

## **CALIFORNIA WATER NEWS, OCT. 21**

### **WATER TRANSFERS - San Diego firm wants to market Yuba-Sutter's water Holds water rights in Goldfields and on 1,400 acres of farmland**

Marysville Appeal-Democrat - October 21, 1998

by Harold Kruger, staff writer

Western Water Co., which claims water rights in the Yuba Goldfields and to about 1,400 acres of Yuba County farmland, is stepping up its efforts to market water from Northern California.

The company, based in San Diego, has announced that it hired the deputy director of the Calfed Bay/Delta Program as its regional vice president in the San Francisco Bay Area.

Judy Kelly "will help to manage a complex and environmentally sensitive process of developing, conveying and marketing water originating in areas north of the Bay/Delta Estuary," the company said.

"Judy brings to her new role at Western Water Co. A deep appreciation for California's most important and precious water resource, the complex Bay/Delta ecosystem," Western Water President Michael George said in a statement. [The full news release is reprinted below.]

At Calfed, Kelly "consistently worked to develop creative ways to restore, preserve and protect that resource while increasing its water transfer efficiency," George said.

"With our interest in water transfers, we respect her commitment to making water transfers a viable part of the overall effort to better balance supply and demand, and her commitment to careful resources stewardship."

Last week, Copley News Service, in a lengthy story about the Metropolitan Water District of Southern California, mentioned that Western Water is close to signing a deal to sell water from Yuba County to a Southern California water district via Metropolitan's system.

But Zach McReynolds, Western Water's vice president of marketing and customer solutions, said Tuesday that the company is "not working on anything like that article describes. At this point, it's not even in the formative stages to be talking about something that's that specific."

He said the company has proposed to sell some Northern California water to the San Diego County Water Authority, but no negotiations have been held.

McReynolds, also a former Calfed official, acknowledged that "entering into some sort of effective way to make use of our Northern California resources is a large part of our short-term and long-term business plan. We have to figure out a way to make effective use of those resources."

Kelly, according to the company's Oct. 15 announcement, "will assist in bringing water resources owned by the company into the rapidly developing voluntary water transfer market, while maintaining the company's high standards for environmental protection."

Any effort to sell Yuba County water will involve plenty of public notice and opportunity for public

review, McReynolds said.

"We have to be able to do it in an environmentally responsible manner," he said. "We have to do it in a socially responsible fashion. You take appropriate care and appropriate action with respect to the place the water is coming from."

If Western Water does anything, McReynolds said, "We won't be surprising anybody. You will know about it."

For many years, Western Water has wanted to sell Yuba County water to Southern California and other potential buyers.

In a 1997 filing with the Securities and Exchange Commission, the company said that it "believes that water transfers can be a cost-effective means of providing water and, accordingly, has implemented a plan to become an independent water provider to municipalities and other agencies located primarily in Southern California."

In May 1991, the company, the Yuba County Water Agency and Western Aggregates Inc. entered into an agreement to market water but wound up doing little. The pact expired in May 1996.

Kelly has 17 years of experience working in state and federal agencies involved with environmental protection and water resource management.

Prior to joining Calfed, she worked with the federal Environmental Protection Agency and was part of a team whose work resulted in the historic Bay/Delta Accord and subsequent creation of the Calfed process.

Earlier this year, more than a dozen state and federal agencies working under the name Calfed released a 3,500-page document on water supply and environmental problems in the delta, a system of natural and manmade waterways at the confluence of the state's two biggest rivers.

Kelly's hiring came just a week after Western Water said that a Spanish company has become a strategic investor, agreeing to take a \$25 million stake. Sociedad General de Aguas de Barcelona, S.A., is Spain's largest private drinking water distribution company.

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**CALFED Program Deputy Director Joins Western Water Co. as Regional Vice President**  
Company Press Release - October 15, 1998

SAN DIEGO-- Michael Patrick George, president and chief executive officer of Western Water Co. (Nasdaq:WWTR - news), announced today that Judy A. Kelly, currently the deputy director of the CALFED Bay/Delta Program, will join the company as a regional vice president located in the Bay Area.

Kelly earned an undergraduate degree in Conservation of Natural Resources from the University of California at Berkeley and an advanced degree in water resources geography from Oregon State University.

She has 17 years of experience working in state and federal agencies involved with environmental preservation and water resource management. As a senior life scientist for the United States Environmental Protection Agency, Kelly was part of the Agency team whose work resulted in the historic Bay/Delta Accord and the subsequent creation of the CALFED process.

Commenting on Kelly's hiring, George said, "Judy brings to her new role at Western Water Company a deep appreciation for California's most important and precious water resource, the complex Bay/Delta ecosystem. As deputy director of the CALFED process, she has consistently worked to develop creative ways to restore, preserve and protect that resource while increasing its water transfer efficiency. With our interest in water transfers, we respect her commitment to making water transfers a viable part of the overall effort to better balance supply and demand, and her commitment to careful resource stewardship."

As Western Water Co.'s regional vice president in the Bay Area, Kelly will help to manage a complex and environmentally sensitive process of developing, conveying and marketing water originating in areas north of the Bay/Delta Estuary.

She will assist in bringing water resources owned by the company into the rapidly developing voluntary water transfer market while maintaining the company's high standards for environmental protection.

"Over the last several years, I have worked to develop a set of state and federal policies that are aimed, in part, at accelerating the development of a viable water transfer market. I am excited about applying the knowledge and expertise I've developed in a practical way through Western Water Company. I am also proud to join a company with such a strong commitment to managing its resources for returns to shareholders in an environmentally enlightened manner," commented Kelly.

In her new role, Kelly will report to Zach McReynolds, Western Water Co.'s vice president of marketing and customer solutions. She will be based in the company's Northern California Regional Office.

Western Water Co. is a leading water resource company in the wholesale, non-regulated water market in the Western United States. Its principal activities include the acquisition, development and marketing of water supplies throughout the West.

Statements contained in this release which are not historical facts are forward-looking statements that involve risks and uncertainties that could cause actual results or future events to differ from those contained herein. Factors that could cause actual results or events to differ include the company's ability to purchase water rights and obtain financing and other factors and considerations detailed in the company's Securities and Exchange Commission filings.

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