

A Brief History of Twin Creek Water Supply Corporation

This brief history gives some insight into the progressive development of this entity and is a compilation of my recollections of events and statements given to me by other people familiar with the past history of the water company.

Twin Creek WSC was incorporated as a non-profit member/stockholder owned organization in 1969 by a group of local people interested in bringing public drinking water to this area. The By-laws established a governing body consisting of seven Directors who are required to be Members of TCWSC and are elected by the Members/Stockholders for three year terms. The Directors are not compensated for their service. Three of the seven Directors are elected by the majority of the Board of Directors to serve one year terms as President, Vice-President, or Secretary-Treasurer.

The original water well or wells and main water lines were started in 1970 after securing loans and/or grants thru a USDA Program in effect at that time. I believe there was another loan/grant secured in later years that provided additional water wells and main piping infrastructure to our system. It is my belief that the above referenced work was done through contractors. I was told that the smaller lateral lines and lines extended to meter locations were done “in-house” by Bernice Meadors with help from Directors and/or volunteers. It is unclear if Mr. Meadors received compensation for his work. I was also told that he used a “Middle Buster” to excavate these lines which explains why we find shallow lines buried 10” to 12” deep in lieu of the current required depth of 30”. It is also my understanding that during the seventies and eighties the operations of the water system were performed by the Board of Directors which meant they did the physical work such as meter readings, leak repairs, repairs to well/pumping systems, new meter taps, line extensions, etc. without compensation except possibly Mr. Meadors. Mrs. Ila Faye Meadors (Bernice’s wife)

performed the office and accounting duties and was compensated for her time at least for the period near her retirement in 2002. In about 1990, D. R. Currie was hired full time to do most of the meter reading and repair work. He provided his personal backhoe when required and was paid for its' use. During the Mid 1990's, Tom Lawson was hired full time as General Manager to oversee TCWSC operations and help Mr. Currie as needed.

Toward the late 1990's, The New Baden system was taken over by TCWSC. Ownership was transferred by Fred Hanhart and Howard De Hart who were its' most recent owners. The terms of the sale gave all of New Baden system assets, including approximately \$1200.00 in a checking account, to TCWSC for zero cost. I was told that TCEQ strongly recommended that TCWSC take over this system. My assumption is that there were multiple compliance issues that could not be rectified because of its very small customer base without huge increases in water rates to fund the necessary deficiencies.

The entire Membership of TCWSC owes a huge debt of gratitude to the early pioneers of our Water System especially to the "working" Board of Directors. They gave their time freely to the founding, funding, infrastructure building, operating, repairing, expanding, and managing the TCWSC entity that we all now benefit from.

Reece de Graffenried, a true visionary, joined the TCWSC Board of Directors in the late 1990's. During the next few years he realized that TCWSC was ill prepared for the twenty-first century and needed a complete "make-over". He recruited Richard Hood who joined the Board in August 2001 and was elected President. They then recruited me and I joined the team in October 2001. After serving on the Board for one month, the current Secretary-Treasurer resigned and I was asked to accept this position which I did. With a new Executive Committee in place and new Directors coming on-board, it was time to

convert Reese's visions into actions. We prioritized his visions and set forth long term goals of implementation.

The first priority was to develop a Financial Plan. This consisted of utilizing the limited information we had on income and expense sheets to develop a budget for our operations. The Board authorized that we employ the accounting firm of Kay Perrone and Associates, CPA of Bryan, Texas to handle our monthly P&L/Financial Statements and all reporting forms. The Board also authorized that we employ an outside auditing firm Herford-Lynch, Conroe, Texas in lieu of the "inside" two member panel that was doing the audit review. In 2002, our CPA firm discovered that TCWSC had never requested a Tax-Exempt Status from the IRS. This exposed TCWSC to huge liabilities and penalties from IRS since the company had been in operation for 32 years prior to this discovery and had never filed any reports. We then hired Chris Smitherman, Attorney At Law, of Bryan, Texas who specialized in tax accounting issues. With his guidance, the Board adopted revised By-Laws on July 16, 1985 (this was a seven year max look-back date) and the Amended and Restated By-Laws were adopted by a Special Stockholders Meeting held July 27, 2002. The IRS found in our favor and issued us a Tax Exempt Status that was retroactive. With our financial data enhanced, we were able to justify a large increase in rates and fees. After implementing it, we adopted a policy to raise rates annually based on the inflation rate to prevent another large increase.

