



# CITY OF HOUSTON

Department of Public Works and Engineering

Bill White

Mayor

Michael S. Marzetta, P.E. (CE)  
Director  
Public Works & Engineering  
Department  
P.O. Box 131627  
Houston, Texas 77216-1627  
P: 713.837.0464  
www.cityofhouston.gov

April 8, 2007

Community Utility  
Mr. Michael Martin  
Martin Utility  
27483 Hanna Road #2  
Conroe, TX 77385

Subject: Water Supply and Groundwater Reduction Membership Contract: Reimbursement of Well Permit and Pumpage Fees

## Certified Mail Return Receipt Requested

Dear Mr. Martin:

Pursuant to Contract 00121, Section 4.03, of the Water Supply and Groundwater Reduction Membership Agreement between the City of Houston and Community Utility, the GRP Manager is responsible for obtaining a Subsidence District groundwater permits for wells that are included in the GRP and is responsible for making applications for the renewal of these groundwater permit(s). The Participant shall maintain ownership of its groundwater wells, and shall reimburse the GRP Manager for Subsidence District fees (including application fees, permit fees, pumpage fees, etc.) that the GRP Manager pays on behalf of the Participant.

As GRP manager, we are requesting payment of the following reimbursable fees:

|  |                     |          |
|--|---------------------|----------|
| Reimbursement for well permit fees<br>(Well numbers 125 & 6296)          | 2 wells X \$25.00 = | \$ 50.00 |
| Reimbursement for pumpage fees 24,000,000/yr X \$17.00/1,000,000 gallons | =                   | 3408.00  |
|  | Total               | \$458.00 |

Payment is due within 30 days of receipt of this invoice. Please remit payment to 611 Walker 21<sup>st</sup> Floor Houston, TX 77002 to the attention of Ann Sheridan.

Sincerely,

*Pauline Chen*  
Pauline Chen, P.E.  
Senior Assistant Director  
Planning and Development Services Division  
Department of Public Works and Engineering

JCAMS:tc  
Certified #

Council Members: Tom Lammert, J. Lee Johnson, Anna Clatterbuck, Ann Edwards, Andrew Williams, M.J. Khan, Pam Nolin, Adrian Garcia, Carol Alvarado, Peter Brown, Gus Leroy, Shelley Stephens, M.D. Harold C. Green, Marshall Berry, Catherine Annals, G. Packer



# CITY OF HOUSTON

Public Works and Engineering  
Department

Bill White

Mayor

Michael S. Morant, P.E., D.C.  
Director  
P.O. Box 4868  
Houston, Texas 77210-4868  
www.houston.tx.gov

April 13, 2007

Community Utility Company  
Attention: Luis Mendez  
P.O. Box 68  
Spring, Texas 77383-0068

Pa. Accl. No. 7099-3020-4017  
GFS No. 7820-05

## INVOICE FOR MARCH & Q1 7 GRP PARTICIPATION

DUE DATE: April 30, 2007

|               |                |               |                 |
|---------------|----------------|---------------|-----------------|
| Read 04-01-07 | 8,887,400 gals | Read 04-01-07 | 75,842,200 gals |
| Read 03-01-07 | 8,149,200 gals | Read 03-01-07 | 74,988,800 gals |
|               | 816,200 gals   |               | 833,800 gals    |

|               |           |         |     |          |
|---------------|-----------|---------|-----|----------|
| Total Pumpage | 1,672,000 | \$1.436 | 30% | \$720.30 |
|---------------|-----------|---------|-----|----------|

Total Amount Due

\$720.30

Payment is due and payable on or before 17 days after the date of the mailing of this bill. If any bill is not paid in full on or before this day prior to the mailing by the City of the succeeding monthly water bill, there shall be added thereto ten percent of the amount thereof as a charge for late payment.

IN REMITTING, PLEASE MAKE CHECK PAYABLE TO: CITY OF HOUSTON  
PLEASE NOTE OUR NEW REMIT TO ADDRESS

City of Houston  
Utility Customer Service  
4200 Leland  
Houston, Texas 77023

FOR BILLING INQUIRIES, CALL MARIA CARRILLO AT (713) 371-1672.



**INSTRUMENT**

NEWMARKET, S. NORFOLK, P.E., 10 IX  
 CHRISTIANITY  
 P.O. Box 40000  
 NEWARK, N.J. 07102-4000  
 Tel: 973-400-0000

Community Utility Company  
Attention: Jim Mendoza  
P O Box 58  
Spring, Texas 77283-0058

**DUE DATE:** Jun 4, 2007

City of Houston  
Utility Customer Service  
4200 Lindberg  
Houston, Texas 77023

- FOR BILLING INQUIRY 3-CALL MARIA GARRILLO AT (713) 671-1072-



# CITY OF HOUSTON

Public Works and Engineering  
Department

Bill White

Mayor

Michael S. Marston, P.E., D.E.  
Director  
P.O. Box 4883  
Houston, Texas 77210-4883  
www.houstontx.gov

June 13, 2007

Community Utility Company  
Attention: Lisa Mendoza  
P O Box 68  
Spring, Texas 77383-0068

