

SPECIAL BOARD MEETING
APPROVED MINUTES

March 20, 2007

DIRECTORS PRESENT: President Lou Reinkens, Vice President Kelly Atchley
Directors Erik Henrikson, Dan Wilkins, and Ron Treabess

STAFF PRESENT: Bob Lourey, General Manager
Bill Back, Director of Public Works
Tony Laliotis, Utilities Superintendent
Jim Dykstra, Director of Accounting
Mike Sexton, Legal Counsel
Ginger Charlton, District Clerk

A. CALL TO ORDER – PLEDGE OF ALLEGIANCE

President Reinkens called the meeting to order at 8:05 a.m. Mr. Laliotis led the audience in the Pledge.

B. PUBLIC FORUM

No public input.

C. GENERAL

1. Presentation on TCPUD's Policies and Practices in Acquisitions and Service to Privates/Mutuals

- A. Water System Acquisition Policy

Mr. Lourey went over the revisions made to the current policy. He noted that one of the things missing from this policy is at what point customers pursuing this with the District are turned back to their base and what form of ballot should be used to determine the strength of their support for a District acquisition to give the District an indication as to whether or not to proceed. He noted that he has spoken with Mr. Sexton about coming up with a ballot that the Board could use to hand back to the customer telling them to go back to their base, take a vote, and come back to the District if it meets the super majority.

The Board went through the policy section by section and made comments as to what they would like changed, added and deleted. Director Treabess commented that where it states in the policy what will happen if capacity is available, it also needs to state what would happen if capacity were not

available. He thought that it should state what it would take to make the capacity available. That would then be a part of the determination on if customers want to come aboard or if the District wants to put more money into source and storage. The District would also need to determine what it would mean to all of the customers if a group from a private water system were added. Mr. Lourey said that in both parts of the policy at the conclusion of the modeling study and the points of connection we consider stating, "If it is determined that water is not available, the District will determine if that condition can be mitigated and what costs are associated with it."

Director Wilkins voiced his concern that the policy needs to provide protection for the District when acquiring a system that needs upgrades. If the District tries to go through Prop 218 assessments or a financing mechanism that requires the approval of voters, there is a scenario where the voters won't agree to pay for the upgrades and the District is stuck with the deficient system. He said that it might be necessary to put the assessment district in place before the system is acquired.

Mr. Sexton said that this Board is operating under a fundamental difficulty because the District doesn't regulate the private water system. It is regulated by the PUC and whatever the District does in the form of taking over the system will have to be approved by them. Mr. Sexton gave a rundown of what he believes a group of homeowners should do if they are seriously concerned about the condition of their system. First they should demonstrate to this District that the property owners are well organized and that there is a group of people speaking for the whole group. Secondly, the group needs to contact the PUC to set up a meeting to work through the problem. He said they should invite a member of the Department of Health Services, the owner of the Utility, and a representative from this District. The PUC can then tell the District what it can do without stepping over the line and competing with one of their regulated utilities.

Director Henrikson noted that he would like the statement that Mr. Sexton made regarding seeing that the customers are making a serious attempt to have their private water company taken over be included in the policy.

Mr. Sexton said that if the District identifies that system capacity does not exist to serve an area, it's fine. But if the District says it does not have capacity and decides to develop capacity where it isn't needed except to provide capacity to a PUC regulated company, it has then stepped over the line.

B. Water Service to Private Water Company Policy

Mr. Lourey stated that this new policy is not intended to cover emergency situations. He said that the PUD feels that it is in the community's interest that the District always steps forward to help a water company in time of need to provide their customers with water.

Ms. Gustafson announced that Steve Glazer, Tahoe Swiss Village Utility, Inc., notified staff that he would like the Board to delay taking action today. He would like to see the policy changes and make comments on them before taking action. Director Treabess responded that the Board could give temporary approval at this meeting and finalize it at the next board meeting so that people can make comments. Mr. Lourey responded that he feels it is in everyone's best interest to get these policies in place as soon as possible.

Director Reinkens said that he would like to be sure that existing customers aren't pulled in to a Prop 218 event on the capacity issue. He said that there should be a stop in the policy if there isn't capacity. Director Atchley asked if there were a way to put language in the policy that states in the event there is no capacity, the item would be brought back to the Board for further discussion. Mr. Sexton said that he would work with Mr. Lourey on that change. Also, Director Wilkins asked that it somehow include that it is the District's intention not to commit to an acquisition before there is confirmation from the customers that the money will be there to upgrade the system if that is what is appropriate.

Director Wilkins asked that it be specified on what constitutes a customer-initiated process. Mr. Sexton suggested developing a petition with the APN numbers on it that has to be signed by at least two-thirds of the property owners. Mr. Lourey suggested stating that after the Board hears concerns or requests from customers, instructions will be given to them on what to produce and what level of support they need for the process to proceed.

Director Wilkins asked that there be further discussion on what would happen if the District does something to increase the worth of a system. He wants to be sure that the District doesn't have to pay for it again later.

**Motion to tentatively approve the policies with the additions that board members have asked to incorporate with the intent of having a review period that will lead to approval at the next board meeting:
Treabess/Atchley/5-0**

2. Discussion on Current Issues Raised by Customers of Several Private Water Companies

Mr. Back and Mr. Laliotis addressed the Board on the water system modeling that is taking place. Mr. Laliotis described the way water is distributed along Highway 28 and explained the current interruptible connection at Lake Forest. He explained that the model included the current operating scenario of a 50-gallon/minute connection and the requested 150-gallon/minute connection at two potential locations. He explained what would happen in best and worst cases. He explained the pressure points and said that although the current conclusion based on the initial model from the engineer indicates that the capacity of the 12-inch line is adequate, the overall pressure needs to be increased to effectively operate the pump station. He went over various possible scenarios and explained the pros and cons of each. Currently, staff has viewed

the possible mitigation of what could be done at the Rocky Ridge booster station as the most reasonable scenario for this situation as far as time to get it accomplished, cost, and relative impact to other areas of the system.

Director Wilkins said that he feels that there is a little more technical work that needs to be done. He felt that Mr. Laliotis should be allowed to finish his work, come up with what they believe is the most cost effective remedy if they chose to provide water to Lake Forest, have some off-line conversations with the private water system management, have a meeting with Mr. Dewante to make sure that everyone is in general agreement from a technical standpoint, and then bring the final draft back to the Board.

The Board gave direction to staff to bring this item back to the April board meeting with their revised findings and solutions with cost estimates.

3. Pursuant to Government Code Section 54956.9 (c), the Board will Meet in Closed Session with Legal Counsel to Discuss Whether to Initiate Litigation

D. CLOSED SESSION

CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION
GOVERNMENT CODE SECTION 54956.9 (c) One potential case

4. The Board will Meet to Discuss Whether, Based on Existing Facts and Circumstances, to Initiate Litigation

E. CLOSED SESSION REPORT

Mr. Sexton reported the following out of closed session: Based on existing facts and circumstances, the board declined to commence litigation at this time.

F. ADJOURNMENT

The meeting was adjourned at 11:40 a.m.

Kelly Atchley, Vice President

Ginger Charlton, District Clerk

Prepared by Ginger Charlton