

Squaw Valley Mutual Water Company

Minutes

Meeting of January 30, 2012

Board Members:

Present: John Coyle, Gate DeMattei, Margot Garcia, Patti Guilford, and Tim Mattheis

Absent: Ken Bossung, Lynn Suter

Members and Guests Present: Carl Gustafson, Mike Geary, Loraine & Bert Fulmer, Jake Hudson (Holdrege & Kull), Russell Poulsen, John Reid, Ken Fielding, David & Judie Stepner, William Urich, Gayle DeMattei, Dean Hall, Hans Burkhart, Buck Thys, Les Wilson, Tuck Wilson, Leon Futran, Tamara McKinney, Liz Day

Staff Present: Anne-Marie Giese, Steve Brigman

President Coyle opened the meeting at 12 noon. He stated the purpose of this meeting was to discuss the suggestions for changes in the project and project contract that have been put forth by members.

Roll call by Director Garcia substituting for Secretary Suter established a quorum of Board members.

There was no comment from the audience on any topic not on the agenda.

It was moved by Director Garcia, seconded by Director Mattheis and adopted unanimously to approve the agenda as circulated.

Engineer Steve Brigman of Shaw Engineering gave an update on the Capital Improvement Project. He reported we are in a winter hold pattern dictated by Placer County ordinance. Materials are being purchased in anticipation of a May first (or earlier depending on the weather and snow cover) start up and stored in Reno. Some \$212,000 worth of materials has been procured and the cost approved. It is mostly large and small pipe fittings, meter boxes and other small material. Pictures from the inspection are available. Each month we can expect another group of materials to be inspected and made part of the inventory. Pipe has been delivered, but not yet inventoried.

The well house replacement is in the process of country review (architectural design and engineering). Steve expects to go to bid in March or April of this year.

Campbell Construction did a field survey of each property in the Mutual and estimated a cost for replacing the lateral. Steve just got the numbers and wants to clarify with Campbell Construction what they mean, so he was unable to share the prices or the total.

All the double meter pits are in the plans and it will be up to the neighbors to cooperate in order to share the cost of the trench.

The schedule for construction will be posted on the website with a week-by-week statement. The phone numbers of contractors will be on the website. We will have a representative up here full time and he can be contacted about what is happening. Steve reminded members that they can use their own contractor and he recommended that homeowners get several bids. The laterals also don't need to be done right away. In theory, Campbell Construction should give the best bid, but others may be just as competitive.

Patti Guilford presented President Coyle with petitions from property owners representing 106 lots asking for a special meeting to discuss ways to save money on the project. A special meeting requires that all members be notified at least two weeks in advance of the meeting.

Bucky Thys made a presentation in his attempt to persuade the SVMWC Board to significantly reduce the costs of the current water project through change orders. They also request a vote of the membership on the project. They feel large cost savings can be made in four areas:

1. They think that the AC pipe being replaced may have a useful life of at least 10 more years. Not replacing that pipe would save about a million dollars.
2. They will propose a redesign of the upper pressure zone that could save \$150,000 to \$200,000.
3. They think the pump house can be redesigned within a \$300,000 maximum budget, thereby saving \$450,000.
4. A back lot line installation of pipe instead of in the street would eliminate the need for 138 homeowners to construct new lateral water connections at a potential cost savings of about one million dollars.

Mr. Thys also has brought people to discuss why a rock clause is needed when excavating in our Squaw Valley terrain for the first time.

Les Wilson made a presentation recounting the Auerbach analysis of the upper pressure zone and pointed out errors in the Auerbach plan. Mr. Wilson said that Steve Brigman has reviewed his ideas and with a few more changes, like not putting a pipe down Navajo Court which is solid rock, but putting the pressure reducing valve (PRV) at the intersection of Squaw Summit Road and Navajo Court.

Steve Brigman agrees in principle with Mr. Wilson's ideas. Mr. Brigman noted that he had refined Auerbach's analysis noting the errors in the report. He reported that if a fire hydrant is opened in the lower area, it could drain the upper system. Also, the low water pressure is a quality of life issue with not being able to sprinkle lawns and washing machines taking a long time to fill. Mr. Brigman agreed that the PRV vault could be moved up to the shoulder of Navajo and Squaw Summit. There was also a discussion of Mr. Wilson's proposal to add some 11 additional houses along Sandy Way to the upper

pressure zone and also about the existence of a PRV on the main water line that is in that region.