Rec. Acct. No. 7089-3020-4017  
GFS No. 7620-05

## INVOICE FOR MAY 2007 GMP PARTICIPATION

DUE DATE: July 3, 2007

|               |                 |               |              |
|---------------|-----------------|---------------|--------------|
| Read 05-10-07 | 9,713,800 gals. | Read 05-01-07 | 71,700 gals. |
| Read 05-01-07 | 9,708,800 gals. | Read 05-10-07 | 71,700 gals. |
|               | 6,800 gals.     |               | 71,700 gals. |

|               |               |   |
|---------------|---------------|---|
| Read 05-01-07 | 813,000 gals. | New meter installation, * Take out read = new read. |
| Read 05-01-07 | 228,000 gals. |   |
|               | 585,000 gals. |   |

|              |         |         |     |          |
|--------------|---------|---------|-----|----------|
| Total Meters | 685,800 | \$1.475 | 30% | \$284.88 |
|--------------|---------|---------|-----|----------|

|                  |          |
|------------------|----------|
| Total Amount Due | \$284.88 |
|------------------|----------|

Payment is due and payable on or before 30 days after the date of the mailing of this bill. If any bill is not paid in full on or before the due day, there shall be added thereto ten percent of the amount thereof as a charge for late payment.

IN REMITTING, PLEASE MAKE CHECK PAYABLE TO: CITY OF HOUSTON  
PLEASE NOTE OUR NEW REMIT TO ADDRESS

City of Houston  
Utility Customer Service  
4300 Leeland  
Houston, Texas 77023

FOR BILLING INQUIRIES CALL MARIA CARRILLO AT (713) 371-1072.

Violation No. 1726

## COMPROMISE AND SETTLEMENT AGREEMENT

- I. On this, the 17<sup>th</sup> day of June, the Harris-Galveston Subsidence District, hereinafter called the "District," offers to compromise and settle a claim the District may have against COMMUNITY UTILITY CO. for alleged violations of Chapter 151, Water Code, and rules promulgated by the District thereunder. It is the intent of the parties to this instrument that this agreement extends to and covers only the following specific instance:

During the permit period of November 1, 2003 through October 31, 2004, Well No. 1751 exceeded the 10.0 MG of authorized groundwater withdrawal by 0.6 MG, constituting a violation of District Rule 3.2.

- II. It is acknowledged that this Agreement does not limit nor bind the District with respect to violations of the law or the District's Rules, Permits or Orders occurring at any site other than that set forth in Paragraph I, nor does this Agreement limit nor bind the District with respect to other violations of the law or the District's Rules, Permits or Orders.

- III. In consideration for the District's agreement to settle in lieu of litigation COMMUNITY UTILITY CO. hereby agrees to pay to the District the sum of Two Hundred Eighty Nine Dollars and Fifty Cents (\$289.50) on or before thirty (30) days from the date of this offer. Failure to do so may be construed as non-acceptance of this offer.



Violation No. 1736

Approved as to form and substance:

HARRIS-CLAYTON NON COASTAL SUBSIDENCE DISTRICT

JAN 27, 2006

(Date)

Ronald J. Neighbors, General Manager

7/7/2006

(Date)

[Signature]

(Signature)

Michael Martin - COO-NEC

(Name and Title)

For:

COMMUNITY UTILITY COMPANY

Subscribed and sworn to on this 7th day of July, 2006, to-wit:

as witnessed by my hand and seal of office.



[Signature]

Notary Public in and for the State of Texas

COPY

Violation No. 1771

## COMPROMISE AND SETTLEMENT AGREEMENT

- I. On this, the 27<sup>th</sup> day of June, the March-Cabrera Subdivision District, hereinafter called the "District," offers to compromise and settle a claim the District may have against COMMUNITY UTILITY CO. for alleged violations of Chapter 151, Water Code, and rules promulgated by the District thereunder. It is the intent of the parties to this instrument that this agreement extends to and covers only the following specific instance:

During the period of November 1, 2004 through October 31, 2004, WUEH MY. CUPC expended the 100 MG of water right water withdrawal by 1.2 MG, constituting a violation of District Rule 5.2.

- II. It is acknowledged that this Agreement does not limit nor bind the District with respect to violations of the law or the District's Rules, Policies or Orders occurring at any time other than the ones set forth in Paragraph I, nor does this Agreement limit nor bind the District with respect to other violations of the law or the District's Rules, Policies or Orders.
- III. In consideration for the District's agreement to settle in Bar of Litigation COMMUNITY UTILITY CO. hereby agrees to pay to the District the sum of Three Hundred Four Dollars (\$304.00) on or before thirty (30) days from the date of this offer. Failure to do so may be construed as non-acceptance of this offer.

 COPY

Violation No. 172

Approved as to form and substance:

## HARRIS-GALVESTON COASTAL SUBSIDENCE DISTRICT

June 20, 2006  
(Date)Ronald J. Neighbors, General Manager7/1/2006  
(Date)[Signature]  
(Signature)MICHAEL MARTIN - OWNER  
(Name and Title)

For:

Community Utility CompanySubscribed and sworn to me this 7th day of July, 2006, to certify  
as witnessed by the hand and seal of office.[Signature]  
Notary Public in and for the State of Texas

COP





# Permit Fee Statement

No. 163851

North-Galveston Subdivision District  
1880 West Bay Area Blvd.  
Frisco, TX 77445-3540  
Phone: (214) 488-1105 Fax: (214) 218-7700

PLEASE RETURN BOTTOM PORTION OF STATEMENT WITH YOUR PAYMENT

Community Utility Co./CON  
ATTN:  
C/O:  
P.O. Box 28  
Spring, TX 77383

PAYMENT DUE \$187.05

BILLING DATE: July 19, 2005

PAYMENT DUE WITHIN 45 DAYS OF BILLING DATE

AGGREGATE LEAD WELL NO : 1751 NO. OF WELLS: 1  
TERM November 1, 2005 THROUGH January 31, 2007  
AMOUNT PERMITTED 12.9 MILLION GALLONS  
PERMIT FEE RATE \$14.50 - PER MILLION GALLONS

