

Control Number: 45715



Item Number: 9

Addendum StartPage: 0



**Monarch
Utilities I, L.P.**

A SouthWest Water Company

Customer Service
866.654.SWWC (7992)

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PUBLIC UTILITY COMMISSION
FILING CLERK

April 21, 2016

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

Re: Docket 45715, Application of Willowbrook Homeowners Association, Inc. and Monarch Utilities I, LP for Sale Transfer, or Merger of Facilities and Certificate Rights in Harris County

To Whom it May Concern:

Attached is the response of Monarch Utilities I, L.P. to the deficiencies noted in the Commission Staff's Recommendation on Sufficiency served to parties of record on April 11, 2016. The deadline for the applicants to submit the additional information is May 11, 2016, so this response is timely filed.

Please contact me for any additional information required.

Sincerely,

George Freitag, P.E.
Texas Regulatory Manager
SouthWest Water Company
SWWC Utilities, Inc.
(512) 219-2288
gfreitag@swwc.com

Enclosure – Original and 7 copies

Docket No. 45715: Application of Villas of Willowbrook Homeowners Association, Inc., and Monarch Utilities, L.P. for Sale, Transfer, or Merger of Facilities and Certificate Rights in Harris County

Applicant's Response Addressing the Deficiencies Noted by Staff:

1. Currently, 100% of the retail water and sewer services for the requested area are provided by Harris County Municipal Utility District 191 (HCMUD 191). Please explain how Monarch will provide retail water and sewer services (including information about the source of water and sewer collection and treatment) to the Villas of Willowbrook, since HCMUD 191 currently owns the supply and infrastructure to serve the area.

Response: All water and wastewater facilities within the proposed service area are owned by the Villas of Willowbrook and will be acquired by Monarch. HCMUD 191 is currently providing water and wastewater service to the Villas of Willowbrook through the Utility Service and Easement agreement originally executed in March 2007. Monarch will receive wholesale water and wastewater service under a new agreement, the Wholesale Water-Sewer Service contract executed with the HCMUD 191 and supplied in response to Item 8.

2. Describe how Willowbrook currently receives water from HCMUD 191 (e.g. direct pressure, through a master meter, from a storage tank take point etc....).

Response: Willowbrook currently receives water from HCMUD 191 under direct pressure through a master meter. Wastewater is conveyed to the HCMUD 191 collection system by gravity through a manhole on HCMUD 191's interceptor. See the facility map provided in response to Item 3.

3. Provide a clear facility map of the proposed area that shows water and sewer distribution and transmission lines, as well as the location of the interconnect, if one exists, with HCMUD 191. If the interconnect with HCMUD 191 does exist, please label the map to show the location of the interconnect.

Response: See attached copy of the map titled "Overall Layout Sanitary Sewer and Water Distribution" with interconnect points marked. See also Exhibit A of the Contract supplied in response to Item 8.

4. State which entity (Willowbrook or HCMUD 191) is currently responsible for drinking water compliance sampling submitted to the Texas Commission on Environmental Quality (TCEQ) (monthly, quarterly, and annually) which verifies the safety of drinking water as required for CCN areas.

Response: HCMUD 191 is currently responsible for drinking water compliance sampling submitted to the Texas Commission on Environmental Quality (TCEQ).

5. State which entity (Willowbrook or HCMUD 191) is currently responsible for any sewer water related sampling and/or reporting to the TCEQ.

Response: HCMUD 191 is currently responsible for wastewater compliance sampling/or reporting submitted to the Texas Commission on Environmental Quality (TCEQ).

6. State which entity (Willowbrook or HCMUD 191) is currently responsible for sewer system compliance with the TCEQ.

Response: HCMUD 191) is currently responsible for wastewater system compliance with the Texas Commission on Environmental Quality (TCEQ).

7. Is Willowbrook currently charging rates for water and sewer service that are different than the rates charged by HCMUD 191? If "yes", please explain the difference in the rate structures.

Response: No.

8. Provide a copy of the wholesale water and sewer service contract between Monarch and HCMUD 191 referenced in the January 27, 2016 letter from Mr. Edward Monto.

Response: See attached copy of the contract titled "Wholesale Water-Sewer Service."

9. Does Willowbrook currently have a Public Water System (PWS) Identification number issued by the TCEQ? If so, please provide the PWS ID number and the name of the PWS.

Response: No. Monarch has applied to the TCEQ for a public water system identification number for the Villas of Willowbrook.

10. Does Willowbrook currently have a Water Quality (WQ) discharge permit number issued by the TCEQ? If so, please provide the WQ ID number and the name of the permit holder on record with the TCEQ.

Response: No. Wastewater from the Villas of Willowbrook is conveyed to HCMUD 191 for treatment. The permit for those facilities is in the name of Harris County MUD 191 and the number is WQ0014447001.

