

Honorable Mike Rogan, Administrative Law Judge
State Office of Administrative Hearings
William P. Clements Building, Jr.
300 W. 15th Street
Austin, TX 78701
Fax No. (512) 475-4994

Ms. LaDonna Castañuela, Chief Clerk
Texas Commission on Environmental Quality
William P. Clements Building
300 West 15th Street, 4th Floor
Austin, TX 78701
Fax No. (512) 475-4994

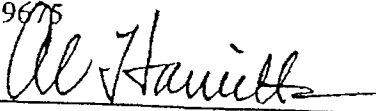
Ms. Mary Alice Boehm-McKaughan, Staff Attorney
Texas Commission on Environmental Quality
Office of Public Interest Counsel
P. O. Box 13087 MC-175
Austin, TX 78711-3087
Fax No. (512) 239-6377

Ms. Kathy H. Brown, Staff Attorney
Texas Commission on Environmental Quality
Environmental Law Division
P. O. Box 13087 MC-173
Austin, TX 78711-3087
Fax No. (512) 239-0606

Mr. Patrick Lindner, Attorney
7550 IH-10 West, Northwest Center, Suite 800
San Antonio, TX 78229
Fax No. (210) 349-0041

Ms. Elizabeth R. Martin, Attorney
P. O. Box 1754
Boerne, TX 78006
Fax No. (830) 816-8282

Mr. Eric Sherer, Attorney
1124 Wurzbach Rd.
San Antonio, TX 78230
Fax No. (210) 696-9675


Al Hamilton

SOAH DOCKET NO. 582-06-0425
TCEQ DOCKET NO. 2005-1516-UCR

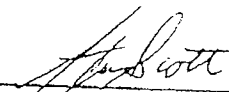
APPLICATION OF TAPATIO SPRINGS SERVICE COMPANY, INC
TO AMEND CERTIFICATES OF
CONVENIENCE AND NECESSITY NOS. 12122 AND 20698
IN KENDALL COUNTY, TEXAS

The following are ratepayers of Tapatio Springs Service Company, Inc. (signatures of which have previously been filed in this matter) who have appointed Al Hamilton as their representative in connection with the above referenced matter:

Aaronson, Allan E.	119 Coterie Place
Andrews, John D.	111 Hummingbird Hill
Arnold, Patsy	120 Coterie Place
Averett, Billy	106 Jack Rabbit
Bagwell, D. A.	409 Paradise Point
Bode, Larry	127 Paradise Point
Bradshaw, Mary J.	108 Tapatio Dr., W
Broadhead, Jon D.	406 Tapatio Dr. West
Cannon, Travis	104 Antelope Hill
Charlson, Curtis L.	402 Paradise Point
Clark, Fred	117 Eagle Drive
Colton, David W., Jr.	102 Morning View Circle
Crews, Roy	107 Hummingbird Hill
Diharce, Ron	118 Cliffdweller Path
-Dubuy, Sandra	325 Wild Turkey
Fisher, Freda	113 Hummingbird Hill
Freedman, Margo & Lenny	115 Hummingbird Hill
French, Eddie	112 Hummingbird Hill Dr
Gruber, Robert	375 Hannah Lane
Hail, Michael W.	410 Paradise Point
Hamilton, Al	301 Eagle Drive
Hardilek, Thomas A.	417 Paradise Point
Juren, Dennis	119 Towne View Circle
Kelley, Donald O.	408 Tapatio Drive W
Kelly, Ken	100 Tapatio Dr. W
Long, Richard	141 Tapatio Dr. East
Malson, Martha	506 Eagle Dr.
McClure, Spencer	116 Towne View Circle
McElmurry, Helen	129 Tapatio Dr. East
McNutt, D. G.	122 Cliffdwellers Path
Moriarty, Julia	133 Tapatio Dr. East
Newsom, Lisa	412 Paradise Point
Parish, Larry	304 Wild Turkey Blvd
Payne, Douglas S.	434 Paradise Point

Pellish, Joseph M	413 Paradise Point
Peterson, Jack	102 Jack Rabbit Circle
Pirmantgen, Larry	107 Morning View Circle
Price, Frankeen	107 Roadrunner Circle
Rash, Josephine D.	108 Morning View Circle
Read, Jacqueline	110 Jack Rabbit
Reid, Terry	103 Roadrunner Circle
Richmond, James E	331 Wild Turkey Blvd.
Robbins, Mike	103 Tapatio Dr. East
Rogers, Jerry	102 Arboleda Circle
Schneider, Rich	303 Eagle Dr.
Smith, Shirley	103 Hummingbird Hill
Tapia, Judy	107 Cottontail
Teague, Larry E	420 Paradise Point
Tolley, Donald & Pat Wilson	105 Jack Rabbit
Trapp, Walter F.	104 Tapatio Dr. West
Turnbow, Jerry E.	117 Roadrunner Circle
Van Norman, Hap	501 Tapatio Dr., W
Varnado, Richard	105 Hummingbird Hill
Vrana, Sondra	119 Tapatio Dr. East
Walker, Steve	103 Arboleda Circle
Weidler, W. F.	107 Hummingbird Hill

Tapatio Springs Service Company, Inc. has verified the above list against its records and found the listed individuals to currently be customers of the company.



Stan Scott

General Manager

KENDALL COUNTY UTILITY COMPANY * TAPATIO SPRINGS SERVICE COMPANY

P.O. BOX 1335
BOERNE, TX 78006-1335
(830) 537-5755

March 1, 2005

ALTERNATE WATER SUPPLY FACTS

BACKGROUND:

The only potential project capable of providing an alternate source of potable water to this area of the state is the Western Canyon Regional Water Supply Project (WCRWSP). This program, under the management of the Guadalupe-Blanco River Authority (GBRA), is currently scheduled to begin producing and delivering treated water in January 2006. Entities under contract for this water are The City of Boerne, Bulverde, Cordillera Ranch, Fair Oaks Ranch, Kendall County Utility Company (KCUC), Tapatio Springs Service Company (TSSC), San Antonio Water System, and the San Antonio River Authority.

KCUC and TSSC consummated the WCRWSP contract in March 2002 with an initial commitment of 134,000 gallons per day (150 Acre-Feet annually) and the right to increase that delivery commitment to 446,000 gallons per day (500 Acre-Feet annually) as we require it. We have been paying water reservation fees since April 2002. GBRA completed their \$79,450,000 bond sale in April 2003 and is in the process of requesting and accepting bids for construction of the individual parts of the project.

WHY NOT DRILL NEW WELLS RATHER THAN BUY CANYON LAKE WATER ?

Groundwater from the Trinity Aquifer, which supplies our wells, is becoming a threatened resource. Growth in the ten county area that is served by the Trinity is continuing at an accelerated pace. The Texas Water Development Board completed a study of the Trinity Aquifer in 1999, which lead to it being declared a Priority Groundwater Management Area (PGMA). By definition that indicates the area will have water shortages within 50 years? The Mace Study, as it is known, predicts that if a drought of record were experienced again, water levels in our area would drop 80 feet from normal levels. Additional wells drilled in the Trinity could make our existing wells less productive. Our existing wells experienced production declines during our last dry spell in 1999 and 2000 so this trend will increase as more developments and users surround us.

WHY CAN'T WE JUST PURCHASE WATER AS WE NEED IT ?

The fixed costs with the WCRWSP include a water intake structure into the lake, a state-of-the-art membrane treatment facility, 43 miles of delivery pipelines and control systems. This investment cannot be supported when used on a part time basis. It needs to be distributed over full time production in order for the output costs to be viable.

2030105

NOTICE OF PROPOSED PASS THROUGH RATE PROVISION

Tapatio Springs Service Company, Inc.
Company Name

12122
CCN Number

has submitted a pass through rate provision application with the Texas Commission on Environmental Quality (Commission). This tariff change is being implemented in accordance with the utility's approved water usage fee adjustment clause to recognize an increase in the water use fee. The cost of these charges to customers will not exceed the increased cost of the water use fee. The proposed adjusted rates will be implemented only upon written notice from a purchased water or sewer provider or an groundwater conservation district requiring a change in fees and only after mailed notice to the customers prior to the beginning of the billing period in which the adjusted rate takes effect. Unless protests are received from 10 percent of the ratepayers within 90 days of the effective date or unless the Commission staff requests a hearing, no hearing will be held and the water use fee pass through rate provision will be approved as proposed. Please read all information carefully. Protests should be mailed to:

Texas Commission on Environmental Quality
Utility Certification & Rate Analysis Team, MC 153
P. O. Box 13087
Austin, Texas 78711-3087

Tapatio Springs Country Club and Tapatio Springs Resort
Subdivisions /Systems Affected by Pass Through Provision

P.O. Box 550 Boerne Texas 78006 (830) 537-5755
Company Address City State Zip Phone #

March 1, 2005
Customer Notice Mailed

On or about the 14th of the month
Date Meters Typically Read

PASS THROUGH RATE PROVISION:

Meter Size	Current Rates		GBRA Increase PassThrough		Proposed Rates
3/8" or 3/4"	\$ 24.50	+	\$ 9.78	=	\$ 34.28
1"	\$ 40.92	+	\$ 24.45	=	\$ 65.37
1- 1/2"	\$ 81.59	+	\$ 48.90	=	\$ 130.49
2"	\$ 130.59	+	\$ 78.24	=	\$ 208.83
3"	\$ 245.00	+	\$ 146.70	=	\$ 391.70
4"	\$ 408.42	+	\$ 195.60	=	\$ 604.02

To implement or modify the pass through provision, the utility must comply with all notice and other requirements of 30 TAC 291.21(h).