Our second priority was a compliance review. We soon realized that all required inspections had not been done timely and some reporting was not being done. We found some creek/gully crossings that were not cased for protection. During this year (2003), the General Manager Tom Lawson resigned his position. Since Mrs. Ila Faye Meadors had already retired, we were left with a skeleton crew consisting of D.R. Currie and Tara Davenel who worked part-time in the office. We hired Jim Haynie, who held a "C" License, as Field Superintendent as he refused to take a

General Manager's position. This created a parallel management situation with the field operations and office administration as two separate entities.

The third priority was infrastructure review. This over-lapped some with compliance review in timing. We hired outside inspectors to review all of our storage and pressure tanks. After climbing out the well # 1 storage tank, the inspector said he would never go inside it again as it was about to collapse. All of our other sites had varying degrees of problems. The Board authorized a loan to be taken out for \$155,000.00. With funds secured, we started repairs/replacements thru-out our system. After paying down the loan, we re-borrowed back up to the \$155,000.00 limit to have additional funds for our Capital Improvement needs. These funds allowed TCWSC to install back-up generators on the Well # 1 site and the New Baden Well site. These installations allow our Members to have water service available when power outages occur on the Entergy or Navasota Valley Electric systems. Mr. Haynie worked for about two years and helped correct several compliance issues and provided guidance on several infrastructure issues until he retired in 2005.

We then moved Anchor O'Connor, who had previously been employed by TCWSC (prior to Mr. Haynie's resignation), as a Field Operator, into the Field Superintendent position. Anchor held a Class "C" License, but he also turned down the General Manager's position and wanted the Field Superintendent job vacated by Mr. Haynie. Anchor resigned in 2007.

The fourth priority was to enhance the administrative side of the business. Ms. Marie Kellum was hired in 2003 as Office Manager to replace Tara Davenel who was retiring to have a child. She was originally hired on a 36 hour per week basis. Because of the other higher prioritized issues that were on-going, this area only received the basic attention by the Board until about 2006/2007.

The fifth priority was to develop a physical plant consisting of office spaces, inside storage, and outside yard storage. With completion of our new Office/Shop Facility in November 2007, it provided a much improved environment for our entire staff with adequate spaces to work in a productive manner.

The last priority was to implement organizational guidelines for both the field operations and the office functions. With the hiring of Chip Zahn in 2007 as General Manager, we were able to return to the preferred internal structure of top down management in lieu of the parallel type. In 2009, a system of record keeping requirements for field operations were implemented to help prevent compliance issues (such as late reporting, no reporting, inspections not being done, etc.) with TCEQ. We also added some additional internal reports (such as locked meter readings) for our use. Chip was given a lot of training and directives during this time period. In 2010, a system of record keeping, filing requirements, Tariff revisions, Personnel Policy, Governance Policy, time sheet requirements, approval of payable requirements, work order system introduced, customer verification lists, etc. was given to Marie to follow as well as many directives. She was given a lot of training in connection with her Office Managers' position.

As we entered the year 2011, the TCWSC Board of Directors began the last phase of our multi-year plan which we refer to as the "Tune-up Phase". A decision was made to hire a new General Manager that has an extensive administrative background and experience in that area. After a lengthy search and close scrutiny of possible candidates, Mike Redmon was hired and began his service on August 1, 2011. Chip Zahn accepted a newly created position of Field and Operation Manager. This new position allows Chip to better utilize his interests and vast knowledge of our infrastructure which consists of approximately 67 miles of underground piping, 4 well sites, 2 pressure boosting sites, and over 700 water meter connections. Marie Kellum continues her

employment as Office Manager. Howard Hooks continues his employment as System Operator. Bobby Hanhart was hired as a System Operator II. With the re-organization complete and each position filled with great staff, the Board of Directors has confidence that TCWSC is on a solid footing, anticipates greater efficiency and professionalism with emphasis on transparency, and an enhanced relationship with all the Members.

During 2012, Chip Zahn resigned his position and Howard Hooks was promoted to Operator I after he had obtained his C license. Bobby Hanhart was hired and, after securing his C license in 2013 was given the title of Operator II. Our General Manager (Mike Redmon) had obtained his C license in 2012. All three men also acquired a CSI certification.

In 2013, TCWSC was designated as a Superior Water Supply Corporation by The State of Texas. This was a goal set by TCWSC President (John Edmonson) and supported by The Board of Directors that required a lot of effort from the staff to meet all of the requirements to obtain this designation.

Mary Caudle was employed part-time to assist our Office Manager starting in January 2015. When Marie Kellum (Office Manager) resigned in February 2015, Mary became our temporary Office Manager until the 90 day probationary period ended. On April 1st, 2015, Mary became a permanent employee with the title of Office Manager.

