

SHEEP CREEK WATER COMPANY
REGULAR BOARD OF DIRECTORS MEETING
September 19, 2023 ~ 6:00 PM
SNOWLINE SCHOOL DISTRICT- BOARD ROOM
4075 NIELSON RD, PHELAN, CA 92371

Meeting Minutes

1) **Open Meeting-** 6:00 PM

- a. The Regular Board of Directors Meeting of September 19, 2023, was called to order at 6:02 PM by President Andy Zody. Vice President Luanne Uhl led the Pledge of Allegiance. Director Erik York led the Invocation.
- b. Directors Present:
 - a. Andy Zody is in attendance as Presiding President.
 - b. Luanne Uhl is in attendance as Vice President.
 - c. Kellie Williams is in attendance as Secretary/Treasurer.
 - d. David Nilsen is in attendance as presiding Director.
 - e. Eric York is in attendance as presiding Director.
- c. Guests Present:
 - a. Shareholder Peter Barnes
 - b. Shareholder Don Fish Jr.
 - c. Shareholder Diane Hayball
 - d. Shareholder Robert Howard
 - e. Guest Deborah Philips
 - f. Guest Yasha Philips

2) **Consent Motions**

- a. Minutes:
 - a. *Regular Board of Directors Meeting- August 15, 2023*
- b. Bills:
 - a. *August 15, 2023 through September 19, 2023*
- c. Managers' Report: Included in Board Packet

Mr. Nilsen moved to accept all Consent Motions as presented, with corrections on meeting minutes. Mr. York seconded the motion
Motion carried, 5 yes, 0 no

- 3) **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. Board president will call on each participant and at that time you have three (3) minutes to speak. Please be advised that this meeting will be recorded for documentation purposes and to help the accuracy of meeting minutes.

Speaker 1: Nilsen commented on the Wrightwood Car Show and that a few community members approached him about doing a press release. He notified the board of the topics

regarding the production from the canyon wells after SCWC rehabbed them, Well #11 as a backup well, Well #13 updates; two back-up wells. SCWC goals, retire the corrective order, and the master plan. The comments will be David Nilsen comments and not the opinions of the board.

Speaker 2: Peter Barnes asked is there any reporting on the Share Buy Back program, asking for updates. Production numbers and Teir 2 rates and Well 11.

4) **Old Business**

Action Items:

- a. Robert's Rules of Order/ Board Meeting Rules and Regulations

No Action needed – Information item only.

- b. SWRCB Negotiations

Nilsen motioned the SCWC establish a committee to address the Corrective Order Number 05-13-R-002. Williams second the motion. Discussion followed.

Barnes clarified if what Mr. Nilsen presented is what was stated in closed session during the last meeting. Barnes asked if the December deadline can be met with a committee, legal advice, and negotiations in time. Discussion Followed

Motion carried, 5 yes, 0 no

- c. Answers to 8-15-2023 Meeting Questions

Williams read the following questions presented to the board:

1. What type of liens does CoBank ACB have to secure the 4-million-dollar line of credit?
 - a. CoBank has liens on all the Sheep Creek Water Companies properties. Deeds of Trust secure these liens.
2. A shareholder filed a formal complaint against a board member.
 - a. The Board confirmed receipt of letter. At the end of the meeting, after the closed session, Andy Zody apologized to Peter Barnes and the meeting members for making comments he made in the open session. This matter is closed.
3. What is being discussed regarding 7. C.
 - a. Sheep Creek will place this item regarding SWRCB in the open session at the next board meeting. Discussion will follow.
4. The question was asked about the Hexavalent Chromium 6 levels in healthy #11.
 - a. Sheep Creek tests the entire system per all testing standards and procedures, including Well #11. The Hexavalent Chromium 6 tested in well #11 is 3.7 ppb. The state standard is at most 10 ppb.
5. Two demand letters from shareholders.

- a. The legal counsel has both demand letters from two shareholders and is reviewing them, and as soon as they make recommendations to the board, we will post those recommendations.
- 6. A shareholder demanded reimbursement of the Tier three rates.
 - a. Our company attorney is in the process of legal analysis of this request and demand. The company will not move forward until the analysis and advice has been completed by our company attorney. A shareholder has made this a subject of litigation that has been recently filed.
- 7. Proxy forms have been addressed and correspondence from the company attorneys has been sent. No further consideration on this issue.
- 8. Shareholders' email addresses have been addressed and correspondence from the company attorney's has been sent, no further consideration on this issue.

Information Items:

- a. System Update. See Appendix A below.
- b. Nilsen comment – discussion followed. Commended the crew and General Manger on a good job.
- c. York – clarified the increase production over the year.
- d. Barnes – clarified the dates on the system update and CEQA.

