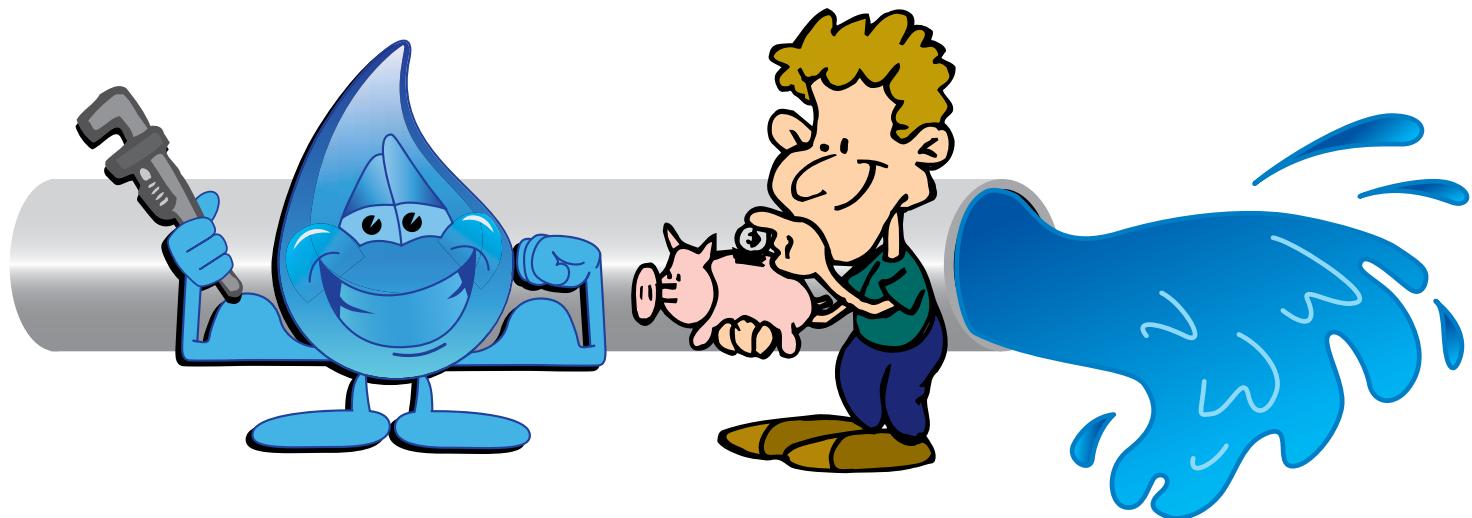


Cutting Waste, Improving Water Delivery in Oildale

New Directors at NOR Municipal Water District initiate cost-saving efforts



Tremendous progress has been made in the effort to streamline the delivery of water to residents in the Oildale community. As many readers know, the majority of the region receives water from Oildale Mutual Water Company ("Oildale Mutual"), a not for profit private water company which has been serving the area since 1919. But a small number of customers in the middle of Oildale Mutual's service area receive water from NOR Municipal Water District ("NOR Water"), a public agency which also provides Oildale Mutual's wholesale supply of water. This overlap has resulted in decades of litigation, questionable cost accounting and unnecessary duplication of equipment and services.

Oildale Mutual raised these concerns with the citizens last year and the voters responded by electing three new directors to the NOR Water board. The voters overwhelmingly chose to elect directors who publicly committed to resolving these conflicts and saving money for all residents. In that spirit, and with a third party mediator assisting the two entities, NOR Water and Oildale Mutual formed a joint committee to investigate how retail water service could be successfully consolidated into one efficient entity while preserving NOR Water's wholesale water functions. The joint committee recently hired the respected Bakersfield law firm of Klein, Denatale, Goldner for guidance. The firm has no previous connection with either Oildale Mutual or NOR Water,

has expertise in the areas of water and public agency law, and has shared some positive preliminary findings with the committee. A 2005 agreement between the two water providers states that consolidating retail services under Oildale Mutual should be investigated.

Both NOR Water and Oildale Mutual acknowledge that there is an opportunity, through consolidation, to reduce expenses, streamline operations and provide a higher level of service to the area. Savings to ALL retail consumers have been estimated to range from \$500,000 to \$1,000,000 per year.

Oildale Mutual's Board President Hugh Pearson is confident that retail water services can be streamlined into a single cost-effective delivery system resulting in long-term savings. "Decades of litigation with NOR Water, along with very questionable expenses being passed along to Oildale Mutual, have cost the citizens a great deal. We look forward to more information and ultimately consolidating and eliminating waste."

The bottom line for NOR Water's retail customers? If consolidation is successful, water bills will be lower, as Oildale Mutual's water rates are currently lower across the board.

We will keep you posted as we go forward – please feel free to ask questions and plan to attend the next meeting of NOR Water's Board of Directors.

Consolidating Oildale's Water Delivery - FAQ

What is the difference between the two water entities and why is a consolidation of the two Oildale water suppliers being considered?

