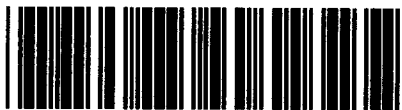




Control Number: 44001



Item Number: 47

Addendum StartPage: 0

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

44001

RECEIVED

2014 DEC 22 AM 7:43

PUBLIC UTILITY COMMISSION
FILING CLERK



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

RECEIVED
TCEQ
WATER SUPPLY DIV.
2011 FEB 28 PM 11 20

ADMINISTRATIVE REVIEW OF YOUR CCN APPLICATION

- ☐ Your application will be reviewed for completeness by the Commission staff within ten (10) working days after it is received in our offices.
- ☐ Proposed notice forms are included with the application.
- ☐ If the application is administratively incomplete, you will be sent a letter that outlines the application's deficiencies and describes what is needed to correct the deficiencies. After receiving that letter, you will have thirty (30) days to make the necessary corrections.
If you fail to make the corrections in full,
 - (a) the application will be returned,**
 - (b) the application fee will be forfeited, and**
 - (c) if you are already operating a system, you will be referred for enforcement action which may include administrative penalties of up to \$500 per day.**

NOTICE

The Commission cannot grant a CCN until proper notice of the application has been given. **It is the applicant's responsibility to ensure that proper notice is given.** Notice forms for publication, neighboring cities and systems, customers, and landowners are included with this application to use as a template in preparing your proposed notices. These notice forms are also available in Spanish upon request. If the applicant is an operating IOU currently providing service without a CCN, then proposed notices must be provided for publication, to neighboring cities and systems, landowners with 25 acres or more, and current customers in the proposed service area. **All three forms must be completed and submitted with the application.** However, if the applicant has no customers in the proposed area at the time of filing and is only proposing to provide service at some future date, or if the applicant is a WSC or political subdivision, then only the notices for landowners with 25 acres or more, publication and neighboring cities and systems must be submitted. **Do not publish the notice or send copies of the proposed notices or maps to anyone before submitting this application to the Commission.** Your proposed notices and maps will be reviewed for completeness. **When your application is accepted for filing, you will be directed to provide the appropriate notices for publication, to the neighboring cities and systems and, if necessary, to current customers.**

TECHNICAL REVIEW OF YOUR CCN APPLICATION

When the application is accepted for filing, you will be notified by mail and will be required:

- ☐ to publish notice once each week for two (2) consecutive weeks in a newspaper of general circulation in your local area and county. If the proposed area is in more than one county, publication in each county is required;
- ☐ to provide individual notice with a copy of the proposed CCN map to neighboring cities and systems within:
 - a) two (2) miles of your proposed service area, if you are an existing retail public utility amending the existing service area, **or**
 - b) five (5) miles if you are obtaining a new CCN to serve a new service area, and
- ☐ to provide individual mailed notice with a copy of the proposed CCN map to all affected current customers if you are required to have a CCN but are currently providing service without a CCN.

If the application is **technically incomplete**, you will be sent a letter that outlines the application's deficiencies and describing what you need to do to correct the deficiencies. After receiving that letter, you will have ***thirty (30)*** days to make the necessary corrections. **If you fail to make the corrections in full:**

- a) the application will be returned,**
- b) the application fee will be forfeited, and**
- c) if you are already operating a system, you will be referred for enforcement action which may include administrative penalties of up to \$500 per day.**

V.T.C.A. Water Code Section 13.246(c) requires the Commission to consider the following factors before it can issue a CCN:

- ☐ the adequacy of service currently provided to the requested area;
- ☐ the need for additional service in the requested area, including whether any landowners; prospective landowners, tenants, or residents have requested service;
- ☐ the effect of the granting of a certificate or amendment on the recipient of the certificate or amendment, on the landowners in the area, and on any retail public utility of the same kind already serving the proximate area;
- ☐ the ability of the applicant to provide adequate service, including meeting the standards of the commission, taking into consideration the current and projected density and land use of the area;
- ☐ the feasibility of obtaining service from an adjacent retail public utility;
- ☐ the financial stability of the applicant to pay for the facilities necessary to provide continuous and adequate service and the financial stability of the applicant including, if applicable, the adequacy of the applicant's debt-equity ratio;
- ☐ environmental integrity;
- ☐ the probable improvement of service or lowering of cost to consumers in that area resulting from the granting of the certificate or amendment; **AND**
- ☐ the effect on the land to be included in the certificated area.

In addition to these factors,

- ☐ the Commission must ensure that the applicant possesses the financial, managerial, and technical capability to provide continuous and adequate service **AND**
- ☐ the applicant must also demonstrate that regionalization or consolidation with another retail public utility is not economically feasible.

If there are **no protests**, you will be provided a copy of the technical staff recommendation and proposed CCN. If you have any questions or concerns, you should contact the technical staff person assigned to your application immediately. If you disagree with the staff recommendation and/or proposed CCN, the application will be considered contested, and a hearing may be requested.

If the application is **contested and a hearing is requested**, the application may be referred to the State Office of Administrative Hearings (SOAH). During the preliminary hearing, the presiding Administrative Law Judge (ALJ) may give the parties time to negotiate a settlement. Alternative Dispute Resolution (ADR) is available upon request of all of the parties. If a settlement is reached, the application will be remanded to staff for administrative processing. If a settlement is not reached, a discovery schedule and a date for an evidentiary hearing will be set. The ALJ will take testimony from each party and present a report to the Commission to consider in making a final decision on the application.

The completed application and copies should be sent to:

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

★★★THIS APPLICATION IS NOT A RATE CHANGE APPLICATION.
THE APPROPRIATE FORMS NEEDED TO FILE A RATE CHANGE
APPLICATION MAY BE OBTAINED BY CONTACTING THE
UTILITIES AND DISTRICTS SECTION, TEXAS COMMISSION ON
ENVIRONMENTAL QUALITY. ★★★



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

*CN# 603180696

*RN# 101458933

*If known (See Instructions)

PURPOSE OF THIS APPLICATION

OBTAIN New Water CCN New Sewer CCN

AMEND X Water CCN# X Sewer CCN#

APPLICANT INFORMATION

Utility Name: Community Utility Company

Utility Address (city/state/zip): P.O. Box 58, Spring, Texas 77383

Utility Phone Number (281) 367-4460 Fax (281) 292-439

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

Name: Les Romo Title Attorney

Address: 307 Shannon Lane Telephone (512) 868-5600

City Georgetown St. Texas Zip 78628

E-mail: lesromo.lawoffice@gmail.com Fax (512) 863-0452

County (ies) in which service is proposed: Harris & Montgomery

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

X Investor owned utility

 Individual

 Home or Property Owners Association

 Partnership

 For-profit corporation

 Non-profit, member-owned, member-controlled cooperative corporation

(Water Code Chapter 67, Water Supply or Sewer Service Corporation)

 Municipality

 District

 Other Please Explain:

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

i. Provide a copy of the corporation's "Certification of Account Status" from the Texas State Comptroller of Public Accounts. (See Attachment A)

ii. Provide the corporation's charter number as recorded with the Office of the Texas Secretary Of State 0800689273

iii. Provide a listing of all stockholders and their respective percentages of ownership.

iv. Provide a copy of the company's organizational chart, if available.

v. Provide a list of all directors and disclose the tile of each individual.

vi. Provide a list of all affiliated organizations (if any) and explain the relationship with the applicant.

- C. If the applicant is a Water Code Chapter 67 water supply or sewer service corporation:
- Provide a copy of the Articles of Incorporation and By-Laws.
 - Provide the corporation's charter number as recorded with the Office of the Texas Secretary of State.
 - Identify all members including name, address, title, and telephone number.
 - Provide a copy of the corporation's Certificate of Account Status from the Texas Comptroller of Public Accounts.

2. LOCATION INFORMATION

- A. Are there people already living in the proposed area?

YES X NO

If YES, are any currently receiving utility service?

YES NO X if YES, from whom? _____

Demonstrate the Need for Service by providing the following:

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

YES NO X if YES, provide the following: **(See Attachment B)**

- Describe the service area and circumstances driving the need for service in the requested area. Indicate the name(s) and address(es) of landowner(s), prospective landowner(s), tenant(s), or resident(s) that have requested service; and/or
- Describe the economic need(s) for service in the requested area (i.e. plat approvals, recent annexation(s) or annexation request(s), building permits, septic tank permits, hospitals, etc.); and/or
- Discuss in detail the environmental need(s) for service in the requested area (i.e. failing septic tanks in the requested area, fueling wells, etc.); and/or
- Provide copies of any written applications or requests for service in the requested area; and/or
- Provide copies of any reports and/or market studies demonstrating existing or anticipated growth in the requested area. If no, please justify the need for service in the proposed area.
- If none of these items exist or are available, please justify the need for service in the proposed area in writing.

