

2025 Annual Meeting

Report on Operations of Davidson Water, Inc.

March 10, 2025

Good evening. I first would like to introduce some of the management team that is with us tonight: Ben Palmer, Director of Construction & Engineering; Eric Hege, Chief Information Officer; Josh James, Controller; Danny Thompson, Engineer - GIS Manager; Terry Crowe, Director of Water Plant Operations; Craig Koonts, Water Plant Operations Coordinator; Lisa Koonts, Human Resources; and Susan Little, Member Services Manager.

I am pleased to report that Davidson Water, Inc. currently has approximately 67,900 connections and 61,800 active members which is a 2% increase from the prior year.

At Davidson Water, we believe our employees are our most important asset. We are currently fully staffed with a headcount of 86. We strive to be an employer of choice and provide opportunities for our employees to grow. Over the past year, 10 employees have received state certifications, 3 have obtained federal licenses, and 4 have been cross-trained internally to perform additional duties. We believe in promoting from within, and 12 employees have received promotions. Additionally, we have welcomed 11 new hires.

I would be remiss not to mention the recent retirements of two important individuals from our organization. Ron Sink served as General Manager for 11 years and was also a member of the Board of Directors for 20 years. Robert Walters retired as Vice President of Construction and Engineering after 45 years with the organization. We extend our deepest gratitude to both of these men for their dedication to Davidson Water and the community we serve.

Water Treatment, Water Quality, and Major Water Plant Projects

Our average daily flow from the water plant was just under 11 MGD (millions of gallons per day), and a peak flow of nearly 16.5 MGD. Water quality remains our top priority, and all test results were well within EPA regulations. We continuously strive to improve water quality, and one of our major focuses over the past year has been our flushing program. Proper flushing of water lines helps maintain water freshness and allows us to optimize treatment chemical levels. We successfully trialed an automatic flushing unit and plan to deploy more of these units this year.

The EPA-required UCMR 5 (Fifth Unregulated Contaminant Monitoring Rule) testing was conducted quarterly to detect if 30 specified chemical contaminants were in our water as it entered the distribution system. Of these 30 contaminants, 29 were PFAS (Per- and Polyfluorinated Substances, also known as "forever chemicals"), and the remaining one was lithium. Each round of testing resulted in non-detectable levels for all contaminants.

Construction continues on our Water Plant Generator Replacement Project, which is scheduled for completion this month. This new 2,500 kW generator will ensure our ability to reliably treat and provide water during power outages. The new unit meets the latest environmental emissions requirements, with a total project cost of \$4.8 million.

The replacement of eight (8) High Service pumps and associated valves was completed in May 2024. These new pumps improve hydraulic efficiency and capacity for distributing treated water from the water plant to the distribution system. The total project cost was \$970,000.

Distribution

Our distribution system saw large line upgrades, extensions, and pipe relocations, totaling 14 miles of new line and 6 miles of replacement pipe. Davidson Water now maintains approximately 1,950 miles of water lines. Currently, 36 active projects involving townhomes, subdivisions, or other construction activities that have been authorized by the state and are in the early stages of construction. Installing services for new developments is a daily task for our in-house tap crews, with 1,139 services installed in 2024.

Supply chain issues for project materials have mostly stabilized, except for brass goods. Electrical equipment for some capital projects still requires extended lead times. Several upcoming North Carolina Department of Transportation projects will require water line relocations and include the intersection at Hwy 109 & US Hwy 64, Finch Farm Rd and Highway 109 in Wallburg. All are currently in the design phase.

As part of the Lead and Copper Rule Revisions issued by the EPA, Davidson Water completed a review of the utility-owned portion of service lines and conducted a statistical analysis of the member-owned portions. We can state with 95% confidence that fewer than 1% of our service lines contain lead. Furthermore, we can declare that our distribution system has no lead service lines or galvanized lines requiring replacement.

Meter Services

The Meter Services Department continues to install AMR (Automatic Meter Reading) drive by meters, for high-demand large-meter customers, enabling detailed consumption tracking. Our goal is to achieve 100% AMR implementation by 2027. Currently, all residential and small business customers are using AMR technology. Additionally, we have launched a retired meter change-out program for residential customers, replacing all meters from 2004 and older.

