



RECEIVED DEC 31 2015

435-200-8400  
1840 Sun Peak Dr  
Suite A201  
Park City, UT  
84098

December 29, 2015

*Via Email and Regular US Mail*

To All Community Water Company Customers

**Re: *Discontinuation of Operations of Community Water Company***

As you know, Community Water Company (the "Company") is a small public utility supplying culinary and secondary water service to customers in Summit County, Utah. The Company's original Tariff was issued on January 1, 1989 and amended on August 16, 1991. Since 1991 Community Water has not increased its rates and has not assessed its customers for improvements, upgrades, repairs and/or reserves. TCFC inherited Community Water Company as part of the assets acquired by new ownership from American Skiing Company. When Community Water was "acquired" it became apparent that the operational costs of the system were not being met by the aged rates and the system was suffering and in need of repair.

In order to understand the breadth of the issues the Company faced, it commissioned a comprehensive independent water system and water master plan analysis (the "Master Water Plan") through the engineering firm of Bowen Collins & Associates ("Bowen"). According to the Master Water Plan, which was submitted as part of the Rate Case, the Company faced a 10-year system improvement plan obligation in excess of nearly \$3,000,000, with an estimated and recommended annual budget of nearly \$250,000. In addition to the 10-year system improvement plan, the Company was suffering from insufficient revenue to cover its operational costs and was being subsidized by its owner.

After carefully analyzing the Company's water system, it has become clear that the system is in a significant state of disrepair and needs a major infusion of capital to bring the infrastructure into compliance with current State imposed regulations. We have determined that the required improvements to the system simply cannot be accomplished with the funds being generated at the current \$12/month water rate. Thus, as you know, we have sought a rate increase through application to the Public Service Commission. Given the expressed resistance to the proposed rate increase by you, the Company's customers and consumers, TCFC has concluded to withdraw its rate increase application. Instead, TCFC intends to begin the process before the Utah Public Service Commission to cease being a regulated utility and close **Community Water Company effective as of July 1, 2016**, or as soon thereafter as it can be accomplished.



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TCFC is simply not in the business of running a water utility company, does not want to be in that business, and believes that as water consumers you will be better served by pursuing one of the four available options that TCFC has been able to identify, as follows:

**OPTION 1.** TCFC could transfer all Company assets to Mountain Regional Water Special Service District (MRWSSD), a limited purpose local governmental entity with taxing and bonding authority. This would require the annexation of all properties served through the Company system into the district; whereby, you would all become customers of MRWSSD. TCFC has held several preliminary discussions with MRWSSD, and it has expressed interest expanding its service area and taking into its system all of the area historically served by the Company on terms and conditions we believe are favorable to you the customers and users.

**OPTION 2.** TCFC could transfer all Company assets to Summit Water Distribution Company (SWDDC), a non-profit mutual water company, and in some manner merge the customers into SWDC. Discussions would need to occur to determinate how best to accomplish this. You might become shareholders of SWDC, or SWDC may choose to continue operating the existing utility as a subsidiary corporation of SWDC. TCFC has had only very preliminary discussions with SWDC, and it is unknown at this point in time the actual level of interest SWDC may have in taking over the Company system.

**OPTION 3.** The water users of Community Water Company could incorporate into a new a non-profit mutual water company (the "New Company") and independently manage water service in the area. TCFC would then transfer the Company assets to this New Company. The New Company would be shareholder owned and operated, and as shareholders you would be issued shares in the New Company and subject to assessments by the New Company in an amount sufficient to offset all of its costs incurred in the operation, maintenance and repair of the water system, as well as all costs to be incurred in making the improvements necessary to bring the water system up to current State standards.

**OPTION 4.** TCFC could attempt to find a buyer who would be willing to own and operate the Company as an ongoing investor owned public utility regulated by the Utah Public Service Commission.

Regardless of which option you choose to pursue, be seriously advised that the existing water system is in need of significant repair and replacement of facilities in order to bring the system into compliance with State standards. The costs to make these needed system upgrades must come from the consumers who benefit from the improvements;





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and that will, of necessity, realistically result in your paying significantly higher rates, no matter which of the above options is pursued. The system cannot be maintained, let alone improved, under the current manner of operations.

TCFC is committed to making the transition from the Company, as an existing investor owned public utility, to some other operating entity as painless as possible, be it through transfer, merger or otherwise, as you may determine. TCFC has engaged attorneys, engineers, financial advisors and others at its expense to explore these various options and to assist the consumers in determining the best option to be pursued and successfully making this transition. TCFC will keep this team of advisors through the process and will provide legal and technical advice as required to facilitate the transition, as well as closing the transfer of assets to a new operating entity. You would be well advised, however, to join together and obtain competent legal counsel to represent your interests and assist you in successfully completing the process.

This decision has not been made lightly; however, the inescapable fact is that continuing the current operation as a Company is not financially sustainable. TCFC firmly believes that you, as the consumers of the water in the system, will be better served in the long-run by joining one of the existing regional water supply systems, or by incorporating yourselves into a new mutual water company, or otherwise as you may determine. TCFC pledges to be as cooperative and helpful in this process as possible, as it is our desire to make this a smooth transition and thus avoid any interruption of service to anyone.

Our intention in giving you this notice now is to allow you ample time to put in place an appropriate successor entity prior to the Company terminating its operations.

Very truly yours,

COMMUNITY WATER COMPANY

A handwritten signature in blue ink, appearing to read "M. H. ...", is written over a horizontal line.

Title: Chief Operating Officer