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SENT VIA EMAIL

June 1, 2026

Sam L. Angell
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Hall Angell & Associates
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Email: [email redacted] [email redacted]

Re: Victor's Response to Driggs' May 27, 2026 Letter

Dear Sam:

This letter is in response to your letter dated May 27, 2026, notifying the City of Victor (Victor) that the DEQ formally notified the City of Driggs that it has rescinded approval of the City of Driggs' (Driggs) Preliminary Engineering Report for the Wastewater Treatment Plant (WWTP), and the possibility that Driggs will pass "treatment facility capital improvement costs" to Victor. Victor responds as follows:

Victor's position has not changed. It is undisputed that the reason Driggs' entered into the 2024 Consent Decree and resulting "government mandate" to upgrade its Wastewater Treatment Plant (WWTP) falls solely on Driggs' long history of NPDES permit violations—also a material breach of the 2011 Inter-City Agreement. Victor takes exception to Driggs' attempts to place blame on Victor for the situation both Cities are currently in, the resulting litigation, as well as DEQ's recent "mandate" that Driggs design and construct a WWTP with capacity to serve both Cities—an obligation Driggs owed to Victor but never performed.

Driggs' continued assertion that "it reasonably relied upon written communication from Victor that Victor intended to continue to partner with Driggs and use Driggs' WWTP for wastewater treatment services" is in context, a misrepresentation and not relevant to DEQ's recent "mandate". As explained previously, Victor's communication referenced in your letter was conditioned on "terms that will be mutually beneficial, ensuring fair compensation for Driggs while maintaining affordable services for Victor's residents". Driggs' subsequent proposed agreement was far from being timely, fair, reasonable, or affordable for Victor's residents. Notably, some material terms were absent from the proposed agreement and the defined terms shoulder Victor's residents with unacceptable fees in excess of what Driggs' residents would pay.

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Continuing under the 2011 Inter-City Agreement is also not a fair deal in light of Driggs' continued breach of contract and resulting capital outlays required by the 2024 Consent Decree. No amount of capital outlay by Victor necessitated by a material breach on Driggs' part would be a "fair deal to Victor's residents". Nor is any capital outlay on Victor's part required under Idaho contract law. Additionally, Victor will not accept Driggs' lackadaisical attitude towards federal and state environmental laws as it has shown through its performance of the 2011 Inter-City Agreement.

Similarly, Driggs' contention that it will "pass through to Victor its proportionate share of the "debt service of such cost" pursuant to the terms of the Inter-City Agreement" is baseless. Driggs is solely liable for cost to comply with any government mandate made in connection with the 2024 Consent Decree or in any way related to its material breach of the 2011 Inter-City Agreement. It is nonsensical for Victor to incur compensable damages that Driggs would ultimately be liable for via a "passthrough" of debt service costs incurred by Driggs as a result of its own material breach of the 2011 Inter-City Agreement. Moreover, Victor is excused from performing its obligations under the 2011 Inter-City Agreement—including reimbursing Driggs for debt service costs—because Driggs continuously materially breached the 2011 Inter-City Agreement.

Victor has and will continue to use good faith efforts to mitigate its damages caused by Driggs' material breach. The 2011 Inter-City Agreement provides Victor with "ample" time to create a solution for their wastewater needs in the event the Agreement is terminated. Victor was under contract to purchase land necessary to build a WWTP servicing Victor's residents. That contract was recently terminated by mutual rescission after a combination of external pressures and evolving circumstances made it untenable for the parties to proceed.

Victor is diligently exploring other options to purchase land but those options will very likely cost Victor more to purchase and construct on. Victor will continue to expedite its assessment of other options while doing its best to mitigate its damages. Victor will update Driggs and the Court when its damages can be more accurately quantified.

Victor does not see a path forward under the 2011 Inter-City Agreement as interpreted by your letter. Victor is not willing to waive its contractual rights and burden its residents by incurring costs stemming from Driggs' material breach of contract. Victor is also not willing to enter into or continue under an agreement where Driggs has full ownership and control of the WWTP as history has shown that Driggs is not able or willing to comply with laws in place to protect the environment and its constituents.

Victor suggests Driggs reconsider its refusals to enter into a Joint Powers Agreement. Victor's offer to settle the pending litigation by via an equitable Joint Powers Agreement and the material terms and conditions of such proposed Agreement remain on the table. Victor will only agree to share in the costs of the "mandated" upgrades if the Cities agree to share in ownership and control of the WWTP and Victor residents pay no more in wastewater treatment charges than Driggs residents gross of all costs, including debt service and trunkline costs (capital and maintenance).

The proposed Joint Powers Agreement provides an equitable framework of how the ownership and operations of the WWTP would be managed. It also provides the Cities with a path to resolve past grievances and would aid in compliance with the 2024 Consent Decree. If Driggs maintains its current posture and does not believe that it was obligated to perform its contractual duties owed to Victor in a lawful manner, then the Parties will have to wait for the Court to tell Driggs it has an obligation to perform contractual duties in a lawful manner.

Please respond by June 3, 2026, indicating whether or not Driggs agrees in principle with the proposed Joint Powers Agreement terms and conditions. As always, feel free to call me if you would like to discuss.

All rights reserved.

Sincerely,



Jeffrey D. Brunson

Enclosures as stated
cc: Client