

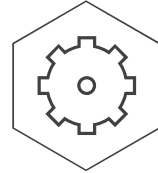
ACQUIRING DISTRESSED SYSTEMS



EXPERTISE

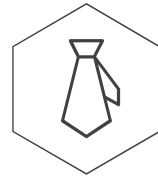
WHAT WE BRING TO THE TABLE

Class A investor-owned utilities can bring significant resources to bear that can quickly lead to improvements for a struggling water system



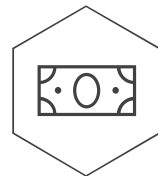
TECHNICAL

Sophisticated and comprehensive operational infrastructure and equipment. Operational expertise and certification as well industry best practice.



MANAGERIAL

Experience in running water utilities in a variety of operating conditions in different parts of the state. Built-in managerial team, including field personnel, engineering, water quality and human resources.



FINANCIAL

Access to significant pools of capital enabling immediate investment to make necessary improvements to the system. Ability to use State low interest loans and grants.

RECENTLY ACQUIRED SYSTEMS

- Dunnigan: 240 customers
- Garrapata: 50 customers
- Adams Ranch: 1,500 customers
- Oxbow Marina: 76 customers
- Meadowbrook: 1,700 customers
- Geyserville: 300 customers

PENDING ACQUISITIONS

- Hillview 1,500
- Rio Plaza 520
- Fruitridge Vista 4,900
- Bellflower 1,800



CONSOLIDATION

KEY ELEMENTS OF CONSOLIDATION

Integrating two existing operations can present challenges but also potential benefits and opportunities to employees

1

Physical: Assets, vehicles, SCADA, infrastructure, information technology systems

2

Rates: Tiered vs. flat, surcharges, acquisition costs, capital investment

3

Labor: Existing staff, new management, redundant positions, integration training

4

Governance: Investor-owned utility vs. municipal vs. mutual.

