

Troubled Water

By [palo-alto-online](#) <

<https://multimedia.paloaltoonline.com/author/palo-alto-online/>>

July 17, 2019 <

<https://multimedia.paloaltoonline.com/2019/07/17/troubledwater/>>



The Palo Alto Park Mutual Water Company in East Palo Alto on July 23, 2019. Photo by Magali Gauthier/The Almanac

The day he left East Palo Alto to attend his grandmother's funeral across the country, Justin Turner's water was shut off.

He had to leave his wife, nine months pregnant and due to deliver any day, at home without water, after trying fruitlessly for months to have a simple question answered by his water company, the private nonprofit Palo Alto Park Mutual Water Company: Why is my bill so high?

While doing work to remodel his home, Turner said, he had followed the guidance of the city of East Palo Alto to work with other agencies to make sure his plans were squared away. It came

as a surprise, then, that toward the end of his project, a \$5,000 “impact fee” appeared on his household monthly water bill from the water company.



Justin Turner, former East Palo Alto resident, felt forced to pay hundreds of extra dollars a month without an explanation after his water was shut off by the Palo Alto Park Mutual Water Company. (Photo by Magali Gauthier/The Almanac.)

Finding no information about such fees on the water company’s website, Turner asked the city of East Palo Alto for more information. He said he was told that the water company should not be imposing the fees, and was directed to a 1994 class action lawsuit that water customers had won against the water company, declaring that the company could not impose impact fees except under very specific conditions.

He started asking the water company for an explanation, trying to understand how it was legally permitted to apply the fee when

there is a lawsuit settlement saying it is not.

He wasn't trying to be difficult, he explained.

He said he felt his home was unfairly singled out because it was visible from the water company headquarters and therefore easier for the company staff to see he was doing work on his home than if he lived in another area served by the company. He said the water company seemed to be applying inconsistent fees arbitrarily to any home that appeared to have been modified.

"In my opinion, if it's not formulaic, it's not equitable," he said.

After about 20 attempts to get an explanation from the company, he said, the water company agreed to check with its attorney to see how much it would cost to get a clear legal explanation. But, Turner said, the water company never followed through.

Meanwhile, his bill kept growing, dramatically and erratically. The demanded \$5,000 impact fee rose to nearly \$20,000. After receiving the news about his grandmother's death, he informed the company that he had decided to put the remodeling project on hold.

Shortly afterward, his water was shut off, with a 24-hour notice but no explanation.

After two or three days without water, Turner said, the couple was given only one option to restore the water: Pay up.

To have their water turned back on, they had to agree to a payment plan of an additional \$200 per month on top of their \$60 per month flat rate.

Turner's is not the only household served by the Palo Alto Park Mutual Water Company subjected to surprise and seemingly arbitrary fees, muddled or nonexistent explanations from the company's leadership, and having its water access cut off by the only available provider unless the residents do what the company demands.

Stories like Turner's have spurred some of the residents served by the water company to organize a group to challenge the incumbents on the company's board of directors. Calling themselves "Neighbors for Better Water" (NBW), they established a slate of five members they hoped to install as a new board.

They've been trying since 2017 to get a fair election, but each attempt thus far has been thwarted by incumbent company



The Palo Alto P:

leadership, they say.

The group filed a lawsuit in February alleging that during the most recent election attempt, held over three days in May 2018, the water company used methods of forgery, fraud and manipulation to declare the re-election of the incumbents.

The water company has denied all of the allegations. The lawsuit's next day in court is a case management conference scheduled for Aug. 23.

