



Control Number: 43082



Item Number: 1

Addendum StartPage: 0

House Bill (HB) 1600 and Senate Bill (SB) 567 83rd Legislature, Regular Session, transferred the functions relating to the economic regulation of water and sewer utilities from the TCEQ to the PUC effective September 1, 2014.

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2014 SEP 11 PM 2:09

PUBLIC UTILITY COMMISSION
FILING CLERK

43003

June 18, 2014

VIA HAND DELIVERY

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
Water Supply Division
Tammy Holguin-Benter, Manager
Utilities & Districts Section, MC-153
12100 Park 35 Circle, Building F
Austin, Texas 78753

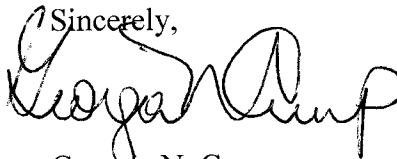
Re: City of Royse City – CN600656524, RN104340492
Application to Amend Sewer CCN 20813

Dear Ms. Benter:

On behalf of the City of Royse City (“Royse City”), I am pleased to submit the original and three copies of the above-referenced Application for filing. Please file stamp the extra copy provided and return via our messenger.

Thank you for your consideration of this Application. Please do not hesitate to call me at 512-322-5832 if you have any questions or require additional information.

Sincerely,



Georgia N. Crump

GNC/jmc
1344\02\4454521

Enclosures

cc: Jason Day
City of Royse City

2014 JUN 18 PM 12 32



APPLICATION TO OBTAIN OR AMEND A WATER/SEWER CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN)

43087
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FILING CLERK

*CN# CN600656524 *RN# RN104340492
*If known (See Instructions)

PURPOSE OF THIS APPLICATION

OBTAIN New Water CCN New Sewer CCN

AMEND Water CCN# (s) _____

AMEND Sewer CCN#(s) 20813

1. APPLICANT INFORMATION

Utility Name City of Royse City ("City")

Utility Address (City/ST/ZIP/Code) 305 N. Arch Street, Royse City, Texas 75189-8718

Utility Phone Number and Fax (972) 636-2250 Fax: (972) 635-2434

Contact Person: Please provide information about the person to be contacted regarding this application. Indicate if this person is the owner, operator, engineer, attorney, accountant manager, or other title related to the applicant.

Name Georgia N. Crump

Title Attorney

Street Address (City/ST/ZIP/Code) 816 Congress Avenue, Suite 1900
Austin, Texas 78701

Telephone and Fax (512) 322-5832 Fax (512) 472-0532

E-Mail Address gcrump@lglawfirm.com

County (ies) in which service is proposed: Please list below:

Hunt, Rockwall, Collin

A. Check the appropriate box and provide information regarding the legal status of the applicant:

Investor owned utility

Individual

Partnership

Home or Property Owners Association

For-profit corporation

Non-profit, member-owned, member-controlled cooperative corporation
(Water Code Chapter 67, Water Supply or Sewer Service Corporation)

Municipality

District

Other Please Explain:

B. If the applicant is a For-Profit business or corporation, please include the following information: N/A

- i. Provide a copy of the corporation's "Certification of Account Status" from the Texas State Comptroller of Public Accounts.
- ii. Provide the corporation's charter number as recorded with the Office of the Texas Secretary Of State _____
- iii. Provide a listing of all stockholders and their respective percentages of ownership.
- iv. Provide a copy of the company's organizational chart, if available.
- v. Provide a list of all directors and disclose the tile of each individual.
- vi. Provide a list of all affiliated organizations (if any) and explain the relationship with the applicant.

C. If the applicant is a Water Code Chapter 67 water supply or sewer service corporation: N/A

- i. Provide a copy of the Articles of Incorporation and By-Laws.
- ii. Provide the corporation's charter number as recorded with the Office of the Texas Secretary of State.
- iii. Identify all board members including name, address, title, and telephone number.
- iv. Provide a copy of the corporation's Certificate of Account Status from the Texas Comptroller of Public Accounts.

2. LOCATION INFORMATION

A. Are there people already living in the proposed area? Yes No
If YES, are any currently receiving utility service?

Yes

No If YES, from Whom?

The City is the only current provider of retail sewer utility service in the proposed area. Current residents in the requested areas receive retail water service from several retail public water utilities, including the City of Royse City, Nevada WSC, or BHP WSC, depending on the location.

Demonstrate the Need for Service by providing the following:

B. Have you received any requests for service in the requested service area?

Yes No If YES, provide the following:

- i. Describe the service area and circumstances driving the need for service in the requested area. Indicate the name(s) and address(es) of landowner(s), prospective landowner(s), tenant(s), or resident(s) that have requested service;

The areas included in this Application are not currently within the CCN of any other retail public utility providing sewer service. Most of the areas requested are within the City's water CCN (CCN No. 12827). In addition, most of the areas requested are also within the City's extraterritorial jurisdiction ("ETJ"). See Attachment A, the City's Annexation and Extraterritorial Jurisdiction Map.

and/or

- ii. Describe the economic need(s) for service in the requested area (i.e. plat approvals, recent annexation(s) or annexation request(s), building permits, septic tank permits, hospitals, etc.);

The areas included within this Application are all within the projected utility service area of the City, as shown on the City's Water & Wastewater Master Plan Service Area Map, attached hereto as Attachment B. The recent expansion of the City's water CCN, coupled with the economic recovery currently taking place, has resulted in an increasing need for wastewater collection and treatment services to take the place of on-site (septic) treatment in order to serve development.

The City is annexing territory within its ETJ on a frequent basis. The Annexation Map (Attachment A) shows the growth of the City into the requested area. It is the City's policy for annexed areas to receive water and sewer utility services from the City (unless the area is within the CCN of another retail public utility). Therefore, the inclusion of areas that are currently uncertified for retail sewer utility services within the City's sewer CCN will enable the City to meet its annexation schedule and assist in the timely development of the property.

and/or

- iii. Discuss in detail the environmental need(s) for service in the requested area (i.e. failing septic tanks in the requested area, fueling wells, etc.);

As the area develops, the density of new development cannot be accommodated by on-site wastewater treatment (septic tanks). Urban and suburban developments demand an organized wastewater collection and treatment system. Because there are no other retail sewer utility providers in any part of the requested area, and because the City is currently providing water utility services to most of the area and is able to provide sewer utility services to all of the area, the granting of the

amendment will facilitate the continued, and expanded, provision of these services to unserved areas.

- and/or
iv. Provide copies of any written applications or requests for service in the requested area;

Please see above and the City's Annexation Map (Attachment A).

- and/or
v. Provide copies of any reports and/or market studies demonstrating existing or anticipated growth in the requested area. If no, please justify the need for service in the proposed area.

Please see the City's Annexation Map (Attachment A). Additionally, please see the City's Wastewater Collection System Master Plan Map, attached as Attachment C. This map shows the major and minor drainage and river basins within the area that the City is planning to serve with retail sewer utility service. The planning process underlying this Master Plan Map has taken into account existing and projected growth.

- vi. If none of these items exist or are available, please justify the need for service in the proposed area in writing.

Note: Failure to demonstrate a need for additional service in the proposed service area may result in the delay and /or possible denial of the application.

- C. Is any portion of the proposed service area inside an incorporated city or district? Yes No

If YES, within the corporate limits of: City of Royse City

Provide a copy of any franchise, permit, or consent granted by the city or district. If not available please explain:

N/A – the City is the applicant

- D. Is any portion of the proposed service area inside another utility's CCN area?

Yes No

If YES, has the current CCN holder agreed to decertify the proposed area?

Yes No **N/A**

If **NO**, are you seeking dual or single certification of the area? Explain why decertification of the area is in the public interest.

N/A

3. MAP REQUIREMENTS:

Attach the following hard copy maps with each copy of the application:

- A. A general location map delineating the proposed service area with enough detail to accurately locate the proposed area within the county.

See Attachment D.

- B. A map showing only the proposed area by:
- i. metes and bounds survey certified by a licensed state or register professional land surveyor; or
 - ii. projectable digital data with metadata (proposed areas should be in a single record and clearly labeled). Also, a data disk labeled with the applicant's name must be provided; or
 - iii. following verifiable natural and man-made landmarks; or
 - iv. a copy of recorded plat map with metes and bounds.

See Attachment E.

- C. A written description of the proposed service area.

See Attachment F.

- D. Provide separate and additional maps of the proposed area(s) to show the following:
- i. all facilities, illustrating separately facilities for production, transmission, and distribution of the applicant's service(s); and
 - ii. any facilities, customers or area currently being served outside the applicant's certificated area(s).

See the City's Wastewater Facilities Map, Attachment G, showing existing wastewater collection facilities within the City and within the proposed service area.

Note: Failure to provide adequate mapping information may result in the delay or possible denial of your application. Digital data submitted in a format other than ESRI ArcGIS may result in the delay or inability to review applicant's mapping information.

4. NEW SYSTEM INFORMATION OR UTILITIES REQUESTING A CCN FOR THE FIRST TIME

- A. Please provide the following information: **N/A**
- i. a list of public drinking water supply system(s) or sewer system(s) within a 2 mile radius of the proposed system;
 - ii. copies of written requests seeking to obtain service from each of the public drinking water systems or sewer systems listed in #4.A.i above or documentation that it is not economically feasible to obtain service from each entity;
 - iii. copies of written responses from each system or evidence that they did not reply; and

iv. for sewer utilities, documentation showing that you have obtained or applied for a wastewater discharge permit.

B. Were your requests for service denied? **N/A**

i. If yes, please provide documentation of the denial of service and go to 4.C.

ii. If no, please provide a detailed analysis which justifies your reasons for not accepting service. A separate analysis must be prepared and submitted for each utility that granted your request for service.

C. Please summarize how the proposed utility system will be constructed and describe each projected construction phase, if any:

N/A

D. Date of plat approval, if required: **N/A**
Approved by: _____

E. Date Plans & Specifications submitted for approval: **N/A**
Log # _____ Attach copy of approval letter if available.

F. Date construction is scheduled to commence: **N/A**

G. Date service is scheduled to commence: **N/A**

5. EXISTING SYSTEM INFORMATION

A. Please provide the following information for **each** water and/or sewer system, attach additional sheets if necessary.

i. Water system's TCEQ Public Water System identification number(s):

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ii. Sewer system's TCEQ Discharge Permit number(s) **N/A -**

wastewater is collected and transmitted to NTMWD for treatment.

W Q [] [] [] [] [] [] [] - [] [] [] [] [] [] ; W Q [] [] [] [] [] [] [] - [] [] [] [] [] []

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W Q [] [] [] [] [] [] [] - [] [] [] [] [] [] ; W Q [] [] [] [] [] [] [] - [] [] [] [] [] []

- iii Date of last inspection: N/A
- iv Attach a copy of the most recent inspection report letter. **N/A; see Attachment H.**
- v For each system deficiency listed in the inspection report letter; attach a brief explanation listing the actions taken or being taken by the utility to correct the listed deficiencies, including the proposed completion dates. **See Attachment H.**

B. Provide the following information about the utility's certified operators

Name	Classes	License Number
Jeffrey Lewis	Water Distribution - C	WD0005920
Dario Lopez, Jr.	Water Distribution - C	WD0007518
Dario Lopez, Jr.	Wastewater Collection Operator II	WW00041119
Joshua K. White	Water Distribution - C	WD0007752
Joshua K. White	Wastewater Collection Operator II	WW0038145

- Attach additional sheet(s) if necessary -

C. Using the current number of customers, is any facility component in systems named in #5A above operating at 85% or greater of minimum standard capacity?

Yes No

Attach an explanation listing the actions to be taken to make system improvements including proposed completion dates (See 291.93(3)(A) of TCEQ Rules).

D. In the table below, the number of existing and/or proposed metered and non-metered connections (by size). The proposed number should reflect the information presented in the business plan or financial documentation and reflect the number of service requests identified in Question 2.b in the application.

Water System			Sewer System		
Connection	Existing	Proposed	Connection	Existing	Proposed
5/8" or 3/4" meter	N/A	N/A	Residential	3102	>7800*
1" meter or larger	N/A	N/A	Commercial	113	>500*
Non-Metered	N/A	N/A	Industrial		
Other:	N/A	N/A	Other:		
Total Water	N/A	N/A	Total Sewer	3215	>8200

- Estimate based on 2040 projections, Region C Planning Group for Royce City

E. If this application is for a water CCN only, please explain how sewer service is or will be provided:

N/A

F. If this application is for a sewer CCN only, please explain how water service is or will be provided:

The City already possesses a water CCN over most of the area covered by this Application, and thus provides retail water service to most of this area with its existing water system, as it may be expanded from time to time. Some of the requested wastewater service area is within the water CCNs of Nevada WSC and BHP WSC.

