

Notes From Annual Shareholder's Meeting – 2/15/2022

1. Introduction of PHWC Officers and Board of Directors

- Van Sandifer, President and Board of Directors
- Jeff Keller, Vice President and Board of Directors
- Melinda Haban, Treasurer and Board of Directors
- Larry Hunter, Board of Directors
- Ashley Baird, Secretary and Board of Directors
- Ryan Loftus, P.E., System Engineer, Author of PHWC Facility Planning Study
- Chris Haban, Water Master and Supervisor of the Operations & Maintenance Group

2. Opening Discussion on Purpose and Background for this meeting

- A lot has happened this past year in our system and the water company.
- After experiencing some challenges in our water company this past couple of years, including significant turnover in the management team, our current Board decided to take the opportunity to better understand the responsibilities that you, the shareholders, have placed upon us, so we can strengthen the way our system is managed and provide a strong plan for future growth.
- To do this we started by first making sure we fully understood our water system's **construction, history, capabilities and deficiencies** and report back to you.
 - a. We studied available system records, drawings, and letters, applications & documents submitted to **DEQ and IDWR** since the system was established
 - b. Talked to knowledgeable individuals in the neighborhood, including former Board members and Operators (Brent Satterthwaite, Brady Belliston, Chick and Gloria Helison, Joseph and Rachel Blackburn, Bill Fringley, Suzette Miller and Mike Taylor), to fully **understand** the System's current configuration & condition and how it got here.
 - c. Reviewed past and present **commitments, agreements, system modifications, violations of regulations, component failures** and other issues.
 - d. Brent and I called the Acquisition Manager for Northwest Natural.
 - e. I have met frequently with **DEQ and IDWR** personnel to understand their concerns and expectations for our system and discuss ideas on how to move forward to address those concerns and expectations with system improvements.
 - f. We received a grant from DEQ to conduct an engineering study of our system that evaluated its' capabilities, identified deficiencies, and made recommendations for solutions and how to handle future growth.

3. What Did We Find? Issues Facing Our System

a. Reliability

- We experience numerous system leaks every year, with 4 significant **leaks** and several smaller leaks in these past few months alone. (some of it probably caused by seal coating efforts)
- **System controls** for pumps, pressure and tank levels are old, unreliable and not very sophisticated.

- **Preventative maintenance** that would keep system components in good shape and working properly is not well defined; what information we do have is outdated. And necessary maintenance is not being consistently performed.
- System infrastructure has some potentially significant issues
 - Piping** weaknesses; Inadequate (160# irrigation rated piping in some places), no bedding under water mains
 - Not enough **valves** in system – leaks affect a lot more of the houses in the subdivision than it would if we had alternative paths, via valving, to route water supplies around a leak.
 - No consistency in types of **water meters**, valves, etc.
 - Our biggest deficiency is the condition of the 100,000 gallon water tank. There are still open/unresolved “Significant Deficiencies” that were cited from DEQ’s 2019 Enhance Sanitary Survey. If not repaired, we will start getting fines levied against us.

b. Safety

- Significant **vandalism** the past few years (empty houses, broken windows in equipment, **graffiti**)
- **Concerns for sabotage** to our equipment (water tanks, pump house)-NO FENCE
- Unsure about **adequacy of safety measures** that ensure water quality in all parts of system (More periodic flushing? Are we sampling for the right hazards?)

c. Less than adequate Documentation and Understanding of our System

Unlike subdivisions that are designed and constructed in one shot, our system was built in numerous phases, with sometimes poor documentation, resulting in gaps in our knowledge of our systems’ construction, capabilities, and deficiencies.

- We lack accurate, updated, easy to understand **system drawings**.
- Documentation has been disjointed/disorganized, with little or no written procedures, policies or central record repository.
- As a result, the current Board and DEQ have poor knowledge upon which to make decisions about whether additional new homes can be connected to the system without adversely affecting existing users. **Hard to sustain consistency in management, operations and maintenance of the system.**
- DEQ says they **cannot approve any further modifications or additions** to our system until **they** better understand our system’s capabilities and limitations.

