

#11A

## AGENDA SUBMITTAL

**To:** GCSD Board of Directors **Type:** Information Item  
**From:** Dir. Steve Perreira  
**Date:** June 13, 2016  
**Subject:** Impending Visit by Private Company Interested in Buying GCSD

---

### Background:

A few months ago I informed the Board that I would be inquiring with and would make a presentation regarding privatization of GCSD Water and Sewer operations. In the intervening time I have kept the Board President and GM informed on my progress. Now there is a company that is interested in possibly purchasing GCSD.

### Summary:

California American Water (CAW) may be interested in buying and operating GCSD's Water and Sewer operations. They wish to visit our facility with 3 managers and have a tour attended by staff and one or two Directors. Should their interest persist after this visit, they would like to make a presentation to the Board regarding their business practices and how they are regulated by the California PUC.

VP of Business Development, Tom Brunet (916 995 2993) contacted me by phone after my email inquiry to the California Water Association (Private Operators in CA). My email regarding that is attached.

CAW's parent company is American Water. They are owner operators. In California they operate under the supervision of government regulators, the CA Public Utilities Commission. Rates cannot be changed without approval of a careful process and a PUC Judge.

American Water serves 15 million people in the USA with 3.5 million connections. In CA, they own and operate 6 Districts with 175,000 connections total. Locations include Sacramento, San Diego, LA, Ventura, Larksfield (N. of Santa Rosa). They are closing a purchase in Meadowbrook in Madera and will be the closest private operator to us. It is either Larksfield or Meadowbrook that is about the size of GCSD.

Presuming this visit occurs, Tom Burnet will attend with Audie (GM in Sacramento), and a staff Engineer. They prefer to visit on a Tues., Thurs., or maybe Friday.

### Conclusion:

I am seeking permission from the Board to host this visit and to allow myself and one other Board member to attend the tour, as well as for the GM to provide time to conduct this tour by the appropriate staff.

### Attachments:

1. Email from May 2016 from S. Perreira to CA Water Assoc., Ms. Dixon & Mr. Hawks
2. Private Water Company Operating Information (Industry Provided – their side)

Dear Ms. Dixon and Mr. Hawks:

California Water Association  
Melissa Dixon, Administrative Director  
700 R Street, Suite 200  
Sacramento, CA 95811  
mdixon@calwaterassn.com  
(916) 231-2147

Jack Hawks, Executive Director  
601 Van Ness Avenue, Suite 2047  
San Francisco, CA 94102  
[jhawks@calwaterassn.com](mailto:jhawks@calwaterassn.com)  
(415)561-9650

Dear Ms. Dixon and Mr. Hawks:

I have served as 1 of 5 elected directors to the Groveland CSD for over 8 years. I am keenly interested in the possibility of privatizing our Water and Sewer Enterprise Funds. I have informed the rest of the Board that I intend to make a presentation about this prior to my term ending in Nov., 2016. I am not running for re-election.

GCSD operates a Water Treatment & Distribution system for about 3300 sub-urban customers and a Sewer Collections and Treatment System for 1500 customers. I am interested in having a professional representative from a private water company or organization make a presentation to our Board. I am willing to make this presentation if no one else will, but I want to get accurate information. I am also interested in finding out if anyone would EVEN BE INTERESTED in buying our relatively small municipality.

Sincerely, Steve Perreira, Director, GCSD 209 962 1808

email: [steveperreira@yahoo.com](mailto:steveperreira@yahoo.com)

---

#### ABOUT INVESTOR-OWNED WATER COMPANIES

What are investor-owned water utilities?

Investor-owned water companies are professional water service providers that own regulated water and wastewater utilities, partner with municipalities to form public-private partnerships, or operate and maintain water and wastewater systems as contracted services providers. These companies may be privately owned or publicly traded.

In California, these professional water service providers who own and operate utilities are regulated by the California Public Utilities Commission (CPUC). The CPUC establishes rates and terms of service, as well as provides safety and security oversight and, with the State Water Resources Control Board, shares water quality and compliance responsibilities. In the course of regulating these public utilities, the CPUC reviews company costs, audits system needs, holds hearings on general rate cases, applications for capital projects and other formal proceedings, and render decisions that govern the utility's relationship with its customers.

Investor-owned water utilities have more than two centuries of experience providing drinking water to communities of all sizes and in all areas of the United States. Today, nearly 73 million Americans—one of every four people in this

### **Who is Food & Water Watch?**

Food & Water Watch is a Washington, D.C.-based lobbying organization. It was created in 2005 by 12 former members of Public Citizen, the group formed by Ralph Nader in 1971. As an advocacy organization, the group has no technical water system management experience, yet has been very active around the country assisting local communities and special interest entities in their takeover efforts. Read more on the National Association of Water Companies Web site. [link to: <http://www.nawc.org/knowledge-center/faqs.aspx>]

### **RATES AND SERVICE**

#### **How are rates set for investor-owned water companies?**

Investor-owned water utility rates are set by the California Public Utilities Commission (CPUC). In setting rates every three years, as mandated by California state law, the CPUC thoroughly reviews the company's costs, audits system needs, conducts public hearings for customers, holds formal evidentiary hearings adjudicated by administrative law judges, and issues a final decision authorizing the utility to establish approved rates and terms of service.

