

Control Number: 48569



Item Number: 1

Addendum StartPage: 0

PUC DOCKET NO. **48569**

2019 AUG -3 AM 11:44  
PUBLIC UTILITY COMMISSION  
FILED CLERK

**PETITION BY DENTON COUNTY FRESH  
WATER SUPPLY DISTRICT NO. 10 FOR  
PARTIAL DECERTIFICATION OF ITS  
WATER AND SEWER CERTIFICATES  
OF CONVENIENCE AND NECESSITY  
IN DENTON COUNTY, TEXAS AND  
FOR APPROVAL OF AGREEMENT  
UNDER TEXAS WATER CODE § 13.248**

§  
§  
§  
§  
§  
§  
§  
§  
§  
§  
**PUBLIC UTILITY COMMISSION  
OF TEXAS**

**PETITION BY DENTON COUNTY FRESH WATER SUPPLY DISTRICT  
NO. 10 FOR PARTIAL DECERTIFICATION OF ITS  
WATER AND SEWER CERTIFICATES OF CONVENIENCE AND NECESSITY  
IN DENTON COUNTY AND FOR APPROVAL OF AN AGREEMENT  
UNDER TEXAS WATER CODE § 13.248**

COMES NOW, Denton County Fresh Water Supply District No. 10 (the “District” or the “Petitioner”) and files this Petition for Partial Decertification in relation to a portion of its Water and Sewer Certificate of Convenience and Necessity (“CCN”) Nos. 13021 and 20923 located in Denton County, Texas, and for approval of an agreement with Mustang Special Utility District (“Mustang”) under Texas Water Code §.13.248 (the “Petition”). In support of this Petition, the District would show the following:

**I. PURPOSE OF THE PETITION**

Petitioner files this Petition to decertify from its Water and Sewer CCNs that portion of its CCNs that are dually certificated with Mustang and to obtain Commission approval of an agreement between the District and Mustang allocating water and wastewater service area and customers in Denton County (the “Agreement”). The area affected by this Petition (the “Affected Area”) is currently dually certificated to both the District and Mustang. The District provides retail water and sewer utility service to the area today using water and sewer systems operated by Mustang. The Agreement provides for the transfer of ownership of the systems and of the provision of retail utility service, from the District to Mustang, and the removal of the area from the District’s CCNs. After the CCNs are modified and the Agreement approved, Mustang will be singly-certificated to provide retail water and sewer service to the Affected Area. The Affected Area, however, will remain in the District’s boundaries.

## **II. JURISDICTION**

Pursuant to Texas Water Code § 13.254(a) and Commission Substantive Rule 24.113(h), the Commission may, after notice and hearing and with the written consent of the CCN-holder, amend a CCN to remove service area from a CCN. Pursuant to Texas Water Code § 13.248 and Commission Substantive Rule 24.117, the Commission may, after notice and hearing, approve contracts between retail public utilities designating areas and customers to be served by the retail public utilities.

## **III. AUTHORIZED REPRESENTATIVE**

The District's authorized representative for service of all pleadings and other documents in this docket and legal representative is:

Joe Freeland  
Mathews & Freeland, LLP  
8140 N. Mopac Expy  
Suite 2-260  
Austin, Texas 78759  
Telephone: (512) 404-7800  
Facsimile: (512) 703-2785  
jfreeland@mandf.com

All pleadings, motions and other documents in this proceeding should be served on Petitioner's authorized representatives.

## **IV. REQUEST FOR DECERTIFICATION/APPROVAL**

The District petitions the Commission pursuant to Texas Water Code §§ 13.248 and 13.254(a) and Commission Substantive Rules 24.113(h) and 24.117 to remove the Affected Area from the District's Water and Sewer CCNs and approve the transfer of customers and service area from the District to Mustang. The Affected Area to be removed from the District's CCN is shown on **Exhibit 3**. The District specifically requests that a final order be granted approving the decertification and approving the designation of areas and customers to be served as set out in the Agreement.

Petitioner hereby provides the following information supporting its request for the Commission's approval of the decertification and of the service area designations contemplated by the Agreement and this Petition:

1. A copy of the executed Agreement is attached as **Exhibit 1**.
2. The number of customers to be transferred is: 2,452.
3. The information described by 16 TAC § 24.117(c)(2)-(3) pertaining to discussions of the Agreement at meeting of the District's board is attached as **Exhibit 2**.
4. Maps of the requested area and accompanying information prepared in accordance with 16 TAC § 24.119(a) are attached as **Exhibits 3.A and 3.B**.
5. Proposed public notices are attached as **Exhibit 4**.
6. Digital mapping data is included on the attached CD, **Exhibit 5**.

#### V. REQUESTED NOTICE

The notice required by Texas Water Code § 13.254(a) for decertification is not the same notice required for an application to amend a CCN to add territory under section 13.246, or the notice required by Commission Substantive Rule 24.106. Notice for a petition under section 13.254(a) should be the same as the notice required for a petition under sections 13.254(a-1) or 13.254(a-5). Petitioner, therefore, requests that notice of the partial decertification be limited to providing notice to Mustang (as the only affected neighboring utility), the owners of tracts of 25 acres or larger. Petitioner will provide notice to all customers to be transferred pursuant Commission Substantive Rule 24.117(c)(1). Petitioner's proposed notices to Mustang, affected landowners, and customers are attached as **Exhibit 4**.

To the extent that Commission Substantive Rule 24.106 applies to this petition, Petitioner requests that the Commission waive the application of the rule based on a finding of good cause under Commission Procedural Rule 22.5(b). Petitioner, Mustang, and the affected landowners and customers are the only entities that could be affected by the removal of the Affected Area from the District's Water and Sewer CCNs. Notice to neighboring utilities, districts, and municipalities is not needed.

Petitioner will wait for approval of its form of notice to affected customers before providing such notice, and will provide additional notice if required by the Commission.

**VI. CONCLUSION/PRAYER**

Based on the foregoing, Denton County Fresh Water Supply District No. 10 respectfully requests that the Commission amend CCN Nos. 13021 and 20923 to remove the Affected Area and approve the Agreement and the transfer of customers and service area.

Respectfully submitted,



---

C. Joe Freeland  
State Bar No. 07417500  
Mathews & Freeland, LLP  
8140 N. MoPac Expy  
Austin, Texas 78759  
Telephone (512) 404-7800  
Facsimile (512) 703-2785

ATTORNEYS FOR DENTON COUNTY FRESH  
WATER SUPPLY DISTRICT NO. 10

## **LIST OF EXHIBITS**

- Exhibit 1 – Interlocal Agreement for Property Transfer and Allocation of Water and Wastewater Service Areas
- Exhibit 2 - Consideration of the Agreement by the District's Board
- Exhibit 3 - Mapping
- Exhibit 4 - Proposed Notices
- Exhibit 5 - Digital Mapping Data (CD)

PUC DOCKET NO. \_\_\_\_\_

|                                  |   |                           |
|----------------------------------|---|---------------------------|
| PETITION BY DENTON COUNTY FRESH  | § | BEFORE THE                |
| WATER SUPPLY DISTRICT NO. 10 FOR | § |                           |
| PARTIAL DECERTIFICATION OF ITS   | § |                           |
| WATER AND SEWER CERTIFICATES     | § | PUBLIC UTILITY COMMISSION |
| OF CONVENIENCE AND NECESSITY     | § |                           |
| IN DENTON COUNTY, TEXAS AND      | § |                           |
| FOR APPROVAL OF AGREEMENT        | § |                           |
| UNDER TEXAS WATER CODE §13.248   | § | OF TEXAS                  |

## **EXHIBIT 1**

**Interlocal Agreement for Property Transfer and Allocation  
of Water and Wastewater Service Areas**

**INTERLOCAL AGREEMENT FOR PROPERTY TRANSFER  
AND ALLOCATION OF WATER AND  
WASTEWATER SERVICE AREAS**

This Interlocal Agreement for Property Transfer and Allocation of Water and Wastewater Service Areas ("Agreement") is entered into between Mustang Special Utility District ("Mustang") and the Denton County Fresh Water Supply District No. 10 ("District").

**I**

**DEFINITIONS**

In addition to other words and terms defined in this Agreement, and unless a different meaning or intent clearly appears in the context, the following words and terms shall have the following meanings, respectively:

**"Additional Land"** shall refer to, collectively, the 61 Acre Tract and the 39 Acre Tract, neither of which is located within the District's Certified Area.

**"Arrowbrook"** shall mean and refer to the area within the District comprised of approximately 252 acres and as shown on Exhibit "A".

**"Artesia"** shall mean and refer to the area with the District east of F.M. 1385 as shown on Exhibit "A".

**"Approval Date"** shall mean and refer to the date of final order issued by the Public Utility Commission of Texas amending the District's CCNs to remove the District Certified Area and approving this Agreement pursuant to Section 13.248, Texas Water Code.

**"Application"** shall mean and refer to the application to the Public Utility Commission of Texas ("PUC") for the amendment of the District's CCNs pursuant to Section 13.244, Texas Water Code, to remove the District Certified Area and for approval of this Agreement pursuant to Section 13.248, Texas Water Code.

**"Byran Road Tank"** shall mean and refer to the 2.25 million gallon elevated water storage facility, including ancillary piping, valves and controls located on Byran Road constructed and financed by Mustang, the District, and other districts, as shown on Exhibit "A".

**"CCN", "CCNs", or "Certificate of Convenience and Necessity"** shall refer to and mean a Certificate of Convenience and Necessity issued by the PUC or its predecessor agency as prescribed by the Texas Water Code.



**"Decertification"** shall mean both a decertification permitted by either Section 13.254 and/or Section 13.255 of the Texas Water Code and/or any other means by which a CCN of a holder may be decertified.

**"District"** shall refer to and mean the "Denton County Fresh Water Supply District No. 10" which is located in Denton County, Texas, and its successors, and assignees if any.

**"District's Certified Area"** shall refer to and mean the area west of F.M. 1385 more particularly described in Exhibit "B".

**"District's CCNs"** shall refer to and mean Certificates of Convenience and Necessity No. 12967 and No. 20888 issued to the District by the PUC or its predecessor agency.

**"District's Transition Water and Wastewater Rates"** shall be defined as set forth in Section IV.

**"District's Wastewater System"** shall mean and refer to the District's retail wastewater facilities located west of F.M. 1385 that serve, or are constructed by the District or on behalf of the District pursuant to reimbursement agreements to serve, Arrowbrook, Savannah, and the Additional Land, including any extensions, expansions or additions to such facilities which are constructed after the Effective Date.

**"District's Water System"** shall mean and refer to the District's retail water facilities located west of F.M. 1385 that serve, or are constructed by the District or on behalf of the District pursuant to reimbursement agreements to serve, Arrowbrook, Savannah, and the Additional Land, including any extensions, expansions or additions to such facilities which are constructed after the Effective Date.

**"District's Utility System"** shall mean and refer to collectively, the District's Water System and the District's Wastewater System as defined herein, excluding the District's system serving Artesia.

**"Dual CCN Service Area"** shall mean and refer to the area located west of F.M. 1385 including Arrowbrook and Savannah.

**"Effective Date"** shall mean date of the last signature authorizing this Agreement by a Party or UTRWD.

**"Mustang"** shall refer to and mean "Mustang Special Utility District" which is located in Denton County, Texas, and its successors, and assignees if any.

**"Mustang's Certified Area"** shall refer to and mean an area where Mustang is authorized to serve pursuant to Mustang's CCNs.

“Mustang’s CCNs” shall refer to and mean Certificates of Convenience and Necessity No. 11856 and No. 20930 issued to the District by the PUC or its predecessor agency.

“Party” or “Parties” shall refer collectively to and mean “Mustang” and “District”.

“PUC” shall mean and refer to the Public Utility Commission of Texas or its predecessor or successor agency.

“Savannah” shall mean and refer to the area within the District comprised of approximately 636 acres and more particularly described in Exhibit “A”.

“TCEQ” shall mean and refer to the Texas Commission on Environmental Quality or its predecessor agency.

“Transition Period” shall mean the period beginning on the Approval Date and ending on June 1, 2023.

“UTRWD” shall mean and refer the Upper Trinity Regional Water District headquartered in Denton County Texas.

“UTRWD Contracts” shall mean and refer to an “Upper Trinity Regional Water District Regional Treated Water System Participating Customer Contract” (“UTRWD Water Contract”) and an “Upper Trinity Regional Water District Northeast Regional Water Reclamation System Participating Customer Contract” (“UTRWD Sewer Contract”), between UTRWD and the District, each dated August 29, 2001, and each subsequently amended.

“61 Acre Tract” shall mean and refer to the 61 acres of land within the District being developed as “Savannah Phase 11” as shown on Exhibit “A”.

“39 Acre Tract” shall mean and refer to the tract of land contiguous to Savannah, but outside of the District as shown on Exhibit “A”.