G Effect of Granting a Certificate Amendment.
 Explain in detail the effect of granting of a certificate or an amendment, including, but not limited to regionalization, compliance and economic effects on the following:

- i the applicant,
- ii any retail public utility of the same kind already serving the proximate area; and
- iii any landowner(s) in the requested area.

See Attachment I.

H. Do you currently purchase or plan to purchase water or sewer treatment capacity from another source?

- i No, (skip the rest of this question and go to #6)
- ii Yes, Water

Purchased on a Regular Seasonal Emergency basis?

Source	% of Total Treatment

- iii Sewer treatment capacity,
- iv Yes

Purchased on a Regular Seasonal Emergency basis?

Source	% of Total Treatment
North Texas Municipal Water District	100%

- vi Provide a signed and dated copy of the most current water or sewer treatment capacity purchase agreement or contract.

See Attachment J.

- I. Ability to Provide Adequate Service.
Describe the ability of the applicant to provide adequate service, including meeting the standards of the commission, taking both of the following items into consideration:
- i. the current and projected density, and
 - ii. the land use of the requested area.

See Attachment K.

- J. Effect on the Land.
Explain the effect on the land to be included in the certificated area.

See Attachment K.

6. FINANCIAL INFORMATION

- A. For new systems and for applicants with existing CCNs who are constructing a new stand alone system: **N/A**
- i. the applicant must provide an analysis of all necessary costs for constructing, operating, and maintaining the system, and the source of that capital (such as a financial statement for the developing entity) for which the CCN is requested for at least the first five years. In addition, if service has been offered by an existing water service provider as stated in #4.A., but the applicant has determined that the cost of service as finally offered renders the project not economically feasible, the applicant must provide a comparison analysis of all necessary costs for acquiring and continuing to receive service from the existing system for the same period.
 - ii. Attach projected profit and loss statements, cash flow worksheets, and balance sheets (projected five year financial plan worksheet is attached) for each of the first five years of operation. Income from rates should correlate to the projected growth in connections, shown on the projected profit and loss statement.
 - iii. Attach a proposed rate schedule or tariff. Describe the procedure for determining the rates and fees and indicate the date of last change, if applicable. Attach copies of any cost of service studies or rate analysis worksheets.
- B. For existing systems:
- i. Attach a profit and loss statement and current balance sheet for existing businesses (end of last fiscal year is acceptable). Describe sources and terms for borrowed capital such as loans, bonds, or notes (profit and loss and balance sheet worksheets are attached, if needed).

See the City's most recent financial report, Attachment L.

- ii. Attach a proposed rate schedule or tariff.
The City's current wastewater rates are shown on Attachment M.

★**NOTE:** An existing system may be required to provide the information in 6.A.i. above during the technical review phase if necessary for staff to completely evaluate the application.

- C. Identify any funds you are required to accumulate and restrict by lenders or capital providers.
- D. In lieu of the information in #6.A. thru #6.C., you may provide information concerning loan approvals within the last three (3) years from lending institutions or agencies including the most recent financial audit of the applicant.

Note: Failure to provide adequate financial information may result in the delay or possible denial of your application.

7. NOTICE REQUIREMENTS

- A. All proposed notice forms must be completed and submitted with the application. However, do not mail or publish them until you receive written approval from the Commission to do so.
- B. The Commission cannot grant a CCN until proper notice of the application has been given. **Commission rules do not allow a waiver of these notice requirements for CCN applicants.**
- C. **It is the applicant's responsibility to ensure that proper notice is given to all entities that are required to receive notice.**
- D. Recommended notice forms for publication, neighboring cities and systems, landowners with 25 acres or more, and customers are included with this application to use in preparing your proposed notices. (These notice forms are also available in Spanish upon request.) See Attachment N.
- E. After reviewing and, if necessary, modifying the proposed notice, the Commission will send the notice to the applicant after the application is accepted for filing along with instructions for publication and/or mailing. Please review the notice carefully and note any additional neighboring utilities which may be included in the acceptance letter.
- F. Notice For Publication:
The applicant shall publish the notice in a newspaper having general circulation in the county or counties where a CCN is being requested, once each week for two consecutive weeks beginning with the week after the notice is received from the Commission. Proof of publication in the form of a publisher's affidavit shall be submitted to the Commission within 30 days of the last publication date. The affidavit shall state with specificity each county in which the newspaper is of general circulation.
- G. Notice To Neighboring Utilities:
 - i. List all neighboring retail public utilities and cities providing the same utility service within the following vicinities of the applicant's proposed certificate area.
See Attachment N.
 - ii. For applications for the issuance of a **NEW** CCN, the applicant must mail the notice with a copy of the proposed CCN map to all cities and neighboring retail public utilities providing the same utility service within **five (5) miles** of the requested service area.

- iii. For applications for the **AMENDMENT** of a CCN, the applicant must mail the notice with a copy of the proposed CCN map to all cities and neighboring retail public utilities providing the same utility service within **two (2) miles** of the requested service area.
- H. Notice to Customers
Investor Owned Utilities (IOUs) that are currently providing service without a CCN must provide individual mailed notice to all current customers. The notice must contain the current rates, the date those rates were instituted and any other information required in the application. The notice must also list all zip codes affected by the application.
- I. The Commission may require the applicant to deliver notice to other affected persons or agencies.

Do not publish or send copies of the proposed notices to anyone at the time you submit the application to the Commission. Wait until you receive written authorization to do so. This will occur after the Commission has reviewed the notices for completeness, and your application has been accepted for filing. Once the application is accepted for filing, you will receive written authorization to provide notice. Please check the notices for accuracy before providing them to the public. It is the applicant's burden to ensure that correct and accurate notice is provided.

OATH

STATE OF **TEXAS**
COUNTY OF **ROCKWALL**

I, Carl Alsabrook, being duly sworn, file this application as City Manager (indicate relationship to Applicant, that is, owner, member of partnership, title as officer of corporation, or other authorized representative of Applicant); that, in such capacity, I am qualified and authorized to file and verify such application, am personally familiar with the maps and financial information filed with this application, and have complied with all the requirements contained in this application; and, that all such statements made and matters set forth therein are true and correct. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Texas Commission on Environmental Quality.

I further represent that the application form has not been changed, altered or amended from its original form available only from the Commission.

I further represent that the Applicant will provide continuous and adequate service to all customers and qualified applicants for service within its certificated service area.



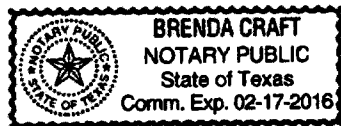
AFFIANT

(Utility's Authorized Representative)

If the Affiant to this form is any person other than the sole owner, partner, officer of the Applicant, or its attorney, a properly verified Power of Attorney must be enclosed.

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public in and for the State of Texas,
This day 13th of June 20 14

SEAL


NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS
PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES Feb 17, 2016

Notice for Publication

NOTICE OF APPLICATION FOR CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) TO PROVIDE SEWER UTILITY SERVICE IN Collin, Hunt, and Rockwall COUNTIES, TEXAS

The City of Royse City has filed an application for a CCN to amend CCN No. 20813 with the Texas Commission on Environmental Quality to provide sewer utility service in Collin, Hunt, and Rockwall Counties.

The proposed utility service area is located approximately 0 miles [direction] of downtown Royse City, Texas, and is generally bounded on the north by County Road 1040 and 639; on the east by County Road 2648 and Farm to Market 1565; on the south by Blockdale Road and County Road 2591; and on the west by Farm to Market Road 1138

See enclosed map of the proposed service area.

The total area being requested includes approximately 9,747 acres and Approximately 100 current customers.

The proposed amendment affects customers and/or areas located in the following zip code(s):

75189, 75173, 75032, 75474, 75087, 75135

(List All Affected Zip Codes)

A copy of the proposed service area map is available at (Utility Address and Phone Number): the City of Royse City, 305 N. Arch Street, Royse City, Texas 75189; (972) 636-2250

A request for a public hearing must be in writing. You must state (1) your name, mailing address, and daytime telephone number; (2) the applicant's name, application number or another recognizable reference to this application; (3) the statement, "I/we request a public hearing"; (4) a brief description of how you or the persons you represent, would be adversely affected by the granting of the application for a CCN; and (5) your proposed adjustment to the application or CCN which would satisfy your concerns and cause you to withdraw your request for a hearing.

Persons who wish to intervene or comment should write the:

Texas Commission on Environmental Quality
Water Supply Division
Utilities and Districts Section, MC-153
P. O. Box 13087
Austin, TX 78711-3087

within thirty (30) days from the date of this publication or notice. A public hearing will be held only if a legally sufficient hearing request is received or if the Commission on its own motion requests a hearing. Only those individuals who submit a written hearing request or a written request to be notified if a hearing is set will receive notice if a hearing is scheduled.

If a public hearing is requested, the Executive Director will not issue the CCN and will forward the application to the State Office of Administrative Hearings (SOAH) for a hearing. If no settlement is reached and an evidentiary hearing is held, the SOAH will submit a recommendation to the Commission for final decision. If an evidentiary hearing is held, it will be a legal proceeding similar to a civil trial in state district court.

If you are a landowner with a tract of land at least 25 acres or more, that is partially or wholly located within the proposed area, you may request to be excluded from the proposed area (or "opt out") by providing written notice to the Commission within (30) days from the date that notice was provided by the applicant. All requests to opt out of the requested service area must include a scaled, general location map and a metes and bounds description of the tract of land.

Persons who meet the requirements to opt out, and wish to request this option should file the required documents with the:

Texas Commission on Environmental Quality
Water Supply Division
Utilities and Districts Section, MC-153
P. O. Box 13087
Austin, TX 78711-3087

A copy of the request to opt out of the proposed area must also be sent to the applicant. Staff may request additional information regarding your request.

Si desea informacion en Espanol, puede llamar al 1-512-239-0200.

Notice to Neighboring Systems, Landowners and Cities

NOTICE OF APPLICATION FOR CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) TO PROVIDE SEWER UTILITY SERVICE IN

Collin, Hunt and Rockwall COUNTIES, TEXAS

To: _____ Date Notice Mailed _____ 20 _____
(Neighboring System, Landowner or City)

(Address)

City State Zip

_____ City of Royse City _____ has filed an application
amend CCN No. _____ 20813 _____
with the
Texas Commission on Environmental Quality to provide sewer
utility service in Collin, Hunt and Rockwall Counties.

The proposed utility service area is located approximately 0 miles _____
[direction] of downtown Royse City, Texas, and is
generally bounded on the north by County Road 1040 and 639; on the east by
County Road _____; on the south by Blockdale; and on the west by Farm to Market
2648 and Farm Road and Road 1138
to Market 1565 County
Road 2591

See enclosed map of the proposed service area.

The total area being requested includes approximately 9747 acres and approximately
100
current customers.

The proposed amendment affects customers and/or areas located in the following zip
code(s):

75189, 75173, 75032, 75474, 75087, 75135

(List All Affected Zip Codes)

A request for a public hearing must be in writing. You must state (1) your name, mailing address, and daytime telephone number; (2) the applicant's name, application number or another recognizable reference to this application; (3) the statement, "I/we request a public hearing"; (4) a brief description of how you or the persons you represent, would be adversely affected by the granting of the application for a CCN; and (5) your proposed adjustment to the application or CCN which would satisfy your concerns and cause you to withdraw your request for a hearing.

Persons who wish to intervene or comment should write the:

Texas Commission on Environmental Quality
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Utilities and Districts Section, MC-153
P. O. Box 13087
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If a public hearing is requested, the Executive Director will not issue the CCN and will forward the application to the State Office of Administrative Hearings (SOAH) for a hearing. If no settlement is reached and an evidentiary hearing is held, the SOAH will submit a recommendation to the Commission for final decision. If an evidentiary hearing is held, it will be a legal proceeding similar to a civil trial in state district court.

If you are a landowner with a tract of land at least 25 acres or more, that is partially or wholly located within the proposed area, you may request to be excluded from the proposed area (or "opt out") by providing written notice to the Commission within (30) days from the date that notice was provided by the applicant. All requests to opt out of the requested service area must include a scaled, general location map and a metes and bounds description of the tract of land.

Persons who meet the requirements to opt out, and wish to request this option should file the required documents with the:

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A copy of the request to opt out of the proposed area must also be sent to the applicant. Staff may request additional information regarding your request.

