

**Courtesy Update:
Community Water Company Activities and Intentions**

Dear Commission,

Community Water Company (“Company”) is submitting this courtesy update to inform the Public Service Commission (“PSC”) about various Company activities related to PSC Docket No. 16-098-01. The Company believes there is not yet a need for formal PSC filings, but feel the breadth and scope of Company activities merits a courtesy notice. Over the last few months the Company has informally consulted with Mark Long of the Utah Division of Public Utilities and Patricia Schmid of the Utah Attorney General’s Office. These discussions have been helpful in directing our activities in a manner hopefully acceptable to the PSC.

As discussed during the Company’s recent rate case, the Company’s owner inherited the Company as part of a global acquisition of the Canyons Ski Resort and does not desire to own a water utility. The Company is seeking to transfer ownership to an established water provider that can better serve customer needs. The goal of the activities discussed herein is to culminate in an Application to Terminate the Company’s Certificate of Public Convenience and Necessity, transfer the Company to Summit Water Distribution Company (“SWDC”), and to finance and begin construction on urgently needed water system repairs. The Company has taken a number of steps in furtherance of these goals.

In addition to various transfer activities, the Company’s primary water storage tank recently failed affecting the Company’s ability to meet fire flow storage requirements. To protect public health and safety, the Company has implemented outdoor watering restrictions under Tariff No.3 Rule and Regulation No.8. Under the restriction, customers are prohibited from all outdoor watering. The Company is diligently working to resolve this problem and aims to return full water service as soon as possible.

The last few months have been busy. Many Company activities are occurring simultaneously and are often interrelated. During this time we have made good faith efforts to keep our customers informed and invite their input to inform decision making. We believe these efforts have led to a greater understanding of and customer support for the Company transfer and associated activities. We appreciate the PSC’s patience as work through these many matters. Please do not hesitate to contact the Company with questions or requests for additional information.

This courtesy update covers the following activities:

- I) Storage Tank Failure, Outdoor Watering Restrictions, and Private Tank Financing.
- II) Utah Division of Drinking Water State Revolving Fund Loan for Water System Improvements.
- III) Transfer of Company to SWDC and Application to Terminate Company Certificate of Public Convenience and Necessity.

COMPANY UPDATE

D) STORAGE TANK FAILURE, OUTDOOR WATERING RESTRICTIONS, AND PRIVATE TANK FINANCING

As discussed during the rate case for Docket No. 16-098-01, the Company's system has been underfunded for decades and is in need of significant repairs. Unfortunately, this neglect has contributed to recent serious system failures that threaten sustained and safe water delivery.¹

i) Water Storage Tank Failure.

On April 17, 2017, the larger of the Company's two bolted-steel water storage tanks experienced a catastrophic failure resulting in complete shutdown of the tank. (Attachment A). The tank is now considered unusable and cannot store water for Company needs. Since the tank failure the Company has taken a number of steps to assess the gravity of the situation, inform and solicit customer input, and find a timely and cost effective solution.

After the failure, the Company met with the Summit County Fire Department and SWDC as the operator of the system. It was determined under the present conditions the Company cannot meet its 120,000 gallon fire flow requirements and provide outdoor watering to its customers. To alleviate customer concerns, the Company explored several alternatives to provide outdoor water. However, the Company's storage is so diminished, even a rotating watering schedule threatens fire flow requirements and supplemental irrigation water from SWDC is not available. Accordingly, to protect public safety, under Company Tariff No. 3 Rule and Regulation 8, the Company has instituted a restriction on all outdoor watering until further notice – most likely when the new tank is installed. (Attachment B).

Customers have been informed that if found watering contrary to the restriction they will first receive a written courtesy notice to cease outdoor watering. If outdoor watering continues after the courtesy notice is issued, under Tariff No. 3 Regulation F7 and Utah Admin Code. R746-200-7(F) the Company has the ability to terminate service for emergency purposes without notice. Service will be reconnected upon request of the Customer and payment of the \$25 reconnection fee. Customers have also been informed that under Company Tariff No.3 Rule and Regulation 11, the Company is making all reasonable and diligent efforts to provide full water service as soon as possible and is not liable for damages caused by disruptions to service based on scarcity and accidents to its water works.

ii) Water Storage Tank Replacement

The Company has diligently worked to find a timely and cost effective solution to replace the storage tank. On June 1, 2017, the Company held a customer meeting, including representatives from SWDC and the Summit County Fire Department, to discuss the diminished state of the Company's water system and the public safety reasons for instituting the outdoor watering restriction. At this meeting several options for tank replacement were discussed, including purchasing and installing a temporary bladder to insert into the damaged tank and the funding timeline under the PSC special assessment

¹ In addition to the storage tank failure, the Company's largest water source, the Gulch Well, also failed in April 2017. Fortunately the Company was able to repair the Gulch Well without serious disruption to water service.

process and the Utah Division of Drinking Water State Revolving Fund Loan (“DDW SRF Loan”), discussed more below.

After the June 1st meeting, the Company further investigated the multiple options discussed. (Attachment C). The Company has determined the best course of action is to immediately replace the damaged storage tank. The replacement tank is a 450,000 gallon bolted steel tank similar to, but upgraded from, the damaged tank. The damaged tank will not be reused or repurposed. It must be disassembled and disposed of. The cost of the new tank is approximately \$300,000, demolition of the existing tank and minor repairs to the Willow Draw ski-run are approximately \$50,000, and base excavation and prep work is estimated to be \$100,000, but may vary depending on final design and contractor bids. Accordingly, the estimated cost for the tank replacement is about \$450,000.

Time is of the essence as the construction window in Park City is extremely short and there is a pressing need to return to full water service. The Company has secured a contractor to demolish the existing tank and anticipate demolition being complete by early July 2017. We have commenced tank design work and anticipate expedited approval from the DDW to also be complete by early July 2017. Bidding for contractors is intended to be complete by mid-July 2017 and initial pad work complete by early August 2017. Tank manufacturing will be complete by early September and installation complete by early October. We are aiming to have a DDW operating permit and the new tank functioning sometime in October 2017.

iii) Financing Tank Replacement

The Company completed a rate case in December 2016 to establish a Maintenance and Operations rate (“O&M Rate”) sufficient to cover the routine maintenance and operations costs of the Company. The final rate was a base rate of \$30.65 and \$.70 per 1000 gallons for the first 12,000 gallons followed by tiered 12,000 gallon blocks of per 1000 gallon chargers where each 12,000 gallon tier doubled the usage amount charged. As discussed throughout the rate case, this rate was not intended to cover the needed capital improvements to the Company system. While the O&M Rate includes an annual capital reserve account of \$52,010, little money has accrued under the new rate instituted in January 2017 and the amount is woefully insufficient to fund a tank replacement.

Unfortunately, funding the tank through the DDW SRF Loan and/or the PSC assessment process would delay construction of the tank till Summer 2018. Accordingly, to move forward with quickly installing the needed storage tank, the Company has secured financing for tank replacement from its parent company. These funds will be repaid through customer assessments or other arrangement between SWDC and TCFC - to be determined pending the resulting transfer and future structure Community Water Company, discussed below.