## II.

### RECITATIONS

A. Mustang is a special utility district established under the provisions of Chapter 65, Texas Water Code, and a “retail public utility” within the meaning of Chapter 13, Texas Water Code. Mustang’s CCNs permit it to provide retail water and retail wastewater service to areas within Denton County, Texas (“Mustang’s Certified Area”), which includes an area located west of F.M 1385, as shown in Exhibit “B”. Mustang is a member utility and a wholesale customer of UTRWD.

B. The District is a political subdivision of the State of Texas organized and operating pursuant to Chapters 49, 51 and for limited purposes, 53, Texas Water Code, and a “retail public

utility” within the meaning of Chapter 13 of the Texas Water Code. The District’s CCNs permit it to provide retail water and wastewater service to areas within Denton County, Texas (“District’s Certified Area”), which includes an area located west of F.M 1385, as shown in Exhibit “B”. The District is a wholesale customer of UTRWD.

C. On or about October 8, 2007, Mustang and the District entered into an agreement entitled “Merged, Amended, and Restated Agreement Related to Water and Sanitary Sewer Service [Mustang/DCFWSO #10] (the “2007 Agreement”). The 2007 Agreement consolidated several prior agreements and provided for the interim provision of retail water and wastewater service by District to the District Certified Area and Additional Land; provision of certain operation and maintenance services and billing and collecting services by Mustang; and transfer of certain assets, and water and wastewater facilities to be made by the District to Mustang effective on June 1, 2017 and June 1, 2027, respectively.

D. The 61 Acre Tract is located within the District and being developed to include approximately 228 single-family lots, of which 127 have been completed, and 101 lots are under construction as of June 30, 2017. Although the 61 Acre Tract is not located within the District’s Certified Area, pursuant to the 2007 Agreement, the District is currently providing retail water and wastewater service to customers within such tract.

E. The 39 Acre Tract is not currently located within the District. As of the Effective Date such tract is not currently being developed and there are no water or wastewater customers within such tract being served by the District or Mustang.

F. The District has found and determined that the terms and conditions of the transfer of District’s Utility System, and removal of the District Certified Area from the District’s CCNs pursuant to the terms and conditions of this Agreement are advantageous to the District.

G. The Parties now wish to replace the 2007 Agreement in its entirety in accordance with the terms and provisions set forth herein.

H. On the Effective Date, subject to the terms as more particularly described below, the District will convey the then existing facilities comprising the District’s Utility System to Mustang and will assign to Mustang the portions of UTRWD Contracts pertaining to Arrowbrook, Savannah and the Additional Land. During the period between the Effective Date and the Approval Date, Mustang will continue to provide to the District the same services currently provided by Mustang using the same cost methodology as currently used with the addition of costs associated with the UTRWD Contracts for serving Existing Arrowbrook Customers (herein defined), Savannah and the Additional Land. Following approval by the PUC, Mustang will become the sole provider of retail utility service in Arrowbrook, Savannah and the Additional Land. During the Transition Period, subject to the terms as more particularly described below, Mustang will make certain payments to the District to compensate the District for the District’s Utility System. It is the intention of Mustang and the District that these payments be equivalent to the net revenues (after payment of UTRWD charges and Mustang’s costs) the District would have received under Article 4 of the 2007 Agreement from the operation of the Savannah system if the District were providing retail utility service to Savannah and the Additional Land.

I. Portions of the District's Utility System are currently under construction, or yet to be constructed, pursuant to existing reimbursement agreements with the developers of Arrowbrook, Savannah, and the Additional Land. Mustang's obligation to serve lots, for which facilities are not completed and accepted for service by the District on the Effective Date, is conditioned upon the completion of such facilities and conveyance to Mustang under the terms required by this Agreement.

J. This Agreement is authorized pursuant to applicable provisions of the Texas Water Code, including without limitation, Sections 13.248, 30.022, 30.023, 30.024, 49.213, and 51.150, and Chapter 791, Government Code.

### III.

#### CONSIDERATION AND RECITALS

In consideration of the mutual obligations of the Parties with regard to the transfers, assignments, services, and payments to be made or provided as set forth in this Agreement, agreements regarding rates, and other consideration, the Parties make the agreements set forth below. The District and Mustang expressly acknowledge and confess the adequacy and sufficiency of the consideration provided herein. As partial consideration for the transfer of the District's Utility System, Mustang agrees to use such system to provide retail services to customers within the District in accordance with this Agreement and the laws of this state and the Mustang's CCNs, as well as to assume the obligations to operate, maintain, and repair such system in order to continue to provide such services.

The recitals set forth in the foregoing clauses of Article II are true and correct, constitute representations and warranties of the Parties, constitute legislative findings of the governing bodies of the Parties, form the basis upon which the Parties have entered into this Agreement, and establish the intent of the Parties in entering into this Agreement. If it becomes necessary to interpret any provision of this Agreement, the intent of the Parties, as evidenced by the recitals, shall be taken into consideration and, to the maximum extent possible, given effect. The Parties have relied on the recitals as part of the consideration for entering into this Agreement and, but for the recitals, would not have entered into this Agreement.

### IV.

#### TRANSFERS

##### A. GENERAL

The District and Mustang intend for Mustang to become the sole retail water and retail wastewater provider within Arrowbrook, Savannah, and the Additional Land. The District and Mustang also intend for the District to transfer ownership of the District's Utility System serving Arrowbrook, Savannah, and the Additional Land to Mustang. The District shall convey to Mustang all of its right, title, and interest to all water distribution and storage facilities and sanitary sewer collection facilities, including land, easements, and rights of way that comprise such system, at the times provided herein. All such conveyances will be made free

and clear of any lien or encumbrance by deed and bill of sale in a commercially reasonable and mutually acceptable form. Such conveyance shall be made by District on an "as is" basis with no representation or warranties other than warranties of title. However, such conveyance shall include an assignment of pre-existing performance bonds and contractor warranties which have not yet expired as of the date of such conveyance. The District agrees to execute and deliver such other and further documents or instruments necessary to effectuate transfer of the District's Utility System to Mustang. Following each such conveyance, and subject to the other terms of this Agreement, Mustang shall thereafter be fully responsible the operation and maintenance of the facilities comprising the conveyed utility system.

## B. ARROWBROOK

1. Arrowbrook Water and Wastewater Customers. The District currently serves as the retail water and retail wastewater provider for all existing retail customers located in Arrowbrook. The District and Mustang intend for Mustang to be, and agree that Mustang shall be, the sole retail water and retail wastewater service provider for Arrowbrook effective on the Approval Date. Further, as to each New Customer in Arrowbrook on and after the Effective Date, Mustang will be the retail water and retail wastewater service provider for each such New Customer. The District expressly consents to the provision of retail water and retail wastewater service by Mustang within the boundaries of the District, as described in this Agreement.

- i. The term "New Arrowbrook Customer" shall mean a customer served on any subdivision lot in Arrowbrook which was not a subdivision lot with an active retail water meter on the Effective Date.
- ii. The term "Existing Arrowbrook Customer" shall mean a customer served on any subdivision lot in Arrowbrook which is not a New Arrowbrook Customer on the Effective Date.

2. Transfer of Arrowbrook Infrastructure. Certain water and wastewater infrastructure exists for the provisioning of water and wastewater service to Arrowbrook by the District. The infrastructure comprises a portion of the District's Utility System. The District has agreed to acquire and construct additional water and wastewater infrastructure to serve Arrowbrook pursuant to agreements (the "Arrowbrook Reimbursement Agreements") currently in effect with certain owners and developers of property within Arrowbrook and a contiguous 166 acre tract. Mustang shall have the right to inspect all such additional infrastructure from time to time during the course of construction to ensure the facilities and construction fully comply with the applicable requirements of the Arrowbrook Reimbursement Agreements. The District and Mustang intend for Mustang, solely, to own the District's Utility System serving Arrowbrook. On the Effective Date, the District shall convey to Mustang all of its right, title, and interest to all existing District water distribution and storage facilities and sanitary sewer collection facilities, including land, easements, and rights of way that comprise the District's Utility System serving Arrowbrook. Upon completion of a future phase of water and wastewater infrastructure serving Arrowbrook pursuant to the Arrowbrook Reimbursement Agreements, the District agrees to convey, or cause such infrastructure to be conveyed, to Mustang pursuant to the requirements of Section IV.A. The Parties agree to execute any further documentation

evidencing the conveyance not later than 30 days after the Effective Date. Such conveyance documentation shall be in a form acceptable to Mustang.

3. Developer Reimbursement. This Agreement does not relieve the District from any obligations it may have to acquire, construct, and reimburse the cost of internal water distribution, sanitary sewer collection, and drainage facilities pursuant to the Arrowbrook Reimbursement Agreements. Nothing herein shall obligate Mustang to make any payments pursuant to the Arrowbrook Reimbursement Agreements, except as provided in Article X hereof.

#### C. SAVANNAH AND ADDITIONAL LAND; TRANSITION RATES

1. Savannah Water and Wastewater Customers. The District currently serves as the retail water and retail wastewater provider for retail customers located in Savannah and the Additional Land. The District and Mustang intend for Mustang to be, and agree that Mustang shall be, the sole retail water and retail wastewater service provider within Savannah and the Additional Land. Therefore, all customers located in Savannah and the Additional Land shall become the retail water and retail wastewater customers of Mustang on the Approval Date. The District expressly consents to the provision of retail water and retail wastewater service by Mustang within the boundaries of the District, as described in this Agreement.

2. Transition Retail Rates for Savannah, the Additional Land and Existing Arrowbrook Customers. Prior to the Approval Date, the District will charge retail rates in accordance with the provisions set out herein.

i. The terms "District's Transition Water and Wastewater Rates" shall mean, as of the Effective Date, those rates, fees and charges of whatsoever nature set forth in the current District's Rate Order dated January 19, 2017 ("District 10 Rate Order"), along with such changes as may be implemented by the District as described below.

ii. The UTRWD charges fees for water and wastewater capacity for Savannah, the Additional Lands and Arrowbrook. The District agrees to increase, at a minimum, the District's Transition Water and Wastewater Rates, at least annually in direct proportion to the change made in wholesale charges for water and wastewater by the UTRWD.

iii. In the event the District fails to increase the District's Transition Water and Wastewater Rates, as set forth above, then the District acknowledges that its net receipts from customers within Savannah and the Additional Lands and for Existing Arrowbrook Customers, after payments to Mustang, will be decrease and that District shall remain obligated to make the payments to Mustang as set forth in Article V.

iv. In no event shall the District's Transition Water and Wastewater Rates be lower than the rates, fees and charges in the District 10 Rate Order. Further, the District shall not reduce the amount of any rate, fee or charge prior to the Approval Date.

3. Transfer of Savannah Infrastructure. Certain water and wastewater infrastructure exists for the provisioning of water and wastewater to Savannah and the Additional Land by the District. The infrastructure comprises a portion of the District's Utility System. The District has agreed to acquire and construct additional water and wastewater infrastructure to serve Savannah and the 61 Acre Tract pursuant to agreements (the "Savannah Reimbursement Agreements") currently in effect with certain owners and developers of property within Savannah and the 61 Acre Tract. Mustang shall have the right to inspect all such additional infrastructure from time to time during the course of construction to ensure the facilities and construction fully comply with the applicable requirements of the Savannah Reimbursement Agreements. The District and Mustang intend for Mustang, solely, to own the District's Utility System serving Savannah and Additional Land. On the Effective Date, the District shall convey to Mustang all of its right, title, and interest to all existing District water distribution and storage facilities and sanitary sewer collection facilities, including land, easements, and rights of way that comprise the District's Utility System serving Savannah and the Additional Land. Upon completion of a future phase of water and wastewater infrastructure serving Savannah and the 61 Acre Tract pursuant to the Savannah Reimbursement Agreements, the District agrees to convey, or cause such infrastructure to be conveyed, to Mustang pursuant to the requirements of Section IV.A. The Parties agree to execute any further documentation evidencing the conveyance not later than 30 days after the Effective Date. Such conveyance documentation shall be in a form acceptable to Mustang.

4. Developer Reimbursement. This Agreement does not relieve the District from any obligations it may have to acquire, construct, and reimburse the cost of internal water distribution, sanitary sewer collection, and drainage facilities pursuant to the Savannah Reimbursement Agreements. Nothing herein shall obligate Mustang to make any payments pursuant to the Savannah Reimbursement Agreements.

#### **D. BYRAN ROAD TANK**

Byran Road Tank. The District currently owns 19.1 percent (434,250 gallons) of the total capacity in and title ownership of the Byran Road Tank. The District has allocated 5.6 percent (126,500 gallons) to Arrowbrook and 13.5 percent (307,750 gallons) to Savannah and the Additional Land. On the Effective Date, the District shall convey to Mustang all of its right, title, and interest to all of the District's right, title and interest in, and ownership of, the Byran Road Tank to serve Arrowbrook, Savannah, and the Additional Land. The Parties agree to execute any further documentation evidencing the conveyance not later than 30 days after the Effective Date. Such conveyance documentation shall be in a form acceptable to Mustang.

V.

