

LEEDS DOMESTIC WATER USERS ASSOCIATION
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Dear LDWA Shareholders,

2016 was a busy year as LDWA continued improvements of our drinking water delivery system as discussed below. Our sincerest appreciation and thanks to Mark Osmer. Mark continues to complete an incredible amount of upgrades to our system infrastructure.

For shareholder records, we have included Attachment 1, update from noted Water Rights Attorney David B. Hartvigsen with Smith Hartvigsen, PLLC Law Firm, SLC, UT, and Attachment 2, an LDWA Website Navigation Map to assist in accessing referenced LDWA documents and information.

The LDWA Annual Shareholder Meeting will be called to order at 7:00 pm on Tuesday, February 7, 2017, at Leeds Town Hall, 218 N. Main St. The doors will open at 6:30 pm. Board members hold 2-year terms as set forth in the LDWA bylaws. This year shareholders will vote for 2 members.

Elliott Sheltman & Jim Vasquez have agreed to run for re-election, continuing their service on the LDWA Board. For voting information, please visit www.ldwautah.org/ELECTION_VOTING_BYLAWS.

LDWA INFRASTRUCTURE 2016 IMPROVEMENTS & PROJECTS

I. NEW 8" MAIN WATER SUPPLY PIPELINE.

The new pipeline will directly benefit all shareholders and residents of Downtown Leeds, with no additional fees or assessments to those who benefit and live downtown. All capital improvements that will be beneficial to future growth and development are paid for through impact fees, fines, and other such income resulting from new or proposed development.

The new pipeline will be connected at the water source on the east side of 740 N Main St, run down to Vista Ave to be looped (connected) with the single existing pipeline located on the west side of N Main St. The [only] existing downtown line is connected to the water supply on N Main St at Silver Reef Rd. Installation includes eight new 8-inch gate valves to upgrade control of water flow and pressure through the pipes & valves. As with all new lines, the new infrastructure is compliant with the American Water Works Association (AWWA) per ASTM Standard Specifications as required by DDW/DEQ.

The 2 water connection locations (760 N Main east side, and 500-block N Main west side) will be looped, increase water quality, equalize flow, provide redundancy in water service to downtown Leeds and significantly reduce service interruptions in future years.

1. Main Street in Leeds is a State of Utah Department of Transportation (UDOT) road. The work on Main Street requires the State's review and approval of LDWA (i) construction plans, (ii) traffic control plans, (iii) detailed plan of work, (iv) safety controls, and (v) proof of liability insurance. UDOT

now also requires a 12-month Statewide Utility License Agreement (SULA) bond which is an additional cost of \$5,000.00 for each 12-month cycle of construction on a UDOT road.

UDOT's review and approval process typically takes 3 to 4 months. We were diligent to expedite their reviews with daily inquiries to UDOT on their progress. It paid off, with UDOT issuing the final work permit to LDWA in less than 7 weeks.

2. We are pleased to report that LDWA has passed all of the unscheduled on-site UDOT inspections, in addition to approval from OSHA during an on-site inspection earlier this month.

3. The projected budget for the 1st phase of this project was \$80,000.00; total expenditures came in just under budget at \$78,500.00. The 2nd (and last) phase of this project is budgeted at \$46,500.00.

II. NEW SERVICE LINES IN DOWNTOWN LEEDS.

New service pipelines continue to be installed to replace the obsolete lines in downtown Leeds. 24 new lines on Vista Avenue were completed in 2016, and 6 new lines have recently been installed on N Main St.

III. OAK GROVE WATER TANK - NEW PIPELINE AND VALVES.

In early 2016 we completed the replacement and upgrade of new pipeline and valves to control the water flow into the in-ground Oak Grove water storage tank.

IV. LONG-RANGE INFRASTRUCTURE IMPROVEMENT PLANS include:

1. Installation of individual new service lines remaining in downtown Leeds.
2. Replacement & upgrade of the old downtown water supply pipeline located on the west side of N Main St feeding culinary water to downtown Leeds.
3. Looping of dead-end lines in downtown Leeds.
4. Installation of a pipeline from the Leeds Well & Oak Grove Spring to connect and fill the Bonanza Water Storage Tank, increasing LDWA's water storage capacity for the spring and Leeds well waters.
5. Looping the line from the Bonanza Water Storage Tank to Silver Hills Rd at Silver Reef Rd.
6. Looping the line from Silver Hills Rd up to Silver Reef Highlands.
7. Extension and replacement of the Oak Grove pipeline to eliminate water loss, increase water flow throughout the delivery system, and added security of the water source.
8. Addition of a new well to provide LDWA with a third source of water (future projection).

CROSS CONNECTION & BACKFLOW: INCREASED REQUIREMENTS BY THE STATE. Preventing cross connections and backflow of irrigation or contaminated water with culinary drinking water is important for health & safety, and is also mandated by the DDW and DEQ. LDWA is not a government entity, but we are held to the same state auditory processes that are required of all municipal culinary water providers. There will be a Cross Connection Seminar held Spring 2017 – date and time will be

posted in town and on the website. For more information on how you can protect your family's home drinking water, visit www.ldwautah.org/CROSS_CONNECTIONS.

LDWA ADMINISTRATIVE OPERATIONS

I. STATUS OF THE 2010 DDW/DEQ LOAN, AKA 'PROJECT UPGRADE'.

The original 30-year loan amount was \$1,104,000.00 with annual payments due beginning in 2011 and ending in 2041.

