



March 26, 2014

**To the Members of Community Water Company of Green Valley,
(An Arizona not-for-profit corporation with members)**

37 Years of Service . . . Your Company continues to reliably deliver water all the way to your meter. We have maintained sound financial results; recovering all of the costs associated with our water deliveries. This past year we have reduced our overhead expenses, improved our planning, and replaced our computer system. Our staff continues to focus on system improvements and reduce expenses where possible.

Our consolidation efforts with the Green Valley Domestic Water Improvement District have been placed on hold. Green Valley Water has asked that your Company become a Domestic Water Improvement District before continuing the consolidation discussions. Your Company has taken this request under advisement. Some questions and answers regarding a Domestic Water Improvement District are presented following this letter.

Water Delivery System . . . Total rainfall in 2013 remains low at 10.28 inches, but higher than the prior year of 8.84 inches. Your company pumped 2,443 acre-feet of water from our aquifer, slightly more than the prior year.

At year-end 2013, your company had 12,468 active residential units connected to the water delivery system compared with 12,394 the prior year, an increase of 74 accounts. Commercial customers increased 2% from 394 at year-end 2012 to 403 at year-end 2013. Total active units (residential, commercial and other) in our water delivery system increased from 12,875 at year-end December 2012, to 12,958 at year-end 2013.

Capital projects included maintenance to our system pumps, treatment equipment, and computer facilities. This computer system replacement has improved our efficiency and reporting capabilities. There were no significant construction projects to report. Other major capital expenditures were related to service replacements and our ongoing meter change out program.

Water Quality . . . The water delivered to our members and customers met or surpassed all health and safety measures required by the United States Environmental Protection Agency, Arizona Department of Environmental Quality (ADEQ), and Pima County Department of Environmental Quality. Our annual water quality report, covering data samples from 2013, will be published in July. The report will confirm that our water deliveries were in full compliance with our water quality requirements. Our latest report is available on our web site.

A Community Advisory Group (CAG) was established as part of a sulfate mitigation order initiated by ADEQ to report on the local sulfate mitigation efforts. Your Company attends the CAG meetings.

Finances . . . Our residential water bills continue to be low for our area; averaging around \$21 per month. Total 2013 consolidated operating revenues were approximately \$3,863,000 and excess revenues over expenses were approximately \$253,000. As a utility, it is important to maintain the financial sustainability of your Company, and to continue generating sufficient revenues to fully meet expenses, develop reserves for dealing with unexpected system breakage, and replacement of an aging infrastructure. The trend of increasing costs is expected to continue in 2014; we will continue to be diligent and identify ways to lower costs. Your Company is increasing its focus on developing sufficient and reasonable reserves to maintain reliable customer water deliveries.

At our last member meeting, your Company reported on the establishment of a separate company to develop and implement our CAP Water Delivery System (Project Renews). A trust was also established to hold and manage the right-of-ways required for construction (including those from Pima County, Town of Sahuarita, Arizona State Land Department, and Arizona Department of Transportation). Revenues and expenses are maintained in those entities to provide separation between the water utility and Project Renews. For reporting purposes, your Company presents audited financial statements on a consolidated basis.

The Central Arizona Project (CAP) . . . Your Company initiated Project Renews in 2007 to bring renewable water supplies to the Green Valley Sahuarita area. The U.S. Department of the Interior, Bureau of Reclamation, selected Community Water's plan as the preferred alternative for taking and using our CAP water entitlement of 2,858 acre-feet in their 2010 Final Environmental Assessment. This assessment also concluded that our plan will not result in any significant negative environmental impacts to the area, and in fact, will have a positive impact on the water table in the area of recharge for many years. Your Company's pipeline and recharge project is the only local CAP water project with the approval of the Bureau of Reclamation. As affirmed in the 2010 Final Environmental Assessment, Project Renews is being developed at no cost to our members. In 2012 we acquired several right-of-ways for our pipeline project and installed some pipe in July, 2012. We anticipate construction on major portions to be completed during 2015.

Your Company continues to develop alternatives in support of a sustainable water supply. Access to an alternative water supply is an important tool in meeting possible local safe yield requirements in the future as a result of the 1980 Arizona Ground Water Act, and is an important option to have available if we encounter unusual ground water contamination in the future.

We continue to work cooperatively with other water stakeholders in the area to bring alternative water supplies to our community. Working together with the Upper Santa Cruz Providers and Users Group gives our area the best chance for achieving safe-yield.

People who serve you . . . Our December 2013 customer satisfaction survey showed our customers' rating did not change much over the year. Overall, 89% of respondents were satisfied with the utility. Water service and quality customer service had our highest satisfaction rates. Sustainable water supplies and conservation programs are important to our customers. We also received high scores for serving the public well, keeping the public informed, and giving good value for the money.

We appreciate our employees who keep us financially sound, provide us with exceptional service, keep us in compliance with regulatory requirements, reliably operate the water system, and provide excellent customer service throughout the year.