#### **MUSTANG SERVICES FOR SAVANNAH, THE ADDITIONAL LAND, AND EXISTING ARROWBROOK CUSTOMERS**

A. The Parties agree that all current financial reporting utilized by the Parties to date is consistent with the requirements of the "2007 Agreement" and that the reporting of financial information required hereunder shall continue in the same format, structure and content.

B. Prior to the Approval Date, with respect to Savannah, the Additional Land, and each Existing Arrowbrook Customer, Mustang agrees to perform the services more particularly described in the attached Exhibit "C", which may be amended as needed from time to time by the Parties (the "Exhibit C Services"), Mustang's obligations pursuant to this section are subject to the District's timely performance of District's payment obligations pursuant to this Agreement.

C. Prior to the Approval Date, Mustang agrees to read each water meter of each retail water customer located with in Savannah and the Additional Land and for each Existing Arrowbrook Customer one time every month and render a statement to each for the amount due the District for water service. In addition, Mustang will collect the amount due District for water and wastewater service and remit to the District the funds collected by Mustang on behalf of the District at least once per month. The foregoing services shall be in addition to the Exhibit C Services. However, the compensation to be paid to Mustang for the services described in this subparagraph shall not be in addition to but rather included in the payment to be made to Mustang under paragraph K below.

D. For services not listed on the Exhibit C Services provided by Mustang for installations, maintenance or repair of the utility system serving Savannah, the Additional Land, and each Existing Arrowbrook Customer Mustang shall charge the District an amount limited to Mustang's actual and direct expenses which shall be the prevailing prices for materials and labor in the North Texas area. Mustang shall obtain prior approval from the District, which will not be unreasonably withheld, for any installation, maintenance, or repair costing more than \$10,000. In addition, Mustang may add fifteen percent (15%) overhead charge to its actual and direct expenses for the services identified in this paragraph.

E. Prior to the Approval Date, Mustang agrees to provide billing services for the retail customers located in Savannah and the Additional Land, and each Existing Arrowbrook Customer.

F. On or before June 1 of each year the District and Mustang agree to initiate discussions relating to the formulation of the Annual Districts O & M Budget of Mustang's Exhibit C Services to be rendered for the coming 12 month period for all special districts that propose to contract with Mustang for such services. Such special districts are hereinafter referred to collectively as Client Districts. A preliminary budget will be finalized by August of each year subject to final approval by Mustang's Board of Directors prior to October 1st of each year. Not later than 60 days after the Effective Date, the District and Mustang shall finalize a revised budget to account for the assumption by Mustang of the UTRWD contracts set forth in Article X of this Agreement, subject to final approval by Mustang's Board of Directors not later than 90 days after the Effective Date.

G. The District agrees that the costs contained in the Annual Districts O & M Budget shall be categorized according to one of the following five (5) descriptions:

- i. "MSUD Costs" (Mustang only). Mustang Costs are allocated 100% to Mustang.



ii. "Actual Costs" (estimated). Actual Costs are allocated 100% to the Client Districts. Actual Costs shall include, but are not limited to, any repair or maintenance.

iii. "Direct Shared O & M Costs". Direct Shared O & M Costs are allocated to the Client Districts based on the following formula:

Total Direct Shared O & M Costs X [Districts' Connections  
(hereinafter defined)/(Mustang Connections + Districts'  
Connections)]

iv. "Indirect Shared Administration Costs". Indirect Shared Administration Costs are allocated 20% to the Districts.

v. "UTRWD Costs". All UTRWD expenses charged in association with Savannah and Additional Land arising from Mustang's assumption of the UTRWD contracts set forth in Article X of this Agreement.

H. Actual Costs will be invoiced by Mustang to the District for costs incurred for the District plus a fifteen percent (15%) overhead charge. No overhead charge will be assessed for the UTRWD Costs. The summation of categories ii. through iv. plus a fifteen percent (15%) overhead charge shall be allocated among the Client Districts on a "pro rata" basis based upon the number of active equivalent single family connections (referred to singularly as "Connection" and in the plural as "Connections") contained in each district. Further, the number of Connections for the Client Districts shall be determined on a monthly basis and the costs for the coming month shall be adjusted accordingly. For the first month of the Annual Districts O & M Budget for 2017-2018, each Client District and its number of Connections and pro rata share is set forth in Exhibit "E".

I. In addition to fees stated in this Section, the District will pay to Mustang thirty percent (30%) of any disconnection, re-connection fees and return check fees charged by the District related to disconnections or reconnections necessitated by a District customer's failure to timely pay for water and/or wastewater services.

J. Bank Account. Mustang has established a separate bank account entitled "O&M Account FBO FWSD 10" ("FWSD Fund") at a depository of Mustang.

i. The FWSD Fund shall be kept separate and apart from all other funds and accounts of Mustang, and will be used solely for the deposit of payments received from the customers of the District for retail water and sewer service and disbursements to the District. Mustang shall make transfers to the District of the collections received from retail customers of the District at least one time per month.

ii. Mustang shall place all funds in the FWSD Fund in demand deposits.

iii. The FWSD Fund shall be secured in the manner and to the fullest extent required by law for the security of funds of the District.

iv. Mustang shall keep proper books of record and accounts in which full, true, and correct entries will be made of all dealings, activities, and transactions relating to the FWSD Fund, and all books, documents, and vouchers relating thereto shall during normal business hours be made available for inspection of District upon 72 hours' notice.

v. During periods prior to the Approval Date, Mustang shall provide on an annual basis financial information and operating data with respect to the payments\withdrawals from and investment earnings for the FWSD Fund. Any financial information so provided shall be prepared in accordance with generally accepted accounting practices.

K. Mustang shall submit statements and/or invoices for services to the District on a monthly basis. Such invoice shall include the District's actual costs and the pro rata share of the Annual Districts O&M Budget costs for the coming month and any billings for repairs or other non-budgeted services for the prior month. The District shall pay such statements and/or invoices within 30 days of receipt. The District agrees to pay interest at a rate of 15% per annum to Mustang for all amounts unpaid after 30 days. Interest shall accrue from the 31st day following receipt of statements and/or invoices until the date payment in full is made. Items awaiting reasonably requested backup data shall be excluded from interest charges.

## VI.

### RESIDUAL PAYMENTS

On the Approval Date all customers of the District located in Savannah, the Additional Land, and Arrowbrook will become customers of Mustang. On and after the Approval Date, but only during the Transition Period, Mustang will pay each month to the District a Residual Payment to be calculated as follows.

**Residual Payment = Monthly Service Revenue – Mustang Total Costs**

For this formula the following definitions apply:

**Monthly Service Revenue** means the gross monthly revenue collected by Mustang from customers in Savannah and the Additional Land for water and wastewater service. Additionally, Monthly Service Revenue shall include the connection fees and tap fees collected from each new customer connection which is located within Savannah and the Additional Land.

**Mustang Total Costs** means the monthly total costs for service to customers in Savannah and the Additional Land determined from the Parties' traditional form of accounting as set forth in Article V.F through Article V.I., including all of the costs incurred by Mustang (including payments to UTRWD) arising from Mustang's assumption of the UTRWD contracts set forth in Article X of this Agreement. Mustang may include debt service costs associated with any capital improvements to the system serving Savannah or the Additional Land made after the Approval Date that have been approved by the District.

Mustang shall transmit Residual Payments on a monthly basis to the District. The payments shall be accompanied by a statement detailing Monthly Service Revenue and Mustang Total Costs. Mustang shall keep proper books of record and accounts in which full, true, and correct entries will be made of all dealings, activities, and transactions relating to the Residual Payment, and all books, documents, and vouchers relating thereto shall during normal business hours be made available for inspection of District upon 72 hours' notice.

## VII.

### WATER AND WASTEWATER RATES

A. Arrowbrook Rates. Prior to the Approval Date, Mustang will establish, pursuant to Section 49.2122, Texas Water Code, a customer class and rates for customers located in Arrowbrook. Beginning on the Approval Date, the rates for retail water and wastewater service to Existing Arrowbrook Customers shall be the categories of rates, fees, and charges identified in District's Rate Order, for which the actual amounts shall be the District's Transition Water and Wastewater Rates in effect on the Approval Date.

B. Savannah and Additional Land Rates. Prior to the Approval Date, Mustang will establish, pursuant to Section 49.2122, Texas Water Code, a customer class and rates for customers located in Savannah and the Additional Land. Beginning on the Approval Date, the rates for retail water and wastewater service in Savannah and the Additional Land shall be the categories of rates, fees, and charges identified in the District's Rate Order, for which the actual amounts shall be the District's Transition Water and Wastewater Rates in effect on the Approval Date.

C. Transfers/Rate Adjustments. On the Approval Date, the District shall transfer all customers deposits associated with customers in Arrowbrook and Savannah and the Additional Land to Mustang. Mustang agrees that when a water or wastewater customer of the District becomes a customer of Mustang pursuant to this Agreement, there will be no charges to such customer for the transfer other than the usual and customary charges for monthly water and wastewater service. Mustang may change the subject rates, fees, and charges for service to Existing Arrowbrook Customers and customers in Savannah and the Additional Land annually thereafter, provided that the rates may not increase by more than five percent (5%) in any one year and may not exceed the corresponding rates, charges, and fees set out in Mustang's then applicable rate order. After the Transition Period, Mustang may dissolve the customer class for Existing Arrowbrook Customers and for customers in Savannah and the Additional Land and thereafter charge Mustang's generally applicable rates, charges, and fees.

D. Rates After Transition Period. Mustang agrees that for a period of three (3) years after the expiration of the Transition Period, Mustang will charge the District for water usage at those District meters listed in Exhibit "D" at a rate not to exceed Mustang's actual cost for such water. Further, Mustang agrees for three (3) years after the Transition Period to not increase the rates for retail customers located in Savannah and the Additional Land by more than ten percent (10%) in any one year.

## VIII.

### BILLING FOR SOLID WASTE

A. New Arrowbrook Customers. As part of the consideration for this Agreement, beginning on the Effective Date, Mustang agrees to perform the billing for solid waste collection services to be provided to New Arrowbrook Customers by third party contractors of the District by including this as a line item on the customers' water bill. Mustang will collect the amount due the District for solid waste collection services provided to such customers and remit to the District the funds collected by Mustang, less the fees due hereunder to Mustang, at least once per month.

B. Existing Arrowbrook Customers, Savannah and the Additional Land. As part of the consideration for this Agreement, during the period between the Effective Date and the end of the Transition Period, Mustang agrees to perform the billing for solid waste collection services to be provided to Existing Arrowbrook Customers, Savannah and the Additional Land by third party contractors of the District. Such services will be paid for out of funds collected for wastewater services. Mustang will remit to the District the funds collected by Mustang for solid waste collection services provided to such customers, and less the fees due hereunder to Mustang, at least once per month. After the end of the Transition Period, Mustang agrees to perform the billing for solid waste collection services by including this as a line item on the customers' water bill.

C. As consideration for this service, the District will pay Mustang three percent (3%) of the amounts billed for solid waste collection services per month per customer, whether billed as a line item or an amount embedded in a wastewater bill. The District will provide Mustang with the amounts to be collected. Mustang's obligation to perform the billing for solid waste collection services to be provided by third party contractors of the District and the District's obligation to pay for such billing services will survive termination of this Agreement.

## IX.

### CCN MATTERS

A. Amendment of the District's CCNs. Effective on the Approval Date, Mustang and the District intend for Mustang to be the sole retail water service and retail wastewater service provider in the Dual CCN Service Area and Additional Land. The District agrees to amend its CCN's to remove the Dual CCN Service Area from its CCNs as provided below. The District and Mustang agree that after completion of the amendment of the District's CCNs, that Mustang shall be the sole holder of both the retail water CCN and wastewater CCN for all properties located in the Dual CCN Service Area and Additional Land.

1. Arrowbrook. Not later than 60 days after the Effective Date, the District shall file the Application with the PUC to remove Arrowbrook from the District's CCNs. The District agrees to use its best efforts to amend its CCNs. Mustang agrees to cooperate with the District in pursuing the Application. The District and Mustang agree

that, effective on the Approval Date, Mustang shall be the sole retail water and wastewater provider for all properties located inside Arrowbrook.

2. Savannah. Not later than 60 days after the Effective Date, the District shall file the Application with the PUC to remove Savannah from the District's CCNs. The District agrees to use its best efforts to amend its CCNs. Mustang agrees to cooperate with the District in pursuing the Application. The District and Mustang agree that, effective on the Approval Date, Mustang shall be the sole retail water and wastewater provider for all properties located inside Savannah and the Additional Land.

B. District Service Area. Mustang and the District acknowledge that the District is providing retail water and wastewater service in areas outside of the District's certificated service area and inside Mustang's Certified Area. Mustang agrees to allow the District to continue providing service in these areas until the Approval Date. The District and Mustang agree that, after the Approval Date, Mustang shall be the sole retail water and wastewater provider for all such properties; save and except those properties located in Artesia.