In the unlikely event the Company is not transferred to SWDC and remains a regulated utility under PSC jurisdiction, the Company will initiate a special assessment proceeding before the PSC to adjust the Company’s water rates to include repayment of the tank funding and the debt service for the larger DDW SRF Water System Loan, discussed below.

iv) Compliance with PSC Project Notification Rules

Utah Administrative Code R746-401-3(4) requires regulated entities file a report with the PSC for expenditures in excess of five (5) percent of gross investment in the utility plant at least thirty (30) days before the purchase or acquisition of the asset of project. However, the rule is not applicable to “replacement of existing utility assets.” Utah Administrative Rule R746-401(1). The Company has presently expended funds for tank design work but the Company has not yet expended the bulk of the estimated \$450,000 to demolish, construct, and install the tank.

The Company does not believe it needs to submit a report under Utah Administrative Rule R746-401-3(4) as the tank is a replacement of an existing utility asset. Additionally, the Company intends to soon file an Application to Terminate its Certificate of Public Convenience and Necessity and complete the transfer of the Company to SWDC by late summer/early fall 2017. If granted, Company finances, such as ongoing expenditures and repayment of tank costs, will be privately managed by the new Community Water Company entity and SWDC. Details regarding the Company transfer and the financial management will be more discreetly addressed in the Company’s forthcoming Application to Terminate.

In an abundance of caution, the Company is alerting the PSC to the tank project and associated costs. While the Company does not believe a formal report is needed, the Company is willing to provide any further information the PSC requests.

II) UTAH DIVISION OF DRINKING WATER STATE REVOLVING FUND LOAN FOR WATER SYSTEM IMPROVEMENTS

The Company’s water system is in dire need of repairs. The Company has been underfunded for decades resulting in a dilapidated and deteriorating water system. The water tank failure exemplifies the state of the Company’s system and the insecurity surrounding the Company’s ability to provide safe and reliable water service. Unfortunately, the recently implemented O&M Rate is designed to only cover operation and maintenance costs and not raise funds for needed capital improvements. Additionally, the Company will need to make a number of needed improvements to the Community water system as a condition to transferring the Company to SWDC.

i) DDW SRF Water System Loan.

To finance these needed improvements, the Company applied for a Division of Drinking Water State Revolving Fund Loan (“DDW SRF Water System Loan”). SWDC, as the current and future operator of the Company system, assisted in identifying the needed improvements to include in the loan request. The loan application requested funds to replace deteriorating transmission and distribution lines, looping other transmission lines, installation, replacement, and repair of over 140 service meters, installation of a pressure reducing valves, completing and interconnect with SWDC, and retrofitting the water treatment plant to increase capacity. Like the Company’s communications with the PSC, the Company’s loan application and discussions with DDW have accounted for the intended transfer of the Company to SWDC.

The loan application was approved by the Board of Drinking Water on May 12, 2017. The final approved terms are a loan for up to \$3,662,000 with a repayment period of 20 years at an annual interest rate of 3.39%. The loan amount will be reduced by \$450,000 to account for the private financing of the

tank project discussed above. Additionally, the Company's repayment obligations will only be for the actual costs expended based on more thorough design and competitive bidding process.

The Company and SWDC are presently working with DDW to establish the loan closing requirements. Among the unofficial closing requirements is filing an Application to Terminate the Company's Certificate. We anticipate closing the loan by November of 2017. Draws on the loan will begin in early 2018 to fund construction and the first loan payment will be due in January 2019.

The debt service on the DDW SRF Water System Loan is intended to be repaid by Company customers to DDW through water rates, special assessments, or other arrangement once the Company is transferred to SWDC. Currently we estimate that water rates, accounting for SWDC operations and maintenance fees, tank repayment, and debt service on the DDW SRF Water System Loan, will be between \$85-\$95 dollars a month per customer. The Company has retained Bowen Collins & Associates to conduct an official rate study. The exact structure of the transfer and customer water rates after the transfer will be more thoroughly discussed in our Application to Terminate the Company's Certificate.

In the unlikely event the transfer to SWDC does not occur and the Company remains under PSC jurisdiction, the Company will commence a capital improvement rate case under PSC rules. This rate should account for the tank private funding and debt service on the DDW SRF Water System Loan. The Company has been careful to request items it feels would be appropriate to be included a PSC rate. Additional, through the DDW SRF Loan process the Company will have specific engineering, design, and bid information to support a speedy and thorough capital improvement rate case.

ii) Customer Participation and Support.

The Company has established a good working relationship with its customers. We appreciate their participation in Company matters and feel the O&M Rate case was better for their involvement.

The Company has held several customer meetings to discuss the loan application process, approval, and impact. The Company held a meeting on March 7, 2017, with interested Company customers to discuss the DDW SRF Water System Loan application. Additionally, at the June 1, 2017 meeting, which was primarily scheduled to discuss the tank replacement project, we also discussed the approved loan, loan closing requirements, and the transfer of the Company. The conversation was very productive.

The Company has a follow up customer meeting scheduled for June 20, 2017, to more specifically discuss the loan approval, intended water system improvements, structure of the transfer of the Company to SWDC, and structure of anticipated SWDC water rates or special assessments to repay tank funding and the DDW SRF Water System Loan debt service.

It is very important to the Company its customers understand the Company's motivations and actions. The Company has worked diligently on behalf its customers to find financing to remedy the numerous system deficiencies, facilitate a transfer to a more established water provider, and work with customers to find and emergency replacement for the Company's damaged storage tank. We anticipate these efforts will lead to customer support for the Company's Application to Terminate its Certificate of Public Convenience and Necessity and Company transfer to SWDC.

III) COMPANY TRANSFER TO SWDC AND FORTHCOMING APPLICATION TO TERMINATE PUBLIC CERTIFICATE OF CONVENIENCE AND NECESSITY.

The Company is presently working with SWDC to finalize the terms of a transfer of the Company to SWDC.² We have reached a tentative agreement on the basic terms and are now solidifying the details of the transfer. We are circulating DRAFTS of various written agreements and other documents needed to facilitate the transfer. We aim to have the transfer arrangements and documents finalized and ready to sign by late summer.

A crucial component of this transfer is the Company leaving PSC jurisdiction. We understand it is uncommon for a regulated entity to leave PSC jurisdiction. The Company has discussed the matter with Patricia Schmid suggested filing an Application to Terminate the Company's Certificate of Public Convenience and Necessity. This application would demonstrate the Company meets similar requirements to those seeking an exemption from PSC regulation and explain how Company customer interests would be protected once outside of PSC jurisdiction. It is unclear how much notice the PSC needs for this filing, how long termination will take, or if the PSC will desire a hearing on the matter. The Company would appreciate any guidance from the PSC on this matter as we plan a closing timeframe with SWDC and the DDW.

Presently, as soon we have finalized our transfer structure and associated issues, the Company intends to file the Application to Terminate. This application will clearly explain the structure of the new Community Water Company entity, how Company customers are to be incorporated into the new entity/SWDC, the components and structure of customer water rates, and the extent of customer support for the transfer. Our hope is that PSC will find the new arrangement adequate for terminating the Certificate and allow the Company to move forward with the transfer.

