

## Technical Advisory Team Meeting Notes – April 14, 2016

Krystall's Restaurant - Leavenworth, WA

### PRESENT

Dan Wilkinson – President, Tim Walsh, James Walker, Norm Stoddard, Jackie Camp, Doug Gann, Jerry Schneider

Greg McLaughlin – Support, and Dave Rice, available by phone. Tony Jantzer, Icicle Irrigation District.

NOT PRESENT – Marc Dilley, Ardie Gordon, Mike Barich, Brad Summers, Mary Scheibler, Dan Davies,

### SUMMARY OF MEETING

DAN WILKINSON – His goal for today is to continue to work through the questions that came up at the last meeting, working through the notes provided from last time. His interest overall would be to have something to present for a vote on May 4<sup>th</sup> (voting to occur by mail afterwards). If we get there, that would be great and he is working toward providing that, but if not that's fine.

**Action Step – By the end of April, Advisory group will create a proposal to be presented to shareholders that Advisory Team all could live with if a set of conditions and/or contingencies or met.**

DOUG GANN – Really wants to take a real world numbers look at operating costs. Deferred to Tony on this. Asked TONY JANTZER about how his system works.

### Action Step – By

TONY JANTZER – Previous job at Cascade Irrigation District – 5,000 acres. 1974 landslide wiped out diversion – went to pumps. Main concerns;

Pumps need to be serviced and rebuilt.

At first it was a very, very good deal. Replaced a costly maintenance outlay, with a 2,400 HP Pump Station – costs went up to \$255k/year for electricity. Limited Improvement Districts (LIDs) – pressured delivery systems servicing homeowners – up to 250 homes. Kennewick I.D. is similar. Lots of concerns about costs and repairs – but everyone was really happy with pressurized on demand systems delivered to the house. It cost them more, because the annual assessment of \$40/acre went up to \$100/acre and they were really happy to pay it because they didn't have to use and maintain their own system.

Operational costs for manpower will go way down – how do you hire someone to do something that's so little. Now, you have to prep the system with treatment, cleaning, prepping. In the future, you fire it up, and flush the drains and then you open up. Annual costs besides power is

just servicing. It's good to pull a big pump and rebuild every 8 years. Pick a very good self-cleaning screen with a drive that cleans with a pressure differential system to clean the water. Gear drive screens don't reduce pressure at the homes like purge screens – \$20k-\$50K – but worth it.

Right now, you have somewhat dirty water that you have to screen and clean.

TIM WALSH – Staffing question – do we need someone on contract?

DOUG GANN – Day to day maintenance - what is required?

TONY JANTZER – Grease interval (every couple days – 1x/week). Pressure monitoring. Most can be automated. Will just contract with someone to come in and maintain any problems. Checking/servicing the pumps. Longest that any system was ever down was 1-2 days. Usually outages were due to power, so that was the biggest thing for COIC to consider. Most systems just fire back up when power comes up – don't need to prime. A few hours/week, and you do it on contract. We'd blow the system out and time it so everyone. Concept on pumps – have a small, medium, and large, with small + medium = Large in capacity.

DAVE RICE

- Explaining his assumptions for preliminary design numbers in alternatives analysis
- Most of the work is on pump station. Where numbers come from:
  - Pumping costs – based on the volume we'd need for the irrigation season, Irrigation schedule #5 from Cheland County PUD for 3 phase power. \$14.50/month plus \$.0165/kwh. \$3.52/installed HP/month. 8 cfs - \$10,600/month in annual pumping costs – comes out to \$1,500-\$2,000/month. TONY JANTZER – billing for actual or design use? – DAVE RICE – It's peak use for that rate.
  - Operation and Maintenance – strategies, insurance, transportation, phone, maintenance, staff hours and incidentals. Include contracted labor costs. \$48k/year is included for a full time staff person – this could actually come down quite a bit since they pay much less than that for. A more affordable way would be to contract out the management system – like a municipal drinking water system – Satellite management agency could contract this out and you're on their list.
  - Replacement costs are minimal – pipes are bullet proof. Built in an annual deposit for 1/25 years for pumps and electrical and ¼ of pipes every 50 years. Replacement - \$40k/year. He'd recommend plastic pipe rated at industry-level standards and specification vs metal pipe. Quick estimate is \$10k/year for pipes, \$5k of which

TONY JANTZER – Speaking on additional details of maintaining on on-demand system.

- Lots of ability to work with PUD to manage costs based on usage strategies.
- Good news is that all laterals drain into the river – so the mainline will be backwards, and draining that will be important.

