



Annual Report

December 2010 – November 2011

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2/7/2012

CH2M HILL annual report to the Board of Directors of the Pine-Strawberry Water Improvement District. This annual report provides an overview of activities related to the District's water facilities from December 2010 to November 2011.

Executive Summary

CH2M HILL is pleased to present the Pine-Strawberry Water Improvement District (PSWID) with this annual report, providing an overview of activities related to the District's water facilities from December 2010 – November 2011.

Our goal is to provide you with an overview of daily operations, system capabilities and improvements, permit compliance, cost containment, and historical trends compared to present capacities.

The team leadership and dedication to quality service is supported by specific accomplishments in this report. We discuss specific actions employees in the Pine-Strawberry Water Improvement District initiated to sustain continued exemplary service to the PSWID.

We would like to convey our appreciation to the Board of Directors and citizens for their support. CH2M HILL understands the importance of being an innovative, resourceful, and flexible partner so that we can provide the best solutions to meet your community's specific needs.

During the first year of this Agreement, our team worked with the Board of Directors, engineers, and contractors on different projects involving the Pine-Strawberry Water Improvement District's water system.

Here are several examples of projects our employees, the Board, engineers and contractors supported:

- Daily operation and maintenance (O&M) of the District's water system
- Daily management of the District's water system
- Daily customer service, billing and collections functions
- Upgraded 4 boosters stations with new pumps, motors, and variable-frequency drives
- Installed nearly 2,000 feet of pipe, well piping, booster station and booster building for the Milk Ranch Well 1 project
- Installation of the Milk Ranch Well 2 project
- Installation of 13 backup generators at key water production and distribution facilities

Scope of Services and Project History

In 2010, the Board of Directors approved a contract for CH2M HILL to provide operations, maintenance, and management services to its recently acquired water system in the communities of Pine and Strawberry.

The Pine-Strawberry Water Improvement District (PSWID) provides potable water service to approximately 3,200 water customers (population 8,000) located in northwest corner of Gila County and is comprised of a little more than 10 square miles of service area. The service area is a rural, mountainous and wooded region served exclusively by ground water.

The PSWID owns 23 water production wells (15 in Pine; 8 in Strawberry) at various production capacities. The PSWID also employs 10 water production wells owned by other private entities (5 in Pine; 5 in Strawberry) that pump directly into the PSWID water distribution system or storage facilities. These other wells are commonly referred to as Water Sharing Agreements (WSA).

The PSWID does not treat its water except to add chlorine to maintain a residual disinfection level in the distribution system. The chlorine is added at certain water wells through pellet chlorinators.

The PSWID has 20 storage tanks with a total of 1.318 MG of storage. The Pine service area has a total of 10 storage tanks with a storage volume of 1,022,118 gallons (77% of total). The Strawberry service area has a total of 10 tanks with a storage volume of 296,378 gallons (23%).

The PSWID has approximately 180,939 linear feet of water mains (34.27 miles). The water mains range in size from 2-inch to 8-inch and 93% of the water mains are sized 4-inch or smaller.

In order to effectively and efficiently operate the PSWID facilities, CH2M HILL has developed a control strategy to operate the PSWID facilities as well as recently implemented a Computerized Maintenance Management System (CMMS) to track and record maintenance activities on key PSWID assets.