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

- C. Is any portion of the proposed service area inside an incorporated city or district?

YES NO X

If YES, within the corporate limits of: _____

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

- D. Is any portion of the proposed service area inside another utility's CCN area?
YES _____ NO X____
If YES, has the current CCN holder agreed to decertify the proposed area?
YES _____ NO _____
If NO, are you seeking dual or single certification of the area? Explain why
decertification of the area is in the public interest. _____
-

3. MAP REQUIREMENTS:

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

- A. A general location map delineating the proposed service area with enough detail to accurately locate the proposed area within the county. **(See Attached Maps)**
- B. A map showing only the proposed area by:
- metes and bounds survey certified by a licensed state or register professional land surveyor; or
 - projectable digital data with metadata (proposed areas should be in a single record and clearly labeled). Also, a data disk labeled with the applicant's name must be provided; or
 - following verifiable natural and man-made landmarks; or
 - a copy of recorded plat map with metes and bounds.
- C. A written description of the proposed service area.
- D. Provide separate and additional maps of the proposed area(s) to show the following:
- all facilities, illustrating separately facilities for production, transmission, and distribution of the applicant's service(s); and
 - any facilities, customers or area currently being served outside the applicant's certificated area(s).

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

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

- A. Please provide the following information:
- a list of public drinking water supply system(s) or sewer system(s) within a 2 mile radius of the proposed system;
 - copies of written requests seeking to obtain service from each of the public drinking water systems or sewer systems listed in #4.A.i above or documentation that it is not economically feasible to obtain service from each entity;
 - copies of written responses from each system or evidence that they did not reply; and
 - for sewer utilities, documentation showing that you have obtained or applied for a wastewater discharge permit.
- B. Were your requests for service denied?
- If yes, please provide documentation of the denial of service and go to 4.C.
 - If no, please provide a detailed analysis which justifies your reasons for not accepting service. A separate analysis must be prepared and submitted for each utility that granted your request for service.

- ## 5. EXISTING SYSTEM INFORMATION

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

	;		;	
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- | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|--|--|--|--|---|--|--|--|--|---|---|---|--|--|--|--|--|---|--|--|--|--|
| W | Q | | | | | - | | | | | ; | W | Q | | | | | | - | | | | |
|---|---|--|--|--|--|---|--|--|--|--|---|---|---|--|--|--|--|--|---|--|--|--|--|

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

Name	Classes	License Number
Mitchell Martin III	C	
James Martin	C	

Attach an explanation listing the actions to be taken to make system improvements including

proposed completion dates (See 291.93(3)(A) of TCEQ Rules).

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

Water System			Sewer System		
Connection	Existing	Proposed	Connection	Existing	Proposed
5/8" or 3/4" meter			Residential		
1" meter or larger			Commercial		
Non-Metered			Industrial		
Other:			Other:		
Total Water			Total Sewer		

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

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

- G Effect of Granting a Certificate Amendment.

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

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

Applicant is requesting to decertify water service area in which it does not serve any current customers nor has serve any customer in these service areas for over 20 years.

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

- i NO X (skip the rest of this question and go to #6)
 - ii Water YES
- Purchased on a regular seasonal Emergency basis?

Source	% of Total Treatment

iii Sewer treatment capacity,

iv YES _____

Purchased on a _____ regular _____ seasonal _____ Emergency basis?

Source	% of Total Treatment

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

I. Ability to Provide Adequate Service.

Describe the ability of the applicant to provide adequate service, including meeting the standards of the commission, taking both of the following items into consideration:

- i. the current and projected density, and
- ii. the land use of the requested area.

J Effect on the Land.

Explain the effect on the land to be included in the certificated area.

6. FINANCIAL INFORMATION

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

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

B. For existing systems:

- i. Attach a profit and loss statement and current balance sheet for existing businesses (end of last fiscal year is acceptable). Describe sources and terms for borrowed capital such as loans, bonds, or notes (profit and loss and balance sheet worksheets are attached, if needed).

- ii. Attach a proposed rate schedule or tariff.

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

C. Identify any funds you are required to accumulate and restrict by lenders or capital providers.

D. In lieu of the information in #6.A. thru #6.C., you may provide information concerning loan approvals within the last three (3) years from lending institutions or agencies including the most recent financial audit of the applicant.

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

7. NOTICE REQUIREMENTS

A. All proposed notice forms must be completed and submitted with the application. However, do not mail or publish them until you receive written approval from the Commission to do so.

B. The Commission cannot grant a CCN until proper notice of the application has been given. **Commission rules do not allow a waiver of these notice requirements for CCN applicants.**

C. **It is the applicant's responsibility to ensure that proper notice is given to all entities that are required to receive notice.**

D. Recommended notice forms for publication, neighboring cities and systems, landowners with 25 acres or more, and customers are included with this application to use in preparing your proposed notices. (These notice forms are also available in Spanish upon request.)

E. After reviewing and, if necessary, modifying the proposed notice, the Commission will send the notice to the applicant after the application is accepted for filing along with instructions for publication and/or mailing. Please review the notice carefully and note any additional neighboring utilities which may be included in the acceptance letter.

F. Notice For Publication:

The applicant shall publish the notice in a newspaper having general circulation in the county or counties where a CCN is being requested, once each week for two consecutive weeks beginning with the week after the notice is received from the Commission. Proof of publication in the form of a publisher's affidavit shall be submitted to the Commission within 30 days of the last publication date. The affidavit shall state with specificity each county in which the newspaper is of general circulation.

G. Notice To Neighboring Utilities:

- i. List all neighboring retail public utilities and cities providing the same utility service within the following vicinities of the applicant's proposed certificate area.
- ii. For applications for the issuance of a **NEW** CCN, the applicant must mail the notice with a copy of the proposed CCN map to all cities and neighboring retail public utilities providing the same utility service within **five (5) miles** of the requested service area.
- iii. For applications for the **AMENDMENT** of a CCN, the applicant must mail the notice with a copy of the proposed CCN map to all cities and neighboring retail public utilities providing the same utility service within **two (2) miles** of the requested service area.

H. Notice to Customers

Investor Owned Utilities (IOUs) that are currently providing service without a CCN must provide individual mailed notice to all current customers. The notice must contain the current rates, the date those rates were instituted and any other information required in the application. The notice must also list all zip codes affected by the application.

I. The Commission may require the applicant to deliver notice to other affected persons or agencies.

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

OATH

STATE OF Texas
COUNTY OF MONTGOMERY

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

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

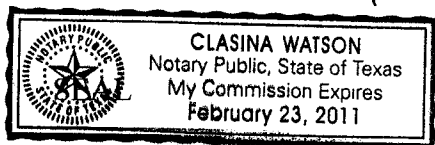
I further represent that the Applicant will provide continuous and adequate service to all customers and qualified applicants for service within its certificated service area.

Mitchell M. Martin Jr.
AFFIANT
(Utility's Authorized Representative)

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

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public in and for the State of Texas, this

day 17th of February, 2011.



Clasina Watson
NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

Clasina Watson
PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES 2/23/2011

Notice for Publication

NOTICE OF APPLICATION TO DECERTIFY PORTIONS OF CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) WATER SERVICE AREA IN HARRIS AND MONTGOMERY COUNTIES, TEXAS

Community Utility Company has filed an application with the Texas Commission on Environmental Quality to decertify the following water service area from its CCN in Harris and Montgomery Counties.

Forest Trails - The utility service area to be decertified is located approximately 13.5 miles southeast of downtown Conroe, Texas, and is generally bounded on the north by Trail Oak Drive; on the east by and south by Pickering Road; and on the west by Dry Creek. The total area being requested includes approximately 40 acres and no current customers.

Heathergate - The utility service area to be decertified is located approximately 10 miles northwest of downtown Houston, Texas, and is generally bounded on the north by Vega Street; on the east by West Montgomery Road; on the south by Ferguson Way; and on the west by Scenic Green. The total area being requested includes approximately 480 acres and no current customers.

See enclosed map of the proposed service area.

The proposed amendment affects customers and/or areas located in the following zip code(s): 77302, 77357 and 77088.

A copy of the proposed service area map is available at: 27493 Hanna Road No. 2, Conroe, Texas, Phone No. (281) 367-4460

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

Persons who wish to intervene or comment should write the:

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

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

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

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

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

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

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

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

Notice to Neighboring Systems, Landowners and Cities

NOTICE OF APPLICATION TO DECERTIFY PORTIONS OF CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) WATER SERVICE AREA IN HARRIS AND MONTGOMERY COUNTIES, TEXAS

To: _____ Date Notice Mailed _____, 2011
(Neighboring System, Landowner or City)

(Address)

City

State

Zip

Community Utility Company has filed an application with the Texas Commission on Environmental Quality to decertify the following water service area from its CCN in Harris and Montgomery Counties.

