

**SHEEP CREEK WATER COMPANY**  
**Annual Stockholders Meeting ~ Informational Only**  
**May 15, 2021 ~ 10:00 am**  
**Sheep Creek Water Company ~ Board Room via Zoom**  
**4200 Sunnyslope Road, Phelan, CA 92371**

The Annual Stockholders Meeting of May 15, 2021, was called to order by Board President Andy Zody, at 10:00 AM. Today's meeting was held virtually (via Zoom) from the Sheep Creek Water Company office, located at 4200 Sunnyslope Rd., Phelan, CA 92371. The meeting was for informational purposes only and no voting occurred.

**I. Open Meeting**

**a.) Flag Salute & Invocation:** Luanne Uhl led in the Pledge of Allegiance. David Nilsen led in the Invocation.

**b.) Introductions:**

**Directors Present:** President Andy Zody, Secretary/Treasurer Kellie Williams, and Directors David Nilsen and Luanne Uhl were present.

**Staff Present:** General Manager, Chris Cummings and Administrative Secretary April Dryden Chaplin were present.

**II. Financial Update:** President Andy Zody gave an update on the Company's 2020 Financial Report. The Financial Report was sent out to the Shareholders and is available on the Sheep Creek website.

**III. Old Business:**

**a.) System Update:** Several Fire Hydrants and valve replacements have been completed. Old Standpipes have been replaced with new fire hydrants. The project to convert all regulator stations to stainless steel controls is near complete. Meter replacements are an ongoing effort to reduce leaks and water loss in the system along with replacement of old service lines. Water levels are currently seeing little increase. Water levels continue to fluctuate, but remain below normal. Water production from all sources has slightly increased the past year but remain below normal production. Well 3A has had a complete rehabilitation. Pipework has been brought up to current standards. The casing was scrubbed and pumping equipment replaced. Well 11 pumps directly into the system and is producing up to 300 gallons per minute, based on the water used by customers. The Tunnel has seen a slight increase in water production, but, continues to remain below normal. The Tunnel is currently producing 133 gpm. Sheep Creek Water has experienced years of dry winters and the area will need several years of above normal winters to recharge the water table.

**b.) SWRCB Compliance Order Update:** August 30, 2018, Compliance Order NO. 05-13-18R-002 was issued by the State Water Resource Control Board Drinking Water Division. The SWRCB placed a service connection and building moratorium on SCWC. SCWC cannot place any new service connections or issue any "Will Serve" letters, for any building permits. At a Special Meeting of the Shareholders Meeting held in August 2019, the Shareholders voted to drill wells as needed, (up to four wells) to achieve compliance. SCWC submitted a corrective action plan and it was approved in January 2020 with an updated Compliance Order NO. 05-13-18R-002A, which requires SCWC to complete a Financial Review and an Asset Management Plan. Both are available to view at <https://sheepcreekwater.com>

**IV. New Business:**

**a.) Source Capacity Project Update & Loan Repayment – Information Only:** During the Special Meeting of the Shareholders in August 2019 the Shareholder's approved a compliance plan which included drilling up to four wells. Sheep Creek Water Company applied for \$4,000,000 line of credit for

the project. Included with the line of credit, there is a \$410,000 loan to refinance the existing Shareholder loans at an interest rate of 2.4%. Two parcels of land have been purchased for the installation of 2 wells and a third parcel is in a contract for a third well with the purchase of the land contingent on available water on the property.

***b.) Consolidation of Sheep Creek Water Company with Phelan Pinon Hills Community Service District – Information Only:*** Upon future Shareholder approval of consolidation, the Shareholders would also need to approve to sell the water rights which would give the Shareholders compensation for their shares they own. The consolidation investigation is in the early stages and is currently in the grant process with a Technical Assistance provider with the SWRCB-DFA. Once more information is available to hold a vote, the item will be brought back to the Shareholders for a vote. If it is necessary, a Special Meeting of the Shareholders may be held and a notice will be sent.

**V. Open Forum/Public Comment** ~ *under this item, any member of the Board or Public may address the Board on any item relating to the company not listed on this agenda. However, the Board is prohibited under AB 240 from taking any action on an item not appearing on the agenda. The Board President will call on each participant and at that time you have three (3) minutes to speak.*

Shareholder Nydia de Jesus asked if the moratorium on water meters has been lifted. The Manager, Chris Cummings, reported that currently the service connection moratorium is still in place until all the wells are drilled or if the company consolidates with the PPHCSD.

Peter Barnes asked after reviewing the financial report, what is the benefit of consolidating with PPHCSD, what is the reasoning? President Andy Zody responded that the reasoning is financial. With the future cost of maintenance and upgraded the system. Also, with the cost to produce water in the basin compared to the cost at the well field, where PPHCSD has water rights to produce water cheaper within the basin.

Robert Righetti thanked the Board for their effort with the consolidation effort with PPHCSD and encouraged the Board to keep a positive attitude and making sure Sheep Creek gets a square deal in the negotiations with PPHCSD. They have as much to benefit from a merger as Sheep Creek.

Shareholder Nydia de Jesus asked what is the likelihood of merging with PPHCSD? Board Secretary Kellie Williams responded stating that there are still negotiations, there are advantages and disadvantages with merging and the Board needs to weigh all options heavily. Ultimately, the Shareholders will need to vote whether to consolidate.

Shareholder Kathy Everhart asked whether Sheep Creek has searched and located property for water? Director David Nilsen responded yes.

Shareholder Lorene Broersma asked whether wells 12 – 15 will be drilled in the mountains or the flatlands? The new wells will be drilled within the Sheep Creek distribution system.

## **VI. Adjournment:**

Kellie Williams moved to adjourn the meeting. Luanne Uhl seconded the motion. Motion carried. The Annual Shareholders Meeting of May 15, 2021 was adjourned at 10:42 AM.

Respectfully Submitted,

***Kellie Williams***

Sheep Creek Water Company

Board of Directors ~ Secretary/Treasurer