, it spends virtually no time analyzing the UWMP's prepared by either South Feather Water & Power (South Feather) or Thermalito Water & Sewer District (Thermalito). There is no discussion in the draft about how either of those two agencies addressed climate change in their UWMPs and whether they accounted for the effects of climate change in their supply and demand projections. Given the importance the MSR Author gave to this issue regarding Cal Water, one would have expected the same level of concern to be given to the other suppliers.

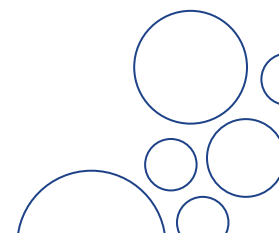
South Feather's UWMP is available on the website of the Department of Water Resources at bit.ly/3owhjy4. Thermalito's UWMP is also available on the website of the Department of Water Resources at bit.ly/428eOQQ.

A review of the UWMPs of South Feather and Thermalito makes the draft MSR's omission of any discussion about the other suppliers' climate change efforts all the more conspicuous. Neither supplier provides any details on how climate change will affect water supply or demand. Neither supplier cites any studies they have conducted on climate change. Beyond saying that climate change may result in more frequent and persistent droughts, neither supplier addresses climate change in any level of detail.

In fact, the UWMP of both South Feather and Thermalito contain nearly identical language about their inability to complete the analysis required by Section 10635(b) of the California Water Code, which calls for water suppliers to assess "historical drought hydrology, plausible changes on projected supplies and demands under climate change conditions, anticipated regulatory changes, and other locally applicable criteria."

- On Page 34 of its UWMP, South Feather states that it "is not a large enough Agency to embark on the creation of planning documents beyond the scope of its' service area."
- On Page 24 of its UWMP, Thermalito states that it "is not a large enough water District to embark on the creation of planning documents beyond the scope of its service area."

It is confounding why the MSR Author saw fit to erroneously assert that Cal Water's UWMP does not take into account climate change, even though it explicitly does, while completely ignoring the fact that both South Feather and Thermalito freely and openly admit in their respective UWMPs that they have not factored the effects of climate change into their supply and demand projections. That Cal Water was singled out for completely unfounded criticism raises serious





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questions about the remainder of the draft's analysis of Cal Water and whether it was completed in a fair, even-handed manner.

2.5. The draft overlooks the fact that Cal Water's UWMP was deemed complete by the Department of Water Resources.

As part of the Urban Water Management Planning process, the California Department of Water Resources (DWR) reviews each UWMP for completeness and makes a determination as to whether the plan meets the requirements of the California Water Code.

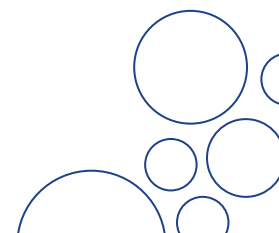
On May 2, 2022, DWR notified Cal Water that its UWMP for the Oroville service area was complete and met all of the statutory requirements. The confirmation letter to Cal Water is available on DWR's website at <https://bit.ly/3WGfScR>. This necessarily means that Cal Water was in compliance with Section 10635(b) of the California Water Code, which requires the UWMPs of water suppliers to assess "historical drought hydrology, plausible changes on projected supplies and demands under climate change conditions, anticipated regulatory changes, and other locally applicable criteria."

It is noteworthy that, on June 15, 2022, DWR notified South Feather that its UWMP did not comply with the requirements of the California Water Code. That letter is available on DWR's website at <https://bit.ly/3ML69gS>. DWR followed-up on January 11, 2023, again informing South Feather that its UWMP did not meet the statutory requirements. This letter is available on DWR's website at <https://bit.ly/3ON0Tw6>. Separately, in 2016, DWR notified South Feather that it had not submitted its UWMP as required by the California Water Code. That letter is available on DWR's website at <https://bit.ly/3C5puoi>.

On February 23, 2022, DWR sent a second notification to Thermalito that it had failed to submit its UWMP as required by the California Water Code. DWR's letter is available on its website at <https://bit.ly/3C1roGa>. After its UWMP was submitted, DWR notified Thermalito that the plan did not meet statutory requirements. This letter is available on DWR's website at <https://bit.ly/3N3J6PD>.

2.6. The inability of the other suppliers to account for the effects of climate change and generally meet statutory water planning requirements undermines the credibility of the draft's recommendation that all water service in Oroville be reorganized under one government agency.

Cal Water concurs that climate change is an important issue and that every water utility should take steps to understand how it will affect their operations, water supplies, and demands in the





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coming decades. This is the precise reason Cal Water has put climate change front and center in our water supply planning efforts.

The City of Oroville has determined that climate change poses a serious risk to the community. In its 2030 General Plan, the city determined that:

It is now apparent that the increasing atmospheric concentration of greenhouse gasses resulting from human activities is changing the climate in ways that pose serious risks to Oroville's health, economy and environment. Increased precipitation and rising sea levels could lead to increased flooding and more pressure on levee and flood control systems. Mass migration and/or loss of plant and animal species could also occur. Global climate change could also lead to more extreme heat waves and heat-related stress in Oroville; an increase in climate-sensitive diseases; more frequent and intense natural disasters such as flooding and drought; and increased levels of air pollution.¹

Likewise, Butte County itself has identified climate change as important, especially in the context of water supplies. The Butte County General Plan 2040 includes goal W-8: "Improve resiliency of water supplies and related infrastructure impacted by climate change, including natural disasters such as wildfire, drought, and flooding."²

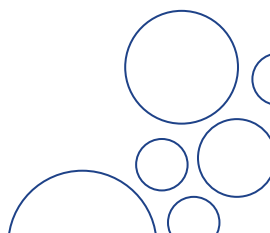
It is through this lens that one should evaluate the draft's recommendation that LAFCo "consider expanding the SOI of a public agency, such as [South Feather], to include the boundary area and SOI of [Thermalito] and [Cal Water]," making South Feather "the primary water service provider in the area."

The City of Oroville has determined that climate change poses a serious risk to the community and addressing it effectively will require "all levels of government, all sectors of society and every individual." To that end, Cal Water has:

- Addressed how climate change will affect water supply and demand in Oroville in its Urban Water Management Plan.
- Commissioned multiple studies to evaluate the effects of climate change on water supply and demand in Oroville.
- Commissioned several studies to analyze how climate change will affect Cal Water's employees and facilities.

¹ City of Oroville. "Oroville 2030 General Plan." At 7-56. Available at <http://bit.ly/2t0Eb6H>.

² Butte County. "Butte County General Plan 2040." At 8-24. Available at bit.ly/3qdhCOI.





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- Completed an inventory of its Scope 1 and Scope 2 greenhouse gas emissions.
- Committed to setting absolute, science-based Scope 1 and Scope 2 greenhouse gas emissions reduction targets.

In contrast, South Feather has explained that it is “not a large enough Agency to embark on the creation of planning documents beyond the scope of its’ service area,” and is not able to assess how climate change will specifically affect water supply and demand within its service area as called for in the Urban Water Management Planning Act.

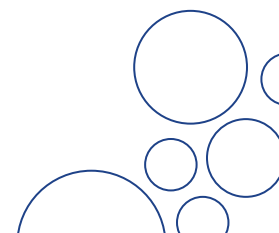
Given the importance assigned to climate change by the City of Oroville and by Butte County, as well as the State of California, it seems incongruent that the MSR Author encourages LAFCo to consider making a water service provider that does not account for, and says it cannot account for, climate change in planning for its operations, water supplies, and demands in the coming decades to come the lone water service provider for Oroville, which would require subsuming an existing water service provider that does actively account for climate change in planning for its operations, water supplies, and demands in the coming decades to come and has consistently engaged in the type of research and analysis necessary for such planning.

2.7. The specious conclusions about Cal Water’s UWMP regarding climate change should be stricken from the MSR in their entirety.

Because they are specious, the following portions of the draft MSR should be deleted in their entirety.

- **Page 1-41:** “The UWMP’s projected future water demand calculations do not consider the effect of climate change on water demand. However, the UWMP does note that Cal Water is studying this issue.”
- **Page 8-36:** “The UWMP’s projected future water demand calculations do not consider the effect of climate change on water demand (Cal Water, 2020 UWMP, 2021).”
- **Page 8-36:** “Specifically, the effect of climate change on Cal Water-Oroville’s primary water source, PG&E supply from the Feather River, is not described in the UWMP. However, the UWMP does note that Cal Water is studying climate change.”
- **Page 8-42:** “The UWMP’s projected future water demand calculations do not consider the effect of climate change on water demand. However, the UWMP does note that Cal Water is studying this issue.”

If there is a desire to include information about the treatment of climate change in its UWMP, Cal Water suggests the following language:





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Of the three water suppliers reviewed, only Cal Water's UWMP includes specific information about how climate change will affect its water supply and demand in Oroville. In fact, the UWMPs of both South Feather Water & Power and Thermalito Water & Sewer District contain nearly identical language about their inability to investigate how climate change will impact their service areas and customers.

Cal Water has completed independent research on the effects of climate change on its service area and has spoken at several conferences about its research efforts. This research, along with its UWMP, concludes that under all hydrologic conditions, Cal Water's supply in Oroville will fully meet future demands.

3. The draft speciously asserts that Cal Water's UWMP does not account for the population size of its current service area.

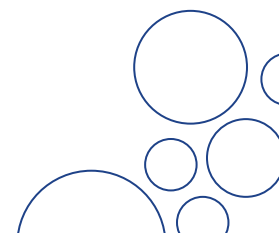
Multiple sections of the draft MSR assert that Cal Water's UWMP does not account for the effect that the expansion of its service area recently approved by the California Public Utilities Commission (CPUC) could have on future water demand.