CON-92 k water-sewer, wholesale, 11-3-2015 COMPILATION

WHOLESALE WATER-SEWER CONTRACT

THIS WHOLESALE WATER-SEWER CONTRACT ("Contract"), made by and between HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 191 ("District") and MONARCH UTILITIES I, L.P., a Texas limited partnership, by and through its general partner, Texas Water Services Group, LLC, a Texas limited liability company ("Monarch"), effective as of December 2, _____, 2015,

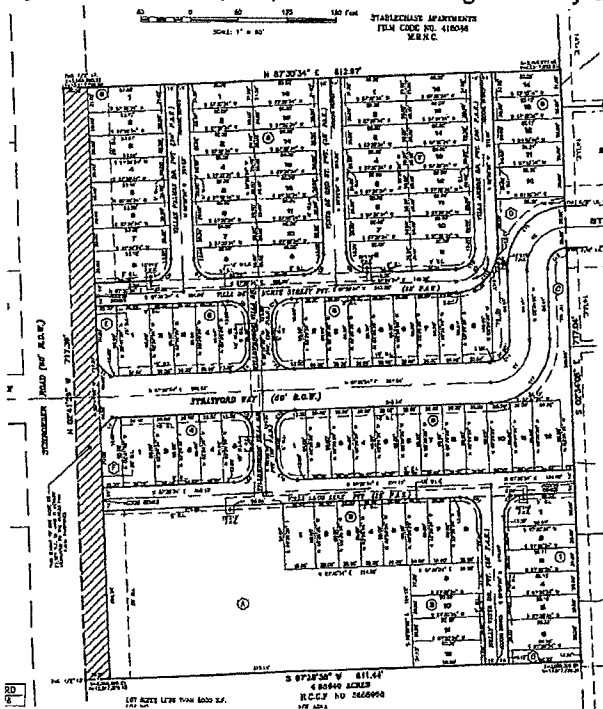
WITNESSETH:

Recitals

District is a municipal utility district operating under Chapters 49 and 54 of the Texas Water Code. District owns both a water system and a sewage system (with a sewage treatment plant).

Monarch is a Texas Limited Partnership. Monarch owns and operates water and sewer systems in Texas, as public utilities regulated by the Public Utility Commission of Texas ("PUC")

and the Texas Commission on Environmental Quality ("TCEQ"). Monarch proposes to acquire existing water and sewer facilities built to serve Villas at Willowbrook ("Villas") located near Schroeder Road on both sides of Stratford Way in Harris County, Texas. Villas is a 94-lot, single-family-residential subdivision with private streets established by plat recorded on June 8, 2006 in the Real Property Records of Harris County Texas under Clerk's File No. Z359526. An excerpt from that plat is shown on this page.



Monarch desires to purchase wholesale water and sewer services from the District so that Monarch can provide retail water and sewer service within Villas. Monarch has assured the District that the membership of the Villas homeowners association has voted to support this approach. Monarch intends to acquire necessary water and sewer facilities and

related property from the Villas homeowners association.

The District has determined that the District water supply, treatment and distribution capacity and sewage collection, treatment and disposal capacity are sufficient to serve its current needs. Monarch has investigated and concurred in that determination.

The parties have determined that they have authority to enter into this Contract pursuant to the provisions of Chapter 49 of the Texas Water Code and other applicable statutes.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements herein contained, the parties agree as follows:

**ARTICLE I.
Definitions**

Unless the context requires otherwise, the following terms as used in this Contract shall have meanings as follows:

"Breach" includes default and all other circumstances in which a party does not perform as required by this Contract.

"Connection Point" means the point identified and described as such on Exhibit A, attached (for deliveries of Sewage).

"District Operator" means Mr. Howard Wilhite of Hays Utility South Corporation, or such other person as may be designated by the District.

"District Sewage System" means the District's collection system and sewage treatment facilities, as modified by the District from time to time.

"District Water System" means the District's existing production, storage, pumping and distribution system, as modified by the District from time to time. The District Water System currently includes one well and an installation for receiving water from the North Harris County Regional Water Authority's surface-water system.

"Domestic Sewage" includes only: (i) waterborne human waste and waste from domestic activities, such as washing, bathing and non-commercial food preparation at single-family houses within Villas, and (ii) water. Domestic Sewage may not exceed any parameter established for waste discharged into the District Sewage System, including parameters applicable to commercial waste (e.g., total suspended solids, heavy metals, fats, grease, oil, etc.).

"Force Majeure" is defined in Article V.

"Governmental Regulations" means all laws, rules, regulations, orders and ordinances of the City of Houston, Harris County, the State of Texas, the federal government of the United States and any other regulatory authority having jurisdiction.

"Monarch System" means all facilities and property necessary or used to: (1) receive Water at the Delivery Point and distribute it within Villas, or (2) collect and transport sewage to the Connection Point.

"Point of Delivery" means the point identified and described as such on Exhibit A, attached (for water delivery).

