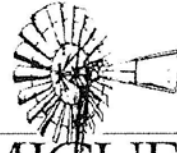


Water Words



SAN MIGUELITO
MUTUAL WATER COMPANY

2017 Newsletter Winter Edition

President's Message

Dear Shareholders/Customers,

When compared to other cities and towns in California our little corner in “the happiest place in America” now has another thing to brag about. Through the end of last year our “Water Conservation goals” were met and exceeded the vast majority of the rest of the state. Hopefully it’s become and will stay an integral part of our daily lives and habits.

We have rain gauges on the ocean and canyon side of our house and in the last 15 days we’ve received almost a foot of rain from storm cells that entered our little canyon. It would be great if this year signals the beginning of the end of the drought. But ... even if it does, we still need to say for years to come “the old dogs have learned new tricks” and meeting our water conservation goals is now a way of life for each shareholder.

In spite of the pace for this year being the wettest since we moved here in 2002, some thoughts:

- - It could stop raining the end of this month. Remember the “La Nina” forecast the last two years?
- - Even with the amount of rain since July 1, 2016 here’s some capacity figures as of today:
San Antonio = 18% Lopez = 32.5% Nacimiento = 61% San Luis Reservoir = 77%

So my message to each of my fellow shareholders is keep practicing your water conservation habits by keeping your outdoor sprinklers shut off until it stops raining for at least three weeks for in-ground established plants. Water potted plants and recent in-ground plants sparingly and wait at least 10 days after it has stopped raining.

On a serious note, I again thank our volunteer Board for the time they have given this past year. To our office and field staff, my best wishes for the ongoing 2017 New Year and special thanks for your fine work in 2016. I look forward to working with all of you this year.

Sincerely,

A handwritten signature in black ink, appearing to read "John Delehant", with a long horizontal flourish extending to the right.

John Delehant, President SMMWC BOD

How SMMWC Rates are Established

SMMWC's primary source of funding is from water and sewer services charged to its Residential, Commercial and Irrigation Shareholders/Customers. All of the revenue goes directly to the short term Operations and Maintenance (O&M) of our system as well as to long term Planning issues and Capital Replacement Projects (Reserves). The SMMWC Board of Directors sets your rates for these services annually based on adjustments to the Sewer Charges, Water Availability Charges, Water/Sewer Capital Replacement fee and the Water Usage rates. Every 5 years the SMMWC Board reviews the water usage rate structure/revenue model in order to maintain equality for each type of user group.

As a mutual water company each of the major customer groups; Residential, Commercial, and Irrigation, is slated to pay their fair share of the costs based on usage and impact on the SMMWC system. For example if residents as a group use half of the water supplied by the company, they should pay half of the cost. Similarly, if commercial generates one-third of the sewage they should pay one-third of the cost of providing sewer service. SMMWC rate structure reflects these goals.

In the past, the rate structure/revenue model was reviewed in 2007, 2012 and again, as scheduled, in 2016 in preparation of the 2017 budget. As outlined in the next article, Outcomes of Conservation, SMMWC staff found that overall water usage patterns have changed in all categories, Residential, Commercial, and Irrigation. These changes in the usage patterns have normalized the revenue stream throughout the year. For 2017 budget we have created a Water division and a Wastewater division each with their own income and expenses. We have also divided our Capital Projects into those that are for System Infrastructure (Treatment Facilities, Transmission piping, Storage Tanks) and Neighborhood Infrastructure (Residential and Commercial Tracts).

The SMMWC Board will now be able to set the actual rates (charges) based on projections of Operations, Maintenance and Administrative expenses, State Water Delivery costs, proposed Capital Projects for each division and the continue funding of our Capital reserves based on the System and Neighborhood anticipated projects.

New Rates

For 2017, the Board has decided that there will be **no** change to the water usage tiers and **no** increase in the usage charges for Water and Wastewater. For the Capital charge, there will be a \$3.00 increase for both Water and Wastewater. This means that the base rate for Water has increased from \$45.90 to \$48.90 and the Base rate for Wastewater has increased from \$54.50 to \$57.50.

