

MINUTES OF REGULAR MEETING
BOARD OF DIRECTORS
ATASCADERO MUTUAL WATER COMPANY

October 17, 2007

The meeting convened at the office of Atascadero Mutual Water Company, 5005 El Camino Real, Atascadero, at 6:35 p.m., President Rodger Vierra presiding. Others present were Vice-President Robert Jones, Directors Leroy Davis, Jackie Lerno, and Frank Platz, General Manager John Neil, and Secretary Cheryl Powers.

PUBLIC COMMENT:

There was no public comment.

APPROVAL OF MINUTES:

A motion was made and seconded to approve the minutes of the regular meeting of September 12, 2007. The motion carried 5 to 0.

The following reports were reviewed:

OPERATIONS REPORT:

The Operations Report was available for review. The General Manager reported that the shallow water is essentially gone, so the shallow wells are not pumping. He stated that there was recently a problem with Well 1B due to a bad seal, so that well is down for repairs.

The General Manager reported that we have stepped up the conservation message and that the Conservation Manager is in the process of getting permits from the City for the "water drop" signs. We would like to keep the momentum going, and possibly mandate water restrictions if there is no rain next season. He also reported that water use is much less than we projected and he's been seeing that trend over the past couple of years. He believes this is due to the conservation message constantly getting out and increased awareness in general.

FINANCIAL REPORT:

The Financial reports for August were available for review. The General Manager reported that staff has already invested over \$6 million of the \$10 million that was uninvested and that we are aggressively working to invest the remainder. He also reported that we got \$3.9 million for the Nacimiento Water Project design phase reimbursement when the bond sold, and that meter sales are still on track this year; he also stated that we may not see that next year.

There was a question from a Board member regarding why revenue was less than expected in August, and the General Manager reported that that is due to the formula that is used for the budget and the summer being somewhat cooler than normal, which resulted in decreased use.

CONSERVATION REPORT:

The Conservation report was available for review. The Conservation Manager reported as follows: the residential water survey program is slowing down but still active; about 30 of the 50 high-efficiency clothes washers that were allotted to us have been rebated, thanks to help from Idlers; the Garden Tour was a big success, with over 300 participants viewing examples of water-conserving

landscapes; there is one more WaterWise workshop this year; the Creek Clean-up was very successful and the participants this year were especially helpful; and that AMWC will be participating in the Colony Days Tent City on October 20. She also reported that AMWC participated in the AGVenture program, where many students were educated about the energy it takes to pump water, and that the low-flow toilet program is still going well.

The Manager's Report was available for review as follows:

NEW OFFICE HOURS:

The General Manager reported that AMWC business office is now open until 4:30 instead of 4:00. Staff felt customers would be better served if the office remained opened later.

NACIMIENTO WATER PROJECT:

The General Manager reported that the bond sale closed on September 26 and that AMWC received a very favorable interest rate of 5.6%, so debt service payments will be approximately \$2.6 million starting in 2011 and continuing through 2041. The groundbreaking for the project is October 25 at the Nacimiento Dam.

NWP RECHARGE & RECOVERY BASINS:

North Coast Engineering has completed preliminary design for the basins, and a biological assessment of the entire property has been completed. Carollo Engineers has begun design of the U.V. disinfection facilities, and staff will be preparing a permit amendment for the Department of Health Services. The U.V. facilities will be housed in the existing two treatment buildings we have. Fugro will be doing on-site percolation tests to determine the ability of the ground to take the water in. Staff will be applying for a Conditional Use Permit with the City and expects that to go well.

LEAD & COPPER RULE TREATMENT:

The General Manager reported that AMWC is in compliance with the EPA's Lead & Copper Rule. The results of the second round of in-home samples have proven that the system-wide treatment with phosphoric acid was effective in creating the coating in the pipes, which reduced the copper level. Another round of samples will be submitted, and then we will go into longer times between testing.

BMX TRACK:

The City suggested that the BMX track be located at the new youth center on Traffic Way instead of on AMWC's Highway 41 bridge property. However, the planning commission has approved the application for using our property, and we have reached an agreement regarding the contract with the City, so the General Manager will execute the agreement with the City.

INVESTMENTS:

The General Manager explained that Edward Jones staff had advised him that their internal policy would not allow them to make investments on behalf of AMWC without direction from AMWC staff. He referred the Board to a letter signed by Corporate Treasurer Frank Platz giving Edward Jones parameters for AMWC investments, and authorizing the Corporate Secretary authorize specific investments within the parameters. The Board ratified and approved this arrangement.