Forest Trails - The utility service area to be decertified is located approximately 13.5 miles southeast of downtown Conroe, Texas, and is generally bounded on the north by Trail Oak Drive; on the east by and south by Pickering Road; and on the west by Dry Creek. The total area being requested includes approximately 40 acres and no current customers.

Heathergate - The utility service area to be decertified is located approximately 10 miles northwest of downtown Houston, Texas, and is generally bounded on the north by Vega Street; on the east by West Montgomery Road; on the south by Ferguson Way; and on the west by Scenic Green. The total area being requested includes approximately 480 acres and no current customers.

See enclosed map of the proposed service area.

The proposed amendment affects customers and/or areas located in the following zip code(s): 77302, 77357 and 77088.

A copy of the proposed service area map is available at: 27493 Hanna Road No. 2, Conroe, Texas,
Phone No. (281) 367-4460

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

Persons who wish to intervene or comment should write the:

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

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

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

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

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

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

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

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

Notice to Customers of IOUs in Proposed Area

NOTICE OF APPLICATION FOR CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) TO PROVIDE WATER/SEWER UTILITY SERVICE IN MONTGOMERY COUNTY, TEXAS

Dear Customer: _____ Date Notice Mailed _____, 2011

Community Utility Company has filed an application with the Texas Commission on Environmental Quality to decertify the following water service area from its CCN in Harris and Montgomery Counties.

Forest Trails - The utility service area to be decertified is located approximately 13.5 miles southeast of downtown Conroe, Texas, and is generally bounded on the north by Trail Oak Drive; on the east by and south by Pickering Road; and on the west by Dry Creek. The total area being requested includes approximately 40 acres and no current customers.

Heathergate - The utility service area to be decertified is located approximately 10 miles northwest of downtown Houston, Texas, and is generally bounded on the north by Vega Street; on the east by West Montgomery Road; on the south by Ferguson Way; and on the west by Scenic Green. The total area being requested includes approximately 480 acres and no current customers.

See enclosed map of the proposed service area.

The proposed amendment affects customers and/or areas located in the following zip code(s): 77302, 77357 and 77088.

A copy of the proposed service area map is available at: 27493 Hanna Road No. 2, Conroe, Texas, Phone No. (281) 367-4460

The current utility rates which were first effective on September 1, 2009

- Monthly Flat Rate of \$ N/A per connection
-OR-

- Monthly Base Rate including 0 gallons per connection for:

5/8" meter	\$	29.57
1" meter	\$	73.93
1 1/2" meter	\$	147.85
2" meter	\$	236.56
Other 3" meter	\$	433.55
Other 4" meter	\$	650.54

Gallage charge of \$ 2.67 Per 1,000
Gallons above minimum (same for all meter sizes)

Miscellaneous Fees

Regulatory Assessment

Tap Fee (Average Actual Cost)

Reconnection fee:

-Non Payment (\$25.00 max)

-Transfer

-Customer's request

Late fee

Returned Check charge

Meter test fee (Actual Cost not
Exceed \$25.00)

Other Fees: Deposit

	1%
Regulatory Assessment	\$ 600.00
Tap Fee (Average Actual Cost)	\$ 25.00
Reconnection fee:	\$ 25.00
-Non Payment (\$25.00 max)	\$ 35.00
-Transfer	\$ 50.00
-Customer's request	\$ 10%
Late fee	\$ 25.00
Returned Check charge	
Meter test fee (Actual Cost not Exceed \$25.00)	\$ 25.00
Other Fees: Deposit	\$ 50.00

Your utility service rates and fees cannot be changed by this application. If you are currently paying rates, those rates must remain in effect unchanged. Rates may only be increased if the utility files and gives notice of a separate rate change application.

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

Persons who wish to intervene or comment should write the:

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

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

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

IF A HEARING IS HELD, it is important that you or your representative attend to present your concerns. Your request serves only to cause a hearing to be held and is not used during the hearing.

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

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

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

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

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

HISTORICAL BALANCE SHEETS

	CURRENT 2009-2008	A-1 YEAR 2008-2007	A-2 YEAR 2007-2006	A-3 YEAR	A-4 YEAR	A-5 YEAR
CURRENT ASSETS						
Cash	20,301	2,182	2,057	N/A	N/A	N/A
Accounts Receivable	0	0	0			
Inventories	0	0	0			
Income Tax Receivable	0	0	0			
Other	0	3,000	3,000			
Total	20,301	5,182	5,057			
FIXED ASSETS						
Land	0	0	0			
Collection/Distribution System	147,239	147,239	147,239			
Buildings	0	0	0			
Equipment	0	0	0			
Other	0	0	0			
Less: Accum. Depreciation or Reserves	97,976	94,784	91,592			
Total	49,263	52,455	55,647			
TOTAL ASSETS	69,564	57,637	60,704			
CURRENT LIABILITIES						
Accounts Payable	5,376	5,250	5,124			
Notes Payable, Current	0	0	0			
Accrued Expenses	0	0	0			
Other	0	0	0			
TOTAL	5,376	5,250	5,124			
LONGTERM LIABILITIES						
Notes Payable, Long-term	0	0	0			
Other	33,953	36,616	40,039			
TOTAL LIABILITIES	33,953	41,866	45,163			
OWNER'S EQUITY						
Paid in Capital	40,981	40,981	40,981			
Retained Equity	(4,411)	(20,030)	(16,017)			
Other	1,000	1,000	1,000			
Current Period Profit or Loss	(1,959)	(6,180)	(10,423)			
TOTAL OWNER'S EQUITY	35,611	15,771	15,541			
TOTAL LIABILITIES AND EQUITY	69,564	57,637	60,704			
WORKING CAPITAL	14,925	(68)	(67)			
CURRENT RATIO	3.77	.98	.99			
DEBT TO EQUITY RATIO EQUITY TO TOTAL ASSETS	.953/.618	2.32/.274	2.58/.256			

HISTORICAL INCOME STATEMENT

	CURRENT 2009-2008	A-1 YEAR 2008-2007	A-2 YEAR 2007-2006	A-3 YEAR	A-4 YEAR	A-5 YEAR
METER NUMBER						
Existing Number of Taps	213	213	208	N/A	N/A	N/A
New Taps Per Year	0	5	5			
Total Meters at Year End	213	208	203			
METER REVENUE						
Fees Per Meter						
Cost Per Meter						
Operating Revenue Per Meter						
GROSS WATER REVENUE						
Fees	90,322	35,246	35,134			
Other	0	0	0			
Gross Income	90,322	35,246	35,134			
OPERATING EXPENSES						
General & Administrative	92,281	41,426	45,557			
Interest	0	0	0			
Other	0	0	0			
NET INCOME	(1,959)	(6,180)	(10,423)			

HISTORICAL EXPENSES STATEMENT

	CURRENT 2009-2008	A-1 YEAR 2008-2007	A-2 YEAR 2007-2006	A-3 YEAR	A-4 YEAR	A-5 YEAR
GENERAL/ADMINISTRATIVE EXPENSES						
Salaries	0	0	0			
Office Expense	54	52	191			
Computer Expense	0	0	0			
Auto Expense	0	0	0			
Insurance Expense	0	0	0			
Telephone Expense	1,083	1,101	437			
Utilities Expense	0	0	0			
Depreciation Expense	0	0	0			
Property Taxes	2,663	1,760	3,423			
Professional Fees	7,843	835	4,276			
Other	0	1,000	0			
Total	11,643	4,748	8,327			
% Increase Per Year	145%	(43%)				
OPERATIONAL EXPENSES						
Salaries – Contract Operator	56,232	11,000	6,526			
Auto Expense	0	0	0			
Utilities Expense	6,001	5,905	5,947			
Depreciation Expense	0	0	2,619			
Repair & Maintenance	0	0	810			
Supplies	7,590	9,093	11,425			
Other – Regulatory Expenses	10,815	10,623	9,903			
Total	92,281	41,426	45,557			
% Increase Per Year	123%	(9%)				
ASSUMPTIONS						
Interest Rate/Terms						
Utility Cost/gal.						
Depreciation Schedule						
Other						

**PROJECTED FINANCIAL SHEETS ARE BASED ON CONSOLIDATION OF CONSUMERS,
SUBURBAN, COMMUNITY AND PATTON VILLAGE INTO MBC, WATER SYSTEMS, INC.**

