

PINE MEADOW MUTUAL WATER COMPANY

October, 29 2018

Dear Shareholder,

This letter is to inform you of the proposed new Water Rate Structure that if approved at the Annual Meeting, November 8, 2018, it will go into effect January 1, 2019.

Since Summit County Sales and Property Taxes do not fund water servicing, the costs must be recovered through shareholders Annual Assessments. The 2019 rate adjustments are based on a detailed cost of service analysis to ensure that each shareholder pays their proportionate share of the utility servicing costs that continue to rise.

In 2016, the Utah State Legislature passed the "Water System Conservation Pricing" bill which requires water service providers, including the Pine Meadow Mutual Water Company (PMMWC), to establish an increasing rate structure for culinary water. Therefore, the Board must increase water assessment flat rates and volumetric consumption rates to comply with the passed law, balance the 2019 Budget and compensate not only for the water related services, but also for:

1. Water Consumption Usage
2. Rising Water System Maintenance and Utility Costs
3. Administrative Services
4. Restricted Reserve Funding:
 - a. **Debt Reserve:** Requirement by the Division of Drinking Water to receive the \$6M loan for building improvements to the existing water system in 2006 and 2012.
 - b. **Capital Water Reserve:** PMMWC is Partners with Mount Regional to purchase millions of gallons of Water at the point of necessity. The PMMWC Board is concerned with the future when there will be no more building on the mountain, and that water may not be readily available in the future from the existing wells. If well water reserves become insufficient, water will be required to be purchased as necessary in the probability of drought, excessive leakage, build out, fire suppression, etc. The Board is also concerned with the growing usage and rising costs to maintain a \$6M water system.
 - c. **Legal Reserve:** Growth on the mountain has incurred special condition Contracts which may incur legal costs.

For several years, the PMMWC has not raised water Flat rates or Tier rates. The PMMWC Board of Trustees Balanced the Budget based on Flat Rate Water, Standby Water Assessments, Excess Water, Construction Income (Annexations, Meter Installations, and Other Income) to cover treatment system upgrades necessary to comply with Federal Drinking Water Standards. After thorough analysis of the Budget expenses, the Board found that by eliminating the "Construction Income", along with the "Excess Water" allocation it caused a Budget deficit of \$(197,088).

To cover the shortfall in the Budget, the Board thoroughly and carefully analyzed spreadsheet costs by means of formula analysis. Volumetric consumption rates were evaluated to determine the new base and tier rate structure by evaluating monthly water meter usage readings. The Board also noted that the current, volumetric rate system provided little incentive to become more water consumption efficient. The Board compared several scenarios where they included only the Standby, Flat Rate Water Assessments and Water Volumetric Consumption Tiers to cover the Budget deficit.

The proposed new rates are expected to increase your Flat Rate (Base) Water and Standby Bill. In addition, it is proposed to increase the Water Consumption Tier Rates. For example: a water consumer may use up to 40,000 gallons a year for a family of four. Water and Standby Flat Rate is proposed to increase up to 25% and Volume Consumption Tier Rate is proposed to increase up to 56%. An invoice would range from \$1751 per year, \$145/month up to \$1988 per year, or \$166/month.

The continual objective is to provide clean, accessible, drinking water for shareholders. Periodic Water Rate increases have not kept pace with spending on system maintenance or debt service coverage: The PMMWC Board is committed to managing costs to provide sustainable water management, water conservation and efficient servicing.

You are invited to attend the Rate Change discussion at the Annual Board Meeting, November 8, 2018, at the Sheldon D. Richins Building in Kimball Junction at 6:30 PM, Room 133 (Downstairs).

Sincerely,
Board of Trustees

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PINE MEADOW MUTUAL WATER COMPANY

Yearly Analysis of Changes | Increases in Water Assessments over the last 18 years

Year	Assessment	Price Increase	% of Increase	New Assessment
<i>Annual Flat Rate</i>				
2000	\$284	0	0	0
2001	\$284	\$21.00	7%	\$305.00
2003	\$305	\$122.00	40%	\$427.00
2005	\$427	\$64.00	15%	\$491.00
2009	\$491	\$137.48	28%	\$628.48
2012	\$628.48	\$84.00	13%	\$712.48
2014	\$712.48	\$119.52	17%	\$832.00
2018	\$832.00			
<i>Annual Standby Fee</i>				
2000	\$189	0	0	0
2001	\$189	\$11.00	6%	\$200.00
2003	\$200	\$80.00	40%	\$280.00
2005	\$280	\$42.00	15%	\$322.00
2009	\$322	\$90.16	28%	\$412.16
2012	\$412.16	\$84.00	20%	\$496.16
2014	\$496.16	\$119.84	24%	\$616.00
2018	\$616.00			
Year	Consumption Tiers	Price per 1000 Gal.	% of Increase	Tiers
<i>Excess Water Usage</i>				
2006	10K-20K	\$15		3
	20K-30K	\$30		
	30K-50K	\$40		
	50K+	\$50		
2007	11.5K-20K	\$15		4
2009	15K-20K	\$20	33%	4
2012	15K-20K	\$20		
	20K-30K	\$30		
	30K-50K	\$50	25%	
	50K+	\$60	20%	
2014	20K-25K	\$20		
2018	20K-25K	\$20		8
	25K-30K	\$30		
	30K-40K	\$50		
	40K-50K	\$55		
	50K-60K	\$60		
	60K-70K	\$100		
	70K-80K	\$150		
	80K+	\$200		