

Control Number: 45354



Item Number: 1

Addendum StartPage: 0



## **Application for Sale, Transfer, or Merger of a Retail Public Utility**

Pursuant to Chapter 13.251 of the Texas Water Code

**Docket Number: 45354**

(this number will be assigned by the Public Utility Commission after your application is filed)

7 copies of the application, including the original, along with one copy of the portable electronic storage medium (such as CD or DVD) containing the GIS data shall be filed with

Public Utility Commission of Texas  
Attention: Filing Clerk  
1701 N. Congress Avenue  
P.O. Box 13326  
Austin, Texas 78711-3326

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PUBLIC UTILITY COMMISSION  
FILING CLERK

No later than seven days after filing the application for the boundary change, provide a copy of each paper map and a portable electronic storage medium (such as CD, flash drive or DVD) containing complete and identical data to the portable electronic storage medium submitted above to

Texas Natural Resources Information System  
1700 N. Congress Ave, Room B40  
Austin, Texas 78701

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## Part A – General Information

\*RN# 101193548 \*CN# 600696231 \* (PRIOR TCEQ ID numbers)

1. Proposed action of application (check all the boxes that apply):

<input checked="" type="checkbox"/> Sale of	<input type="checkbox"/> All	<input checked="" type="checkbox"/> Portion	of the	<input checked="" type="checkbox"/> Water system(s) under CCN No.:	<u>12258</u>
<input type="checkbox"/> Acquisition				<input type="checkbox"/> Sewer system(s) under CCN No.:	
<input type="checkbox"/> Lease/Rental					

<input type="checkbox"/> Transfer of	<input type="checkbox"/> All	<input type="checkbox"/> Portion of the	<input type="checkbox"/> Certificated water service area – CCN No.:	
			<input type="checkbox"/> Certificated sewer service area – CCN No.:	

If only a portion of a system or certificated service area is affected by this transaction, please specify the areas or subdivision involved:

Carriage Oaks PWS ID # 0910082 and Shady Oaks

and to:

<input checked="" type="checkbox"/> Obtain a CCN for the transferee (purchaser) – indicate if purchaser will take the seller's CCN	
<input type="checkbox"/> Amend the transferee's CCN No.:	
<input type="checkbox"/> Merge or consolidate public utilities	
<input type="checkbox"/> Cancel CCN of the transferor (seller)	

2. Proposed effective date of this transaction: April 30, 2016  
(Must be at least 120 days after proper notice is provided)

## Part B – Current Service Provider or Seller Information

 Questions 3 through 5 apply to the transferor (current service provider or seller)

3. For the current CCN holder or service provider please indicate:

A. Name: Lonzo J. Gale  
(Individual, Corporation or Other Legal Entity)

who is a(n):of ☐ Individual ☒ Corporation ☐ WSC ☐ HOA or POA ☐ Other ☐

B. Utility Name (if different than above): Lass Water Company  
Address: P.O. Box 315 Magnolia, TX 77354 Telephone: (AC) 832-934-2200

C. Contact person. Please provide information about the person to be contacted regarding this application. Indicate if this person is the owner, operator, engineer, attorney or accountant.

Name: Sandra Barbey Title: Vice President  
Address: P.O. Box 315 Magnolia, TX 77354 Telephone: (AC) 832-934-2200

Fax: 281-259-9601

Email: lusc@sbcglobal.net

4. About the last rate increase for the system or facilities being transferred:

unknown

- A. What was the effective date of the last rate increase?

unknown

- B. Was notice of this increase provided to the Public Utility Commission of Texas (commission or PUC) or a predecessor regulatory authority?

☒ No ☐ Yes- Application/Docket Number: Date

5. Please provide a list of all customers affected by this transaction who have deposits held by the transferor or seller utility, if any, and include the following information (attach additional sheets if necessary):

Name and Address of Utility Customer	Date of Deposit	Amount of Deposit	Amount of Unpaid Interest on Deposit
no customer deposits			

### Part C – Purchaser or Transferee Information

Questions 6 through 16 refer to the transferee or purchaser.

6. For the person or entity acquiring the facilities and/or CCN:

Applicant: (Individual, Corporation, or Other Legal Entity)

Utility Name: (If different than above)

Utility Address:

Fax: Email: Telephone (AC):

CCN Numbers held prior to the filing of this application:

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

- ☐ Individual  
☐ Home or Property Owners Association  
☐ Partnership; attach copy of partnership agreement  
☐ Corporation; provide charter number as recorded with the Office of the Secretary of State for Texas:  
☐ Non-profit, member-owned, member-controlled Cooperative Corporation (Article 1434(a) Water

Supply or Sewer Service Corporation); provide charter number:

Fax: [REDACTED]

Email: [REDACTED]

4. About the last rate increase for the system or facilities being transferred:

A. What was the effective date of the last rate increase? [REDACTED]

B. Was notice of this increase provided to the Public Utility Commission of Texas (commission or PUC) or a predecessor regulatory authority?

☐ No ☐ Yes- Application/Docket Number: [REDACTED] Date [REDACTED]

5. Please provide a list of all customers affected by this transaction who have deposits held by the transferor or seller utility, if any, and include the following information (attach additional sheets if necessary):

Name and Address of Utility Customer	Date of Deposit	Amount of Deposit	Amount of Unpaid Interest on Deposit
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

### Part C – Purchaser or Transferee Information

Questions 6 through 16 refer to the transferee or purchaser.

6. For the person or entity acquiring the facilities and/or CCN:

Applicant: [REDACTED]  
(Individual, Corporation, or Other Legal Entity)

Utility Name: [REDACTED]  
(If different than above)

Utility Address: [REDACTED]

Fax: [REDACTED] Email: [REDACTED] Telephone (AC): [REDACTED]

CCN Numbers held prior to the filing of this application: [REDACTED]

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

- ☐ Individual  
☐ Home or Property Owners Association  
☐ Partnership; attach copy of partnership agreement  
☐ Corporation; provide charter number as recorded with the Office of the Secretary of State for

Texas: [REDACTED]

- ☐ Non-profit, member owned, member-controlled Cooperative Corporation (Article 1434(a) Water Sewer Service Corporation); provide charter number:

<input checked="" type="checkbox"/>	Municipally-owned utility
<input type="checkbox"/>	District (MUD, SUD, WCID, etc.)
<input type="checkbox"/>	County
<input type="checkbox"/>	Other (please explain):

8. If the applicant is an *Individual* or sole proprietorship, provide the following information. If not, skip to the next question.

Name:		Email	
Address			
Telephone (AC):		Fax (AC):	

9. If the applicant is other than an *Individual*, provide the following information regarding the officers or partners of the legal entity applying for the transfer. You must complete either question 8 or question 9, whichever applies to the transferee applicant.

•Name:	NA Municipality	Telephone (AC):	(903) 892-7201
Address:	P. O. Box 1106 Sherman, Texas 75091		
Position:	City Manager	Ownership % (if applicable):	0.00%

•Name:		Telephone (AC):	
Address:			
Position:		Ownership % (if applicable):	0.00%

•Name:		Telephone (AC):	
Address:			
Position:		Ownership % (if applicable):	0.00%

•Name:		Telephone (AC):	
Address:			
Position:		Ownership % (if applicable):	0.00%

•Name:		Telephone (AC):	
Address:			
Position:		Ownership % (if applicable):	0.00%

•Name:		Telephone (AC):	
Address:			
Position:		Ownership % (if applicable):	0.00%

- Attach additional sheet(s) if necessary -

- Important:** • If the applicant is a for-profit corporation, please provide a copy of the corporation's "Certification of Account Status" from the State Comptroller Office. This "Certification of Account Status" can be obtained from:

Texas Comptroller of Public Accounts

P. O. Box 13528, Capitol Station

Austin, Texas 78711

1-800-252-5555

- If the applicant is an Article 1434a water supply or sewer service corporation or other non-profit corporation, please provide a copy of the Articles of Incorporation and By-Laws.