3.1. Cal Water's UWMP accounts for the population in its existing service area boundaries as approved by the (CPUC).

The draft MSR does not indicate to which "expansion of the water service area" it is referring. The most recent change to Cal Water's service area in Oroville occurred in 2014. The request was filed with the CPUC in March of 2014 and the minor changes became effective in April 2014. There is no explanation in the draft MSR as to how it was determined that the UWMP does not account for the change to the service area boundary. This conclusion is all the more confusing since the UWMP was completed about seven years after the most recent changes to Cal Water's service area boundaries.

A side-by-side comparison of the service area map provided in the UWMP, which is the foundation of the population estimates in the UWMP, and the service area map approved by the CPUC would have resolved this issue. The areas identified as additions to the service in the 2014 map are clearly included in the service area in the map used in the UWMP. Likewise, these boundaries mirror those on the map of Cal Water's service area provided in the draft MSR.

There is no reason to conclude anything other than the UWMP does account for the population in its service area as it exists today.





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3.2. The specious conclusions about Cal Water’s UWMP not accounting for the current population of its service area should be stricken from the MSR in their entirety.

Because they are specious, the following portions of the draft MSR should be deleted in their entirety.

- **Page 1-41:** “Also, the UWMP's future projected water demand does not consider the effect that the expansion of the water service area recently approved by the CPUC could have on future water demand.”
- **Page 8-42:** “Also, the UWMP's future projected water demand does not consider the effect that expansion of the water service area recently approved by the CPUC could have on future water demand.”
- **Page 8-45:** “Also, the UWMP’s future projected water demand does not consider the effect that the expansion of the water service area recently approved by the CPUC could have on future water demand.”

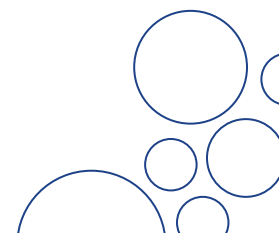
4. The draft speciously asserts that Cal Water’s UWMP concludes that projected water demand under drought conditions would exceed projected water supply in 2045.

Multiple section of the draft MSR assert that Cal Water’s UWMP shows that water demand under certain drought conditions would be 2,833 acre feet of water per year and that amount would exceed projected water supply of 2,586 acre feet of water available in 2045.

4.1. Cal Water’s UWMP explicitly states throughout that projected water supply will be sufficient to meet projected water demand under all hydrologic conditions, including drought and climate change, through the time horizon of the UWMP, 2045.

On Page 16, the UWMP states plainly that Cal Water “expects the available supplies to be sufficient to meet projected demands in all hydrologic conditions, including a five-year drought period, and considering the impacts of climate change.” The UWMP further explains on Page 16 that, “based on all available information, the combination of groundwater and purchased water supplies is expected to be sufficient to support the Oroville District’s projected water demand through 2045.”

Contrary to the assertion in the draft MSR, there are no scenarios in which the UWMP concludes that potential demand exceeds projected supply. In fact, Table 7-1 in the Urban Water Management Plan makes it clear that Cal Water available supply of water “is sufficient to meet the greatest demand projected over the planning horizon for each year type,” with the greatest demand being the 2,833 acre feet per year figure cited in the draft MSR.





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Table 7-1. Basis of Water Year Data (Reliability Assessment) (DWR Table 7-1)

Year Type	Base Year	Available Supplies if Year Type Repeats	
		...	X
		Quantification of available supplies is not compatible with this table and is provided elsewhere in the UWMP. Location	
		Quantification of available supplies is provided in this table as either volume only, percent only, or both.	
		Volume Available	% of Average Supply
Average Year	2011	2,654	
Single-Dry Year	2013	2,764	
Consecutive Dry Years 1st Year	1984	2,833	
Consecutive Dry Years 2nd Year	1985	2,833	
Consecutive Dry Years 3rd Year	1986	2,833	
Consecutive Dry Years 4th Year	1987	2,833	
Consecutive Dry Years 5th Year	1988	2,833	

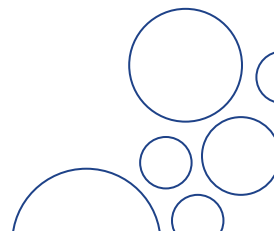
NOTES:
 (a) Volumes are in units of AF.
 (b) These values do not represent the total supply available to the District in a given year type, but rather reflect the fact that the available supply is sufficient to meet the greatest demand projected over the planning horizon for each year type.

4.2. The specious conclusion in the draft MSR is based upon a fundamental misreading of Cal Water’s UWMP.

It appears as though the MSR Author has erroneously attempted to make comparisons across tables in the UWMP that present different types of data. As was previously explained to the MSR Author, both verbally and in writing, Cal Water’s UWMP does not show excess capacity in any tables that document available supplies because of the nature of those supplies. The bulk of Cal Water’s supplies in Oroville are in the form of purchased water. This is the reason why supply and demand are always shown to be equal throughout the UWMP. Attempting to compare the demand listed in one of the tables for one year to the supply listed in another table for a different year will always result in erroneous results.

On Page 65, the UWMP explains that Cal Water has a guaranteed supply of 3,000 acre feet of water per year through contract with PG&E and 150 acre feet of water per year through contract with Butte County, for a total guaranteed capacity of 3,150 acre feet of water per year. This is referred to as Cal Water’s Total Right; it is the amount of water known to be available to Cal Water, even if it is not purchased in a given year. The Total Right of 3,150 acre feet of water per year is far in excess of the 2,833 Acre Feet per Year estimate of potential demand during multiple dry years.

In addition to these guaranteed supplies, Cal Water has the ability to request an additional 3,000 acre feet of water per year from Butte County and to pump groundwater from the Wyandotte Creek Subbasin.





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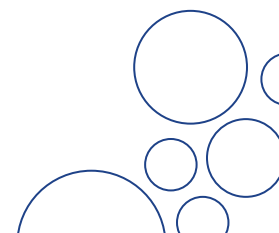
Beginning on Page 77, the Urban Water Management Plan not only makes it clear that there are sufficient supplies across all hydrologic conditions, but also that the conflation of data employed by the MSR Author will result in erroneous results.

Identification of these dry year periods consistent with the UWMP Guidebook 2020 methodology is provided below. However, **It should be noted that supply volumes in Table 7-1 do not represent, restrict, or limit the total amount of purchased water and groundwater supply that may be available to the District in a given year type, but rather reflect the fact that the combination of available purchased water and groundwater supply sources has always been sufficient to meet demands in all year types, and is projected to continue to be sufficient to meet demands in the future.** It should also be noted that the Wyandotte Creek Subbasin is not adjudicated, and the projected groundwater supply volumes are not intended to and do not determine, limit or represent Cal Water's water rights or maximum pumping volumes. Any determination of Cal Water's water rights, as an overlying owner, appropriator, municipal water purveyor or otherwise, is beyond the scope of this report and the UWMP statutes and regulations.

Figure 7-1 compares annual rainfall to the historic average (30.55 inches). The designation of Base Years for drought planning shown in Table 7-1 below comes from the data underlying this chart. The Cal Water production data record for the Oroville District begins in the year 1980; therefore, the following year type analysis uses the historical period from 1980 to 2019.

A normal hydrologic year occurred in 2001 when precipitation was approximately 0.1 percent above the historic average for the period from 1980 to 2019. The driest year occurred in 2013 when the rainfall was approximately 67 percent below average (10.09 inches). This is taken as the single dry year shown in Table 7-1. The multiple dry water years used to represent a five-consecutive year drought are 1987 through 1991. This period represents the driest five-year period on record for the historical period from 1980 to 2019, with an average precipitation of 22.89 inches per year.

As discussed in Section 7.1.1, the District's purchased water is highly reliable regardless of water year type. In case of any purchased water supply shortages, groundwater supply will be used to serve any remaining projected demand that is not met with purchased water supplies. Therefore, total supplies from both purchased water and groundwater are expected to be sufficient to meet





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projected water demands of the District under all hydrologic conditions, including in normal, single dry, and multiple dry years.

As such, **the projected “volume available” estimates presented in Table 7-1 are equal to the maximum demands across projected years and year types** shown in Table 7-2, Table 7-3, and Table 7-4. For example, the assumed volume available in a representative single dry year in Table 7-1 is equal to the projected single dry year demand for the year 2045 as shown in Table 7-3.

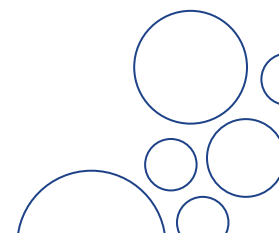
It should be noted that supply volumes in Table 7-1, Table 7-2, Table 7-3, and Table 7-4 do not represent the total amount of purchased water and groundwater supply that may be available to the District in a given year, but rather reflect the fact that the combination of available purchased water and groundwater supply sources has always been sufficient to meet demands, and is projected to continue to be sufficient to meet demands in the future. It should also be noted that the underlying Basin is not adjudicated, and the projected groundwater supply volumes do not comprise a determination of water rights or maximum allowable pumping [emphasis added].

In short, the conclusion of the UWMP is precisely the opposite of that asserted in the draft MSR.

4.3. The specious assertions about Cal Water’s UWMP concluding that projected demand may exceed projected supply should be stricken from the MSR in their entirety.

Because they are specious, the following portions of the draft MSR should be deleted in their entirety.

- **Page 1-41:** “The drought demand of 2,833 AFY exceeds the projected 2045 supply (2,586 AFY). However, Cal Water’s staff has noted that the future drought demand is projected to be less than the 3,150 AFY of “Total Right or Safe Yield.”
- **Page 8-36:** “The drought demand of 2,833 AFY exceeds projected 2045 supply (2,586 AFY) (Cal Water, 2020 UWMP, 2021). However, Cal Water’s staff has noted that the drought demand is projected to be less than the 3,150 AFY of ‘Total Right or Safe Yield.’”
- **Page 8-42:** “The drought demand of 2,833 AFY exceeds the projected 2045 supply (2,586 AFY). However, Cal Water’s staff has noted that the future drought demand is projected to be less than the 3,150 AFY of ‘Total Right or Safe Yield.’”





