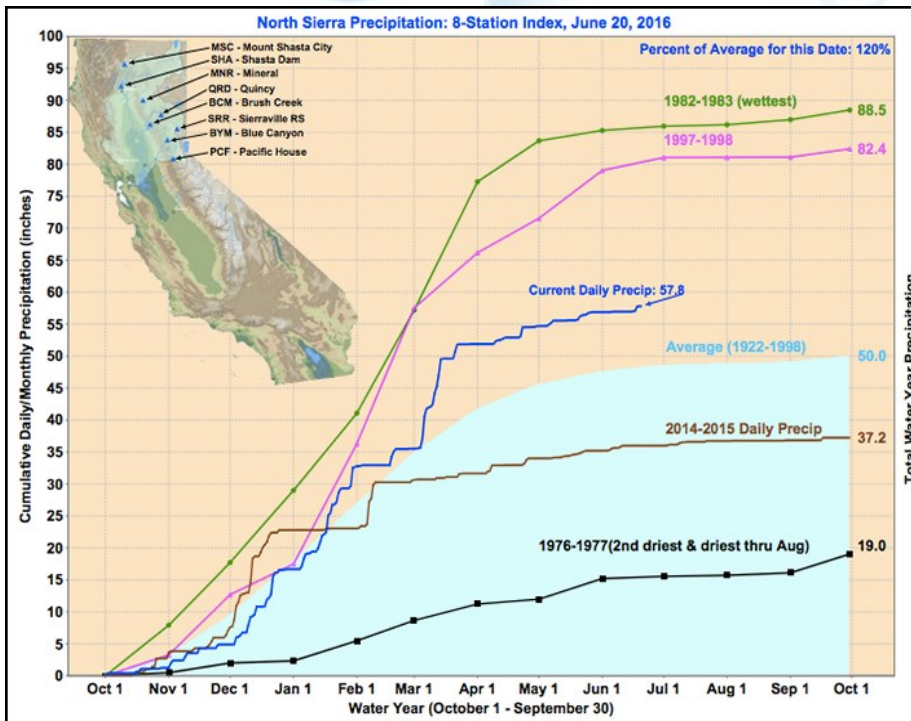


THE BUBBLER

CA DROUGHT CURRENT CONDITIONS PUBLISHED BY ca.drought.org.



Presidents Message

The Board meeting in July included a report by MC Engineering.

This is the firm that is assisting the water company in the pursuit of a long term, low interest loan from the US Department of Agriculture, to cover a great portion of needed infrastructure improvement. Recalling that a portion of the water piping network was installed in the 1960s-70s, there is a need to move those residential lines from the rear of the properties out to the utility right-of-way, improve fire suppression capability and to complete the system with electronic water meters.

I would encourage you to go to our website: blsmwc.com and listen to the audio of our Board Minutes which includes the presentation.

It is excellent.

(Continued on Page 4)

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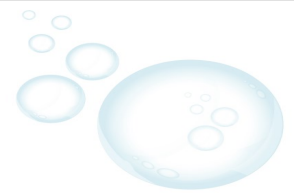
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WATER-SAVING DEVICE

#43

WHILE YOU WAIT FOR HOT WATER, COLLECT THE RUNNING WATER AND USE IT TO WATER PLANTS.

There are a number of ways to save water, and they all start with you. To learn more visit wateruseitwisely.com



New Board Members



Meet Lee Bateman:

We built our home in Blue Lake Springs in 1992 and use it part time. We have recently moved to Brentwood and have family in the bay area.

In 2002, I retired as the Chief Financial Officer of the California Maritime Academy in Vallejo. Previously, I spent 25 years at California State University, Hayward (now East Bay) as Budget Officer and eventually Chief Financial Officer.

I have served on several nonprofit boards of directors that managed various campus enterprises. I also served for several years as the Treasurer of the HOA for our housing development in Dublin. I am familiar with the financial concerns of a nonprofit corporation and believe this experience is directly related to the issues facing the Blue Lake Springs Mutual Water Company.

The water company needs to install meters as quickly and as practically as possible and the pricing system needs to be based on a financial structure that strongly encourages conservation. While the recent rains and snow have mitigated the severity of the drought, a long term plan of conservation is essential to ensuring that Blue Lake Springs will have an adequate supply of water to meet future needs.

I have over 30 years C-level executive leadership, consulting, executive coaching, leadership development, recruitment and selection and board experience with several high performance and high growth multi-national companies in retailing, financial services, consumer package goods, hospitality and technology.



