

Section 4: Expenses

	Water	Wastewater	Total Water + Wastewater
Salaries & Wages	82,508	N/A	82,508
Contract Labor	3,499		3,499
Purchased Water	0		0
Chemicals for Treatment	4,967		4,967
Utilities (electricity)	23,990		23,990
Repairs/Maintenance/Supplies	44,790		44,790
Office Expenses	24,176		24,176
Professional Fees (Accounting, Legal)	22,876		22,876
Insurance	7,319		7,319
Depreciation & Amortization	6,615		6,615
Miscellaneous (describe in remarks below)	9,308		9,308
Subtotal	230,048		230,048
Taxes:			
Federal Income Taxes	0		0
Property and Other Taxes (Payroll, etc.)	33,358		33,358
Regulatory Expenses (Rate Case, Permits)	3,307		3,307
Other (describe in remarks below)	0		0
TOTAL EXPENSES	266,713		266,713

Remarks: Misc: Cow Creek Groundwater Conservation District \$3,464
 Auto Expense 5,844
 Total \$9,308

Section 5: Operating Items

Debt Information:

Annual interest expense on long and/or short term debt? \$ 0
 Annual principal payment on debt? \$ 0
 Annual interest rate on debt? 0 %
 Annual debt principal and interest? \$ 0
 Principal balance on outstanding debt at end of this reporting period? \$ 0

Regulatory Assessment Fee:

What was the Regulatory Assessment fee amount submitted to TCEQ for the Calendar Year 2004? \$ 3,228

Rate Change:

What was the effective date of the last Rate Change? 08/14/01

Section 6: Customer Information

Connection Type Water	Number of Connections at	
	Beginning of Calendar Year 2004	End of Calendar Year 2004
Total	566	566

Connection Type Wastewater	Number of Connections at	
	Beginning of Calendar Year 2004	End of Calendar Year 2004
Total	N/A	N/A

Section 7: Water Production & Consumption

A What is the total amount of water produced/pumped? 59,945 gallons
 B What is the total amount of water sold/billed? 55,328 gallons
 C How much water was lost? 4,617 gallons
 What is the total percent of water loss? 7.7 %

To calculate the above, please reference the attached document *Water and Wastewater Utilities Annual Report Instructions*.

Comments? Known Loss 738 (1.2%)
Unknown Loss 3,879 (6.4%)
Total 4,617 (7.7%)

Section 8: Wastewater Treated

What is the total amount of wastewater treated? N/A gallons

Comments? _____

Section 9: Utility Management & Operations Assessment

Utility Policy and Procedures

- Do you have an Application Form or Formal Process for New Customers? ☒ Yes ☐ No
- Do you have Written Operating Procedures for Routine Operations? ☒ Yes ☐ No
- Do you have Written Emergency Actions Plan(s)? ☐ Yes ☒ No
- Do you have Written Personnel Procedures? ☐ Yes ☒ No
- Do you have Risk Management & Safety Policies? ☒ Yes ☐ No
- Do you have Customer Service Policies? (including billing & collection) ☒ Yes ☐ No
- Do you have a Written Budget? (normally updated annually) ☒ Yes ☐ No
- Do you record complaints? ☒ Yes ☐ No
- Is a customer service representative, water system employee, or answering service accessible by phone at all times to all customers? ☒ Yes ☐ No

Rules and Regulations

- Do you have a copy of the Public Water System TAC 30 Rule, Chapter 290? ☒ Yes ☐ No
- Do you have a copy of the Utility Regulation TAC 30 Rule, Chapter 291? ☒ Yes ☐ No
- Do you have a copy of the Texas Water Code Chapter 13? ☒ Yes ☐ No

Administrative Information

- Do you notify customers prior to shutting down the system for repairs?
- ☒ Yes ☐ No ☐ Sometimes ☐ Only if greater than 2 hours

How do you keep your customers informed?

- ☐ Billing Statements ☒ Newsletter ☐ Meetings
- ☐ Other _____

- Are water records kept separate from other business and personal records? ☒ Yes ☐ No
- Are records kept for additions to fixed assets? ☒ Yes ☐ No
- Is the financial position of the system reviewed at least quarterly? ☒ Yes ☐ No
- Are accounting records for water and wastewater kept separately? ☒ Yes ☐ No

Utility Assistance

- If your answer to any question above is "No", would you be receptive for assistance? ☒ Yes ☐ No

Section 10: Remarks (please feel free to attach additional pages if necessary)

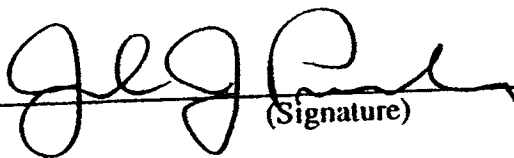
Section 11: Sworn Statement

I HEREBY CERTIFY THAT THE INFORMATION PROVIDED IN THIS REPORT IS TRUE
AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

(This document **MUST** be signed by the President or Owner of the Utility)

This 12TH Day of MAY, 2005.

President or Owner: _____


(Signature)

John J. Parker

(Printed Name)

President

(Title)

CCN 12122 KP

WATER AND WASTEWATER UTILITIES

ANNUAL REPORT

of

TAPATIO SPRINGS SERVICE COMPANY, INC.