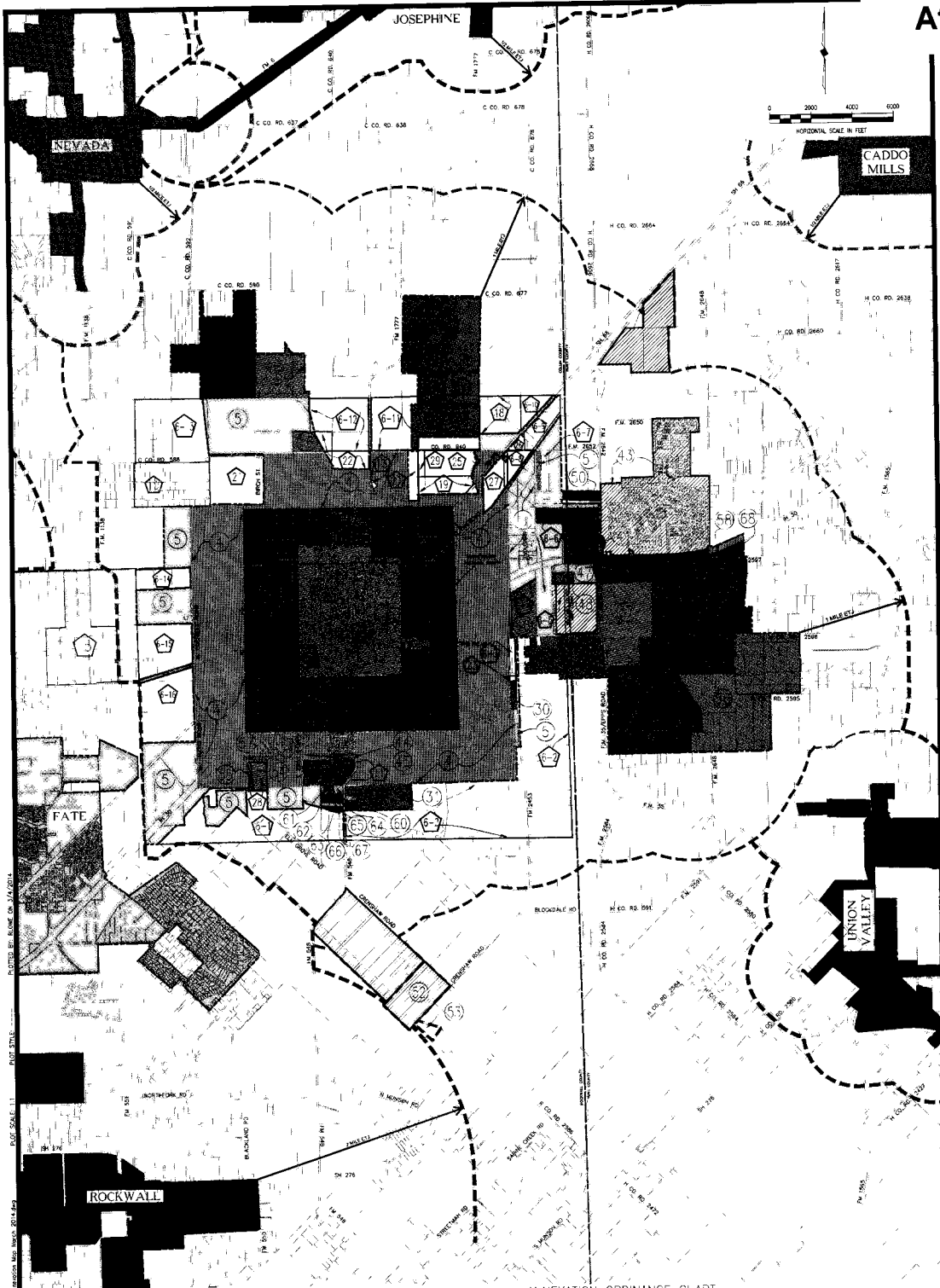
Si desea informacion en Espanol, puede llamar al 1-512-239-0200.

List of Attachments

- A: Annexation and Extraterritorial Jurisdiction Map (updated March 2014)**
- B: Water & Wastewater Master Plan Service Area Map (July 2013)**
- C: Wastewater Collection System Master Plan Map (October 2010)**
- D: Map Showing General Location of Requested Service Area**
- E: Wastewater CCN Map and Digital Data (on CD)**
- F: Written Description of Service Area**
- G: Wastewater Facilities Map**
- H: Latest TCEQ Inspection Report**
- I: Description of Effect of Granting Amendment on Applicant, Other Retail Public Utilities, and Landowners**
- J: Wholesale Wastewater Treatment Contract with North Texas Municipal Water District (March 3, 2003)**
- K: Description of City's Ability to Provide Adequate Services; Effect on Land of City's Application**
- L: Financial Report for City of Royse City (Fiscal Year Ended September 30, 2013)**
- M: Current City Wastewater Utility Rates**
- N: List of Retail Public Utilities and Cities Providing Sewer Services Within Two (2) Miles of Proposed Areas and List of Landowners > 25 Acres Per County**

Attachment A

**Annexation and Extraterritorial Jurisdiction Map
(updated March 2014)**



ANNEXATION ORDINANCE CHART

LEGEND

- 11 MILE EXTRATERRITORIAL JURISDICTION
- CITY LIMITS
- COUNTY LIMIT
- ROYSE CITY - FATE MUTUAL BOUNDARY LINE AGREEMENT DATED FEBRUARY 10 2004
- ANNEXATION MAP NUMBER (CROSS REFERENCES TO CHART)
- PARKER CREEK ESTATES
- VERANDAH COMMUNITIES
- DISANNEXATION MAP NUMBER (CROSS REFERENCES TO C-CHART)

ROYSE CITY, TEXAS
ANNEXATION
AND
EXTRATERRITORIAL JURISDICTION MAP

UPDATED: March, 2014

BIRKHOFF, HENDRICKS & CARTER, L.L.P.
PROFESSIONAL ENGINEERS
Texas Form 1556
11910 Greenville Ave., Suite 600
Dallas, Texas 75243 (214) 361-7900

Map No.	Map Name	Effective Date	Area	Area (Acres)	Area (Sq. Miles)
1	Original City Limits	1900
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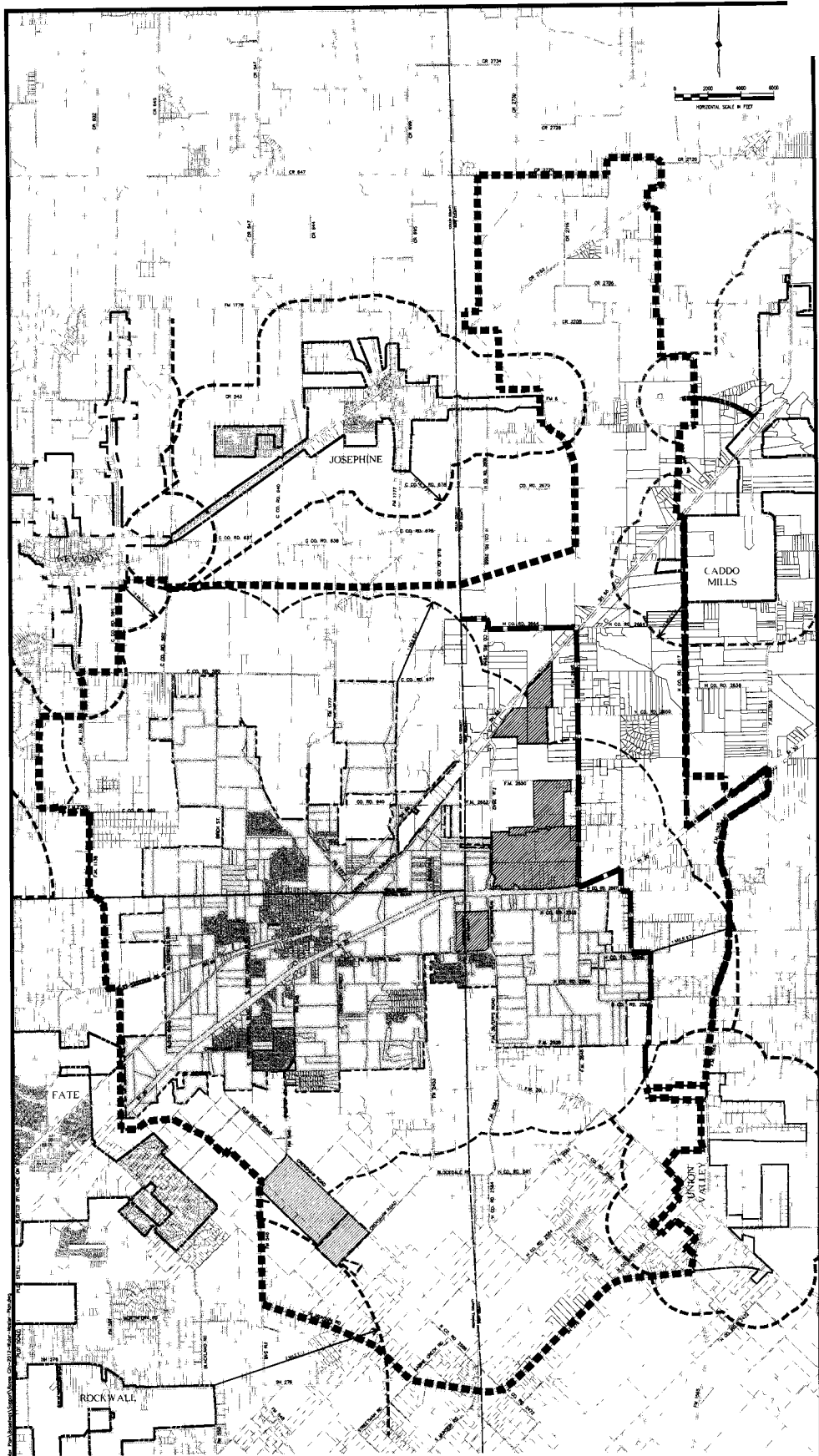
Map No.	Map Name	Effective Date	Area	Area (Acres)	Area (Sq. Miles)
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MAP NO.	ORDINANCE NO.	DATE	BRIEF DESCRIPTION	ACREAGE		ACCUMULATED ACREAGE	PERCENT INCREASE
				GROSS	NET		
1A	???	????	Original Article of Incorporation				
1B	Article 49	????	Collin County Abst 513	3.90	3.90	???	
1	Article 51	11/7/1963	Defines legal boundary of Royse City	N/A	N/A	N/A	N/A
2	Article 54	6/2/1964	Correction to Article # 51	710.36	710.36	710.0	N/A
3	Article 57	????	2,640 feet wide from North, South, East and West of existing City Limits	2,549.40	1,839.40	2,549.4	259.1%
4	Article 58	????	2,640 feet wide from North, South, East and West of existing City Limits	5,745.10	3,195.70	5,745.1	125.4%
5	Article 59	????	2,640 feet wide from North, South, East and West of existing City Limits	10,220.90	4,475.80	10,220.9	77.9%
6-1	Ordinance 81	3/30/1971	Disannexation - Tract 1	-356.60	-356.60	9,864.3	-3.5%
6-2	Ordinance 81	3/30/1971	Disannexation - Tract 2	-1,072.40	-1,072.40	8,791.9	-10.9%
6-3	Ordinance 81	3/30/1971	Disannexation - Tract 3	-17.90	-17.90	8,774.0	-0.2%
6-4	Ordinance 81	3/30/1971	Disannexation - Tract 4	-72.10	-72.10	8,701.9	-0.8%
6-5	Ordinance 81	3/30/1971	Disannexation - Tract 5	-28.30	-28.30	8,673.6	-0.3%
6-6	Ordinance 81	3/30/1971	Disannexation - Tract 6	-22.10	-22.10	8,651.5	-0.3%
6-7	Ordinance 81	3/30/1971	Disannexation - Tract 7	-29.70	-29.70	8,621.8	-0.3%
6-8	Ordinance 81	3/30/1971	Disannexation - Tract 8	-28.90	-28.90	8,592.9	-0.3%
6-9	Ordinance 81	3/30/1971	Disannexation - Tract 9	-52.90	-52.90	8,540.0	-0.6%
6-10	Ordinance 81	3/30/1971	Disannexation - Tract 10	-38.67	-38.67	8,501.3	-0.5%
6-11	Ordinance 81	3/30/1971	Disannexation - Tract 11	-287.70	-287.70	8,213.6	-3.4%
6-12	Ordinance 81	3/30/1971	Disannexation - Tract 12	-202.40	-202.40	8,011.2	-2.5%
6-13	Ordinance 81	3/30/1971	Disannexation - Tract 13	-246.71	-246.71	7,764.5	-3.1%
6-14	Ordinance 81	3/30/1971	Disannexation - Tract 14	-59.20	-59.20	7,705.3	-0.8%
6-15	Ordinance 81	3/30/1971	Disannexation - Tract 15	-144.80	-144.80	7,560.5	-1.9%
6-16	Ordinance 81	3/30/1971	Disannexation - Tract 16	-195.40	-195.40	7,365.1	-2.6%
7			MAP NUMERS 7-9 NOT USED				
8							
9							
10	124	11/15/1983	Disannexation in the Charles Todd Svy	-269.04	-188.53	7,176.6	-2.6%
11	153	6/4/1985	Disannexation (Tract 1 - 69.807 Ac 1.5806 Ac in Road) (Tract 2 - 4.036 Ac) Wm Love Svy, Abst 135	-73.84	-73.84	7,102.7	-1.0%
12	154	6/4/1985	Disannexation NOT SHOWN ON MAP. ORDINANCE MISSING FROM CITY RECORDS, OR NO DESCRIPTION PROVIDED ? Ordinance Missing From City Records	0.00	0.00	7,102.7	N/A
13	155	7/2/1985	Disannexation 0.217 Ac 5-Foot Strip Along East of R.O.W. F.M. Hwy 1777. A 1.0 Ac Tract in the W.H. Kuykendall Svy Abst 513	-1.22	-1.22	7,101.5	N/A
14	179	1/6/1987	Disannexation NOT SHOWN ON MAP. ORDINANCE MISSING FROM CITY RECORDS, OR NO DESCRIPTION PROVIDED ? Ordinance Missing From City Records	0.00	0.00	7,101.5	N/A
15	94-07-19	7/12/1994	Disannexation Liesure Lands, Limited, Inc. Subdivision	-294.24	0.00	7,101.5	0.00%
16	95-03-39r	3/10/1995	Resolution (Boundary Map)	7,169.00	7,169.00	7,169.0	N/A
17	95-06-49(A)	6/13/1995	Disannexation (Tract 2) Crawford Svy, Abst 229 Out of a 107.14 Ac Tract	-30.00	-30.00	7,139.0	-0.42%
18	95-06-49(B)	6/13/1995	Disannexation (Tract 6) 102 Ac & (Tract 5) 10.511 Ac J. Davis Svy, Abst 244 Out of a 144.00 Ac Tract	-112.51	-112.51	7,026.5	-1.58%
19	95-06-49 (C & D)	6/13/1995	Disannexation (Tract 5) Kuykendall Svy, Abst 513 Out of a 53.86 Ac Tract (Tract 2) McBride Svy, Abst 630 Out of a 53.86 Ac Tract	-53.86	-53.86	6,972.6	-0.77%
20	95-06-49(E)	6/13/1995	Disannexation (Tract 5) Kuykendall Svy, Abst 513	-27.50	-27.50	6,945.1	-0.39%
21	95-06-49(F)	6/13/1995	Disannexation (Tract 2) & (Tract 1) Wilson Svy, Abst 966 Out of a 136.83 Ac Tract	-141.16	-141.16	6,804.0	-2.03%
22	95-06-49 (G & H)	6/13/1995	Disannexation (Tract 5) & (Tract 8) McBride Svy, Abst 631 Out of a 55.75 Ac Tract	-47.36	-32.92	6,771.0	-0.48%
23	95-06-50	6/13/1995	Disannexation (Tract 19-1) Ratliff Svy, Abst 185 Out of a 2.0 Ac Tract	-0.61	-0.61	6,770.4	-0.01%
24			MAP NUMBER 24 NOT USED				
25	95-08-56(A)	8/8/1995	Disannexation (Tract 1) McBride Svy, Abst 630 Out of a 79.805 Ac Tract	-69.81	-69.81	6,700.6	-1.031%
26	95-08-56(B)	8/8/1995	Disannexation (Tract 7) J. Davis Svy Abst 244	-6.34	-7.84	6,692.8	-0.117%
27	96-08-93	8/13/1996	Disannexation (Tract 3-1) Odell Svy Abst 681 Out of a 72.52 Ac Tract	-46.11	-46.11	6,646.7	-0.689%
28	96-02-77	2/13/1996	Disannexation (Tract 29) J. Stephenson Svy, Abst 188	-29.00	-29.00	6,617.7	-0.436%

