

**NW NATURAL WATER SERVICES
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December 4, 2023

RE: NW Natural Water Services – Introduction and Rate Schedule for King Water Services 2024

Dear Valued King Water Client,

As you may be aware, King Water Company was acquired by NW Natural Water Services in May of this year. While you may have experienced some changes already because of the acquisition, we are grateful to each one of you for the patience you have shown us through this process and for your continued trust in our management of your water system. Although Sandra Bodamer is retiring from King Water at the end of 2023, King Water continues to operate with the same operations staff and will remain focused on providing excellent service to ensure that you are able to continue providing safe and reliable drinking water to your communities.

I wanted to take this opportunity to introduce myself and a few of my colleagues as several questions have arisen about the future of King Water, including who will be filling some of the roles that Sandra has occupied once she retires, including the Operator Responsible Charge and Cross Connection Specialist. There also have been questions about Hiland Water and why invoices are being addressed to NW Natural in Newberg, Oregon instead of the King Water office in Coupeville. I'll start with Hiland Water and why it'll be important to King Water clients moving forward.

Hiland Water began as a family business with a single owned utility in 1997 in St. Helens, Oregon and has grown to serve over 65 water and wastewater systems comprising over 8,000 service connections throughout the state of Oregon. I am a third-generation family employee and am proud of the high customer service and employee satisfaction levels we've achieved. Like King Water, Hiland has grown through the years predominantly through referrals by our clients and those of other professionals in the industry. We have attracted high-quality, committed employees, and invested in their training, development, and growth. As a result of those efforts, we continue to provide exceptional operational and emergency service to our clients across the State of Oregon. On October 31, 2023, Hiland Water became part of NW Natural Water Services, just like King Water, and my role subsequently expanded from Hiland Water Management into NW Natural Water Services Management.

Jeffrey Olson

My name is Jeffrey “JJ” Olson and I serve as the Business & Compliance Manager for NW Natural Water Services. I started in the water and wastewater industry at a very young age with my family business, Hiland Water. I’ve been involved in all aspects of water system management, including field management, project management, financial planning, and rate studies. In my various roles, I have worked closely with accounting and other groups in business forecasting and strategic direction over the years. I currently hold Water Distribution III, Treatment III, Cross Connection, and Backflow Tester certifications in the State of Oregon in addition to being an expert heavy equipment operator and holding a Class A Commercial Driver’s License.

My colleague, Devin Geiger, serves as the Accounting Manager for NW Natural Water Services and is also a previous Hiland Water Manager. He has been with Hiland for almost a decade, starting as an accounting intern during college, and holds his bachelor's degree in accounting from George Fox University. He has knowledge of all administrative aspects of water system management including billing, financial, customer service, regulatory rules, and office personnel management.



Devin oversees the office staff at King Water, which will be led by Joanne Skaar, who recently began in the role as Office Manager. Together, they will be supporting customer billing, bookkeeping, and customer service in addition to monthly reporting and invoicing. I will be overseeing operations, led by Nate Driscoll, who continues to serve as the Operations Manager. Together, Nate and I are teaming up to support field staff through personnel management and scheduling, technical advice and coordination, on-call support, and overall operations efficiency and compliance. While Devin and I will still be based in Newberg, Oregon, we are excited to be assisting King Water as members of the same company, both remotely and through regular visits to Whidbey Island and Camano Island.

We have begun engaging in conversations with several clients, Department of Health, Island County, and numerous others over the past month to better understand the needs of the water utilities served by King Water and how we can improve customer service and operations. In addition, we work with King Water staff daily to improve and expedite processes and response time as situations arise in real time.

Sandra Bodamer has continued working with King Water up to this point but is retiring at the end of the year and is leaving some big shoes to fill. In addition to the roles filled by Devin and me, we have hired Joanne Skaar ("Jo") to fill Sandra's role as Office Manager locally at King Water. Jo will oversee office operations and assist with service calls and invoicing questions while supporting the field operations and coordination, in tandem with our leadership team. While she is in training, Devin and I will continue to be actively involved to help ensure a smooth transition as Sandra concludes her tenure. We have great confidence in Jo and believe our clients will benefit from her skill, organization, and professionalism.

Nathan Driscoll will also be stepping into a larger management role at King Water. He will be holding the required distribution and treatment level certifications for all the water systems King Water operates in lieu of Sandra. In addition, he will be the cross-connection specialist. Along with Nate, several employees are in the process of renewing their certifications as a backup to Nate's certifications as operational redundancies. Lastly, any recent employees that were hired and are eligible to take their certification exams are in the process of obtaining those by the end of the year. I am included on that list as well as I intend on becoming certified in Washington as a backup based on my experience in Oregon. We will continue to have a strong team and infrastructure to support your utility as NW Natural Water Services continues and advances what King Water has been able to do over the last 30 years.