In the event that the application is set for hearing, the rates derived from the specific pass through provision requested by the utility may be decreased or increased by order of the Commission. You may inspect a copy of the application at your utility's office or at the Commission's office at Park 35 - Building F, Third Floor, 12100 Park 35 Circle, Austin, Texas. Additional information about the application can be obtained by contacting the Utilities & Districts Section at 512/239-6960. Information about how you can participate in the rate setting process can be obtained by contacting the Public Interest Counsel at 512/239-6363.



GUADALUPE-BLANCO RIVER AUTHORITY

** Signed Copy **
at Regional

RECEIVED
APR 03 2002

GENERAL OFFICE
933 East Court Street
Seguin, Texas 78155
Phone: 830-379-5822
Fax: 830-379-9718

March 25, 2002

20-041-04-0811--041811

COLETO CREEK PARK
AND RESERVOIR
P.O. Box 68
Fannin, Texas 77960
Phone: 361-375-6366
Fax: 361-575-2267

Mr. Ted Ground
Water Rights Permitting - Contracts, MC-160
Texas Natural Resources Conservation Commission
P. O. Box 13087
Austin, Texas 78711

LAKE WOOD
RECREATION AREA
Route 2, Box 158-A
Gonzales, Texas 78629
Phone: 830-672-2779

Re: Agreement Between Kendall County Utility Company and Tapatio Springs Service Company, Inc. and Guadalupe-Blanco River Authority

Dear Mr. Ground:

In accordance with Rule 31 Texas Administrative Code, Sections 295.101 and 295.111, and Subchapter J of TAC Chapter 297, we hereby submit for your records the attached Agreement Between Kendall County Utility Company and Tapatio Springs Service Company, Inc. and Guadalupe-Blanco River Authority. This Agreement is for 500 acre-feet commitment from Canyon and expires on December 31, 2037.

Thank you for your attention to this matter. Please do not hesitate to contact me, if you have any questions.

Sincerely,

Fred M. Blumberg
Fred M. Blumberg
Deputy General Manager

FMB:sb

Cc: Mr. John J. Parker
Al Segovia, South Texas Watermaster
Roger Nevola, Attorney at Law

PORT LAVACA
OPERATIONS
P.O. Box 146
Port Lavaca, Texas 77979
Phone: 361-552-9751
Fax: 361-552-6529

SAN MARCOS WATER
TREATMENT PLANT
91 Old Basuop Road
San Marcos, Texas 78666
Phone: 512-353-3888
Fax: 512-353-3127

VICTORIA REGIONAL
WASTEWATER
RECLAMATION
SYSTEM
P.O. Box 2085
Victoria, Texas 77902-2085
Phone: 361-578-2870
Fax: 361-578-9039

GBRA WEBSITE
<http://www.gbra.org>

1032502

KENDALL COUNTY UTILITY COMPANY

P.O. BOX 1335 • BOERNE, TEXAS 78006 • 830-537-5751

COPY

10-13-05

WHOLESALE WATER PURCHASE AGREEMENT

Kendall County Utility Company will sell water wholesale to Tapatio Springs Services Company at \$2.25 per thousand gallons.

Sales to Tapatio Springs Services Company will be controlled by any rationing plan that Kendall County Utility Company may have to go to for all of their customers.

Approved by:
Kendall County Utility Company

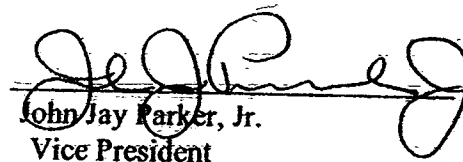
Date: 4-1-01



Stan Scott
System Operation Manager

Approved by:
Tapatio Springs Services Company

Date: 4-1-01



John Jay Parker, Jr.
Vice President

7040101

Kathleen Hartoett White, *Chairman*
R. B. "Ralph" Marquez, *Commissioner*
Larry R. Soward, *Commissioner*
Glenn Shankle, *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

May 13, 2005

Mr. Darrell Nichols, Utility Consultant
B & D Environmental, Inc.
P.O. Box 90544
Austin, Texas 78709

Re: Application from Tapatio Springs Services Company, Inc. to amend Certificate of Convenience and Necessity (CCN) No. 12122 in Kendall County; Application No. 34932-C

Application from Tapatio Springs Services Company, Inc. to amend CCN No. 20698 in Kendall County; Application No. 34933-C

CN: 600640155; RN: 101456499 (water) and 101223048 (sewer)

Dear Mr. Nichols:

Your applications have been received by the Utilities & Districts Section to begin the technical review. The technical review and the administrative review will be conducted concurrently in an effort to be more efficient in our review of your applications. If the administrative review and technical review requires additional documentation, you must submit these items to continue processing these applications. Mr. Kamal Adhikari has been assigned to perform the technical review. The applications have been assigned Application Nos. 34932-C and 34933-C. Please refer to these numbers in future correspondence.

Your next step is to provide the revised public notices without delay. The notice to the public must be published once each week for two (2) consecutive weeks in a newspaper of general circulation in Kendall County. It is the responsibility of the applicant to provide correct notice of the applications to any utilities within two (2) miles of your proposed service area, customers, any city with an extraterritorial jurisdiction which overlaps the proposed service area or other affected parties in your requested area. You will also be required to provide mailed notice to all landowners included in your proposed CCN area pursuant to commission order dated October 21, 2004. The landowner information may be obtained from the county appraisal district tax rolls for the county or counties in which the proposed CCN lies. Check the notices carefully before mailing or publishing.

As proof that notice was provided, you are required to send us the following:

- a) an original and three copies of a publisher's affidavit of the newspaper publication with tear sheets of the published notice attached;
- b) four copies of each individual notice and map sent to neighboring utilities and affected parties;
- c) one copy of the landowner notice and map sent to landowners;
- d) four copies of notice sent to customers; and

L 051305

Mr. Darrell Nichols, Utility Consultant

Page 2

May 13, 2005

- e) an original and three copies of the signed affidavits that individual notice to neighboring utilities, affected individuals, customers and each landowner has been given. (Copies of the Affidavit forms are enclosed with this letter.)

Include the enclosed location map delineating the proposed service area with your individual notices to neighboring utilities, other affected parties and each landowner.

In addition to the notice requirements the following information is also necessary to proceed with your applications:

- a) Your applications have received a preliminary review of your business plan and financial capability to provide service to the requested area. The scope of the project is ambitious so financial capability information required for approval will be comprehensive.

The CCN application form you use has the correct number in footnote, but shows only fifteen pages. The complete form designated TCEQ-10362 (Revised 11/02), as shown on our website, has 27 pages. Please provide the additional pages, at least the financial projections, to show us your expectation of the timing and depth of cash flows. Of primary importance are the pace for capital investment (is it "phased?"), the annual connection rate and cash inflow, and the depth of reserve in the utility's balance sheet.

You have provided in the applications, a December 31, 2004 statement for Tapatio Springs Services Company, Inc., which will suffice for "historical" information. However, a description of loan terms including maturity, interest rate, and principal payments, will be necessary for the "Long-Term Liability(y), Clyde Smith, (TSSC)." The largest expense item on the income statement is interest.

Please provide evidence of financial capability for CDS International Holdings, Inc., to provide all funds necessary for construction of the facilities. A financial statement for the most recently completed year-end, should be sufficient, if it shows good liquidity and solvency. Please provide prior board authorization for the "Treasurer" to obligate the corporation financially, as indicated in the agreement with the utility.

You may be asked for additional information after a comprehensive review.

- b) Please submit a digital file for the proposed area that is in a shapefile or a .dxf format.
- c) Please submit a written description of the proposed boundaries, which state the exact distances these boundaries are from major roads, streets and those topographic features (rivers, streams, railroads) that are located on all submitted maps.

These items must be completed and returned by **June 17, 2005**. Processing of these applications cannot proceed until the close of the 30 day public comment period which begins after all the required notices have been given. If the administrative review requirements and the requested information listed above are not received by this date, your applications will be returned for failure to prosecute.

Mr. Darrell Nichols, Utility Consultant

Page 3

May 13, 2005

If you have any questions, please contact Mr. Kamal Adhikari at 512/239-0680, or if by correspondence, include Mail Code 153 in the letterhead address.