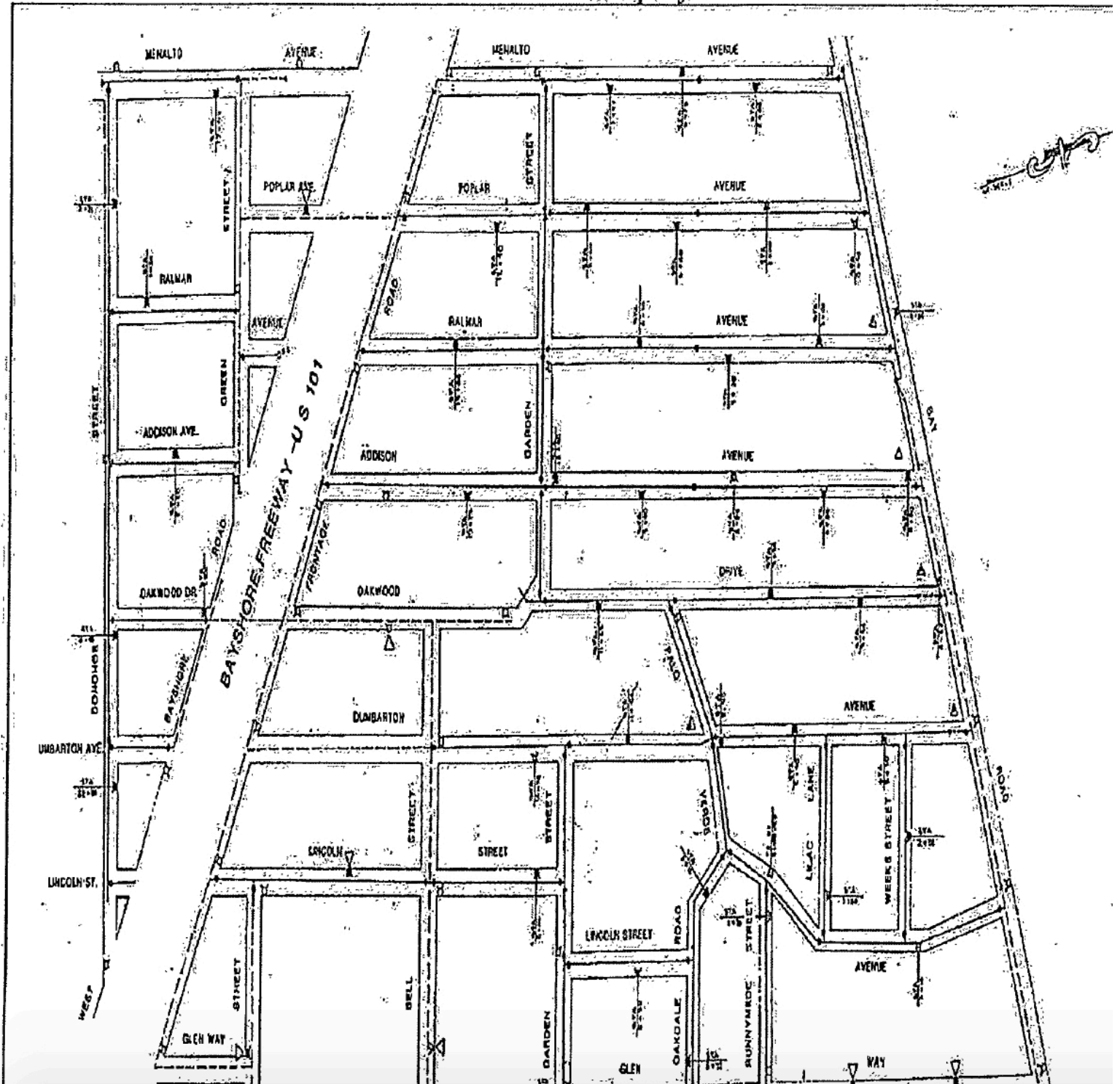
The company

The Palo Alto Park Mutual Water Company was formed in 1924, when the area was largely agrarian and there was no U.S. 101 or city of East Palo Alto. Its territory is bounded by Donohoe Street, Bay Road, Menalto Avenue and Glen Way, and water comes primarily from groundwater wells. The vast majority of households it serves are in East Palo Alto; it also serves eight parcels along Menalto Avenue in Menlo Park near U.S. 101, according to the city of Menlo Park.

It serves 692 connections and a total of about 2,500 people, according to a 2012 report cited by the state water board.

Company head
middle of an Ea
neighborhood.
established in 1
was more agrar

Palo Alto Park Mutual Water Company Service Area



A map of the area considered part of the water company's jurisdiction. The vast majority of households are in East Palo Alto, but about eight Menlo Park properties along Menalto Avenue near U.S. 101 are served by the company as well.

A mutual water company, it is a private nonprofit corporation, and its water must comply with state and federal drinking water standards. About 1.3 million residents receive water from mutual water companies across California, according to the website of the state association for such companies.

According to the company's bylaws, each property owner in the company's territory is considered a shareholder. He or she is allotted shares based on the amount of land owned; one share per 2,500 square feet of property.

East Palo Alto resident Katharine Loudd served as manager of the company from the late 1980s until the start of 2018, when her daughter, Niambi Lincoln, was named manager.

Lincoln said she could not provide comment for this story due to the current litigation, but said: "I live here. I love this community. I raised my kids here. ... I drink the water. And I want the community to feel safe and know that the water is safe."

Lincoln also declined to comment on the company's practice of impact fees and alleged lack of transparency.

