

Transcript Justin Skarb, Cal Water Presentation to Private Well Owners Assn. 7/1/2026

0:00 Morning everybody.

My name is Justin Scarb. As Bud mentioned, I'm the vice president of government and community affairs for California Water Service Group. Uh it's the parent company of a number of utilities on the west coast of the United States in California, New Mexico, Washington, Hawaii, and Texas. And the reason I'm here today is that Cal Water has entered into an agreement with Nexus Water Group uh to acquire the water and wastewater assets in Nevada and Oregon. Uh it's not all Nexus Water Group's assets, but uh they have a number of assets on the West Coast that they're divesting where we've entered into an agreement with them to acquire those assets. And so those assets are here uh in the valley. So Bud asked me to come out and try to answer some questions that I know that you all have about what that acquisition means for both folks who are currently customers of Great Basin Water Company. Uh but also just in

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terms of water use in the valley in general. Uh so hopefully I can answer those questions. My plan was was to uh give a little background about the company because I think that that's important. uh to then talk about the acquisition uh of Great Basin Water Company, some of our vision for what that means for the future of water use here in the valley for customers and and non-C customers alike and then spend most of the time answering any questions. Bud asked me to try to keep it to half an hour. So, I'm going to try to get through this presentation in about 10 minutes because I I know that you all have a number of questions. I'll answer some of those that I know already exist towards the end of the presentation. Uh but then we'll do some question and answer as soon as I get done.

So California Water Service Group was formed in 1926 October actually. We're celebrating 100 years this year. It's our birthday. Uh October 17th I believe is the day that we acquired our first utility assets in Chico in Northern California and we've been growing ever since. Uh our commitment really is to our customers and serving our comm customers, making sure that they have safe, reliable water service.

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Uh trusting the water that comes from their tap. Uh and we've built a long track record of being able to do that uh with our customers and being committed to the communities that we serve. As I mentioned, uh currently the company has uh utility systems in five states. California where the majority of our assets are, Hawaii, New Mexico, Washington, and Texas. So being uh having some utility assets in New Mexico and Texas used to groups that are saying why in the world is somebody from California coming in here uh and acquiring

water systems. It's a little bit difficult to read on this screen, but what I wanted to talk about is our strategic goals. Our highest strategic goal that we have is public health and safety and making sure that our customers are protected, that we're treating water to all state and federal water quality standards,

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providing affordable, excellent service to our customers, being a sustainable company, and that encompasses everything from water conservation to also supporting the organizations that exist in nonprofit organizations, etc. that exist in the communities that we serve. This provides a little bit of detail about the size of the organization and all the various assets that we have in all five states that we currently operate in. Uh you know we've got over a thousand groundwater wells, 150,000 valves, 681 storage tanks, number of wastewater treatment plants, water treatment plants, etc. Uh so it's not a small organization by in any sense of the imagination. As I mentioned, one of the things that the thing that we're absolutely the most focused on, the thing that is the most important to us, is making sure that the water we deliver to our customers meets all state and federal water quality standards 24 hours a day, every single

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day of the year. Uh without that trust and without being able to do that, our customers can't trust us and they wouldn't have reason to. Uh and that's why that we make it such a commitment to make sure that we're doing that for our customers and more importantly the communities that we serve. This last year, we just released our consumer confidence reports. And those are reports that all water utilities in the country are required to uh provide to their customers that talk about everything that's in the water, whether that not they meet all met all the state and federal water quality standards for that community, I'm proud to report that every single water system that we operate currently uh in all of those states met every single state and federal water quality standard in 2025. And that's not something that every water utility can say. I'm sure that you all have seen some of the reports in various parts of the country where they've got lead problems or they got arsenic problems or they've got uh other issues with their water systems. And so it's something that we take a lot of pride in and we put a lot of time, energy, and effort into making sure that we meet those standards. Our commitment is also to not only having the water systems that we that we

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currently have, but maintaining and upgrading those systems so that we can continue providing safe, reliable water to our customers day in and day out. Just like water quality, if

you can't trust the quality of the water that's coming out of your tap, uh that's a bad day at the office for everybody at the company. It's also a problem if it's not reliable water that our customers get in day in and day out. uh and that's why investing in infrastructure is a core part of the of of the organization's objectives. One thing uh I know I'm going to move through these slides relatively quick. So hopefully what I can do is I'll give the presentation to Bud and the directors and then hopefully they can share a version of that on uh the association's website so that everybody has access to that and they can review this because I want to spend again the majority of the time answering the questions that you all have. One thing that's really important uh is our commitment to the communities that we serve. That we're not just a water utility. That uh the only way that we

