

DRAFT Minutes – Inscription Canyon Water Company

Annual Meeting

Held Friday June 17th 2022

Hilton Garden Inn, Prescott

Call to order 10am – Mark Armstrong called the meeting to order. He thanked the 15 members that attended in person and the 4 additional telephone attendees.

Mark Armstrong reviewed the meeting agenda and introduced the board of directors.

Present:

Randy Joly – Secretary

Giles Howard – Treasurer

Dan Cancelleri – Director

Mark Armstrong – President

Mike Hubbard – VP operations – absent

Pat Carpenter and Derek Scott from AQuality water and Cheryl Ibbotson from Utility Billing were also present.

Quorum was established. Mark Armstrong stated that the minutes of this meeting and the presentation slides would all be posted to the website.

Mark Armstrong made a motion to accept the draft minutes from the board meeting held June 8th. The motion was seconded by Giles Howard and passed.

Mark Armstrong gave some opening remarks regarding the growth that has occurred over the past year, and how the board was planning to cope with the new growth and aging infrastructure. He also stated that a major objective was to have all of the water business and infrastructure completely documented, digitized and up to date. He stated that the re-incorporation of the company 2 years ago had forced the company to update, re-file, find or produce all corporate documentation for the business, and that the Engineering work underway would accomplish the same for the infrastructure. The stated goal was that any homeowner, prospective home buyer, interested member, new board member or new operating team member would be able to learn the entire system from online documentation, maps and pictures very rapidly.

Treasurer's Report:

Giles Howard gave a brief synopsis of the financial statements year to date, stating that the company was less in the red for this time of the revenue year than budgeted, with the high volume months upon us. He also stated that cash flow was slightly negative due to the investment in spare parts and replacement equipment as well as the new Variable speed drives for the well pump motors.

He referred members to the website www.ICWC.info for viewing of all financial statements and budget performance.

He pointed out that the inflationary pressures on the cost of materials and equipment were definitely emphasizing the need for a rate increase. He stated that this would be discussed later in the meeting.

Operations Report:

Mark Armstrong gave the operations report in place of Mike Hubbard. He displayed some comparative water usage statistics based on the first 4 months of 2022 vs the same time period in 2021. The amount of water pumped was identical. He explained that most of the 165 new homes being added to the systems would come online in the second half of 2022 or the first quarter of 2023. The only anomaly in usage was a large increase in commercial usage, which is being investigated but was likely associated with TRR pool repairs and refill.

In addition to the 165 homes in some phase of the build cycle, Mark Armstrong also pointed out that 2 new phases of homes were planned for each of the Talking Rock and Whispering Canyon developments next year. This had the potential of an additional 130 residences. Mark stated that the ICWC would have over 1000 customers by the end of 2022.

Mark Armstrong also reviewed two significant infrastructure failures that have occurred since the start of 2022. The first being the failure of the meter that measures water flow to the TRR golf course lakes. This was the only meter that was not replaced in 2019, because it was the most expensive. It was replaced in February.

The second, more serious failure was the collapse of TRR well #2. Because we are heading into the highest usage season of the year, the board authorized use of funds from the capital reserves fund to help pay for a new well to be drilled and new equipment to be purchased. An audience member inquired whether the root cause of the failure had been determined and the AQuality Water company (operators) stated that the investigation was ongoing. Further details of the incident and the decisions made on location and costs are on the website.

Mark then reported that there were several preventative maintenance activities scheduled for 2022, which included tank inspections on the ICR system and gradual rebuild/replacement of booster pumps at the Cooper Morgan and Magner boost stations. He also mentioned that there would likely be several hi priority items identified in the ongoing engineering study that may relate to health and safety or system stability that would be considered.

Mark Armstrong then displayed some activity statistics showing the number of new meters that had been installed year to date etc. Please see the presentation (included) for details. The one item he emphasized was that there had been 91 leak warnings provided to members year to date. This is showing the value of that feature of the new RF meters that were upgraded several years ago.

