

Sierra Water Park Company, Inc.
Board of Directors Meeting Minutes

February 27, 2021

The meeting was called to order at 9:02am by President, Kirk Knudsen.
Board Members Present: all – Kirk Knudsen, Bill Ordwein, Phil Barthman, Wanda Lenhardt, Ashlee Cowan.

Shareholders/Property Owners Present: There were a varying number of participants throughout the meeting. According to Zoom records there were 68 participants who attended the meeting for various durations.

Others Present:

Lael Potter, Consultant

Michael Nessler, Consultant

Tricia Wathen, SWRCB – DDW, Adam Forbes, DDW - Merced District, Moises Chavez - CPUC

The following is a summary of the meeting, not intended to be in order items were discussed but sorted by subject. The meeting consisted of presentations, open discussion by participants, messages sent in the “chat” box, and questions provided in advance of the meeting. This is a summary which combines all venues of information received. Many of the discussions provided different opinions and pieces of factual information. These notes provide a synthesized summary with only accurate information to provide a factual basis for future reference moving forward. They have been provided and approved by the state officials who were in attendance.

Kirk welcomed everyone to the meeting. He introduced the Board.

Bill Ordwein – SPWC History:

Water distribution in Sierra Park was governed by the Odd Fellows Sierra Recreation Association for decades. Complaints were made to the CPUC from within the Park regarding water distribution. The result of those complaints was the creation of SPWC in 2013. Water distribution functions were no longer allowed to be comingled within the same company that provided road maintenance and other services within the Park. The CPUC is interested primarily in water distribution at a fair price to consumers.

SPWC is also governed by the California State Water Resources Control Board /Division of Drinking Water as we are licensed through their organization. They are concerned with providing reliable, safe, quality drinking water to customers. All water testing results are provided to the California State Water Resources Control Board for their review. They have determined that our water is too high in Manganese and Iron and are requiring we reduce those levels.

The CPUC has had oversight of SPWC since that time. That oversight comes with oversight of our tariffs which are basically the rules that govern our operations. It governs the rates we charge and determines what is reasonable with regard to our expenses. SPWC must justify all rate increases to the CPUC who then can approve or not approve requested increases in rates to customers.

The CPUC has ordered engineering studies to assist in determining the needs of SPWC. These engineering studies identified four project areas that needed addressing.

The four included 1) an automated system to monitor water levels in the wells, 2) a water treatment plant to remove Manganese and Iron from our water 3) install water meters to every property 4) increase the capability of delivering large amounts of water for the purposes of fire suppression. The SPWC has chosen to focus on the first three projects due to the magnitude of those projects.

SPWC recently requested permission from the CPUC to look into a loan to fund the upcoming water projects.

Michael Nessler - History of Blackwater Project/Timeline – Michael shared information about Blackwater who is our engineering firm. They have worked to engineer the Water Treatment Plant. The following is a summary of that progress.

- The Conceptual Engineering Report was finalized
- The Water Treatment Plant Design is 45% complete
- The Environmental surveys and onsite work are complete
- The Air quality report is complete
- The full environmental report is 50% complete

Kirk introduced Adam Forbes and Tricia Wathen from the California State Water Resources Control Board (SWRCB)/Division of Drinking Water, (DDW).

Adam shared that he has been working with SPWC for the past year. Individuals in the meeting inquired as to what the levels of Manganese meant and whether a treatment plant was needed. Questions were asked regarding the possibility of property owners signing waivers in lieu of the Water Treatment Plant. Other questions related to whether individual properties were able to install filtration systems at their properties instead of having a system treat all water. An inquiry was made regarding whether the acceptable range of manganese might be changed in the future to a higher level, thereby causing our current levels of manganese to be considered more normal.

Tricia and Adam answered those questions with the following information:

Current secondary manganese levels are considered very high. We have too many water connections in the Park to allow waivers to be signed. When the level of manganese reaches 300 it is possible for customers to begin to have neurological symptoms. Current levels were reported at 101 and 154 which is above the secondary drinking water standard, or maximum contaminant level (MCL), of 50 ug/L. Individual filtration devices are not an option because they are not a reliable fix. There would be no way to be certain all devices were installed and maintained properly, and it is therefore not viewed as an acceptable solution. The range of what is considered to be acceptable levels of manganese are likely to change but it is anticipated that those levels will become more stringent and not less.

