

March 31, 2017



To the Members of Community Water Company of Green Valley

COMMUNITY WATER COMPANY CELEBRATES 40 YEARS OF SERVICE TO OUR COMMUNITY

Customers of the Green Valley division of the Arizona Water Company decided to acquire local control of our water utility and organized Community Water Company of Green Valley in 1975. On June 10, 1977, the change of ownership was completed, and Community Water Company began providing reliable and safe water delivery service. Today our community, after much growth is nearly built out, and proudly, Community Water continues to deliver reliable water service.

As we look to the future, we would like to share a thought on safety. Community Water's existence depends on a well-trained staff working in a safe environment. Hence, our staff continually updates our safety programs to secure a safe work environment, and regular staff participation in safety related training is key to low accident rates and maintaining reliable delivery of our drinking water.

A top concern of most customers appears to be the sustainability of our local water supply – is there enough water? Community Water is committed to developing a sustainable water supply. Our local water supply is not sustainable as long as the source aquifer continues to decline. Even though it can be decades before we feel the impact, it is important to invest in solutions for future generations to capitalize upon. In that regard, Project Renew was started in 2007 to bring renewable water supplies to the Green Valley-Sahuarita area. It has the approval of the Bureau of Reclamation and development is at no cost to our members. We have acquired pipeline rights-of-way, and have installed segments of pipeline in the Town of Sahuarita at Sahuarita Road and Nogales Highway, and under the Pima Mine Road Bridge; and under I-19 at Pima Mine Road.

Sustainability requires diligence in the monitoring of our water quality. Community Water continues delivery of water that meets or surpasses all applicable health and safety measures. We conduct all required tests to check water quality and report our test results each June. Our Water Quality Report is available on our website at <http://www.communitywater.com/wqr.pdf>. Please visit our office for a paper copy.

The Arizona Department of Environment Quality (ADEQ) has established a sulfate mitigation order with a local mine. This order includes two action levels for sulfate in our drinking water; increased monitoring at 135 ppm and other action at 250 ppm. Community Water's highest sulfate level as reported in our June 2016 Water Quality Report is 52.6 ppm. A Community Advisory Group (CAG) meets to receive updates on the local mine's efforts and the current sampling results. The CAG meetings are open to the public, and the location, date and time are published in the local newspaper. Community Water participates in the CAG meetings and provides feedback to ADEQ.

Financial sustainability is also important for the safe and reliable delivery of our drinking water. We continue to focus on superb water delivery while reducing operating and maintenance costs where appropriate. Current rates for water delivery were approved by the Arizona Corporation Commission in 2016. Rate increases are required to generate the necessary revenues that support financial sustainability. This rate case was an important step in providing sufficient revenues to cover expenses, maintain funds for scheduled equipment maintenance, repair unexpected equipment breakage, and develop sufficient reserves to support appropriate borrowing of funds to make appropriate system upgrades.

Community Water had 12,611 active residential units connected to the water delivery system at year-end 2016, compared with 12,551 at year-end 2015. Commercial customers had a slight increase to 378, from 374 a year ago. The amount of water pumped from the aquifer in 2016 was 2,342 acre-feet, an increase of 3% from the prior year's 2,268 acre-feet. Total rainfall of 18 inches in 2016 was high when compared to the average over the past decade, yet it was a decrease from the record rainfall of 22 inches in 2015. The steady introduction and installation of water efficient washing machines, toilets, and showerheads has been determined to be the major contributor to water conservation over the past decade, both here in Green Valley and nationwide. In general, we anticipate water usage to continue declining into the early 2020s.

Customer satisfaction with Community Water remains high based on our December 2016 survey. Please congratulate our employees for their exemplary service. They are the heart of Community Water, and their excellent stewardship has resulted in exceptional customer service while providing a reliable and robust water delivery system.

Community Water is pleased that our Round-Up program continues to function well and is providing limited assistance to our water utility customers in need. Round-Up is a program that rounds up water bills to the next whole dollar; and pools the round up dollars for assistance to our water utility customers. Our Round-Up program is administered by the Salvation Army. Community Water's Round-Up program is voluntary for our customers. Round-Up applications are available at our office or on our website.

We are grateful and indebted to our volunteer directors and board consultants for lending their knowledge and assistance to working on our local water issues. Their service adds value, and we continue to be delighted with the expertise of those serving. Also, their participation in representing Community Water at the various water-related meetings make it possible for Community Water to be more effective in local water issues.

Community Water is proud of its annual support of providing water to the MedianGreen Project over the past seven years. This water contribution supports the mission of the MedianGreen Project to replant and beautify the public road medians in Green Valley; reflecting the pride we take in our community.

Our annual meeting of members is on Thursday, April 27, 2017, at 9:30 a.m., in the GVR East Center, at 7 South Abrego Drive, Green Valley, AZ. Registration begins at 9:00 a.m. We look forward to seeing you at our annual meeting.

Sincerely,



Virgil W. Davis
Chair of the Board



Arturo R. Gabaldón
President

Community Water Company of Green Valley

(An Arizona nonprofit corporation with members operating a water utility regulated as a public service corporation by the Arizona Corporation Commission)