

Update Newsletter, August 12th, Anderson Well Project, Arsenic Filtration and more.

August 12th, 2014

To All Shareholders,

Westside Water Newsletter

The purpose of this newsletter is to provide an update on the status of connecting the new Anderson well source to our system, how the Westside Water Board manages projects, status of a water rate review, communications, and an update on the Canyon Well.

Anderson Well

The WWA Board has spent a considerable amount of time over the past three months attempting to “thread the needle” in getting the Anderson Well on line promptly, inexpensively and acceptably from a public health perspective. Our ability to make decisions along the way was influenced by new information at several points thus causing us to have to adjust our perspective but through all of these twists and turns we have taken a risk avoidance approach so that we could change directions with minimal financial impact on the WWA membership.

A pivotal point in this saga has come with last week’s filing of a Project Report with the State Department of Health (DOH). Prior to the filing of this Project Report DOH had declined to officially comment on our approach. We have now received a response to the plan from DOH, listing their requirements for going forward with it. More importantly, however, DOH has indicated that they are more interested in the route along 115th, even though it will take us longer to complete. We are relieved that the pressure to act quickly has been removed and we feel that we have some breathing room now.

You will recall that we initially believed that going east along 115th Ave represented the best overall option. As we started to execute that plan we immediately received information that supported our estimate that that route would be substantially more expensive than the westward route to 119th. At the same time we learned this information, two shareholders (John and Marlene Korenek and Judi Rady) stepped forward and graciously offered easements across their properties opening up the potential to go west to 119th Ave. The plan for the western route has always involved an “above ground” section due to a forested portion along that route. DOH has urged us to re-evaluate our plan assuming that we may in the future develop the Anderson site to become a primary source of water for WWA. Through these conversations we now also understand that DOH does not view our current operation of the canyon well and its elevated arsenic level as so acute an emergency that we should rush the Anderson well on line but rather we should take some time over the next few months to get this job done in the best possible way.

So for multiple reasons the preferred route appears (as it did initially) to be the eastern (115th Ave) route and the Board has voted to suspend further work on the western route. We are in the process of trying to refine and minimize the cost of laying the pipe along 115th Ave – a process that will likely take a few weeks. Depending on the results of this analysis and a revised cash flow projection based on those costs we will come back to the membership with a revised plan. It seems likely that if we push the pipeline project out to spring 2015 we will be able to pay for it from our normal cash flow plus the assessment charges already in place (more than 25% of the membership has paid the assessment in a lump sum giving us a nice boost to our cash flow picture). In the meantime this fall we will finish the tasks at the well-head (e.g. the chlorination system and well-house improvements). We apologize that this process has been a convoluted one.

We do believe that establishing a bank line of credit would be a prudent general step in the maturation of WWA although we are fairly certain at this point that we will not be forced to draw on that line of credit for the Anderson Well project. You can expect some separate correspondence on the line of credit topic in the next few months as establishing a line of credit will require a majority approval from the membership.

Anderson Well Project status is as follows:

- Completed electrical service installation to the well house.
- Replaced the well pump and discharge pipe.
- Completed well flow tests. The well produces a reliable 23 GPM.
- Received results from all final water quality tests – all passed.
- Engineering consultants completed design work and submitted the project report to the Department of Health (DOH).

The project costs to date are within the established budget.

Project Management and Cost Controls

The Westside Water Association Board has been asked by a few shareholders about how costs and projects are controlled. The following describes how Westside Water has operated for several decades and how this board is managing today.

WWA has enjoyed a close working relationship with Island Water Management (IWM) for over 20 years. We benefit from having 24/7 attention on system operation and timely resolution to problems as they get identified. For most projects, the board works closely with IWM to fully understand problems, identify candidate resolutions, and their related costs. Well defined projects especially those beyond the capability of IWM are subject to procuring multiple bids. Other projects, like connection of the Anderson well are managed internally to keep costs as low as practical. Elements within this project have been subject to multiple bids. For example, the initial bid to install the electrical service was substantially higher than estimated. A second bid was procured and the cost came in as estimated. The lowest purchase cost is not always the best cost. For example, the well pump that was recently installed was selected not only on size, performance, and cost, but also on warranty. We paid a little extra for a ten year warranty.

Well defined projects are good candidates for full scope multiple bids. For example, if WWA decides to drill a second Anderson well, that is a project outside of IWM's capability and of fairly well defined scope. We would expect to have an engineered bid package in place that includes relevant specifications and milestones so that incoming quotes could be readily compared.

The current project to connect the Anderson well is being actively managed by board members and IWM. Your board members have extensive experience in project management, cost controls, risk management, and internal financial controls. The cost of project management by the WWA board is zero since the positions are voluntary. Our overhead cost is essentially the kitchen table.

In recent years, the board has conducted brief reviews of installed costs (cost per foot) of water main, by WWA and other water purveyors. This has been done to ensure WWA is operating cost effectively. The results have been favorable to WWA.

To summarize, the WWA board continues to operate as it has for several years, closely managing small projects to achieve expected results at the best achievable costs while ensuring risks are minimized. Our

recent track record is favorable. Large projects, rare as they are, that can and should be well defined are competitively bid.

Water Rates

The recent board meeting attended by several members identified a possible need for increasing water rates to support increased investment in system infrastructure. We have initiated efforts to review our rates. We will keep the membership informed as we make progress on this initiative.

Communications

The board recognizes the need for improving timely communications with the membership. In the near term you can expect to see more frequent newsletters from the board. To help keep mailing costs down, if you are willing to receive communications electronically rather than in hard copy form please let us know that. Send us an email at contact@WestsideWater.org and we will add you to the distribution list for future communications.

Canyon Well

Allen Hurtado, a local area expert on the design and operation of Arsenic filtration systems came to Vashon on Monday July 28th and met with Doug Dolstad and Pat Call to go over “next steps” in getting the filtration system back on line. Allen identified changes that could improve our results and strongly suggested doing a bench test to substantiate his theory about increasing “floc” formation. The basic issue is that suspended iron (as opposed to dissolved iron) is getting through our filtration process causing discoloration of the filtered water. Otherwise the process is taking the arsenic out as designed. Since the suspended iron is easy to visually monitor we should be able to move the system back to an acceptable state. The continued hot weather has meant we need the canyon well for primary source water so we have not been able to do this tuning yet. Hopefully with the next break in the hot weather we will be able to do that and get the filtration system back on line.

At the present water usage level, arsenic concentration is estimated at 23-25 parts per billion (PPB). Getting the filter operational and connecting the Anderson well will reduce arsenic levels to below 10 PPB.

As always, please promptly report leaks. For those of you who walk the local roads, please report any water in ditches – especially any flowing water. System leaks are extremely important to fix as quickly as possible.

A Farewell

Board President Jan Stephens has tendered his resignation. Jan retired from a high-level corporate position a couple of years ago and has seen the WWA Board position evolve into a large commitment that doesn't align with his retirement goals. The Board wants the membership to know what an extraordinary job Jan has done while on the Board and as President. He worked to overhaul the financial reporting documents for the organization and has been the leader in managing the Anderson Well project. His leadership will be sorely missed. For the balance of this water year (ending at our Annual Meeting in May, 2015) Pat Call has agreed to step into the President's role and an Association Member and previous Board member has agreed to join the Board in September.

Sincerely,

Your Westside Water Board

Pat Call, Bob Jones, Jennifer Pratt & Judy Olson.