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If there is a desire to include a conclusion regarding Cal Water's available supply in comparison to demand, it suggests the following language:

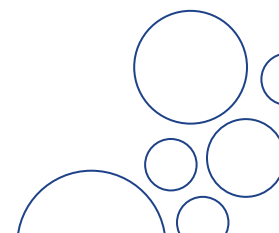
Cal Water – Oroville's projected 2045 supply of at least 3,150 Acre Feet per Year – its Total Right – is in excess of the greatest projected demand during five consecutive dry years (Cal Water, 2020 UWMP, 2021). In addition to its guaranteed supply, Cal Water – Oroville can also request to purchase an additional 3,000 Acre Feet per Year from Butte County, which serves as a back-up "source of supply which may be utilized in the event of unforeseen supply interruptions or increased demands" (Cal Water, 2020 UWMP, 2021). Cal Water also has the ability to pump groundwater as an alternative source of supply (Cal Water, 2020 UWMP, 2021). Based on this information, the Urban Water Management Plan concludes that Cal Water – Oroville's available supply of water "is sufficient to meet the greatest demand projected over the planning horizon for each year type" (Cal Water, 2020 UWMP, 2021).

5. The draft includes a confusing and misleading summary of data from Cal Water's UWMP.

On Pages 8-35 to 8-36, the draft MSR includes the following discussion of data provided in Cal Water's UWMP:

Typically, when comparing water supply to water demand, the ideal situation is to have water supply far exceed demand such that the excess supply provides a buffer that can serve in case of unforeseen events or hazards. Cal Water's UWMP and Table 8-7 on page 8-27 show that currently, in typical water years, the available water supply (2,753 AFY) matches the existing water demand (2,753) (Cal Water, 2020 UWMP, 2021). However, as previously noted, Cal Water could have the ability to purchase additional surface water supplies from Butte County (up to 3,000 AFY) or increase the pumping of groundwater. Cal Water Staff would like readers to note that the Company's "Total Right or Safe Yield" of purchased water for the District is equal to 3,150 AFY, which is the sum of its two contractual agreement volumes, 3,000 AFY from PG&E and 150 AFY from Butte County as listed in Table 8-7 above (Cal Water, 2020 UWMP, 2021).

The presentation of the information from the UWMP serves to confuse the simple conclusion of the UWMP that available supplies in Oroville will be "sufficient to meet projected demands in all hydrologic conditions, including a five-year drought period, and considering the impacts of climate change."





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5.1. The discussion of Cal Water’s supply and demand is based upon a fundamental misreading of Cal Water’s UWMP.

As was discussed previously, the MSR Author is making erroneous comparisons between different tables in the UWMP. Across the supply and demand tables in the UWMP, the available supply always equals the maximum demand across projected years and year types because there is always sufficient supply available, and the same would be true if demand were higher.

5.2. The confusing and misleading language in the draft MSR should be redrafted.

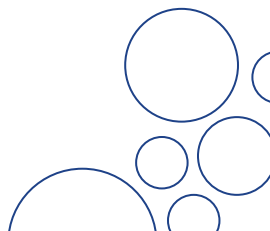
So that policymakers and the public alike are provided with a clear understanding of what is actually presented in Cal Water’s UWMP, it recommends that identified language on Pages 8-35 to 8-36 of the draft MSR be redrafted:

Typically, when comparing water supply to water demand, available water supplies should exceed projected demand such that the additional supply provides a buffer in case of unforeseen events or hazards. Cal Water – Oroville’s Urban Water Management Plan explains that it has a guaranteed supply of 3,000 Acre Feet per Year through contract with PG&E and 150 Acre Feet per Year through contract with Butte County, for a total guaranteed capacity of 3,150 Acre Feet per Year (Cal Water, 2020 UWMP, 2021). This figure is referred to as the Total Right, or the total amount of water that will be available across projected years and year types (Cal Water, 2020 UWMP, 2021).

In addition to the Total Right of 3,150 Acre Feet per Year, Cal Water – Oroville can draw groundwater from the Wyandotte Creek Subbasin, which is not adjudicated. Between 2016 and 2020, Cal Water – Oroville pumped anywhere from 5 to 432 Acre Feet per Year from the basin (Cal Water, 2020 UWMP, 2021). Cal Water also has the ability to request and purchase an additional 3,000 Acre Feet per Year from Butte County (Cal Water, 2020 UWMP, 2021).

Additionally, the draft MSR includes the following recommendation on page 8-45: “It is recommended that the next MSR or SOI update prepared by LAFCO for Cal Water study this issue of projected future water demand for the Cal Water Oroville service area in more detail, given the data gaps identified in this paragraph.”

Because there are not any data gaps in the UWMP, the language stating there are data gaps should be stricken from the draft MSR as it is erroneous.





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6. The Determination on item CWS-PUB-1 relies on specious information from the draft MSR and should be revised to include accurate information.

On Page 8-42, the draft MSR includes a Determination regarding item CWS-PUB-1. The bulk of the Determination is based upon specious information from the draft MSR about Cal Water's UWMP that has been addressed herein. As such, Cal Water recommends that the following language for the Determination to ensure that it is based on accurate information:

Regarding water quality, Cal Water – Oroville meets current and state and federal requirements. Cal Water – Oroville submits regular reports to the State Water Resources Control Board and California Public Utilities Commission.

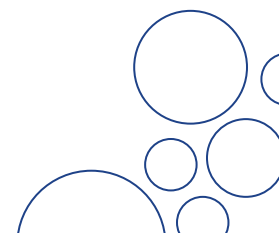
In 2021, Cal Water – Oroville prepared a robust Urban Water Management Plan that provides a comprehensive analysis of long-term water supply and demand characteristics. The Urban Water Management Plan concludes that, taking into account historical water use trends, expected increases to population in the service area, climate change, and other factors, water demand of Cal Water's customers in Oroville is expected to decrease from 2,654 AFY in 2025 to 2,586 AFY by 2045. During dry period, water demand is projected to be higher, potentially up to 2,833 AFY during an extended five-year drought.

Regarding water supply, the Urban Water Management Plan shows that Cal Water – Oroville has a total guaranteed supply of 3,150 AFY, which includes 3,000 AFY through contract with PG&E and 150 AFY through contract with Butte County. Cal Water – Oroville also has the ability to request and purchase an additional 3,000 AFY from Butte County and to pump groundwater from the Wyandotte Creek Subbasin. The Urban Water Management Plan concludes that Cal Water – Oroville expects available supplies to be sufficient to meet projected demands in all hydrologic conditions, including a five-year drought period, and consideration the impacts of climate change.

7. The draft includes misleading statements regarding the potential overlap and discrepancies between the service area boundaries of the three water suppliers reviewed in the MSR.

The draft MSR includes a fair amount of discussion about the potential overlap and discrepancies in the service area boundaries of the three water suppliers.

While Cal Water agrees that these issues should be further investigated, some of the statements included in the draft MSR are misleading. For example, on page 6-6, the draft MSR states





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conclusively that Cal Water has “extended its service area into a small portion of the northeast corner of” South Feather’s service area. Far more than lines on a map, these are legal issues that definitive statements should not be made about in the draft MSR.

It is not at all clear which, if any, of the providers have expanded their service area boundaries into those of their counterparts. For example, a comparison of the maps of South Feather’s service area boundaries from the 2006 MSR and draft MSR appears to show that South Feather has expanded its service area into Cal Water’s



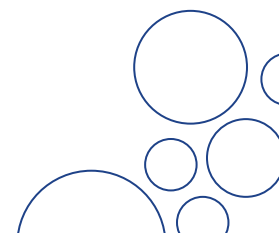
Figure 2 - Taken from Figure 1-2 of the Draft 2023 MSR



Figure 1 - Figure 2.11-1 from the 2006 MSR

It is not clear, based on the information provided, if the issue is merely the accuracy of maps, actual overlap between the service areas, or something in-between related to the location of the service connection on a particular property. For example, some properties may straddle the service areas and the ultimate decision of which utility serves the property would depend, at least in part, upon the location of the closest point of connection to existing water distribution facilities. Regardless, Cal Water reiterates that it is not aware of any actual overlap between the service areas disputes that it has encroached upon the service area boundaries of the other utilities.

Additional research is warranted as the issue could amount to nothing more than inaccurate maps from any of the water suppliers.





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8. The draft speciously asserts that Cal Water did not provide updated GIS data to the MSR Author. The draft MSR itself contradicts this assertion.

On Page 1-7, the draft MSR states, “Acreage of [Cal Water’s] boundary is estimated because updated GIS data was not provided to the MSR Author.” Similarly, on Page 1-9, the draft MSR states, “GIS data was not available for Cal-Water – Oroville, so it is not included in Table 1-4.”

The draft MSR itself contradicts these assertions as it concedes that Cal Water did provide GIS data to the MSR Author. On page 1-41, the draft states, “based on new GIS data provided by Cal Water, there seems to be one unincorporated area that could qualify as a DUC within the Cal Water Oroville Service Area.”

Cal Water provided GIS data after it was first contacted by the MSR Author and LAFCo regarding the MSR. Unfortunately, this meeting did not happen until nearly 2 years after the other suppliers had been interviewed for the project. No request for GIS data – or any data for that matter – was made prior to the January meeting with the MSR Author and LAFCo.