MAP NO.	ORDINANCE NO.	DATE	BRIEF DESCRIPTION	ACREAGE		ACCUMULATED ACREAGE	PERCENT INCREASE
				GROSS	NET		
29	97-03-112	2/11/1997	Disannexation (Tract G) Kuykendall Svy. Abst 188	-10.00	-10.00	6,607.7	-0.151%
30	00-05-190	5/9/2000	Part of Fairway Ranch Development	10.50	10.50	6,618.2	0.159%
31	01-05-246	5/8/2001	Starlight Property	84.80	84.80	6,703.0	1.281%
32	02-05-289	5/14/2002	Part of Creekview Estates	29.93	29.93	6,732.9	0.447%
33	02-10-314	10/8/2002	Cookstone Development	69.81	69.81	6,802.7	1.037%
34	03-04-332	4/8/2003	Part of Creekview Estates Phase III	8.14	8.14	6,810.9	0.120%
35	03-06-341	6/10/2003	Woodland Creek Development	161.40	161.40	6,972.3	2.370%
36	03-12-365	12/9/2003	DeLeon Property North of I30 on F M 2642	10.77	10.77	6,983.0	0.154%
37	04-11-419	11/9/2004	New High School and Adjacent Property	220.55	220.55	7,203.6	3.158%
38	06-09-522	9/12/2006	Kerala Property	551.22	551.22	7,754.8	7.652%
39	06-11-539	11/14/2006	Kerala Property	1.96	1.96	7,756.8	0.025%
40	06-12-548	12/19/2006	Bearpen Creek	1,193.00	1,193.00	8,949.8	15.380%
41	07-06-576	6/12/2007	Part of Verandah NE Corner of I30 & FM 2642 (1.379 Acre Tract)	1.38	1.38	8,951.1	0.015%
42	07-06-576	6/12/2007	Part of Verandah NE Corner of I30 & FM 2642 (3.483 Acre Tract)	3.48	3.48	8,954.6	0.039%
43	07-07-586	7/10/2007	NE Corner of Hwy I-30 & FM 2642	3.08	3.08	8,957.7	0.034%
44	07-10-612	9/25/2007	Crowell Development Tract-10-1)	0.70	0.70	8,958.4	0.008%
45	07-10-612	9/25/2007	Tony Lynn Cookston Property (Tract 3-1)	4.04	4.04	8,962.4	0.045%
46	07-10-612	9/25/2007	John Pullen Property Tract-1	72.13	72.13	9,034.6	0.805%
47	07-11-619	11/13/2007	Verandah Tract SW Corner of I30 & FM 2642	30.83	0.70	9,035.3	0.008%
48	07-11-619	11/13/2007	Benbrook Tract SW Corner of I30 & FM 2642	11.88	11.88	9,047.1	0.131%
49	07-11-620	11/13/2007	Tract located between CR 588 and CR 590 (Owned by several owners)	325.74	325.74	9,372.9	3.600%
50	09-07-726	7/14/2009	Tract located in both Hunt and Collin County and owned by George E. Nelson	14.69	14.69	9,387.6	0.157%
51	09-07-727	7/14/2009	Annexations Tract in the J. Davis Svy. abst 244 and out of a 82.326 Ac Tract in Collin County and owned by George E. Nelson	12.99	12.99	9,400.6	0.138%
52	11-01-806	1/11/2011	Extraterritorial Jurisdiction Agreement	0.00	0.00	9,400.6	0.000%
53	11-02-816	2/8/2011	Extraterritorial Jurisdiction Agreement	0.00	0.00	9,400.6	0.000%
54	11-09-852	9/13/2011	Annexations Davis Tract located at the S.W. corner of Circle Ln & Elm Grove Rd in the J. Stephenson Svy. Abst 188, Rockwall, County Part of Creekview Estates	21.20	0.69	9,422.5	0.233%
55	11-09-853	9/13/2011	Annexations Tract 20-1 located in the J. Stephenson Svy. Abst 188, Rockwall, County	7.04	0.09	9,429.6	0.076%
56	11-12-868	12/13/2011	Annexations Bearpen Creek	494.82	494.82	9,924.4	5.248%
57	11-12-869	12/13/2011	Annexations 1.16 Ac From Public R O W -Circle Ln & Elm Grove Rd, 0.69 Ac out of Davis Tract in the J. Stephenson Svy. Abst 188	1.85	1.85	9,926.3	0.019%
58	13-11-988	11/12/2013	Annexations 12.893 Ac portion of State of Texas, I.H. 30 Tract in the Shelby Co School Land Svy. Abst 946, Hunt Co	12.89	12.89	9,939.1	0.130%
59	13-11-990	11/12/2013	Annexations 0.57 Ac Tract & 2.72 Ac Tract in Piette Tract in the J.W. Love Svy. Abst 140	3.29	3.29	9,942.4	0.033%
60	13-11-991	11/12/2013	Annexations 5.175 Ac Tract in Pierce Jr Tract in the J.W. Love Svy. Abst 140	5.18	5.18	9,947.6	0.052%
61	13-11-992	11/12/2013	Annexations 3.00 Ac Tract in Baker Tract in the J.W. Love Svy. Abst 140	3.00	3.00	9,950.6	0.030%
62	13-11-993	11/12/2013	Annexations 1.53 Ac Tract in Benedetto Tract in the J.W. Love Svy. Abst 140	1.53	1.53	9,952.1	0.015%
63	13-11-994	11/12/2013	Annexations 2.53 Ac Tract in Benedetto Tract in the J.W. Love Svy. Abst 140	2.53	2.53	9,954.7	0.025%
64	13-11-995	11/12/2013	Annexations 4.92 Ac Tract in PNC Partners Tract in the J.W. Love Svy. Abst 140	4.92	4.92	9,958.6	0.049%
65	13-11-996	11/12/2013	Annexations 9.89 Ac Tract in Shinabarger Tract in the J.W. Love Svy. Abst 140	9.89	9.89	9,969.5	0.099%
66	13-11-997	11/12/2013	Annexations 5.00 Ac Tract in Brazen Tract in the J.W. Love Svy. Abst 140	5.00	5.00	9,974.5	0.050%
67	13-11-998	11/12/2013	Annexations 5.00 Ac Tract in Franks Tract in the J.W. Love Svy. Abst 140	5.00	5.00	9,979.5	0.050%
68	13-11-999	11/12/2013	Annexations 14.31 Ac To Hauper Tract in Shelby Co School Land Svy. Abst 946, Hunt Co	14.31	27.72	9,993.8	0.143%
69	13-11-1000	11/12/2013	Annexations 1.102 Ac to Cornelius Tract in the J.W.F. Stone Svy. Abst 198	1.10	1.10	9,994.9	0.011%

Attachment B

**Water & Wastewater Master Plan Service Area Map
(July 2013)**



ROYSE CITY, TEXAS
Water & Wastewater Master Plan
SERVICE AREA MAP



July 2013
 BIRKHOFF, HENDRICKS & CARTER, L.L.P.
 PROFESSIONAL LAND SURVEYORS
 Team Firm 252-241-4444
 13910 Greenfield Ave., Suite 600
 Dallas, Texas 75243 (214) 341-7900

LEGEND

- WATER AND WASTEWATER MASTER PLAN SERVICE AREA BOUNDARY
- WATER CEN BOUNDARY
- EHP WATER CEN AGREEMENT LINE
- COUNTY LIMIT
- ROYSE CITY - FATE MUTUAL BOUNDARY LINE AGREEMENT DATED FEBRUARY 10, 2004
- 1 MILE EXTRATERRITORIAL JURISDICTION
- CITY LIMITS
- ▨ PARKER CREEK ESTATES
- ▨ VERANDAH COMMUNITIES
- DISANNECTATION MAP NUMBER (CROSS REFERENCES TO CHART)