Sincerely,

A handwritten signature in black ink that reads "Michelle Abrams". The signature is written in a cursive style with a large initial "M".

Michelle Abrams, Team Leader
Utilities & Districts Section
Water Supply Division

MA/KA/ac

Enclosures

cc: TCEQ, Region 13 Office

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



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

June 2, 2005

Mr. Darrell Nichols
B & D Environmental, Inc.
P.O. Box 90544
Austin, Texas 78709

Re: Purchase Water Pass Through Change Application of Kendall County Utility Company, Inc.
in Kendall County; CCN No. 11904; Application No. 34872-G

CN: 600646038; RN: 101403129

Dear Mr. Nichols:

Your request to pass through fees for Kendall County Utility Company, Inc. and related documentation were received by the Texas Commission on Environmental Quality (TCEQ) on February 28, 2005. Per your letter, Kendall County Utility Company, Inc. has entered into an agreement with the Guadalupe-Blanco River Authority to purchase surface water from its Canyon Lake Project. Under this agreement, this utility is currently required to pay to reserve 500 acre-feet of surface water and a portion of the debt service for the line extension to supply surface water to the utility's service area.

The documentation you submitted was reviewed and a determination was made that the costs for the expenses cannot be recovered under the utility's current approved tariff. In addition we have received some protests on this application and it has been five years since the applicant submitted a rate/tariff change application. At this time, TCEQ would recommend that the applicant submit an Application for a Rate/Tariff Change to address this expense.

If you have any questions, please contact Ms. Sheresia Perryman by phone at 512/239-3654, by fax at 512/239-6972, by email at sperryman@tceq.state.tx.us, or if by correspondence, include MC 153 in the letterhead address.

Sincerely,

A handwritten signature in cursive script that reads "Michelle Abrams".

Michelle Abrams, Team Leader
Utilities & Districts Section
Water Supply Division

MA/SP/ac

5060907

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

INTEROFFICE MEMORANDUM

CCN/ 11904 /CO

TO: *AK* Amy Cortinas

DATE: May 27, 2005

FROM: Sheresia Perryman

SUBJECT: Purchase Water Pass Through Change Application of Kendall County Utility Company, Inc. in Kendall County; CCN No. 11904; Application No. 34872-G

The documentation submitted by the applicant was reviewed and a determination was made that the costs for the expenses incurred are too large to be recovered under a pass through provision application. In addition we have received some protests on this application and it has been five years since the applicant submitted a rate/tariff change application. Therefore, TCEQ would recommend that the applicant submit an Application for a Rate/Tariff Change at this time.

Please close out the above referenced file as of May 18, 2005

Case Status - D

RECEIVED
JUN 21 2005
TCEQ
CENTRAL FILE ROOM

B & D ENVIRONMENTAL, INC.
UTILITY MANAGEMENT, OPERATIONS, AND CONSULTING

P.O. Box 90544
Austin, Texas 78709

Phone: (512) 264-9124
Fax: (512) 891-0740

June 17, 2005

Mr. Kamal Adhikari
TCEQ
Water Supply Division - MC 153
P.O. Box 13087
Austin, Texas 78711-3087

RE: Application from Tapatio Springs Services Company, Inc., to amend Water CCN No. 12122 and Sewer CCN No. 20698 in Kendall County; Application Nos. 34932-C and 34933-C

Dear Mr. Adhikari:

The notices to neighboring utilities and landowners has been provided as requested. The notice was published on June 14 and will be again on June 21. There are no current customers in the proposed area, so no notice was provided to customers. I will provide you with all the affidavits for notice when I receive the publisher's affidavit.

As discussed in the letter from Michelle Abrams (dated May 13, 2005), the application submitted is the correct form. The additional pages that were not included with the referenced application were various worksheets and notice pages that were not required for an existing utility amending its service area. The requirement was to submit a profit and loss statement and current balance sheet which is included in the application. All capital necessary to provide the infrastructure to serve the new development (proposed area) is the responsibility of the developer. Included in the application is the non-standard service agreement that outlines this arrangement in detail. The developer anticipates 1700 connections over 8 years in multiple phases. However, the developer is still in the planning stages for the phases.

In regards to the long term liability (note to Clyde Smith), that issue is no longer relevant. The utility has paid off that note and is no longer an obligation of the utility.

I have requested the developer, CDS International Holdings, Inc., provide a year-end financial statement and board authorization for the Treasurer to obligate the corporation financially. I have not received that information to date, but will forward that information to your office as soon as possible.

A digital file of the proposed service area was previously provided to Suzanne Jaster for this application. An additional map of the proposed area to be developed is attached. As shown on the map, the service area is adjacent to Ranger Creek Road. Also included on this map are exact distances from major roads.

RECEIVED
JUN 23 2005
TEXAS COMMISSION
ON
ENVIRONMENTAL QUALITY

5011905

Mr. Kamal Adhikari

June 17, 2005

Page 2 of 2

Should you have any questions, please do not hesitate to contact me at 512-892-6366 or 512-917-6065 at any time.

Sincerely,



Darrell Nichols

B & D Environmental, Inc

Attachment: Map

RECEIVED

JUN 20 2005

TEXAS COMMISSION
ON
ENVIRONMENTAL QUALITY

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



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

June 22, 2005

Mr. Darrell Nichols
B & D Environmental, Inc.
P.O. Box 90544
Austin, Texas 78709

Notice of Deficiency

Re: Application from Tapatio Springs Services Company, Inc. to amend Certificate of Convenience and Necessity (CCN) No. 12122 in Kendall County; Application No. 34932-C

Application from Tapatio Springs Services Company, Inc. to amend CCN No. 20698 in Kendall County; Application No. 34933-C

CN: 600640155; RN: 101456499 (water) and 101223048 (sewer)

Dear Mr. Nichols:

We have received your response to our letter dated May 13, 2005. Based, on your letter dated June 17, 2005, it has determined that second notice of these applications will be published on June 21, 2005. However, your deadline to submit all the requested information as requested in our letter dated May 13, 2005, was June 17, 2005.

Still you are required to provide the revised public notices without delay. The notice to the public must be published once each week for two (2) consecutive weeks in a newspaper of general circulation in Kendall County. It is the responsibility of the applicant to provide correct notice of the applications to any utilities within two (2) miles of your proposed service area, customers, any city with an extraterritorial jurisdiction which overlaps the proposed service area or other affected parties in your requested area. You will also be required to provide mailed notice to all landowners included in your proposed CCN area pursuant to commission order dated October 21, 2004. The landowner information may be obtained from the county appraisal district tax rolls for the county or counties in which the proposed CCN lies. Check the notices carefully before mailing or publishing.

As proof that notice was provided, you are required to send us the following:

- a) an original and three copies of a publisher's affidavit of the newspaper publication with tear sheets of the published notice attached;
- b) four copies of each individual notice and map sent to neighboring utilities and affected parties;
- c) one copy of the landowner notice and map sent to landowners;
- d) four copies of notice sent to customers; and

2062205

Mr. Darrell Nichols
Page 2
June 22, 2005

- e) an original and three copies of the signed affidavits that individual notices to neighboring utilities, affected individuals, customers and each landowner have been given.

Include the enclosed location map delineating the proposed service area with your individual notices to neighboring utilities, other affected parties and each landowner.

In addition to the notice requirements the following information is still necessary to proceed with your applications:

- a) Please provide evidence of financial capability for CDS International Holdings, Inc., to provide all funds necessary for construction of the facilities. A financial statement for the most recently completed year-end, should be sufficient, if it shows good liquidity and solvency. Please provide prior board authorization for the "Treasurer" to obligate the corporation financially, as indicated in the agreement with the utility.

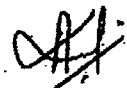
You may be asked for additional information after a comprehensive review.

- b) Please submit a digital file for the proposed area that is in a shape file or a .dxf format.
- c) Please submit documents (Engineering Report) to demonstrate that Tapatio Springs Services Company, Inc. is currently providing continuous adequate water and sewer services and has a capability to serve new development including the existing system capacities, capacities in reserve that can be utilized to serve new development. Also, describe the phase of new development, such as number of estimated connections on each phase, if the development is anticipated in phases, distance between the existing system's infrastructure and the proposed new development.

These items must be completed and returned by **July 15, 2005**. Processing of these applications cannot proceed until the close of the 30-day public comment period which begins after all the required notices have been given. If the administrative review requirements and the requested information listed above are not received by this date, your applications will be returned for failure to prosecute.

If you have any questions, please contact me at 512/239-0680, or if by correspondence, include Mail Code 153 in the letterhead address.

Sincerely,



Kamal Adhikari, E.I.T.
Utilities & Districts Section
Water Supply Division

June 23, 2005

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

Re: Notice of Application for Certification of Convenience and Necessity (CCN) to Provide
Water and Sewer Utility Service in Kendall County
Tapatio Springs Service Company, Inc. Application to Amend
CCN Nos. 12122 and 20698

Ladies and Gentlemen:

As the duly authorized representative of a group of the rate payers of Tapatio Springs Service Company, Inc., and on behalf of myself, I hereby protest and request a hearing in connection with the above referenced matter.