C. No Decertification of Mustang's CCNs. Provided that Mustang is not in breach of the terms of this Agreement, the District agrees further not to seek decertification of any CCN held by Mustang for the Dual CCN Service Area or Additional Land or to assist, any third party in seeking decertification of such area. At Mustang's sole cost and expense, the District agrees to cooperate with Mustang in the defense of Mustang's CCNs for the Dual CCN Service Area or Additional Land in any action brought by any third party.

## X.

### UTRWD CONTRACTS

A. Arrowbrook. On the Effective Date, the District will assign to Mustang and Mustang will accept and assume all of the rights and payment obligations to UTRWD under the UTRWD Sewer Contract relating to 0.104 million gallons per day ("MGD") treatment capacity and under the UTRWD Water Contract relating to 0.180 MGD water capacity relating to Arrowbrook. Pursuant to the UTRWD Sewer Contract, the developer of Arrowbrook has advanced funds to UTRWD on behalf of the District for the purchase of 104,000 gpd treatment capacity in the Doe Branch Wastewater Treatment Plant. The District will assign to Mustang, and Mustang shall accept and assume, the District's obligation to reimburse the Arrowbrook developer for such treatment capacity.

B. Savannah and Additional Land. On the Effective Date, the District will assign to Mustang, and Mustang shall accept and assume, all of the rights and payment obligation to UTRWD under the UTRWD Sewer Contract relating to 0.4225 MGD treatment capacity, and under the UTRWD Water Contract relating to 1.4 MGD water capacity relating to Savannah and Additional Land. Pursuant to the UTRWD Sewer Contract, the developer of Savannah has advanced funds to UTRWD on behalf of the District for the purchase of 0.4225 MGD treatment capacity in the Riverbend Wastewater Treatment Plant. The District agrees to fund reimbursement of all amounts due to the Savannah developer for the 0.4225 MGD wastewater

capacity prior to the assignment of the UTRWD Sewer Contract set forth herein, and Mustang will have no obligation relating to such reimbursement.

C. The Parties agree that all the District's current capacity available from the UTRWD for water and wastewater, with the exception of Artesia, shall be assigned to Mustang upon the conveyance of the components of the District's Utility Systems, as set forth above. Such assignments will be in a commercially reasonable form mutually acceptable to the Parties. The cost of the preparation and processing of the assignments shall be shared equally by the Parties. The Parties agree to cooperate to achieve UTRWD approval of the assignments. The District will retain 0.156 MGD of treatment capacity in the UTRWD Sewer Contract and 0.82 MGD of water capacity in the UTRWD Water Contract to serve Artesia.

## XI.

### FILING OF AGREEMENT

- A. The District may submit this Agreement to the PUC with its application to amend the District's CCNs for Arrowbrook and Savannah.
- B. Mustang and the District shall submit this Agreement to UTRWD for limited approval concerning protection of the tax-exempt status of UTRWD's bonds.

## XII.

### NOTICE OF DEFAULT

If either party believes that the other party has defaulted under one or more provisions of this Agreement, then the non-defaulting party shall give the other party written notice of such default and allow such party ten (10) days to cure a monetary default and thirty (30) days to cure a non-monetary default. All Notices shall be delivered in accordance with Article XIV. B.

## XIII.

### DISPUTE RESOLUTION

- A. If a dispute arises between the parties relating to this Agreement, the Parties agree to use the following procedure prior to either Party pursuing other available remedies:
1. A meeting shall be held promptly between the Parties, attended by individuals with decision-making authority regarding the dispute, to attempt in good faith to negotiate a resolution of the dispute.
  2. If within thirty (30) days after such meeting, the Parties have not succeeded in negotiating a resolution of the dispute, they will jointly appoint a mutually acceptable neutral person not affiliated with either of the Parties as a mediator. The fees of the mediator shall be shared equally by both Parties.

3. In consultation with the mediator, the Parties will select or devise an alternative dispute resolution procedure ("ADR") by which they will attempt to resolve the dispute, and time and place for the ADR to be held, with the mediator making the decision as to the procedure, and/or place and time (but unless circumstances require otherwise, not later than sixty (60) days after selection of the mediator) if the Parties have been unable to agree on any of such matters within twenty (20) days after initial consultation with the mediator.

4. The Parties agree to participate in good faith in the ADR to its conclusion as designated by the mediator. If the Parties are not successful in resolving the dispute through ADR, then the Parties may agree to submit the matter to binding arbitration or a private adjudicator, or either Party may then seek an adjudicated resolution through the appropriate court.

5. The prevailing Party in any litigation enforcing this Agreement shall be entitled to recover its attorney's fees, witness fees, litigation expenses and costs, as same are reasonable and necessary, to be paid by the non-prevailing Party.

#### XIV.

#### GENERAL PROVISIONS

A. Other Documents. District and Mustang covenant and agree to execute and deliver such other and further instruments and documents as are, or may become, necessary or convenient to effectuate and carry out the intent of this Agreement.

B. Notices. Any notices or communications required to be given by one Party to another under this Agreement ("Notice") shall be given in writing addressed to the Party to be notified at the address set out below and shall be deemed given when: (1.) delivered to the Party in person to person set out below; (2.) when received if transmitted by facsimile or by certified mail return receipt requested, postage paid; or (3.) delivered by FedEx, UPS or other nationally recognized delivery service. For purpose of giving Notice, the address of the Parties are set out below.

To: Denton County Fresh Supply District No. 10

Denton County Fresh Supply District No. 10  
Attn: President  
c/o Crawford & Jordan LLP  
19 Briar Hollow Lane, Suite 245  
Houston, Texas 77027  
Fax: (713) 621-3909

To Mustang Special Utility District

Mustang Special Utility District  
Attn: General Manager  
7985 FM 2931  
Aubrey, Texas 76227  
Fax: 940-440-9686

With a Copy to:

Robert L. Harris  
3917 Edgewater Court  
Richardson, TX 75082  
Fax: 972-584-6113

C. Miscellaneous. The Parties also understand and agree as follows

1. Nature of Terms. The terms hereof are contractual and not mere recitals.
2. Remedies. Subject to Article XIII hereof, in the event of default or breach by any Party of any of its obligations enumerated in this Agreement the other Party shall have the right to pursue all other remedies available at law or equity, including, but not limited to, injunctive relief or specific performance or mandamus requiring performance of all obligations set forth herein.
3. Integration. This Agreement contains the sole and entire agreement between the Parties regarding amendment of the District's CCNs, transfer of District's Utility System, and water and wastewater services and amends and restates the 2007 Agreement in its entirety. No oral understandings, statements, promises, or inducements contrary to the terms of this Agreement exist, and this Agreement cannot be changed or terminated orally.
4. Construction. Each Party acknowledges that each Party and its counsel have had the opportunity to independently review and revise this Agreement and that the normal rules of construction the effect of vagueness or ambiguity are to be resolved against the drafting party shall not be employed in any interpretation of the this Agreement or the Exhibits hereto.
5. Governing Law. This Agreement shall be governed by, construed, and enforced in accordance with the laws of the State of Texas, as applied to contracts performable in the state of Texas irrespective or without regard to any choice of law or principles to the contrary. The Parties hereby submit to the jurisdiction of the State District Court located in Denton County or Travis County, Texas, as appropriate, and any action being necessary to enforce or construe any of the terms or provisions of this Agreement must be filed solely in the State District Court located in Denton, Denton County or Travis County, Texas, as appropriate, and no other.
6. Severability. If any term, provision or condition of this Agreement is held by a court of competent jurisdiction to be unconstitutional, invalid, void or unenforceable, the remaining provisions shall not be impaired or invalidated, but shall remain in full force and effect, and the Parties agree to negotiate in good faith to otherwise accomplish the intent of the invalid provisions.
7. No Waiver. Should one Party fail to insist upon strict or complete performance of a material term of this Agreement, such failure shall not be deemed to prevent the Party from subsequently demanding strict compliance of that term, or be deemed a waiver of any other term(s) contained in the Agreement. No provision herein may be waived except by a writing signed by the Party with the authority to waive such provision.



8. Waiver of Sovereign Immunity. The parties waive their sovereign immunity only to the extent necessary to enforce the terms of this Agreement. To the extent allowed by law, the District agrees to and will indemnify Mustang and hold Mustang harmless from claim or damage to Mustang that was caused by the District's failure to: (1) design or construct an adequate water and wastewater collection system within the District's Water System or the District's Wastewater System; or (2) comply with the terms of the Dual Service Area CCNs. To the extent allowed by law, Mustang agrees to and will indemnify the District and hold the District harmless from claim or damage to the District may be caused by Mustang's failure to: (1) adequately maintain, repair, and replace the Water System and Wastewater system within the Savannah and Additional Land; or (2) comply with the terms of the Mustang CCNs.

9. Reliance on Counsel. The Parties sign this Agreement after consultation with and upon advice of their own legal counsel, and no other.

10. No Assignments. No Party may assign its obligations under this Agreement without prior written consent of the other Party, which shall not be unreasonably withheld.'

11. UTRWD. Notwithstanding any provision, UTRWD is not a party to this Agreement, except as it relates to tax-exempt status of the bonds issued by UTRWD.

12. Authority. Each Party warrants and represents that the execution, delivery, and performance by such Party of this Agreement have been duly authorized by all requisite action by its respective board of directors, and this Agreement is a valid and binding obligation of such Party enforceable in accordance with its terms, except as may be affected by applicable bankruptcy or insolvency laws affecting creditors' rights generally. Further, the signatories below warrant and represent that each has the requisite authority, in all their representative capacities, to execute this Agreement for and on behalf of their respective entities in all respects.

13. Successors and Assigns. This Agreement shall be binding on and shall inure to the benefit of any successors and/or assigns of the Parties.

14. Compliance with Laws. The Parties are of the understanding and agree that this Agreement complies with all federal and state statutes and constitutions, local law and common law which may govern the validity of this Agreement at the time of execution.


15. Revisions and Changes. This Agreement may not be changed, revised, or otherwise amended except by a writing signed by all the Parties hereto.

16. Originals and Counterparts. This Agreement may be executed in a number of identical counterparts, each of which shall be deemed an original for all purposes.

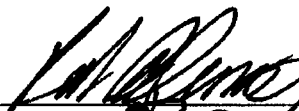
**WHEREFORE**, the Parties hereto have executed this Agreement on the dates shown above the signature of the Party.

*/signatures below/*

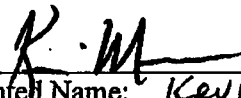
**Mustang Special Utility District**

By:   
Printed Name: Dean Jameson  
Capacity: President  
Date: 10-9-17

**Denton County Fresh Water Supply Dist. No. 10**

By:   
Printed Name: ROB ADAMS  
Capacity: President  
Date: \_\_\_\_\_

**Upper Trinity Regional Water District**

By:   
Printed Name: Kevin Mercer  
Capacity: President  
Date: December 7, 2017

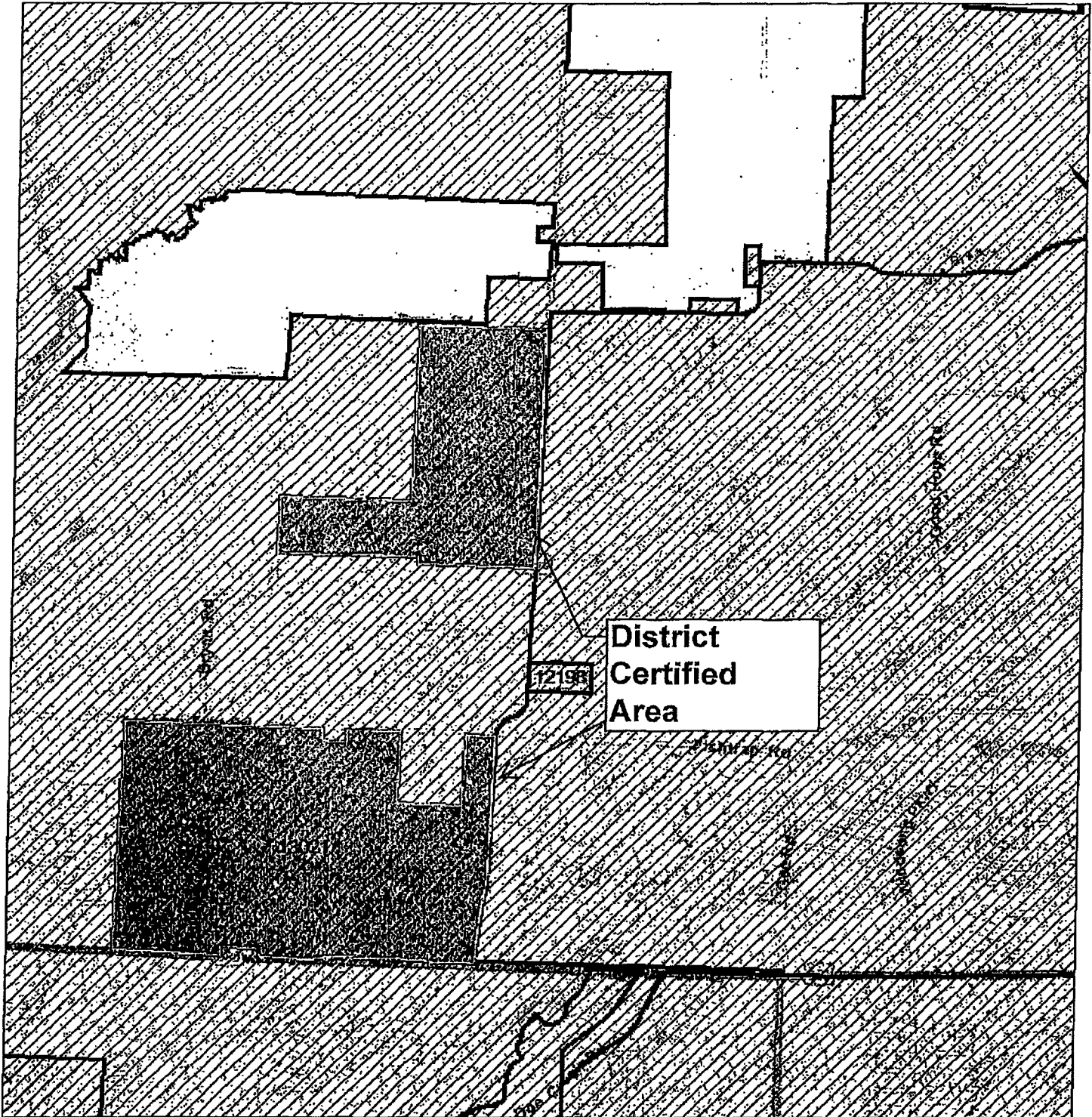
**APPROVED FOR THE LIMITED PURPOSE  
SET OUT IN ARTICLES X and XI OF THIS  
AGREEMENT, according to the terms  
and conditions set forth in the  
attached Resolution.**