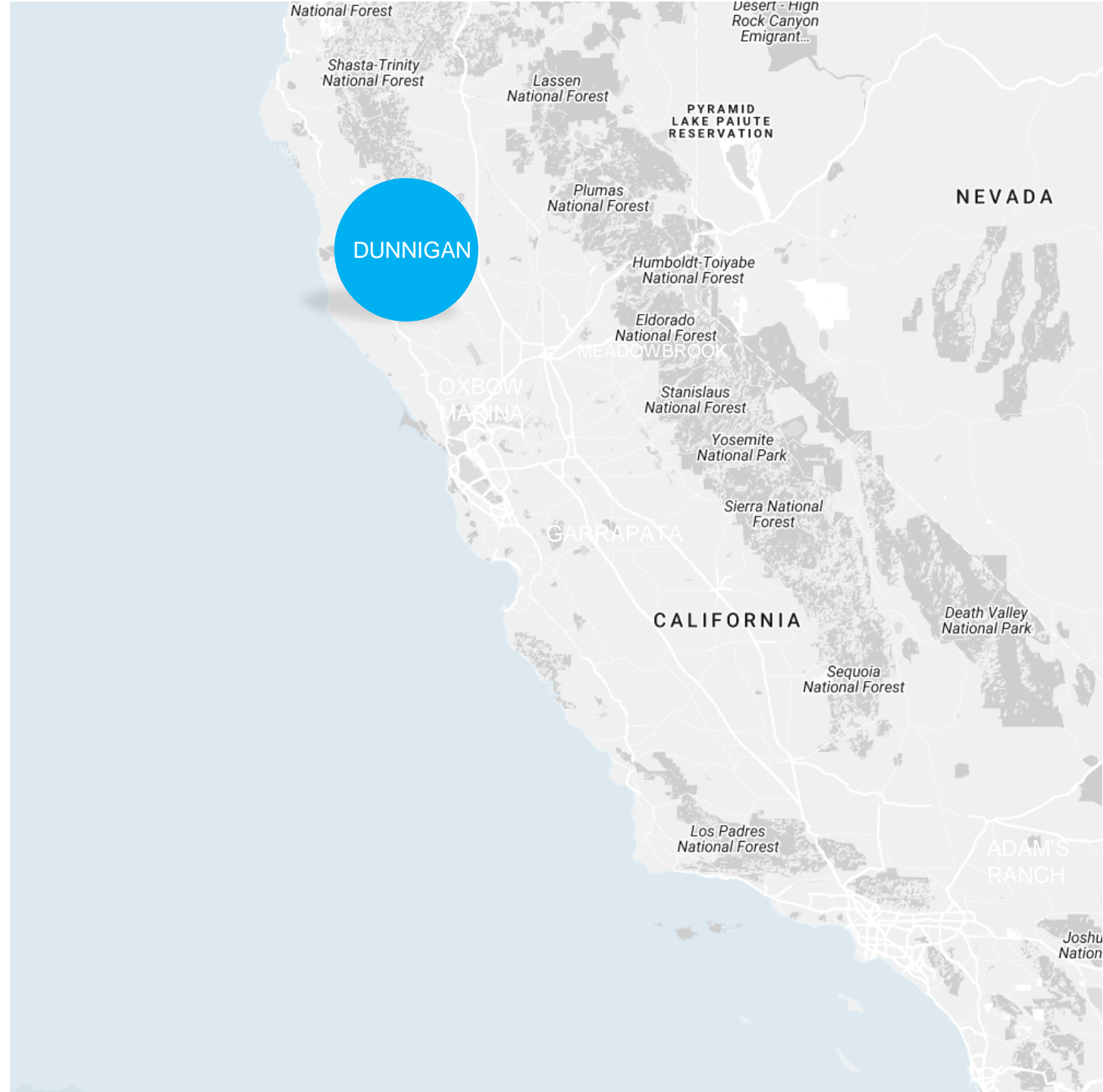
CASE STUDY

DUNNIGAN

Total customers: 200

Date acquired: December 2015

Water quality: Chromium 6



CASE STUDY

DUNNIGAN

CHALLENGES

- Chromium 6
 - Disadvantaged community
 - Rate impact
-

SOLUTIONS

