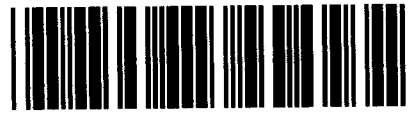




Control Number: 43990



Item Number: 9

Addendum StartPage: 0

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TCEQ
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AO42005

**AN APPLICATION
TO AMEND A WATER AND SEWER
CERTIFICATE OF CONVENIENCE AND
NECESSITY FOR TAPATIO SPRINGS
SERVICES COMPANY, INC.**

Kendall County, Texas

Prepared for:

Tapatio Springs Services Company, Inc.

Prepared by:

B & D Environmental, Inc.
Austin, Texas

April 20, 2005

AO42005



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

*RN #101403129

*CN #600646038

*If known (See instructions)

RN #101223048

PURPOSE OF THIS APPLICATION

OBTAIN ☐ New Water CCN ☐ New Sewer CCN

AMEND ☐ Water CCN # 12122 ☐ Sewer CCN # 20698

1. APPLICANT INFORMATION

Utility Name: Tapatio Springs Services Company, Inc.
Utility Address (city/state/zip): P. O. Box 1335
Boerne, Texas 78006
Utility Phone and Fax Number (830) 537-5755 Phone (830) 537-5756 Fax

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, or other title related to the applicant.

Name: Darrell Nichols Title: Utility Consultant
Address: P. O. Box 90544 Telephone (512) 264-9124
City Austin St TX Zip 78709 Fax (512) 891-0740
County(ies) in which service is proposed Kendall County

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

Name	Classes	License Number
Stan J. Scott	'C'-W, 'D'-WW	W- 456725324, WW0084873
Walter Hanna	'C'-W, 'C'-WW	WS0000295, WW0014554

- Attach additional sheet(s) if necessary -

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

<input type="checkbox"/>	Investor owned utility
<input type="checkbox"/>	Individual
<input type="checkbox"/>	Home or Property Owners Association
<input checked="" type="checkbox"/>	For-profit corporation
<input type="checkbox"/>	Non-profit, member-owned, member-controlled cooperative corporation (Water Code Chapter 67, Water Supply or Sewer Service Corporation)
<input type="checkbox"/>	Municipality
<input type="checkbox"/>	District
<input type="checkbox"/>	Other Please explain:

- C If the applicant is a For-Profit Corporation:
- i Please provide a copy of the corporation's "Certification of Account Status" from the Texas State Comptroller of Public Accounts. (See Note below). **See Attachment A**
 - ii Please provide the corporation's charter number as recorded with the Office of the Texas Secretary of State 0062108500.
- D If the applicant is a Water Code Chapter 67 water supply or sewer service corporation or other non-profit corporation:
- i Please provide a copy of the Articles of Incorporation and By-Laws.
 - ii Please provide the corporation's charter number as recorded with the Office of the Texas Secretary of State

2. **LOCATION INFORMATION**

- A. Are there people already living in the proposed area?
YES _____ NO X
If YES, are any currently receiving utility service?
YES _____ NO X, if YES, from Whom _____.
- B Have you received any requests for service in the requested service area?
YES X NO _____ **See Attachment B**
If yes, please indicate the number of verbal and number of written requests and provide a clear explanation of the need for service in the requested area.
WRITTEN X VERBAL _____ **See Attachment B**
On a separate page, list the name, address, and phone number of persons requesting service. Include any letters of intent, service inquiries, and/or any other documentation demonstrating a need for service in the proposed area. Requests for service must be identified on the large scale map. See 2 E 1.a below.
If no, please justify the need for service in the proposed area. **See Attachment B**
- C Is any portion of the proposed service area inside an incorporated city?
YES _____ NO X
If YES, within the city limits of: _____
Provide a copy of any franchise, permit, or consent granted by the city. If not available, please explain: _____
- D Is any portion of the proposed service area inside another utility's CCN area?
YES _____ NO X
If YES, has the current CCN holder agreed to decertify the proposed area.
YES _____ NO _____
If NO, are you seeking dual or single certification of the area? Explain why decertification of the area is in the public interest.
- E Attach the following maps with each copy of the application: *(All maps should include applicant's name, address, telephone number, and date of drawing or revision. All maps should be folded to 8 1/2 x 11 inches).*
See Attachment C
1. Subdivision plat or engineering plans or other large scale map showing the following:
 - A. The exact proposed service area boundary showing locations of requests for service and locations of existing connections (if applicable).
- ★ NOTE: Applicant may send their facility line map showing current connections (if available), OR estimate the number of connections along each side of the street on the large scale map.

- B The existing service area (if applicable).
- C Metes and bounds (if available)
- D. Proposed and existing service area boundaries should be plotted on the map in relation to verifiable natural and man-made landmarks such as roads, creeks, rivers, railroads, etc
- E. *Service area boundaries should be shown with such exactness that they can be located on the ground*

★ NOTE: *Applicant may use a USGS 7 1/2"-minute series map if no other large scale map is available*

- 11. Small scale location map delineating the proposed service area. The proposed service area boundary should be delineated on a copy of the TCEQ official CCN map. This map will assist TCEQ staff in locating the proposed service area in relation to neighboring utility service areas. *A copy of the TCEQ official CCN map may be obtained by contacting the Utilities & Districts Section at 512/239-4691 or by mailing a written request to the following address*

See Attachment C
 TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
 Water Supply Division
 Utilities & Districts Section
 MC-153
 P.O. Box 13087
 Austin, TX 78711-3087

★ NOTE: If the proposed service areas shown on the large scale map and small scale map do not delineate the same area, the more detailed large scale map will be used to delineate the official CCN service area.

- iii. **Hard copy maps should include the following items:**
 - A. Map scale should be prominently displayed.
 - B. Color coding should be used to differentiate the applicants existing service areas from the proposed service area.
 - C. Attach a written description of the proposed service area.
 - D. Proposed service area should be the same on all maps.
 - E. Include map information in digital format (if available), *see Section 3, GIS Information.*

- iv. Each utility shall make available to the public at each of its business offices and designated sales offices within Texas the map of the proposed service area currently on file with the Commission. The applicant employees shall lend assistance to persons requesting to see a map of the proposed area upon request.

3. GIS INFORMATION

We are currently developing a state wide Geographic Information Systems (GIS) coverage of all CCN service areas. The mylar maps are being retired. In order to assist us in this move, we are requesting that a digital file of the proposed CCN service area boundary be submitted with the 3 hard copy maps. **This is not a requirement.** It is understood that not all utilities employ the services of an engineering company or use mapping software to produce a map of the proposed CCN service area boundary. However, by submitting the information digitally, the evaluation of your CCN will be faster and more accurate. Also, by receiving the information in digital form it is easier for us to update and maintain the CCN GIS coverage.

- A **Digital Map Requirements** In order that your digital data can be properly used, the following information is necessary:
 - i. Submit digital data of the proposed CCN service area on a 3.25" diskette or CD. Only one

diskette or CD is necessary. Most files of CCNs (minus the base map) should be small enough to zip up and put on a diskette or CD.

- ii. The digital data should include all items represented in the hard copy maps (see Section 2, items E.1 and E.11).

- iii. Please identify data file format, projection information, map units and base map used

Acceptable Data File Formats:

ArcView shape file (preferred)

1. AutoCAD dwg file
2. Arc/Info E00 file
3. DXF file
4. Microstation dgn files

★ NOTE: If you use a format that is not listed, contact the Cartographer at the number listed below to see if we can use the data.

- a. **Projection, Datum, and Units Information** The data should be submitted in the Texas State Mapping System (TSMS) Projection. However, if it cannot be submitted in TSMS, list the Projection (e.g. State Plane Central Zone, NAD27) or coordinate system being used and Units (e.g. meters, feet, etc.)

- b. **Base Map Information**

List the base map used (e.g. TxDOT county digital road maps, USGS maps, etc.) Base map information should be included only if it has been produced in-house and is not easily available at most data repositories.

★ NOTE: TCEQ uses TxDOT county (urban) digital road maps as the official CCN base map. Copies of these files can be obtained from Texas Natural Resources Information Systems (TNRIS) at (512) 463-8337 or downloaded from the TNRIS website at <http://www.tnr.is.state.tx.us/DigitalData/TxDOT/txdot.htm>.

- c. **Read-me text file**

Data file format, base map used, projection and units information, and other necessary information can be specified in a read-me text file.

B Important Information

For those applicants that submit digital data:

- i. Please make sure the proposed service area boundary shown on the hard copy map is identical to the digital data. If the proposed service area shown on the digital data does not delineate the same area shown on the hard copy map, the hard copy map will be used to delineate the official CCN service area.
- ii. Modifications may be made to submitted digital data in order to match the proposed service area boundary to features represented on the TxDOT base map, as opposed to the same features used in the applicants base map.
- iii. If an applicant proposes to amend a portion of their existing CCN service area, the existing service area shown on the digital data must match the official CCN service area that was previously certificated to the utility. If it does not, then only the proposed portion of the digital data will be used.