## MINIMUM BILLING AMOUNT \$14.50 PER YEAR

THE BOARD OF DIRECTORS HAS AUTHORIZED THE BILLING OF THE PERMIT FEE UPON RECEIPT OF YOUR REMITTANCE. SHOULD PAYMENT NOT BE RECEIVED WITHIN FORTY FIVE (45) DAYS, YOU MAY BE CONSIDERED TO BE VIOLEATING LOCAL LAWS WITHOUT A VALID PERMIT WHICH IS A VIOLATION OF THE LAW SUBJECT TO A PENALTY OF \$50 TO \$100 FOR EACH VIOLATION AND FOR EACH DAY OF VIOLATION IN ACCORDANCE WITH SECTION 181.186, WATER CODE

## PLEASE RETURN THIS SLIP WITH PAYMENT

Payable To: North-Galveston Subdivision District  
1880 West Bay Area Blvd.  
Frisco, TX 77445-3540  
Phone: (214) 488-1105 Fax: (214) 218-7700

Fee No.: 163851  
Well No.: 1751  
Amount Due: \$187.05

Community Utility Co./CON: TERM:  
ATTN: November 1, 2005 THROUGH January 31, 2007  
C/O:

P.O. Box 28  
Spring, TX 77383

Name/Addr. Change

Address Change

Phone Change



# Permit Fee Statement

No. 183882

North-Central Subdivision District  
 1842 West Bay Area Blvd.  
 P.O. Box 68  
 Spring, TX 77383  
 Phone: (281) 498-1100 Fax: (281) 218-3700

PLEASE RETURN BOTTOM PORTION OF STATEMENT WITH YOUR PAYMENT

Community Utility Co./COH  
 ATTN:  
 C/O  
 P.O. Box 68  
 Spring, TX 77383

PAYMENT DUE \$188.95

BILLING DATE: July 12, 2006

PAYMENT DUE WITHIN 45 DAYS OF BILLING DATE

AGGREGATE LEAD WELL NO.: 8295

NO. OF WELLS: 1

TERM

November 1, 2005 THROUGH January 31, 2007

AMOUNT PERMITTED:

12.1 MILLION GALLONS

PERMIT FEE RATE:

\$14.80 - PER MILLION GALLONS

MINIMUM BILLING AMOUNT \$14.80 PER YEAR

THE BOARD OF DIRECTORS HAS AUTHORIZED THE ISSUANCE OF THE PERMIT UPON RECEIPT OF YOUR  
 PAYMENT. SHOULD PAYMENT NOT BE RECEIVED WITHIN THE 45 DAY PERIOD, YOU MAY BE CONSIDERED TO  
 BE VIOLATING THE ORDINANCE WITHOUT A VALID PERMIT TAKEN INTO ACCOUNT BY THE LAW SUBJECT TO A  
 PENALTY OF \$50 TO \$100 FOR EACH VIOLATION AND FOR EACH DAY OF VIOLATION IN ACCORDANCE WITH  
 SECTION 951.154, WATER CODE.

PLEASE RETURN THIS STUB WITH PAYMENT

North-Central Subdivision District  
 1842 West Bay Area Blvd.  
 P.O. Box 68  
 Spring, TX 77383  
 Phone: (281) 498-1100 Fax: (281) 218-3700

Fee No.: 183882  
 Well No.: 8295  
 Amount Due: \$188.95

Community Utility Co./COH  
 ATTN:

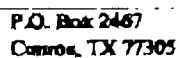
TERM:  
 November 1, 2005 THROUGH January 31, 2007

C/O  
 P.O. Box 68  
 Spring, TX 77383

Name/Attn: C. Hays

Address Change:

Phone Change:



|           |              |
|-----------|--------------|
| Date      | Invitation # |
| 1/14/2006 | 05-2006      |

City ID

Administrative Payment  
Administrative Address  
PO Box 28  
Spring, Texas 77383-0028

WALL LACROIX  
31487 Shattuck Lane  
Spring, TX

[illegible]

\* Indicates count of 1000 authors.

|                |                |
|----------------|----------------|
| Phone #        | ext            |
| (306) 494-3434 | (306) 904-3434 |

Visit our Website at [www.londoni.it](http://www.londoni.it)

[www.kennedykrieger.org](http://www.kennedykrieger.org)

## EXHIBIT E

# **B & D ENVIRONMENTAL, INC.**

UTILITY MANAGEMENT, OPERATIONS, AND CONSULTING

P.O. Box 90544  
Austin, Texas 78701

Phone (512) 264-9124  
Fax (512) 692-1967

June 19, 2008

Mr. Mitchell Maron, Jr.  
Martin Utility, Inc.  
27493 Hanna Road, Suite 2  
Couture, Texas 77005

Re: A proposal to provide a Water Rate/Tariff Change Application for Community Utility Company, Inc. Certificate of Convenience and Necessity No. 10350, in Harris and Montgomery Counties, Texas

Dear Mr. Maron,

B & D Environmental, Inc. is pleased to provide professional services to Community Utility Company, Inc. in a water rate application to be submitted to the TCEQ for its approval. We will work under your direction and will keep you or any other designated representative informed of our work. You will need to furnish us with full information and all pertinent data as requirements to complete the rate increase application.