CONCLUSION

The Company has been very busy in its efforts to provide a long term solution for its customers. These last few months have been very productive and the Company has a positive outlook for the future. Considering the breadth of recent activities the Company saw it prudent to provide the PSC this update. Please do not hesitate to contact us with questions or requests for more information.

Regards,



Emily E. Lewis
Attorney for Community Water
Company

² This information is also necessary to complete the closing requirements of the DDW SRF Water System Loan.

ATTACHMENT A

Community Water Company
P.O. Box 680033
Park City, UT 84068

May 10, 2017

IMPORTANT INFORMATION
PLEASE READ -- DO NOT DISCARD

Dear Community Water Company Customers:

In our continuing effort to keep Customers apprised of Community Water Company (“CWC”) activities, we have several very important matters to make your aware of:

Tank Failure and Emergency Irrigation Restrictions

As you are well aware, CWC’s water system is rapidly aging and CWC management is working to secure funding for needed improvements.

Unfortunately, on April 17, 2017, the larger of CWC’s two steel water tanks experienced a catastrophic failure resulting in complete shutdown of the tank, emptying of both tanks onto the Willow Draw ski trail, and supplemental water being required from Summit Water Distribution Company (“SWDC”). The failed tank is approximately 423,000 gallons and has previously been repaired. The connection of the two tanks was bypassed, second tank refilled (approximately 225,000 gallons), and is currently operating as the sole water storage source for CWC.

We have conducted independent usability and cost studies and determined the only course of action is full replacement of the tank. In an effort to mitigate the impact on Customers, we have contracted with Summit Water Distribution Company to provide supplemental water to the system as needed. However, this solution is costly, temporary and limited.

Currently, CWC’s newly established capital reserve fund is insufficient to fund immediate tank repairs. As discussed below, the Company has applied for a Loan to fund repairs to the water system. We amended our request to now include tank replacement costs. Loan funds are anticipated to be available mid-Summer.

CWC has determined that due to the tank failure, the amount of water available has diminished to such a volume that, unless restricted, the public health, safety and general welfare of its customers is likely to be endangered. Accordingly, until funding is available to replace the failed storage tank, the CWC system is unable to supply the same quantity of water historically available to Customers.

In accordance with the Rules and Regulations established by Community Water Company Tariff No. 3, Effective Date November 28, 2016 (Docket No. 16-098-01) (the “Tariff”), CWC is prescribing rules and regulations to conserve the water supply during this emergency. Such rules and regulations may include, but shall not be limited to, the restriction to certain hours (or total prohibition) of the use of water for outdoor watering.

WE ARE ASKING ALL CWC CUSTOMERS TO REFRAIN FROM IRRIGATION AND OTHER OUTDOOR WATER USE UNTIL FURTHER NOTICE.

Infrastructure Funding Update

CWC has been actively working to find a funding source to update its water system infrastructure to avoid system failures such as the recent tank failure.

We are pleased to report, on May 8, 2017, the Utah Department of Environmental Quality, Division of Drinking Water (the "Division") recommended the Utah Drinking Water Board approve our State Drinking Water State Revolving Fund loan application ("the Loan"). The Loan includes funds for replacing and looping leaking transmission and distribution lines, water treatment plant improvements, needed meters and pressure reducing valves, and now tank demolition and replacement costs. We expect the Loan to fund most of the needed CWC infrastructure improvements that when completed, will secure reliable and safe water service.

The requested Loan amount is \$3,661,662. The Division has recommended a 20 year repayment schedule at a 3.39% interest rate. CWC requested, but did not qualify for, grant funding. As discussed at the last CWC customer meeting, the costs of the Loan will be directly reflected in new monthly water rates which we will analyze and estimate when final Loan terms are available. Additionally, while we are hopeful we can avoid lump-sum infrastructure assessments, if the full amount of the Loan is not approved, or is untimely, a special assessment may also be necessary to secure water service

We will continue to provide you updated information as it becomes available.

Company Transfer Status

As you are aware, CWC is intending to transfer ownership to a new entity. Over the past two years CWC has explored numerous ownership alternatives to ensure sustainable water service for its customers. Many of you have painstakingly participated in this process and your input has been invaluable.

Most recently, at the prompting of our customers, CWC explored, in depth, the possible transfer of the system to Mountain Regional Special Service Water District ("MRSSWD"). In that process, CWC and MRSSWD jointly determined that MRSSWD was not able to timely, and with certainty, accept transfer of the CWC system at a cost equally or more beneficial to the CWC customers.

CWC continues to believe transferring ownership to Summit Water Distribution Company ("SWDC") is the best solution. SWDC provides the best transition for the CWC system at a predictable cost for CWC customers. As such, CWC is actively working toward transferring the CWC assets and system to SWDC simultaneous with the closing of the Loan and removing CWC from PSC regulation.

Continued Support

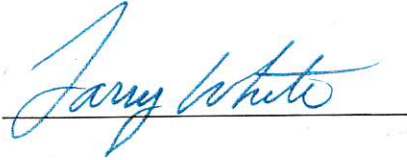
We appreciate your patience and collaboration as we address the multiplicity of issues facing Community Water Company. Until further notice, we need everyone's cooperation in limiting outdoor water use. We are hopeful these efforts will eliminate the need to implement further water use restrictions and help reduce costs due to the need for supplemental water from SWDC

while we diligently work to close the Loan and replace the failed tank. Similarly, we ask for your support and understanding as we complete transferring the system to SWDC.

The Company intends to hold another customer meeting on May 23rd at 2:00 at the TCFC Offices to further discuss Company matters. If you have questions or concerns please plan on attending that meeting.

Sincerely,

Community Water Company

A handwritten signature in blue ink that reads "Larry White". The signature is written in a cursive style and is positioned above a horizontal line.

Larry White
Chief Executive Officer TCFC Finance Co LLC
Manager of ASC Utah, LLC
lwhite@tc-fc.com

From: Tara Mifflin [<mailto:TMifflin@tc-fc.com>]
Sent: Thursday, June 15, 2017 9:43 AM
To: Emily E. Lewis
Subject: May 18th Update

PLEASE READ -- DO NOT DISCARD

Dear Community Water Company Customers:

As you know Community Water Company has applied for a Utah Division of Drinking Water State Revolving Fund Loan to fund numerous needed water system improvements. This loan was recently approved by the Utah Board of Drinking Water on Friday May 12, 2017.

The SFR Loans requires 30 day notice of any public meeting where the Loan is to be discussed. Accordingly, our meeting scheduled for **Tuesday, May 23rd** has been postponed until **Tuesday, June 20th**.

To best inform you of our coming discussions, please find attached the agenda for the June 20th meeting as well as a Loan Packet prepared by Utah Division of Drinking Water for the May 12th Board of Drinking Water Meeting.

In the interim, if you have questions about the infrastructure issues or watering restrictions discussed in our May 10th letter, please call the Company.

Sincerely,
Community Water Company

Tara Mifflin
Accountant

Office: 435.200.8402 **Mobile:** 435.602.2856

1840 Sun Peak Drive, Suite 201 Park City, Utah 84098



This message is intended only for the use of the addressee(s) and may contain information that is PRIVILEGED and CONFIDENTIAL. If you are not the intended recipient(s), you are hereby notified that any dissemination of this communication is strictly prohibited. If you have received this communication in error, please erase all copies of the message and its attachments and notify us immediately.