10. Contact person. Please provide information about the person to be contacted regarding this application. Indicate if this person is the owner, operator, engineer, attorney or accountant.

Name:	Robby Hefton	Title:	City Manager
Address:	P. O. Box 1106 Sherman, Texas 75091	Telephone (AC):	(903) 892-7201
Fax #	(903) 892-7355	Email	robbyh@ci.sherman.tx.us
Relationship to the applicant:	City Manager		

**IF THERE ARE MORE THAN TWO PARTIES INVOLVED IN THIS TRANSACTION, PLEASE ATTACH SHEETS PROVIDING THE INFORMATION REQUIRED IN QUESTION 6 THROUGH QUESTION 10 FOR EACH PARTY**

11. Please respond to each of the following questions. Attach additional sheets if necessary.

A. Describe the experience and qualifications of the applicant to provide adequate utility service to the requested area

The City of Sherman currently operates a municipal utility system regulated by the TCEQ and PUC.

The system has been designated as "Superior Water System" by the State.

- B. Has the applicant acquiring the CCN or facilities or an affiliated interest of the applicant been under enforcement action by the PUC, TCEQ, Texas Department of Health (TDH), the Office of the Attorney General (OAG) or the Environmental Protection Agency (EPA) in the past for noncompliance with rules, orders or State Statutes? ☒ Yes ☐ No

If yes, please attach copies of any correspondence with these regulatory agencies concerning these enforcement actions and describe any actions and efforts to comply with those requirements. Attach additional sheets if needed.

Voluntarily joined the TCEQ SSO initiative in 2008. Meeting yearly goals. Enforcement order in the early 1980's on WWTP. Order lifted when new WWTP came on line. Not aware of any others.

- C. Describe the source and availability of funds required to make the planned or required improvements, if any, to meet minimum requirements of the TCEQ and PUC and ensure continuous and adequate service.

The system will be funded by the City's Utility Fund which is supported by revenues derived from water and sewer rates paid by the customers of the City of Sherman.

D. Describe the anticipated impact of this transaction on the quality of utility service and explain any anticipated changes in the quality of service.

The transaction will upgrade service and the physical utility system. Substandard mains will be replaced, fire protection will be provided, service interruptions will be decreased, and system maintenance will be improved.

E. How will the transaction serve the public interest?

The public currently served by the substandard system will be provided access to a "Superior Water System" that will be operated and maintained by a Municipality with adequate financial and technical resources. It is anticipated that all aspects of the water system and its operation will be improved.

12. Please describe the nature of the proposed transaction:

The City will expand its water system CCN into the area served by the existing utility and will upgrade and operate the new system.

13. If the transferee applicant is an Investor Owned Utility (IOU) and will be under the rate jurisdiction of the PUC, please provide the following information. Water supply or sewer service corporations and political subdivisions of the state should mark this section N/A:

A.

- Total Purchase Price: NA
- Total Original Cost (as recorded on books of seller or merging entity): NA
- Accumulated Depreciation as of the proposed effective date of the transaction: NA
- Contributions in Aid of Construction:

- Specific surcharges approved by TCEQ or PUC:

NA

- Revenues from explicit customer agreements:

NA

- Developer Contributions (please explain):

NA

- Other Contributions (please explain):

NA

Total Contributions in Aid of Construction

NA

• Net Book Value:

NA



- ☐ If the Original Cost or any of the above items has been established in a rate case proceeding by the PUC, the TWC or the TCEQ, please provide the Application/Docket Number and date:

Application/Docket Number:  Date:

- ☐ If the applicant is not under the rate jurisdiction of the TCEQ, only the purchase price and information related to Contributions in Aid of Construction is required.

Please provide any other information concerning the nature of the transaction you believe should be given consideration if not explained elsewhere in the application.

[attach additional sheet(s) if necessary]:

The area encompassed by the existing water system will be annexed into the City of Sherman. The City will operate the existing system until an upgraded water system meeting TCEQ requirements can be constructed. The new system will include fire protection appurtenances for the annexed area.

- C. Complete the following proposed entries listed below as shown in books of purchasing (or surviving) company. Additional entries may be made; the following are suggested only, and not intended to pose descriptive limitations.

Utility Plant in Service:	<input type="text"/>
Plant Acquisition Adjustment:	<input type="text"/>
Extraordinary Loss on Purchase:	<input type="text"/>
Accumulated Depreciation of Plant:	<input type="text"/>
Cash:	<input type="text"/>
Notes Payable:	<input type="text"/>
Mortgage Payable:	<input type="text"/>
Others (please list):	<input type="text"/>

As the purchaser, I understand that it is **my responsibility** in any future rate proceeding to provide written evidence and support for the original cost and installation date of all facilities used and useful for providing utility service.

Purchaser's Initials:  Date:

14. Please indicate the proposed effect of this transaction on the rates to be charged to the affected customers:

<input type="checkbox"/>	All the customers will be charged the same rates as they were charged before the transaction.
<input type="checkbox"/>	Some
<input checked="" type="checkbox"/>	All customers will be charged different rates than they were charged before the transaction.

If rates are changing, please explain:

The customers in the system to be acquired will be charged standard City of Sherman water rates following the acquisition of the system.

☐ Applicant is an IOU and intends to file with the commission or municipal regulatory authority an application to change rates of some/all of its customers as a result of this transaction. If so, please explain:

NA

☐ Other. Please explain:

NA

15. List all neighboring water and /or sewer utilities, cities, and political subdivisions providing the same service within two (2) miles of area affected by this proposed transaction. This information should be available from the water utility database (WUD) or Applicant's licensed water operator.

City of Sherman, Texas; City of Dorchester, Texas; Friendship Acres WSC; Tecon Water Company; City of Knollwood, Texas; City of Southmayd, Texas.