4. Strategy to Address Identified Issues

Overview of the Board’s Strategy to Address Issues

- Put a moratorium or pause on further development of the System until we’re sure we know what we’re doing.
- We’ve conducted a Facility Planning Study that identifies system abilities and deficiencies and prioritizes needs.
- Develop a Corrective Action Plan that addresses the issues and deficiencies identified in the FPS, with the **highest risk and most consequential actions prioritized first.**
- Work with Shareholders, Developers, and Grant agencies to develop funding opportunities that addresses these needs, which involves:
 - Establishing a good relationship with regulatory personnel, developers and communicate freely and often

- Identifying and then **obtaining funding**
- Executing the plan.**
- Documenting and tracking progress** in getting things fixed.
- Build Shareholder and Regulator trust and confidence by maintaining **honest and frequent communications.**
- Sustain improvements we make by formalizing water company Operations, Maintenance, Management and Documentation.
- Develop long term Sustainment Plan

Specific Steps (Tactics) and Results

Moratorium:

Following a discussion with DEQ, the **Board requested Bonneville County place a moratorium on issuing building permits** until we complete a Facility Planning Study (below), as the capacity and reliability of our system is poorly understood and we did not want to place the shareholder's water supply in jeopardy until it was completed.

Conduct a Master Facility Plan/Facility Planning Study:

- DEQ “strongly recommends” water companies they regulate perform what they call a “**Facility Planning Study**” to obtain a proper understanding of their system. These studies or engineering evaluations, **benefit the company and DEQ** is making decisions on whether to approve modifications or additional hookups.
- The current and previous Board of Directors have applied for **cost sharing grants from DEQ** in the past and we finally were awarded one this past fall.
- We have contracted our System Engineer, **Ryan Loftus**, of Aspen Engineering to write the **Facility Planning Study** for \$30,000. Our share is \$15,000 and DEQ will match, with \$15,000.
- Draft is completed and DEQ is reviewing it. Once approved, it will be the basis of an improvement plan for the water system and helps guide the PHWC Board on actions and expenditures necessary to correct current problems and making our system better.
- It also begins to satisfy some of DEQ's concerns expressed in the Letter of Deficiency.

Ryan Loftus explained the contents of the Facility Planning Study/Master Facility Plan and conclusions/recommendations)

Primary Conclusions and Recommendations:

1. The system can meet the near-term needs of its current users, under the following conditions:
 - a. A formalized, documented maintenance program should be designed, adequately funded, and implemented by PHWC to address the operating status and remaining life cycle of key components.
 - b. System operations should be standardized, formalized, documented and adequately funded by the PHWC.

- c. System expansion should be limited to a reasonable number of additional hookups (85) and system performance closely monitored, while identified improvements and recommendations are implemented so as not to exceed the current capabilities and capacity of the system.
 - d. Implementation of a tiered rate system would encourage conservation during the time necessary to make identified improvements and expand system capacity.
- 2. The highest prioritized capital improvement recommended to be implemented should be the construction of a large new water storage tank, located at the top of Panorama Hill.
 - a. This will allow the existing 100,000 gallon tank to be removed from service and repaired.
 - b. It will also accommodate the addition of new system hookups, while also ensuring adequate system flow and pressure to meet culinary and fire protection requirements.
- 3. PHWC's water rights license number 25-07100 should be updated with an accurate list of lots under the "Places of Use" section. Additional water rights should be identified, purchased and transferred to the PHWC to allow development of the Primary and Secondary Service Areas.
- 4. A backup power generator is recommended to allow the maintenance of the water storage tanks levels during a loss of primary electrical power.
- 5. Long-term viability of the system will require eventual replacement and upgrade of the main line supplying the upper pressure zone, and the 2" main line, such that they meet code requirements.
 - a. Until this piping is replaced, PHWC needs to take steps to reduce the time there is a disruption in service to customers when a leak occurs by improving the response time to repair water leaks. This could be done by purchasing in advance the spare parts (piping and couplings) and tools needed to perform these repairs and acquiring secure adequate storage and workspace for staging these parts and tools.

