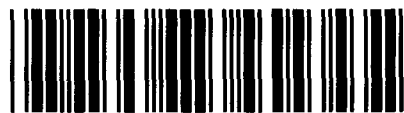




Control Number: 48791



Item Number: 1

Addendum StartPage: 0



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

Pursuant to Texas Water Code § 13.301 and 16 Texas Administrative Code § 24.109

## Sale, Transfer, or Merger (STM) Application Instructions

- I. **COMPLETE:** In order for the Commission to find the application sufficient for filing, the Applicant should:
  - i. Provide an answer to every question and submit any required attachment applicable to the STM request (i.e., agreements or contracts).
  - ii. Use attachments or additional pages to answer questions as necessary. If you use attachments or additional pages, reference their inclusion in the form.
  - iii. Provide all mapping information as detailed in Part G: Mapping & Affidavits.
- II. **FILE:** Seven (7) copies of the completed application with numbered attachments. One copy should be filed with no permanent binding, staples, tabs, or separators; and 7 copies of the portable electronic storage medium containing the digital mapping data.
  - i. **SEND TO:** Public Utility Commission of Texas, Attention: Filing Clerk, 1701 N. Congress Avenue, P.O. Box 13326, Austin, Texas 78711-3326 (NOTE: Electronic documents may be sent in advance of the paper copy, however they will not be processed and added to the Commission's on-line Interchange until the paper copy is received and file-stamped in Central Records).
- III. The application will be assigned a docket number, and an administrative law judge (ALJ) will issue an order requiring Commission Staff to file a recommendation on whether the application is sufficient. The ALJ will issue an order after Staff's recommendation has been filed:
  - i. **DEFICIENT (Administratively Incomplete):** Applicants will be ordered to provide information to cure the deficiencies by a certain date, usually 30 days from ALJ's order. *Application is not accepted for filing.*
  - ii. **SUFFICIENT (Administratively Complete):** Applicants will be ordered by the ALJ to give appropriate notice of the application using the notice prepared by Commission Staff. *Application is accepted for filing.*
- IV. Once the Applicants issue notice, a copy of the actual notice sent and an affidavit attesting to notice should be filed in the docket assigned to the application. Recipients of notice may request a hearing on the merits.  
**HEARING ON THE MERITS:** An affected party may request a hearing within 30 days of notice. In this event, the application may be referred to the State Office of Administrative Hearings (SOAH) to complete this request.
- V. **TRANSACTION TO PROCEED:** at any time following the provision of notice, or prior to 120 days from the last date that proper notice was given, Commission Staff will file a recommendation for the transaction to proceed as proposed or recommend that the STM be referred to SOAH for further investigation. The Applicants will be required to file an update in the docket to the ALJ every 30 days following the approval of the transaction. The transaction must be completed within six (6) months from the ALJ's order (Note: The Applicants may request an extension to the 6 month provision for good cause).
- VI. **FILE:** Seven (7) copies of completed transaction documents and documentation addressing the transfer or disposition of any outstanding deposits. After receiving all required documents from the Applicants, the application will be granted a procedural schedule for final processing. The Applicants are requested to consent in writing to the proposed maps and certificates, or tariff if applicable.
- VII. **FINAL ORDER:** The ALJ will issue a final order issuing or amending the applicable CCNs.

### FAQ:

#### Who can use this form?

Any retail public utility that provides water or wastewater service in Texas.

#### Who is required to use this form?

A retail public utility that is an investor owned utility (IOU) or a water supply corporation (WSC) prior to any STM of a water or sewer system, or utility, or prior to the transfer of a portion of a certificated service area.

### Terms

**Transferor:** Seller

**Transferee:** Purchaser

**CCN:** Certificate of Convenience and Necessity

**STM:** Sale, Transfer, or Merger

**IOU:** Investor Owned Utility

2018 OCT 17 AM 9:35  
FILED  
PUBLIC UTILITY COMMISSION  
AUSTIN, TEXAS

## Application Summary

**Transferor:** Pendleton Harbor Water Supply Corp.

*(selling entity)*

**CCN No.s:** 10737

☐ Sale
 ☐ Transfer
 ☒ Merger
 ☐ Consolidation
 ☐ Lease/Rental

**Transferee:** G-M Water Supply Corp.

*(acquiring entity)*

**CCN No.s:** \_\_\_\_\_

☐ Water
 ☐ Sewer
 ☒ All CCN
 ☐ Portion CCN
 ☐ Facilities transfer

**County(ies):** Sabine

## Table of Contents

Sale, Transfer, or Merger (STM) Application Instructions .....	1
Part A: General Information .....	3
Part B: Transferor Information .....	3
Part C: Transferee Information .....	4
Part D: Proposed Transaction Details .....	6
Part E: CCN Obtain or Amend Criteria Considerations.....	8
Part F: TCEQ Public Water System or Sewer (Wastewater) Information .....	9
Part G: Mapping & Affidavits .....	10
Part H: Notice Information.....	12
Appendix A: Historical Financial Information (Balance Sheet and Income Schedule).....	15
Appendix B: Projected Information .....	18

### Please mark the items included in this filing

<input checked="" type="checkbox"/>	Contract, Lease, Purchase, or Sale Agreement	Part A: Question 1
<input checked="" type="checkbox"/>	Tariff including Rate Schedule	Part B: Question 4
<input type="checkbox"/>	List of Customer Deposits	Part B: Question 5
<input type="checkbox"/>	Partnership Agreement	Part C: Question 7
<input checked="" type="checkbox"/>	Articles of Incorporation and By-Laws (WSC)	Part C: Question 7
<input checked="" type="checkbox"/>	Certificate of Account Status	Part C: Question 7
<input checked="" type="checkbox"/>	Financial Audit	Part C: Question 10
<input type="checkbox"/>	Application Attachment A & B	Part C: Question 10
<input type="checkbox"/>	Disclosure of Affiliated Interests	Part C: Question 10
<input type="checkbox"/>	Capital Improvement Plan	Part C: Question 10
<input type="checkbox"/>	List of Assets to be Transferred	Part D: 11.B
<input type="checkbox"/>	Developer Contribution Contracts or Agreements	Part D: 11.D
<input type="checkbox"/>	Enforcement Action Correspondence	Part E: Question 18 (Part D: Q12)
<input checked="" type="checkbox"/>	TCEQ Compliance Correspondence	Part F: Question 22
<input type="checkbox"/>	TCEQ Engineering Approvals	Part F: Question 24
<input checked="" type="checkbox"/>	Purchased Water Supply or Treatment Agreement	Part F: Question 26
<input checked="" type="checkbox"/>	Detailed (large scale) Map	Part G: Question 29
<input checked="" type="checkbox"/>	General Location (small scale) Map	Part G: Question 29
<input type="checkbox"/>	Digital Mapping Data	Part G: Question 29
<input checked="" type="checkbox"/>	Signed & Notarized Oath	Page 13-14

**Part A: General Information**

1. Describe the proposed transaction, including the effect on all CCNs involved, and provide details on the existing or expected land use in the area affected by the proposed transaction. Attach all supporting documentation, such as a contract, a lease, or proposed purchase agreements:

Pendleton will transfer all assets and CCN's to G-M. G-M will assume control of all assets and being servicing the customers of G-M, effectively merging the entities with G-M Water Supply Corp. being the only entity that survives the merger.

2. The proposed transaction will require (check all applicable):

For **Transferee** (Purchaser) CCN:

- ☐ Obtaining a NEW CCN for Purchaser  
☒ Transfer all CCN into Purchaser's CCN (Merger)  
☐ Transfer Portion of CCN into Purchaser's CCN  
☐ Transfer all CCN to Purchaser and retain Seller CCN  
☐ Uncertificated area added to Purchaser's CCN

For **Transferor** (Seller) CCN:

- ☐ Cancellation of Seller's CCN  
☐ Transfer of a Portion of Seller's CCN to Purchaser  
☐ Only Transfer of Facilities, No CCN or Customers  
☐ Only Transfer of Customers, No CCN or Facilities  
☐ Only Transfer CCN Area, No Customers or Facilities

**Part B: Transferor Information**

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

3. A. Name: Pendleton Harbor Water Supply Corp.  
(individual, corporation, or other legal entity)  
☐ Individual ☒ Corporation ☐ WSC ☐ Other: \_\_\_\_\_

B. Mailing Address: 200 Sand Dollar Dr., Hemphill, Texas 75948

Phone: (409) 625-1583

Email: rbuttross@rentallock.com

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

Name: Robert Buttross

Title: \_\_\_\_\_

Mailing Address: 200 Sand Dollar Dr., Hemphill, Texas 75948

Phone: (409) 625-1583

Email: rubttross@rentallock.com

4. If the utility to be transferred is an Investor Owned Utility (IOU), for the most recent rate change, attach a copy of the current tariff and complete A through B:

A. Effective date for most recent rates: \_\_\_\_\_

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

☐ No

☐ Yes

Application or Docket Number: \_\_\_\_\_

**If the transferor is a Water Supply or Sewer Service Corporation, provide a copy of the current tariff.**



5. For the customers that will be transferred following the approval of the proposed transaction, check all that apply:

☐ There are no customers that will be transferred

☒ # of customers without deposits held by the transferor 234

☐ # of customers with deposits held by the transferor\* 0

\*Attach a list of all customers affected by the proposed transaction that have deposits held, and include a customer indicator (name or account number), date of each deposit, amount of each deposit, and any unpaid interest on each deposit.

### Part C: Transferee Information

Questions 6 through 10 apply only to the *transferee* (purchaser or proposed service provider)

6. A. Name: G-M Water Supply Corp.

(individual, corporation, or other legal entity)  
☐ Individual ☒ Corporation ☐ WSC ☐ Other:

B. Mailing Address: 405 Hwy 87N, Hemphill, Texas 75948

Phone: (409) 787-2755 Email: gmwater@valornet.com

C. Contact Person. Provide information about the person to be contacted regarding this application. Indicate if this person is the owner, operator, engineer, attorney, accountant, or other title.

Name: Jerry Pickard Title: Manager

Address: 405 Hwy 87N, Hemphill, Texas 75948

Phone: (409) 787-2755 Email: gmwater@valornet.com

D. If the transferee is someone other than a municipality, is the transferee current on the Regulatory Assessment Fees (RAF) with the Texas Commission on Environmental Quality (TCEQ)?

☐ No ☒ Yes ☐ N/A

E. If the transferee is an IOU, is the transferee current on the Annual Report filings with the Commission?

☐ No ☐ Yes ☐ N/A

7. The legal status of the transferee is:

☐ Individual or sole proprietorship

☐ Partnership or limited partnership (*attach* Partnership agreement)

☐ Corporation  
Charter number (as recorded with the Texas Secretary of State): \_\_\_\_\_

☒ Non-profit, member-owned, member controlled Cooperative Corporation [Article 1434(a) Water Supply or Sewer Service Corporation, incorporated under TWC Chapter 67]

Charter number (as recorded with the Texas Secretary of State): 0025002701

☒ Articles of Incorporation and By-Laws established (*attach*)

☐ Municipally-owned utility

☐ District (MUD, SUD, WCID, FWSD, etc.)

