



TO OUR VALUED CUSTOMERS

MOUNTAIN WATER DISTRICT ANNUAL PROGRESS REPORT 2017 - 2018

It has been over two (2) years since Mountain Water District (“MWD”) returned to in-house management, this occurred on July 18, 2016. The Board of Commissioners and the staff of MWD felt it is important that we share with our valued customers and public, some of the accomplishments of this year and how your water district is working hard to provide the highest quality water and wastewater service possible.

The operation and maintenance of a water and sewer district as large and as complex as MWD is a very demanding task. MWD is comprised of over 1,000 miles of water line mains, 108 water storage tanks, 137 booster pump stations, various pressure zones and purchase points, 10 wastewater treatment plants of various sizes, 20 lift stations, and thousands of residential grinder units.

MWD has made great strides toward financial stability in recent years by the re-funding of the District’s required reserve accounts, making the difficult decisions regarding rates, and returning to in-house management. These decisions have ushered in an era of financial stability that we have not seen in more than a decade. In addition to these positive strides forward, the District has also accomplished the following in the last two (2) years since returning to in-house management:

- Since the return to in-house management, the District has experienced an increase in operating cash flows and a decrease in short term debt. This improved cash flow has allowed the District pay off the balance owed to its previous contractor and to concentrate on making much needed repairs to facilities and infrastructure. There is still

much work to do, but the District is now financially able to look toward a positive future and we are beginning to make capital infrastructure repairs and are developing replacement plans to address issues with our aging infrastructure.

- The District has encouraged the development of its staff and employees, offering incentives to those who are willing to obtain critical certifications. We plan to continuously improve our workforce by incentivizing them to obtain the much needed water and wastewater certifications.
- The District has developed a Preventive Maintenance Team to maintain efficient operation and extend the life of the District's current infrastructure assets. This proactive approach to maintenance of the District's system will realize a savings in repair costs by avoiding costly "emergency" repair and replacement of equipment. Just in the last year, the Preventive Maintenance Crew has rehabilitated ten (10) booster pumping stations; installing new components, pumps, and motors in order to make them more reliable, updated and energy efficient.
- The MWD Board of Commissioners is engaged in operations more than ever before, due to their essential involvement in each facet of daily operations. The Board has created a Personnel Issues Committee, Capital Projects Committee and a Budget Committee which will allow them to be even more involved in the daily operations of the District. This is in addition to the Operations Committee, Water Loss Committee, and Finance Committee meetings that have been meeting for several years prior to their monthly board meetings.
- The financial savings realized from the return to in-house management has allowed the District to put more funding towards the repair and maintenance of essential infrastructure. The District is continuing efforts to work with the Division of Water, the City of Pikeville, and other water quality professionals to continually improve the water quality within our system. The District is proud of the hard work and diligent efforts of their staff to produce and distribute quality water to the residents of Pike County, and will continue to improve upon our policies and facilities in order to continue to ensure the quality, safety and reliability of the essential service we provide.
- MWD has completed its participation in the AEP Cost Savings Program which has allowed us to replace various components of essential infrastructure equipment, as well as lighting, with newer, more energy efficient equipment that will translate into energy cost savings for the District. As you would imagine, electricity expense is one of the District's most costly monthly expenditures and this program will result in a significant savings over time, helping the District to maintain its current rate structure.

- The Unaccounted Water Loss has been significantly reduced which translates into a cost savings for produced and purchased water. For the year ended 2017, the Unaccounted Water Loss percentage has been reduced by more than 8% overall compared to 2016. The Unaccounted Water Loss has been a focus of the current Board of Commissioners, and has led to the doubling of the efforts of MWD's Leak Detection Team and field employees to find and repair water line leaks. According to a recent cost study, total cost savings from 2016 to 2017 on produced and purchased water was nearly \$330,000; a savings of approximately 4% in gallons produced and approximately 10% in gallons purchased. The Public Service Commission is moving toward beginning a campaign to transition water districts from "unaccounted for" losses in water to "non-revenue" water loss. This will change the way the District calculates its water loss percentages, which may show an increase in the short term, but we are assured by the PSC that the Board and staff's efforts to reduce water loss and tighten up the system will show in these numbers as well over time; even though it will not be as dramatic a decrease as what we have seen using the previous manner of calculation.
- The District has made progress with several projects over the last year. The Belfry Pond Sewer Project is nearing the final stage of funding completion, and the Douglas Wastewater Treatment Plant Upgrades are nearly complete. The District has completed Phase 1 of the FEMA Mitigation Project; relocating two (2) booster pump stations out of the flood plain in the Johns Creek and Kimper areas. Phase 2 will begin in 2018 and will allow the relocation of two (2) more booster pump stations out of the flood plain in the Phelps area. The District is continuing to purchase new grinder pump stations as well as new radio read water meters, and is installing them in areas of greatest need. Please see attached a list of current projects for the Mountain Water District.

The last two (2) years have been very challenging, however, the management and staff of the Mountain Water District have made tremendous progress toward the continuous improvement of the system, working hard to increase our efficiency and accountability of our daily operations and the maintenance of the system, while we remain focused on the long term needs of the District. Mountain Water District intends to continue to provide the highest quality, potable water service and wastewater service long into the future. We take very seriously the decisions we make each day, knowing that these decisions impact the quality and efficiency of our service today, and will guide us into a sound financial future.

We, the Board of Commissioners of the Mountain Water District, are proud of the progress and improvements made since returning to in-house management two (2) years ago and we would like to take this opportunity to say "**Thank You**" to the management and staff of the Mountain Water District for their hard work and dedication to this effort, which has been invaluable to the success of the District's return to in-house operations.