The language on Page 1-7 of the draft MSR should be revised as follows:

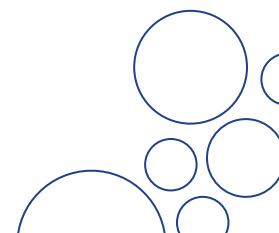
Acreage of Cal Water – Oroville’s boundary is estimated because a request for updated GIS data was not made of Cal Water with sufficient time to allow for a more exact analysis.

The language on Page 1-9 of the draft MSR should be revised as follows:

GIS data for Cal Water – Oroville is not included in Table 1-4 because a request for updated GIS data was not made of Cal Water with sufficient time for its inclusion.

9. The draft incorrectly and misleadingly asserts that Cal Water’s meetings are not broadcast over the internet.

The table on Page 1-12 of the draft MSR indicates that Cal Water’s meetings are not “broadcast via the internet” and includes a note that states “Cal Water’s Board of Directors guide this private company. Meetings of its Board of Directors are not required to issue a public notice and are not regularly broadcast over the internet.”





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9.1. Cal Water meetings, including those of its leadership, are broadcast over the internet.

Cal Water is a subsidiary of California Water Service Group, which is governed by its Board of Directors. The leadership of California Water Service Group holds quarterly meetings that are broadcast on the internet and announced on its website. Likewise, California Water Service Group's annual meeting is broadcast on the internet and announced on its website. Additional information about these meetings can be found online at <https://bit.ly/3N1NkHN>.

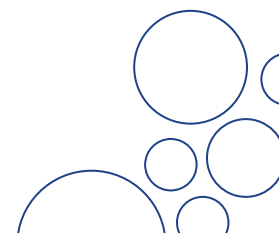
Additionally, as discussed on Page 8-12 of the draft, Cal Water and the California Public Utilities Commission both regularly hold community meetings that are also broadcast over the internet. For example, Cal Water held meetings online to inform customers on its drought response efforts. Information about these meetings is available on Cal Water's website at <https://bit.ly/43qeSf2>.

9.2. The equivalent to the boards of the other service providers is not Cal Water's Board of Directors, but rather the California Public Utilities Commission.

The question that this portion of the MSR is designed to address is whether the public has the ability to monitor and participate in the meetings of the government bodies at which decisions about their service are made. In the case of drinking water utilities, the issues of primary importance relate to water rates, infrastructure investments, and water quality.

For the government-owned service providers addressed in the MSR, decisions on these important subjects are made by their respective governing boards. In Cal Water's case, these decisions are not made by Cal Water or California Water Service Group's Board of Directors, but rather by the California Public Utilities Commission (CPUC). In much the way that the general managers of the government-owned utilities are not empowered to unilaterally do things like change water rates as those powers are reserved for their governing boards, neither are Cal Water's leadership team or California Water Service Group's Board of Directors. In Cal Water's case, the California Constitution reserves those powers for the CPUC.

The CPUC holds voting meetings every third Thursday. It is at these meetings that decisions are made regarding the service Cal Water provides to the residents of Oroville. The CPUC's meeting schedule and participation information is available on the CPUC's website at <https://www.cpuc.ca.gov/about-cpuc/transparency-and-reporting/cpuc-voting-meetings>. Through July of 2023, all the CPUC's meetings are being held remotely. After July, meetings will allow for both in-person and remote participation.





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Additionally, the CPUC holds meetings online to inform customers about its most recent review of Cal Water’s rates, operations, and proposed infrastructure improvements. Information about these meetings is available on the CPUC’s website at <https://www.cpuc.ca.gov/events-and-meetings/public-forum-on-cal-water-grc-a2107002-04-04-2022>.

9.3. By burying information about the CPUC’s meetings in a footnote and neglecting its governance of Cal Water, the draft MSR hides important information from the public and hinders their ability to participate in those decisions that affect their service from Cal Water.

The majority of decisions that affect Cal Water’s customers in Oroville – especially those that relate to water rates and infrastructure improvements – are made by the CPUC. In order to actively participate in those decisions, the public needs to have an understanding of how the CPUC governs Cal Water and be provided with information about participation in CPUC meetings. The draft MSR, however, obscures these facts by only discussing when and how California Water Service Group’s Board of Directors meets. The draft MSR keeps the public in the dark and hinders their ability to actively participate in those decisions that affect water service in Oroville.

10. The draft makes a specious and unfounded assertion that limited information about Cal Water is readily available to the public.

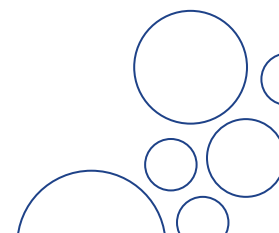
There are several instances in which the draft MSR blithely asserts that limited information – including financial data – regarding Cal Water is available to the public.

10.1. The draft MSR does not include any examples of information or data that is available for other service providers but not Cal Water.

In order to conclude that limited information about Cal Water is available to the public, one would assume that the draft MSR includes a comprehensive analysis of information the MSR Author expected to be available to the public and whether such information about Cal Water is available. The draft MSR, however, contains no such analysis. In fact, it does not provide a single example of information that is not available to the public about Cal Water. As presented, the assertion in the draft MSR is unfounded and misleading.

10.2. The draft MSR itself contradicts the assertion as it includes multiple examples of the voluminous information about Cal Water that is available to the public.

On Pages 8-9 through 8-14, the draft MSR highlights the voluminous information available to the public about Cal Water. This information ranges from resources on Cal Water’s website about





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the conservation programs it offers to customers in Oroville to documentation about the CPUC's most recent – and ongoing – review of Cal Water's rates, operations, and proposed infrastructure improvements. Additionally, on Pages 1-42 and 8-13, the draft MSR explains that the CPUC's General Order 104-A requires public utilities under its jurisdiction, like Cal Water, to file annual reports of their operations; that these annual reports are similar to those provided by the other service providers reviewed by the MSR; and that these reports are publicly available on the California Public Utilities Commission's website.

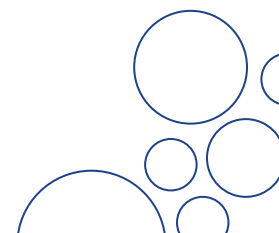
10.3. The specious and unfounded assertions regarding the availability of information about Cal Water should be stricken from the MSR in their entirety.

Because they are specious and unfounded, the following portions of the draft MSR should be deleted in their entirety.

- **Page 1-12:** "Limited financial information is available for Cal Water Oroville as described in Chapter 8."
- **Page 1-40:** "Limited information regarding the Company is readily available to members of the public."
- **Page 8-15:** "Limited information regarding the Company is readily available to members of the public."

11. Table 1.5 in the draft should be redrafted as it contains erroneous and misleading information.

Table 1.5 in the draft MSR presents information about "Accountability" for the service providers that are the subject of the MSR. As addressed in the prior two comments, the table includes erroneous and misleading information. The table should be revised to ensure that it contains only accurate information. Cal Water recommends the following language:





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	COOR	CWS	LOAPUD	SC-OR	SFWPA	TWSD
Direct Service Provider?	Yes	Yes	Yes	No	Yes	Yes
Broadcast meetings via internet?	Yes	Yes*	Yes	Yes	Yes	Yes
Discloses Annual Financial Statements?	Yes	Yes**	Yes	Yes	Yes	Yes

*Note: Cal Water – Oroville is regulated by the California Public Utilities Commission, which serves a similar role as the boards of the other service providers. Meetings of the California Public Utilities Commission are broadcast via the internet. The public may participate in the meetings by phone (1-800-857-1917; 9899501#) or webcast (<http://www.adminmonitor.com/ca/cpuc>). Cal Water is a subsidiary of California Water Service Group, which is overseen by a Board of Directors. The company’s annual meeting is broadcast via the internet, as area quarterly presentations of its leadership team.

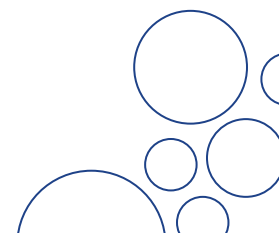
**Note: As a utility regulated by the California Public Utilities Commission, Cal Water – Oroville is required to submit annual reports to the California Public Utilities Commission, whereas the other service providers submit annual reports to the California State Controller.

12. The draft recommends that Cal Water duplicate research and analysis that has already been completed.

On Page 1-33, the draft MSR recommends that Cal Water and South Feather “cooperatively evaluate their service capabilities, service demands, and water rates to determine if any cooperative agreement would be beneficial to current customers.”

In 2017, Cal Water transmitted to LAFCo an analysis completed by Yarne & Associates regarding the feasibility of Cal Water supplanting its existing supply sources with water provided by South Feather. The analysis concluded that there is currently no means by which sufficient amounts of treated water could be transferred from South Feather’s system to Cal Water’s. In turn, such a cooperative endeavor would necessitate the construction of tens of millions of dollars of new infrastructure, substantially increasing rates for Cal Water’s customers.

Given the prior research on this topic, Cal Water suggests that the recommendation on page 1-33 either be stricken from the draft MSR in its entirety or revised to account for the findings of already completed research.





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13. The draft makes a specious and misleading conclusion that there are no meeting schedules or locations for Cal Water.

On Pages 1-40 and 8-2, the draft MSR includes an overview of Cal Water's operations in Oroville. In both instances, the draft MSR indicates that Cal Water does not have a meeting schedule or location.

As previously discussed, for Cal Water, the equivalent of the governing boards of the other suppliers reviewed by the MSR is the CPUC. The CPUC governs Cal Water. The failure to include information about the meeting schedule and location of the CPUC's meetings withholds from the public information that is needed to enable their participation in decisions that affect their water service.

Cal Water recommends that the language on Pages 1-40 and 8-2 be revised as follows.