ATTACHMENT B

Community Water Company

Public Meeting: Division of Drinking Water SRF Loan Application

June 01, 2017 at 2:00 PM
1840 Sun Peak Drive
Park City, Utah 84068

AGENDA

“draft-subject to change”

1) Review of Status and Condition of Community Water System:

- a. Infrastructure Developments
 - i. Water Tank Replacement
 - ii. Gulch Well Repairs
- b. Irrigation and Outdoor Watering Restrictions

2) Division of Drinking Water SFR Loan:

- a. Loan Funding Requests
 - i. Transmission and Distribution Lines
 - ii. Meter Upgrades, Replacement, and Installation
 - iii. Water Treatment Plant Refurbishment
 - iv. Tank Replacement
 - v. Pressure Reducing and Service Valves
 - vi. Interconnect with SWDC
- b. Loan Repayment Structure
 - i. Total Loan Request: \$3,662,000
 - ii. Loan Conditions: 20 year Loan at 3.3.9% Interest Rate
 - iii. Anticipated Average Monthly Water Bill: \$94
 - * Final monthly bill will depend on amount of Loan actually used to pay for improvements and individual user water usage.
- c. Board of Drinking Water Loan Approval and Next Steps
- d. Company/Customer Vote/Poll regarding Loan Application

3) Review of Solutions and Alternatives:

- a. Overview and Summary of Alternatives
- b. Preferred Alternative - Summit Water Distribution Company Acquisition
 - i. Anticipated Acquisition Process Summary
 - ii. Financial Impacts, User Fees and Special Assessments
 - iii. Billing, Administrative Logistics, and other Customer Concerns
- c. Terminating Certificate of Convenience and Necessity before Public Service Commission

4) Open Forum:

**DRINKING WATER BOARD
BOARD PACKET FOR CONSTRUCTION LOAN
AUTHORIZATION**

APPLICANT'S REQUEST:

Community Water Company is requesting financial assistance in the amount of \$3,662,000 to replace and upgrade portions of their existing distribution system and transmission lines, install meters, add an interconnection with Summit Water Distribution Company and upgrade their water treatment plant. After the Financial Assistance Committee call, one of their steel tanks experienced a catastrophic failure that resulted in the tank becoming unusable. The tank is over 40 years old and will need to be replaced, which has been added to the project scope and cost. Community Water Company scored 24.1 points on the Project Priority List.

STAFF COMMENTS:

A Master Plan was completed in 2015, which recommended a number of water system improvements. Since that time, Community Water Company has been in discussions with Summit Water Distribution Company to take over their system. A recent addendum to the 2015 Master Plan evaluated the potential improvements taking into considering an interconnection with Summit Water Distribution Company which would increase the efficiency, water quality and redundancy of the Community Water Company system.

The proposed project will include the replacement of a failing steel storage tank, upgrades to the existing water treatment plant and the replacement of transmission and distribution lines, all of which are old, undersized and failing. In addition, an interconnection will be made with Summit Water Distribution Company. It is anticipated that after the completion of the project, Summit Water Distribution Company will take over ownership of the system and assume responsibility of the loan. They do not anticipate requesting additional funds from the Board for this transfer.

The system currently experiences an average water loss of approximately 43% through their pipes. The existing conventional water treatment plant's capacity has been reduced from 150 gallons per minute (gpm) to 80 gpm due to age and deterioration over time. In addition, the plant cannot operate during certain times of the year due to its inability to effectively handle seasonal changes in the raw water quality.

The local MAGI for Community Water Company is \$78,670 which is 182% of the State MAGI. They currently have an average water bill of approximately \$34 per month, which is 0.52% of local MAGI. A full loan for 20 years at the calculated interest rate of 3.39% would result in an average water bill of approximately \$94, which is 1.44% of

Community Water System

May 12, 2017

Page 2

their local MAGI. Based on this information, they do not qualify to be considered for additional subsidization.

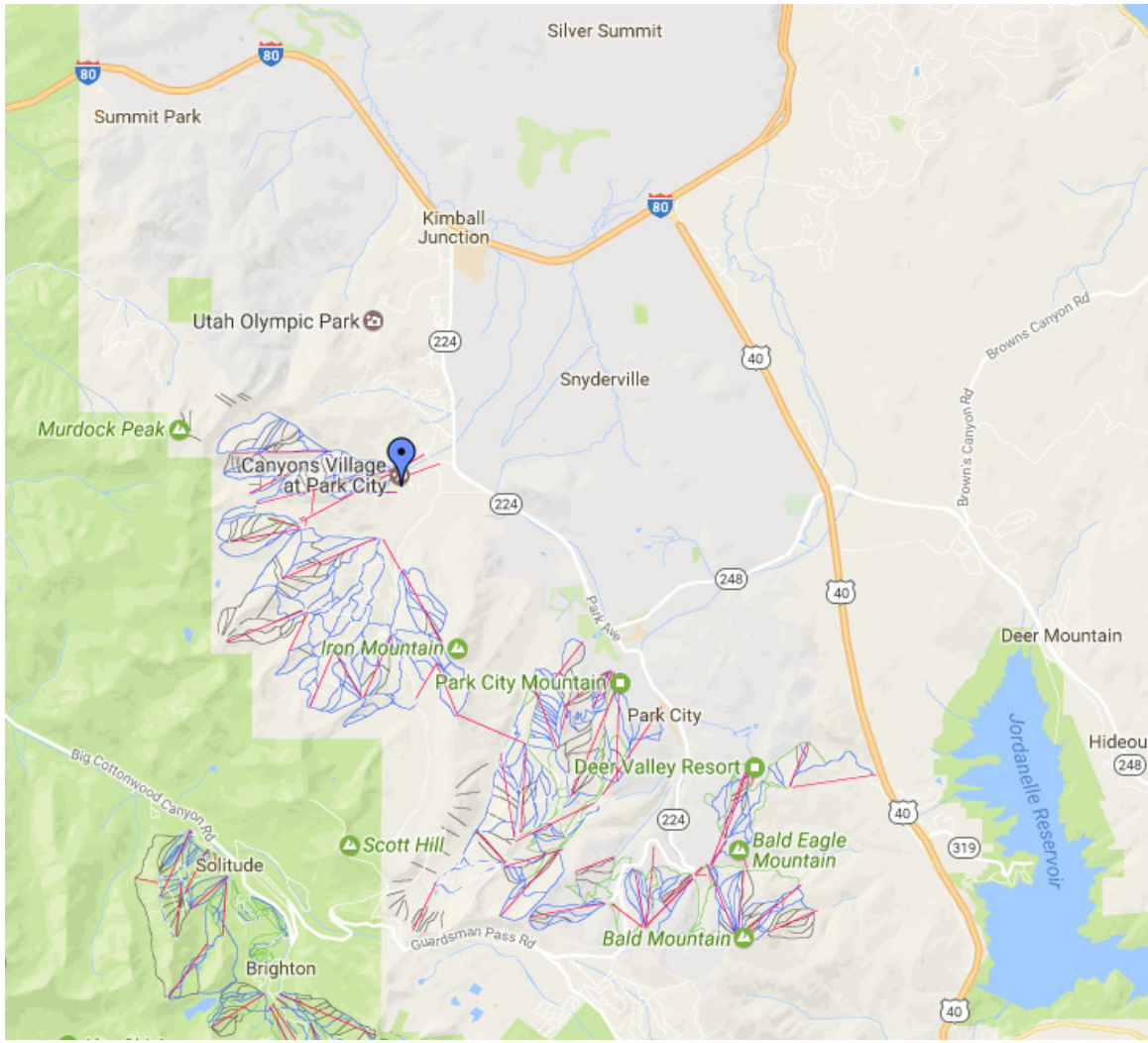
FINANCIAL ASSISTANCE COMMITTEE RECOMMENDATION:

The Drinking Water Board authorize a \$3,662,000 construction loan to Community Water Company with a 3.39% interest/fee per annum for 20 years.

