

***SHEEP CREEK WATER COMPANY
ANNUAL STOCKHOLDERS MEETING
MINUTES OF
MAY 19, 2018***

Welcome All Shareholders & Guests, to the 2018 Annual Stockholders Meeting!

The Annual Stockholders Meeting of May 19, 2018, was held at Phelan Elementary School. The meeting was called to order at 10:00 AM by Board President Andy Zody. Mr. Zody thanked everyone for attending today's meeting. He informed everyone present, that the meeting was being recorded to prepare the meeting minutes. A quorum was announced at 10:00 AM, to officially start the Annual Stockholders Meeting.

Bob Howard led in the Pledge of Allegiance and also the Invocation. Mr. Andy Zody suggested that if anyone wanted to speak at today's meeting, they would need to fill out the *Request to Speak* form. Mr. Zody encouraged everyone to check out the company's website.

Introductions:

Mr. Zody introduced himself and the current Board of Directors. President – Andy Zody, Vice President – Bob Howard, Secretary/Treasurer – Kellie Williams, and Directors David Nilsen and Luanne Uhl.

Mr. Zody respectfully recognized past board members present at today's meeting. Always great to see you Jim Watson and Bob English!

The Sheep Creek Water Company staff was introduced. General Manager Chris Cummings, Field Supervisor Michael Siaz, Water Quality Joseph Tapia, Office Staff, April Dryden Chaplin and Dorothy Zody. Missing from today's meeting, due to water treatment certification testing, was Paul Pollard - Field Tech

Introductions of the Proxy Committee was then recognized. A Big THANK YOU to Bonnie Howard, Joanna Spainhower, and Donna Drover. Thank you so much ladies for your continued help and support!

The Company Attorney, Ernie Riffenburgh was introduced. Thank you Ernie for the many years of service with this company.

Financial Update

a.) Approval of 2017 Financial Statement - Shareholder Jim Watson moved to accept the Financial Statement of 2017 as presented. Massie Parker seconded the motion. Motion carried.

Old Business

a.) Approval of Annual Meeting Minutes of 2017 - Shareholder Marian Wolf moved to accept the Annual Meeting Minutes of 2017 as presented. Shareholder Jim Watson seconded the motion. Motion carried.

b.) System Update – When compared to this time last year in 2017 well levels are down 10 – 44 feet and compared to 2014, the levels are down 30 – 60 feet. Tunnel is currently flowing at 124 gallons per minute. The production is down an additional 181 gpm from last year. Water produced in 2017 was 687 acre feet or 223.8 million gallons. Water sold in 2017 was 558 acre feet or 181.2 million gallons.

Andy Zody reported on the years projects. With a limited staff, the first project presented, was the Canyon Line Replacement. According to the General Manger's reports, the Canyon Line Replacement was completed in two locations on the canyon water main line. The existing line remained in service during the installation of the new water main.

First location is within the company's 40 acre property. It consists of 900 feet of 10" class 150 C-900 PVC. A set of isolation valves and a new fire hydrant were installed.

The second location is located above regulator 2 and below Tank 3. This part of the project included 1,500 feet of 10" class 200 C-900 PVC and 500 feet of 8" class 200 C-900 PVC. An additional

11 isolation valves were installed along with three fire hydrants and one air valve. Total cost of the project was \$124,728.

The next project was the *Phelan Road & Sheep Creek Road Line Replacement and Upgrades*. This included 3,400 feet of new 8" class 200 C-900 PVC pipe. Thirty eight new isolation valves, 10 new fire hydrants, thirteen existing services replaced, and one regulator station, replaced.

Well 2A Rehab & Downsize was originally drilled and installed in 2012 and was designed to produce 1,200 gallons per minute, with a 300 hp motor. As water levels and production dropped, the motor and column pipe was oversized for the current production. The Board approved to rehab the well to have it available for summer. The cost of this rehab was \$86,742.

Miscellaneous system projects consisted of a new 4" regulator station, two fire hydrants replaced, seven gate valves replaced, one regulator vault replaced, and 49 meters were replaced. Nine new meters services have been installed. Eight of the nine meter services had been previously paid for several years ago. Eighteen system leaks that were repaired. The total cost of the maintenance and meter projects was \$78,815.

Shareholder Bob English asked if the company was considering putting a halt on new meters. Mr. Nilsen answered that as previously stated, eight of the new water meters had already been paid for years ago. Shareholder Bob Tolliver shared that he had seen someone move in and plant 250 trees, and he, Mr. Tolliver, is watching his yard die.

Shareholder Sandra Mitchell shared concern about allowing people to loan or borrow shares. Mr. Riffenburgh confirmed that the people do have the right to loan their own shares out if they want. However, everyone needs to still conserve.