If you have any questions about sending the data or our GIS CCN coverage, please contact the Cartographer of the Utilities & Districts Section, Water Supply Division at (512) 239-4691.

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

A Please provide the following information:

- i. A list of all public drinking water supply systems or sewer systems 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 supply systems or sewer systems listed in #4.a.i above or documentation that it is not economically feasible to obtain service from them.
- iii. Copies of written responses from each system or evidence that they did not reply.

- B. Were your requests for service denied?
- If yes, continue
 - 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 system 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: _____

- D. Date of plat approval, if required: _____
 Approved by: _____
- E. Date Plans & Specifications submitted for approval _____ Log No. _____
 Attach copy of approval letter if available.
- F. Date construction is scheduled to commence _____
- G. Date service is scheduled to commence _____

5 **EXISTING SYSTEM INFORMATION**

A. Please provide the following information for each water and/or sewer system:

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

1	3	0	0	0	2	5														
---	---	---	---	---	---	---	--	--	--	--	--	--	--	--	--	--	--	--	--	--

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

ii. Sewer system's TCEQ Discharge Permit number: (for each system)

W	Q	1	2	4	0	4	-	0	0	1										
---	---	---	---	---	---	---	---	---	---	---	--	--	--	--	--	--	--	--	--	--

iii. Date of last inspection May 30, 2003 (W), September 16, 2003 (WW)

iv. Attach a copy of the most recent inspection report letter. **See Attachment D**

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 E**

B. 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 X

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).

- C List in the table below, the number of existing and/or proposed metered and non-metered connections (by size). The proposed numbers should reflect the information presented in the business plan and reflect the number of service requests identified in Question 2.b above.

Water System			Sewer System		
Connection	Existing	Proposed	Connection	Existing	Proposed
5/8" or 3/4" meter	129	1700	Residential	165	1700
1" meter or larger	64		Commercial	8	
New Construction	12		Industrial		
Other Wholesale	2		Other:		
Total Water	207	1700	Total Sewer	173	1700

- D If this application is for a water CCN only, please explain how sewer service is provided:
This application includes both water and sewer service.
- E If this application is for a sewer CCN only, please explain how water service is provided:
This application includes both water and sewer service.
- F What is the effect of the granting or amending a certificate on a recipient of the certificate and on any retail public utility of the same kind already serving the proximate area: The applicant and its affiliate (Kendall County Utility Company, CCN No. 11904) are the only two entities providing utility service to the proximate area. Furthermore, the applicant and its affiliate are interconnected and have a contract with Guadalupe Blanco River Authority to purchase treated surface water. The additional customers will provide a greater economies of scale and the provision of surface water will help protect the groundwater resources.
- G 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. Water

Yes X

Purchased on a (X) regular - () seasonal - (X) emergency basis?

Source	% of total supply
Kendall County Utility Company, Inc.	As needed in emergencies
Guadalupe Blanco River Authority	Surface water on a regular basis. See Attachment F.

iii. Sewer treatment capacity

Yes _____

Purchased on a () regular - () seasonal - () emergency basis

Source	% of total treatment

- iv. Provide a certified copy of the most current water or sewer treatment capacity purchase agreement or contract. See Attachment F.

6 **FINANCIAL INFORMATION**

A For new systems and for applicants with existing CCNs who are constructing a new stand alone system

- i. the applicant must provide an analysis of all necessary costs for constructing, operating, and maintaining the system 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 growth projections in #6.A. above.
- iii. Attach a proposed rate schedule or tariff. Describe the procedure for determining the rates and fees and indicate date of last change, if applicable. Attach copies of any cost of service studies or rate analysis worksheets.

B For existing systems: **See Attachment G**

- 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)
- ii. Attach a proposed rate schedule or tariff.

★ 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.
No funds are restricted.

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.

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.

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, and customers are included with this application to use in preparing your proposed notices. (These notice forms are also available in Spanish upon request.)

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 certificate of convenience and necessity 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; and
- ii. any city whose extra-territorial jurisdiction (ETJ) overlaps the proposed service area.
- iii. For applications for the issuance of a **NEW** certificate of public convenience and necessity, the applicant must mail the notice with a copy of the location map (CCN map) to all cities and neighboring retail public utilities providing the same utility service within **five (5) miles** of the requested service area, and any city with an ETJ which overlaps the proposed service area.
- iv. For applications for the **AMENDMENT** of certificate of public convenience and necessity, the applicant must mail the notice with a copy of the location map (CCN map) to all cities and neighboring retail public utilities providing the same utility service within **two (2) miles** of the requested service area, and any city with an extra-territorial jurisdiction which overlaps the proposed service area.

H. Notice to Customers

Investor Owned Utilities (IOUs) that are currently providing service without a certificate 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.

No current customers in the proposed area

- 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.

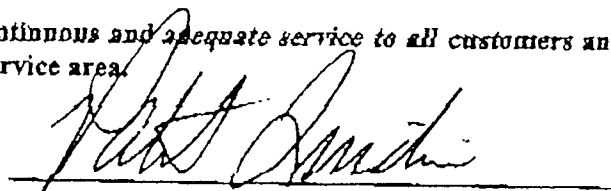
OATH

State of Texas

I, Patrick Lindner, being duly sworn, file this application as legal counsel; that, in such capacity, I am qualified and authorized to file and verify such application, am personally familiar with the maps 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.



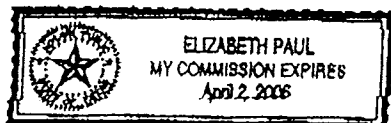
AFFIANT

(Applicant'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 25th day of April, 2005.

SEAL




NOTARY PUBLIC

ATTACHMENT A



TEXAS COMPTROLLER OF PUBLIC ACCOUNTS
CAROLE KEETON STRAYHORN • COMPTROLLER • AUSTIN, TEXAS 78774

March 25, 2005

CERTIFICATE OF ACCOUNT STATUS

THE STATE OF TEXAS
COUNTY OF TRAVIS

I, Carole Keeton Strayhorn, Comptroller of Public Accounts of the State of Texas, DO HEREBY CERTIFY that according to the records of this office

TAPATIO SPRINGS SERVICES COMPANY

is, as of this date, in good standing with this office having no franchise tax reports or payments due at this time. This certificate is valid through the date that the next franchise tax report will be due May 16, 2005.

This certificate does not make a representation as to the status of the corporation's Certificate of Authority, if any, with the Texas Secretary of State.

This certificate is valid for the purpose of conversion when the converted entity is subject to franchise tax as required by law. This certificate is not valid for the purpose of dissolution, merger, or withdrawal.

GIVEN UNDER MY HAND AND
SEAL OF OFFICE in the City of
Austin, this 25th day of
March, 2005 A.D.

Carole Keeton Strayhorn
Texas Comptroller

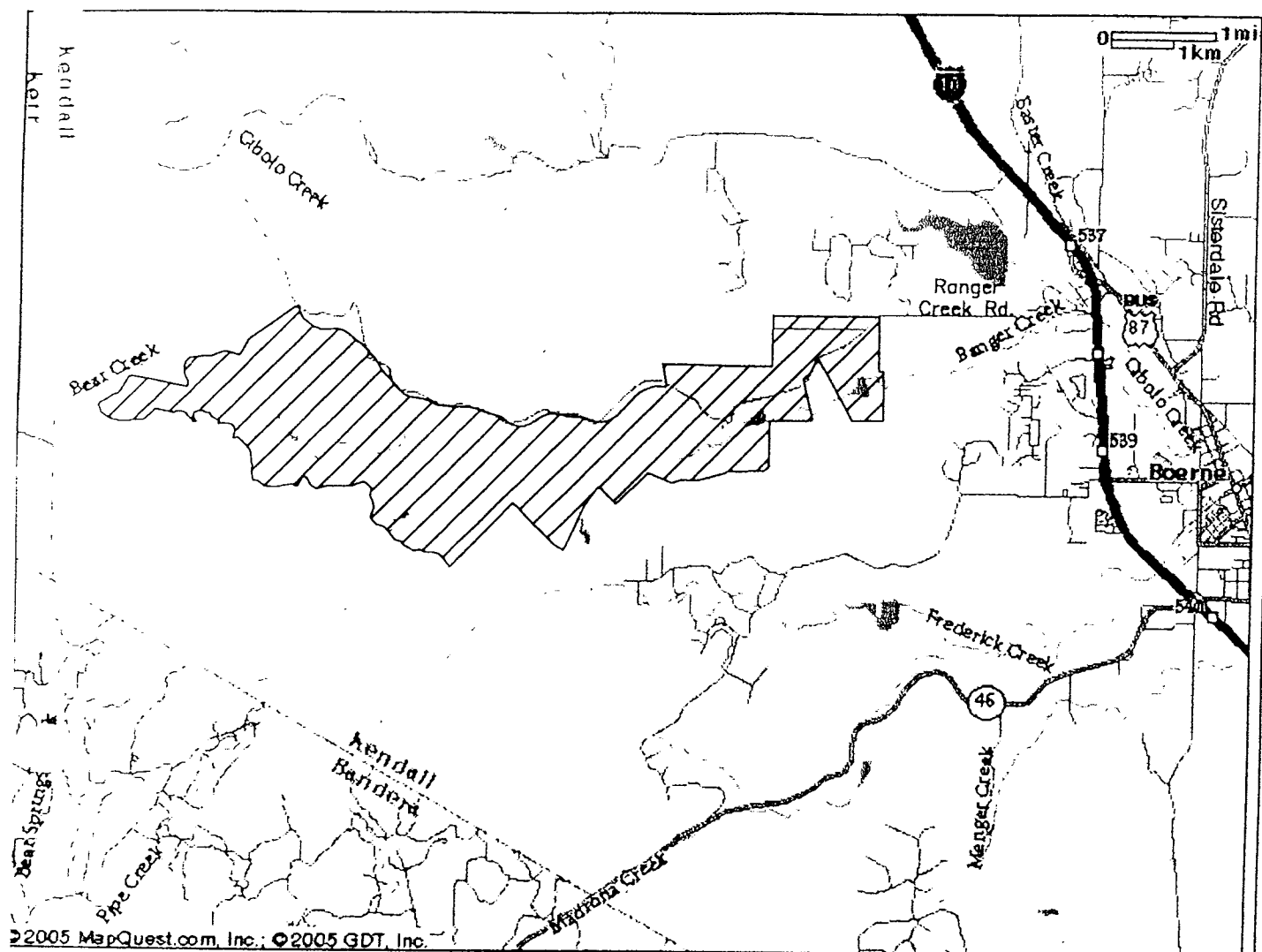
Taxpayer number: 17422423867
File number: 0062108500