I, the rate payers I represent, and the other rate payers of Tapatio Springs Service Company, Inc. would be adversely affected by the granting of the Application in the following manner (and possibly others unknown to us at this time):

1. The approval of this amendment to the CCN would deplete and possibly exhaust the water resources of the utility, limiting or eliminating entirely current rate payers' water supply.
2. The approval of this amendment to the CCN would exhaust the limited managerial and economic resources of the utility, thereby directly adversely affecting all present rate payers.
3. The approval of this amendment to the CCN would possibly sanctify certain alleged undisclosed agreements between the 5,000 acre landowners, the owners of the utility, and possibly others, which could materially adversely affect this utility and its rate payers.

Without the benefit of facts currently only known to the applicant and the 5,000 acre landowners, it is impossible to propose any adjustment to the application. Hopefully, sufficient facts can be obtained as the result of a hearing in this matter where appropriate discovery can be had.

For the convenience of all parties, we respectfully request that a hearing in this matter be conducted at a place within the City of Boerne, Texas, to accommodate all parties.

Respectfully submitted,

Al Hamilton
301 Eagle Drive, Boerne, TX 78006
Telephone: 830-537-6001
Fax: 830-537-6041
E-mail: al@hamiltonmiller.com

20698

**KERRVILLE VIA HWY 27
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PUBLIC NOTICES

PUBLIC NOTICES

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

Tapatio Springs Services Company, Inc. has filed an application to amend CCN Nos 12122 and 20698 with the Texas Commission on Environmental Quality to provide water & sewer utility service in Kendall County

The proposed utility service area is located approximately 2 miles west of downtown Boerne, Texas, and is generally bounded on the north by Cibolo Creek; on the east by Johns Road, on the south by Tapatio Springs, and on the west by Bear Creek. The total area being requested includes approximately 5000 acres and no current customers

A copy of the proposed service area map is available at 7550 West IH 10, Suite 800, San Antonio, Texas, 78229

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

REQUEST FOR PROPOSALS

The Boerne Independent School District is seeking sealed proposals for the 2005-2006 School Year for: **PRINTING**
Proposal specifications may be obtained from Karen Chesky in the BISD Business Office at 123 W. Johns Rd., Boerne, Texas 78006. or by calling 830-357-2026. The proposals should be received in the BISD Business Office by 3:00 p.m. on Thursday, July 7, 2005.

ILLUMINATION in Frio Co
Office

Plans and specifications are available for the TxDOT Prequal Offices listed below. If applications may be requested from available from TxDOT's website at the expense of the contractor.

State Office
Constr./Maint Division
200 E. Riverside Dr
Austin, Texas 78704
Phone: 512-416-2540

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NOTICE TO CONTRACTORS TEXT TRANSPORT

Sealed proposals for contracts shown below, and then public

CONSTRUCTION

Dist/Div: San Antonio Contract
REPAIR in Bexar County, etc. w
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Plans and specifications are available for the TxDOT Prequal Offices listed below. If applications may be requested from the available from TxDOT's website at the expense of the contractor.

State Office
Constr./Maint Division
200 E. Riverside Dr
Austin, Texas 78704
Phone: 512-416-2540

Minimum wage rates are set by contract. TxDOT ensures that

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Robert J. Huston, *Chairman*
R. B. "Ralph" Marquez, *Commissioner*
Kathleen Hartnett White, *Commissioner*
Jeffrey A. Saitas, *Executive Director*



RECEIVED
JUL 05 2002

TEXAS NATURAL RESOURCE CONSERVATION COMMISSION

Protecting Texas by Reducing and Preventing Pollution

June 28, 2002

Guadalupe-Blanco River Authority
Attn: Fred M. Blumberg
933 East Court Street
Sequin, TX 78155

Subject: Filing of Water Sales Contract, TNRCC No. 2390
Kendall County Utility Co and Tapatio Springs Service Company, Inc.

Dear Mr. Blumberg:

The Water Supply Contract between the Guadalupe-Blanco River Authority and Kendall County Utility Co and Tapatio Springs Service Company, Inc has been accepted for filing. The Agreement meets the filing requirements of 30 Texas Administrative Code Chapters §295.101 and §297 Sub-Chapter J.

Please note that for correspondence and reporting purposes this contract is being identified as Water Supply Contract TNRCC No. 2390.

Term: 35 years, beginning March 18, 2002 and ending December 31, 2037
Use: Municipal & Domestic; 500 acre-feet per year
Source: Guadalupe River from storage in Canyon Reservoir
Supplier's Water Right: Certificate No. 18-2074

If you have any questions or comments, please call me at (512) 239-0047.

Sincerely,

David N. Koinm - MC 160
Water Rights Permitting
Water Quantity Division

cc: Kendall County Utility Co
Tapatio Springs Service Company, Inc

7084907

Andrew J. Calvert
108 Jack Rabbit Circle
Boerne, Texas 78006

July 9, 2005

Texas Commission on Environmental Quality
Water Supply Division
Utility and Districts Section MC-153
P.O. Box 13087
Austin, Texas 78229

RE: Request for hearing:
Application from Tapatio Springs Services Company, Inc. to amend Certificate of Convenience and Necessity (CCN) No. 12122 in Kendall County; Application No. 34932-C
Application from Tapatio Springs Services Company, Inc. to amend Certificate of Convenience and Necessity (CCN) No. 20698 in Kendall County; Application No. 34933-C
CN: 600640155; RN: 101456499 (water) and 101223048 (sewer)

Dear Sirs:

As stated in the public notice appearing in the Boerne Star on June 21, 2005, I am requesting public hearing.

1. Name: Andrew J. Calvert
Mailing Address: 108 Jack Rabbit Circle
Boerne, Texas 78006
Telephone No: (830) 537-3980
2. Applicants Name: Tapatio Springs Services Company, Inc.
Application Nos: 34932-C and 34933-C
3. Request: I formally request a public hearing on these applications.
4. How Rate Payers Would Be Adversely Affected: The project will place the ratepayers at a significant financial and water quality risk, with little or no benefit.
5. Proposed Adjustment: Form a new water company to service the expanded area, separate and apart from Tapatio Services. Thereby removing the risk to the existing ratepayers.

Yours truly,

Andrew J. Calvert

REQUEST FOR HEARING

July 12, 2005

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

Re: Notice of Application for Certification of Convenience and Necessity (CCN) to
Provide Water and Sewer Utility Service in Kendall County
Tapatio Springs Service Company, Inc. Application to Amend
CCN Nos. 12122 and 20698

Ladies and Gentlemen:

As the duly authorized representative of a group of the rate payers of Tapatio Springs Service Company, Inc., (list attached) and on behalf of myself, I hereby request a hearing in connection with the above referenced matter.

Parties and Terms Involved and Used Herein:

Tapatio Springs Service Company, Inc., Applicant ("Tapatio")
Kendall County Utility Company ("Kendall")
CDS International Holdings, Inc. ("Developer")
Guadalupe-Blanco River Authority ("GBRA")
Tapatio Springs Service Company, Inc. Rate Payers ("Rate Payers")
Extension of Tapatio water system and wastewater systems ("Extension")
Non-Standard Service Agreement between Developer and Tapatio ("Agreement")
5,000 acres of land covered under the above Agreement ("Property")

We request that Kendall be made a party to the hearing requested herein since it is our understanding that the ownership is identical to that of Tapatio. Therefore, any decisions affecting Tapatio may directly impact or affect Kendall.

We, the Rate Payers of Tapatio, could be adversely affected by the granting of the Application in the following manner (and possibly others unknown to us at this time):

1. The design and details of the proposed Extension including the costs have not been properly shown and supported. ✓
2. The Developer does not share the cost of right-of-way and lines necessary to tie in the Extension. The cost will fall entirely on the current and only Rate Payers.

3. The maintenance and upkeep of the Extension rest entirely upon Tapatio even if the Developer decides to build no houses on the property. The current Rate Payers would be burdened with these costs. ✓
4. If Tapatio decides to oversize the Extension, the present Rate Payers could be burdened with this added cost, at least until the Developer has fully developed the property.
5. The maximum contribution to construction by Developer is \$1,500,000 which has not been shown as adequate.
6. A copy of the alleged GBRA contract for an additional 250 acre feet of water has not been filed as a part of the Application. ✓
7. Tapatio may have the expense of constructing certain roadways within Developer's property according to Paragraph 9(g) of the Agreement. If so, the present Rate Payers will ultimately be required to pay. ✓
8. Who pays for the wastewater collection and treatment system? If Tapatio pays, the cost will fall either entirely or partially on its current Rate Payers without any direct benefit to such Rate Payers. ✓
9. The impact of the provisions of Paragraph 9(i) of the Agreement on the current Rate Payers is at best confusing and as a worst case, could be very expensive to them. ✓
10. There is no proof or evidence concerning Developer's financial condition and its ability to carry out its responsibilities under the Agreement. ✓
11. The financial information submitted on behalf of Tapatio is inadequate and out of date. Audited current financials should be required and submitted. ✓
12. Based upon the limited financial information furnished and our knowledge of the management, it is clear that Tapatio does not currently have adequate management or financial capability to carry out its undertakings with Developer. ✓
13. Due to the close and sometimes identical relationships between the various parties, i.e. the owners of Kendall, Tapatio, Tapatio Development, Tapatio Country Club, Developer, and others, the entire transaction as proposed should be carefully examined to determine if certain considerations and/or agreements and/or monies have exchanged hands conditioned in part on this transaction. If so, were such dealings proper when related to Tapatio and its Rate Payers?