Meeting Schedule: The CPUC, which governs Cal Water, meets every third Thursday.

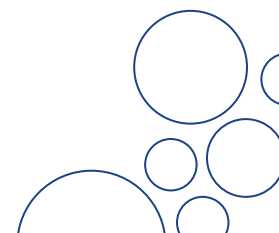
Meeting Location: CPUC meetings are conducted remotely. The public may participate by phone (1-800-857-1917; 9899501#) or webcast (<http://www.adminmonitor.com/ca/cpuc>).

14. The draft inaccurately asserts that there are fewer opportunities for the public to participate in CPUC meetings and proceedings than there are for the other providers.

In several instances, the draft MSR asserts that Cal Water's customers do not have as many opportunities to participate in CPUC meetings as do the customers of the other service providers reviewed by the MSR. The draft MSR bases this assertion on two factors: meetings of the CPUC are not held locally; and the CPUC holds fewer meetings than the other service providers.

14.1. No evidence is provided that supports the assertion that it is more difficult to participate in CPUC meetings.

The draft MSR concludes that providing in-person testimony to the CPUC may be difficult for some residents of Oroville because its meetings are not always held locally. This conclusion, however, is premised on the notion that there is an inherent value to providing in-person testimony instead of remote testimony, which is offered for every CPUC meeting. The draft MSR does not, however, provide any support for this premise. Additionally, the fact that the CPUC allows for complete remote participation means that it provides those who are unable to travel to any public meetings – regardless of their relative distance from Oroville – greater than





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those providers who do not any offer any remote options or only allow individuals to monitor but not participate in meetings remotely.

Additionally, the underlying assumption of the assertion in the draft MSR is that there is some group of individuals who have wanted to participate in CPUC proceedings but have not been able to because of the distance of a particular meeting from Oroville. No evidence, however, is presented to support this assumption.

Without more, the draft's assertion is unsubstantiated and it should not serve as the foundation of determinations in the MSR.

14.2. The CPUC holds more frequent meetings than nearly every other provider reviewed in the draft MSR.

The draft MSR makes the unevicenced assertion that the CPUC meets less frequently than the other providers reviewed in the MSR. This is a point that can be easily verified.

As discussed, the CPUC holds voting meetings every third Thursday. In 2022, the CPUC held 19 voting meetings. Other than the City of Oroville, the CPUC met more frequently than did any of the other providers addressed in the MSR.

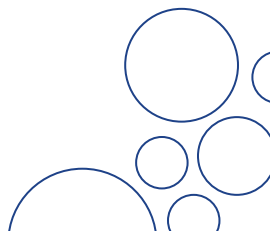
- The board of South Feather held 14 meetings.
- The board of Thermalito held 12 meetings.
- The board of the Sewerage Commission - Oroville Region held 13 meetings.
- The board of the Lake Oroville Area Public Utility District held 14 meetings.

Far from meeting less frequently, the CPUC actually held 35% more meetings at which the public could participate than the other service providers in the MSR.

14.3. The CPUC offers more opportunities for meaningful public participation.

The ability to participate in meetings is important and criteria worthy of evaluation. However, all public participation is not necessarily created equal. If one is merely given a few moments to state their objection to a pending government decision, that person's participation is less impactful and meaningful than someone who is able to help shape the decision under consideration.

In a 2017 letter to LAFCo, the California Water Association explained how the CPUC's process allows for far more meaningful public participation than do government-owned utilities:





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In contrast to the proceedings of government-owned water utilities, individual customers of Cal Water have the opportunity for significant involvement and representation in order to influence the rate-setting process. An individual can become a party to the rate-setting proceedings of Cal Water and affect the outcome. In fact, the CPUC intervenor compensation program awards compensation for fees and costs of participation to qualified intervenors representing residential or small commercial utility customers who demonstrate that they have made a substantial contribution to the proceeding in which they participated.

By comparison, the ability for individuals to meaningfully change the outcome in the ratesetting process for government-owned water utilities is limited. For example, the customers of most government-owned utilities are relegated to a passive role throughout most of the process as they are only able to act on the final rate proposal that is prepared by the governing body. In contrast, customers of water utilities regulated by the Commission who become official parties to a rate-setting proceeding are able to prepare their own rate proposals and have them considered and evaluated as part of the rate-setting process.

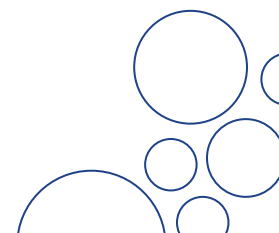
Similarly, the customers of most government-owned utilities are often limited to a few minutes during a rate-setting hearing to provide their opinion to the utility's governing body. In contrast, the customers of utilities regulated by the Commission who become official parties to a rate-setting proceeding are able to present testimony and evidence, and even cross-examine witnesses during evidentiary hearings.

In short, the quality of public participation matters just as much as the ability to participate. The draft MSR should have addressed this important point of differentiation and addressed the benefits the CPUC provides to Cal Water's customers.

14.4. The inaccurate assertions regarding the ability of the public to participate in CPUC proceedings should be stricken from the MSR in their entirety.

Because they are inaccurate, misleading, and unsubstantiated by the presented evidence, the following portions of the draft MSR should be stricken in their entirety:

- **Page 1-40:** "However, those opportunities are somewhat more limited and geographically separated as compared to local special districts."





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- **Page 1-40:** “Providing in-person public testimony to regulators may be difficult for Oroville residents due to driving distances and the reduced frequency of meetings compared to local special districts.”
- **Page 8-15:** “Providing in-person public testimony to regulators may be difficult for Oroville residents due to driving distances and the reduced frequency of meetings compared to local special districts.”

Additionally, in Table 8-1, the Determination for item CWS-Acc-3 on Page 8-15 should be revised so that it more accurately reflects the ability of Cal Water’s customers to participate in the CPUC process. Cal Water recommends the following language:

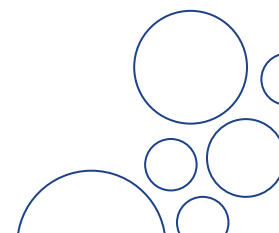
Cal Water - Oroville is governed by the California Public Utility Commission (CPUC), which regularly holds public meetings in Sacramento and San Francisco, as well as other locations in California, including one recent meeting in Chico. The public can participate in CPUC meetings remotely, via phone or web conference. During rate-setting proceedings, local public participation hearings are also held. Participation for those preferring to provide in-person public testimony may be somewhat more difficult due to driving distances to CPUC meetings that do not take place in Oroville. Opportunities to participate for those joining remotely are actually greater than they are for customers of the other local service providers as the CPUC holds more frequent meetings than they do.

15. The draft’s overview of accountability issues for Cal Water should be redrafted because it contains misleading statements and inaccuracies.

On Page 1-40, the draft MSR includes a section labeled “Accountability for Community Service Needs, Including Government Structure and Operational Efficiencies.” The text found in this section repeats the many of the misleading and inaccurate assertions previously addressed.

Cal Water recommends that the section be redrafted as follows to ensure that it accurately reflects Cal Water’s governance structure:

Cal Water – Oroville is governed by the California Public Utilities Commission, which serves a similar role as the boards of the other service providers. Article XII Section 6 of the California Constitution grants the California Public Utilities Commission with the authority to “fix rates, establish rules, examine records, issue subpoenas, administer oaths, take testimony, punish for contempt, and prescribe a uniform system of accounts for all public utilities subject to its jurisdiction.” Whereas the decisions that most affect the customers of the





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other suppliers are made by their governing boards, the decisions that most affect Cal Water’s customers in Oroville are made by the California Public Utilities Commission.

The meetings of the California Public Utilities Commission are governed by the Bagley Keene Act, the state-level equivalent of the Brown Act, and allow for public participation. In 2022, the California Public Utilities Commission held 22 meetings and remote public participation was available via phone or webcast at each. In addition to its regularly scheduled voting meetings, the California Public Utilities Commission also holds public meetings during rate-setting proceedings. For example, as part of the California Public Utilities Commission current review of Cal Water’s rates, the Public Participation Hearings were held at which customers from Oroville were invited to provide comment and testimony on Cal Water’s proposed rates and Infrastructure Improvement Plan.

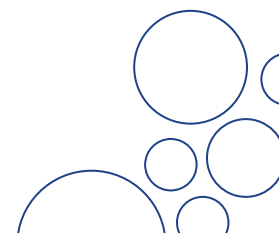
Cal Water – Oroville is one of several Cal Water service areas in the state. Cal Water is a subsidiary of California Water Service Group, a publicly traded company with a board of directors elected by the company’s shareholders. As a private company, Cal Water – Oroville is subject to different laws and regulations than the other government-owned service providers. The laws and regulations to which Cal Water – Oroville is subject allow opportunities for public involvement, oversight, and accountability. Cal Water – Oroville does maintain a website at <https://www.calwater.com/> and maintains an active presence on Facebook, Twitter, Instagram, and LinkedIn.

The number of employees (seven) is appropriate given the operation and size of Cal Water – Oroville.

16. The draft should be revised to appropriately cite the statutory requirement that the CPUC review Cal Water’s rates, operations, and proposed infrastructure improvements every three years.

On Page 1-42, the draft MSR states that, “Cal Water Oroville’s staff indicate that they file an infrastructure improvement plan every three years with the CPUC.”

While it is true that Cal Water made this statement, it is not simply an assertion. Rather, section 455.2 (c) of the California Public Utilities Code mandates that the California Public Utilities Commission “establish a schedule to require every water corporation subject to the rate case plan for water corporations to file an application pursuant to the plan every three years.”





