WATER & SEWER COMMITTEE REPORT

Dear Member of the PlaVada Community Association:

Water & Sewer Committee Report - Final
(August 27, 2005)

The Board has advised the Membership that our community has a short-range water problem, and potentially a longer-term sewer plant problem (see May 20, 2005 – Chik Brenneman letter to members& May 2005 Timber Trumpet & May 19, 2005 McClintock Accountancy Corp., replacement fund report). The Board is looking for direction from the Membership on how best to address these issues. This Committee was formed to assemble the available information, disseminate that information, and make appropriate recommendations to the Board and Membership.

WATER

Based on communications from the California Department of Health Services, we will need more water sources as the Association develops in the future.

Short Term We currently rely on the two wells on our property, known as Well #3 and Well #4. The wells have outputs of 42 and 28 gpm, respectively or a total 70 gpm capacity. The Association's highest current level of use is 44 gpm. In the short term, we therefore need to provide for something more than the shortfall which would occur if Well #3 is temporarily out of order, perhaps in the range of 25 gpm in extra capacity.

Long Term When the entire subdivision is built out some time in the future, we will need approximately 125 gpm to serve the Association. The long-term shortfall is approximately 50 gpm in new water sources in addition to new water storage needs. The possibility of including Unit 7 in PlaVada is not being considered at this time on advice of counsel because we would be brought under PUC control. Therefore the Board has removed this issue from consideration. The Board has also removed from consideration the Sinnick proposal to add 40+ hookups across the highway because of the advice of counsel.

Alternatives have been developed for review by the Membership in advance of a vote on this issue on Sept. 17, 2005.

Option : Drill within PlaVada Association or Easements

The Board retained hydro geologist consulting engineers, EcoLogic, to assess the Association's available water resources. EcoLogic identified four potential sources of additional water within the Association, including three sites for new wells and redrilling well #4 to a greater depth. New well sites include one near the river, and two sites near the north boundary of the Association. EcoLogic was optimistic regarding the chance for success in locating water. Under this proposal, we would drill in the promising areas, and then if necessary redrill well #4 once a new well was operational.

The cost of a new well would include appx. $20 per foot plus the well casing, access and site preparation, samples and well tests (5-days) or approximately $30,000 - $40,000 each.

The Board is working with Dick Carter for an easement and drilling rights on 15 acres. We are to provide sewer/water hookup in exchange for a correction in the easement and drilling rights for site #3. The Board is also working with Terry Stigal for hookups above the sewer plant to site a tank, recreational easements, and potential drilling rights are being considered as it is imperative that we must have additional water storage. This is NOT a unit 7 consideration.

ADVANTAGES

1. PlaVada would secure its own water sources and water rights, and avoid legal or other potential entanglements with current or future property owners outside of the Association, as well as potential PUC/State/County regulatory issues.
2. Ease of connecting to existing system and affecting repairs.
3. Lower costs to the Association.
4. No new sewer connections outside PlaVada except for connections to Stigal.
5. A third party fairness opinion would approve the easements.

DISADVANTAGES

1. Access to the drilling site required (costs dependent on location, $2-10,000)
2. Well #4 temporarily out of service while redrilled. Potential (if unlikely) loss of well #4 if an accident occurs.
3. Possible 'dry hole' wells at proposed sites for new wells.(appx. cost $10,000)
4. Costs of distribution (unknown).

Option : Taffy Lane

Nick Neiffenger proposes trading the Association rights to a 30 gpm well on property he owns located at 51337 Donner Pass Rd. (located on the south side of Donner Pass Road and east of the Cal Trans maintenance station) in exchange for the following:

1. Sewer hookups to 7 lots on Taffy Lane (across from the maintenance station), and water hookups to Taffy Lane and 51337 Donner Pass Road.
2. Hookup fees of $5,000 per lot.
3. Annual assessments, not to exceed 60% of prevailing PlaVada member assessments.
4. Association to pay for all costs and expenses to purchase sewer and water easements, construct infrastructure, and connect sewer and water to PlaVada, also legal and documentation costs, etc.
5. PlaVada to provide pump, electrical service, etc., to well as necessary.

ADVANTAGES:

1. A proven well at 30 gpm. Treatment for arsenic content needs to be determined and may be required.
2. $35,000 in new hookup fees for the reserve fund.
3. $5,400 in new assessment fees with minimal services provided by the caretaker.
4. Potential additional drilling sites and tank location.

DISADVANTAGES:

1. Requesting reduced hookup fees. Both Sinnock and Stigal offered $20,000 per lot for hookup fees and current PlaVada fees are $10,000 per hookup.
2. Requesting reduced annual assessments (others outside the Association are paying 80% per court order rather than 60%).

3. Unknown amount of fees/costs payable by the Association, which could run $25,000 or more, including
    - Capital cost of bringing sewer system infrastructure across the river to these lots and hooking up water system.
    - Securing and purchasing easements over third party properties.
    - Legal fees, documentation and other costs.
4. Maintenance costs (unknown) for new sewer/water hookups.
5. Potential legal entanglements with current or future residents or businesses on property. Five of the 7 lots on Taffy Lane are not owned by Nieffenegger but are owned by third parties, and these lots do not want to join the Association.
6. Future unknown caretaker/association costs (not determined).
7. Additional sewage inflow to plant for 7 properties. This is a relatively insignificant increase.
8. Risk of Public Utilities Commission jurisdiction over PlaVada.(low)
9. Attorney Haley indicated that this transaction could be accomplished if required by the Association in order to secure water for its members.