Loudd would not comment about the May 2018 election due to the current litigation. She told The Almanac that she had to request permission from the company board before she could consider responding to the specific problems cited in this story that were raised by water company customers, board challengers, and other agencies that work with the company. The Almanac did not receive a response by its press time.

Loudd took over the water company after the former manager of the company died, and had previously worked as a secretary there, recalled former East Palo Alto resident Allen McIntyre, 79, who now lives in Modesto. "Nobody else wanted to take it over whatsoever," he said.

McIntyre, who bought his East Palo Alto home in 1984, recalled that when he first moved in, the water was dirty and smelly – "worse than now."

Loudd cleaned up the water company facility and started testing the water, he said. She also brought rate increases, and it seemed different households were charged different prices, he said.

"I never really did fight them raising the water prices. Our water prices are still cheaper than Hetch Hetchy," he said.

Comparing water rates is difficult because the mutual water company uses a flat rate, while the city of East Palo Alto uses a metered system. However, the typical bill for single-family homes served by the water company is now about \$75 per month, following a \$15 monthly rate increase in January of this year. Monthly charges for a typical single-family home with the city of East Palo Alto's water system, which purchases water from the San Francisco Public Utilities Commission's Hetch Hetchy

**love
nity. I
ds here.
water.
he
to feel
ow that
safe."**

**oln,
rager,**

supply, is about \$97, according to a recent staff presentation, but the amount varies based on usage.



Allen McIntyre, a longtime East Palo Alto resident who now lives in Modesto, says he saw improvements at the water company after Katherine Loudt took over management in the late 1980s, but that he observed that households were charged differently. (Photo by Kate Bradshaw.)

The water from the company tends to naturally contain more minerals than the Hetch Hetchy spring water offered elsewhere in the city. It runs high in iron and manganese, in particular, which can affect the taste and color of the water. In addition, chlorine is used to treat those minerals, which itself has a distinctive taste and odor.

Over the past decade, the water company has been cited by the State Water Resources Control Board for nine violations. The

violations include exceeding the maximum allowable levels for iron and manganese, which are considered “aesthetic” and not critical safety metrics for water quality; failing to report monitoring results; and in one instance, exceeding the maximum contaminant level for total coliform bacteria.

The Almanac asked 20 people from households in the neighborhood if they drink the tap water. Eighteen said they do not. One respondent said he sometimes did, and another said he did, but only after it had been filtered.

“The water’s white,” explained customer Tammie Elbert. “Who wants to drink white water?”

Many said they buy bottled water to drink, or purchase drinking water in bulk through providers like Alhambra. One customer, Lewis Christian, said he now pays about as much in bottled water, \$76 a month, as he does for the water company’s water, which costs \$75.

“A lot of people are not happy at all,” said customer Amelia Madriaga. “It’s like our voices still go unheard. ... If you don’t want to hear complaints, you shouldn’t be in a position of customer service.”

Residents in two of the handful of Menlo Park homes served by the company did not speak favorably of the water quality. Irvin Chambers said he only drinks the water with a filter, and Debbi Jones-Thomas said the water has ruined pots and pans because of its mineral concentration. “It’s not fit to drink or cook with,” she said.

Steve Hipskind, who lived farther down Menalto Avenue in Menlo Park and didn’t receive water from the company, was still subjected to escalating bills from the company, allegedly stemming from a \$50 bill on a 1986 assessment, which he said he wasn’t told about until years later. When he sold his house last year to move to Washington state, the company demanded about \$15,000. He denied the claim and received a threatening letter from the company’s attorney, but the sale closed without a hitch, he told The Almanac.

Several NBW members say they’ve been concerned about the quality of the water for years.

Irene Laudeman, an East Palo Alto resident who has been involved in the litigation against the water company, recalled: “When I started to see the reports of levels of things like manganese in the water, I got pretty concerned, and then I had



ed by the
ed by The
do not drink
dent said he
r respondent
ith a filter.

several instances where the water was really brown. I guess they were flushing pipes.”

In one instance, she said, the water was dark, dark brown for about four hours while she was taking care of a couple of very sick animals.

The matter of impact fees the water company charges were of concern to others. In 1994, the San Mateo County Superior Court ruled in favor of water company customers in a class action lawsuit who had challenged the legality of the company’s impact fees and water conservation fees. The Almanac asked for and did not receive an explanation for whether the company had developed an alternative system for assessing impact fees that complied with terms mandated by that court’s ruling.

The Challengers



From left, Neighbors for Better Water board candidates are Delphine Hill, Norm Picker, Kumar Chaudhari and Ramiro Macias. Absent is fifth candidate Shannon Pekary, who recently moved to San Diego but still plans to serve on the board.