"PUC" means the Public Utility Commission of Texas or its successor.

"Sewage Disposal Services" means transporting Sewage from the Delivery Point, treatment and ultimate disposal.

"Start-Up" means noon, Houston time, on the date set as provided in Article II.

"TCEQ" means the Texas Commission on Environmental Quality or its successor.

"TCEQ Rule 290.45" means 30 TEX. ADMIN. CODE Section 290.45, entitled "Minimum Water System Capacity Requirements," as amended through the date of this Contract.

"Villas" is defined in the Recitals, above.

"Water" means water from the District Water System.

ARTICLE II. Preparations and Start-Up

2.01: Preparations. Monarch agrees to use its best efforts, with commercially-reasonable diligence, to make the following preparations:

- (1) make necessary agreements and arrangements to acquire the Monarch System effective at Start-Up;
- (2) acquire certificates of convenience and necessity from the PUC to authorize Monarch to provide water and sewer services within the Villas, from and after Start-Up;
- (3) comply with all Governmental Regulations applicable to acquisition of the Monarch System or providing water and sewer services within Villas; and
- (4) take all other steps necessary for Monarch to begin providing water and sewer services within Villas as a public utility.

2.02: Start-Up; Possible Termination. (a) Monarch agrees to notify the District when Monarch has made the preparations listed in Section 2.01 and is ready to designate the date for Start-Up. To be effective, the notice must:

- (1) represent and warrant that Monarch has made all the preparations listed in Section 2.01;
- (2) designate the actual date for Start-Up, within the parameters set by this Section,
- (3) include confirmation that the initial security deposit required by this Contract has been transferred to the District; and
- (4) be signed and acknowledged on behalf of Monarch by its general partner.

(b) Unless otherwise approved by the District Operator, the designated date for Start-Up must be: (i) at least seven days after the effective date of the notice given by Monarch, and (b) the last day of a regular billing period for District water and sewer services.

(c) If Monarch does not so notify the District within 18 months following the effective date mentioned in the preamble of this Contract, the District will have the option to terminate this Contract by so notifying Monarch. The District may defer termination from day to day or month to month without waiving the right to terminate.

(d) After Start-Up, the District is responsible for preparing and sending final bills for customers it previously served, including the remainder of security deposits held by District (if due).

**ARTICLE III.
Water & Waste Disposal Services**

3.01: Generally. (a) Beginning at Start-Up and continuing during the remainder of the term of this Contract, and subject to the terms and conditions of this Contract, District agrees to provide Water to Monarch at the Point of Delivery for resale within Villas, within the following parameters and limitations:

Parameter	Limitation
Month. Maximum authorized monthly purchase rate (maximum, any one-month period)	6,000 gallons per connection actually served by the Monarch System within Villas.
Day. Maximum authorized daily purchase rate (maximum, any one day; not a sustained rate)	864 gallons per connection actually served by the Monarch System within Villas, counted and measured as provided in TCEQ Rule 290.45.
Hour. Maximum hourly purchase authorized (maximum, any one hour; not a sustained rate)	120 gallons per connection actually served by the Monarch System within Villas, counted and measured as provided in TCEQ Rule 290.45.
Minute. Maximum delivery rate per minute (maximum, any one minute; not a sustained rate)	2.0 gallons per connection actually served by the Monarch System within Villas.
Connections. Maximum number and type of water connections that may be connected to or served by the Monarch System.	94 connections to serve single-family houses (one per currently-platted lot within Villas), unless a lower number is established under Section 3.13 of this Contract.

Monarch agrees that this Section will authorize purchase of enough water to meet the monthly or annual needs of Monarch. The District Operator may allow Monarch to receive Water at higher rates of flow, when supplies are available and the higher rates will not adversely affect the District Water System or service to other customers. District, at its option, may install flow-regulating equipment at or near the Point of Delivery and use the equipment to enforce the limitations listed above.

(b) Beginning at Start-Up and continuing during the remainder of the term of this Contract, and subject to the terms and conditions of this Contract, Monarch may deliver Domestic Sewage (and only Domestic Sewage) to the Connection Point, and District agrees to provide Sewage Disposal Services for that Domestic Sewage, within the following parameters and limitations:

Parameter	Limitation
Month. Maximum authorized monthly delivery rate (maximum, any one-month period)	5,100 gallons per connection actually served by the Monarch System within Villas.
Day. Maximum authorized daily delivery rate (maximum, any one day; not a sustained rate)	734 gallons per connection actually served by the Monarch System within Villas.
Hour. Maximum authorized hourly delivery rate (maximum, any one hour; not a sustained rate)	102 gallons per connection actually served by the Monarch System within Villas.
Minute. Maximum authorized delivery rate per minute (maximum, any one minute; not a sustained rate)	1.7 gallons per connection actually served by the Monarch System within Villas.
Connections. Maximum number and type of sanitary sewer connections that may be connected to or served by the Monarch System.	94 connections to serve single-family houses (one per currently-platted lot within Villas), unless a lower number is established under Section 3.13 of this Contract.