- It's better to pay a little more up front – use higher quality pipe and good quality valves to minimize replacement costs. System should be 50 years of very low maintenance. Biggest cost will be the pumps. Pumps need to be pulled at rebuilt at about \$5000 per for the smaller pumps.

DOUG GANN – He sees that the information provided shows the costs are now very similar, but he'd like to see those numbers side by side to educate the shareholders. Can he see another IC in Chelan County – Kennewick I.D.

DOUG GANN – Still has a concern about how the long term endowment fund

TONY JANTZER – the only risk he sees is his power costs. Power costs are ridiculously low, and then how can you be assured that the power costs are maintained at a certain point. Everything else is nuts and bolts.

DOUG GANN - Chelan county is low because of the power of the Orchards in the PUD. Biggest risk financially is not so much electric rates, but the stability of the investment strategy.

TIM WALSH – Asked DOUG GANN what he would do to mitigate the investment risk. Consult with a financial advisor/specialist.

DAN WILKINSON – My retirement – for every \$100k, I can get 6k/year (6%).

DOUG GANN – We may want to be less risk averse – he will work up a report for the next meeting.

DAN WILKINSON – Handed out a sheet with costs- will be attached and made available for meeting. Options were simply to replace pipe – would need to replace on a 10-year schedule, increasing rates by \$100/share for 10 years, or a 20 year schedule, increasing rates by \$50/share for 20 years. This just turns into a sidenote up to \$1-\$2m for replacement costs, but still a risk.

DOUG GANN – one lateral every other year – pretty realistic. Present this as a 10-20 year replacement cost. Likes this as just facts.

TIM WALSH – Diversion is still a big risk.

NORM STODDARD – likes the plan Dan provided on costs, and thinks this should be used for identifying cost comparisons in the future.

TONY JANTZER – Asked what the \$35k/year pays for.

DAN WILKINSON – Said that pays for ditch walker, cleaning out the system, insurance

DAN WILKINSON – Alternative to a preferred alternative for a pump station is to launch a system replacement effort.

TIM WALSH – A comparison matrix would be helpful in identifying costs compared between the two projects.

DOUG GANN – Start wording a proposal and list of contingencies.

Next meeting – April 25<sup>th</sup> – 6 pm. Krystal's. Already reserved.

Field Trip – Sunday Afternoon April 17<sup>th</sup> 5 pm – meet at end of Shore Street. Dan will talk to landowners and work up front with the hatchery.

Future field trip possibility - Rick Lee – Cascade I.D.

# Cascade Orchards Irrigation Company | 2016

## Irrigation Efficiency Alternatives Analysis

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### **Alternatives for Irrigation Modernization Paid for by COIC**

**Presented by Dan Wilkinson, President, COIC.**

In an attempt to develop some type of plan to upgrade the system without outside assistance, the following assumptions are factored in:

- There are 16,400 feet of lateral pipes that will eventually need to be replaced
- The estimated rate for labor and supplies average \$30 per foot
- For the purpose of rough estimation and to have some perspective of cost, inflation is not factored in. Costs are projected at today's dollars even though we know that this would not be accurate
- COIC will not have any responsibility to pay for a new point of diversion if/when the hatchery relocates or brings our shared diversion up to standard
- The open ditch running from the weir to the Wenatchee River will not need any major repair

#### **Option 1 – 10 Year Plan – Equally shared infrastructure costs**

There is 16,400 feet of lateral line that will be replaced equally over ten years. Each fall, one-tenth (1,640 feet) of the lateral lines will be replaced systematically.

$1,640 \times \$30 = \$49,200$  per year

$\$49,200 / 230$  shareholder = \$214 per year-per shareholder for 10 years will be added to annual water assessment

#### **Option 2 -20 Year Plan- Equally shared infrastructure costs**

One-twentieth of the lateral lines (820 feet) will be replaced each year.

$820 \times \$30 = \$24,600$  per year

$\$24,600 / 230$  shareholders = \$107 per year-per shareholder for 20 years will be added to annual water assessment

#### **Option 3- 10 Year Plan- divided by shares rather than shareholders**

Costs the same as option 1 per year

With approximately 500 assessed shares, the rate would be raised \$100 per share for 10 years

#### **Option 4- 20 Year Plan- divided by shares rather than shareholders**

Costs the same as option 2 per year

Rates will be increased \$50 per share for 20 years

**If the diversion with the hatchery did cost COIC 20%, our liability could be somewhere between 1-2 million dollars. This cost divided up equally among shareholders would be between \$4,350 - \$8,700 per shareholder. If the estimated costs were divided up by shares, it would be assessed \$2,000-\$4000 per share.**