We will need to review the following information so that we can prepare the rate increase application. Please contact us when the information request is ready so that we can arrange a meeting to review this information. We may also need to examine your plant facilities.

1. Number of connections for each month of the year 2007 and to date for 2008, by meter size.
2. Gallonage pumped (master meter readings) totals for the year 2007 and to date for 2008.
3. A copy of financial statements (income statement and balance sheet) for 2006 and 2007 year to date as current as possible for the water system.
4. A list or report of salaries and contract labor paid in 2007 and 2008 year to date including the person's name, amount paid, a short job description. Please include any planned or implemented changes for 2008.
5. Any changes that are known in regular operating expenses for the year 2008 or in the near future.
6. A listing of notes payable for the water system, including the lender, amount currently outstanding, and amount outstanding at 12/31/07; interest rate, pay-off date, and payment schedule.

Mr. Mitchell Martin, Jr.  
June 19, 2008  
Page 2 of 2

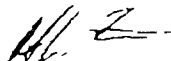
The fee for our professional services will be \$ 4,000. This fee includes the following items:

1. Review and categorize available financial documents into a form required to prepare a TCEQ rate/tariff change application
2. Inspect all plant sites if required and prepare a plant and equipment depreciation schedule from available cost data and/or from trending methods
3. Preparing a water rate/tariff application and file the application. Excluding filing fee
4. Preparing and providing you with the required customer notice that you will need to mail to each customer

This fee excludes the cost for attending any hearings (preliminary and/or evidentiary) that may be required with this application. The fee for us to attend any hearings in regards to this application will be reimbursable on a \$100 per hour basis plus any travel expenses. Rate for testifying in an evidentiary hearing, if required, is \$125 per hour. An initial retainer of \$1,000 will be required. The remainder of the balance will be due after the filing of the application with the TCEQ.

Should you have any questions please contact me at (512) 264-9124 or cell phone (512) 917-7541. We look forward to working with you.

Sincerely,



David W. Verner, III,  
D & D Environmental, Inc.

Accepted, Mr. Mitchell Martin, Jr.  
Community Utility Company, Inc

By: Mitchell Martin, Jr.

President  
Title  
6-19-08  
Date

EXHIBIT - P

## EXHIBIT F

## SECTION VIII - PRODUCTION &amp; CONSUMPTION INFORMATION - WATER

Please provide the following information regarding water utility operations over your selected twelve month "test year"

Table VIII

|  |     |            |         |
|--|-----|------------|---------|
| Total number of gallons pumped<br>(total meter meter reading for the year)           | (A) | 21,252,930 | Gallons |
| Total number of gallons purchased from another source for sale to customers (if any) | (B) |            | Gallons |
| Total number of gallons provided to customers (C)=(A)+(B)                            | (C) | 21,252,930 | gallons |
| Total number of gallons billed to your customers<br>(total customer consumption)     | (D) | 16,264,000 | gallons |
| System losses: $((C)-(D)) \times 100\% = (E)$  | (E) | N/A        | %       |
| Source of Purchased water  |     |            |         |

- Not all service connections are metered. The utility should have all service connections metered by January 1, 2009.  
Estimated gallons billed to customers based on usage of other systems in the area of 6000 gallons per connection per month. Calculation: 212 connections x 6000 gallons/connection/month x 12 months = 16,264,000 gallons

| Qty    | Month  | Production Numbers (in Gallons) |           |                     |           |                 |           |
|--------|--------|---------------------------------|-----------|---------------------|-----------|-----------------|-----------|
|        |        | Forest Manor                    |           | Heathergate Estates |           | Sweetgum Forest |           |
|        |        | Pumped                          | Purchased | Pumped              | Purchased | Pumped          | Purchased |
| 01     | Jul-06 | 810,600                         | 0         | 812,700             | 0         | 0               | 147,000   |
| 02     | Aug-06 | 848,400                         | 0         | 852,200             | 0         | 0               | 168,852   |
| 03     | Sep-06 | 788,400                         | 0         | 832,300             | 0         | 0               | 168,852   |
| 04     | Oct-06 | 727,300                         | 0         | 831,400             | 0         | 0               | 168,852   |
| 05     | Nov-06 | 708,000                         | 0         | 863,700             | 0         | 0               | 168,852   |
| 06     | Dec-06 | 867,700                         | 0         | 806,900             | 0         | 0               | 177,448   |
| 07     | Jan-07 | 880,900                         | 0         | 813,800             | 0         | 0               | 177,448   |
| 08     | Feb-07 | 834,000                         | 0         | 715,000             | 0         | 0               | 177,448   |
| 09     | Mar-07 | 853,800                         | 0         | 818,200             | 0         | 0               | 177,448   |
| 10     | Apr-07 | 528,000                         | 0         | 739,400             | 0         | 0               | 177,448   |
| 11     | May-07 | 711,000                         | 0         | 594,800             | 0         | 0               | 177,448   |
| 12     | Jun-07 | 617,000                         | 0         | 828,000             | 0         | 0               | 177,448   |
| Total: |        | 9,233,000                       | 0         | 9,856,400           | 0         | 0               | 2,084,632 |

EXHIBIT G

## EXHIBIT G

## POTABLE WATER SUPPLY AGREEMENT

THIS Agreement (the "Contract") is made and entered into as of this the 3<sup>rd</sup> day of JUNE 2008, by and between Aqua Utilities, Inc. d/b/a Aqua Texas ("Aqua"), and Community Utility, Inc. ("Community Utility").

