

October 11, 2016

Dear Council Members and Mayor

The Providence Blacksmith Fork Irrigation Company water right dates back to the late 1800's and company records exist back to 1912. The company is a registered Non-Profit Utah corporation and it updated its Bylaws 2007. The current Board includes 5 elected members: President David Olsen, Vice President John Hubbard, and Directors Brian Olsen, Clay Wilker, and Jason Fuhriman. Over the recent past, the Board has added the City of Providence as an ex officio member of the Board. From time-to-time the Mayor or other City official have participated in Company business.

The Company water right is 56% of the water diverted from the Blacksmith Fork River diversions shared with the Millville Irrigation Co. The water courses through about 14 miles of mostly open earthen canals, with only the first 2 miles of the upper canal being concrete lined. The current diversion right is for 56% of 50 cfs (or 1/3 of the total river) from May 1 to July 1, and then 56% of 40 cfs (or 1/3 of the river) from July 1 to Oct 1. The Company (with Millville) owns and maintains two major river diversion structures and two major flume structures in Millville City. The Company operates and maintains 4 internet connected gauges to monitor flows on a 24/7 basis. The Company also maintains about 80 headgates on the canal.

Over the past 12 years the Company has engaged an aggressive overhaul of the canals and reestablishment of the right-of-ways. The Company owns no land but has a lawful right and obligation to access the canal for maintenance and supervision. Shareholder assessments have been increased accordingly, and over the past 12 years, over \$200,000 has gone toward improvements and repairs (this includes the matching 44% added from the Millville Irrigation Company). A summary of the budget is:

-34% repairs/improvement	-32% Watermaster	-5% Soc. Sec/ Medicare
-9% insurance	-13% Loan payments	-2% Mailings
- 5% Administrative costs		

Currently there are about 300 shareholders of the 1406 stock shares. A current estimate of stock valuation is a little over \$2 Million and an estimate of Company assets of river diversions, flumes, and headgates is well over \$250,000.

The current annual Company revenues from assessments is about \$35,000. Providence City, owning 30% of stock, pays about 26% of asset revenues. We estimate the cost of water to be about \$30/acre foot.

Providence City puts over 95% of its shares to beneficial use by use of a 1.5 cfs exchange pump, taking irrigation water up to the Spring Creek box at about 350 E Center St. This 1 Million gallons per day is exchanged for about the same volume of culinary water from Broad Hollow in Providence Canyon. Overall, the Company water used by the City constitutes about 25% of the total daily culinary water in Providence from May 1 to Oct 1 each year.

David Olsen(after 20 years as President) and John Hubbard (after 12 years as a Board member and as Secretary/Treasurer) have announced their retirements. There are 3 continuing members on the board and elections will be held on Dec 5 for new members. We are asking all shareholders, including the City, to step up for service and leadership on the Company. While there has been great progress over the past few years, it is important to continue keep the Company strong.

There are several important issues that need immediate attention. A short list is below:

-Issues related to storm water and other surface waters. The Company does not have the authority or resources to manage storm water. The City and adjacent cities and County use the canals as a defacto storm water system, but there is no agreement with the Company. Other local canal companies have such agreements. It is difficult to assess shareholders to manage storm water management. The Company is incorporated to manage only diverted water from the river from May 1 to Oct 1. In the off-season, the Company does not maintain insurance or employ a Watermaster. In winter, when the canals freeze with surface spring water or water from City well discharges (Jay's and Dale's), the Company does not have resources to manage.

-Issues about the recruitment, training, and compensation for the Watermaster. The Watermaster is the central resource of the Company and careful attention needs to be given to retention and compensation. While the Company is insured for accidents, a major incident could severely impact the entire community. This last year Wes McNeil's diligence prevented at least 2 major overflows from happening that would have taken the entire upper canal out of service. He has been an exemplary person and will be difficult to replace.

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-In the future, partial or complete pressurization of the system may be beneficial. Without farsighted leadership and coordination with government entities, this will be difficult. A Water Conservancy District may be essential.

-What if the Company fails? The loss of water would directly impact 25% of all current culinary water for Providence residents. In addition, new demand from approximately 240 scheduled shareholders, who would need to switch to culinary water for their yards and garden, would put an extreme burden on the City culinary system. Finally, financial impacts on our agricultural shareholders would be extreme.

In summary, you can hopefully see how the Company provides direct benefit to all the citizens of Providence through the delivery of exchange water. There are issues facing the Company that will hopefully be addressed by its shareholders, and especially by an increased participation by Providence City, the major shareholder in the Company.

Thank you.

John Hubbard