The Company's Attorney, Ernest Riffenburgh, brought us up to speed on Well 10 in Los Angeles County. It has been 2 ½ years since the Judge issued the final judgment on the Antelope Valley Litigation. There are two major items that have happened in that time frame. One, the Water Master is in the process of implementing the regulations of the judgment. It is a slow process. The attorney monitors and follows up on any issues, to protect Sheep Creek Water. The second item is that there are a few parties that have filed appeals against the judgment. The appeals do not have anything to do with Sheep Creek Water, but none the less, the lawyers need to monitor every one of the appeals.

Shareholder Robert Walker asked in regards to the L. A County well, about the chromium 6 levels. Mr. Riffenburgh answered that it appears that at this time, the water will not have to go through a "blending" process. The issue mentioned, is trying to get the water into our system. Sheep Creek has tried and will continue to try to work with the CSD and other neighboring water company, in getting the water to its customers.

Mr. Nims, asked if Sheep Creek ever used Chromium 6 to prevent rust in our water lines. Mr. Nilsen assured everyone that Sheep Creek never used Chromium 6 to prevent rust. Mr. Nilsen reported that when the state lowered the levels of Chromium 6, Sheep Creek Water was fine on its levels. The water produced from the Sheep Creek Well Site does not have Chromium 6 in the water. The CSD however, had levels of Chromium 6, and since at the time, Sheep Creek was buying water from the CSD, which was being blended with ours, a letter was sent out to the Shareholders and customers to keep them informed. Sheep Creek has never had high levels of Chromium 6. Chromium 6 is naturally in the water as it is. Mr. Nilsen assured Mr. Nims that the water received from the CSD was not able to get up to his zone due to the elevation. Mr. Nims insisted that he got cancer from drinking Sheep Creek Water. Mr. Howard shared that he is 70 years old and has always drank Sheep Creek Water with no problems.

b.) Well 11 Phase 1 – As you know, Sheep Creek Water continues to face severe drought conditions. The State Water Resource Control Board is requiring Sheep Creek Water to develop additional sources of water, separate from the Wrightwood well site. As of May 14th 2018, the Well 11 has been drilled to 1,500 feet. The casing has been installed and gravel packed. Test pump equipment will be brought on site to begin well development. During this time, the Company's crew is preparing to install nearly 5,500 feet of 8" line, valves and hydrants. The first assessment began in August 2017. Two of the three assessments have been collected for the drilling and test pumping of the well. Once the well is test pumped, the production and water quality will determine the remainder of the project. Once the

project is determined, the Board will schedule the remaining assessments to complete the project. The Board is committed to completing this project as quickly as possible and keeping cost as low as possible.

Bob Howard reported that he read the log on Well 11, and when they found water. They found it below 1,000 feet and were pumping with air.

New Business

a.) Rates – Information Only

The water rates are as follows:

Base Rate - \$55.00

Allotment Usage Charge - \$0.50 per 100 c/ft

Overage Charge - \$4.25 per 100 c/ft

Electric Surcharge - \$0.15 based on full usage

Disclaimer: These prices can change at any time, upon the discretion of the Board.

Shareholder Bob Tolliver asked, that with no rain or snow, is there a possibility of the water company being sold? Mr. Nilsen admitted that we are in a tough spot. We are looking and doing everything that we can to protect the Stockholders. We own our water rights in the canyon, which is a plus. We are in the middle of drilling a new well, and we are continually looking for additional sources.

Mr. Nilsen encouraged everyone to come to the regular board meetings and to be involved. We want to hear what you have to say and welcome additional opinions. We want to know your concerns. Andy Zody explained that the Board is trying to do everything they can, to avoid having to buy water again.

b.) Well 11 Phase 2 – Well 11 will be test pumped next month. Water was found at 1,000 feet. The Driller recommends test pumping. This is something that would not have been recommended unless the well driller felt that there was water. The electric still needs to be installed. Mr. Zody reminded everyone that we still need to practice conservation.

Election of Directors

Nominations for the Board of Directors – Jim Watson moved to keep the current Board of Directors for the 2018 – 2019 year. Shareholder Bob English seconded the motion. Motion carried. Since there was no additional nominations, Mr. Riffenburgh called for a voice vote. Voice vote to keep the current Board of Directors for the 2018 – 2019 year.

Adjournment – Shareholder Marian Wolf moved to adjourn the meeting. Shareholder Albert Young seconded the motion. Motion carried. The 2018 Annual Stockholders Meeting of May 19, 2018 was adjourned at 1:00 PM. Thank you *Snowline School District* for the use of the facility.

Respectfully Submitted,



Kellie Williams
Secretary/Treasurer
Board of Directors – Sheep Creek Water Company