

FEBRUARY
2017

KEMPNER WSC
PO BOX 103
11986 E. HWY 190
KEMPNER, TX 76539
(512) 932-3701
www.kempnerwsc.com

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HELP US TO CONSERVE WATER

IF YOU SEE A LEAK IN A
WATER LINE PLEASE
REPORT IT PROMPTLY BY
CALLING 512-556-7511.
CALLS ARE ANSWERED
24 HOURS A DAY!

Kempner WSC Newsletter

"Member Owned and Governed"

Message from Our General Manager

Dearest Members,

It is a great day here at Kempner Water Supply Corporation (KWSC). We have a new manager at our water treatment plant that is experienced in water treatment and has 11 years' experience working with the Texas Commission on Environmental Quality (TCEQ) our Texas regulatory agency (see his message below). His name is Michael Lentz. Under Michael's leadership, we have upgraded a lot of equipment and are currently starting an aeration system in our clearwell tank (2 million gallon tank collecting water after the water treatment plant before entering the distribution system). Please see messages from Michael and our engineer Perry Steger in separate articles in this newsletter.

As much as rate increases are inevitable, it is a matter of necessity that we go up on our rates. Our last rate increase was approved by the Board of Directors in September 2014 and the current increase was approved at the February 2017 meeting. The rates are going up based on an independent rate study recommending a new base rate increase to \$67.50. No cost per 1000 gallon increase was implemented even though it was recommended in the rate study. The increase is set in place to mitigate some of the issues we experienced in the last couple of years to include higher levels of trihalomethanes (TTHM's). This new project was designed by our engineers that consists of adding air into the clearwell. By adding air into the system it will eliminate some of the constituents (elements in the water) to react with oxygen instead of carbon thus eliminating higher levels of TTHM's. The cost of this project is \$330,588. This project is expected to start on the 15th of February and be completed by the end of the end of the year, hopefully much sooner. The County Road 3420 Pump Station project is another project that we are undertaking at a replacement cost of \$498,000 in order to keep KWSC in compliance with Chapter 290 TCEQ rules for pressure, flow and minimal chlorine residual in the northwest part of the system. This increase also represents budgeted costs associated with the subsidy of costs associated with the City of Lampasas receiving water at KWSC members expense. (see Legal update starting on page 3). Due to member request, a petition to the Public Utility Commission is located in our office for signature if you choose to protest the rate increase.

We are looking forward to visiting with you at the Spring Ho, July 7-8. Come view our booth and view our service area map. Let's see how long it takes for you to locate your own house on the KWSC service area map covering 345 miles in 4 counties.

To address some questions that have been asked about our organization, please note that all of our Board of Directors and most of our employees are KWSC members. No board of director or employee receives any discounts on their water bill. No board member receives any compensation for their service on the board. All water issues are of great concern to us and therefore, on behalf of the board and myself, we encourage your questions and comments.

You may have notice my last name has changed since our last newsletter. I was recently married to Jerry Atkinson.

Sincerely,
Delores Atkinson

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Employees

General Manager
Delores Atkinson

Dept. Managers
Susan Isenburg-Office
JW Ward-Field
Michael Lentz-Plant

Finance
Heather Mullen

Customer Service
Melody Stults
Cindy Benson

Field Operators
TJ Amstead
Wayne McAnally
Chris Mick
Rodney Seaver
Tanner Steele
Jacob Syx
Randy Tabor
Bryan (Bo) Wilson

Plant Operators
Daniel Frye
Lynn Moffitt
James (Jim) Magiera
Samuel Smith

Message from Our Plant Manager

Hello, my name is Michael Lentz. I am the new KWSC water plant manager. My background and experience is extensive and I made the choice years ago to make this my career. My credentials and qualifications are:

- TCEQ certified "A" licensed Operator. (The highest level of certification that you can receive)
- 11 years of service with the TCEQ, the state regulatory agency who has jurisdiction and prudence over all water systems for the State of Texas. This is valuable for our organization in that I am very familiar with the rules and regulations (Chapter 290 and 291 rules) governing water systems and understand the regulatory process.
- 36 years in the water utility industry.

I am tasked with the responsibility of operating the plant in the guidelines of TCEQ rules and regulations. Water Quality is the highest priority that I take seriously and my job is to provide safe and high quality water for our members. The staff and I take pride in maintaining the plant and operating it according to all federal and state regulatory rules.

Current projects that will enhance the quality and reliability of safe drinking water is a project to inject air into our clearwell storage tank at the water treatment plant. The aeration of the clearwell is to increase oxygen into the water for the maximum removal of TTHMs. This project is scheduled to be completed by summer 2017 and will be the first of its kind in Central Texas.

Customers should look forward to the completion of this project as it will add a developmental change to our treatment process which will enhance water quality for our customers, and mitigate past water quality concerns.

I'm an honored to have the opportunity to work alongside of the KWSC management team to assist in providing a safe potable drinking water for our customers. If you have any concerns and or questions, please feel free to call our water treatment plant at 254-947-5364. We welcome and encourage our members and anyone else that has an interest in our organization and facilities to take a tour of our water treatment plant. Please contact me at the above mentioned phone number or contact me via email at mlentz@kempnerwsc.com to set up a time that works best for you. We welcome you and look forward to your visit.

Michael Lentz

Message from Our Engineer

We all experienced mild weather in Central Texas in 2016, which was a welcome break from past summer scorches. Mild weather, of course, means less water sales and lower revenue for Kempner's non-profit water supply utility. Still the water system produced a total of 1.25 billion gallons

CALL BEFORE YOU DIG!