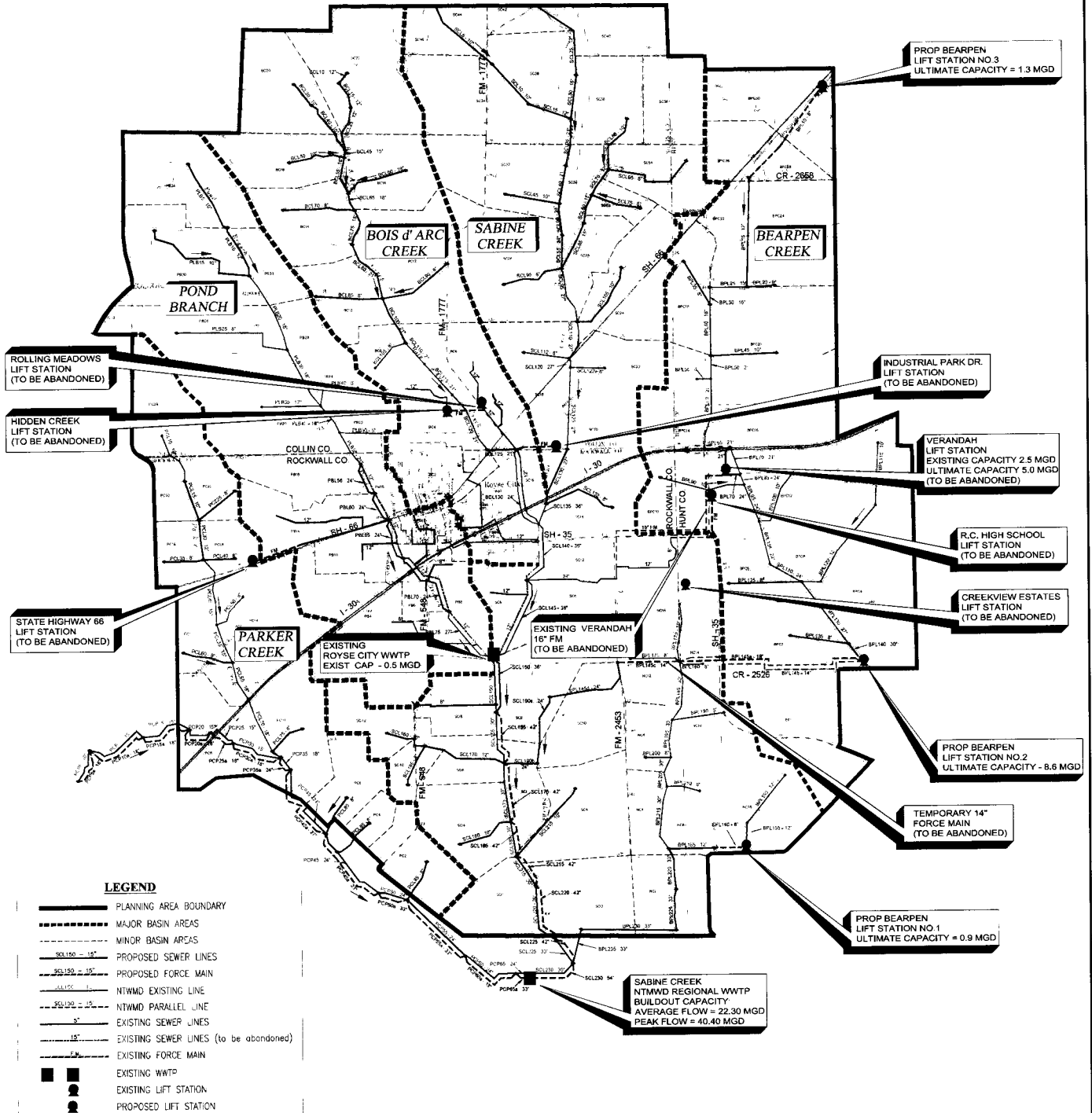
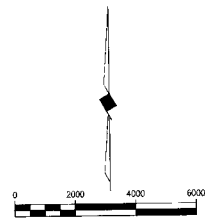
Attachment C

**Wastewater Collection System Master Plan Map
(October 2010)**



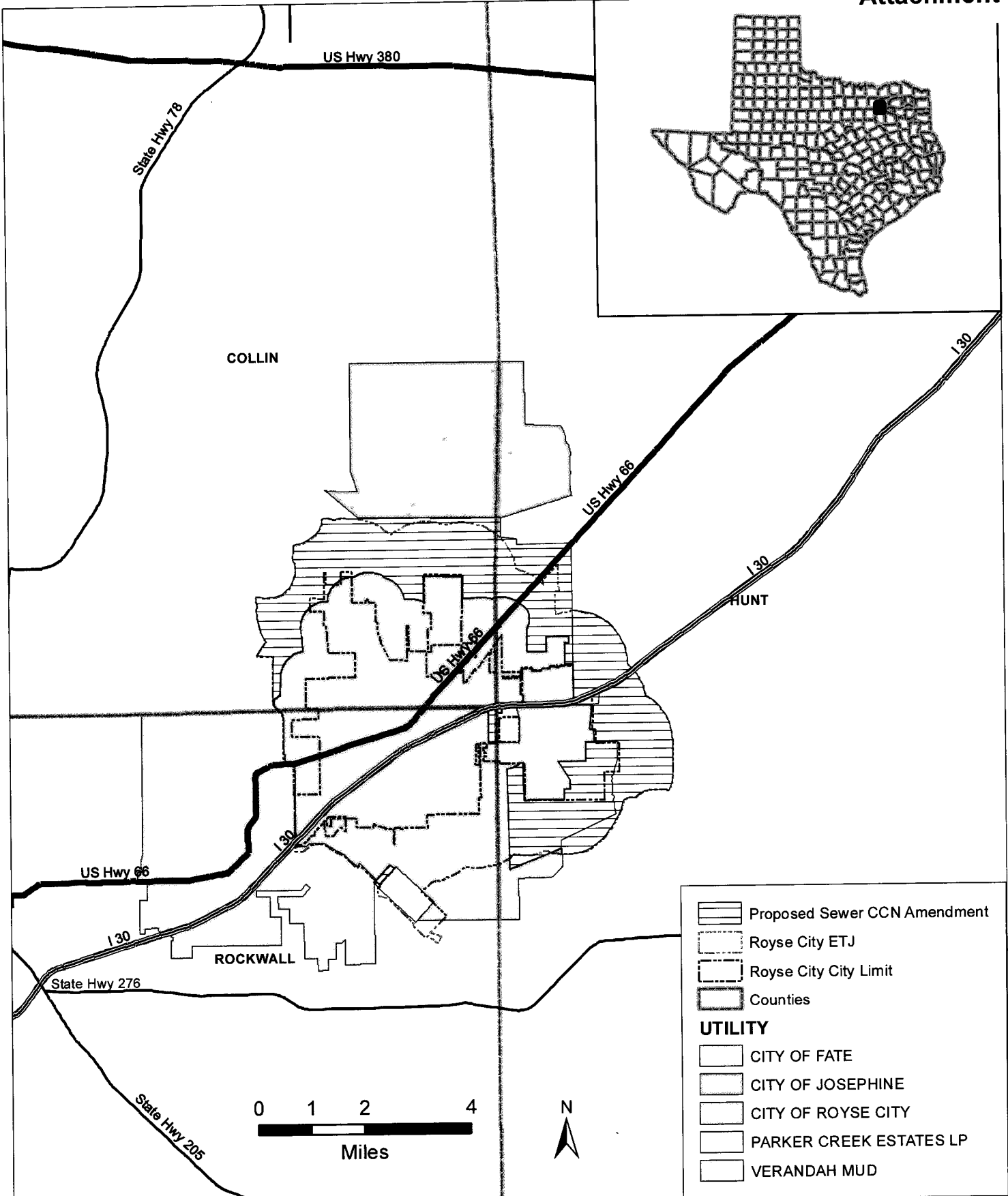
WASTEWATER COLLECTION SYSTEM MASTER PLAN MAP

BIRKHOFF, HENDRICKS & CARTERR, L.L.P.
PROFESSIONAL ENGINEERS
Texas Firm #528
Dallas, Texas
NOVEMBER 2010
MAP REVISED NOVEMBER 2010



Attachment D

Map Showing General Location of Requested Service Area



- Proposed Sewer CCN Amendment
 - Royle City ETJ
 - Royle City City Limit
 - Counties
- UTILITY**
- CITY OF FATE
 - CITY OF JOSEPHINE
 - CITY OF ROYLE CITY
 - PARKER CREEK ESTATES LP
 - VERANDAH MUD



ATTACHMENT D
Proposed Sewer CCN Amendment
 County Map
 City of Royle City

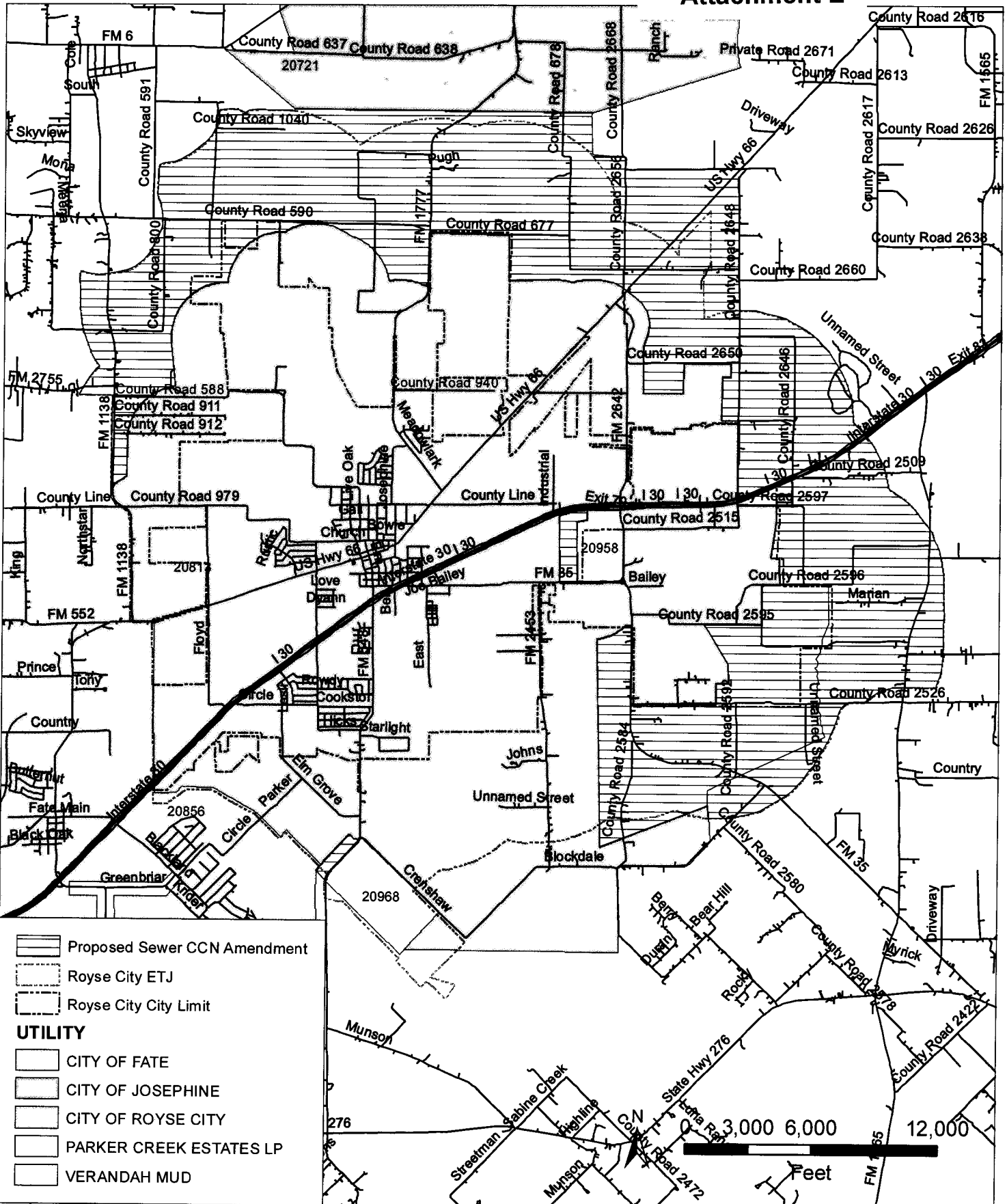
June 2014

12077.05

Attachment E

Wastewater CCN Map and Digital Data (on CD)

