

BLUE LAKE SPRINGS MUTUAL WATER COMPANY
Minutes of the Annual Shareholders Meeting
Blue Lake Springs, Arnold, CA
Saturday, June 6, 2009

010 CALL TO ORDER: The meeting was called to order at 10:00 a.m. by President John Speakman. President Speakman welcomed the shareholders and thanked them for attending. The board members present were introduced: Ehrling Carlson, Bob Maginnis, Ernie Multhaup, Dave Owen, Dick Watson and David Wood. General Manager Maynard (Mike) Herreid was also introduced. Office Manager Jeri Cline, was in Oregon for a family high school graduation; also absent were Water Master David Hicks and Assistant Water Masters Tom Milligan and Bill Heinle. Former Board member Larry Larson (119-13) served as Inspector of Elections, with his wife Marilyn Larson taking the place of Office Manager Jeri Cline as Recording Secretary. There was no Parliamentarian. President Speakman also welcomed as guests, Ebbetts Pass Fire Chief David Baugher and his Assistant Fire Chief, Bryan Dixon.

020 QUORUM PRESENT AND/OR BY PROXY TO CONDUCT BUSINESS: Larry Larson, Inspector of Elections, reported that the bylaws of the water company require the presence in person or by proxy of 25% of all shareholders in good standing to constitute a quorum for the transaction of business at its annual shareholders' meeting. He reported 2024 shareholders, with 79 delinquent, leaving 1945 eligible votes; 25% of that number, or 486 votes, are needed for a quorum,. Seven Hundred and Fifty-six (756) eligible proxies were received, not including those voters who were present. Therefore, business could be conducted legally.

030 MINUTES OF JUNE 7, 2008, ANNUAL SHAREHOLDER MEETING: President Speakman asked for corrections or additions to the minutes mailed to all shareholders shortly after last year's annual meeting. There were no corrections or additions. Jeanne Multhaup (732-5) moved to approve the minutes; seconded by Pete Padelford (70-11), and the motion carried unanimously.

040 PRESIDENTS REPORT: President Speakman spoke of the difficult task facing the water company Board of Directors every year when setting annual rates and trying to achieve equity for the Blue Lake Springs Mutual Water Company shareholders. He said the board realizes the only way to achieve equity in the rate structure is to meter every improved property in the subdivision, but before that can be accomplished all the water mains have to be moved from the back lot lines and into the streets; the water company is now in excess of 50% of reaching that goal. He reported that as new mains are moved to the street more fire hydrants are added to the community; when the sub-division was first developed in the 1960s there were only fire hydrants at the end of Unit 13. President Speakman also spoke of the rising cost of providing water to the shareholders, a dwindling water supply, and the long partnership between CCWD and Blue Lake Springs Mutual Water Company. Currently, about 50% of the water distributed is purchased from CCWD, with the remaining 50% produced by the BLS wells at White Pines Lake.

050 TREASURER'S REPORT: Treasurer Wood began by reminding all shareholders to please read the materials included in their annual billing and in the annual mailings; judging by the number of delinquents this year, it could be assumed that a number of shareholders were unaware of the updated delinquency policy. He reported the Annual Financial Review

was prepared by Sandra Vaughn, CPA of Ebbetts Pass Accounting, located in Avery. He read from the review Notes: "company engaged HDR Engineering in March of 2006 to evaluate repair and replacement costs of assets. The board approved a 7 year plan and voted to raise water rates and not assess a one time fee to help make up the deficit," saying that he thought the rumor regarding a special assessment had finally been put to rest. He discussed the lack of a significant water rate increase this year, with the largest at 1.3% for bare lot fees. The small rate fluctuation in other categories was to enable the office to determine a shareholder's category of payment, when no payment coupon accompanied the check, by the amount paid,. Treasurer Wood felt the lack of a major rate increase this year indicates the water company has finally reached a sustainable financial situation. Because crude oil costs are down from last year, the cost of petroleum based pipe is dropping and Treasurer Wood reported seeing a period of some deflation on construction projects. In closing, he thanked Shareholder Bob Beck (626-5) for alerting him to FDIC limits on deposited funds. BLSMWC reserve funds are now divided among 3 different financial institutions, ensuring that cash assets will always be protected by FDIC. He invited questions from the floor.

QUESTION: Joe Morgan (282-2) You mentioned cheap prices now a days; did you lock in some of the cheap prices?