ATTACHMENT B

Information Requested in Question 2

Included with this Attachment is a copy of the signed Non-Standard Service Agreement between the utility and CDS International Holdings, Inc. the developer. The proposed service area requested in this application only includes the property of the developer.

ATTACHMENT C



Tapatio Springs Services Company Inc.
Amendment of existing CCN No. 12122 and CCN No. 20698

April 18, 2005



KENDALL COUNTY

LEGEND



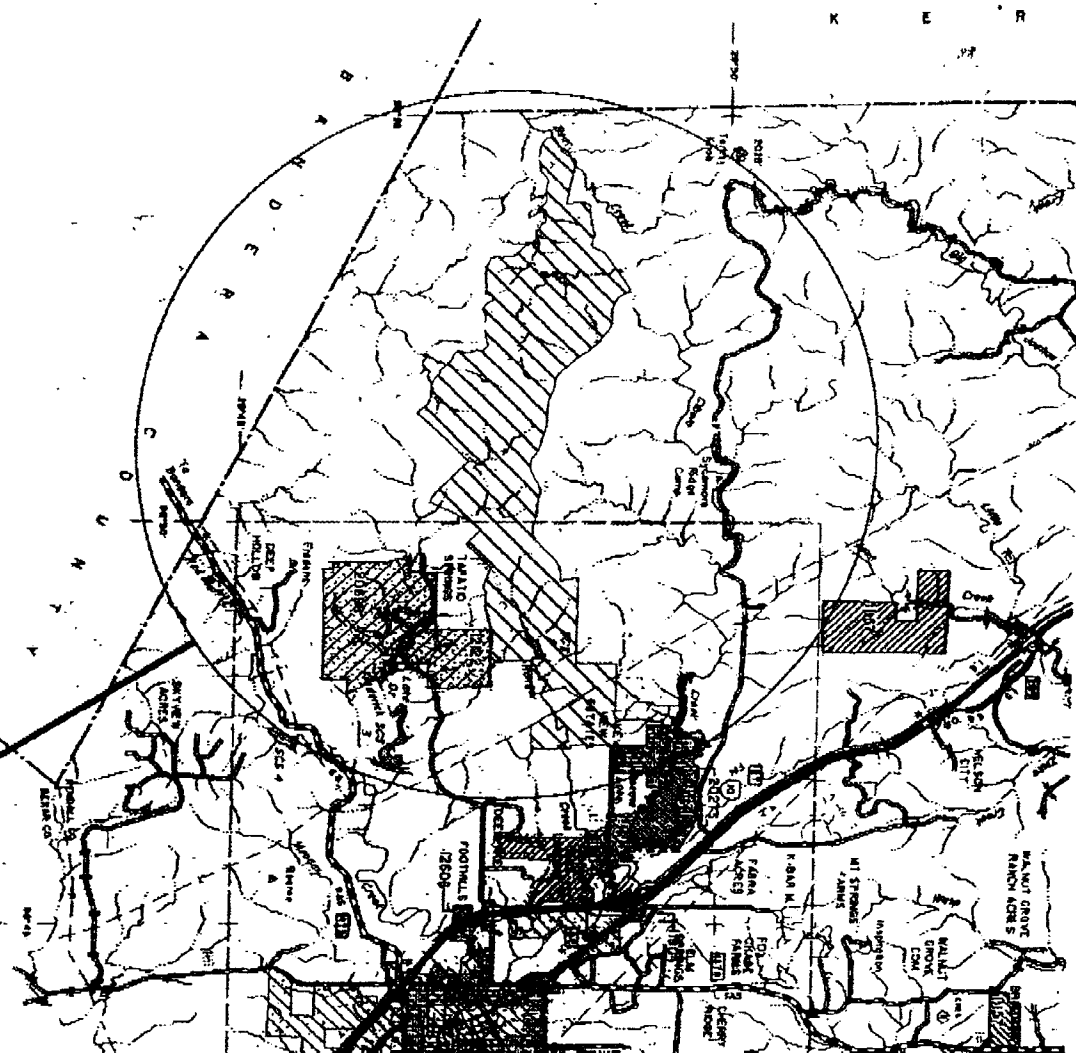
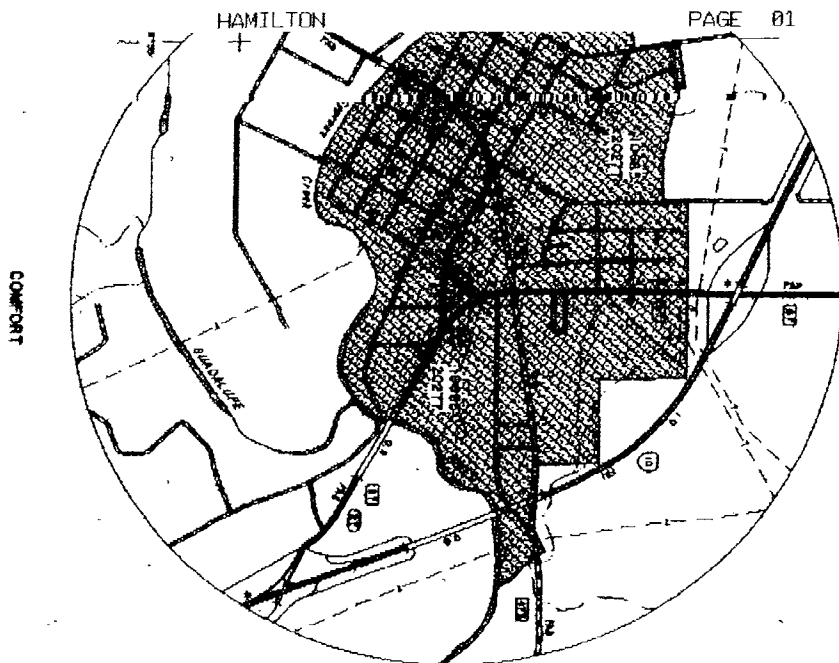
Proposed
Service Area

B

&

D

ENVIRONMENTAL, INC.



Service

ATTACHMENT D

Robert J. Huston, Chairman
R. B. "Ralph" Marquez, Commissioner
Kathleen Hartnett White, Commissioner
Margaret Hoffman, Executive Director

FW5 ID# 1300025/CO

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

July 28, 2003

CERTIFIED MAIL Nº 7002 2030 0003 5666 2138
RETURN RECEIPT REQUESTED

Mr. Stan Scott, Manager
Tapatio Springs Services Company
P.O. Box 1335
Boerne, Texas 78006

Re: Notice of Violation for the Comprehensive Compliance Investigation at:
Tapatio Springs Resort, Boerne County, Texas
TCEQ ID No.: 1300025

Dear Mr. Scott:

On May 28 and May 30, 2003, Mr. Don White of the Texas Commission On Environmental Quality (TCEQ) San Antonio Region Office conducted an investigation of the above-referenced operation to evaluate compliance with applicable requirements for public water supply systems. Enclosed is a summary which lists the investigation findings. During the investigation, outstanding alleged violations were identified for which compliance documentation is required. Please submit to this office by **November 30, 2003**, a written description of corrective action taken and the required documentation demonstrating that compliance has been achieved for the outstanding alleged violations.

In the listing of alleged violations, we have cited applicable requirements, including TCEQ rules. If you would like to obtain a copy of the applicable TCEQ rules, you may contact any of the sources listed in the enclosed brochure entitled "Obtaining TCEQ Rules."