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Cal Water recommends that the sentence be revised as follows:

Section 455.2 (c) of the California Public Utilities Code mandates that the California Public Utilities Commission “establish a schedule to require every water corporation subject to the rate case plan for water corporations to file an application pursuant to the plan every three years.”

17. The draft misstates Cal Water’s organizational structure.

In several instances, the draft MSR misstates the organization of California Water Service Group and Cal Water. The draft MSR states that California Water Service Group is a subsidiary of Cal Water. Cal Water is actually a subsidiary of California Water Service Group.

The language found on Page 1-42 of the draft MSR should be revised as follows:

Pursuant to federal securities laws, California Water Service Group, of which Cal Water is a subsidiary, prepares and submits comprehensive annual financial reports. These reports are publicly available on the organization’s website at: <https://ir.calwatergroup.com/financial-reports/annualreports>.

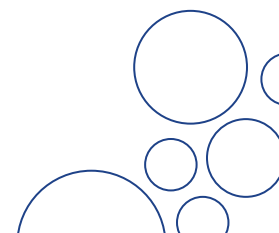
The language found on Page 8-50 of the draft MSR should be revised as follows:

Pursuant to federal securities laws, California Water Service Group, of which Cal Water is a subsidiary, prepares and submits comprehensive annual financial reports.

18. The draft includes a superfluous and misleading statement regarding Cal Water’s obligations to the local community.

On Page 7-94, which happens to be the chapter of the MSR relating to Thermalito, the draft MSR states that, “The Cal Water Company is a private company and is not obligated to improve the local economic conditions.”

The inclusion of this sentence is superfluous and misleading. The sentence randomly appears in the section of the draft MSR relating to water affordability for Thermalito customers. Regardless, the statement incorrectly implies that the other service providers are under some statutory mandate to improve local economic condition. Cal Water is not aware of any such statutory mandate that is unique to those providers, and if such a statutory mandate does exist, it should be specifically cited and referenced by the MSR.





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Because it is superfluous and misleading, the language should be stricken from the draft MSR in its entirety.

19. The draft should be revised to appropriately cite the portions of the California Constitution and Public Utilities Code that define Cal Water as a public utility.

The footnote on Page 8-3 of the draft MSR states that, “CalWater’s J. Skarb notes that Article 12, Section 3 of the California Constitution and Section 216(a) of the Public Utilities Code identifies Cal Water as a public utility.”

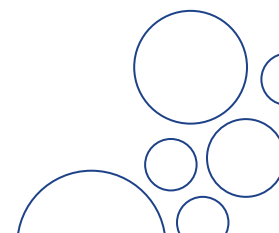
While this was a statement that was made to LAFCo and the MSR Author, the MSR should not present this as a mere assertion. Article 12, Section 3 of the California Constitution states, “Private corporations and persons that own, operate, control, or manage a line, plant, or system for . . . the production, generation, transmission, or furnishing of . . . water . . . directly or indirectly to or for the public . . . are public utilities subject to control by the Legislature.” Section 216(a)(1) of the Public Utilities Code defines the term “public utility” as “every . . . water corporation . . . where the service is performed for, or the commodity is delivered to, the public or any portion thereof.”

The language on Page 8-3 of the draft MSR should be revised as follows:

Cal Water is identified as a public utility by the California Constitution and California Public Utilities Code. Article 12, Section 3 of the California Constitution declares that “Private corporations and persons that own, operate, control, or manage a line, plant, or system for . . . the production, generation, transmission, or furnishing of . . . water . . . directly or indirectly to or for the public . . . are public utilities subject to control by the Legislature.” Section 216(a)(1) of the California Public Utilities Code defines the term “public utility” to include “every . . . water corporation . . . where the service is performed for, or the commodity is delivered to, the public or any portion thereof.”

20. The draft erroneously implies that the CPUC recently approved a change to Cal Water’s service area boundaries.

On Page 8-4, the draft MSR states, “The service area’s most recently approved CPUC service area boundaries are shown in Figure 8-1. This new Service Area for Cal Water Oroville encompasses 3,463 acres.” Additionally, the header on Figure 8-1 on page 8-5 states that the CPUC approved the service area boundaries in 2022.





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These statements are inaccurate and misleading as the most recent change to Cal Water's service area boundaries in Oroville was approved by the CPUC in 2014. This is the service area depicted in the map shown in Figure 8-1. In fact, the map itself clearly states that it was updated in March of 2014.

Because the most recent change to the service area boundaries was approved in 2014, the language on page 8-4 should be revised as follows:

The current service area boundaries were approved by the CPUC in 2014 and are shown in Figure 8-1. The Service Area for Cal Water – Oroville encompasses 3,463 acres and covers approximately 39 percent of the City of Oroville boundaries.

Additionally, the header on the Figure 8-1 should be revised as follows:

Cal Water – Oroville – Service Area Boundary Approved by CPUC (2014)

21. The draft erroneously implies that LAFCo has the authority to set, expand, and limit Cal Water's service area boundaries.

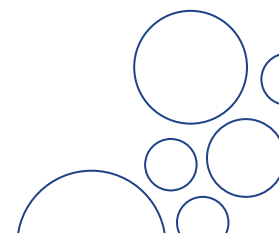
On Page 8-4, the draft MSR states that, "LAFCo's designated boundary and SOI depicted in 2006 are congruent, indicating that LAFCo did not intend to expand the service area." Asserting that LAFCo did not intend to expand Cal Water's service area boundaries incorrectly implies that LAFCo has the authority to expand, reduce, limit, or otherwise regulate the contours of the service area. While LAFCo certainly is able to express its thoughts on the service area of any public utility, the authority to establish those boundaries are reserved for the CPUC, as the draft itself states in the immediately preceding paragraph on page 8-4.

Because it implies LAFCo has powers which it does not actually possess, this line should be stricken.

22. The draft incorrectly states that Cal Water's supply contracts in Oroville are also for its service area in Chico.

On Page 8-9, the draft MSR states that, "Cal Water has two water purchase agreements to support its operations in Oroville and nearby Chico (Chico is outside the existing service area)."

This statement is inaccurate. Cal Water does have two water purchase agreements to support its operations in Oroville, but these are unrelated to its water system in Chico.





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Cal Water recommends that the sentence be revised as follows:

Cal Water has two water purchase agreements to support its operations in Oroville.

23. The draft includes a confusing statement about the CPUC's rate-setting process.

On Page 8-10, the draft MSR states that, "In order to adjust its rates, Cal Water - Oroville's conservation programs and expenditures are part of the General Rate Case proceeding."

This appears to be a drafting error as the sentence is awkwardly constructed, resulting in backwards representation of the intent/cause of the ratemaking process and the results of the ratemaking process.

Cal Water recommends that this language be revised as follows:

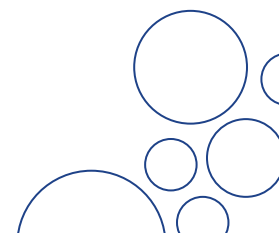
Cal Water must prove that its expenses, operations, and proposed infrastructure improvement projects are just and reasonable. Cal Water – Oroville's conservation programs and expenditures are reviewed as part of the General Rate Case proceeding so that the California Public Utilities Commission can adjust rates as necessary if it finds that proposed conservation programs and expenses are just and reasonable.

24. The draft includes a lengthy discussion about Cal Water's leadership that is both inaccurate and misleading.

In Section 8.3.2, the draft includes a lengthy discussion about Cal Water's leadership and California Water Service Group's Board of Directors. As previously discussed, the draft MSR's focus on the Board of Directors of California Water Service Group is misleading as it leaves the reader believing that the Board of Directors is empowered in the same way as the boards of the other service providers considered in the MSR. In reality, the equivalent of the boards of the other service providers is the CPUC, as governs Cal Water and is alone is empowered to set the rates and establish the budgets of utilities like Cal Water.

The draft also incorrectly asserts that laws such as the Political Reform Act do not apply to California Water Service Group's Board of Directors. This assertion is patently false.

So that the public is armed with the most pertinent and accurate information, Cal Water recommends that Section 8.2.2 be revised as follows:





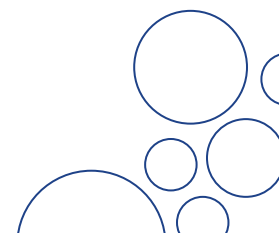
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While Cal Water – Oroville is principally governed by the California Public Utilities Commission, which serves a similar function as the boards of other local service providers, it operates under its parent company, California Water Service Group. California Water Service Group is the third-largest publicly traded water utility in the United States, and its corporate stock is traded on the New York Stock Exchange (NYSE:CWT). California Water Service provides high-quality water and wastewater services to over two million people in over 100 communities. The parent company, the California Water Service Group, is overseen by a 12-member Board of Directors whom company stockholders elect. The current Board of Directors members and their term start date are listed below.

- Gregory E. Aliff, Director Since 2015
- Terry P. Bayer, Director Since March 2014
- Shelly M. Esque, Director Since June 2018
- Martin A. Kropelnicki, Director Since 2013
- Thomas M. Krummel, Director Since 2010
- Richard P. Magnuson, Director Since 1996
- Yvonne (Bonnie) A. Maldonado, Director Since 2021
- Scott L. Morris, Director Since 2019
- Peter C. Nelson, Director Since 1996
- Carol M. Pottenger, Director Since 2017
- Lester A. Snow, Director Since March 2011
- Patricia K. Wagner, Director Since 2019

Readers are invited to learn more about each Corporate Board of Directors member on the company's website at: <https://www.calwatergroup.com/about-us/>. This website also allows one to sign up for email alerts and to review investor relations materials.