Exact Legal Name of Utility/Respondent

12122

Certificate of Convenience and Necessity (CCN)

Submitted To The

STATE OF TEXAS



TNRCC

TEXAS NATURAL RESOURCE AND CONSERVATION COMMISSION

for the

YEAR ENDED DECEMBER 31, 2001

RECEIVED

SEP 04 2002

UTILITY & DISTRICT
OVERSIGHT TEAM

12123101

UTILITY NAME: TAPATIO SPRINGS SERVICE COMPANY, INC.

ADDRESS: P. O. BOX 1335

BOERNE, TX

Zip Code: 78006-1335

Telephone Number: (830) 537-5755

Fax Number: (830) 537-5756

E-mail Address: KCUC@GVTC.COM

Contact Person: STAN SCOTT

Title: OPERATIONS MANAGER

Check the Business Ownership entity of the Utility as filed with the Internal Revenue Service:

☐ Individual

☐ Partnership

☒ Corporation

☐ Nonprofit Association

Enter the Corporation Charter number (If utility is incorporated.): 621085

2. UTILITY BACKGROUND.

WATER CCN No.: 12122

Number of Water Systems: 1

PWS ID No.: 1300025

System Name: TAPATIO SPRINGS SERVICE COMPANY, INC.

Sources of water (check all applicable):

☒ Groundwater

☐ Surface Water Right Permit No. _____

☒ Treated, or ☐ Untreated water purchased from KENDALL COUNTY UTILITY COMPANY, INC.

SEWER CCN No.: 20698

Number of Wastewater Systems: 1

Discharge Permit/PWS ID No.: 12404-001

System Name TAPATIO SPRINGS SERVICE CO.

Treatment of wastewater (check all applicable):

☒ Treated under TNRCC Discharge Permit No. 12404-001

☐ Treatment capacity purchased from: _____

a) Does the utility operate within the corporate limits of one or more municipalities? ☐ Yes ☒ No

1) If yes, state the primary municipality in which the utility operates _____

b) Class and Number of certified operators? "A" _____ "B" _____ "C" S/1 "D" _____
W/2

c) Number of other utility personnel? Full-Time: 2 Part-Time: -0-

3. ANNUAL REVENUES. (Report period is from January 01 - December 31, 2001)

	B	C	D	E
	Item	WATER [A]	WASTEWATER [B]	TOTAL [A] + [B]
	Operating Revenues	\$ 114,977	\$ 78,335	\$ 193,312
	From Utility Service/Sales	75	75	150
	From Fees (Tap, Reconnect., etc.)	3,487	3,488	6,975
	Other Revenues (Identify _____)	-0-	-0-	-0-
	TOTAL OPERATING REVENUES:	\$ 118,539	\$ 81,898	\$ 200,437

4. OPERATING EXPENSES.

	B	C	D	E
	Item	WATER [A]	WASTEWATER [B]	TOTAL [A] + [B]
1	Salaries and Wages	\$ -0-	\$ -0-	\$ -0-
2	Contract Labor	192	193	385
3	Purchased Water	16,059	-0-	16,059
4	Chemicals (For Treatment)	1,007	2,800	3,807
5	Utilities (Electricity)	26,552	11,954	38,506
6	Repairs/Maintenance/Supplies	37,447	44,573	82,020
7	Office Expenses (Telephone, Computer, etc.)	1,391	1,391	2,782
8	Accounting & Legal fees	5,473	5,472	10,945
9	Insurance	94	94	188
10	Depreciation & Amortization	28,867	28,867	57,734
11	Miscellaneous (Describe in Remarks Below)	-0-	-0-	-0-
12	Subtotal (The Sum of 1 - 11)	\$ 117,082	\$ 95,344	\$ 212,426
13	Federal Income Taxes	-0-	-0-	-0-
14	Property and other taxes (Payroll, etc.)	2,260	2,260	4,520
15	Regulatory Expenses (Rate case, permits, etc.)	-0-	-0-	-0-
16	Other (Describe in Remarks Below)	1,378	1,550	2,928
17	TOTAL OPERATING EXPENSES:	\$ 120,720	\$ 99,154	\$ 219,874

5. OTHER OPERATING ITEMS/ISSUES.

a) Debt Information:

- 1) Annual Interest Expense on Long and/or Short Term Debt?.....\$ -0-
- 2) Annual Principal Payment on Debt?.....\$ -0-
- 3) Annual Interest Rate on Debt?.....-0- %
- 4) Annual Debt Principal and Interest?.....\$ -0-
- 5) Principal Balance on Outstanding Debt at end of this reporting period?.....\$ -0-

b) Regulatory Fee Assessment:

- 1) What was the Regulatory Assessment Fee Amount Submitted to TNRCC?.....\$ 2,007

c) Rate Change.

