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PUBLIC UTILITY COMMISSION
FILING CLERK

**APPLICATION OF CITY OF HEATH § BEFORE THE STATE OFFICE
TO AMEND A CERTIFICATE OF § OF
CONVENIENCE AND NECESSITY § ADMINISTRATIVE HEARINGS
AND TO DECERTIFY A PORTION OF §
FORNEY LAKE WATER SUPPLY §
CORPORATION'S SERVICE AREA IN §
ROCKWALL COUNT §**

CITY OF HEATH'S STATUS REPORT

TO THE HONORABLE JUDGE SARAH G. RAMOS:

COMES NOW the City of Heath ("Heath") and files this status report as required by Order No. 3, and in support thereof will show the following:

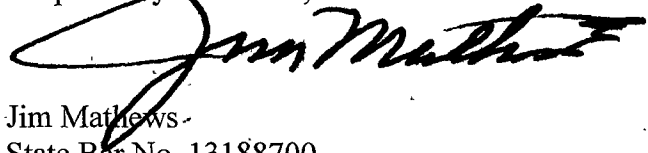
The City of Heath and Forney Lake Water Supply Corporation continue to make progress in memorializing an agreement pursuant to Texas Water Code § 13.255. Forney Lake's agreement on compensation was subject to its ability to reduce its take or pay obligation under its contract with North Texas Municipal Water District ("NTMWD") by an amount commensurate with the number of customers to be transferred to Heath. Following notification from Forney Lake's counsel that NTMWD was agreeable to this reduction if another water provider would accept an assignment of this portion of Forney Lake's take or pay obligation, Heath and its water provider, the City of Rockwall, drafted and executed an agreement that includes Rockwall accepting the assignment of that portion of Forney Lake's take-or-pay obligation to NTMWD associated with the transfer of the 839 Forney Lake customers within Heath's corporate limits.

On November 23, 2016 Heath provided Forney Lake a draft of the Texas Water Code § 13.255(a) agreement concerning the transfer of Forney Lake's CCN, customers, facilities, and easements inside the corporate limits of Heath. On February 24, 2017 Forney Lake provided Heath its first mark-up of the draft agreement. Forney Lake's markup failed to provide the exhibits needed to describe its personal property and easements that are being conveyed as requested by Heath on November 23, 2016. Forney Lake's markup also added a condition precedent to closing on the transaction suggesting that further action to modify its take or pay agreement with NTMWD may be required.

During this past month Forney Lake has provided Heath info for one of the CCN agreement exhibits that identifies the personal property (lines and appurtenances) to be conveyed. Additionally, counsel for NTMWD has advised that she has prepared, and her client is reviewing, a draft amended and restated contract with Forney Lake and a required administrative

memo that would assign to Rockwall the portion of Forney Lake's take or pay obligation associated with the customers to be transferred.

Respectfully submitted,



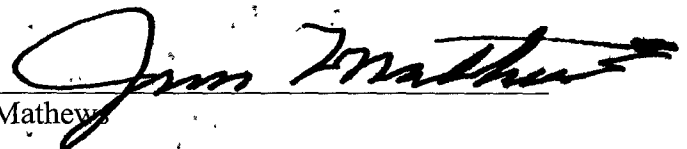
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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of this City of Heath's Status Report was served on all parties of record in this proceeding on this 29th day of June, 2017, by hand-delivery, facsimile, electronic mail, and/or First Class Mail.

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