In the same way that the other local service providers are not subject to regulation by the California Public Utilities Commission, as a private company, Cal Water – Oroville and its parent company, California Water Service Group, are not always subject to the same laws and regulations as government entities. For example, Cal Water – Oroville is not subject to the Brown Act, which establishes various requirements for and limitations on public meetings of local government bodies. Likewise, Cal Water is not subject to Assembly Bill 1234 (Salinas, 2005), which requires local government agencies to provide ethics training to the members of their legislative body.





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That said, Cal Water – Oroville and California Water Service Group are subject to a number of state and federal laws that are not applicable to the other local service providers. Several of the more important rules and regulations that guide Cal Water – Oroville and California Water Service Group are summarized in the next section, “Accountability and Transparency.”

Additionally, the company’s Board of Directors has adopted governance policies that regulate how the company operates. These policies can be reviewed on the company’s website at:

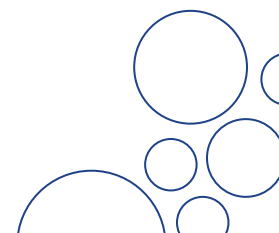
<<https://www.calwatergroup.com/investors/corporate-governance/governance-documents>> The policies include a Business Code of Conduct, a Code of Business Conduct and Ethics Policy of the Board of Directors, and more general Corporate Governance Guidelines.

As a private company, California Water Service Group’s Board of Directors is not required to hold regularly scheduled public meetings in the same way that local government bodies do. The company’s adopted Bylaws do establish the cadence and requirements of its meetings. The Bylaws can be found on the company’s website at: < <https://www.calwatergroup.com/investors/corporate-governance/governance-documents>>.

Because Cal Water – Oroville and California Water Service Group are not government agencies, payments and stipends to the company’s Board of Directors are not reported to the state’s Controller for publication on websites such as publicpay.ca.gov. Instead, payments and stipends to the company’s Board of Directors are reported to the Securities and Exchange Commission and are annually disclosed in its Proxy Statement filed pursuant to Section 14(a) of the Security and Exchange Act of 1934. California Water Service Group’s most recent Proxy Statement can be found here: <<https://www.calwatergroup.com/investors/financials-filings-reports/annual-reports-proxies>>.

Whereas the board members of local government agencies are bound by the limitations on the receipt of political contributions established in California’s Political Reform Act, the company’s Board of Directors, along with the company itself, is subject to the Political Reform Act’s limitations on the provision of political contributions and lobbying.

25. The draft includes outdated and unsubstantiated information from LAFCO’s 2006 MSR.





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On Page 8-11, the draft MSR includes a box quote from LAFCO's 2006 MSR relating to rates and the proximity of Cal Water's service area to those of the other providers.

It is unclear why the draft relies upon a document that is nearly two decades old as the basis for any conclusions in the present MSR. Regardless, the claims made in this section – that inefficiencies exist because the facilities of Cal Water, South Feather, and Thermalito are in close proximity to each other – is not supported by any evidence. The facilities of service providers with abutting service areas are always in close proximity to each other, but this is not itself evidence of any inefficiencies.

In fact, one could just as easily draw the opposite conclusion: that the proximity of the facilities is beneficial to the customers of each service provider. The closeness of those facilities is precisely what has allowed Cal Water and Thermalito to construct an emergency intertie between the two water systems. If the systems were not in such close proximity to each other, such an intertie would likely be prohibitively expensive.

Because the information from the 2006 MSR is outdated and unsubstantiated, this section should be stricken in its entirety.

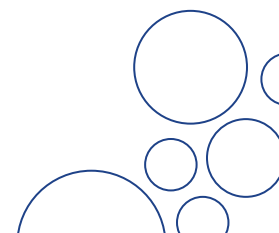
26. The Determination on Item CWS-Acc-1 relies upon specious and misleading information from the draft MSR and should be revised to include accurate information.

On Page 8-15, the Determination for item CWS-Acc-1 repeats a number of assertions that have previously been discussed, including:

- "As a private company, California Water Service Does not have a government structure."
- "Limited information regarding the company is readily available to members of the public."
- "LAFCO's 2006 MSR determined that consideration should be given to resolving inefficiencies in service provision in relation to SFWPA and TID [TWSD] and this determination remains valid."
- "However, those opportunities are somewhat more limited and geographically separated as compared to local special districts."

Each claim has already been addressed herein. A summary of the issues with each is provided below:

- That Cal Water operates withing a governance structure that is different than those of the other providers is not the same as Cal Water not having a government structure.





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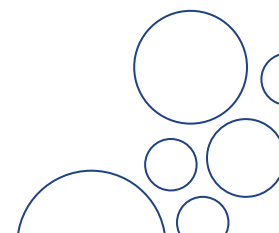
- The draft MSR highlights that voluminous information is available to the public regarding Cal Water and there is no evidence provided that some information is not available.
- The discussion about inefficiencies between the three water service providers is not only outdated, but also unsubstantiated. As discussed, the exact opposite conclusion could be drawn from the same set of facts discussed in the 2006 MSR.
- The opportunities for Cal Water’s customers in Oroville to meaningfully participate in proceedings that will affect their service are greater than they are for the other service providers.

To ensure that accurate information is presented to the public, Cal Water recommends that this Determination be redrafted as follows:

Cal Water – Oroville is governed by the California Public Utilities Commission, which serves a similar role as the boards of the other service providers. Whereas the decisions that most affect the customers of the other suppliers are made by their governing boards, the decisions that most affect Cal Water’s customers in Oroville are made by the California Public Utilities Commission.

The laws and regulations to which Cal Water – Oroville is subject allow opportunities for public involvement, oversight, and accountability. While the meetings of the California Public Utilities Commission typically do not take place in Oroville, the public may participate in and comment during the meetings remotely by phone or webcast. In 2022, the California Public Utilities Commission actually met more frequently than the boards of all the other local service providers, other than the City of Oroville.

The 2006 MSR included a determination that there are inefficiencies in the provision of service between Cal Water – Oroville, South Feather Water & Power Agency, and Thermalito Water & Sewer District. The evidence of said inefficiencies was, however, scant; the mere proximity of facilities of different service providers does not amount to proof of inefficiency.





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27. The draft incorrectly states that Cal Water’s construction of a new water well in Oroville is contingent on the CPUC approving a rate increase.

On Page 8-27, the draft MSR indicates that Cal Water has proposed to construct a new well in Oroville, but that the “proposal for the new well is contingent upon approval by the CPUC of a rate increase as part of the 2021 GRC.”

The draft MSR’s conclusion is inaccurate. The construction of the well is one of many infrastructure projects under consideration by the CPUC, as well as all of Cal Water’s other expenses. Because of the number of variables, it is inaccurate to assume that if the CPUC approves the well project that the net result will be an increase in water rates. It could make other determinations that offset the additional cost of the well.

Cal Water recommends that the sentence be redrafted as follows:

The proposal for the new well is contingent upon approval by the CPUC as part of Cal Water – Oroville’s 2021 General Rate Case proceeding.

28. The draft includes aspirational language that is inappropriate for a planning document.

On Page 8-31, the draft states that, “Hopefully, this decrease [in water supply] will be offset by water conservation and improvements made at the water treatment plant.”

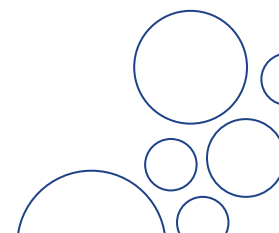
The use of the word “hopefully” in a planning document such as an MSR seems misplaced. Cal Water’s UWMP provides immense detail about Cal Water’s various efforts, including conservation programs, to ensure it has sustainable water supplies well into the future. These efforts are not based on hope, but rather a robust planning and evaluation process.

Cal Water recommends that the sentence be redrafted as follows:

Cal Water – Oroville’s Urban Water Management Plan details the ways in which this decrease will be managed and offset by water conservation efforts and improvements made at its water treatment plant.

29. The draft should be revised to appropriately cite Cal Water’s UWMP as concluding that it has sufficient water supplies in all hydrologic conditions through 2045.

On Page 8-31, the draft MSR states that, “It is also noted that Cal Water staff indicate that available supplies are expected to be able to serve demands in all year types through 2045 (Cal Water, Jenkins, 2023).”





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While it is accurate that Cal Water made these comments, they are not simply an assertion. Rather, this is the conclusion of Cal Water's UWMP. As it did for the other water service providers, the MSR should acknowledge the conclusion of Cal Water UWMP.

Cal Water recommends that the sentence be redrafted as follows:

The conclusion of Cal Water – Oroville's Urban Water Management Plan is that available water supplies will be sufficient to meet projected demands in all hydrologic conditions, including a five-year drought period, and considering the impacts of climate change (Cal Water, 2020 UWMP, 2021).

30. The draft includes a misleading assertion that Cal Water failed to provide sufficient information for the MSR Author to complete an analysis of supply and demand in comparison to fire suppression needs in Oroville.

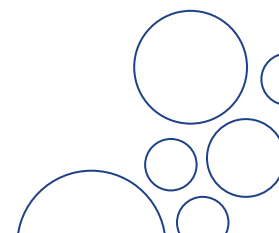
On Page 8-34, the draft states, "Insufficient information was available in a timely manner to inform an analysis of Cal Water's supply/demand situation in relation to fire suppression needs."

The clear implication of this statement is that Cal Water was slow in providing information to the MSR Author, which prevented the analysis from being completed. In reality, the MSR Author did not initiate conversation with Cal Water until nearly two years after it conducted in-person interviews with the other service providers.

Additionally, the MSR Author never submitted to Cal Water any type of request for information, let alone a request for information about supply/demand information in relation to fire suppression needs. Despite this, after reviewing a draft of Chapter 8 of the MSR, Cal Water asked the MSR Author what information or data it would like to complete this analysis. This request went unanswered.

