



Control Number: 48104



Item Number: 1

Addendum StartPage: 0



PURSUANT TO PUC CHAPTER 24, SUBSTANTIVE RULES APPLICABLE TO WATER AND SEWER
SERVICE PROVIDERS, SUBCHAPTER G: CERTIFICATES OF CONVENIENCE AND NECESSITY

2018 FEB 26 AM 9:06

Application to Obtain or Amend a Water or Sewer Certificate of Convenience and Necessity (CCN)

Docket Number: **481041**

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

7 copies of the application, including the original, shall be filed with

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

If submitting digital map data, two copies of the portable electronic storage medium (such as CD or DVD) are required.

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Application to Obtain or Amend a Water or Sewer Certificate of Convenience and Necessity (CCN)

Purpose of Application

<input type="checkbox"/> Obtain	<input type="checkbox"/> New Water CCN	<input type="checkbox"/> New Sewer CCN
<input checked="" type="checkbox"/> Amend	<input checked="" type="checkbox"/> Water CCN# (s) <u>CCN 114400</u>	
<input type="checkbox"/> Amend	<input type="checkbox"/> Sewer CCN#(s) _____	

1. Applicant Information

Applicant

Utility name: Rincon Water Supply Corporation

Certificate number: CCN 11440

Street address (City/ST/ZIP/Code): 8896 CR 1458 Taft, TX 78390

Mailing address(City/ST/ZIP/Code): P.O. Drawer 7 Taft, TX 78390

Utility Phone Number and Fax: (361) 528-3969

Contact information

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

Name: Kenneth Johnson

Title: General Manager

Mailing address: P.O. Drawer 7 Taft, TX 78390

Email: ken.rinconwsc@gmail.com

Phone and Fax: (361) 528-3969

List all counties in which service is proposed:

San Patricio

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

- ☐ Investor Owned Utility ☐ Individual ☐ Partnership
- ☐ Home or Property Owners Association ☐ For-profit Corporation
- ☒ Non-profit, member-owned, member-controlled cooperative corporation
(Water Code Chapter 67, Water Supply or Sewer Service Corporation)
- ☐ Municipality ☐ District ☐ Other - Please explain:

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

- ~~i. A copy of the corporation's "Certification of Account Status" from the Texas State Comptroller of Public Accounts.~~
- ~~ii. The corporation's charter number as recorded with the Office of the Texas Secretary of State: _____~~
- ~~iii. A listing of all stockholders and their respective percentages of ownership.~~
- ~~iv. A copy of the company's organizational chart, if available.~~
- ~~v. A list of all directors and disclose the title of each individual.~~
- ~~vi. A list of all affiliated organizations (if any) and explain the affiliate's business relationship with the applicant.~~

C. If the applicant is a Texas Water Code (TWC) Chapter 67 water supply or sewer service corporation please provide:

- i. A copy of the Articles of Incorporation and By-Laws.
- ii. The corporation's charter number as recorded with the Office of the Texas Secretary of State.
- iii. Identification of all board members including name, address, title, and telephone number.
- iv. A copy of the corporation's *Certificate of Account Status* from the Texas Comptroller of Public Accounts.

2. Location Information

- A. Are there people already living in the proposed area? ☐ Yes ☒ No
- If YES, are any currently receiving utility service? ☒ Yes ☐ No
- If YES, from WHOM? _____

B. Demonstrate the Need for Service by providing the following:

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

☒ Yes ☐ No

If YES, provide the following: See Attached.

- i. Describe the service area and circumstances driving the need for service in the requested area. Indicate the name(s) and address(es) of landowner(s), prospective landowner(s), tenant(s), or resident(s) that have requested service; and/or
- ii. Describe the economic need(s) for service in the requested area (i.e. plat approvals, recent annexation(s) or annexation request(s), building permits, septic tank permits, hospitals, etc.); and/or
- iii. Discuss in detail the environmental need(s) for service in the requested area (i.e. failing septic tanks in the requested area, fueling wells, etc.); and/or
- iv. Provide copies of any written application(s) or request(s) for service in the requested area; and/or
- v. Provide copies of any reports and/or market studies demonstrating existing or anticipated growth in the requested area.
- vi. If none of these items exist or are available, please justify the need for service in the proposed area in writing.

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

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

☐ Yes ☒ No

If YES, within the corporate limits of: _____

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

D. Is any portion of the proposed service area inside another utility's CCN area?

☐ Yes ☒ No

If YES, has the current CCN holder agreed to decertify the proposed area?

If NO, are you seeking dual or single certification of the area? Explain why decertification of the area is in the public interest:

Rincon is seeking single certification of the proposed expansion area.

3. Map Requirements

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

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

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

Digital data submitted in a format other than ArcView shape file or Arc/Info E00 file may result in the delay or inability to review applicant's mapping information.

For information on obtaining a CCN base map or questions about sending digital map data, please visit the Water Utilities section of the PUC website for assistance.

4. New System Information or Utilities Requesting a CCN for the First Time

- A. Please provide the following information:
 - i. a list of public drinking water supply system(s) or sewer system(s) within a 2 mile radius of the proposed system;
 - ii. copies of written requests seeking to obtain service from each of the public drinking water systems or sewer systems listed in a. 1 above or documentation that it is not economically feasible to obtain service from each entity;
 - iii. copies of written responses from each system or evidence that they did not reply; and
 - iv. for sewer utilities, documentation showing that you have obtained or applied for a wastewater discharge permit.
- B. Were your requests for service denied? ☐ Yes ☐ No

TCEQ Water System			TCEQ Sewer System		
Other:	0	0	Other:	0	0
Total Water	1,418	1,418	Total Sewer	0	0

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

The expansion area is located in rural area where OSSF are permitted independently by San Patricio County.

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

N/A

G. Effect of Granting a Certificate Amendment.

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

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

See attached.

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

i. ☐ No, (skip the rest of this question and go to #6)

ii. ☒ Yes, Water

Purchased on a ☒ Regular ☐ Seasonal ☐ Emergency basis?

Water Source	% of Total Treatment
San Patricio Municipal Water District	100.00%

Water Source	% of Total Treatment
0	0.00%
0	0.00%

iii. ☐ Yes, Sewer treatment capacity

Purchased on a

☐ Regular

☐ Seasonal

☐ Emergency basis?

Sewer Source	% of Total Treatment
0	0.00%
0	0.00%
0	0.00%

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

I. Ability to Provide Adequate Service.

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

i. the current and projected density; and

ii. the land use of the requested area.

See attached.

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

See attached.

6. Financial Information

A. For new water and/or sewer systems and for applicants with existing CCNs who are constructing a new stand-alone water and/or sewer system:

i. the applicant must provide an analysis of all necessary costs for constructing, operating, and maintaining the system, and the source of that capital (such as a financial statement for the developing entity) for which the CCN is requested for at least the first five years. In addition, if service has been offered by an existing retail water service provider as stated in #4.A., but the applicant has determined that the cost of service as finally offered renders the project not economically feasible, the applicant must provide a comparison analysis of all necessary costs for acquiring and continuing to receive service from the existing system for the same period.

ii. Attach projected profit and loss statements, cash flow worksheets, and balance sheets (projected five year financial plan worksheet is attached) for each of the first five years of operation. Income from rates

~~should correlate to the projected growth in connections, shown on the projected profit and loss statement.~~

- ~~iii. Attach a proposed rate schedule or tariff. Describe the procedure for determining the rates and fees and indicate the date of last change, if applicable. Attach copies of any cost of service studies or rate analysis worksheets.~~

B. For existing water and/or sewer systems:

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

❖ **Note: An existing water and/or sewer system may be required to provide the information in 6.A.i. above during the technical review phase if necessary for staff to completely evaluate the application**

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

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

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

7. Notice Requirements

A. All proposed notice forms must be completed and submitted with the application. Do not mail or publish the notices until you receive written approval from the commission to do so.

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

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

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

E. After reviewing and, if necessary, modifying the proposed notice, the commission will send the notice to the applicant after the application is accepted for filing along with instructions for publication and/or mailing. Please review the notice carefully before providing the notice.

F. Notice For Publication:

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

G. Notice To Neighboring Utilities:

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

- iii. For applications for the AMENDMENT of a CCN, the applicant must mail the notice with a copy of the proposed CCN map to all cities and neighboring retail public utilities providing the same utility service within two (2) miles of the requested service area.

H. Notice to Customers:

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

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

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

OATH

STATE OF Texas
COUNTY OF San Patricio

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

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

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

Kenneth Johnson - General Manager of Rincon W.S.C.

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 _____ of _____ 20 ____

SEAL

NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES _____

Notice for Publication

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

San Patricio COUNTY(IES), TEXAS

Name of Applicant Rincon Water Supply Corporation has filed an application for a CCN to obtain or amend CCN No. (s) 114400 and to decertify a portion(s) of n/a with the
(Name of Decertified Utility)

Public Utility commission of Texas to provide water
(specify 1) water or 2) sewer or 3) water & sewer)

utility service in San Patricio County
(ies).

The proposed utility service area is located approximately 8 miles southeast
[direction] of downtown Sinton, [City or Town] Texas, and is generally bounded on the north by Copano Bay and Chiltipin Creek; on the east by FM 1069; on the south by Nueces Bay; and on the west by CR 2015

See enclosed map of the proposed service area.

The total area being requested includes approximately 123 acres and 0 current customers.

A copy of the proposed service area map is available at (Utility Address and Phone Number): Rincon W.S.C 8896 CR 1456 Taft, TX 78390

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

Persons who wish to intervene or comment should file with the PUC at the following address:

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

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

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

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

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

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

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

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

Notice to Neighboring Systems, Landowners and Cities

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

San Patricio COUNTY(IES), TEXAS

To: _____ Date Notice Mailed _____ 20 _____
(Neighboring System, Landowner or City)

(Address)

City State Zip

Name of Applicant Rincon W.S.C. has filed an application for a
CCN to obtain or amend CCN No. (s) 114400 and to
decertify a portion(s) of n/a with the
(Name of Decertified Utility)

Public Utility Commission of Texas to provide water
(specify 1) water or 2) sewer or 3) water & sewer)
utility service in San Patricio County(ies).

The proposed utility service area is located approximately 8 miles southeast
[direction] of downtown Sinton, [City or Town] Texas, and is
generally bounded on the north by Copano Bay and Chiltipin Creek; on the east by
FM 1069; on the south by Nueces Bay; and on the west by CR 2015

See enclosed map of the proposed service area.

The total area being requested includes approximately 123 acres and 0
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If a public hearing is requested, the commission will not issue the CCN and will forward the application to the State Office of Administrative Hearings (SOAH) for a hearing. If no settlement is reached and an evidentiary hearing is held, the SOAH will submit a recommendation to the commission for final decision. If an evidentiary hearing is held, it will be a legal proceeding similar to a civil trial in state district court.

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

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

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

Notice to Customers of IOUs in Proposed Area

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

San Patricio COUNTY(IES), TEXAS

Dear Customer: _____ Date Notice Mailed _____ 20 _____

Name of Applicant Rincon W.S.C. has filed an application for a
CCN to obtain or amend CCN No. (s) 114400 and to
decertify a portion(s) of n/a with the
(Name of Decertified Utility)

Public Utility commission of Texas to provide water
(specify 1) water or 2) sewer or 3) water & sewer)
utility service in San Patricio County(ies).

The proposed utility service area is located approximately 8 miles southeast
[direction] of downtown Sinton, [City or Town] Texas.

A copy of the proposed service area map is available at (Utility Address and Phone
Number): Rincon W.S.C. 8896 CR 1458 Taft, TX 78390

The current utility rates which were first effective on February 5 20 15

Monthly Flat Rate of \$ _____ Per connection

-OR-

Monthly Base Rate Including per 0 gallons
connection for:

5/8" meter	\$ 30.00
1" meter	\$ 42.00
1 1/2" meter	\$ 54.00
2" meter	\$ 87.00

Other\$ 100.00

Gallage charge of \$ 5.05 Per 1,000
Gallons above minimum (same for all meters sizes)

Miscellaneous Fees

Regulatory Assessment

Tap Fee (Average Actual Cost)

Reconnecting fee:

- Non Payment (\$25.00 max)
- Transfer
- Customer's request

Late fee

Returned Check charge

Customer Deposit (\$50.00 max)

Meter test fee

(Actual Cost not Exceed \$25.00)

Other Fees

1%
\$ 2,404.00
\$ 25.00
\$ 25.00
\$ 25.00
\$
\$5.00 or 10%
\$ 30.00
\$ 0.00
\$ 25.00
\$

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

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

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

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

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

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

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

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

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

1. APPLICATION INFORMATION

C. If the applicant is a Texas Water Code (TWC) Chapter 67 water supply or sewer service corporation please provide the following:

- i) A copy of the Articles of Incorporation and By-Laws.

SEE ATTACHED.

- ii) The corporation's charter number as recorded with the Office of the Texas Secretary of State.

SEE ATTACHED.

- iii) Identification of all board members including name, address, title, and telephone number.

SEE ATTACHED.

- iv) A copy of the corporation's Certificate of Account Status from the Texas Comptroller of public accounts.

SEE ATTACHED.



Articles of Incorporation and By-Laws.

Secretary of State

CERTIFICATE OF INCORPORATION

OF

RINCON WATER SUPPLY CORPORATION
CHAPTER NUMBER 380682

THE UNDERSIGNED, AS SECRETARY OF STATE OF THE STATE OF TEXAS,
HEREBY CERTIFIES THAT DUPLICATE ORIGINALS OF ARTICLES OF INCORPORATION
FOR THE ABOVE CORPORATION, DULY SIGNED AND VERIFIED, HAVE BEEN RECEIVED
IN THIS OFFICE AND ARE FOUND TO CONFORM TO LAW.

ACCORDINGLY THE UNDERSIGNED, AS SUCH SECRETARY OF STATE, AND BY
VIRTUE OF THE AUTHORITY VESTED IN HIM BY LAW, HEREBY ISSUES THIS
CERTIFICATE OF INCORPORATION AND ATTACHES HERETO A DUPLICATE ORIGINAL
OF THE ARTICLES OF INCORPORATION.

DATED MAY 4, 1976



Mark H. White Jr.
Secretary of State

AF 4

MAY 7 1976

James L. Johnson

Deputy Director, Corporation Division

ARTICLES OF INCORPORATION
OF
RINCON WATER SUPPLY CORPORATION

WE, the undersigned natural persons of the age of twenty-one (21) years or more, at least three of whom are citizens of the State of Texas, acting as incorporators of a corporation, do hereby adopt the following Articles of Incorporation for such Corporation:

ARTICLE I.

The name of the Corporation is Rincon Water Supply Corporation.

ARTICLE II.