**EXHIBIT "A"**  
**DISTRICT MAP**

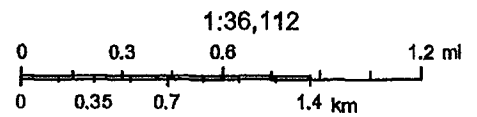


**EXHIBIT "B"**  
**DISTRICT CERTIFIED AREA**

**PROPERTY TRANSFER AND ALLOCATION OF WATER AND WASTEWATER SERVICE AREAS**



August 18, 2017



**Exhibit B**  
**District Certified Area**

**EXHIBIT "C"**

**SERVICES PROVIDED BY MUSTANG**

**SCHEDULE OF SERVICES – WATER**

1. Facility operations inspection frequency; as required by the TCEQ.
2. Preventative maintenance, lubrication of pumps and motors, touch-up painting, as required.
3. Monitor chlorine residuals, adjust feed rates, record sample results, and inventory chlorine reserves and supplies.
4. Complete monthly bacteriological samples and record TD analysis.
5. Record ground storage and elevated tank levels, annually inspect tank vents, overflow flap valves, vents screened, roof hatches secured and locked.
6. Exercise all pumps, motors, and record status of all electrical components.
7. Verify adequate pressure switch settings and check operation. Monitor and record distribution system pressure.
8. Verify operation of fault monitoring equipment and telephone line 800 number integrity at each visit; simulate fault and response for answering service (if applicable).
9. System flushing as required to maintain minimum distribution system combined total chlorine residual and water quality.
10. Verify facility security, intruder-resistant fencing, and locale gates, security lighting, unobstructed drainage, buildings with adequate screened ventilation and locale doors.
11. Oversee distribution system repairs and maintenance as required. Verify all customer connections are served with an operational meter. Flushing valves (fire hydrants) shall be operated, lubricated and inspected annually.
12. Meter reading and billing per company schedule, respond to customer inquiries requests.
13. Respond to all governmental inspections and notices of non-compliance, submit all required reports, operational logs, sample results to state and local controlling agencies.
14. Maintain an emergency response list of subcontractors and telephone numbers. Submit copy and any updated numbers to the Owner.

15. Maintain customer service inspection certificates, to be completed before providing continuous water service to new construction or any existing service when there is reason to believe that a cross-connection exists.
16. Inspection of water line infrastructure and facilities during construction (prior to acceptance).
17. Inspection of water service connections.

#### **SCHEDULE OF SERVICES – SANITARY SEWER**

1. Facility operations inspection frequency; as required by the TCEQ.
2. Preventative maintenance, lubrication of pumps and motors, touch-up paintings, as required.
3. Exercise all lift pumps, motors, and record status of all electrical components.
4. Monitor and record gathering system pressure for part of the System that is pressurized.
5. Verify operation of fault monitoring equipment and telephone line 800 number integrity at each visit; simulate fault and response for answering service (if applicable).
6. Verify facility security, intruder-resistant fencing, and locale gates, security lighting, unobstructed drainage, buildings with adequate screened ventilation and locale doors.
7. Oversee gathering system repairs and maintenance as required.
8. Billing with the water statements and respond to customer inquiries requests.
9. Respond to all governmental inspections and notices of non-compliance, submit all required reports, operational logs, sample results to state and local controlling agencies.
10. Maintain and emergency response list of subcontractors and telephone numbers. Submit copy and any updated numbers to the Owner.
11. Inspection of gathering system infrastructure and facilities during construction (prior to acceptance).
12. Inspection of sewer service connection.



**EXHIBIT "D"**

**SAVANNAH AND ADDITIONAL LAND METER LIST**

**EXHIBIT "D"**

| <u>Account Number</u> | <u>Account Status</u> | <u>Meter Size</u> | <u>Addr Description</u>   |
|-----------------------|-----------------------|-------------------|---------------------------|
| 010-0030600-002       | A                     | 2                 | 610 SAVANNAH BLVD         |
| 010-0032200-002       | A                     | 2                 | 701 SAVANNAH BLVD         |
| 010-0033100-002       | A                     | 2                 | DOGWOOD & MAGNOLIA        |
| 010-0056600-001       | A                     | 2                 | JASMINE & FISTRAP RD      |
| 010-0068300-002       | A                     | 2                 | MAGNOLIA BLVD             |
| 010-0088200-001       | A                     | 1                 | CHEROKEE & FISHTRAP       |
| 010-0100100-001       | A                     | 2                 | 1751 CONTINENTAL CONGRESS |
| 010-0110700-002       | A                     | 2                 | 1295 MAGNOLIA             |
| 010-0111900-001       | A                     | 1                 | CONT CON & KING GEOR      |
| 010-0112700-002       | A                     | 2                 | 796 MAGNOLIA              |
| 010-0122600-001       | A                     | 1                 | 998 HAYDENLANE(C ISLAND)  |
| 010-0128600-002       | A                     | 2                 | 1195 MAGNOLIA             |
| 010-0131000-001       | A                     | 1                 | 998 CAUDLE LANE           |
| 010-0143400-002       | A                     | 2                 | 1025 MAGNOLIA             |
| 010-0146200-002       | A                     | 2                 | 624 MAGNOLIA BLVD         |
| 010-0146300-002       | A                     | 2                 | 625 MAGNOLIA              |
| 010-0163200-002       | A                     | 2                 | 620 BONAVENTURE           |
| 010-0169300-002       | A                     | 2                 | 1046 LIGHTHOUSE LANE      |
| 010-0169400-002       | A                     | 2                 | 1400 SEA PINES DRIVE      |
| 010-0169500-002       | A                     | 2                 | 1110 SEA PINES DRIVE      |
|                       |                       |                   |                           |

**EXHIBIT "E"**  
**PRO-RATA LIST**

**EXHIBIT "E"**

Mustang Special Utility District  
Support for Fresh Water District Monthly Billing  
August 2017

| <b>ACTIVE METERS</b>       | <b>AS OF</b>     | <b>TOTAL</b> | <b>DCFWSD</b> |
|----------------------------|------------------|--------------|---------------|
|                            | <b>8/31/2017</b> | <b>PRO</b>   | <b>PRO</b>    |
|                            |                  | <b>RATA</b>  | <b>RATA</b>   |
| <b><u>PALOMA CREEK</u></b> |                  |              |               |
| 8A                         | 870              | 6.28%        | 11.99%        |
| 8B                         | 1048             | 7.56%        | 14.44%        |
| 11A                        | 1491             | 10.76%       | 20.55%        |
| 11B                        | 753              | 5.43%        | 10.38%        |
| 11C                        | 577              | 4.16%        | 7.95%         |
|                            | 4739             | 34.19%       | 65.31%        |
| <b><u>SAVANNAH</u></b>     |                  |              |               |
| 10-Arrowbrooke             | 239              | 1.72%        | 3.29%         |
| 10-Savannah                | 2278             | 16.44%       | 31.39%        |
|                            | 2517             | 18.16%       | 34.69%        |
|                            |                  |              |               |
| DCFWSD                     | 7256             | 52.36%       | 100.00%       |
| MUSTANG                    | 6603             | 47.64%       |               |
| TOTALS                     | 13859            | 100.00%      |               |

PUC DOCKET NO. \_\_\_\_\_

|                                  |   |                           |
|----------------------------------|---|---------------------------|
| PETITION BY DENTON COUNTY FRESH  | § | BEFORE THE                |
| WATER SUPPLY DISTRICT NO. 10 FOR | § |                           |
| PARTIAL DECERTIFICATION OF ITS   | § |                           |
| WATER AND SEWER CERTIFICATES     | § | PUBLIC UTILITY COMMISSION |
| OF CONVENIENCE AND NECESSITY     | § |                           |
| IN DENTON COUNTY, TEXAS AND      | § |                           |
| FOR APPROVAL OF AGREEMENT        | § |                           |
| UNDER TEXAS WATER CODE §13.248   | § | OF TEXAS                  |

## EXHIBIT 2

**Consideration of the Agreement by the District's Board**

**NOTICE OF MEETING  
DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 10**

**TO: THE BOARD OF DIRECTORS OF DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 10 AND TO ALL OTHER INTERESTED PERSONS:**

Notice is hereby given that the Board of Directors of Denton County Fresh Water Supply District No. 10 will hold a regular meeting on **Thursday, September 21, 2017, at 6:00 p.m.** at the Savannah Clubhouse, 701 Savannah Boulevard, Savannah, Texas, inside the boundaries of the District, for the following purposes:

1. Determine quorum; Call to order;
2. Public comment(s) – In accordance with the Open Meetings Act, Directors are prohibited from acting on or discussing any items brought before them at this time. Citizen's comments will be limited to 3 minutes. Comments about any of the agenda items are appreciated by the Board of Directors and may be taken into consideration at this time or during that agenda item. Please complete a Public Input Form if you desire to address the Board. All remarks and questions addressed to the Board shall be addressed to the Board as a whole and not to any individual member thereof;
3. Consider conducting public hearing regarding District's proposed 2017 ad valorem tax rate;
4. Consider setting District's 2017 ad valorem tax rate, and adopt 2017 Order Levying Taxes in connection therewith;
5. Consider approval of amendment to the District's Information Form relative to the adoption of the 2017 Tax Rate; including authorizing execution and recordation of same;
6. Receive and act upon bids for the purchase of the District's \$34,500,000 Unlimited Tax Road Bonds, Series 2017 ("Bonds");
7. Consider and act upon adoption of an Order Authorizing the Issuance of \$34,500,000 Denton County Fresh Water Supply District No. 10 Unlimited Tax Road Bonds, Series 2017; Levying an Ad Valorem Tax in Support of the Bonds; Approving an Offering Document; Authorizing the Execution of a Paying Agent/Registrar Agreement; Awarding the Sale of the Bonds; and Authorizing Other Matters Related to the Issuance of the Bonds;
8. Consider and act upon any other matters concerning the District's Bonds, including the approval and execution of various documents for inclusion in the transcript of proceedings to be submitted to the Attorney General of the State of Texas;
9. Consider review and approval of Depository Pledge Agreement with Compass Bank; and any action in connection therewith;
10. Consider issuance and distribution of electronic tablets to District Directors for use at District meetings, review operating instructions for such electronic tablets, and any other action necessary in connection therewith;
11. Consent Agenda:
  - a) Minutes of Board of Directors Meeting of August 17, 2017;
  - b) Tax Assessor/Collector's report;
  - c) Developer's Report on lot development and home construction and sales;
  - d) Bookkeeper's report, including collection summary, payment of bills, status of investments, revenue and expense comparison; and