The Texas Commission On Environmental Quality appreciates your assistance in this matter. Please note that the Legislature has granted TCEQ enforcement powers which we may exercise to ensure compliance with environmental regulatory requirements. We anticipate that you will resolve the alleged violations as required in order to protect the State's environment and the Public's health. If you have additional information that we are unaware of, you have the opportunity to contest the violation(s) documented in this notice. Should you choose to do so, you must notify the Region Office within 10 days from the date of this letter. At that time, Mr. Bobby Caldwell, Water Program Manager will schedule a violation review meeting to be conducted within 21 days of the date of this

Mr Stan Scott

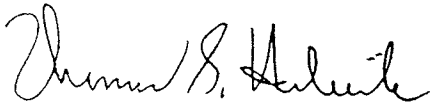
July 28, 2003

Page 2

letter. However, please be advised that if you decide to participate in the violation review process, the TCEQ may still require you to adhere to the compliance schedule included in the attached Summary of Investigation Findings until an official decision is made regarding the status of any or all of the contested violations.

If you or members of your staff have any questions, please feel free to contact Mr. Don White in the San Antonio Region Office at (210) 403-4054.

Sincerely,



Thomas G. Haberle
Water Section Team Leader
San Antonio Region Office

TH/DCW/eg

Enclosures: Summary of Investigation Findings
Obtaining TCEQ Rules

Kathleen Hartnett White, *Chairman*
R B "Ralph" Marquez, *Commissioner*
Larry R. Soward, *Commissioner*
Margaret Hoffman, *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

November 14, 2003

CERTIFIED MAIL N° 7002 2030 0006 9759 3764
RETURN RECEIPT REQUESTED

Mr. Stan Scott, Systems Operations Manager
Tapatio Springs Services Company
P.O. Box 1335
Boerne, TX 78006-1335

Re: Notice of Violation for the Comprehensive Compliance Investigation at:
Tapatio Springs Wastewater Treatment Facilities located approximately 3.5 miles west-southwest of the intersection of Interstate Highway 10 and Johns Road in Kendall County, Texas; TCEQ Permit No. 12404-001.

Dear Mr. Scott:

On September 16, 2003, Mr. Chris Dziuk of the Texas Commission on Environmental Quality (TCEQ) San Antonio Region Office conducted an investigation of the above-referenced facility to evaluate compliance with applicable requirements for wastewater treatment. Enclosed is a summary which lists the investigation findings. During the investigation, some concerns were noted which were alleged noncompliances that have been resolved through verbal notification and subsequent corrective action. In addition, certain outstanding alleged violations were identified for which compliance documentation is required. Please submit to this office by December 14, 2003 a written description of corrective action taken and the required documentation demonstrating that compliance has been achieved for the outstanding alleged violation.

In the listing of alleged violations, we have cited applicable requirements, including TCEQ rules. If you would like to obtain a copy of the applicable TCEQ rules, you may contact any of the sources listed in the enclosed brochure entitled "Obtaining TCEQ Rules."

The Texas Commission on Environmental Quality appreciates your assistance in this matter. Please note that the Legislature has granted TCEQ enforcement powers which we may exercise to ensure compliance with environmental regulatory requirements. Self-reported violations may be subject to enforcement, including penalties, upon review by the Enforcement Division. We anticipate that you will resolve the alleged violations as required in order to protect the State's environment. If you have additional information that we are unaware of, you have the opportunity to contest the

REPLY TO: REGION 13 • 14250 JUDSON RD. • SAN ANTONIO, TEXAS 78233-4480 • 210/490-3096 • FAX 210/545-4329

P.O. Box 13087 • Austin, Texas 78711-3087 • 512/239-1000 • Internet address: www.tceq.state.tx.us

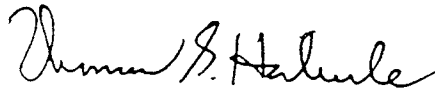
printed on recycled paper using soy-based ink

Mr Stan Scott
November 14, 2003
Page 2

violation(s) documented in this notice. Should you choose to do so, you must notify the San Antonio Region Office within 10 days from the date of this letter. At that time, Mr. Bobby Caldwell will schedule a violation review meeting to be conducted (*within 21 days from the date of this letter OR specified date at specific time*). However, please be advised that if you decide to participate in the violation review process, the TCEQ may still require you to adhere to the compliance schedule included in the attached Summary of Investigation Findings until an official decision is made regarding the status of any or all of the contested violations.

If you or members of your staff have any questions, please feel free to contact Mr. Chris Dziuk in the San Antonio Region Office at (210) 403-4027.

Sincerely,



Thomas G. Haberle
Water Section Team Leader
San Antonio Region Office
Texas Commission on Environmental Quality

TGH/CD/eg

Enclosures: Summary of Investigation Findings
 Obtaining TCEQ Rules

ATTACHMENT E

Kathleen Hartnett White, *Chairman*
R. E. "Ralph" Marquez, *Commissioner*
Larry R. Soward, *Commissioner*
Jenn Shankle, *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

August 10, 2004

Mr. Stan Scott, Systems Operations Manager
Tapatio Springs Service Company
P O Box 550
Boerne, Texas 78006

Re Comprehensive Compliance Investigation at:
Tapatio Springs Ranch, Kendall County, Texas
TCEQ ID No.: 1300025

Dear Mr. Scott:

The Texas Commission On Environmental Quality (TCEQ) San Antonio Region Office has received compliance documentation that you submitted November 19, 2003 for the alleged violations noted during the investigation of the above-referenced operation conducted on May 30, 2003. The compliance documentation contained in your response appears to indicate that corrective action has been taken for the alleged violations. No further submittal from you is required concerning this investigation.

The Texas Commission On Environmental Quality appreciates your assistance in this matter and your compliance efforts to ensure protection of the State's environment and the Public's health. If you or members of your staff have any questions regarding these matters, please feel free to contact Mr. Don White in the San Antonio Region Office at (210) 403-4054.

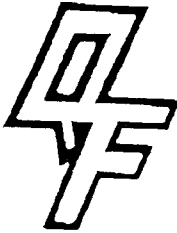
Sincerely,

A handwritten signature in cursive script, appearing to read "Thomas G. Haberle".

Thomas G. Haberle
Water Section Team Leader
San Antonio Region Office

TH/DCW/eg

"RECEIVED TOEQ"
SAN ANTONIO,
REGION



QUALITY FENCE & WELDING

13115 Wetmore • San Antonio, Texas 78247
(210) 545-8767 • Fax (210) 490-9353
www.saqualityfence.com

NOV 19 PM 2:15

November 18, 2003

Tapatio Springs Services Co.
P O Box 1335
Boerne, TX 78006
(830) 537-5755
(830) 537-5756 Fax

REC'D NOV 18 2003

Attn: Stan Scott
Re: Tank storage locations
Jobsite: Tapatio Springs Resort

We propose the following scope of work:

Install approximately 249 linear feet of 6' tall chain link with 10 each 3" corner posts, 4 each 3" gate posts and 2 each 4' walk gates.

Ridge A - Pump Station
B - WATER TANK

- Fabric: 6' x 9 gauge
- Line posts: 2" full weight
- Corner Post: 3" full weight
- Top rail: 1 5/8" full weight
- Fittings: Galvanized
- Tension Wire: 7 gauge coil
- Gate Frames: 1 5/8" Full weight

Total.....\$3,197.00

Install approximately 106 linear feet of 1" x 4" x 8' cedar fence with 1 each 12' double drive gate

RED LIFT STATION

- Rails: 3 each 2" x 4" wolmanized
- Posts: 4" x 4" x 10' wolmanized, 8' on center
- Footings: 8" x 24" concrete
- Nails: Ring shank

Total.....\$2,305.00

Approval Signature

11-17-03
Date

Thank you,

J. H. Wilkerson
Wes Wilkerson
Project Superintendant

WW/AR
Tapatio Springs Resort, CL, WW

CONTRACT CONDITIONS:

- ESTIMATE VALID FOR ONLY 30 DAYS FROM ABOVE DATE.
- PURCHASER IS SOLELY RESPONSIBLE FOR LOCATING, STAKING AND CLEARING FENCE LINES.
- ANY ADDITIONS OR DEVIATIONS FROM THE ABOVE SCOPE OF WORK MAY RESULT IN ADDITIONAL CHARGES OVER AND ABOVE THE QUOTED PRICE.
- S.A. QUALITY FENCE CO., LTD. DOES NOT ACCEPT ANY RESPONSIBILITIES FOR DAMAGE TO UNDERGROUND UTILITIES (I.E.: PLUMBING, ELECTRICAL, MECHANICAL, CABLE, AUTOMATIC SPRINKLERS, ETC.) ON SITE.
- ALL MATERIALS WILL REMAIN THE PROPERTY OF S.A. QUALITY FENCE LTD., DBA QUALITY FENCE & WELDING. QUALITY FENCE & WELDING HAS THE RIGHT TO REMOVE ANY AND ALL MATERIALS FROM WORK PERFORMED IF NOT PAID IN FULL.

SEP 22 22 PM 2:22

12-17-03

TCEQ.