WHEREAS, Community Utility is desirous of obtaining adequate and dependable water supply from Aqua to better serve Community Utility's residents; and

WHEREAS, Aqua has an existing potable water system and desires to assist Community Utility in serving potable water to Community Utility's customers pursuant to the terms set forth below

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, Aqua and Community Utility agree to the following terms and conditions:

- (a) "Annual Payment Period" means Aqua's fiscal year, which currently begins on January 1st of each calendar year and ends on December 31st of the same calendar year.
- (b) "System" means collectively the existing Aqua System and the future improvements of Aqua for water storage, treatment, transportation, distribution, and supply, including all properties or interests therein wherever located. Said terms do not include any of Aqua's facilities which provide wastewater treatment or disposal services, or solid waste disposal services, of any kind.

- (c) "Water Year" means the period of January 1<sup>st</sup> of each calendar year through December 31<sup>st</sup> of the same calendar year or such other twelve (12) month period designated by Aqua.
- (d) "Defined Facilities" are defined as follows: The lines, valves, meter pit and meter built and used to interconnect Aqua system to Community Utility system.
- (e) "Points of Delivery" are the two points where the water passes through the valve and meter and comes under control of Community Utility. See Section 6.

Section 2. CONSTRUCTION OF WATERLINE. Community Utility has designed, constructed and paid for all costs associated with the Defined Facilities. Community Utility has obtained all permit and regulatory approvals for the construction of the facilities. The facilities shall be under the control and operation of Aqua during the term of this agreement. Upon termination of this agreement, the facilities will revert to the control and operation of Community Utility.

Section 3. QUANTITY. Aqua agrees to sell and deliver treated water under this Contract to Community Utility at the Points of Delivery as described in Section 6 hereof. Community Utility agrees to take at the Point of Delivery all water required for use by Community Utility during the term of this Contract, including all treated water for Community Utility's own use and distribution to any customers served by Community Utility's water distribution system. "All water" shall be water needed to meet the ordinary retail public utility demands of Community Utility's retail water customers in the areas delineated in the attached Exhibit "A" (the "Service Area").



Aqua presently has excess system capacity available to it during routine operation sufficient to satisfy Community Utility's quantity requirements under this Contract. Aqua will use its best efforts to furnish and remain in a position to furnish treated water sufficient for reasonable water requirements of Community Utility to serve the Service Area, but its obligation shall be limited to the amount of treated water available to it from the System during routine operation. If treated water from the System must be rationed, such rationing shall, within the limits permitted by law, be done by Aqua at Aqua's sole discretion. The maximum daily supply shall be 6,000 gallons per day unless modified by the parties.

**Section 4. OTHER CONTRACTS.** Aqua reserves the right to supply treated water from the System to additional or other contracting parties as determined by Aqua in its sole discretion.

**Section 5. QUALITY.** The water to be delivered by Aqua and received by Community Utility shall be treated water from the System. Community Utility has satisfied itself that such water will be suitable for its needs, but Aqua is obligated to treat such water so as to meet the standards of all State and Federal agencies having jurisdiction over water quality. Aqua and Community Utility shall cooperate, each within its legal powers, in preventing, to the extent practicable, the pollution and contamination of the wells and watersheds from which System water is obtained.

**Section 6. POINTS OF DELIVERY.** The Points of Delivery shall be at one 2" meter Community Utility has constructed and shall maintain, at its own cost and expense, all facilities and equipment necessary to receive and take all treated water

delivered to it under this Contract. All facilities and equipment must be inspected and approved by Aqua.

**Section 12. MEASURING EQUIPMENT.** Community Utility shall furnish and install at its own expense at the Point of Delivery the necessary rate of flow equipment of a standard type, approved by Aqua, for properly measuring the quantity of treated water delivered under this agreement. Such equipment shall be under the sole control of Aqua during the term of this agreement. Community Utility shall have access to the metering equipment at all reasonable times, but the reading, calibration, and adjustment thereof shall be done only by the employees or agents of Aqua. For the purpose of this agreement, the original record or reading of the meter shall be the journal or other record book of Aqua, in its office, in which the records of the employees or agents of Aqua who take the reading may be transcribed. Upon written request of Community Utility, Aqua will send it a copy of such journal or record book, or permit it to have access to the same in the office of Aqua during reasonable business hours.

If either party at any time observes a variation between the delivery meter and the check meter or meters (if any such check meter or meters shall be installed) such party will promptly notify the other party, and the parties hereto shall then cooperate in procure an immediate calibration test and joint observation of any adjustment and the same meter or meters shall then be adjusted to accuracy. Each party shall give the other party forty-eight (48) hour notice of the time of all tests of meters so that the other party may conveniently have a representative present.

If upon any test, the percentage of inaccuracy of any metering equipment is found to be in excess of five percent (5%), registration thereof shall be corrected for a period

extending back to the time when such inaccuracy began, if such time is ascertainable, and if such time is not ascertainable, then for a period extending back one-half ( $\frac{1}{2}$ ) of the time elapsed since the last date of calibration, but in no event further back than a period of six (6) months. If for any reason any meters are out of repair so that the amount of water delivered cannot be ascertained or computed from the reading thereof, the water delivered during the period such meters are out of service or out of repair shall be estimated and agreed upon by the parties hereto upon the basis of the best data available. For such purpose, the best data available shall be deemed to be the registration of any check meter or meters if the same have been installed and are accurately registering. Otherwise, the amount of water delivered during such period may be estimated (i) by correcting the error if the percentage of the error is ascertainable by calibration tests or mathematical calculation, or (ii) estimating the quantity of delivery by delivery during the preceding periods under similar conditions when the meter or meters were registering accurately.