Oildale Mutual Water Company (Oildale Mutual) is a private, not-for-profit corporation which was founded by area citizens to represent the interests of its customers/shareholders. Each of Oildale Mutual's 8,000+ retail customers is also a shareholder, having a personal interest in the company. Since its foundation in 1919, Oildale Mutual has been committed to providing the best quality water available at the least cost to its customers/shareholders.

North of the River Municipal Water District (NOR Water), a public agency, was originally established as a wholesale water supplier only. Their expansion into a small retail operation and the resulting conflicting allocation of expenses has resulted in decades of litigation and millions of dollars in ratepayer monies spent.

Agreements signed by NOR Water and Oildale Mutual in 1993 and 2005 recognized the value of merging redundant retail services under Oildale Mutual thereby making one cost-effective water purveyor.

What is the historical link between Oildale Mutual and NOR Water?

NOR Water was formed in 1969, with significant support from Oildale Mutual, for the purpose of purchasing and delivering to Oildale Mutual and another retail purveyor a water supply being made available by the Kern County Water Agency (KCWA). The intent, at the time, was to sell bonds to finance the construction of the storage facilities and distribution lines necessary to distribute treated water from KCWA. In 1974, a bond issue to build the necessary facilities was approved by area residents in the amount of \$2.3 million. The facilities were built in 1976. In February of 1977 the first treated water was delivered to NOR Water and, subsequently, to Oildale Mutual. The other retail purveyor in the area that purchased water from NOR Water, Highland Park Public Utility District (HPPUD), provided retail service to approximately 20% of the Oildale area.

NOR Water is essentially the "middleman" between the source of treated water and our customers.

How is NOR Water funded?

When NOR Water was formed in 1969 the voters approved funding for the District through property taxes. As a result NOR Water receives a portion of the property taxes paid by the property owners within its boundaries, including Oildale Mutual's customers. This currently

amounts to around \$450,000 per year. These property taxes are used to pay the operation and maintenance expenses for wholesale operations. In the event these tax revenues do not cover such costs, the shortage is recovered from all retail customers (including Oildale Mutual's customers) through the monthly water billings.

Why are a handful of NOR Water customers hopped inside Oildale Mutual's service territory?

Good question. NOR Water was originally created as a wholesale water provider – strictly ensuring infrastructure was in place and water

was sold to retail water companies like Oildale Mutual - charging Oildale Mutual's customers for costs related to that wholesale service.

When NOR Water ventured into retail services by acquiring HPPUD it resulted in an awkward, inherent conflict and inefficient method of water delivery costing the citizens of Oildale millions of dollars in redundant equipment and services as well as litigation to resolve serious conflicts.

So how would consolidation of retail water delivery under Oildale Mutual benefit the citizens?

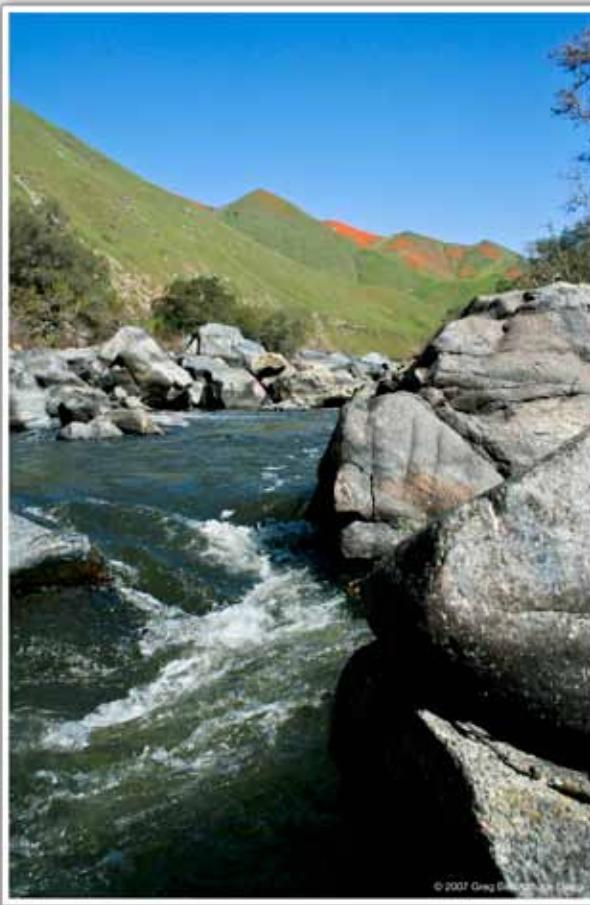
First, customers of NOR Water would see an immediate reduction in their rates as they would be charged according to Oildale Mutual's current rate schedule, which is lower across the board. There would be no changes whatsoever in the delivery of water. In addition, the current customers of NOR Water would become shareholders or part owners in their water company, Oildale Mutual.

All residents in Oildale will benefit from a far more cost-efficient system for delivering water - saving millions of dollars by putting an end to costly litigation and unnecessary redundancy.