9 10. Defendant's Resolution
10 Impact Fees for new connections an
11 and rendered null and void. For a
12 this Judgment, the Defendant is enjo
13 which would require shareholders, a
14 existing structure on a lot which is a
15 Defendant to pay an Impact Fee as
16 to forever expanded from, and shall
17 or increasing the size of an existing
18 received water service from the Def
19 (1) the proposed p
20 (2) the Bylaws an
21 policy; (3) the Impact Fe
22 the Defendant; (4) the maximum
23 (5) the Impact Fee
24 impact on the system of any reside
25 structure; and (6) the policy will

1 establish, improvements or lactate
2 completed prior to enactment of suc

A screenshot of County Superior settlement order terms under which would be legally

The NBW residents running for the board are Shannon Pekary, Ramiro Macias, Kumar Chaudhari, Norman Picker and Delphine Hill. They each have their own story of why they got involved.

Pekary moved into the area served by the company in 2009, and as he got to know his neighbors, he said, he learned that his bills were higher than those of neighbors on properties of the same size. The water is not metered, so he asked why his bills were so high. It took some time to get a response, he said, but he was then told the water bill was double because there were renters in the garage.

He said that he demonstrated to the water company that though the previous homeowners had illegally converted the garage to housing, he had converted it back into a garage, and asked that the bill be fixed to reflect the water company's single-family rate. He claims that Loudd agreed that his monthly bill was wrong and agreed to fix it, but the bill didn't get fixed. The company later argued the higher rate should still apply because Pekary had a nonprofit organization listed at his address.

Throughout this process, Pekary began to help organize neighbors, as they learned a board election was coming up, and they lined up candidates to run. They did research for months, and by that summer began to collect signed proxies in advance of a September meeting.

Around the time Pekary mailed out notices about NBW and its plans to support candidates challenging board incumbents, he said, his household received a notice from the water company saying he owed more than \$5,000 and that he had 24 hours to pay the bill or the water would be shut off.

Negotiations between frustrated water users and the company have sometimes involved questionable actions on both sides: Pekary hadn't paid his bill for more than two years as protest, according to a San Mateo County small claims court, where the conflict ultimately landed.

And after the water company had shut his water off for about 10 days, Pekary cut the lock the company had installed to block his water access, turned his own water back on, and parked his car over the water valve so the company couldn't turn it off.

This action was deemed to be acting in bad faith by Superior Court Judge Anthony Weibell, who called it an "anarchic self-help (remedy)" and a violation of the company's bylaws. Ultimately, the judge determined Pekary was owed only about \$647 from the water company, out of the more than \$5,000 he

eventually paid the water company in installments to have the water restored after a shutoff.

The judge also found that the water company had been in the wrong by not applying a rate schedule that is “fair and equal.”

Ramiro Macias was a bit more reluctant to run for a board seat. “I never thought I’d get involved with the board,” he told *The Almanac*. But he had problems with the water company’s overbilling practices, which he thought were unethical, and felt that the district doesn’t properly inform people when they flush out the water system.

He said that when the water company flushes out the water every few months, it flows in discolored. “It stays brown a few minutes, but you have to let it run,” he said. “People freak out when you see brown water.”

In talking to his neighbors, he said, many reported buying their own water, or using the company water only for showering or washing the dishes.





A photo of the tap water that came out from a company water customer's faucet. (Contributed on condition of anonymity.)

In addition, he said, he was charged a \$2,500 impact fee for parking a recreational trailer in his driveway, which was not connected to the water system. The impact fee accrued interest and penalties, and soon he was worried about the water company putting a lien on his house. He was told that if he paid the \$2,500 up front, the penalties and fees would be erased. His wife ultimately paid the \$2,500, but they asked the company to take the matter to the board to challenge the fee.

"They never got back to us," he said.

Board candidate and Woodside High School teacher Kumar Chaudhari said he'd heard many stories of "outrageous situations," and that people distrusted the leadership because the company manager sits on the board, and because it is not forthcoming with information for customers.

Norm Picker, in court documents, explained he ran for the board because he has been bothered by the routine interruption of

service involving water pressure or flow that can last up to two hours, without any warning. The water also has a strong chlorine odor, he added.

Candidate Delphine Hill summarized in court documents that she's dissatisfied with the company's management, its limited transparency, poor customer service, high impact fees and poor water quality.

The company permits shareholders to cast their ballots by proxy, so in the months leading up to the shareholders' meeting in September 2017, the NBW members seeking seats on the board canvassed the community to collect proxies.

