

2020 Sierra Park Water Company Annual Shareholder Meeting Minutes

The meeting was called to Order by Kirk Knudsen, President at 1:01 p.m.

Kirk Knudsen thanked everyone for attending and working with us as we try to accommodate the challenges of COVID. He said that we have used an amount of water that is “average” and consistent with years past. Kirk said that we have had very few repairs to our water system over the past year and no major repairs. We just completed an audit with the CPUC and we did well in that audit. Lael Potter our consultant facilitated that audit. We gained knowledge about how to better our records better.

Kirk led in the Pledge of Allegiance.

Wanda Lenhard Confirmed a quorum had been achieved. The Quorum was established through proxies alone. She thanked everyone for submitting their proxies in advance.

Kirk then called for the approval of the 2019 Annual Meeting minutes. Bill Ordwein made the motion to approve the minutes. Arlene Bradley seconded the motion. It was determined that the vote on the minutes would be delayed until the end of the meeting when all voting would occur.

Director Reports

Secretary – Wanda Lenhardt stated there had been huge amount of property turnover this year. Many cabins have sold and it has been difficult to track. We have had difficulty getting copies of deeds in some instances and therefore are not aware that a property has changed hands. In one instance we had a property sell, we continued billing the prior owner but did not receive payment. We learned of the sale when we put a disconnect notice on the door of the cabin. This is not how we want to meet our new customers. Wanda asked that property owners notify us when their property sells by either providing us a with a copy of the new deed or calling us. This will help us a great deal.

Chief Operating Officer – Bill Ordwein: We are licensed by two State agencies, the CPUC and the California Department of Drinking Water (DDW) . The DDW requires that we conduct regular water testing in which we send samples to an independent lab. Our test results show our water quality is equal to or above their requirements. The DDW is concerned with the water quality and our operations. We recently had an onsite visit from them. The CPUC is concerned with our finances. They approve our budget and we are not allowed to charge for anything they have not approved. Once the rate is set, that’s it. The CPUC has order us to do three projects. One is filtration for secondary issues which are aesthetic. Our water quality is safe but it has too much Manganese that needs to be removed. We have to automate our system with regard to turning it on and off and monitoring the water levels. We also have to install water meters in place by 2024.

Financial Report: Bill then reported on the budget. In November of 2019 the CPUC approved for us to move to quarterly billing instead of annual billing. They also allowed us to move from a fiscal year of June 1 through May 31st to a calendar year of January 1st through December 31st. This was important

because the CPUC operates on a calendar year and our processes now align with theirs. The budget is set and remains the same but your bills can change from quarter to quarter. Bill explained why. The CPUC and the DDW are funded by water companies. They decide to charge SPWC every year and then we ask them to pass those fees onto our customers through an additional line item on the bill. These additional fees are referred to as "CEMA" and they account for the changes in the amount of your bill from one billing cycle to the next. A correction was made by Lael Potter who indicated that CEMA expenses are not included on customers' bills but rather the CPUC annual user fees are included on customer quarterly bills. The approved rate remains the same until a new rate case is approved. Preparing a new rate case is a long process and obtaining the approval from the CPUC also takes a long time. In Bill's summary he noted that switching from a fiscal year to a calendar year impacted our taxes.

Our three projects have had engineering expenses which include design, permits and other expenses. These expenses were not covered in our General Rate Case with the CPUC and yet have had to be paid. We were able to pay for them out of our reserves. Mike Nessler will cover more about this in his presentation.

Bill referenced our employee expenses. We share our employee with the OFSRA who pays for his services. The budget reflects that.

Our accounting costs have gone up significantly in part due to switching to quarterly billing. We had 12.5 percent of our customers who paid their bills late. When customers pay their bills late our accounting expenses become elevated. Those expenses take money from our reserves that then is not available for other projects. It will help us a great deal if everyone will pay their bills on time. Bills come out four times a year. Please pay timely. Arlene Bradley asked for copies of the charts Bill posted in his presentation. Kirk said they would be on the website. Bill stressed that the budget that is posted is frozen and will be frozen until the next rate case – except for the anomalies' previously mentioned in his presentation.

Lael Potter Compliance Officer: Lael joined the SPWC in November of 2019. As a small water company, we are subject to random audits and on-site visits. We had both this year. The outcome from both was favorable. We are now waiting on reports from the DDW and the CPUC from those events. Once received they will be posted to our website. Lael thanked everyone for their patience in getting through this challenging year. We are working alongside our governmental agencies as we get through this year.

Lael referenced the impact of switching from a fiscal year to a calendar year. Doing this presented challenges which are reflected in our finances as discrepancies. Once the switch is made it will be much better for us as we will be in compliance with our regulatory agencies. With regard to the CEMA, it stands for Catastrophic Event Memorandum Account. We have also been working hard on our projects. She said that Mike Nessler will provide more information about that in his presentation.

Kirk commended Lael on doing such a great job for us this year.

Michael Nessler Engineering Consultant: Michael thanked everyone for continuing to work with him. Michael provided an overview of where we are. The current "team" consists of the SPWC Board of Directors, Lael Potter SPWC Compliance Officer, David Roy Operations, Blackwater Consulting Engineers, and Michael. Blackwater provided the Condition Assessment Report 4 years ago and then continued to provide services to the SPWC. As mentioned previously in today's meeting we also work with the DDW and the CPUC.

