

## PETE'S MOUNTAIN WATER COMPANY

### ANNUAL MEETING AND REPORT EXECUTIVE SUMMARY

Dear Members,

We are pleased to include with this Summary our Annual Report, Fiscal Year-end Financial Statements, Notice of Annual Meeting and Proxy.

While we will hold our annual meeting on October 19 at Ken and Carol Roberts' Carriage House as we have done in the past, we are discouraging Members from attending in person to help ensure everyone's health.

The only formal action to be taken at the meeting is to elect three Members to serve on the Board for a new three-year term. The Board has nominated David Pollack, Bruce Tabor and Ken Roberts, current Members and officers, to serve a new term on the Board. No additional nominees have been submitted, so their reelection is assured. Sorry, no voting drama here!. Should some of you want to attend, nonetheless, representatives of the Board will be at the meeting to ensure all legal formalities are observed. Masks will be required.

What is important is to share with you our business updates and financial condition. Our monthly newsletter has attempted to keep you inform but here are the highlights:

#### **Operations**

When we became aware that the refurbished Well #1 would not materially increase our water capacity, we authorized cleaning out Well #2, replacing the pump and motor and placing the new pump lower in the well. That did increase our pumping capacity and we were able to handling the irrigation demands of this summer without a system-wide curtailment.

However, the aquifer level on Pete's Mountain and specifically in our wells continues to drop, leaving little excess capacity. This underscores the need for all of us to be judicious in our water use in the summer and to abide by the irrigation limits imposed in our region by state regulations.

#### **Recent and Pending Improvements**

When we all lost power earlier this month, you will have noticed that our water pressure was maintained. Our emergency generator kicked in and the loss of water pressure and a "boil water notice" was avoided. (Our generator is adequate to maintain water pressure from the reservoir but not to run our well pumps.)

Our remote-read meters are on their way and will be installed this fall with self-monitoring available at that time. We will also provide auto-pay billing features with this upgrade.

#### **Financials**

Nothing but good news here. Our current rate structure continues to provide adequate revenue to fund our operations and should provide ample reserves unless significant unexpected repairs or improvements are required. We have available cash of over \$150,000.

Further, our monthly Members Assessment Fee of \$49 to fund the loans and other system improvements is expected to be adequate for the foreseeable future to fund the payments on our two state loans used to purchase the water company purchase and undertake improvements. We have formal confirmation of the forgiveness of \$234,000 on our first loan and anticipate an additional proportionate forgiveness on our second loan. We currently have a loan reserve of \$90,000, which is in addition to the available cash referenced in the preceding paragraph.

If you have any questions about the meeting, our water system or our financial condition, please feel free to call or email any of us on the Board.

Thanks again for your support. Root for rain, moderate temperatures and a vaccine soon!

Your Board of Directors

October 5, 2020

David Pollack	dapptsmt@gmail.com
Bruce Tabor	brucet@taboraccountinggroup.com
Ken Roberts	kroberts1944@gmail.com
Kay Pollack	vkpollack@gmail.com
Max LaBar	maxlabar@yahoo.com
Dana Yip	danayip@yahoo.com
Troy Bundy	TSB@hartwagner.com

## NOTICE OF ANNUAL MEETING OF MEMBERS

### Pete's Mountain Water Company

Notice is hereby given that the annual meeting of Pete's Mountain Water Company will be held at 7:00 pm on October 19, 2020, at 2700 SW Schaeffer Road, West Linn, Oregon, in the carriage house of Ken and Carol Roberts.

While the only official business to be conducted is the election of three Members to serve a three-year term on the board of directors, the officers will report on the operations of the Company and answer any questions from Members. The nominees for the board positions are David Pollack, Bruce Tabor and Ken Roberts.

Directors are elected by a plurality of votes casted. The number of Members present, or represented at the annual meeting by proxy, will constitute a quorum for the transaction of business.

By Order of the Board of Directors  
October 5, 2020

*Members who do not attend in person may submit their vote by proxy by completing the enclosed Proxy and mailing or emailing it as instructed thereon. We are discouraging Members from attending in person to help ensure everyone's health.*

*Even if you plan on attending the meeting in person, you may nonetheless submit your proxy in advance.*

*In order to plan for the meeting and refreshments, would you kindly respond on your Proxy or by email to [jim@petesmountainwatercompany.com](mailto:jim@petesmountainwatercompany.com), if you will be attending.*

PROXY

For the Annual Meeting of the Members of Pete’s Mountain Water Company

The undersigned Member(s) of Pete’s Mountain Water Company hereby appoint David Pollack and Ken Roberts, and each of them, proxies of the undersigned, each with full power of substitution to represent and to vote on behalf of the undersigned, their membership interest in Pete’s Mountain Water Company at its annual meeting to be held at 7:00 p.m. PDT on Monday, October 19, 2020, and any adjournment or postponements thereof, with all powers the undersigned would possess if personally present.

