The Oaks WSC - From Bankruptcy to Superior Water Designation

By Emily Barclay, Texas Rural Water Association

The Oaks Water Supply Corporation started the way many rural Texas water systems do; with an investor-owner trying to get utilities to a rural area with few resources and little knowledge regarding utility management, and the result was what one with any rural water experience might expect. Poor planning and little investment in utility infrastructure led to bankruptcy for the investor and uncertainty for residents. But the residents, who are now members of the water supply, turned the situation around and celebrated a TCEQ designation of Superior Water Supply in January.

The Oaks Water Supply Corporation staff: Operator, Danny Smith; Office Manager Blanca Menchaca; and Board Treasurer James Lincoln.

"In 1978 we were a very rural area with little development in the area and absolutely no water resources except groundwater," explained James Lincoln, The Oaks WSC's board Secretary-Treasurer. "Water was supplied by the developer-owned Scenic Oaks Water Supply Corporation (SOWSC) from 1979 until 1993. SOWSC was placed in Chapter 11 bankruptcy in 1993. When the IRS would not agree with the proposed recovery plan the court placed SOWSC in Chapter 7 liquidation." Lincoln has served on the board of directors since 1993, when residents took over the utility.

Ten residents personally guaranteed the $150,000 loan that acquired the assets of the bankrupted utility and started The Oaks WSC. "We started TOWSC with a $150,000 bank loan, $21,000 owed to attorneys and no money in the corporate checking account," said Lincoln. In addition, they had to contend with a water system that was designed hastily and without utility or engineering knowledge. The utility had no full time employees and was operated by contractors who provided maintenance and services as needed.

"When we acquired the system we had four operating wells and two booster stations with storage tanks," said Lincoln. "We had to accomplish a lot of deferred maintenance on the original equipment."

The utility also acquired the water system from the neighboring subdivision, Country Estates, and began the process to expand and improve the utility's capacity.

"Both subdivisions were originally owned by the original developer and he lost the Country Estates area in the 80s during the real estate loan crisis, RTC took over a bunch of

banks and he went bankrupt in the process and then somebody else developed it," said Lincoln. "We had the CCN, so when they developed it, they installed the water system infrastructure and then turned it over to us after they were through."

By 2004, with the help of a Rural Development loan, the utility had constructed an additional booster station, storage tank, upgraded an existing storage tank and replaced deficient water lines. That same year, the utility used a loan from the Texas Water Development Board for additional water lines to improve the utility's efficiency.

The Oaks WSC has implemented a rigorous maintenance regimen and has upgraded several of their well sites and storage tanks including the one pictured above.

"With extended loan application time the eventual cost of the USDA project increased to the extent we no longer had funds for an office/storage building," said Lincoln. "Using our own funds and volunteer labor from members we constructed the building in 2005.

"During 2005 we also completely rewired the electrical systems in the older booster stations. We were having overheating problems and fire danger from inadequate wiring. We replaced rotting window and door frames in these buildings. The original builder had placed the chlorination equipment inside the buildings. The wood and doors around these chlorinators was rotted. All of the labor except for electrical wiring was provided by board members."

Like many Texas utilities, the 2011 drought hit The Oaks WSC hard. Though they had drilled additional wells to offset the effects of periodic droughts, the heat and lack of rainfall last year caused an emergency for the utility.

"We had previously put in additional wells to get more straws in the pond, but last summer even that wasn't enough because [the drought] had gone on so long and the [water level] had gotten so low," said Lincoln. "The worst part

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The utility replaced the old metal fencing with masonry to improve security and the appearance of utility infrastructure in the residential area.