5) **New Business**

Information Items:

- a. App for Website to Calculate Usage and Tiers

Williams presented that Victor Valley High School Computer Science students to develop an app to calculate water costs based on usage and share owned and set Tier prices. Discussion followed.

Action Items:

- a. 2-New Meters

Uhl motioned to approve the two meters as presented. York seconded the motion.

Motion carried, 5 yes, 0 no

- b. Newsletter to go into Monthly Bills

Nilsen motioned to approve the Newsletter to be inserted in monthly bills and posted online. Uhl seconded the motion. Discussion followed.

Motion carried, 5 yes, 0 no

- c. Establish Company Goals for Next Year

Nilsen motioned to approve three goals for SCWC. York seconded the motion.

Nilsen read his goals.

Goal #1: Address the Compliance Order by the SWRCB Corrective Order Number 05-13-R-002. SCWC will meet with SWRCB to inform them of our new two back-up wells and our production meets the maximum date of demand from Wells #11 and #13 in the

desert. And develop a financial plan to pay for the capital improvements using the 3-Tier price structure and new meter installation fees.

Goal #2: Develop a revised Master Plan to provide cost effective and fiscal responsible water service to meet the SCWC customer, water quality, quantity, and reliability requirements. The Master Plan will be presented at the Annual May Meeting, 2024 for the shareholders consideration.

Goal #3: Due to our current production, it is David Nilsen recommendation to suggest at the May meeting to equalize all the shares from the current emergency allotment structure. The board will take the information presented in the Master Plan to the shareholders options for the shareholders to determine the share allotments.

Motion carried, 5 yes, 0 no.

Information Items:

a. 2024 Operating Budget Review

The budget was presented to the board by the General Manager. The board will review the budget and bring back comments to the next meeting. Nilsen suggested presenting the budget to the shareholders to review and comment. Adjust as needed.

6) **Next Scheduled Meeting**

a. October 17, 2023

7) **Closed Session**

a.

8) **Adjournment**

Nilsen motioned to adjourn 6:46. Uhl seconded the motion.

Motion carried, 5 yes, 0 no.

Respectfully Submitted,

Kellie Williams-Secretary/Treasurer
Sheep Creek Water Company
Board of Director

Appendix A:

September 19, 2023

PRODUCTION

- August Production- 58.88 AF- 2023 Year to Date Production- 370.50
- August Meter Service Usage- 57.73 AF; 2023 Year to Date Consumption- 302.44

Well soundings, 2023:

- Static Water Levels compared Aug 2022 to Aug 2023:

Well 2A. static level is up 36.96 feet – Water Level 248.59

Well 3A. static level is up 36.96 feet – Water Level 252.10

Well 4A. static level is up 21.58 feet – Water Level 270.58

Well 5. static level is up 39.27 feet – Water Level 255.99

Well 8. static level is up 60.06 feet- Water Level 229.06

Well 11. static level is down 2 feet – Water Level 949

Tunnel the Tunnel flow is currently averaging 173

- Total pumping capacity as of Aug 2023 is 2,218 gpm.
- Current usage is averaging 606,000 gallons per day, 421 gallons per minute
- **Allotment Tier 1 – First share on account remain 750 CF/Share and Remaining shares 150 CF/Share. \$0.55 per hcf**
- **Allotment Tier 2 – 150 CF/Share all shares after Tier 1 \$4.50 per hcf**
- **Tier 3 Overage- No Allotment \$10.00 per hcf**

Work Completed or in Progress-August 2023

- Work orders as office requests
- Well soundings – weekly
- Samples- weekly
- 4- Meter upgrades
- 1-Mainline leaks / 4- service line leaks
- Removed 4” Old Line on Sheep Creek Rd, and Install a 4” End Cap
- Yucca Terrace Water Line- Completed
 - Connected and Eliminated a Dead-End Line
 - Install Additional 300’ of 8” C900 Water Line
 - Install 6” Gate Valve and 8’ X 6” Tee,
 - Install 40’ of 6” C900 Line
- Storm Hillary Affect:
 - The storm did not affect our system too harshly, it was more to the west of us. We had a couple service line leaks. We had a couple exposed lines, which have been back filled. One 6" main line that crosses a wash had a leak, due to a large rock hitting the line. We were able to isolate and shut down the section without customers being without water. We hired an outside contractor to haul dirt. We had helped some of our customers grade their driveways and dirt roads, so they were able to leave their homes.
- Well 13 Update:
 - 9/7, Thursday- Driver will arrive to Denver Layne Yard.
 - 9/8-9/9, Friday or Saturday- Driver will head back to California to Sheep Creek Well Site.
 - 9/10-9/11, Sunday-Monday-Driver will arrive to Sheep Creek Well site to Drop off.
 - 9/18-9/22 R&I crew to perform Test Pump installation and water development.
 - 9/25-9/27- Clean up and Rig Down
 - 10/2-10/5- Well head cement and final completion