PROJECTED BALANCE SHEETS

	START UP	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
CURRENT ASSETS						
Cash	N/A	214,883	224,166	246,583	246,583	283,570
Accounts Receivable		0	0	0	0	0
Inventories		0	0	0	0	0
Income Tax Receivable		0	0	0	0	0
Other		0	0	0	0	0
Total		214,883	224,166	246,583	246,583	283,570
FIXED ASSETS						
Land		0	0	0	0	0
Collection/Distribution System		1,694,376	1,694,376	1,694,376	1,694,376	1,694,376
Buildings		0	0	0	0	0
Equipment		0	0	0	0	0
Other		0	0	0	0	0
Less: Accum. Depreciation or Reserves		1,131,553	1,188,678	1,245,803	1,302,928	1,360,053
Total		562,823	505,698	448,573	391,448	334,323
TOTAL ASSETS		777,706	729,864	695,156	638,031	617,893
CURRENT LIABILITIES						
Accounts Payable		109,100	109,100	109,100	109,100	109,100
Notes Payable, Current		0	0	0	0	0
Accrued Expenses		0	0	0	0	0
Other		0	0	0	0	0
Total		109,100	109,100	109,100	109,100	109,100
LONGTERM LIABILITIES						
Notes Payable, Long-term		124,977	224,406	450,072	451,332	490,392
Other		825,029	0	0	0	0
TOTAL LIABILITIES		950,006	224,406	450,072	451,332	490,392
OWNER'S EQUITY						
Paid in Capital		330,620	330,320	330,620	330,620	330,620
Retained Equity		(946,139)	(882,908)	(837,152)	(786,127)	(846,020)
Other		0	0	0	0	0
Current Period Profit or Loss		28,113	47,130	261,448	268,808	387,899
TOTAL OWNER'S EQUITY		(172,300)	505,458	245,084	186,699	127,501
TOTAL LIABILITIES AND EQUITY		777,706	729,864	695,156	638,031	617,893
WORKING CAPITAL		105,783	115,066	137,483	137,483	174,470
CURRENT RATIO		1.97	2.05	2.26	2.26	2.60
DEBT TO EQUITY RATIO		4.79	.44	1.84	2.42	3.84
EQUITY TO TOTAL ASSETS		.22	.69	.35	.29	.21

PROJECTED INCOME STATEMENT

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
METER NUMBER						
Existing Number of Taps	3542	3552	3562	3572	3582	
New Taps Per Year	10	10	10	10	10	
Total Meters at Year End	3552	3562	3572	3582	3892	
METER REVENUE						
Fees Per Meter						
Cost Per Meter						
Operating Revenue Per Meter						
GROSS WATER REVENUE						
Fees	1,409,128	1,486,466	1,709,424	1,709,424	1,965,838	
Other - Surcharge	0	224,406	450,072	451,332	490,392	
Gross Income	1,409,128	1,710,872	2,159,496	2,160,756	2,456,230	
OPERATING EXPENSES						
General & Administrative	1,380,995	1,439,336	1,447,976	1,440,616	1,577,939	
Interest	0	0	0	0	0	
Other – TWDB Loan	0	224,406	450,072	451,332	490,392	
NET INCOME	28,113	47,130	261,448	268,808	387,899	

PROJECTED INCOME STATEMENT

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
GENERAL/ADMINISTRATIVE EXPENSES						
Salaries	0	0	0	0	0	
Office Expense	440	484	484	484	532	
Computer Expense	0	0	0	0	0	
Auto Expense	0	0	0	0	0	
Insurance Expense	0	0	0	0	0	
Telephone Expense	3,012	3,313	3,313	3,313	3,644	
Utilities Expense	0	0	0	0	0	
Depreciation Expense	0	0	0	0	0	
Property Taxes	56,908	62,599	62,599	62,599	68,859	
Professional Fees	25,762	5,000	8,000	5,000	8,000	
Other	900	7,000	10,000	0	10,000	
Total	87,022	78,396	84,396	71,396	91,035	
% Increase Per Year		(9.9%)	7.65%	(15.4%)	27.5%	
OPERATIONAL EXPENSES						
Salaries	909,783	940,368	943,008	945,648	1,027,488	
Auto Expense	0	0	0	0	0	
Utilities Expense	134,324	147,564	147,564	147,564	162,320	
Depreciation Expense	57,125	57,125	57,125	57,125	57,125	
Repair & Maintenance	1,029	5,000	5,000	8,000	8,000	
Supplies	65,991	72,590	72,590	72,590	79,849	
Other – Regulatory Expenses	125,721	138,293	138,293	138,293	152,122	
Total	1,380,995	1,439,336	1,447,976	1,440,616	1,577,939	
% Increase Per Year		4.22%	0.60%	(0.51%)	9.5%	
ASSUMPTIONS						
Interest Rate/Terms						
Utility Cost/gal.						
Depreciation Schedule						
Other						

PROJECTED SOURCES AND USES OF CASH STATEMENTS

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
SOURCES OF CASH						
Net Income	28,113	47,130	261,448	268,808	387,899	
Depreciation (If Funded)	0	0	0	0	0	
Loan Proceeds	0	0	0	0	0	
Other - Surcharge	0	224,406	450,072	451,332	490,392	
Total Sources	28,113	271,536	711,520	720,140	878,291	
USES OF CASH						
Net Loss	0	0	0	0	0	
Principle Portion of Pmts.	0	0	0	0	0	
Fixed Asset Purchase	0	0	0	0	0	
Reserve	0	0	0	0	0	
Other - TWDB Loan	0	224,406	450,072	451,332	490,392	
Total Uses	0	224,406	450,072	451,332	490,392	
NET CASH FLOW	28,113	47,130	261,448	268,808	387,899	
DEBT SERVICE COVERAGE						
Cash Available for Debt	28,113	271,536	711,520	720,140	878,291	
SERVICE (CADS)						
Net Income (Loss)	28,113	47,130	261,448	268,808	387,899	
Depreciation, or Reserve Interest	0	0	0	0	0	
Total	28,113	47,130	261,448	268,808	387,899	
REQUIRED DEBT SERVICE (RDS)						
Principle Plus Interest	950,006	224,406	450,072	451,332	490,392	
DEBT SERVICE COVERAGE RATIO						
CADS Divided by RDS	.03	1.21	1.58	1.59	1.79	

ATTACHMENT A

**TEXAS COMPTROLLER OF PUBLIC ACCOUNTS****SUSAN COMBS • COMPTROLLER • AUSTIN, TEXAS 78774**
COMMISSIONER
FILING CLERK

December 8, 2010

CERTIFICATE OF ACCOUNT STATUSTHE STATE OF TEXAS
COUNTY OF TRAVISI, Susan Combs, Comptroller of Public Accounts of the State of Texas, DO
HEREBY CERTIFY that according to the records of this office**COMMUNITY UTILITY COMPANY**is, as of this date, in good standing with this office having no franchise tax
reports or payments due at this time. This certificate is valid through the
date that the next franchise tax report will be due May 16, 2011.This certificate does not make a representation as to the status of the
entity's registration, if any, with the Texas Secretary of State.This certificate is valid for the purpose of conversion when the converted
entity is subject to franchise tax as required by law. This certificate is not
valid for any other filing with the Texas Secretary of State.GIVEN UNDER MY HAND AND
SEAL OF OFFICE in the City of
Austin, this 8th day of
December 2010 A.D.

A handwritten signature in cursive script that reads "Susan Combs".

Susan Combs
Texas ComptrollerTaxpayer number: 32020333137
File number: 0800689273

Form 05-304 (Rev. 12-07/17)

ATTACHMENT B

2. B. Demonstrate Need to Decertify Service Areas

Community Utility Company is being acquired by M.B.C. Water Systems, Inc. (Application No. 36894-S). Community has not provided water service to these two service areas for over twenty years; these service areas are included in the current CCN service area of Community. As part of M.B.C. is acquiring the other water systems of this utility, Community is requesting to have these two service areas be decertified from its current CCN service area. M.B.C. has applied, and tentatively, been approved for loan funds of approximately thirteen million seven hundred thousand (\$13,700,000.00) dollars in loan funds from the Texas Water Development Board ("TWDB") Drinking Water State Revolving Funds ("DRSRF") with which the M.B.C. will purchase and transfer Community Utility Company's other water service areas. M.B.C. does not currently nor in the future plan to provide water service in these certificated areas.