As part of our effort to improve customer service, you will be contacted by a member of our team (if you haven't been contacted already), whether it be a Hiland or King Water member, to ask about your experience with King Water, areas of improvement or concern, any updated contact information needed, and if there are any outstanding projects or estimates that we need to know about. Please know that these are not spam calls, and that we are using all available resources to solve problems and understand situations as quickly as possible during this transition. I have created a project template that is being sent out electronically, along with any missing reports and invoices that may not have been received. Please take the time to help us update our contact information to ensure that you receive your reports and invoices in a timely manner moving forward. If there is

a mistake on your invoice, or you haven't received a work schedule or estimate, please don't hesitate to reach out to either me or Devin to get the issue resolved.

In my conversations with clients, questions regarding new contracts have arisen often. We have started the process of creating a new standard service agreement for NW Natural Water Services that is expected to be put into use over the next few months. Clients will be adequately notified when another contract is ready and can be signed at their next renewal period in 2024. The existing contracts will remain in effect until the new standard service agreement is made available. The immediate change will be to the labor rate table as shown in Exhibit C and is explained in further detail later in this letter.

To continue the tradition of helpful compliance and safety reminders in the annual letter, please pay close attention to the following topics to understand how they might apply to your water system:

1. Lead and Copper Rule

The Environmental Protection Agency (EPA) has updated and revised the Lead and Copper Rule with new requirements to complete a water system inventory of all service connections, on both the public and customer side of the service line, to classify pipe material as "lead" or "non-lead" by October 16, 2024.

If your water system needs support in meeting the requirements, either with excavation of the service lines, paper documentation research, or possible funding options, please send me an email at jj@hilandwater.com to further discuss your systems situation. For more information, please visit the following websites or send me an email.

<https://www.epa.gov/ground-water-and-drinking-water/revised-lead-and-copper-rule>

<https://doh.wa.gov/community-and-environment/drinking-water/contaminants/lead/lead-and-copper-rule-revisions>

2. Water Use Efficiency Rule

For those of you still in need of a public meeting and setting goals, your board is required to develop a plan through a public process and enact measures to manage water use as required by Department of Health. The goal of your board is to ensure all meters are installed, that your meters are read, at least once per year, distribution leakage is 10 percent or less, and the water system is showing progress in using your water efficiently through annual reporting. When establishing these Water Use Efficiency (WUE) goals, you must invite your customers and interested members of the public to a public forum (meeting). This public forum can be accomplished by posting your meeting date and time in a public newspaper, posters, flyers, or the easiest way: posting on the [DOH WUE Public Forum Posting Form](#). During this forum, you will need to make available the information you will be using to set the goals for your community. The goals that are established must be set by the governing board.

For help or advice regarding these requirements, please refer to the Water Use Efficiency Guidebook or call the King Water office. We will help you in any way we can to fulfill the obligations of this program and guide you through the process. The Department of Health is evaluating systems that are out of compliance with this rule and will start to assess fines for non-compliance. As your certified operator, we will be reaching out to systems out of compliance to discuss the plan to implement this program in the coming year.

3. Signing Up for the One Call Center

Anytime someone is digging, they are required to call 811 to report the area they will be excavating at least two business days in advance so utility companies with underground lines in the dig site can be notified. King Water, on your behalf, should be notified if anyone is digging in the location of underground water lines so we can mark the lines accordingly. If you are not a member of the One Call Center, we do not receive these

requests, and it can put your system in danger of being susceptible to an outage or mainline break. If you don't know if you are a member, or you need to update contact information to forward to King Water, you can call our office and we can help you. Our office will be touching base with the clients that aren't on our list to get them on the program as soon as possible to better ensure public health and safety for everyone.

4. Water Line Locates

You may be aware that any underground work requires the contractor to contact "Call Before You Dig" (811) to have the utility lines marked prior to digging. As a result, we receive many locate requests to mark your systems water mains. Since many systems were built prior to tracer wire requirements and the as-built drawings are often inaccurate (some cases we don't even have any drawings), this can make for a tricky task. Our operators complete the locates to the best of their abilities, but accuracy cannot be guaranteed by King Water. Water systems can opt to pay Time and Material (T&M) charges to excavate the mainline to guarantee accuracy, but often times can be a costly expense and will not likely be completed within the required 48-hour notice period.

Please contact the King Water office if you'd like to be proactive in the accurate locating of your system's mainlines and services, especially for upcoming large-scale projects, and we will be happy to assist. There is also affordable GIS software and equipment that can be used to accurately mark your systems assets such as valves or hydrants and can be completed during a mainline repair to further document locations with accuracy.

5. Line Breaks

We'd like to remind clients that King Water will respond to emergencies as needed to maintain public health and safety and will invoice based on our contract. Situations have arisen historically when a contractor or other party damages the water line and causes an emergency. We can provide a separate invoice to present to the offending party, but the invoice needs to be paid in accordance with the contract by the water system, regardless of fault, no later than 30 days.