16. Financial, Managerial and Technical information for the acquiring entity.

**CITY OF SHERMAN**  
**Part D - Historical Financial Information**

<b>HISTORICAL BALANCE SHEETS</b>	<b>9/30/2015</b>	<b>9/30/2014</b>	<b>9/30/2013</b>	<b>9/30/2012</b>	<b>9/30/2011</b>	<b>9/30/2010</b>
Cash	6,624,250	6,381,220	6,762,808	9,028,746	9,181,088	7,990,417
Accounts receivable	2,663,513	2,903,056	2,824,222	2,405,048	2,806,991	2,378,248
Other receivable	118,619	5,192	534,427	37,270	5,436	10,771
Inventory	365,742	488,709	419,962	275,680	314,440	329,919
Other current asset	23,698	10,158	27,076	27,076	27,076	27,104
<b>Total current assets</b>	<b>9,795,822</b>	<b>9,788,335</b>	<b>10,568,495</b>	<b>11,773,820</b>	<b>12,335,031</b>	<b>10,736,458</b>
Land	363,682	363,682	363,682	363,682	345,142	345,142
Buildings	3,458,409	3,458,409	3,355,329	3,355,329	3,355,329	3,355,329
Collection/distribution system	52,859,064	52,859,064	51,580,500	51,492,629	51,406,887	50,923,155
Carriage Est/Shady Oaks distrib system	-	-	-	-	-	-
Effluent line	-	-	-	-	-	-
Equipment	4,068,174	4,068,174	3,970,477	4,042,136	4,088,605	3,961,744
Other asset	6,942,052	6,942,052	7,263,514	6,689,590	6,708,267	6,778,924
Accumulated depreciation	(36,756,422)	(34,434,764)	(32,113,106)	(29,815,991)	(27,415,269)	(24,946,024)
<b>Total noncurrent assets</b>	<b>30,934,959</b>	<b>33,256,617</b>	<b>34,420,396</b>	<b>36,127,374</b>	<b>38,488,961</b>	<b>40,418,270</b>
<b>Total assets</b>	<b>40,730,781</b>	<b>43,044,952</b>	<b>44,988,891</b>	<b>47,901,194</b>	<b>50,823,992</b>	<b>51,154,727</b>
Accounts payable	848,616	1,372,487	833,169	739,830	779,667	517,927
Other current liability	708,975	783,836	704,303	684,009	663,369	709,358
Current portion l-t liability	90,368	81,592	251,119	394,888	375,651	362,547
<b>Total current liabilities</b>	<b>1,647,959</b>	<b>2,237,915</b>	<b>1,788,590</b>	<b>1,818,726</b>	<b>1,818,687</b>	<b>1,589,831</b>
Notes payable, long-term	2,841,919	2,923,513	3,180,106	3,574,993	3,960,496	4,333,722
Other long-term liability	332,241	338,323	344,405	342,994	318,322	250,043
Current portion l-t liability	(90,368)	(81,592)	(251,119)	(394,888)	(375,651)	(362,547)
<b>Total long-term liabilities</b>	<b>3,083,792</b>	<b>3,180,244</b>	<b>3,273,392</b>	<b>3,523,099</b>	<b>3,903,167</b>	<b>4,221,218</b>
<b>Total liabilities</b>	<b>4,731,751</b>	<b>5,418,159</b>	<b>5,061,982</b>	<b>5,341,825</b>	<b>5,721,854</b>	<b>5,811,049</b>
<b>Retained earnings</b>	<b>35,999,030</b>	<b>37,626,791</b>	<b>39,926,909</b>	<b>42,559,368</b>	<b>45,102,138</b>	<b>45,343,678</b>
<b>Total liabilities and retained earnings</b>	<b>40,730,781</b>	<b>43,044,950</b>	<b>44,988,891</b>	<b>47,901,194</b>	<b>50,823,992</b>	<b>51,154,727</b>
Working capital	8,147,863	7,550,420	8,779,905	9,955,094	10,516,344	9,146,626
Current ratio	5.944	4.374	5.909	6.474	6.782	6.753
Debt to equity ratio	0.079	0.078	0.080	0.084	0.088	0.096
Equity to total assets	0.884	0.874	0.887	0.888	0.887	0.886

**CITY OF SHERMAN**  
**Part D - Historical Financial Information**

<b>HISTORICAL INCOME STATEMENT</b>	<b>9/30/2015</b>	<b>9/30/2014</b>	<b>9/30/2013</b>	<b>9/30/2012</b>	<b>9/30/2011</b>	<b>9/30/2010</b>
<b>METER NUMBER</b>						
Existing number of taps	13,392	13,262	13,170	13,096	13,082	13,070
New taps per year	179	130	92	74	14	12
<b>Total meters at year end</b>	<b>13,571</b>	<b>13,392</b>	<b>13,262</b>	<b>13,170</b>	<b>13,096</b>	<b>13,082</b>
<b>METER REVENUE</b>						
Fees per meter	1,453	1,418	1,376	1,392	1,485	1,353
Cost per meter	1,405	1,396	1,377	1,494	1,466	1,377
<b>Operating revenue per meter</b>	<b>1,516</b>	<b>1,490</b>	<b>1,434</b>	<b>1,456</b>	<b>1,553</b>	<b>1,415</b>
<b>GROSS WATER REVENUE</b>						
Fees	19,715,155	18,983,536	18,243,412	18,326,948	19,441,812	17,696,596
Other	862,309	972,034	780,726	844,658	901,428	812,701
<b>Gross income</b>	<b>20,577,464</b>	<b>19,955,570</b>	<b>19,024,137</b>	<b>19,171,607</b>	<b>20,343,240</b>	<b>18,509,297</b>
<b>OPERATING EXPENSES</b>						
General & admin	19,066,291	18,699,723	18,264,977	19,672,840	19,200,778	18,012,001
Interest	120,821	152,903	141,211	150,596	162,872	207,537
Other	3,018,113	3,403,063	3,250,409	1,890,940	1,221,130	2,712,864
<b>NET INCOME</b>	<b>(1,627,761)</b>	<b>(2,300,118)</b>	<b>(2,632,459)</b>	<b>(2,542,770)</b>	<b>(241,540)</b>	<b>(2,423,105)</b>

**CITY OF SHERMAN**  
**Part D - Historical Financial Information**

<b>HISTORICAL EXPENSE DETAIL</b>	<b>9/30/2015</b>	<b>9/30/2014</b>	<b>9/30/2013</b>	<b>9/30/2012</b>	<b>9/30/2011</b>	<b>9/30/2010</b>
Salaries	4,996,383	4,846,693	4,551,845	4,417,642	4,543,788	4,414,914
Office supplies	126,463	127,244	129,779	125,668	125,138	124,487
Supplies	1,051,535	1,411,070	1,056,185	1,003,184	938,161	849,073
Computer expense	93,726	90,914	88,859	80,261	116,228	92,366
Repairs & maintenance	1,360,879	1,572,852	1,588,472	1,584,915	1,058,606	999,548
Utilities - operations	2,427,047	2,218,965	2,166,340	2,423,191	2,718,869	2,607,870
Telephone	51,939	47,754	52,228	55,196	52,458	52,059
Other expense - operations	1,396,099	1,288,970	1,718,620	1,770,211	1,370,019	832,673
Insurance expense	37,201	50,841	30,437	31,450	35,950	37,328
Other expense - G&A	148,510	218,983	166,273	145,294	107,364	104,636
Depreciation	2,451,290	2,326,176	2,416,333	2,455,177	2,469,244	2,589,520
GTUA debt payment	4,671,783	4,243,988	4,035,915	5,301,073	5,427,023	5,076,814
Auto expense	253,437	255,273	263,691	279,578	237,929	230,712
<b>Total operating expenses</b>	<b>19,066,291</b>	<b>18,699,723</b>	<b>18,264,977</b>	<b>19,672,840</b>	<b>19,200,778</b>	<b>18,012,001</b>