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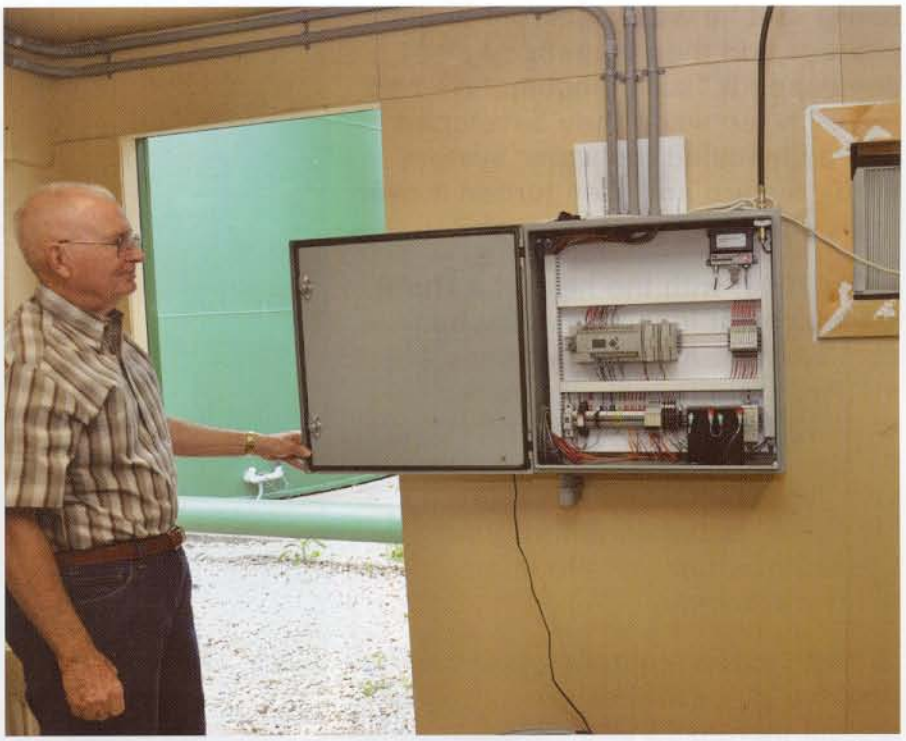
about it was that we couldn't see an immediate recovery, because all of the weather forecasts were telling us not to expect any replenishing rain fall before this summer or beyond and we were in bad enough shape, we didn't think we could make another summer."

The board of directors called a special meeting of the membership to discuss the utility's options. With the consent of the membership, the utility decided to purchase water from the San Antonio Water System, which was the nearest additional source for water at about ten miles away. The new line cost $510,000 and required a tap fee from each member.



Lincoln shows the completely rewired electrical system in one of the older booster stations.

"We were into stage four [of our drought contingency plan], which is no outside sprinkler use at all; manual or automatic, no sprinklers – just one hand held hose at certain hours, so a lot of people lost their yards, so almost everybody was willing to pony up the $1,200 per connection to tie into SAWS," said Lincoln.

The utility allowed members to pay the tap fee on a timed payment plan if necessary.

The improvements made by the utility qualified it for Superior Water System designation from the Texas Commission on Environmental Quality. The criteria for this designation is set forth in Chapter 290.47 of the Texas Administrative Code and requires water systems to meet several requirements related to water quality and facilities that include having no microbiological violations for 24 months, complying with all primary and having at least two wells or raw water intake pumps with sufficient capacity to meet average daily demand if the largest pump or well is out of service.

The utility purchased a back up generator to keep pumps running in the event of a prolonged power outage.

Even with the accolade from TCEQ, the utility still strives to correct the flaws in the system's design.

Much of the labor required for the system repairs was provided by board members in order to keep costs down.

"We're still battling it, said Danny Smith, the utility's operator. "The water mains, the way they laid it, it's just unreal. All the utilities, everybody is in the same ditch. When you have a main break it's a chore to fix it without killing yourself hitting a gas main or electrical [lines], the way they laid it in the ground, you're actually prying gas lines away from the water main."

According to Lincoln, the utility also struggles with improperly bedded water lines that have frustrated their efforts to control main breaks and maintain pressure.

"We've come a long way," said Danny. "With our infrastructure, we straightened a lot of stuff out. Everything flows more smoothly. You used to have a lot of main breaks. Now we're down to one or two [a year]."

Last year the utility hired TraC-N-Trol, Inc. to design and install a SCADA system to help detect system issues promptly and streamline their reporting processes. The SCADA system also monitors the levels in the utility's wells so that system personnel can manage water resources more effectively.

"I think we have more control of our water plants as well. The SCADA system has really helped," said Danny.

"In February of 2011 we requested a special TCEQ sanitary control inspection to determine eligibility for a superior system rating," said Lincoln. "The inspection resulted in a recommendation that a superior rating be approved."

After more than 20 years of gradual improvements and increasing capacity and efficiencies, the utility's Superior Water System designation was approved in February of this year, a credit to the commitment and perseverance of The Oaks WSC's board of directors and membership.