

MINUTES OF THE SAN ANTONIO WATER COMPANY
PLANNING, RESOURCES, and OPERATIONS COMMITTEE
March 26, 2019

An open meeting of the Planning, Resources, and Operations Committee (PROC) of the San Antonio Water Company (SAWCo) was called to order at 3:00 p.m. on the above date at the company office located at 139 N. Euclid Avenue, Upland, California. Committee members present were Gino Filippi and Tom Thomas. Also in attendance were Bob Bowcock representing CalMat Co. and SAWCo's General Manager Brian Lee, Assistant General Manager Teri Layton, and Senior Administrative Specialist Kelly Mitchell. Mr. Thomas presided.

1. Recognitions and Presentations – None.
2. Additions-Deletions to the Agenda – None.
3. Public Comments – None.
4. Approval of Committee Meeting Minutes:
 - A. ***Regular Committee Minutes of November 27, 2018*** – Typographical error corrections to information on page 3 of the minutes were noted. Mr. Filippi moved and Mr. Thomas seconded to approve the meeting minutes of November 27, 2018 as corrected. Motion carried.
5. Planning and Operational Issues:
 - A. ***Article X of Company Bylaws; Right to Service, Classes of Service, Tolls or Charges and Basic and Extended Area*** – Mr. Lee brought to the Committee's attention to Article X of the Company Bylaws which covers the right to service, classes of service and tolls or charges, right-of-way for distributing system, and the basic area and extended area. He advised the Committee that he clarified with legal counsel how this article was meant to be interpreted. He then reviewed each category covered under Article X with the Committee.

Mr. Lee explained the Bylaws state that all water shall be supplied at cost that is available for distribution. However, not all water sources are created equally and not all water that is held by SAWCo is available for distribution. Water is held back for a variety of reasons.

The three classes of service recognized in the Bylaws are domestic, miscellaneous, and municipal. Domestic and miscellaneous are similar in that the water is directly delivered to the shareholders through SAWCo's distribution system. The Municipal class of service provides for water delivered to shareholders but does not have verbiage that the water is provided via SAWCo's distribution system.

Tolls and charges incurred by shareholders may be different within and without each class where the cost of service is not uniform. The Bylaws assume shareholders have local use for the water and the means to receive the water from SAWCo's.

Mr. Thomas stated that SAWCo has sold unproduced water to shareholders in the past. Other than service agreements, the water sold by this means was done so outside of entitlement and was done at a negotiated price. Capital improvement projects over the course of 10 years were funded through the sale of stored water.

Mr. Bowcock stated SAWCo is a company of shareholders and each individual share represents a share in the water. He stated CalMat Co. stays current on their water availability charge which affords them the right to own the water shares, nothing else. He felt that paying the Tier 1 rate was subsidizing the domestic system and the City of Upland's shareholdings. He felt management makes a decision to store water based on good management practice but it does not release his interest in that accumulated share. He stated SAWCo has melded assets and charges a published melded rate and to do something different, he thinks, runs counter intuitive of that process.

Mr. Lee informed all present that when proposing annual water entitlements SAWCo considers groundwater production rights and canyon water but does not factor in storage water. The entitlements are based on water that is available assuming that the water is going to be put to use immediately.

Mr. Thomas stated that according to the Bylaws, miscellaneous shareholders do not have right to the water unless they can receive it directly from SAWCo's delivery system. Mr. Bowcock disagreed with Mr. Thomas' statement.

Mr. Thomas felt that to be willing to approve something it would have to be negotiated and because of the replenishment value of the water and other obligations SAWCo has in the Chino Basin the price should be something higher than the commodity rate. He stated the Board wanted to do what is fair and reasonable. In taking a closer look at the Bylaws SAWCo is trying to adhere to them and alter them if necessary. However, it did not appear this would be a case to warrant altering them. He reiterated that past practice has been to negotiate the price for the sale of stored water in Chino Basin.

Mr. Bowcock stated he cannot bring a negotiated rate to his employer because it is different from the published rate and he cannot justify the difference in pricing.

Mr. Lee stated he felt exceptions to the Bylaws weaken the Bylaws.

There was consensus on the Committee to have the General Manager take the information discussed in the meeting back to legal counsel and then bring it to the Board for possible action.

B. *Development Will Serve Letters* – Mr. Lee brought to the Committee's attention the San Bernardino County's request for proof of water service for a home in the San Antonio Heights currently going through a remodel. He felt it in the best interest of the Company and shareholders to revert back to requiring one share of water stock for a one acre parcel, one-half share of water stock for a half acre parcel and so forth, with a one-half share being the minimum required.

Mr. Thomas described the current process shareholders are required to take in order to receive a will serve letter to submit to the San Bernardino County.

There was consensus on the Committee to have staff issue will serve letters based upon the size of the parcel the building is being built on with a minimum of ½ share of water stock required. The item will not be brought to the full Board.

6. Planning and Operational Update -

A. Project Status Report –

- **Holly Drive Reservoir Phase I** – The final environmental paperwork was recently received and the Notice to Proceed is expected shortly.
- **Reservoir 7** – Reroofing – Staff is currently working on the Notice to Proceed for this project.

7. Basin Issues and Updates

- **San Antonio Canyon Watershed** – A committee meeting is scheduled for the following week. Mr. Lee expects to start outreach to the communities in this area to convey the importance of the health of the watershed.
- **Chino Basin** – Nothing new to report.
- **Six Basins** – The Board meeting is scheduled for the following day where they will be approving the Six Basins Annual Report.
- **Cucamonga Basin** – A meeting with Cucamonga Valley Water District, West End Consolidated Water Company, and SAWCo to discuss modernizing the judgment is scheduled for April 2nd. Staff is building relationships and taking in everyone’s comments on updating the judgment.

8. Closed session: – None.

9. Committee’s Comments and Future Agenda Items: None.

Adjournment: – Mr. Filippi moved to adjourn the meeting at 3:50 p.m. Motion carried.

Assistant Secretary
Brian Lee