**CITY OF SHERMAN**  
**Part E - Projected Information**

PROJECTED BALANCE SHEETS	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016
Cash	10,806,969	7,980,086	7,128,963	6,396,694	7,274,105	8,943,213
Accounts receivable	2,742,113	2,745,856	2,738,370	2,753,341	2,723,399	2,783,284
Other receivable	81,401	79,629	83,173	76,084	90,262	61,906
Inventory	406,090	408,012	404,169	411,854	396,484	427,225
Other current asset	19,255	19,044	19,467	18,621	20,313	16,928
<b>Total current assets</b>	<b>14,055,829</b>	<b>11,232,625</b>	<b>10,374,142</b>	<b>9,656,594</b>	<b>10,504,563</b>	<b>12,232,556</b>
Land	363,682	363,682	363,682	363,682	363,682	363,682
Buildings	3,458,409	3,458,409	3,458,409	3,458,409	3,458,409	3,458,409
Collection/distribution system	60,359,064	58,859,064	57,359,064	55,859,064	54,359,064	52,859,064
Carriage Est/Shady Oaks distrib system	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	-
Effluent line	1,500,000	1,500,000	1,500,000	1,500,000	-	-
Equipment	4,068,174	4,068,174	4,068,174	4,068,174	4,068,174	4,068,174
Other asset	6,942,052	6,942,052	6,942,052	6,942,052	6,942,052	6,942,052
Accumulated depreciation	(51,964,323)	(49,310,968)	(46,709,640)	(44,159,318)	(41,659,002)	(39,207,712)
<b>Total noncurrent assets</b>	<b>26,227,058</b>	<b>27,380,413</b>	<b>28,481,741</b>	<b>29,532,063</b>	<b>29,032,379</b>	<b>28,483,669</b>
<b>Total assets</b>	<b>40,282,886</b>	<b>38,613,038</b>	<b>38,855,884</b>	<b>39,188,657</b>	<b>39,536,942</b>	<b>40,716,225</b>
Accounts payable	955,679	936,940	918,569	900,558	882,900	865,588
Other current liability	798,421	782,765	767,417	752,370	737,617	723,154
Current portion l-t liability	115,952	111,498	107,214	103,095	99,134	95,236
<b>Total current liabilities</b>	<b>1,870,052</b>	<b>1,831,204</b>	<b>1,793,200</b>	<b>1,756,023</b>	<b>1,719,651</b>	<b>1,683,979</b>
Notes payable, long-term	2,197,143	2,315,807	2,429,913	2,539,634	2,645,140	2,746,593
Other long-term liability	337,675	338,038	336,879	337,167	338,615	339,491
Current portion l-t liability	(115,952)	(111,498)	(107,214)	(103,095)	(99,134)	(95,236)
<b>Total long-term liabilities</b>	<b>2,418,866</b>	<b>2,542,347</b>	<b>2,659,578</b>	<b>2,773,706</b>	<b>2,884,621</b>	<b>2,990,848</b>
<b>Total liabilities</b>	<b>4,288,918</b>	<b>4,373,551</b>	<b>4,452,778</b>	<b>4,529,729</b>	<b>4,604,272</b>	<b>4,674,826</b>
<b>Retained earnings</b>	<b>35,993,968</b>	<b>34,239,487</b>	<b>34,403,106</b>	<b>34,658,928</b>	<b>34,932,670</b>	<b>36,041,399</b>
<b>Total liabilities and retained earnings</b>	<b>40,282,886</b>	<b>38,613,038</b>	<b>38,855,884</b>	<b>39,188,657</b>	<b>39,536,942</b>	<b>40,716,225</b>
Working capital	12,185,776	9,401,421	8,580,942	7,900,571	8,784,912	10,548,578
Current ratio	7.516	6.134	5.785	5.499	6.109	7.264
Debt to equity ratio	0.061	0.068	0.071	0.073	0.076	0.076
Equity to total assets	0.894	0.887	0.885	0.884	0.884	0.885

**CITY OF SHERMAN**  
**Part E - Projected Information**

**PROJECTED INCOME STATEMENT**

	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016
<b>METER NUMBER</b>						
Existing number of taps	14,681	14,483	14,290	14,100	13,754	13,571
New taps per year	202	198	194	190	346	183
<b>Total meters at year end</b>	<b>14,882</b>	<b>14,681</b>	<b>14,483</b>	<b>14,290</b>	<b>14,100</b>	<b>13,754</b>
<b>METER REVENUE</b>						
Fees per meter	1,465	1,456	1,447	1,438	1,429	1,436
Cost per meter	1,416	1,536	1,535	1,527	1,515	1,505
<b>Operating revenue per meter</b>	<b>1,634</b>	<b>1,627</b>	<b>1,620</b>	<b>1,611</b>	<b>1,540</b>	<b>1,540</b>
<b>GROSS WATER REVENUE</b>						
Fees	21,805,596	21,378,035	20,958,858	20,547,900	20,145,000	19,750,000
Other	2,514,611	2,505,402	2,498,073	2,472,501	1,562,415	1,432,847
<b>Gross income</b>	<b>24,320,207</b>	<b>23,883,438</b>	<b>23,456,931</b>	<b>23,020,401</b>	<b>21,707,415</b>	<b>21,182,847</b>
<b>OPERATING EXPENSES</b>						
General & admin	21,066,103	22,557,099	22,234,428	21,827,289	21,357,323	20,694,281
Interest	92,918	97,373	101,656	105,775	109,736	113,545
Other	1,406,705	1,392,584	1,376,669	1,361,079	1,349,085	332,652
<b>NET INCOME</b>	<b>1,754,481</b>	<b>(163,619)</b>	<b>(255,822)</b>	<b>(273,742)</b>	<b>(1,108,729)</b>	<b>42,369</b>

**CITY OF SHERMAN**  
**Part E - Projected Information**

PROJECTED EXPENSE DETAIL	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016
Other revenue	1,375,795	1,370,916	1,367,831	1,364,421	1,358,415	1,432,847
Water revenue	14,111,257	13,834,565	13,563,299	13,297,352	13,036,620	12,781,000
Sewer revenue	7,694,339	7,543,470	7,395,559	7,250,548	7,108,380	6,969,000
Carriage Est/Shady Oaks	220,816	216,486	212,242	208,080	204,000	-
Panda - effluent	918,000	918,000	918,000	900,000	-	-
<b>Gross Income</b>	<b>24,320,207</b>	<b>23,883,438</b>	<b>23,456,931</b>	<b>23,020,401</b>	<b>21,707,415</b>	<b>21,182,847</b>
Salaries	5,845,257	5,730,644	5,618,278	5,508,116	5,400,114	5,294,229
Office supplies	142,418	139,626	136,888	134,204	131,573	128,993
Supplies	1,160,979	1,138,215	1,115,897	1,094,017	1,072,565	1,051,535
Computer expense	103,481	101,452	99,462	97,512	95,600	93,726
Repairs & maintenance	1,502,520	1,473,059	1,444,175	1,415,858	1,388,096	1,360,879
Utilities - operations	2,679,656	2,627,114	2,575,602	2,525,100	2,475,588	2,427,047
Telephone	57,345	56,221	55,118	54,038	52,978	51,939
Other expense - operations	1,541,406	1,511,182	1,481,551	1,452,501	1,424,021	1,396,099
Insurance expense	41,073	40,268	39,478	38,704	37,945	37,201
Other expense - G&A	163,967	160,752	157,600	154,510	151,480	148,510
Depreciation	2,706,422	2,653,355	2,601,328	2,550,322	2,500,316	2,451,290
GTUA debt payment	4,841,764	6,650,885	6,640,100	6,538,732	6,368,542	5,999,398
Auto expense	279,814	274,328	268,949	263,675	258,505	253,437
<b>Total operating expenses</b>	<b>21,066,103</b>	<b>22,557,099</b>	<b>22,234,428</b>	<b>21,827,289</b>	<b>21,357,323</b>	<b>20,694,281</b>
<b>Net operating (Income) loss</b>	<b>3,254,104</b>	<b>1,326,338</b>	<b>1,222,503</b>	<b>1,193,112</b>	<b>350,092</b>	<b>488,566</b>
Transfers out	(1,907,000)	(1,888,000)	(1,869,000)	(1,850,000)	(1,832,000)	(1,814,000)
Interest income	38,000	38,000	38,000	38,000	38,000	38,000
Gain assets	-	-	-	-	-	-
Interest exp	(92,918)	(97,373)	(101,656)	(105,775)	(109,736)	(113,545)
Intergovernmental	298,295	295,416	294,331	292,921	288,915	1,289,348
Transfers in	164,000	162,000	160,000	158,000	156,000	154,000
<b>Total nonoperating income</b>	<b>(1,499,623)</b>	<b>(1,489,957)</b>	<b>(1,478,325)</b>	<b>(1,466,854)</b>	<b>(1,458,821)</b>	<b>(446,197)</b>
<b>Change in net position</b>	<b>1,754,481</b>	<b>(163,619)</b>	<b>(255,822)</b>	<b>(273,742)</b>	<b>(1,108,729)</b>	<b>42,369</b>
<b>Beginning net position</b>	<b>34,239,487</b>	<b>34,403,106</b>	<b>34,658,928</b>	<b>34,932,670</b>	<b>36,041,399</b>	<b>35,999,030</b>
<b>Ending net position</b>	<b>35,993,968</b>	<b>34,239,487</b>	<b>34,403,106</b>	<b>34,658,928</b>	<b>34,932,670</b>	<b>36,041,399</b>



