

TONTO HILLS DOMESTIC WATER IMPROVEMENT DISTRICT

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WATER EMERGENCIES

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ORGANIZATION AND OPERATIONS

1. **What is a DWID?** A Domestic Water Improvement District, or DWID, is a county improvement district formed by the community for the purpose of constructing, improving, or purchasing a drinking water delivery system.
2. **What is the history of the water providers in Tonto Hills?** The Tonto Hills water system was originally established (circa 1970's?) by Thomas F. Chumlea, owner of the Ironwood Land Co. and the wells that served the community. At that time, the private water company was called the Tonto Hills Water Co. In February 1986, the authority of this owner to serve water was revoked by the Arizona Corporation Commission (ACC) due to failure to correct water quality problems associated with its well water.

The Tonto Hills Improvement Association (THIA) purchased the wells in February 1986 and temporarily operated the system. The Tonto Hills Utility Company (THUC), a private company, incorporated in March 1986, purchased the wells in March 1987, and began providing water to Tonto Hills homeowners under a Certificate of Convenience and Necessity (CC&N) it had obtained from the ACC. Water was pumped from two low-capacity wells constructed on land leased from the U.S. Forest Service and treated under state requirements to remove radon before entering the distribution system. In 1997, THUC sought, and the ACC granted, a moratorium on new water connections in Tonto Hills until a reliable, permanent non-groundwater source of water could be acquired.

In 1998, THUC entered an agreement to acquire a 71 acre-foot per year (AF/yr) Municipal and Industrial entitlement of surface water from the Central Arizona Water Conservation District (CAWCD) to be delivered via the Central Arizona Project (CAP) canal. This entitlement was obtained by THUC on July 20, 2001 as part of the transfer of a 2,271 AF/yr entitlement from BHP Copper Inc. to City of Scottsdale (1,300 AF/yr), Town of Carefree (900 AF/yr), and THUC (71 AF/yr). In the case of THUC, sufficient water was needed for complete build out of the community. Those involved in the transfer process, including Arizona Department of Water Resources (ADWR) and CAWCD, concluded that 71 AF/yr would be sufficient for build out of the Tonto Hills subdivision. The 71-AF/yr entitlement was originally provided under a 50-year renewable contract with CAWCD. The entitlement was amended on May 25, 2007 to have a renewable term of 100 years.

In 2000, THUC signed an initial contract with the City of Scottsdale to have the Tonto Hills surface water entitlement taken from the Arizona Canal, treated, and delivered to Tonto Hills via the water system in the adjacent Desert Mountain community served by Scottsdale. THUC began taking water from Scottsdale in April 2000. In 2003, THUC ceased use of the two wells and began serving only surface water to Tonto Hills from the Scottsdale water system. The water received by

Tonto Hills is actually a mixture of surface water and groundwater in the Scottsdale system. The contract with Scottsdale limits the amount of water Tonto Hills can take to an instantaneous rate of 70 gallons per minute and a monthly total of 3 million gallons, which is equal to 110 AF/yr (more than needed for the 71 AF/yr CAP entitlement).

In 2005, THUC notified the Tonto Hills Improvement Association (THIA) that the water company was for sale. In response, THIA formed a Water Committee to evaluate options for the future of the Tonto Hills water system. In 2007 and 2008, the THIA Water Committee conducted a due diligence for purchasing the assets of THUC and forming a Domestic Water Improvement District (DWID), which included assessing the potential for annexation by Scottsdale, contracting an engineering firm to prepare a Preliminary Engineering Report on the water system, and holding several public hearings to inform the community. THIA subsequently formed an Annexation Committee, which continued fact finding with Scottsdale that ended when Scottsdale analyzed and rejected the concept in a September 2008 report. In 2008, the independent Committee for the Formation of the Tonto Hills Domestic Water Improvement District (THDWID) was established and successfully petitioned Tonto Hills property owners in the fall of 2008 to proceed with organization of the THDWID. On behalf of the Tonto Hills property owners and THUC, this Committee petitioned the Maricopa County Board of Supervisors on October 30, 2008 to form the Tonto Hills DWID.