For the reasons expressed above and without the benefit of facts currently only known to the Applicant and the Developer, it is impossible to propose any adjustment to the application other than those noted above. Hopefully, sufficient facts can be obtained as the result of a hearing in this matter where appropriate discovery can be had from which specific adjustments can be suggested.

For the convenience of all parties, we respectfully request that a hearing on this matter be conducted at a place within the City of Boerne, Texas, to accommodate all parties.

Respectfully submitted,

Al Hamilton
301 Eagle Drive, Boerne, TX 78006
Telephone: 830-537-6001
Fax: 830-537-6041
E-mail: al@hamiltonmiller.com

CERTIFICATE OF SERVICE

Copies of the Letter Request for Hearing dated July 12, 2005, in connection with the Tapatio Springs Service Company, Inc. Application to Amend Certification of Convenience and Necessity (CCN) Nos. 12122 and 20698 have been deposited in the U. S. Mails, postage prepaid and addressed to the Offices of Tapatio Springs Service Company, Inc., P. O. Box 1335, Boerne, TX 78006, this 12th day of July, 2005.

Al Hamilton, on behalf of himself and
as Rate Payers' Representative

RICHARD E. HAAS
436 Paradise Point
Boerne, Texas 78006-9402
(830) 537 6105 (Tel)

July 14, 2005

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

Re: Request for Public Hearing

Dear Sir or Madam:

With regard to the application, by Tapatio Springs Services Company, Inc. to amend CCN Nos. 12122 and 20898 with the Texas Commission on Environmental Quality (TCEQ) to provide water and sewer utility service in Kendall County, it is requested that a public hearing be held in Boerne, Texas in order to obtain all the facts regarding this request.

Since the facts regarding the costs, and their allocation, of this additional service have not been made available to the existing ratepayers, the amendment would give the utility company a blank check to perform all the measures necessary to deliver the services to the 5000 acre tract with no current customers and then charge an unknown and perhaps unlimited amount to the existing ratepayers as a rate increase.

A solution to the dilemma would be to require this service to the new area to be a separate and distinct company formed for that purpose alone with all associated costs to be borne by the new entity. The existing ratepayers would then not be exposed to costs that should be borne by the developer.

5061107

L072805

KENDALL COUNTY UTILITY COMPANY

P.O. BOX 1335 • BOERNE, TEXAS 78006 • 830-537-57

COPY

July 28, 2005

Mr. Don White
Texas Commission on Environmental Quality
Region 13 Office
14250 Judson Road
San Antonio, Texas 78233-4480

Re: Tapatio Springs Services Company, Inc., PWS No. 1300025
Kendall County Utility Company, Inc., PWS No. 1300033

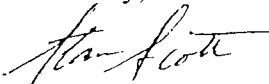
Dear Mr. White:

The two referenced water systems have been interconnected since 2001 and can be operated as one water system. We have filed an application to merge Tapatio Springs Services company, Inc. and Kendall County Utility Company, Inc. into one utility. Kendall County Utility Company, Inc. will be the name of the merged utility.

We request that PWS No. 1300025 and PWS No. 1300033 be recognized and evaluated as only one water system with only one PWS No. assigned by the TCEQ.

Should you need any additional information to process this request, please do not hesitate to contact me at (830) 537-5755.

Sincerely,



Stan Scott
Systems Operation Manager
Kendall County Utility Company, Inc.
Tapatio Springs Services company, Inc.

L072805

REQUEST FOR HEARING

July 12, 2005

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

Re: Notice of Application for Certification of Convenience and Necessity (CCN) to
Provide Water and Sewer Utility Service in Kendall County
Tapatio Springs Service Company, Inc. Application to Amend
CCN Nos. 12122 and 20698

Ladies and Gentlemen:

As the duly authorized representative of a group of the rate payers of Tapatio Springs Service Company, Inc., (list attached) and on behalf of myself, I hereby request a hearing in connection with the above referenced matter.

Parties and Terms Involved and Used Herein:

Tapatio Springs Service Company, Inc., Applicant ("Tapatio")
Kendall County Utility Company ("Kendall")
CDS International Holdings, Inc. ("Developer")
Guadalupe-Blanco River Authority ("GBRA")
Tapatio Springs Service Company, Inc. Rate Payers ("Rate Payers")
Extension of Tapatio water system and wastewater systems ("Extension")
Non-Standard Service Agreement between Developer and Tapatio ("Agreement")
5,000 acres of land covered under the above Agreement ("Property")

We request that Kendall be made a party to the hearing requested herein since it is our understanding that the ownership is identical to that of Tapatio. Therefore, any decisions affecting Tapatio may directly impact or affect Kendall.

We, the Rate Payers of Tapatio, could be adversely affected by the granting of the Application in the following manner (and possibly others unknown to us at this time):

1. The design and details of the proposed Extension including the costs have not been properly shown and supported. ✓
2. The Developer does not share the cost of right-of-way and lines necessary to tie in the Extension. The cost will fall entirely on the current and only Rate Payers.

3. The maintenance and upkeep of the Extension rest entirely upon Tapatio even if the Developer decides to build no houses on the property. The current Rate Payers would be burdened with these costs. ✓
4. If Tapatio decides to oversize the Extension, the present Rate Payers could be burdened with this added cost, at least until the Developer has fully developed the property.
5. The maximum contribution to construction by Developer is \$1,500,000 which has not been shown as adequate.
6. A copy of the alleged GBRA contract for an additional 250 acre feet of water has not been filed as a part of the Application. ✓
7. Tapatio may have the expense of constructing certain roadways within Developer's property according to Paragraph 9(g) of the Agreement. If so, the present Rate Payers will ultimately be required to pay. ✓
8. Who pays for the wastewater collection and treatment system? If Tapatio pays, the cost will fall either entirely or partially on its current Rate Payers without any direct benefit to such Rate Payers. ✓
9. The impact of the provisions of Paragraph 9(i) of the Agreement on the current Rate Payers is at best confusing and as a worst case, could be very expensive to them. ✓
10. There is no proof or evidence concerning Developer's financial condition and its ability to carry out its responsibilities under the Agreement. ✓
11. The financial information submitted on behalf of Tapatio is inadequate and out of date. Audited current financials should be required and submitted. ✓
12. Based upon the limited financial information furnished and our knowledge of the management, it is clear that Tapatio does not currently have adequate management or financial capability to carry out its undertakings with Developer. ✓
13. Due to the close and sometimes identical relationships between the various parties, i.e. the owners of Kendall, Tapatio, Tapatio Development, Tapatio Country Club, Developer, and others, the entire transaction as proposed should be carefully examined to determine if certain considerations and/or agreements and/or monies have exchanged hands conditioned in part on this transaction. If so, were such dealings proper when related to Tapatio and its Rate Payers?

For the reasons expressed above and without the benefit of facts currently only known to the Applicant and the Developer, it is impossible to propose any adjustment to the application other than those noted above. Hopefully, sufficient facts can be obtained as the result of a hearing in this matter where appropriate discovery can be had from which specific adjustments can be suggested.

For the convenience of all parties, we respectfully request that a hearing on this matter be conducted at a place within the City of Boerne, Texas, to accommodate all parties.

Respectfully submitted,

Al Hamilton
301 Eagle Drive, Boerne, TX 78006
Telephone: 830-537-6001
Fax: 830-537-6041
E-mail: al@hamiltonmiller.com

CERTIFICATE OF SERVICE

Copies of the Letter Request for Hearing dated July 12, 2005, in connection with the Tapatio Springs Service Company, Inc. Application to Amend Certification of Convenience and Necessity (CCN) Nos. 12122 and 20698 have been deposited in the U. S. Mails, postage prepaid and addressed to the Offices of Tapatio Springs Service Company, Inc., P. O. Box 1335, Boerne, TX 78006, this 12th day of July, 2005.

Al Hamilton, on behalf of himself and
as Rate Payers' Representative

L582305

AUG 23 2005 11:09AM B & D ENVIRONMENTAL, INC.

FAX TRANSMISSION

B & D ENVIRONMENTAL, INC.