- ☐ County
- ☐ Affected County (a county to which Subchapter B, Chapter 232, Local Government Code, applies)
- ☐ Other (please explain): \_\_\_\_\_

8. If the transferee operates under any d/b/a, provide the name below:

Name: n/a

9. If the transferee's legal status is anything other than an individual, provide the following information regarding the officers, members, or partners of the legal entity applying for the transfer:

Name: See current listing of Directors of G-M Water Supply Corp. - ATTACHED.

Position: \_\_\_\_\_ Ownership % (if applicable): 0.00%

Address: \_\_\_\_\_

Phone: \_\_\_\_\_ Email: \_\_\_\_\_

Name: \_\_\_\_\_

Position: \_\_\_\_\_ Ownership % (if applicable): 0.00%

Address: \_\_\_\_\_

Phone: \_\_\_\_\_ Email: \_\_\_\_\_

Name: \_\_\_\_\_

Position: \_\_\_\_\_ Ownership % (if applicable): 0.00%

Address: \_\_\_\_\_

Phone: \_\_\_\_\_ Email: \_\_\_\_\_

Name: \_\_\_\_\_

Position: \_\_\_\_\_ Ownership % (if applicable): 0.00%

Address: \_\_\_\_\_

Phone: \_\_\_\_\_ Email: \_\_\_\_\_

10. **Financial Information**

The transferee Applicant must provide accounting information typically included within a balance sheet, income statement, and statement of cash flows. If the Applicant is an existing retail public utility, this must include historical financial information and projected financial information. However, projected financial information is only required if the Applicant proposes new service connections and new investment in plant, or if requested by Staff. If the Applicant is a new market entrant and does not have its own historical balance sheet, income statement, and statement of cash flows information, then the Applicant should establish a five-year projection taking the historical information of the transferor Applicant into consideration when establishing the projections.

**Historical Financial Information** may be shown by providing any combination of the following that includes necessary information found in a balance sheet, income statement, and statement of cash flows:

1. Completed Appendix A;
2. Documentation that includes all of the information required in Appendix A in a concise format; or
3. Audited financial statements issued within 18 months of the application filing date. This may be provided electronically by providing a uniform resource locator (URL) or a link to a website portal.

Projected Financial Information may be shown by providing any of the following:

1. Completed Appendix B;
2. Documentation that includes all of the information required in Appendix B in a concise format;
3. A detailed budget or capital improvement plan, which indicates sources and uses of funds required, including improvements to the system being transferred; or
4. A recent budget and capital improvements plan that includes information needed for analysis of the operations test (16 Tex. Admin. Code § 24.11(e)(3)) for the system being transferred and any operations combined with the system. This may be provided electronically by providing a uniform resource locator (URL) or a link to a website portal.

**Part D: Proposed Transaction Details**

11. A. Proposed Purchase Price: \$ 0.00

If the transferee Applicant is an investor owned utility (IOU) provide answers to B through D.

B. Transferee has a copy of an inventory list of assets to be transferred (*attach*):

☐ No ☐ Yes ☐ N/A

Total Original Cost of Plant in Service: \$

Accumulated Depreciation: \$

Net Book Value: \$

C. **Customer contributions in aid of construction (CIAC):** Have the customers been billed for any surcharges approved by the Commission or TCEQ to fund any assets currently used and useful in providing utility service? Identify which assets were funded, or are being funded, by surcharges on the list of assets.

☐ No ☐ Yes

Total Customer CIAC: \$

Accumulated Amortization: \$

D. **Developer CIAC:** Did the transferor receive any developer contributions to pay for the assets proposed to be transferred in this application? If so, identify which assets were funded by developer contributions on the list of assets and provide any applicable developer agreements.

☐ No ☐ Yes

Total developer CIAC: \$

Accumulated Amortization: \$

12. A. Are any improvements or construction required to meet the minimum requirements of the TCEQ or Commission and to ensure continuous and adequate service to the requested area to be transferred plus any area currently certificated to the transferee Applicant? Attach supporting documentation and any necessary TCEQ approvals, if applicable.

☒ No ☐ Yes

B. If yes, describe the source and availability of funds and provide an estimated timeline for the construction of any planned or required improvements:

13. Provide any other information concerning the nature of the transaction you believe should be given consideration:

G-M Water currently supplies 100% of the water needs of Pendleton through an agreement where Pendleton purchases water from GM. This transaction will improve the service offered to the Pendleton customers as improvements planned by the G-M system are implemented. In addition to providing better quality water, the rates for all Pendleton customers will decrease to match the rates that G-M offers its customers, as set forth in question 15 below.

14. Complete the following proposed entries (listed below) as shown in the books of the Transferee (purchaser) after the acquisition. Debits (positive numbers) should equal credits (negative numbers) so that all line items added together equal zero. Additional entries may be made; the following are suggested only, and not intended to pose descriptive limitations:

Utility Plant in Service:	\$	137,000.00
Accumulated Depreciation of Plant:	\$	-32,000.00
Cash:	\$	91,000.00
Notes Payable:	\$	0.00
Mortgage Payable:	\$	0.00
(Proposed) Acquisition Adjustment*:	\$	196,000.00
*Acquisition Adjustments will be subject to review under 16 TAC § 24.31(d) and (e)		
Other (NARUC account name & No.):		
Other (NARUC account name & No.):		

15. A. Explain any proposed billing change (NOTE: If the acquiring entity is an IOU, the IOU may not change the rates charged to the customers through this STM application. Rates can only be changed through the approval of a rate change application.)

All bills for transferred customers will be lowered substantially. Current Pendleton base rates are \$55.00 for 0 gallons. Current G-M rates are \$40.00 for 1,300 gallons. Upon merger, the rates of all transferred customers will be lowered to match G-M rates. (The average current bill for a Pendleton customer is approximately \$85/month).

B. If transferee is an IOU, state whether or not the transferee intends to file with the Commission, or an applicable municipal regulatory authority, an application to change rates for some or all of its customers as a result of the transaction within the next twelve months. If so, provide details below:

**Part E: CCN Obtain or Amend Criteria Considerations**

16. Describe, in detail, the anticipated impact or changes in the quality of retail public utility service in the requested area as a result of the proposed transaction:

No current change in water quality. G-M currently sells to Pendleton 100% of its water. G-M plans improvements to infrastructure over time that will improve Pendleton's water pressure. There will also be substantially lower water rates for effected customers.

17. Describe the transferee's experience and qualifications in providing continuous and adequate service. This should include, but is not limited to: other CCN numbers, water and wastewater systems details, and any corresponding compliance history for all operations.

G-M has been in the water business since the 1960's. They currently provide water to over 3,000 connections in Sabine County and they are currently selling water to Pendleton (transferor).

18. Has the transferee been under an enforcement action by the Commission, TCEQ, Texas Department of Health (TDH), the Office of the Attorney General (OAG), or the Environmental Protection Agency (EPA) in the past five (5) years for non-compliance with rules, orders, or state statutes? Attach copies of any correspondence with the applicable regulatory agency(ies)

☒ No ☐ Yes

19. Explain how the environmental integrity or the land will be impacted or disrupted as a result of the proposed transaction:

None - existing facilities/structures/equipment and appurtenances will be utilized.

20. How will the proposed transaction serve the public interest?

More stable water supply management with more experience, trained staff and lower water rates for transferor's customers.

21. List all neighboring water or sewer utilities, cities, districts (including ground water conservation districts), counties, or other political subdivisions (including river authorities) providing the same service within two (2) miles from the outer boundary of the requested area affected by the proposed transaction:

G-M Water Supply Corporation.

**Part F: TCEQ Public Water System or Sewer (Wastewater) Information**

Complete Part F for EACH Public Water or Sewer system to be transferred subject to approval of the transaction.  
Attach a separate sheet with this information if you need more space for additional systems being transferred.

**22. A. For Public Water System (PWS):**TCEQ PWS Identification Number: 2020020 (7 digit ID)Name of PWS: Pendleton Harbor Water Supply Corp.Date of last TCEQ compliance inspection: November 2, 2018 (attach TCEQ letter)

Subdivisions served: \_\_\_\_\_

**B. For Sewer service:**TCEQ Water Quality (WQ) Discharge Permit Number: WQ - \_\_\_\_\_ (8 digit ID)

Name of Wastewater Facility: \_\_\_\_\_

Name of Permittee: \_\_\_\_\_

Date of last TCEQ compliance inspection: \_\_\_\_\_ (attach TCEQ letter)

Subdivisions served: \_\_\_\_\_

Date of application to transfer permit submitted to TCEQ: \_\_\_\_\_**23. List the number of existing connections, by meter/connection type, to be affected by the proposed transaction:**

Water				Sewer	
	Non-metered		2"		Residential
230	5/8" or 3/4"		3"		Commercial
4	1"		4"		Industrial
	1 1/2"		Other		Other
Total Water Connections:			234	Total Sewer Connections:	

**24. A. Are any improvements required to meet TCEQ or Commission standards?**☒ No ☐ Yes**B. Provide details on each required major capital improvement necessary to correct deficiencies to meet the TCEQ or Commission standards (attach any engineering reports or TCEQ approval letters):**

Description of the Capital Improvement:	Estimated Completion Date:	Estimated Cost:

**C. Is there a moratorium on new connections?**☒ No ☐ Yes:**25. Does the system being transferred operate within the corporate boundaries of a municipality?**☒ No ☐ Yes: \_\_\_\_\_ (name of municipality)

If yes, indicate the number of customers within the municipal boundary.

Water: \_\_\_\_\_ Sewer: \_\_\_\_\_

26. A. Does the system being transferred purchase water or sewer treatment capacity from another source?

☐ No ☒ Yes: If yes, attach a copy of purchase agreement or contract.

Capacity is purchased from: G-M Water Supply Corp.

Water: All Pendleton's water comes from G-M

Sewer: n/a

B. Is the PWS required to purchase water to meet capacity requirements or drinking water standards?

☐ No ☒ Yes

C. What is the amount of water supply or sewer treatment purchased, per the agreement or contract? What is the percent of overall demand supplied by purchased water or sewer treatment (if any)?

	Amount in Gallons	Percent of demand
Water:		100.00%
Sewer:		0.00%

D. Will the purchase agreement or contract be transferred to the Transferee?

☒ No ☐ Yes:

27. Does the PWS or sewer treatment plant have adequate capacity to meet the current and projected demands in the requested area?

☐ No ☒ Yes:

28. List the name, class, and TCEQ license number of the operator that will be responsible for the operations of the water or sewer utility service:

Name (as it appears on license)	Class	License No.	Water or Sewer
See attached List of G-M Water Supply employees			

### Part G: Mapping & Affidavits

**ALL applications require mapping information to be filed in conjunction with the STM application.**

***Read question 29 A and B to determine what information is required for your application.***

29. A. For applications requesting to transfer an entire CCN, without a CCN boundary adjustment, provide the following mapping information with each of the seven (7) copies of the application:

1. A general location (small scale) map identifying the requested area in reference to the nearest county boundary, city, or town. The following guidance should be adhered to:
  - i. If the application requests to transfer certificated service areas for both water and sewer, separate maps must be provided for each.
  - ii. A hand drawn map, graphic, or diagram of the requested area is not considered an acceptable mapping document.