ANSWER: Treasurer Wood *I think if we had a lot of space we could buy when we saw pipe at a the low price; we could buy a lot, cover it up with a tarp and keep it on hand. But we don't have a lot of space for storage. And of course with snow removal in the winter, the little bit of hardscape we have is really tight, and we are betting it would also take a major commitment of funds. It was challenging to plan a 7 year schedule for improvement projects, while trying to keep a positive cash flow. As you know, we had a major rate increase to get us started and then we had a surprise increase last year because CCWD raised their rates on us by 80%. We don't anticipate any sort of water rate increase from CCWD in the near future, but there is one thing in the works. We are still waiting to hear that the public power we get through CCWD may go up significantly. It will still be a very good deal though, because our partnership with CCWD allows us to buy power wholesale through them.*

President Speakman thanked Treasurer Wood for his remarks and for acknowledging Bob Beck for his invaluable input. He spoke of the importance to the community for its members to speak up. As an example, he talked about Don Stump, who was in attendance and is running for the Board of Directors of CCWD. Because of Don sharing the information he acquires, the water company now knows that water meters will be state mandated by 2025. President Speakman then introduced General Manager by saying that Mike had been at Blue Lake Springs for 42 years, knows the system from the ground up, and does a masterful job of running the projects without change orders or cost over runs.

060 MANAGER'S REPORT: General Manager Herreid described the source water as two wells at White Pines Lake. Primary pumping sampling of the wells shows no detection of contaminations above the mcl's set by the State of California, and Federal Safe Drinking Water Act. Secondary sampling of

the wells shows that we have hydrogen sulfide, iron and manganese above the limits. These are removed at the treatment plant. Recovery rate is less than prior years and the water company is working with CCWD to remedy this. Half the system is on CCWD because of the low recovery rate. General Manager Herreid described the process for treating the water. After treatment, the water meets or exceeds the current standards, both the US EPA and the State of California Department of Health Services. Except for date changes, the 2008 Water Quality Report is unchanged from 2007. He also reviewed the schedule of projects and map of the system that were on display. Questions were invited from the floor.

QUESTION: Merle Larrabee (78-1) Is this line that is going in now, is that going to give you a remote reading of the meter?

ANSWER: General Manager Herreid *No it won't. Reading the meters, when we do have meters, is not feasible right now. It is going to cost everybody a lot more money. We have to have an additional person in the office entering the readings, billing, taking payments.*

QUESTION: Merle Larrabee (78-1) At home we have a remote read on gas and electricity. I am just wondering if there is something down the road that will be available for reading water meters so you don't have to run people out there.

ANSWER: General Manager Herreid *There is something called a radio read which is a "line of sight". And right now back lot lines are down in the canyons, some of them up hills and hard to get a direct read. But technology is changing quickly and by the time we are ready there may be something fairly reasonable. The cost now is about \$500 a piece just for the meter, not including the reader, which is about \$25,000.*

QUESTION: Mark Mathews (168-8) What is the most recent reading on precipitation?

ANSWER: General Manager Herreid *I don't know; I think we are about 64% of average. There is a couple of sites you can go to if you have a computer. I think Bear Valley has a good site and New Melones..*

QUESTION: Richard Wise (120-9) We are on Del Rio Drive and I am just getting nervous because we are about to do the installation now. Are there any special instructions that you provide us to prepare for that, and also do you have any recommended contractors for hooking up from the house to the main line?

ANSWER: General Manager Herreid *We do have a list of plumbers that we send out after the project is completed to those people who need to make the connection to the new main. As far as being prepared for what is going to happen, you have probably already received a letter that shows where your service is going to be and what is going to be expected. We will keep access to your property open at all times., We put the water lines alongside the roads so we are not in the pavement, only where we tie in. And of course we repave the highways, or the roadway and the driveways themselves if we have to cut through it. But we drill through the driveways if we can, if there isn't any rock. They have to open cut if they run across rock, but there are steel plates that can be put over the cut so you can drive right over the top of it.*

QUESTION: Pete Padelford (70-11) I just have to say Mike, these guys that you have got doing these things have been the least invasive to our getting around here, and in and out of our houses. They really are. I have been around construction for a long time and they don't waste any time in their work, and they

do a great job and they are very courteous to all of us all the time. It is really nice to have them around. They are good people.

ANSWER: General Manager Herreid *Thank you very much.*

QUESTION: Otto Besgen (235/236-2) I don't even know where the connection box is on the empty lot next to our cabin.