P. O. Box 90544
AUSTIN, TEXAS 78709
(512) 254-9124
FAX: (512) 891-0740

To: Mr. Kamal Adhikari **Date:** August 23, 2005
Fax #: (512) 239-6972 **Pages:** 4, including this cover sheet.
From: Darrell Nichols
Subject: Tapatio Springs Services Company, Inc.
Application Nos. 34932-C and 34933-C

Kamal,

Attached please find a copy of the corporate resolution as requested and a letter from Bank of America regarding the financial capabilities of CDS International Holdings, Inc.

Please note that all the protesting customers and the City of Boerne have been contacted. We are anticipating all or most of the protests will be withdrawn. The City of Boerne will be acting on a motion to withdraw their protest at tonight's city council meeting. If the City's protest is withdrawn, I will provide you with a copy of the engineering calculations provided to the City.

Should you have any questions, please do not hesitate to contact me at 512-892-6366 or 512-917-6065 at any time.

Darrell

L082305

CORPORATE RESOLUTION

We, Carol De Santa and William H. Milmo, President and Secretary Tapatin Springs respectively, of CDS INTERNATIONAL HOLDINGS, INC., a Florida corporation, (the "Corporation") do hereby certify that said Corporation is duly organized and existing under the laws of the State of Florida; that all franchise and other taxes required to maintain its corporate existence have been paid when due and that no such taxes are delinquent; that no proceedings are pending for the forfeiture of its Certificate of Incorporation or for its dissolution, voluntarily or involuntarily; that it is duly qualified to do business in the State of Texas and is in good standing in such State; that the Secretary is the keeper of the records and minutes of the proceedings of the Board of Directors of said Corporation; and

That the following is a true and correct copy of the resolutions adopted by a unanimous consent in writing of all Directors, which unanimous written consent was and is in the form required by and in conformity with the Bylaws of the Corporation and the law, at a meeting of the Board of Directors of said Corporation held on the 1st day of July, 2005, which was duly called and held in accordance with the law and the Bylaws of the Corporation, at which meeting a quorum of the Board of Directors was present:

*RESOLVED, that the Corporation, acting by and through its Treasurer, W. H. Milmo, who is hereby duly authorized to execute that certain Non-Standard Service Agreement dated effective the 9th day of September, 2004, between the Corporation and Tapatin Springs Service Company, Inc., (the "Agreement") and to bind the corporation thereby.

FURTHER RESOLVED, that the Treasurer W. H. Milmo, is hereby authorized and directed (with or without attestation from the Secretary of the Corporation) to:

(a) sign, verify to, verify, acknowledge, deliver, accept, file, and record any and all instruments and documents necessary or appropriate to effectuate the purposes of the foregoing resolutions; and

(b) take, or cause to be taken, any and all of such actions in the name of and on behalf of the Corporation, or otherwise, as in their judgment is necessary, desirable or appropriate in order to consummate the transaction contemplated hereby or otherwise to effect the purposes of the foregoing resolutions; and

(c) to execute and deliver on behalf of and in the name of the Corporation, all such other instruments, documents, or financial statements as may be necessary, advisable or appropriate to carry out the terms and conditions of the Agreement and the Application.

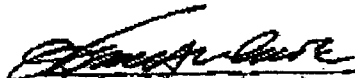
FURTHER RESOLVED, that any and all actions taken by the Treasurer with respect to the resolutions specified herein, and any documents securing same or executed in connection with such Agreement are hereby ratified and reaffirmed as acts for and on behalf of the Corporation and are deemed in all respects binding upon and enforceable against the Corporation.

FURTHER RESOLVED, that any and all actions heretofore taken by the Treasurer with respect to the Agreement are ratified and reaffirmed herein.

The above resolutions are in conformity with the Articles of Incorporation and the Bylaws of the Corporation, and were duly and legally passed and adopted, have never been modified, rescinded or repealed, and are now in full force and effect.

IN WITNESS WHEREOF, We have hereunto set our hands as President and Secretary of said Corporation this the 11 day of August, 2005.


_____, President


_____, Secretary

ent By: Law Offices of David Brock,

830 818 8044;

Aug-18-05 4 PM;

Page 6/7

Bank of America



August 18, 2005

B & D Environmental
P.O. Box 90544
Austin, Texas 78769-0544
Attn: Mr. Nichols

Mr. Nichols
B & D Environmental
P.O. Box 90544
Austin, Texas 78769-0544
Attn: Mr. Nichols

Re: Application to amend Certificate of Convenience and Feasibility Nos. 12189 and 21829 filed with the Texas Commission on Environmental Quality to provide water and sewer utility service to approximately 5,000 acres in Kendall County, Texas.

Dear Mr. Nichols:

Please be advised that CDS International Holdings, Inc. ("CDS") and CDS Texas Realty, L.P. (an affiliate of CDS) are long standing customers of Bank of America with all accounts handled in a satisfactory manner.

CDS currently has unrestricted funds available in the low seven figure amount which can be provided for construction and infrastructure improvements pursuant to the certain Non-Standard Service Agreement by and between CDS and Capital's Spring Service Company, Inc.

Should a letter of credit or specific loan be required to accomplish these improvements, the Bank would most likely consider such a request.

Please contact me at (512) 279-7885 if you request any additional information.

Sincerely,

Joseph Sisk
Senior Vice President

our group and found to be adequate. It may not have been filed with this Commission at this time but should be soon.

4. We requested financial information and current financial statements on Kendall and Tapatio. Such financial statements were delivered to us on September 28, 2005, and adequately confirm the financial information sought. While we still believe that these financial statements should be audited, we feel that this matter is within the purview and discretion of this Commission.

For the reasons expressed, we wish to go on record as supporting the application to merge Tapatio into Kendall and the applications of Kendall and Tapatio to amend their Certification of Convenience and Necessity.

Respectfully submitted,

Al Hamilton
301 Eagle Drive, Boerne, TX 78006
Telephone: 830-537-6001
Fax: 830-537-6041
E-mail: al@hamiltonmiller.com

CERTIFICATE OF SERVICE

Copy of the Letter Withdrawal of Request for Hearing dated September 29, 2005, in connection with the Tapatio Springs Service Company, Inc. Application to Amend Certification of Convenience and Necessity (CCN) Nos. 12122 and 20698 has been deposited in the U. S. Mails, postage prepaid and addressed to Tapatio Springs Service Company, Inc., P. O. Box 1335, Boerne, TX 78006, this 29th day of September, 2005.

Al Hamilton, on behalf of himself and
as Rate Payers' Representative

WITHDRAWAL OF REQUEST FOR HEARING
DATED JULY 12, 2005

September 29, 2005

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

Re: Notice of Application for Certification of Convenience and Necessity (CCN) to
Provide Water and Sewer Utility Service in Kendall County
Tapatio Springs Service Company, Inc. Application to Amend
CCN Nos. 12122 and 20698

Ladies and Gentlemen:

As the duly authorized representative of a group of the rate payers of Tapatio Springs Service Company, Inc., (originals of appointments previously enclosed) and on behalf of myself, I hereby withdraw the Request for Hearing dated July 12, 2005, in connection with the above referenced matter.

Parties and Terms Involved and Used Herein:

Tapatio Springs Service Company, Inc., Applicant ("Tapatio")
Kendall County Utility Company ("Kendall")
CDS International Holdings, Inc. ("Developer")
Guadalupe-Blanco River Authority ("GBRA")
Tapatio Springs Service Company, Inc. Rate Payers ("Rate Payers")
Extension of Tapatio water system and wastewater systems ("Extension")
Non-Standard Service Agreement between Developer and Tapatio ("Agreement")
5,000 acres of land covered under the above Agreement ("Property")

The reasons for this withdrawal are as follows:

1. We requested certain information and data from the officers and directors of both Kendall and Tapatio, which has been delivered to our group and evaluated. Many of these questions appeared in our Request for Hearing.
2. We requested that Kendall and Tapatio be merged due to their common ownership and to avoid possible future conflicts between the two utilities. An application has been filed seeking approval for the merger of Tapatio into Kendall and is now pending before this Commission.
3. We requested the Agreement between Developer and Tapatio be amended in order to clarify certain points and to clear up certain ambiguities. Such amendment has been submitted to

Mailing List for Docket No. 2005-1516-UCR
(Application Nos. 34932-C & 34933-C)

Mr. Darrell Nichols
B & D Environmental, Inc.
P.O. Box 90544
Austin, Texas 78709

Representing Tapatio Springs Services Company, Inc.

Michael G. Mann
Director of Public Works
P.O. Box 1677
Boerne, Texas 78006

Representing City of Boerne

Richard E. Hass
436 Paradise Point
Boerne, Texas 78006-9402

Protestant

Andrew J. Calvert
108 Jack Rabbit Circle
Boerne, Texas 78006

Protestant

Al Hamilton
301 Eagle Drive
Boerne, Texas 78006

Protestant and Representing group of rate payers



TEXAS COMPTROLLER OF PUBLIC ACCOUNTS
AUSTIN, TEXAS 78774-0100

October 2, 2005

CERTIFICATE OF ACCOUNT STATUS

This is in response to your inquiry about the status of

CDS INTERNATIONAL HOLDINGS INC

This corporation is not in good standing as it has not satisfied all state tax requirements.

