

Upcoming Annual Meeting

Our Annual Meeting will be held at the Havurat Ee Shalom on Westside Highway on Thursday evening May 28th. Come for refreshments at 6:30 pm for meeting call to order at 7 pm. We are providing information below in some sections as a catalyst to member feedback at the meeting.

Anderson Well update

The project is complete and all of the approvals are in hand. We are just awaiting some increased demand in order to turn it on for the first time. Great job, Doug and team for bringing this vital new source on-line in a cost effective manner.

Capacity, capacity, capacity

With the completion of phase I of the Anderson Well project and a subsequent adjustment of our Arsenic blending permit (this permit allows us to blend canyon well water which contains ~30 parts per billion (ppb) Arsenic with our other source water up to a total Arsenic concentration of 10 ppb) we expect to have a capacity of 60 gallons per minute for this summer. We are also working on bringing the Arsenic treatment facility back on line which would give us potentially another 25 gallons per minute. That total of 85 gallons per minute would almost certainly allow us to deliver water to the membership this summer that meets the Arsenic standard of 10 ppb 100% of the time and would be a significant milestone and achievement for WWA.

However even that capacity is really not enough for the following reasons:

- 1) Washington State Department of Health design guidelines indicate Westside needs 130 gpm of source capacity. We believe that we could successfully argue for a lower value of ~110 gpm on the basis of historical consumption patterns.
- 2) The historical trend from an environmental and regulatory perspective is to put constant pressure on the legitimacy of our sources. Thus the canyon well was fully compliant with EPA standards when drilled but was disqualified when stronger Arsenic standards were introduced several years later. We can expect further pressure on permissible Arsenic concentrations in the future as well as potential challenges in the classification of ground water versus surface water
- 3) State legislation has clearly outlined the rules for a system such as WWA's and those rules state that WWA must supply all of the demand within its service area.
- 4) WWA currently has about a dozen applications on its waiting list for water and approximately one private well is drilled per year within the service area.

WWA has secured the right to a capacity of ~177 gpm from for our combined sources. So we are not impeded by our rights to water.

The Board believes that it is prudent to continue to develop capacity over the next few years. A likely next step in that development would be the drilling of a second well on the Anderson property. The right to drill such a well was secured with the initial agreement and the infrastructure to handle a second well was installed with our recently completed work on the phase I well.

Drilling a well always has a bit of the unknown associated with it but a hydro-geologist who has reviewed the pump test data has predicted that a second well on the site would likely produce as much as the first well and potentially substantially better. A rough cost estimate of putting in a second well would be \$50K. The Board wants to have a complete season of successful operation of the first well before considering a second one but hopefully this discussion would become active again in the winter time period.

What should our financial reserve be?

For many years (until our more aggressive recent program to increase capacity) WWA held a financial reserve in the range of \$100K. That number comes up occasionally when this subject is discussed at membership meetings. With the completion of the Anderson well phase I and work over the past five years on the Arsenic treatment system our current reserve is at about \$50K. With the current surcharge that is in effect and without any additional capital spend we can expect our reserve to slowly continue to increase. recover.

However that leaves open the question of what the reserve should really be. Over the past month the Board has reached out to 4 independent sources to ask them how they would answer that question. Those four sources were:

- 1) Todd Krause, Northwest Water and our consulting engineer
- 2) Skip Rand, formerly with the Rural Community Assistance Corporation and now an independent consultant on small water systems with 40+ years of experience
- 3) Paige Igoe, Department of Health NW Drinking Water, and the state engineer for our system
- 4) Mike Pendergraft, Evergreen Rural Water of Washington (group acts as a state sponsored consultant to utilities).

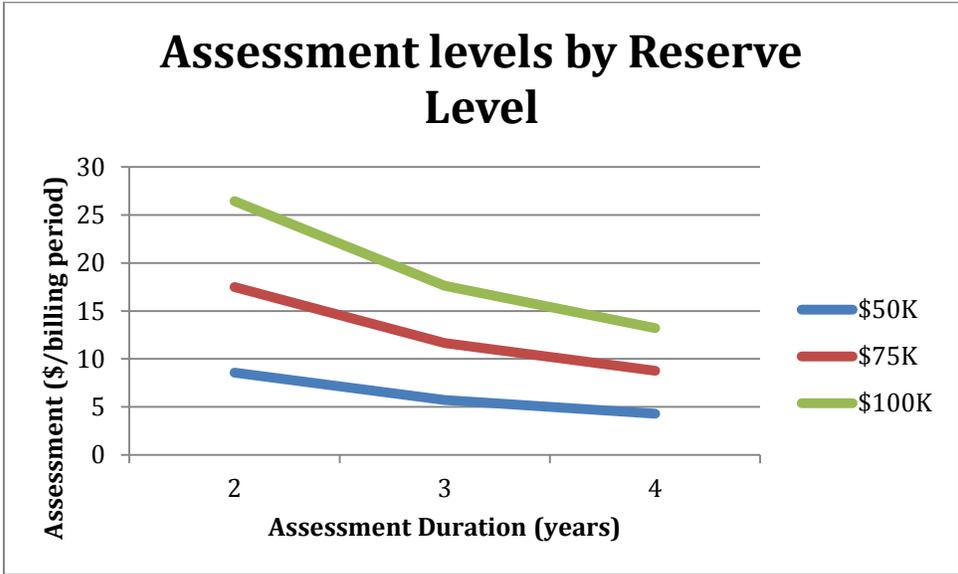
As you would imagine the range of answers and the methodologies are varied but when distilled down to a common statement the numbers ranged from ~\$35K to ~\$75K. So on the low end we are already now meeting the reserve requirement and on the high end we would get back to that level by the end of 2017 assuming no extraordinary capital expenses.

What does this all mean in terms of our rates?

In the above sections we have discussed some thoughts around extending capital expenses with a phase II Anderson well. We have also discussed our financial reserve situation. The Board is not yet ready to make a specific proposal to the membership we think it likely that

further careful planning will lead us to continue the assessment beyond the current date that it is due to expire in September 2016.

The following graph illustrates the potential level and duration of such an assessment given various planning assumptions.



These data assume that we would invest another \$50K in the Anderson well phase II. Rates are plotted assuming three different reserve levels. So for example if we pick the middle case (\$75K reserve) we would achieve that reserve level plus pay for the Anderson well phase II in an additional two years (i.e. by September 2018) if we keep the assessment approximately at its current level.

To re-emphasize the point the WWA Board is not recommending an additional assessment at this time but we think the likelihood of such a recommendation coming later in this year or early next is high enough that we wanted you to think about this and give us your feedback. Please feel free to contact us at: contact@westsidewater.org

Westside Water Board