- Chromium 6 treatment
- Operational expertise
- Rate consolidation



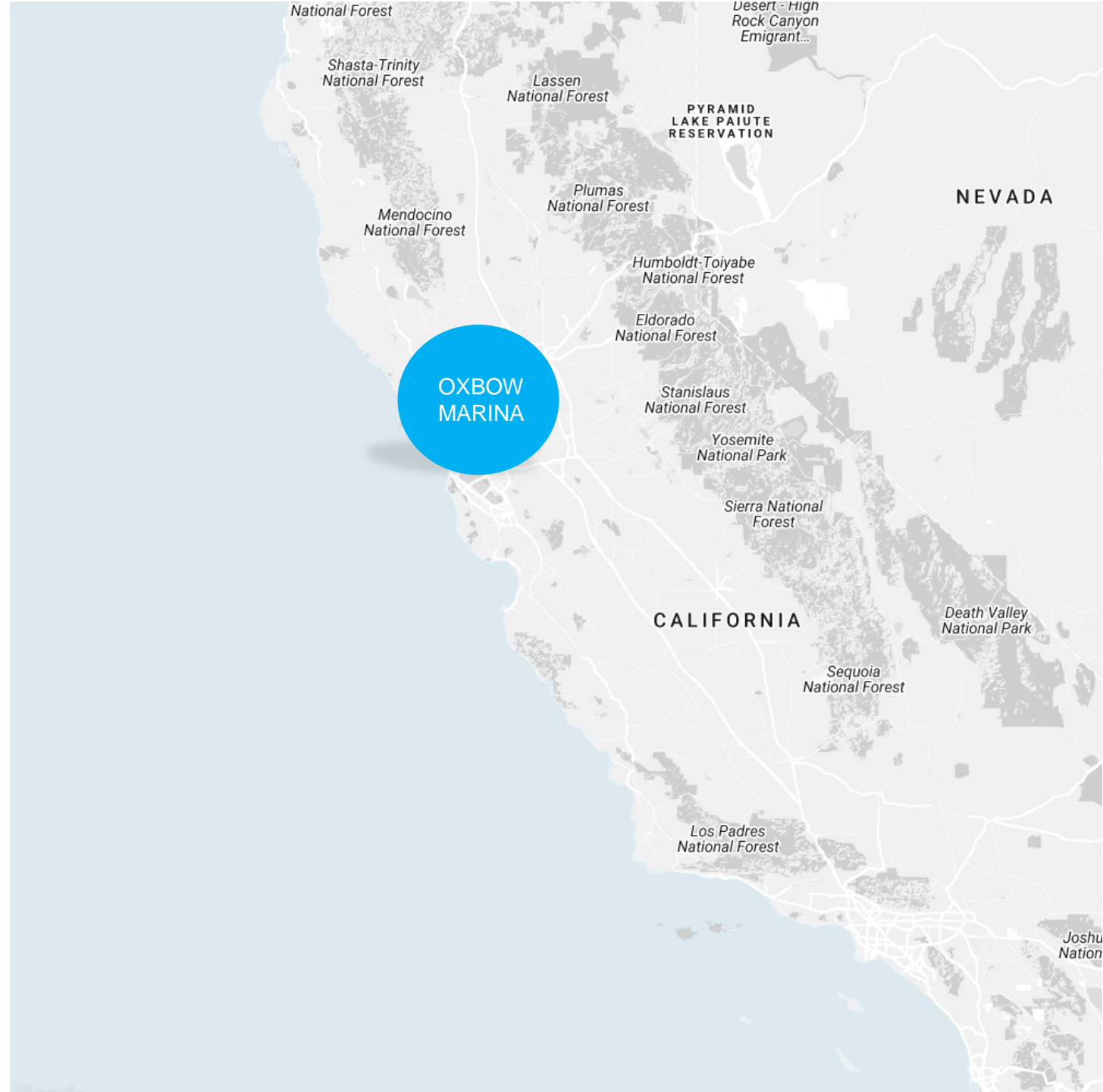
CASE STUDY

OXBOW MARINA

Total customers: 100

Date Acquired: May 2017

Water quality: Arsenic



CASE STUDY

OXBOW MARINA

