

Minutes

Buzztail Community Services District Special Meeting Monday, December 16, 2013 at 6:00 PM

Location: Tooker Residence, 4501 Wilder Dr.

The purpose of this meeting was for the board members to meet and ask questions of officials of the Del Oro Water Company (DOWC) , which has made an offer to buy the water company from the district. All interested residents had been invited to attend.

Board members attending were Richard Tooker, Robin Wilder, William Ward, and Jason Sebrian. Residents attending were Leonard Lutz and Bruce Hall. Attending from DOWC were: Robert Fortino, CEO; Brian Fortino; and Janice Hannah.

The meeting was called to order at 6:08 PM.

Robert Fortino provided a question and answer document, which contained written responses to questions that had been submitted to DOWC before the meeting. A copy of that document is attached to these minutes.

A general discussion took place around these questions and answers, with board members asking follow-up questions and Fortino responding.

.No action was taken by the board regarding the purchase at this meeting. It was decided that the board would meet again after Christmas to vote on the matter.

The meeting ended at 7:42 PM.

Del Oro Water Company Buzztail Q&A

Fire Safety Questions

Q. Could you give us an overview of DOWC's responsibility for fire safety? For example, what regulations do you have to meet? What is your track record for doing so?

- A. DOWC has always had a very good working relationship with the various fire agencies throughout our seventeen districts and we have a tech that is on call after hours, if needed, for any emergencies. Our responsibility is to keep all fire hydrants in operation and our crews have been trained to make any repairs or new installations. The hydrants are normally flushed annually in the winter and a log book is kept with the date, static pressures, and their overall operation. Brush clearing and painting is performed as needed and any hydrant found to be nonoperational is bagged and called in to the fire agency.

Q. Would you ever put additional hydrants, beyond the two already in place, in the community? When, and under what circumstances?

- A. One, if required by the fire agency in charge of Buzztail; two, if desired by residents or DOWC and we allocate monies initially from the reserve to be established; and/or, three, they could be included in a future capital improvement project to be determined.

If two or more neighbors who live next door to each other wanted to pay DOWC to put in a hydrant to serve their homes, would you do that? How much would you likely charge?

- A. Yes. A recent quote was approximately \$4,000.

Resident Rate Protection Questions

Q. You have offered to not raise Buzztail rates for "two or three years." Would you make that three when you draft the agreement?

- A. Yes, subject to the rate structure producing our allowed rate of return, which could be supplemented from the established reserve. Also, the CPUC annually allows a small cost of living to automatically be added to rates when a Utility is under earning. They may still under earn as the cost of living factor is determined by the CPUC for the entire state. It is usually between 1% and 3%.

Q. Our understanding is that the PUC will only let DOWC raise rates by 15% or less, and then only once every three years. Is that correct?

- A. That is not correct. The rates may be adjusted annually, although it is a practice that is only used if there are dramatic changes in certain items such as imported water. The percentage increase is not fixed but based on the reasonable justification CPUC auditors/engineers agree to.

If it is, are there any exceptions, and how are they triggered?

- A. Again annual general rate case adjustments are now allowed but not typically undertaken. Customers always receive individual notices of a pending rate case and, more importantly, DOWC will conduct an informal meeting with Buzztail's customers prior to submission of capital improvement projects or General Rate Cases (GRCs). Public meetings are required for GRCs.

Q. We'd like a guarantee that Buzztail residents will never pay more than the average rates for customers of all DOWC systems. Would you agree to that?

- A. Rates, unlike PG&E, are determined by the operation and cost of providing water to each individual district, of which we now have seventeen. We are consolidating some, but that is not yet a general practice. We will explore combining your district with Stirling City, Paradise Pines, Magalia, and Lime Saddle, but that is no assurance today that your rates may not increase if such a combination occurred. This is one factor as to why the CPUC does not necessarily require combinations to be done. If that does come about, we will have many meetings with customers getting a higher bill protesting and those with lower bills hoping it would come about.

Service Questions

Q. How are individual resident water problems handled (who do we call, etc.), and what is your normal response time?

- A. We are on duty 24/7 and your district will have its own call-in number. Response time varies but would be at least an hour and half to two hours. The back route using Powelton Road would be shorter, if traversable.

Q. What happens if there is a catastrophic failure of some part of the infrastructure necessitating repair or replacement (or other extraordinary expenses)? How would you provide water during the time the problem was being addressed?

- A. Worst case, we would bring in bottled drinking water and a tanker truck if the situation warrants.

Q. Would those repair/replacement costs be covered by the rate base, or would you attempt to recover those costs through some kind of special assessment or other charges?

- A. Those costs would be extraordinary and, therefore, eligible for an offset filing to recover costs. The two vehicles to choose from would be a Mini-GRC or a Rate Base Offset which, in both cases, would affect rates.

If not, can we get a contractual guarantee to that effect?

- A. We will guarantee to attempt to recover the costs as stated above.

Doe Mill Vineyard Questions

Q. In the past, DMV has used all of its water in a very short time span, which we believe overdraws the aquifer. If you sell them water, what will you do to keep that from happening and endangering the residential water supply?

- A. Contract provisions need to be negotiated to be sure all parties understand how the system will be operated in the future. Rationing would be a last resort to curtail their use, if needed.

Q. Why do you feel you need our help to negotiate a new contract with DMV?

- A. If the board has a good rapport with DMV, assistance would be appreciated, at least initially, to get the history and current operation on the table.

Q. Is our participation in discussions with DMV a condition of the sale, or an option for us?

- A. It would be your option.