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thrive is if the communities that we serve are also thriving. And that's why we have a very large philanthropic program. And that's not paid for by our customers. That's 100% paid for uh by the company itself. Last year, we donated more than \$1.8 million to the to organizations and the communities that we serve. A number of those programs are really near and dear to my heart because they're uh concepts that my team and I came up with over the last several years uh that are really moving the needle in terms of programs and support and efforts in the communities that we serve. For example, uh we have a college scholarship program uh that we offer in all the communities that we serve allows folks who are in high school that are going on to seek higher education to apply for a college scholarship uh from Cow Water with a top award of \$10,000 per year. And I think given the number of years that we're do that we've done that, we're nearing a million dollars that we've given out in college scholarships. We also have a firefighter

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grant program. Uh obviously being a water utility, we work hand in hand with firefighters across all of our service areas. And it's imperative that we have a good working relationship with them. But a few years ago in conversations, we we realized that there was a real need, especially in some of the smaller communities that we serve, that the fire departments just don't have the money to support uh all their operations that they're relying on safety gear that is torn or it's been around for 10 years and it doesn't really protect the firefighters anymore and they're relying on fire hoses that have holes in it, etc. So, [clears throat] we launched a firefighter grant program that allows fire departments in our service areas uh to apply for grants from Cow Water uh in order to support those operations. We had training, gear, hoses, etc. And I'm proud to report that we're again upwards of about a million dollars that we've donated uh over the last decade or so to fire departments in our service areas to

support their operations. Obviously, keeping water affordable is critically important. How many people don't like how much prices go up every

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year? Yeah. Neither do we. We've got a commitment to making sure that we try to keep water affordable for our customers, not only in terms of operating efficiently at the company level, but also adopting a number of programs that help customers pay their bills and keep their water use down. Uh whether that's in the form of water conservation programs that we offer, we're an industry leader when it comes to water conservation. And I'll talk about that more in a moment. Uh but also in terms of various programs that we offer uh interest free, cost free ex payment extensions and payment arrangements with the company uh where we've partnered with another organization named promise pay that allows people to seamlessly set up payment plans with us. We have what's known as a rate support fund uh for a number of our small communities that essentially it creates a subsidy system uh to make sure that those customers that have the highest burden in terms of water costs uh that their costs remain affordable and reasonable.

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I'm proud to report that uh we receive a number of awards on a regular basis uh from a top workplace uh to a great place to work to being a trustworthy company, a responsible company, an impactful company. Uh and then most recently, we received platinum certification from the Alliance for Water Efficiency for our water conservation programs that we offer to our customers. And that's everything from rebates on clothes washers to turf replacement uh to sprinkler nozzles to educational programs etc that our conservation team put together to assist customers not only in reducing their water use and making sure that they're operating as efficiently as possible with their own water use but also reducing their monthly water bill. Uh so the reason I'm here is to talk about the acquisition specifically about Great Basin Water Company, but uh the larger

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acquisition of the West Coast assets of Nexus Water Group. So in total, Cow Water will be acquiring about 36,000 connections uh service connections or 36,000 customers. That's both water, drinking water, and wastewater connections. Uh with about I think 4,000 or so here in the valley. uh 4,000 water connections and I think about 5,000 wastewater connections and the majority of the wastewater connections are here. Uh the we reached an agreement earlier this year to make those acquisitions or to make the acquisition of the system. We're currently in the due diligence phase of that where we're finalizing uh all the information that we need to be confident in the transaction to make sure that there's no

deal breakers etc. And then simultaneously that acquisition or those acquisitions are being reviewed by the public utilities commission of Nevada here in Nevada as well as their counterpart in Oregon. And that's the public process that we go through. Uh and that's very similar for out of curiosity, who's a great basin water company customer right now? Anybody?

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Well, okay. I just wanted to make sure because I know that there were some folks from the community. So there's a handful of folks in the room that uh are Great Basin Water Company customers. The process that goes through for setting rates that's controlled by the public utilities commission. That process is not going to change. Public utilities commission will continue to set the rates and they have to approve the acquisition of the water assets. Are you acquiring the sewer service? Yes. So it'll be water and wastewater here in the valley. Everywhere in uh not everywhere, just for those assets that are currently owned by Great Basin Water Company. these three utility companies think they're wrong. And so it's only Great Basin that is being acquired by Cow, which I believe is kind of on the it's on the I'm trying to remember the map. I think it's more kind of like the south side of the area. This is a map that just shows uh the systems in combination. And you can't really see it because it's crossed off by the doorway. But the reason why the