(c) It is understood that there may be interruptions, stoppages and variations in pressure, quality, quantity and other attributes of Water, Water deliveries and Waste Disposal Services, and they would not constitute Breaches of this Contract.

3.02: Billing and Payment. (a) Payments for Water and Waste Disposal Services begin to accrue at Start-Up. District will calculate billings and statements and send them to Monarch on a monthly basis.

(b) All Water delivered by District shall be metered. District must read the meter, determine the quantity of Water delivered (as provided in this Contract) and apply the rates, fees and charges for Water that are in effect as of the first day of the billing period, as prescribed by the District's orders, rules and regulations. (Currently, the rate classification for Monarch is "INSIDE-DISTRICT, Commercial," with a base rate of \$8.24 for the first 2,000 gallons per billing period plus \$4.12 for each additional 1,000 gallons.) In addition, Monarch must pay to District:

- (1) any fee, service charge, penalty, tax or fine imposed on District by any government or regulatory authority as a result of, or as a condition of, providing Water or other goods or services to Monarch (except for the NHCRWA's "pumpage" fees and other water charges, to the extent they are included in the District's base rate); and
- (2) costs of acquiring, installing, maintaining, calibrating, testing and replacing measuring equipment, flow-regulating equipment (if any) and backflow prevention equipment at or near the Point of Delivery; and
- (3) any other fees, charges or reimbursements authorized by this Contract.

(c) For Sewage Disposal Services, District must determine the quantity of Water delivered (as provided in this Contract) and apply the rates, fees and charges that are in effect as of the first day of the billing period, as prescribed by the District's orders, rules and regulations. (Currently, the rate classification for Monarch is "INSIDE-DISTRICT, Commercial,"

with a base rate of \$15.00 per billing period, plus a volume charge of \$1.50 per 1,000 gallons in excess of the first 1,000 gallons per billing period.) In addition, Monarch must pay to District:

- (1) any fee, service charge, penalty, tax or fine imposed on District by any government or regulatory authority as a result of, or as a condition of, providing Sewage Disposal Service or other goods or services to Monarch; and
- (2) costs of sampling and analysis of waste (if applicable; see below) or installing, acquiring, reading, maintaining, calibrating, testing and replacing measuring equipment at or near the Connection Point (if applicable; see below);
- (3) any other fees, charges or reimbursements authorized by this Contract.

(d) Payment of each billing statement is due and payable at District's designated payment address no later than the 26th day following the date of the statement.

(e) Monarch must assess and collect user charges to its customers that will produce revenues sufficient to discharge its obligations under this Contract, to the extent that other funds are not available for such purpose, but subject to: (i) agreements made with residents of Villas to maintain previously-applicable rates during the initial period of service by Monarch; and (ii) the regulatory authority of the PUC.

3.03: Failure to Pay when Due. Should Monarch fail to pay any statement when due, additional fees and charges apply, as prescribed from time to time by the District's orders, rules and regulations. If such failure continues for 30 days after notice to Monarch of such failure, Monarch may not allow any new, enlarged or expanded premises or facilities to be connected to or served by the Monarch System (water or sewer), until the payment is made in full. This is in addition to all other remedies provided in this Contract, and the limitations on remedies imposed by this Contract do not apply.

3.04: Title to and Responsibility for Water, Sewage, Etc. (a) Title to, possession, and control of Water shall remain with District until it passes the Point of Delivery, where title to, possession, and control shall pass to Monarch.

(b) Title to, possession, and control of Domestic Sewage shall remain in Monarch until it passes through the Connection Point, where title to, possession, and control shall pass to District. Title to and responsibility for any other substance delivered at the Connection Point shall remain with Monarch.

3.05: Regulatory Action. The obligations of District to supply Water or Sewage Disposal Services are subject to all present and future Governmental Regulations, and the parties agree to cooperate reasonably to make applications and take other action to comply with Governmental Regulations.

3.06: Maintenance, Repairs, Telephone Operator. (a) Monarch must take all steps reasonably required for operating, maintaining, repairing, replacing, extending, improving or enlarging the Monarch System and keeping it in good condition, all in compliance with Governmental Regulations.

(b) Monarch must promptly repair any leak or break and correct any contamination or defect. If a leak, break, contamination or other defect occurs which, in the reasonable opinion of the District's Operator, could endanger, contaminate or overload the District Water System or District Sewage System, or compromise the District's ability to serve its customers, the District, after making a reasonable attempt to contact Monarch's telephone operator, may:

- (1) take reasonably necessary action to protect the public health or welfare, or the District's systems, until such leak, break, contamination or defect is corrected, or
- (2) repair or correct the problem, or

(3) do both of the above.