The Corporation is a non-profit corporation organized under Article 1434a of the Revised Civil Statutes of Texas of 1925, as amended, supplemented by the Texas Non-Profit Corporation Act, Article 1.01 et seq., as amended, and is authorized to exercise all powers, privileges and rights conferred on a Corporation by these Acts, and all powers and rights incidental in carrying out the purposes for which the Corporation is formed, except such as are inconsistent with the express provisions of these Acts.

ARTICLE III.

The period of its duration is perpetual.

ARTICLE IV.

The Corporation is formed for the purpose of furnishing a water supply for general farm use and domestic purposes to individuals residing in the rural community of Taft, Texas, and the surrounding rural area. The places where the business of the Corporation is to be transacted shall be the Taft Community in San Patricio County, Texas, and the surrounding rural areas.

ARTICLE V.

The street address of the initial registered office of the Corporation is 510 Guaranty Bank Plaza, Corpus Christi, Nueces County, Texas, and the name of its initial registered agent at such address is C. M. Henkel, III.

ARTICLE VI.

The number of directors constituting the initial Board of Directors of the Corporation is seven (7), and the name and address of the persons who are to serve as the initial directors are:

E. C. Pustejovsky	Rt. 2	Taft, Texas
W. A. Purvis	Rt. 2	Taft, Texas
David Wendland	Rt. 2	Taft, Texas
C. D. Manuel	Rt. 2	Taft, Texas
R. C. Dillon	Rt. 2	Taft, Texas
David Schmidt	Rt. 2	Taft, Texas
Gordon Porter	216 Sabine Dr.	Portland, Texas

ARTICLE VII.

The name and street address of each incorporator is:

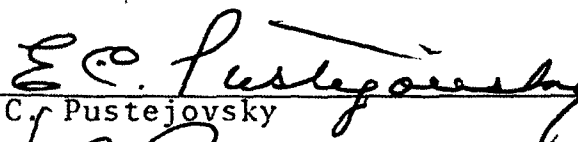

E. C. Pustejovsky	Rt. 2	Taft, Texas
W. A. Purvis	Rt. 2	Taft, Texas
R. C. Dillon	Rt. 2	Taft, Texas

Each incorporator shall be a member of the Board of Directors who are to serve as directors until the first annual meeting of the members, or until their successors are elected and qualified.

ARTICLE VIII.

The Corporation is and shall continue to be a Corporation without capital stock, and membership in the Corporation shall be deemed personal estate and shall be transferable only on the books of the corporation in such manner as the By-Laws may prescribe.

IN WITNESS WHEREOF, we have hereunder set our hands, this
the 29th day of April, 1976.


E.C. Pustejovsky


THE STATE OF TEXAS I
COUNTY OF SAN PATRICIO I

I, Myra B. Kline, a Notary Public, do hereby certify that on this 29th day of April, 1976, personally appeared before me, E. C. Pustejovsky, W. A. Purvis, and R. C. Dillon, who each being by me first duly sworn, severally declared that they are the persons who signed the foregoing document as incorporators, and that the statements therein contained are true.

IN WITNESS HEREOF, I have hereunto set my hand and seal the day and year above written.

Myra B. Kline
Notary Public in and for
San Patricio County, Texas

Rincon Water Supply Corporation

**P.O. Drawer 7
Taft, Texas 78390**

BY-LAWS

Rincon Water Supply Corporation Bylaws of Rincon Water Supply Corporation, having been presented to the Board of Directors of said Corporation and duly adopted as follows:

Article I.

The president shall preside at all Members' and Directors' meetings. The President may, and upon demand of one-third (1/3) of the Members, shall call a special meeting of the Members or Directors. Such special meetings shall be held upon giving the notice required in Article XII of the By-Laws. The President shall perform all other duties that usually pertain to the office or are delegated to him by the Board of Directors.

Article II.

The Vice-President shall, in case of the absence or disability of the President, perform the duties of the President.

Article III.

The Secretary-Treasurer shall have the custody of all the monies and securities of the Corporation. The Secretary-Treasurer shall keep regular books and shall keep minutes of all meetings of Members and Directors. All monies of the Corporation shall be deposited by the Secretary-Treasurer in such depository as shall be selected by the Directors. Checks must be signed by the Secretary-Treasurer and the President or Vice President, in the absence of the President. The Secretary-Treasurer shall have custody of the seal of the Corporation and affix it as directed hereby or by resolution passed by the Board of Directors or Members. The Board of Directors may appoint an employee as assistant or deputy secretary to assist the Secretary-Treasurer in all official duties pertaining to the office of Secretary.

The position of the Secretary-Treasurer and other positions entrusted with receipt and disbursement of funds shall be placed under a fidelity bond in an amount which shall be set from time to time, but not less than once each year, by the Board of Directors. The fidelity bond coverage amount shall approximate the total annual debt service requirements for all FmHA loans and be evidenced by a position fidelity schedule bond as acceptable to the Farmers Home Administration.

Article IV.

Section 4.01 The Board of Directors shall consist of 7 Directors, a majority of which shall constitute a quorum. Upon issuance of the Charter and annually thereafter in April, the Board of Directors shall elect a President, a Vice-President and a Secretary-Treasurer. The Directors shall be elected by the Members at the Members' regular meeting provided for in Article XI of the By-Laws. The Directors shall be divided into three (3) classes each class to be as near as equal in number as possible. The terms of the Directors of the first class to expire at the first annual meeting of the shareholders after their

election, the terms of the Directors of the second class shall expire at the second annual meeting after their election and terms of the Directors of the third class shall expire at the third annual meeting after their election. At each annual meeting after such classification, the number of Directors equal to the number of the class whose term expires at the time of such meeting shall be elected to hold office until the third succeeding annual meeting. The Directors shall serve without pay, but may be compensated for actual expenses by a majority vote of the Directors.

Upon the death or resignation of a Director, a successor shall be elected by a majority of the existing Directors to serve until the next regular or special Membership meeting at which time the general Membership shall elect a successor for the remaining balance of the previously vacated term.

Section 4.02 Officers and Directors may be removed from office in the following manner except as otherwise provided in Article V: Any Member, Officer or Director may present charges against a Director or Officer by filing such charges in writing with the Secretary-Treasurer of the Corporation. If presented by a Member, the charges must be accompanied by a petition signed by at least ten (10) percent of the Members of the Corporation. Such removal shall be voted on at the next regular or special meeting of the Membership and shall be effective if approved by a vote of 2/3 majority of those voting if a quorum is present. The Director(s) or Officer(s) against whom such charges have been presented shall be informed in writing, of such charges at least twenty days prior to the meeting, and shall have the opportunity at such meeting to be heard in person or by counsel and to present witnesses; and the person or person's presenting such charges shall have the same opportunity. If the removal of a Director(s) is approved, such action shall also vacate any other office(s) held by the removed Director(s) in the Corporation. A vacancy in the Board thus created shall immediately be filled by a qualified person other than the removed Director upon a vote of a majority of the Members present and voting at such meeting. A vacancy in any office thus created shall be filled by the Board of Directors from among their number so constituted after the vacancy in the Board has been filled.

Section 4.03 The President of the Board or his designee shall preside at any meeting of the Members convened to consider removal of an Officer or Director as provided under Section 2, unless the President is subject of charges, in which event the Vice-President shall preside. In the event both the President and the Vice-President are the subject of charges, those Directors who are not the subject of any charges shall appoint one of their numbers to preside over the meeting. Any meeting convened to consider the removal of an Officer or Director shall be conducted in accord with the procedures prescribed by the Credentials committee established under the provisions of Article XI. The fact that President, Vice-President, or any other Officer or Director have been made the subject of charges does not otherwise prevent such Officer from continuing to act in his capacity as an Officer or Director of the Corporation. Any Director that has been removed under the provisions of this Article shall not be precluded from subsequent election to a position on the Board of Directors.

Section 4.04 The Board of Directors shall adopt and maintain a conflict of interest policy designed to promote the business of the Corporation and serve the interest of the Membership.

Article V.

Section 5.01 Regular meetings of the Board of Directors shall be held at such time and place as the Board may determine at the next regular meeting. No further notice to the Directors of such required meetings shall be required, and each Director shall be responsible for attendance of said regular meetings without further notice.

Section 5.02 Any Director failing to attend two (2) consecutive regular meetings shall be given written notice by the balance of the Board of Directors that failure by said Director to attend a third consecutive monthly meeting, without justifiable cause acceptable to the balance of the Board of Directors, shall give rise to removal of said Director from the Board. A successor shall be elected by a majority vote of the Directors remaining to serve until the next regular or special Membership meeting, at which time the general Membership shall elect a successor for the balance of the term. If the removal of a Director pursuant to this Section 2 occurs at an annual Membership meeting, then the successor shall be elected by a majority vote of the Membership in attendance at the meeting.

Section 5.03 The Board of Directors shall provide access for the public, new service applicants or Members to the regular monthly meetings of the Board of Directors by setting aside a time for hearing of suggestions, proposals, or grievances. The Board of Directors shall establish reasonable rules for access to such meetings.

Article VI.

The Corporation shall conduct its business on a non-profit basis, and no dividends shall ever be paid upon the Memberships of such Corporation. All profits arising from the operation of such business shall be annually paid out to the persons who have, during the past year, transacted business with the Corporation, in direct proportion to the amount of business transacted, provided that no such dividends shall ever be paid while any indebtedness of the Corporation remains unpaid.

Article VII.

The Directors of the Corporation shall establish and maintain, so long as the Corporation is indebted to the Government, in an institution insured by the State or Federal Government, or invested in readily

marketable securities backed by the full faith and credit of the United States of America, a reserve account separate and apart from the other fund accounts of the Corporation. There shall be deposited in such fund the sum as required by a total of all loan resolutions executed by the Corporation. Such deposits shall be made monthly and shall continue until the total amount deposited equals the sum as required by the executed loan resolutions provided, however that after any withdrawals, such deposits shall be resumed until the amount accumulated in the fund is restored to the sum as required by the executed loan resolutions.

Withdrawals may be made from this fund only upon prior written approval from Farmers Home Administration. Approval shall be made only for emergency repairs, obsolescence of equipment, improvements to facility, and for making up any deficiencies in revenue for loan payments.

The Directors shall invest all sums in this fund not required to be expended within the year in which the same are deposited in bonds or other evidence of indebtedness of the United States of America, or in readily marketable securities backed by the full faith and credit of the United States of America. Securities so purchased shall be deemed at all times to be part of the reserve fund account.

Article VIII.

Section 8.01 Every person (which includes any legal entity) owning or having a legal right to the control, possession or occupancy of property served or which may reasonably be served by the Corporation, shall have the right to become a Member of the Corporation upon payment of the Membership fee hereinafter provided and upon compliance with the Corporation's conditions of water service as provided for in its published charges, rates and conditions of service. Membership shall not be denied because of the applicant's race, color, creed, citizenship, or national origin. It is the intent of the Corporation to provide service on a nondiscriminatory basis to all persons desiring service to the extent that the capabilities of the system will reasonably permit.

Section 8.02 The Membership fee shall be \$100.00. Payment of Membership fee or transfer of Membership shall entitle an applicant to further qualify for one (1) connection to the system or shall entitle a transferee of Membership to continue to qualify for service to an existing connection to the system by meeting the conditions for water as provided in the Corporation's published rates, charges, and conditions of service. A person may own more than one Membership but each Member shall be entitled to only one vote regardless of the number of Memberships owned. Membership certificates shall be in such form as shall be determined by the Board of Directors.

Section 8.03 The Membership fee may be revised by the Board of Directors as the board may determine to be appropriate. In determining the amount of the Membership fee, however, the Board shall ensure that the fee is sufficient to establish the potential Member as being legitimately interested in securing water service from the Corporation for such potential Members' own needs. Furthermore, the Board shall determine and administer such fee in a manner or in a mount which does not

unreasonable deny service to financially deprived potential Members. In no event, however, shall the Membership fee exceed an amount equal to the sum of twelve (12) charges of the Corporation's minimum monthly water rate unless previously approved by Farmers Home Administration.

Article IX.

Where necessary for determining those Members entitled to notice of, or those Members, entitled to vote at any meeting or any adjournment thereof, or where necessary to make a determination of Members for any other proper purpose, ownership of Memberships shall be deemed to be vested in those persons who are the record owners of Memberships as evidenced by the Membership transfer book on the 15th day of the month preceding the month of the date upon which the action requiring such determination is to be taken. Nothing here shall preclude the holder of a Membership from mortgaging such Membership, or, upon notification of the Corporation, preclude the holder of such mortgages from exercising legal rights pursuant to such mortgages upon proper notice of the Corporation.

Article X.

Section 10.01 In order to insure that business done by the Corporation shall continue within the capacity of its facilities and to prevent undue financial burden on the Members of the Corporation, Membership in the Corporation shall be transferred in accordance with the following:

- (a) Except as herein provide, Membership in the Corporation shall be deemed personal estate and a person or entity that owns any stock of, is a Member of, or has some other right of participation in the Corporation may not sell or transfer that sock, Membership, or other right of participation to another person or entity except: (1) by will to a transferee who is a person related to the testator within the second degree by consanguinity; (2) by transfer without compensation to a transferee who is a person related to the owner of the stock or other interest within the second degree by consanguinity; or (3) by transfer without compensation or by sale to the Corporation.
- (b) Subsection (a) of this section does not apply to a person or entity that transfers the Membership or other right of participation to another person or entity as part of the conveyance of real estate from which the Membership or other right of participation arose.
- (c) The transfer of stock, a Membership, or another right of participation under this section does not entitle the transferee to water service unless each condition for water service is met as provided in the Corporation's published rates, charges and conditions of service. Water service provided by the Corporation as a result of stock Membership, or other right of participation may be conditioned on ownership of the real estate designated to receive serve and from which the Membership or other right of participation arose.

- (d) The Corporation may cancel a person's or other entity's stock, Membership, or other right of participation if the person or other entity fails to meet the conditions for water service prescribed by the Corporation's published rates, charges and conditions of service, or fails to comply with any other condition placed on the receipt of water service under the stock Membership, or other right of participation authorized under Subsection (c) of this section. The Corporation may, consistent with the limitations prescribed by Subsection (a) of this section and as provided in the Corporation's tariff, reassign canceled stock or a canceled Membership, or other right of participation to any person or entity that has legal title to the real estate from which the canceled Membership or other right of participation arose and for which water or sewer is requested, subject to compliance with the conditions for water service prescribed by the Corporation's published rates, charges and conditions of service.

Section 10.02 Notwithstanding anything to the contrary hereinabove provided, the consideration for the transfer of any Membership in the Corporation from the original Members, their transferees, pledges, administrators or executors, or other persons, shall never exceed the amount of the original costs of such Membership. No gain or profit shall ever be realized from the sale or transfer of a Membership.

Article XI.