- iii. To maintain the integrity of the scale and quality of the map, copies must be exact duplicates of the original map. Therefore, copies of maps cannot be reduced or enlarged from the original map, or in black and white if the original map is in color.

- 2. A detailed (large scale) map identifying the requested area in reference to verifiable man-made and natural landmarks such as roads, rivers, and railroads. The Applicant should adhere to the following guidance:
  - i. The map must be clearly labeled and the outer boundary of the requested area should be marked in reference to the verifiable man-made or natural landmarks. These verifiable man-made or natural landmarks must be labeled and marked on the map as well.
  - ii. If the application requests an amendment for both water and sewer certificated service area, separate maps need to be provided for each.
  - iii. To maintain the integrity of the scale and quality of the map, copies must be exact duplicates of the original map. Therefore, copies of maps cannot be reduced or enlarged from the original map, or in black and white if the original map is in color.
  - iv. The outer boundary of the requested area should not be covered by any labels, roads, city limits or extraterritorial jurisdiction (ETJ) boundaries.

B. For applications that are requesting to include area not currently within a CCN, or for applications that require a CCN amendment (any change in a CCN boundary), such as the transfer of only a portion of a certificated service area, provide the following mapping information with each of the seven (7) copies of the application:

- 1. A general location (small scale) map identifying the requested area with enough detail to locate the requested area in reference to the nearest county boundary, city, or town. Please refer to the mapping guidance in part A 1 (above).
- 2. A detailed (large scale) map identifying the requested area with enough detail to accurately locate the requested area in reference to verifiable man-made or natural landmarks such as roads, rivers, or railroads. Please refer to the mapping guidance in part A 2 (above).
- 3. One of the following identifying the requested area:
  - i. A metes and bounds survey sealed or embossed by either a licensed state land surveyor or a registered professional land surveyor. Please refer to the mapping guidance in part A 2 (above);
  - ii. A recorded plat. If the plat does not provide sufficient detail, Staff may request additional mapping information. Please refer to the mapping guidance in part A 2 (above); or
  - iii. Digital mapping data in a shapefile (SHP) format georeferenced in either NAD 83 Texas State Plane Coordinate System (US Feet) or in NAD 83 Texas Statewide Mapping System (Meters). The digital mapping data shall include a single, continuous polygon record. The following guidance should be adhered to:
    - a. The digital mapping data must correspond to the same requested area as shown on the general location and detailed maps. The requested area must be clearly labeled as either the water or sewer requested area.
    - b. A shapefile should include six files (.dbf, .shp, .shx, .sbx, .sbn, and the projection (.prj) file).
    - c. The digital mapping data shall be filed on a data disk (CD or USB drive), clearly labeled, and filed with Central Records. Seven (7) copies of the digital mapping data is also required.



### Part H: Notice Information

The following information will be used to generate the proposed notice for the application.

**DO NOT provide notice** of the application until it is found sufficient and the Applicants are ordered to provide notice.

30. Complete the following using verifiable man-made or natural landmarks such as roads, rivers, or railroads to describe the requested area (to be stated in the notice documents). Measurements should be approximated from the outermost boundary of the requested area:

The total acreage of the requested area is approximately: 786.00

Number of customer connections in the requested area: 234

Affected subdivision :

The closest city or town: Hemphill, Texas

Approximate mileage to closest city or town center: 9

Direction to closest city or town: 9 miles NE of Hemphill

The requested area is generally bounded on the North by: National Forest

on the East by: Toledo Bend Reservoir

on the South by: Toledo Bend Reservoir

on the West by: National Forest

31. A copy of the proposed map will be available at: Attached to Application or with G-M Water Supply

32. What effect will the proposed transaction have on an average bill to be charged to the affected customers? Take into consideration the average consumption of the requested area, as well as any other factors that would increase or decrease a customer's monthly bill.

☐ All of the customers will be charged the same rates they were charged before the transaction.

☒ All of the customers will be charged different rates than they were charged before the transaction.

☐ higher monthly bill    ☒ lower monthly bill

☐ Some customers will be charged different rates than they were charged before  
(i.e. inside city limit customers)

☐ higher monthly bill    ☐ lower monthly bill

**Oath for Transferor (Transferring Entity)**

STATE OF Texas

COUNTY OF Sabine

I, John Miller being duly sworn, file this application for sale,  
merger, consolidation, acquisition, lease, or transfer,  
rental, as president of Pendleton Harbor Water  
(owner, member of partnership, title as officer of corporation, or authorized representative)

I attest that, in such capacity, I am qualified and authorized to file and verify such application, am personally familiar with the documents filed with this application, and have complied with all the requirements contained in the application; and, that all such statements made and matters set forth therein with respect to Applicant are true and correct. Statements about other parties are made on information and belief. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Commission.

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

John Miller

AFFIANT

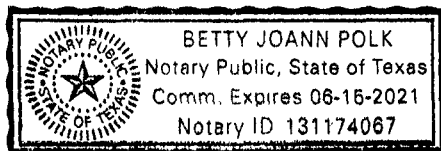
(Utility's Authorized Representative)

If the Affiant to this form is any person other than the sole owner, partner, officer of the Applicant, or its attorney, a properly verified Power of Attorney must be enclosed.

SUBSCRIBED AND SWORN BEFORE ME, a Notary Public in and for the State of Texas

this day the 12 of Oct., 20 2018

SEAL



Betty Joann Polk

NOTARY PUBLIC IN AND FOR THE  
STATE OF TEXAS

Betty Joann Polk

PRINT OR TYPE NAME OF NOTARY

My commission expires: 06-15-2021

**Oath for Transferee (Acquiring Entity)**

STATE OF Texas

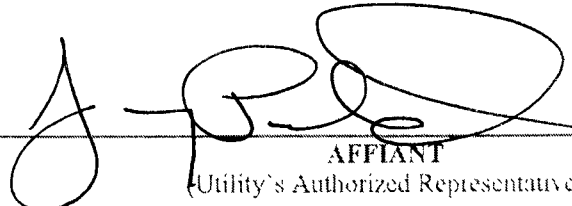
COUNTY OF Sabine

I, Jerry Pickard being duly sworn, file this application for sale, transfer, merger, consolidation, acquisition, lease, or rental, as Manager of G-M Water Supply Corp.

(owner, member of partnership, title as officer of corporation, or authorized representative)

I attest that, in such capacity, I am qualified and authorized to file and verify such application, am personally familiar with the documents filed with this application, and have complied with all the requirements contained in the application; and, that all such statements made and matters set forth therein with respect to Applicant are true and correct. Statements about other parties are made on information and belief. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Commission.

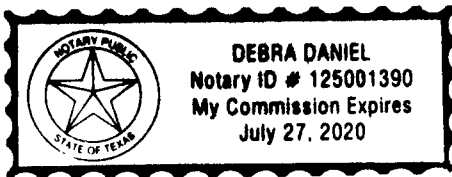
I further state that I have been provided with a copy of the 16 TAC § 24.109 Commission rules. I am also authorized to agree and do agree to be bound by and comply with any outstanding enforcement orders of the Texas Commission on Environmental Quality, the Public Utility Commission of Texas or the Attorney General which have been issued to the system or facilities being acquired and recognize that I will be subject to administrative penalties or other enforcement actions if I do not comply.


  
\_\_\_\_\_  
AFFILIANT  
(Utility's Authorized Representative)

If the Affiant to this form is any person other than the sole owner, partner, officer of the Applicant, or its attorney, a properly verified Power of Attorney must be enclosed.

SUBSCRIBED AND SWORN BEFORE ME, a Notary Public in and for the State of Texas  
this day the 9<sup>th</sup> of October, 20 18

SEAL



  
\_\_\_\_\_  
NOTARY PUBLIC IN AND FOR THE  
STATE OF TEXAS  
Debra Daniel  
PRINT OR TYPE NAME OF NOTARY

My commission expires: July 27, 2020

## **Part A – Question 1**

**Letter of Intent Between the Parties regarding pending  
Merger of Entities**

# **G-M** WATER SUPPLY CORPORATION

P. O. BOX 727  
HEMPHILL, TEXAS 75948-0727  
PHONE: (409) 787-2755  
FAX: (409) 787-2780

September 5, 2018

Pendleton Harbor Water Supply Corporation  
200 Sand Dollar Dr.  
Hemphill, Texas 75948

Re: Proposed Acquisition of all Assets of Pendleton Harbor Water Supply Corporation ("PIIWSC") by GM Water Supply Corporation ("GMWSC") and merger of entities pursuant to same

Dear Mr. Buttross:

This letter of intent sets forth certain understandings and agreements between GMWSC and PIIWSC (collectively the "Parties"), with respect to the Parties' proposed merger involving the acquisition of all real property and personal property assets of PHWSC utilized in the operation of PHWSC's water supply system (the "Transaction"). A complete list of the subject real property assets and personal property assets of PIIWSC is attached hereto as Exhibit A (the "Assets").

Paragraphs 1 through 12 reflect our current understanding of and will be the basis for moving forward with the Transaction. Unless a mutually satisfactory definitive purchase and sale agreement is executed by the Parties in accordance with these terms and conditions, neither Party is under any obligation to consummate the Transaction; however, the matters set forth in Paragraphs 4 through 12 will constitute legally binding and enforceable agreements between GMWSC and PHWSC.

**1. Plan of Merger and Supporting Documents.** GMWSC and PHWSC will endeavor to enter into formal, written agreements concerning the merger of the two entities and acquisition by GMWSC of all the Assets of PWSC, referred to as the "Merger Documents", to be negotiated by the Parties that, among other things, will incorporate the provisions expressed in Paragraphs 2 and 3 below.

2. ***Cooperation with the Texas Public Utilities Commission ("PUC").*** The Parties understand that the merging of the two entities requires prior approval from the PUC. Both parties agree that during the merger process, each Party will work diligently and in good faith to cooperate with PUC and provide to them any and all requested information necessary to effectuate the Transaction.

3. ***Acquisition Criteria.*** This letter is contingent upon and subject to the following conditions:

- (a.) The successful transfer of all regulatory permits, licenses and CCN service areas from PHWSC to GMWSC necessary for GMWSC to acquire and operate the PIIWSC water supply system;
- (b.) GMWSC's receipt of all necessary regulatory, governmental or other approvals necessary to acquire and operate the PIIWSC water supply system.
- (c.) The Assets of PHWSC shall be maintained in the same or substantially same condition as they exist as of the date of this correspondence until the time that the Merger Documents are executed;
- (d.) PHWSC remaining free from any TCEQ citations or violations, other than those which may exist as of the date of this correspondence, through the date that the Merger Documents are executed;
- (e.) The conveyance of the Assets to GMWSC shall all be made subject to a general warranty of title; and
- (f.) The conveyance of any real property to GMWSC shall be made by Special Warranty Deed;

4. ***Confidential Information.*** The Parties agree that all information pertaining to this letter of intent and the proposed Transaction referenced herein is confidential information. The Parties agree to use this information only for the purpose of consummating the Transaction described above and to disclose it only to those persons who need to know it in order to further the actions of the Parties as contemplated herein. Each Party will inform any person to whom it gives the information of its confidential nature. If for any reason the subject Transaction is not consummated, the Parties will return to the disclosing party all documents and materials supplied by the disclosing party. For purposes of this letter, confidential information shall not include information previously known to the Parties or information, which is generally available to the public or becomes available to the public through no fault of the non-disclosing party. These provisions shall survive the termination of this letter.