**NEIGHBORING RETAIL PUBLIC
UTILITIES AND CITIES**

List of Neighboring Utilities

CCN NO. 11373
CRYSTAL SPRINGS WATER CO., INC
PO BOX 603
PORTER, TEXAS 77365-0603

CCN NO. 10347
CONSUMERS WATER INC
PO BOX 1383
SPRING, TEXAS 77383-1383

CCN NO. 11969
NEW CANEY MUD
PO BOX 1799
NEW CANEY, TEXAS 77357-0000

CCN NO. 11612
QUADVEST INC
PO BOX 409
TOMBALL, TEXAS 77377-0409

CCN NO. 11473
PORTER SUD
22162 WATER WELL RD
PORTER, TEXAS 77365

CCN NO. 11969
NEW CANEY MUD
PO BOX 1799
NEW CANEY, TEXAS 77357

CITY OF HOUSTON
PO BOX 1562
HOUSTON, TEXAS 77251-1562

CCN NO. 11157
AQUA TEXAS INC
1106 CLAYTON LN STE 400W
AUSTIN, TEXAS 78723-2476

CCN NO. 10833
SUNBELT FWSD
410 W GULF BANK RD
HOUSTON, TEXAS 77037

CCN NO. 10972
CHAMPS WATER COMPANY
13217A CHRISMAN RD
HOUSTON, TEXAS 77039-4121

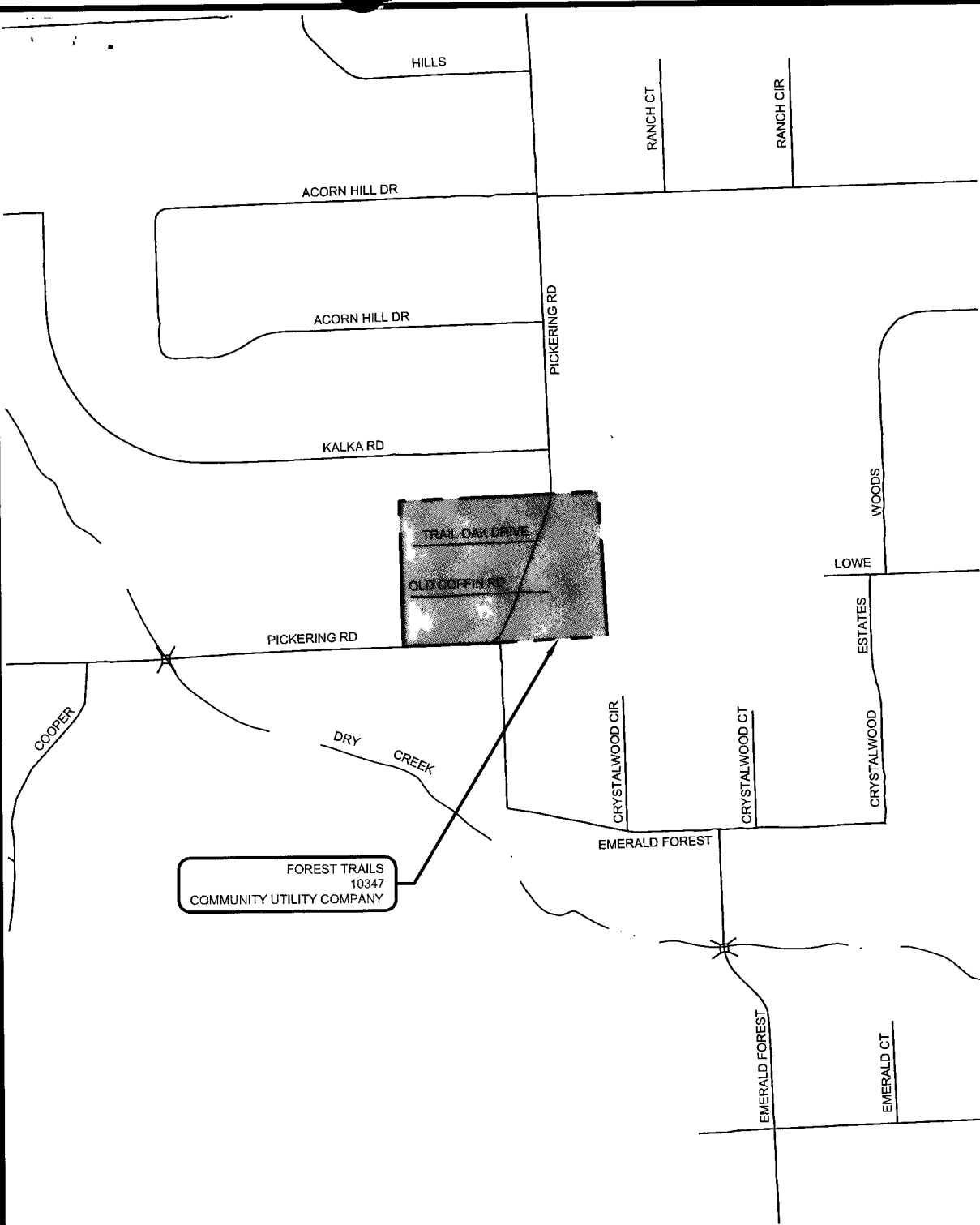
CCN NO. 12085
J&S WATER COMPANY LLC
1905 N BATTLEBELL RD
HIGHLANDS, TEXAS 77562-4035

CCN NO. 10963
BLUE BELL MANOR UTILITY CO
1330 BLUE BELL RD
HOUSTON, TEXAS 77038-3012

CCN NO. 11389
SOUTHERN WATER CORP
5710 AIRLINE DR
HOUSTON, TEXAS 77076-4997

Maps

C:\Users\ThomasB SWE\Desktop\ACAD STUFF\0362-006-10 2011 TWDB DWSRF\Work In Progress\Sale Transfer Merger\STM-LARGE SCALE-CON.dwg Fri, Jan 28, 2011, 11:26am



1" = 1,000'

WARNING

IF THIS BAR DOES NOT MEASURE 1", THE DRAWING IS NOT TO SCALE

SALE, TRANSFER, MERGER APPLICATION
FOREST TRAILS LARGE SCALE MAP

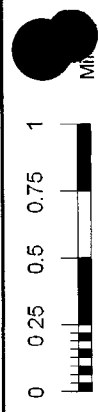
M.B.C. WATER SYSTEMS
HARRIS AND MONTGOMERY COUNTIES, TEXAS

Southwest Engineers, Inc.
Civil - Environmental - Planning
Gonzales Austin
www.swengineers.com
TBPE No F-1909



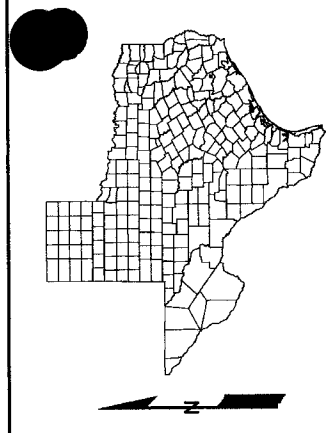
Texas Commission on Environmental Quality
P.O. Box 13087
Austin, Texas 78711-3087
For more information
concerning this map, please contact the
Water Supply Division at (512) 239-4691.
02/15/2011