Section 11.01 There shall be a regular meeting of the Members annually, in April, to transact all business that may be properly brought before it. The Secretary-Treasurer shall give at least fifteen (15) days written notice of such annual meeting to the Membership indicating the time, place and purpose of such meeting, and shall address and mail the notice to each Member at the address last known to the Corporation. Failure to hold or call an annual or special meeting in accordance with these By-Laws shall give each member rights to compel the Board of Directors to properly hold an annual or special meeting of the Membership. Voting by proxy shall be permitted. Members holding ten percent (10%) of the votes entitled to be cast represented in person or by proxy, shall constitute a quorum for the transaction of business.

Section 11.02 Board of Directors shall establish a standing Credentials Committee of three (3) Members, of which the Secretary-Treasurer shall be the chairperson. This committee shall adopt proper procedures for conducting an annual or special Membership meeting, adopt a specific proxy form to be used in conducting an annual or special Membership meeting; adopt procedures for proper notification of the Membership of such meetings and delivery of the Corporation's proxy forms to the Membership; determine, qualify and register the eligible voters for such meeting; validate proxies, determine presence of quorum for conducting the meeting, design ballots, canvass all votes, and institute proper recording of the results of such elections.

Article XII.

Special meetings of the Directors may be held upon reasonable notice to each Director, either written or oral.

Prior to convening any special meeting of the Members, the President shall request in writing that the Secretary-Treasurer give at least ten (10) days prior notice to the Members. Such notice shall specify the time, place and purpose of the meeting, and shall be addressed and mailed to each of the Members at their address last known to the Corporation.

Article XIII.

The business of the Corporation shall be handled under the direction of the Board of Directors by a manager to be elected by majority vote of the board. The manager shall serve with or without compensation. The manager, with the approval of the Board of Directors, may employ, with or without compensation, such supervisory, clerical or other employees as may be required to effectively operate the business of the Corporation.

Article XIV.

Notwithstanding the ownership of a Membership certificate, all members shall be billed, disconnected, or reconnected, and otherwise shall receive service in accordance with the written policies of the Corporation, including the Tariff of the Corporation. In the event a Members should surrender his Membership certificate properly endorsed to the Secretary-Treasurer of the Corporation, the water service shall be discontinued and the obligation to pay for water service shall terminate except as for the minimum charge for the current month and the charge for water used during the current month, and except as for any prior unpaid amounts due the Corporation. In the event Membership is terminated, canceled, withdrawn, or surrendered, whether voluntarily or involuntarily, the former Member's rights and interest in the assets of the Corporation will not be forfeited.

Article XV.

Upon the discontinuance of the Corporation by dissolution or otherwise, all assets of the Corporation remaining after payment of the indebtedness of the Corporation shall be distributed among the Members and former Members in direct proportion to the amount of their patronage with the Corporation insofar as practicable. Any indebtedness due the Corporation by a Member for water service or otherwise shall be deducted from such Member's share prior to final distribution. By application for and acceptance³ of Membership in the Corporation, each Member agrees that, upon the discontinuance of the Corporation by dissolution or otherwise, all assets of the Corporation transferred to that Member shall be in turn immediately transferred by the individual Member to a charitable organization in the State of Texas, selected by a majority of the Members voting, which is organized to acquire, store, transport, sell, or distribute water for public use and further is qualified for an exemption authorized by Chapter 11 of the Property Tax Code of the State of Texas, to the state or to an

educational, religious, charitable, or other similar organization that is qualified as a charitable organization under Section 501C (3) Internal Revenue Code of 1954 as amended.

Article XVI.

The fiscal year of the Corporation shall be January 1 to December 31.

Article XVII.

For so long as the Corporation is indebted for a loan or loans made to it by the United States of America through the Farmers Home Administration, the Corporation shall insure with a reputable insurance company such of its properties and in such amounts as is required by the State Director of the Farmers Home Administration for the State of Texas.

Article XVIII.

Section 18.01 If at the end of the fiscal year, or in the event of emergency repairs, the Board of Directors determines the total amount derived from the collection of water charges to be insufficient for the payment of all costs incident to the operation of the Corporation's system during the year in which such charges are collected, the Board shall make and levy an assessment against each Member of the Corporation as the Board may determine or as may be required by Farmers Home Administration, so that the sum of such assessments and the amount collected from water and other charges is sufficient to fully pay all costs of operation, maintenance, replacement and repayment on indebtedness for the year's operations, but this provision shall not operate for the benefit of any third party creditor other than Farmers Home Administration without a favorable vote of the majority of the Members. Any assessments levied to make up operational deficits in any year shall be levied against Members in proportion to their patronage with the Corporation.

Section 18.02 In the event a Member should surrender his Membership certificate properly endorsed to the Secretary-Treasurer of the Corporation, the obligation to pay such assessments shall be limited to assessments made and levied prior to the date of surrender of the Membership certificate, provided, however, that this paragraph and the second sentence of Article XIV shall not apply to relieve a Member of his obligation under special agreements covering Multiple-Membership certificates held by one Member which may have been required or approved by the Farmers Home Administration.

Article XIX.

The Corporation shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its Members, Board of Directors, and committees, and shall keep a record of the name and addresses of its Members entitled to vote at its registered office or principle office in Texas.

Annually, the Board of Directors shall prepare or cause to be prepared a report of the financial activity of the Corporation for the preceding year including a statement of support, revenue and expenses and changes in fund balances, a statement of functional expenses, and balance sheets for all funds or such financial reports as required by Farmers Home Administration. Such report shall be approved by the Board of Directors.

With prior written request, corporate records, books and annual reports, subject to exceptions provided by law, shall be available for public inspection and copying by the public or their duly authorized representatives during normal business hours subject to a reasonable charge for the preparation of copies.

Article XX.

These By-Laws may be altered, amended, or repealed by a vote of a majority of the Members present at any regular meeting of the Corporation, or at any special meeting of the Corporation called for that purpose, except that the Members shall not have the power to change the purpose of the Corporation so as to decrease its rights and powers under the laws of the State, or to waive any requirements of bond or other provisions for the safety and security of the property and funds of the Corporation or its Members, or to deprive any Member of rights and privileges then existing, or so to amend the By-Laws as to effect a fundamental change in the policies of the Corporation. Notice of any amendment to be made at a special meeting of the Members must be given at least ten (10) days before such meeting and must set forth the amendments to be considered. For so long as the Corporation is indebted for a loan or loans made to it by the United States of America through the Farmers Home Administration, these By-Laws shall not be altered, amended, or repealed without the prior written consent of the State Director of the Farmers Home Administration for the State of Texas.

Article XXI.

The seal of the Corporation shall consist of a circle within which shall be inscribed "Rincon Water Supply Corporation".


Article XXII.

The Corporation pledges its assets for use in performing the organization's charitable functions.

Article XXIII.

The above By-Laws and regulations were unanimously adopted by the Membership of the Rincon Water Supply Corporation, at a meeting in the office on the 21st day of April, A.D. 1992.

Secretary-Treasurer



Corporation's charter number as recorded with the Office of the Texas
Secretary of State.

RINCON WATER SUPPLY CORPORATION
CORPORATION CHARTER NUMBER

0038068201

Identification of all board members including name, address, title, and
telephone number

RINCON WATER SUPPLY CORPORATION

P.O. DRAWER 7 TAFT, TEXAS 78390
(361) 528-3969 PWS ID. NO. 205-0078


BOARD OF DIRECTORS

Rincon Water Supply Corporation
PO Drawer 7
Taft, TX 78374
361-528-3969

www.rinconwater.com

NAME	ADDRESS	HOME PHONE	CELL PHONE	WORK PHONE	E-MAIL
Bryan Vogt	PO Box 163 Portland, TX 78374	361-364-4360	361-877-4423		tricia@gtek.biz
Troy Floerke	PO Box 66 Taft, TX 78390	361-528-5041	361-877-5335		ttfarms@gtek.biz
Danny Wendland	5364 CR 1460 Taft, TX 78390	361-528-3248	361-850-0776	361-528-3297	dwendland361@gtek.biz
Gary Gene McKinny	9718 CR 3663 Taft, TX 78390	361-528-2853	316-215-5678	361-643-6521	ggm@spmwd.net
Paul Pustejovsky	PO Box 185 Taft, TX 78390	361-528-3682	361-222-1992	361-528-4434	poochie_farms@yahoo.com
Andrew Miller	2403 Twin Oaks Dr. Portland, TX 78374	361-643-8123	361-543-5528		amiller483@hotmail.com
Darren Yates	2793 CR 3161 Taft, TX 78390	361-528-9846	361-739-7541		yates@gtek.biz

OFFICERS	
Bryan Vogt	President
Gary Gene McKinny	Vice-President
Troy Floerke	Secretary/Treasurer



Copy of the corporation's Certificate of Account Status from the Texas
Comptroller of public accounts.

**Franchise Tax Account Status**

As of : 01/17/2017 12:00:46

This Page is Not Sufficient for Filings with the Secretary of State**RINCON WATER SUPPLY CORPORATION****Texas Taxpayer Number** 17419383553**Mailing Address** C M HENKEL 510 GUARANTY BK PLZ
CORPUS CHRISTI, TX 78701-0000**Right to Transact Business in Texas** ACTIVE**State of Formation** TX**Effective SOS Registration Date** 05/04/1976**Texas SOS File Number** 0038068201**Registered Agent Name** NATHAN A EAST**Registered Office Street Address** ONE CEDAR PLACE, SUITE B 101 CEDAR
DRIVE PORTLAND, TX 78374

2. LOCATION INFORMATION

B. Demonstrate the Need for Service by providing the following:

- (i) Describe the service area and circumstances driving the need for service in the requested area. Indicate the name(s) and address(es) of landowner(s), prospective landowner(s), tenant(s), or resident(s) that have requested service; and/or
- **The area is undeveloped property located west of the city of Portland. The current landowner is requesting the ability to extend water service to his property for the purpose of residential development. The landowner's name and address is as follows:**
 - Jim Fay**
 - 224 Sutherland**
 - Portland, TX 78374**
- (i) Describe the economic need(s) for service in the requested area (i.e. plat approvals, recent annexation(s) or annexation request(s), building permits, septic tank permits, hospitals, etc.); and/or
- **There are no economic needs for service in the requested area.**
 - (i) Discuss in detail the environmental need(s) for service in the requested area (i.e. failing septic tanks in the requested area, fueling wells, etc.); and/or
- **There are no environmental needs for service in the requested area.**
 - (i) Provide copies of any written application(s) or request(s) for service in the requested area; and/or
- **See attached.**
 - (i) Provide copies of any reports and/or market studies demonstrating existing or anticipated growth in the requested area.
- **No market studies have been performed for the requested area.**
 - (i) If none of these items exist or are available, please justify the need for service in the proposed area in writing.
- **There is a landowner requesting water service for the residential development of his property.**

3. MAP REQUIREMENTS

- A. A location map delineating the proposed service area with enough detail to accurately locate the proposed area within the county.

SEE ATTACHED.

- B. A map showing only the proposed area by:

- i. projectable digital data with metadata (proposed areas should be in a single record and clearly labeled).
- ii. Also, a data disk labeled with the applicant's name must be provided;

SEE ATTACHED.

- C. A written description of the proposed service area.

The proposed expansion area is located approximately 13.5 miles southeast of downtown Sinton, Texas and is generally bounded to the west by CR 3365, the north by CR 2202, the east by CR 3463 and the south by Nueces Bay. The proposed area contains approximately 122.71 acres.

- D. Provide separate and additional maps of the proposed area(s) to show the following:

- i. all facilities, illustrating separately facilities for production, transmission, and distribution of the applicant's service(s); and
- ii. any facilities, customers or area currently being served outside the applicant's certificated area(s).

SEE ATTACHED.

5. EXISTING SYSTEM INFORMATION

A. Please provide the following information for each water and/or sewer system, attach additional information sheets if necessary:

- iv. Attach a copy of the most recent TCEQ water and/or sewer inspection report letter(s).
- v. For each system deficiency listed in the TCEQ Inspection report letter; attach a brief explanation listing the actions taken or being taken by the utility to correct the listed deficiencies, including the proposed completion dates.

SEE ATTACHED.

G. Effect of Granting a Certificate Amendment.

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

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

Rincon W.S.C has been approached by the land owner of the expansion area to provide water service to his property for the purposes of a residential land development. By granting the CCN expansion, the land in question will have potable water available which will facilitate the residential development.

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

- iv. Provide a signed and dated copy of the most current water or sewer treatment capacity purchase

SEE ATTACHED.

I. Ability to Provide Adequate Service.

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

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

The proposed development will increase the total system demand of Rincon WSC by approximately 14 connections. This increase will have a minimal effect of the distribution system. The project density is approximately 1 connection to 8.75 acres. The land use will be residential.

6. FINANCIAL INFORMATION

B. For existing water and/or sewer systems:

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

SEE ATTACHED.

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

SEE ATTACHED.

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

SEE ATTACHED.

