

Wolf Creek Water Conservancy, Inc.

2005 Business Plan

The following is an outline of the Wolf Creek Water Conservancy's (the Conservancy) operating plan going forward from January 1, 2005:

Wolf Creek Properties, LC, who owns the Conservancy, will continue to develop and own the major infrastructure used for water delivery including any wells, storage reservoirs and main transmission lines with the exception being the pipelines installed as part of the expansion of service to Patio Springs, Eagle Ridge, Eden Hills and Snowflake. Those pipelines were partially financed by the State of Utah's Water Board of Resources and that loan will be paid back through connection fees collected from those neighborhoods which the loan monies benefited. The connection fees from other neighborhoods and from builders constructing multifamily projects will be paid to Wolf Creek Properties, LC. A portion of each connection fee charged to a single family lot (that portion is currently set at \$500) will be paid to the Conservancy for the actual meter installation. It is the responsibility of Wolf Creek Properties, LC to obtain adequate water rights, construct the necessary storage facilities and to develop adequate sources for water; however Wolf Creek Properties, LC offers no warranties or guarantees that this will always be the case.

All water rights are owned by Wolf Creek Properties, LC and since all connections will be metered, water will be charged to the Conservancy based upon actual usage and upon the last rate charged to Wolf Creek Properties by Weber Basin for water rights. The current billing rate is approximately \$146.32 per acre foot.

The Conservancy has contracted with Wolf Creek Properties, LC to perform certain operations and to maintain the Conservancy's systems. The financial information that is the basis for the annual fee charged by Wolf Creek Properties, LC is made available to the Public Services Commission (PSC) for an annual audit. The 2005 annual fee

is \$33,676.27 and is paid monthly. The President of the Conservancy is paid an annual fee of \$10,000.00 to provide leadership and to manage the activities of the Conservancy. This fee is in addition to the operating contract fee. Any other work performed for the Conservancy is invoiced separately and paid directly by the Conservancy. If Wolf Creek Property, LC employees or equipment are utilized by the Conservancy to perform services outside the operating contract, a work order must be completed. The rates charged for such services will be subject to an annual review by the PSC.

The Conservancy is in the process of connecting every single family home site within the Wolf Creek Water and Sewer District to its system. This expansion project is expected to be completed in the spring of 2005. In order to help offset the initial costs associated with this project and to encourage every homeowner to connect to the system, the Conservancy will offer a one time only reduced connection fee of \$2,500 which is a savings of \$500, to every homeowner who agrees to connect and pays an initial deposit by May 31, 2005.

There are several homes within the district that are not within reasonable reach of the Conservancy's water system. In order to maintain equality to all of its customers, the Wolf Creek Water and Sewer Company has agreed to install a second culinary meter to those homes. The water from the second meter must be used for irrigation purposes only and will be billed by the Water and Sewer Company at the approved Conservancy's secondary water rates.

The Conservancy is in the process of applying for tiered rates, a rate increase, a connection fee increase, conservation rates and for changes in its rules. Attached is the application on file for these changes as well as a request for additional changes. It has been the opinion of all parties involved that the rate changes applied for by the Conservancy are closely tied to the rate changes currently applied for by the Wolf

Creek Water and Sewer Company. It is the Conservancy's expectation that there will be a rate case hearing scheduled for both companies no later than April 31, 2005.