To stay at the forefront of technology, we are planning a pilot study utilizing AMI (Advanced Metering Infrastructure) technology and ultrasonic meters. This combination would provide members with near real-time consumption data.

Information Technology

Following a significant update to our accounting software, we experienced some initial integration challenges, which were quickly resolved. Our focus has now shifted to upcoming upgrades involving server hardware, which are currently in preparation and expected to be completed in the coming months.

Cybersecurity remains a top priority. We recently replaced our firewalls as part of our regular refresh cycle and continue to keep all systems updated with regular vulnerability scans. Eric Hege, our CIO, served on the 2024 CIPAC (Critical Infrastructure Partnership Advisory Council) Water Security Task Force, which developed cybersecurity guidelines for the water and wastewater sector. The task force held multiple meetings, both virtually and in person in Washington, D.C.

We have also added a new staff member, Todd Myers, who is responsible for programming and maintaining some of our in-house applications. He is integrating these applications with our GIS and CIS platforms, and we are excited about the improvements this will bring.

Member Services

Davidson Water continues to offer our members a multitude of ways to make payments. Our office and drive through windows allow for convenient on-site payments while for remote payment options, we still provide auto-draft, phone, and web-pay. We continually look for ways to improve the member experience and will be evaluating additional payment methods this year.

Capital Credits

Capital credits are excess margins (or profits) created by non-profit companies. In September 2024, Davidson Water distributed \$420,351 in capital credits to members who received water service in 1991. The Board has authorized the retirement of \$494,647 in capital credits from the fiscal year 1992, with payments expected in the third quarter of 2025.

Davidson Water now offers Early Retirement of Capital Credits for former members who have passed away, provided they have no surviving spouse. Interested descendants, executors, or administrators may apply for early retirement with our Capital Credits office.

Employee Giving and Community Outreach

Davidson Water employees have been very generous in giving back to the community. This past year our United Way campaign contributions totaled \$9,486. During our annual Food Drive, employees and the company contributed money along with non-perishable food items for the Greater Things Outreach Center in Welcome. In response to Hurricane Helene, employees raised funds for Samaritan's Purse to support those in need in Western North Carolina.

Davidson Water and our employees also supported Hurricane Helene relief efforts by providing both manpower and materials to assist the city of Asheville in the restoration of their water system. 10 employees volunteered for temporary assignments that ranged in duration from making a day trip to deliver supplies to working two weeks away from home. In total over 800-man hours were spent in support of our neighbors to the west.

Scholarships

Davidson Water annually awards four college scholarships in the amount of \$5,000 each to deserving high school seniors in memory of past board members. Last years' recipients were: Gracie Brewer - Trinity High School; Lorelei Elbertson - South Davidson High School; Mattison Ridge - Ledford High School; and Reese Sullivan - North Davidson High School.

We are happy to announce tonight that going forward, this scholarship program will be named: The Davidson Water, Inc Thad K. Hartley Memorial Scholarship. Thad Hartley's leadership and service left a lasting impact on our organization and the community. A member of the original Board of Directors, he served as the first Secretary from 1973 to 2001 and as President from 2001 to 2007. In addition to his contributions to Davidson Water, Inc., he was a devoted educator and community leader, serving as Assistant Superintendent of Davidson County Schools and supporting numerous local organizations. This scholarship honors his legacy of service, leadership, and commitment to education.

Davidson Water also awarded four \$1,000 scholarships to students attending Davidson Davie Community College. Last years' recipients were: Christian Barrett – North Davidson High School; Nathaniel Minter – Ledford High School; Alexander Sprinkle – Ledford High School; and Lukus Overby – Central Davidson High School.

Conclusion

In closing, I want to emphasize our commitment to our mission of providing safe, reliable water to our members at the lowest possible cost. We will continue to do that with the leadership of our board and management, the expert guidance of our professional partners, the dedication and expertise of our employees, and the support of our members. Thank you.

Jonathan Ray, General Manager