Rincon Water Supply Corporation

BALANCE SHEET

As of December 31, 2016

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
Checking #1431-Prosperity Bank	92,554.39
Clearing Account	0.00
Customer Change Box	277.63
Frost Bank-Checking#4856	294,152.33
Frost Bank-Membership Fund#3000	113,702.99
Frost Bank-Reserve Fund#2993	205,973.65
Frost Bank-Special Account#2985	5,000.00
MM #3812/Membership Acct	26,792.89
MM #4974/Reserve Funds-Prosperity Bank	46,323.48
Office Petty Cash	200.00
Special Acct #5408-Prosperity Bank	4,069.50
Total Bank Accounts	\$789,046.86
Accounts Receivable	
Accounts Receivable	75,917.35
Total Accounts Receivable	\$75,917.35
Other Current Assets	
Prepaid Expenses	
Prepaid Expenses-Auto Insurance	2,287.97
Prepaid Expenses-Building Insurance	1,833.47
Prepaid Expenses-Cell Phone Acct4077	0.00
Prepaid Expenses-CUSI	229.20
Prepaid Expenses-Intuit QuickBooks Online Subscription	143.31
Prepaid Expenses-Office Telephone	0.00
Prepaid Expenses-Pest Control	0.00
Prepaid Expenses-PO Box Rental	56.64
Prepaid Expenses-Professional Insurance	185.72
Prepaid Expenses-Registered Agent Fee	0.00
Prepaid Expenses-SCADA System	0.00
Prepaid Expenses-Trash Service	0.00
Prepaid Expenses-Web Page Maintenance	0.00
Prepaid Expenses-Workers Compensation Insurance	1,130.53
Total Prepaid Expenses	5,866.84
Reserve for uncollected account	-14,057.00
Undeposited Funds	0.00
Total Other Current Assets	\$ -8,190.16
Total Current Assets	\$856,774.05
Fixed Assets	
2015 Chevrolet Silverado	32,917.80
Accumulated Depreciation	-2,748,701.88
Accumulated Depreciation-Other	0.00

	TOTAL
Depreciation Water Line	0.00
Res Depreciation Building	0.00
Res Depreciation delivery meter	0.00
Res Depreciation Master Meter	0.00
Res Depreciation Mis Equip	0.00
Res Depreciation Office Equip	0.00
Total Accumulated Depreciation	-2,748,701.88
Building	66,630.00
Connection Fee	55,800.00
Delivery Meter	0.00
Field Equipment	0.00
Land	22,045.00
Machinery and equipment	5,669,027.00
Master Meter	0.00
Miscellaneous Equipment	0.00
Office Equipment	15,739.96
Pump for Water Tower	11,200.00
Vehicles	79,478.00
Water System	-106,874.00
Water System Upgrade	
Jim Fay Development	14,313.01
Love Travel Shop Project	98,203.73
Randy Rachel Project	27,533.40
Total Water System Upgrade	140,050.14
Total Fixed Assets	\$3,237,312.02
TOTAL ASSETS	\$4,094,086.07
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	134,908.79
Total Accounts Payable	\$134,908.79
Credit Cards	
Commerce Bank Credit Card #7372	0.00
Visa Business Credit Card #2367	0.00
Total Credit Cards	\$0.00
Other Current Liabilities	
Accrued Payable	-1,758.75
Accrued Payroll Payable	8,889.61
Current Maturities of Long-term debt	0.00
Payroll Tax Liabilities	
Aflac Insurance Payable	301.56
Employee W/H Retirement	-762.29
Federal Income Tax W/H Payable	1,361.85
Fica & Medicare Payable	1,822.64
Futa payable	252.00
SUTA-TWC	40.50
Total Payroll Tax Liabilities	3,016.26
TCEQ Liability	0.00

	TOTAL
TCEQ	2,317.00
Total TCEQ Liability	2,317.00
Total Other Current Liabilities	\$12,464.12
Total Current Liabilities	\$147,372.91
Long-Term Liabilities	
Frost Bank Loan #9001	123,740.89
Membership Fees	0.00
Membership Dues	142,700.00
Total Membership Fees	142,700.00
NOTES PAYABLE	
USDA Note #9112	0.00
Total NOTES PAYABLE	0.00
Prosperity Loan #313391500	0.00
Total Long-Term Liabilities	\$266,440.89
Total Liabilities	\$413,813.80
Equity	
Opening Bal Equity	0.00
Perm. Restricted Net Assets	3,505,434.00
Retained Earnings	0.00
Temp. Restricted Net Assets	43,250.00
Unrestricted Net Assets	-195,287.25
Net Income	326,875.52
Total Equity	\$3,680,272.27
TOTAL LIABILITIES AND EQUITY	\$4,094,086.07

Rincon Water Supply Corporation

MONTHLY PROFIT & LOSS BUDGET VS. ACTUALS

December 2016

	TOTAL			
	ACTUAL	BUDGET	OVER BUDGET	% OF BUDGET
INCOME				
Assessment Fees - TCEQ		242.00	-242.00	
Miscellaneous Income	2,350.70		2,350.70	
Monthly Minimum	38,771.04	44,331.00	-5,559.96	87.46 %
Penalties & Fees	5,049.73	2,388.00	2,661.73	211.46 %
Taps and Fees	692.31	2,500.00	-1,807.69	27.69 %
Water Revenue	67,851.04	48,405.00	19,446.04	140.17 %
Total Income	\$114,714.82	\$97,866.00	\$16,848.82	117.22 %
GROSS PROFIT	\$114,714.82	\$97,866.00	\$16,848.82	117.22 %
EXPENSES				
Bad Debts Expense		49.00	-49.00	
Bank Service Charges	65.85	174.00	-108.15	37.84 %
Bookkeeping	1,500.00	2,375.00	-875.00	63.16 %
Building M & R	160.06	125.00	35.06	128.05 %
Capital Outlay		2,837.00	-2,837.00	
Chemicals		223.00	-223.00	
Contract Services	465.84	1,678.00	-1,212.16	27.76 %
Depreciation Expense		4,174.00	-4,174.00	
Dodge (Red)	59.74	205.00	-145.26	29.14 %
Dodge (White)		206.00	-206.00	
Dues & Fees	35.83	745.00	-709.17	4.81 %
Engineering		212.00	-212.00	
Equipment - Office	219.02	209.00	10.02	104.79 %
Equipment M & R		423.00	-423.00	
Fuel oil etc truck	646.04	1,906.00	-1,259.96	33.90 %
Health Insurance	3,782.39	3,391.00	391.39	111.54 %
Incentives	397.60	1,598.00	-1,200.40	24.88 %
Insurance	1,812.60	2,011.00	-198.40	90.13 %
Interest Expense	468.20		468.20	
Legal Fees	100.00	391.00	-291.00	25.58 %
Licenses and Permits	226.00	155.00	71.00	145.81 %
Miscellaneous		125.00	-125.00	
Office Supplies	36.99	274.00	-237.01	13.50 %
Other Supplies		263.00	-263.00	
Postage	675.14	927.00	-251.86	72.83 %
Principal Note Payments		9,348.00	-9,348.00	
Printing/Copying	965.59	386.00	579.59	250.15 %
Pump Station M & R		473.00	-473.00	
Retirement Program		1,459.00	-1,459.00	
Salaries - Full Time	23,078.42	24,109.00	-1,030.58	95.73 %
Salaries Overtime	793.04	1,112.00	-318.96	71.32 %
SCADA System	250.00	250.00	0.00	100.00 %
Storage Tanks - Inspec & Maint		158.00	-158.00	

	TOTAL			
	ACTUAL	BUDGET	OVER BUDGET	% OF BUDGET
Subscriptions	314.56	761.00	-446.44	41.34 %
Taxes	1,855.79	2,589.00	-733.21	71.68 %
Telephone	590.37	637.00	-46.63	92.68 %
Tools		250.00	-250.00	
Travel & Training		272.00	-272.00	
Utilities	1,289.76	2,011.00	-721.24	64.14 %
Vehicles M & R		597.00	-597.00	
Water Meters	2,230.71	443.00	1,787.71	503.55 %
Water System Supplies	7,640.89	2,294.00	5,346.89	333.08 %
Wholesale Water	27,276.95	32,582.00	-5,305.05	83.72 %
Total Expenses	\$76,937.38	\$104,407.00	\$ -27,469.62	73.69 %
NET OPERATING INCOME	\$37,777.44	\$ -6,541.00	\$44,318.44	-577.55 %
OTHER INCOME				
Interest Income	11.06	43.00	-31.94	25.72 %
Total Other Income	\$11.06	\$43.00	\$ -31.94	25.72 %
NET OTHER INCOME	\$11.06	\$43.00	\$ -31.94	25.72 %
NET INCOME	\$37,788.50	\$ -6,498.00	\$44,286.50	-581.54 %

Rincon Water Supply Corporation

YTD PROFIT & LOSS BUDGET VS. ACTUALS

January - December 2016

	TOTAL			
	ACTUAL	BUDGET	OVER BUDGET	% OF BUDGET
INCOME				
Assessment Fees - TCEQ		2,904.00	-2,904.00	
Miscellaneous Income	83,337.83		83,337.83	
Monthly Minimum	470,328.03	531,972.00	-61,643.97	88.41 %
Penalties & Fees	33,631.18	28,557.00	5,074.18	117.77 %
Restricted Fund	113,770.00		113,770.00	
Taps and Fees	7,887.78	30,000.00	-22,112.22	26.29 %
Water Revenue	591,722.85	580,750.00	10,972.85	101.89 %
Wrong Account Deposit	714.36		714.36	
Total Income	\$1,301,392.03	\$1,174,183.00	\$127,209.03	110.83 %
GROSS PROFIT	\$1,301,392.03	\$1,174,183.00	\$127,209.03	110.83 %
EXPENSES				
Bad Debts Expense		500.00	-500.00	
Bank Service Charges	820.18	2,000.00	-1,179.82	41.01 %
Bookkeeping	30,060.75	28,500.00	1,560.75	105.48 %
Building M & R	2,325.75	1,500.00	825.75	155.05 %
Capital Outlay	162.84	34,000.00	-33,837.16	0.48 %
Chemicals	1,124.34	2,500.00	-1,375.66	44.97 %
Contract Services	12,156.88	19,740.00	-7,583.12	61.59 %
Depreciation Expense		50,000.00	-50,000.00	
Dodge (Red)	255.69	2,295.00	-2,039.31	11.14 %
Dodge (White)	2,796.04	2,296.00	500.04	121.78 %
Dues & Fees	5,648.10	8,808.00	-3,159.90	64.12 %
Engineering		2,500.00	-2,500.00	
Equipment - Office	2,206.35	2,200.00	6.35	100.29 %
Equipment M & R	1,022.86	4,515.00	-3,492.14	22.65 %
Fuel oil etc truck	14,160.56	22,300.00	-8,139.44	63.50 %
Health Insurance	41,155.03	40,395.00	760.03	101.88 %
Incentives	21,666.40	19,000.00	2,666.40	114.03 %
Insurance	22,018.86	24,000.00	-1,981.14	91.75 %
Interest Expense	6,187.20		6,187.20	
Legal Fees	1,578.00	4,450.00	-2,872.00	35.46 %
Licenses and Permits	743.00	1,277.00	-534.00	58.18 %
Miscellaneous	3,027.98	1,500.00	1,527.98	201.87 %
Office Supplies	2,414.80	2,925.00	-510.20	82.56 %
Other Supplies	1,358.68	2,650.00	-1,291.32	51.27 %
Over/Short Expense	400.00		400.00	
Postage	9,235.61	10,530.00	-1,294.39	87.71 %
Principal Note Payments		112,000.00	-112,000.00	
Printing/Copying	2,086.36	4,500.00	-2,413.64	46.36 %
Pump Station M & R	3,039.49	5,500.00	-2,460.51	55.26 %
Retirement Program	-3,318.53	17,134.00	-20,452.53	-19.37 %
Salaries - Full Time	274,353.09	289,000.00	-14,646.91	94.93 %

	TOTAL			
	ACTUAL	BUDGET	OVER BUDGET	% OF BUDGET
Salaries Overtime	7,640.42	13,080.00	-5,439.58	58.41 %
SCADA System	3,000.00	3,000.00	0.00	100.00 %
Storage Tanks - Inspec & Maint		1,500.00	-1,500.00	
Subscriptions	1,345.78	9,000.00	-7,654.22	14.95 %
Taxes	28,197.30	30,925.00	-2,727.70	91.18 %
Telephone	7,131.53	7,600.00	-468.47	93.84 %
Tools	1,440.22	3,000.00	-1,559.78	48.01 %
Travel & Training	3,093.06	3,000.00	93.06	103.10 %
Utilities	18,231.56	24,000.00	-5,768.44	75.96 %
Vehicles M & R	2,116.42	6,636.00	-4,519.58	31.89 %
Water Meters	11,325.45	5,250.00	6,075.45	215.72 %
Water System Supplies	30,724.93	27,000.00	3,724.93	113.80 %
Wholesale Water	401,786.25	390,885.00	10,901.25	102.79 %
Total Expenses	\$974,719.23	\$1,243,391.00	\$ -268,671.77	78.39 %
NET OPERATING INCOME	\$326,672.80	\$ -69,208.00	\$395,880.80	-472.02 %
OTHER INCOME				
Interest Income	202.72	450.00	-247.28	45.05 %
Total Other Income	\$202.72	\$450.00	\$ -247.28	45.05 %
NET OTHER INCOME	\$202.72	\$450.00	\$ -247.28	45.05 %
NET INCOME	\$326,875.52	\$ -68,758.00	\$395,633.52	-475.40 %

Rincon Water Supply Corporation

ALL BANK ACCOUNTS ACTIVITY

December 2016

DATE	TRANSACTION TYPE	NUM	ADJ	NAME	MEMO/DESCRIPTION	ACCOUNT	SPLIT	AMOUNT	BALANCE
Checking #1431-Prosperity Bank									
12/31/2016	Deposit		No		Accr Earning Pymt Added to Acco Accr Earning Pymt Added to Account	Checking #1431-Prosperity Bank	Interest Income	3.94	3.94
Total for Checking #1431-Prosperity Bank								\$3.94	
Frost Bank-Checking#4856									
12/01/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	628.57	628.57
12/01/2016	Bill Payment (Check)	13425	No	Frost Bank	001 6068852 9001	Frost Bank-Checking#4856	Accounts Payable	-2,823.73	-2,195.16
12/01/2016	Check		No	Frost Bank	Misc Fees CASH MGR ESSENTIAL FEE	Frost Bank-Checking#4856	Bank Service Charges-Frost Bank Bank Charge	-12.00	-2,207.16
12/02/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	471.00	-1,736.16
12/03/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	111.65	-1,624.51
12/04/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	452.45	-1,172.06
12/05/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	1,265.23	93.17
12/06/2016	Bill Payment (Check)	13452	No	San Patricio Municipal Water Dist 114200	01-1142-00	Frost Bank-Checking#4856	Accounts Payable	-14,717.58	-14,624.41
12/06/2016	Bill Payment (Check)	13453	No	San Patricio Municipal Water District		Frost Bank-Checking#4856	Accounts Payable	-250.00	-14,874.41
12/06/2016	Bill Payment (Check)	13448	No	San Patricio Electric Co-op Acct 7900	1117900	Frost Bank-Checking#4856	Accounts Payable	-213.97	-15,088.38
12/06/2016	Bill Payment (Check)	13440	No	Absolute Waste	1401-001	Frost Bank-Checking#4856	Accounts Payable	-83.09	-15,171.47
12/06/2016	Bill Payment (Check)	13454	No	Taft Hardware & Imports		Frost Bank-Checking#4856	Accounts Payable	-81.46	-15,252.93
12/06/2016	Bill Payment (Check)	13449	No	San Patricio Electric Co-op Acct 8100	2008100	Frost Bank-Checking#4856	Accounts Payable	-5.26	-15,258.19
12/06/2016	Bill Payment (Check)	13451	No	San Patricio Municipal Water Dist 114100	01-1141-00	Frost Bank-Checking#4856	Accounts Payable	-9,876.19	-25,134.38
12/06/2016	Bill Payment (Check)	13450	No	San Patricio Municipal Water Dist 113600	01-1136-00	Frost Bank-Checking#4856	Accounts Payable	-6,582.08	-31,716.46
12/06/2016	Bill Payment (Check)	13455	No	Texas Commission on Environmental Quality	92050078	Frost Bank-Checking#4856	Accounts Payable	-3,459.40	-35,175.86
12/06/2016	Bill Payment (Check)	13447	No	HD Supply Waterworks		Frost Bank-Checking#4856	Accounts Payable	-2,800.50	-37,976.36
12/06/2016	Bill Payment (Check)	13442	No	AM Bookkeeping & Tax Professionals		Frost Bank-Checking#4856	Accounts Payable	-1,500.00	-39,476.36
12/06/2016	Bill Payment (Check)	13443	No	Cirro Energy-Acct 4034	11 561 403-4	Frost Bank-Checking#4856	Accounts Payable	-605.97	-40,082.33
12/06/2016	Bill Payment (Check)	13446	No	Custom Machine Shop	R0151	Frost Bank-Checking#4856	Accounts Payable	-50.86	-40,133.19
12/06/2016	Bill Payment (Check)	13445	No	Cirro Energy-Acct 7380	11 556 738-0	Frost Bank-Checking#4856	Accounts Payable	-308.87	-40,442.06
12/06/2016	Bill Payment (Check)	13441	No	Altac	C0V96	Frost Bank-Checking#4856	Accounts Payable	-379.40	-40,821.46
12/06/2016	Bill Payment (Check)	13444	No	Cirro Energy-Acct 4083	11 561 408-3	Frost Bank-Checking#4856	Accounts Payable	-31.49	-40,852.95
12/06/2016	Bill Payment (Check)	13456	No	Troup True Value	37	Frost Bank-Checking#4856	Accounts Payable	-8.59	-40,861.53
12/06/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	510.49	-40,351.04
12/07/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	1,791.87	-38,559.17
12/07/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	818.92	-37,740.25
12/08/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	585.24	-37,155.01
12/09/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	309.01	-36,846.00
12/10/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	159.75	-36,686.25
12/11/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	219.20	-36,467.05
12/12/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	1,159.26	-35,307.79
12/13/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	1,550.94	-33,756.85
12/14/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	17,782.47	-15,974.38
12/14/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	9,804.72	-6,369.66
12/14/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	5,008.76	-1,360.90
12/14/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	4,255.87	2,894.97
12/14/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	3,870.20	6,765.17
12/14/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	2,707.73	9,472.90
12/14/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	2,350.16	11,823.06
12/14/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	1,956.96	13,780.02
12/14/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	452.21	14,232.23
12/14/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	281.85	14,514.08
12/14/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	264.41	14,778.49
12/14/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	59.49	14,837.98
12/14/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	57.57	14,895.55
12/14/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	44.59	14,940.14
12/14/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	5,300.22	20,240.36
12/15/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	6,857.07	27,097.43
12/15/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	5,575.53	32,672.96
12/15/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	4,076.13	36,749.09
12/16/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	1,170.71	37,919.80
12/16/2016	Check		No	Frost Bank	Acct Analysis Fee ANALYSIS CHARGE	Frost Bank-Checking#4856	Bank Service Charges-Frost Bank Bank Charge	-53.85	37,865.95
12/17/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	106.39	37,972.34
12/18/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	197.05	38,169.39
12/19/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	1,485.78	39,655.17
12/20/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	628.57	40,283.74
12/20/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	1,500.51	41,784.25
12/20/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	2,535.05	44,319.30
12/20/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	2,869.24	47,188.54