5. ***Best Efforts.*** The Parties will negotiate in good faith, and use their best efforts to negotiate a mutually acceptable definitive Merger Documents to be executed and delivered as soon as reasonably practicable after GMWSC's receipt of approval for the Transaction from the PUC.

6. **Exclusive Dealing/Operation of System.** Until termination of this letter, PHWSC shall not enter into any agreement, discussion or negotiation with, or provide information to, any other corporation, firm or other person with respect to the Transaction or the sale or transfer of the Assets to another party not in connection with GMWSC.

Until the Transaction is consummated between the Parties, PHWSC shall continue to operate and maintain its water supply system in accordance with all applicable laws, and further to operate and maintain its water supply system in a manner that is consistent with what is required of a reasonable and prudent operator.

7. **Costs.** GMWSC shall be responsible for all costs associated with the merger of the two entities, save and except any attorney's fees which may be incurred by PHWSC in connection with this Transaction should they choose to retain counsel to represent them herein.

8. **Public Disclosure.** Neither Party, nor its affiliates shall issue any press release or make any public statement concerning the matters covered or contemplated by this letter without the prior written approval of the other Party, except as required by law or applicable regulation.

9. **Authority.** The Parties represent that, as of the date of execution of this letter, they are entities duly authorized, validly existing and in good standing under the laws of the states of their formation/incorporation. The Parties further represent that each signatory hereto has all requisite corporate power and authority to execute, and deliver this letter and its binding commitments.

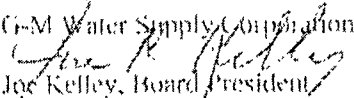
10. **Governing Law.** This letter and the proposed Merger Documents shall be governed by and interpreted in accordance with the laws of the State of Texas.

11. **Counterparts.** This letter may be executed in a number of counterparts, each of which shall be considered an original for all purposes. However, this letter shall be binding on the Parties only if both Parties execute the agreement.

12. **Termination.** Either Party may terminate this letter if the Merger Documents are not signed on or before the earlier of October 31, 2018 or ten (10) days after the PUC grants their approval for the Transaction contemplated herein.

Please sign and date this letter in the spaces provided below to confirm our mutual understandings and agreements as set forth in this letter. Please return a copy of this letter to me at the address provided above.

Sincerely,

GM Water Supply Corporation  
  
Joe Kelley, Board President

***EXHIBIT "A"***

**(a.) Real Property owned by PHWSC described as:**

**Pendleton Harbor Lots 263, 264, 265, 266, and 298 (Unit 3 Hide-A-Way Harbor Subdivision, per plat thereof recorded in Vol. 1, Page 110, Plat Records, Sabine County, Texas**

**(b.) All PHWSC Easements**

**(c.) All PHWSC Cash and Deposit Accounts**

**(d.) All PHWSC Customer Contracts**

**(e.) All PHWSC Customer Deposits**

**(f.) All other real property and personal property of PHWSC deemed by GMWSC as necessary to operate the PHWSC water supply system.**



**Part B – Question 4**

**Pendleton Harbor Water Supply**

**Current Tariff**

Tariff for  
***Pendleton Harbor***  
***Water Supply Corporation***

PHWSC  
501 Kennon Drive South  
Hemphill, TX 75948  
409-625-1583

Billing 936-201-7167

Website:

January 1, 2018

COPY

# Table of Contents

<b>SECTION A. RESOLUTIONS</b>	<b>4</b>
<b>SECTION B. STATEMENTS</b>	<b>5</b>
<b>SECTION C. DEFINITIONS</b>	<b>7</b>
<b>SECTION D. GEOGRAPHIC AREA SERVED</b>	<b>11</b>
<b>SECTION E. SERVICE RULES AND REGULATIONS</b>	<b>15</b>
1. Service Entitlement.	15
2. Service Location and Classification	15
3. Service Requirements.	15
4. Line Extension Reimbursement.	16
5. Ownership of equipment.	16
6. Activation of Standard Service.	16
7. Activation of Non-Standard Service.	16
8. Changes in Service Classification.	17
9. Membership.	19
10. Owners and Renters.	19
11. Denial of Service.	20
12. Applicant's or Transferee's Recourse.	20
13. Insufficient Grounds for Refusal of Service.	20
14. Deferred Payment Agreement.	20
15. Charge Distribution and Payment Application.	20
16. Due Dates, Delinquent Bills, and Service Disconnection Date.	21
17. Rules for Disconnection of Service.	21
18. Billing Cycle Changes.	24
19. Backbilling.	24
20. Disputed Bills.	24
21. Inoperative Meters.	24
22. Bill Adjustment.	24
23. Meter Tampering and Damage to Property.	25
24. Meter Relocation.	26
25. Prohibition of Multiple Connections to a Single Tap	26
26. Master Metered Account Regulations.	27
27. Member's Responsibility.	27
<b>SECTION F. DEVELOPER, SUBDIVISION AND NON-STANDARD SERVICE REQUIREMENTS</b>	<b>28</b>
Part I. General Requirements.	28
1. Purpose.	28
2. Application of Rules.	28
3. Non-Standard Service Application.	28
4. Design.	29
5. Non-Standard Service Contract.	29
6. Construction of Facilities by Applicant Prior to Execution of Service Contract.	30
7. Dedication of Water System Extension to WSC.	30
8. Property and Right-of-Way Acquisition.	31
9. Bids for Construction.	31

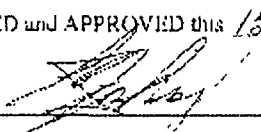
10. Pre-Payment for Construction and Service.	31
11. Construction.	31
PART II. Request for Service to Subdivided Property	32
1. Sufficient Information	32
2. Service within Subdivisions	32
3. Final approval	34
<b>SECTION G. RATES, SERVICE FEES and FORMS</b>	<b>35</b>
1. Service Investigation Fee.	35
2. Membership Fee.	35
3. Easement Fee.	35
4. Installation Fee.	35
5. Monthly Charges	36
6. Assessments.	36
7. Late Payment Fee.	36
8. Owner Notification Fee.	36
9. Returned Check Fee.	36
10. Reconnect Fee.	37
11. Seasonal Reconnect Fee	37
12. Service Trip Fee.	37
13. Equipment Damage Fee.	37
14. Meter Tampering and Damage to Property Penalty	37
15. Customer History Report Fee.	37
16. Meter Test Fee.	37
17. Transfer Fee.	37
18. Information Copy Fee.	37
19. Customer Service Inspection Fee.	37
20. Regulatory Assessment.	38
21. Additional Assessments.	38
22. Groundwater District Production Fee.	38
23. Other Fees.	38
24. Application Form	39
25. Alternate Billing Agreement	42

## SECTION A. RESOLUTIONS

THE BOARD OF DIRECTORS OF PENDLETON HARBOR WATER SUPPLY CORPORATION adopted and enacted as the current regulations and policies effective as of APRIL 17, 2015.

1. Only those preexisting written contracts or agreements executed by the present or previous Board of Directors shall remain in effect, unless the contract or agreement requires compliance with changes of the tariff from time to time.
2. The adoption (or revisions) of this tariff does not prohibit or limit the Corporation from enforcing previous penalties or assessments from before the current effective date.
3. An official copy of this and all policies or records shall be available during regular office hours of the Corporation. The Secretary of the Corporation shall maintain the original copy as approved and all previous copies for exhibit.
4. Rules and regulations of state or federal agencies having jurisdiction shall supersede any terms of this policy. If any section, paragraph, sentence, clause, phrase, word, or words of this policy are declared unconstitutional or invalid for any purpose, the remainder of this policy shall not be affected.
5. This tariff has been adopted (revised) in compliance in Open Meeting in compliance with the Open Meeting Act, Chapter 551 of the Texas Government Code.

PASSED and APPROVED this 15 day of MARCH, 2015

  
\_\_\_\_\_  
President, Pendleton Harbor Water Supply Corporation

SHAL

ATTEST

Rebecca F. Craig  
\_\_\_\_\_  
Secretary, Pendleton Harbor Water Supply Corporation

COPY

## SECTION B. STATEMENTS

1. **Organization.** The Pendleton Harbor Water Supply Corporation ("Corporation") (PHWSC) is a member-owned, non-profit corporation incorporated pursuant to the Texas Water Code Chapter 67, and the provisions of the Texas Business Organizations Code applicable to member owned member controlled non-profit corporations for the purpose of furnishing potable water and or sewer utility service. Corporation operating policies, rates, and regulations are adopted by the Board of Directors elected by the Members of the Corporation.
2. **Non-Discrimination Policy.** Membership in the Corporation and service is provided to all Applicants who comply with the provisions of this Tariff regardless of race, creed, color, national origin, sex, disability, or marital status.
3. **Policy and Rule Application.** These policies, rules, and regulations apply to the water provided by the Corporation. Failure on the part of the Member, Consumer, or Applicant to observe these policies, rules and regulations gives the Corporation the authority to deny or discontinue service according to the terms of this Tariff as amended from time to time by the Board of Directors of the Corporation.
4. **Corporation Bylaws.** The Corporation Members have adopted bylaws which establish the make-up of the Board of Directors and other important regulations of the Corporation. The bylaws are on file at the Corporation's office.
5. **Fire Protection Responsibility.** The Corporation does not provide nor imply that fire protection is available throughout the distribution system, except where expressly required by municipal ordinance or agreed to by WSC. All hydrants or flush valves are for the operation and maintenance of the system and may be used by authorized fire departments in accordance with a contract with the Corporation to supply water for use in fire suppression. The Corporation reserves the right to remove any hydrant, due to improper use or detriment to the system as determined by the Corporation, at any time without notice, refund, or compensation to the contributors unless such hydrants are installed pursuant to the terms of a Non-Standard Service Contract as provided for in Section F, in which event the terms and conditions of the Contract shall apply.
6. **Damage Liability.** The Corporation is not liable for damages caused by service interruptions, events beyond its control, and for normal system failures. The limit of liability of the Corporation is the extent of the cost of service provided. By acceptance of Membership, Member consents to waiver of such liability.
7. **Information Disclosure.** The records of the Corporation shall be kept in the Corporation office in Sabine County, Texas. All information collected, assembled, or maintained by or for the Corporation shall be disclosed to the public in accordance with the Texas Public Information Act. **In no event and under no circumstances shall the Corporation disclose the Social Security Number of any member or customer to any person other than an employee of the Corporation.** An individual customer may request in writing that their address, telephone number, and account records be kept confidential. Such confidentiality does not prohibit the utility from disclosing this information to an official or employee of the state or a political subdivision of the state acting in an official capacity or an employee of the Corporation acting in connection with the employee's duties. Further, such confidentiality does not prohibit the Corporation from disclosing the name and address of each member entitled to vote on a list to be made available to the

Corporation's voting members, or their agents or attorneys, in connection with a meeting of the Corporation's members. The Corporation shall give its applicants and customers notice of rights to confidentiality under this policy and all prevailing associated fees for such request.

