

September 5, 2017

## New Water Quality Regulation

1,2,3,- Trichloropropane, commonly referred to as "TCP" is a synthetic organic chemical compound that was used in pesticides in the 1970s and 1980s and has been found in groundwater in California. On July 18, 2017, the State Water Resources Control Board adopted new standards that set a maximum contaminant level (MCL) of 5 parts per trillion for TCP allowed within domestic water systems.

Please follow the link below for a copy of the Media Release issued by the State Water Board:  
[https://www.waterboards.ca.gov/press\\_room/press\\_releases/2017/pr071817\\_123tcp.pdf](https://www.waterboards.ca.gov/press_room/press_releases/2017/pr071817_123tcp.pdf)

This recent decision by the State now requires Vaughn Water Company to take steps over the next several months to meet these new regulations beginning early 2018. To come into compliance, Vaughn Water Company must install granular activated carbon treatment systems at all of our impacted wells in 2018. The cost to install the required equipment is very expensive. We will attempt to recover these costs through the ongoing litigation against the parties responsible for the TCP contamination, but the outcome of the litigation is unknown at this time. Therefore, Vaughn Water Company must begin the process of implementing the required treatment facilities in the interim period.

We have TCP detections in 8 of our 12 active groundwater wells and 4 of those wells with TCP contamination are already equipped to remove the TCP from the water. These four existing facilities will need to be expanded in the future to make treatment more efficient. We are working with our engineer to study treatment solutions for our wells without treatment. The study will include the design of emergency treatment systems that can be constructed quickly given the very short compliance period.

Installing the TCP treatment systems will be very costly. We want the parties responsible for causing the TCP contamination, rather than our customers, to cover the costs of treatment. Unfortunately, our customers will bear the cost for the construction and operation of the TCP treatment systems until such time we receive anticipated recovery costs from our pending litigation.

The Company will need to borrow money in order to complete construction of the emergency treatment systems and the borrowing will require a substantial user rate increase to fund the TCP treatment costs and cover the new debt service payments. In addition to the capital costs, the operation and maintenance of the treatment systems will also have an impact on water rates.

Updated information regarding the implementation of the emergency TCP treatment systems and changes to our water rates will be provided to all of our customers over the next few months.

Vaughn Water Company