



November 13, 2013

Dear Citizens:

This is an update to a letter that I sent to you in November, 2011. In that letter, I shared with you information about an ongoing legal dispute the City of Corsicana has with a group of wholesale 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. The regular rate increases prior to 2009 did not generate revenues sufficient to cover utility expenses. There were also utility related capital projects on the horizon that would require additional revenues. After a study was conducted, three options were presented to the City Council. The option selected called for a slight increase in the base rate, and an inclining block rate for water and a slight increase across the board for wastewater. An inclining block means that the customers using more water pay a higher rate. For example, all City of Corsicana customers that use over 25,000 gallons in one month pay \$3.25 per 1000 gallons. This included all of the wholesale customers. The wholesale customers are now and have always been charged the same rates as the inside City retail customers of Corsicana as required by most of the wholesale contracts.

Several wholesale customers disagreed with the rate structure. They did not believe that they should have to pay the additional \$0.25 per thousand gallons and even questioned the motive of the Council for adopting such a 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. Then the group, 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. This exercise has now cost all customers of the City of Corsicana well over \$320,000 and hundreds of hours of employee time. This same group has now filed a breach of contract lawsuit in the Navarro County District Court. I will update you on this in the future.

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

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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 also 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