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acquisition makes sense for us is that we already have solid operations on the west coast of the United States. And this really solidifies our position uh in being a an efficient operator here on the west coast. I think that the most important takeaway from these slides and what we'll what we'll share with you and then I want to answer a couple questions that I know that you all have and then move into question and answer. Uh, Cow Water is a 100-year-old company and we got to that point by taking care of our customers and taking care of the communities that we serve and working with the communities that we serve to make sure that their concerns are addressed to make sure that they have supplies of reliable water. Uh, both those folks who are our customers and who are not our customers, taking care of that water supply uh to ensure that it's there not only for today but for generations to come. And that's the same commitment that we bring to Nevada, the same commitment that we bring to Oregon. Uh

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that has allowed us to be in business for a 100red years. And our expectation is to be in business for 100. So I know that we can go ahead and flip on the lights and I want to I want to spend most of the time that I've got left talking doing some question answer. I know that

there's some initial questions. I took the time when I first started chatting about a month or two ago, I took the opportunity to review a lot of the questions and statements that were made on Facebook uh from the private wellers. Uh and so I want to address a handful of things that were really prominent in those conversations. First and foremost, unequivocally, we are not shipping water out of Nevada to California. That is not part of the plan. We don't we have not done that in any state that we currently operate in. We aren't moving water from Washington to California, from New Mexico to California. Certainly not Hawaii to California. That's not part of the plan. Our plan and the reason we're pursuing this acquisition is because we want to serve folks here. We want to serve folks in the valley. We want to serve folks in

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Nevada. We want to make sure that there's reliable supplies of water here. We can't achieve that if we're moving water out of the valley to other areas. Likewise, we have no plans whatsoever to move water out of this area to other parts of Nevada, including uh you know to the east or to the west. Uh that's not part of the plan. Again, want to make sure that there's supplies of reliable water here and our commitment is to make sure that we're able to achieve that. I know that one of the other questions that folks were really concerned about that somehow folks were going to be strong armed into becoming customers of Cow Water. Also, no way, shape, or form the case. That's not part of the business plan uh and not part of what we want to accomplish. Obviously, if there are customers that would like to move off of private wells and get connected to the larger system and not have to deal with running their wells anymore, having well testing, etc., we'd love to entertain that conversation, but there's no plan that we have in place to move people off of their wells or to try to force them off their wells in any way, shape, or form. Working with government agencies to do that. Not part of the plan. And I was actually telling Bud when we were uh when we spoke on the phone a few weeks

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ago, I actually know of more instances where folks have left the cow water system than folks who have been forced onto the system. And I think the best example of that is actually one entity that was one of our largest customers. How many people drink Sierra Nevada beer? Okay, so a handful of folks. The Sierra Nevada breweries in Chico, California. Uh the brewery uh was supplied with water by California Water Service Group. Uh but during the 2015 2016 drought, uh the brewery became Sar Nevada became very concerned about restrictions that were being placed on water utilities and the amount of water that their customers could use. They said that the best way they were going to be able to protect their business and protect their future was to drill their own well and move off of our system. We

worked with them so they could actually accomplish that goal. uh and they've been doing that ever since. Did we hate to see them go? Absolutely we did because they're a great strategic partner. Uh and frankly, they use a great deal of water. They're

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a beer manufacturer after all. But that was their right to do and it would be that same commitment that we bring here. We've got no interest in trying to force anybody to our system. Uh it doesn't make sense for us to do that in the sense that if we alienate everybody in this room and your friends and family, we're not going to be welcome here for 100 years. And that ultimately is our goal that we want to be part of the community uh and and make sure that that we're acting responsibly. I know one of the other concerns was about long-term supply reliability and there was conversation already about data centers and a handful of folks have asked me about data centers already. Uh data centers can use a lot of water. We don't have any agreements in place to supply water to any data centers. That's not part of the business plan. We don't speak seek out specific customers uh to uh that that we want to move into an area. Quite the opposite. Um businesses and other entities come to us and say,

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"Hey, we're thinking about setting up shop in this particular area. And then the process that we go through, we go through what's known as a water supply assessment uh to determine whether or not there's sufficient supplies of water. And that would be true of a data center, a new housing development, any type of business development that's occurring. We've got to go through that process to make sure that there's actually sufficient supplies of water available in the community and the groundwater, etc. in order to actually supply those c those new customers with the water that they would need to operate their businesses. And that's part of our commitment to being a responsible company, a sustainable company, and making sure that their uh water supplies here in the valley and everywhere else that we serve are there not only today, but for generations to come. I know those were kind of the top three questions or themes of questions that I saw online, but I'm sure that you all have more. So, let me go ahead and try to answer those. And you're fast on the on the panel, so please go ahead.