ANSWER: General Manager Herreid *Your line is in the front; the box will be on either corner of your lot.*

QUESTION: Otto Besgen (235/236-2) I can't find it but we have been charged for water on the empty lot

ANSWER: General Manager Herreid *You are not charged for water on the empty lot. All the costs that are involved with the water are split up with the cabins. The bare lot fee is a fee, everybody pays and is built into the improved lot fee, all 2024. Two years ago it went up because we decided to do these projects, one a year.*

QUESTION: Otto Besgen (235/236-2) But how do I find the connection box for that empty lot.

ANSWER: General Manager Herreid *All you need to do is just come to the office and we will make a side trip up there for you.*

QUESTION: VJ Stein (39-1) My question on the water is the county came by and trimmed all the trees to repave our street. They said they are going to repave our street this summer. Do we coordinate with county? I mean once you put in a new street then you guys come along and tear it all back up, it is not a new street anymore.

ANSWER: General Manager Herreid *We go along the edge of the road.*

QUESTION: VJ Stein (39-1) So you are going to have to dig a trench across the new paving. That is my question, you know it has been torn up for years, now they are finally going to fix it and then you are going to come along behind and tear it up again.

ANSWER: Treasure Wood *One of the challenges working with Calaveras County Dept of Public Works is that they haven't had a permanent department head for several years. They have new one starting very soon. I believe Aug 1, and then, as you know, with their budget situation it would be very challenging to get them to come down and coordinate.*

ANSWER: General Manager Herreid *We do have a coordination meeting every quarter and everybody brings their projects into it, including public works. Now, it might be years before we do your street.*

QUESTION: VJ Stein (39-1) Do you have a schedule for when you are doing the streets?

ANSWER: General Manager Herreid *The only schedule we have is through 2012.*

PRESIDENT JOHN SPEAKMAN invited Ebbetts Pass Fire Chief, Dave Baugher to speak.

EBBETTS PASS FIRE CHIEF DAVE BAUGHER: I just wanted to say a few words about your water supply here in Blue Lake Springs. We enjoy a very unique and very sophisticated water system with an ISO rating of 4. The ISO (Insurance Survey Office) rates on a scale of 1 to 10, with 1 being the absolute best and 10 being the bottom of the scale. In all of Calaveras County, ours is the only 4 rating there is. There are a couple of 5s, plenty of 6s, plenty of 7s. This last

November ISO came out and inspected the water system, inspected the fire department, inspected all of the communications and 911 systems and 40% of the inspection's grade is your water district, your water supply. And I have got to tell you, the inspector was really impressed with Blue Lake Springs Mutual Water Company. Mike and his staff answered every single question without a hitch. So you all should be very proud of what you have. Congratulations to Mike, and thank you very much for all your support.

070 NOMINATIONS: Three candidate's names were submitted to Nominations Chairman David Wood for the three open positions. The names were the same as the three names printed on the ballots mailed to all eligible homeowners. They were incumbents Ehrling Carlsen, Robert J.P. Maginnis and David Owen. There were no nominations from the floor. Jeanne Multhaup (732-5) moved to close the nominations and declare the incumbents reelected; seconded by Peter Padelford (70-11), and the vote was unanimous. President Speakman declared the incumbents reelected to another 3 year term.

080 DIRECTOR'S RECOGNITION: President Speakman spoke to recognize the service of the reelected incumbents. He described Ehrling Carlsen as a pillar in our community, Mr.. history; David Owen as another invaluable resource for this water board, having served several terms, and possessing a tremendous background with East Bay MUD; Bob Maginnis, Assistant Sheriff, former Police Chief of San Leandro, bringing incredible leadership and wisdom: "*when Bob speaks, everybody*

listens.". No plaques were given this year to spare expense.

090 OTHER BUSINESS: President Speakman asked for any other business or comments to bring before the board. Don Stump introduced himself, saying he was running for CCWD Board of Directors. He said that he had attended over 300 board meetings in the last 1 ½ years, and he wanted the shareholders of BLS to know that BLSMWC had "*the best board and best general manager on this side of the county*".

President John Speakman recommended shareholders affected by the Greensboro Way/Del Rio Drive/Dorothy Drive water main replacement project call the office with any questions they may have.

100 ADJOURNMENT: With no further business to come before the meeting, the meeting was adjourned at 10:55.