The DDW representatives indicated that a letter is now being drafted to inform SPWC that we have 3 years to complete the water treatment plant. If we fail to do so SPWC will begin being fined \$100 a day until it is completed. DDW was asked if they could be removed from their oversight of SPWC if we became another type of company. DDW representatives indicated that their oversight of water quality covers all water delivery and they would oversee our water, making the necessary requirements for upgrades regardless of the type of water company we might choose to become.

Kirk introduced Moises Chavez from CPUC. Moises discussed the role of the CPUC as the entity that works with water companies to ensure their rates are fair. He acknowledged that we are being required to install a water treatment plant and that it will be costly. The CPUC is currently evaluating our request to begin looking into loan options. He acknowledged that there have been complaints filed from property owners within the Park. Questions arose regarding whether it was necessary to install water meters in the Park. Moises was not certain whether we were required to do this or not and will look into the criteria and get back to us. Questions were asked about how the CPUC could be removed from the governance of

SPWC. Moises explained that the only way to remove the CPUC would be to change from a Water Company to a Municipal Water District, or a Mutual Water company. When pressed about the difference he indicated that he was not aware of the legalities of making such a change. He indicated that if a complaint was made regarding the fairness of water prices the CPUC would again become involved.

Kirk noted that SPWC was involved in an Audit with the CPUC. The ledger of accounts SPWC used to track expenditures did not comply with the categories of accounts required by the CPUC to track the same expenditures. SPWC also converted to filing on an accrual basis with a calendar year end to comply with the CPUC requirements. SPWC and our accountant's office, Carlson & Associates, have now made necessary changes so our accounting system now mirrors the CPUC's system moving forward. SPWC passed the audit. A special thank you to our consultant Lael Potter for facilitating the audit. A report will be made available to all once it is received.

Open Question and Answer Session:

Clarification of the differences between the role of Dave Roy and our caretaker Robert Tackett. Dave Roy has the water license which is required to work on our water system. Robert provides functions needed which do not fall under the requirements of the licensed operation. After the meeting this was explored further. Robert checks on tank water levels, looks for breaks in the system, helps in digging up broken pipes, collects water samples etc. Dave Roy makes repairs to open lines, monitors water pressure to determine when "Boil Water Notices" need to be issued. He has the ability to chlorinate water if needed and ensures our drinking water is safe.

Questions arose regarding how many wells we currently have and whether we could dig a new well in another aquifer. We currently have 2 active wells. We had other wells that were capped off due to having problems/issues. Someone mentioned a well up behind Rebecca and reported that it had no manganese. It was noted, that particular well, belongs to Tuolumne Utility District (TUD). It is a very low producing well. Our two wells produce different test results, with one being much higher than the other. Both wells test high enough in Manganese to be out of compliance with state standards. Drilling a new well will be very costly and it will be a gamble. If we were to drill a new well, and it had high levels of Manganese, it would be wasted money.

Questions were asked about where water samples are taken from. Water samples are taken from the wells and other samples are taken from individual cabins around the Park. Manganese levels are only tested from water taken from the wells. Water samples at cabins are taken to test for bacteria. After further inquiry it was learned that water is not tested for manganese at cabins because the state is only concerned with how it tests at the wells. Testing beyond that point would be wasted money.

Someone inquired about blending water. Our water is blended as the water from both wells is stored in our tanks.

Questions regarding possible merger with TUD were asked or whether we could purchase their water. We approached TUD upon the request/recommendation of the CPUC. They are not interested in taking over our water system and said they would only consider doing so after all our structural requirements had been met. They were clear they would not pass the cost of our upgrades onto their current customer base. Purchasing water from TUD would be very costly and is not an option.

Questions regarding the future of SPWC were asked. Where are we headed? What other projects is the board considering? SPWC Board is currently focusing on the water projects we are required to complete. Once the water treatment plant is completed, the tank monitoring system is installed and meters are installed (if mandatory), another board can choose what, if any, projects they want to work on. Upgrades to the fire suppression capabilities of our current system may still need to be considered at a future date.

The water system is an older system with older pipes in the ground. We do not have a large amount of breaks within the system and so this board has no plans of beginning to upgrade or replace those pipes.

SPWC is moving forward to meet the demands we have been given by both the CPUC and DDW. Our plan is to obtain a loan through the state at a very low interest rate. This will be a "construction" loan. New surcharges were added to bills that were sent in December. These surcharges were added to the bill to cover the costs of the initial engineering study and legal costs referenced in Res. W-5232. The CPUC determined the surcharges should be spread out over a two-year period of time. Once those charges are recovered in full these surcharges will drop off the bills.