DATE	TRANSACTION TYPE	NUM	ADJ	NAME	MEMO/DESCRIPTION	ACCOUNT	SPLIT	AMOUNT	BALANCE
12/21/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	653.13	47,841.67
12/21/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	673.81	48,515.48
12/22/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	328.00	48,843.48
12/23/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	472.26	49,315.74
12/24/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	316.33	49,632.07
12/25/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	700.43	50,332.50
12/26/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	1,052.57	51,385.07
12/27/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	2,346.32	53,731.39
12/27/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	14,919.58	68,651.27
12/28/2016	Bill Payment (Check)	EFT	No	Cirro Energy-Acct 4034	11 561 403-4 Confirmation 27258339	Frost Bank-Checking#4856	Accounts Payable	-524.89	68,126.38
12/28/2016	Bill Payment (Check)	EFT	No	Aflac	C0V86	Frost Bank-Checking#4856	Accounts Payable	-379.40	67,746.98
12/28/2016	Bill Payment (Check)	EFT	No	Cirro Energy-Acct 4083	11 561 408-3 Confirmation 27258353	Frost Bank-Checking#4856	Accounts Payable	-32.69	67,714.29
12/28/2016	Bill Payment (Check)	EFT	No	Cirro Energy-Acct 7380	11 556 738-0 Confirmation 27258323	Frost Bank-Checking#4856	Accounts Payable	-297.01	67,417.28
12/29/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	1,440.85	68,858.13
12/29/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	38.92	68,897.05
12/29/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	928.61	69,825.66
12/29/2016	Expense	EFT	No	Frost Bank	Jesus Martinez Acct 0688 CK#3514 12/6/16 got returned	Frost Bank-Checking#4856	-Split-	-100.53	69,725.13
12/30/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	201.05	69,926.18
12/30/2016	Bill Payment (Check)	EFT	No	Frontier Communications	361-528-3969-010479-5 Confirmation 47140635	Frost Bank-Checking#4856	Accounts Payable	-249.48	69,676.70
12/31/2016	Payment		No	Various Customers		Frost Bank-Checking#4856	Accounts Receivable	60.00	69,736.70
Total for Frost Bank-Checkings#4856								\$68,736.70	
Frost Bank-Membership Fund#3000									
12/30/2016	Deposit		No			Frost Bank-Membership Fund#3000	Interest Income	2.89	2.89
Total for Frost Bank-Membership Fund#3000								\$2.89	
MM #3812/Membership Acct									
12/31/2016	Deposit		No		Accr Earning Pymt Added to Accto Accr Earning Pymt Added to Account	MM #3812/Membership Acct	Interest Income	2.27	2.27
Total for MM #3812/Membership Acct								\$2.27	
MM #4974/Reserve Funds-Prosperity Bank									
12/31/2016	Deposit		No		Accr Earning Pymt Added to Accto Accr Earning Pymt Added to Account	MM #4974/Reserve Funds- Prosperity Bank	Interest Income	1.96	1.96
Total for MM #4974/Reserve Funds-Prosperity Bank								\$1.96	
Special Acct #5408-Prosperity Bank									
12/01/2016	Check	113	No	USPS		Special Acct #5408-Prosperity Bank	Postage-Monthly Bills	-524.62	-524.62
12/20/2016	Check	115	No	USPS		Special Acct #5408-Prosperity Bank	Postage-Past Due Notices	-129.88	-654.50
12/28/2016	Expense	114	No	Dalia Sanchez County Assessor		Special Acct #5408-Prosperity Bank	-Split-	-226.00	-880.50
Total for Special Acct #5408-Prosperity Bank								\$ -880.50	
TOTAL								\$68,867.28	



PROMISSORY NOTE

Principal	Loan Date	Maturity	Loan No.	Call / Coll	Account	Officer	Initials
\$125,000.00	12-08-2015	12-08-2021	9002			ZAC	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "****" has been omitted due to text length limitations.

Borrower: RINCON WATER SUPPLY CORPORATION
PO BOX 7
TAFT, TX 78290

Lender: FROST BANK
DOWNTOWN CORPUS CHRISTI FINANCIAL CENTER
P.O. BOX 1600
SAN ANTONIO, TX 78298

Principal Amount: \$125,000.00

Date of Note: December 8, 2015

PROMISE TO PAY. RINCON WATER SUPPLY CORPORATION ("Borrower") promises to pay to FROST BANK ("Lender"), or order, in lawful money of the United States of America, the principal amount of One Hundred Twenty-five Thousand & 00/100 Dollars (\$125,000.00) or so much as may be outstanding, together with interest on the unpaid outstanding principal balance of each advance. Interest shall be calculated from the date of each advance until repayment of each advance or maturity, whichever occurs first.

PAYMENT. Borrower will pay this loan in accordance with the following payment schedule, which calculates interest on the unpaid principal balances as described in the "INTEREST CALCULATION METHOD" paragraph using the interest rates described in this paragraph: 12 monthly consecutive interest payments, beginning January 8, 2016, with interest calculated on the unpaid principal balances using an interest rate of 4.424% per annum based on a year of 360 days; 59 monthly consecutive principal and interest payments of \$2,329.58 each, beginning January 8, 2017, with interest calculated on the unpaid principal balances using an interest rate of 4.424% per annum based on a year of 360 days; and one principal and interest payment of \$2,329.41 on December 8, 2021, with interest calculated on the unpaid principal balances using an interest rate of 4.424% per annum based on a year of 360 days. This estimated final payment is based on the assumption that all payments will be made exactly as scheduled; the actual final payment will be for all principal and accrued interest not yet paid, together with any other unpaid amounts under this Note. Unless otherwise agreed or required by applicable law, payments will be applied first to any unpaid collection costs; then to any accrued unpaid interest; then to principal; and then to any late charges. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding, unless such calculation would result in a usurious rate, in which case interest shall be calculated on a per diem basis of a year of 365 or 366 days, as the case may be. All interest payable under this Note is computed using this method.

PREPAYMENT. Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Prepayment in full shall consist of payment of the remaining unpaid principal balance together with all accrued and unpaid interest and all other amounts, costs and expenses for which Borrower is responsible under this Note or any other agreement with Lender pertaining to this loan, and in no event will Borrower ever be required to pay any unearned interest. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower's making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: FROST BANK, P.O. BOX 1600 SAN ANTONIO, TX 78298.

LATE CHARGE. If a payment is 11 days or more late, Borrower will be charged 5.000% of the unpaid portion of the regularly scheduled payment or \$250.00, whichever is less.

POST MATURITY RATE. The Post Maturity Rate on this Note is the lesser of (A) the maximum rate allowed by law or (B) 18.000% per annum based on a year of 360 days. Borrower will pay interest on all sums due after final maturity, whether by acceleration or otherwise, at that rate.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Default. Borrower fails to make any payment when due under this Note.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

Default in Favor of Third Parties. Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Insolvency. The dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Foreclosure Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help,

**PROMISSORY NOTE
(Continued)**

Loan No: 9002

Page 2

repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

Change in Ownership. Any change in ownership of twenty-five percent (25%) or more of the common stock of Borrower.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

Insecurity. Lender in good faith believes itself insecure.

LENDER'S RIGHTS. Upon default, Lender may declare the entire indebtedness, including the unpaid principal balance under this Note, all accrued unpaid interest, and all other amounts, costs and expenses for which Borrower is responsible under this Note or any other agreement with Lender pertaining to this loan, immediately due, without notice, and then Borrower will pay that amount.

ATTORNEYS' FEES; EXPENSES. Lender may hire an attorney to help collect this Note if Borrower does not pay, and Borrower will pay Lender's reasonable attorneys' fees. Borrower also will pay Lender all other amounts Lender actually incurs as court costs, lawful fees for filing, recording, releasing to any public office any instrument securing this Note; the reasonable cost actually expended for repossessing, storing, preparing for sale, and selling any security; and fees for noting a lien on or transferring a certificate of title to any motor vehicle offered as security for this Note, or premiums or identifiable charges received in connection with the sale of authorized insurance.

GOVERNING LAW. This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Texas without regard to its conflicts of law provisions. This Note has been accepted by Lender in the State of Texas.

CHOICE OF VENUE. If there is a lawsuit, and if the transaction evidenced by this Note occurred in BEXAR County, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of BEXAR County, State of Texas.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts.

LINE OF CREDIT. This Note evidences a straight line of credit. Once the total amount of principal has been advanced, Borrower is not entitled to further loan advances. Borrower agrees to be liable for all sums either: (A) advanced in accordance with the instructions of an authorized person or (B) credited to any of Borrower's accounts with Lender. The unpaid principal balance owing on this Note at any time may be evidenced by endorsements on this Note or by Lender's internal records, including daily computer print-outs.

DISHONORED CHECK CHARGE. In the event a check offered in full or partial payment on this loan is returned unpaid, Lender may charge a fee for the purpose of defraying the expense incident to handling such returned check, and Borrower agrees to pay such fee. The fee shall not exceed the maximum amount permitted under applicable law.

FINANCIAL INFORMATION. Borrower agrees to promptly furnish and cause any other person who signs, guarantees or endorses this Note or any other document executed in connection with this Note, to furnish such financial information and statements, including financial statements in a format acceptable to Lender, lists of assets and liabilities, agings of receivables and payables, inventory schedules, budgets, forecasts, tax returns, and other reports with respect to Borrower's or such person's financial condition and business operations as Lender may request from time to time. This provision shall not alter the obligation to deliver to Lender any other financial statements or reports pursuant to the terms of any other loan documents executed in connection with this Note.

INSURANCE. Borrower agrees to maintain insurance of such types, including public liability insurance, and in such amounts as are satisfactory to Lender and to furnish Lender upon request with a detailed list, in form and substance satisfactory to Lender, of all insurance then in effect.

FACSIMILE DOCUMENTS AND SIGNATURES; ESIGN; IMAGING OF DOCUMENTS: For purposes of negotiating and finalizing this document, if this document is transmitted by facsimile machine ("fax"), it shall be treated for all purposes as an original document. Additionally, the signature of any party on this document transmitted by way of a facsimile machine shall be considered for all purposes as an original signature. Any such faxed document shall be considered to have the same binding legal effect as an original document. At the request of any party, any faxed document shall be re-executed by each signatory party in an original form. The parties agree that no notices or other communications by electronic means between such parties or their representatives in connection with this document or any instrument executed in connection herewith shall constitute a transaction, agreement, contract or electronic signature under the Electronic Signatures in Global and National Commerce Act, any version of the Uniform Electronic Transactions Act or any other statute governing electronic transactions, unless otherwise specifically agreed to in writing. The parties understand and agree that (a) Lender's document retention policy may involve the electronic imaging of this document and any other documents executed in connection herewith, and the destruction of the paper originals, and (b) each party waives any right that it may have to claim that the imaged copies of this document or any other documents executed in connection herewith are not originals.

WAIVER OF RIGHT TO TRIAL BY JURY. THE UNDERSIGNED HEREBY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT TO ENFORCE THIS AGREEMENT, TO COLLECT DAMAGES FOR THE BREACH OF THIS AGREEMENT, OR WHICH IN ANY OTHER WAY ARISE OUT OF, ARE CONNECTED TO OR ARE RELATED TO THIS AGREEMENT OR THE SUBJECT MATTER OF THIS AGREEMENT. ANY SUCH ACTION SHALL BE TRIED BY THE JUDGE WITHOUT A JURY.