APPLICANT'S LOCATION:

Community Water Company is located by the Canyons Resort in Park City.

MAP OF APPLICANT'S LOCATION:



PROJECT DESCRIPTION:

Based on the water quality and existing system operations, the existing conventional water treatment plant will be replaced with an upflow adsorption clarification package treatment plant. The type of treatment technology may change once more water quality data is collected and analyzed.

The transmission and distribution lines are undersized, aging and experiencing a large amount of water loss. The system currently experiences a 43% water loss in their system. The project involves replacing and upgrading transmission and distribution lines and installing additional pipes to loop the system in areas where there are dead ends. In addition, they will make a connection to Summit Water Distribution Company to combine the two systems.

Recently, they experienced a catastrophic failure of one of their steel tanks, which will be replaced as part of this project.

In the near future, the plan is for Summit Water Distribution Company to take over the ownership and operation of Community Water.

POPULATION GROWTH:

According to the Utah State Governor’s Office of Planning and Budgeting, the anticipated growth rate for Park City is approximately 1.9 % per year over the next 20 years. However, all available connections are built out and very little to no future growth is expected.

	<u>Year</u>	<u>Population</u>
Current:	2017	505
Projected:	2035	505

IMPLEMENTATION SCHEDULE:

Apply to DWB for Construction Funds:	March 2017
SRF Committee Conference Call:	April 2017
DWB Funding Authorization:	May 2017
Complete Design:	August 2017
Plan Approval:	September 2017
Advertise for Bids:	September 2017
Bid Opening:	October 2017
Loan Closing:	November 2017
Begin Construction:	April 2018
Complete Construction:	August 2018
Receive Operating Permit:	August 2018

COST ESTIMATE:

Legal-Bonding	\$28,020
Environmental	\$10,000
Engineering- Design	\$235,478
Engineering- CMS	\$235,478
Engineering- Planning	\$55,213
Construction- Distribution Lines	\$291,760
Construction- Transmission Lines	\$182,630
Construction- Meters/PRVs/Service Valves	\$909,500
Construction- Treatment	\$523,600
Construction- Tank	\$447,294
Contingency- 30%	\$706,407
LOF	<u>\$36,620</u>
Total Project Cost	\$3,662,000

COST ALLOCATION:

<u>Funding Source</u>	<u>Cost Sharing</u>	<u>Percent of Project</u>
DWB Loan (3.39%, 20-yr)	\$3,662,000	100%
Total Amount	<u>\$3,662,000</u>	<u>100%</u>

ESTIMATED ANNUAL COST OF WATER SERVICE:

Operation and Maintenance plus Depreciation: \$300,990
 Existing DW Debt Service: \$0
 DDW Debt Service (3.39%, 20-yrs): \$255,104.37
 DDW Debt Reserve: \$25,510.44
 Partial Coverage (15%): \$38,265.66
 Annual Cost/ERC: \$1,129.09
 Monthly Cost/ERC: \$94.09
 Cost as % MAGI: 1.44%

APPLICANT: Community Water Company
1840 Sun Peak Drive
P.O. Box 680033
Park City, Utah 84068
435-200-8400

PRESIDING OFFICIAL &
CONTACT PERSON: Larry White
1840 Sun Peak Drive
P.O. Box 680033
Park City, Utah 84068
435-200-8400
lwhite@tc-fc.com

CONSULTING ENGINEER: Tena Campbell
Bowen Collins & Associates
154 East 14000 South
Draper, Utah 84020
801-495-2224
tcampbell@bowencollins.com

FINANCIAL CONSULTANT: Rebecca Christianson
TCFC Finance Company
1840 Sun Peak Drive
P.O. Box 680033
Park City, Utah 84068
435-200-8400
rchristianson@tc-fc.com

SYSTEM ATTORNEY: Steve Clyde
Clyde Snow & Sessions
201 South Main Street
Salt Lake City, Utah 84111
801-322-2516
sec@clydesnow.com

DRINKING WATER BOARD FINANCIAL ASSISTANCE EVALUATION

SYSTEM NAME: Community Water Company
 COUNTY: Summit
 PROJECT DESCRIPTION: water line replacement, treatment plan upgrade

FUNDING SOURCE: Federal SRF

100 % Loan & 0 % P.F.

ESTIMATED POPULATION:	505	NO. OF CONNECTIONS:	549 *	SYSTEM RATING:	APPROVED
CURRENT AVG WATER BILL:	\$33.93 *			PROJECT TOTAL:	\$3,662,000
CURRENT % OF AGI:	0.52%	FINANCIAL PTS:	26	LOAN AMOUNT:	\$3,662,000
ESTIMATED MEDIAN AGI:	\$78,670			PRINC. FORGIVE.:	\$0
STATE AGI:	\$43,196			TOTAL REQUEST:	\$3,662,000
SYSTEM % OF STATE AGI:	182%				

	@ ZERO % RATE 0%	@ RBBI MKT RATE 4.17%		AFTER REPAYMENT PENALTY & POINTS 3.39%
<u>SYSTEM</u>				
ASSUMED LENGTH OF DEBT, YRS:	20	20		20
ASSUMED NET EFFECTIVE INT. RATE:	0.00%	4.17%		3.39%
REQUIRED DEBT SERVICE:	\$183,100.00	\$273,528.16		\$255,104.37
*PARTIAL COVERAGE (15%):	\$27,465.00	\$41,029.22		\$38,265.66
*ADD. COVERAGE AND RESERVE (10%):	\$18,310.00	\$27,352.82		\$25,510.44
ANNUAL NEW DEBT PER CONNECTION:	\$416.89	\$622.79		\$580.84
O & M + FUNDED DEPRECIATION:	\$300,990.00	\$300,990.00		\$300,990.00
OTHER DEBT + COVERAGE:	\$0.00	\$0.00		\$0.00
REPLACEMENT RESERVE ACCOUNT:	\$0.00	\$0.00		\$0.00
ANNUAL EXPENSES PER CONNECTION:	\$548.25	\$548.25		\$548.25
TOTAL SYSTEM EXPENSES	\$529,865.00	\$642,900.21		\$619,870.46
TAX REVENUE:	\$6,000.00	\$6,000.00		\$6,000.00
<u>RESIDENCE</u>				
MONTHLY NEEDED WATER BILL:	\$80.43	\$97.59		\$94.09
% OF ADJUSTED GROSS INCOME:	1.23%	1.49%		1.44%