Meet Andy Rich:

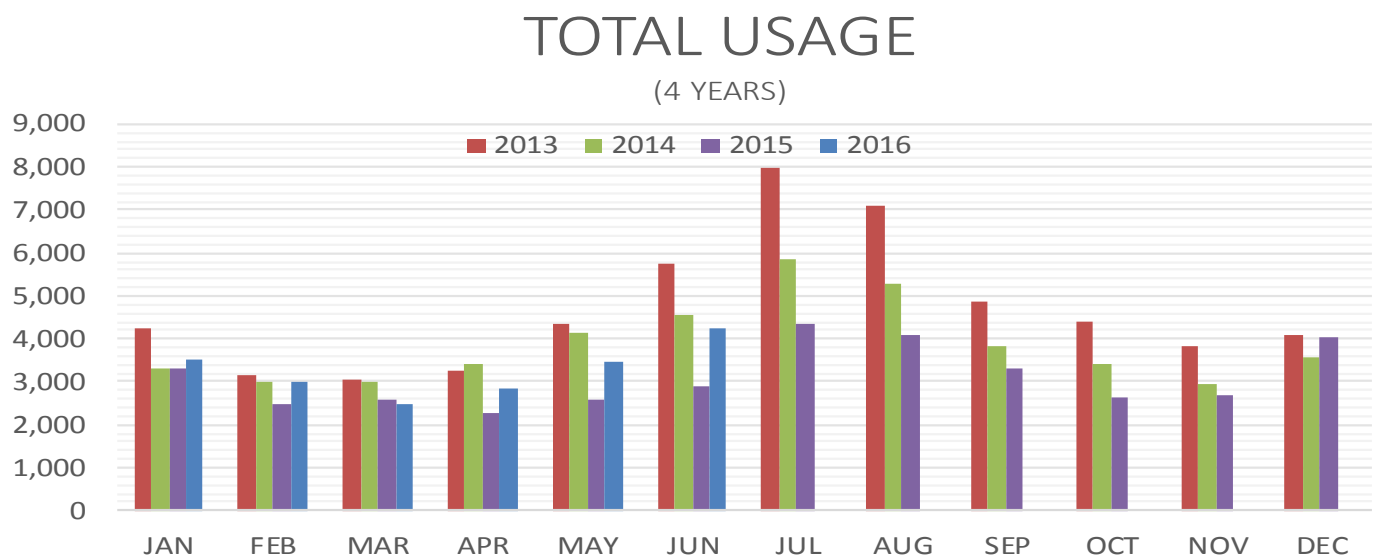
Since 2002, Andy has been one of the Principals of the Simpson-Rich Partnership. The Simpson-Rich Partnership is an organizational and strategy consulting firm with partners and associates in San Francisco, Denver, New York, and London. The firm specializes in helping clients maximize their success by helping them build organizational capability and being more effective in executing their business strategies.

Andy has been recognized for his analytical, problem assessment and solving ability, open and honest communication and high personal standards and integrity. Throughout his career, he has hired and coached many high-performing individuals who have gone on to achieve significant personal success. Recently, he has worked closely with package goods, aerospace and defense, financial services, education and health care.

Andy graduated with an MBA, MPA and BS from Long Island University. He holds an Executive Management Certification from the School of Industrial Relations and Labor Relations at Cornell University, and has been certified in coaching by the Center for Creative Leadership. An outdoors person with a passion for skiing, fishing and golf, Andy is an EMT and has certifications in wilderness search and rescue and is also a member of the National Ski Patrol. The challenges of global warming and California's threatened water supply are well documented and are issues that I take very seriously.

During the summer of 2015 BLSMWC's water curtailment initiative my wife and I were able to reduce our water usage to a fraction of historical usage levels. We researched and installed a fully functional gray water system that repurposed approximately 75% of our daily water usage to maintain landscaping and container gardening. Our \$4,500 investment clearly demonstrates our/my commitment to water conservation. This is a passion that I wish to bring forward to this company's board of directors.

White Pines Well Production Chart For June 2016



General Manager's Report

Production/Consumption

Our well production was down in June, lower than all previous years going back to 2009.

This is because we are buying half of our water from CCWD.

I'll break down our production numbers for you.

Well Production June 2,193,000 gallons

CCWD Water Purchased 2,038,000 gallons

The usage for June

2013 5,738,000

2014 4,532,000

2015 2,908,000

2016 4,225,000

As you can see, 2016 usage is slightly lower in June than 2014. I'm comparing this year with 2014 because the years are more average than 2015, when we had heavy drought restrictions. The difference is about 7% lower, which indicates some conservation is still taking place. Please remember, the drought is not over, and try to cut back water use when you can.

Well #4

Our new well 4 is operational, and pumping into our system, and we expect a 50 gallons per minute boost to our water supply from this well.