The Elections

The first election attempt

During the shareholders meeting held in Sept. 23, 2017, NBW brought forward its request to hold an election. Under company bylaws, members argued, board seats should be up for election every three years. Three of the board members had last been elected three years prior, and two had been appointed to fill board vacancies.

However, the board refused to permit contests for more than two seats.

When the challengers asked to change the agenda to open the election to five board seats, the incumbent board proceeded to knot Robert's Rules into a Kafkaesque tangle. The board first insisted that it had to adopt an agenda to be able to amend it to add the election matter; it then insisted that the agenda could not be altered once adopted.

When the meeting ended following seven hours and zero elections, the group requested a special shareholders meeting, which it can do if it possesses enough shareholder proxies – in this case, one-third of the company shares – under company bylaws. The group asked that the meeting be held by Jan. 20, 2018.

When that didn't happen, Irene Laudeman, a proxyholder for shares dedicated in support of Neighbors for Better Water, filed a lawsuit alleging that NBW was owed a fair election.

The court agreed with her: It ordered that an election be held for all five board seats.

Water company leaders reported that they experienced anonymous animosity in the months leading up to and following the first shareholders' election.

Between December 2016 and late 2017, the water company received 19 anonymous hate and threatening letters, according to a company newsletter. "There were some shareholders who apparently felt that for them to achieve their goals, they had to lie, create fear in this community and (run a) hate/smear campaign against the water company," the newsletter said.

The court-ordered election brought both sides, a security team, several attorneys and one reporter to the scene. What happened next was, as the NBW members argue in their lawsuit against the company, "a farce, disenfranchising shareholders and entrenching mismanagement."

A valid election?

Day 1

It started on a sunny Tuesday morning, May 8, 2018, at the water company headquarters. After company supporters and challengers were screened by a private security team and gained entry to the water company facility, board members and staff of the water company insisted on reviewing the proxies that NBW submitted, multiple times – at least five times over the course of the day, the suit alleges.

By about 4 p.m., Lincoln said that the proxies had not yet been verified, despite protestation from the company secretary, Alberta Mitchell, who said she had reviewed the originals already.

Soon after, members of the Loudd family began to remove election materials from the table, and they kept control over them for the night, including a tabulation sheet showing the signing dates and number of shares represented by the NBW proxies.

Day 2

The next day, they appointed Pekary, Macias and Mitchell as inspectors for the election to evaluate the proxies for validity.

As the day wore on, NBW learned that one of the company's candidates, Fidela Guerra, who was listed as an alternate on the proxies, had asked that her name be removed from candidacy at the Sept. 23, 2017, board meeting, but her name was still included on proxies collected after that date – which, under company

**What
next
NBW
a
lawsuit
compa
diser
share
(
misma**

bylaws, rendered those proxies invalid.



Over the course of a three-day election held at water company headquarters in East Palo Alto, proxies representing the votes of shareholders were counted numerous times by representatives of both the incumbent and challenging board slates. (Photo by Kate Bradshaw.)



Counts continued. Legal counsel representing Neighbors for Better Water, attorneys Cristina Henriquez and Jennifer Carlson (center rear) kept close observance. They were from Palo Alto firm Mayer Brown working a pro bono basis. (Photo by Kate Bradshaw/The Almanac.)



The counts continued. (Photo by Kate Bradshaw/The Almanac.)



In the three days during which the Palo Alto Park Mutual Water Company held its court-ordered board election, from May 8 to 10, 2018, hand-calculated tallies changed dramatically, based on which proxies the company agreed to accept. (Photos by Kate Bradshaw/The Almanac.)

Pekary and Macias tallied up one set of proxies, not counting those from the water company that listed Guerra as a candidate; and Mitchell, directed by company leadership, did a separate set of calculations, which did not factor in those invalidations.

When they finished their painstaking math – conducted on hand-calculators with tape roll, with shares calculated down to the thousandths place – both sets of numbers reflected that the NBW candidates had won.

Pekary and Macias' calculations indicated that the challengers had won 822 to 115 shares; Mitchell's that they had won 705 shares to 646.

But before the numbers could be announced, Lincoln saw Mitchell's tally and called a break, while refusing to provide NBW members with a copy of Mitchell's tally.

Then, the suit argues, Loudd took Mitchell's tally sheets, rolled them into her sleeve, and walked away. Her family members took the binder of company proxies. Loudd also allegedly attempted to take the tapes from the calculator Mitchell used to tabulate the proxies.