* Equivalent Residential Connections

R309-700-5

Community Water Company
Summit
March 27, 2017

TABLE 2 FINANCIAL CONSIDERATIONS

	POINTS	
1. COST EFFECTIVENESS RATIO (SELECT ONE)		
A. Project cost \$0 to \$500 per benefitting connection	16	
B. \$501 to \$1,500	14	
C. \$1,501 to \$2,000	11	
D. \$2,001 to \$3,000	8	
E. \$3,001 to \$5,000	4	
F. \$5,001 to \$10,000	1	X
G. Over \$10,000	0	
	\$6,670	
2. CURRENT LOCAL MEDIAN ADJUSTED GROSS INCOME (AGI) (SELECT ONE)		
A. Less than 70% of State Median AGI	19	
B. 71 to 80% of State Median AGI	16	
C. 81 to 95% of State Median AGI	13	
D. 96 to 110% of State Median AGI	9	
E. 111 to 130% of State Median AGI	6	
E. 131 to 150% of State Median AGI	3	
F. Greater than 150% of State Median AGI	0	X
	182%	
3. PROJECT FUNDING CONTRIBUTED BY APPLICANT (SELECT ONE)		
a. Greater than 25% of project funds	17	
b. 15 to 25% of project funds	14	
c. 10 to 15% of project funds	11	
c. 5 to 10% of project funds	8	
d. 2 to 5% of project funds	4	
e. Less than 2% of project funds	0	X
	0.0%	
4. ABILITY TO REPAY LOAN		
4. WATER BILL (INCLUDING TAXES) AFTER PROJECT IS BUILT RELATIVE TO LOCAL MEDIAN ADJUSTED GROSS INCOME (SELECT ONE)		
a. Greater than 2.50% of local median AGI	16	
b. 2.01 to 2.50% of local median AGI	12	
c. 1.51 to 2.00% of local median AGI	8	
d. 1.01 to 1.50% of local median AGI	3	X
e. 0 to 1.00% of local median AGI	0	
	1.44%	
5. SPECIAL INCENTIVE POINTS Applicant: (Mark all that apply)		
A. has a replacement fund receiving annual deposits of 5% of the system's drinking water budget been established, and has already accumulated a minimum of 10% of said annual DW budget in this reserve fund.	5	
B. Has a replacement fund equal to at least 15% or 20% of annual DW budget.	5	
C. Is creating or enhancing a regionalization plan	16	X
D. Has a rate structure encouraging conservation	6	X
TOTAL POINTS FOR FINANCIAL NEED	26	
TOTAL POSSIBLE POINTS FOR FINANCIAL NEED	100	

Community Water Company

PROPOSED BOND REPAYMENT SCHEDULE

100 % Loan & 0 % P.F.

PRINCIPAL	\$3,662,000.00	ANTICIPATED CLOSING DATE	01-Nov-17
INTEREST	3.39%	FIRST P&I PAYMENT DUE	01-Jan-19
TERM	20	REVENUE BOND	
NOMIN. PAYMENT	\$255,104.37	PRINC. FORGIVE.:	\$0.00

YEAR	BEGINNING BALANCE	DATE OF PAYMENT	PAYMENT	PRINCIPAL	INTEREST	ENDING BALANCE	PAYM NO.
2018	\$3,662,000.00		\$20,690.30 *	\$0.00	\$20,690.30	\$3,662,000.00	0
2019	\$3,662,000.00		\$255,141.80	\$131,000.00	\$124,141.80	\$3,531,000.00	1
2020	\$3,531,000.00		\$254,700.90	\$135,000.00	\$119,700.90	\$3,396,000.00	2
2021	\$3,396,000.00		\$255,124.40	\$140,000.00	\$115,124.40	\$3,256,000.00	3
2022	\$3,256,000.00		\$255,378.40	\$145,000.00	\$110,378.40	\$3,111,000.00	4
2023	\$3,111,000.00		\$255,462.90	\$150,000.00	\$105,462.90	\$2,961,000.00	5
2024	\$2,961,000.00		\$255,377.90	\$155,000.00	\$100,377.90	\$2,806,000.00	6
2025	\$2,806,000.00		\$255,123.40	\$160,000.00	\$95,123.40	\$2,646,000.00	7
2026	\$2,646,000.00		\$254,699.40	\$165,000.00	\$89,699.40	\$2,481,000.00	8
2027	\$2,481,000.00		\$255,105.90	\$171,000.00	\$84,105.90	\$2,310,000.00	9
2028	\$2,310,000.00		\$255,309.00	\$177,000.00	\$78,309.00	\$2,133,000.00	10
2029	\$2,133,000.00		\$255,308.70	\$183,000.00	\$72,308.70	\$1,950,000.00	11
2030	\$1,950,000.00		\$255,105.00	\$189,000.00	\$66,105.00	\$1,761,000.00	12
2031	\$1,761,000.00		\$254,697.90	\$195,000.00	\$59,697.90	\$1,566,000.00	13
2032	\$1,566,000.00		\$255,087.40	\$202,000.00	\$53,087.40	\$1,364,000.00	14
2033	\$1,364,000.00		\$255,239.60	\$209,000.00	\$46,239.60	\$1,155,000.00	15
2034	\$1,155,000.00		\$255,154.50	\$216,000.00	\$39,154.50	\$939,000.00	16
2035	\$939,000.00		\$254,832.10	\$223,000.00	\$31,832.10	\$716,000.00	17
2036	\$716,000.00		\$255,272.40	\$231,000.00	\$24,272.40	\$485,000.00	18
2037	\$485,000.00		\$254,441.50	\$238,000.00	\$16,441.50	\$247,000.00	19
2038	\$247,000.00		\$255,373.30	\$247,000.00	\$8,373.30	\$0.00	20
			\$5,122,626.70	\$3,662,000.00	\$1,460,626.70		

*Interest Only Payment

Community Water Company

DWB Loan Terms

Local Share (total):	\$	-
Other Agency Funding:	\$	-
DWB Grant Amount:	\$	-
DWB Loan Amount:	\$	3,662,000
DWB Loan Term:		20
DWB Loan Interest:		3.39%
DWB Loan Payment:	\$	255,104

DW Expenses (Estimated)

Proposed Facility Capital Cost:	\$	3,698,620
Existing Facility O&M Expense:	\$	300,990
Proposed Facility O&M Expense:	\$	300,990
O&M Inflation Factor:		1.0%
Existing Debt Service:	\$	-

DW Revenue Sources (Projected)

Beginning Cash:	\$	-
Existing Customers (ERC):		549
Projected Growth Rate:		1.0%
Impact Fee/Connection Fee:	\$	5,000
Current Monthly User Charge:	\$	33.93
Needed Average Monthly User Charge:	\$	94.09