This Proxy is solicited by the Board of Directors of the Company. If no specific direction is given, the Proxy will be voted in favor of the nominees for director and in their discretion on any other item to come before the Members at the meeting.

The Board of Directors recommend you vote in favor of the following nominees:

- David Pollack
- Bruce Tabor
- Ken Roberts

*If you wish to withhold your vote for any nominee, strike their name above.*

*Please sign your name(s) as they appear on your membership.*

\_\_\_\_\_

\_\_\_\_\_

(print name) \_\_\_\_\_ Date \_\_\_\_\_

(print name) \_\_\_\_\_ Date \_\_\_\_\_

*Please mail to:*

*Pete’s Mountain Water Company  
7501 SW Findlay Rd.  
Portland, OR 97224*

*Or scan and email to:  
jim@petesmountainwatercompany.com*

*I/we (\_\_\_\_\_ will) (\_\_\_\_\_ will not) be attending the annual meeting in person.*

# PETE'S MOUNTAIN WATER COMPANY ANNUAL REPORT

October 5, 2020

The Board of Directors of Pete's Mountain Water Company (PMWC) presents the annual report for the Company. The report covers activities during the past year and financial information through June 30, 2020. Please visit our website (<https://www.petesmountainwatercompany.com/>) for more detailed information and background documents, and feel free to contact any member of the Board to obtain further information, ask questions, or express concerns.

## **Water system operator**

Phillip Merrill of Merrill Water Systems (MWS) continues to operate the system, to be responsible for required water system testing and reporting (see below), and to conduct routine and ad hoc maintenance. Mr. Merrill has been a valuable resource throughout the water system upgrade, advising the Board and assisting with some management of the project. He was also awarded contracts for two projects that are currently under way (see below). Mr. Merrill communicates frequently with the Board as needed, files a monthly report to the Board, and either attends or is available for questions at Board meetings. He is the first point of contact if there are service or quality problems with your water supply: (503) 734-7400, [info@merrillwater.com](mailto:info@merrillwater.com).

## **Status of repairs and improvements**

In January, a generator and propane tank were installed to automatically power the distribution pumps and protect against loss of pressure in our water lines in the case of a power outage. This improvement should eliminate any future "boil water" notices, unless the water in our reservoir is depleted as a result of an extended power failure.

In April, Schneider Water Services installed line reactors between the power source and the variable frequency drive controls for both well pumps to correct an electrical power imbalance that caused the pumps to run at reduced speeds.

During May, based on expert consultants' advice to focus on improving well #2 to increase water supply, Schneider Water Services removed approximately 53 feet of fill, then cleaned, brushed and swabbed its casing. They also installed new copper electrical wiring and a new, more powerful pump set 56 feet lower than the previous pump. The process opened many of the perforations in the well casing that permit water to enter from the aquifer, enabling the well to deliver more water this summer. A new transducer was also installed, which provides more accurate data on the static water level in the well.

In summary, since the membership took possession of Pete's Mountain Water Company in November 2017, almost every component of the water supply system has been replaced. Both wells have been cleaned out and new power supply, pumps, variable frequency drives, transducers and electrical controls, which greatly improve our ability to monitor and manage the system, have been installed. A backup generator has also been added to protect against electrical power interruptions.

Two remaining projects are currently under way: meter replacement and installation of a chlorination system.

Meter replacement:

One of the Board's final system improvements is to replace members' existing meters with uniform remote-readable meters. In addition to saving the expense of labor to read meters each month, this improvement will permit both members and the Company to remotely identify excessive use, especially leaks, more promptly.

During October, MWS plans to install several meters for beta testing and, assuming positive results, to install remaining meters for all members in November. Members will receive instructions for tracking their water usage data electronically, which will help them manage usage and identify leaks. Once the remote readable meters are installed, the Company will initiate electronic billing. Members will then receive monthly invoices via email.

Chlorination system:

In the spring, the Board was informed by the Oregon Health Authority (OHA) that, because there were three positive tests for coliform bacteria in less than 18 months, PMWC is now required to install a permanent chlorination system.

Coliform bacteria are widely distributed throughout nature. These indicators do not themselves cause disease, but are markers for the presence of other disease-causing organisms, which exist in very low numbers in water and are difficult to detect. We have never had a positive test for E. coli. Based on where the positive coliform tests occur, our system manager believes the source of contamination may be small cracks in the concrete reservoir, permitting bacteria to enter the water supply. The Board unsuccessfully appealed this ruling.

We will use the minimum amount of chlorine required by the regulating agency, so the taste of the water should not be affected. The OHA has approved plans for the chlorination system, and MWS will proceed with installation of the system this fall.

**Current status of water production:**

Well #2 continues to serve as the primary well, with well #1 augmenting it when demand is higher.

At the beginning of the irrigation season when the aquifer level was high, well #1 was able to pump 170-80 gallons per minute (gpm), and well #2 pumped 210 gpm. Later in the heavy irrigation season, production levels declined.

Well #1 is producing 40 - 50 gpm in late summer, but is not able to run for more than four hours per day because of the low level of water above the pump.

