



Dear citizens and water customers of the City of Hudson Oaks:

As we approach the end of 2009, I wanted to provide you with an update regarding your water system. Specifically, I would like to address recent news reports regarding the quality and safety of the water and the City's plans for the future of the water system.

Drinking Water Safety

As you may have seen in recent news reports, the water systems in Hudson Oaks and Aledo were found to have elevated levels of gross alpha particles and radium in the water. In March, 2009, the City of Hudson Oaks received notification from TCEQ (Texas Commission on Environmental Quality), which is the oversight commission responsible for water quality in the state of Texas. That notification reported there were slight increases on both gross alpha and radium identified in Hudson Oaks well # 7. The maximum limits for gross alpha particles and radium are 15 pCi/L and 5 pCi/L (picocuries per liter) respectively. The TCEQ's notice for the Hudson Oaks well showed the gross alpha particle level at 16 pCi/L and the radium level at 7 pCi/L.

The news report was grossly inaccurate and exaggerated the contaminant levels for the Hudson Oaks well; referring to gross alpha particle readings as high as 58 and confusing radium with uranium. This did nothing but scare water users with data that was not accurate or correct.

In March, when the City was notified of the elevated radium levels, the well was immediately taken off line. Then notice was sent to all water users in Hudson Oaks informing them about the radium levels and telling them that the well had been removed from the system. According to the TCEQ, all other wells currently in production in the City's system operate within acceptable levels and guidelines. Let me assure you that the drinking water in Hudson Oaks is safe, and Hudson Oaks is committed to providing the highest quality water available.

Water System Update

As you know, this past summer was extremely dry and hot. That led Hudson Oaks to move into Stage 2 water rationing, which restricted watering to certain days of each week. In addition to the heat and lack of rain this past summer, several other factors led to the decision to ration.

First, the City had to remove Well #7 from the system (see radium issue above). This well had previously produced 30 gallons per minute. Second, the Shannon Well shut down due to a casing collapse, taking another 40-gallon-per-minute well off line and resulting in a loss of 80 thousand gallons per day of available ground water. This required more demand on surface water from Lake Weatherford at a higher price than it costs for our ground water system to produce. This demand for additional surface water exceeded our contracted amount of 100 thousand gallons of treated water per day with Weatherford.

In 2003, Hudson Oaks purchased 590 thousand gallons per day of raw water capacity and 100 thousand gallons per day of treated water capacity from Weatherford. However, as we continued to experience



significant growth in the business district and in the Parker Oaks and Red Eagle subdivisions, we have already outgrown what we purchased in 2003. This year, Hudson Oaks acquired an additional 1 million gallons of raw water capacity from Parker County Special Utility District. The City will also purchase additional treated water from the City of Weatherford next year to supplement our water wells and meet the demands of current and future growth in our commercial and residential districts. The cost for treated water capacity is \$143,000 for every 100 thousand gallons purchased. Given the need for these investments into our water system, in September the City Council approved to have a professional rate study conducted to examine residential and commercial water rates, as well as impact fees for new development.

Rate Study Information

A water and sewer rate study is used to establish the cost for providing utility service. The study identifies the cost breakdown between residential customers and commercial customers, and differentiates the cost of providing sewer and water service.

The study will identify the system's true maintenance and operations expenses, the future cost of system upgrades, and the future capital needs for system expansion. Once these costs are established, the rate study will then identify the revenue source for these improvements. For example, surface water capacity will be needed for both existing customers and future customers, so the revenue for this improvement may be realized in the customer base rate of existing customers and in the impact fees paid only by new system connections.

The study is the mechanism for separating the cost of each customer class (commercial, residential), meter size (3/4 inch, 1 inch, 2 inch), and user type (4,000 gallons vs. 20,000 gallons per month) in the city. These system customers have different needs and use varying amounts of water. The study will establish the cost of each group and then identify the proper revenue source.

The Hudson Oaks water system has approximately 780 connections and is adding 2-5 connections per month. The residential and commercial development that we have experienced over the last 5-10 years has not only doubled the city's population, but it has also increased the demand for water sources.

Impact Fees

All new development, whether residential or commercial, is responsible for its share of the cost for system improvements. For all new construction, the City charges developers impact fees to recover the cost of providing and extending service to their developments. The water impact fees will be analyzed to determine if revisions are needed to account for the increase in capacity and the additional storage for surface water access.



The Rate Study will take into account the cost for the following water system capital projects.

1. **Replacement wells** - The City is in the process of replacing two low-producing water wells. These wells are being replaced at strategic points in the City in order to stabilize water pressure during the summer demand period.
2. **Storage** - An additional water storage facility on North Oakridge drive is planned to add a second connection onto the Weatherford transmission line. Currently, the City's only access to treated surface water is through a four-inch water line on Lakeshore Drive. Even most *residences* in Hudson Oaks are on four-, six-, or eight-inch lines. The new connection will be a twelve inch transmission line.
3. **Water line extensions** on Hidden Oaks, Newell Drive, Bankhead, and the south I-20 service road will also be taken into account as future water system improvements. These improvements to the existing system will assist in meeting demand during peak consumption periods in the future.

Sewer System Improvements:

The City's sewer system is small, but growing. All new commercial development and the Red Eagle subdivision are being placed on City sewer. The system will be expanded in the future to accommodate commercial development on the south access road and residential development off of Bankhead.

Summary:

The City of Hudson Oaks is committed to providing the highest quality water at a price that will remain extremely competitive in Parker County. Hudson Oaks will continue to supplement the current ground water system with continued reliance on surface water. This is not cheap, and the need to conduct a professional rate study is expected to impact water rates in the city. However, it should be noted that we anticipate the larger impact will be on higher-quantity users with little impact on average water users. As it is our intent to ensure the availability of water for household and irrigation use, yet to build into the rates a water conservation incentive that ensures the smart use of water and the availability of water for fire protection.

Regards,

Pat Deen
Mayor
City of Hudson Oaks