#### **Do municipal water providers have access to loans and grants and other public money that for-profit water suppliers don't have?**

Municipal water providers sometimes have access to certain kinds of loans and grants that investor-owned utilities do not; however, the regulated, investor-owned water utility industry continues to seek equal access of such loans and grants for the benefit of their customers. After all, taxes paid by investor-owned water utility customers provide for and subsidize these loans and grants, just as the taxes paid by customers of municipal suppliers do.

#### **Overall, how do rates of for-profit water providers compare to the rates of public water suppliers?**

It's difficult to compare rates among water providers—whether municipal or investor-owned—even in the same geographic region. The factors that impact rates are diverse and unique to each water provider. These factors include the sources of supply, condition of the water system, water quality compliance costs, cost of purchasing water, the level of existing and needed investment and geographic location.

All water providers, public and private alike, must maintain and upgrade their systems' infrastructure and meet the same water quality standards, costs that often impact rates. To avoid raising rates, a municipality may choose funding sources other than rates, such as developer impact fees, reserves or taxes – options that are not available to investor-owner utilities. Some investor-owned water utilities offer the advantage of economies of scale, which means that they reduce costs to the customer by centralizing and sharing costs for certain services.

### **WATER QUALITY**

#### **Who makes sure that investor-owned water utilities provide high-quality water?**

All water systems, whether investor- or municipal, must meet stringent water quality standards set by the state and federal governments. The State Water Resources Control Board oversees investor-owned and municipal suppliers to ensure that they are complying with all standards. Additionally, the California Public Utilities Commission also oversees investor-owned water utilities to ensure that they are meeting these standards.

# Private Water Company Operating Information

(Provided by the Industry itself)

What are the advantages of working with a private water company?

Water companies are experts at what they do. Municipalities often partner with a water company because water companies can efficiently and affordably provide critical water services. Because many private water systems are regionalized, they have the ability to provide economies of scale and a high level of efficiency. Nationwide affiliations and mass purchasing power also give water companies the ability to gain significant savings on the cost of fire hydrants, valves, pipes and meters. <sup>5</sup>

- See more at: <http://truthfromthetap.com/water-industry-facts/#accordion-2>

How many Americans are served by private water companies?

The private water industry serves more than 73 million Americans. Water companies produce 4.6 billion gallons of water every day, 1.7 trillion gallons per year, and maintain 100,000 miles of water pipes to serve their customers. <sup>4</sup>

- See more at: <http://truthfromthetap.com/water-industry-facts/#accordion-2>

Do water companies own the water?

Private water operators are in the business of providing water services – delivering safe, reliable water at the tap, and operating efficient wastewater systems – not owning water. <sup>2</sup>

- See more at: <http://truthfromthetap.com/water-industry-facts/#accordion-2>

What is a public-private partnership and how common are they?

A public-private partnership is an agreement between a city, town or county and a private company. Public-private partnerships allow municipalities to leverage best practices and strengths of both government and private enterprise to provide important services like delivering your drinking water. Public-private partnerships aren't a new idea – in fact, they've been around for more than 200 years. More than 2,000 water and wastewater facilities across the country are operated under public-private partnership arrangements. Just like municipal systems or private utilities, public-private partnerships are an important option for meeting local water needs. <sup>3</sup>

- See more at: <http://truthfromthetap.com/water-industry-facts/#accordion-2>

How are my water rates decided?

Just like under public operations, a water company's rates are set and approved by public officials – by the municipality, the state public utility commission or another public authority. No

6. California State Auditor, "Antelope Valley Water Rates," Report 2013-126, July 2014; Deloitte & Touche USA, "Regulated utilities manual: A service for regulated utilities," February 2004; Columbia University Press / James C. Bonbright, "Principles of Public Utility Rates," 1961
7. "Establishing Public-Private Partnerships for Water and Wastewater Systems: A Blueprint for Success," Water Partnership Council, 2003; "NAWC Knowledge Center: FAQ," NAWC
8. "Investor-Owned Water Firms Boast Sterling SDWA Record," Global Water Intelligence, Oct. 2011; "The Truth About Private Water Service Providers," NAWC Factsheet, 2010; "Quick Facts on U.S. Water Public-Private Partnerships," NAWC Factsheet

- See more at: <http://truthfromthetap.com/water-industry-facts/#accordion-2>