Finally, the sentence implies that the MSR Author would have been able to complete such an analysis if Cal Water had supplied the requisite information. This presupposes, however, that the MSR Author has the requisite training, qualifications, and certifications to complete a hydrological analysis of Cal Water's transmission and distribution system in Oroville. Such analyses are typically undertaken by hydrologists who are usually civil or environmental engineers certified by the state.

Because the language in the draft MSR is misleading, the sentence should be redrafted as follows:





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The MSR Author did not initiate discussions with Cal Water with sufficient time to complete an analysis of Cal Water – Oroville’s supply/demand situation in relation to fire suppression needs.

31. The draft incorrectly asserts that Cal Water does not have planned water supply projects in Oroville.

On Page 8-35, the draft states, “There are no planned future water supply projects or programs that are expected to provide a quantifiable increase to the Oroville District's water supply (Cal Water, 2020 UWMP, 2021).”

This statement is both inaccurate and contradicted by the draft MSR itself. The statement presupposes that the only planning document on which Cal Water relies is its UWMP and that if water supply projects are not included in that document, none exist. However, as was communicated to the MSR author, Cal Water regularly assesses its water supply needs outside of the five-year UWMP process. For example, on Page 8-27, the draft discusses the construction of a new well that is included in Cal Water’s Infrastructure Improvement Plan currently being reviewed by the CPUC.

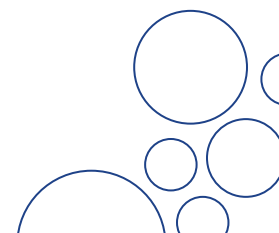
Cal Water recommends that the sentence be redrafted as follows:

There are no future water supply projects or programs identified in Cal Water – Oroville’s Urban Water Management Plan (Cal Water, 2020 UWMP, 2021). However, Cal Water has indicated that new supply sources are regularly assessed as part of its overall planning and process and in Infrastructure Improvement Plans (Cal Water, Jenkins, 2023).

32. The draft incorrectly relies upon a non-existent water supply planning best practice.

On Page 8-35, the draft asserts, “Typically, when comparing water supply to water demand, the ideal situation is to have water supply far exceed demand such that the excess supply provides a buffer that can serve in case of unforeseen events or hazards.”

This statement is both incorrect and misleading. The draft MSR does not provide any citation or reference to substantiate the claim that industry best practice dictates that water suppliers have water supplies that “far exceed demand.” In fact, such a policy would require water suppliers to constantly expand their available supplies – just in case – regardless of the ultimate cost to customers. Surely this is not a good policy.





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Regardless, as previously discussed, Cal Water has a total guaranteed capacity of at least 3,150 acre feet per year, with the ability to request an additional 3,000 acre feet per year from Butte County. There is no rationale for claiming that this level of supply reliability is somehow worse than the arbitrary and subjective “far exceed demand” criteria established in the draft.

Cal Water recommends that this sentence be revised as follows:

Typically, when comparing water supply to water demand, available water supplies should exceed projected demand such that the additional supply provides a buffer in case of unforeseen events or hazards.

33. The draft’s calculation of the annual average water bill for Cal Water’s customers is inaccurate and ignores the existence of Cal Water’s Customer Assistance Program, which supports low-income customers.

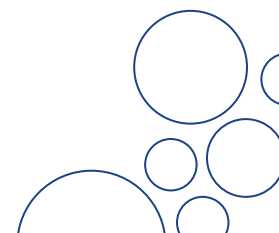
On Page 8-47, the draft includes a table that purports to show the Annual Average Water Bill for Cal Water’s customers in Oroville and whether that amount is “affordable” in various Census tracts in Oroville.

33.1. The calculations in the draft MSR are inaccurate as they rely upon outdated information.

The MSR Author relies on data contained in a report that is nearly five years old to calculate the “Annual Average Water Bill” for Cal Water’s customers. While it is understandable why the MSR Author relies on this data, it is outdated and, in turn, misleading. Both actual water rates paid by customers and the amount of water used by them have changed since the publication of the 2018 study on which the MSR Author relies.

The draft erroneously concludes that the water affordability criteria are not met in nine of 10 census tracts listed as being served by Cal Water. By simply using current and accurate information, the table results on affordability would change substantially.

As part of the CPUC’s most recent review of Cal Water rates, operations, and proposed infrastructure improvements, Cal Water has reported that the median monthly water use is 8 Ccf, or 5,984 gallons of water. This information is available on Cal Water’s website at <https://www.calwater.com/rates/iip-2021/>. Cal Water’s current water rates are available on its website at https://www.calwater.com/docs/rates/rates_tariffs/oro/20230505-Residential_Metered_Service_ORO.pdf. In short, the draft overstates median water consumption by 25%.





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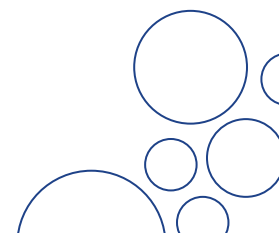
Cal Water’s customers in Oroville who use the median amount of water – 5,984 gallons of water – have a monthly water bill of \$52.11, meaning the draft overstates the Annual Average Water Rate by nearly 20%. When the actual, current consumption data and rates are used, the median water bill is “affordable” in five of the identified census tracts, or four times as many as reported in the draft.

33.2. The calculations in the draft MSR fail to account for Cal Water’s Customer Assistance Program, which provides a discount on the monthly water bills of income-qualified customers.

The draft also fails to account for the fact that many customers with lower incomes are enrolled in Cal Water’s Customer Assistance Program, which provides customers with a 50-percent discount on their monthly service charge. Additional information about Cal Water’s Customers Assistance Program is available on its website at <https://www.calwater.com/customer-care/customer-assistance-program-cap/>. When the Customer Assistance Program discount is included in the calculation, the monthly water bill for a customer using the median amount of water – 5,984 gallons of water – is reduced to \$37.30. When the Customer Assistance Program is factored in, the water bill is “affordable” in nine of the 10 identified census tracts, or nine times as many as reported in the draft. Inclusion of one additional column within Table 8-17 to address the Customer Assistance Program would make the information presented more accurate.

33.3. Table 8-17 should be revised to ensure it includes accurate information and includes all information germane to the issue of affordability.

As drafted, Table 8-17 – by including incorrect information and by leaving out information that is germane within the context of affordability – is misleading at best. The table should be revised as follows:





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Census Tract	Median Household Income (2019)	1.5 Percent Calculation	Annual Average Water Rate w/o CAP	Exceed 1.5% of MHI w/o CAP?	Annual Average Water Rate w/ CAP	Exceed 1.5% of MHI w/ CAP?
25	\$37,054	\$556	\$625.32	No	\$447.60	Yes
27	49,029	735	625.32	Yes	447.60	Yes
28	27,031	405	625.32	No	447.60	No
29	48,897	733	625.32	Yes	447.60	Yes
30.01	29,235	439	625.32	No	447.60	Yes
30.02	41,377	621	625.32	No	447.60	Yes
32	40,318	605	625.32	No	447.60	Yes
37	Not in Cal Water boundary					
26.01	Not in Cal Water boundary					
26.02	48,090	721	625.32	Yes	447.60	Yes
31	52,258	784	625.32	Yes	447.60	Yes
33	47,411	711	625.32	Yes	447.60	Yes

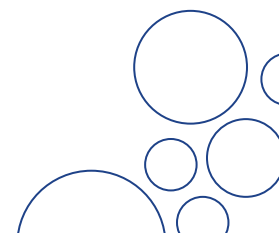
Source: U.S. Census, 2019 American Community Survey 5-Year Estimates and Chapter 3 of this MSR. Water rate data from Cal Water, 2022 and Cal Water, 2023, calculated as $\$52.11 * 12 = \625.32 and $\$37.30 * 12 = \447.60 .

*Note #1: Census Tracts correspond to the map provided in Chapter 3 for the City of Oroville DACS.

34. The draft erroneously concludes that many Cal Water customers are unable to afford their monthly water bills.

On Page 8-46, the draft states, “The results in Table 8-17 below show that, on average, many community residents cannot afford to pay the current water rates in the Cal Water Service Area;” and “However, Table 8-17 shows that, on average, many community residents may struggle financially to pay the current water rates.”

The conclusions in the draft MSR are erroneous as the data on which they are founded is outdated, inaccurate, and incomplete. As previously discussed, the data contained in Table 8-17 is nearly five years old and is outdated as median water consumption, water rates, and median monthly water bills have all substantially changed since the 2018 report was written. By simply using current and accurate information, the conclusions regarding affordability change significantly. Since more accurate and recent data is readily available, a refusal to use it would not serve the public interest.





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The paragraph that contains these statements should be revised as follows:

The results in Table 8-17 below show that, on average, the monthly water bills of some community residents in Cal Water's Service Area may exceed 1.5% of their household income. This should not be interpreted to imply that the water rates are either too high or too low. The calculations only relate to a comparison of the median monthly water bill to what is known about the average household income in the area. Equations typically have at least two parts; in this case, the parts are: 1) prices and 2) ability to pay the price. The 2018 Water Service Study by Northstar Engineering found that "There are no indications of excessive costs or expenses that may be targeted for significant cost reduction" in relation to each of the three water service providers in the Oroville Area (LAFCO, 2018). The 2018 report indicates that water rates for Cal Water Oroville reflect the cost of providing the service. The 2018 report calculated that the average monthly water bill for a Cal Water customer using 10 Ccf of water was \$62.07. In the intervening five years, both water rates and median consumption have changed significantly. Based on current data available on Cal Water's website, the median monthly water bill for Cal Water's customers in Oroville is calculated to be \$52.11 and \$37.30 for customers enrolled in Cal Water's Customer Assistance Program, which provides income-qualified customers with a 50% discount on the monthly service charge.