The Maricopa County Board of Supervisors voted on January 28, 2009 to approve the formation of the THDWID, which was officially certified on February 17, 2009. During 2009 and 2010, the THDWID completed a lengthy process of cancelling THUC's CC&N with the ACC (10-30-2009), finalizing an Asset Purchase Agreement with THUC (12-14-2009), obtaining contracts with City of Scottsdale (11-17-2009), CAP (5-1-2010), and CAWCD (6-22-2010), obtaining Superior Court validation of the THDWID contract with CAWCD (11-30-2010), and acquiring a loan from the Water Infrastructure and Finance Authority of Arizona (WIFA) to fund purchase of the assets. On December 17, 2010, the WIFA loan agreement was completed and the THUC assets were purchased by the Tonto Hills DWID.

The THDWID has subsequently established detailed Policies and Procedures, a Water Service Application package, a Schedule of Fees with conservation stages, a Conservation Plan, and several other organizational documents that are all available for review on our website at: <http://www.tontohillsdwid.org>.

- 3. At one time I heard there was a water quality issue in Tonto Hills. What was the cause and is it resolved?** Before 2003, at certain times of the year, groundwater from the wells exceeded the EPA levels for radon that occurs naturally in the granite bedrock beneath Tonto Hills. Tonto Hills Utility Company treated the water to bring the radon content to within EPA standards. Use of

these wells was discontinued in 2003 and our water since then has been solely from the City of Scottsdale water system.

4. **How can I be assured of the ongoing quality of the water supply?** Every year each customer is provided access to an annual water quality report for our system and the City of Scottsdale system called a Consumer Confidence Report (see our website at: <http://tinyurl.com/DWID-CCR>). This report provides results of periodic chemical and bacteriological quality testing of the water we supply to our customers, including any problems shown by the testing. If the testing indicates a potential acute problem, members will be notified of the problem and the planned resolution.
5. **Is the water supply enough to serve Tonto Hills now and in the future?** Yes! Our CAP allocation is for 71 acre-feet of surface water per year under a renewable contract with a 100-year term. As of 2015, we are using less than half of that allocation (34 acre-feet) and are banking the remainder (37 acre-feet) as long-term storage credits for future use. We calculate that there is enough water to provide each home at full community build-out with an average of 86,000 to 100,000 gallons per year. We are exploring ways to acquire more allocation from CAP, but the current allocation is sufficient for all reasonable water uses in Tonto Hills. Please refer to a more detailed discussion of our water supply on our website under *COMMUNITY INFO* in the document titled *2014 Water System and Rates Discussion* at <http://tinyurl.com/DWID-2014-rate-discussion>.
6. **How does the water banking help us?** The unused part of our CAP water allocation would be lost each year unless we purchase it and have it sent to a Groundwater Savings Facility (GSF), which uses our water instead of groundwater to irrigate crops. In exchange, the GSF pays us a fee and we are given long-term storage credits, which are an asset that grows in value as the market price of water increases year to year. The main purpose we want the long-term storage credits, however, is to provide a safety net in the event there are short-term or intermediate-term shortages in the CAP surface water supply that comes from Lake Mead. The City of Scottsdale can use our credits to supply us water even when we are not receiving sufficient CAP water in times of shortage. We are banking more water than we currently use each year, so that a year's worth of water banking represents more than a year's future water supply for us at our current rate of use.
7. **How do I contact THDWID?** Office hours are Monday through Friday, 8:00 AM - 4:00 PM, except holidays. Office Phone: 480-595-0128. Email: board@tontohillsdwid.org. Website: <http://www.tontohillsdwid.org>.
8. **What do I do if I have an emergency water situation?** The water emergency call number is 480-745-1427. If not answered immediately, a call to this number generates a text message to several on-call responders who will reply as soon as possible.

9. **How do I establish water service?** Go to the website and download the THDWID member water service application package under *COMMUNITY INFO* at: <http://tinyurl.com/DWID-application>.
10. **Are deposits required?** Deposits are required for service establishment by financial institutions and may be required for service establishment by individuals. Deposits may also be required of an existing customer if there are recurring payment delinquencies.
11. **As a landlord can you bill my tenant?** The THDWID can bill a tenant at the property owner's request. However, the property owner must fill out the water service application, which is our contract. Only the property owner of record can sign the service contract. Therefore, the THDWID ultimately holds the owner responsible for payment.
12. **What are my responsibilities as a customer?** The principal customer responsibilities are listed in an attachment to the water service application. Customer and THDWID responsibilities are described more comprehensively in the THDWID Policies and Procedures, which can be downloaded from our website under *DWID* at: <http://tinyurl.com/DWID-policies>.
13. **Where can I pay my bill?** Send payments to:

Foothills Accounting
6702 East Cave Creek Road, #4
Cave Creek, AZ 85331
14. **What are the rates and other fees?** See the water service application package on our website under *COMMUNITY INFO* at: <http://tinyurl.com/DWID-application>.
15. **How do these rates compare to Carefree and Cave Creek?** Rates are slightly higher than Carefree and Cave Creek for reasons explained below.
16. **What impacts the rates?** The water rates are dependent on four components: 1) water purchase cost from CAP; 2) water treatment and delivery costs by the City of Scottsdale; 3) non-resident fees applied by the City of Scottsdale; and 4) Conservation Stage declared by the THDWID, which affects the commodity rate structure applied to monthly usage.
17. **What are common causes of unintended water loss?** The most common cause of unintended water loss is leaks. Leaks can be due to cracked pipes, stuck valves and other issues with irrigation drip systems and "running" toilets. In lieu of leaks, a major unintended water loss may be caused by the absence or misuse of pool covers.
18. **How would I know if I have a leak?** To check if you have a leak, turn your water off at the main shut off valve. Check your meter, if the numbers are still turning , there is a leak somewhere in

your water lines or fixtures. See the newsletters on the THDWID website at: <http://tinyurl.com/DWID-newsletters>. Short videos are available on the Scottsdale website at: <http://www.scottsdaleaz.gov/Water/videos>.

19. **How do I shut off the water if I have a leak?** If the leak is in the house, turn your water off at the main shut off valve for your house, usually located on the outside of your house. If the leak is in the water line between your meter and your main shut off valve for your house, call the THDWID water emergency number (480-745-1427) and the THDWID will come and shut the valve on the main line to your meter at the street. Do not attempt to shut off the water from the main line to your meter; that needs to be done by THDWID only.
20. **Who should I call to repair a leak?** If the leak is on the street side of the meter, call the THDWID water emergency number. If the leak is between your meter and your house, call a reputable plumber. As a starting point, THDWID provides a list of leak detection companies and plumbers on its website under *DWID* at: <http://tinyurl.com/DWID-leaks>. Please note that this list is not updated frequently and THDWID makes no representation for the reputation or competence of the companies listed; you must do your own due diligence before hiring such a company.
21. **How can I protect myself from frozen/broken pipes?** Temperatures in Tonto Hills can sometime dip into the low twenties. These temperatures can cause frozen / broken pipes. Wrap all exposed pipes with foam or insulation tape. For additional tips, see the Freeze Warning newsletter on the website at: <http://tinyurl.com/DWID-newsletters>.
22. **If I have a water leak and use many gallons more than my normal amount, do I have to pay for it?** Yes, property owners are responsible for all water usage recorded on their meter. Should a large leak occur, following corrective action by the owner, THDWID policy allows for a one-time exemption where water is billed at THDWID cost. In this case, contact the THDWID Superintendent, who will refer the facts to the THDWID Treasurer.
23. **What does THDWID do to monitor water use and encourage conservation?** The THDWID maintains a monthly customer water use database. Basic statistical analysis is used to determine the mean / median use points and to highlight potential high use issues. High users are periodically advised of their use and asked to consider checking for leaks. A list of leak detection companies is available on the THDWID website. As required by Arizona statutes, the THDWID has adopted a Water Conservation Plan and communicates conservation issues to our customers. The Water Conservation Plan is on our website under *DWID* at: <http://tinyurl.com/DWID-conservation>.
24. **What are the Conservation stages and what triggers them?** The THDWID has four Stages: Water Watch, Water Warning, Water Alert, and Water Emergency. The triggers for each Stage are determined by the water level of Lake Mead, previous 12-month precipitation in Colorado basin,

and THDWID total water usage. Please see the Conservation Plan on our website for details at: <http://tinyurl.com/DWID-conservation>.