- 1) What was the Effective Date of the Last Rate Change?..... W/09-06-01
S/09-06-01

6. ACTIVE UTILITY CONNECTIONS/CUSTOMERS.

CONNECTION TYPE	BEGINNING OF PERIOD/YEAR	END OF PERIOD/YEAR
a) <u>Water (Non-Metered Connections):</u>	-0-	-0-
<u>1) Residential:</u>		
<u>2) Commercial:</u>		
<u>3) Other:</u>		
b) <u>Water (Metered Connections):</u>		
5/8" or 3/4"	110	114
1"	29	40
1 1/2"	-0-	-0-
2"	3	2
3"	-0-	2
Other: 4"	3	3
c) <u>Wastewater/Sewer:</u>	(127)	(139)
TOTAL CONNECTIONS:	145	161

2001

7. WATER PRODUCTION.

a) What is the Total Amount of Water Produced/Pumped?.....	36	(Per Million Gallons)
b) What is the Total Amount of Water Sold/Billed?.....	29	(Per Million Gallons)
c) How Much Water was Lost?.....	7	(Per Million Gallons)
d) What is the Total Percent of Water Lost?.....	19.4	%

8. TOTAL WASTEWATER/SEWER TREATED.

a) What is the Total Amount of Wastewater/Sewer Treated?.....	47	(Million Gallons)
b) Comment/Problems?		

9. CURRENT MONTHLY WATER/WASTEWATER/SEWER RATES CHARGED.

<u>METER SIZE</u>	<u>MONTHLY MINIMUM CHARGE</u>	<u>Gallons Included in the Monthly Minimum Charge</u>	<u>GALLONS CHARGED (Gallons that exceed the minimum Monthly Charge)</u> FROM (Gal.) TO (Gal.)		<u>MONTHLY RATE CHARGED Per 1,000 GALLON(s) (Over the Monthly Minimum)</u>
5/8 - 3/4 inch	24.50	-0-	1	25,000	2.25
1 inch	40.92	-0-	1	25,000	2.25
1½ inch	81.59	-0-	1	25,000	2.25
2 inch	130.59	-0-	1	25,000	2.25
3 inch	245.00	-0-	1	25,000	2.25
4 inch	408.42	-0-	1	25,000	2.25
SEWER					
N/A inch	24.10	+DEC-JAN-FEB	AVERAGE		3.50
inch					

10. MISCELLANEOUS FEES.

a) List the Amount of the Following Fees Charged.

1) Water Tap.....	\$ 400.00	2) Sewer Tap.....	\$ 400.00
3) Meter.....	\$ -	4) Deposit.....	\$ -
5) Disconnect.....	\$ -	6) Reconnect.....	\$ 25.00
7) Return Check.....	\$ 25.00	8) Late Charge.....	\$ 5.00
9) Other <u>TRANSFER FEE</u>			\$ 15.00

11. COST OF FACILITIES.

a) Complete the Following Water Facility/System Information.

1) Date Installed?.....	\$ 1982
2) Total Original Cost?.....	\$ 1,203,027
3) Total Cost of Capital Improvements Since Last Rate Case.....	\$ -0-
4) What is the Estimated Current Accumulated Depreciation of the Facility....	\$ 1,203,027

5) List All Capital Improvements Since Last Reporting Period.

<u>Item Installed</u>	<u>Date Installed</u>	<u>Total Cost</u>	<u>Developer/Customer Contributed</u>	
NONE		\$	<input type="checkbox"/> Yes	<input type="checkbox"/> No
		\$	<input type="checkbox"/> Yes	<input type="checkbox"/> No

b) Complete the Following Wastewater/Sewer Facility/System Information.

1) Date Installed?.....	\$ 1982
2) Total Original Cost?.....	\$ 1,254,870
3) Total Cost of Capital Improvements Since Last Rate Case.....	\$ -0-
4) What is the Estimated Current Accumulated Depreciation of the Facility....	\$ 1,254,870

5) List All Capital Improvements Since Last Reporting Period.

<u>Item Installed</u>	<u>Date Installed</u>	<u>Total Cost</u>	<u>Developer/Customer Contributed</u>	
NONE		\$	<input type="checkbox"/> Yes	<input type="checkbox"/> No

12. DISTRIBUTION SYSTEM/LINE(s).

a) Complete the Following System Line Distribution Information.

1) Estimated Miles of Water Distribution Lines?.....	10	(Miles)
2) Estimated Miles of Sewer/Wastewater Distribution Lines?.....	10	(Miles)

13. UTILITY MANAGEMENT & OPERATIONS ASSESSMENT.

a. Answer the following Utility Policy and Procedural Questions.

- | | | |
|---|---|--|
| 1) Do you have an Application Form or Formal Process for New Customers? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 2) Do you have Written Operating Procedures for Routine Operations? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| 3) Do you have Written Emergency Action Plan(s)? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| 4) Do you have Written Personnel Procedures? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| 5) Do you have Risk Management and Safety Policies? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| 6) Do you have Customer Service Policies (Incl. billing and collection)? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 7) Do you have Written Purchasing Procedures? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| 8) Do you have a Written Budget (Normally updated annually)? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 9) Do you record complaints? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 10) Is a customer service representative, water system employee, or answering service accessible by phone (local or toll-free) at all times to all customers? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |

b. Answer the following Rules and Regulations Information.

- | | | |
|--|---|--|
| 1) Do you have a copy of the Public Water System TAC 30 Rule, Chapter 290? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 2) Do you have a copy of the Utility Regulation TAC 30 Rule, Chapter 291? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 3) Do you have a copy of the Texas Water Code Chapter 13? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

c. Answer the following Administrative Information.