So what is the next step for achieving the cost savings and gaining efficiency?

NOR's board is reviewing a proposal by Oildale Mutual to consolidate the two retail systems. Both entities are being advised by a neutral attorney and thoughtfully approaching all aspects of consolidation. **Citizens are invited to attend the next meeting of the NOR Water Board of Directors to voice your support for consolidation and maintenance of low water rates.**

NOR Water's next meeting will be held on Wednesday, June 19th at 4:30 PM at 4000 Rio Del Norte Street.



Four Decades of Quiet Leadership, Stable Rates & Reliable Water Supply

These may be challenging times for the Oildale Mutual Water, but if General Manager Doug Nunneley is losing any sleep, it doesn't show.

If anything, the boyish Nunneley appears confident about his company's role in the well-known and ongoing dispute with NOR Water, saying as long as he can deliver quality water to clients at the lowest possible cost, he's a happy man.

"It continues to be a concern that Oildale Mutual customers have subsidized NOR Water's excessive retail costs, but we're working toward a resolution that will be the most economical for all consumers in the Oildale area," he said.

Holding fast to that bottom line has been a hallmark of Nunneley's work ethic since 1974, when he hired on with Oildale Mutual as administrative assistant to then General Manager, Ralph Gifford. Two years later Gifford left the Company and the Board asked Nunneley to fill in as interim general manager until a replacement could be found. It didn't take the Board long to figure out who that man was and, in September of 1977, they made it official, hiring the 24 -year-old Nunneley for the position he still holds.

Nunneley said there hasn't been a day that he didn't look forward to coming to work.

"I've grown up with the job," he said. "The Board was and continues to be a great asset to me."

Nunneley points to June of 1974 as a "pivotal" year in his life and well he should. In that short, 30-day span, he graduated from Anderson University in Indiana with a degree in biology and chemistry, married Judy, his wife of 38 years, and moved to California to start working for the only employer he would ever have. Board member Don Wattenbarger, who helped hire Nunneley, said he couldn't imagine a water manager more well-suited or committed to the task.

"It's not just a job for him," Wattenbarger said. "He's always had the community at heart. He wouldn't do anything that would hurt the community and I can't say that for everybody."

The straight-talking Wattenbarger said Nunneley is "putting his heart and soul" into resolving the Company's issues with NOR Water, which includes grossly high salaries and frivolous costs that have been passed down to the customers. When it comes to spending, Nunneley said, no company pinches pennies tighter than Oildale Mutual.



Doug Nunneley

"We don't always have to have the latest and greatest equipment, just what's dependable," he said. "Before any expenditure is approved by the Board, I've got to give them a cost-benefit analysis that makes sense."

Keeping water costs low is part of the job, but Nunneley said his greatest challenge to date was the massive infrastructure improvement project the agency undertook in 1978.

"Due to the temperature of the newly acquired treated water from the Kern County Water Agency and the age of the cast iron water lines, it wasn't uncommon to have

several water-line breaks in a day," he said. "We knew we had to make a big investment to improve our water delivery system."

Over the next several years, they did just that, replacing several miles of the more than 90 miles of water lines and hundreds of the over 8,000 service connections. Today, only about half a dozen line breaks a year occur and the system remains strong and dependable.

"It was really one of the best and most challenging undertakings we've done," Nunneley said. "We find great peace of mind in the quality of our system and we continue to upgrade our system each year as needed."

When not riding herd on Oildale water supplies, Nunneley is an outdoorsy sports nut who "plays as much as my body will let me." He and Judy are active in the Olive Knolls Church of the Nazarene and enjoy camping and traveling whenever their schedules allow. They are the parents of grown sons, Ryan, Leif, and Chase.

At an age when many men are considering retirement, Nunneley says it's not yet on his radar. He currently oversees a staff of nine full-time and two part-time employees and expects to be around long enough to see the NOR Water issues resolved. He's also looking forward to Oildale Mutual's role in the development of new housing tracts north of 7th Standard Road.

"There's still a lot to do," Nunneley said. "And I'm a person who likes looking forward – I never look back."





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7th Standard Mutual Water Company Consolidation to Provide Reliable Water at Low Cost

Great news for consumers - particularly those currently served by 7th Standard Mutual Water Company! After applying for a grant in 2010, Oildale Mutual received confirmation from the State of California that funding to absorb the operations of 7th Standard Mutual has been approved. For years California has encouraged larger water purveyors like Oildale Mutual to consolidate with smaller water companies in order to provide a more reliable, efficient and cost effective water supply.

The State commended Oildale Mutual for its commitment to provide and protect safe drinking water for local consumers.

The State will provide over \$1.8 million in funding to the Company under Proposition 84, the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006.

The consolidation of companies like 7th Standard Mutual and Oildale Mutual will result in greater efficiency, better service and higher quality water. Oildale Mutual is pleased to partner with 7th Standard Mutual and we welcome these new customers to our family of shareholders.

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visit our website at oildalewater.com and pay online!
And check out our previous newsletters here as well!*



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