**CITY OF SHERMAN**  
**Part E - Projected Information**

**PROJECTED SOURCES AND USES OF CASH STATEMENTS**

	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016
<b>SOURCES OF CASH</b>						
Net operating income	3,254,104	1,326,338	1,222,503	1,193,112	350,092	488,566
Depreciation	2,706,422	2,653,355	2,601,328	2,550,322	2,500,316	2,451,290
Loan proceeds	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total Sources</b>	<b>5,960,527</b>	<b>3,979,693</b>	<b>3,823,831</b>	<b>3,743,434</b>	<b>2,850,408</b>	<b>2,939,856</b>
<b>USES OF CASH</b>						
Net loss	-	-	-	-	-	-
Principal portion of pmts	118,664	114,106	109,721	105,506	101,453	95,326
Fixed asset purchase	3,000,000	3,000,000	3,000,000	3,000,000	1,500,000	750,000
Reserve	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total uses</b>	<b>3,118,664</b>	<b>3,114,106</b>	<b>3,109,721</b>	<b>3,105,506</b>	<b>1,601,453</b>	<b>845,326</b>
<b>NET CASH FLOW</b>	<b>2,841,863</b>	<b>865,587</b>	<b>714,110</b>	<b>637,928</b>	<b>1,248,955</b>	<b>2,094,530</b>
<b>DEBT SERVICE COVERAGE</b>						
Cash available for debt	10,806,969	7,980,086	7,128,963	6,396,694	7,274,105	8,943,213
<b>SERVICE (CADS)</b>						
Net income (loss)	1,754,481	(163,619)	(255,822)	(273,742)	(1,108,729)	42,369
Depreciation, or reserve interest	2,706,422	2,653,355	2,601,328	2,550,322	2,500,316	2,451,290
<b>Total</b>	<b>4,460,904</b>	<b>2,489,736</b>	<b>2,345,506</b>	<b>2,276,580</b>	<b>1,391,587</b>	<b>2,493,659</b>
<b>REQUIRED DEBT SERVICE (RDS)</b>						
Principal plus interest	208,870	208,870	208,870	208,870	208,870	208,870
<b>DEBT SERVICE COVERAGE RATIO</b>						
CADS divided by RDS	4,252,034	2,280,866	2,136,636	2,067,710	1,182,717	2,284,789

## Part F – TCEQ Public Water or Sewer System Information

 Please answer questions 17 through 22 on a different sheet for each physically Distinct system being transferred or acquired.

17. A. For Water Systems. TCEQ Public Water System Identification Number:

0	9	1	0	0	8	2
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Date of last inspection:

7-1-15

B. For Wastewater Systems:

-TCEQ Discharge Permit Number:

W Q

$A_1$	$X_1$	$X_2$	$X_3$	$X_4$	$X_5$	$X_6$	$X_7$	$X_8$	$X_9$	$X_{10}$	$X_{11}$	$X_{12}$	$X_{13}$	$X_{14}$	$X_{15}$	$X_{16}$	$X_{17}$	$X_{18}$	$X_{19}$	$X_{20}$	$X_{21}$	$X_{22}$	$X_{23}$	$X_{24}$	$X_{25}$	$X_{26}$	$X_{27}$	$X_{28}$	$X_{29}$	$X_{30}$	$X_{31}$	$X_{32}$	$X_{33}$	$X_{34}$	$X_{35}$	$X_{36}$	$X_{37}$	$X_{38}$	$X_{39}$	$X_{40}$	$X_{41}$	$X_{42}$	$X_{43}$	$X_{44}$	$X_{45}$	$X_{46}$	$X_{47}$	$X_{48}$	$X_{49}$	$X_{50}$	$X_{51}$	$X_{52}$	$X_{53}$	$X_{54}$	$X_{55}$	$X_{56}$	$X_{57}$	$X_{58}$	$X_{59}$	$X_{60}$	$X_{61}$	$X_{62}$	$X_{63}$	$X_{64}$	$X_{65}$	$X_{66}$	$X_{67}$	$X_{68}$	$X_{69}$	$X_{70}$	$X_{71}$	$X_{72}$	$X_{73}$	$X_{74}$	$X_{75}$	$X_{76}$	$X_{77}$	$X_{78}$	$X_{79}$	$X_{80}$	$X_{81}$	$X_{82}$	$X_{83}$	$X_{84}$	$X_{85}$	$X_{86}$	$X_{87}$	$X_{88}$	$X_{89}$	$X_{90}$	$X_{91}$	$X_{92}$	$X_{93}$	$X_{94}$	$X_{95}$	$X_{96}$	$X_{97}$	$X_{98}$	$X_{99}$	$X_{100}$
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-Name of Permittee:

\_\_\_\_\_

-Date of application to transfer Discharge Permit submitted:

[illegible]

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

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
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18. A. Are any improvements required to meet TCEQ or PUC standards?



