

**Kernville - Gleneden Beach - Lincoln Beach Water District**  
**Gleneden Sanitary District**  
PO Box 96  
Gleneden Beach, OR 97388  
541-764-2475

Dear Gleneden Sanitary District Customers,

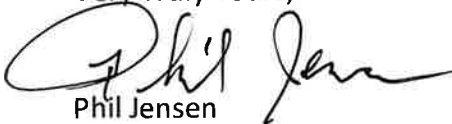
As many of you probably know, all of the wastewater generated in Gleneden Beach is treated at the shared wastewater plant in Depoe Bay and then discharged through the ocean outfall located there. An Intergovernmental Agreement was approved between Gleneden Sanitary District and Depoe Bay in 1976 with a few modifications over the years. GSD recently received notice from Depoe Bay that they intend to terminate the Agreement with us in five years, which is the termination period under the Agreement. We were surprised that Depoe Bay decided to terminate the Agreement and not be willing to negotiate any changes which we have requested. Depoe Bay has not requested any changes nor did they inform us of their reason for terminating the Agreement.

Under the current Agreement with Depoe Bay, GSD pays for at least 58% of the wastewater treatment plant and infrastructure operations and capital expenditures they share. This percentage is calculated annually based on Equivalent Dwelling Units (EDU's) for each entity. On top of that, just a few years ago Depoe Bay had GSD pay for 58% of a new dewatering press, an expense of over \$228,000. Depoe Bay's termination of the Agreement is an attempt by Depoe Bay to deprive GSD of the use of significant capital improvements that Gleneden Sanitary District has invested in the shared facility. The Board is responding promptly and accordingly.

Gleneden Sanitary District is committed to providing its constituents with reliable wastewater service at the lowest economic cost possible. GSD is in the process of investigating all its options, including building its own wastewater treatment plant, consolidating its wastewater district with Depoe Bay, and litigating with Depoe Bay to recoup its investment into the wastewater treatment plant and/or require Depoe Bay to honor its Agreement during the useful life of the wastewater plant. We have also received assurances from DEQ that, in any event, Depoe Bay will be required to continue treating our wastewater until such time that another viable option is available.

Thankfully, prior to receiving this notice, we commissioned a study by our engineers regarding the cost and feasibility of developing our own wastewater treatment facility. The initial findings should be available soon. Please rest assured that we, the Board, will investigate all options available to continue providing service to our customers at the lowest long term economic cost.

Very Truly Yours,



Phil Jensen

President, Board of Directors