Community Utility may, at its option and its own expense, install and operate a check meter to check the rate and quantity of flow, provided that the measurement of water for the purpose of this agreement shall be solely by the meter under Aqua control, except in the cases hereinabove specifically provided to the contrary. All such check meters shall be of standard make and shall be subject at all reasonable times to inspection and examination by any employee or agent of Aqua, but the reading, calibration and adjustment thereof shall be made only by Community Utility, except during any period when a check meter may be used under the provisions hereof for measuring the amount of water delivered, in which case the reading, calibration, and adjustment thereof shall be

made by Aqua with like effect as if such check meter or meters had been furnished or installed by Aqua.

Section 8. UNIT OF MEASUREMENT. The unit of measurement for treated water delivered under this Contract shall be 1,000 gallons of water, U. S. Standard Liquid Measure.

Section 9. PRICE AND TERMS. The service to be performed under this Contract by Aqua consists of the delivery of water in accordance with the provisions of this Contract. All water provided to Community Utility under this Contract shall be at Aqua's tariff rates in effect for commercial users based upon actual usage and meter size. This water rate shall remain in place until rates are changed upon approval by the Texas Commission on Environmental Quality.

Aqua will bill Community Utility on the fifteenth (15<sup>th</sup>) of each month for actual water meters since the day of the previous month's reading and for payment of the Base Charge. Such payment will be due on or before twenty one (21) days after the invoice is postmarked. In the event that Community Utility shall fail to make any such monthly payment or annual payment within the time herein in this section specified, interest on such amount shall accrue at the rate of ten percent (10%) per annum from the date such payment becomes due until paid in full with the interest as herein specified. In the event such payment is not made within thirty (30) days from the date such payment became due, Aqua may at its option discontinue delivery of water until the amount due Aqua is paid in full with penalty as herein specified.

Section 10. TERM OF CONTRACT. This contract shall continue in force and effect until terminated as provided in this section. The initial period shall be one year

from execution date. Thereafter, the parties agree to negotiate in good faith to attempt to enter into a contract for additional periods; however, it is expressly agreed that unless a mutual agreement is reached in writing, this Contract shall terminate one year from execution date.

Section 11. MODIFICATION. This Contract may be changed or modified only with the consent of the governing bodies of both parties. No such changes or modifications may be made which will affect adversely the prompt payment when due of all moneys required to be paid by Community Utility under the terms of this Contract.

Section 12. FORCE MAJEURE. If by reason of force majeure any party hereto shall be rendered unable wholly or in part to carry out its obligations under this Contract, other than the obligation of Community Utility to make the payments required under Section 9 of this Contract, then if such party shall give notice and full particulars of such force majeure in writing to the other party within a reasonable time after occurrence of the event or cause relied on, the obligation of the party giving such notice, insofar as it is affected by such force majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, any such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "Force Majeure" as employed herein shall mean acts of God, strikes, lock-outs, or other industrial disturbances, acts of public enemy, order of any kind of the Government of the United States, or the State of Texas, or any civil or military authority, insurrection, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, armistices, restoration of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water

supply, or on account of any other cause not reasonably within the control of the party claiming such inability.

Section 13. REGULATORY BODIES AND LAWS. This Contract is subject to all applicable Federal and State Laws and any applicable permits, ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having or asserting jurisdiction, but nothing contained herein shall be construed as a waiver of any right to question or contest any such law, ordinance, order, rule, or regulation in any forum, having jurisdiction.

Section 14. NOTICES. Unless otherwise provided herein, any notice, communication, request, reply, or advice (herein severally and collectively, for convenience, called "Notice") herein provided or permitted to be given, made, or accepted by any party to any other party must be in writing and may be given or be served by delivering the same to an officer of such party, or by overnight delivery by a reputable company when proof of receipt is received, addressed to the party to be notified. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice the address of the parties shall, until changed as hereinafter provided, be as follows:

|            |                                     |
|------------|-------------------------------------|
| IF to Aqua | Attention to: Robert L. Laughman    |
|            | Company: Aqua Texas, Inc.           |
|            | Address: 1106 Clayton Ln. Ste. 400W |
|            | City/State/Zip: Austin, TX 78723    |
|            | Telephone: (512) 990-4400           |
|            | FAX: (512) 990-4410                 |

## If to Community Utility:

Attention to: Mitchell Martin, Jr  
Company: Martin Utility, Inc  
Address: 27493 Hanna Rd #2  
City/State/Zip: Cowdree, TX 77385  
Telephone: (281) 444-7747  
FAX: (281) 292-4479

The parties hereto shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address by at least fifteen (15) days written notice to the other parties hereto.

**Section 15. SEVERABILITY.** The parties hereto specifically agree that in case any one or more of the sections, sub-sections, provisions, clauses, or words of this contract or the application of such sections, sub-sections, provisions, clauses, or words to any situation or circumstance should be, or should be held to be, for any reason, invalid or unconstitutional, under the laws or constitutions of the State of Texas or the United States of America, or in contravention thereof, such invalidity or unconstitutionality shall not affect any other sections, sub-sections, provisions, clauses, or words of this Contract or the applications of such sections, or circumstance, and it is intended that this Contract shall be severable and shall be construed and applied as if any such clause, or word had not been included herein, and the rights and obligations of the parties hereto shall be construed and remain in force accordingly.