Water Pressure Policy

Years ago, when cabins were first built in Blue Lake Springs, connections to the mains from new construction was a haphazard affair. Cheap pipe was sometimes used and these service lines would break frequently, causing many leaks in our system. It was decided at that time to install pressure regulators on the service connections to mitigate all these leaks.

Over the years, main regulators have been installed to lower the stress on out main lines, and service line pipe installation has improved, with better pipe being put in. On some of our new construction, we have installed new regulators after the service box, and given them to the homeowner. It will be the homeowner's responsibility to maintain/repair these new regulators. This is only done on a few homes right now, and most homeowners still have the old regulator at the service box. Some homes have regulators on the house also. If you have a pressure/ flow problem, please call us and we can tell you if we will service the regulator, or if it is your responsibility.

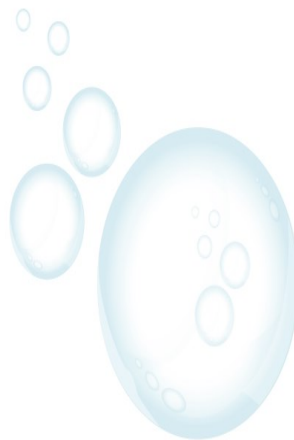
Also remember to shut off your water at the house if you are going away, even for only a few days, in any season. Water breaks in house plumbing can happen any time of the year, and can cause a lot of damage.

Thanks for conserving.

That's all for now.

Dave

David Hicks
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Did you know?

Average indoor water use
in a typical single-family
home is
70 gallons per person
per day

Have an idea?

The Bubbler is published to keep Blue Lake Springs Mutual Water Company shareholders informed about issues and upcoming events.

If you would like to submit an article or suggest ideas for improvement, please contact

Pam Bowman

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President's Message (continued)

Office Facility Acquisition

As I mentioned last month, negotiations were continuing for the purchase of the empty Rabobank, where our office is currently located.

I am happy to report that we have reached an agreement with Rabobank and are entering the escrow process. The property is a known facility as we have occupied the building for over 3 years. A number of our customers asked why we didn't look at residential vacancies, for an office, in the BLS neighborhoods. Well; we did. The Board decided to stay in the Arnold commercial area and support the town. More importantly, the facility has easy, year round access and is near other well visited businesses, including the Post Office, which is next door. We are very pleased that the facility purchase is on its way to becoming part of our inventory. Looking into the future, we are exploring the option of renting space to a Bank, a Utility Company, Governmental Services, or any company/service that regularly serves the Arnold area and is in need of office space. Monies generated from rental income would pay for the facility.

Well # 4

A new well has finally come on line. After searching the Arnold area for new well sites, we will now deploy the effort of our limited success. Well #4 will provide up to a 30-35% increase in water flow now provided by Wells 2 and 3. This will allow us to cut back on the demand of what we call our 'super well', or Well #3. The path to this point was a long time coming, especially after a comprehensive search for developable well sites that was met with depressing results. The engineers that worked with us on the Well conclude that we should enjoy 35-45 years of service, or until 2051-2061. Then it will be someone else's turn !

Meters

The march to meters continues. We are continuing to gather monthly use information, down to the number of people using water, from 60 different residences, full and part-time, with the goal of developing a base rate and a consumption use schedule. These are two very common factors used by water companies in the billing process. This study will conclude in a month or two. The garnered information will be invaluable in reaching a desired and fair threshold. Meanwhile we are continuing to install meters and replace out of date meters. Meters that are not capable of electronic monitoring are being replaced.

A Recent Mail Ballot

Recently, every shareholder was asked to vote on a matter that had to do with the number of members on the Board of Directors. Originally the Board member size was three. As BLS added properties, the Board was expanded to seven. Wells Fargo Bank was doing their due process on a loan application and discovered a discrepancy in our reporting of the Board's number change to the State of California's Secretary of State. The same question was raised by the US Department of Agriculture. No where in the Company's files was there any indication that this matter was properly attended to and reported to the state as required. We are assuming that this number change occurred in the 1970s. We explored the required, corrective options. One major option was ruled out: Have the Board do it. The Board lacks the authority under the Corporation's Bylaws. In fact the only option available to us, after a fair amount of legal research was to go to the vote of the rate payers. We did as the rule compelled and are moving on.

WATER

Everyone realizes that the drought is NOT over but some are using water like it is. Conservation is still important and must be practiced. You have answered the call over the past couple of years and I assure you, in the strongest terms, the time to continue conservation is still NOW. Those that predicted the El Nino weather pattern for 2015-16 are now saying that we should expect La Nina, or a dry winter, in 2016-17.

Do the right thing SAVE water

Thank you,

Bob Maginnis

President