



# OILDALE MUTUAL WATER COMPANY

N E W S L E T T E R

Your Water Company Since 1919

March • 2012 Volume 3

## Oildale Mutual Board Continues Advocacy on behalf of Customers

*Water Company seeking what is right, fair, just for shareholders*



As our customers are aware, Oildale Mutual Water Company has initiated legal action against the NORMWD after considerable efforts to resolve the issues. **While we have always been willing to pay our fair share of expenses**, we must protect our customers from over-charging and lack of financial accountability by our water wholesaler, North of the River Municipal Water District (the District). Several key points are worth emphasizing as we look to our legal system to rectify these abuses:

**An audit** of the District's billings for the 2006-07 fiscal year commissioned by our Company to insure the accuracy of the charges **raised numerous issues** regarding the amounts charged to the Company. Although the District was originally formed to serve as a wholesaler only, over time it became a retailer of water to approximately 20% of the area residents as well as a wholesaler of water to the Company. This dual function requires the District to allocate its operating expenses properly between its own retail dept. and the wholesale activities, as expenses allocated to wholesale activities are borne principally by the Company. Any errors in the allocation of the District's expenses can result in overcharges to the Company. During the initial audit numerous items charged to the

wholesale dept. were contested. The managers of both the District and Company began negotiations to rectify the billings. Over the course of several months the billings from 2004-05 through 2007-08 were acknowledged to be incorrect and adjustments were proposed to more accurately reflect costs which are actually connected to providing wholesale service to the Company. However, to date, no actual credits have been issued to the Company.

**Negotiations broke down** when the District seemed unable or unwilling to provide an accounting for certain "restricted funds" required by contract. The Company had contributed over \$1.3 million since 1993 to create these funds which were set aside to cover costs of repairing the District's wholesale facilities in the event of a catastrophic event or major repairs which may arise. The Company asked for an accounting to show the status of these restricted funds. Initially the District agreed to provide the accounting but, to date no accounting has been received. Ultimately, the Company was informed that the request was "...unreasonable and cost prohibitive under the circumstances."

**The Company repeatedly requested a meeting** with the District's board to discuss various issues of concern after negotiations

between managers ceased. In April 2010 the current District's general manager announced his retirement and a new District GM was hired in May. The District refused to meet until the auditors completed their analysis and the new GM was on board. Finally, the District board of directors agreed to meet in February 2011. Approximately 2 board meetings and 3 staff meetings were held over a period of 56 days after which the **North of the River Municipal Water District unilaterally terminated the negotiations.**

**Seeing no movement, the Company requested documents from the District in order to reconstruct their financial records. A taxpayer-supported agency like NORMWD is supposed to produce public documents when they are requested. In this instance, it took no less than three requests for documents and over one year of delay, to obtain the requested information.**



*NORMWD Hands Citizens Hundreds of Boxes to Search for "Public" Documents*

In addition, when the District did "comply" with the Company's request, it did so by inviting Company representatives into a 100+ degree warehouse containing over 350 boxes of documents, requiring the Company to dig through a mountain of paper in order to identify important documents which had been requested.

There are many more examples to share with you, our customers. But the four points above are prime illustrations of the **serious lack of transparency, accountability and openness that we expect from any business partner or supplier – much less a public agency.** We

thank all of you who have called to express concerns regarding the District's activities. Please continue to contact our office if you have any questions,

## YOUR Water Company – Did You Know?

**If you are the property owner, you are a shareholder in your water company.**

We are a mutually-owned water company and issue stock in the names of the property owners; we are required by the State of California to maintain our accounts only in the name of those to whom the stock has been issued. As a result of acquiring property within our service area, the owner becomes a shareholder in our Company. OMWC does not place the account in the name of a tenant or any other non-owner, under any circumstances.

**OMWC provides water to 80% of all Oildale residents.**

The current service area encompasses approximately 10 square miles north of the City of Bakersfield in Kern County. Oildale Mutual Water Company supplies an average of 7.2 million gallons of water per day and must meet all State and Federal Drinking Water Standards. Yearly we deliver over 2.6 billion gallons of water through 8,200 service connections and over 80 miles of pipeline.

**You can pay your bill Online! Along with other options.**

And coming soon... You will also be able to **view your bill online** or continue to have us send you a bill in the mail.

- **Pay By Mail**

Oildale Mutual Water Company  
P. O. Box 5638, Bakersfield, CA 93388-5638

- **Pay By Phone**

You may pay with your Visa, MasterCard, Discover Card, or American Express card by telephone (661-399-5516) during the office hours of 7:30am - 4:30 pm on Monday - Friday.

- **Pay In Person**

You may pay by cash, check, or with your Visa, MasterCard, Discover Card, or American Express card at our office: 2836 McCray Street, Bakersfield, California.

Payments can be made Monday - Friday during the hours of 7:30am - 4:30pm in our lobby or at the drive-thru window. After hours, payments can be placed in the payment drop box, located near the drive-thru window; do not make cash payments by this method. Payments made at the drop box are collected at 7:30am on the following business day.