As a result of the improvements made this spring, well #2 produced 100 to 130 gpm during late summer, as opposed to 80 -100 gpm the same time last year. The pump is now set at 985 feet deep, verses 929 feet prior to this year's improvements. The new, stronger pump delivers increased output, while maintaining 50 feet of water above the pump as a safety margin. This summer we were able to avoid any water restrictions.

Historical and ongoing data indicate a decline in water level in the aquifer. It is reasonable to assume that the water level may continue to fall unless demand is effectively managed. This

reinforces the need for members, as well as other households with private exempt wells in the Pete's Mountain area, to adhere to Oregon Water Resources Department (OWRD) irrigation limits of no more than ½ acre per household. The problem is greater than just PMWC. It is a regional problem that OWRD needs to address.

Our calculations have determined that approximately 12,000 cubic feet/month is more than adequate to allow for irrigation of up to ½ acre and for domestic uses. Many members use far less than that. If that limit is respected and if our number of higher volume users does not increase, PMWC may be able to continue without additional irrigation restrictions, and the aquifer may be sustained indefinitely.

### **Required reporting, permitting, certification, and insurance**

Each year, PMWC is required by law to certify and submit data pertaining to water supply and quality. The following reports are on our website (<https://www.petesmountainwatercompany.com/>) for your review:

- Water quality report, submitted to the Oregon Health Authority (OHA) by the end of June.
- Water level report, submitted to OWRD by the end of March.
- Water usage report, submitted to OWRD by the end of the calendar year.
- Backflow testing report, submitted to OHA by the end of March for the prior year.

In order to comply with our Oregon Health Authority backflow testing requirement and to offer a cost-effective service for members, PMWC engaged EcoBackflow to test backflow devices for any members who did not submit their own test results. Cost for the testing is added to the member's bill. Next year we expect to have testing done prior to the irrigation season, when backflow devices are in heaviest use.

PMWC has renewed the general liability insurance for \$1 million that was in effect when we purchased the system. At this time, we have opted not to purchase officer liability insurance. With the completion of the extensive improvements, together with new equipment and controls in the pump house, we have increased the all-hazards insurance coverage on our pump house and equipment to \$450,000, an amount estimated by our primary contractor as adequate to replace those "above ground" items. We have not sought earthquake insurance because of the cost, deductibles and exclusions.

### **Monthly billing and accounting**

Bills continue to be managed by our accounting firm, Tabor Accounting Group, 7501 SW Findlay Rd., Durham, Oregon 97224, (503) 598-1011. This is your first point of contact if you have questions about your bill: [ruthv@taboraccountinggroup.com](mailto:ruthv@taboraccountinggroup.com).

As described above, an electronic billing system will be implemented when the remote readable meters are installed. Until the electronic billing system is in place, you will be receiving bills on strips of paper. This interim billing process enabled us to save hundreds of dollars on a new set of the billing cards used in the past. We would have used only a fraction of the minimum order of cards required before switching to electronic billing.

## **Financing the system**

Most of the funds for purchasing and upgrading the water system have been provided through the Safe Drinking Water Revolving Loan Fund. The Company has taken out two loans from the fund, totaling \$1,187,000. The original loan to purchase the system, rehab well #1, and replace the electrical and control systems was \$983,000 at a 2.15% annual interest rate; \$234,000 of that amount was forgiven (meaning we are not required to pay it back). The second loan, approved earlier this year, to install line reactors, make improvements to well #2, install remote readable meters, and install the chlorination system, was for \$204,000 at a 1.95% annual interest rate; \$64,000 of that will be forgiven. Therefore, the net amount we will be responsible for repaying for both loans will be \$889,000.

Payments on the original loan net amount (\$749,000) began October 1, 2020, in the amount of \$11,665 per quarter. Payments on the second loan net amount (\$140,000) are expected to be approximately \$2,118 per quarter and will start after the improvements are completed.

The combined annual loan payments will be slightly higher than the \$49 per month loan repayment fee currently in effect. However, we have approximately \$90,000 in cash reserves from fees previously collected from members, which should fully cover this shortfall. Therefore, unless we require additional loans in the future, there should not be an increase in the monthly loan repayment fee. Even with this year's increase in the monthly loan repayment fee, PMWC base charges remain below those of most neighboring rural and urban water systems.

## **Financial report summary**

Attached is a copy of our **Financial Report**, which includes the Financial Summary; Statement of Assets, Liabilities and Equities; Statements of Revenue and Expenses; and the Statement of Cash Flows for 12 months ending June 30, 2020.

We had a busy and good year. The company's cash-in-hand bank balance is up significantly, which provides us with ample reserves and flexibility to address and resolve any ongoing problems of the water system.

Thanks to our current usage rates and our members' contributions through the \$49 per month loan repayment fee, we have not only improved the wells and controls, but also added essential backup resources such as the emergency backup generator. Our new equipment and better electric power lines have improved operating efficiency and lowered costs. Finally, we have significant reserves as we start the loan repayment process.