8. **Customer Notice Provisions.** The Corporation shall give written notice of monthly rate changes by mail or hand delivery to all consumers at least 30 days prior to the effective date of the new rate. The notice shall contain the old rates, new rates, effective date of the new rate, date of Board authorization, and the name and phone number of the Corporation's contact person designated to address inquiries about the rate change.
9. **Grievance Procedures.** Any Member of the Corporation or individual demonstrating an interest under the policies of this Tariff in becoming a Member of the Corporation shall have an opportunity to voice concerns or grievances to the Corporation by the following means and procedures:
  - a. By presentation of concerns to the Corporation's manager or authorized staff member. If not resolved to the satisfaction of the aggrieved party then,
  - b. By presenting a letter to the Board of Directors stating the individual's grievance or concern and the desired result.
  - c. The Board of Directors shall respond to the complaint by communicating the Board's decision in writing.
  - d. Any charges or fees contested as a part of the complaint in review by the Corporation under this policy shall be suspended until a satisfactory review and final decision has been made by the Board of Directors.
10. **Customer Service Inspections.** The Corporation requires that a customer service inspection certification be completed prior to providing continuous water service to new construction and for all new members as part of the activation of standard and some non-standard service. Customer service inspections are also required on any existing service when the Corporation has reason to believe that cross-connections or other potential contaminant hazards exist, or after any material improvement, correction or addition to the members' water distribution facilities. This inspection is limited to the identification and prevention of cross connections, potential contaminant hazards and illegal lead materials. (30 TAC 290.46(j))
11. **Prohibition against Resell of Water.** The meter and is for the sole use of the Member or customer and is to provide service to only one (1) dwelling or one (1) business. Extension of pipe(s) to share or resell water to any other persons, dwellings, businesses, or property, etc., is prohibited.
12. **Submetering Responsibility.** Submetering and Non-Submetering by Master Metered Accounts are not allowed in the Corporation's water distribution system.
13. **Threats to Utility Personnel or Property.** Threats to utility personnel or other actions which prevent the lawful conduct of utility business on utility property, easements or rights of entry shall result in immediate discontinuance of utility service until the condition is corrected or the threat is permanently removed. Threats to or assaults upon utility personnel shall result in criminal prosecution.

## SECTION C. DEFINITIONS

**Active Service** – The status of any Member receiving authorized service under the provisions of this Tariff.

**Applicant** – A person, partnership, cooperative corporation, corporation, agency, public or private organization of any type applying for service with the Pendleton Harbor Water Supply Corporation. A person must have reached age of majority (18) in Texas to apply for service. (Section 129.001, Civil Practice & Remedies Code)

**Base Rate** – The monthly charge assessed each Member/Customer for the opportunity of receiving service. The Base Rate is a fixed rate based upon the meter size as set forth in the equivalency chart in Section G.

**Board of Directors** – The governing body elected by the Members of the Pendleton Harbor Water Supply Corporation that is vested with the management of the affairs of the Corporation. (Section 22.001(1), Texas Business Organizations Code)

**Bylaws** – The rules pertaining to the governing of the Pendleton Harbor Water Supply Corporation adopted by the Corporation Members. (Section 22.001(2), Texas Business Organizations Code)

**Certificate of Convenience and Necessity (CCN)** – The authorization granted under Chapter 13 Subchapter G of the Texas Water Code for Pendleton Harbor Water Supply Corporation to provide water service within a defined territory. Pendleton Harbor Water Supply Corporation has been issued Certificate Number #10737 Territory defined in the CCN shall be the Certificated Service Area. (See Tariff Section D. Certificated Service Area Map)

**Corporation** – The Pendleton Harbor Water Supply Corporation (PHWSC). (Section B of this Tariff)

**Developer** – Any person, partnership, cooperative corporation, corporation, agency, or public or private organization who subdivides land or requests two (2) or more water or sewer service connections on a single contiguous tract of land [as defined in Section 13.2502 (e)(1) of the Texas Water Code].

**Disconnection of Service** – The discontinuance of water or sewer service by the Corporation to a Member/Customer.

**Easement** – A private perpetual dedicated right-of-way for the installation of water and or sewer pipelines and necessary facilities which allows access to property for future operation, maintenance, facility replacement, facility upgrades, and/or installation of additional pipelines (if applicable) for both service to an Applicant and system-wide service. This may also include restrictions on the adjacent area to limit the installation of sewer lines or other facilities that would restrict the use of any area of the easement. (See Sample Application Packet, Form RUS-TX 442-8 (Rev. 6-06) or Form RUS-TX 442-9 (Rev. 6-06)) The easement will be filed in the real property records of the appropriate county or counties.

**Equity Buy-In Fee** – Each Applicant for new service where a new service tap is necessary shall be required to achieve parity with the contributions to the construction of the Corporations facilities capacity that have been made previously by existing Members. This fee shall be assessed prior to providing or reserving service on a per service unit basis for each property and shall be assigned and restricted to that property for which the service was originally requested.



**Final Plat** – A complete plan for the subdivision of a tract of land showing or referencing Local Tax Appraisal Maps, access to public road(s), number and size of lots, location of dedicated water/sewer easements, and location(s) of lakes, streams, or rivers through the property. The Pendleton Harbor Water Supply Corporation shall determine if a plat submitted for the purpose of this Tariff shall qualify as a final plat. For purposes of evaluating Subdivision service requests under Section F, the Corporation may accept preliminary plats or plats awaiting final approval pending execution of agreement for service by the Corporation.

**Hazardous Condition** – A condition that jeopardizes the health and welfare of the Members/Consumers of the Corporation as determined by the Corporation or regulatory authority.

**Indication of Interest Fee** – A fee paid by a potential Member of the Corporation for the purpose of determining the feasibility of a construction and /or expansion project. The Indication of Interest Fee may be converted to a Membership Fee upon determination that service to the Applicant is feasible and available. This also applies to applicants applying for, or receiving, Temporary Service.

**Liquidated Membership** – A Membership that has been canceled due to delinquent charges exceeding the Membership Fee or for other reasons as specified in this Tariff.

**Member** – Any person, partnership, cooperative corporation, corporation, agency, or public or private organization who holds a membership in the Corporation and who is a record owner of the property served, that has qualified for service and been certified as a member in accordance with the Corporation's Tariff. (Texas Water Code Section 13.002(11), Texas Water Code Section 67.016(d))

**Membership** – A non-interest bearing stock or right of participation purchased from the Corporation evidencing a Member's interest in the Corporation. (See Tariff Section E and Texas Business Organizations Code Sections 22.053, 22.151(c))

**Membership Fee** – A fee qualified as such under the terms of the tariff and the bylaws of the Corporation assigned to the real estate designated to receive service. The membership fee shall not be refundable. The membership fee cannot be more than 12 times the minimum monthly base rate. (30 TAC Section 291.3(26) Definitions, Texas Water Code Section 13.043(g))

**Proof of Ownership** – For the purpose of this tariff, applicants for service and membership shall provide proof of ownership of the real estate to be served by deed of trust, warranty deed, or other recorded documentation. (Texas Water Code Section 67.016(d))

**Rural Utilities Service (RUS)** – An agency of the United States Department of Agriculture Rural Development Mission Area that provides loan and grant funds for development of rural water and sewer systems serving communities with a population of less than ten thousand (10,000) people.

**Renter** – A consumer who rents or leases property from a Member or who may otherwise be termed a tenant. (See Tariff Section E.)

**Re-Service** – Providing service to an Applicant at a location for which service previously existed and where there is an existing setting for a meter. Costs of such re-servicing shall be based on justifiable expenses in connection with such re-servicing. (See Tariff Section E)

**Seasonal Reconnect Fee** – The fee charged for resumption of service at a location where the member has voluntarily suspended service, in a written request, for a period of time not exceeding nine months within a twelve month period. The fee is based on the total months for which service is suspended multiplied by the amount of the monthly minimum fee the Corporation charges active customers.

**Service Application and Agreement** – A written agreement between the Member/Applicant and the Corporation defining the specific type of service requirements requested on the current service application and agreement form, and the responsibilities of each party required before service is furnished. (See Sample Application Packet RUS-TX Bulletin 1780-9 (Rev. 01/09) or Non-Standard Service Contract)

**Service Investigation Fee** – A fee for costs associated with determining if service is available and determining cost of service. (See Tariff Section G.)

**Service Unit** – The base unit of service used in facilities design and rate making. For the purpose of this Tariff, a service unit is a 5/8" X 3/4" water meter. (See Tariff Section G.)

**Subdivide** – To divide the surface area of land into lots or tracts. (Texas Local Government Code Section 232.021(11) Definitions, Texas Water Code Section 13.2502(e) (1))

**Subdivider** – An individual, firm, corporation, or other legal entity that owns any interest in land and that directly or indirectly subdivides land into lots as a part of a common promotional plan in the ordinary course of business. (Texas Local Government Code Section 232.021(12) Definitions)

**Subdivision** – An area of land that has been subdivided into lots or tracts. (Local Government Code Section 232.021(13) Definitions)

**Tariff** – The operating policies, service rules, service extension policy, service rates, water use restriction policies, sample application packet, and miscellaneous transaction forms adopted by the Board of Directors. A copy of this Board approved tariff is on file at the Corporation office and as required by law at the State office of the TCEQ.

**Temporary Service** – The classification assigned an applicant that is in the process of construction. This could also apply to service for uses other than permanent (agricultural, road construction, drilling, livestock, etc.). The Board will set the length of time associated with this classification. This classification will change to permanent service after requirements in Tariff Section E are met. Applicant must have paid an Indication of Interest Fee.

**Texas Commission on Environmental Quality (TCEQ)** – State regulatory agency having jurisdiction of water and sewer service utilities and appellate jurisdiction over the rates and fees charged by Non-Profit Water and Sewer Service Corporations.

**Transferee** – An Applicant receiving a PHWSC Membership by legal means from a person or entity desiring to forfeit and transfer current rights of Membership to another person or entity. (See Tariff Section E., Texas Water Code Section 67.016)

**Transferor** – A Member who transfers Membership by legal means to another person or entity desiring to qualify for service at a property for which the Membership is currently issued or to the Corporation. (Texas Water Code, Section 67.016)

**Usage** – Amount billed or to be collected based on the meter reading.

**Water Conservation Penalty** – A penalty that may be assessed under Section H of this Tariff to enforce customer / member water conservation practices during drought contingency or emergency water demand circumstances. (Texas Water Code Section 67.011 (b)).