MANAGEMENT TEAM (MC 148)

AUSTIN, TX

DEAR MANAGEMENT TEAM,

TAPATIO SPRINGS SERVICE COMPANY Hired ROLLS MANAGEMENT
/ MR JESS MAYFIELD TO OPERATE THE WATER AND WASTE WATER
TREATMENT PLANT FOR THEM.

THEY WERE NOT HAPPY WITH HIS SERVICE AND IN NOVEMBER
OF 1999, THEY hired DOUGLAS MOREAU TO TAKE OVER WITH
THE UNDERSTANDING THAT OVER A TIME HE WOULD
SHOW MR. MOREAU how EVERYTHING OPERATED. BUT
HE WOULD CONTINUE DOING THE REPORTS.

NOW THAT WE SEE THE REPORTS WERE NOT TAKEN
CARE OF, I HAVE TRIED TO PUT THE PAST REPORTS
TOGETHER AND NOW WE KNOW WHAT IS NEEDED, WE
WILL HAVE THEM IN THE FUTURE.

THANK YOU,



OPERATIONS MANAGER

Kathleen Hartnett White, *Chairman*
R. B. "Ralph" Marquez, *Commissioner*
Larry R. Soward, *Commissioner*
Margaret Hoffman, *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

January 12, 2004

Mr. Stan Scott, Systems Operations Manager
Tapatio Springs Services Company
P.O. Box 1335
Boerne, TX 78006-1335

Re: Notice of Violation for the Comprehensive Compliance Investigation at:
Tapatio Springs Wastewater Treatment Facilities located approximately 3.5 miles west-southwest
of the intersection of Interstate Highway 10 and Johns Road in Kendall County, Texas; TCEQ
Permit No. 12404-001.

Dear Mr. Scott:

The Texas Commission on Environmental Quality (TCEQ) San Antonio Region Office has received the compliance documentation that you submitted December 22, 2003 for the alleged violation noted during the investigation of the above-referenced facility conducted on September 16, 2003. The compliance documentation contained in your response appears to indicate that corrective action has been taken for the alleged violations. No further submittal from you is required concerning this investigation.

The Texas Commission on Environmental Quality appreciates your assistance in this matter and your compliance efforts to ensure protection of the State's environment. If you or members of your staff have any questions regarding these matters, please feel free to contact Mr. Chris Dziuk in the San Antonio Region Office at (210) 403-4027.

Sincerely,

A handwritten signature in cursive script, appearing to read "Thomas G. Haberle".

Thomas G. Haberle
Water Section Team Leader
San Antonio Region Office

TGH/CD/eg

ATTACHMENT F

SECTION 1.0 - RATE SCHEDULE

Section 1.01 - Rates

Monthly base rate including ____0____ gallons

Meter Size:

Residential

5/8" or 3/4"	\$ 24.50
1"	\$ 40.92
1 1/2"	\$ 81.59
2"	\$ 130.59
3"	\$ 245.00
4"	\$ 408.42

Gallage Charge: \$ 2.25 for each additional 1,000 gallons up to 25,000 gallons
\$ 2.50 for each additional 1,000 gallons from 25,001 gallons to 50,000 gallons
\$ 2.75 for each additional 1,000 gallons above 50,000 gallons

Regulatory Assessment Fee1%
A REGULATORY ASSESSMENT, EQUAL TO ONE PERCENT OF THE CHARGE FOR RETAIL WATER SERVICE ONLY, SHALL BE COLLECTED FROM EACH RETAIL CUSTOMER

Section 1.02 - Miscellaneous Fees

TAP FEE \$ 400.00
TAP FEE IS BASED ON THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR STANDARD RESIDENTIAL CONNECTION OF 5/8" X 3/4" METER.

RECONNECTION FEE
THE RECONNECT FEE WILL BE CHARGED BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS BEE DISCONNECTED FOR THE FOLLOWING REASONS:

- a) Non payment of bill (Maximum \$25.00) \$ 25.00
b) Customer's request \$ 25.00
Or other reasons listed under Section 20CF of this tariff

TRANSFER FEE \$ 15.00
THE TRANSFER FEE WILL BE CHARGED FOR CHANGING AN ACCOUNT NAME AT THE SAME SERVICE LOCATION WHEN THE SERVICE IS NOT DISCONNECTED.

LATE CHARGE (Not more than \$5.00 or 10%)(Indicate one) \$ 5.00
A ONE TIME PENALTY MADE ON DELINQUENT BILLS BUT MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE PENALTY WAS APPLIED IN A PREVIOUS BILLING.

RETURNED CHECK CHARGE \$ 25.00

CUSTOMER DEPOSIT (Maximum \$50) \$ 50.00

AFTER TEST FEE (actual cost of testing the meter up to) \$ 25.00
THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS A SECOND METER TEST WITHIN A TWO YEAR PERIOD AND THE TEST INDICATES THAT THE METER IS RECORDING ACCURATELY.

RATES LISTED ARE EFFECTIVE ONLY IF THIS PAGE HAS TCEQ APPROVAL STAMP

SECTION 1.0 - RATE SCHEDULE CONTINUED

Section 1.03 - Pass Through Adjustment Clause

The utility's cost attributable to an annual fee, pumpage fee and/or consumption-based fee from the Guadalupe Blanco River Authority and/or other such governmental authority shall be passed through to all customers affected by such fees using the following calculations.

Annual Fee:

Monthly Minimum Charge + (Annual Fee / Number of Customers Affected / 12 months)

Volume Charge:

Monthly Gallonage Charge per 1000 gallons + (Increase or Decrease in Pumpage Fee x 1.15)

Any change in the utility's cost attributable to the Guadalupe Blanco River Authority and/or other such governmental authority shall go into affect thirty days after notice to all customers subject to TCEQ filings required in 30 TAC 291.21(1).

SECTION 1.0 - RATE SCHEDULE

Section 1.01 - Rates

FOR ALL METER SIZES

Monthly Minimum Charge: \$ 24.10 (Including 0 gallons)
Volume Charge: \$ 3.50 Per 1,000 gallons

Volume charges are determined based on the average consumption for winter period which includes the following months: December, January, and February

Regulatory Assessment Fee1%
A REGULATORY ASSESSMENT, EQUAL TO ONE PERCENT OF THE CHARGE FOR RETAIL WATER SERVICE ONLY, SHALL BE COLLECTED FROM EACH RETAIL CUSTOMER

Section 1.02 - Miscellaneous Fees

TAP FEE

TAP FEE IS BASED ON THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR STANDARD RESIDENTIAL CONNECTION OF 3/4" X 1/2" METER. \$ 400.00

RECONNECTION FEE

THE RECONNECT FEE WILL BE CHARGED BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS BEEN DISCONNECTED FOR THE FOLLOWING REASONS:

- a) Non payment of bill (Maximum \$25.00) \$ 25.00
- b) Customer's request \$ 25.00
- Or other reasons listed under Section 20CF of this tariff

TRANSFER FEE

THE TRANSFER FEE WILL BE CHARGED FOR CHANGING AN ACCOUNT NAME AT THE SAME SERVICE LOCATION WHEN THE SERVICE IS NOT DISCONNECTED. \$ 15.00

LATE CHARGE (Not more than \$5.00 or 10%)(Indicate one) \$ 5.00
A ONE TIME PENALTY MADE ON DELINQUENT BILLS BUT MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE PENALTY WAS APPLIED IN A PREVIOUS BILLING.

RETURNED CHECK CHARGE \$ 25.00

CUSTOMER DEPOSIT (Maximum \$50) \$ 50.00

C 37 3

**REGIONAL WATER SUPPLY PROJECT
FOR PORTIONS OF
COMAL, KENDALL AND BEXAR COUNTIES**

**AGREEMENT BETWEEN
KENDALL COUNTY UTILITY COMPANY AND TAPATIO SPRINGS SERVICE
COMPANY, INC.
AND
GUADALUPE-BLANCO RIVER AUTHORITY**

C031802

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**AGREEMENT BETWEEN
KENDALL COUNTY UTILITY COMPANY
AND TAPATIO SPRINGS SERVICE COMPANY, INC.
AND
GUADALUPE-BLANCO RIVER AUTHORITY**

This Agreement Between Kendall County Utility Company and Tapatio Springs Service Company, Inc. and Guadalupe-Blanco River Authority (this "Agreement") is made and entered into as of the 18 day of March, 2002, by and between Kendall County Utility Company and Tapatio Springs Service Company, Inc. (jointly referred to as "Customer"), and the Guadalupe-Blanco River Authority ("GBRA"), a conservation and reclamation district and political subdivision of the State of Texas created pursuant to Article XVI, Section 59 of the Texas Constitution by special act of the Legislature, formerly compiled at Article 8280-106, Vernon's Annotated Civil Statutes.

RECITALS

This Agreement provides for the development, permitting, design, financing, construction and operation of a treated water supply project to serve portions of Comal, Kendall and Bexar Counties.