LIMITATION ON ADVANCES. Notwithstanding the paragraph entitled "LINE OF CREDIT" above, Borrower agrees that the Lender is committed to fund advances under this Note up to the sum of \$125,000.00 in the aggregate through December 8, 2018. Thereafter, Borrower shall not be permitted to request any further advances under this Note and Lender shall not be obligated to advance any amounts on or after December 8, 2018.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

PROMISSORY NOTE (Continued)

Loan No: 9002

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GENERAL PROVISIONS. NOTICE: Under no circumstances (and notwithstanding any other provisions of this Note) shall the interest charged, collected, or contracted for on this Note exceed the maximum rate permitted by law. The term "maximum rate permitted by law" as used in this Note means the greater of (a) the maximum rate of interest permitted under federal or other law applicable to the indebtedness evidenced by this Note, or (b) the higher, as of the date of this Note, of the "Weekly Ceiling" or the "Quarterly Ceiling" as referred to in Sections 303.002, 303.003 and 303.006 of the Texas Finance Code. If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Borrower does not agree or intend to pay, and Lender does not agree or intend to contract for, charge, collect, take, reserve or receive (collectively referred to herein as "charge or collect"), any amount in the nature of interest or in the nature of a fee for this loan, which would in any way or event (including demand, prepayment, or acceleration) cause Lender to charge or collect more for this loan than the maximum Lender would be permitted to charge or collect by federal law or the law of the State of Texas (as applicable). Any such excess interest or unauthorized fee shall, instead of anything stated to the contrary, be applied first to reduce the principal balance of this loan, and when the principal has been paid in full, be refunded to Borrower. The right to accelerate maturity of sums due under this Note does not include the right to accelerate any interest which has not otherwise accrued on the date of such acceleration, and Lender does not intend to charge or collect any unearned interest in the event of acceleration. All sums paid or agreed to be paid to Lender for the use, forbearance or detention of sums due hereunder shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of the loan evidenced by this Note until payment in full so that the rate or amount of interest on account of the loan evidenced hereby does not exceed the applicable usury ceiling. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, notice of dishonor, notice of intent to accelerate the maturity of this Note, and notice of acceleration of the maturity of this Note. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.


PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:

RINCON WATER SUPPLY CORPORATION

By:


BRYAN VOIGT, Board President of RINCON WATER SUPPLY CORPORATION

By:


TROY FLOERKE, Secretary/Treasurer of RINCON WATER SUPPLY CORPORATION

By:


GARY GENE MCKINNEY, Vice President of RINCON WATER SUPPLY CORPORATION



PROMISSORY NOTE

Principal	Loan Date	Maturity	Loan No.	City/Co.	Account	Officer	Initials
\$151,500.00	12-08-2015	12-08-2020	9001			1715	

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Borrower: RINCON WATER SUPPLY CORPORATION
PO BOX 7
TAFT, TX 78390

Lender: FROST BANK
DOWNTOWN CORPUS CHRISTI FINANCIAL CENTER
P.O. BOX 1680
SAN ANTONIO, TX 78296

Principal Amount: \$151,500.00

Date of Note: December 8, 2015

PROMISE TO PAY. RINCON WATER SUPPLY CORPORATION ("Borrower") promises to pay to FROST BANK ("Lender"), or order, in lawful money of the United States of America, the principal amount of One Hundred Fifty-one Thousand Five Hundred & 00/100 Dollars (\$151,500.00), together with interest on the unpaid principal balance from December 8, 2015, calculated as described in the "INTEREST CALCULATION METHOD" paragraph using an interest rate of 4.424% per annum based on a year of 360 days, until maturity. The interest rate may change under the terms and conditions of the "POST MATURITY RATE" section.

PAYMENT. Borrower will pay this loan in 60 payments of \$2,623.73 each payment. Borrower's first payment is due January 8, 2016, and all subsequent payments are due on the same day of each month after that. Borrower's final payment will be due on December 8, 2020, and will be for all principal and all accrued interest not yet paid. Payments include principal and interest. Unless otherwise agreed or required by applicable law, payments will be applied first to any unpaid collection costs; then to any accrued unpaid interest; then to principal; and then to any late charges. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding, unless such calculation would result in a usurious rate, in which case interest shall be calculated on a per diem basis of a year of 365 or 366 days, as the case may be. All interest payable under this Note is computed using this method.

PREPAYMENT. Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Prepayment in full shall consist of payment of the remaining unpaid principal balance together with all accrued and unpaid interest and all other amounts, costs and expenses for which Borrower is responsible under this Note or any other agreement with Lender pertaining to this loan, and in no event will Borrower ever be required to pay any unearned interest. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower's making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: FROST BANK, P.O. BOX 1680 SAN ANTONIO, TX 78296.

LATE CHARGE. If a payment is 11 days or more late, Borrower will be charged 5.000% of the unpaid portion of the regularly scheduled payment or \$250.00, whichever is less.

POST MATURITY RATE. The Post Maturity Rate on this Note is the lesser of (A) the maximum rate allowed by law or (B) 18.000% per annum based on a year of 360 days. Borrower will pay interest on all sums due after final maturity, whether by acceleration or otherwise, at that rate.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Default. Borrower fails to make any payment when due under this Note.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

Default in Favor of Third Parties. Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Insolvency. The dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Foreclosure Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or foreclosure proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate

PROMISSORY NOTE (Continued)

Loan No: 9001

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reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

Change in Ownership. Any change in ownership of twenty-five percent (25%) or more of the common stock of Borrower.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

Insecurity. Lender in good faith believes itself insecure.

LENDER'S RIGHTS. Upon default, Lender may declare the entire indebtedness, including the unpaid principal balance under this Note, all accrued unpaid interest, and all other amounts, costs and expenses for which Borrower is responsible under this Note or any other agreement with Lender pertaining to this loan, immediately due, without notice, and then Borrower will pay that amount.

ATTORNEYS' FEES; EXPENSES. Lender may hire an attorney to help collect this Note if Borrower does not pay, and Borrower will pay Lender's reasonable attorneys' fees. Borrower also will pay Lender all other amounts Lender actually incurs as court costs, lawful fees for filing, recording, releasing to any public office any instrument securing this Note; the reasonable cost actually expended for repossessing, storing, preparing for sale, and selling any security; and fees for noting a lien on or transferring a certificate of title to any motor vehicle offered as security for this Note, or premiums or identifiable charges received in connection with the sale of authorized insurance.

GOVERNING LAW. This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Texas without regard to its conflicts of law provisions. This Note has been accepted by Lender in the State of Texas.

CHOICE OF VENUE. If there is a lawsuit, and if the transaction evidenced by this Note occurred in BEXAR County, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of BEXAR County, State of Texas.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts.

DISHONORED CHECK CHARGE. In the event a check offered in full or partial payment on this loan is returned unpaid, Lender may charge a fee for the purpose of defraying the expense incident to handling such returned check, and Borrower agrees to pay such fee. The fee shall not exceed the maximum amount permitted under applicable law.

FINANCIAL INFORMATION. Borrower agrees to promptly furnish and cause any other person who signs, guarantees or endorses this Note or any other document executed in connection with this Note, to furnish such financial information and statements, including financial statements in a format acceptable to Lender, lists of assets and liabilities, agings of receivables and payables, inventory schedules, budgets, forecasts, tax returns, and other reports with respect to Borrower's or such person's financial condition and business operations as Lender may request from time to time. This provision shall not alter the obligation to deliver to Lender any other financial statements or reports pursuant to the terms of any other loan documents executed in connection with this Note.

INSURANCE. Borrower agrees to maintain insurance of such types, including public liability insurance, and in such amounts as are satisfactory to Lender and to furnish Lender upon request with a detailed list, in form and substance satisfactory to Lender, of all insurance then in effect.

FACSIMILE DOCUMENTS AND SIGNATURES; ESIGN; IMAGING OF DOCUMENTS: For purposes of negotiating and finalizing this document, if this document is transmitted by facsimile machine ("fax"), it shall be treated for all purposes as an original document. Additionally, the signature of any party on this document transmitted by way of a facsimile machine shall be considered for all purposes as an original signature. Any such faxed document shall be considered to have the same binding legal effect as an original document. At the request of any party, any faxed document shall be re-executed by each signatory party in an original form. The parties agree that no notices or other communications by electronic means between such parties or their representatives in connection with this document or any instrument executed in connection herewith shall constitute a transaction, agreement, contract or electronic signature under the Electronic Signatures in Global and National Commerce Act, any version of the Uniform Electronic Transactions Act or any other statute governing electronic transactions, unless otherwise specifically agreed to in writing. The parties understand and agree that (a) Lender's document retention policy may involve the electronic imaging of this document and any other documents executed in connection herewith, and the destruction of the paper originals, and (b) each party waives any right that it may have to claim that the imaged copies of this document or any other documents executed in connection herewith are not originals.

WAIVER OF RIGHT TO TRIAL BY JURY. THE UNDERSIGNED HEREBY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT TO ENFORCE THIS AGREEMENT, TO COLLECT DAMAGES FOR THE BREACH OF THIS AGREEMENT, OR WHICH IN ANY OTHER WAY ARISE OUT OF, ARE CONNECTED TO OR ARE RELATED TO THIS AGREEMENT OR THE SUBJECT MATTER OF THIS AGREEMENT. ANY SUCH ACTION SHALL BE TRIED BY THE JUDGE WITHOUT A JURY.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

GENERAL PROVISIONS. NOTICE: Under no circumstances (and notwithstanding any other provisions of this Note) shall the interest charged, collected, or contracted for on this Note exceed the maximum rate permitted by law. The term "maximum rate permitted by law" as used in this Note means the greater of (a) the maximum rate of interest permitted under federal or other law applicable to the indebtedness evidenced by this Note, or (b) the higher, as of the date of this Note, of the "Weekly Ceiling" or the "Quarterly Ceiling" as referred to in Sections 303.002, 303.003 and 303.006 of the Texas Finance Code. If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Borrower does not agree or intend to pay, and Lender does not agree or intend to contract for, charge, collect, take, reserve or receive (collectively referred to herein as "charge or collect"), any amount in the nature of interest or in the nature of a fee for this loan, which would in any way or event (including demand, prepayment, or acceleration) cause Lender to charge or collect more for this loan than the maximum Lender would be permitted to charge or collect by federal law or the law of the State of Texas (as applicable). Any such excess interest or unauthorized fee shall, instead of anything stated to the contrary, be applied first to reduce the principal balance of this loan, and when the principal has been paid in full, be refunded to Borrower. The right to accelerate maturity of sums due under this Note does not include the right to accelerate any interest which has not otherwise accrued on the date of such acceleration, and Lender does not intend to charge or collect any unearned interest in the event of acceleration. All sums paid or agreed to be paid to Lender for the use, forbearance or detention of sums due hereunder shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of the loan

**PROMISSORY NOTE
(Continued)**

Loan No: 9001

Page 3

evidenced by this Note until payment in full so that the rate or amount of interest on account of the loan evidenced hereby does not exceed the applicable usury ceiling. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, notice of dishonor, notice of intent to accelerate the maturity of this Note, and notice of acceleration of the maturity of this Note. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:

RINCON WATER SUPPLY CORPORATION

By: 

**BRYAN VOGT, President of RINCON WATER
SUPPLY CORPORATION**

By: 

**TROY KLOERKE, Secretary/Treasurer of RINCON
WATER SUPPLY CORPORATION**

By: 

**GARY GENE MCKINNY, Vice President of RINCON
WATER SUPPLY CORPORATION**



RINCON WATER SUPPLY CORPORATION

P.O. DRAWER 7
TAFT, TEXAS 78390
(361) 528-3969
PWS ID. NO. 205-0078



May 20, 2014

Ms. Melanie Edwards, Water Section Work Leader
Texas Commission on Environmental Quality
Region 14
6300 Ocean Dr. Unit 5839
Corpus Christi, TX 78412-5839

Re: Response to Notice of Violation for Rincon Water Supply Corporation

Dear Ms. Edwards,

We at Rincon Water Supply Corporation would like to take this opportunity to say thank you for the courtesy and professionalism displayed by your investigators (Shaunette Gillespie and Blas Rizzo).

In reference to the TCEQ compliance investigation that occurred on March 27, 2014 Rincon Water Supply Corporation would like to offer the following response to the alleged violations outlined in your letter dated April 23, 2014.

Track No. 437961

Failure to design overflows in strict accordance with AWWA standards.

As noted by the investigator Rincon Water Supply has two ground storage tanks (one located at Division 1, one located at Rural East) with overflows that do not terminate at ground level. A request has been completed and submitted to the TCEQ Technical Review and Oversight Team (copy enclosed) requesting exception to the rule thus allowing Rincon Water Supply to use portable ladders for the purpose of inspecting the overflows.

Track No. 532327

Failure to obtain an exception to use disinfectants other than chlorine.

Rincon Water Supply Corporation has engaged the services of James Schwartz, P.E. to complete the required paperwork for exception to the rule.

Track No. 532328

Failed to provide all pressure tanks with a pressure release device and an easily readable pressure gauge.

A properly functioning pressure release device and an easily readable pressure gauge has been installed on the pressure tank located at the Division 3 pump station (see enclosed photograph). All other pressure tanks were properly equipped with operating pressure release devices and easily readable gauges.

Track No. 532329

Failed to provide air injection lines equipped with filters or other devices to prevent compressor lubricants and other contaminants from entering the pressure tank.

Rincon Water Supply has installed a properly functioning air filter in the compressed air line located at the Division 1 pump station (see enclosed photograph).

Track No. 432796

Failure to provide a minimum of 0.6 gpm per connection based on the maximum authorized daily purchase rate specified in the contract, plus the actual production capacity of the system.

During the above mentioned investigation a copy of the current water purchase contract was provided to the investigator (Shaunette Gillespie). The current contract provides for a purchase rate of 0.6 gallons per minute as required by TCEQ rule 290.45(f)(4). Therefore, we believe Rincon Water Supply Corporation is currently in compliance with the rule.

Thank you again for your professionalism and courtesy during the investigation. Should you have questions or need clarification please feel free to contact me at 361-528-3969 or by e-mail at kjrincon@clear.net.

Sincerely,

Kenneth Johnson
General Manager
Rincon Water Supply Corporation
PO Box 7
Taft, TX 78390
361-528-3969
Kjrincon@clear.net

Bryan W. Shaw, Ph.D., P.E., *Chairman*
Toby Baker, *Commissioner*
Zak Covar, *Commissioner*
Richard A. Hyde, P.E., *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

April 23, 2014

CERTIFIED MAIL #91 7199 9991 7031 0233 9022
RETURN RECEIPT REQUESTED

Mr. Brian Vogt
President
Rincon Water Supply Corporation
P.O. Box 7
Taft, Texas 78390

Re: Notice of Violation for Comprehensive Compliance Investigation at:
Rincon WSC, 8896 County Road 1458, Taft (San Patricio County), Texas
Regulated Entity No.: 105670913, TCEQ ID No.: 2050078, Investigation No. 1159954

Dear Mr. Vogt:

On March 27, 2014, Shaunette Gillespie and Blas Rizzo of the Texas Commission on Environmental Quality (TCEQ) Corpus Christi Region Office conducted an investigation of the above-referenced regulated entity to evaluate compliance with applicable requirements for public water supply. Enclosed is a summary which lists the investigation findings. During the investigation, certain outstanding alleged violations were identified for which compliance documentation is required. Please submit to this office by May 23, 2014 a written description of corrective action taken and the required documentation demonstrating that compliance has been achieved for each of the outstanding alleged violations.