DW Revenue Projections

Yr	Growth Rate (%)	Annual Growth (ERC)	Total Users (ERC)	User Charge Revenue	Impact Fee Revenue	Property Tax Revenue	Total Revenue	DWB Loan Repayment	DWB Loan Reserves	Remaining Principal	Principal Payment	Interest Payment	Existing DW Debt Service	O&M Expenses	Total Expenses	Debt Service Ratio
0	1.0%	5	549	223,561	25,000	6,000	254,561	-	-	3,662,000	-	-	-	300,990	300,990	-
1	1.0%	5	554	625,516	25,000	6,000	656,516	255,142	25,510	3,531,000	131,000	124,142	-	300,990	581,642	1.39
2	1.0%	6	560	632,290	30,000	6,000	668,290	254,701	25,510	3,396,000	135,000	119,701	-	304,000	584,211	1.43
3	1.0%	6	566	639,065	30,000	6,000	675,065	255,124	25,510	3,256,000	140,000	115,124	-	307,040	587,675	1.44
4	1.0%	5	571	644,710	25,000	6,000	675,710	255,378	25,510	3,111,000	145,000	110,378	-	310,110	590,999	1.43
5	1.0%	6	577	651,485	30,000	6,000	687,485	255,463	25,510	2,961,000	150,000	105,463	-	313,211	594,185	1.47
6	1.0%	6	583	658,260	30,000	6,000	694,260	255,378	25,510	2,806,000	155,000	100,378	-	316,344	597,232	1.48
7	1.0%	6	589	665,034	30,000	6,000	701,034	255,123	25,510	2,646,000	160,000	95,123	-	319,507	600,141	1.50
8	1.0%	5	594	670,680	25,000	6,000	701,680	254,699	25,510	2,481,000	165,000	89,699	-	322,702	602,912	1.49
9	1.0%	6	600	677,454	30,000	6,000	713,454	255,106	25,510	2,310,000	171,000	84,106	-	325,929	606,545	1.52
10	1.0%	6	606	684,229	30,000	6,000	720,229	255,309	25,510	2,133,000	177,000	78,309	-	329,188	610,008	1.53
11	1.0%	7	613	692,132	35,000	6,000	733,132	255,309		1,950,000	183,000	72,309	-	332,480	587,789	1.57
12	1.0%	6	619	698,907	30,000	6,000	734,907	255,105		1,761,000	189,000	66,105	-	335,805	590,910	1.56
13	1.0%	6	625	705,681	30,000	6,000	741,681	254,698		1,566,000	195,000	59,698	-	339,163	593,861	1.58
14	1.0%	6	631	712,456	30,000	6,000	748,456	255,087		1,364,000	202,000	53,087	-	342,555	597,642	1.59
15	1.0%	6	637	719,230	30,000	6,000	755,230	255,240		1,155,000	209,000	46,240	-	345,980	601,220	1.60
16	1.0%	7	644	727,134	35,000	6,000	768,134	255,155		939,000	216,000	39,155	-	349,440	604,595	1.64
17	1.0%	6	650	733,909	30,000	6,000	769,909	254,832		716,000	223,000	31,832	-	352,934	607,767	1.64
18	1.0%	7	657	741,812	35,000	6,000	782,812	255,272		485,000	231,000	24,272	-	356,464	611,736	1.67
19	1.0%	6	663	748,587	30,000	6,000	784,587	254,442		247,000	238,000	16,442	-	360,028	614,470	1.67
20	1.0%	7	670	756,490	35,000	6,000	797,490	255,373		-	247,000	8,373	-	363,629	619,002	1.70

Total Paid in Debt Service = 3,662,000 1,439,936

ATTACHMENT C

Community Water Company Customer Update: June 12, 2017

This Community Water Company (“Company”) Customer Update is to inform customers about: I) the status of Company outdoor watering restrictions; II) the Company’s planned actions regarding replacement of the damaged Company storage tank; and III) an update regarding the Company’s State Revolving Fund Water System Loan (“DDW SRF Water System Loan”) and Company Transfer. Much of this information is responsive to issues discussed with Company customers on June 1, 2017. The Company has another Company meeting scheduled for June 20th to discuss in detail the SRF Water System Loan and Company Transfer.

I) OUTDOOR WATERING RESTRICTIONS:

TO PROTECT PUBLIC SAFETY **OUTDOOR WATERING RESTRICTIONS WILL CONTINUE UNTIL FURTHER NOTICE**

As you are most likely aware, in April the larger of the Company’s two water storage tanks experienced a catastrophic failure resulting in the inability to store sufficient water for all of the Company’s traditional uses. Since that time the Company has been working diligently to find a solution, however, installing a new storage tank will take time. To meet immediate indoor water needs and public safety requirements for fire protection, the Company has placed a restriction on **all** outdoor water use.

The Company’s Tariff provides that “whenever the Company shall determine that the amount of water available to its distribution system has diminished to such a volume that unless restricted, the public health, safety and general welfare is likely to be endangered” the Company may proscribe emergency rules and regulations, including a total prohibition of outdoor watering.

The Summit County Fire Department and the Utah Division of Drinking (“DDW”) water require the Company system retain 120,000 gallons of water for fire suppression. Upon the recommendation of the Fire Department, we have determined the current state of the Company’s system is not capable of providing both the required fire flow and outdoor water use.¹ If by over use, even by accident, the storage capacity were to fall below the 120,000 gallon requirement it would pose an immediate risk to life and public safety creating undue liability for both the Company and customers.

Thus, outdoor watering at this time threatens having adequate fire flow and poses a threat to public safety. To alleviate this threat, outdoor water restrictions will continue throughout the summer and end when the new storage tank is installed (discussed below). Please note: pursuant to the Company Rule and Regulation 11, the Company is not liable for damages caused by scarcity of water.

¹ The Company has explored a rotating watering schedule to provide outdoor watering for summer of 2017. Unfortunately, even watering under a rotating schedule there is not enough volume in the functioning storage tank to keep storage above the 120,000 gallon requirement. Additionally, the Summit Water Distribution Company interconnect is intended for emergency situations. Supplemental irrigation from SWDC water is not available to Community Water Company customers.

Those found in violation of the outdoor watering restriction will receive a written courtesy notice. If outdoor watering occurs after a written courtesy notice is issued, the Company is authorized to institute an emergency termination of water service. Utah Code Ann. R746-200-7(F); Company Regulation F7. The Company will notify the customer as soon as possible about the termination. Water service can be reinstated upon the request of the customer but will be assessed the reconnection fee of \$25.00. Company Regulation 10. The Company reserves to the right to take further action for repeat offenders.

We apologize for the inconvenience the outdoor watering restriction may create. We appreciate your patience and cooperation while work to remedy the situation as fast as possible.

II) TANK REPLACEMENT: Chosen Course of Action and Alternatives

At our meeting and phone conference on June 1, 2017, representatives of the Company, Summit Water Distribution Company (“SWDC”), and Company customers discussed several options for replacing or repairing the damaged storage tank. The Company has further investigated the several options discussed and determined a course of action.

Chosen Course of Action: Immediate Tank Replacement and TCFC Funding

The Company has determined the best course of action is to immediately replace the damaged storage tank. The Company has secured financing for tank replacement from its parent company, and will repay the loan through customer assessments or other arrangement to be determined pending the resulting structure of the Company. This is the preferred Option because it is a permanent solution to the Company’s water storage problems, is the most cost effective measure, and the most timely solution as the tank can most likely be operable by Fall of 2017.

Tank Parameters, Cost, and Funding:

The replacement tank is a 450,000 gallon bolted steel tank similar to, but upgraded, the damaged tank. The damaged tank will not be reused or repurposed. It must be disassembled and disposed of.