## SECTION D. GEOGRAPHIC AREA SERVED

This section should include an area map that shows the Corporation's Certificated Service Area. Therefore, the Corporation must make sure that its current service area corresponds to the area and/or facilities as approved by the TCEQ in its Certificate of Convenience and Necessity. **It is the responsibility of the Corporation to properly file a map showing its service area with the TCEQ and to file for any changes in that service area. This copy of the Commission's official service map will serve as documentation in the event of future disputes over service areas.**

## CERTIFICATE OF CONVENIENCE AND NECESSITY

To Provide Water Service under Texas Water Code  
and Texas Commission on Environmental Quality Substantive Rules

Certificate No. 10737

### I. Certificate Holder:

Name: Pendleton Harbor Water Supply Corporation

Address: 501 Kennon Drive South  
Hemphill, Texas 75948

### II. General Description and Location of Service Area:

Pendleton Harbor Subdivision and adjacent area in Sabine County, Texas. See CCN Map.

### III. Certificate Maps:

The certificate holder is authorized to provide water service in the area identified on the Commission's official service area map, WRS-255, maintained in the offices of the Texas Commission on Environmental Quality, 12011 Park 35 Circle, Austin, Texas with all attendant privileges and obligations.

This certificate is issued under Application No. 37371-S and subject to the rules and orders of the Commission, the laws of the State of Texas, conditions contained herein and may be revoked for violations thereof. The certificate is valid until amended or revoked by the Commission.

Issued Dated:

ATTEST: October 25, 2012

For the Commission



## **Texas Commission On Environmental Quality**

**By These Presents Be It Known To All That**

**Pendleton Harbor Water Supply Corporation**

having duly applied for certification to provide water utility service for the convenience and necessity of the public; and it having been determined by this Commission that the public convenience and necessity would in fact be advanced by the provision of such service by this Applicant, is entitled to and is hereby granted this

### **Certificate of Convenience and Necessity No. 10737**

to provide continuous and adequate water utility service to that service area or those service areas in Sabine County as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Application No. 37371-S are on file at the Commission offices in Austin, Texas; and are matters of official record available for public inspection; and be it known further that these presents do evidence the authority and the duty of the Pendleton Harbor Water Supply Corporation to provide such utility service in accordance with the laws of this State and Rules of this Commission, subject only to any power and responsibility of this Commission to revoke or amend this Certificate in whole or in part upon a subsequent showing that the public convenience and necessity would be better served thereby.

Issued at Austin, Texas, this **October 25, 2012**

  
For the Commission

CL 10737-2012

# TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

ORIGINAL

10737-S



THE STATE OF TEXAS

COMMISSION ON ENVIRONMENTAL QUALITY

I hereby certify that this is a true and correct copy of a Texas Commission on Environmental Quality document which is filed in the permanent records of the Commission. Given under my hand and the seal of office on

Dwight C. Baker OCT 31 2012

Dwight C. Baker, Chief Clerk

Texas Commission on Environmental Quality

APPLICATION NO. 37371-S

IN THE MATTER OF THE  
APPLICATION OF PENDLETON  
HARBOR WATER SUPPLY  
CORPORATION, TO TRANSFER  
FACILITIES AND CERTIFICATE OF  
CONVENIENCE AND NECESSITY NO.  
10737 FROM PENDLETON UTILITY  
CORPORATION, IN SABINE COUNTY,  
TEXAS

Under the Seal of the Commission

BEFORE THE  
TEXAS COMMISSION ON  
ENVIRONMENTAL QUALITY

On October 25, 2012, the Executive Director of the Texas Commission on Environmental Quality pursuant to Chapters 5 and 13 of the Texas Water Code considered the application of Pendleton Harbor Water Supply Corporation to transfer facilities and Certificate of Convenience and Necessity No. 10737 from Pendleton Utility Corporation, in Sabine County, Texas.

A waiver of Notice of the application was granted for good cause. Pendleton Harbor Water Supply Corporation and the Pendleton Utility Corporation jointly filed the application. The affected and interested parties were notified of the transaction and no objections were received;

The criteria set forth in Texas Water Code Sections 13.246(c), 13.254, and 13.301 have been considered; and

The certificate transfer requested in this application is necessary for the service, accommodation, convenience, and safety of the public.

NOW, THEREFORE BE IT ORDERED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY that the application is granted and Certificate of Convenience and Necessity No. 10737 be transferred in accordance with the terms and conditions set forth herein and in the certificate.

IT IS FURTHER ORDERED that Pendleton Harbor Water Supply Corporation shall serve every customer and applicant for service within the area certified under Certificate of Convenience and Necessity No. 10737 and that such service shall be continuous and adequate.

Texas Commission on Environmental Quality

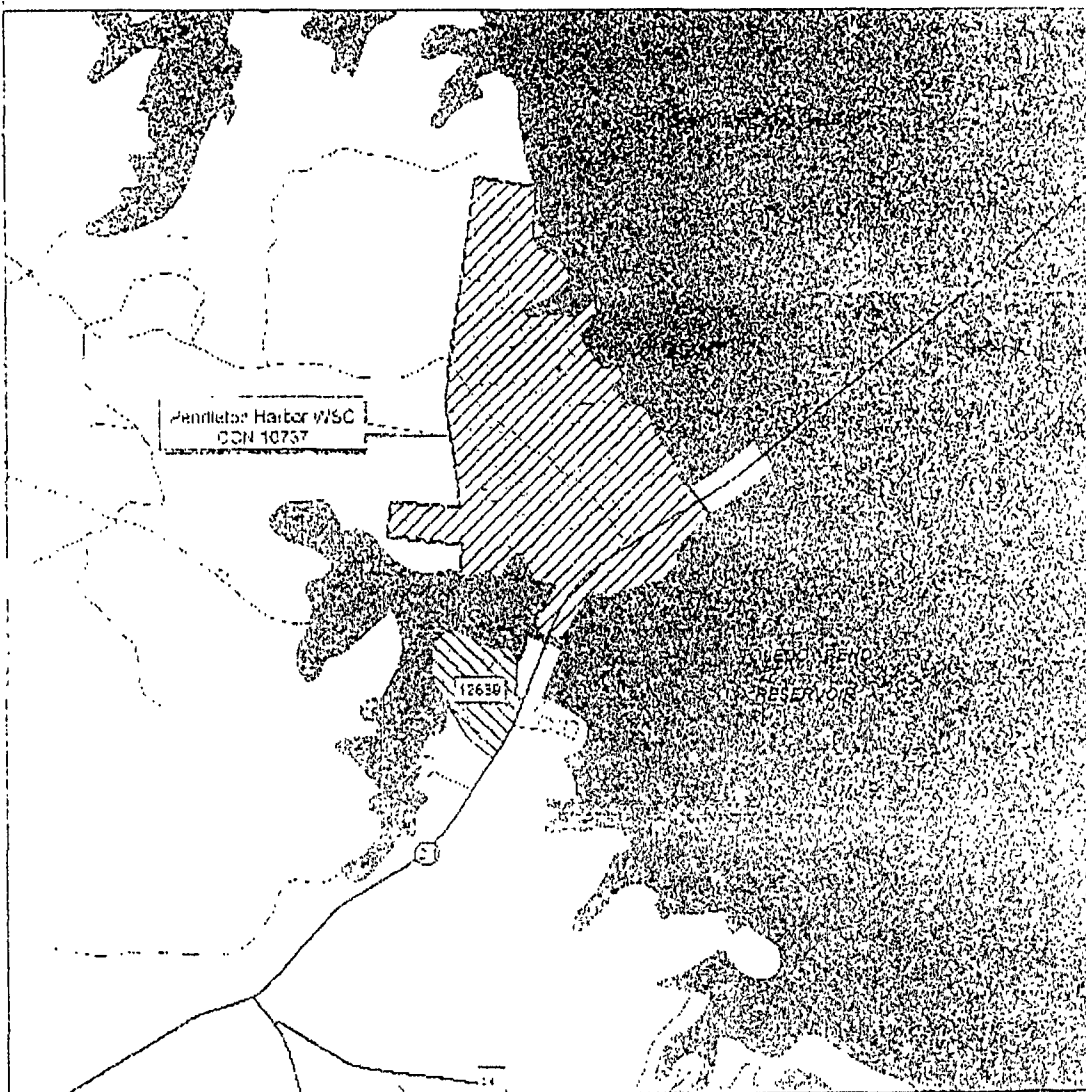
Issued date: October 25, 2012

Dwight C. Baker  
For the Commission

## MAP OF CCN AREA

**ORIGINAL**

Pendleton Harbor Water Supply Corporation (WSC)  
Water Service Area  
CCN No. 10737  
Application No. 37371-S (Transferred CCN No. 10737 from Pendleton Utility Corporation)  
Sabine County



Map by S. Carter 6/20/1995  
Data by S. Carter 6/20/1995  
Revised by S. Carter 6/20/1995

0 1000 2000 Feet



Water CCN Service Areas

10737 - PENDELTON HARBOR WSC

12630 - FRONTIER PARK RESORT & MARINA

## SECTION E. SERVICE RULES AND REGULATIONS

1. ***Service Entitlement.*** The Applicant(s) shall be considered qualified and entitled to water and/or sewer utility service when proper application has been made, terms and conditions of Service and Membership have been met and continue to be met, and all fees have been paid as prescribed. (30 TAC 291.85(a))
2. ***Service Location and Classification.*** For the purposes of this Tariff, service requested by the Applicant(s) shall be for real estate designated to receive the service provided by the Corporation. Service shall be through a meter located on that designated real estate unless otherwise approved by the board. Service shall be divided into the following two classes:
  - a. **Standard Service** is defined as service on a specific property designated to receive service on an existing pipeline where pipeline or service facility extensions are not required and special design and/or engineering considerations are not necessary. Typically, this would include 5/8" X 3/4" or 3/4" sized water meter services set on existing pipelines.
  - b. **Non-Standard Service** is defined as any service request which requires a larger meter service, service to a Master Metered Account or an addition to the supply, storage and/or distribution/collection system. The service requirements as prescribed by Section F of this Tariff shall be required of the Non-Standard Service Applicant prior to providing service.
3. ***Service Requirements.*** The Corporation's Service Application and Agreement Form shall be completed in full and signed by the Applicant(s). Where applicable in addition to the applicant any other person sharing an ownership interest in and receiving service at that property shall sign the Service Application and Agreement Form; however, even if the spouse or other person sharing an ownership interest does not sign the Service Application and Agreement Form, they are still responsible for all terms set forth therein, and for any debt obligation related to the account. (See Sample Application RUS-TX Bulletin 1780-9 (Rev. 01/09))
  - a. A Right-of-Way Easement Form, Sanitary Control Easement, or other such easement form, required by the Corporation, must be completed by the Applicant for the purpose of allowing future facility additions. (See Sample Application - RUS-TX Bulletin 1780-9 (Rev. 01/09), 30 TAC 290.47 Appendix C.) **NOTE:** This requirement may be delayed for Non-Standard Service requests.
  - b. The Applicant shall provide proof of ownership to property for which service has been requested in a manner acceptable to the Corporation. Proof of ownership shall consist of warranty deed, deed of trust or other recordable documentation of title to the real estate designated to receive service. (Texas Water Code Sections 67.016 (e), and 13.002 (11)).
  - c. On the request by the property owner or owner's authorized agent, the Corporation shall install individual meters owned by the Corporation in an apartment house, manufactured home rental community, multiple use facility, or condominium on which construction begins after January 1, 2003, unless the Corporation determines that installation of individual meters is not feasible. If the Corporation determines that installation of meters is not feasible, the property owner or manager shall install a plumbing system that is compatible with the installation of submeters or individual meters. The Corporation shall be entitled to the payment of costs, including the costs of individual meter installations, as provided in Section G. The cost of individual meter installation shall be prepaid by the property owner as well as the cost of any additional facilities or supply occasioned by the total water service demand represented by full occupancy of the property, as determined under applicable provisions of Section F. It shall be the responsibility of the property owner to obtain the memberships required for each individual meter.