The development of a treated surface water supply is important to meet the current and future water needs of residents within GBRA's ten-county statutory service area, which includes Comal and Kendall Counties. The development of a surface water supply project to serve portions of Comal and Kendall Counties can also serve as part of a larger regional system which provides water supplies to meet future demands in a portion of Bexar County.

Customer holds certificate of convenience and necessity nos. 11904 (Kendall) and 12122 (Tapatio) which authorize Customer to provide retail water service within the territory shown by the map attached as Exhibit 2.

GBRA holds the right to store water in and use water from Canyon Reservoir under Certificate of Adjudication No. 18-2074C. This Agreement sets forth terms and conditions agreed upon by Customer and GBRA relating to the diversion and treatment of raw water from Canyon Reservoir, and the conveyance and delivery to Customer of that treated water.

AGREEMENT

For and in consideration of the mutual promises, covenants, obligations, and benefits described in this Agreement, and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, GBRA and Customer agree as follows:

ARTICLE I

DEFINITIONS

"Acre-Foot" means that volume defined by an area of one acre, one foot deep. One acre-foot of water equals 325,851 gallons.

"Annual Commitment" for any calendar year means the maximum amount of treated water that GBRA shall be obligated to deliver to Customer during that year as specified in Section 4.4 of this Agreement.

"Annual Debt Service Requirement" means the total principal and interest scheduled to come due on all Bonds during each twelve month period ending on August 31 of each year, plus a debt service coverage factor as determined by GBRA and provided by the Bond Resolution but not to exceed 10% of such principal and interest unless GBRA and Customer mutually agree upon a greater percentage, less interest to be paid out of Bond proceeds as permitted by the applicable Bond Resolution, if any.

"Annual Operation and Maintenance Requirement" means the total amount budgeted by GBRA for each twelve month period ending on August 31 of each year to pay all estimated Operation and Maintenance Expenses for the Project.

"Annual Miscellaneous Bond Requirement" means the total amount determined by GBRA for each twelve month period ending on August 31 of each year to be required to pay the following:

- (1) the amount of any debt service reserve and contingency funds required to be established and maintained by the provisions of the Bond Resolution which are not otherwise provided from proceeds of Bonds;
- (2) 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 the Bond Resolution;
- (3) any amounts due under a reimbursement agreement between GBRA and any credit facility provider providing a credit facility issued to cause the balance on deposit in any debt service reserve funds to satisfy the requirements of the Bond Resolution; and

- (4) any charges of the bank or banks where the Bonds are payable.

"**Bonds**" means all bonds and other obligations issued and outstanding from time to time by GBRA to finance or refinance the costs of construction, acquisition, repair, improvements and upgrading related to the Initial Project and any extension, expansion, maintenance, repair, improvement, upgrade or other modification of the Project including, without limitation of the generality of the foregoing, any costs necessary or desirable to maintain or increase the Plant Initial Daily Capacity and comply with applicable laws, rules and regulations relating to the supply of potable water.

"**Bond Resolution**" means the resolution or resolutions approved by the Board of Directors of GBRA which authorize the issuance of each series of Bonds, including all amendments related thereto.

"Customer's Commencement Month" means the month during which Customer's System is connected to the Project

"Customer's Debt Service Component" means the component of the price for treated water to be paid by the Customer as determined and described in Section 6.2 of this Agreement.

"Customer's Debt Service Percentage" for any month means the quotient, expressed as a percentage, equal to the Customer's Required Monthly Treated Water Purchase for that month, divided by the Plant Monthly Capacity for that month.

"Customer's Miscellaneous Bond Requirements Component" means the component of the price for treated water to be paid by the Customer as determined and described in Section 6.4 of this Agreement.

"Customer's Operation and Maintenance Percentage" for any month means the quotient, expressed as a percentage, equal to the amount of treated water actually delivered to Customer during that month, divided by the Plant Current Monthly Capacity for that month.

"Customer's Operation and Maintenance Component" means the component of the price for treated water to be paid by the Customer as determined and described in Section 6.3 of this Agreement.

"Customer's Raw Water Component" means the component for the charge for raw water to be paid by the Customer as determined and described in Section 6.3 of this Agreement.

"Customer's Required Monthly Raw Water Purchase" for any month means the amount of raw water that the Customer is obligated to pay for that month, as specified in Section 6.1(c) of this Agreement.

"Customer's Required Monthly Treated Water Purchase" for any month means the amount of treated water from the Project that the Customer is obligated to pay for that month, as specified in Section 6.1(b) of this Agreement.

"Daily Commitment" in effect for any calendar year means the maximum amount of treated water that GBRA shall be obligated to deliver to Customer on a constant basis over any 24-hour period during that year, as specified in Section 4.5 of this Agreement.

"District-Wide Raw Water Rate" at any time is the rate charged by GBRA at that time for stored water from Canyon Reservoir for use within GBRA's ten-county statutory district. The present rate is \$69.00 per acre-foot per year.

"GBRA's Application to Amend the Canyon Certificate" means that certain application filed by GBRA with the TNRCC identified in Section 5.2 of this Agreement, as such application may be amended by GBRA.

"Initial Project" means the surface water supply project described in Section 2.1 of this Agreement, as such project is further defined, constructed, upgraded and maintained pursuant to the terms of this Agreement.

"mgd" means million gallons per day.

"Operation and Maintenance Expenses" means all costs and expenses of operation and maintenance of the Project, including (for greater certainty but without limiting the generality of the foregoing) repairs and replacements which are not paid from a special fund created in the Bond Resolutions or other Project debt instruments, employee salaries, benefits and other expenses, the cost of utilities, the costs of supervision, engineering, accounting, auditing, legal services, other services, supplies, charges by GBRA for administrative and general expenses, and equipment necessary for proper operation and maintenance of the Project.

"Other Customer" means another customer of GBRA's for the supply of treated water from the Project, regardless of when GBRA and the customer enter into the contract for the supply of such water.

"Plant" means the water treatment plant that is included as part of the Project, described generally in Section 2.1 of this Agreement.

"Plant Current Monthly Capacity" for any month means the Plant Daily Capacity during that month, times the number of days during that month.

"Plant Daily Capacity" at any time means the amount of water which the Plant is designed to treat on an average daily basis, based on standards that exist at that time, expressed in terms of million gallons per day, as certified by the General Manager of GBRA and provided in writing to

the Customer and all Other Customers or, if GBRA determines that the entire amount should not be committed, the portion of such amount that GBRA determines should be committed.

"Plant Initial Daily Capacity" means the appropriate Plant Daily Capacity for the Initial Project, as determined by GBRA pursuant to Section 2.4 of this Agreement.

"Plant Initial Monthly Capacity" for any month means the Plant Initial Daily Capacity times the number of days during that month.

"Point of Delivery" means the point on the Project's treated water conveyance system at which treated water is to be delivered to Customer, as such point is identified in Section 4.2 of this Agreement.

"Point of Diversion" means the point on the perimeter of Canyon Reservoir at which raw water to which Customer is entitled under this Agreement is diverted for supply to the Plant under this Agreement, as such point is identified in Section 2.1 of this Agreement.

"Project" at any time means the Initial Project, together with any and all extensions, expansions or other modifications, as it or they exist at that time.

"Project Management Committee" means the committee established pursuant to Section 7.1 of this Agreement.

"Raw Water Reservation" means the maximum amount of raw water that GBRA shall be obligated to reserve for diversion, treatment and delivery to Customer in any calendar year as specified in Section 4.3 of this Agreement.

"Termination Date" means the expiration date of the term of this Agreement, as defined in Section 8.1 of this Agreement.

"TNRCC" means the Texas Natural Resource Conservation Commission.

ARTICLE II

DESIGN, CONSTRUCTION AND OPERATION OF THE PROJECT

Section 2.1 Description of the Initial Project.

The Initial Project will consist of facilities for the diversion of raw water from Canyon Reservoir, a water treatment plant (the "Plant"), facilities to convey the raw water after diversion from Canyon Reservoir to the Plant, and facilities to convey treated water from the Plant for use in areas within portions of Comal, Kendall and Bexar Counties. The scope and capacity of the Initial Project will depend upon which other entities enter into contracts with GBRA for the supply of treated water before the design of the Initial Project is finalized as set forth in this Agreement, the amounts of water contracted to be supplied to each, and other factors such as the timing and outcome of GBRA's applications for permits, amendments to permits or other governmental authorizations required for the Initial Project or portions thereof. In any case, the Initial Project may also include storage and other facilities necessary or desirable for the supply of treated water to GBRA's customers. The Initial Project also includes all lands and interests in lands necessary or desirable for the construction, operation and maintenance of Initial Project facilities. The Initial Project is further described by the map and facility plan attached as Exhibit 1 showing the general location of the point of diversion from Canyon Reservoir and the general routings of treated water conveyance facilities.

Section 2.2 GBRA Responsibilities.

- (a) GBRA shall be responsible for the design, permitting, financing, construction, operation and maintenance of the Initial Project.
- (b) GBRA will select and retain all legal, financial, engineering and other consultants that GBRA determines are necessary or desirable for GBRA to satisfy its obligations under this Agreement.

