

FAQs Update

What is the Tuolumne Utilities District?

Tuolumne Utilities District provides responsible water and wastewater services to more than 44,000 people in Tuolumne County. We do this through great customer service, operating in a socially, financially, and environmentally responsive manner, and delivering our services at a fair value.

Where does our water come from?

The water you rely on comes through a complex and time-tested system that proves its value every time you turn on the faucet. It starts as mountain snowfall at elevations exceeding 9,000 feet, melting into the Stanislaus River in the springtime. From there, gravity delivers it through a complex system of ditches, flumes, and reservoirs (Pinecrest Lake and Lyons Reservoir) – much of it dating to the 1850s Gold Rush era. An engineering marvel of its time, this system has served our community well and is among the county's most valuable shared assets.

Does TUD own all the infrastructure?

No. PG&E currently owns key elements of TUD's water collection and raw water storage system, including Pinecrest Lake, Lyons Reservoir, and the Tuolumne Main Canal.

What is this I hear about acquiring water rights and PG&E-owned facilities?

An agreement is nearing completion where TUD and its customers would gain ownership of valuable senior water rights in the Stanislaus River, along with key raw water collection and system elements and accompanying hydropower facilities that are currently owned by PG&E. This agreement must be approved by TUD's Board of Directors and is also subject to regulatory approval, including the Federal Energy Regulatory Commission (FERC).

How will TUD customers benefit from this acquisition?

Benefits to TUD customers can be summarized in four distinct areas:



First in Line for Water

Tuolumne County has zero water rights presently and has struggled with a dependable water supply for years. This is an opportunity to always be at the front of the line each year, securing critically important water supplies for our customers now and in the future.



Local Control

TUD customers understand that government functions best when it is closest to – and therefore most accountable to – its constituents. If TUD acquires the system, that means no other entity or investor could acquire these assets and have the power to manage the system in a way that is inconsistent with Tuolumne County values and interests.



Flexibility

While still adhering to federal regulations that require certain operational practices, TUD customers will benefit from flexibility created by operating the system primarily as a water supply system, with hydroelectric production as a secondary function. This flexibility will reduce water supply risk and improve certainty for Tuolumne County.



Drought Mitigation and Wildfire Protection

Due to recent droughts and other factors, in 2019, Tuolumne County was listed as California's number one County at risk of wildfire¹. With that ever-increasing threat, the acquisition will improve our ability to safeguard the region.

How much will it cost for TUD to acquire these water rights and system assets?

TUD staff and its consultants are nearing completion of the analysis, and expect to present it to the TUD Board of Directors on Monday, May 9, 2022, at 9 a.m. This will also include a recommendation on rate increases necessary to recover additional costs and estimates on likely impacts to customer bills.

What is the potential for selling excess water to outside entities? Could this positively impact customer bills in the long-term?

It's easy to see how in our wildfire and drought-prone region, the gold in our streams isn't buried in the plunge pools – the real gold is the water itself. As the owner of the water, TUD could transfer it to buyers outside the current system. Because TUD is a not-for-profit entity, these revenues don't get turned into dividends for investors, but would be used to offset and reduce costs incurred by TUD customers.

Why is this happening now?

Five years ago, PG&E first approached TUD with the idea of divesting of these assets and they believe TUD is the natural successor owner. Since that time, negotiations have continued, impacted by things like the need for detailed due diligence and slow progress due to the pandemic. TUD staff anticipate finalizing the draft agreement and presenting it to the TUD Board for approval late in the first half of 2022.

When will we know more?

Over the next several weeks and months, as details of the acquisition agreement come into greater focus and are finalized, TUD will be more visible in the community. We are working proactively to help our customers understand this opportunity, the value we see in acquiring these assets, and the costs associated

¹ Source: California Department of Insurance's, Availability and Affordability of Coverage for Wildfire Loss in Residential Property Insurance in the Wildland-Urban Interface

with it. We'll also be listening to feedback from our customers to ensure any agreement we make is consistent with the values of Tuolumne County.

I've heard rumors that free water would continue, even if PG&E ends up selling the system to an entity other than TUD. Is that true?

There does seem to be some confusion around this point, but our legal counsel has studied the issue carefully and they do not believe this part of the current contract would survive if these assets were bought by another entity. In other words, the days of free source water in Tuolumne County have come to an end. The only question is whether we have the will to step up and establish local control of our water future for the benefit of everyone in Tuolumne County.

Pinecrest Lake is precious to those who lease properties and outdoor recreators alike – what do you say to those who worry that TUD will manage the facility differently than PG&E does currently?

We agree that Pinecrest Lake is one of the jewels in our county and share your desire to maintain it as a treasured resource for all. PG&E maintains a Federal Energy Regulatory Commission (FERC) license for Pinecrest Lake, and currently manages the facility in compliance with those regulations. TUD will be required to operate the facility under the same regulations.

You say water bills will go up, no matter who takes ownership of PG&E's assets. What bill impacts could TUD customers reasonably expect if another entity owns the system?

The simple answer here is we don't know. Any entity that takes ownership of these facilities –TUD or otherwise – will be responsible for the ongoing costs to operate and maintain the system. All the variables that have made it difficult to predict bill increases to customers if TUD acquires the assets would apply to this calculation, too.

Beyond what another entity would pay for the assets, other unknowns include what they would expect to pay for system upgrades and enhancements, how much they would need to fund emergency repairs, the list goes on.

One thing is for certain – we can expect that any non-TUD entity will also need to collect administrative costs and ensure a profit margin on top of it. As a not-for-profit, TUD does not have shareholders or the need to pay dividends. Our revenues must only cover the costs to continue delivering high quality, reliable water – a fact that benefits our customers and keeps their bills reasonable.

Why is the Phoenix Powerhouse part of the acquisition but not Spring Gap Powerhouse?

PG&E has offered Phoenix as part of the deal, but not Spring Gap. TUD understands that the Phoenix Powerhouse will not be a big money maker, but the revenue it does generate will help to offset the costs to operate and maintain the system.

How much support can TUD expect from the State and Federal governments, and is this different from what PG&E or another for-profit entity can access?

TUD has always leveraged the availability of state and federal grants – funding streams that are more difficult for-profit entities like PG&E to qualify for. Local grant writing experts have expressed their view that the future of these opportunities is bright for TUD and the County. We are committed to continuing pursuit of these funds, which help us improve our system and level of service without impacting our customers' bottom line.

How will TUD be able to respond quickly and effectively to future tree falls (or other supply interruptions) as PG&E recently did with its vast resources?

These risks will be managed through three key strategies – first, through experience. TUD manages emergencies similar to those PG&E faces such as severe weather, ditch slides, fallen trees, etc. Second, TUD will hire and retain additional employees necessary to perform necessary regulatory oversight, operations, maintenance, and critical repairs on all parts of the water system. Thirdly, we will set rates that enable TUD to establish a responsible level of reserves to ensure we have financial resources at-hand to respond effectively to any emergency.

Where can I learn more?

We've created a special website to improve transparency about the potential acquisition – check out www.TuoCoOurWater.com for more information. As this is an ongoing process, the website will be updated regularly.