

How did the Orange Park Acres Mutual Water Company's sale come about?

This is a reprint from a February 2008 letter sent to OPAMWC customers

To: Orange Park Acres Mutual Water Company Customer

From: The Orange Park Acres Mutual Water Company Board of Directors

Your water board stepped forward to do the right thing for OPA water customers.

- There has never been a plan for infrastructure up grade.
- A small water company (550 customers) CANNOT have competitive rates.
- A small water company cannot keep up with water quality guidelines with only part time employees.

Your water board sent out a "Request for Proposals" to the City of Orange, Serrano Water District (Villa Park), Golden State Water Company, East Orange Water District, and Irvine Ranch Water District. Initially all five showed an interest in merging with or buying OPAMWC. The City of Orange seemed to be the most logical choice, but they were concerned about replacing the aging infrastructure and how it would be paid for along with a stockholder buyout. Serrano Water District was interested in our well, but would not buyout stockholders, and would not replace aging infrastructure, only repair as needed. Golden State Water Company was very interested and spent time working with the Board President in identifying areas of concern. East Orange Water District did not make much of an effort to put a proposal together, but remained interested. Irvine Ranch Water District (IRWD) was the most serious of all. They came in and identified the entire system and returned with a proposal that included; a 20% reduction in water rates, a schedule for replacing aging infrastructure, a means of paying for the infrastructure, and once the infrastructure was paid for – another 40% reduction in water rates.

The Board met and compared water rates ONLY from the interested parties. With OPAMWC rates being the benchmark IRWD was 60% less, Orange was 30% less, Golden State was 27% less, and Serrano was 15% less. Based solely on water rates the Board had an easy decision to make, but that was not the end. We went back to the Serrano Water District Board of Directors to discuss what they could do for OPAMWC. Their offer did not change. They would buy the well, and reduce rates by 15%. We were told by their Board President that if we had a better offer we should take it- THEY never called back! The City of Orange could not come to an agreement to go any further with negotiations and bowed out. Orange came back to the table in May of 2008, but again could not make a solid proposal and ended up in support the OPAMWC/IRWD merger at the Local Agency Formation Commission (LAFCO) hearing. Golden State Water Company was still interested in OPAMWC and wanted more information. Their proposal did not include infrastructure upgrades, only repairs as needed, and they were offering only \$370.00 per share of stock. With the second highest water rates the Board saw no reason to continue negotiations with Golden State.

IRWD had the best proposal and the OPAMWC Board made the decision to enter into further negotiations with them. After months of negotiations a deal was struck.

- 20% water rate reduction the day the deal closes
- 7 million dollars in infrastructure upgrades
 - This is a “not to exceed amount”
 - IRWD will provide the capitol at 0% interest rate
- OPAMWC was credited 3 million dollars for assets
- The upgrades would be paid for through existing water rates (even with the 20% reduction in water rates)
- At the end of the estimated 7.1 years to pay for the upgraded system rates would be reduced by another 40%
- \$577.94 buyout for each share of stock

No other proposal came close to matching what was negotiated with IRWD, and IRWD is also a sewer provider. This means that those who are near to a sewer line could make that connection through IRWD.

Golden State Water Company has come back saying they are an alternative to IRWD. Golden States claims that their rates would be less than OPAMWC’ s- in today’s rates that is true. But, with the 20% reduction that we will get from IRWD our rates would be less than Golden States. Golden State will NOT improve the entire system and cannot offer increased pressure, because they don’t have the reservoir sites and capacity that IRWD has. Golden State says they can provide sewer service. That’s true. Actually anyone can form a sewer district and OPAMWC thought about doing that. The biggest problem is buying capacity at the Sanitation District. IRWD owns capacity at the Sanitation District and that is a benefit we don’t need to pay extra for.

The OPAMWC Board of Directors has stepped up to the plate and done what is right for the community. IRWD is right for OPA. IRWD is already providing water to parts of Orange. IRWD is a “non-profit” company providing the most competitive rates, best service, and a solid vision for the future. Golden State is a publicly owned company that must provide a profit for its shareholders, and that would be at our expense. Golden State is subject to the Public Utilities Commission (PUC) dictates. Check your electrical rates if you want to see what the PUC can do for you.

Thank you.

The OPAMWC Board of Directors

The sale of OPAMWC continues to be a win win for OPA. IRWD has provided superior service to OPA customers. The upgrades to our system continue to run on or ahead of schedule and repairs are being done in a very timely manner.