Figuratively, a 30-year loan of 1.5 million dollars at 2% interest would equate to a payment of \$5,543 a month. That payment divided by 343 customers would cost less than \$17 a month per property. Terms and amounts are undetermined at this time.

The current bill reflects the water rate is \$75.23 a month, and billed quarterly which comes to \$225.69 as stated in our Tariffs. There are additional surcharges on the bill for \$21.09 and \$15.88. Those charges will come off the bill after 2 years.

An inquiry was made regarding the purpose of water meters and what was the plan of SPWC. We will be looking into the requirement of water meters to ensure they are still going to be required. SPWC was initially informed of this requirement but we want to ensure it is still, in fact, a requirement. If they are not required, we will not proceed with that project. If they are required, the plan will be to have them installed by the end of 2024 as our understanding is that they are required by 2025. The CPUC will be involved in approving a fee structure. A base fee which pays for the infrastructure of the water company will be shared by all equally and a fee for individual water usage will be added onto that fee. Those who use more will pay more but the base fees will be shared by all.

Inquiries were made regarding the number of water employees SPWC employees. SPWC has one full time employee. There is a part time consultant who assists with compliance issues relating to the CPUC and DDW. Dave Roy is our D1 operator and has been retained as a consultant as well.

Someone shared that they would have liked to have received disclosures at the time their property was purchased regarding the impending water treatment plant. They purchased, in part, because they wanted untreated water. SPWC typically is not notified of impending property sales until after the sale closes. There are times when prospective owners contact either the SPWC or the OFSRA prior to closing but that is not the norm. If there is a breakdown in the disclosure process it is something that is between the seller and the buyer in the initial transaction.

Kirk went on to provide answers from a list of prepared Questions sent in by customers prior to the meeting to Wanda and Lael.

- Is the water safe to drink and where does the Manganese come from? The water is safe to drink. Manganese is a mineral found in the ground.
- The State Water Board can sometimes offer assistance to government and non-profit entities. Is SPWC a non-profit? Does SPWC expect any State assistance? SPWC is a for profit company. We are a small, predominately vacation community, which eliminates our ability to obtain grants etc. We do anticipate getting assistance from the state in the form of a very low interest loan.
- Several questions had been asked regarding the lake water and whether the lake would be dredged. The lake is owned and managed by the OFSRA. The water is tested during the

summer months to ensure it is safe for swimmers. Further questions about the lake need to be directed to the OFSRA.

- There were questions and comments made regarding the potential impact of the Water Treatment plant on the taste of the water. The goal is to remove Manganese and Iron from the water. Everyone is committed to doing what has to be done to remove Manganese and Iron but we are equally committed to not impacting the taste of the water anymore than it has to be.
- Questions were asked about how the money is spent. There are CPUC Annual reports on the website which summarize SPWC annual spending. These reports show how much money is spent in various areas. These reports are posted on the website upon receiving CPUC approval. The Board is considering posting ledgers of money received and money spent.
- Whose idea was it for a Manganese Treatment Plant – the DDW has maintained records of our Manganese. They in conjunction have required we put this water treatment plant in. The Board has not sought to install this infrastructure change. We do recognize our obligation to complete this project.
- Can we bring our water in from somewhere else? It would be too costly.
- What is the average water rate in California? The average rate is \$65 a month.

A request was made to have separate “Town Hall” meetings in addition to regular board meetings moving forward. Doing so will save time for “Board Meetings” while providing a forum for open community communication.

Director Reports:

Vice President : Philip Bartham - none

Treasure: Bill Ordwein - Financial Reports are on the website.

Secretary: Wanda Lenhardt - April 1st is deadline to become a shareholder prior to Annual Meeting in May. SPWC Bylaws provide for a lockout period in stock sales to allow for the preparation of the annual meeting. The Shareholder Certification Form required to become a shareholder will be available on the website. Please contact the board if you have any questions. A question was asked regarding why someone should be a shareholder. Wanda explained that being a shareholder allowed you to vote for the board and any other matters that require voting. It gives you more of a say in the company. If anyone is interested in serving on the Board, let Wanda know. You must be a shareholder to run for the board.

Board Member at Large: Ashlee Cowan - None

Kirk reminded everyone remaining on the call that portions of the meeting have been recorded. Someone asked if it would be available for viewing and Kirk indicated it would be.

Kirk announced that the Executive session scheduled to follow this meeting will be postponed until Wednesday evening because this meeting went an hour beyond the scheduled time. Executive sessions are reserved for matters pertaining to financial, legal and employee related matters.

Phil motioned to close meeting.

Kirk closed meeting at 11:56am on 2/27/2021