12. Consider review and acceptance of Engineer's report, and the taking of any action necessary or appropriate, including:
  - a) Status of construction projects within the District, including Savannah Phase 8C, ArrowBrooke Phases 2A and 2B, and Artesia North Phase 3;
  - b) Consider authorizing preparation of construction plans and specifications for improvement projects;
  - c) Consider approval of construction plans and specifications and advertising for bids for contract(s) for improvement projects;
  - d) Consider award of contracts for construction of improvement projects and issuance of notices to proceed, including Phase 1 Utility Plans for American Equity Multifamily at Artesia; ArrowBrooke Phase 2C; Tomahawk Trail in ArrowBrooke; TxDOT Access Permit, ArrowBrooke, Phase 1; and ArrowBrooke Detention Ponds B1, B2 & B3;
  - e) Consider approval of construction pay application(s) and change order(s) to construction contracts, including pay applications and change orders to current construction contracts;
  - f) Consider acceptance of certificate of completion and authorize final acceptance of projects;
  - g) Consider approval/status of engineering Task Order(s);
  - h) Status of necessary non-routine maintenance and repair of District facilities;
  - i) Consider approval of final plats and amendments to plats;
  - j) Engineering Contracts;
  - k) Approvals and Permits, including: status of Artesia water system construction project, including authorizing actions for implementation of connection to Upper Trinity Regional Water District water transmission line and meter station construction; and
  - l) Miscellaneous;
13. Consider report from Advantage Leadership Resources, LLC regarding general management affairs of the District and law enforcement coordination; consider approval of purchase of new District vehicle; consider customer utility and trash service billing complaints/requests and appeals; consider approval and execution of independent contractor agreements for patrol services; consider status of District traffic improvements; and authorize actions and expenditures as necessary;
14. Consider operator's report regarding the Artesia Utility System, including status of maintenance of water facilities; update on water production capacities; update on inspections process; and authorize expenditure of funds for operation and maintenance of water facilities;
15. Consider approval and execution of Transfer and Service Agreement Related to Water and Wastewater Service between the District and Mustang Special Utility District, and any action in connection therewith;
16. Consider approval and execution of Interlocal Agreement with Inwood Plaza Joint Venture and the Town of Prosper; and any other action in connection therewith;
17. Consider approval and execution of Third Amendment to Municipal Solid Waste Collection Transportation Agreement with Waste Management; and any action in connection therewith;

18. Consider review and approval of update to traffic control plans for the District and authorizing submission of plans to Denton County to amend the Interlocal Cooperation Agreement with Denton County for Traffic Regulation on Certain Public Roads; and any action in connection therewith;
19. Consider approval and execution of Order Establishing Denton County Fresh Water Supply District No. 10 Right-of-Way Regulations; and any action in connection therewith;
20. Consider Executive Session pursuant to Section 551.071, 551.072, and 551.076, Texas Government Code, as amended, to consult with District Counsel, consider real estate matters, and deliberate regarding deployment of security devices and personnel; and
21. Adjourn.



*Clay E. Crawford*  
Clay E. Crawford *by me*  
Attorney for the District



**Minutes of Meeting  
Board of Directors  
Denton County Fresh Water Supply District No. 10**

**September 21, 2017**

The Board of Directors ("Board") of Denton County Fresh Water Supply District No. 10 ("District"), met in regular session, open to the public, on Thursday, September 21, 2017, at 6:00 p.m., at the Savannah Clubhouse, 701 Savannah Boulevard, Savannah, Texas, inside the District, for which notice was given as required by Chapter 551, Government Code, as amended, and Chapter 49, Texas Water Code, as amended.

The roll was called of the duly appointed members of the Board, to wit:

|               |                 |
|---------------|-----------------|
| Rob Adams     | President       |
| Jon TenBroeck | Vice President  |
| Robert Tague  | Secretary       |
| Amy Foster    | Asst. Secretary |
| John Gillum   | Director        |

All members of the Board were present. Also attending the meeting were the following: Mr. Barry Jameson representing Huffines Communities; Mr. Jason Cork of Arcadia Water Management, LLC; Mr. Kevin Carlson of Huitt-Zollars; Mr. Charlie LaConti of Municipal Accounts & Consulting, L.P.; Ms. Donna Wilkerson of Advantage Leadership Resources, LLC; Mr. Vence Barnes of Crossway UMC Church; Mr. Jay Jones of Inwood Plaza; Mr. Clay E. Crawford and Mr. Jonathan Finke of Crawford & Jordan LLP; and other members of the public, including District residents.

1. After determining that a quorum was present, the President called the meeting to order at 6:00 p.m.
2. Consideration was first given to public comments. The President opened the meeting to public comment, and recognized Mr. Barnes. Mr. Barnes requested water and sanitary sewer serve for church site north of Savannah. After noting that there were no additional members of the public present and desiring to speak before the Board, upon motion duly made by Director Foster, seconded by Director TenBroeck and unanimously carried, the President closed the public comment session of the meeting.
3. Consideration was next given to conducting a public hearing on the proposed 2017 ad valorem tax rate. Mr. Finke reported that notice of the hearing for a proposed 2017 tax rate of \$0.97 per \$100.00 of assessed valuation was published in the Denton Record Chronicle on September 12, 2017, in accordance with the laws of the State of Texas. Director Tague moved that the Board open the meeting to a public hearing. Director Foster seconded said motion, which carried unanimously.

The President noted that there were no members of the public present and desiring to address the Board of Directors with regard to the proposed 2017 tax rate. Mr. Finke further confirmed that the District had received no communications regarding the District's proposed 2017 tax rate. Following discussion, Director Tague moved that the Board close the public hearing. Director TenBroeck seconded said motion, which carried unanimously.

4. Consideration was next given to setting District's 2017 ad valorem tax rate, and the adoption of 2017 Order Levying Taxes in connection therewith. Mr. Finke presented to and reviewed with the Board the 2017 Order Levying Taxes, a copy of which is attached hereto as Exhibit "A". After discussion on the matter, Director Adams moved that the Board levy: (i) a 2017 utility debt service tax rate of \$0.27 per \$100 of assessed valuation; a 2017 road debt service tax rate of \$0.46 per \$100 assessed valuation; a tax rate of \$0.095 per \$100 of assessed valuation for maintenance and operations; and a tax rate of \$0.145 per \$100 of assessed valuation for contract tax, for a total 2017 tax rate of \$0.97 per \$100 assessed valuation; and (ii) adopt the 2017 Order Levying Taxes as presented. Director Tague seconded said motion, which carried unanimously.
5. Consideration was next given to approval of an amendment to the District's Information Form relative to the adoption of the 2017 Tax Rate; including execution and recordation of same. Mr. Finke presented an amendment to the district's Information Form, and discussed the statutory requirements associated with same. After discussion, Director Foster moved that the Board approve the amendment to the District's Information Form relative to the adoption of the 2017 Tax Rate, and authorize execution and recordation of same. Director Tague seconded said motion, which carried unanimously.
6. Consideration was next given to receiving and acting upon bids for the purchase of the District's \$34,500,000 Unlimited Tax Road Bonds, Series 2017 ("Bonds"). It was noted that five (5) bids had been received and award of the sale of the Bonds was recommended to the low bidder SAMCO Capital Markets at a net effective interest rate of 3.220318%. A bid tabulation is attached hereto as Exhibit "B". After discussion on the matter, Director TenBroeck moved that the Board award the sale of the Bonds to the low bidder, SAMCO Capital Markets at a net effective interest rate of 3.220318%. Director Foster seconded said motion, which carried unanimously.
7. Consideration was next given to adoption of an Order Authorizing the Issuance of \$34,500,000 Denton County Fresh Water Supply District No. 10 Unlimited Tax Road Bonds, Series 2017, Levying an Ad Valorem Tax in Support of the Bonds, Approving an Offering Document; Authorizing the Execution of a Paying Agent/Registrar Agreement; Awarding the Sale of the Bonds; and Authorizing Other Matters Related to the Issuance of the Bonds. Mr. Finke and Mr. Crawford presented and reviewed with the Board such Order prepared by McCall, Parkhurst & Horton LLP, a copy of which is attached hereto as Exhibit "C". After discussion on the matter, Director TenBroeck moved that the Board adopt such Order, approve the Paying

Agent/Registrar Agreement, approve the Offering Document and authorize execution of same. Director Foster seconded said motion, which carried unanimously.

8. Consideration was next given to acting upon any other matters concerning the District's \$34,500,000 Unlimited Tax Road Bonds, Series 2017, including the approval and execution of various documents for inclusion in the transcript of proceedings to be submitted to the Attorney General of the State of Texas and to effectuate closing of the sale of the Bonds. After discussion on the matter, Director Adams moved that the Board authorize the approval and execution of various documents for inclusion in the transcript of proceedings to be submitted to the Attorney General of the State of Texas and to effectuate closing of the sale of the Bonds and authorize its consultants to take any other actions necessary in connection with the District's \$34,500,000 Unlimited Tax Road Bonds, Series 2017. Director Foster seconded said motion, which carried unanimously.
9. Consideration was next given to review and approval of Depository Pledge Agreement with Compass Bank; and any action in connection therewith. Mr. LaConti reported to the Board regarding Agreement and the need for same. After discussion, Director Gillum moved that the Board approve the Depository Pledge Agreement with Compass Bank, and authorize execution of same. Director TenBroeck seconded said motion, which carried unanimously.
10. Consideration was next given to issuance and distribution of electronic tablets to District Directors for use at District meetings, review operating instructions for such electronic tables, and any other action necessary in connection therewith. Director Tague distributed iPads to each director and explained operating instructions. The Board determined that no formal action was required at this time.
11. Consideration was next given to the review and approval of (a) the Minutes of the August 17, 2017, Board of Directors Meeting; (b) the Tax Assessor/Collector's report, a copy of such report is attached hereto as Exhibit "D"; (c) the Developer's Report, a copy of such Report is attached hereto as Exhibit "E"; and (d) the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "F". After discussion of the Consent Agenda, Director Gillum moved that the Board approve the Consent Agenda items (a), (b), (c), and (d), with two additional checks being added to item (d), check no. 9814 to Brandon Industries in the amount of \$2,448 for stop signs and check no. 9815 to Holiday Chevrolet in the amount of \$38,805 for vehicle purchase. Director TenBroeck seconded said motion, which carried unanimously.
12. Consideration was next given to review and acceptance of the Engineer's Report, as presented by Mr. Carlson, a copy of which is attached hereto as Exhibit "G". The Board considered the status of construction projects within the District. In that regard, Mr. Carlson discussed with the Board the status of the following projects: Savannah Phase 8C, Arrowbrooke Phases 2A and 2B, and Artesia North Phase 3.

The Board next considered authorizing preparation of construction plans and specifications for improvement projects. Mr. Carlson noted that there were no construction plans and specifications for improvement projects to be considered for preparation at this time.

The Board next considered approval of construction plans and specifications and advertising for bids for contract(s) for improvement projects. Mr. Carlson noted that there were no construction plans and specifications to be considered for approval at this time.

The Board then considered award of contracts for construction of improvement projects and issuance of notices to proceed, including award of construction contract and notice to proceed for Phase 1 Utility Plans for American Equity Multifamily at Artesia and ArrowBrooke Phase 2C; Tomahawk Trail in ArrowBrooke; TxDOT Access Permit, ArrowBrooke, Phase 1; ArrowBrooke Detention Ponds B1, B2 and B3. Mr. Carlson presented and reviewed with the Board correspondence dated September 19, 2017, from Spiars Engineering for North American Equity Addition – Phase 1 Utilities, a copy of which is attached to the Engineer’s Report, noting receipt of seven (7) bids for the project, and recommending award of the contract to the low bidder ANA Site Construction, LLC in the amount of \$288,415.00. After discussion, Director TenBroeck moved that the Board approve award of contract to ANA Site Construction, LLC in the amount of \$288,415.00 for North American Equity Addition – Phase 1 Utilities. Director Gillum seconded said motion, which carried unanimously. Mr. Carlson then presented and reviewed with the Board correspondence dated September 21, 2017, from Kimley-Horn for ArrowBrooke, Phase 2C; Tomahawk Trail; Detention Ponds B1, B2, and B3; TxDOT Access Permit, Phase 1A, a copy of which is attached to the Engineer’s Report, noting receipt of four (4) bids for the project, and recommending award of the contract to the low bidder RKM Utility Services, Inc. in the amount of \$2,030,539.48. After discussion, Director Adams moved that the Board approve award of contract to RKM Utility Services, Inc. in the amount of \$2,030,539.48 for ArrowBrooke, Phase 2C; Tomahawk Trail; ArrowBrooke Detention Ponds B1, B2, B3; TxDOT Access Permit, Phase 1A. Director Foster seconded said motion, which carried unanimously.