- d. Notice of application approval and costs of service determined by the Corporation shall be presented to the Applicant in writing and shall remain in effect for a period not to exceed thirty (30) days. After that time the Applicant must re-apply for service. (30 TAC 291.81(a)(1))
  - e. If the water main has been located in the public right-of-way and is adjacent to Applicant's property due to the current or previous landowner's refusal to grant easement to the Corporation for the purpose of installing the water main and appurtenances, and the Corporation has documentation of such refusal, the Applicant, prior to receiving the requested service, shall grant easement required under this Tariff and in addition to the normally required fees for new customer service, shall pay such sums as are reasonably necessary to cap the existing line in the ROW and construct the appropriate line or lines within that easement for the Corporation's system-wide service.
4. **Line Extension Reimbursement.** – An approved Applicant may have to pay on a prorated basis a line reimbursement fee to the Corporation for the purpose of reimbursing a member or other party that made the capital outlay to extend service to that area.
5. **Ownership of equipment.** All water meters and equipment and materials required to provide water service to the point of customer connection; water meter or service tap, is the property of the Corporation upon installation, and shall be maintained by the water system only.
6. **Activation of Standard Service.**
- a. **New Tap** – The Corporation shall charge a non-refundable service installation fee as required under Section G of this tariff. The service installation fee shall be quoted in writing to the Applicant. Any debt owed to the Corporation and all fees shall be paid or a deferred payment contract signed in advance of installation. (30 TAC 291.86 (a)(1)(A))
  - b. **Re-Service** – On property where service previously existed, the Corporation shall charge the Membership Fee (where the Membership Fee has been liquidated or refunded), reconnection costs, any debt owed to the Corporation if the applicant is the person that previously incurred those charges, seasonal reconnect fee as appropriate, and other applicable costs necessary to restore service.
  - c. **Performance of Work** – All tap and equipment installations specified by the Corporation shall be completed by the Corporation staff or designated representative after all application requirements have been met. The tap for a standard service request shall be completed within five (5) working days whenever practicable, but not later than 10 working days. This time may be extended for installation of equipment for Non-Standard Service Request. (See Section F)
  - d. **Inspection of Customer Service Facilities** – The property of the Applicant/Member shall be inspected to insure compliance with state required Minimum Acceptable Operating Practices for Public Drinking Water Systems as promulgated by the Texas Commission on Environmental Quality or successor agency. The customer must, at his or her expense, properly install, inspect, test, maintain and provide all required documentation of any approved backflow prevention device required by the Corporation. (30 TAC 290.46(j))
7. **Activation of Non-Standard Service.** Activation of Non-Standard Service shall be conducted as prescribed by terms of Section F of this Tariff.

8. **Changes in Service Classification.** If at any time the Corporation determines that the customer service needs changed from those originally applied for to a different service classification and the Corporation determines that additional or different facilities are necessary to provide adequate service, the Corporation shall require the Applicant/Member to re-apply for service under the terms and conditions of this Tariff. Applicant/Members failing to comply with this provision shall be subject to the Disconnection with Notice Provisions of this Tariff, Section E.

9. **Membership.**

- a. **Eligibility** – Eligibility for Membership shall not guarantee service to the Applicant or Transferee; however, qualification for service is a prerequisite to Membership eligibility for new Applicants or continued Membership for Transferees.
- b. **Membership** - Upon qualification for service, qualification for Membership, payment of the required fees, and any debt owed to the Corporation, the Corporation shall certify the Applicant as a Member. The Membership shall entitle the Member to one (1) connection to the Corporation's water utility service and one (1) share of Corporation Stock. The Membership entitles the Member to one (1) vote in the election of directors and in such other matters requiring the approval of the Corporation's Members at any Annual or Special Membership Meeting of the Corporation as prescribed by the Corporation Bylaws. Ownership of more than one (1) Membership shall not authorize the Member to cast more than one (1) vote at any annual or special meeting. Each Membership and Stock thereby represented may be assigned to the specified parcel of land originally designated to receive service at the time of application. (Texas Water Code Section 67.016) **NOTE (1):** In the event that the Corporation is conducting a potential Members survey for indications of interest in future service for the purpose of determining the feasibility of an initial construction or expansion project under RUS guidelines (see Sample Application Packet), regular application procedures may be modified. An Indication of Interest Fee may be required prior to qualifications for receipt of service by the Applicant but shall only be used or applied as a Membership fee for Membership purposes (upon issuance of a Membership) if service is ultimately received or reserved by the Applicant as a result of the planned project facilities. If service is not provided within the scope of this project, Indication of Interest Fees shall be refunded, less expenses, within sixty (60) days of the loan closing with the Rural Utilities Service. **NOTE (2):** In the event the applicant is in the process of construction the Membership will be considered TEMPORARY until such time as the final Customer Service Inspection is completed and the forms are returned as required. (See Section C, Section E Sub-Section 1. Service Entitlement)
- c. **Transfers of Membership.** -- (Texas Water Code Section 67.016)
  - 1) A Member is entitled to transfer Membership in the Corporation only under the following circumstances:
    - (a) The Membership is transferred by will to a person related to the Transferor within the second degree by consanguinity; or
    - (b) The Membership is transferred without compensation to a person related to the Transferor within the second degree by consanguinity; or
    - (c) The Membership is transferred without compensation or by sale to the Corporation.
  - 2) Qualifications for service upon transfer of Membership set forth in Subsection 10 c. (1) of this and 10 c. (2) of this Section shall be subject to approval of the Corporation and shall be recorded on the books and records of the Corporation only upon the following terms and conditions:
    - (a) The Transferee has completed the required Application Packet including granting the Corporation with a private utility easement on the form provided by the Corporation;
    - (b) The membership has not been fully or partially liquidated; and

- (c) The Transferee demonstrates satisfactory evidence of ownership of the property designated to receive service and from which the Membership originally arose.
- 4). If the application packet and other information is not completed on the day transfer of membership is requested the corporation will give the transferee written notice of 10 additional days to produce completed documentation to the corporation office. Service will be disconnected on the day following the 10<sup>th</sup> day according to disconnection with notice requirements. Additional time may be allowed at the directions of the manager or board.
- d. **Cancellation of Membership** – To keep a Membership in good standing, a Base Rate must be paid monthly to the Corporation, whether or not water is used. Failure to pay this monthly charge to the Corporation shall jeopardize the Member's Membership standing and give rise to liquidation of the Membership Fee and forfeiture of the Membership. A Member may be relieved of this obligation to pay by surrendering the Membership, properly documented, to the Corporation. The Member shall also complete a Service Discontinuance Request Form prior to termination of service. (See Misc. Transaction Forms.) However, a Member is not relieved of any obligations incurred prior to the date of surrender of a properly endorsed Membership prior to termination of service. Rights to future service at this tap shall be extended on an as available basis and subject to the terms of the Activation of Service Subsection E of this Tariff. (Texas Water Code Section 67.016)
- e. **Liquidation Due To Delinquency** – When the amount of the delinquent charges owed by the Member equals the Membership Fee, the Membership Fee shall be liquidated and the Membership canceled and transferred back to the Corporation. In the event the Member leaves a balance due on an account guaranteed under the terms of a Service Application and Agreement, and the delinquent Member owns more than one Membership, the Corporation may liquidate as many of the Member Guarantor's Membership Fees as necessary to satisfy the balance due the Corporation, provided proper notice has been given (see Tariff Section E, Subsection 18.). The Corporation shall collect any remaining account balances by initiation of legal action. Re-instatement of service shall be subject to the terms of the Activation of Service Subsection E of this Tariff.
- f. **Cancellation Due To Policy Noncompliance** – The Corporation may cancel a Membership anytime a Member fails to comply with policies of the Corporation, including but not limited to Member's failure to provide proof of ownership of the property from which the Membership arose. (Texas Water Code Section 67.016)
- g. **Reassignment of Canceled Membership.**
- 1) The Corporation, upon cancellation of Membership under the provisions of this Tariff, may reassign the canceled Membership to a person or entity that has legal title to the real estate from which the canceled membership arose and for which water service is requested (Texas Water Code Section 67.016). Membership will not be re-assigned unless the person or entity that has legal title to the real estate has complied with the corporation's current rates, charges, and conditions of service, including current membership fee, set forth in the tariff and service application package.
  - 2) The Corporation shall reassign a canceled Membership to a person or entity that acquires the real estate from which the Membership arose through judicial or nonjudicial foreclosure. The Corporation will require proof of ownership resulting from the foreclosure and compliance with the corporation's current rates, charges, and conditions of service, including current membership fee, set forth in the tariff and service application package. In the event of foreclosure by a mortgage institution, the Corporation may allow a property management company to acquire the Membership if the management company provides written documentation showing that the management company is legally responsible for the management of the property and it is not feasible for the mortgage institution to be the Member.

- i. **Cancellation and Re-Assignment of Membership as a Result of Bankruptcy Proceedings –** Upon notice of the filing of a petition in bankruptcy, the Corporation may require the posting of a deposit or other form of security, acceptable to the Corporation, as a condition for continuing utility service. Unless special circumstances require otherwise, the amount of security shall equal the amount of charges for the month of greatest use during the preceding 12 months. The Corporation shall not require the payment of any security prior to the expiration of 20 days following the date on which the petition is filed. Failure to provide this security by the date specified by the Corporation may result in termination of service according to the Disconnection with Notice Provisions of Section E of this Tariff, with a copy of the notice to the bankruptcy Trustee.
- j. **Cancellation and Re-Assignment of Membership as a Result of Divorce (or Dissolution of Joint Tenancy) –** The Corporation shall transfer the membership to a spouse (or joint tenant) who has been awarded the property designated to receive service. The Corporation must be provided adequate documentation of the ownership rights of the spouse (or joint tenant) requesting transfer, such as final divorce decree, temporary court order, or agreement. In no event shall any membership(s) be transferred if the transferee does not otherwise meet the qualifications for membership and for service.