- 1) Do you notify customers prior to shutting down the system for repairs?
☒ Yes ☐ No ☐ Sometimes ☐ Only if Greater Than 2 hrs
- 2) How do you keep your customers informed?
☐ Billing Statements ☒ Newsletter ☐ Meetings
☐ Other _____
- | | | |
|--|---|-----------------------------|
| 3) Are Water Records kept separate from other businesses/personal Records? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 4) Are Records kept for additions to fixed assets? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 5) Are Financial position is reviewed at least quarterly? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 6) Are Accounting Records for Water & Sewer kept separate? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 7) List any affiliated companies or businesses? _____ | | |

14. REMARKS (Add Attachment(s) if Necessary).

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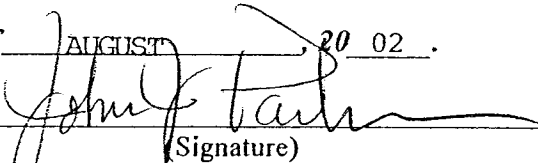
15. SWORN STATEMENT.

**I HEREBY CERTIFY THAT THE INFORMATION PROVIDED IN THIS REPORT IS TRUE
AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.**

(This Document MUST be signed by the President or Owner or the Utility).

THIS 27 **DAY OF** AUGUST, 20 02.

President or Owner:


(Signature)

JOHN J. PARKER

(Printed Name)

PRESIDENT

(Title or Relation to Utility)

Contact Person (if Different):

STAN SCOTT

(Printed Name)

OPERATIONS MANAGER

(830) 537-5755

CCN

12122

RP

WATER AND WASTEWATER UTILITIES

ANNUAL REPORT

Tapatio Springs Services Company, Inc.
Exact Legal Name of Utility/Respondent

12122
Certificate of Convenience and Necessity (CCN)

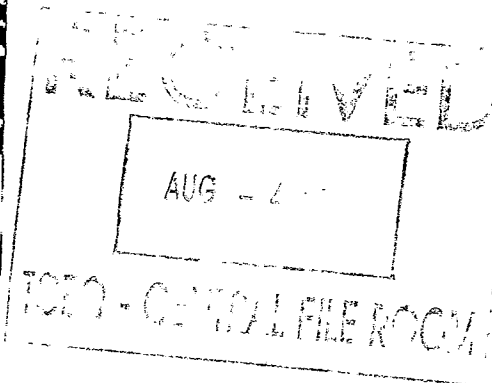
Submitted to the

State of Texas



MAY 04 2004

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Texas Commission on Environmental Quality

for the

Calendar Year Ended December 31, 2002

12122

Section 3: Revenues

	Water	Wastewater	Total
			Water + Wastewater
Operating Revenues:			
Utility Service/Sales	145,399	89,668	235,067
Fees (Tap, Reconnection, etc.)	3,358	2,958	6,316
Other Revenues:			
please identify _____	0	0	0
TOTAL REVENUES	148,757	92,626	241,383

Section 4: Expenses

	Water	Wastewater	Total
			Water + Wastewater
Salaries & Wages	0	0	0
Contract Labor	213	212	425
Purchased Water	23,137	0	23,137
Chemicals for Treatment	1,273	2,788	4,061
Utilities (electricity)	20,543	9,476	30,019
Repairs/Maintenance/Supplies	52,075	32,290	84,365
Office Expenses	5,445	5,445	10,890
Professional Fees (Accounting, Legal)	2,486	2,486	4,972
Insurance	0	0	0
Depreciation & Amortization	(64)	(63)	(127)
Miscellaneous (describe in remarks below) Auto & Interest	24,428	24,427	48,855
Subtotal	129,536	77,061	206,597
Taxes:			
Federal Income Taxes	0	0	0
Property and Other Taxes (Payroll, etc.)	3,482	3,482	6,964
Regulatory Expenses (Rate Case, Permits)	1,244	763	2,007
Other (describe in remarks below)	0	0	0
TOTAL EXPENSES	134,262	81,306	215,568

Remarks:

Water Wastewater Total

Misc: Auto Expense \$ 2,409 + \$ 2,408 = \$ 4,817

Interest 22,019 + 22,019 = 44,038

\$24,428 + \$24,427 = \$48,855

Section 6: Customer Information Continued

Connection Type Wastewater Non-Metered Connections	Number of Connections at	
	Beginning of Calendar Year 2002	End of Calendar Year 2002
Residential	0	0
Commercial	0	0
Other	0	0
Subtotal*	0	0

Connection Type Wastewater Metered Connections	Number of Connections at	
	Beginning of Calendar Year 2002	End of Calendar Year 2002
5/8" x 3/4"	109	120
1"	23	23
1 1/2"	0	0
2"	2	2
3"	3	3
4"	2	2
Other	0	0
Subtotal*	139	150

Connection Type Wastewater	Number of Connections at	
	Beginning of Calendar Year 2002	End of Calendar Year 2002
Total*	139	150

* Note: Please total wastewater connections for Non-metered and Metered connections.