Attachment E



ATTACHMENT E Proposed Sewer CCN Amendment

City of Roys City

April 2014

12077.05

Attachment F

Written Description of Service Area

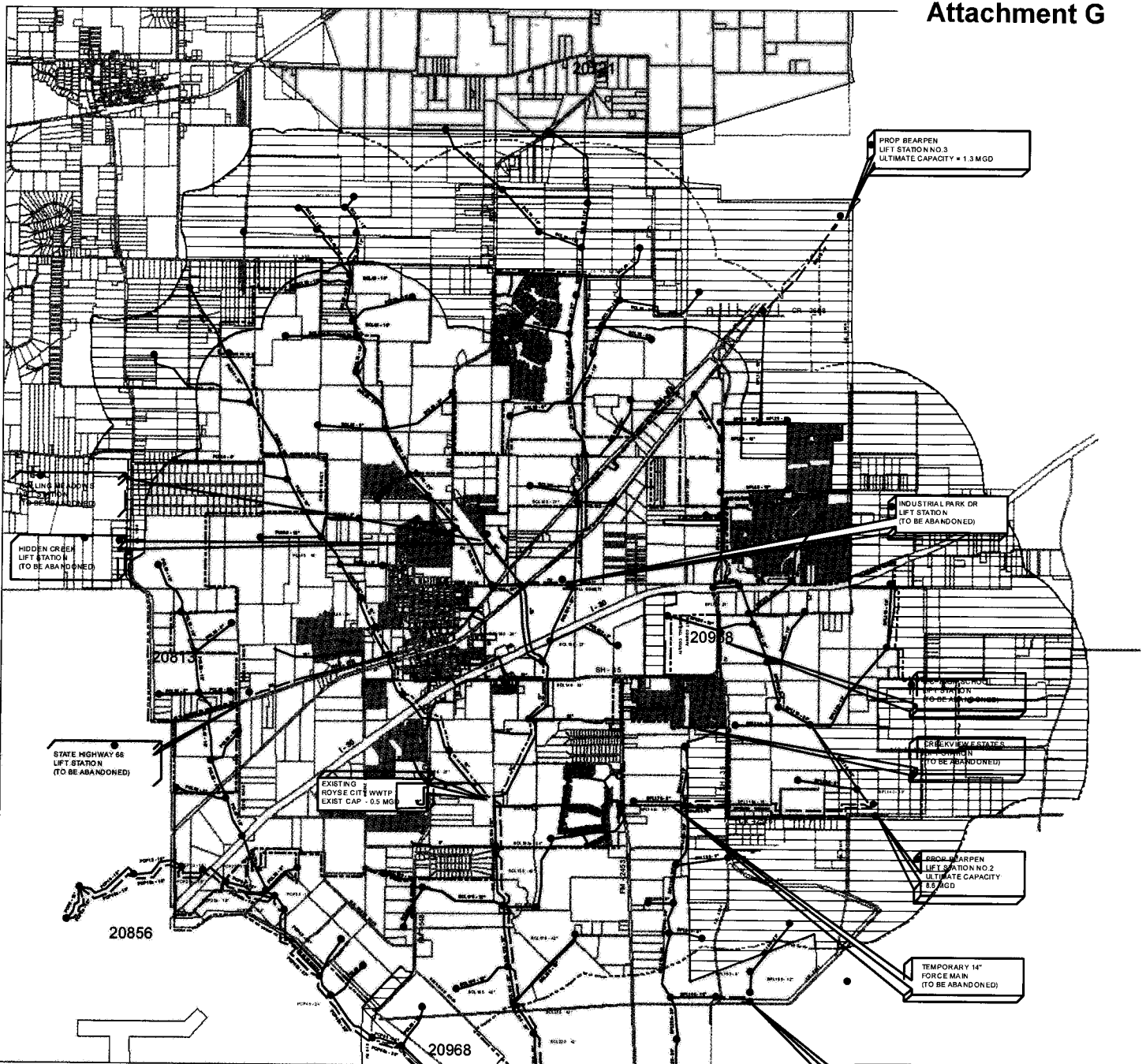
As shown on Attachments A, D, and E, the areas proposed to be included within the City's sewer CCN are presently not certified to any other retail public utility for sewer service. The primary goal of this CCN amendment application is to include these non-certified areas (that coincide with the City's water CCN and its ETJ) included within the City's sewer CCN. It is the City's practice, as illustrated on Attachment A, to annex areas within its ETJ as these areas develop and as the City's retail utility services are requested by the developers of the areas. The City has proactively entered into CCN agreements with BHP Water Supply Corporation, the major supplier of retail water utility services to areas east of the City, whereby the City will be able to acquire additional water CCN areas from BHP when the areas develop and when the City becomes able to provide water services.

Most of the areas requested are within the City's water CCN and within its ETJ. See Attachment A, the City's Annexation and Extraterritorial Jurisdiction Map. The requested area to the northwest of the City is largely within the water CCN area of Nevada WSC.

Requested areas to the east of the City are within the water CCN area of BHP WSC. The City and BHP entered into an agreement in 2011 by which the City has an option to purchase a large area of BHP's water CCN, thus this requested area to the east of the City will eventually also be within the water CCN of the City.

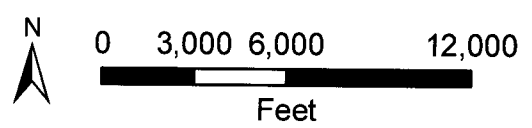
Except for the area within Nevada WSC's water CCN, this Application will result in the City's sewer CCN boundaries being coterminous with its water CCN boundaries and with its ETJ. In this manner, the City will be able to provide both retail water and sewer services to customers and developments within most of the area. The requested sewer CCN area is not within the ETJ or municipal boundaries of any other city, nor does it overlap with any other sewer CCN.

Attachment G
Wastewater Facilities Map



Proposed Sewer CCN Amendment
 Royse City ETJ
 Royse City City Limit
UTILITY
 CITY OF FATE
 CITY OF JOSEPHINE
 CITY OF ROYSE CITY
 PARKER CREEK ESTATES LP
 VERANDAH MUD

SABINE CREEK
 11 MGD REGIONAL WWTP
 BUILD OUT CAPACITY:
 AVERAGE FLOW = 22.39 MGD
 PEAK FLOW = 40.40 MGD



ATTACHMENT G
Proposed Sewer CCN Amendment with Facilities
 City of Royse City

April 2014

12077.05

Attachment H

Latest TCEQ Inspection Report

The City of Royse City receives wastewater treatment and disposal via the North Texas Municipal Water District. Therefore, the City of Royse City is not inspected by the TCEQ.

Attachment I

Description of Effect of Granting Amendment on Applicant, Other Retail Public Utilities, and Landowners

As can be seen from Attachment G (Map of Proposed Sewer CCN Amendment with Facilities), the City is already providing retail sewer utility service to most of the areas included within this amendment application. The red lines shown on this map indicate wastewater collection mains; numerous lift stations indicated by black dots are also within the proposed area.

The granting of the amendment will benefit the City by protecting the investment in wastewater collection and transmission facilities that the City has already made in response to existing demand and in anticipation of the growth of the City.

The granting of the application will not have an immediate effect on other retail public utilities. Most of the area included in the application is in the City's water CCN area. However, for those areas included in other retail water utility service areas, the granting of the amendment will potentially benefit those other retail water providers, as well. By having a sewer CCN for the proposed areas, the City of Royse City will feel more secure in making additional investments in facilities, and the availability of an organized wastewater collection and transmission system may encourage additional economic development in the water CCN areas of the other retail public utilities.

Landowners will benefit from a granting of the amendment. The obligations imposed on the CCN holder by the CCN, *i.e.*, to provide continuous and adequate sewer utility service, provides a level of confidence to landowners, both existing and future, that their wastewater collection and treatment needs will be met in an organized and competent manner.

Attachment J

**Wholesale Wastewater Treatment Contract with North Texas Municipal Water District
(March 3, 2003)**

**SABINE CREEK
REGIONAL WASTEWATER SYSTEM
CONTRACT**

WHEREAS, North Texas Municipal Water District (the "District") is a conservation and reclamation district created and functioning under Article 16, Section 59 of the Texas Constitution, pursuant to Chapter 62, Acts of the 52nd Legislature of the State of Texas, Regular Session, 1951, as amended, (the "District Act"), with the authority to provide and develop regional systems for wastewater treatment; and

WHEREAS, there have been prepared for and filed with the District the following:

Report on a City of Fate and City of Royse City Regional Wastewater Treatment System Preliminary Engineering Study, by Hunter Associates Texas, Ltd., Consulting Engineers, Dallas, Texas (the "Engineering Report"); and

WHEREAS, the parties hereto wish to provide for the acquisition, construction, improvement, operation and maintenance of a Regional Wastewater System (as further defined herein, the "System") for the purpose of providing facilities to adequately receive, transport, treat, and dispose of Wastewater; and

WHEREAS, the parties hereto are entering into this contract in order to control water pollution, and protect, improve, and enhance the water quality of Parker Creek, Sabine Creek and the Sabine River and the water supplies impounded therein; and

WHEREAS, each of the Cities of Royse City ("Royse City") and Fate ("Fate") in Rockwall County, presently owns, operates, and maintains its respective combined waterworks and sanitary sewer systems; and

WHEREAS, Royse City and Fate have deemed it necessary and desirable to contract with the District to provide for the acquisition, construction, improvement, operation and maintenance of the System to achieve efficiencies of cost and operation; and

WHEREAS, the District has been and is willing to accept the responsibility of providing improved waste treatment in the service area to protect water quality and develop reuse potential; and

WHEREAS, the District, Royse City and Fate are authorized to make and enter into this Contract under the District Act, Chapter 30, Texas Water Code, as amended, and other applicable laws; and

WHEREAS, the parties hereto recognize these facts:

(a) That the District will use the payments to be received under this Contract and similar contracts, if any, for the payment of Operation and Maintenance Expense of the

System and for the payment of the principal of, redemption premium, if any, and interest on its Bonds, and to establish and maintain debt service reserves and other funds if and as provided in any Bond Resolution; and that the revenues under such contracts will be pledged to such purposes; and

(b) That contracts similar to this instrument may be executed between the District and subsequent Additional Participants; and

(c) That the District will issue Bonds from time to time in the future to acquire, construct, extend, enlarge, improve, and/or repair the System.

NOW, THEREFORE, the District and Royse City and Fate hereby contract and agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. DEFINITION OF TERMS. In addition to the definitions stated in the preamble hereof, the terms and expressions as hereinafter used in this contract, unless the context clearly shows otherwise, shall have the following meanings:

(a) "Additional Participants" means any Person or Persons in addition to Royse City and Fate with which the District makes a contract for receiving, transporting, treating, and/or disposing of Wastewater through the System.

(b) "Adjusted Annual Payment" means the Annual Payment, as adjusted in accordance with Section 5.03 of this Contract during or after each Fiscal Year.

(c) "Annual Payment" means the amount of money estimated as provided in Section 5.03 of this Contract to be paid to the District by Participants as their proportionate share of the Annual Requirement.

(d) "Annual Requirement" means the total amount of money required for the District to pay all Operation and Maintenance Expense of the System, with the exception of any surcharges to be paid directly by the Participants under Sections 4.02 and 3.04(c) hereof, and to pay the principal of, and redemption premium, if any, and interest on its Bonds, including all charges and expenses of the paying agents and registrars for its Bonds, and to pay any amounts required to be deposited in any special or reserve funds, including a debt service reserve fund and a repair and replacement fund, as required to be established and/or maintained by the provisions of any Bond Resolution.

(e) "Bond Resolution" means any resolution of the Board of Directors of the District authorizing the issuance of Bonds and providing for their security and payment, as such resolution(s) may be amended from time to time as therein permitted.

- (f) "Bonds" means any bonds, notes, or other obligations to be issued by the District pursuant to this Contract for the acquisition, construction, enlargement, improvement, extension, repair, or replacement of the System or any part thereof, whether in one or several issues, or any Bonds issued by the District to refund any or all of same.
- (g) "Construction Fund" means the fund by that name established in Section 2.03 hereof.
- (h) "Contingency Fund" means the fund by that name established in Section 5.03(g) hereof.
- (i) "Contract", or "this contract", means this contract among Royse City and Fate and the District and all similar contracts, if any, executed between the District and Additional Participants.
- (j) "District's System", "Regional System", "Regional Wastewater System", or "System" means all of the District's facilities generally as described in the Engineering Report acquired, constructed, used, or operated by the District for receiving, transporting, treating, and disposing of Wastewater of and for Participants, pursuant to this Contract (but excluding any facilities acquired or constructed with Special Facilities Bonds, and excluding any facilities required to transport Wastewater to any Point of Entry of the System), together with any improvements, enlargements, or additions to the System facilities and any extensions, repairs, or replacements of the System facilities acquired, constructed, used, operated, or otherwise incorporated into or made a part of the System facilities in the future by the District. Said terms shall include only those facilities which are acquired, constructed, used, or operated by the District to provide service to Participants pursuant to this Contract, and which, as determined by the District, can economically and efficiently provide service to Participants. Said terms do not include any District facilities which provide Wastewater services of any kind to Persons which are not Participants, nor do they in any way include or affect the District's water supply system.
- (k) "Engineering Report" means, collectively, the Initial Engineering Report, and any additions, supplements, amendments or modifications thereof, including, without limitation, any additional engineering studies made pursuant to Section 8.02 hereof.
- (l) "Fiscal Year" means the twelve (12) month period beginning each October 1 and ending the following September 30, or such other twelve (12) month period as may be established in the future to constitute the District's Fiscal Year.
- (m) "Local Wastewater Facilities" means the waste collection and treatment facilities owned and operated by The Participants.
- (n) "Operation and Maintenance Expense" means all costs of operation and maintenance of the System including, but not limited to, repairs and replacements for which no special fund is created in a Bond Resolution, the cost of utilities, supervision, engineering, accounting, auditing, legal services, insurance premiums, and any other supplies, services, administrative costs, and equipment necessary for proper operation and maintenance of the System, any payments required to be made

hereunder into the Contingency Fund, payments made for the use of operation of any property, payments of fines, and payments made by the District in satisfaction of judgments or other liabilities resulting from claims not covered by the District's insurance or not paid by one particular Participant arising in connection with the operation and maintenance of the System. Depreciation shall not be considered an item of Operation and Maintenance Expense.

