



August 6, 2015

Dear Citizens:

This is an update about an ongoing legal dispute between the City of Corsicana and a group of wholesale water customers.

In August 2009, the City Council made a decision to increase water and sewer rates. This decision was based on several issues; the most important was that the Utility Fund had lost money in four of the previous six years from 2002 to 2008 and was projected to lose money in 2009. Several wholesale customers disagreed with the rate structure. Of Corsicana's twenty wholesale customers, ten of them formed a group called the Navarro County Wholesale Ratepayers and protested the rates to the Texas Commission on Environmental Quality, or "TCEQ". The basic claim was the City of Corsicana had adopted rates that were discriminatory.

On November 2, 2011, the TCEQ Commissioners unanimously rejected the ratepayers' claims. Thereafter, nine of the original group members, which included Angus Water Supply, Chatfield Water Supply, Corbet Water Supply, Navarro Mills Water Supply, MEN Water Supply, Community Water Supply, and the Cities of Kerens, Blooming Grove and Frost, appealed the TCEQ decision to Travis County District Court. On November 12, 2013, the Travis County District judge rejected the appeal and all associated pleadings. Then eight of the original group members including Angus Water Supply, Chatfield Water Supply, Corbet Water Supply, MEN Water Supply, Community Water Supply, and the Cities of Kerens, Blooming Grove and Frost appealed the decision to the First District of Texas Court of Appeals in Houston. The opinion issued June 25, 2015, upheld the Travis County District Court decision. The end result is that the City's setting of rates was upheld.

This same group filed a breach of contract lawsuit in the fall of 2013 against the City in Navarro County District Court. The City filed pleadings and motions to have the suit thrown out, resulting in the dismissal of all claims against the City except for claims by the Cities of Kerens and Blooming Grove. The City anticipates filing additional motions in the near future to dismiss the claims by the two remaining cities. The process continues along with costs associated with the legal process. This exercise has now cost all customers of the City of Corsicana well over \$350,000 and hundreds of hours of employee time. No doubt it has cost the Water Supply Corporations and cities a similar amount.

The most important point is that today the wholesale customers on average use 50 percent of the City of Corsicana's total water production while contributing only 40 percent of the monthly revenue. I again would like to remind all of the citizens of Corsicana, it is imperative that the Council defend the ability to set rates as required to provide service and to plan for future water supply projects to make sure all the

citizens of Navarro County have ample water. It is always essential that each customer pay a fair share of that cost. Every penny will be needed in the future to accomplish this task. Water revenue not spent on infrastructure improvements is a waste.

Warmest Regards,

Chuck McClanahan
Mayor