CHALLENGES

- Arsenic
- Disadvantaged community
- Costs of treatment

SOLUTIONS

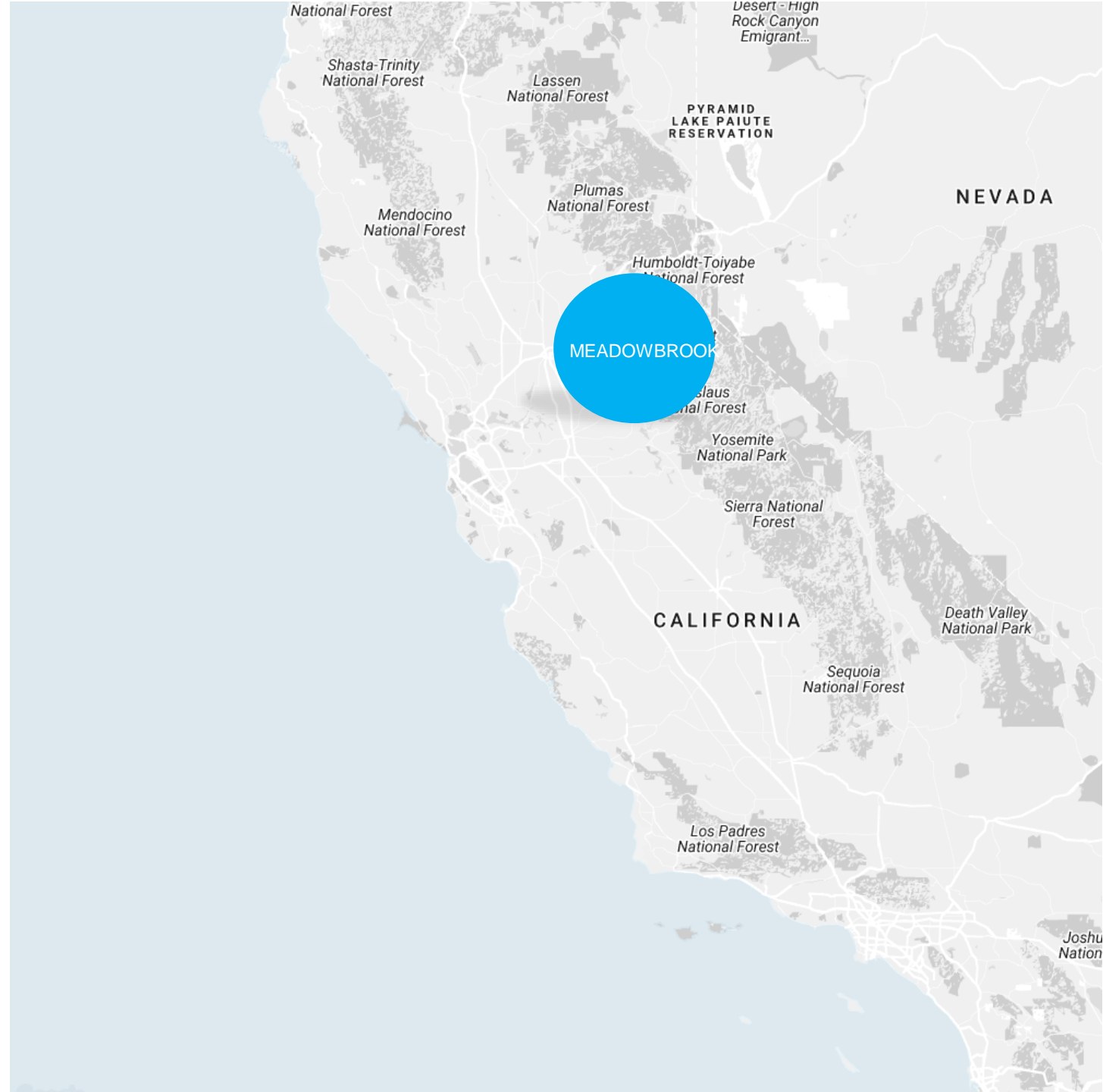
- Intertie to our system w/ Arsenic treatment
- Proposition 84 grant funding
- Operational expertise
- Rate consolidation



