



OILDALE MUTUAL WATER COMPANY

N E W S L E T T E R

Your Water Company Since 1919

November • 2011 Volume 1

Rate Increase to Take Effect January 1

Oildale Mutual's rates are among the lowest in the Bakersfield area; inflated charges by NOR Municipal Water District remain a problem



Despite the many positive improvements made by the Oildale Mutual Water Co., (Company) we find we are forced to raise our rates due to significant increases in charges by the North of the River Municipal Water District (District). As many of you know, we purchase our water from the District, which is a governmental/public entity. District charges to the Company have been soaring. Even though the Company has reduced expenses, as most of us in the private sector have had to do, we are forced to raise rates due to unchecked District spending.

The excessive overhead charged by the District to distribute water to the Company is a huge concern for us and our customers. As a result, we feel it's now necessary to share more information.

The District essentially plays the middleman between the Kern County Water Agency (Agency) treated water and our Company. The District neither produces nor treats any of the treated water received by the Company, but only stores and distributes the water through their wholesale distribution lines.

Although the Company has been able to increase our water entitlement through participation in the construction of a critical expansion project by the Agency (see accompanying article on that successful project), the overhead charges billed by the District on top of the purchased water supply have continued to escalate unreasonably and the District has demonstrated no desire to cooperate by reducing their bloated expenses billed to all of you - the customers.

As a result, we must increase our rates to protect our financial stability and continue to provide high quality water to each of you, our customers/stockholders. Beginning January 1, 2012, we anticipate the average residential billing to rise by approximately \$4-\$5 per month. This rate will vary depending on whether you are a metered or non-metered user, as well as on the amount of water consumed. New rates will be posted on our website rates page at oildalewater.com by December 15.

We have come to this decision reluctantly and after repeated attempts to adjust past billings and negotiate reductions in the escalating charges by the District. Among other things, the Company commissioned an audit of the District's operations and maintenance (O&M) charges for the year 06-07. The auditor concluded that the Company had in fact been overcharged \$186,285 for that year alone.

Nevertheless, when presented with the results of the audit, the District's position has been that they are allowed to impose these charges and will continue to do so in the future. It is clear to us that the District is not concerned with the fairness or equity in the handling of our account.

In just the past four years District O&M billings to the Company have increased from \$225,551 to \$549,996, an increase of \$324,445 or an average annual increase of approximately 36% per year! Our costs have more than doubled in the past four years whereas the service

Continued from front page

provided by the District to the Company remains virtually unchanged.

The difficulties continue with this virtual monopoly and we, the customers, are stuck with these inflated billings. Unfortunately, in order to continue the free flow of clean water to our customers it is required by contract that the Company pay the District's bills, even those which are disputed, and pass along those costs to you, the consumer, until the issue is legally resolved. So the Company has no recourse but to file legal action and seek relief in the courts from the continued overcharging.

The Company's Board is committed to minimizing expenses to the Company which are passed on to you, our customer. Although litigation may take years to complete, at considerable cost to the Company, the Board has made the decision to seek a refund of the inflated billings. According to our review, actual overcharges paid by the Company could exceed \$1,000,000.

It is clear that if the operations and maintenance billings from the District are not contained or resolved, additional overcharging will continue.

We will keep you informed about our ongoing conversations with the District and our efforts to achieve more equitable costs for our Company. In the meantime, we pledge to continue our nearly 100-year tradition of supplying safe, reliable water at the lowest possible price to you, our valued customers.

Please feel free to contact us by email at omwc@oildalewater.com or call Doug Nunneley, General Manager at 399-5516 with questions.

Board of Directors
Oildale Mutual Water Company



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It has never been more convenient to pay your water bill – visit our website at oildalewater.com and pay online!

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Water Treatment Plant Expanded

Renovations enhance and secure Oildale Mutual's clean water supply

Oildale Mutual Water has been working hard to secure additional water for the areas we serve. Currently, groundwater is deteriorating in quality and water quality regulations are increasing. Existing groundwater wells are old and deteriorating and due to groundwater issues are failing to meet current standards for drinking water. In light of this, the Company participated in the expansion of the Kern County Water Agency (KCWA) Improvement District #4 Henry C. Garnett Purification Plant Expansion and Renovation Project.



Henry C. Garnett Water Purification Plant

This important project was completed in April of this year and, as a result, Oildale Mutual Water's entitlement increased from 6,500 acre-feet per year to 12,000 acre-feet per year. Presently, the Company is utilizing approximately 8,500 acre-feet per year with the balance

available when needed as the area continues to grow.

The cost of this expansion was financed through 30-year bonds, with our share of the bond cost amounting to approximately \$1,800,000. In addition, the cost of treated water was negotiated with the KCWA ID #4 to remain relatively constant for the next 10 years, provided that no extenuating circumstances arise. We are pleased to say that with the renovation of the existing plant, which was originally built in 1976, the 35-year-old structure was updated to enable the plant to meet

current and anticipated water quality standards well into the future.

