January 20, 2025

Dear Members,

We are writing to provide an update on the DHCWSC board's decision to procure bulk water to augment our existing wells. Key Points contained in the remainder of the letter are:

- The severe and extended drought conditions force us to have to purchase bulk water to meet demand and protect the wells and associated equipment
- A trial run has been conducted during January to validate the process before going live in February
- We are currently working to firm up prices and terms and conditions with a bulk water delivery service
- We have a starting baseline, but there are still some unknowns that cannot be definitized until after we see how the wells perform under less stress that the bulk supplemental water will provide
- Additional costs will be billed in proportion to amount consumed
- Costs must be recouped monthly to provide the cash for the next month's procurement
- We are working a longer-term strategy to secure water for the future
- Conservation is still the easiest and cheapest way to drive down costs and risk

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Due to the ongoing severe and extended drought conditions, our aquifer's ability to recharge and meet the increasing water demand has been significantly impacted. Unfortunately, these drought conditions are forecasted to continue with no relief in sight. With our wells already at dangerously low levels, there is a possibility that they will drop below usable levels and risk damage to the wells and associated equipment.

To mitigate these immediate risks, the board has decided to begin hauling in water from outside sources to sustain water levels and meet demand. This measure will also help protect our wells and equipment from damage. Our top priority remains ensuring the quality of the water we deliver. Currently, we are working with suppliers to obtain an amount that meets our needs at the lowest possible cost. We have conducted a trial run to validate the process and the integrity of our water in preparation for going online in February.

The five primary factors that drive cost are: total monthly demand for water from the community, quality of the water procured, quantity of water procured, the cost-per-gallon, and the overhead cost to procure, blend and test the water.

It is our intent to drive these factors to the lowest possible cost that provides us with manageable water levels in the wells with sufficient reserve for emergencies. Today, with our current level of monthly demand combined with the ongoing drought conditions, it is impossible to determine the recharge rate of the wells with any level of confidence to arrive at a concrete amount needed for a safe level of water. It will take a few monthly cycles to adequately gauge the minimum amount of supplemental water we need. We have started the process, but it will take several weeks of monitoring demand and recharge rates to see what impact the procured water has on the ability of the wells to replenish. Of course, the total demand for water by the community will play a large role - the less we use the less we must procure. So, we are asking each member of the community to continue to conserve water. Our plan is to start with procuring 240,000 gallons or less than 50% of our average demand. If the wells stabilize and show progress, we will adjust the amount of water we procure accordingly. Please bear in mind that we cannot predict the short- or long-term impact of the drought conditions.

Current market prices for delivered water vary from nearly $0.09 to over $0.11 per gallon depending on quantity and could rise as the year progresses and demand from other customers drive up prices. We have been working with bulk water suppliers to arrive at the optimum terms and conditions for the lowest cost per gallon with the lowest risk to our members. Our goal is to arrive at an average price between $.09 and $.10 per gallon plus overhead costs by the end of January with terms and conditions that meet our needs through at least the first quarter with priced options for subsequent timeframes.

As a non-profit organization, we do not have reserves or cash flow to pay for the water and we must recoup the costs monthly to ensure we have funds to pay for the ongoing procurement. Therefore, starting with the February billing cycle, members will be charged for the bulk water in proportion to the amount of water they use. As an example, the table below lists the total monthly water bill for the scenario of purchasing 240,000 gallons of water at $.0924 per gallon and a monthly demand of 600,000 gallons. From the table you can see the impact of conservation on lowering costs. Additionally, conservation will allow us to procure less and drop the supplemental cost proportionally.

	Monthly Water Usage										
	1000	2000	3000	4000	5000	6000	7000	8000	9000	10000	20000
Bulk Water	$ 37.14	$ 74.29	$ 111.43	$ 148.58	$ 185.72	$ 222.87	$ 260.01	$ 297.16	$ 334.30	$ 371.45	$ 742.90
Well Water	$ 75.17	$ 78.49	$ 81.81	$ 85.12	$ 90.65	$ 96.18	$ 101.71	$ 107.23	$ 112.76	$ 118.29	$ 239.89
Total Bill	$ 112.32	$ 152.78	$ 193.24	$ 233.70	$ 276.38	$ 319.05	$ 361.72	$ 404.39	$ 447.06	$ 489.74	$ 982.79

Cost for Bulk Water for a Total Monthly Community Demand of 600,000-gallons

To help understand the costs, your water bill will break down the costs between the base rates and the bulk water into two lines. One line will specify the base rate derived from the

current rate structure (well water) and the other line will identify the additional cost for your share of the bulk water.

We will continue to monitor the well performance to protect the community's assets and take advantage when opportunities arise to drive down the cost of water. Additionally, the board is exploring different strategies for securing water in the long term. This will most likely be a combination of conservation, an additional well, improved well management, and possible connection to another source such as the city of Marble Falls.

Finally, we would like to remind everyone that continued conservation is the fastest, easiest and cheapest thing we can do to secure water for the future. Many communities are demonstrating that the average household only needs 4,000 to 5,000 gallons per month. As more information becomes available, we will send out additional letters and post it on our website.

Thank you for your patience and understanding as we negotiate our way through the drought and longer-term strategy for future water security.

Respectfully yours,
The DHCWSC Board of Directors