In the listing of the alleged violations, we have cited applicable requirements, including TCEQ rules. Please note that both the rules themselves and the agency brochure entitled *Obtaining TCEQ Rules* (GI 032) are located on our agency website at <http://www.tceq.state.tx.us> for your reference. If you would like a hard copy of this brochure mailed to you, you may call and request one from either the Corpus Christi Region Office at (361) 825-3100 or the Central Office Publications Ordering Team at 512-239-0028.

The TCEQ appreciates your assistance in this matter. Please note that the Legislature has granted TCEQ enforcement powers which we may exercise to ensure compliance with environmental regulatory requirements. We anticipate that you will resolve the alleged violations as required in order to protect the State's environment. If you have additional information that we are unaware of, you have the opportunity to contest the violations documented in this notice. Should you choose to do so, you must notify the Corpus Christi

Mr. Brian Vogt
Page 2
April 23, 2014

Region Office within 10 days from the date of this letter. At that time, a manager will schedule a violation review meeting to be conducted *within 21 days from the date of this letter*. However, please be advised that if you decide to participate in the violation review process, the TCEQ may still require you to adhere to the compliance schedule included in the enclosed Summary of Investigation Findings until an official decision is made regarding the status of any or all of the contested violations.

If you or members of your staff have any questions, please feel free to contact Ms. Shaunette Gillespie in the Corpus Christi Region Office at (361) 825-3100.

Sincerely,

A handwritten signature in black ink, appearing to read 'Melanie Edwards', with a stylized flourish at the end.

Melanie Edwards, Water Section Work Leader
Corpus Christi Region Office
Texas Commission on Environmental Quality

MAE/SDG/mjd

Enclosure: Summary of Investigation Findings

Summary of Investigation Findings

RINCON WSC

8896 COUNTY ROAD 1458

TAFT, SAN PATRICIO COUNTY, TX 78390

Investigation #

1159954

Investigation Date: 03/27/2014

Additional ID(s): 2050078

OUTSTANDING ALLEGED VIOLATION(S) ASSOCIATED TO A NOTICE OF VIOLATION

Track No: 437961

Compliance Due Date: 07/20/2011

30 TAC Chapter 290.43(c)(3)

Alleged Violation:

Investigation: 919138

Comment Date: 06/16/2011

Failure to design overflows in strict accordance with current AWWA standards. It was documented during the investigation on March 30, 2011 that the Rincon Division I no. 1 ground storage tank overflow gap was greater than 1/16th of an inch. In addition, the ground storage tank no. 2 overflow did not terminate at ground level and was not located at a position accessible from a ladder or balcony. At the Rincon Division III facility, all three tanks were connected to a single overflow. The overflow gap was greater than 1/16th of an inch. At the Rural East facility, the ground storage tank overflow did not terminate at ground level and was not located at a position accessible from a ladder or balcony.

Investigation: 956509

Comment Date: 09/19/2011

A file record review conducted on September 15, 2011 determined the compliance documentation submitted did not adequately address this alleged violation. Specifically, the compliance documentation submitted indicates that the overflow gaps were corrected to meet the regulation. However, the Rincon Division I no. 1 ground storage tank and the Rural East ground storage tank overflows do not terminate at ground level and are not located at a position accessible from a ladder or balcony. The ladder provided for inspection purposes does not meet AWWA standards. To verify compliance, submit appropriate compliance documentation by October 24, 2011.

Investigation: 974391

Comment Date: 12/13/2011

A file record review conducted on December 12, 2011 determined the compliance documentation submitted did not adequately address this alleged violation. The photographs submitted indicate that the overflows are accessible with the use of an extension ladder; however, the ladder does not meet AWWA standards. The alleged violation will remain unresolved until appropriate compliance documentation has been submitted. The alleged violation is being placed in the facility file for follow-up during any subsequent compliance investigation.

Investigation: 1159954

Comment Date: 04/18/2014

A Comprehensive Compliance Investigation conducted on March 27, 2014 evaluated the compliance status of this alleged violation. The investigation documented that the overflows on the Rural East ground storage tank and Division I No. 1 ground storage tank still did not terminate at ground level and were not accessible by a balcony. The facility plans to submit an exception request to the ground storage tank overflow rule. The facility has two extendable ladders that are not connected to the storage tanks that can be used to inspect the overflows. This violation continues to remain outstanding.

Recommended Corrective Action: To achieve compliance, repair or make necessary changes to the overflows in order to meet the requirement. According to the regulations, overflows shall be designed in strict accordance with current AWWA standards and shall terminate with a gravity-hinged and weighted cover. The cover shall fit tightly with no gap over 1/16 inch. If the overflow terminates at any point other than the ground level, it shall be located near enough and at a position accessible from a ladder or the balcony for inspection purposes. To verify compliance, please send documentation to the TCEQ Corpus Christi Region 14 Office indicating compliance with this requirement by the compliance due date.

Track No: 532327 Compliance Due Date: 05/23/2014**30 TAC Chapter 290.39(I)
30 TAC Chapter 290.42(e)(3)(G)****Alleged Violation:**

Investigation: 1159954

Comment Date: 04/10/2014

Failed to obtain an exception to use disinfectants other than chlorine.

An investigation conducted on March 27, 2014 determined the facility purchases water that has been treated with chloramines. The regulated entity does not have an exception to use disinfectants other than chlorine.

Recommended Corrective Action: To achieve compliance, obtain an exception to use disinfectants other than chlorine. The water system may request an exception by writing to:

Texas Commission on Environmental Quality
Technical Review and Oversight Team, MC 155
P.O. Box 13087
Austin, Texas 78711-3087

The Technical Review and Oversight Team may be contacted at (512) 239-4691. All requests for exceptions must be submitted in writing and supported with adequate documentation. Please send documentation to the TCEQ Corpus Christi Region 14 Office, Attn: Shaunette Gillespie, indicating compliance with this requirement by the compliance due date.

Track No: 532328 Compliance Due Date: 05/23/2014**30 TAC Chapter 290.43(d)(2)****Alleged Violation:**

Investigation: 1159954

Comment Date: 04/18/2014

Failed to provide all pressure tanks with a pressure release device and an easily readable pressure gauge.

An investigation conducted on March 27, 2014 determined that the pressure tank at the Division III water plant was not equipped with a pressure release device or a pressure gauge.

Recommended Corrective Action: To achieve compliance, provide all pressure tanks with a pressure release device and an easily readable pressure gauge. To verify compliance, please send documentation to the TCEQ Corpus Christi Region 14 Office, Attn: Shaunette Gillespie, indicating compliance with this requirement by the compliance due date.

Track No: 532329 Compliance Due Date: 05/23/2014**30 TAC Chapter 290.43(d)(3)****Alleged Violation:**

Investigation: 1159954

Comment Date: 04/18/2014

Failed to provide air injection lines equipped with filters or other devices to prevent compressor lubricants and other contaminants from entering the pressure tank.

An investigation conducted on March 18, 2014 documented the air injection line for the pressure tank at the Division I water plant was missing a filter to prevent contaminants from the compressor.

Recommended Corrective Action: To achieve compliance, provide filters for air injection lines to prevent compressor lubricants or other contaminants from entering the pressure tank. To verify compliance, please send documentation to the TCEQ Corpus Christi Region 14 Office, Attn: Shaunette Gillespie, indicating compliance with this requirement by the compliance due date.

**ALLEGED VIOLATION(S) NOTED AND RESOLVED
ASSOCIATED TO A NOTICE OF VIOLATION**

Track No: 432796

30 TAC Chapter 290.45(f)(4)

Alleged Violation:

Investigation: 919138

Comment Date: 05/11/2011

Failure to provide a minimum of 0.6 gpm per connection based on the maximum authorized daily purchase rate specified in the contract, plus the actual production capacity of the system. Based on the number of connections (1,479) at the time of the investigation, the water system must provide a total of 8,874 gpm. Currently, the maximum authorized purchase rate in the water supply contract is 14.0 million gallons per month/313.6 gpm.

Investigation: 956509

Comment Date: 09/20/2011

A file record review conducted on September 15, 2011 determined the compliance documentation submitted did not adequately address this alleged violation. The compliance documentation received on July 20, 2011 indicates that the purchase water contract includes the monthly maximum allowable purchase water rate which is 14.0 million gallons per month. However, based on the number of connections (1,479) at the time of the investigation, the amount is not sufficient to meet the requirement of 0.6 gpm. In addition, the compliance documentation indicates that the water system is a rural water system and a percentage of the connections are for agricultural use and that the water system does not make water available for firefighting purposes. Please note that the regulations do not identify separate water rates for different types of connections, such as for agricultural use, or for facilities that do not supply water for firefighting purposes.

Finally, the documentation submitted by Willatt & Flickinger Attorneys at Law, on behalf of the Rincon WSC, on September 15, 2011 does not adequately address this alleged violation. Specifically, the submitted Second Amendment to the Purchase Water Contract does not indicate a maximum authorized daily purchase rate at which water may be drafted on a daily or hourly basis. To verify compliance, submit compliance documentation by October 24, 2011.

Investigation: 974391

Comment Date: 12/13/2011

A file record review conducted on December 12, 2011 determined the compliance documentation submitted did not adequately address this alleged violation. The documentation submitted only indicated that negotiations were underway with San Patricio Municipal Water District in order to update the water supply contract. The alleged violation will remain unresolved until appropriate compliance documentation has been submitted. The alleged violation is being placed in the facility file for follow-up during any subsequent compliance investigation.

Investigation: 1159954

Comment Date: 04/10/2014

A comprehensive compliance investigation conducted on March 27, 2014 evaluated the compliance status of this alleged violation. During the investigation, the investigator documented that adequate corrective action has been taken for the alleged violation.

Recommended Corrective Action: To achieve compliance, submit compliance documentation indicating that the water supply contract has been amended or additional production capacity has been secured to provide a minimum of 0.6 gpm per connection. To verify compliance, please send documentation to the TCEQ Corpus Christi Region 14 Office indicating compliance with this requirement by the compliance due date.

Resolution: During the investigation conducted on March 27, 2014, Ms. Shaunette Gillespie, TCEQ Investigator, documented that the regulated entity amended the purchase water contract. The amended water supply contract now stipulates that San Patricio Municipal Water District will supply an amount up to 0.6 gallons per minute (gpm) per connection.

ADDITIONAL ISSUES**Description****Additional Comments**

Item 6

The Rincon Division II water plant includes a ground storage tank and two service pumps that have been placed out of service. 30 TAC §290.39(j) states that public water systems shall notify the executive director prior to making any significant change or addition to the system's production, treatment, storage, pressure maintenance, or distribution facilities. This includes changes to existing systems which result in an increase or decrease in production, treatment, storage, or pressure maintenance capacity. If the water system plans to remove the ground storage tank and two service pumps permanently, notification must be provided to the executive director.

TCEQ EXIT INTERVIEW FORM: Potential Violations and/or Records Requested

Regulated Entity/Site Name	Rincon WSC			TCEQ Add. ID No. RN No. (optional)	2050078
Investigation Type	CCI	Contact Made In-House (Y/N)	Y	Purpose of Investigation	
Regulated Entity Contact	Kenneth Johnson		Telephone No.	(361) 528-3969	Date Contacted
Title	General Manager		Fax No.		Date Faxed

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 by telephone 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 ¹	Rule Citation (if known)	Description of Issue
1	AV	290.42(e)(3)(G) 290.39(1)	An exception to use a disinfectant other than chlorine has not been obtained
2	AV	290.43(d)(2)	Pressure tank at Division III not equipped with pressure gauge and air release device.
3	AV	290.43(c)(4)	Overflow on Rural East ground storage tank and Division I gst (No. 1) did not terminate at ground level or accessible by balcony
4	AV	290.43(d)(3)	filter not provided on air injection line for pressure tank @ Division I

¹Issue 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 (company) representative received a copy of this document and associated continuation pages on the date noted. If contact was made by telephone, document will be faxed to regulated entity; therefore, signature not required.

Shaunette Gillespie	3/27/14	Kenneth Johnson	3/27/14
Investigator Name (Signed & Printed)	Date	Regulated Entity Representative Name (Signed & Printed)	Date

If you have questions about any information on this form, please contact your local TCEQ Regional Office.

Individuals are entitled to request and review their personal information that the agency gathers on its forms. They may also have any errors in their information corrected. To review such information, call 512-239-3282.

**REVISED AND RESTATED WATER SUPPLY CONTRACT
BETWEEN
SAN PATRICIO MUNICIPAL WATER DISTRICT
AND
RINCON WATER SUPPLY CORPORATION**

THE STATE OF TEXAS §
 §
COUNTY OF SAN PATRICIO §

This Revised and Restated Water Supply Contract between San Patricio Municipal Water District and Rincon Water Supply Corporation (the "Revised and Restated Contract") is made and entered into by and between San Patricio Municipal Water District, a conservation district and political subdivision of the State of Texas, duly created by the Legislature of the State of Texas, acting herein by and through its duly authorized officers, hereinafter called the "District," and Rincon Water Supply Corporation, a Texas nonprofit corporation ("Rincon"), acting by and through its duly authorized officers.

WITNESSETH:

WHEREAS, the District and Rincon entered into a Water Purchase Contract (the "Contract") dated November 28, 1994, pursuant to which the District has furnished a water supply to Rincon; and

WHEREAS, the Contract was amended by the Amendment to Water Purchase Contract (the "First Amendment") dated September 8, 1996; and

WHEREAS, the Contract was again amended by the Second Amendment to Water Purchase Contract ("Second Amendment") dated September 1, 2008; and

WHEREAS, the Contract, the First Amendment and the Second Amendment are hereafter referred to as the "Prior Contract," and it is now necessary to revise and restate the Prior Contract in its entirety to accommodate the desires of the parties; and

WHEREAS, some or all of the District's retail provider customers have been cited by the Texas Commission on Environmental Quality (the "TCEQ") for failure to comply with 30 TAC §290.45 which requires purchased water systems to have a wholesale contract that obligates the wholesaler to provide an amount of water that, with the addition of the actual production capacity of the purchased water system, is equal to at least 0.6 gpm per connection; and

WHEREAS, the District is willing to commit to providing 0.6 gpm per connection to Rincon provided that Rincon provide information annually on its number of connections and water usage, and provided that Rincon not serve any nonresidential customer with an amount of water exceeding

the amount specified in this Revised and Restated Contract, unless such service is consented to in writing by the District.

