

Inscription Canyon Water Company

Board of Directors Meeting

October 6th, 2022

DRAFT Minutes

Present:

Randy Joly – Secretary

Giles Howard \_ Treasurer

Mike Hubbard – VP Operations

Dan Cancelleri – Director

Mark Armstrong – President

Cheryl Ibbotson – Business Office

Derrick Scott – Aquality water - Operations

The meeting was called to order by Mark Armstrong at 9am. The group was able to establish quorum.

Mark Armstrong made a motion to accept the draft minutes of meeting held August 10th, 2022. There were no questions. The motion was seconded by Giles Howard and passed unanimously.

Finance Report:

Giles Howard provided a Variance analysis that showed no major deviations to budget except for the lower golf course revenue (due to TRR well #2 failure), and higher power costs. The overall budget was approximately 22K favorable YTD.

He also presented a Cash position/trend report which showed a positive position at year end, and contained an estimated 100K of Funds available for Engineering improvements in 2022. Cheryl Ibbotson agreed to produce a similar report monthly for the board's review.

There was a discussion of investigating interest -bearing investments for the cash reserve accounts now that interest rates are rising. Giles agreed to investigate. Cheryl Ibbotson stated that some of her other utility customers had investigated Treasury bills in various terms that were now yielding up to 4%.

### Operations report:

Mike Hubbard apprised the board of the TRR well #4 status and production tests. He affirmed that the well equipment was producing according to specification. A full draw down float test will be conducted next summer when other users are drawing from the aquifer to confirm full viable capacity.

Mark Armstrong asked Derek Scott if a date had been finalized for tank inspections. Derek contacted Pat Carpenter who confirmed that the inspection company had estimated November 12<sup>th</sup> and thirteenth.

A discussion occurred regarding the Sept 6<sup>th</sup> booster pump outages at the Double Adobe boost station. Investigation appears to show that existing programming and testing did not account for the state that the PLC returned to after a hard reset caused by a lightning surge. The factory setting was to "off" instead of "auto". That programming has been changed at all PLC locations and tested. Mike Hubbard suggested that there needed to be a log that tracked these kind of programming and system changes, so that future boards and contractors could follow the history. He agreed to create a template Change Log, that would have a section for each facility on all of the company systems. This would also contain all changes brought about by the engineering improvements suggested by Civiltec.

Some discussion occurred regarding the issues that have been experienced this summer with electrical systems on the TRR system with lightning induced outages, where the ICR systems seemed unaffected. The board agreed to have Civiltec include lightning protection in their scope of investigation.

### Symmetry Well development

Randy Joly mentioned that he had been told that that Symmetry was contemplating contracting with a well company to perform some testing at a site that they own in Las Vegas Ranch. We have requested an update on the status and findings.

### Hydrology Testing

Randy Joly gave an update on this year's Hydrology testing and report. All wells were tested in August. The report will be available in October. The hydrologist was also waiting for the TRR #4 draw down tests and the Symmetry well test results (if available) to estimate a longer term supply situation. Dan Cancelleri agreed to inquire regarding the Symmetry testing.

### Electrical Usage and Tracking update

Dan Cancelleri presented the latest update to his power consumption review. The results showed that several services within the water systems were incurring costs at a much higher rate per KWH than previously. Some of this appears to be due to the timing of consumption, which is under study with Civiltec, but also a significant increase in APS rates.

Dan Cancelleri also presented a base case for Solar power at the TRR well sites. The proposal showed approximately a 12 year payback, with an investment of almost \$500K. The board decided to table that subject for now.

### Water rights update

Randy Joly confirmed that the well registrations were filed correctly for the Verde River watershed. The well owned by Aqua Meadows are still being investigated.

### Engineering Work

The board had previously completed a review Phase 1 recommendations for High priority attention. After getting cost estimates and lead time estimates, the board agreed to proceed with 4 items:

1. Health and safety measures at well sites (OSHA requirements)
2. Flow control/shutoff valve at the golf course lake intake
3. Check valve at Double Adobe boost station
4. Back up power for ICR and TRR wells

These items total approximately \$200K and will be scheduled to match cash flow and resources. As the number of projects attainable with current finances was small, the board determined that it would provide project oversight.

### Rate Case

Mark Armstrong gave an update on the Rate Case Restart. He presented a revised engagement document received from the accounting consultant, which reflected the new schedule and costs. Mark made a motion that he execute the contract. The motion was seconded by Randy Joly and passed unanimously. The goal is to have the rate case application filed by Oct 31<sup>st</sup>, which would likely have any approved increase go into effect next May.

### Election:

The board asked Cheryl Ibbotson to confirm the election schedule. She stated that the process would be as follows:

10/26 – Nomination forms/instructions sent with billing

11/16 – Nomination forms due back to office

12/5 – Ballots mailed

12/29 – Ballots due by 3pm

1/6/2023 – Ballot count

There were no additional items. Mark Armstrong motioned to adjourn the meeting at 10:40am. The motion was seconded by Randy Joly and passed.