Secondary Conclusions and Recommendations

- 1. The current officers and Board of Governors for the PHWC have made a commitment to their shareholders to address the issues with the 2005 Agreement and to formally accept or reject this mainline and resolve the issue permanently. This has not been done as of the date of this study. As such, this study recommends that PHWC should resolve any issues with the 2005 Agreement between the water company and PFC and formally approve or reject the 8" mainline PFC constructed and turned over to PHWC in 2006.
- 2. PHWC should submit as-built drawings of the mainline extension installed on Hillside Drive in 2017 to DEQ for approval.
- 3. If it is found that PHWC does not have the resources to address the Primary Conclusions and Recommendations in an acceptable timeframe, to the satisfaction of DEQ, it is recommended they explore the availability of government grants that provide necessary funding needed or evaluate the option of an acceptable buyout by a larger water system management company that has the resources to properly manage and implement necessary improvements.
- 4. The Company may want to purchase an emergency chlorination system to provide emergency disinfection capabilities.

5. Periodic flushing of any dead-ends should be completed. A written plan identifying when each location is/was flushed and the results of the flushing (i.e. water conditions, turbidity, etc.) should be included in the operations. Dead end mains should be flushed at least twice per year.
6. Cross-connection contamination of the distribution system is controlled by the use of backflow prevention devices, generally consisting of a double-check valve. Check devices are required to be inspected and tested after the initial installation with written verification given to either the owner/operator or the office manager. Periodic testing of the valves is not currently part of the operation plan and should be implemented. The cost of testing each device should be charged to the homeowner. Records showing the location of the device, along with the test date and results should be kept on a master plan by PHWC O&M Group. A proposed cross connection control plan should be submitted to DEQ.
7. PHWC should consider installing a variable frequency drive (VFD) in the pump houses for each of the submersible well pumps.

New Storage Tank Recommendations

The PHWC Facility Planning Study reviewed and analyzed the design, characteristics, and system requirements for the Primary and Secondary Service Areas. Based upon these results, the following design features are recommended to the developers of the new tank:

1. The new water tank volume should be at least 230,000 gallons. Included in this volume is:
 - At least 180,000 gallons to meet fire flow requirements.
 - An additional 50,000 gallons to meet the culinary and irrigation water requirements for the homes that represent full buildout of the 166 lots in the Primary Service Area.
2. The controls for the existing Main Booster Pump used to maintain water level in the new tank should be modified to always maintain the level between 150,000 and 230,000 gallons.
3. Concerning tank piping:
 - Piping from the tank to the tee connecting to the 7,000 gallon tank supply/outlet piping is the responsibility of the developers and should be 10 inch diameter and be reduced to 8 inches to match the existing pipe size of the line running down the hill. (It will be necessary for the developer to trench to the connection point to verify that this current line is 8".)
 - The new tank should include an overflow protection line and the ability to drain it, should this need arise.
 - Piping should include adequate valving for isolation and electronic controls.
4. The current 7,000 gallon water tank currently located near the new tank construction location should be moved to the proposed water company lot and both tanks should be connected in parallel into the Upper Pressure Zone supply piping, buried at a depth that prevents freezing in the winter.
5. There should be a means to batch add water treatment chemicals (chlorine) to the tank contents safely, when needed.
6. There should be a means to draw a water sample from the tank.
7. Tank access hatches should have the capability of being locked, for safety reasons.

8. There should be electrical service available at the tank to facilitate power to security measures (e.g., cameras) and tank controls.

Next Steps For the Facility Planning Study Results:

- Once DEQ completes their first review and returns comments, Ryan will make any revisions to the document that come out of the review process and re-submit it to DEQ.
- At that point, I will ask Bonneville County to lift their moratorium on issuing building permits. DEQ has previously allowed us to give “will serve” approval to “onesies and two-sies.
- DEQ has repeatedly emphasized with the Board that this Facility Planning Study (FPS) will be the **basis for any approvals from them for future modifications to our system**, including the Peterson and Brady Additions and the new water tank.
- DEQ will payout their cost share in increments, as requested by us. We will pay Ryan from company contingency savings.
- The Board and System Engineer will write a Corrective Action Plan to address the Facility Planning Study findings and recommendations.
- Going forward, the MFP will be used by the Board to make **prioritized, risk-based** water company management decisions on where to invest funds to improve the condition, **reliability and safety** of our system.
- We will implement and fund the CAP by **working with developers** that want to build in our community to improve our system.
- The Board will also apply for government grants to help fund the repairs/improvements it recommends.
- Finally, the Board will use the guidance in the MFP/FPS to manage growth in a fashion that identifies and quantifies risks, consequences and mitigations. Growth must be managed to protect shareholders from any adverse effects.