Mr. Brigman pointed out that the Shaw design is typical of standard practice for a water distribution design with valves in the open position, only closed when there is a need to isolate a part of the system. He noted that Mr. Wilson's plan has some dead end pipe runs and that looping is preferred, thereby requiring the pipe running from Navajo to Washoe. He thought that this opportunity to upgrade the system should result in improvements more typical of standard practice. The cheapest solution is not always the best in the long run.

President Coyle summarized the discussion by saying that the Mutual did not want valves in a closed position, but wanted them in an open position. All valves leak at some point. Director Mattheis saw the issue as one of standard practice or a minimal approach. He thinks we need to follow standard practice so there will be the least problems in the future. There will be two leads into the lower system and that redundancy provides reliability. He doesn't like long dead ends. Valves are in the system to isolate pipe sections for repair and maintenance. As a general rule, all valves should be in an open position when the system is running.

There was continued discussion of the two PRVs and retaining the looping. Mr. Wilson advocated using as much old pipe as possible and moving the PRV vault up to Navajo and Squaw Summit intersection. Mr. Wilson and Mr. Brigman will continue to discuss and refine their ideas.

President Coyle thanked Mr. Wilson for his input and efforts.

Mr. Brigman said he was not sure that Mr. Wilson's ideas would save \$100,000 and if so it would be at the cost of redundancy for reliability and loss of loops for water quality. He would be concerned about the liability to the Board of adopting of such changes.

Mr. Paul said he liked the idea of replacing all the old pipe. He felt this meeting was like a second quarterback coming in late. He thought we should carry out the project properly and go with the Shaw design and build a good system. Saving some money now may cost the Mutual more later.

At this point we went out of order of the agenda and took up item 9 the Rock Clause.

Mr. Hans Burkhardt who is a valley resident of 50 years talked about his experiences in excavating in Squaw Valley. He noted that if the contractor finds a rock boulder that he cannot move with standard equipment, then there is an extra charge for blasting or bringing in additional equipment. He always had a rock clause in his contracts and in the one case he didn't he got burned as the contractor had lots of change orders to handle

boulders at additional cost. The rock clause sets the price in the contract. He thinks it is important to know the costs ahead of time for moving rocks.

Mr. Brigman explained that Campbell Construction had signed the contract without a rock clause, agreeing to build the project as designed. There were 11 test pits dug around the project to assess the presence of rocks and the condition of the soil, including one at Navajo and Sandy. Jake Hudson of Holdrege and Kull (the Geotechnical firm SVMWC used) explained they found highly fractured rock that can be handled with a large excavator, if the contractor hits conditions different from what is in the geotechnical report, he can ask for a change order or handle the rock, or the engineer can move the pipe location. Most of the trenching will be in areas that have already been dug, like in the road or on the road shoulder. The problem with the rock clause, as Mr. Brigman sees it, is that the contractor is the one that decides if the rock clause (with its additional price) goes into effect. Without a rock clause, the engineer makes the decision as how to handle the problem, more money to move the rock, or reroute the pipe. We want the owner's representative to control the decisions and the costs.

Dean Hall favored a rock clause because without it, the Mutual will be held responsible for extra engineering and lost time as outlined in the contract.

Hans Burkhardt said he talked to five other contractors and all said we must have a rock clause.

Director Patti Guildford opined that Campbell Construction is known as a low bidder. Some of their other clients have not been thrilled with Campbell Construction, and told her they would not hire Campbell again. She thinks we are dummies for not having a rock clause.

President Coyle summarized the discussion by saying that Shaw Engineering had thought about the rock clause. It is their professional opinion that no rock clause is the way to go.

We returned to the order of the agenda and took up the issue of the Pump House.

Mr. Thys said the current pump house is functional and for \$300,000 one could improve its looks and whatever needed to be fixed. This would save \$450,000 from the current projected expenditure.

Director Guilford said that the group bringing forward these suggestions wanted to reduce the cost of the 40 year \$4 million dollar loan. As a director she has an obligation to protect the shareholders. We are getting a Cadillac system. These suggestions are just as good and at a lower cost. The changes can be made and the current contract cancelled.