In these circumstances, Monarch must reimburse the reasonable and necessary costs incurred by the District, including, for example, engineering fees, operator fees, legal fees, and contractor costs.

(b) Each party must keep a telephone operator on duty at all times to receive reports of leaks, breaks, outages or other problems and arrange repairs and corrective action.

3.07: Plumbing Code & Service Regulations. District may establish and amend a plumbing code and service regulations (including, for example, waste load controls, water conservation regulations, drought contingency plans), which will apply to Monarch and its customers. Monarch must promptly comply with such code and regulations and must cause its customers to comply. However, nothing in this Contract prohibits Monarch from establishing or enforcing a more-restrictive plumbing code or service regulations. It is agreed that plumbing codes typically apply to facilities and fixtures as of the time they are constructed or modified, and they rarely, if ever, apply to existing facilities or fixtures (if constructed or modified in compliance with codes in effect at the time).

3.08: Inspections. (a) Before beginning service to any customer, Monarch must inspect the customer's premises and plumbing system as required by Governmental Regulations (including required inspections for cross connection or other undesirable plumbing practices) and must obtain a service agreement signed by the customer, all as required by Governmental Regulations. Monarch must keep records of such inspections and copies of such service agreements and provide copies to the District upon request.

(b) Monarch must obtain and maintain the continuing right to conduct inspections of customer premises and plumbing systems (by both Monarch and the District) and, upon request of the District Operator, must arrange access for the District to make such inspections. Should a condition in violation of Governmental Regulations or any order, rule or regulation of the District be discovered, Monarch must promptly correct it or cause it to be corrected.

3.09: Measurement of Water. (a) The parties agree to use the best practical method for determining the quantity of Water delivered by District, as follows:

- (1) Meter readings shall be used whenever they are available, adjusted, if necessary, as provided in Article VI.
- (2) If meter readings are not available, the quantity of Water delivered shall be estimated using the best available data. The estimate shall be made by District's Operator and must give effect to the historical relationship between wholesale water deliveries and water provided at retail by Monarch's water system, the number and type of connections to the Monarch System, the weather, the condition of the facilities in question, any available field data on leaks and other available data.

(b) Monarch will require all of its customers to have a metering device capable of measuring the amount of water delivered accurately and must read them monthly. Monarch must use commercially reasonable diligence in installing, maintaining, reading and repairing those meters and, upon request by the District Operator, must provide the meter readings to the District Operator (including the location of each meter) together with a total of the amounts of water provided by the Monarch System.

3.10: Sewage Sources & Quality. (a) Monarch must not collect or deliver to District: (i) any substance other than Domestic Sewage generated by houses within Villas or (ii) waste from any commercial or non-residential source or activity.

(b) District may collect samples of waste from the Monarch System (or at the Connection

Point) and cause them to be analyzed. If analysis discloses that a sample does not comply with this Contract or Governmental Regulations, Monarch must take corrective action immediately and reimburse District for costs of sampling and analysis. Otherwise, the costs shall be borne by District.

(c) If any sample exceeds a parameter established for waste discharged into the District Sewage System, including a parameter applicable to commercial waste (e.g., total suspended solids, heavy metals, fats, grease, oil, etc.), the District may impose user charges and surcharges that may apply to other District customers (including those that apply to commercial customers). Such user charges and user charges shall be added to the regular monthly billing to Monarch for Waste Disposal Services. Imposing or collecting such user charges or surcharges will not preclude any other remedy that may apply under this Contract.

3.11: Sewage Rate & Quantity. (a) Monarch must take commercially reasonable steps to comply with the applicable limits on the rate and quantity of its deliveries at the Connection Point. Such steps must include, for example, controlling and limiting inflow and infiltration.

(b) District may install temporary or permanent equipment to measure the rate and quantity of Monarch's discharges at or near the Connection Point. The equipment must be reasonably accurate, taking into account the physical circumstances and the substances to be measured. If the equipment discloses that Monarch's discharges exceed an applicable limit, Monarch must take prompt corrective action and must reimburse District for the costs of installing, acquiring, reading, maintaining, calibrating, testing and replacing the measuring equipment. The reimbursements shall be added to the regular monthly bills rendered to Monarch for Waste Disposal Services. Imposing or collecting such reimbursement will not preclude any other remedy that may apply under this Contract.

3.12: Deposit. Monarch must provide and maintain a security deposit in the amount established by the District's rate order from time to time. District may recalculate the amount from time to time, taking into account recent usage data and customer counts. If the recalculation indicates an increase in the amount of the security deposit, Monarch must pay it within 26 days following request (which may be made by including the amount in a monthly statement). After termination of this Contract, District must return the security deposit to Monarch without interest, less any amounts owed by Monarch to District.