25. **Are there building restrictions associated with water use?** If the THDWID is in Stage 3 (Water Alert) or Stage 4 (Water Emergency), construction water must be trucked into the community. During the construction phase of a project there are also restrictions with regards to new swimming pools. See the New Build/Remodel Requirements/Suggestions document in *Governing Documents* under *COMMUNITY INFO* on our website at: <http://tinyurl.com/DWID-NewBuilds>. All new pools must have efficient pool covers. Please see the Conservation Plan on our website for details at: <http://tinyurl.com/DWID-conservation>.
26. **What do I do if I have too much or too little water pressure?** The Tonto Hills water system is a gravity flow system with no pumps. The THDWID installed a large-diameter pressure reducing valve in each of the three main trunk lines in our system to overcome the previously uncontrolled high-pressure in the lower elevations of Tonto Hills caused by a total drop of more than 400 feet from the hillside water storage tank. These valves have dramatically reduced the water pressure at the customer end to safe levels. The water line pressure is least at the uphill end of our system and just below the main trunk line pressure reducing valves. The water line pressure is highest at the downhill end of our system and just above each of these valves, so there is a range of pressures all along our water system. Customers are encouraged to further regulate water pressure in their homes by installing individual pressure reducing valves on the home side of their water meter. Low water pressure often is an indicator of a water leak; however, some homes are in the lower pressure zones of our system. In the event of a sudden dramatic drop in water pressure that is not due to a leak on the customer side of the meter, contact the THDWID Superintendent at the water emergency number (480-745-1427).
27. **If I do not pay my bill or abide by the other customer responsibilities, what happens?** Penalties and fees will be assessed for late payments of assessments and water bills. Failure to comply with other customer responsibilities could result in water shut-off. See the customer responsibilities on the THDWID member service application at: <http://tinyurl.com/DWID-application>.
28. **I think my meter was misread, what should I do?** Contact our office phone or email to request a re-reading of your meter.

RATE STRUCTURE

29. **What is the basis for the current rate structure and why was it changed in 2014?** When the THDWID acquired the water system in December 2010, it adopted the same rate structure that the

former water company used. However, as data on water usage in the community was obtained and analyzed over the subsequent three years and long-term water supply planning was conducted, it became clear that a more modern structure was necessary to properly allocate our limited water resources in the future and to be able to respond to both short-term and long-term potential water shortages. The THDWID reviewed rate structures for other water systems and decided that a commonly used 5-tier structure with associated conservation stage adjustments is well suited to Tonto Hills going forward. Please refer to a more detailed discussion of the basis for the 2014 rate structure and an analysis of how it affects various water users in Tonto Hills on our website under *COMMUNITY INFO* in the document titled *2014 Water System and Rates Discussion* at: <http://tinyurl.com/DWID-2014-rate-discussion>.

- 30. What do the Stages in the rate structure mean?** The Conservation Plan, discussed in the next section of the FAQs, calls for rates to increase in Stages for members who use excessive amounts of water as we approach full build-out or during times of water shortage. The THDWID estimated that the equal share of our current useable CAP water allocation at full use by the community is about 96,000 gallons per year or an average of 8,000 gallons per month (please refer to the 2014 rate structure discussion on our website). When the former water company acquired the CAP allocation, it was based on the average water use per residence for our type of community and assumed a usage that more than 80% of the current residents stay within. Because there are 10 to 20 residences that use substantially more than this amount and because our community is less than 70% built out, it was necessary to provide for cost incentives to reduce excessive water use as we approach full build-out or enter times of water shortages. THDWID chose to phase in higher rates for excessive individual water use when the community water use reaches levels of 80% (Stage 3) and 90% (Stage 4) of our useable CAP allocation.
- 31. Did my rates go up with the 2014 change?** If you currently use no more than 20,000 gallons each month, your rates have not changed. That is because the community still uses less than 80% of our useable CAP allocation (Conservation Stages 1 and 2). It is estimated that even the highest users currently see less than a 1% or 2% increase in their highest use month. When the community use exceeds 80% (Stage 3) and 90% (Stage 4) of our useable CAP allocation, the cost incentives increase substantially for those using more than 13,000 gallons per month (more than 200% under Stage 4 for the historic high use month of the highest user). However, ***those using less than 13,000 gallons per month, which currently includes more than 80% of the residents, will never see a rate increase under the 2014 rate structure.*** A detailed discussion of how the 2014 rate structure affects various water users is available on our website under *COMMUNITY INFO* in the document titled *2014 Water System and Rates Discussion* at: <http://tinyurl.com/DWID-2014-rate-discussion>.
- 32. Is THDWID trying to increase our water supply so that we reduce our risk of entering Conservation Stages 3 and 4?** Yes. THDWID is constantly seeking ways to augment our current

water supplies; however, our options are currently limited. In the next few years, the State of Arizona will be taking applications from water systems seeking some of the CAP water that is gradually being reallocated from non-Indian agricultural use. The THDWID Board believes Tonto Hills satisfies the requirements to obtain this water and will be applying for it. There will be an associated cost to acquire this water, which will be factored into our capital expenditures. It is important to note that, although our CAP allocation might be increased through this process, it still relies on a surface water system that is in severe long-term drought and at risk of being cut back in future years. Therefore, water conservation will continue to be an important element for the sustainability and cost control of the Tonto Hills water supply.