Water Production Facilities

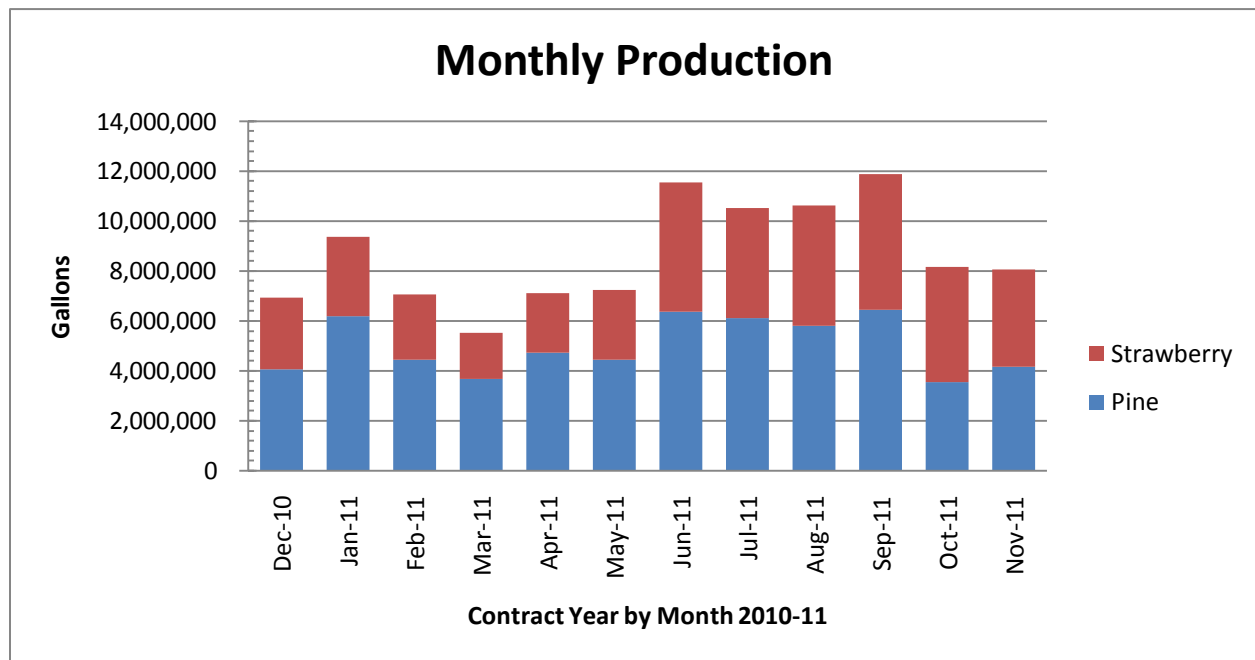
During the first year of the Agreement (December 2010 through November 2011), the PSWID production facilities produced 104,003,230 gallons of water. This represents a 14% increase in production over the same period prior year. Production averaged 8,666,936 gallons per month, 284,940 gallons per day, and 198 gallons per minute. This production increase was achieved while maintaining a steady customer count of approximately 3,200 customers.

The peak production month was September 2011 where 11,869,300 gallons were delivered to the water system. This equates to a daily average of 395,643 gallons or an average of 275 gallons per minute. The smallest production month was March 2011 where 5,536,230 gallons were delivered to the water system. This equates to a daily average of 178,588 gallons per day or an average of 124 gallons per minute.

Of the total 104,003,230 gallons produced in the first year of this Agreement, 59,948,750 (58%) gallons were produced in the Pine service area and 44,054,480 (42%) in the Strawberry service area. The PSWID owned wells produced 53,989,460 (52%) gallons during the first year and the Water Sharing Agreements (WSA) produced 50,013,770 (48%) gallons. The production ratio of PSWID to WSA owned wells will change when both the Milk Ranch Wells 1 & 2 come online in the first half of 2012. It is expected that the PSWID reliance on the WSA wells will be dramatically reduced.

Exhibit 1

Monthly production by service area



Regulatory Reporting

On behalf of the Pine-Strawberry Water Improvement District, CH2M HILL submitted the following reports required by regulatory agencies.

Arizona Department of Water Resources

- Annual Water Use Report – the Annual Water Use Report is submitted each year and includes such information as water pumped or diverted, water received from other suppliers, water delivered to customers, and effluent used or received
- Adjudication – submitted Statement of Claimant that describes the Districts ground water rights. This is essentially a claim or assertion of rights to pump water from the ground in the Verde River Watershed

Arizona Department of Environmental Quality

- System Water Plan, 5-Year Update 2012 – the system water plan included updates of three elements, 1) a water supply plan, 2) a drought management plan, and 3) a water conservation plan
- Annual Consumer Confidence Reports – reporting to customers and ADEQ 2010 results of water quality monitoring
- Monthly water quality testing – reporting results of required water quality sampling

Standard Operating Procedures/Programs

The Pine-Strawberry Water Improvement District is a new water utility and had not yet developed key plans, procedures or documents that will guide it through its daily activities. During the first year of this Agreement, CH2M HILL staff has developed or is in the process of developing the following:

Standard Operating Procedures

SOP – Backflow Prevention & Cross-connection Control
SOP – Meter Reading
SOP – PRV Testing & Inspection
SOP – Tank Maintenance & Inspections
SOP – In Development – Valve Maintenance
SOP – In Development – Fire Hydrant Maintenance
SOP – In Development – Main Flushing
SOP – In Development – Disinfecting Water Mains
SOP – In Development – Loss of Pressure in Water Mains