**Yes**




☐ No. If yes, please explain:

see attached

B. Is there a moratorium on new connections?

☒ Yes

No. If yes, please explain:



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

Description of the Required Improvement	Schedule to Complete	Estimated Cost

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



Yes



No


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



Water

100

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 ☐ 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	
159	-5/8" or 3/4" meter		-3" meter	-Commercial Connection	
	-1" meter		-4" meter	-Industrial Connection	
	-1 1/2" meter		-Other	-Other	
Total Water Connections:			159	Total Sewer Connections	0

20. Has the system reached 85% of its capacity based on TCEQ's minimum requirements? ☒ Yes ☐ No  
If yes, please explain what steps are being taken to address the capacity issues:

23. List the name, class, and license number of the operator(s) that will be responsible for the system:

Name	Class	License#

24. Attach the following maps with each copy of the application:

- a. One small scale map clearly showing affected service area with enough detail to accurately locate the area if the application is for the transfer of all or a portion of a CCN.
- b. One large scale map showing the proposed service area boundaries being sold, transferred, or merged and, if available, the existing and proposed facilities. Color coding should be used to differentiate existing from proposed facilities. Facilities and service area boundaries should be shown with such exactness that they can be located on the ground. If transferring area not currently in a CCN or a portion of an existing CCN area please attach the following hard copy maps with each copy of the application:
  1. A general location map delineating the proposed service area with enough detail to accurately locate the proposed area within the county.
  2. A map showing only the proposed area by:
    - i. metes and bounds survey certified by a licensed state or registered professional land surveyor; or
    - ii. projectable digital data with metadata (proposed areas should be in a single record and clearly labeled, data disk should be included); or
    - iii. following verifiable natural and man-made landmarks, or
    - iv. a copy of recorded plat map with metes and bounds.
  3. A written description of the proposed service area.

Part G – Oaths and Notices

**OATH FOR SELLER OR FORMER SERVICE PROVIDER**

STATE OF Texas  
COUNTY OF Montgomery

I, Sandra Barbey, being duly sworn, file this application for sale, lease, rental or merger or consolidation as Vice-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 documents filed with this application, and have complied with all the requirements contained in the application; and, that all such statements made and matters set forth therein with respect to applicant are true and correct. Statements about other parties are made on information and belief. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Commission.

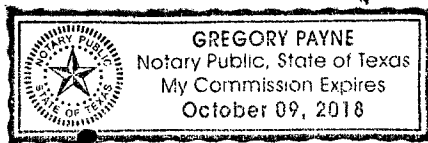
I further state that I have provided to the purchaser or transferee a written disclosure statement about any contributed property as required under Section 13.301(j) and copies of any outstanding Orders of the Texas Commission on Environmental Quality, the Public Utility Commission of Texas, or Attorney General and have also complied with the notice requirements in Section 13.301(k) of the Texas Water Code.

Sandra Barbey  
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 5 of November, 20 13.

SEAL



Gregory Payne  
NOTARY PUBLIC IN AND FOR THE  
STATE OF TEXAS  
PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES 10-9-18

One copy of this page must be submitted for each utility involved in this transaction.

**OATH FOR PURCHASER OR ACQUIRING ENTITY**

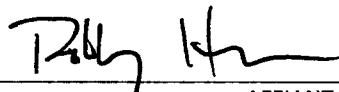
STATE OF Texas

COUNTY OF Grayson

I, \_\_\_\_\_, being duly sworn, file this application for

sale, lease, rental or merger or consolidation as City Manager  
(**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 documents filed with this application, and have complied with all the requirements contained in the application; and, that all such statements made and matters set forth therein with respect to applicant are true and correct. Statements about other parties are made on information and belief. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Commission.

I am also authorized and do agree to be bound by and comply with any outstanding orders of the Texas Commission on Environmental Quality, the Public Utility Commission of Texas or the Attorney General which have been issued to the system or facilities being acquired and recognize that I will be subject to administrative penalties or other enforcement actions if I do not comply.



AFFIANT

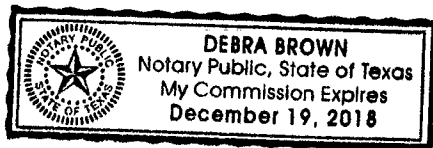
(Utility's Authorized Representative)

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.

Applicant represents that all other parties to this transaction have been furnished copies of this completed application.

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public in and for the State of Texas, this  
day 23rd of Oct., 20 15.

SEAL





NOTARY PUBLIC IN AND FOR THE  
STATE OF TEXAS

Debra Brown

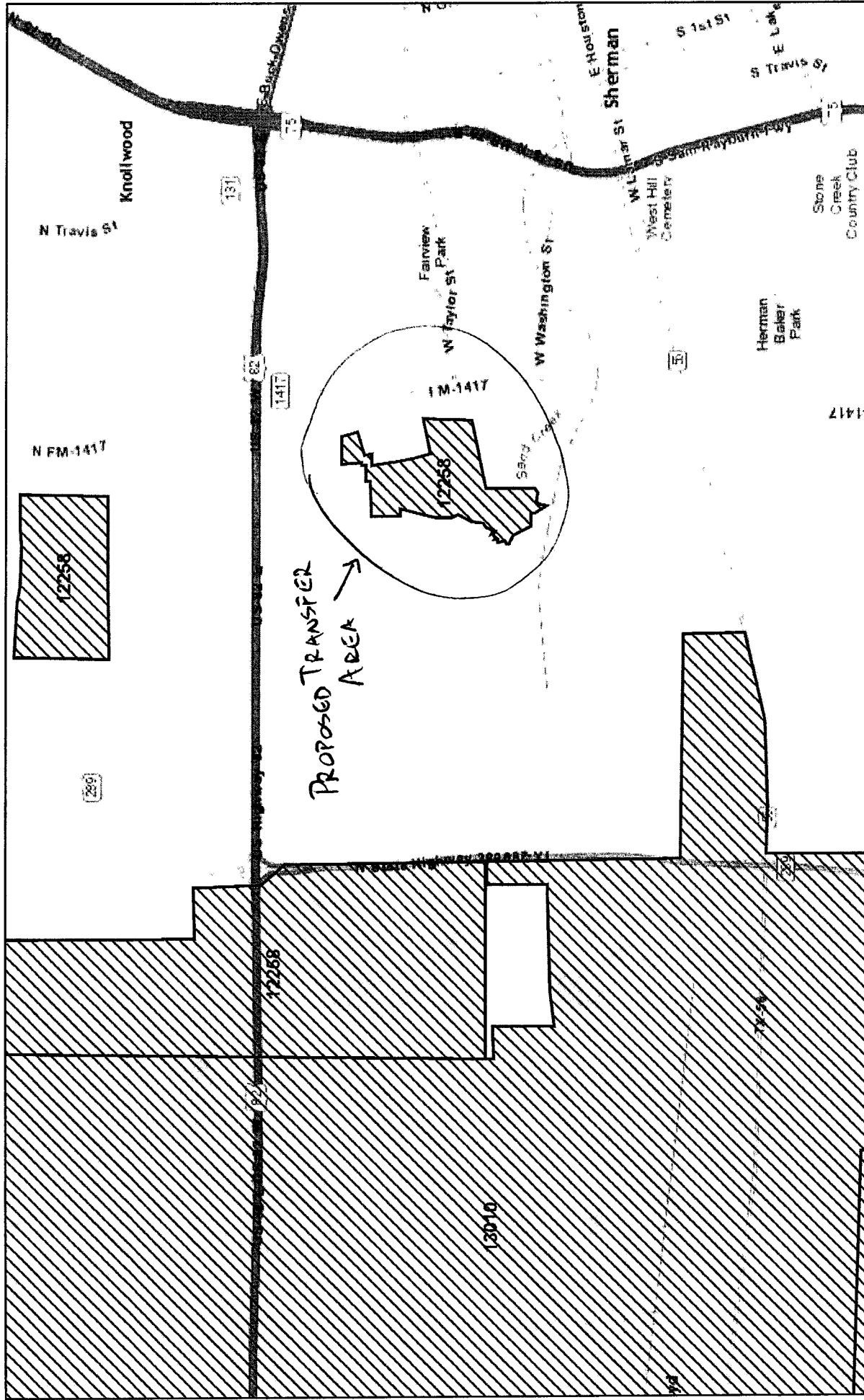
PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES


12-19-18

One copy of this page must be submitted for each utility involved in this transaction.