3.13: Number of Connections. (a) If, on or after January 1, 2020, the number of existing connections to the Monarch System (water or sewer) is fewer than 94 (including any houses that may be temporarily vacant), the District may notify Monarch and provide an opportunity for a hearing regarding the number of connections within Villas that may be needed in the future. After such notice and opportunity for a hearing, the District, by notice to Monarch, may reduce the maximum number and type of connections (water or sewer, or both) that may be connected to or served by the Monarch System below 94, but the reduced number must be at least: (i) the number of existing houses within Villas (including houses that may be temporarily vacant) plus (ii) the number of houses likely to be constructed during the next 12-month period. Such process may be repeated during the remainder of the term of this Contract.

(b) At any time, the parties may agree to increase the maximum number and type of connections (water or sewer, or both) that may be connected to or served by the Monarch System, even if the number has been reduced as provided above.

**ARTICLE IV.
Term, Termination & Remedies**

4.01: Term; Renewal. (a) This Contract shall be in force and effect from and after the date shown first page, above. Unless a party terminates its performance sooner (as provided below), the term of this Contract extends through December 31, 2044.

(b) Any party may commence a process to extend this Contract by notifying the other party. If such a notice is given, the parties agree to meet and confer and consider extension. No extension is effective unless made by written amendment to this Contract, duly approved and executed by both parties.

4.02: Termination & Remedies. (a) No party may terminate its performance under this Contract unless:

- (1) the party desiring to terminate first delivers an effective notice of Breach to the breaching party; and
- (2) the Breach is not cured by the end of the cure period as required below.

To be effective, a notice of Breach must: (i) identify the Breach, giving enough details for the notified party to understand, investigate and cure, (ii) state the sections and exact provisions of this Contract which have been breached, and (iii) designate a cure period of at least 30 days following receipt of the notice of Breach. If a Breach has already occurred, or if it is continuing in nature, it can be cured by making the injured party whole and taking all necessary action to prevent recurrence.

(c) Monarch understands that the District is not collecting any sums to cover contingent claims or liabilities (such as, for example, damage to business, loss of sales, loss of value, consequential damages, claims and liabilities for personal injuries, deaths and property damages, etc.) that may arise out of or relate to this Contract. **ACCORDINGLY, IT IS AGREED THAT: (1) DISTRICT SHALL NOT BE LIABLE TO MONARCH OR TO ANY OTHER PERSON OR ENTITY FOR ANY CLAIMS, LIABILITIES, MONEY DAMAGES, ATTORNEY'S FEES OR SIMILAR ITEMS ARISING OUT OF OR RELATING TO THIS CONTRACT, WHETHER BASED ON TORT, CONTRACT, STRICT LIABILITY, STATUTE OR OTHER THEORY OF RECOVERY, AND (2) MONARCH WAIVES ALL SUCH CLAIMS, LIABILITIES AND DAMAGES, EXCEPT AS PROVIDED BELOW, AND RELEASES DISTRICT FROM THEM.**

(d) However, equitable remedies (including, for example, specific performance, mandamus and injunctions) and actions to recover payments expressly agreed upon in this Contract, will remain available to the parties. In addition, each party has the right to terminate its performance as provided above.

(e) If a dispute or disagreement arises out of this Contract, the parties agree to use reasonable best efforts to settle it in a just and equitable manner, recognizing their mutual interests. They agree to pursue the following steps:

- (1) They will meet and confer within ten days of a notice requesting the meeting.
- (2) If a settlement is not reached at the first meeting, each party must, within the next ten days, provide a written proposal for resolution of the dispute to the other party, which proposal must specifically recognize and address the other party's position as explained at the first meeting.
- (3) Within approximately ten days following the exchange of proposals, the parties must again meet and confer. If no settlement is reached, or if the meeting is not held within 30 days following the first meeting, any party may submit the matter for mediation, and all affected parties will participate and try to settle. Unless they otherwise agree, the mediation will be administered by the

American Arbitration Association under its Commercial Mediation Rules and in accordance with the Texas Civil Practices and Remedies Code.

(f) No party may commence litigation or other adversarial legal proceedings arising out of this Contract against the other party without first attempting the mediation steps required by this Section. This does not prohibit a party from filing proceedings to prevent the running of a statute of limitations or other tolling rule or to request an injunction or other equitable remedy to prevent immediate irreparable harm, provided that the party continues pursuing the mediation steps required by this Section.

(g) Except as limited by this Contract, all remedies at law or in equity remain available to the parties.

ARTICLE V.

Performance by the Parties; Special Notices

5.01: Force Majeure. If either party is rendered unable, wholly or in part, by Force Majeure, to carry out any of its obligations under this Contract, the obligations of the party giving such notice, to the extent it is affected by Force Majeure and to the extent that due diligence is being used to resume performance, shall be suspended for the duration of the Force Majeure. Such cause shall, as far as possible, be remedied with commercially reasonable dispatch.