- (o) "Participants" means Royse City, Fate and all Additional Participants.
- (p) "Participant" means any of the Participants.
- (q) "Person" shall have the meaning set forth in the Texas Code Construction Act, Chapter 311, Texas government Code, as amended.
- (r) "Point of Entry" means any point or points at which Wastewater enters the System, as such point or points shall be agreed upon between the District and the Participant.
- (s) "Service Commencement Date" means the first date upon which the System is available to treat Wastewater from the Participants.
- (t) "Special Facilities Bonds", means revenue obligations of the District which are not secured by or payable from Annual Payments under this Contract, but which are payable solely from other sources; but Special Facilities Bonds may be made payable from payments from any Person, including any Participant, under a separate contract whereunder the facilities to be acquired or constructed are declared not to be part of the System and are not made payable from the Annual Payments as defined in this Contract.
- (u) "Wastewater" means Sewage, Industrial Waste, Municipal Waste, Recreational Waste, and Agricultural Waste, as defined in the Texas Water Code, as amended, together with properly shredded garbage, and such infiltration water that may be present.

ARTICLE II

PROVIDING OF FACILITIES BY THE DISTRICT

Section 2.01. FACILITIES AND INITIAL CONTRACT. In order to provide services for receiving, transporting, treating, and disposing of Wastewater for Participants, the District will use its best efforts to design, acquire, construct, and complete the System, as generally described in the Engineering Report with respect to Royse City and Fate, and as generally described in appropriate additional engineering reports hereafter to be obtained with respect to any Participant and will own, operate, and maintain the System, and from time to time enlarge, improve, repair, replace, and/or extend the System to provide service to the Participants. The District shall obtain and hold in its name all required discharge permits from the appropriate Federal and State agencies, and each Participant shall assist the District in obtaining same. The District shall provide, manage, operate,

and maintain the System in such manner as it determines is necessary for providing adequate, efficient, and economical service to Participants, and shall have the right to provide single plants, multiplants, or combine two or more plants, and to use or discontinue the use of any facilities of the System as the District deems necessary.

Section 2.02. CONSULTING ENGINEERS. The District and the Participant agree that Hunter Associates Texas, Ltd., Consulting Engineers, shall constitute and be defined as the "Consulting Engineers" for the System. However, the District reserves the right to enter into any such contracts with other engineers deemed necessary to provide engineering services to design the System. Engineering fees and expenses, if any, paid by the District shall be reimbursed from proceeds of the Bonds as a cost of acquisition and construction of the System.

Section 2.03. ACQUISITION AND CONSTRUCTION CONTRACTS. The District will enter into such contracts as are necessary to provide for acquiring and constructing the System, and said contracts shall be executed as required by the laws applicable to the District. The District shall cause the amounts due under such contracts to be paid from the proceeds from the sale of its Bonds. The District shall deposit the proceeds from the sale of its Bonds into a special Sabine Creek Regional Wastewater System Construction Fund (the "Construction Fund"). The Construction Fund shall be used for paying the District's costs and expenses incident to the Bonds and the System, and to pay the costs of acquiring, by purchase and construction, the System. Pending use as required by this Contract, the amounts in the Construction Fund may be invested in accordance with law, provided that all investment earnings therefrom (excepting any which may be required to be rebated to the federal government to prevent the Bonds from becoming "arbitrage bonds" under the Internal Revenue Code of 1986, as amended) shall be deposited in and become a part of the Construction Fund. If, after final completion of all facilities constituting the System, any surplus remains on hand in the Construction Fund, such surplus shall be deposited into the interest and sinking fund for the Bonds. Any proceeds from the sale of its Bonds remaining after completion of the System shall be used to pay principal and interest on the Bonds, and reduce to that extent the Annual Payments required to be made by the Participants under this Contract.

Section 2.04. ACQUISITION AND CONSTRUCTION. The District agrees to proceed promptly with the acquisition and construction of the System. The District does not anticipate any delays in commencing or completing the System, but the District shall not be liable for any damages occasioned by, or arising out of, the construction or completion of the System, any delays in completion of the System, or the performance of the System for its intended purpose.

Section 2.05. CONDITIONS PRECEDENT. The obligation on the part of the District to acquire and construct the System shall be conditioned upon the following:

- (a) sale of Bonds in an amount sufficient to assure the acquisition and construction of the System; and
- (b) the District's ability, or the ability of the contractors, to obtain all permits, material, labor, and equipment necessary for the acquisition and construction of the System.

ARTICLE III

DISCHARGE OF WASTEWATER AND METERING

Section 3.01. **DISCHARGE.** In consideration of the payments to be made under its respective contract with the District, each of the Participants have and shall have the right to discharge all of its Wastewater from its respective sewer system into the District's System, provided that such Wastewater meets the requirements for quantity and quality as set forth in its respective contracts with the District; and further provided that, as to Wastewater from areas not currently being served by the Plant, the District is able to obtain permits for the treatment and discharge of such quantity and quality of Wastewater and that discharge of such Wastewater to the System may be made only after notice by the District that it is ready to receive the same pursuant to this Contract.

Section 3.02. **POINT OF ENTRY.** Each Participant may discharge all such Wastewater generated from such Participant's sewer system into the designated Point or Points of Entry for such Participant.

Section 3.03. **CONVEYANCE TO POINT OF ENTRY.** It shall be the sole responsibility of each Participant to transport, or cause to be transported, at no cost to the other Participants, its Wastewater to its Point or Points of Entry.

Section 3.04. **QUANTITY AT POINT OF ENTRY.** (a) The quantity of Wastewater conveyed to the Point or Points of Entry shall be metered by the District and the total annual contributing flow of Wastewater received during any Fiscal Year shall be used to determine each Participant's Annual Payment for service as set forth in Article V.

(b) The maximum discharge rate is defined as a rate in million gallons per day (MGD), exceeded for a period of sixty minutes, which, if continued over a period of 24 hours, would be equal to 3.50 times the Participant's average daily flow during that Fiscal Year.

(c) Any Participant exceeding the maximum discharge rate shall have a surcharge applied to the next Fiscal Year's Annual Payment equal to 1% of the Annual Payment in that Fiscal Year for each 1/10th that the ratio of the maximum discharge to the average daily flow exceeds 3.50.

Section 3.05. **LIABILITY FOR DAMAGES AND RESPONSIBILITY FOR TREATMENT AND DISPOSAL OF WASTEWATER.** Liability for damages arising from the reception, transportation, delivery, and disposal of all Wastewater discharged shall remain in each Participant to Points of Entry, and upon passing through the Points of Entry, liability for such damages shall pass to the District. As between the District and each Participant, each party agrees, to the full extent permitted by law, to indemnify and to save and hold the other party harmless from any and all claims, demands, causes of action, damages, losses, costs, fines, and expenses, including reasonable attorney's fees, which may arise or be asserted by anyone at any time on account of the reception, transportation, delivery, and disposal while Wastewater is in the control of such responsible party, or on account of a prohibited discharge by a Participant. The District has the responsibility as

between the parties for the proper reception, treatment, and disposal of all Wastewater, but not for prohibited discharges passing through any Point of Entry.

Section 3.06. METERING. The District will furnish, install, operate and maintain at its own expense at each Point of Entry the necessary equipment and devices of standard type for measuring properly all Wastewater to be discharged into the System by Participants. Such meters and other equipment shall remain the property of the District. Each Participant shall have access to such metering equipment at all reasonable times for inspection and examination, but the reading, calibration, and adjustment thereof shall be done only by employees or agents of the District in the presence of a representative of the Participant if requested by such Participant. All readings of meters will be entered upon proper books of record maintained by the District. Upon written request the Participant may have access to said record books during reasonable business hours.

Not more than three times in each year of operation, the District shall calibrate its meters, if requested in writing by a Participant to do so, in the presence of a representative of such Participant, and the parties shall jointly observe any adjustments which are made to the meters in case any adjustment is found to be necessary.

If, for any reason, any meters are out of service or out of repair, or if, upon any test, the percentage of inaccuracy of any meter is found to be in excess of five (5%) per cent, registration thereof shall be corrected for a period of time extending back to the time when such inaccuracy began, if such time is ascertainable, and if such time is not ascertainable, then for a period extending back one-half (1/2) of the time elapsed since the date of the last calibration, but in no event further back than a period of six (6) months.

Each Participant may, at its option and its own expense, install and operate a check meter to check each meter installed by the District, but the measurement for the purpose of this agreement shall be solely by the District's meters.

Section 3.07. UNIT OF MEASUREMENT. The unit of measurement for Wastewater delivered hereunder shall be 1,000 gallons, U. S. Standard Liquid Measure.

ARTICLE IV

QUALITY

Section 4.01. GENERAL. Each Participant agrees to limit discharge into the District's System to Wastewater that complies with quality requirements the District finds it necessary from time to time to establish in order to meet standards imposed by regulatory agencies having appropriate jurisdiction or to protect the water quality for water supply purposes. No discharge shall be made into the System which would cause the District to violate any permit granted, or any rule or regulation promulgated, by any State or Federal agency having jurisdiction over the District. Each Participant specifically covenants that it will enact and enforce procedures which will prohibit or prevent customers of its sewer system from making any discharge which would cause such Participant

to violate the provisions of this contract or any applicable State or Federal permit, law, rule, or regulation. To enable the highest degree of treatment in the most economical manner possible, certain solids, liquids, and gases have been and are hereby prohibited from entering the System, either absolutely or in excess of established standards, and the prohibited discharges will be listed and furnished to all Participants, with a minimum of sixty days of notice before the effective date thereof.

Section 4.02. **NORMAL QUALITY.** To determine normal quality of Wastewater, the District will collect twenty-four (24) hour composite samples of Wastewater at each Point of Entry and cause same to be analyzed in accordance with testing procedures as set forth in the latest edition of Standard Methods of Examination of Water and Wastewater, published by American Public Health Association, Inc. Composite samples will normally be taken once a month, or at more frequent intervals if necessary to determine Wastewater quality. Such Wastewater shall not exceed the limits of concentration specified for Normal Wastewater as follows:

Normal Wastewater Concentration

Biological Oxygen Demand ("BOD")	275 mg/l
Total Suspended Solids ("TSS")	300 mg/l
pH	not less than 6 nor greater than 9
Hydrogen Sulfide	0.1 mg/l

Should the analysis disclose concentrations higher than those listed, the District will at once inform the Participant of such disqualification. With approval of the District, Wastewater with concentrations of BOD and TSS greater than normal may be discharged by a Participant into the System with the payment of a surcharge, which shall be in addition to such Participant's proportionate share of the Annual Requirement as outlined in Article V of this contract, and this surcharge shall be sufficient to cover and pay for the additional cost of treatment.

ARTICLE V

PAYMENTS

Section 5.01. **FINANCING.** The District will issue its Bonds, in amounts and at times as determined by the District, to provide the System. The proceeds from the sale of the Bonds will be used for the payment of all of the District's costs and expenses in connection with the design, acquisition, and construction of the System and the Bonds, including, without limitation, all financing, legal, printing, administrative overhead, and other expenses and costs incurred in issuing its Bonds and to fund a debt service reserve and other funds if required by any Bond Resolution. Each Bond Resolution of the District shall specify the exact principal amount of the Bonds initially issued, which shall mature not more than 40 years from the date of such Bonds, and shall bear interest at not to exceed the maximum legal rates, and the Bond Resolution may create and provide for the maintenance of a revenue fund, an interest and sinking fund, a debt service reserve fund, and other funds and accounts, all in the manner and amounts as provided in such Bond Resolution. Prior to the sale of any such Bonds, the District shall provide to the Participants a copy of the Preliminary Official

Statement relating to such Bonds, which shall include, among other things, proposed maturity schedule and optional and mandatory redemption provisions. The Participants agree that if such Bonds are actually issued and delivered to the purchaser thereof, the Bond Resolution authorizing the Bonds shall for all purposes be deemed to be in compliance with this Contract in all respects, and the Bonds issued thereunder will constitute Bonds as defined in this Contract.