# Lass Water Company CCN to be transferred to City of Sherman



November 6, 2015

 Water CCN Service Areas

Sources: Esri, HERE, DeLorme, USGS, Intermap, increment P Corp., NRCAN, Esri Japan, METI, Esri China (Hong Kong), Esri (Thailand),

# **TCEQ EXIT INTERVIEW FORM: Potential Violations and/or Records Request**

Regulated Entity/Site Name		Carriage House Estates		TCEQ Add. ID No. RN No. (optional)	0910082
Investigation Type	CCI	Contact Made In-House (Y/N)	Y	Purpose of Investigation	Mandatory
Regulated Entity/Contact	Sandra Barbey			Telephone No.	(713) 542-8405
Title	President, SRC Water Supply Inc.			FAX #/Email address	lusc@sbglobal.net
				Date Contacted	6-25-15
				FAX/Email date	6-25-15

NOTICE: The information provided in this form is intended to provide clarity to issues that have arisen during the investigation process between the TCEQ and the regulated entity named above and does not represent final TCEQ findings related to violations. Any potential or alleged violations discovered after the date on this form will be communicated to the regulated entity representative prior to the issuance of a notice of violation or enforcement. Conclusions drawn from this investigation, including additional violations or potential violations discovered (if any) during the course of this investigation, will be documented in a final investigation report.

Issue		For Records Request: Identify the necessary records, the company contact and date due to the agency. For Alleged and Potential Violation issues, include the rule in question with the clearly described potential problem. Other type of issues: fully describe.	
No.	Type	Rule Citation (if known)	Description of Issue
1	AV	\$290.121(a)	Failure to provide a copy of the Monitoring Plan.
2	AV	\$290.420(i)	Failure to provide a copy of the Plant Operations Manual.
3	AV	\$290.46(f)(3)(D)(ii)	Failure to provide copies of ground storage tank and pressure tank inspections from 2011 through 2015.
4	AV	\$290.46(i)	Failure to provide a copy of the Customer Service Agreement.
5	AV	\$290.46(j), \$290.46(f)(3)(E)(iv)	Failure to provide copies of Customer Service Inspections.
6	AV	\$290.46(n)(3)	Failure to provide Well Completion Data for all wells.
7	AV	\$290.41(c)(1)(F)	Failure to provide Sanitary Control Basements for all wells.

Note 1: Issue Type Can Be One or More of: AV (Alleged Violation), PV (Potential Violation), O (Other), or RR (Records Request)

Did the TCEQ document the regulated entity named above operating without proper authorization?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Did the investigator advise the regulated entity representative that continued operation is not authorized?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Document Acknowledgment. Signature on this document establishes only that the regulated entity (RE) representative received a copy of this document and associated continuation pages on the date noted. If contact was made by telephone, the document will be sent via FAX or Email to RE; therefore, the RE signature is not required.

Investigator Name (Signed & Printed)	7-29-15	Regulated Entity Representative Name (Signed & Printed)	Date
STEVE ZAWROTY			

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White Copy: Regulated Entity Representative  
TCEQ 20085 (4/08)

Yellow Copy: TCEQ

# **TCEQ EXT INTERVIEW FORM: Potential Violations and/or Records Request**

Regulated Entity/ Site Name		Carriage House Estates		TCEQ Add. ID No. RN No. (optional)	0910082
Investigation Type	CCI	Contact Made In-House (Y/N)	Y	Purpose of Investigation	Mandatory
Regulated Entity Contact	Sandra Barbey	Telephone No.	(713) 542-8405	Date Contacted	6-25-15
Title	President, SRC Water Supply Inc.	FAX #/E-mail address	insc@sbcglobal.net	FAX/E-mail date	6-25-15

**NOTICE:** The information provided in this form is intended to provide clarity to issues that have arisen during the investigation process between the TCEQ and the regulated entity named above and does not represent final TCEQ findings related to violations. Any potential or alleged violations discovered after the date on this form will be communicated to the regulated entity representative prior to the issuance of a notice of violation or enforcement. Conclusions drawn from this investigation, including additional violations or potential violations discovered (if any) during the course of this investigation, will be documented in a final investigation report.

Issue No.	Type	Rule Citation (if known)	Description of Issue
8	AV	\$288.30(5)	Failure to provide a copy of the drought contingency plan.
9	AV	\$290.46(f)(3)(A)(iii)	Failure to provide copies of complaint records.
10	AV	\$290.46(f)(3)(A)(ii)(III)	Failure to provide records of the volume of water treated.
11	AV	\$290.46(n)	Failure to provide engineering plans and maps for the water system.
12	AV	\$290.46(p)	Failure to provide data on water system ownership and management.
13	AV	\$290.46(t)	Failure to provide appropriate ownership signage at the water plant and well houses.
14	AV	\$290.43(d)(1)	Failure to provide an ASME certification plate on the pressure tank

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Investigator Name (Signed & Printed)	Date	Regulated Entity Representative Name (Signed & Printed)	Date
Steve Zawrotny	7-29-15		

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TCEQ 20085 (4/08)

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(Note: use additional pages as necessary) Page 2 of 5



# TCEQ EXIT INTERVIEW FORM: Potential Violations and/or Records Request

Regulated Entity/Site Name		Carriage House Estates		TCEQ Add. ID No. RN No. (optional)	0910082
Investigation Type	CCI	Contact Made In-House (Y/N)	Y	Purpose of Investigation	Mandatory
Regulated Entity Contact	Sandra Barbey		Telephone No.	(713) 542-8405	Date Contacted
Title	President, SRC Water Supply Inc.		FAX# / Email address	lusc@sbglobal.net	FAX/Email date
					6-25-15

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Issue		For Records Request, identify the necessary records, the company contact and date due to the agency. For Alleged and Potential Violation issues, include the rule in question with the clearly described potential problem. Other type of issues: fully describe.	
No.	Type <sup>1</sup>	Rule Citation (if known)	Description of Issue
15	AV	\$290.46(m)(4)	Failure to maintain all facilities, equipment, and related appurtenances in a leak free condition.
16	AV	\$290.43(c)(1)	Failure to provide a screened vent on the ground storage tank.
17	AV	\$290.43(c)(6)	Failure to maintain the ground storage tank in a leak free condition.
18	AV	\$290.46(l)	Failure to flush dead ends at least once per month.
19	AV	\$290.(e)(4)(C)	Failure to provide high level and floor level vents in the chlorine room.
20	AV	\$290.42(m)	Failure to maintain the integrity of the intruder resistant fence.
21	AV	\$290.46(m)	Failure to maintain all grounds and facilities in good working order and minimize the harboring of insects and rodents.