5.02: Force Majeure Defined. The term "Force Majeure," as used herein, shall include, but not be limited to, acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, war, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, droughts, tornadoes, hurricanes, arrests and restraints of government and people, explosions, breakage or damage to machinery, pipelines or canals, and any other incapacities of either party, whether similar to those enumerated or otherwise, that are not within the control of the party claiming such inability and which, by the exercise of due diligence and care, such party could not have avoided. However, Force Majeure does not include inability or refusal to pay money.

5.03: Curtailments. If the lawful, rated capacity of the District Water System or District Sewage System is reduced by Force Majeure, the District may curtail Water, Water services and Sewage Disposal Services to conform to the reduced capacity. To the extent practicable, any such curtailment shall be applied proportionally to Monarch and the District's other customers that are affected.

5.04: Notices to Customers. (a) Monarch must give notices to its customers on water or sewer bills and by posting, as follows:

- (1) Each notice must: (i) identify Monarch as the certificated provider of water and sewer services within Villas, (ii) show both Monarch's mailing address and the telephone number for its telephone operator (required by this Contract), and (iii) indicate that the telephone operator will receive reports of leaks, breaks, outages or other problems and arrange repairs and corrective action, at all times.
- (2) Each water or sewer bill rendered by Monarch for service within Villas must contain such a notice.
- (3) In addition, Monarch must cause such a notice to be continuously posted at each motor vehicle entrance to the Villas. Each posted notice must be plainly legible by persons entering Villas in motor vehicles, and each must be weatherproof and securely affixed. (It is understood that Monarch has obtained approval to post such signs from the Villas homeowner's association.)

(b) District may give additional notices, including notices to be recorded in the real property records.

ARTICLE VI. Meters & Other Equipment

6.01: In General. The parties agree that the District will have title, possession and control of the existing measuring equipment and backflow prevention equipment at the Point of Delivery. District will be responsible for calibrating (at least annually), testing (at least annually) and replacing, when necessary, measuring equipment, flow-regulation equipment (if any) and backflow prevention equipment, and the costs will be added to monthly billing to Monarch for Water.

6.02: Access. During any reasonable hours, District and Monarch shall have access to the measuring equipment, but District will read the equipment for the purpose of billing.

6.03: Billing Adjustments for Inaccurate Meters. If a test of the measuring equipment shows that the equipment registers more than 105% or less than 95% of the Water delivered for a given flow rate of flow: (i) District must calibrate the meter to the manufacturer's specifications for the given rate of flow, or replace the meter, and (ii) billings to Monarch shall be adjusted to the actual Water delivered, using the percentage of inaccuracy disclosed by the test. Any billing adjustment under this Section shall be for a period extending back to the time when the inaccuracy began, if such time is ascertainable; but if such time is not ascertainable, the adjustment extends back to the last test of the measuring equipment or 120 days, whichever period is shorter. As used in this Section, "given rate of flow" means one of the following selected by the District Operator for each calibration or test:

- (1) the total quantity of Water delivered during the preceding period (usually a calendar month) as reflected by the totalizer, converted to gallons per minute;
- (2) high, low, and intermediate rates of flow in the flow range, as reflected by the flow recording devices;
- (3) the applicable maximum daily quantity converted to gallons per minute; or
- (4) AWWA-specified test flow rates for the size and type of meter.

6.04: Disputes as to Testing. In the event of dispute between District and Monarch as to the accuracy of a test or its results, an independent check may be mutually agreed upon and conducted by an independent company suitable to both Monarch and the District. The cost of such test will be at the requesting party's sole expense. District shall accept the test results of the independent measuring equipment company, provided that the calibration procedure and test equipment are mutually agreeable to Monarch and to the District.

6.05: Check Meters. Monarch may install, at its own cost and expense, such check meters as it deems appropriate in the Monarch System, and District shall have the right of ingress and egress to such check meters during reasonable hours; provided, however, that billing computations shall be based on reading the measuring equipment set forth above.

**ARTICLE VII.
Miscellaneous Provisions**

7.01: Disclaimer. **DISTRICT MAKES NO WARRANTY, EXPRESS OR IMPLIED, REGARDING WATER, WATER DELIVERIES OR SEWAGE DISPOSAL SERVICES. DISTRICT DISCLAIMS ALL IMPLIED WARRANTIES REGARDING WATER, WATER DELIVERIES OR SEWAGE DISPOSAL SERVICES, INCLUDING ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.**

7.02: Ingress and Egress. During the term of this Contract, District shall have the right of ingress and egress in, upon under and over any and all land, easements and rights-of-way of Monarch relating to the Monarch System or this Contract.

7.03: Assignments. This Contract shall bind and benefit the respective parties and their legal successors, but shall not otherwise be assignable, in whole or in part, by either party without first obtaining written consent of the other. In the case of an assignment of the whole Contract, in which the assignee unconditionally assumes all obligations of the assignor, such consent may not be unreasonably withheld. "Assignment" as used herein means assignment in law or otherwise. However, District reserves the right to assign this Contract to a governmental entity that is a regional sewage treatment or water provider, on the condition that such provider is capable of supplying the required services, and agrees in the assignment agreement to honor this Contract.