The Board then considered approval of construction pay application(s) and change order(s) to construction contracts, including pay applications and change orders to current construction contracts. The Board reviewed invoices to be approved by the Board and paid by Corona Artesia as follows: RPM xConstruction, LLC (Artesia North Phase 2 Grading Improvements) in the amount of \$76,020.00; FCS Construction (Artesia North Phase 3 Grading Improvements) in the amount of \$119,628.90; and Venus Construction, Inc. (Artesia North Phase 3 Utility Improvements) in the amount of \$277,612.00. After discussion, Director Gillum moved that the Board approve payment of invoices approved by Board and paid by Corona Artesia as listed above. Director Tague seconded said motion, which carried unanimously, with the exception of the payments to RPM xConstruction, LLC, which carried with Directors Adams, TenBroeck, Tague and Gillum voting in favor of and Director Foster abstaining. The

Board then reviewed invoices to be approved by the Board and paid by the developer for current construction contracts as follows: RKM Utility Services, Inc. (ArrowBrooke Phase 2A Grading, Utilities & Paving) in the amount of \$551,633.65; RKM Utility Services, Inc. (ArrowBrooke Phase 2A Grading, Utilities & Paving) in the amount of \$30,480.75; GM Construction TX (ArrowBrooke Phase 2B Paving, Grading & Utility Improvements) in the amount of \$88,141.16; and RKM Utility Services, Inc. (Azalea Village Phase 11B) in the amount of \$47,956.42. After discussion, Director Gillum moved that the Board approve payment of invoices approved by Board and paid by the developer as listed above. Director TenBroeck seconded said motion, which carried unanimously. The Board then reviewed invoices to be approved by the Board for District projects from Wopac Construction Inc. (Savannah/Artesia Pavement) in the amount of \$15,308.44; FCx Performance (Artesia Water Pumps) in the amount of \$4,984.92; KCK Utility Construction (Artesia 18" Valve) in the amount of \$9,500.00; and Pittsburg Tank & Tower (Artesia GST Maint.) in the amount of \$12,500.00. After discussion, Director Foster moved that the Board approve payment of invoices to be approved by Board for District projects as listed above. Director Gillum seconded said motion, which carried unanimously. Mr. Carlson then reviewed with the Board a change order from GM Construction TX (Savannah Phase 8C) in the amount of \$12,618.50 for installation of crosswalk striping. After discussion, Director TenBroeck moved that the Board approve the change order as noted. Director Foster seconded said motion, which carried unanimously.

The Board next considered acceptance of certificate of completion and authorizing final acceptance of projects. Mr. Carlson noted there were no projects to be considered for acceptance at this time.

The Board next considered approval/status of engineering Task Order(s). Mr. Carlson noted that there were no engineering Task Order(s) to be considered at this time.

The Board next considered status of necessary non-routine maintenance and repair of District facilities. Mr. Carlson noted there was no necessary non-routine maintenance and repair of District facilities.

The Board next considered approval of final plats and amendments to plats. Mr. Carlson noted there were no plats to be considered for approval.

Mr. Carlson then reported that with regard to Engineering Contracts, other scheduled work is ongoing and being performed as required and requested by the District.

Mr. Carlson then reported relative to Approvals and Permits Status. He noted that the Upper Trinity Regional Water District measuring station approvals are still being sought. With regard to the amendment to the Traffic Regulation Interlocal Cooperation Agreement, the graphics and lists are complete and have been provided to District counsel.

Mr. Carlson then reported relative to Miscellaneous Items noting that: (a) pavement assessment has been completed and list will be provided in October along with graphical exhibits and photos; (b) Windsong Ranch adjustment of District 18" water main has been completed; (c) Windsong Ranch has additional points for adjustment planned; and (d) pedestrian crossing at Dogwood Trail and Magnolia Boulevard will be completed in the coming weeks. He discussed Artesia Boulevard and Canyon Ridge intersection and suggested looking into providing a speed cushion in that area, and possibly mirrors at same intersection.

After discussion on the Engineer's Report, Director Tague moved that the Board approve the Engineer's Report as presented. Director Gillum seconded said motion, which carried unanimously.

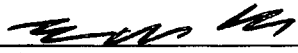
13. Consideration was next given to report from Advantage Leadership Resources, LLC regarding general management affairs of the District and law enforcement coordination; customer utility and trash service billing complaints/requests and appeals, consider approval and execution of independent contractor agreements for patrol services; consider status of District traffic improvements; and authorize actions and expenditures as necessary. Ms. Wilkerson reported to the Board regarding (1) Artesia Drought Contingency Compliance; (2) Neighborhood Maintenance Issues/Updates; (3) Administrative Updates; (4) Water Bill Appeals/Extensions; (5) Trash Collection Service Updates/Issues; (6) Management and Operations Items/Requests/Recommendations for Future Consideration; and (7) Law Enforcement Services. She provided a report on law enforcement coverage and the activity report for August. Ms. Wilkerson then presented and reviewed with the Board independent contractor agreements with Kevin Tyson and Jared Raye for peace officer services. She noted that there were 30 residents at the Artesia Town Hall meeting. Ms. Wilkerson then discussed that status of the District' contract with Waste Management. She discussed an issue with a change of drivers, which caused missed and generated fines under the prior contract. Ms. Wilkerson discussed door hangers for change in day of week for trash pickup at the beginning of October. She discussed the success of the Community Clean-Up Day in Savannah and noted that the Artesia Community Clean-Up Day is scheduled for October 5th. Director Adams moved that the Board revisit this agenda item after considering the remainder of the items on the agenda. Director Foster seconded said motion, which carried unanimously.
14. Consideration was next given to the operator's report regarding the Artesia Utility System, including status of maintenance of water facilities; update on water production capacities; update on inspections process; and authorizing expenditure of funds for operation and maintenance of water facilities. Mr. Cork presented and reviewed with the Board the report prepared by Arcadia Water Management LLC, a copy of which is attached hereto as **Exhibit "H"**. He reported relative Texas Commission on Environmental Quality ("TCEQ") inspection performed this morning, which went very well. Mr. Cork discussed recommendations to install signs addressing emergency numbers for elevated storage tank and ground storage tank. He demonstrated the binder system that Arcadia put together for TCEQ inspection relative to the District's

monitoring system. Mr. Cork reported that the line relocation for Windsong Ranch went well. He discussed the ground storage tank rehabilitation project and inspection. He reviewed two change orders at the ground storage tank for: (1) ground bubbling up – concrete repair needed at a cost of \$6,144.00 and (2) patchwork on floor and shell level at a cost of \$6,500.00. Mr. Cork reviewed a quote for impellers for pumps at storage tank at an estimated cost of \$4,984.92. Mr. Cork noted that the manual for the elevated storage tank has not been received and discussed a possible splash pad needed for the elevated storage tank. After discussion, Director Adams moved that the Board authorize Mr. Cork to purchase signs to address emergency contact numbers for elevated storage tank and ground storage tank and further moved that the Board approve the two (2) change orders discussed above. Director Foster seconded said motion, which carried unanimously. After further discussion, Director Gillum moved that the Board approve the report as presented and authorize expenditures in connection with same. Director TenBroeck seconded said motion, which carried unanimously.

15. Consideration was next given to approval and execution of Transfer and Service Agreement Related to Water and Wastewater Service between the District and Mustang Special Utility District, and any action in connection therewith. Mr. Crawford provided an update on the status of such matter and presented and reviewed with the Board an Interlocal Agreement for Property Transfer and Allocation of Water and Wastewater Service Areas, a copy of which is attached hereto as **Exhibit “I”**. After discussion, Director Adams moved that the Board approve the Interlocal Agreement for Property Transfer and Allocation of Water and Wastewater Service Areas and authorize execution of same. Director Gillum seconded said motion, which carried unanimously.
16. Consideration was next given to approval and execution of Interlocal Agreement with Inwood Plaza Joint Venture and any other action in connection therewith. The President recognized Mr. Finke and Mr. Jay Jones, who provided an update on such matter. After discussion, the Board determined that no action was required at this time.
17. Consideration was next given to approval and execution of Third Amendment to Municipal Solid Waste Collection Transportation Agreement with Waste Management; and any action in connection therewith. The President recognized Mr. Finke, who presented and reviewed with the Board the Third Amendment to Municipal Solid Waste Collection Transportation Agreement with Waste Management, a copy of which is attached hereto as **Exhibit “J”**. After considerable discussion by the Board, Director TenBroeck moved that the Board approve the amendment, subject to including language that if one house is missed for three (3) weeks in a row, a \$50.00 fine will apply. Director Adams seconded said motion, which carried unanimously.
18. Consideration was next given to review and approval of an update to traffic control plans for the District and authorizing submission of plans to Denton County to amend the Interlocal Cooperation Agreement with Denton County for Traffic Regulation on Certain Public Roads; and any action in connection therewith. After review of the updated traffic control plans, Director Adams moved that the Board approve the update, subject to including 3-way stop signs at Magnolia and Seapines, 4-way stop signs at

Magnolia and Cotton Exchange, and “no parking” signs in front of Savannah School. Director Tague seconded said motion, which carried unanimously.

19. Director Adams moved that the Board revisit the report for Advantage Leadership Resources, LLC regarding general management affairs of the District and law enforcement coordination. Director Foster seconded said motion, which unanimously carried. In that regard, Director Tague reported that the new District website has been launched. The Board requested an agenda item for next month to consider utilizing District fines to fund additional District clean-up projects. After discussion, Director Foster moved that the Board approve independent contractor agreements with Kevin Tyson and Jared Raye, and approve the report provided by ALR and expenditures listed therein, a copy of which report is attached hereto as **Exhibit “K”**. Director TenBroeck seconded said motion, which carried unanimously.
20. Consideration was next given to approval and execution of Order Establishing Denton County Fresh Water Supply District No. 10 Right-of-Way Regulations; and any action in connection therewith. Mr. Finke presented and reviewed with the Board An Order of Denton County Fresh Water Supply District No. 10 Adopting Right of Way Management and Public Easement Regulations to Manage Construction, Excavation, and Placement of Utilities and Similar Improvements in the District; Establishing Fees; Providing for a Penalty for the Violation of This Order; Providing for Savings and Severability Clauses; Providing for an Effective Date; and Providing for the Publication of the Caption Hereof, a copy of which is attached hereto as **Exhibit “L”**. Mr. Carlson explained the practical aspect of the Order. After discussion, Director Tague moved that that Board approve such Order, authorize execution and publication of such Order, and further moved that the Board post a copy of such Order on its website, as well as notify service providers. Director Foster seconded said motions, which carried unanimously.
21. The Board next deferred consideration of Executive Session pursuant to Sections 551.071, 551.072, and 551.076, Texas Government Code, as amended, to consult with District Counsel, consider real estate matters, and deliberate regarding deployment of security devices and personnel.
22. After noting that no further business was to come before the Board, upon motion duly made by Director Gillum, seconded by Director Foster, and unanimously carried, the meeting was adjourned at 7:51 p.m.

  
\_\_\_\_\_  
Robert Tague  
Secretary



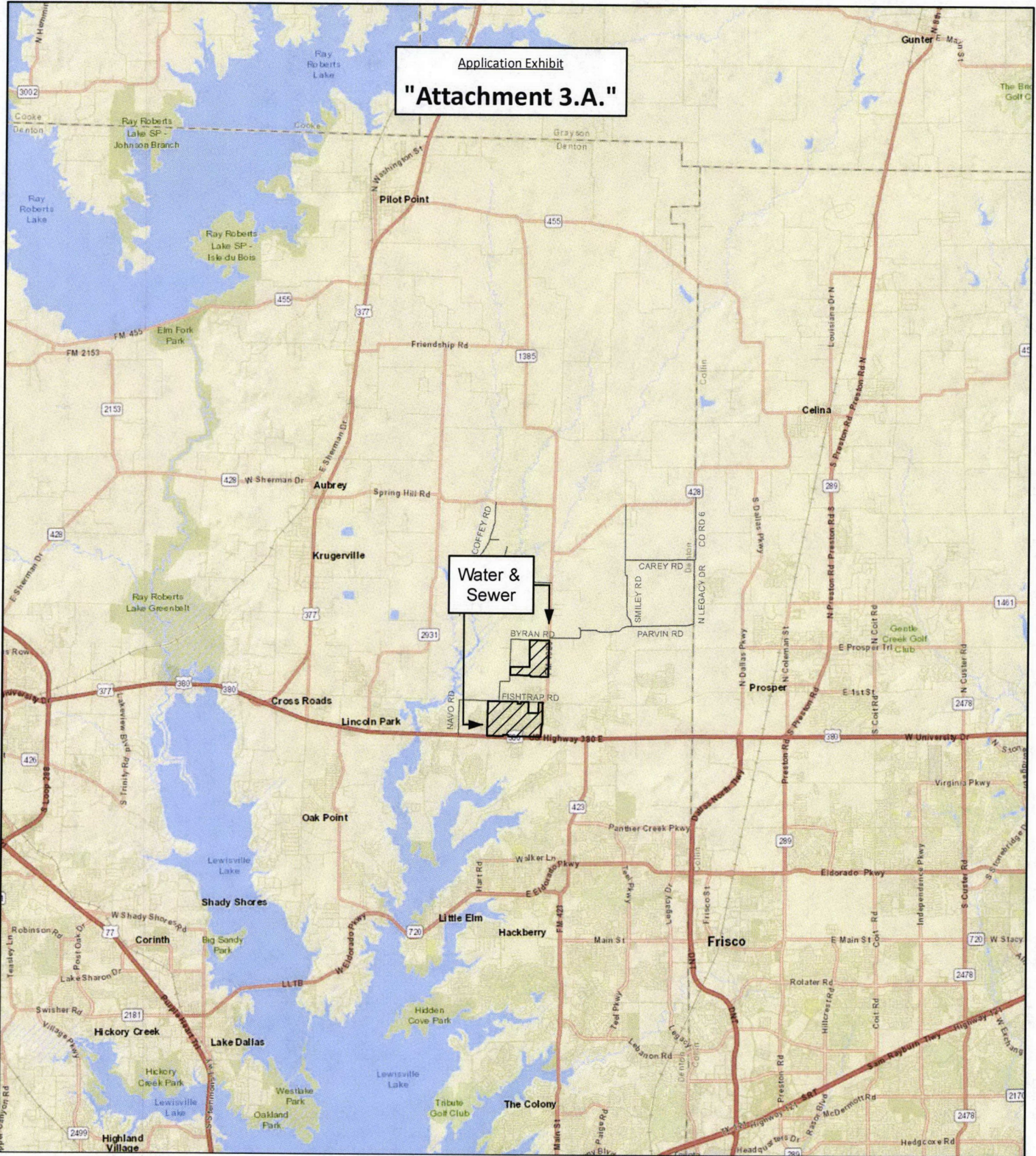
PUC DOCKET NO. \_\_\_\_\_

|                                  |   |                           |
|----------------------------------|---|---------------------------|
| PETITION BY DENTON COUNTY FRESH  | § | BEFORE THE                |
| WATER SUPPLY DISTRICT NO. 10 FOR | § |                           |
| PARTIAL DECERTIFICATION OF ITS   | § |                           |
| WATER AND SEWER CERTIFICATES     | § | PUBLIC UTILITY COMMISSION |
| OF CONVENIENCE AND NECESSITY     | § |                           |
| IN DENTON COUNTY, TEXAS AND      | § |                           |
| FOR APPROVAL OF AGREEMENT        | § |                           |
| UNDER TEXAS WATER CODE §13.248   | § | OF TEXAS                  |