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Did the investigator advise the regulated entity representative that continued operation is not authorized?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

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Signature <i>Steve Zawrotny</i>	Investigator Name (Signed & Printed)	7-29-15	Date
	Regulated Entity Representative Name (Signed & Printed)		Date

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# TCEQ EXIT INTERVIEW FORM: Potential Violations and/or Records Request

Regulated Entity/ Site Name		Carriage House Estates		TCEQ Add. ID No. RN No. (optional)	0910082
Investigation Type	CCI	Contact Made In-House (Y/N)	Y	Purpose of Investigation	Mandatory
Regulated Entity Contact	Sandra Barbey	Telephone No.	(713) 542-8405	Date Contacted	6-25-15
Title	President, SRC Water Supply Inc.	FAX #/Email address	lusc@sbceglobal.net	FAX/Email date	6-25-15

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No.	Type	Rule Citation (if known)
22	AV	\$290.46(e)
23	AV	\$290.46(v)
24	AV	\$290.41(c)(3)(F)
25	AV	\$290.41(c)(3)(K)
26	AV	\$290.46(u)
27	AV	\$290.110(b)(4)
28	AV	\$290.41(c)(3)(L)

Note 1: Issue Type Can Be One or More of: AV (Alleged Violation), PV (Potential Violation), O (Other), or RR (Records Request)

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<i>Steve Zawrotny</i>	Investigator Name (Signed & Printed)	7-29-15	Date
	Regulated Entity Representative Name (Signed & Printed)		Date

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(Note: use additional pages as necessary) Page 4 of 5

# TCEQ EXT INTERVIEW FORM: Potential Violations and/or Records Request

Regulated Entity/Site Name		Carriage House Estates		TCEQ Add ID No. RN No (optional)	0910082
Investigation Type	CCI	Contact Made In-House (Y/N)	Y	Purpose of Investigation	Mandatory
Regulated Entity Contact	Sandra Barbey	Telephone No.	(713) 542-8405	Date Contacted	6-25-15
Title	President, SRC Water Supply Inc.	FAX #/Email address	lusc@sbeglobal.net	FAX/Email date	6-25-15

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Issue	For Records Request, identify the necessary records, the company contact and date due to the agency. For Alleged and Potential Violation issues, include the rule in question with the clearly described potential problem. Other type of issues: fully describe.	
No.	Type	Rule Citation (if known)
29	AV	\$290.46(h)
30	AV	\$290.41(c)(3)(O)
31	AV	\$290.41(c)(3)(M)
32	AV	\$290.46(s)(1)

Note 1: Issue Type Can Be One or More of: AV (Alleged Violation), PV (Potential Violation), O (Other), or RR (Records Request)

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Investigator Name (Signed & Printed)	Investigator Name (Signed & Printed)	Date	Regulated Entity Representative Name (Signed & Printed)	Date
Steve Zawrotny		7-29-15		

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White Copy: Regulated Entity Representative Yellow Copy: TCEQ

(Note: use additional pages as necessary) Page 5 of 5

**Notice to Current Customers, Neighboring Systems and Cities**

Lonzo Gale dba Lass Water Company 'S  
(Seller's or Transferor's Name)

**NOTICE OF INTENT TO SELL FACILITIES AND TRANSFER CERTIFICATE OF CONVENIENCE AND**

**NECESSITY (CCN) NO** 12258 **TO** City of Sherman  
(Purchaser's or Transferee's Name)

**IN** Grayson **COUNTY, TEXAS**

**To:** \_\_\_\_\_ **Date Notice Mailed** \_\_\_\_\_, 20\_\_\_\_  
(Name of Customer, Neighboring System or City)

\_\_\_\_\_  
(Address)

\_\_\_\_\_  
City State Zip

**Lonzo Gale dba Lass Water Company**

Sellers or Transferors' Name

Address

City/State/Zip Code

has submitted an application with the Public Utility Commission of Texas to sell facilities and transfer water or sewer (please select) CCN No. 12258 in Grayson [County Name]

County to:

Purchasers or Transferee's Name

Address

City/State/Zip Code

The sale is scheduled to take place as approved by the Commission (V.T.C.A., Water Code §13.301). The transaction and the transfer of the CCN include the following subdivision(s):

**Carriage House Estates and Shady Oaks**

The area subject to this transaction is located approximately \_\_\_\_\_ miles NW [direction] of downtown Sherman, [City or Town] Texas, and is generally bounded on the north by

Hwy 82; on the east by Hwy 75  
; on the south by Washington St.; and on the west by 289

The total area being requested includes approximately \_\_\_\_\_ acres and serves 411 current customers.  
This transaction will have the following effect on the current customer's rates and services:

Affected persons may file written protests and/or request a public hearing within 30 days of this notice.

To request a hearing, you must:

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

Only those persons who submit a written request to be notified of a hearing will receive notice if a hearing is scheduled. The Commission will issue the CCN requested in the referenced application unless a hearing is scheduled to consider the transaction. If no protests or requests for hearing are filed during the comment period, the Commission may issue the CCN 30 days after publication of this notice.

Persons who wish to protest or request a hearing on this application should write the:

Filing Clerk  
Public Utility Commission of Texas  
1701 North Congress Avenue  
P.O. Box 13326  
Austin, Texas 78711-3326

**Se desea informacion en Espanol, puede llamar al  
1-888-782-8477**

---

Utility Representative

---

Utility Name

October 26, 2015

Ms. Sandra Barbey  
Vice President  
Lass Water Supply  
P. O. Box 315  
Magnolia, Texas 77354

Re: Letter Agreement Regarding Carriage Estates and Oaks CCN and Water System

Dear Ms. Barbey:

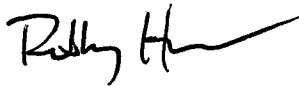
This correspondence shall serve to memorialize the terms as they have been negotiated for the transfer of the Carriage Estates/Oaks certificate of convenience and necessity (CCN) and corresponding water system from Lass Water Supply (LASS) to the City of Sherman (CITY). Pending negotiation, drafting, and execution of a contract for sale of the subject CCN and water system, LASS and the CITY agree to the following stipulations and terms:

1. LASS shall cooperate fully in the completing and filing of all necessary documentation with the Texas Public Utility Commission (PUC) and the Texas Commission on Environmental Quality (TCEQ) regarding the transfer of the Carriage Estates/Oaks CCN and water system to the City of Sherman, Texas.
2. LASS shall execute a finalized contract for sale of the CCN and water system according to the terms memorialized herein.
3. LASS shall enter into a water supply agreement with the CITY to extend water services to the Preston Club neighborhood in the CITY's extraterritorial jurisdiction at the same base rate offered for service within the CITY's city limits.
4. LASS agrees to resume making timely payments to CITY for water consumption up to the time the contemplated transfer is finalized and complete.
5. CITY agrees to forgive delinquent water charges amounting to Forty-Nine Thousand Nine Hundred and Sixty-Five Dollars and Sixty-One Cents (\$49,965.61).
6. CITY agrees to bear the expense to extend its water main to offer water service to the Preston Club neighborhood.
7. CITY agrees to use its best effort to reduce or eliminate fines and fees owed by LASS to the Red River Groundwater Conservation District.

8. CITY agrees to assume responsibility, liability, and costs for capping all wells within the Carriage Estates/Oaks CCN and for all necessary upgrades to the corresponding water system.

If the foregoing terms represent your understanding of the agreement described herein, please indicate such by signing below and returning to the CITY. Thank you for your cooperation. I look forward to working with you to complete the transfer.

Sincerely,



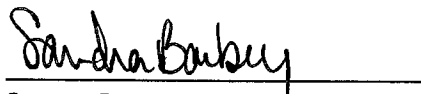
Robby Hefton  
City Manager  
City of Sherman, Texas

AGREED TO AND ACCEPTED

THIS 29<sup>th</sup> DAY OF October 2015

LASS WATER SUPPLY

BY:



SANDRA BARBEY  
VICE PRESIDENT