Section 5.02. ANNUAL REQUIREMENT. It is acknowledged and agreed that payments to be made under this Contract will be the only source available to the District to provide the Annual Requirement; and that the District has a statutory duty to establish and from time to time to revise the charges for services to be rendered and made available to Participants hereunder so that the Annual Requirement shall at all times be not less than an amount sufficient to pay or provide for the payment of:

- (a) An "Operation and Maintenance Component" equal to the amount paid or payable for all Operation and Maintenance Expense; and
- (b) A "Bond Service Component" equal to:
 - (1) the principal of, redemption premium, if any, and interest on, its Bonds, as such principal, redemption premium, if any, and interest become due, less interest to be paid out of Bond proceeds if permitted by any Bond Resolution; and
 - (2) during each Fiscal Year, the proportionate part of any special or reserve funds required to be established and/or maintained by the provisions of any Bond Resolution; and
 - (3) an amount in addition thereto sufficient to restore any deficiency in any of such funds required to be accumulated and maintained by the provisions of any Bond Resolution; and
 - (4) the charges of paying agents and registrars for paying principal of, redemption premium, if any, and interest on, all Bonds, and for registering and transferring Bonds.

Section 5.03. PAYMENTS BY PARTICIPANTS. (a) For services to be rendered to each Participant by the District under this Contract and other similar contracts, if any, each Participant has agreed to pay, at the time and in the manner hereinafter provided, its proportionate share of the Annual Requirement, which shall be determined as hereafter described and shall constitute a Participant's Annual Payment or Adjusted Annual Payment. For the Fiscal Year beginning on October 1, 2002, and for each Fiscal Year thereafter each Participant's proportionate share of the Annual Requirement shall, subject to the subsequent provisions hereof, be a percentage obtained by dividing such Participant's estimated contributing flow to the System for the next succeeding Fiscal Year or portion thereof by the total estimated contributing flow to the System by all Participants during such Fiscal Year or portion thereof. The calculation of each Annual Payment as determined

herein, and each Adjusted Annual Payment, shall be determined as provided in this Section. The terms "contributing flow to the System" and "contributing flow" as used in this Contract with respect to any Fiscal Year, commencing with the Fiscal Year beginning October 1, 2002, shall mean the greater of (i) the actual metered contributing flow of a Participant or (ii) the minimum annual contributing flow for which a Participant has agreed to pay, which minimum annual contributing flow for Royse City and Fate are as follows:

Royse City	770,900 gallons per day
Fate	529,100 gallons per day

The above minimum annual contributing flows may be adjusted by the District and the Participants to include minimum annual contributing flows of Additional Participants should Additional Participants be approved for connection to the System in accordance with Section 8.02 hereof. Each Participant's Annual Payment shall be calculated by the District by multiplying such Participant's estimated percentage of the estimated total contributing flow times the Annual Requirement. Each Participant's Annual Payment shall be made to the District in monthly installments, on or before the twentieth (20th) day of each month, for its required part of the Annual Requirement for each Fiscal Year, commencing with the Fiscal Year beginning October 1, 2002. Such payments shall be made in accordance with a Schedule of Payments for each Fiscal Year which will be supplied to each Participant. At the close of the Fiscal Year which commenced on October 1, 2002, and for each Fiscal Year thereafter, the District shall redetermine each Participant's percentage by dividing each Participant's contributing flow to the System by the total contributing flow of all Participants. Each Participant's Adjusted Annual Payment shall be calculated by multiplying each Participant's redetermined percentage times the Annual Requirement. The difference between the Adjusted Annual Payment and the Annual Payment, if any, when determined, shall be applied as a credit or a debit to each Participant's account with the District and shall be credited or debited to such Participant's next subsequent monthly payment or payments.

(b) If a Participant fails to pay its monthly charge on or before the twentieth (20th) day of any month, it shall incur and pay a penalty of ten percent of the amount due together with any legal or other costs incurred by the District in collecting the amount due. The District is authorized to discontinue service to any Participant which fails to make any monthly payment, and which, after written notice, does not make such payment.

(c) If, during any Fiscal Year, the District begins providing services to an Additional Participant, each Participant's Annual Payment for such Fiscal Year shall be redetermined consistent with the provisions of this contract.

(d) Each Participant's Annual Payment also shall be adjusted and redetermined for the balance of any applicable Fiscal Year, consistent with the provisions of this contract, and initially based on estimated contributing flow, at any time during any Fiscal Year if:

- (i) Additions, enlargements, repairs, extensions, or improvements to the System are placed in service by the District which require an increase and redetermination of the Annual Requirement; or

- (ii) Unusual or extraordinary expenditures for operation and maintenance of the System are required which are not provided for in the Annual Budget or in a Bond Resolution; or
- (iii) A Participant's contributing flow to the System, after the beginning of the Fiscal Year, is estimated to be substantially different from that on which Annual Payments are based as determined by the District, to the extent that such difference in flow will substantially affect such Participant's Budget, and consequently such Participant's Annual Payment to the District; or
- (iv) The District issues additional Bonds, the payments in connection with which require an increase and redetermination of the Annual Requirement; or
- (v) The District receives significantly more or significantly less revenue or other amounts than those contemplated.
- (vi) It appears to the District that for any other reason it will not receive the full amount of the Annual Requirement unless such adjustment and redetermination are made.

(e) During each Annual Payment Period all revenues received by the District from providing services of the System to parties which are not Participants, shall (i) first be credited to the Operation and Maintenance Component of the Annual Requirement, and (ii) then any remainder credited to the Bond Service Component of the Annual Requirement, with the results that such credits under (i) and (ii), respectively, shall reduce, to the extent of such credits, the amounts of such Components, respectively, which otherwise would be payable by the Contracting parties pursuant to the method prescribed in (a) above. The District may estimate all such credits which it expects to make during each Annual Payment Period in calculating each Annual Payment.

(f) The District shall give all Participants at least 21 days written notice prior to consideration by the Board of Directors of the District of making any Adjusted Annual Payment for any Participant during any Fiscal Year.

(g) The Annual Payment set forth in this section shall be considered the Basic Charge for service hereunder, and each Participant shall pay a surcharge for excess BOD and/or TSS as provided in Section 4.02, and for excessive discharge in the manner set forth in Section 3.04(c).

(h) The District may establish and maintain a separate fund entitled the "Sabine Creek Regional Wastewater System Contingency Fund" (the "Contingency Fund"). The Contingency Fund shall be used solely for the purpose of paying unexpected or extraordinary Operation and Maintenance Expenses of the System for which funds are not otherwise available under this Contract. The Contingency Fund shall initially be funded, and any subsequent deficiency shall be restored, with amounts included as Operation and Maintenance Expenses in the Annual Budget.

(i) The facilities and services of the System to be provided to each Participant pursuant to this Contract are and will be essential and necessary to the operation of such Participant's combined

waterworks and sanitary sewer system, and all payments to be made hereunder by each Participant will constitute reasonable and necessary "operating expenses" of such Participant's combined waterworks and sanitary sewer system, within the meaning of Section 30.030, Texas Water Code, as amended, and Section 1502.056, Texas Government Code, and the provisions of all ordinances authorizing the issuance of all waterworks and sanitary sewer system revenue bond issues of such Participant, with the effect that such Participant's obligation to make payments from its waterworks and sanitary sewer system revenues under this Contract shall have priority over its obligations to make payments of the principal of and interest on any and all of its waterworks and sanitary sewer system revenue bonds. Each Participant agrees to fix and collect such rates and charges for waterworks and sanitary sewer system services to be supplied by its waterworks and sanitary sewer system as will make possible the prompt payment of all expenses of operating and maintaining its entire waterworks and sanitary sewer system, including all payments, obligations, and indemnities contracted hereunder, and the prompt payment of the principal of and interest on its bonds payable from the net revenues of its waterworks and sanitary sewer system. The District shall never have the right to demand payment of the amounts due hereunder from funds raised or to be raised from taxation by a Participant. Each Participant's payments hereunder shall be made pursuant to the authority granted by Section 30.030, Texas Water Code, as amended, and Section 1502.056, Texas Government Code. Recognizing the fact that the Participants urgently require the facilities and services covered by this Contract, and that such facilities and services are necessary for actual use and for stand-by purposes; and further recognizing that the District will use the payments received from the Participants hereunder to pay, secure, and finance the issuance of its Bonds, it is hereby agreed that the Participants shall be obligated unconditionally, and without offset or counterclaim, to make the payments designated as the "Bond Service Component" of the Annual Requirement, in the manner provided in this Contract, regardless of whether or not the District actually provides such facilities and services, or whether or not any Participant actually receives or uses such facilities and services, and regardless of the validity or performance of the other parts of this or any other contract, and such "Bond Service Component" shall in all events be applied and used for providing debt service and other requirements of the Bonds, and the holders of the Bonds shall be entitled to rely on the foregoing agreement and representation, regardless of any other agreement between the District and the Participants. Each Participant further agree that it shall be obligated to make the payments designated as the "Operation and Maintenance Component" of the Annual Requirement as described in Section 5.02 of this Contract, so long as the District is willing and able to provide the facilities and services contemplated hereunder to any Participant.

(j) As soon as practicable after issuance of the Bonds, the District shall furnish each Participant with a schedule of monthly payments to be made for the balance of the Fiscal Year commencing October 1, 2002. On or before August 1 of each year, commencing August 1, 2003, the District will furnish each Participant with a tentative budget and an estimated schedule of monthly payments to be made by such Participant for the ensuing Fiscal Year. On July 1 of each year, commencing July 1, 2003, the District shall be in a position to furnish any Participant an estimate of the Participants's annual requirement. On or before October 1 of each year, commencing October 1, 2003, the District shall furnish such Participant with a finalized schedule of the monthly payments to be made by such Participant to the District for the ensuing Fiscal Year. Each Participant agrees that it will make such payments to the District on or before the twentieth (20th) day of each month of such Fiscal Year. If any Participant shall dispute the Annual Budget, and proceed as provided in Article

VII, such Participant nevertheless promptly shall make the payment or payments determined by the District, and if it is subsequently determined by agreement that such disputed payments made by such Participant should have been less, the District shall promptly revise, reallocate, and readjust the charges among all Participants then being served by the District in such manner that such Participant will recover its overpayment. In the event any Participant is assessed a surcharge for excess BOD and/or TSS, the District will bill such Participant for such surcharge on or before the tenth (10th) day of the month following the determination of the surcharge and such Participant shall pay such surcharge on or before the twentieth (20th) day of the month of receipt of any such bill. Any such surcharge collected by the District shall be applied by the District against the total cost of Operation and Maintenance Expense of the System.

(k) If any Participant's Annual Payment is redetermined as is herein provided, the District will promptly furnish such Participant with an updated schedule of monthly payments reflecting such redetermination.

(l) All interest income earned by the investment of any Funds created pursuant to any Bond Resolution shall be credited towards the payment of the Bond Service Component and taken into account in determining the Annual Requirement; except that as to any Acquisition or Construction Fund created from any Bond proceeds all interest income earned by the investment thereof may, at the option of the District, be credited to such Acquisition or Construction Fund and used for the System purposes for which the Bonds are issued, or be credited towards the payment of the Bond Service Component.

Section 5.04. USE OF OTHER REVENUES OF SYSTEM. If the District receives any net income from the sale of treated Wastewater from the System prior to its discharge into a public stream of the State of Texas, the District will apply and credit said net income towards payments of Operation and Maintenance Expenses.

Section 5.05. ADDITIONAL CAPACITY AND FACILITIES. As the responsible agency for the establishment, administration, management, operation, and maintenance of the System, the District will, from time to time, determine when and to what extent it is necessary to provide additions, enlargements, improvements, repairs, and extensions to the System to receive, transport, treat, and dispose of Wastewater of any Participants, including all Additional Participants, and to issue its Bonds to accomplish such purposes, and all Participants, including Additional Participants, shall be obligated to pay both the Operation and Maintenance Component and the Bond Service Component included in the Annual Requirement with respect to the entire System, as expanded, as provided in Section 5.03; provided that this Section shall not be construed so as to reduce or alter the requirements of Sections 5.03 and 8.02 with respect to minimum payments.