***And Coming in May....*** You can pay by electronic check! If you are interested in this option, please visit our website and fill out an authorization form. Then your bill will be paid automatically on the first of each month with no charge to you the customer.

# A Quiet Advocate for Oildale Citizens

Hugh Pearson may be a man of few words, but those words carry a lot of weight around the Oildale Mutual Water Company, where he's held a seat on the Board of Directors for more than 25 years.

Pearson admits he was a bit apathetic about water issues in 1986, when the OMWC first approached him about joining the board. Up until then, he said, water was just something that happened when you turned on the tap. As a home builder, however, he soon came to appreciate "that water was an integral part of what I did."

A Bakersfield High School graduate, Pearson moved in 1970 to Oildale, where he had a number of general contracts and where he's lived ever since. His working life has been diverse - he was a fireman with the City of Bakersfield in the 70s, a home builder for twenty years, managed two mobile home parks, and from 1999 to 2006, owned and operated Hugh Pearson's Quick Lube, Smog and Wash.

OMWC General Manager Doug Nunneley said the experience of working in public and private sectors gave Pearson a keen sense of how things work.

"Hugh's a good businessman, fits in with the board's conservative (economic) views, and has served the county well," he said. "When we approached him about being on the board we knew he'd be a good fit."

Pearson agrees, recalling how impressed he was by the board's frugal tendencies.

"It was and is run like a private corporation, a real tight ship," Pearson said of the OMWC. "It's done everything it can to keep rates low, so it's been a benefit to the people of the district."

Pearson was an active member of the board in 1992 when he ran for and won the position of director of the North of the River Municipal Water District's Board of Directors. He held the position for eight years, during which he acted as a liaison of sorts between the two water agencies. The agencies, he said, were at odds when he was elected, as they

are now.

Citing the current dispute over what the board calls "inflated charges" by the NORMWD, Pearson said the two companies are as different as night and day.

"It's a fairly typical government agency, in that it's not their money so they spend it freely," he said. "During my time as director, I was constantly trying to control the spending."

Nunneley said Pearson's departure from the NOR board was a sad day for both districts.

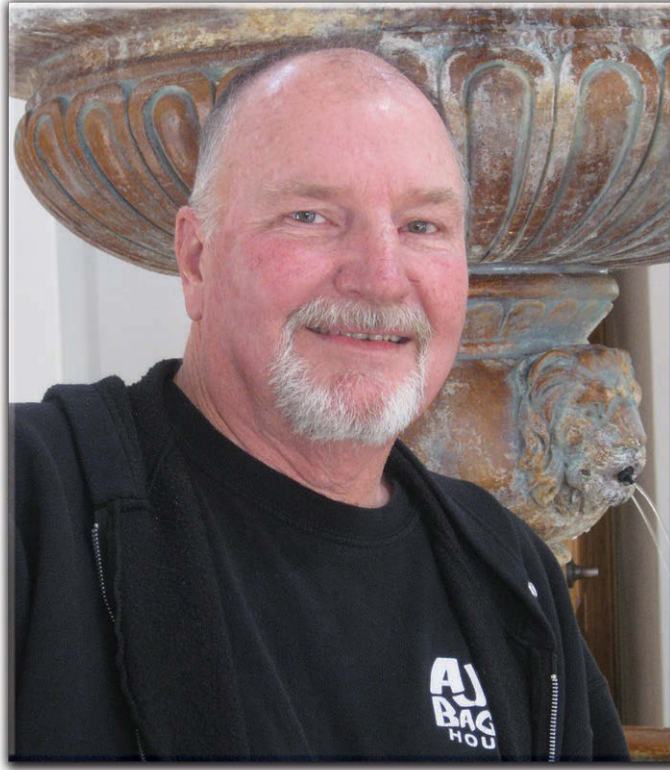
"Hugh was a great liaison," he said. "I believe we wouldn't be in this situation now if his influence was still on their board."

Now happily retired, Pearson splits his time between his Board duties and a full family life. He's been married for 15 years to wife Carla. Together, they have four adult children and six grandchildren.

One of the passions they share is Carla's work with MADD, Mothers Against Drunk Driving. She became an ardent advocate for victims of drunk driving nine years ago, when her 23-year-old stepson, Adam Pierce, was killed by a drunk driver. When she and Hugh aren't pushing for stiffer penalties for drunk drivers, they like putting miles on their motor home, traveling the United States, visiting their children and enjoying the sights.

Still, Pearson has no plans to leave the board, where longevity is the bench mark and thrift is the driving principal.

"I'm going to keep doing my best to keep the water rates low," he said. "I want to be a good voice on the board."



*Hugh Pearson*

***"It's (NORMWD) a fairly typical government agency, in that it's not their money so they spend it freely," he said. "During my time as director, I was constantly trying to control the spending."***