The Selected Area of Interest

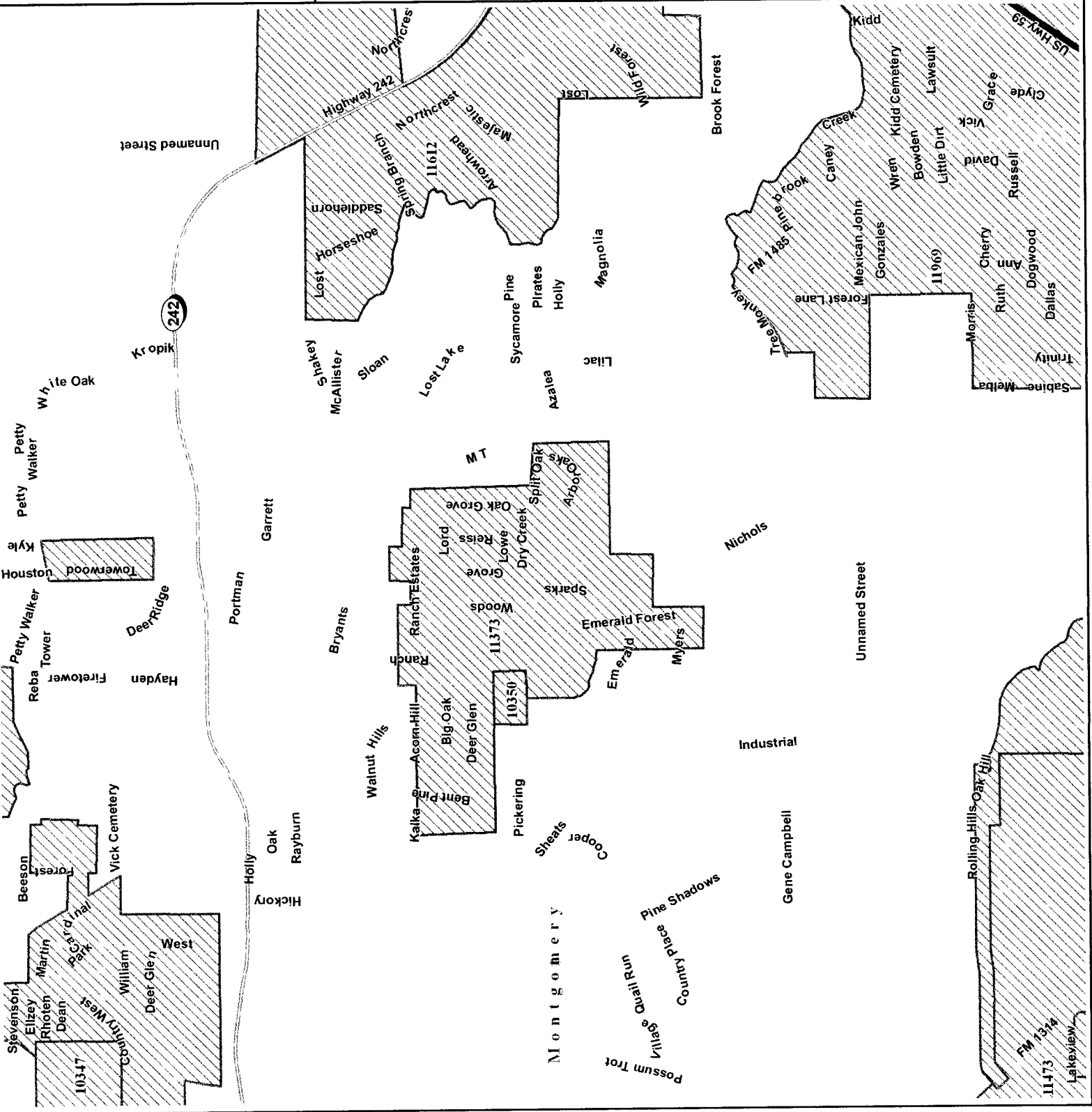


Legend

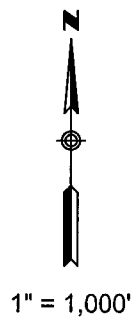
- Water CCN Facility Line
- Sewer CCN Facility Line
- Senate - Districts
- House - Districts
- TCEQ Service Region Boundary
- County Boundary
- Sewer CCN Service Area
- Water CCN Service Area
- City Boundary
- CCN Overlay Key**
- Sewer-Water CCN Service Area



Disclaimer:
This map was generated by the Integrated Water Utilities
Database (IWUD) from the Texas Commission on
Environmental Quality. No claims are made to the
accuracy or completeness of the data or to its suitability
for a particular use.



C:\Users\ThomasB SWE\Desktop\ACAD STUFF\Work In Progress\Sale Transfer Merger\STM-LARGE SCALE-CCN.dwg Thu, Jan 06, 2011, 1:41pm



WARNING
IF THIS BAR DOES NOT MEASURE 1", THE DRAWING IS NOT TO SCALE

SALE, TRANSFER, MERGER APPLICATION
HEATHERGATE PUBLIC UTILITY COMPANY LARGE SCALE MAP

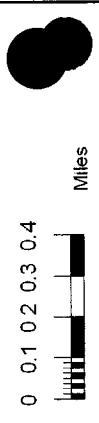
M.B.C. WATER SYSTEMS
HARRIS AND MONTGOMERY COUNTIES, TEXAS













Southwest Engineers, Inc.
Civil - Environmental - Planning
Gonzales Austin
www.swengineers.com
TBPE No. F-1909

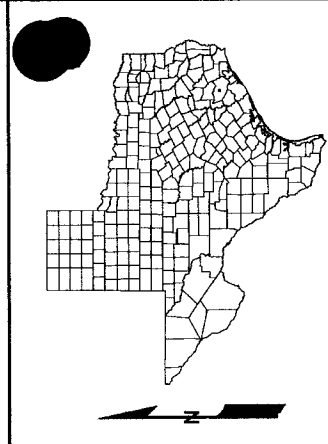
Texas Commission on Environmental Quality
P.O. Box 13087
Austin, Texas 78711-3087
For more information
concerning this map, please contact the
Water Supply Division at (512) 239-4691.
02/15/2011

The Selected Area of Interest



Legend

-  Water CCN Facility Line
 Sewer CCN Facility Line
 Senate - Districts
 House - Districts
 TCEQ Service Region Boundary
 County Boundary
 Sewer CCN Service Area
 Water CCN Service Area
 City Boundary
CCN Overlap Key
 Sewer-Water CCN Service Area



Disclaimer:
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TCEQ Use Only

TCEQ Core Data Form

For detailed instructions regarding completion of this form, please read the Core Data Form Instructions or call 512-239-5175.

SECTION I: General Information

1. Reason for Submission (If other is checked please describe in space provided)			
<input type="checkbox"/> New Permit, Registration or Authorization (Core Data Form should be submitted with the program application)			
<input type="checkbox"/> Renewal (Core Data Form should be submitted with the renewal form)		<input checked="" type="checkbox"/> Other STM application	
2. Attachments Describe Any Attachments: (ex. Title V Application, Waste Transporter Application, etc.)			
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			
3. Customer Reference Number (if issued)		4. Regulated Entity Reference Number (if issued)	
CN		RN	

SECTION II: Customer Information

5. Effective Date for Customer Information Updates (mm/dd/yyyy)		11-30-10	
6. Customer Role (Proposed or Actual) – as it relates to the <u>Regulated Entity</u> listed on this form. Please check only <u>one</u> of the following:			
<input checked="" type="checkbox"/> Owner <input type="checkbox"/> Operator <input type="checkbox"/> Owner & Operator			
<input type="checkbox"/> Occupational Licensee <input type="checkbox"/> Responsible Party <input type="checkbox"/> Voluntary Cleanup Applicant <input type="checkbox"/> Other: _____			
7. General Customer Information			
<input checked="" type="checkbox"/> New Customer <input type="checkbox"/> Update to Customer Information <input type="checkbox"/> Change in Regulated Entity Ownership			
<input type="checkbox"/> Change in Legal Name (Verifiable with the Texas Secretary of State) <input type="checkbox"/> No Change**			
**If "No Change" and Section I is complete, skip to Section III – Regulated Entity Information.			
8. Type of Customer:			
<input checked="" type="checkbox"/> Corporation		<input type="checkbox"/> Individual	
<input type="checkbox"/> City Government		<input type="checkbox"/> Sole Proprietorship- D.B.A	
<input type="checkbox"/> County Government		<input type="checkbox"/> Federal Government	
<input type="checkbox"/> State Government		<input type="checkbox"/> Other: _____	
<input type="checkbox"/> General Partnership		<input type="checkbox"/> Limited Partnership	
9. Customer Legal Name (If an individual, print last name first: ex: Doe, John) <i>If new Customer, enter previous Customer below</i> End Date:			
M.B.C. Water Systems, Inc.			
10. Mailing Address:			
27493 Hanna Road, Suite 1			
City		Conroe	
State		TX	
ZIP		77385	
ZIP + 4		6624	
11. Country Mailing Information (if outside USA)		12. E-Mail Address (if applicable)	
		mitch@mbcws.com	
13. Telephone Number		14. Extension or Code	
(281) 444-7747			
15. Fax Number (if applicable)			
(281) 292-4439			
16. Federal Tax ID (9 digits)		17. TX State Franchise Tax ID (11 digits)	
27-150390			
18. DUNS Number (if applicable)		19. TX SOS Filing Number (if applicable)	
		0801076654	
20. Number of Employees			
<input checked="" type="checkbox"/> 0-20 <input type="checkbox"/> 21-100 <input type="checkbox"/> 101-250 <input type="checkbox"/> 251-500 <input type="checkbox"/> 501 and higher			
21. Independently Owned and Operated?			
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			

SECTION III: Regulated Entity Information

22. General Regulated Entity Information (If 'New Regulated Entity' is selected below this form should be accompanied by a permit application)			
<input checked="" type="checkbox"/> New Regulated Entity <input type="checkbox"/> Update to Regulated Entity Name <input type="checkbox"/> Update to Regulated Entity Information <input type="checkbox"/> No Change** (See below)			
**If "NO CHANGE" is checked and Section I is complete, skip to Section IV, Preparer Information.			
23. Regulated Entity Name (name of the site where the regulated action is taking place)			
M.B.C. Water Systems, Inc.			