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All right. Thank you for coming to Perump. Your customer uh base is probably going to be everything south of 372. probably 80% of the people that live south of 372 the south side of nine county border might and you said you're not going to export borders right your plan is not to export is there a plan to import is there a plan to import water I cannot speak to a

plan to import water uh and that's honestly to answer that question I think that that's part of the due diligence that our team's going through uh my counter not my counterpart, one of my colleagues at Cal Water who handles all of our water supply would be in a better position to answer that question. Uh I think that what I can say is that we have to serve our customers and we have to make sure that they're sure that there's sufficient supplies of water and whether that's bringing on additional supplies of water here uh through looking at projects like water recycling projects uh for irrigation water or

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bringing the water in from other areas of the state. I would say that all options are on the table. uh in in terms of making sure that there's sufficient supplies of water here and what is the timeline you're looking at cow water to take over great bases the timeline uh the hope is to have the acquisition and everything completed by the end of year really soon yes thank you let me go over here then I'll come to you and then there was another question right here please thank you do you know how much water is actually the bas I'm going to guess that you all can answer that question better But I can't. What do you mean? You haven't had a water survey in how many years got to stand up. There's no diagnostics on anything. The reason I asked that is before I got booted off the planning commission. Um that we're revising a plan for about

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2016 and said they were planning for 680,000 people in this valley. I looked around and I kept ask the planning commission, how much water is this development going to take? Right? How much water? And they would never answer. And we're getting stonewalled by the county government on that answer. And clearly, if we don't have water, this place will be a ghost town. Yeah, absolutely. I can't answer the question of how much water is in the groundwater. You should know that question. I think so. That's part of the due diligence process that we're going through. Uh again, this acquisition was announced months ago. Uh so the process that we're going through is going through that due diligence to answer questions like that. I'm also the last person that you would want to make be making that determination of how much water's in there. I'm a governor. I understand that I'm a spokesperson, but you don't want me doing that investigation myself. Why you should

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that is done by the state engineer and it's a it's just a guess. I know if you want to shut up long enough to listen. All right. So what I can commit to you all is that to the best extent that we can we'll have answers to those questions because those are investigations that we undertake currently in our other service areas. And if you think about where we operate in

California, we have a number of service areas that are in bad water basins that are overdrafted that they're dealing with groundwater or they're dealing with ground subsidence, meaning that the water tables have dropped so much that there's actual subsidence to the ground, the ground dropping, and we have to deal with those situations and make sure that there's sufficient supplies of water there and have those investigations to ensure that there's long-term supply reliability. So, I apologize that I can't answer that question today. That is a question as the water utility in the area that we will be able to answer in the future.

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All right. So, looking at the slide, it said the average household income is around \$10,000. Out here, many people live on a fixed income. Sure. And that I'm pretty sure, correct me if I'm wrong, that's a lot of people who don't have that average. So, how does that affect them when they barely make it as it is? So that average was for all of our customers and all of our service areas just as a percentage of income to show what our rates are currently in those areas. Uh right now there's not a plan in place to change rates at all for the folks of the Great Basin Water Company because California rates I can see being a lot higher than Nevada. Uh our income here is completely different. The average should be adjusted for the people's income here otherwise it's not going to work. Yeah, absolutely. So the way that rates get set is they set on they're set on the actual cost of operating, maintaining, and upgrading the system. They're not set to a target to say that rates need to be XY X, Y, or Z percentage of income or or whatnot. It's

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just a method to show uh the relative affordability of the rates for our existing customers. I want to you had a question, I believe. Am I mistaken? I thought you had your hand up. I'll take one. Um, who makes the We'll go. Yeah, we'll go there and then to do the evaluation for the availability of water. Who makes the final determination if there is enough for the project that is proposed to your company or data centers or whatever? You say, "Okay, you want you're going to need so much investigation is done." Who makes the determination? Yeah, there's plenty of water for you to use. We'll give it to you. Who makes that final determination? Is it your company? Is it a government agency? Who determines if there's enough water that these people are asking for?