6. Cross Connection Control Program

All Group A systems are required to have a Cross Connection Control program established and followed. This program is established to identify and correct any residence or business that may have issues that cause water to "backflow" or "back-siphon" into the public system and cause illnesses. The first step is to have the governing authority implement and enforce the program. Afterwards, questionnaires will need to be sent out to all customers. King Water can help you through the process and advise you of the steps and procedures. If you need any help with this program, please call. As your certified operator, we will be reaching out to systems out of compliance to discuss the plan to implement this program in the coming year.

Fee Structure:

The rate change for labor will take place on January 1, 2024, as reflected in Exhibit C. The rate structure is formatted differently than in the past, and my hope is that you'll find that this new structure averages out similarly cost-wise as the previous arrangement and allows for more cost-saving potential. In Exhibit C, you'll find that there are more labor and equipment classes than before, allowing you to have a lesser paid labor class perform non-skilled duties rather than paying for highly trained operators to perform all duties. It also simplifies the emergency call-out rates from two rates into a single rate. In all instances, staff selected to perform services will be based on experience and availability at the sole discretion of King Water. On the monthly invoice, King Water will provide itemized charges providing the staff, equipment, or expense category of reimbursement, dates of service, quantity of hours worked, and charges for each. Additionally, base fee costs will be evaluated on a system-by-system basis prior to the renewal of your system's contract moving forward instead of a blanket percentage increase across the board as done historically. I hope these changes are welcomed and easy enough to understand how charges will be assessed on the invoice in 2024.

Emergency Services:

King Water on-call personnel will be available to respond to emergencies at your water system twenty-four hours a day, seven days a week (24/7). All after-hours communication via phone should be directed to the main office phone, which is answered by an answering service outside of business hours. All after-hours emergency services are handled by King's on-call staff on a rotation basis. In the event King Water staff are called upon to address an emergency, the operator(s) will be selected based on availability at the time and the experience best suited for the response. Time and materials will be charged in accordance with the emergency rate schedule provided in Exhibit C. An emergency is defined as an event that requires an immediate dispatch of King Water staff or a dispatch of King staff before 8:00 AM on the following business day.

Compensation:

Emergency on-call services and other non-emergency services will be billed in accordance with the T&M schedule in Exhibit C, which will be applicable to work time on site, drive time to and from site, mileage, and any preparation and clean up time at King Water's warehouse before and after work is completed, if applicable. Reservoir cleaning will be based on the amount of time it takes to set up and leave a site, plus the time to clean the reservoir, including drive time from the King Water warehouse. For safety reasons, three personnel must be on site while the reservoir is cleaned.

As this chapter of King Water closes and another begins, and on behalf of the NW Natural Water Services Team, thank you for the years of trust and support your utility has given to the company, and to the Bodamers. We can't express our appreciation enough and we are grateful for the opportunity to continue doing business together. We are confident that our new affiliation will serve us all well as we continue to pursue higher goals in efficiency, cost reduction efforts, responsiveness, and public health and safety.

If you have any questions about the transition to NW Natural Water Services, invoicing, or the rates for 2024, please don't hesitate to reach out to me at jj@hilandwater.com or Devin at devin@hilandwater.com.

Thank you,



Jeffrey J. Olson

Business & Compliance Manager

NW Natural Water Services

Office: (503)-554-8333

Additional Contact Information

Hiland Water Services

PO Box 699

Newberg, OR 97132

(503)-554-8333

Silas Olson

NW Natural Water Services Director

silas.olson@nwnatural.com

Exhibit C – Labor and Equipment Rates 2024 – Hourly unless otherwise noted

| <u>Category*</u> | <u>Rates</u> | <u>Emergency Rates</u> | |
|---------------------------------|-----------------|------------------------|-----------------------|
| Executive | \$160.00 | \$192.00 | |
| Upper Management | \$125.00 | \$150.00 | |
| Mid-Level Management | \$111.00 | \$133.00 | |
| Area Supervisor | \$91.00 | \$109.00 | |
| Utility III | \$80.00 | \$96.00 | |
| Utility II | \$71.00 | \$85.00 | |
| Utility I | \$63.00 | \$76.00 | |
| Office | \$58.00 | \$70.00 | |
| <u>Equipment & Expenses</u> | | | |
| Item | Category | Rate | Emergency Rate |
| 35G Class Excavator | Equipment | \$500.00/day | \$500.00/day |
| Dump Trailer | Equipment | \$20.00 | \$20.00 |
| Vacuum Excavation** | Equipment | \$60.00 | \$60.00 |
| Pressure Washer | Equipment | \$80.00/day | N/A |
| Service Truck | Truck | \$25.00 | \$25.00 |
| Meter Reading | Meters | \$3.00/Meter | N/A |
| Backflow Testing | Backflow | \$40.00/test | N/A |
| Direct Expenses | Expenses | Cost + 10% | Cost + 10% |
| Subcontractor | Expenses | Cost + 10% | Cost + 10% |
| Mileage | Expenses | IRS Rate | IRS Rate |

***Staffing within rate categories, as well as rate category titles, are subject to change without notice**

****Future service provided**