Section 7: Water Production & Consumption

What is the total amount of water produced/pumped?	41,007,000	gallons
What is the total amount of water sold/billed?	34,440,000	gallons
How much water was lost?	6,567,000	gallons
What is the total percent of water lost?	16.0	%
Comments? Water Lost:	721,000 known loss	(1.75%)
	5,846,000 unknown loss	(14.25%)
	6,567,000 total loss	(16.00%)

Section 11: Cost of Facilities

Complete the following **WATER** facility information.

Date installed?	1982
Total Original Cost?	\$ 1,203,027
Total cost of Capital Improvements since last Rate Case?	\$ 0
What is the estimated current Accumulated Depreciation of the facility?	\$ 0

List all capital improvements since last reporting period? (please attach additional documentation if needed)

Item Installed	Date Installed	Total Cost	Developer or Customer Contributed	
None		\$	<input type="checkbox"/> Yes	<input type="checkbox"/> No
		\$	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Complete the following **WASTEWATER** facility information.

Date installed?	1982
Total Original Cost?	\$ 1,254,870
Total cost of Capital Improvements since last Rate Case?	\$ 0
What is the estimated current Accumulated Depreciation of the facility?	\$ 1,254,870

List all capital improvements since last reporting period? (please attach additional documentation if needed)

Item Installed	Date Installed	Total Cost	Developer or Customer Contributed	
NONE		\$	<input type="checkbox"/> Yes	<input type="checkbox"/> No
		\$	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Section 12: System Line Distribution

Complete the following system line distribution information.

Estimated miles of water distribution lines?	10	(in miles)
Estimated miles of wastewater distribution lines?	10	(in miles)

Section 14: Remarks (please feel free to attach additional pages if necessary)

<hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>

Section 15: Sworn Statement

I HEREBY CERTIFY THAT THE INFORMATION PROVIDED IN THIS REPORT IS TRUE
AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

(This document **MUST** be signed by the President or Owner of the Utility)

This 27th Day of April, 200⁴~~3~~

President or Owner:


(Signature)

John J. Parker

(Printed Name)

President

(Title)

WATER AND WASTEWATER UTILITIES ANNUAL REPORT

of

Tapatio Springs Services Company, Inc.

Exact Legal Name of Utility/Respondent

12122

Certificate of Convenience and Necessity (CCN) No.

Submitted to the

State of Texas



Texas Commission on Environmental Quality

for the

Calendar Year Ended December 31, 2003

RECEIVED

MAY 04 2004

ENVIRONMENTAL QUALITY

JUN 11 2004

RECEIVED
CENTRAL FILE ROOM

R123103

Section 4: Expenses

	Water	Wastewater	Total Water + Wastewater
Salaries & Wages	0	0	0
Contract Labor	215	215	430
Purchased Water	4,868	0	4,868
Chemicals for Treatment	1,923	1,562	3,485
Utilities (electricity)	20,975	9,442	30,417
Repairs/Maintenance/Supplies	28,346	48,645	76,991
Office Expenses	2,297	2,296	4,593
Professional Fees (Accounting, Legal)	770	770	1,540
Insurance	0	0	0
Depreciation & Amortization	0	0	0
Miscellaneous (describe in remarks below)	0	0	0
Subtotal	59,394	62,930	122,324
Taxes:			
Federal Income Taxes	0	0	0
Property and Other Taxes (Payroll, etc.)	0	0	0
Regulatory Expenses (Rate Case, Permits)	1,870	961	2,831
Other (describe in remarks below)	0	0	0
TOTAL EXPENSES	61,264	63,891	125,155

Remarks:

Section 5: Operating Items

Debt Information:

Annual interest expense on long and/or short term debt?	\$ 57,095
Annual principal payment on debt?	\$ 28,873
Annual interest rate on debt?	6 %
Annual debt principal and interest?	\$ 85,968
Principal balance on outstanding debt at end of this reporting period?	\$ 935,800

Regulatory Assessment Fee:

What was the Regulatory Assessment fee amount submitted to TCEQ for the Calendar Year 2003? \$ 2,388.90

Rate Change:

What was the effective date of the last Rate Change? September 6, 2001

Section 9: Utility Management & Operations Assessment

Utility Policy and Procedures

- Do you have an Application Form or Formal Process for New Customers? ☒ Yes ☐ No
- Do you have Written Operating Procedures for Routine Operations? ☐ Yes ☒ No
- Do you have Written Emergency Actions Plan(s)? ☒ Yes ☐ No
- Do you have Written Personnel Procedures? ☒ Yes ☐ No
- Do you have Risk Management & Safety Policies? ☒ Yes ☐ No
- Do you have Customer Service Policies? (including billing & collection) ☒ Yes ☐ No
- Do you have a Written Budget? (normally updated annually) ☒ Yes ☐ No
- Do you record complaints? ☒ Yes ☐ No
- Is a customer service representative, water system employee, or answering service accessible by phone at all times to all customers? ☒ Yes ☐ No

Rules and Regulations

- Do you have a copy of the Public Water System TAC 30 Rule, Chapter 290? ☒ Yes ☐ No
- Do you have a copy of the Utility Regulation TAC 30 Rule, Chapter 291? ☒ Yes ☐ No
- Do you have a copy of the Texas Water Code Chapter 13? ☒ Yes ☐ No

Administrative Information

Do you notify customers prior to shutting down the system for repairs?