## EXHIBIT 3

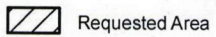
### Mapping

Application Exhibit  
**"Attachment 3.A."**

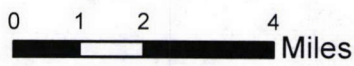


**- Requested Area to Decertify From Denton County FWSD 10  
 Water CCN No. 13021 & Sewer CCN No. 20923 -**

**Legend - 1" = 15,000'**



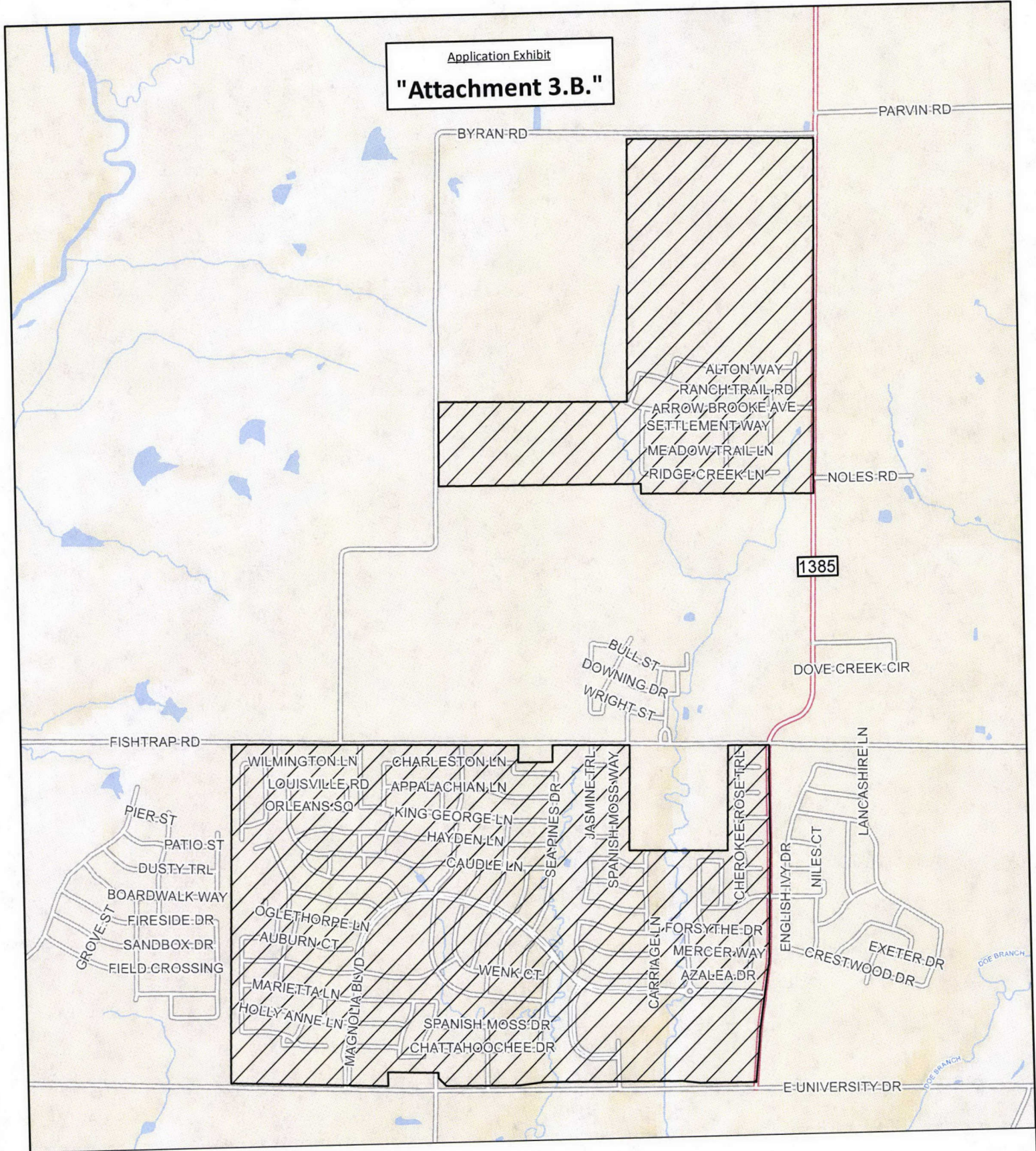
Requested Area



February 1, 2018


Denton County, TX

Application Exhibit  
**"Attachment 3.B."**



**- Requested Area to Decertify From Denton County FWSD 10  
 Water CCN No. 13021 & Sewer CCN No. 20923 -**

**Legend - 1" = 1,500'**

 Requested Area



February 1, 2018

Denton County, TX

PUC DOCKET NO. \_\_\_\_\_

|                                  |   |                           |
|----------------------------------|---|---------------------------|
| PETITION BY DENTON COUNTY FRESH  | § | BEFORE THE                |
| WATER SUPPLY DISTRICT NO. 10 FOR | § |                           |
| PARTIAL DECERTIFICATION OF ITS   | § |                           |
| WATER AND SEWER CERTIFICATES     | § | PUBLIC UTILITY COMMISSION |
| OF CONVENIENCE AND NECESSITY     | § |                           |
| IN DENTON COUNTY, TEXAS AND      | § |                           |
| FOR APPROVAL OF AGREEMENT        | § |                           |
| UNDER TEXAS WATER CODE §13.248   | § | OF TEXAS                  |

## **EXHIBIT 4**

### **Proposed Notices**

**Notice to Neighboring Systems and Cities**

**NOTICE OF APPLICATION TO AMEND CERTIFICATES OF  
CONVENIENCE AND NECESSITY (CCN) IN DENTON COUNTY, TEXAS**

To: \_\_\_\_\_ Date Notice Mailed: \_\_\_\_\_, 2018  
(Name of Neighboring System or City)  
\_\_\_\_\_  
(Address)  
\_\_\_\_\_  
(City State Zip)

Denton County Fresh Water Supply District No. 10 has filed an application with the Public Utility Commission of Texas to amend (decertify a portion of) its water Certificate of Convenience and Necessity No. 13021 and its sewer Certificate of Convenience and Necessity No. 20923 in Denton County. The area to be decertified is currently dually certificated, for water and sewer, with Mustang Special Utility District. If the application is approved, Mustang will remain certificated for service to the area and will serve the existing and new customers.

The proposed utility service area is located approximately 6 miles west of downtown Prosper, Texas, and is generally bounded on the north by Bryan Road; on the east by FM 1385; on the south by US Hwy 380; and on the west by Trenton Drive.

The total area being decertified includes approximately 849 acres and 2,452 current customers.

**See enclosed map of the proposed service area.**

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

Persons who wish to intervene or comment should write the:

Public Utility Commission of Texas  
Central Records  
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.

Si desea informacion en Español, puede llamar al 1-512-936-7221

Docket No. \_\_\_\_\_

## ***Notice for Publication***

### **NOTICE OF APPLICATION TO AMEND CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) IN DENTON COUNTY, TEXAS**

Denton County Fresh Water Supply District No. 10 has filed an application with the Public Utility Commission of Texas to amend (decertify a portion of) its water Certificate of Convenience and Necessity No. 13021 and its sewer Certificate of Convenience and Necessity No. 20923 in Denton County. The area to be decertified is currently dually certificated, for water and sewer, with Mustang Special Utility District. If the application is approved, Mustang will remain certificated for service to the area and will serve the existing and new customers..

The proposed utility service area is located approximately 6 miles west of downtown Prosper, Texas, and is generally bounded on the north by Bryan Road; on the east by FM 1385; on the south by US Hwy 380; and on the west by Trenton Drive.

The total area being decertified includes approximately 849 acres and 2,452 current customers.

A copy of the proposed service area map is available at: The Savannah Clubhouse, 701 Savannah Boulevard, Savannah, Texas.

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

Persons who wish to intervene or comment should write the:

Public Utility Commission of Texas  
Central Records  
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.

Si desea informacion en Español, puede llamar al 1-512-936-7221

Docket No. \_\_\_\_\_

## Notice to Current Customers

### NOTICE OF APPLICATION TO AMEND WATER CERTIFICATES OF CONVENIENCE AND NECESSITY (CCN) IN DENTON COUNTY, TEXAS

To: \_\_\_\_\_  
(Customer)  
\_\_\_\_\_  
(Address)  
\_\_\_\_\_  
(City                      State                      Zip)

Date Notice Mailed: \_\_\_\_\_, 2018

Denton County Fresh Water Supply District No. 10 (District), Certificate of Convenience and Necessity (CCN) Nos. 13021 (water) and 20923 (sewer) and Mustang Special Utility District (Mustang), CCN Nos. 11856 (water) and 20930 (sewer), have submitted an application with the Public Utility Commission of Texas pursuant to Tex. Water Code § 13.248, for approval of a contract service agreement to amend their water and sewer CCN service areas in Denton County and transfer customers.

The proposed utility service area is located approximately 6 miles west of downtown Prosper, Texas, and is generally bounded on the north by Bryan Road; on the east by FM 1385; on the south by US Hwy 380; and on the west by Trenton Drive.

The requested area includes approximately:

- 849 total acres of the District to be decertified.
- 2,452 customers of the District in the Arrowbrooke and Savannah subdivisions who will be transferred to Mustang.

This contract service agreement will have the following effect on the customers' rates and services: **None.** (Mustang currently operates the water and sewer systems on behalf of the District. After the transfer of customers and pursuant to the agreement, Mustang will provide the same service and charge the same rates as the District was charging prior to the transfer.)

#### **See enclosed map of the proposed service area.**

*Persons who wish to intervene in the proceeding or comment upon action sought should contact the Public Utility Commission, P.O. Box 13326, Austin, Texas 78711-3326, or call the Public Utility Commission at (512) 936-7120 or (888) 782-8477. Hearing- and speech-impaired individuals with text telephones (TTY) may contact the commission at (512) 936-7136. The deadline for intervention in the proceeding is (30 days from the mailing or publication of notice, whichever occurs later, unless otherwise provided by the presiding officer). You must send a letter requesting intervention to the commission which is received by that date.*

If a valid public hearing is requested, the Commission 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, SOAH will submit a recommendation to the Commission for a final decision. An evidentiary hearing is a legal proceeding similar to a civil trial in state district court.

PUC DOCKET NO. \_\_\_\_\_

|                                  |   |                           |
|----------------------------------|---|---------------------------|
| PETITION BY DENTON COUNTY FRESH  | § | BEFORE THE                |
| WATER SUPPLY DISTRICT NO. 10 FOR | § |                           |
| PARTIAL DECERTIFICATION OF ITS   | § |                           |
| WATER AND SEWER CERTIFICATES     | § | PUBLIC UTILITY COMMISSION |
| OF CONVENIENCE AND NECESSITY     | § |                           |
| IN DENTON COUNTY, TEXAS AND      | § |                           |
| FOR APPROVAL OF AGREEMENT        | § |                           |
| UNDER TEXAS WATER CODE §13.248   | § | OF TEXAS                  |

## **EXHIBIT 5**

**Digital Mapping Data (CD)**