24. Street Address of the Regulated Entity: (No P.O. Boxes)	27493 Hanna Road, Suite 1							
	City	Conroe	State	TX	ZIP	77385	ZIP + 4	6624
25. Mailing Address:	Same							
	City		State		ZIP		ZIP + 4	
26. E-Mail Address:	mitch@mbcws.com							
27. Telephone Number	28. Extension or Code		29. Fax Number (if applicable)					
(281) 444-7747			(281) 292-4439					
30. Primary SIC Code (4 digits)	31. Secondary SIC Code (4 digits)		32. Primary NAICS Code (5 or 6 digits)			33. Secondary NAICS Code (5 or 6 digits)		
9631			22131					
34. What is the Primary Business of this entity? (Please do not repeat the SIC or NAICS description.)								
Water utility company								

Questions 34 – 37 address geographic location. Please refer to the instructions for applicability.

35. Description to Physical Location:						
36. Nearest City	County		State		Nearest ZIP Code	
Conroe	Montgomery		TX		77385	
37. Latitude (N) In Decimal:				38. Longitude (W) In Decimal:		
Degrees	Minutes	Seconds	Degrees	Minutes	Seconds	

39. TCEQ Programs and ID Numbers Check all Programs and write in the permits/registration numbers that will be affected by the updates submitted on this form or the updates may not be made. If your Program is not listed, check other and write it in. See the Core Data Form instructions for additional guidance.

<input type="checkbox"/> Dam Safety	<input type="checkbox"/> Districts	<input type="checkbox"/> Edwards Aquifer	<input type="checkbox"/> Industrial Hazardous Waste	<input type="checkbox"/> Municipal Solid Waste
<input type="checkbox"/> New Source Review – Air	<input type="checkbox"/> OSSF	<input type="checkbox"/> Petroleum Storage Tank	<input type="checkbox"/> PWS	<input type="checkbox"/> Sludge
<input type="checkbox"/> Stormwater	<input type="checkbox"/> Title V – Air	<input type="checkbox"/> Tires	<input type="checkbox"/> Used Oil	<input type="checkbox"/> Utilities
<input type="checkbox"/> Voluntary Cleanup	<input type="checkbox"/> Waste Water	<input type="checkbox"/> Wastewater Agriculture	<input type="checkbox"/> Water Rights	<input type="checkbox"/> Other:

SECTION IV: Preparer Information

40. Name:	Mitchell Martin, Jr.	41. Title:	President
42. Telephone Number	43. Ext./Code	44. Fax Number	45. E-Mail Address
(281) 444-7747		(281) 292-4439	mitch@mbcws.com

SECTION V: Authorized Signature

46. By my signature below, I certify, to the best of my knowledge, that the information provided in this form is true and complete, and that I have signature authority to submit this form on behalf of the entity specified in Section II, Field 9 and/or as required for the updates to the ID numbers identified in field 39.

(See the Core Data Form instructions for more information on who should sign this form.)

Company:	M.B.C. Water Systems, Inc.	Job Title:	President
Name (In Print):	Mitchell Martin, Jr.	Phone:	(281) 444-7747
Signature:	Mitchell M. Martin, Jr.	Date:	11/30/2010

HISTORICAL BALANCE SHEETS

	CURRENT 2009-2008	A-1 YEAR 2008-2007	A-2 YEAR 2007-2006	A-3 YEAR	A-4 YEAR	A-5 YEAR
CURRENT ASSETS						
Cash	20,301	2,182	2,057	N/A	N/A	N/A
Accounts Receivable	0	0	0			
Inventories	0	0	0			
Income Tax Receivable	0	0	0			
Other	0	3,000	3,000			
Total	20,301	5,182	5,057			
FIXED ASSETS						
Land	0	0	0			
Collection/Distribution System	147,239	147,239	147,239			
Buildings	0	0	0			
Equipment	0	0	0			
Other	0	0	0			
Less: Accum. Depreciation or Reserves	97,976	94,784	91,592			
Total	49,263	52,455	55,647			
TOTAL ASSETS	69,564	57,637	60,704			
CURRENT LIABILITIES						
Accounts Payable	5,376	5,250	5,124			
Notes Payable, Current	0	0	0			
Accrued Expenses	0	0	0			
Other	0	0	0			
TOTAL	5,376	5,250	5,124			
LONGTERM LIABILITIES						
Notes Payable, Long-term	0	0	0			
Other	33,953	36,616	40,039			
TOTAL LIABILITIES	33,953	41,866	45,163			
OWNER'S EQUITY						
Paid in Capital	40,981	40,981	40,981			
Retained Equity	(4,411)	(20,030)	(16,017)			
Other	1,000	1,000	1,000			
Current Period Profit or Loss	(1,959)	(6,180)	(10,423)			
TOTAL OWNER'S EQUITY	35,611	15,771	15,541			
TOTAL LIABILITIES AND EQUITY	69,564	57,637	60,704			
WORKING CAPITAL	14,925	(68)	(67)			
CURRENT RATIO	3.77	.98	.99			
DEBT TO EQUITY RATIO EQUITY TO TOTAL ASSETS	.953/.618	2.32/.274	2.58/.256			

HISTORICAL INCOME STATEMENT

	CURRENT 2009-2008	A-1 YEAR 2008-2007	A-2 YEAR 2007-2006	A-3 YEAR	A-4 YEAR	A-5 YEAR
METER NUMBER						
Existing Number of Taps	213	213	208	N/A	N/A	N/A
New Taps Per Year	0	5	5			
Total Meters at Year End	213	208	203			
METER REVENUE						
Fees Per Meter						
Cost Per Meter						
Operating Revenue Per Meter						
GROSS WATER REVENUE						
Fees	90,322	35,246	35,134			
Other	0	0	0			
Gross Income	90,322	35,246	35,134			
OPERATING EXPENSES						
General & Administrative	92,281	41,426	45,557			
Interest	0	0	0			
Other	0	0	0			
NET INCOME	(1,959)	(6,180)	(10,423)			

HISTORICAL EXPENSES STATEMENT

	CURRENT 2009-2008	A-1 YEAR 2008-2007	A-2 YEAR 2007-2006	A-3 YEAR	A-4 YEAR	A-5 YEAR
GENERAL/ADMINISTRATIVE EXPENSES						
Salaries	0	0	0			
Office Expense	54	52	191			
Computer Expense	0	0	0			
Auto Expense	0	0	0			
Insurance Expense	0	0	0			
Telephone Expense	1,083	1,101	437			
Utilities Expense	0	0	0			
Depreciation Expense	0	0	0			
Property Taxes	2,663	1,760	3,423			
Professional Fees	7,843	835	4,276			
Other	0	1,000	0			
Total	11,643	4,748	8,327			
% Increase Per Year	145%	(43%)				
OPERATIONAL EXPENSES						
Salaries – Contract Operator	56,232	11,000	6,526			
Auto Expense	0	0	0			
Utilities Expense	6,001	5,905	5,947			
Depreciation Expense	0	0	2,619			
Repair & Maintenance	0	0	810			
Supplies	7,590	9,093	11,425			
Other – Regulatory Expenses	10,815	10,623	9,903			
Total	92,281	41,426	45,557			
% Increase Per Year	123%	(9%)				
ASSUMPTIONS						
Interest Rate/Terms						
Utility Cost/gal.						
Depreciation Schedule						
Other						

**PROJECTED FINANCIAL SHEETS ARE BASE ON CONSOLIDATION OF CONSUMERS,
SUBURBAN, COMMUNITY AND PATTON VILLAGE INTO MBC, WATER SYSTEMS, INC.**

PROJECTED BALANCE SHEETS

	START UP	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
CURRENT ASSETS						
Cash	N/A	214,883	224,166	246,583	246,583	283,570
Accounts Receivable		0	0	0	0	0
Inventories		0	0	0	0	0
Income Tax Receivable		0	0	0	0	0
Other		0	0	0	0	0
Total		214,883	224,166	246,583	246,583	283,570
FIXED ASSETS						
Land		0	0	0	0	0
Collection/Distribution System		1,694,376	1,694,376	1,694,376	1,694,376	1,694,376
Buildings		0	0	0	0	0
Equipment		0	0	0	0	0
Other		0	0	0	0	0
Less: Accum. Depreciation or Reserves		1,131,553	1,188,678	1,245,803	1,302,928	1,360,053
Total		562,823	505,698	448,573	391,448	334,323
TOTAL ASSETS		777,706	729,864	695,156	638,031	617,893
CURRENT LIABILITIES						
Accounts Payable		109,100	109,100	109,100	109,100	109,100
Notes Payable, Current		0	0	0	0	0
Accrued Expenses		0	0	0	0	0
Other		0	0	0	0	0
Total		109,100	109,100	109,100	109,100	109,100
LONGTERM LIABILITIES						
Notes Payable, Long-term		124,977	224,406	450,072	451,332	490,392
Other		825,029	0	0	0	0
TOTAL LIABILITIES		950,006	224,406	450,072	451,332	490,392
OWNER'S EQUITY						
Paid in Capital		330,620	330,320	330,620	330,620	330,620
Retained Equity		(946,139)	(882,908)	(837,152)	(786,127)	(846,020)
Other		0	0	0	0	0
Current Period Profit or Loss		28,113	47,130	261,448	268,808	387,899
TOTAL OWNER'S EQUITY		(172,300)	505,458	245,084	186,699	127,501
TOTAL LIABILITIES AND EQUITY		777,706	729,864	695,156	638,031	617,893
WORKING CAPITAL		105,783	115,066	137,483	137,483	174,470
CURRENT RATIO		1.97	2.05	2.26	2.26	2.60
DEBT TO EQUITY RATIO		4.79	.44	1.84	2.42	3.84
EQUITY TO TOTAL ASSETS		.22	.69	.35	.29	.21