In September 2014, The State Legislature moved Rate and Fee changes (and later complaint issues) from the jurisdiction of TCEQ to the Texas Public Utility commission (P.U.C.). At the request of P.U.C., TCWSC Board adopted an updated Tariff on June 9, 2015.

Mike Redmon (General Manager) began developing an Asset Management Plan in June 2015 which should be completed by the end of the year.

This plan will outline the estimated life expectancy of items in our infrastructure such as pumps, motors, storage tanks, pressure tanks, etc. and will have estimated costs of repairs and/or replacements of each item. This information will give TCWSC the ability to forecast needed capital improvements beyond our current one year budgeting process. It will allow us to better access the projected financial demands on our system two to ten years out which enhances our ability in the planning process.

Brett Harris was hired in August 2015 to replace Bobby Hanhart as Plant Operator II. Bobby had resigned and took a job in North Dakota.

Towards the end of 2015, our New Baden well experienced a catastrophic casing failure and our consulting Engineer (Terry Winn), after reviewing the lab testing data, determined that the well could not be salvaged. At the Board's request, he prepared an estimate for drilling a new well and refurbishing the existing storage and pressure tanks at this site which was projected to cost about \$335,000.00. The Board decided that this large expenditure was not affordable at this time and researched other options. After much consultation with our Engineer, it was determined that the New Baden well site be converted to a booster station by sending water to it from well #1. This approach required substantial upgrades to our Corry Booster site to meet the volume and pressure demands from the northern portions of our distribution system. The estimated cost for this approach was about half the cost of the new well.

Our General Manager (Mike Redmon) tendered his resignation on February 16, 2016 after about 4 ½ years of service. The following day, a

Special Board of Directors Meeting was held. The Board accepted Mike's resignation and promoted Mary Caudle to the General Managers' position by a unanimous vote of the Directors.

Howard Hooks was also promoted from his position of Plant Operator I to Field Manager. After conducting several interviews, Regina Currie was hired as our new Office Manager and began her probationary period on March 14, 2016.

With all employee reorganization complete, training was commenced outlining the various duties and functions of the employees so that a smooth transition was attainable.

Brett Harris left in August 2016 from his position of Plant Operator I. After a lengthy search for a replacement, Curtis Jeffery was hired on a temporary basis on September 2016. Curtis proved himself to be hard-working, dedicated, punctual, bright and respectful employee and, after the 90 day probationary time period, was hired full-time as Plant Operator I.

In late June, Camp Creek Water Corp. approached TCWSC with a proposal to loan us the cost for drilling a new well at the New Baden Well site which had experienced a casing collapse rendering the well inoperable. After negotiations were finalized, it was agreed that TCWSC would be loaned \$360,000.00 with a ten year amortization, a 5% interest rate, and no collateral required. The loan was approved by both entities and executed in July 2016.

Terry Winn, our engineer, was given the go-ahead to prepare the design of the new well and the submittal package to TCEQ for their approval. We also had to secure an exception for the required Sanitary Control Easement which we received in late December 2016.

Prior to the TCEQ approval for the new well, we received approval to install a bypass system at the New Baden well site which allows us to utilize the existing storage and pressure tanks as a booster station for the water being supplied by Well #1 so that the northern portion of our distribution would have adequate pressure and volume until the new well was on-line. The contract was awarded to B-5 Construction Co. of Bryan, Texas.

After the bid submittal process, we awarded the new well drilling contract to J&S Water Wells, Bellville, Texas in April 2017 with an estimated completion date of August 27, 2017. After substantial completion in October 2017, we provided all of the electrical services, soft-starts for the pumps, the magnetic flow meter, and upgrade to the controls. We also provided new fencing/gate work, final top soil and seeding, and the white rock drive.

Terry Winn Engineering sent TCEQ the final completion information in October 2017. We received the TCEQ approval to place the new well into service on December 8, 2017. Soon after, the by-pass system was closed and the New Baden Well was operational. TCEQ had also approved the interior coating on Well #1/Tank #2. We delayed this work on purpose to allow time for the New Baden Well to be operational before this tank was taken out-of-service so that the volume of water stored would not be adversely affected. The contract has been awarded to Cherokee Painting Contractors, Jacksonville, Texas and is scheduled to be done in January-February 2018.

During 2017, we also completed the installation of “Soft-Starts” and magnetic flow meters on all of our wells which should lessen the electrical use and help pro-long the life of our well pumps.

Jim Callaway: Secretary-Treasurer TCWSC

Date: 12/23/17