**Section 16. VENUE.** All amounts due under this Contract, including, but not limited to, payments due under this Contract or damages for the breach of this Contract, shall be paid and be due in Montgomery County, Texas. It is specifically agreed by the parties to this Contract that Montgomery County, Texas, is a principal place of

performance of this Contract. Venue over civil law causes of action shall be vested in the courts of Montgomery County, Texas.

Section 17 OTHER CONDITIONS AND PROVISIONS

- (a) Title to Water. Title to all water supplied by Aqua pursuant to this Contract shall be in the name of Aqua up to the Point of Delivery, at which point title shall pass to Community Utility.
- (b) Indemnification. Community Utility shall be solely responsible to provide water service to customers of its system at adequate flow rates and pressures and Aqua shall not have any responsibility to Community Utility, or any customer of Community Utility, for any costs, expenses, damages, liability, loss, claims, suits, or proceedings of any nature arising out of alleged inadequate water pressure or alleged inadequate flow rate in Community Utility's water system, including but not limited to any claim arising out of a claim of inadequate water pressure or inadequate flow rate when utilizing fire protection. Community Utility shall save and hold Aqua (other than Aqua) harmless from all claims, demands, and causes of action which may be asserted by anyone on account of the transportation and delivery of said water.
- (c) Planned service interruptions that would impact Community Utility may be required in the course of operation, repair or maintenance of the System. Aqua shall provide Community Utility with reasonable advance notice of any planned service interruptions.
- (d) "As Built" Engineering Construction Plans. Community Utility agrees to provide Aqua Texas with one (1) set of 11" x 17" "As Built"



similar engineering construction plans for each point of delivery connection.

Section 18 WATER CONSERVATION. Community Utility agrees to adopt and enforce any and all regulations generally related to water conservation as required by the Aqua, in the event such measures are reasonably required.

Section 19 OTHER CHARGES. In the event any sales or use taxes, or any other tax assessment, or charge of any nature is imposed on diverting, storing, delivering, gathering, impounding, taking, selling, using or consuming the water as contemplated herein, the same shall be passed through to Community Utility in addition to any and all other rates charged pursuant to this Agreement.

Section 20 NO THIRD PARTY BENEFICIARIES. This Agreement does not create any third party benefits to any person or entity other than the signatories hereto, and is solely for the consideration herein expressed. No existing or potential customer of Aqua or Community Utility shall have any right, title or interest in and to this Agreement.

IN WITNESS WHEREOF, the parties hereto acting under the authority of their respective governing bodies have caused this Contract to be duly executed in several counterparts, each of which shall constitute an original, all as of the day and year first above written, which is the date of this Contract.

AQUA UTILITIES, INC. ~~and~~ AQUA TEXAS, INC.

By: \_\_\_\_\_  
Robert Laughman  
President, Aqua Texas

COMMUNITY UTILITY, INC.

By: Mitchell M. Martin, Jr.  
Mitchell Martin, Jr.  
President, Martin Utility, Inc

Buddy Garcia, *Chairman*  
Larry R. Soward, *Commissioner*  
Bryan W. Shaw, Ph.D., *Commissioner*  
Mark R. Vickery, P.G., *Executive Director*



## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

November 13, 2008

Mr. Bret W. Fenner, P.E.  
B & D Environmental, Inc.  
P.O. Box 58  
Spring, Texas 78383

Re: Water Rate/Tariff Change Application of Community Utility Company, Certificate of Convenience and Necessity No. 10350 in Harris and Montgomery Counties; Application No. 36103-R

CN: 603180696; RN: 101458933

Dear Mr. Fenner:

We are currently conducting an audit of the books and records for Community Utility Company. Please provide the information requested in this letter to the Texas Commission on Environmental Quality (TCEQ), Attn: Heidi Graham, at 12100 Park 35 Circle, Building F, Water Supply Division, Austin, Texas 78753, no later than 20 days from the date of this letter in accordance with 30 Texas Administrative Code Section 291.28(4) and the Texas Water Code Chapter 13.187(c). Failure to timely provide this information may result in disallowance of expenses in the rate application.

Please provide the records requested below regarding Community Utility Company's cost of providing service. Unless otherwise specified, the requested records are for the test year, July 1, 2006 through July 1, 2007:

- ✓ 1. General ledgers for the test year. Also, please include the general ledgers for the known and measurable changes for the remainder of 2007 and for the year 2008;
- ✓ 2. Copies of Community Utility Company's Balance Sheet and Profit and Loss Statements;
- ✓ 3. Copies of Income Tax Returns, W-2s, and 1099s for salaries and contract labor;
- ✓ 4. Copies of all contracts with Martin Utilities, Inc. and any other affiliated companies, if any;
5. Copies of insurance policies and property taxes;
- ✓ 6. Copies of the 1% regulatory assessments paid to TCEQ in 2006, and 2007;

November 13, 2008

7. Invoices and documentation for the following items listed in the Application on page 13:
- Purchased Water for \$11,425. Please indicate the amount approved by the Commission for pass-through thru rates, if any;
  - Chemicals and treatment for \$1,320;
  - Utilities for \$5765;
  - Repairs & Maintenance for \$12,566;
  - Accounting and Legal for \$1,350;
  - Regional Water Authority & Groundwater Reduction Fees;
  - Rate Case Expenses for \$2,000;
  - Property and other taxes for \$3,125;
  - Miscellaneous for \$680; and,
  - Other revenues for \$250.