The cost of the new tank is approximately \$300,000, demolition of the existing tank and minor repairs to the Willow Draw ski-run are approximately \$50,000, and base excavation and prep work is estimated to be \$100,000, but may vary depending on final design and contractor bids. Accordingly, the estimated cost for the tank replacement is about \$450,000.

The tank financing is distinct and separate from the Company’s DDW SRF Water System Loan needed to fund other capital improvements to the Company’s water system. Though tank improvements were included in the Company’s DDW SRF Water System Loan request, funds will not be available for many months delaying construction of the tank until Summer 2018. The DDW SRF Water System Loan will be adjusted to remove tank costs. In addition to allowing the Company to move forward immediately, using private financing will save customers the 20-25% increase in costs incurred in complying with the DDW SRF Water System Loan bidding requirements.

In the unlikely event the Company is not transferred to SWDC, the Company will remain a regulated utility under Utah Public Service Commission (“PSC”) jurisdiction. There is no expedited

Special Assessment process before the PSC and a special assessment will take at a minimum 120 days and more reasonably 240 days. If the Company remains regulated, the Company will initiate a special assessment proceeding before the PSC to adjust the Company's water rates to include repayment of the TCFC tank funding and the debt service for the larger DDW SRF Water System Loan.

Please note: customer repayment of tank financing and DDW SRF Water System Loan debt service will be based on the ACTUAL cost of the material, labor, design, engineering, consultants, legal, permit and project management fees.

Timeline:

Time is of the essence as the construction window in Park City is extremely short. The Company seeks to ensure regular water service as soon as possible. We anticipate, barring no unforeseen circumstances, the tank can be replaced and operable by October 2017.

The Company has already secured a contractor to demolish the existing tank and anticipate demolition being complete by early July 2017. We have commenced tank design work and anticipate expedited approval from the DDW to also be complete by early July 2017. Bidding for contractors is intended to be complete by mid-July 2017 and initial pad work complete by early August 2017. Tank manufacturing will be complete by early September and installation complete by early October. We are aiming to have a DDW operating permit and the new tank functioning sometime in October 2017.

Tank Replacement Alternatives Not Chosen: Temporary Bladder or Waiting for SRF Loan Funds

At the June 1, 2017, Company meeting alternatives for the tank replacement were discussed. Unfortunately, while the Company understands the frustration and inconvenience caused by outdoor watering restrictions, after further investigation these alternatives are not ultimately prudent decisions for the short or long term financial viability of the Company and its water system.

Installing a Temporary Bladder in Damaged Tank:

Customers requested the Company investigate installing a temporary bladder into the damaged storage tank to provide 2017 summer irrigation and installing the new storage tank when SRF Loan funds became available next summer. It was recommended the bladder be paid for through a Special Assessment before the PSC. The recommendation also extended to potentially leaving the bladder as a permeant additional storage component of the Company system and finding additional land to install the new storage tank.

The Company has reviewed the request and determined it is not a financially, technically, nor temporally preferable option. The cost of the bladder and installation was estimated to be \$100,000. Additionally, waiting to fund the replacement tank through SRF Loan funds would increase the tank costs by an estimated \$90,000 – \$112,500. The total tank and bladder project would cost \$640,000 to \$662,000 compared to an estimated \$450,000 under the Chosen Alternative. The Company believes these additional costs are not prudent financial decisions and risk jeopardizing terminating the Company's Certificate of Necessity or being rejected by PSC as unnecessary costs not recoverable in a special assessment.

Additionally, the approval, ordering, construction, and installation of the bladder would most likely not be complete till Mid-August. Outdoor watering restrictions would not be lifted until that time. With the new tank anticipated to be installed by October of 2017, Company customers would only gain 6 weeks of outdoor irrigation at a significant cost. The Company also has concerns about the structural integrity of the existing pad and tank to house a bladder and the continued liability of having the broken tank being a part of the Company system. The Company reviewed whether additional land is available to house the new tank if the broken tank and bladder were to remain. It does not appear a good location is readily available and the Company is concerned about access issues.

Waiting for SFR Loan Funds to Complete Tank Project:

For various reasons discussed herein, specifically the timely nature of the project and imposition of additional costs, the Company has chosen not to wait for funds to become available under the DDW SFR Water System Loan to fund tank improvements. All tank costs are to be removed from the Company's DDW SRF Water System Loan request.

III) UPDATE: DDW SRF Water System Loan and Company Transfer

The Company has a meeting scheduled for June 20, 2017, to discuss the status of the DDW SRF Water System Loan and the transfer of the Company to SWDC. At our meeting on June 1, 2017, the Company said we would provide additional information about those matters as it came available.

SRF Loan for Non-Tank System Improvements:

This March the Company applied for a DDW State Revolving Fund Loan to fund up to \$3,600,000 of needed system repairs ("DDW SRF Water System Loan") (this number will soon be adjusted to remove \$450,000 tank and associated design and engineering costs). The DDW SRF Water System Loan was approved on May 12, 2017. The Company has met twice with DDW to discuss closing requirements for the loan. Barring any unforeseen circumstances, we anticipate the Loan will close by November of 2017 and construction on non-tank system improvements will commence in the spring of 2018.

On June 20, 2017, we will discuss the specific requests of the loan, repayment schedule, closing procedures, and other pertinent information. We will distribute additional information in advance of that meeting.

Transfer of the Company to SWDC:

As has been discussed for years, the Company believes the best long term position for the Company is to leave PSC regulation and transfer ownership of the Company to an established water provider.

The Company and SWDC have reached a DRAFT agreement regarding the transfer of the Company to SWDC and how CWC customers will be incorporated into SWDC. We are presently solidifying these details as well as ancillary issues like transferring billing and structuring repayment of the TCFC tank funds and debt service on the DDW SRF Water System Loan. These issues will be more thoroughly discussed at the June 20, 2017 meeting. The Company will provide additional information in

advance of that meeting. The Company firmly believes the intended arrangement will best protect customer interests and provide a stable and safe water delivery system.

To respond to customer questions, at prior Company meetings in March and again on June 1, 2017, several customers inquired about a potential transfer of the Company to Mountain Regional Special Service District ("MRSSD"). The Company met with MRSSD earlier this year to discuss transfer. After a brief review of our DDW SRF Water System Loan Application, requested improvements, and estimated SWDC water rate, including debt service, MRSSD stated the package appeared to be competitive to what they could offer. However, MRSSD is not a position to conduct the proper due diligence and critically assess their ability to take over the Company until 2018. Time is of essence and continued efforts to explore transfer to MRSSD are not a preferred option and will not continue.

CONCLUSION

The Company appreciates your continued participation, cooperation and patience with the ongoing, and numerous, Company activities. These efforts are being conducted in the best interest of achieving a sustainable water source and delivery system at the most effective cost to customers. We feel we have made many positive and constructive steps in the last year and look forward to completing the needed system improvements and transfer. Please abide by the outdoor watering restrictions until further notice and please plan to attend the June 20, 2017 meeting at 2:00 at the TCFC Offices, or send a representative if you cannot attend personally.

Please call with questions or concerns in the interim.

Sincerely,

Community Water Company



Larry White
Chief Executive Officer TCFC Finance Co LLC
Manager of ASC Utah, LLC
lwhite@tc-fc.com