He also stated that the water tests performed by ADEQ on both systems supply were passed with no issues. These results and the ones from previous years are all under the water quality tab on the website. This also includes aquifer health tests performed by our hydrologist on an annual basis. Mark Armstrong reiterated that all reports and activities are routinely updated at www.ICWC.info

Electrical Power Reduction Project:

Dan Cancelleri presented the program that he has been managing as a means of reducing electric power costs. The first part of the project involved getting monitoring software set up at all of the major usage sites such as wells and booster stations. This was accomplished late in 2021 and Dan has been evaluating the usage patterns for several months. Data revealed a large number of large usage spikes which would cause the cost of all power used to be higher than it could be.

Dan then explained the program that the board adopted a plan to place variable frequency drives (VFDs) on all of the well motors to reduce the power spikes during start up. This program, while a capital investment, was subsidized by a rebate program from APS. He was successful in recouping \$11,500 of the project cost from APS.

The board and our operators are now working with our consulting engineers on operational practices and schedules to allow the reduction of usage spikes and peak hour usage reduction. This has the potential to reduce our power costs by a substantial amount.

Delivery Systems Engineering review:

Mark Armstrong reviewed the ongoing engineering evaluation that is being performed by the utilities consultants at Civiltec. The three-phase project, commenced last October, and the board received the DRAFT report for phase 1 last week. Examples of the system maps and plant documentation were shown to the attendees. The effort also evaluated system and storage capacity requirements and those expected for future growth. The report is under review and will be posted to the www.ICWC.info website upon approval. As stated at the beginning of the meeting, Mark Armstrong reiterated that the purpose of this project was to document all of our delivery systems as they have been built as opposed to how they were originally intended based on changes to lot plans and plats.

An attendee asked if the evaluation was going to consider things like back up power. Mark Armstrong stated that the next phases of the project are intended to identify vulnerabilities and design deficiencies such as power, as well as to recommend standard best practices and maintenance schedules along with recommended spare parts.

The board has approved the funding for phase 2 of the project and work is underway.

Rate Case Status:

Randy Joly apprised the members of the status of the rate case that was initiated in 2020. The rate case was paused in 2021 due to the fact that the golf course expressed a possibility of furnishing its own water. This loss of revenue to ICWC would cause a significant change to the required rate structure as the golf course currently subsidizes residents with respect to the coverage of costs.

Randy also explained that the resumed rate case would be filed with the ACC this fall using 2021 as the new base year. The golf course ownership does not appear close to making a decision on their future water supply, and ICWC needs a rate adjustment now to counteract 11 years of cost increases and the current wave of inflation. Preliminary discussions with the ACC staff have already occurred and they are expecting the request from us with tentatively a 12-15% rate hike.

Member question and comment session:

A member of the attendees asked if the base rate was expected to be raised as well as the usage rate as part of the rate case. Cheryl Ibbotson from the ICWC business office confirmed that it would.

A member of the attendees asked if water would be available during a potential power outage. Mark Armstrong and Derek Scott from AQuality water explained that both systems were not the same. The ICR system, which serves ICR, the Preserve and Whispering Canyon currently does not have backup power, but has a very large storage tank that gravity feeds water users. This would contain approximately 2 days worth of water at current usage rates.

The TRR system has backup power at all booster stations which would keep the system pressurized as long as the storage tanks at Cooper Morgan and Molly way had water. That capacity is closer to a 1 day supply.

A member asked about the status of the aquifer feeding the 5 ICWC wells. Mark Armstrong explained that the company has done an aquifer health study almost every year for the past 5 years. Another one will be performed this fall. The studies have shown no degradation in depth or rechargeability of the aquifer over that time span.

A member inquired about the effect of a power outage on his grinder pump. He was informed that he should ask the sanitary district that question.

Adjournment:

As there were no further questions, Mark Armstrong made a motion to adjourn the meeting. The motion was seconded by Randy Joly and passed. The meeting was adjourned at 11:14am.