8. Please provide a detailed itemization and invoices of the rate case costs to date which indicate the date(s) of service, the amount of time spent, hourly fee (if applicable), and the total amount billed. *add 12*

9. Please explain in detail all the factors that were considered when designing the proposed water rates.

10. Please produce all invoices (showing installation dates, original costs, and capacities) for the assets listed in the depreciation schedule in the rate application. Please differentiate in your answer whether the asset amount was paid for by the developer, the utility or the customer.

11. For any item listed in the depreciation schedule that has been trended, please provide documentation showing that the asset was paid for either by the utility, by any developers, or by customer contributions in aid of construction.

12. If the applicant did not use the rate of return calculation worksheet, please explain how the 12% rate of return was determined to be appropriate and calculated.

13. Monthly summary of water gallons billed, pumped, and purchased for each system listed in the Application;

14. Please explain in detail how the last rate increase was used, which systems benefited, and what work, if any was completed;

15. Please provide the total number of service meters installed to date and the number of service meters pending installation. *needed*

16. Please provide supporting documentation for the \$600.00 tap fee; and,

Mr. Bret W. Fenner., P.E.

Page 3

November 13, 2008

17. A copy of a few of the customer bills showing meter consumption. Please randomly select 10 customers.
18. Copies of invoices and supporting documentation for the cost of service listed in the rate application that are \$300.00 or more.
19. For each employee or contract laborer of the utility, please provide the following:
  - a. Name of the employee or contract laborer;
  - b. Hire date, and if the employee or contract laborer is no longer working for the utility, indicate the date employment ended;
  - c. Rate per hour of the employee during the 12-month test year and the ending rate per hour within 12 months after the test year; and,
  - d. Number of hours worked per week and a detailed description of the contract laborer's or employer's duties.

If you have any further questions, please contact me at 512/239-0844 or Ms. Elizabeth Flores at (512) 239-6846, or if by written correspondence, include MC 153 in the letterhead address.

Sincerely,



Heidi Graham  
Utilities & Districts Section  
Water Supply Division

cc: Community Utility Company, P.O. Box 58, Spring, Texas 78383

FIRST CHOICE POWER - AG  
PO BOX 659614  
SAN ANTONIO, TX 78265-9614

First Choice Power  
Simply Better

PUCT RETAIL LICENSE #: 10008

| ACCOUNT NO.    | CHECK HERE TO FUND BILL PAYMENT ASSISTANCE PROGRAM   | DUE ON RECEIPT PAST DUE AFTER | AMOUNT DUE  | AMT PAID  |
|----------------|--|-------------------------------|-------------|-----------|
| 6389846-967073 | — \$1 — \$2 — OTHER \$ —<br>ONE-TIME ——— MONTHLY ——— | JUL 02, 2007                  | TRANSFERRED | SS02 3090 |

DETAIL BILL  
DO NOT RETURN THIS STUB  
RETURN STUB FROM SUMMARY PAGE

MARTIN UTILITY INC  
PO BOX 1383  
SPRING, TX 77383

PLEASE RETURN THIS PORTION WITH YOUR PAYMENT

SERVICE FOR: MARTIN UTILITY INC  
20703 1/2 BERRY THICKET

BILL DATE  
06/01/07

ACCOUNT NO  
6389846-967073

The average price you paid for electric service this month is \$0/KWH

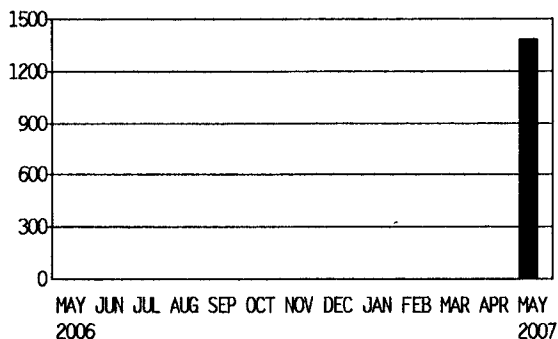
DO NOT PAY FROM THIS STATEMENT. Balance was transferred to your summary account.

You may pay your bill using an electronic check, ATM/debit card, or credit card by calling 1-800-529-0096. Billmatrix is the provider of this service, and a fee of \$4.95 will apply.

#### PREVIOUS BILL NOTICE

Previous amounts left unpaid could result in termination of service. It appears you may have overlooked paying your previous bill. This statement includes an amount from a prior billing period. The 'PAST DUE AFTER' date shown above does not extend the due date for the payment of the previous bill amount. Should you have any questions, contact your local office.

#### YOUR ELECTRICITY USAGE (KWH)



#### BILLING SUMMARY

##### CURRENT ACCOUNT ACTIVITY

TOTAL CURRENT 0.00

##### SUMMARY OF ACCOUNT ACTIVITY

NET PREVIOUS BALANCE 182.36  
CURRENT UTILITY AMT (FROM ABOVE) 0.00

Thank You!

AMOUNT DUE

182.36

ESI-ID's: 1008901011554001166100

ELMS

FOR BILLING INQUIRIES CALL: 1-866-469-2464 FIRST CHOICE POWER  
FOR POWER OUTAGES CALL: 1-800-332-7146 CENTERPOINT ENERGY

First Choice Power  
Simply Better