The company leadership, including its board and counsel, spent the next several hours inside the company building, refusing to come out.

Around midnight, they emerged, and Pekary and Macias, as election inspectors, announced the results of the calculations for both slates, theirs and Mitchell's. Lincoln allegedly attempted to interfere with the announcement of these results, yelling, grabbing the microphone and pulling the plug on the microphone system's power. Board member Jacqueline Lewis announced that the meeting was in recess until the next day.

Day 3

On the third day, Lincoln announced that the company's board president, Fidel Alas, revoked the previous inspectors appointed, and chose Verna Winston and Denise Hawkins to be inspectors, and Mitchell and Macias were named additional inspectors. Lincoln then demanded the election process start over, claiming "irregularities" with the proxies from NBW.

After those proxies were again reviewed by the company-appointed inspectors, Mitchell demanded a recount. Without explanation, they proceeded to invalidate numerous NBW proxies and disregarded the affidavit from Guerra saying she didn't want to be considered for the board. This time, the math came out in favor of the company, with 836 shares for the company and 308 shares for NBW, and the election was brought to a formal vote. Both sides left declaring themselves the winner.



It was past 10 p.m. on day three of the court-ordered election when the incumbents agreed to finally bring the matter to a vote. By then, the challengers allege, inspectors appointed by the incumbent board president had invalidated enough challenger proxies without reason to claim a majority of the votes. (Photo by Kate Bradshaw/The Almanac.)

Later, the legal counsel for NBW asked the company to transition power over. Instead, the suit alleges, company leadership has refused to transition the director positions and continued to claim that it won the election. Its counsel has threatened to call the police if the NBW directors walk onto company premises.

In the aftermath of the election, the suit alleges, upon analyzing the company's proxies, it appears that at least 95 of them are not genuine – “either they were not signed by the shareholder and/or the date was entered by the company leadership in order to supersede a genuine NBW proxy.”

The lawsuit presents allegations of forgery and

misrepresentation.

Water company shareholder Graeham Watts said in a court statement that he was pressured into signing proxy forms for the properties he owns in the water company. After going into the company office around Sept. 15, 2017, to talk to company staff about a remodeling project, he said, he felt compelled to sign the proxies in order to get the company to agree to help install sewer lines needed for his project.

“If I had believed that there was an alternative to working with the company on the remodeling projects or that the company would have agreed to help with the installation of the sewer lines without my first signing the company proxies, I would not have signed the company proxies,” he stated.

He then signed proxies in support of NBW the next day, hoping to override the one he’d previously signed.

But in the stack of company proxies, his name reappeared, with his address misspelled and not in his handwriting.

“The handwriting on the company proxy for (address),” he wrote, “is completely forged. ... I do not write in a semi-cursive style. ... I do not tend to write the addresses of my property incorrectly.”

William Arnick, another shareholder, said in court documents that before the May 2018 shareholders’ meeting, Lincoln came by his house asking him to sign a company proxy. When Arnick explained that he was a NBW supporter because of the problems he’d experienced with the company – for instance, a bill he said was now \$20,000 – Lincoln said she could get the bill halved, he said.

“I understood she would reduce my bill in exchange for signing a company proxy, so I signed it,” he said.

During the election, he said, he asked to change his vote. His request was denied.

Even beyond the allegations of an election deferred, dismantled, and wrongfully upended, there are more concerns with the water company.

Those who have worked with the company through other agencies and jurisdictions – specifically the Menlo Park Fire Protection District, the California State Water Resources Board, and the city of East Palo Alto – say it is closed-off and defensive.

A culture of opacity

**“The |
on tl**

**[my
complet**

Gra

id she
e my
nge for

oxy, so l

ck

One of the chief complaints about the water company from people who work with agencies that cross paths with it is a lack of communication.

The fire protection district

“They’ve probably been the least cooperative of the water districts we work with as far as being forthcoming with information,” said Menlo Park Fire Protection District Chief Harold Schapelhouman.

He said he’s observed a defensive attitude, and added that company officials are also “somewhat territorial about us touching their system.”

”

“They’ve probably been the least cooperative of the water districts we work with, as far as being forthcoming with information.”

**Harold Schapelhouman,
Menlo Park Fire Protection District Chief**

In addition, the water company’s pressure runs low, which can be a challenge when fighting fires.

“This has been an ongoing battle,” Schapelhouman noted. While the water company seems “able to meet the need when we go check,” he added, the hydrants perform “at the bottom end of what we would consider to be acceptable.”

High-power fire hoses in low-pressure systems can create a vacuum that sucks up materials other than water that can damage both the pipes in a water system and the firefighting equipment, district Fire Marshal Jon Johnston explained.