AGREEMENT

NOW THEREFORE, the District and Rincon, each acting by and through its official representatives duly authorized by the governing body of each party to execute this Revised and Restated Contract, do hereby agree as follows:

ARTICLE I

Revised and Restated Agreement

1.1 **Effective Agreement.** This Revised and Restated Agreement supercedes and replaces the Prior Agreement in its entirety, effective as of the Effective Date.

ARTICLE II

Quantity

2.1 **Quantity.** The District currently receives raw water, and has the right to receive treated water, from the City of Corpus Christi pursuant to the Raw Water Supply Contract between the City of Corpus Christi and San Patricio Municipal Water District dated March 17, 1997 and the Treated Water Supply Contract between the City of Corpus Christi and San Patricio Municipal Water District dated March 17, 1997, which contracts are hereinafter referred to as the "Corpus Christi Raw Water Contract" and the "Corpus Christi Treated Water Contract," respectively. Subject to the provisions of Articles XI and XVI hereof, and the provisions of the Corpus Christi Raw Water Contract and Corpus Christi Treated Water Contract, the District agrees to sell and deliver to Rincon at the delivery points hereinafter specified, and Rincon agrees to purchase and take at said delivery points, all water required by Rincon during the period of this agreement for its own use and for distribution to all customers served by Rincon's water distribution system in an amount up to 0.6 gpm per connection. The District will use its best efforts to remain in the position to furnish water sufficient for the reasonable demands of Rincon, but its obligations shall be limited to the quantity of water available to it under its contracts with the City of Corpus Christi and such other sources of water supply as the District may be able to obtain, having due regard for the equitable rights of other customers of the District to water from the same source.

ARTICLE III

Quality

3.1 **Quality.** The quality of water supplied to Rincon at the delivery points shall be sufficient to meet the requirements for potable water established by the Texas Commission on Environmental Quality ("TCEQ") and the United States Environmental Protection Agency ("EPA"). The District shall not be responsible for maintaining any particular amount of disinfectant in Rincon's system.

ARTICLE IV
Points of Delivery and Title

4.1 **Points of Delivery and Title.** The District will deliver water to Rincon at the existing delivery points and such other delivery points as may be agreed upon by the managers of the District and Rincon. The District will deliver water at the outlet of the existing meter or meters and such other meters as may be agreed upon by the managers of the District and Rincon. Title to water shall pass to Rincon when it passes through the meters at the points of delivery.

ARTICLE V
Measuring of Water

5.1 **Measuring of Water.** The District has furnished and installed, and shall operate and maintain at its own expense at said delivery points, the necessary equipment and devices of standard type for measuring properly the quantity of water delivered under this agreement. Such meter or meters and other equipment so installed shall remain the property of the District. Rincon may, at its option and its own expense, install and operate a check meter to check each meter installed by the District, but the measurement of water for the purpose of this Revised and Restated Contract shall be solely by District's meter.

The District's meter shall be checked annually at the expense of the District by the District's employees or agents as to accuracy of registration. Whenever the District meter is to be checked, the District shall notify Rincon ten (10) days in advance of such check in order that Rincon may have a representative present as a witness. If either Rincon or the District at any time shall notify the other that it desires a special test of the District meter, the District and Rincon shall cooperate to secure an immediate determination of the accuracy thereof and may make joint observation of any such tests and adjustments. If upon such special tests the meter is found to be less than two percent (2%) high or low, the cost of such test shall be paid by the party requesting it; otherwise, by the District. If upon any test the meter tested is found to be more than two percent (2%) high or low, the registration thereof shall be corrected for a period extending back to the time when such inaccuracy began, if such time is ascertainable, and if such time is not ascertainable, then for a period extending back one-half (½) of the time elapsed since the last date of meter check, but in no event further back than a period of six (6) months. If for any reason the meter is out of service or out of repair so that the amount of water delivered cannot be ascertained or computed from the reading thereof, the water delivered during the period such meter is out of service or out of repair shall be estimated and agreed upon by the parties hereto upon the basis of the best data available.

Rincon shall have access to the metering equipment of District at all reasonable times, but the reading, calibration, checking and adjustment thereof shall be done by the employees or agents of the District.

For the purpose of this Revised and Restated Contract, the original record or reading of the meter shall be the journal or other record book of District in its office in which the records of the

employees or agents of the District who take the reading are or may be transcribed. Upon request, District will permit Rincon to have access to the records of the District in the office of the District during reasonable business hours.

ARTICLE VI Unit of Measurement

6.1 **Unit of Measurement.** The unit of measurement for water delivered hereunder shall be 1,000 gallons of water, U.S. Standard Liquid Measure.

ARTICLE VII Billing and Payment

7.1 **Billing and Payment.** The District shall read all of the meters monthly and will promptly render monthly bills to Rincon based on such readings. Such bills shall be due and payable within twenty-five (25) days from the date the same are deposited in the United States mails, properly stamped and addressed to Rincon.

7.2 **Late Payment.** In the event Rincon shall fail to make any payment required to be made to the District under this Revised and Restated Contract, within the time specified herein, interest on the amount due shall accrue at the rate of one and one-half percent (1.5%) per month, or the maximum rate allowed by law, whichever is less, from the date such payment becomes due, until paid in full with interest as above specified. In the event any such payment is not made within sixty (60) days from date such payment becomes due, the District may, at its option, discontinue the delivery of water to Rincon until the amount then due to the District is paid in full with interest as above specified.

ARTICLE VIII Special Conditions

8.1 **Easements.** Where reasonably feasible and allowed by the terms of the easement, Rincon will allow District to use Rincon's easements for District facilities with prior written authorization from Rincon.

8.2 **Sources of funds For Payment and Sufficiency of Rates and Charges.** Rincon agrees that in the event of the dissolution of the corporation, that the District shall have first allocation of the remainder of the proceeds of dissolution to pay any and all obligation(s) due to the District following reimbursement of deposits due to membership and payment of USDA notes and loans, in accordance with state and federal statutes.

ARTICLE IX
Service to Certain New Nonresidential Customers
and Annual Reporting of Number of Connections

9.1 **District Consent Required for Service to Certain New or Expanding Nonresidential Customers.** If Rincon wants to serve a new nonresidential customer, or expand the service to an existing nonresidential customer, where, for the new nonresidential customer, or for the expansion to an existing nonresidential customer, the projected increase in the average daily flow will exceed 10% of the average daily flow of Rincon, averaged over the preceding five calendar years, Rincon must obtain written consent from the District before providing such new service.

9.2 **Annual Reporting of Connections.** Each year, on or before January 31, Rincon will provide the District with a report on the number of connections served at the end of the previous year, in a format that enables the District to determine the number of connections that must be served at 0.6 gpm pursuant to 30 TAC §290.45. Rincon will, at the same time, provide a projection of that information for the year in which the report is made.

ARTICLE X
Price of Water

10.1 **Rates to Be Cost Based.** All rates charged pursuant to this Revised and Restated Contract shall be set to recover the cost of service, based on generally accepted ratemaking principles, including those set forth in the American Water Works Association AWWA Manual M1 on water rates.

10.2 **Rate Adjustment.** If in any fiscal year there is a material difference between the District's revenues and expenses, as compared to the revenues and expenses as projected in the applicable budget for that year, as determined by the District, the District may, after consultation with Rincon, to the extent deemed necessary or advisable by the District, in its sole discretion, change the rates to be charged to Rincon during that year.

10.3 **District Budget.** The District's fiscal year shall be from January 1 through December 31 of each year, or such other period as the District, after sixty (60) days written notice to Rincon, shall adopt. Not later than the seventh (7th) day after the date of the District's Board of Directors October budget review meeting each year, commencing with the District's fiscal year in which this Revised and Restated Contract becomes effective, the District shall provide Rincon with a copy of the District's proposed budget for the following fiscal year, showing the budgeted total annual rate, and the components thereof, to be paid by Rincon to the District for the fiscal year of the District to which the budget applies for sale and purchase of water under this Revised and Restated Contract. Rincon shall have thirty (30) days to review and comment on the proposed budget. The District shall adopt its final budget as soon as practicable following the expiration of such thirty (30)-day period and shall deliver to Rincon a copy of each final budget within five (5) days after the adoption thereof.

ARTICLE XI
Force Majeure

11.1 **Force Majeure.** If the District should be prevented, wholly or in part, from furnishing water to Rincon under this Revised and Restated Contract by reason of acts of God, unavoidable accident, acts of the public enemy, strikes, floods, fires, governmental restraint or regulations, pump station failures, breaks in pipelines or for any other cause beyond the District's control, then the obligation of the District to deliver water to Rincon shall be temporarily suspended during the continuance of such force majeure.

The rights of Rincon to obtain delivery of water from the District shall also be subject to all rights of the City of Corpus Christi with respect to the furnishing of water by said City of Corpus Christi to the District under the conditions of the District's contracts with the City of Corpus Christi. Reference is here made to each of said contracts, the terms of which are familiar to both of the parties hereto.

No damage shall be recoverable from the District by reason of the temporary suspension of delivery of water due to any of the causes above mentioned or due to the failure of the City of Corpus Christi to deliver water to the District. If the District's ability to deliver water to Rincon is affected by any of the causes above mentioned, the District shall promptly notify Rincon in writing, giving the particulars as soon as practicable after the occurrence of the cause or causes for such interruption.

If the supply of water available to the District is insufficient for any reason to serve the requirements of all of its customers, then the available amount of water will be allocated by the District pursuant to the provisions of the District's Drought Contingency Plan, as that plan may be amended from time to time.

ARTICLE XII
Alterations and Repairs

12.1 **Alterations and Repairs.** It is expressly recognized by Rincon that the District may be compelled to make necessary alterations, repairs and extensions of new or additional water transportation facilities from time to time during the life of this Revised and Restated Contract, and any suspension of delivery to Rincon due to such operation shall not be cause for claim of damage on the part of Rincon, provided all reasonable effort is used by the District to provide Rincon with water in accordance with this Revised and Restated Contract. In such case, the District shall give Rincon as much advance notice as may be practicable of the suspension of delivery and of the estimated duration thereof.

ARTICLE XIII

Term

13.1 **Term.** Unless sooner terminated or extended by mutual agreement of the parties hereto, this Revised and Restated Contract shall be in force and effect at any time while any of the District's bonds remain outstanding, or thirty (30) years from the Effective Date of this Revised and Restated Contract, whichever is later.

ARTICLE XIV

Effective Date

14.1 **Effective Date.** The Effective Date of this Revised and Restated Contract shall be the date on which it has been executed by both parties.

ARTICLE XV

Modification

15.1 **Modification.** This Revised and Restated Contract shall be subject to change or modification at any time but only with the mutual consent of the governing bodies of each of the parties hereto.

ARTICLE XVI

Corpus Christi Contract and Drought Contingency Plan

16.1 **Corpus Christi Contract and Drought Contingency Plan.** Rincon acknowledges that it is required by Sec. 11.1272, Water Code, to develop a drought contingency plan consistent with the appropriate approved regional water plan. Rincon also acknowledges that the Corpus Christi Raw Water Contract and the Corpus Christi Treated Water Contract require that, if the City of Corpus Christi implements any measures under its Water Conservation and Drought Contingency Plan, the District shall within thirty (30) days of notice of the implementation of any restrictions, surcharges or rationing by the City of Corpus Christi, impose similar restrictions, surcharges or rationing measures on its customers. Any contract for the resale of water furnished by the District shall contain a similar condition.

Accordingly, Rincon agrees that it will adopt a water conservation plan and drought contingency plan consistent with those of the City of Corpus Christi, as the latter may be amended from time to time.

ARTICLE XVII

Forum

17.1 **Forum.** Any disputes between the parties to this Revised and Restated Contract concerning the subject matter of this Revised and Restated Contract shall be submitted for resolution

to the District Court of San Patricio County, Texas.

ARTICLE XVIII

Entirety

18.1 **Entirety.** This Revised and Restated Contract supersedes all previous agreements or representations, either written or verbal, heretofore in effect between the District and Rincon, made with respect to matters herein contained.

ARTICLE XIX

In Witness Whereof

19.1 **In Witness Whereof.** The parties hereto have caused this document to be executed by their duly authorized representatives as shown below.

[Signatures to follow.]

SAN PATRICIO MUNICIPAL WATER DISTRICT

By: Billy J. Lemill
President
Date of Execution: 2-12-13

ATTEST:

Rilecca Kummerow
Secretary

[SEAL]

RINCON WATER SUPPLY CORPORATION

By: Bryan Vaj
President
Date of Execution: 1-21-13

ATTEST:

Sy Lb
Secretary

[SEAL]



RINCON WATER SUPPLY CORPORATION

P.O. DRAWER 7
TAFT, TEXAS 78390
(361) 528-3969
PWS ID. NO. 205-0078



Schedule of Rates, Charges, and Fees

Water Rates

• Water Charge per 1,000 gallons	\$ 5.05
• Drought Contingency Rate (goes into effect at Stage III water conservation)	\$ 5.87
• Bulk Water - No Membership	\$ 7.85

Membership Charges and Fees

• Monthly Membership Charge (5/8" x 3/4")	\$ 30.00
• Monthly Membership Charge (1")	\$ 42.00
• Monthly Membership Charge (1 1/2")	\$ 54.00
• Monthly Membership Charge (2")	\$ 87.00
• Membership Fee	\$ 100.00
• Transfer of Membership	\$ 25.00
• Application for New Membership	\$ 25.00

Water Service Connection Fees

• Connection (5/8" x 3/4" meter and 1" meter, larger meters priced as needed)	\$2,404.00
• Long-side Connection - Connection Fee plus cost of road bore, casing, and permit	

Other Charges and Fees

• Late Charge (after 15th)	\$5.00 or 10% whichever is greater
• Delinquent Account Late Fee (after 25th)	\$ 25.00
• Service Charge (normal business hours)(if problem is on customer side)	\$ 35.00
• Service Charge (after regular business hours)(if problem is on customer side)	\$ 50.00
• Service Disconnect - non-payment	\$ 25.00
• Service Re-connect Charge (normal business hours)	\$ 25.00
• Service Re-connect Charge (after normal business hours)	\$ 37.50
• Replace Damaged Lock Charge	\$ 75.00
• Replace Damaged Meter Charge	Cost of Meter + 50% + Service call-out fee
• Replace Damaged Curb Stop Valve (1")(larger valves priced as needed)	\$ 200.00
• Meter Test Fee - (second time in one 12 month period)	\$ 25.00
• Customer Service Inspection Fee	\$ 105.00
• Customer Service Re-inspection Fee	\$ 105.00
• Customer Requested Meter Re-read - No Computer - If The Original Meter Reading is Correct	\$ 25.00
• Customer Requested Meter Re-read - Computer - If The Original Meter Reading is Correct	\$ 45.00
• Tampering With a Meter	Criminal Prosecution or \$ 200.00
• Illegal Connection	Criminal Prosecution
• Mowing/weed eating around meter - per hour	\$ 40.00
• Returned check charge	\$ 30.00