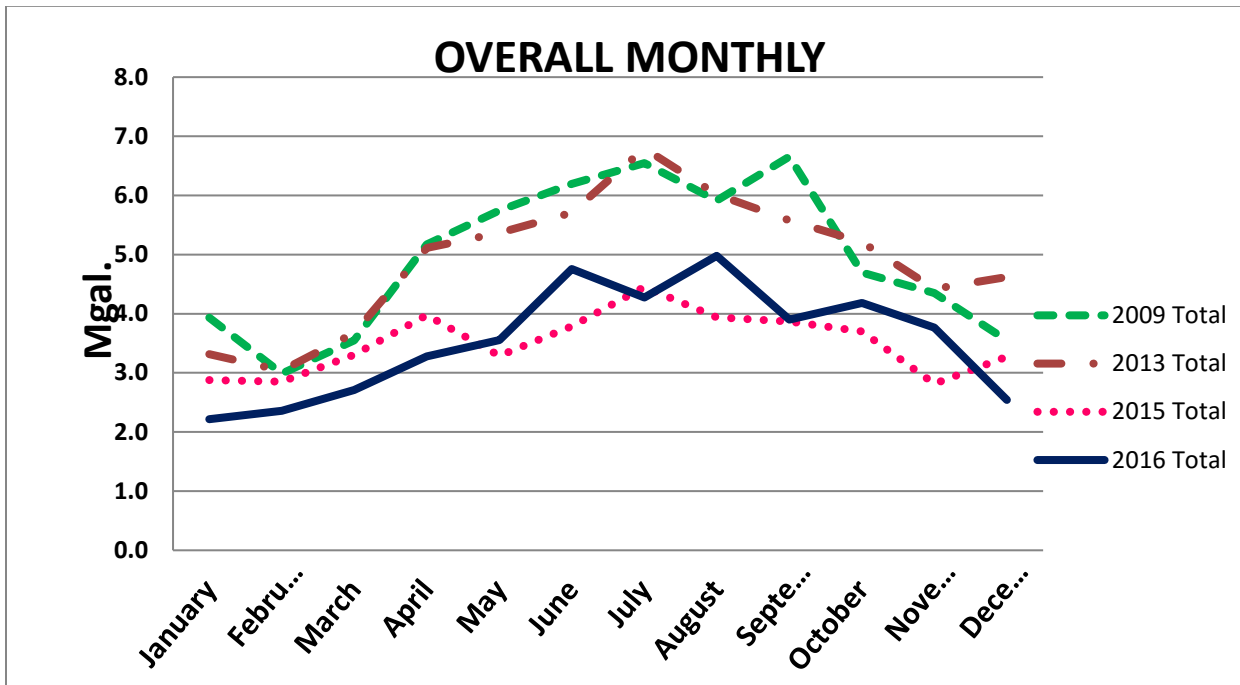
Our Location

For those of you who have not visited our new offices yet, we are located at **1561 Sparrow Street**, behind the Cal-Fire Station. Our mailing address has not changed. Customers can still save postage by placing their payments in our SMMWC drop box at the Lupine Canyon mailboxes across from Mallard Green or deliver their payments to our new office. The new office also has a payment drop slot next to the front door for afterhours use.

Outcomes of Conservation – How usage has changed

Through all the Conservation efforts of our customers and a lot of help from Mother Nature by way of some nice December rains, we achieved an **average overall reduction in water usage of 26% in October-December 2016 compared to October-December 2013.**

One of the outcomes of this conservation effort is that the yearly usage patterns have also changed. The graph below compares water usage before the implementation of conservation with the water usage over the last two years.



This next chart is a comparison of our Residential neighborhoods, Commercial, and Irrigation use before and during Conservation:

NEIGHBORHOODS	2013 Mgal.	2015 Mgal.	2016 Mgal.
Indian Hill	8.75	6.13	6.18
Heron Crest	6.47	4.68	4.62
Avila Valley Orch.	0.84	0.65	0.70
Pelican Point	3.71	3.05	3.04
Skylark	2.37	1.97	2.00
Mallard Green	2.33	1.87	1.95
Kingfisher Canyon	4.84	4.66	4.58
Quail Canyon	1.27	0.98	0.89
Silver Oaks	0.61	0.35	0.28
COMMERCIAL			
All	11.80	9.48	9.96
IRRIGATION			
HOA's	10.99	4.56	5.40
Commercial	4.65	3.51	2.76
Total	58.63	41.90	42.36

Capital Projects completed in 2016

In 2016, we installed over half of the SCADA system for both the water and wastewater systems. Our biggest undertaking was the replacement of the 30 year old chemical and laboratory sheds along with the electrical control systems at our Water Treatment Plant. This was done to insure proper containment and storage of our disinfection chemicals and to protect our well filters, chemical feed equipment, laboratory testing equipment, update control wiring for our new SCADA system.

Capital Projects for 2017

For 2017 our Capital Projects have been prioritized into two categories: System Infrastructure (Treatment Facilities, Transmission piping, Storage Tanks) and Neighborhood Infrastructure (Residential and Commercial Tracts). 2017 System projects will include repainting two of our water tanks, replacing piping at the WWTP and completing portions of our SCADA system. We are not doing any Neighborhood projects in 2017, so that we can begin to build reserves for future projects.

SMMWC now offers Online Bill Pay

Please visit our web site at smmwc.com for information regarding the option to pay your bill online. This feature can be found on our homepage, just click on “Pay my Bill “. Please note that this option is through a secure third party website, so a small fee will also be charged to your credit card.

As an additional convenience to our Customers, SMMWC offers our **ACH auto debit payment program at no additional charge**. This method of payment allows SMMWC, through our Bank, to directly debit Customer payments through Customer checking accounts. SMMWC submits all ACH debits on the 15th of each month so there is no worry of getting a late charge from SMMWC. Please inquire at our office for more information. For those of our shareholders who use their own bank’s “Bill Pay” process, please remember to schedule the delivery of your payment far enough in advance to allow for slower USPS deliveries during the Holidays and bad weather.

Rob Rossi, Director

Rick Koon, Director

Victor Montgomery, Director

Tom Athey, Financial Officer

Geri Hall, Secretary

Ben Banks, Vice President

John Delehant, President

Board of Directors

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A mutual water company serving the San Luis Bay Estates Area

SAN MIGUELITO
MUTUAL WATER COMPANY