Mr. Brigman pointed out that the current methods of handling the chemicals don't meet OSHA standards. The people who go into the pump house every day do so only because they are on a contract with John Collins. There is nothing being proposed that is above the minimum for the American Water Works Association (AWWA) standards for a pump house.

Director Mattheis noted that the cost for the pump house is composed of two parts; the building shell at \$275/ sq foot and the rest is for piping, equipment and the generator.

Mr. Brigman stated that the current building needs to be raised as it is not squarely on the SVMWC lot, but hanging off at the corners. The new 33 foot by 33 foot building would be similar to the PSD well building. The new generator will be in a generator room. Placer County requires that the outside of the building have an enhanced arch features, stucco, stone, and shingle. The building itself is cement block.

Mr. Russell Poulsen spoke explaining that he disagrees with building a new well house. Ski Corp has plans for this property and would be required to build us a new well house if they move the site of the current one. He thought the Mutual should just wait and have Ski Corp build us a new pump house.

Mr. Dean Hall suggested the Mutual should just gingerbread up the existing pump house. As a building contractor he finds the price of \$275 a square foot very high and he can put in a generator for \$15,000 just as he does for all the new houses he builds.

Director Garcia spoke about the risk to the environment from any spill of caustic soda or chlorine that we store in the current well house without any provisions for containment. There is also the risk to the employees if there should be a spill and there is no provision for washing their eyes or stuff off their hands. She had already talked to Hosea Chavis, Development Director for KSL, owners of Ski Corp about our plans to build a new pump house. The question is how long would it take KSL to buy the property and then develop it. She felt we should move forward with our plans and not wait for KSL to figure out what it is doing.

Director DeMattei said he had visited the pump house and it is a mess. The electrical panels get splashed with water and chemicals. The back up generator while it runs cannot generate enough power to run the pumps. If we go forward, KSL will have to reimburse us for our expenses. We need to keep the wells in good condition. We need to move forward with the project. It is an investment in our future.

Director Mattheis stated he agreed with Gate. Replacing the well house is a safety issue and the legal issues dealing with spills and employee safety are considerable. OSHA would crack down if there were a spill. The electrical systems don't meet code. We have a fiduciary responsibility to redo the well house. If they decide to move us, KSL would

have to pay to build us a new one. In addition there are security issues of the safety of our water supply. We need to get the pump house on our property. The new well house would work for both wells and in order to do this a new pipe would probably need to be put under the wetlands. The bid may come in less than projected.

President Coyle felt that it came down to doing it the right way or the cheap way.

Mr. Brigman said that the cheapest way to put up a building would be to drop in a metal shack on a new concrete slab, but one would need to put cement blocks up the sides to protect it from the snow. The total would probably be about the same since half of the cost is for the equipment and containment vessel.

Mr. Bill Urich, an attorney, asked about our insurance coverage to handle situations as have been discussed. He was told we have insurance that should cover all of the problems.

In response to a question about the cost, Mr. Michael Geary, General Manager of the PSD stated their new well house cost about \$1.3. It collects and operates wells number 1,2 3 and 5. They had to pay prevailing wage for construction workers and they went to bulk storage for caustic soda.

President Coyle said that unless the Ski Corp contacts us regarding their plans for the pump house, we have to take care of ourselves. We need to go forward.

With that we moved on to a discussion of placing the new water mains in the existing easement behind the houses or as planned to move the water main into the street, thereby requiring affected houses to put in new lateral connections. The original financial analysis by Steve Brigman was that it is slightly more expensive to put the main in the streets.

Mr. Thys said that at the September 29th meeting there had been a proposal by Director Mattheis to contract for a financial study of the two options. That didn't happen.

Director Guildford presented a proposal that Mr. Wilson had put together for an evaluation of the proposed water main routing. The proposal by Veizades and Associates, consulting engineers in San Francisco was to review the routing as proposed on the drawings and evaluate the feasibility of the rear lot main replacement alternative and review the preliminary estimated construction cost comparison and prepare a detailed cost for the rear lot main replacement alternative. The cost for the work would be \$6,600 and not include an onsite visit. They projected completing the work in two weeks from receipt of a purchase order for the work. Mr. Wilson said they had engineered the Apache-Sandy Way replacement and Lanny Lane back line replacement. They have expertise in geothermal development.