If you need any additional information or assistance, please contact the Texas State Comptroller's field office in your area or call 1-800-252-1381, toll free, nationwide. The Austin number is 512-463-4600. If you are calling from a Telecommunications Device for the Deaf (TDD), the toll-free number is 1-800-248-4099, or in Austin, 512/463-4621.

Taxpayer number: 32000637747
File number: 0148788100

Form 05-342 (Rev. 1-03/12)

5010017

L 100705

B & D ENVIRONMENTAL, INC.
UTILITY MANAGEMENT, OPERATIONS, AND CONSULTING

P.O. Box 90544
Austin, Texas 78709

Phone: (512) 264-9124
Fax: (512) 891-0740

October 7, 2005

Mr. Kamal Adhikari
TCEQ
Water Supply Division - MC 153
P.O. Box 13087
Austin, Texas 78711-3087

RE: Application from Tapatio Springs Services Company, Inc., (Tapatio Springs) to amend Water CCN No. 12122 and Sewer CCN No. 20698 in Kendall County; Application Nos. 34932-C and 34933-C

Dear Mr. Adhikari:

Attached, please find a copy of the report prepared by the design engineer evaluating the water supply issues related to serving the proposed development. I have also included a map of the proposed tracts to be developed in the proposed area.

As per the Non-Standard Service Agreement (a copy is included in Attachment B of the application), the developer is required to provide all the infrastructure necessary to serve the new development including storage, water distribution, pressure maintenance, wastewater collection, and wastewater treatment facilities. The new development most likely will include onsite facilities for the larger initial tracts. Future sections will have centralized sanitary sewer. However, the developer will be responsible for installing the necessary infrastructure. Existing sewer capacity will not be utilized to serve the proposed development.

Should you have any questions, please do not hesitate to contact me at 512-892-6366 or 512-917-6065 at any time.

Sincerely,



Darrell Nichols
B & D Environmental, Inc

Attachments: Water Supply Analysis
Map of Proposed Development

RECEIVED

OCT 12 2005
TEXAS COMMISSION
ON
ENVIRONMENTAL QUALITY

L 100705

LAW OFFICES OF
ERIC D. SHERER, P.C.
11124 WURZBACH ROAD, SUITE 100
SAN ANTONIO, TEXAS 78230
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ERIC D. SHERER

Attorney-at-Law
*Board Certified - Commercial
and Residential Real Estate Law
Texas Board of Legal Specialization*

November 29, 2005

Ms. Sheresia Perryman
Texas Commission on Environmental Quality
12100 Park 35 Circle
Austin, Texas 78753

Dear Ms. Perryman,

Per our conversation this afternoon, please find a copy of the protest letter written by Mr. Merv Hayner, president of the Ranger Creek Homeowner's Association, regarding the proposed merger between Kendall County Utility Company and Tapatio Utility Company

Thank you for the time you have spent on this matter and I look forward to hearing from you regarding the status of this protest

Very truly yours,

ERIC D. SHERER, P.C.

By: 

Nathan C. Cace, Law Clerk

View*point*

**P.O. BOX 126
BOERNE, TEXAS 78006**

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

1 October 2005

RE: RN 101403129; RN 101223048; CN 600646038

Ranger Creek Homeowners Association
P O Box 126
Boerne, TX 78006

To Whom It May Concern:

As the President of Ranger Creek Homeowners Association, Boerne, TX, I am empowered to intervene on behalf of the Association in all matters involving our community. Therefore I am requesting a public hearing be held on the application from Kendall County Utility Company, the above referenced items, on the sale, transfer or merger of a retail public utility.

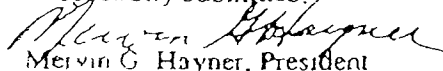
The notice was given to me a package on 6 Oct 2005. The notice of application requested the following information be provided:

Mervin G. Hayner, President
P O Box 126
Boerne, TX 78006
830 249 9752

"We request a public hearing on this matter before you."

It is our belief that the application would effect our water supply and sources by allowing the expansion of the service area to areas outside the current boundaries served by KCUIC thus making us the primary source for the water needed, declining our capacity of use and storage and increasing our rates to fund expansion. We would NOT recommend the application be approved until an independent feasibility study and total audit is done to preserve and protect what we currently have, and not place a burden on the community to serve areas not currently on line.

Respectfully submitted,


Mervin G. Hayner, President
Cc: Eric Sherer, Attorney

29 October 2005

Background Paper on Cielo Grande

Background

The Boerne Star recently reported on the Tapatio Springs Service Company's application for a certificate of convenience and necessity (CCN). This CCN is the basis for the development of 5,000 acres, in and around, Tapatio Springs, it's called Cielo Grande. The property is locally known as The Broken O. The first step is to process a preliminary plat for the westernmost 2,000 acres. A Master Plan is being developed for the entire 5,000 acres. The ultimate connections at full build-out over 10 years, is expected to be 3393.

What is a CCN?

- A CCN will entitle a utility to be the sole, monopoly water or sewer utility provider. It is applicable to all landowners in the boundaries. It binds all property owners to a price structure set by the service provider.
- It required public comment. Under current law, landowners have very little rights in the process of TCEQ granting a CCN over their property. Landowners are not required to consent to a CCN over their property.
- The CCN applicant does not need to show that any landowners actually requested utility service from the utility. Landowners are not given adequate or direct notice; the only statutorily required notice is one newspaper publication.
- A CCN is an encumbrance on land in as much as it dictates how, when, and by whom utilities will be provided to that land.
- In some cases, the inability of landowners to participate in the CCN process has led to abuses.
- CCNs have been granted over tracts of undeveloped land without the ability to provide service to the entire area.
- Once landowners are included in a CCN, without notice or consent or request for service, they cannot remove their land from the CCN without going through a time-consuming and costly administrative process.

6/10/07

- This CCN was submitted in the June-August 2005 timeframe. Legislation to fix the problems listed above (HB 2876, 79R) was submitted in February, signed in June, effective in September.
- The Texas Commission on Environmental Quality (TCEQ) owns the CCN process.

This CCN requires the combination of two utilities into one, the Tapatio Springs Service Company and Kendall County Utility Company.

- The Manager of the Kendall County Utility Company is Stan Scott. He is a Director on the Cow Creek Groundwater Conservation District.
- Combined, they currently produce over 1359 acre feet/year (acft/yr) of Groundwater. Total available in the Trinity, is roughly 3,900 acft. Recharge rates have not been determined with any reliability.
- It proposes up to ten (10) new new wells to meet peak demand.
- Regional assessment for the 2007 State Water Plan estimates the Groundwater supply of the Trinity Aquifer in Kendall County is 3,935 acft. Note: Technically, 906 acft is available in the Edwards-Trinity, but this a separate, but related system.
- The authority for all Groundwater issues in Kendall County is the Cow Creek Groundwater Conservation District.

This CCN precedes plat review for a development in a Priority Groundwater Management Area (PGMA).

- This TCEQ designation means that areas of the Trinity Aquifer have significant water problems.
- County Subdivision Rules were written to reduce the impact to recharge by setting density standards in terms of homes per acre. The average density is 6 acres per home.
- A variance, lowering the minimum acre per home from 4 to 3.5 is expected. This will require action by County Commissioners. It is anticipated to hit the court by mid November.

This CCN requires 750 acft/yr. of Surface Water from the Guadalupe-Blanco River Authority (GBRA).

- This impacts the Cibolo watershed, the dividing line between the Guadalupe and San Antonio River basins. It is a source of significant recharge for the Edwards and Trinity Aquifers.

- Extending GBRA water through yet another interbasin transfer will serve to encourage development far in excess of the natural water ecology of the area.
- The impact of increased impervious cover is a direct threat to the Groundwater here and downstream.

Summary

I believe this CCN was pushed through in advance of pending legislation that would make it more difficult to get approval. Affected property owners will be subjected to rates charged by the utility. The quantity of water could easily support 10,000. It could support a golf course(s). As 2/3 of this project is support by Groundwater, it is out of line with "beneficial use."

Way ahead

Request all public information available related to the CCN. This should include plats, engineering analysis, etc. Research the possibility of submitting a complaint to TCEQ. Lobby the County commissioners (Ann and Rusty) to disapprove any pending variances based on density. Lobby the Cow Creek Groundwater Conservation District to deny future well permits and challenge the use of the Groundwater currently being pumped. Publicize updates editorials/columns. Send letters to elected officials.