- ☒ Yes ☐ No ☐ Sometimes ☐ Only if greater than 2 hours

How do you keep your customers informed?

- ☐ Billing Statements ☒ Newsletter ☐ Meetings
- ☐ Other _____

- Are water records kept separate from other business and personal records? ☒ Yes ☐ No
- Are records kept for additions to fixed assets? ☒ Yes ☐ No
- Is the financial position of the system reviewed at least quarterly? ☒ Yes ☐ No
- Are accounting records for water and wastewater kept separately? ☒ Yes ☐ No

Utility Assistance

- If your answer to any question above is "No", would you be receptive for assistance? ☒ Yes ☐ No

COPY

WATER AND WASTEWATER UTILITIES ANNUAL REPORT

of

Tapatio Springs Service Company, Inc.

Exact Legal Name of Utility/Respondent

12122

Certificate of Convenience and Necessity (CCN) No.

Submitted to the

State of Texas



Texas Commission on Environmental Quality

for the

Calendar Year Ended December 31, 2004

R123104-2

Section 1: Utility Information

Utility Name Tapatio Springs Service Company, Inc.

Address P. O. Box 1335

Boerne, Texas 78006-1335

☐ Please check this box if your Official Address, which is noted on the enclosed letter, has changed.

Telephone Number (830) 537-5755

Fax Number (830) 537-5756

E-mail Address kcuc@gvvc.com

Contact Person Stan Scott

Title Operations Manager

Check the business ownership entity of the utility as filed with the Internal Revenue Service

☐ Individual

☐ Partnership

☒ Corporation

☐ NonProfit Association

Section 2: Utility Background

Water CCN No. 12122

Number of PWSs 1

Sewer CCN No. 1300025

Number of Wastewater Systems 1

Discharge Permit No. 12404-001

Section 3: Revenues

	Water	Wastewater	Total Water + Wastewater
OPERATING REVENUES:			
Utility Service/Sales	128,815	89,761	218,576
Fees (Tap, Reconnection, etc.)	3,787	4,187	7,974
OTHER REVENUES:			
please identify _____	0	0	0
TOTAL REVENUES	132,602	93,948	226,550

Section 4: Expenses

	Water	Wastewater	Total Water + Wastewater
Salaries & Wages	0	0	0
Contract Labor	466	466	932
Purchased Water	0	0	0
Chemicals for Treatment	2,259	2,226	4,485
Utilities (electricity)	26,428	10,473	36,901
Repairs/Maintenance/Supplies	20,939	48,286	69,225
Office Expenses	5,003	5,003	10,006
Professional Fees (Accounting, Legal)	0	0	0
Insurance	0	0	0
Depreciation & Amortization	0	0	0
Miscellaneous (describe in remarks below)	0	0	0
Subtotal	55,095	66,454	121,549
Taxes:			
Federal Income Taxes	0	0	0
Property and Other Taxes (Payroll, etc.)	3,457	3,458	6,915
Regulatory Expenses (Rate Case, Permits)	0	0	0
Other (describe in remarks below)	0	0	0
TOTAL EXPENSES	58,552	69,912	128,464

Remarks: _____

Section 5: Operating Items

Debt Information:

Annual interest expense on long and/or short term debt? \$ 55,314

Annual principal payment on debt? \$ 30,654

Annual interest rate on debt? 6 %

Annual debt principal and interest? \$ 85,968

Principal balance on outstanding debt at end of this reporting period? \$ 905,146

Regulatory Assessment Fee:

What was the Regulatory Assessment fee amount submitted to TCEQ for the Calendar Year 2004? \$ 2,422

Rate Change:

What was the effective date of the last Rate Change? 09-06-2001

2004

Section 6: Customer Information

Connection Type Water	Number of Connections at	
	Beginning of Calendar Year 2004	End of Calendar Year 2004
Total	193	194

Connection Type Wastewater	Number of Connections at	
	Beginning of Calendar Year 2004	End of Calendar Year 2004
Total	173	174

Section 7: Water Production & Consumption

- A What is the total amount of water produced/pumped? 40,157,000 gallons
- B What is the total amount of water sold/billed? 32,022,000 gallons
- C How much water was lost? 8,135,000 gallons
- What is the total percent of water loss? 20.1 %

To calculate the above, please reference the attached document *Water and Wastewater Utilities Annual Report Instructions*.