Section 2.3 Ownership of Project.

- (a) Except as provided otherwise in subsection (b), below, GBRA shall own all facilities, lands and interests in land comprising the Project.
- (b) If the Project extends into Bexar County, then GBRA may transfer title to any facilities, lands and interests in lands within Bexar County comprising a portion of the Project to one or more other Participants who may be so entitled pursuant to the terms of its or their contracts with GBRA, but only after the Bonds have been fully retired, or redeemed; provided, however, if the portion of the Project to be transferred is used to deliver water to Customer, GBRA may not transfer that portion of the Project used to deliver water to Customer until Customer consents to the transfer or this Agreement has terminated.

Section 2.4 Preliminary Design and Cost Estimate.

(a) GBRA will determine the appropriate Plant Initial Daily Capacity, taking into account the total amount of water required to be treated and delivered under this Agreement and all other contracts that have been entered into at that time with Other Customers, as well as any other information that GBRA considers relevant. GBRA will also prepare a preliminary design and cost estimate of the Initial Project (the "Basis of Design Report, including amendments thereto approved by the GBRA Board of Directors"), and will provide copies to Customer and all Other Customers. GBRA will then proceed with final design, acquisition, construction and financing of the Initial Project.

(b) Customer shall have the right to terminate this Agreement by giving GBRA written notice of termination within 30 days after GBRA delivers Basis of Design Report, as amended, to Customer pursuant to subsection (a) of this Section.

(c) At any time before GBRA sells any of its Bonds, GBRA shall have the right to terminate this Agreement for any reason by giving Customer written notice of termination; provided, however, GBRA will not discriminate against Customer in regards to the termination of contracts relating to the Project and will not grant preferential treatment to other persons in regards to the termination of this Agreement.

Section 2.5 Preparation of Plans and Specifications; Competitive Bids.

(a) GBRA will cause to be prepared plans, specifications and contract documents for construction of all facilities comprising the Initial Project. Plans and specifications for any portion of the Initial Project shall be subject to approval by the GBRA General Manager, after which GBRA will advertise for competitive bids for construction of that portion and GBRA shall determine which construction bid or bids to accept.

(b) If GBRA determines that the total amount of the projected costs of the Initial Project may exceed or will exceed the estimated construction costs stated in the Basis of Design Report, as amended, by ten percent or more, GBRA will notify Customer.

Section 2.6 Financing of Project.

(a) If GBRA determines to proceed with the Initial Project, GBRA may finalize the terms and conditions (including maturity) of GBRA's Bonds necessary to finance the design, acquisition, construction and testing of all facilities, lands and interests in lands comprising the portion of the Initial Project being constructed. GBRA will prepare such data, materials and documents as may be necessary to facilitate the sale and delivery of the Bonds, and Customer agrees to furnish GBRA with such data, projections and related information as may reasonably be required by GBRA in the sale of the Bonds in compliance with all applicable laws, rules and regulations. In addition to the

amounts paid under the construction contract or contracts, the proceeds of the Bonds will also be used to pay additional costs such as Initial Project development costs (including, without limitation, preliminary engineering costs, employee salaries, benefits and other expenses, legal, and other advisory fees, charges by GBRA for administrative and general expenses, insurance premiums, if any, and any other costs incurred in developing and pursuing information, contracts and permit applications related directly to the Initial Project), land acquisition costs, interest during construction, employee salaries, benefits and other expenses, printing costs, engineering, legal, financial and other advisory fees, charges by GBRA for administrative and general expenses, insurance premiums, if any, and any other costs incurred in the issuance of the Bonds and in the design, acquisition, construction and testing of the facilities, lands, and interests in lands comprising the Initial Project.

(b) GBRA shall be authorized from time to time to issue Bonds to refund outstanding Bonds or otherwise refinance costs of the Initial Project. Such refunding Bonds may be issued without approval from the Customer.

Section 2.7 Extensions or Other Modifications of Project.

GBRA may extend, expand, maintain, repair, improve, upgrade or otherwise modify the Project from time to time, as it determines to be necessary or desirable. GBRA shall be authorized from time to time to issue Bonds for any such expansion, maintenance, repair, improvement, upgrade or other modification of the Project. Such Bonds may be issued without approval from the Customer. Customer shall not be liable under this Agreement for any portion of the costs of construction of new facilities in addition to those facilities initially constructed as the Initial Project, except replacement facilities or facilities that are necessary or desirable to maintain the Plant Initial Daily Capacity or comply with applicable state or federal laws, rules and regulations relating to the supply of potable water. Participant shall be liable for its share of Operation and Maintenance Expenses of the Project as it may exist at any time, based on the Plant Daily Capacity at that time and the amount of treated water actually delivered to Customer during the month, as set forth in this Agreement.

Section 2.8 Additional Customers.

GBRA may enter into contracts with new Other Customers to supply treated water from the Project, and may amend existing contracts with Other Customers to supply greater or lesser amounts of treated water from the Project, at any time and from time to time, so long as GBRA's obligations to Customer under this Agreement continue to be satisfied.

Section 2.9. Plant Capacity.

The Initial Project will be sized to divert, treat, and deliver to the Point of Delivery the entire amount of Customer's Raw Water Reservation less reasonable amounts, not to exceed 5%, for

losses during treatment and transmission. This capacity will be available for use by GBRA to meet Customer's demands for treated potable water to the extent limited by this Agreement regardless of the provisions of Section 2.8.

ARTICLE III

CONNECTION FEE; DEADLINE FOR CONNECTION

Section 3.1 Connection Fee.

Upon execution of this Agreement, Customer shall pay GBRA a connection fee of \$25,000, which shall allow Customer the right, until December 31, 2005, (the "Connection Deadline") to have GBRA connect the potable water distribution system serving Customer's service area defined in Exhibit 2 ("Customer's System") to the Project at the Point of Delivery in accordance with the terms of this Agreement. The connection fee is based on the Raw Water Reservation, as set forth in the schedule attached hereto as Exhibit 3. GBRA may modify the schedule attached as Exhibit 3 from time to time, and such modified schedule shall be applicable to any new agreement or amendment to this Agreement entered into by the parties after the date of adoption of the modified schedule by the GBRA.

Section 3.2 Connection by GBRA.

(a) Customer shall be responsible, at its sole cost, for extending Customer's System to the Point of Delivery. GBRA shall not be required to obtain any lands or interests in land that may be needed by Customer to extend Customer's System to the Point of Delivery.

(b) Connection of Customer's System to the Project at the Point of Delivery shall be made by GBRA upon the written request of Customer, in accordance with plans, specifications and requirements prepared or adopted by GBRA; provided, however, that GBRA shall not be required to connect or allow Customer to connect Customer's System to the Project at the Point of Delivery at any time unless, on the date of Customer's written request: (i) the Project was in operation; and (ii) Customer held a valid and effective certificate of convenience and necessity from the TNRCC authorizing Customer to provide potable water service to all areas within Customer's Service Area defined in Exhibit 2. Connection shall be accomplished by GBRA setting the meter at the Point of Delivery.

(c) In addition to payment of the connection fee, Customer shall also pay all costs associated with connecting Customer's System to the Project at the Point of Delivery including, without limitation, all costs of design, construction, installation, operation and maintenance of all connection facilities and equipment, including one or more meters, valves, and telemetry equipment.

Section 3.3 Termination if Connection is Not Made by Deadline.

(a) If Customer's System is not connected to the Project at the Point of Delivery before the Connection Deadline, then GBRA shall have the right to terminate this Agreement by giving written notice of termination to Customer unless Customer requested in writing before such notice is given that GBRA make such connection and, on the date of the request: (i) the Project was in operation; and (ii) Customer held a valid and effective certificate of convenience and necessity from the TNRCC authorizing Customer to provide potable water service to all areas within Customer's Service Area defined in Exhibit 2. If the Project is not in operation on the Connection Deadline or the delay in making the connection is attributable to GBRA, the City of Boerne, or to some other person or event other than the sole delay by Customer, GBRA may not terminate this Agreement if Customer is ready and able to connect.

(b) Regardless of Section 3.3(a) above, GBRA waives the right to terminate this Agreement pursuant to Section 3.3(a) above if and for so long as Customer pays the monthly payments required by this Contract.

Section 3.4 Refund of Connection Fee.

Customer shall be entitled to a refund of the connection fee paid by Customer pursuant to Section 3.1, above, if: (i) this Agreement is terminated by GBRA pursuant to Section 3.3 and the Project was not completed and in operation on the date of termination; or (ii) GBRA terminates this Agreement prior to the Connection Deadline for some reason other than default by the Customer.

ARTICLE IV

SUPPLY OF TREATED WATER

Section 4.1 Diversion, Treatment and Delivery of Water to Customer.

After completion of construction of the Initial Project and commencing upon connection of Customer's System to the Project at the Point of Delivery, GBRA shall divert from Canyon Reservoir at the Point of Diversion and convey to the Plant raw water, and treat such water and convey and deliver treated water to Customer at the Point of Delivery in amounts and at delivery rates as may be requested by Customer, subject to the limitations provided in this Agreement.