Thanks also to our volunteer directors who represent your Company's interests. Their knowledge of the community and our local water issues are valued and we continue to be delighted with the expertise of the directors serving our Company. We extend our best wishes to Ms. Marianne Collins who will not stand for re-election as a director and Mr. Jerry Belenker who resigned this past year. We thank them for sharing their time and skills with us during their dedicated service to our Company.

We invite you to our annual meeting of members on Thursday, April 24, 2014, at 9:00 a.m. at the Joyner-Green Valley Branch Library, located at 601 N La Canada Dr, Green Valley. Registration begins at 8:30 a.m. We are looking forward to seeing you there.

Sincerely,
Community Water Company of Green Valley



Virgil W. Davis
Chair of the Board



Arturo R. Gabaldón
President

Questions & Answers Regarding Alternative Forms of Governance and Maintaining Reserves:

What is a Domestic Water Improvement District (DWID)?

DWIDs are publicly owned water utilities governed by locally elected boards. They are an alternate form of a county improvement district (a political subdivision of a county) with specific geographic boundaries and the authority to:

- acquire, construct, and operate a domestic water utility;
- finance facility acquisition and construction with special assessment bonds or revenue bonds;
- charge and collect water fees and user fees; and
- levy ad valorem taxes for operation and maintenance.

How would residents benefit from being a DWID?

Home owners elect a board from the service area. A DWID reduces the long-term operating costs of the utility. Property taxes, ACC water taxes, and ACC regulation costs would be eliminated and the community would be eligible to apply for previously unavailable grants and other forms of subsidized financing.

What are the cost savings opportunities for a water utility?

Water utilities have high fixed costs and economy of scale offers some cost savings opportunity; i.e., the more customers a utility serves, the lower the fixed cost per rate payer. Intrinsic growth opportunities for your company have become limited. The remaining option for growth is through consolidation with existing water utilities.

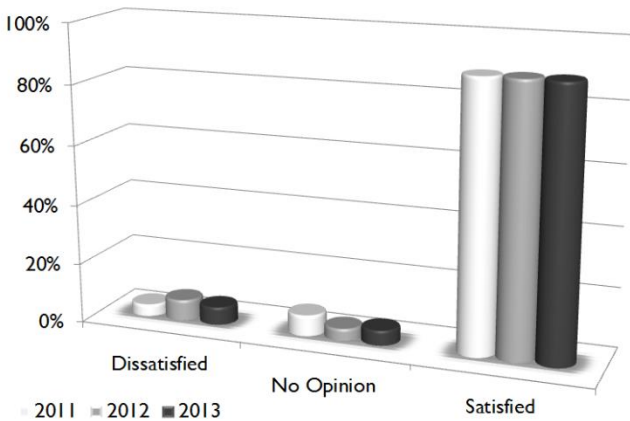
Why does your company need to maintain financial reserves?

A sustainable water supply is basic to our needs, but not sufficient if proper infrastructure is not available to deliver the water. Adequate reserves ensure the financial sustainability of your water utility. Reserves are required for specific maintenance items and unforeseen facility malfunctions, protection against an unforeseen interruption in revenue, and adequate funding of replacement equipment where normal depreciation is inadequate.

Gauging Customer Satisfaction and Perceptions

Community Water Company of Green Valley's (CWC) focus is to listen and respond to customers by providing service that meets or exceeds their expectations. To measure this, we asked 360 residences to complete a satisfaction survey and we received 159 responses. We are pleased to share those results with you. The full survey report is available on our web site <http://www.communitywater.com>

89% of our Customers are Satisfied with CWC

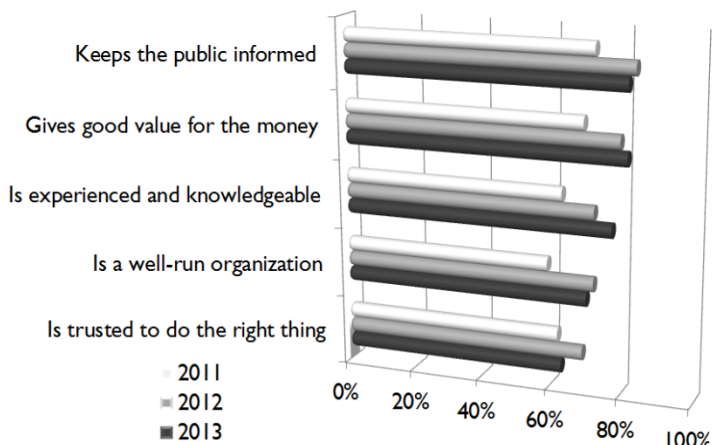


Overall High Satisfaction

	2011 Satisfied	2012 Satisfied	2013 Satisfied
Water Service	90%	92%	91%
Customer Service	92%	82%	83%
Water Quality	73%	81%	77%
Water Price	75%	78%	73%

General Reputation

Our reputation continues to be outstanding. Below are the results of those that agree with the following statements about CWC:



Water Quality Trends