With these critical improvements, the Company has secured a high quality water supply for our existing and future needs and stabilized the cost of the water for many years to come.

A guardian of Oildale water for 42 years

Don Wattenbarger is a big man with a big voice, but as a long-time member of Oildale Mutual Water Company's (OMWC) Board of Directors, he's content to fly under the radar.

It's easy to do when you're doing things right, he says.

"We're owned by our (8,000) stockholders," Wattenbarger says of the OMWC. "As long as we're doing everything correctly, providing quality water at the cheapest rates, they don't pay much attention to us."

Wattenbarger has been a guardian of Oildale water for 42 years, starting his latest year-long tenure as Board president on October 1. The OMWC was founded in 1919 to meet the water needs of a rapidly growing community, but by the time Wattenbarger joined the Board in 1969, the company "couldn't make payroll."

"Today we're one of the largest mutually owned water companies in California and one of the most solvent," he says. "We've always employed a great Board of Directors that stays involved and stays interested in this community and this company."

Not that there hasn't been a bump or two along the way. A current dispute with the North of the River Municipal Water District over what the Board calls "inflated charges" clearly rankles Wattenbarger, whose own strict spending habits earn him some good-natured ribbing from fellow Board members.

"We were out of town on company business and stopped at a restaurant for dinner," says Doug Nunneley, OMWC General Manager. "Don wouldn't order a glass of iced tea because the company was paying for the meal and the tea cost \$3.50"

Wattenbarger laughingly agrees that he "can be a little tight," but pointedly says water rate increases should be made judiciously and not to cover the costs of poor stewardship.

Solid, conservative stewardship is just one of the guiding business principals Wattenbarger learned growing up in a family of self-made success stories. He owns several successful businesses, including Kern Building Materials, Wattenbarger Construction and Development Corporation and, with his five sisters, the Wattenbarger Do-It Center, a lumber and hardware company founded by his grandfather in 1936 as J.C. Wattenbarger & Sons. He's also president of Kern Building Materials.

Loyalty and longevity are also hallmarks of Wattenbarger's life



Don Wattenbarger



*Doug Nunneley (GM),
Don Wattenbarger, Board president*

and work. Most of his employees and those of the OMWC have worked under his supervision for decades. Nunneley may be the foremost example, having started with the water company as an administrative assistant in 1974.

"He's my mentor and a model board member," Nunneley says. "He's always concerned about costs and whether they're beneficial to the customers. He brings a lot of common sense to the board."

Wattenbarger has been married to Connie for 38 busy years. The couple has four children, 11 grandchildren and 3 great-grandchildren. Wattenbarger and his wife are both licensed pilots

who enjoy frequent flights to Boise, Idaho to visit their daughter's family. The couple are long-time members of Olive Knolls Church of the Nazarene, where Wattenbarger is overseeing the reconstruction of the 13-classroom school building destroyed last year by a fire. When he's not busy rebuilding the church, checking on his businesses or diving into complicated water issues, he serves as president of the Oildale Kiwanis Club.

Life is all about service for Wattenbarger, who, along with fellow Board member and building contractor Hugh Pearson, even oversaw the design and construction of the OMWC building at its McCray Street location at no cost to the Company. At an age when most men are happily retired, Wattenbarger says he's starting to think about slowing down. The statement is followed by a broad grin and a belly laugh, as if not even he believes it.

"I just can't tell people no and Connie keeps getting busier," he says. "I've been blessed. I just enjoy what I'm doing."

OILDALE MUTUAL WATER COMPANY

SCHEDULE OF WATER RATES

Effective - January 1, 2012

FLAT RATE SERVICE

RATES PER MONTH

31.0 cents per 100 sq. ft. of premises, plus:
 Per unit.....\$19.00
 Swimming Pools.....4.00

2 inch	95.75
3 inch	152.50
4 inch	225.10
6 inch	325.50
8 inch	475.00
10 inch	575.50

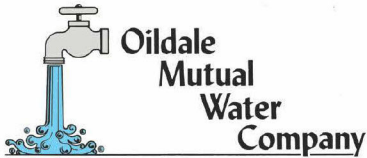
METERED SERVICES*

USAGE RATE
 Per 100 cu. ft\$ 1.03

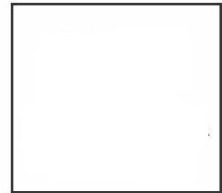
The service charge is a readiness-to-serve charge applicable to all metered services which is to be added to the monthly usage multiplied by the usage rate.

SERVICE CHARGE:	PER MONTH
5/8 x 3/4 inch	17.10
3/4 inch	21.25
1 inch	31.20
1 1/2 inch	75.50

*ALL NEW SERVICES MUST BE METERED
 Flat rate customers have the option for installation of metered services at customer's expense



**P.O. Box 5638
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Board of Directors

Fred Hupp

Bill Purkiser

Lonny Boller

Hugh J. Pearson

Don Wattenbarger