The water company routinely flushes out its systems, which can cause the water to become discolored. But the questions of water quality and potability, Johnston added, are beyond the scope of the fire district. The district’s primary concern is to ensure there’s an adequate supply for an emergency, and the company seems to be meeting that threshold, he said.

The area was once mainly agrarian before becoming primarily a single-family neighborhood. As commercial and multi-family development is sought in the city, “making sure this system can

accommodate all that is definitely a point of concern,” Schapelhouman said.

It’s also long been a low-income area, so he acknowledges that operators have to be cognizant of the financial limitations of low-income ratepayers and their willingness to pay for upgrades. As a result, it has dealt with challenges other water districts the fire district works with don’t have to face, such as CalWater, an agency Schapelhouman held up as a “gold standard” for being highly collaborative and proactive in investing in infrastructure.



The city of East Palo Alto

East Palo Alto City Councilman Ruben Abrica said that while the water company is a separate, independent entity, there were a number of residents who came to the City Council about a year ago expressing their discontent with it.

The council has had difficult interactions with the company in

the past, he said. At one point, the city was working to create a safe routes to school program on the streets within the area served by the water company, but rather than coordinate with the city, its leaders seemed to create obstacles, he offered as an example.

The city also has an agreement with the company to provide it emergency water, but the agreement is not reciprocal, as it has not agreed to do the same for the city, he said.

According to Sean Charpentier, East Palo Alto's assistant city manager, the company has done work on city streets in areas it serves without getting encroachment permits, which can be unsafe if the work doesn't comply with city codes, and could interfere with other utilities.

"I think the City Council has been very concerned, but we don't have jurisdiction," Abrica said. He said he has encouraged those discontented with the water company to bring the matter up with the company's board.

The company, he said, has "deeply entrenched governance problems and administrative problems" – and those problems have been going on for a long time.

As a tiny jurisdiction – "a mini-democracy within a mini-democracy" – it's incumbent upon the people who live there to "rise up and not let them get away with it," he said.

A downside of a fragmented democratic system, though, is that a misapplication of power can turn a mini-democracy into a mini-feudal kingdom that has absolute control, with people at its mercy, he said. His sense is that Neighbors for Better Water has pursued the only avenue left to its members: the courts.

"I personally hope that the court will intervene in a way that they do help that entity to become more responsive to the needs of their customers," he added.

The State Water Resources Board

Eric Lacy, who works with the State Water Resources Control Board's Division of Drinking Water in Northern California, noted that while the state has been working with the company on and off over the last decade, it began working more closely with it over the last few years.

For the most part, he said, the water company complies with the Safe Drinking Water Act.

California has adopted what are called secondary standards for water quality that are not necessarily health-related, he explained, but have more to do with whether a consumer would find the water acceptable to drink. Over the last few years, iron and manganese have shown up in the water supply above those secondary level standards. Iron occurs naturally in the soil and is present in the steel piping systems.

There are no health studies showing that exceeding that standard affects health, but it does show up as brownish-red in a glass of water. “Most people don’t like drinking water that looks like that,” he noted, adding that it may contribute to people having fear about the water source and distrusting it.

Compared with other small water systems, Lacy said, the Palo Alto Park Mutual Water Company is somewhat uncommon. It’s on the larger side, for a small water system, so has been fortunate enough to have enough revenue and resources to devote a full-time staff to running it.

Other small water companies without those resources have volunteers who do all the work, and typically have more difficulty meeting the requirements and developing the skills and knowledge necessary to run a water company, he added.

On the other hand, its size also makes it liable to affect more people should something go wrong.

Mutual water companies are difficult to operate well and need capacity in three areas, he explained: technical, managerial and financial. Many companies lack one or more of these. As a result, he said, “We end up spending a lot of time working with these types of systems.”

WATER COMPA CITATIO

JAN. 24, 2016
Manganese MCL exceeded

JULY 20, 2015
Total coliform bacteria MCL exceeded

MARCH 5, 2015
Iron MCL exceeded

JUNE 18, 2015
Aluminum MCL exceeded

The state water cited the Palo Alto Park Mutual Water Company nine times in a decade for violating water standards. State Water Resources Control Board



Neighbors for Better Water candidate Kumar Chaudhari holds out a glass of tap water from the Palo Alto Park Mutual Water Company. It tastes heavy with minerals and mildly chlorinated. (Photo by Kate Bradshaw/The Almanac.)