PROJECTED INCOME STATEMENT

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
METER NUMBER						
Existing Number of Taps	3542	3552	3562	3572	3582	
New Taps Per Year	10	10	10	10	10	
Total Meters at Year End	3552	3562	3572	3582	3892	
METER REVENUE						
Fees Per Meter						
Cost Per Meter						
Operating Revenue Per Meter						
GROSS WATER REVENUE						
Fees	1,409,128	1,486,466	1,709,424	1,709,424	1,965,838	
Other - Surcharge	0	224,406	450,072	451,332	490,392	
Gross Income	1,409,128	1,710,872	2,159,496	2,160,756	2,456,230	
OPERATING EXPENSES						
General & Administrative	1,380,995	1,439,336	1,447,976	1,440,616	1,577,939	
Interest	0	0	0	0	0	
Other - TWDB Loan	0	224,406	450,072	451,332	490,392	
NET INCOME	28,113	47,130	261,448	268,808	387,899	

PROJECTED INCOME STATEMENT

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
GENERAL/ADMINISTRATIVE EXPENSES						
Salaries	0	0	0	0	0	
Office Expense	440	484	484	484	532	
Computer Expense	0	0	0	0	0	
Auto Expense	0	0	0	0	0	
Insurance Expense	0	0	0	0	0	
Telephone Expense	3,012	3,313	3,313	3,313	3,644	
Utilities Expense	0	0	0	0	0	
Depreciation Expense	0	0	0	0	0	
Property Taxes	56,908	62,599	62,599	62,599	68,859	
Professional Fees	25,762	5,000	8,000	5,000	8,000	
Other	900	7,000	10,000	0	10,000	
Total	87,022	78,396	84,396	71,396	91,035	
% Increase Per Year		(9.9%)	7.65%	(15.4%)	27.5%	
OPERATIONAL EXPENSES						
Salaries	909,783	940,368	943,008	945,648	1,027,488	
Auto Expense	0	0	0	0	0	
Utilities Expense	134,324	147,564	147,564	147,564	162,320	
Depreciation Expense	57,125	57,125	57,125	57,125	57,125	
Repair & Maintenance	1,029	5,000	5,000	8,000	8,000	
Supplies	65,991	72,590	72,590	72,590	79,849	
Other – Regulatory Expenses	125,721	138,293	138,293	138,293	152,122	
Total	1,380,995	1,439,336	1,447,976	1,440,616	1,577,939	
% Increase Per Year		4.22%	0.60%	(0.51%)	9.5%	
ASSUMPTIONS						
Interest Rate/Terms						
Utility Cost/gal.						
Depreciation Schedule						
Other						

PROJECTED SOURCES AND USES OF CASH STATEMENTS

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
SOURCES OF CASH						
Net Income	28,113	47,130	261,448	268,808	387,899	
Depreciation (If Funded)	0	0	0	0	0	
Loan Proceeds	0	0	0	0	0	
Other - Surcharge	0	224,406	450,072	451,332	490,392	
Total Sources	28,113	271,536	711,520	720,140	878,291	
USES OF CASH						
Net Loss	0	0	0	0	0	
Principle Portion of Pmts.	0	0	0	0	0	
Fixed Asset Purchase	0	0	0	0	0	
Reserve	0	0	0	0	0	
Other – TWDB Loan	0	224,406	450,072	451,332	490,392	
Total Uses	0	224,406	450,072	451,332	490,392	
NET CASH FLOW	28,113	47,130	261,448	268,808	387,899	
DEBT SERVICE COVERAGE						
Cash Available for Debt	28,113	271,536	711,520	720,140	878,291	
SERVICE (CADS)						
Net Income (Loss)	28,113	47,130	261,448	268,808	387,899	
Depreciation, or Reserve Interest	0	0	0	0	0	
Total	28,113	47,130	261,448	268,808	387,899	
REQUIRED DEBT SERVICE (RDS)						
Principle Plus Interest	950,006	224,406	450,072	451,332	490,392	
DEBT SERVICE COVERAGE RATIO						
CADS Divided by RDS	.03	1.21	1.58	1.59	1.79	

PLEASE ANSWER QUESTIONS 17 THROUGH 22 ON A DIFFERENT SHEET FOR EACH PHYSICALLY DISTINCT SYSTEM BEING TRANSFERRED OR ACQUIRED

Forest Manor

17. A. For Water Systems. TCEQ Public Water System Identification Number: PWS No. 101264

Date of last inspection: 07/22/2008

B. For Wastewater Systems:

-TCEQ Discharge Permit Number: W Q -

-Name of Permittee: _____

-Date of application to transfer Discharge Permit submitted: _____

-Date of application to transfer Discharge Permit approved by TCEQ: _____

18. A. Are any improvements required to meet TCEQ standards? X Yes. If yes, please explain No

See Attached Compliance Agreement

B. Is there a moratorium on new connections? Yes. If yes, please explain X No

C. Provide details of each required major capital improvement to correct the deficiencies and meet the TCEQ standards (attach additional sheets if necessary):

Description of the Required Improvement	Schedule to Complete	Estimated Cost
<u>See Attached Compliance Agreement</u>		

19. Does the system being transferred operate within the city limits of a municipality or within district boundaries? 0 Yes X No

If yes, indicate the number of customers within the city limits or district boundaries:

 Water Sewer

☛ Attach copy of franchise agreement or consent letter from the city or district.

20. Do you currently purchase water or sewer treatment capacity from another source? Yes X No

 Water Sewer Purchased on a Regular Seasonal Emergency Basis

• Source: _____ % of total supply: _____

21. List the number of existing connections to be effected by this transaction.

Water				Sewer	
	-Non Metered		-2"meter	-Residential Connection	
	-5/8" or 3/4" meter	86	-3" meter	-Commercial Connection	
	-1" meter		-4" meter	-Industrial Connection	
	-1 1/2" meter		-Other	-Other	
Total Water Connections:			86	Total Sewer Connections	

22. Has the system reached 85% of its capacity based on TCEQ's minimum requirements?

 Yes X
 No

If yes, please explain what steps are being taken to address the capacity issues:

☛ PLEASE ANSWER QUESTIONS 17 THROUGH 22 ON A DIFFERENT SHEET FOR EACH PHYSICALLY DISTINCT SYSTEM BEING TRANSFERRED OR ACQUIRED

Heathergate Estates

17. A. For Water Systems. TCEQ Public Water System Identification Number: PWS No. 1011302

Date of last inspection: 05/15/2006

B. For Wastewater Systems:

-TCEQ Discharge Permit Number: W Q -

-Name of Permittee: _____

-Date of application to transfer Discharge Permit submitted: _____

-Date of application to transfer Discharge Permit approved by TCEQ: _____

18. A. Are any improvements required to meet TCEQ standards? X Yes. If yes, please explain See Attached Compliance Agreement No

B. Is there a moratorium on new connections? Yes. If yes, please explain X No

C. Provide details of each required major capital improvement to correct the deficiencies and meet the TCEQ standards (attach additional sheets if necessary):

Description of the Required Improvement	Schedule to Complete	Estimated Cost
See Attached Compliance Agreement		

19. Does the system being transferred operate within the city limits of a municipality or within district boundaries? Yes X No

If yes, indicate the number of customers within the city limits or district boundaries:

 Water Sewer

☛ Attach copy of franchise agreement or consent letter from the city or district.

20. Do you currently purchase water or sewer treatment capacity from another source? Yes X No

 Water Sewer Purchased on a Regular Seasonal Emergency Basis

• Source: _____ % of total supply: _____

21. List the number of existing connections to be effected by this transaction.

Water			Sewer	
-Non Metered		-2"meter	-Residential Connection	
-5/8" or 3/4" meter	105	-3" meter	-Commercial Connection	
-1" meter		-4" meter	-Industrial Connection	
-1 1/2" meter		-Other	-Other	
Total Water Connections:		105	Total Sewer Connections	

22. Has the system reached 85% of its capacity based on TCEQ's minimum requirements?

 Yes X

If yes, please explain what steps are being taken to address the capacity issues:
