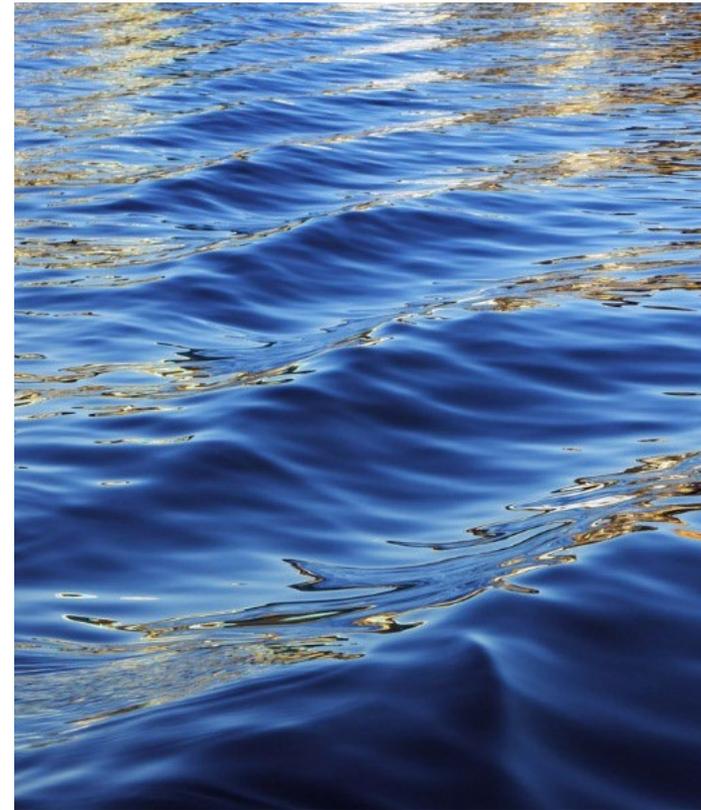
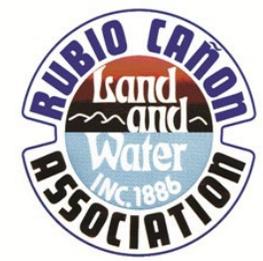




Rubio Canon Shareholder
Workshop February 3, 2026

EATON FIRE RECOVERY EFFORTS





Purpose of Today's Workshop

To provide a clear, transparent overview of:

- Shareholder rights and responsibilities as a not-for-profit utility
- Impacts of the Eaton Fire
- Insurance recovery and rebuilding plans
- Funding challenges (internal and external)
- Consolidation Considerations

SHARED EXPERIENCE FROM KEVIN PHILLIPS
DISTRICT MANAGER
PARADISE IRRIGATION DISTRICT



Our water.
Our future.

Paradise Irrigation District

Mutuals Owned by Resident Shareholders



- Property-owners own Rubio as shareholders, shares represent a property right to water deliveries.
- Rubio is a not-for-profit (501 c12) utility provider and may only charge cost of service.
- Property-owners who own shares are responsible for fiscal and operational needs of the company in equal parts through connection fees, water usage and meter standby charges.
- Rubio's Board of Directors is comprised of shareholders who approve budget(s), approve rates, and capital improvements.



Impacts of the Eaton Fire



Important reminder:

Each water system in Altadena was impacted differently by the fire, based on location, system design, and pre-fire conditions.



Direct impacts to Rubio:

Loss of reservoir capacity significantly reducing storage by approximately 2,526,000 million gallons.

35% of homes in our service connections destroyed.



Our groundwater supply continues to meet current water demand.



Construction of reservoir repairs are expected to begin within the next month.

Edison's Cross Complaint: What that Means for You and the Water Company?



Jan. 16 - Edison filed Cross-Complaints against various public agencies and water suppliers, including Rubio, Lincoln Avenue, Las Flores and Kinneloa Irrigation District



Edison alleges Rubio and other water suppliers failed to design and maintain its water system to provide sufficient water.



Rubio's water system complied with all state and local regulations as of the time of the Eaton Fire



Rubio has insurance to protect against the Cross-Complaint and the insurer will be providing defense counsel



Further comments must be limited due to the pending litigation

Consolidation: Understanding the Operational Realities

Key facts:

No Altadena system currently has enough data to determine:

- If consolidation is feasible
- What type of consolidation would work
- How much it would cost

Any consolidation requires extensive engineering, financial, and legal studies

Independent UC Berkeley and UCLA research shows consolidation typically takes: 7–12 years

Consolidation: Realities

- It is **incorrect** to state that Rubio opposes consolidation.
- **On multiple occasions prior to the fire:** Rubio approached Las Flores Water Company to explore consolidation. They declined.
- **After the fire:** Conditions have changed dramatically, and consolidation discussions must now account for:
 - Infrastructure damaged by the fire
 - New liabilities or debt
 - Avoid cost shifting from one mutual to fund another
 - Cost of system upgrades
- No system can responsibly commit to consolidation without understanding full financial exposure and institutional requirements.

Why Consolidation Is Not an Immediate Solution for Rubio

- Does **not** address immediate rebuilding needs.
- Does **not** solve current operational funding gaps.
- State-funded consolidations are unlikely because Rubio does not:
 - Have any water quality concerns for our service area
 - Does not serve a disadvantaged community
- Without state funding, consolidations would require our shareholders to fully fund the process and/or encumber shareholder property and water rights associated with the company to finance mandated improvements of others.

What a State Funded Study Could Do?

- If funded, a consolidation study might:
 - Explore multiple scenarios: The state does not limit consolidation studies to applicants but analyzes multiple scenarios such as a take-over by City of Pasadena or even an investor-owned utility (for profit). Other neighboring agencies may also be evaluated, including Rubio.
 - Identify if potential funding sources exist to support consolidation.
 - May take multiple years or longer before any recommendations are available.
 - Propose a potential seizure of water rights and assets from shareholders without due compensation to cover the cost of consolidation.

Understanding “At-Risk” Designation

- The SAFER Dashboard is a public information tool showing system conditions that are:
 - Temporary
 - Dynamic
 - Continuously updated
- **Before the fire:**
Rubio was **not** classified as “at-risk.”
- SAFER dashboard link:
https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/saferdashboard.html

Understanding At-Risk Status

These conditions triggered the classification, even though:

- We are no longer using hauled or bottled water
- All water quality standards are being met
- No other system risks are currently identified
- “At Risk” classification may open opportunities for state funding which we are currently exploring.



DO NOT DRINK ORDER

Following the fire:

- Rubio received an “at-risk” only due to the short period of eight (8) weeks immediately following the fire where we were reliant on bottled or hauled water.
- This was a mandate from the State Water Resources Control Board, Division of Drinking Water due to precautions of Benzene contaminants from the smoke and fire, which forced a Do Not Drink Order.
- This is no longer an issue.



Insurance

- To reduce financial risk, Rubio helped establish **CalMutuals JPRIMA in 2013**, a pooled insurance program, covers over 500 mutual water companies and public agencies in California.
- Rubio selected one of the highest available coverage levels. This was a pre-fire management decision now allowing the association to be better positioned in our post-fire recovery efforts.
- Replacement value of damaged infrastructure (like-for-like):
\$2,339,275
- Total Insurance payments received to date:
\$2,227,585
- This coverage has been essential in allowing us to recover resources to rebuild critical infrastructure in a timely way.

Insurance limitations

- Insurance covers replacement, not resilience upgrades.
- **Example:**
 - Upgrading reservoir roofing to fire-resistant aluminum enclosures
 - Estimated gap beyond insurance: **\$457,725**
- **Proposal:**

Allocate a portion of Rubio's financial reserves to fund these upgrades, improving long-term system safety and fire resilience.



Operational Funding Challenges

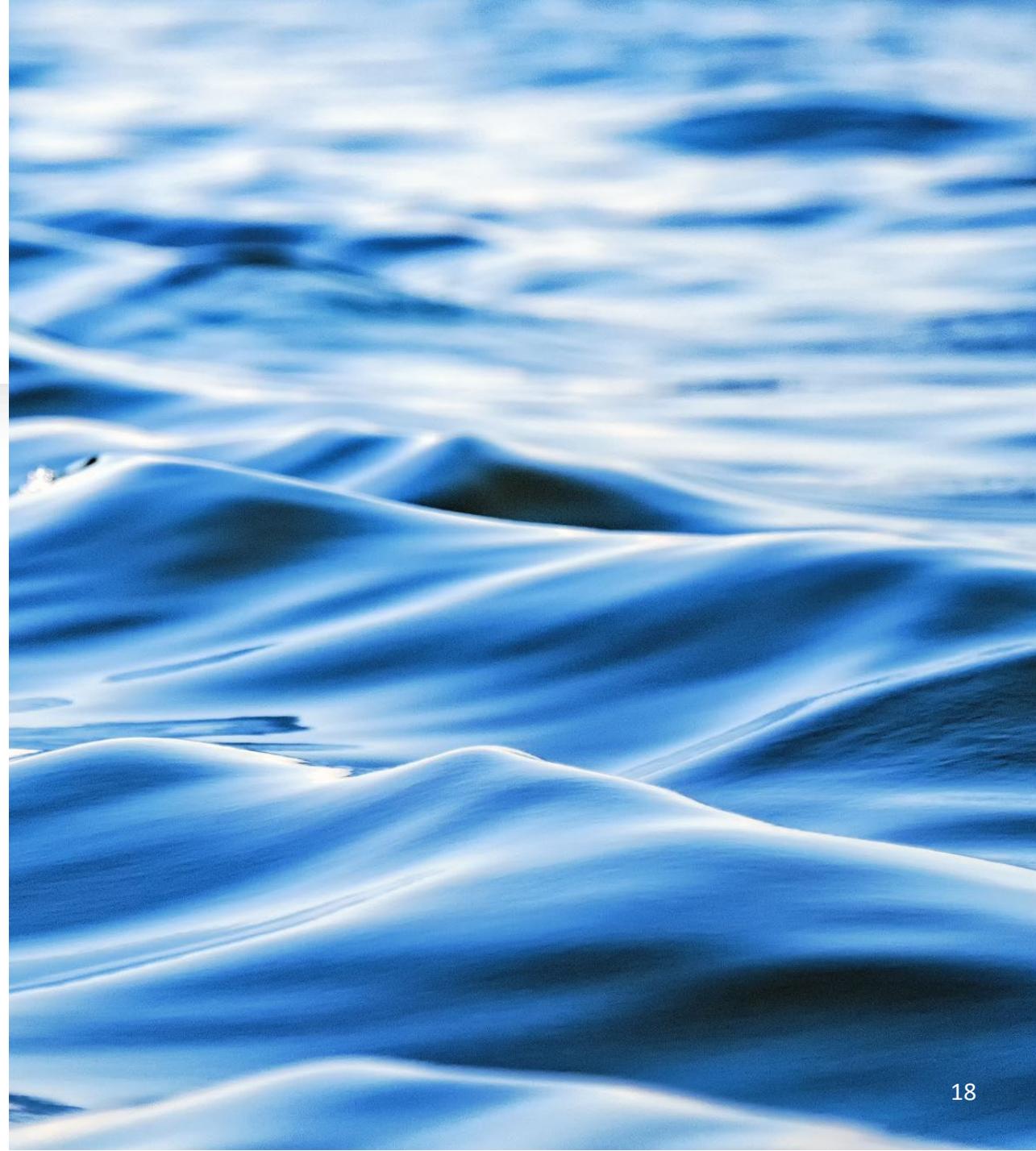
- Rubio's operations and maintenance 100% funded through water sales.
- Post-fire realities:
 - Fire destruction caused water use and revenue to decline sharply
 - Operating and maintenance costs continue to increase beyond our control
- Result: An estimated \$1.95 million revenue deficit in 2025

Operational Funding Challenges (continued)

- No customer billing in January 2025 → approx. \$280,000+ revenue loss
- Waived several fees throughout the year for our shareholders
- Did not implement a rate increase in 2025
- These actions were taken intentionally to help shareholders recover.
- We do not want to continue drawing down emergency reserves.

Why Maintaining Our Reserves Matter

- **Legal Requirement:**
California AB 54 (Section 14301.3) requires mutual water companies to maintain sufficient reserves to ensure continuous system operation and Safe Drinking Water Act compliance.
- Rubio has consistently met this standard. It is critical that we continue to do so.



Continuing to Maintain Reserves



Insurance does not cover underground infrastructure, including pipelines.



In the event of an earthquake or other major system failure, our reserves would be the funding source available for immediate repairs.



Maintaining healthy reserves protects:

**Water reliability
Public health
Fire protection
Long-term system stability**

Efforts to Secure External Funding

- We have proactively pursued every available funding source:
 - FEMA reimbursement requests submitted
 - SBA loan application submitted and denied. SBA concluded that we do not qualify because our economic impact is perceived to be minimal. Consider filing an appeal
- Potential future funds from Southern California Edison (SCE)



Efforts to Identify New Sources of Funding

We have actively engaged:

- Los Angeles County
- Governor's Office
- State legislators
- DOF and DDW

Current reality:

- County funds received from the State of California are fully committed to their own recovery expenses and they do not prioritize mutual water company recovery
- State funding programs prioritize:
 - Water quality violations
 - Disadvantaged communities (DAC)
- *There are no water quality violations and we are not a DAC.*

Proposed Standard Rate Adjustments for 2026

- **Past Rate Increases:**

- 2019-20: 1.65%
- 2020-21: no increase
- 2021-22: 2.78%
- 2022-23: 15.4%

(primarily from FMWD and Edison power cost increases)