Mr. Dave Stepner said he was in his home when Campbell Construction people came to do the estimates for the cost of the laterals. He said that they planned parallel trenches four feet apart for him and his neighbor. Could they dig just one trench, put two lines in it and split the cost? They would need to go around a restraining wall. The answer is yes.

Ms Tamara McKinney of Apache wanted to know about the legal issues of sharing a trench when the property sold.

Mr. Brigman reminded people that if the pipe replacement happens in the back lot lines, there is a lot of disruption to people's landscaping, that the equipment will not be able to stay in the four foot easement, that the existing pipeline may not even be in the existing easement, and that it will be necessary to rig up temporary service lines so that people can continue to receive water. Putting the water mains in the street avoids all those problems, as water will continue to flow in the old main. Trenching the existing street is also the easiest because the soil has already been disturbed.

Mr. Leon Futran (Lanny Lane) noted that the lateral issue has been discussed a long time. He thinks it is logical to put the pipes in the street. We need to have meters in order to detect leaks. He felt we need to get in there, do it right and it doesn't pay to go cheaper. He wondered if these are stall tactics to destroy the whole project.

Director Garcia stated that she had gone through the minutes of the Board meetings for the last two years and the issue of putting the new water mains in the street was discussed at the following meetings in 2010: February 27, April 17, May 27, July 4, September 4 and November 13; at neighborhood meetings on September 4, 16, and two on 18th. In 2011, the topic was discussed on January 4, February 19 (a meeting at which all members were invited by letter and told this topic would be discussed), April 9, May 29, July 24, and September 3.

Director DeMattei noted that this meeting had been especially called to hear from some members who said they had ideas to save the company money. The loan is in place, the contract is in place. It is time to go with the mains in the street. The cost to the Mutual to change the contract, loan agreement, and do additional engineering and get new bids would be substantial. Someone would have to pay for it. We need proper engineering. He doesn't think we can save any money with what has been proposed. If the petitioners want to do engineering etc, then they should pay for it. We need to factor in the costs of canceling the contracts.

Director Guilford again asked for a vote of the membership on the entire project.

Mr. Thys said the petition is to have a vote on the four cost saving proposals. Mr. Dean Hall added that he wanted the membership to vote on the back lot lines vs. the lines in

the street. He said a lot of good people love this valley. We think it should be looked at not as cheaply, but as cost-effectively. We need to do the project right.

Director Mattheis said that the petitioners had an opportunity on September 24th to be present when the Board had a vote on sending out a ballot to the membership. About two thirds of those present in the audience wanted to go forward with the project. We signed up to do the project. We are already down that road. Mr. Thys had said he had ways of saving us money. We set up this meeting specifically to have that discussion and asked the petitioners to have actual dollar savings proposed. So far we have heard that we should leave the pipe in the ground for another 10 years, should remove one PRV in the upper pressure zone, not do the pump house replacement, change to a back lot line replacement which would heavily impact the current construction schedule which is set for this summer, and about a rock clause. There is nothing new in these proposals.

Director Guilford moved that we hire Veizades and Associates to do an evaluation of the back lot line costs for \$6,600. It died for lack of a second.

Director Garcia wanted to bring two items to the attention of the board and the audience. The first was that there would be a meeting of the PSD board to discuss their draft strategic plan tomorrow, January 31 at 10:30 here in this room. One of the strategic plan's visions was to consolidate the PSD with the Mutual. Second, she wanted people to think about what next summer's water situation would be. We know that Ski Corp is pumping about 450,000 gallons every 24 hours for snowmaking and in some instances maybe as high as one million gallons a day. That is drawing down the aquifer. At this time, the snowfall is very little, so there is a question of how much water will there be in the spring to refill the aquifer. This is doubly worrisome since normally the aquifer is not being drawn down so heavily for snow making, and since, as of now, there is little snow to melt to refill the aquifer, even if there were no draw down. We need to monitor the situation carefully.

President Coyle asked Anne-Marie Giese to look into the insurance coverage to see if it handles environmental damage as a result of spills and what coverage do we have for employee injury. He also said we need to set the special meeting as requested by the petitions. We will need to give two weeks notice to the members, so it could be set for the next board meeting on February 25. He will poll the board as to the best date.

Director Guilford moved, Director Garcia seconded a motion to adjourn. President Coyle adjourned the meeting at 2:55 pm.

Respectfully Submitted,
Margot Garcia
Acting Secretary