Section 4.2 Point of Delivery.

(a) The Point of Delivery for all treated water supplied by GBRA to Customer under this Agreement shall be as shown on Exhibit 1.

(b) GBRA and Customer agree that the Point of Delivery shall be the point at which treated water is supplied through the meter prior to Customer's storage tank. Customer shall be responsible for all costs of design and construction of such additional facilities. Customer shall further acquire and convey to GBRA, at no cost to GBRA, all necessary lands or interests in lands on which such additional facilities are to be located. GBRA shall not be required to obtain any such lands or interests in land.

(c) Customer shall take all steps necessary to prevent backflow of water supplied by GBRA, or any flow of any other water or other substance, from Customer's system to the Project at the Point of Delivery. If Customer fails to install, operate or maintain any facilities needed for such purpose within 10 days after GBRA gives Customer notice to do so, then GBRA may design, install, construct, maintain and operate such facilities, and Customer shall be solely responsible for the costs thereby incurred by GBRA.

(d) Customer plans to contract with the City of Boerne to use a common Point of Delivery and to have Boerne receive and transport Customer water to a location to be designated by the City and the Customer. In the event Customer and Boerne do not enter into a contract for a common Point of Delivery and water transmission services, Customer may receive water from GBRA at either an additional or alternative Point of Delivery. The location(s) of the additional or alternative Point of Delivery will be at a location mutually acceptable to Customer and GBRA and absent an agreement to the contrary, GBRA and Customer agree that the location of the alternative/additional Point of Delivery depicted on Exhibit 1 is acceptable to both, provided Customer pays GBRA in accordance with this subsection. Customer will pay GBRA's actual costs of designing and constructing any additional facilities that may be necessary for the additional or alternative Points of Delivery and obtaining land and right of way and such costs shall not be included as a Project cost.

(e) The parties agree that the system treated water will be discharged into a ground storage tank with an air gap of at least three feet within the tank and that the meters and other measuring devices will be located prior to the discharge into Customer's tank.

Section 4.3 Raw Water Reservation.

The Raw Water Reservation is the maximum amount of raw water that GBRA shall be obligated to reserve for diversion, treatment and delivery to Customer in any calendar year. The Raw Water Reservation shall be five hundred (500) acre-feet per year.

Section 4.4 Annual Commitment.

(a) The Annual Commitment for any calendar year is the maximum amount of treated water that GBRA shall be obligated to deliver to Customer during that year. The Annual

325,866 gal/acr ft

Commitment initially shall be 48 88 million gallons (150 ac-ft) per year, subject to increases as set forth in subsection (b), below.

(b) Customer may from time to time request that the Annual Commitment be increased commencing January 1 of a specified year, up to an amount not to exceed the Raw Water Reservation, by giving GBRA a written request for such increase before December 1 immediately preceding the January 1 on which the increase is requested to take effect. The Annual Commitment shall be increased commencing the specified January 1 as requested by Customer up to, but not to exceed, the Raw Water Reservation. The Annual Commitment in effect at any time shall continue in effect through the term of this Agreement unless and until it is increased pursuant to this subsection (b), and it may never be decreased without the written agreement of GBRA.

Section 4.5 Daily Commitment.

The maximum amount of treated water that GBRA shall be obligated to deliver to Customer over any 24-hour period (the "Daily Commitment") in effect for any calendar year shall be the Annual Commitment for that year divided by the number of days in that year. In the event GBRA allows any other customer or participant of the Project to obtain water on a daily basis in excess of the rate of delivery calculated in accordance with this paragraph, GBRA will provide Customer the opportunity to obtain service on the same basis.

Section 4.6 Maximum Delivery Rate and Pressure.

GBRA shall not be obligated to deliver treated water to Customer at any time during any calendar year at a rate in excess of that rate, expressed in gallons per minute, calculated by multiplying the Daily Commitment (in mgd) in effect for that year by 694.44. GBRA shall not be obligated to deliver treated water to Customer at any time during any calendar year at a pressure in excess of TNRCC minimum requirements.

Section 4.7 Purpose of Use.

All water delivered by GBRA to Customer under this Agreement shall be used for municipal and domestic purposes only, as such purposes of use are defined by Chapter 297.1 (16) and (30) of the Rules of the TNRCC, in effect on the date this Agreement is signed.

Section 4.8 Place of Use.

All water delivered by GBRA to Customer under this Agreement shall be used exclusively within Kendall County within Customer's service area defined in Exhibit 2, as the service area may be modified from time to time, and Customer may not use, or supply or resell for use, any water delivered by GBRA to Customer under this Agreement outside Customer's service area defined in Exhibit 2 unless, and except to the extent that, Customer obtains GBRA's prior written approval for use outside such service area. Customer is not prohibited from selling water from a different source.

GBRA shall not be required to supply any water to Customer for any period of time during which Customer does not have in effect a certificate of convenience and necessity from the TNRCC authorizing Customer to provide potable water service.

Section 4.9 Allocation of Water During Drought.

During severe drought conditions as may be defined by conservation or drought management plans adopted by GBRA, or in any other condition when water cannot be supplied to meet the demands of all customers, the water to be distributed shall be divided among all customers of stored water from Canyon Reservoir pro rata, according to the amount each may otherwise be entitled to under their respective contracts with GBRA, subject to reasonable conservation and drought management plans and requirements based on particular purposes of use of the water, so that preference is given to no one and everyone suffers alike. Commencement of a drought shall be initially defined as a period of 45 consecutive days when the inflow to Canyon Reservoir is 90 cfs average or less. GBRA may redefine commencement of a drought so long as the definition applies to all customers uniformly.

Section 4.10 Conservation.

GBRA and Customer each agrees to provide to the maximum extent practicable for the conservation of water, and each agrees that it will operate and maintain its facilities in a manner that will prevent waste of water. Customer further agrees to implement, to the extent allowed by law, water conservation and drought management plans applicable to the use of treated water from the Project that, at a minimum, comply with all minimum standards that may be required or recommended by the Texas Water Development Board (the "TWDB"), the TNRCC or GBRA. Such standards may include, but shall not be limited to, conservation rate incentives or surcharges to be imposed by Customer on its customers for use of water in excess of amounts that are determined by the TWDB, the TNRCC or GBRA to be adequate for essential indoor domestic uses, to the extent such incentives or surcharges may be allowed by law. GBRA required or recommended minimum standards under this section must apply to all of its customers uniformly. Customer shall not be obligated under this Agreement to implement water conservation and drought management plans that are more stringent than the water conservation and drought management plans that GBRA requires other participants and customers of the Project to implement.

Section 4.11 Water Quality.

(a) The sole source of raw water for the Project will be untreated water in Canyon Reservoir at the Point of Diversion. GBRA agrees to use reasonable diligence and care in treating water diverted from Canyon Reservoir at the Plant, as it may be expanded or otherwise modified by GBRA, and GBRA will use its best efforts to deliver to Customer water of quality that meets or exceeds the standards of the TNRCC or any other applicable regulatory agency for potable water.

(b) GBRA shall periodically collect samples of treated water delivered to Customer and Other Customers and cause same to be analyzed consistent with guidelines established by the TNRCC using the then-current edition of Standard Methods for Examination of Water and Wastewater as published by the American Water Works Association and others.

(c) GBRA and Customer recognize that Customer plans to commingle the water with groundwater produced from Customer's wells producing from formations consisting of the Middle Trinity Aquifer and that the groundwater is disinfected with chlorine, and the ratio of treated and disinfected surface water to disinfected groundwater will vary from time to time. GBRA at the request of Customer and at the expense of Customer will install the treatment and disinfection processes required to reduce adverse taste and odor characteristics in the water, if any, delivered by Customer's system.

Section 4.12 Measurement of Water.

(a) GBRA shall provide, operate, maintain, and read one or more meters which shall record treated water taken by Customer at the Point of Delivery. GBRA shall also provide, operate, maintain, and read one or more meters which shall record treated water taken by Other Customers receiving treated water from the Project at the points of delivery for them. GBRA shall also provide, operate, maintain, and read one or more meters which shall record the total amount of raw water diverted at Canyon Reservoir at the Point of Diversion and conveyed to the Plant. All meters shall be conventional types of approved meter(s).

(b) For all purposes under this Agreement, the amount of raw water diverted from Canyon Reservoir by GBRA and conveyed to the Plant for Customer during any period of time shall be the greater of the following amounts:

- (1) the amount of treated water delivered to Customer during that period of time, as measured at the Point of Delivery; or
- (2) an amount of water determined by allocating the total amount of raw water diverted during that period of time, as measured at the Point of Diversion, pro rata, based on the amounts of treated water delivered to Customer and each Other Customer during that period of time.

(c) GBRA shall keep accurate records of all measurements of water required under this Agreement, and the measuring device(s) and such records shall be open for inspection at all reasonable times. Measuring devices and recording equipment shall be accessible for adjusting and testing and the installation of check meter(s). If requested in writing but not less than once in each calendar year, GBRA shall calibrate its water meter(s) that record treated water taken by Customer