

Chisholm Trail Newsletter

CHISHOLM TRAIL SPECIAL UTILITY DISTRICT

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Update on Chisholm Trail Special Utility District and Agreement with the City of Georgetown

This is an update on recent matters of interest to landowners located in the Chisholm Trail Special Utility District (“CTSUD”).

Have ratepayers benefited from the agreement with Georgetown?

- Since the transfer of the CTSUD’s CCN area and assets to Georgetown, CTSUD’s former customers have enjoyed lower water service rates than experienced under CTSUD and a higher quality of service. As the last newsletter showed, CTSUD’s former customers pay lower rates compared with what they previously paid to CTSUD, and lower rates compared with their counterparts served by local suburban and rural water systems.
- Georgetown has improved customer service and has made significant investments in new infrastructure.
- Georgetown’s repair of existing infrastructure in the former CTSUD water system has improved the quality and delivery of water service.

How we got to this point.

Special Utility District (SUD) created. CTSUD is a special utility district created under state law and authorized to perform a number of functions, including the provision of water service. CTSUD historically owned and operated water supply facilities and possessed a certificate of convenience and necessity (“CCN”) authorizing CTSUD to provide potable water within a service area that included portions of Bell, Burnet and Williamson Counties. Following the drought of 2011, the customers and

electorate within CTSUD’s service area voted for directors who supported a transaction which transferred CTSUD’s assets and water service responsibilities to the City of Georgetown (“Georgetown”).

Keeping up with growth became a challenge. For many decades, CTSUD provided water service to rural customers in its service area. However, as its customer base grew and became increasingly suburban, CTSUD was challenged in keeping up with the growth. The severe drought of 2011 exposed shortcomings in CTSUD’s ability to provide reliable water service. In contrast, Georgetown demonstrated the ability to provide reliable and economical service.

A regional solution to meet future demand. Over the course of nearly two years, Georgetown and CTSUD conducted arms-length negotiations regarding the possibility of Georgetown taking over water service to the CTSUD area. This process involved many public meetings, newsletter updates, and hearings. Public participation was sought at every turn. The negotiations extended over several CTSUD election cycles, but those elected maintained the goal of finding a regional solution to CTSUD’s problems.

Agreement reached with city. The negotiations ultimately resulted in an agreement whereby Georgetown purchased CTSUD’s assets, defeased CTSUD’s debt, and took over its water service obligations. The parties also filed an application with the governing state agency, the Public Utility Commission of Texas (“PUC”), to cancel CTSUD’s CCN and amend Georgetown’s CCN. *(Continued on next page.)*

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PUC approves transaction after holding hearing to consider complaints by those opposed. In spite of the lengthy and public negotiation process, a small, but vocal, number of individuals remain opposed to the transaction and initiated and continue litigation against CTSUD and Georgetown. These individuals voiced their complaints with the PUC. Ultimately, the transaction closed and the PUC, after an extensive evidentiary hearing, unanimously approved canceling CTSUD's CCN and authorizing Georgetown to formally become the water service provider to the former CTSUD CCN.

Why the fight is still not over...

District Judge's decision to uphold PUC approval being appealed. While the transaction has closed, four (4) individuals opposed to the project have continued to fight by filing multiple lawsuits against CTSUD, Georgetown, and the PUC, and appealing the PUC's order approving the transfer of CTSUD's CCN to Georgetown to district court in Travis County, Texas. The district judge has upheld the PUC

decision and dismissed the individuals' appeal in its entirety. Not satisfied, the individuals have appealed that decision to the Third Court of Appeals in Austin, where it is now pending review.

Trial Court dismissal of claims in a separate lawsuit being appealed. Through a separate entity formed by these same four (4) individuals, a separate lawsuit was also filed in state district court challenging the transaction itself and is attempting to again challenge the PUC's decision. The trial court in this lawsuit found the allegations to be without merit and dismissed the claims challenging the transaction. That decision was also appealed to the Third Court of Appeals where it is also pending review.

As evidenced by the decisions of the PUC and two courts, the CTSUD Board believes the ongoing litigation is without merit, and is merely a tactic by a few disgruntled landowners to undercut the transaction for purely personal or political reasons, without benefit to the majority of landowners.

To report out-of-service water emergencies or make any other call in regard to customer service, please call Customer Care at 888-474-4904 or 512-930-3640