

Membership Responsibility

The Alta Sierra Mutual Water Company (Company) is a mutual benefit corporation formed and operating under the provisions of the Nonprofit Mutual Benefit Corporation Law. The general purpose of the Company is to provide the lands owning memberships within the service area with potable water service. In this regard, the lands owning memberships in the Company, and by extension the owners of those lands, are the actual owners of the Company. As further explanation, the ownership of shares is tied to the land and as such they are not personal in nature and the ownership rights are necessarily transferred with the land holding the rights.

On a related point, because the lands owning membership, and by extension the owners of those lands, are the actual owners of the Company they are also liable for any claims against the Company. In this regard any lawsuits against the Company are ultimately the responsibility of the lands making up the Company. This fact should be of considerable concern for the Company's ownership because any contamination in the water system leading to a liability issue will likely be excluded from any insurance coverage the Company has, or may be able to obtain.

Likewise, the Company's ownership should be concerned with any possible inverse condemnation claims as insurance policies exclude coverage for such claims. In the recent past this potential liability was little concern because the potential exposure to the Company was thought to be minor. However, this has recently changed with the experiences of the Yorda Linda Water District (Yorda Linda) and the inverse condemnation claims asserted against it related to a wildfire. While the final outcome of that litigation is still undetermined as the matter is now before the California Supreme Court, a lower court ruled that the plaintiffs were entitled to proceed with an inverse condemnation suit against Yorda Linda. The underlying basis of those claims was the assertion that Yorda Linda's water system did not provide adequate fire protection and as a result the plaintiff's homes were damaged in a fast moving wildfire. The final outcome of this case is of considerable concern to the Board of Directors as the Company's water system does not meet current fire flows and considerable improvements are needed to meet those standards.