Formalizing Operations, Maintenance, Management and Documentation

The MFP/FPS goes a long way in improving our system knowledge and understanding and will guide improvements to reliability and safety. To support and build on this effort, the Board is beginning to **improve formalization** of how we conduct the community’s water “business.”

- The Board of Directors meets at least monthly.
- We have created a Master Schedule as a tool to help prioritize, schedule and track our water system and company issues so they don’t get lost or forgotten. We review the schedule and issue leads update progress at every meeting.
- Decisions on technical issues associated operating, repairing and improving a complex water system such as ours must be based upon sound, independent engineering judgement. Since none of our current and possibly future Board members hold formal, certified engineering credentials, we have created the company position of **PHWC System Engineer**. The roles and responsibilities of the System Engineer include:

- **Advise** the Board on **engineering-based questions** pertaining to emerging issues, such as, repairs or new or potential hookups.
- Provide engineering **oversite** and support for system modifications.
- **Interface** with developer's engineering representatives for proposed **new projects**.
- Provide **engineering support** for interactions with **outside entities**, such as, DEQ, lenders, grant organizations, government agencies, regulators, etc.
- Review and advise on technical issues in developing company documents, such as, policies, Operating and Maintenance procedures and the Master Facility Plan.
- Create a comprehensive, **controlled set of updated, accurate water system drawings**. We currently have several older, inaccurate drawings but none are comprehensive or show the whole system.
 - This is one of the deliverables of the FPS.
 - He will keep these updated to reflect any modifications or other changes to our system.
 - Besides maintaining an electronic, "**controlled**" set of drawings, we will give **DEQ** a set and maintain one printed set as a **field copy**.

The Board has selected **Ryan Loftus**, who owns **Aspen Engineering**, to fill this position. He has a ton of experience in community water systems.
- We are now writing formal procedures and policies that guide how we perform operations, maintenance and manage our water system. This will help promote consistency in how we do things. Operations & Maintenance procedures will be reviewed by the SE.
- We are also creating a **central record repository** for these documents and all other company records. Currently, this is our "**Dropbox**" but all will eventually be on our **website**.
- To replace the functions formally performed by Chick Heilison's company, C-West, we have established an **Operations & Maintenance Group** to perform the actions necessary to operate, maintain and repair the water system.
 - This group is supervised by our new **Water Master, Chris Haban**, assisted by an **Operations & Maintenance Technician** (situational for now) and the **System Engineer**.
- This group will perform routine operations and preventative & corrective maintenance, as appropriate, according to formal procedures, as recommended by equipment manufacturers and our System Engineer. Other activities requiring higher expertise or certification will continue to be contracted (**e.g. American Pump, electrical work**)
- System repair efforts are being modeled on the community **volunteer fire department** model. The O&M Group will be assisted by willing residents, as necessary, notified using a Call-Down list of neighbors that have **volunteered skills and equipment**. We have tested this concept on the 4 breaks in our system the past few months and it has worked quite well. **Chris Haban** will supervise this effort and our SE, Ryan, provides **engineering oversight and direction**. **ANY ONE WHO WOULD BE WILLING TO BE ON THIS CALLDOWN LIST CAN CALL ME OR CHRIS**. Let us know in what capacity you are willing to

volunteer, if available (for instance, helper, backhoe work, runner, etc.) In cases where there aren't enough people available in the community to help, we have identified a contractor that will repair system leaks (this may be an expensive alternative but is a viable option, when needed.)

- The Board has authorized funding, out of the Contingency Funds collected each month, to purchase **spare parts, repair parts and materials, and commonly used special tools and staging them** to allow **rapid response** to system failures and leaks.
- We will be installing a cargo container or building a shop near the 100,000 gallon tank to **securely store** these items.