WATER CONSERVATION

33. **Why are Conservation Restrictions necessary?** The State of Arizona is in a drought and it is mandated by the State Department of Water Resources that all Arizona water agencies have a conservation plan with restrictions. The THDWID's conservation plan can be found on our website at: <http://tinyurl.com/DWID-conservation>.
34. **How much do I need to cut back?** Any effort to conserve water benefits the entire community. The THDWID currently has no water restrictions at Stage 1. See the Conservation Plan section on our website for specific actions that could be required.
35. **What can I do to save water?** You can start by practicing simple conservation practices, such as setting your irrigation timers to water during evening hours and adjusting them to water less in the fall and winter months. See the website at <http://tinyurl.com/DWID-newsletters> for a newsletter on landscape watering. You may also retrofit your home with water saving devices. A list of these devices and water conservation tips can be found on our website or at www.bewaterwise.com.
36. **If I don't save water, what will happen to me?** If or when the THDWID calls for Stage 3 – Water Alert or above, any customer that is in violation of THDWID policies could be fined depending on how many violations they receive. However, THDWID wants to promote water conservation education, not penalties, and we encourage customers who have questions about the conservation levels to contact us.
37. **Will you shut off my service if I don't save enough water?** If the THDWID declares Stage 4 – Water Emergency and there are willful violations of the mandatory conservation measures, the THDWID may discontinue service to the property.
38. **How can I read my own meter to know if I am conserving?** You can read your meter by opening your meter box near the street and reading the numbers located on the meter dial. The

meters read in gallons and work like the odometer on your car. If you record the reading at the same time each month and take the difference between consecutive readings, you will develop a record of your monthly usage. The THDWID does this for you each month to prepare your invoice and can provide you with the actual meter readings on request. You may also contact the THDWID and ask what your water consumption was last year at this time and compare it to the current reading to see if you are conserving water on a year over year basis.

39. **What if my water heater blows up and I lose a lot of water?** The THDWID understands that accidents do happen. Please notify the THDWID so they can make a note on your account of any such incident.
40. **Can my neighbor report me if I don't save enough water?** Your neighbor can report you, but the THDWID will investigate the complaint before issuing any violations.
41. **My neighbor has a pool and I only have landscape plants. Why do I need to conserve when water is splashing out of my neighbor's pool all day long?** Excessive landscape watering is one of the leading water uses that you can have. If a customer is not conserving the correct amount of water percentage corresponding to the drought level the THDWID is in currently, the THDWID will contact that customer and may issue a violation.
42. **Can I still fill my pool?** You can continue to fill your pool until the THDWID goes into Stage 4 – Water Emergency. At that time, no one will be allowed to fill or refill their pools with THDWID supplied water.
43. **Is recycled water available for construction purposes?** The THDWID encourages all construction projects to use water trucked from outside the community. If a Stage 3 - Water Alert or higher is called, THDWID water may not be used for construction projects.
44. **If there are cut backs to the CAP canal from the Colorado River drought response, how are we affected?** The THDWID CAP allocation carries the same priority as all the other municipalities that have a CAP allocation. When there are cuts, all lower priority water is affected first, including agriculture and water banking. The only priority higher than the THDWID's on the CAP is some of the allocation made to Indian Tribes. Although our allocation is subject to the same across-the-board cut backs as Scottsdale and Phoenix, those cut backs are shared on an equal percentage basis, not an equal volume basis. Therefore, a 5% cut back to THDWID's allocation is a tiny fraction of volume of water cut back in a 5% reduction to Scottsdale or Phoenix. It is the cut backs to the larger users that will sustain the CAP supply during times of drought. The current drought highlights the importance of voluntary conservation measures and banked water to reduce the impact of any such cut backs if they occur.