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The first line is definitely the utility uh is making that determination to say we do or don't have enough water. There's actually a number of service areas that we have in California where we turn away new development because there's not enough water in those service

areas to be able to serve the development that's actually coming in. So, it's not unheard of. Again, we don't go seeking out customers or our first and primary mission is to serve the existing customers. But who has the final determination to say yes, there is enough? The the state does in various capacities. Uh but most importantly for us, we're we're going to be overseen by the public utilities commission who would have a say in that process. The county would undoubtedly have a say in that process as well as other state agencies would have a say in that process of whether or not there is or is not. But the first line is really us. If we don't have a feeling that there's going to be enough water, then we say no, we're not going to serve you because our again our commitment not only the company commitment but our legal commitment is to our existing customer base ensuring that we can supply them with water, not to bring in new customers. You can't supply yourself with water in California. I mean, I live there. I'm up here, but I live there in New We have no water down there. And we're right off the ocean. I I'm, you know, 17 miles from S Beach. Okay. So, where's the desalination that's been promised? No. Where's the catch based things all the way from, you know, uh, Brown, Pat Brown, Jerry Brown, name one, you know, it's not happening, right? That's true. Water this water I mean the water supply situation in California is difficult and complicated. It depends on the weather, depends on the year. So this year we've got reservoirs that are in full capacity or over full capacity or 100% capacity. So it depends on the year. It storms down it storms down the Laurel Canyon. It washes everything away. So I mean in terms of the overall picture I mean in terms of the overall water supply picture in California that's a much larger question than than I can answer. There's a number of other players there. What I can say is that our customers and our service area we're able to serve those customers with water and we're confident that we'll be able to do that for next 100 years. I'm going to come up here because this gentleman's been waiting. I was just going to say it's frustrating for property owners because no one seems to be able to tell us how much water we have around and there was supposed to be a regional study done last month. The word on the street is now it's going to be a year next June. So I don't see how due diligence can be done by the end of the year. The state doesn't seem to know how much water yet. There's development agreements 20 years old water rights that are being distributed 4 to one at recharge rates. Well, there's plenty of water because there's plenty of water rights, but that doesn't mean there's plenty of water in the ground. That's very frustrating. And then to hear, well, you know, we're going to do our due diligence. We're getting 90 days. But [snorts] we still we won't know how much water's in there. I don't know how you guys know.

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Okay. The current water Now they purchase take the mic here. The current company Great Basin that we're purchasing now has water rights to deliver water to over 68,000 residents

and we know you don't have that now. So um how are you going to deal with that? That's overallocated and those are the paper what we call paper water rights because you don't have that much water. We don't have that much water here. So, how are you going to deal with that? What is what's the plan? And also, I was wondering, are you going to extend your infrastructure so that you can supply water to other homes that maybe have a well now? And that would be mandated with the state of Nevada to be able to do something like that.

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In terms of that, and this gets a little bit to your question, the difference between water rights and water supply availability in all of our existing systems. It's based on the amount of water that's available, not what rights we have to extract that water uh etc. because we know that we might have more right to extract water in a particular area uh that is that far exceeds actual demand. Uh but the actual supply of water that's available doesn't mean that that uh that amount of demand or it doesn't mean exactly what those water rates are. And that gets back to the water supply assessments that that I was mentioning before. And in order to do those, we have to know how much water is available. Uh my commitment to you all uh and I apologize for not having the answer to that question. Now, I will talk to our vice president of sustainability who handles all all our water resources after this meeting today. I'm going to have some pizza first, but then I'll get on the phone.

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I'll have I'll get on the phone with Ken after that on my on my drive back to the airport, have this conversation with him and try to get some additional information that I can then share with you all through Bud and through the board of directors here and get some better answer to these questions. I I do apologize for not having a better answer to this question. Okay, let's have one more question. Yeah. Can you play like golf forces? Do they recycle water hydrants or center for example water? Yeah, it depends on the area. So, uh we have golf courses in California that rely on recycle water for their irrigation. Uh we I can't speak to any data centers that do, but we do have oil refineries that use an exceptional amount of water uh that do rely on recycled water. Uh we also have a uh a large pharmaceutical company that relies on a great deal of water for cooling as well. They also rely on recycled water. So it really depends on the situation.

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You could use fire hose you could use recycled water and fire hydrants, but that largely is going to depend on how the system is plumbed whether or not you've got multiple distribution pipes that are connecting to those fire hydrants. Well, you don't know like the current usage of recycled water right now. I don't believe that there I I don't know that there

is any recycled water here now that's being used for reuse. I may be wrong about that, but I'll get back to you all with an answer to that question as well. So, what I'll do is I will I'll give Bud my contact information so that he can share that with you all. I know that you all have a lot more questions. My email address, my cell phone number so that you can call, email, or text me. And then I'll be able to hopefully answer those questions that you have. I know that I'm probably going to come out to the board at some point uh to do a presentation with them as well and then we can ask more questions and I'm also going to be here uh because again I'm going to eat some pizza. So feel free to come up and ask any other questions.

Thank you very much.