Building Shareholder Trust and Confidence

Our next area of improvement is to improve the level of trust and confidence of the Panorama Hills Shareholders and regulators in the water company. Efforts to earn this include:

- Ensuring that the water company **follows up on promises** of improvement and commitments with **demonstrated results**. Our tool to help with this is the **PHWC Master Schedule** I spoke of earlier to make sure issues are followed to resolution.
- Improve communications, through various tools, such as, as **Facebook Iona Panorama Hills** page, a new **official company webpage**, and even in our billing notices. I am the administrator of the Facebook page and Larry Hunter has designed and maintains our website. (<https://panoramahillswater.com>)
- As always in the past, anyone can call someone on the Board or the Operations & Maintenance Group (listed on the website), to express a concern, ask for information or share a suggestion.
- Provide security for water company assets to ensure the safety of our water and subdivision, such as building a fence around our water tanks and installing cameras to monitor activity.

Water Rights

- PHWC applied for and was issued a Water Rights License in 1976 and 2005, respectively. Our water right license has 2 components: domestic and irrigation. We have a **Priority Date of December 1979**. In drought years when water starts running low, owners that have **older water right priority dates**, call for the State **IDWR** to shut off water uses dating more recent than theirs.
 - There is a legal process for this and we got caught up in one of those “calls” this summer. They instructed us to tell all of our residents to cease watering their yards and gardens until the call was lifted.
 - Upon the recommendation of the Idaho Department of Water Resources in Boise, we joined the Bonneville-Jefferson Groundwater District and our curtailment was lifted. Our dues for this organization are about \$500/yr and we had to pay for the past three years of dues as the “ante” to bring us up even with the other BJGWD members. We are charging all shareholders an extra \$12 this month, as a once-a-year charge to cover the membership assessment.

-It looks like we may have another drought year this year so this should prove to be valuable.

- The bigger water rights issue we are currently managing concerns the limitation on the number of homes/lots in our subdivision granted water rights by IDWR.
 - In our 1976 application for water rights, we asked for rights for 137 homes, which IDWR granted when it issued our official license in 2005. The 137 homes ("Places of Use", as stated on our Water Right License) we asked for, represented all of the lots that were anticipated to be eventually sold in our subdivisions.
 - Since then, several lot owners have replatted and further subdivided their lots such that we currently have in excess of 209 lots platted in our subdivision. PHWC still only has water rights for 137 homes.
 - We've only used only 45 of these 137 rights so far but recent interest in real estate in our subdivision has resulted in an acceleration in the rate of lots sold and houses built and so we face reaching the legal limit of 137 sooner than was originally anticipated. Therefore, the Board has decided to take an active hand in managing the allocation of the remaining water rights we own.
 - As a first step, the Board has divided the entire subdivision area into a "Primary Service Area" and a "Secondary Service Area."
 - The **Primary Service Area** includes lots that were originally listed as "Places of Use" on our Water License and/or border existing waterlines. These lots are eligible to receive a water rights allocation. There are currently 166 lots designated within this service area.
 - The **Secondary Service Area** includes the 43 platted lots that currently do not have a water right and do not border a waterline. For a lot in this area to be hooked up to our system, the owner will have to buy and transfer to PHWC a water right and build a water mainline to their lot.
 - The Board has established a Water Rights Management Policy and a Water Rights Allocation List to administer this process.
 - The Policy is a simple statement on how the Board will allocate the remainder of the unused 137 water rights "Place of Use".

Water Rights Management Policy

1. The PHWC Board of Directors will always make decisions concerning PHWC activities in a manner that is compliant with the requirements and provisions contained in the Water Right License, granted for Water Right No. 25-7100, dated September 22, 2005.
2. Included in this License is the "Condition of Approval" that states "Domestic use is for 137 homes including up to 1/2 acre of lawn &/or garden irrigation per subdivision lot upon which a home has been constructed."
3. To prevent exceeding the Water Right conditions of "137 homes" and the "Irrigation" limitation of 38 acres - total, the PHWC Board of Directors will maintain and approve a spreadsheet titled the "PHWC Water Rights Allocation List" that contains a list of all lots within the Panorama Hills and Altura Verde subdivisions and whether they have a water right and are approved by the Board for service by the PHWC. New requests to be supplied by our water

system must be reviewed by the PHWC President against this list for compliance before issuing a "Will Serve" authorization letter.

4. If a developer/future homeowner wishes to build on a lot that does not have a water right, then a water right must be acquired and approved by Idaho Department of Water Resources for transfer to the PHWC before a "Will Serve" is issued. This acquisition is typically done by purchasing an existing water right and transferring the "Place of Use" to the PHWC to cover the proposed building lot(s).