- 2023-24: 11.6% (FMWD and Edison)
- 2024-25: no increase

Water Rate Comparison

Monthly Standby Charge	Meter size	2024/2025 Rate	2026 Rate	% Change
	5/8" and 3/4"	\$31.50	\$35.00	+11.11%
	1"	\$48.00	\$54.00	+12.5%
	1 1/2"	\$59.00	\$66.00	+11.86%
	2"	\$68.50	\$75.00	+9.49%
	Over 2"	\$75.00	\$84.00	+12.0%
Monthly Usage Charge	Consumption units	2024/2025 Rate	2026 Rate	% Change
	1-12 units	\$3.75	\$4.15	+10.67%
	13-26	\$4.75	\$5.25	+10.53%
	Over 26 units	\$5.15	\$5.85	+13.59%

Total Average 11.47%

Comparison of 2025 and Proposed 2026 Water Rates (based on 15 Units of Usage)

Based on 15 units of water usage (2025 rate)
Current Statement Amount

ACCOUNT DETAILS			
Water Service			
Monthly Standby Charge			\$31.50
Water Consumption:			
1 - 12	12 UNITS @ \$3.75		45.00
13 - 26	3 UNITS @ \$4.75		14.25
Over 26	UNITS @ \$5.15		0.00
TOTAL WATER SERVICE CHARGES			\$90.75
Miscellaneous Charges			
Fire Line Charge			\$0.00
TOTAL CURRENT CHARGES			\$90.75

Based on 15 units of water usage (2026 rate)
New Statement Amount

ACCOUNT DETAILS			
Water Service			
Monthly Standby Charge			\$35.00
Water Consumption:			
1 - 12	12 UNITS @ \$4.15		49.80
13 - 26	3 UNITS @ \$5.25		15.75
Over 26	UNITS @ \$5.85		0.00
TOTAL WATER SERVICE CHARGES			\$100.55
Miscellaneous Charges			
Fire Line Charge			\$0.00
TOTAL CURRENT CHARGES			\$100.55

Average Bill - Increase of \$9.80

Proposed Temporary Eaton Fire Recovery Fee

- In an effort to protect emergency reserves, Rubio proposes a temporary Eaton Fire Recovery Fee for all shareholders of either:
 - \$10, \$20, \$30 monthly
 - This will be reassessed if outside funding is received



Budget Shortfall and Amounts Needed From Reserves

BUDGET SHORTFALLS			
DESCRIPTION	SHORTFALL AMOUNT	ESTIMATED COST FOR REBUILD UPGRADED MATERIALS (NOT COVERED BY INS.)	TOTAL AMOUNT NEEDED FROM RESERVES
Standard Rate Inc. with \$30 EFRF	Balanced Budget	\$ 457,725.00	\$ 457,725.00
Standard Rate Inc. with \$20 EFRF	\$ 362,900.00	\$ 457,725.00	\$ 820,625.00
Standard Rate Inc. with \$10 EFRF	\$ 645,200.00	\$ 457,725.00	\$ 1,102,925.00

Cash Position

Suggested Emergency Reserves	Total Funds All Sources Ending December 2025	Compliance Mandated Reserves	Description	Totals
\$2,500,000.	\$8,098,456.	6 months of operating expenses	All funds	\$8,098,456.
		*Rubio uses 1-year operating expenses based on recent disaster	Emergency Reserves	(\$2,500,000.)
		\$4,041,700.	One Year Base Expenses	(\$4,041,700.)
			Available for Capital Improvements or Budget/Revenue Shortfall	\$1,556,756.

Infrastructure Investment Priorities

- Before the fire, Rubio invested annually in capital improvements.
- The fire has delayed some projects, but we must continue investing strategically to:
 - Maintain reliability
 - Strengthen fire resilience
 - Prevent system failures and protect water quality

Essential Infrastructure Improvements

CRITICAL SYSTEM RECOVERY & UPGRADES

- Finish engineering study and decision on chlorine gas → sodium hypochlorite replacement (non-insurance)
- Rebuild Loma Alta pump station backup power, SCADA and electrical
- Replace damaged water meters - estimated \$200,000 (non- insurance)
- Calaveras hangar/storage replacement - estimated \$75,000.
- Calaveras reservoir site valve replacements - estimated at \$720,000, (non-insurance)



Essential Infrastructure Improvements

FIRE FLOW & DISTRIBUTION IMPROVEMENTS

- Stonehill Dr. at top of cul-de-sac: extend Zane Grey 6" main with 6" lateral and add two hydrants.
- Tanoble Dr. and WoodGlen Lane: upgrade mainline to 8" for improved fire flow.
- Zane Grey Terrance reservoirs: commission engineering study for booster station and interconnection to Canyon system (no cost estimate yet).
- Mainline upgrades and hydrant additions across Skyview Dr., Zane Grey Terrace, WoodGlen Lane, Glen Allen Lane, Windfall Ave., Alegre Lane, and Winterhaven Lane.

Thank you for participating

QUESTIONS/COMMENTS AND SUGGESTIONS

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