Comments? Water Lost: 194,000 Known Loss (.4%)

7,941,000 Unknown Loss (19.7%)

8,135,000 Total Loss (20.1%)

Section 8: Wastewater Treated

What is the total amount of wastewater treated? 41,574,000 gallons

Comments? _____

Section 9: Utility Management & Operations Assessment

Utility Policy and Procedures

- Do you have an Application Form or Formal Process for New Customers? ☒ Yes ☐ No
- Do you have Written Operating Procedures for Routine Operations? ☒ Yes ☐ No
- Do you have Written Emergency Actions Plan(s)? ☒ Yes ☐ No
- Do you have Written Personnel Procedures? ☒ Yes ☐ No
- Do you have Risk Management & Safety Policies? ☒ Yes ☐ No
- Do you have Customer Service Policies? (including billing & collection) ☒ Yes ☐ No
- Do you have a Written Budget? (normally updated annually) ☒ Yes ☐ No
- Do you record complaints? ☒ Yes ☐ No
- Is a customer service representative, water system employee, or answering service accessible by phone at all times to all customers? ☒ Yes ☐ No

Rules and Regulations

- Do you have a copy of the Public Water System TAC 30 Rule, Chapter 290? ☒ Yes ☐ No
- Do you have a copy of the Utility Regulation TAC 30 Rule, Chapter 291? ☒ Yes ☐ No
- Do you have a copy of the Texas Water Code Chapter 13? ☒ Yes ☐ No

Administrative Information

- Do you notify customers prior to shutting down the system for repairs?
- ☒ Yes ☐ No ☐ Sometimes ☐ Only if greater than 2 hours

How do you keep your customers informed?

- ☐ Billing Statements ☒ Newsletter ☐ Meetings
- ☐ Other _____

- Are water records kept separate from other business and personal records? ☒ Yes ☐ No
- Are records kept for additions to fixed assets? ☒ Yes ☐ No
- Is the financial position of the system reviewed at least quarterly? ☒ Yes ☐ No
- Are accounting records for water and wastewater kept separately? ☒ Yes ☐ No

Utility Assistance

- If your answer to any question above is "No", would you be receptive for assistance? ☐ Yes ☐ No

Section 10: Remarks (please feel free to attach additional pages if necessary)

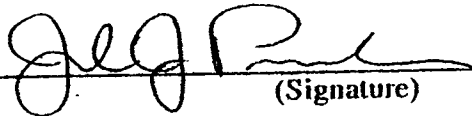
Section 11: Sworn Statement

I HEREBY CERTIFY THAT THE INFORMATION PROVIDED IN THIS REPORT IS TRUE
AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

(This document **MUST** be signed by the President or Owner of the Utility)

This 12th Day of May, 2005.

President or Owner: _____


(Signature)

John J. Parker

(Printed Name)

President

(Title)

CITY OF FAIR OAKS RANCH
 7286 DIETZ ELKHORN
 FAIR OAKS RANCH, TX 78015
 (210) 698-0900; Email:cityhall@ci.fair-oaks-ranch.tx.us

PRESORTED
 U S POST
 PAID
 SAN ANTONIO
 PERMIT NO.

Mayor
 Boots Gaubatz

City Council
 Ray Balcer
 Cheryl Landman
 Dan Kasprowiez
 Frank Pickart
 Conrad Fothergill

City Administrator
 Roy W. Thomas

City Secretary
 Carole Vanzant

Chief of Police
 Scott Rubin

Public Works Administrator
 John Moring

Andy

PROPOSED NEW WATER RATES TO BE EFFECTIVE APRIL 1, 2005

Consumption Gallons/Month	Current Rates		Proposed Rates		% Increase	
	Base	Increment per 1000	Base	Increment per 1000	Base	Increment per 1000
Less than 6000	\$22.00		\$32.00		45%	
6,001-25,000	\$22.00	\$1.90	\$32.00	\$2.85	45%	50%
25,001-50,000	\$58.10	\$3.00	\$86.15	\$4.50	48%	50%
50,001-75,000	\$133.10	\$6.50	\$198.65	\$9.00	49%	38%
75001-100,000	\$295.60	\$9.00	\$423.65	\$12.00	43%	33%
More than 100,001	\$520.60	\$12.00	\$723.65	\$15.00	30%	25%

FAIR OAKS RANCH UTILITIES WATER RATES COMPARED WITH SURROUNDING COMMUNITIES

COMMUNITY	Base Rate per Month	Gallons in Base	Monthly Fee @ Gallons Consumed					
			5000	15000	25000	50000	75000	100000
FOR (Current)	\$22.00	6000	\$22.00	\$39.10	\$58.10	\$133.10	\$295.60	\$520.60
FOR APR 2005	\$32.00	6000	\$32.00	\$57.85	\$86.15	\$198.65	\$423.65	\$723.65
Bonnie	\$10.37	0	\$22.89	\$62.46	\$111.00	\$235.53	\$359.15	\$482.78
Bulverde	\$24.00	0	\$33.00	\$53.25	\$85.75	\$192.00	\$298.25	\$404.50
Ranger Creek	\$30.00	3000	\$36.50	\$89.00	\$102.75	\$190.25	\$290.25	\$390.25
Tapatio Springs	\$24.50	0	\$35.75	\$58.25	\$80.75	\$143.25	\$212.00	\$280.75
Village Green	\$35.00	1000	\$49.43	\$76.98	\$115.58	\$225.83	\$336.08	\$446.33
Woods at FO	\$35.00	1000	\$49.43	\$76.98	\$115.58	\$225.83	\$336.08	\$446.33