Another concern voiced among some members of NBW is that when the former general manager, Katharine Loudd, retired in December 2017, she passed the position to her daughter, Niambi Lincoln. Her son, Jabari Loudd, also works at the company.

Since company management passed from Loudd to Lincoln, Lacy said, he's developed concerns about Lincoln's technical knowledge: "Most of what we're noticing is ... the general manager doesn't understand the technical nature of the water system. She counts on consultation and advice from her mother and operating staff to tell her what is happening."

Lincoln told The Almanac that she was previously certified as a Grade 2 water treatment operator, but that her certification had lapsed. She plans to take the test to get recertified, she said. These licenses are mandatory for running a water company, and

her mother and brother do possess these licenses, according to a state registry.

In addition to the possible appearance of nepotism resulting from Loudd's passing the company to her daughter, Lacy said, he's at times noticed "an unwillingness to be open and transparent in how they go about doing business. Instead of being open and accepting constructive criticism or recommendations for improvement, they tend to become defensive and more closed off ... and we've really struggled with this."

He said he's encouraged the company to be more transparent and honest with the community about what's going on and how to make improvements, but has been met with some resistance to the idea.

"I think they're fearful the community will show up and be angry with them. Sometimes, you have to accept that and let the community be angry," he said. "We'd hoped for change with the new general manager but we're not seeing much of a culture change yet."

"I don't think staff is working for improvement. I think they're primarily showing up and doing what they've always done," he continued.

Another big problem with the water company, Lacy said, is that they aren't metered. "Nobody knows how much water people are using."

”

“I think they're fearful the community will show up and be angry with them. Sometimes you have to accept that and let the community be angry.” —

Eric Lacy, State Water Resources Control Board

While the water resources board doesn't regulate rates and impact fees, he said, "you need a water structure based on what people do."

Impact fees, in theory, can be an appropriate way to charge

households for increased demands on the system, but enforcing them arbitrarily, he said, “really creates a lot of animosity within the community.”

When it comes to governance at a mutual water company, however, his agency takes a backseat, he said. “How the water company goes about electing its own board officials is up to them. ... We do not have any say in the matter.”

The future

According to Lacy, it’s common to encourage small water companies to merge with larger water organizations, and the Palo Alto Park company is no exception. He said he’s been encouraging the mutual water company to consider consolidation with the city of East Palo Alto, but every time he has brought it up, there’s been significant pushback.

Mutual water companies typically develop from subdivisions built in the country among residents who didn’t want to live in a city, he explained. Here, however, the city of East Palo Alto grew around the subdivision, and there’s a broader infrastructure system in place.

Council member Abrica said that he’s interested in having a discussion to consider the pros and cons of potential consolidation.

Lacy argues that both sides could benefit: The city could gain from infrastructure it currently lacks and critical well water resources, and the water company shareholders could gain from having a more uniform, comprehensive approach to running water throughout the city.

However, there may also be benefit to staying separate: The company’s water tank was destroyed in the 1989 earthquake and much of the water system had to be rebuilt at that point. Thanks to \$5 million in grant funding it received after the earthquake, while Loudd was the general manager, the company’s current water infrastructure is comparatively new and the residents didn’t have to foot the bill for it.

Having a self-sufficient hyperlocal water system could be an asset, especially when contrasted with some of the city of East Palo Alto is experiencing with its municipal water system. On July 16, the East Palo Alto City Council voted to hike its municipal water prices 18% to cover its contract obligations with water operator American Water Enterprise, which had been hit by rate hikes from the San Francisco Public Utilities Commission.

“Although we don’t feel anyone is being exposed to water that is unsafe and is harmful, we do believe that there (are) certain conditions they have that could make them vulnerable to that type of outcome,” Lacy said.

“Palo Alto Park (mutual water company) has certain attributes that lend itself to being vulnerable to having an event that could put people at risk, and we’re trying to avoid that.”



The Palo Alto Park Mutual Water Company. (Photo by Kate Bradshaw/The Almanac.)

Sign up for [Almanac Express](http://almanacnews.com/express%20) <
<http://almanacnews.com/express%20>> to get news updates.
Follow us on [Facebook](https://www.facebook.com/AlmanacNews) <
<https://www.facebook.com/AlmanacNews>>, [Twitter](https://twitter.com/AlmanacNews) <
<https://twitter.com/AlmanacNews>> and [Instagram](https://www.instagram.com/almanacnews/) <
<https://www.instagram.com/almanacnews/>>. Or show
your support for local journalism by [subscribing](https://www.almanacnews.com/user/subscribe/) <
<https://www.almanacnews.com/user/subscribe/>>.