LDWA has paid down the principal balance of this loan over the past few years. Currently we have saved just over \$200,000.00 in interest payments and reduced the term of the loan by 9 years. Based on realistic calculations based on the first 6 years' additional payments toward the principal, LDWA's final payment for this loan will be due in 2026, a savings of over \$400,000.00 in interest payments and 15 years off the length of the loan. For schedule, visit www.ldwautah.org/PROJECT-UPGRADE-LOAN.

II. COMPLIANCE WITH STATE & FEDERAL LAWS.

The State of Utah Division of Drinking Water (DDW) and the Department of Environmental Quality (DEQ) require culinary water providers to comply with government regulations, rules and laws. While LDWA is a private shareholder-owned company and is not a government entity, LDWA is required to comply with laws including State of Utah Rules 317 & 309, and references compliance of the ICC Plumbing and Building Codes. For LDWA Resolutions and Polices regarding all requirements, visit www.ldwautah.org/CORPORATE-DOCUMENTS.

III. FINANCIAL ACCOUNTABILITY.

We continue to complete required day-to-day operations within the operational budget, with a modest net gain for the 5th year in a row, and without raising monthly water rates to shareholders. The Budget, Profit & Loss, and other financial documents are posted on the website at www.ldwautah.org/BUDGET-FINANCIALS.

Delivery of safe, quality drinking water is dependent on continual maintenance of the many miles of pipelines and infrastructure that bring the water into our homes.

Hundreds of hours are dedicated each year by the board and staff to successfully manage projects, budgets, and comply with government agency requirements - in efforts to avoid increases in monthly shareholder rates. To that end, LDWA monthly water rates have not been increased since 2010.

Acknowledgement of appreciation goes out to the Board members and Staff for their continued service to provide safe drinking water to all shareholders and residents of Leeds Town.

We hope to see you at 7:00 pm on Tuesday, February 7, 2017 for the LDWA Annual Shareholder Meeting at Leeds Town Hall, 218 N Main St, Leeds, UT.

ATTACHMENT 1

CULINARY WATER AUTHORITY & PUBLIC SERVICE COMMISSION (PSC): 2016 LEGAL REVIEW RULING FOR LDWA

In January of 2008, the Town of Leeds Council passed Ordinance 2008-01 that included (i) appointment of the Town as the culinary water authority for Leeds municipality, and (ii) claiming LDWA refused or declined to apply for jurisdiction under Utah Code 54, Public Utilities Service Commission known as the PSC. A copy of that Town Ordinance is posted on LDWA's website www.LWDA.utah.org.

Following completion of LDWA's research working with the DDW and DEQ to meet their requirements, claims stated in the 2008-01 Leeds Town Ordinance came into question:

- 1. What & how is a culinary water authority designated and approved; and**
- 2. How do the regulations of UT Code Title 54, Public Service Commission (PSC) apply to LDWA?**

In 2016, noted Water Rights Attorney David B. Hartvigsen of Smith Hartvigsen, PLLC, SLC, UT provided the following legal information to LDWA:

UT CODE TITLE 54, PUBLIC UTILITIES, PUBLIC SERVICE COMMISSION (PSC).

Title 54 is ambiguous with respect to its jurisdiction of and over a private culinary water system that only serves its member shareholders. A few years ago, this statutory ambiguity was tested in the courts on behalf a client who wanted to have their private water company regulated by the PSC. The Utah Supreme Court ruled that the PSC does not have jurisdiction over a private culinary water system that serves only its members/shareholders. LDWA is not required by law to report in any way to the PSC, nor apply for an exemption from regulation by the PSC.

DESIGNATION OF CULINARY WATER AUTHORITY.

Neither the State of Utah nor the Division of Drinking Water (DDW) can designate or certify a water supplier to be the "Culinary Water Authority" for any geographic area.

The designation of "Water Authority" appears to be one that was created by the Town of Leeds itself, as part of the [Leeds Town Ordinance 2008-01](#). The Leeds Town Municipality can create the title of "Water Authority" and then designate itself to wear that title, but that is all without any practical impact unless the Town has its own water supply & infrastructure system to actually deliver water and the Town can only enforce their new title with new development they serve within their boundaries and jurisdiction.

Please visit www.ldwautah.org/WATER-AUTHORITY for the complete report.

ATTACHMENT 2



LEEDS DOMESTIC WATER USERS ASSOCIATION
WEBSITE www.LDWAUtah.org
NAVIGATION SITE MAP
JAN 2017

LDWA CORPORATE DOCUMENTS

- Bylaws, Articles of Incorporation
- Resolutions, Policies
- DDW/DEQ Rule 309
- DDW/DEQ Rule 317
- State of Utah Administrative Rules
- Design & Construction Standards
- Water Authority: State Definition, Legal Review
- Theft of Water Utility, Criminal Mischief, Related Fines

INTERNATIONAL COUNCIL CODES

- Plumbing Code (IPC)
- Building Code (IBC)

ADMINISTRATION

- Applications, Forms
- Meeting Minutes - 2013 to present
- Meeting Minutes - 2008 thru 2012
- Meeting Minutes - 1955 through 2007
- Budgets, Financials
- "Project Upgrade" DDW Loan #3F138 Schedule
- Voting Rights, Eligibility of LDWA Shareholders
- LDWA History
- Water Rights: DDW & Legal Review Blogsite

RATES

- Billing & Payment Policies
- Rates and Fee Schedules
- Theft of Water Utility, Criminal Mischief: Fines and Penalties
- Rates Compared, Neighboring Cities

WATER QUALITY REPORTS, WATER CONSERVATION

CROSS CONNECTIONS & BACKFLOW - PREVENTION

BLUE STAKES, USEFUL LINKS

SITE NAVIGATION MAP