7040105

KENDALL COUNTY UTILITY & TAPATIO SPRINGS SERVICES

2005 WATER PRODUCTION & USAGE

mdkcuclwprus04

T070105

WATER COMPANY	WELL #	GPM	<<<< IN THOUSANDS >>>>		
			DAY	MONTH	YEAR
KENDALL COUNTY UTILITY :	2	25	36	1,095	13,140
	4	240	346	10,512	126,144
	5	18	26	788	9,461
	7	235	338	10,293	123,516
	87	235	338	10,293	123,516
PRODUCTION TOTAL / K.C.U.C.	GPM	753	1,084	32,981	395,777
PEAK USAGE (562 CUSTOMERS)			424	12,897	154,760
PEAK PUMPING HOURS			9	285	3,425
*** EXCESS WATER / K.C.U.C. ***			660	20,085	241,017
TAPATIO SPRINGS SERVICE :	2	28	40	1,226	14,717
	6	31	45	1,358	16,294
	7	31	45	1,358	16,294
PRODUCTION TOTAL / T.S.S.C.	GPM	90	130	3,942	47,304
PEAK USAGE (200 CUSTOMERS)			85	2,585	31,025
PEAK PUMPING HOURS			16	479	5,745
*** EXCESS WATER / T.S.S.C. ***			45	1,357	16,279
TOTAL WELL PRODUCTION :	GPM	843	1,214	36,923	443,081
TOTAL / PEAK USAGE:			509	15,482	185,785
TOTAL / PEAK PUMPING HOURS :			10	306	3,673
ALTERNATE G.B.R.A. WATER:	AC/FT	750	670	20,366	244,388
*** EXCESS WATER TOTAL ***			1,374	41,807	501,684
FUTURE CONNECTIONS AVIABLE			3,079	/ Ave customer: 162,925 GPY 13,577 GPM	

Tapatio Springs Service Company

P.O. Box 550 · Boerne, Texas 78006-0550

(830) 537-5755

R A T E S C H E D U L E

SEPTEMBER 6, 2001

=====			
TRANSFER FEE		\$	15.00
- To set up an account			
TAP FEE:			
- WATER (5/8" or 3/4" meter)		\$	400.00
- SEWER		\$	400.00
WATER RATES:			
- METER SIZE / MONTHLY BASE RATE:			
5/8" or 3/4" (Residential)	\$	24.50	22 vpt 6000
1"	\$	40.92	
1 1/2"	\$	81.59	1.10 / 1000
2"	\$	130.59	7600
3"	\$	245.00	300 / 1000
4"	\$	408.42	72500
* * Monthly base rate including -0- gallons. * *			
- GALLONAGE CHARGE / PER THOUSAND:			7600 500
up to 25,000 gallons	\$	2.25	400
25,001 up to 50,000 gallons	\$	2.50	75
50,001 and up	\$	2.75	
SEWER RATES:			
- BASE RATE	\$	24.10	
- VOLUME CHARGE / PER THOUSAND	\$	3.50	
Volume charges are determined based on average consumption for winter period which includes the following months: DECEMBER, JANUARY, FEBRUARY			
REGULATORY ASSESSMENT CHARGE		1%	
< 1% of the water & sewer, base & volume charges >			
LATE CHARGE	\$	5.00	
RECONNECTING FEE:			
- For non payment	\$	25.00	
- For customer's request	\$	25.00	
METER TEST FEE	\$	25.00	
RETURNED CHECK CHARGE	\$	25.00	
DEPOSIT	\$	-0-	

7090601

7100105

2005	W/87	STATIC WATER ELEVATION & RAIN FALL
(Pump @ 1023.0 Ft.)		

(Pump @ 1023.0 Ft.)

(method 104)

[illegible]

T101304

RECD OCT 13 2004

Guadalupe-Blanco River Authority
Western Canyon Project

Customer	Initial Annual Commitment (A.F.)	Raw Water Reservation
Boerne	500	1861
Bulverde	400	400
Cordillera	200	1000
DH Investments	100	400
Fair Oaks Ranch	800	1400
Kendall/Tapatio	150	500
SAWS	5,990	3950
SARA	10	50
Total	8,150	9561

T120104

GBRA AC / FT CHART
KCUC & TSSC

YEAR: 2004
RAIN: 61.6"

* WELLS * / DAY				
MONTH	LOW	HIGH	AVE	MONTH
JAN	159	253	194	6,013
FEB	78	239	196	5,688
MAR	123	328	231	7,159
APR	116	503	225	6,757
MAY	165	424	260	8,073
JUN	173	462	278	8,348
JUL	199	552	385	11,921
AUG	133	640	331	10,247
SEP	232	355	298	8,949
OCT	176	276	240	7,433
NOV	170	302	212	6,350
DEC	141	273	196	6,082

< In 1,000 Gallons >

TOTAL 93,020

AC / FT 150

GBRA WATER	
DAY	MONTH
134	4,151
134	3,750
134	4,151
134	4,017
134	4,151
134	4,151
134	4,017
134	4,151
134	4,017
134	4,151

48,878

* WELLS *	
MONTH	DAY
1,862	60
1,938	69
3,008	97
2,740	91
3,922	127
4,331	144
7,770	251
6,096	197
4,932	164
3,282	106
2,333	78
1,931	62

44,142

GPM	DAY	MONTH	YEAR
0.093	134	4,073	48,878

TCEQ PRODUCTION

C 221200

**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

325,800 gal / acv 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