Option : Sinnock Property – snow tube hill across Hwy 80

Bob Sinnock wishes to develop his property around the Tube Hill operation. He requests 3-4 sewer hookups and an additional 40 +/- hookups as the property are developed. He has a 52 gpm well with just less than a 10 ppb arsenic level, which is the new state standard for untreated water. This well was only tested once and was almost at the arsenic limit, so the water may need arsenic treatment. We want the well and an expanded tank site for a 225K steel storage tank. He wants our old 27 gpm springs that we cannot use and our old 90K water storage tank. We do need additional water storage.

Our attorney Haley frowns on this proposal except for the 3-4 sewer hookups and a water trade as this was provided for in the 1985 Cal-Trans court settlement. Additional hookups over 3-4 would put us under PUC scrutiny and regulation.

ADVANTAGES:
1. We gain a 52 gpm well and an easement for a storage tank.
2. Possibility of not requiring arsenic treatment. Arsenic was tested near upper limit and additional testing may indicate treatment required.

Disadvantages/costs:
1. Additional minor sewage inflows to sewer plant (3-4 hookups).
2. Hookup costs for water/sewer.
3. Maintenance costs (unknown) for new sewer/water hookups.
4. Unknown legal entanglements with Placer County, Sinnock, future residents or businesses on Sinnock property.
5. Unknown State interference or regulations, or Placer County regulations, etc.

WATER RECOMMENDATIONS

The Committee recommends the following information be developed further:

1. Secure no cost bids for drilling new wells at three proposed Association sites.
2. Cost estimates for honoring proposed commitments on Taffy Lane, including capital improvements, easement acquisition, and legal, documentary and other costs.

3. Cost/benefit analysis of seeking water outside of the Association versus within the Association. Compare with Serene Lakes/Tahoe Donner. (It is believed that this is not feasible and too expensive)
4. Complete arsenic analysis of Taffy Lane wells to determine treatment requirements.
5. Opinion letter (outside PUC counsel) on probability of PUC regulatory oversight (or other regulatory agency approval/oversight) for Taffy Lane inclusion in Association water and sewer systems.
6. Opinion letter from A. Haley (Association's counsel) re potential exposure to Association and/or Board for off-site sewer and water delivery, in particular compliance with corporate documents, issues raised by availability of water within the Association, and requirement for independent third party 'fairness' appraisal given insider transaction.

Depending on the foregoing information, the Committee tentatively recommends that the Membership approve the following actions at a Special Meeting of Members to be held later this year.

1. Drill new well at each proposed site on Association property where owner permission is secured until successful.
2. If no water available on Association property, secure Taffy Lane supply for water and sewer hookups on terms to be negotiated with Nick Neiffenger. Secure an independent third party 'fairness opinion' of the terms negotiated.
3. If 1 & 2 fail, then redrill well #4 to 400+ feet.
4. If 1,2, &3 fail, trade sewer hookups for water rights with Sinnick on terms to be negotiated.

SEWER PLANT REPLACEMENT

The sewer plant/ponds may need replacement/upgrading in 5-25 years. No study has been done since 1978, however, so the actual status of the sewer system is unclear. In addition, repairs to the system to reduce infiltration have decreased the maximum flow levels. Beyond the sewer system, there are caretaker's house improvements, road improvements, and equipment replacement/repairs needed over time in an amount to be determined. The 'Independent Accountant's report for the years 2006 through 2035,' estimated a cash reserve need of between $4-8 million to cover these needs plus provide additional water storage. This is obviously a large amount for us to achieve but it can be done using one or several of the options available to us. These may be:

Possible Options to cover replacement costs:

1. When the need arises ask membership for a one-time assessment. Example: $10,000 from each cabin and from each undeveloped lot as and when needed. This could raise $2.5-3 million if all contribute. However, this is a large amount to ask from owners at one time. Special assessments are equal if you own a cabin or a lot. Everyone has a common interest in infrastructure improvements.
2. Begin now a $200-500 annual special assessment of cabins and lots to bring in $75-125K per year for a sewer/road replacement fund. (10 years =$.75-1.25 million + accrued interest).
3. Look for outside sources of funds (State grants/loans)
4. Some combination of options 1 through 3 to meet the needs of PlaVada residents.
5. Do nothing for now as we continue with compliance of existing waste discharge order (WDO). When order has been reviewed, as long as PlaVada has not had a major problem,

then a reasonable timeline would be established to bring the plant up to standards. In today's dollars, that could amount to $3.5 million. Continued emphasis on inflows and infiltrations is important. We recognize that the State will not mandate a new plant go in the 'next day.' Let the State tell us when things need to be done and we should plan *now* for this future change.

Committee Members:
Richard Martegani, chair
Chik Brenneman
Chris Brown
Mike Downs
John Gardner
Eric Lombardi
Art Newman
Nick Nieffenegger, *ex-officio*