SHUT-OFF FOR NON-PAYMENT:

The General Manager asked the Board for direction regarding procedures for shut-off notices. He explained that AMWC has historically made phone calls to customers who are going to be shut off if they have not received a phone call in the past six months. He further explained that this takes two AMWC employees the good part of a day to accomplish and that door hangers are delivered to customers who aren't reached by telephone, requiring yet more staff time. These customers, who are typically the same customers on the shut-off list every month, are called after receiving two written warnings on their bills and receiving a shut-off notice approximately ten days prior to the shut-off date.

The General Manager also asked the Board for direction regarding how much customers who receive shut-off notices should be required to pay to avoid having their water turned off. Currently, they are required to pay only the most delinquent amount to avoid being shut off, leaving a balance that is 60 days past due. Staff is proposing that the customer be required to pay everything but the current balance to avoid being shut off, which is what is currently required after the service is shut off.

The Board suggested looking at some other alternatives and asked staff come back next month with a revised policy.

The following new business was discussed:

WATER RATES:

The General Manager discussed that he had presented some options regarding adjusting the water use rates to the Board last month and that the Board indicated it was interested in using the variable percentage increase method. He presented tables he prepared that demonstrate the minimum monthly rates, tier rates, and estimated water bills for 2008 through 2011 using the variable percentage method. He pointed out that there is only a minor increase in the base rate, and that the tier rates increase as the usage increases.

He also presented tables that estimate the monthly water bills using the variable percentage increase. The tables included typical water bills for each customer class for the months of March and August, typically the months of lowest and highest use, for 2008 through 2011. He also presented three cash flow projection alternatives that assume an 8% net rate increase over the next four years and 4% from 2013 – 2017 and show how the rate increases, among other factors, will affect cash flow.

The General Manager recommended adopting the water rate increases proposed in Tables 1 and 2 for 2008 – 2011. He stated that it is valid to set the rates for four years, but that they may be revisited and should be reviewed every year. A motion was made and seconded to adopt the proposed water use rates schedule for next year and to tentatively adopt the water use rates schedule proposed for years 2009-2011, subject to review by the Board.

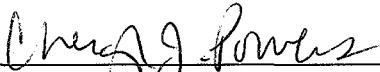
PUBLIC COMMENT:

Richard Moen asked the Board if anyone had seen the article in the Tribune titled "It's Easy to Save Water." He suggested that daytime watering of lawns not be allowed at all and that watering should take place between 8:00 p.m. and 9:00 a.m. He also stated that he would like the Board to not wait until there is a drought to ask people to conserve more and that he would like to see the 2,000 gallons included in the base rate increased.

NEXT MEETING DATE AND TIME:

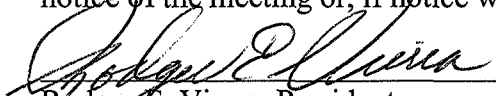
The next meeting is scheduled for November 14, 2007, at 6:30 p.m.

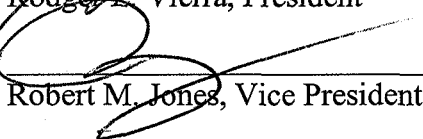
The meeting was adjourned.

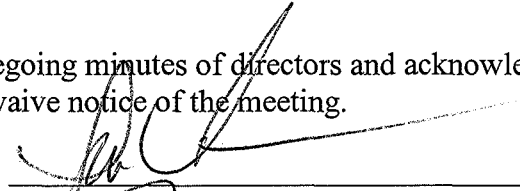

Cheryl J. Powers, Secretary

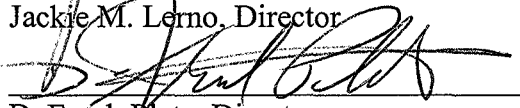
APPROVED:

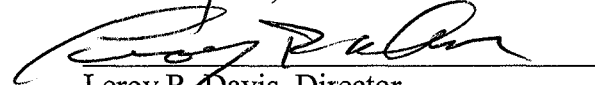
The undersigned directors of the Company approve the foregoing minutes of directors and acknowledge notice of the meeting or, if notice was not properly given, waive notice of the meeting.


Rodger E. Vierra, President


Robert M. Jones, Vice President


Jackie M. Lerno, Director


D. Frank Platz, Director


Leroy R. Davis, Director