Milan J. Michalec

12 Brandt Road

830-336-3114

Commissioner Reissig,

Regarding the 14 November Agenda and Cielo Grande. *The proposed development is located on Ranger Creek Road, west of Boerne and includes 4,929 acres divided into 1,579 residential lots for an overall density of 3.1 acres. The request for relief is for a density greater than 4.0, since groundwater will be used to supplement the Western Canyon surface water through a public water system.*

I live in precinct two where I, and many others are totally dependent on groundwater. We are beginning to see the affects of large scale development. Much like Cielo Grande, GBRA water will encourage growth in my area at Cordillera Ranch. I am deeply concerned about the impact of future developments. Therefore, I think it is imperative for the County to hold the line throughout Kendall County when it comes to density. This request for relief should not be granted. Here's why.

The CCN submitted in advance required the combination of two utilities, Tapatio Springs Service Company and Kendall County Utility Company. This action was necessary in order to produce an estimated 1300 acre feet/year (acft/yr) of Groundwater. It proposes new wells to meet peak demand. Regional assessment for the 2007 State Water Plan estimates the Groundwater supply of the Trinity Aquifer in Kendall County is approximately 3,900 acft. The authority for Groundwater in Kendall County is the Cow Creek Groundwater Conservation District. To my knowledge, they have not acted. ✓

This development is in a Priority Groundwater Management Area (PGMA). As you know, this TCEQ designation means that areas of the Trinity Aquifer have significant water problems. As I understand their intent, County development rules were written to reduce the impact to recharge by setting density standards in terms of homes per acre. This is also reinforced in the Master Parks Plan: "Currently, the average density size is six acres for platted subdivision."

This development requires 750 acft/yr. of Surface Water from the Guadalupe-Blanco River Authority (GBRA). Impacted by this action is the Cibolo watershed, the dividing line between the Guadalupe and San Antonio River Basins. It is a source of significant recharge for the Edwards and Trinity Aquifers. Extending GBRA water through yet another interbasin transfer will serve to encourage development far in excess of the natural water ecology of the area. These water lines, extended to rural or low density areas within aquifer recharge or contributing zones encourage more development than can be supported by existing water supplies. The impact of increased impervious cover is a direct threat to the groundwater here and downstream.

Considering the potential negative impact to our only groundwater source, I strongly request you support a density no less than 4.0.

Thank you for your time.

Milan
Milan J. Michalec
12 Brandt Road
Boerne, TX 78006
830-336-3114

L 103006

Memorandum Public Works

DATE: January 5, 2006

TO: Mayor Heath and City Council

FROM: Michael G. Mann - Director of Public Works

RE: Kendall County Utilities Water Wheeling Agreement

As Council may be aware, Kendall County Utility Company (KCUC) has requested that the City of Boerne receive additional water from GBRA's Western Canyon project at Buckskin Drive and deliver an equal amount of water from our system to KCUC at a site northwest of the City (where our distribution systems are close). They desire to enter into a two-year agreement to facilitate this delivery method of GBRA water into their system to give them time to complete their own permanent delivery facilities. KCUC would pay GBRA directly for the volume of water they receive, although the water would probably be mostly a mixture of the City's groundwater and City Lake water resources. We understand that GBRA will be ready to deliver treated water to the City and KCUC in late February or early March, 2006.

As in the City's contract with the GBRA, KCUC water will be delivered at a continuous constant flow rate. Therefore, the City would need to receive their water and pump it into our system. In turn, we would deliver water to KCUC's facilities (storage tank) at an equal flow rate. The details of the delivery have not been finalized, but we should want to make sure that there is no potential for backflow from KCUC's system into the City. A detailed contract regarding the financial and physical requirements would need to be executed. There are some potential liability issues in this arrangement for which we should require indemnification.

In advance of those contracting efforts, KCUC desires to know what the City would "charge" for this temporary delivery of water into their system. Staff consulted with HDR Engineering, Inc., who determined that we would need to charge a total of approximately \$146,000 (escalated annually for inflation) per each 12 month period to cover our own operation and maintenance costs at KCUC's GBRA initial contract flow rate. Staff has informed KCUC that we suspect the Council would want to charge some additional amount rather than simply recovering our costs in this matter.

M 010506

In an effort to come up with an appropriate "profit" dollar amount, Staff considered other arrangements that we have with utilities operating within the City through franchise agreements, pole contract agreements, etc. On the basis of the information received from GBRA to date, we believe that GBRA's charges for 200 acre-feet of water (KCUC's initial take), would be about \$182,500. Staff suggests that we charge KCUC a "profit" fee of at least ten percent of this total "value" (\$18,250) over and above recovering our operation and maintenance costs. This minimum amount seems to be fair given our required efforts and potential complications of the arrangement such as third party liability, operational interruption potential, etc.

Staff requests the Council's direction on whether or not the Council would like us to proceed with making the arrangements for this cooperative effort. If so, we desire the Council's input regarding the appropriate charges

Please feel free to call if you have any questions or comments with regard to this issue.

MEMORANDUM

January 25, 2006

Re: Update on Tapatio Water Situation

Yesterday, a hearing was held in Austin concerning the application of Tapatio Springs Services to amend its Certificate of Convenience and Necessity to serve a new proposed subdivision. Travis Cannon and Bill Weidler accompanied me to this hearing.

During a recess, we met with the utility company's attorney and agreed that certain points we have previously agreed to would be testified to under oath and made a part of the record.

These points, which you may recall, are:

(1) Merge Tapatio Springs Services into Kendall County Utility. The advantages and reasons for this merger are numerous.

(2) Cause the books and records of both utilities to be audited by an outside, independent auditor.

(3) Insure that our current rate payers are protected from any costs and expenses incurred to service the new subdivision.

(4) Reconfirm that the cost of the proposed new pipeline will not exceed \$1,500,000 (a figure the new subdivision owner has agreed to pay).

There are several rate payers who are now represented by a local attorney and who are carrying on a fight over the application.

Their actions may, in our opinion, result in some adverse circumstances for us as rate payers; however, this is the land of the free (and the brave), therefore, they will have their day in court.

We will keep everyone posted as things develop.

Al Hamilton

MO/2506

M070105

Memorandum

Date: July 1, 2005

To: Al Hamilton

From: Andy Calvert

Subject: Tapatio Service Company Extension

Enclosed please find:

1. Additional nine more signatures for the petition.
2. My comments on the extension application.

My comments are broken out by each attachment. The most significant comments are in Attachment B (the contract between CDS and the utility) and G (Financial Statements).

As we have discussed, it is obvious that that the resources of utility have been exploited by the current owners for their own benefit and to the detriment of the ratepayers. What they have done is highly improper and in my opinion borders upon fraud.

The proposed utility "extension" places the ratepayers at an undo risk with questionable benefits. If CDS needs a water utility, then they should build a water utility separate and apart from Tapatio Springs. The developers can assume the risks for their venture not the ratepayers of the current utility.

M070105

Comments on Application

p.6 – Date of last inspection 5/30/03(W); 9/16/03 (WW) – What is the requirement periods for inspections? (2 years – 3 Years ?)

p.6 – Water and Waste & Water us operating at less that 85% capacity. What is the level of operation (50% ?)

p.7 (F) What is the effect of the amending a certificate on recipient of the certificate and any retail public utility of the same kind already serving the proximate area:

Response states: (1) greater economies of scale (not necessarily so ... much larger service area will require separate facilities, more fixed costs)

(2) help protect ground water (again not necessarily so .. during periods of draught canyon lake contract says they could stop providing water)

Comments on Attachment B – Justification for Extension (contract between CDS and
Tapatio Springs Service Company)

This extension triples the size of the existing service area. It is highly risky venture that places the ratepayers at an undo risk. The major benefit touted is that Tapatio Springs Service Company will receive \$1,500,000 from CDS for all work required outside the extension boundaries. I see several issues here:

1. The amount provided to the utility is capped at \$1,500,000. If it exceeds this amount the ratepayers are stuck with the costs.
2. The contract states that if the facilities are “oversized,” the utility will have to reimburse the developer. Again this places the utility at an undo risk. Building a capacity for 1700 units almost guarantees that the facilities will be “oversized.” This nebulous over sizing could be a disaster to the ratepayers.
3. Given the history of mismanagement of this utility and the current financial statements, it is highly questionable the \$1,500,000 will go to the benefit of the ratepayers. I would like to know what agreements have been signed between Tapatio Springs Development Company and Tapatio Resorts with the developer – CDS in conjunction with this CCN extension.
4. The contact states the utility may be responsible for the construction of roadways on the property. These costs could be substantial ... there are over 5,000 acres of unimproved land that will need to have roadways developed.
5. Jay Parker (president of the utility) stated verbally that he needed this \$1,500,000 to construct a pipeline to bring the Canyon Lake water from the point of access in Boerne to the utility. If the utility were properly managed and the liquid assets had not been squandered, it is questionable they would need this money at all.

Comments on Attachment D and E – Certification

An inspection of the water and wastewater facilities indicated violations identified with the water and wastewater facilities. Supposedly the violations were corrected, however the facilities were never re-inspected. The inspections were over two years ago. Given the financial status of the utility, it is imperative the facilities be re-inspected as soon as possible.