Call (512) 932-3701

Spring will be here before we know it and with this nice weather, I'm sure your already starting to plan your outside gardening and building projects.

Avoid hitting underground utility lines!

Let us know when and where you're digging so we can mark water pipes, mains and lines near your work site.

This is a **FREE** service.

We are dedicated to safeguarding citizens and construction personnel who work around utilities, as well as safeguarding the underground infrastructure of pipes, mains and lines which bring water to your homes and businesses.

Message from Our Engineer (Continued)

of drinking water distributed through 343 miles of water lines. Peak day production of 5.78 million gallons occurred on August 5th. Kempner's modern microfiltration plant on Stillhouse Hollow Lake produced 906 million gallons of high quality drinking water last year. Peak production occurred on July 1 of 4.56 million gallons, or 67.5% of the plant's total capacity of 7.08 million gallons per day.

Kempner recently began construction of USDA-funded project to significantly reduce trihalomethanes (TTHMs) formed during the treatment process at the microfiltration water treatment plant. This project should be complete before summer of 2017, and will usher in a new era of enhanced water quality. The improvements to the plant will reduce TTHMs to well below allowable levels, placing Kempner in a great position to significantly exceed TTHM requirements.

Perry Steger, P.E.

Legal Update

Rates in Lampasas Contract:

The City filed suit against KWSC concerning billing under water supply agreement and seeks to recover its attorneys' fees. KWSC is defending the suit and filed a counter claim seeking declaratory judgement supporting the manner in which KWSC has billed the City and to recover attorneys' fees. The board of directors continues its efforts to reduce the subsidy to Lampasas. On March 9, 2016 Kempner filed a petition with the PUCT requesting that it find that certain provisions of the contract between Kempner and Lampasas are contrary to the public interest and should be set aside. Lampasas challenged the jurisdiction of the petition, but on September 22, 2016, the PUCT determined that it had jurisdiction over the petition. However further action on the petition by PUCT is abated while litigation remains pending.

General Manager Comments: *KWSC continues to resist in the court of law the subsidizing from KWSC members to the City for wholesale water. The City has refused to negotiate fairly and chooses to ignore their moral compass in regards to do the right thing by KWSC members. They know KWSC members are subsidizing for their purchase of wholesale water. KWSC has attempted to come to a resolution outside of the courts. The cost to our members, this past fiscal year, for the financial benefit of Lampasas was \$633,912.00, while Lampasas only paid \$383,160.00 for their purchase of wholesale water. They have taken advantage of KWSC by not cooperating in resolving the subsidy, you the customer pay for their purchase of water. This will more than likely continue until another agreement is reached. This is a huge cost for KWSC to absorb.*

Legal Update (Continued)

Lampasas Economic Development (LEDC):

Since the prior newsletter, an administrative law judge with the State Office of Administrative Hearings conducted a hearing to receive evidence from Kempner and Lampasas whether property of Kempner was rendered useless and valueless as a result of the Lampasas removing its business park from Kempner's CCN. Kempner's consulting engineer presented compelling evidence that the removal of the tract from Kempner's service area results in excess capacity in Kempner's large, east-west, transmission mains, along with certain components of the surface water treatment plant, has been rendered useless and valueless. Lampasas offered the testimony of a person who is not an engineer who testified that no property had been rendered useless or valueless, even though the same person had testified in other proceedings that under similar facts, the utility had comparable property rendered useless and valueless. However, the staff of the Public Utility Commission, the state agency which will make the final decision once the recommendation by the administrative law judge is issued, supported Lampasas' position and not Kempner's position, since Kempner did not have any facilities adjacent to or relatively close to the business park tract. If the PUCT decides in favor of Lampasas, then Kempner will not be compensated by Lampasas as a result of the removal of the business park from Kempner's service area. If the PUCT decides in favor of Kempner, then a hearing will be conducted to determine how much compensation Kempner is owed.

General Manager Comments: It's a fact that Lampasas encroached on KWSC service area and then annexed part of our service area we have a right to serve. It is also a fact that Lampasas wants water at a cost that is proportionally unfair to you the member. The more the City grows and grabs our service areas, the more KWSC will have to budget for the subsidy in their wholesale water and for the loss of our member base, the area in question mainly the Lampasas Industrial Park on the south side of town. They know that the area they are taking from KWSC will be at a percentage cost for water to our members, along with no compensation for the taking of our service area. Under state law Kempner can't stop them. We are doing all we can through the legal system to stop this aggressive action by the City of Lampasas.

Copperas Cove:

In May 2015, KWSC filed a declaratory judgement suit against the COCC, to determine the enforceability of an option agreement dated May 6, 2005 by which Kempner agreed to transfer territory within its CCN to Copperas Cove in exchange for the consideration stated in the agreement. By letters dated April 4, April 27, and May 5 Copperas Cove notified Kempner of the city's intent to exercise the option to acquire Kempner's service area rights to nine tracts of property totaling 2037.4 acres. The area sought to be acquired by Copperas Cove includes approximately 120 Kempner customers and water pipelines ranging from 8-inch to 2-inch in diameter. Kempner alleges that Copperas Cove did not properly exercise its option and the 2005 agreement has expired. No action has been taken in this lawsuit.

General Manager Comments: I have no further comment due to no timeframe set for the suit to be resolved.