Plans

Plan – Control Strategy
Plan – Drought Management Plan
Plan – Water Conservation Plan
Plan – Water Supply Plan
Plan – In Development – Energy Management Plan
Plan – In Development – Emergency Operations Plan
Plan – In Development – Wellhead Protection Plan
Plan – In Development – Monitoring Plan

Information Documents

Document: Welcome Letter from District Manager
Document: 10 Ways to Conserve Water
Document: Winterize Your Home
Document: New Water Conservation Stages
Document: Diagram for Required Customer Side Connection to Meter
Document: How to Contact the PSWID

The team continues to build on our exemplary safety record and further develop our on-site Health and Safety Program. We are focused on our goal of Target Zero.



- Zero Injuries and Illnesses (world class safety)
- Zero Adverse Impacts (environmental stewardship)
- Zero Errors, Omissions, and Defects (perfect first-time quality)

We place high priority on safety and provide the necessary equipment and training to comply with federal and state regulations. This protects project personnel and the general public from injury, and both CH2M HILL and the PSWID from liability.

- Conduct weekly safety tailgate meetings
- Provided arc flash training to individuals who work with and around high voltage cabinets
- Extensive training and deployment of a lock-out/tag-out and electrical safety program
- Developing an emergency response plan

Community Involvement

Each year our employees prepare a written, formalized community involvement plan. Our goal is to continue to grow as a civic-minded organization, sensitive to the needs of the community.

During the first year of our involvement with the PSWID, our employees participated in the following events:

- Fire on the Rim Mountain Bike Race; donated ten (10) hours to staff various positions on race day
- Stuffed envelopes/mailed Pine-Strawberry Fuels Reduction fundraising letter to 230 paperless customers and to 2,956 customers as bill stuffers
- Pine / Strawberry Food Bank; donated five (5) turkeys to the food bank

Considering the size of our workforce, we are proud of our accomplishments and appreciate the opportunity to contribute to the community. We expect to find additional community involvement opportunities in the upcoming year.

Water System Work Activity

Routine water system work activity for the 2010 – 2011 contract year included:

Table 1
System Work Activity

Activity	Tasks Completed
Leaks Repaired	53
Meter reads performed / bills issued	38,390
Customer service tickets completed	1,115
Meters changed out	89
New meters installed	28
Utility locate tickets performed (AZ Blue Stake)	256

With the addition of the key standard operating procedures and the other plans and programs highlighted prior and the utilization of the Computerized Maintenance Management System, our focus has shifted from a historically reactive mode of maintenance to a preventative and predictive mode of maintenance. This shift provides the added benefit of not only increased maintenance activity but most often the ability to spot problems before they occur and extends the life of the assets in the field.

Goals

Employees at the Pine-Strawberry Water Improvement District project participated in establishing and accomplishing goals for our 2010 – 2011 Annual Project Business Plan. Our mission focused on exceeding the District's expectations, providing a safe working atmosphere for our employees, and preserving the environment. We met all of last year's goals, and now are focused on new ones.

- Remain accident-free from known safety hazards
- Hold weekly safety team meetings, totaling 10 hours of safety training for each associate
- Identify unsafe conditions and correct all safety review findings
- Maintain 100-percent permit compliance
- Increase state certifications for all eligible employees by 20%
- Maintain a meter reading error rate of less than one percent
- Continue to implement CH2M HILL's sustainability plan
- Participate in community involvement

Summary

In conclusion, the 2010 – 2011 contract year brought about many challenges for CH2M HILL and the Pine-Strawberry Water Improvement District. Together, we met those challenges. A few of our successes are highlighted below.

- Implemented a Computerized Maintenance Management System to ensure key equipment is being maintained
- Developed and implemented standard operating procedures and programs that will guide local staff in their daily operations
- Repairing leaks as they occur & replacing equipment when needed
- Recommending and making improvements to the production and distribution system
- Providing meter reading, billing and collection services to the District
- Meeting water quality regulatory requirements and filing reports, as needed

We appreciate the opportunity to serve the communities of Pine and Strawberry and its citizens, and we look forward to a continued partnership for many years to come.