CASE STUDY

MEADOWBROOK

Total customers: 1,700
Date Acquired: February 2017
Water quality: No issues



CASE STUDY

MEADOWBROOK

CHALLENGES

- Disadvantaged community
- Aging ownership
- Rate Impact

SOLUTIONS

- Managerial expertise
- Rate consolidation



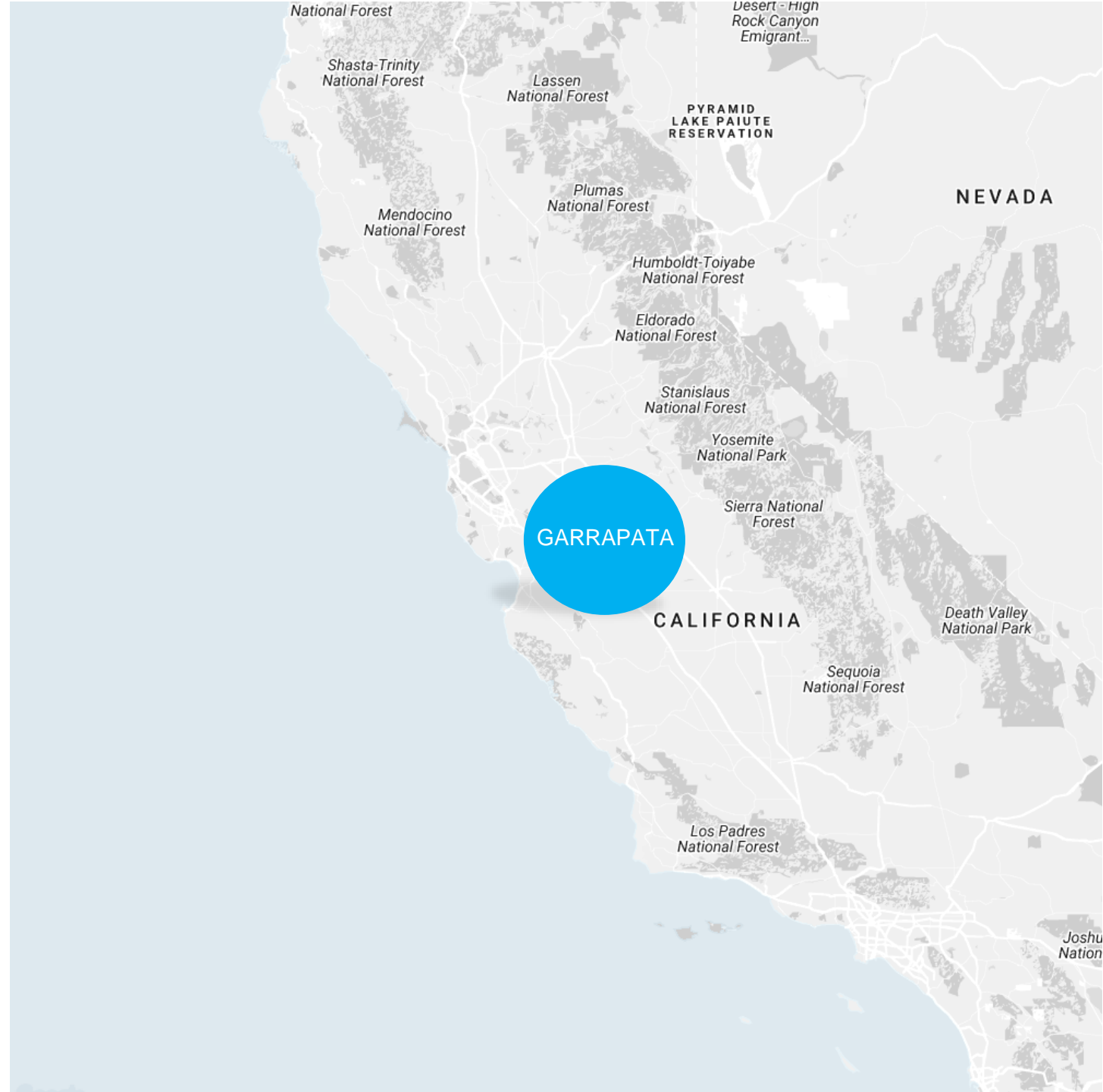
CASE STUDY

GARRAPATA

Total customers: 50

Date acquired: March 2013

Water quality: boil water



CASE STUDY

GARRAPATA

CHALLENGES

- Water quality
 - Water supply
 - Aging ownership
-

SOLUTIONS

- Grant funding
- Planning
- Managerial expertise



CASE STUDY

HILLVIEW

Total customers: 1,500
Date Acquired: Pending
Water quality: Uranium
Arsenic



CASE STUDY

HILLVIEW

CHALLENGES

- Water quality
- Retiring ownership
- Disadvantaged community

SOLUTIONS

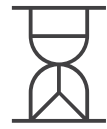
- Grant funding
- SRF loan
- Operational expertise



COMMONLY ANTICIPATED ISSUES



WATER QUALITY

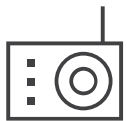


RATES



SAFETY & COMPLIANCE

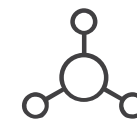
LESS COMMONLY ANTICIPATED ISSUES



OPERATIONAL ISSUES



DATA INTEGRATION



CUSTOMER RELATIONS

CONSOLIDATION

CONCERNS GOING FORWARD

Consolidation is not a one-size-fits-all solution that can be relied upon to fix all failing or troubled systems

1

Feasibility: Can this be reasonably done without undue operational stress or negatively affecting existing customers?

2

Financial: Will it be cost-effective for the utility to acquire the system and all of its infrastructure needs?

3

Right Fit: Are we sure the utility is the right fit for the proposed acquisition?

(1)

3/27/2018

Dear American Water

I physically reside at
5160 County Rd, 99 W
Dunnigan CA 95937
known as Happy Time

As long term tenants,
we receive bills, statements or
notices directly. I am assuming
the above-mentioned communications
go to the owner.

In the recent past, we as
residents were never noticed about
water shut-offs, unsafe drinking
water supply, or any other notice
provided. The Manager of park
might post it on the office window,
but as we all know, people
become sign-blind.

When I realized what was
happening, I spoke to management.

**“Professional, polite,
informative, relatable and
always smiling”**

A letter recieved from a Dunnigan
customer, complimenting California
American Water's service staff.