

2026 Annual Meeting

Report on Operations of Davidson Water, Inc. March 9, 2026

Good evening.

I would first like to introduce some members of the management team who are with us tonight: Ben Palmer, Director of Construction and Engineering; Eric Hege, Chief Information Officer; Josh James, Controller; Danny Thompson, Engineer and GIS Manager; Rodney Darr, Director of Water Plant Operations; Dale Draughn, Meter Department Supervisor; and Susan Little, Member Services Manager.

I am pleased to report that Davidson Water currently has 69,163 total connections and 62,877 active meters, which represents continued steady growth for our system.

Supporting that growth requires ongoing work from our field crews. During 2025, our in-house tap crews installed 1,283 new services for developments across our service area.

At Davidson Water, we believe our employees are our most important asset. We currently have 84 full-time employees serving our members across our operations, engineering, member service, administrative, and field departments.

Over the past year we have made several improvements aimed at enhancing the overall employee experience. These include increasing the allowance employees receive for purchasing safety boots, covering annual certification and license fees, and providing physicals for employees who require them as part of their work responsibilities.

We also conducted an employee engagement survey this past year. The results showed that approximately 75 percent of our employees are engaged, which is significantly higher than the global average of about 21 percent. The survey also provided valuable insight into areas where we can continue improving, and we are using that feedback to guide our efforts going forward.

Distribution System

Our distribution system saw continued improvements during the past year. We completed 9 miles of new water line and 1.5 miles of replacement pipe, bringing our total system to approximately 1,962 miles of water lines.

We currently have approximately 41 active development projects, including 17 new townhome communities and subdivisions that have received Authorization to Construct and are beginning construction.

We are also working with the North Carolina Department of Transportation on several projects requiring water line relocation, including the Highway 109 and Old Highway 64 project, the I-85 ramp improvements, and the US 64 and Highway 109 traffic circle projects.

Water Treatment, Water Quality, and Significant Projects

Our average daily flow during the past year was approximately 11 million gallons per day, with a peak flow of just under 16.5 million gallons per day.

Water quality remains our top priority, and all test results continue to be well within EPA regulatory limits.

We continue to focus on improving system water quality. We installed additional automated flushing devices at targeted locations throughout the system to reduce water age. We are in the process of installing equipment in one of our tanks that will allow for better mixing and air turnover with a goal of improved quality. Results from this installation will help determine if this technology should be deployed to other tanks in the system.

Under the EPA's Fifth Unregulated Contaminant Monitoring Rule (UCMR5), quarterly testing was conducted to detect 30 specified contaminants in our water supply. Of these contaminants, 29 were PFAS compounds and one was lithium. All results were non-detect, meaning none of these contaminants were found in our water supply.

The Water Plant Generator Replacement Project was completed this year. This new 2,500-kilowatt generator, with a project cost of \$4.8 million, ensures our ability to reliably treat and distribute water during power outages while meeting current environmental emissions requirements.

In addition, we completed our equipment canopy and paving project, which improves protection for critical equipment and enhances the functionality and safety of our operations yard.

Meter Services

The Meter Services Department continues expanding the use of Automatic Meter Reading (AMR) technology. AMR drive-by meters are being installed for high-demand large-meter customers, allowing for more detailed consumption tracking.

To further evaluate next-generation metering technology, we have installed ultrasonic meters with cellular endpoints at key accounts across our service area. These installations allow us to test the reliability and coverage of cellular communications across our large geographic footprint.

In addition, we will be launching two Advanced Metering Infrastructure (AMI) pilot programs during the second quarter of this year totaling more than 300 meters.

AMI technology will allow our members to access hourly water usage information, receive alerts for potential leaks, and allow Davidson Water to better understand system usage in near real time.

Information Technology

The past year has been defined by a strong focus on strengthening our core infrastructure systems to support future improvements to member services.

One of the most significant initiatives is our partnership with a new payment vendor, which will allow us to launch an upgraded member payment portal. This new system will provide additional payment options and allow members to securely store payment methods for faster transactions.

We are also implementing a new Interactive Voice Response (IVR) system, allowing members to make secure payments by phone through an automated system available 24 hours a day.

Members will also notice a change to their monthly billing statements. We are transitioning from the traditional postcard bill to a full-sized invoice delivered in a secure envelope, improving readability and allowing us to communicate important notices more effectively.

These upgrades will also support our long-term transition toward Advanced Metering Infrastructure (AMI).

Member Services

Davidson Water continues to offer members a variety of convenient payment options. Our office and drive-through windows remain available for in-person payments, while remote payment options include auto-draft, phone payment, and online payment.

Capital Credits

Capital credits represent margins returned to members from the cooperative's operations.

On April 16, 2025, Davidson Water retired 1992 capital credits, paying out just under \$200,000 to eligible members.

On January 8, 2026, we retired 1993 capital credits, totaling over \$446,000.

The Board has already approved the retirement of 1994 capital credits, which are scheduled to be distributed during the second quarter of this fiscal year.

We also created an Unclaimed Capital Credits search tool on our website that allows individuals to look up unclaimed capital credits for themselves or family members and help return those funds to our membership.

Community Outreach

Davidson Water employees continue to support the communities we serve.

During the past year, our employees pledged \$12,942 to the United Way of Davidson County workplace campaign.

Davidson Water also served as a campaign sponsor for both the United Way of Davidson County and the United Way of Randolph County.

Our employees also built, donated and delivered 10 picnic tables American Children's Home on Hwy 8.

In addition, the organization supported fundraising events for several charitable and educational organizations that directly benefit the communities and members we serve.

Scholarships

Davidson Water annually awards four \$5,000 scholarships to deserving high school seniors entering a four-year college program through the Davidson Water Thad K. Hartley Memorial Scholarship Program.

This year's recipients were:

Kaylee Waitman — East Davidson High School
Samantha Koontz — North Davidson High School
Chase Petteys — South Davidson High School
DeAnna Cobb — Trinity High School

Davidson Water also awarded four \$1,000 scholarships to students attending Davidson-Davie Community College.

Recipients included:

Keffley Boozer — East Davidson High School
Austin Gee — East Davidson High School
Jaiden Luty — Ledford High School
Zander Floyd — South Davidson High School

Conclusion

In closing, I want to emphasize our continued commitment to providing safe, reliable water service to our members at the lowest possible cost.

With the leadership of our Board of Directors, the dedication of our employees, and the continued support of our members, Davidson Water remains well positioned for the future.

Thank you.

Jonathan Ray
General Manager
Davidson Water, Inc.