In 2016 Blackwater completed the Condition Assessment Report (CAR) which is posted on the SPWC Website and is available for review. The report summarizes the deficiencies in the water system. The report recommends we address the DDW concerns about Manganese levels that are too high by devising a treatment system, we need to install water meters on all the service connections, and we need to make operational upgrades by automating our water system. Our operator now turns the system on manually and monitors water levels in the tanks by going and looking at the tanks. An automated system will replace the need of someone completing these functions manually by having a system that will control that. Doing this will reduce the chance of problems that can occur when the operator is unable to manually monitor the system. The last thing the report recommended was to increase the size of the water mains. SPWC chose to move forward with the first three items recommended in the CAR.

SPWC retained Blackwater to assist with the implementation of these projects. Blackwater was retained to prepare a Conceptual Engineering Design, prepare construction plans and specifications for the treatment system, and prepare for operational upgrades and meters. They are responsible for providing an environmental assessment of the treatment plant site and provide an environmental report. Blackwater will also assist with applying for a loan from the State Revolving fund to assist in providing the finances for these projects. They have a lot of experience doing these applications. Blackwater will also provide engineering services during the construction phase of the projects.

SPWC benefited from using Blackwater as they knew a great deal about us and our projects from preparing the initial report. By using them we didn't have to pay someone else to learn what Blackwater already knew. The DDW and the CPUC had a good working relationship with Blackwater as well.

Michael reviewed progress to date. Blackwater has completed the Conceptual Engineering Report. The design for the treatment project and operational upgrades is about 45% complete. Michael indicated that we had a slowdown in the summer due to some issue with the CPUC but we are now moving forward. The environmental surveys and biological studies began in the spring. The air quality report is complete and the environmental study is in progress. They are now looking into construction loan options.

Michael showed a map of where work will be done. There will be work done at the water tank sites and the treatment plant will be located at well #6 on the west side of the meadow. He then showed a slide of the building which will be a prefabricated metal building which will house the treatment equipment. The plant will be fenced in.

Michael said our next steps will be to complete our design and construction plans. The environmental report needs to be completed. Once those things are complete, we need to move forward in obtaining the loan for the projects.

Philip Barthman joined into the meeting. Kirk asked him if he was prepared to discuss the voting procedures. Philip deferred to Wanda as she had the instructions.

Questions and Answers: Kirk acknowledged there were questions we needed to answer first from attendees.

Arlene thanked Michael for the great presentation. She asked about the size of the treatment plant. She also had a question regarding whether there will come a time when customers will be billed for their water usage instead of paying a flat rate. Michael was not certain but guessed that the lot size would be not very big, in the vicinity of 100' x 100' and the building itself would be around 25' x 50'. It will be between Well 6 and the slash pile. We don't want it to be too intrusive into the environment. He further explained that with the installation of the meters there will be a base rate charge and then a water using charge added onto that. Bill added that about 90% of the water costs are related to infrastructure costs. Those will be divided equally between all customers. The usage will then be added on. There will be a difference but it won't be a great difference.

Robert Eddy asked about when the project will be completed. Will it be done by next fall? Kirk indicated it would not be done that quickly. The loan will take some time to obtain and the CPUC has to be involved. Michael added that once we obtain all of our plans in place, we will get the loan application complete and the State Revolving Fund will take quite a bit of time reviewing our loan application. Michael said that if everything was submitted in March of 2021 construction would not likely begin until the Spring of 2022. That would be assuming there were no delays or issues. Robert then asked if that means the plant would be completed by fall of 2022 and Michael said yes.

Bill clarified that the time schedule for the water meters would be different than that of the Water Filtration Plant. Michael agreed and said that the time table mentioned was connected to the Water Filtration Plant and operational upgrades. The water meters project would be stretched over a longer schedule and worked on over time instead of all at once.

Marjorie Guillory asked about the size of the loan, the terms of the loan and the cost of the loan per property. Michael did not want to speculate on specifics. He said they are often 20 year loans with very low interest rates such as 1.5 or 2 percent. As the design progresses, we will get a better idea of how big the loan needs to be. Marjorie then asked about how we will deal with those who are not paying their water bills. Can they be turned off? Bill responded. We do shut people's water off but that doesn't help us with our cash flow and our accounting costs for those accounts continue to add up. We also have people who contact our accountant instead of us. We are not aware of those questions and so we cannot respond to them. We are charged for the accountant's time. All questions should start with us. We can be contacted by email, regular USPS mail, or through our answering service. Our phone number is 209 533-7998. Kirk added that budgeting information for the project is on the website. We have tried

to save money and will continue to. The initial plans for the filtration plant were more elaborate than what we needed. We fought back and asked to have them scaled down without all the overkill in order to reduce our costs. We tried to find the best place for the filtration plant. We want it to be in a place that is good for the community.

Kirk asked for further questions. There were none.

Kirk then asked Wanda to review the voting procedures for meeting since we are using ZOOM.

Wanda Lenhardt Reviewed the voting procedures through Zoom. She read through all the instructions and voting commenced.

The 2019 Annual Meeting Minutes were voted on.

The Board of Directors were voted on next using a "poll". The initial poll was thought to have ended prematurely and so it was relaunched and repeated to ensure everyone had the opportunity to vote. Everyone was instructed to vote again. Kate Knudsen asked if everyone had the opportunity to vote and then ended the "poll".

Wanda then asked if anyone had someone sitting with them at their computer who needed to still vote.

Wanda then asked if anyone had proxies to vote. Marjorie Guillory then said she had 2 proxies to vote. She voted to approve the annual meeting minutes from the 2019 Annual Meeting and she voted for the Board of Directors on their behalf as well. There were not other proxies voted by shareholders.

Wanda then said that the Board was going back to the Park to tally votes from the proxies and will then combine them with the votes given through the Zoom Polls.

Kirk thanked KAAD, Krista Lane, Allen Siewert, Wendy Crocket and Marianne Gennis for their technical support in facilitating this meeting.

The meeting Adjourned. 2:03