Water Rights Allocation List

- Spreadsheet used in conjunction with the WR Management Policy
- It is the official company document that records decisions on which lots have been allocated one of the 137 W/Rs owned by PHWC.
- It contains all the information the Board needs to determine that a lot can receive a water right allocation and a Will Serve Letter, when requested.
- If a Will Serve Letter is issued and the owner of a lot does not hookup to the water system within 5 years, the water right will be returned to PHWC because it is IDWR policy to cancel unused water rights.
- Lastly, IDWR has informed PHWC that we need to update our Water Rights License to accurately include a list of the 137 lots that are/will be our Places of Use. We will have to submit a request to "Transfer" the incorrect lots for the correct lot descriptions.

5. Other Updates

Peterson Addition

- **Paul Peterson and Daniel Steel** are developing the south side of Panorama Drive, between Kolob and Bountiful Drives in what will eventually be 22 lots, 3 phases: The first phase is 4 lots on Panorama Drive, between Kolob and Bountiful Drive. The second phase is 7 lots on Enos Drive that are in our Primary Service Area. Their lots on Zion Drive and the end of Enos Drive are in the Secondary Service Area and will be developed later.
- They plan on supplying their lots with water from a new 8" mainline they will build that extends down the south side of Panorama Drive starting where that line currently terminates at the corner across from Jeff Keller and Brent Satterthwaite (put there in 2018?). This is in the **upper pressure zone**, supplied by the 7,000 tank (eventually, new tank). It will continue with a tee tapping off the north side of Panorama Drive, between Barnhill's and Keller's homes, that continues down Panorama Drive, to Enos Dr.
- This will allow us to eventually hookup 5 homes currently supplied off a 2" line to the new 8" mainline Paul and Daniel are installing. (Satterthwaite, Keller, Barnhill, Hunter and Yves/Helene.
- They want to receive PHWC, DEQ and P&Z approvals this spring.

Panorama Hills Beta Addition

- We have been working with David Yeaman and Brady Belliston on their efforts to satisfy conditions necessary to get DEQ approval for the Panorama Hills Beta Area Addition so they can begin selling lots this late Spring, early summer. They have hired a project manager, Brian Davis, to coordinate and lead these efforts, which include:
 - Locating all the water system valves and sewer manholes in the addition

- Securing them at the street surface
- Repairing holes, paving and chip sealed the streets so they can turn them over to the County
- This spring they will repair Allegra Drive and pave and chip seal it.

PHWC procedures require us to perform a detailed operational inspection of the system and identified deficiencies corrected before we accept either subdivision water lines to be connected into our system. (Especially important since it has been over 15 years since it was constructed.)

- The FPS and DEQ have determined that the old 7,000 gallon tank at the very top of Panorama Hill that supplies the upper pressure zone in our system is not big enough to provide adequate water to this addition and the upper pressure zone. Brady and David have agreed to build a **new large 230,000 gallon water storage tank** near the current 7,000 gallon tank.
 - The size of this tank is based upon the Facility Planning Study results that show what's required for this upper pressure zone to satisfy DEQ requirements for domestic and fire water use.
 - They are working with Bonneville County P&Z, DEQ and PHWC with the goal to begin construction on this tank as soon as all reviews and requirements can be completed and weather permits. Their team has been in close coordination with PHWC to **ensure the tank will meet our system requirements and needs.**

Northwest Natural

As a result of our actions to strengthen the capabilities to manage and maintain our water company, we have decided to **pause any active considerations** to pursue a buyout by a larger water company, such as **Northwest Natural**. After speaking on the phone with their Acquisition Manager, we came away with the understanding that any help that a larger company like that could provide, also came with certain liabilities, such as a loss of control of the path forward for our subdivision (she relayed the message that any improvements they funded in our behalf would be **ultimately or directly charged back to our residents** - "There's no free lunch.") As a result, the Board will try to implement our own management system for the water company and find ways to improve our system, on our own terms, **before we resort to this option.**

PHWC Business Status (Melinda/Ashley)

- New email address: phwcboard@gmail.com;
- Bank Balance
- New electronic payment method.
- Water shutoff policy