7.04: Subject to Laws and Regulations. This Contract shall be subject to Governmental Regulations, and all rights and duties shall be interpreted and applied in accordance therewith. The parties agree to cooperate to obtain compliance therewith.

7.05: No Additional Waiver Implied. The failure of either party hereto to insist, in any one or more instances upon performance of any of the terms, covenants or conditions of this Contract, shall not be construed as a waiver or relinquishment of the future performance of any such term, covenant or condition by the other party hereto, but the obligation of such other party with respect to such future performance shall continue in full force and effect.

7.06: Books and Records. Each party, at its own expense, may inspect and copy the books and records of the other party (or under control of the other party) that are related to this Contract, except for items that are excepted from public disclosure by law.

7.07: Merger. This instrument (including any attached exhibits) contains all the agreements made between the parties with respect to the subject matter hereof.

7.08: Addresses and Notices. (a) Until District is otherwise notified by Monarch, the address of Monarch is and shall remain as follows:

Monarch Utilities I, L.P.
12535 Reed Road
Sugar Land, Texas 77478
Attn: Charles W. Profilet, Jr.

With a copy to:

Monarch Utilities I, L.P.
15088 Rosecrans Avenue
La Mirada, CA 90638
Attention: General Counsel

(b) Until Monarch is otherwise notified by District, the address of District is and shall remain as follows:

Harris County Municipal Utility District
c/o Claudia Redden & Associates
P. O. Box 11890
Spring, TX 77391-1890

With a copy to:

Harris County Municipal Utility District
c/o Hays Utility South Corporation
2200 Sciacca Rd.
Spring, TX 77373

(c) All notices statements and payments required or permitted to be given under this Contract from one party to the other shall be in writing and shall be deemed delivered on the third business day following deposit in a United States Postal Service mailbox or receptacle with proper postage affixed thereto, addressed to the respective other party at the address set forth above or at such other address as the parties respectively shall designate by written notice. Notice given by any other mode is only effective when actually delivered.

7.09: Authorship. The parties agree that this Contract shall not be construed in favor of or against either party on the basis that the party did or did not authorize this Contract.

7.10: Parties in Interest. This Contract shall be for the sole and exclusive benefit of the parties hereto and shall not be construed to confer any rights upon any third party. District shall never be subject to any liability to any customer of Monarch.

7.11: Captions. The captions appearing at the first of each numbered section in this Contract are inserted and included solely for convenience and shall never be considered or given any effect in construing this Contract, or any provisions hereof, or in connection with the duties, obligations, or liabilities of the respective parties hereto or in ascertaining intent, if any questions of intent should arise.

7.12: Survival. All provisions of this Contract, except obligations to provide further Water or Sewage Disposal Services, shall survive the expiration or termination of the term of this Contract.

7.13: Approvals. Unless otherwise provided for herein, any consent or approval of a party is ineffective unless made by the governing body of a party. Approvals may not be unreasonably denied or delayed.

IN WITNESS WHEREOF, the parties hereto have executed this Contract in multiple copies, each of which shall be deemed to be an original, effective as of the date mentioned in the preamble.

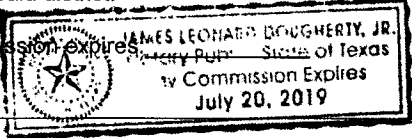
copies, each of which shall be deemed to be an original, effective as of the date mentioned in the preamble.

HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT NO. 191

ATTEST (Seal):

By: Edward A. Mento
President

James L. Dougherty, Jr.
Secretary

THE STATE OF TEXAS
COUNTY OF Harris
This instrument was acknowledged before me on November 18, 2015 by Edward A. Mento
as President of Harris County Municipal Utility District No. 191, a political subdivision of the State of Texas, on
behalf of said district.
My commission expires July 20, 2019

James L. Dougherty, Jr.
Notary Public, State of Texas

MONARCH UTILITIES I, L.P

By: Texas Water Services Group, LLC,
its general partner

By: Charles W. Profilet, Jr.
Charles W. Profilet, Jr., President

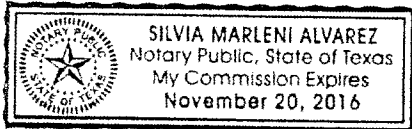
THE STATE OF TEXAS

COUNTY OF Fort Bend

This instrument was acknowledged before me on December 2, 2015 by Charles W. Profilet, Jr., President of Texas Water Services Group, LLC, a Texas limited liability company, as general partner of MONARCH UTILITIES I, LP, a Texas limited liability company, on behalf of said limited liability company and limited partnership.

My commission expires: 11/20/2016

Silvia Alvarez
Notary Public, State of Texas



**EXHIBIT A
POINT OF DELIVERY & CONNECTION POINT**