**10. Owners and Renters.** Any Member having complied with the requirements of this Tariff, renting or leasing property designated to receive service according to the terms of this tariff to other parties, is responsible for all charges due the Corporation. The membership for rental or leased properties shall be in the name of the owner of the property as required by this Tariff. The Corporation may bill the renter or lessee for utility service (at Member Request) as a third party, but the Member is fully responsible for any and all unpaid bills left by the renter/lessee. The owner shall be required to sign an Alternate Billing Agreement if the owner requests that the tenant be billed for utility service. The Member shall take responsibility for any necessary deposits from the renter/lessee to ensure payment of a past due bill. The Corporation will notify the Member of the renter's past due payment status. Such notification will be subject to a service charge.

If at any time the member requests that membership be canceled thereby discontinuing service to an occupied rental property, the Corporation shall provide written notice to the tenant(s) a minimum of five (5) days prior to the scheduled disconnection date.

- 11. Denial of Service.** The Corporation may deny service for any of the following reasons:
- a. Failure of the Applicant or Transferee to complete all application requirements, including granting an easement, completing all forms, and paying all required fees and charges.
  - b. Failure of the Applicant or Transferee to comply with rules, regulations, policies, and bylaws of the Corporation.
  - c. Existence of a hazardous condition at the Applicant's property which would jeopardize the welfare of the Members/Users of the Corporation upon connection.
  - d. Failure of Applicant or Transferee to provide representatives or employees of the Corporation reasonable access to property, for which service has been requested.
  - e. Failure of Applicant or Transferee to comply with all governmental rules and regulations of the Corporation's tariff on file with the state regulatory agency governing the service applied for by the Applicant.
  - f. Failure of Applicant or Transferee to provide proof of ownership, to the satisfaction of the Corporation, of property for which the tap has been requested.
  - g. Applicant's service facilities are known to be inadequate or of such character that satisfactory service cannot be provided
  - h. Failure of Applicant or transferee to comply with applicable regulations for on-site sewage disposal

systems if the Corporation has been requested to deny service by the TCEQ or the Sabine River Authority of Texas under Chapter 366 of the Texas Health and Safety Code.

- i. Failure of the Applicant or Transferee to pay any previous outstanding delinquent account(s) in full. This could be delinquencies resulting from the same account location or other service location(s) within the system where the Applicant or Transferee received service. (Also see E.)

**12. *Applicant's or Transferee's Recourse.*** In the event the Corporation refuses to serve an Applicant under the provisions of these rules, the Corporation must notify the Applicant, in writing, on the basis of its refusal. The Applicant may file for an appeal, in writing, with the Board of Directors of the Corporation.

**13. *Insufficient Grounds for Refusal of Service.*** The following shall not constitute sufficient cause for the refusal of service to an Applicant:

- a. Delinquency in payment for service by a previous member or occupant of the premises to be served;
- b. Failure to pay a bill to correct previous under-billing due to misapplication of rates more than six (6) months prior to the date of application;
- c. Violation of the Corporation's rules pertaining to operation of nonstandard equipment or unauthorized attachments which interferes with the service of others, unless the customer has first been notified and been afforded reasonable opportunity to comply with said requirements;
- d. Failure to pay a bill of another member or customer as guarantor thereof unless the guarantee was made in writing to the Corporation as a condition precedent to service;
- e. Failure to pay the bill of another member or customer at the same address except where the change of customer identity is made to avoid or evade payment of a utility bill.

**14. *Deferred Payment Agreement.*** The Corporation may offer a deferred payment plan to a Member or rental tenant who cannot pay an outstanding balance in full and is willing to pay the balance in reasonable installments as determined by the Corporation, including any Late Penalty Fees or interest on the monthly balance to be determined as per agreement. Failure to make required and timely payments as provided in any deferred payment agreement will void that agreement and service will be discontinued. The Corporation may consider another deferred payment agreement provided payments will be made by automatic bank draft or PayPal. Non-payment of any amount under an additional deferred payment agreement will cause service to be disconnected immediately and service will not be restored until the account is paid in full and all other charges resulting from the disconnection of service are fully paid. In the event the requestor is a tenant of rental property the Corporation shall notify the owner/member of the deferred payment agreement.

**15. *Charge Distribution and Payment Application.***

- a. **The Base Rate** is for the billing period from the 1st day of the month to the last day of the month. Charges shall be prorated for meter installations and service termination's falling during the billing period. Billings for this amount will be included in the customers first billing cycle and be mailed on or about the 1st of the month for which this charge is due. All services shall be subject to this charge whether or not the service is in use by the Member.
- b. **Gallonage Charge** shall be billed at the rate specified in Section G and billing shall be calculated in 10 or 100 gallon increments depending on the customers meter size. Water charges are based on monthly meter readings and are calculated from the previous reading date to the next reading date. Readings used in all billing calculations shall be taken by the Corporation's employees or designated representative.

c. **Posting of Payments** – All payments shall be posted against previous balances and late fees prior to posting against current billings.

d. **Forms of Payment:** The Corporation will accept the following forms of payment: cash, personal check, cashier's check, money order, PayPal payments or bank draft when this service is offered. The Corporation will not accept two-party checks, pay checks, or any other instrument of payment that is not made out to the Corporation. The Corporation charges a \$2.00 handling fee for all PayPal payment transactions in accordance with PayPal policies and consumer laws. PayPal is a registered trademark.

**16. Due Dates, Delinquent Bills, and Service Disconnection Date.**

- a. The Corporation shall mail all bills on or about the 1st of the month or first business day of the month. All bills are considered the responsibility of each person signing the Service Application and Agreement Form. All bills shall be due and payable upon receipt and are past due if received after the 22nd day of each month. A penalty shall be applied to payments received after the 22nd day as described in Section G. The time for payment by a political subdivision may be different than your regular due date. (See Texas Government Code 2251.021) A bill is delinquent if not paid on or before the past due date. Payments made by mail will be considered late if postmarked after the past due date. Final notices shall be mailed allowing ten (10) additional days for payment prior to disconnection. The ten (10) additional days shall begin on the day the final notice is deposited with the U.S. Postal Service with sufficient postage. For all disputed payment deadlines, the date postmarked on each bill will determine the beginning of each billing cycle or final notice mailings.
- b. The board of directors may elect to not charge a late fee or disconnect fee in accordance with this Tariff during or after the occurrence of a natural disaster or other incident that impacts the property of members or interrupts the management and operation of the system.
- c. Upon written request, any residential customer 60 years of age or older who occupies the entire premises of a dwelling receiving water utility service from the Corporation shall receive extension of the past due date, without penalty. The extension shall not exceed 10 days beyond the usual 15 day payment period for a total of no more than 25 days from the date the bill is issued. The request may specify extension of the late payment periods for current and subsequent billings. (Texas Utilities Code Sections 182.001 - 182.005) If this request originates from a tenant at a rental property the owner / member will be notified in writing of any extension request.
- d. All insufficient fund checks, accounts closed or money orders that have had a "stop payment order" issued for payment of a water bill will be deemed delinquent as if no payment was received and the meter is subject to disconnection with notice on the regular disconnection day.

**17. Rules for Disconnection of Service.** The following describes the rules and conditions for disconnection of service. Notwithstanding any language to the contrary in the Service Application and Agreement Form, the Corporation may only discontinue service for the reasons set forth in this Section

a. **Disconnection with Notice** – Water utility service may be disconnected for any of the following reasons after proper notification has been given.

- 1) **Returned Checks** – The Corporation shall mail, via the U.S. Postal Service, a notice requiring redemption of the returned instrument within ten (10) days of the date of the notice to be made in the Corporation office. Redemption of the returned instrument shall be made by cash, money order, or certified check. Failure to meet these terms shall initiate disconnection of service. (see Miscellaneous Transaction Forms) Any such instruments returned as insufficient or non-negotiable for any reason for any two billing periods within a 12-month period shall be

considered evidence of bad credit risk by the Corporation. The Member/Customer in violation shall be placed on a "cash-only" basis for a period of 12 months. **NOTE:** "cash only," means certified check, money order, or cash.

- 2) Failure to pay a delinquent account for utility service, failure to timely provide a deposit or other security under Section E or failure to comply with the terms of a deferred payment agreement.
- 3) Violation of the Corporation's rules pertaining to the use of service in a manner which interferes with the service of others or the operation of nonstandard equipment if a reasonable attempt has been made to notify the Member and the Member is provided with a reasonable opportunity to remedy the situation;
- 4) Failure of the Member to comply with the terms of the Corporation's Service Agreement, Tariff (including, where appropriate, Section H), Bylaws, or Special Contract provided that the Corporation has given notice of said failure to comply, and Member has failed to comply within a specified amount of time after notification.
- 5) Failure to provide access or hindering access to the meter under the terms of this Tariff or to property at which water service is received when there is reason to believe that a hazardous condition or policy violation exists for which access is necessary to verify. Conditions that may hinder access include, but are not limited to, fences with locked gates, vehicles or objects placed on top of meters or meter boxes, and unrestrained animals.
- 6) Misrepresentation by any Applicant or Transferee of any fact on any form, document, or other agreement required to be executed by the Corporation.
- 7) Failure of Member to reapply for service upon notification by the Corporation that Member no longer meets the terms of the service classification originally applied for under the original service application.
- 8) Cancellation of membership by Member on an account that the Member holds for water service to the Member's renter/lessee, even if the renter/lessee has kept the account balance current under an Alternate Billing Agreement. (Note: The cancellation of membership must be in writing and signed by the Member. CORPORATION ASSUMES NO LIABILITY TO RENTER/LESSEE; MEMBER IS SOLELY RESPONSIBLE FOR COMPLIANCE WITH, AND LIABILITY UNDER ANY FEDERAL, STATE OR LOCAL LAW CREATING OR PROTECTING RIGHTS OF RENTERS/LESSEES.)
- 9) Violation of any applicable regulation or pertaining to on-site sewage disposal systems if the Corporation has been requested in writing to disconnect service by the TCEQ or the TCEQ's designated representative under Chapter 366 of the Texas Health and Safety Code.
- 10) Failure to pay charges arising from service trip fee as defined in Section G 15. meter re-read fee, or meter read fee when customer on self-read plan failed to submit their meter reading.
- 11) Failure by a Member to pay for all repair or replacement costs resulting from the Member damaging system facilities including, but not limited to water or sewer lines, service taps, meter boxes, valves, or meters by engaging in activities such as property excavations, installment of a driveway or roadway requiring encasements, lowering or re-routing of lines or system components, or by any other action. The Corporation will provide the /Member with notice detailing the extent of the damage, the location of the damage, the cost of repair, and whether the damage occurred on private property or on a public right-of-way. Failure to pay the cost of repair or replacement will result in the /Member's service being disconnected in accordance with the Disconnection with Notice Provisions in this Section. Service will remain disconnected until

payment is received or an acceptable payment plan is approved.

- 12) Failure to disconnect or secure additional service tap(s) for an RV or other service connection after notification by the Corporation of violation of the Prohibition of Multiple Connections.

**b. Disconnection without Notice** – Water utility service may be disconnected without notice for any of the following conditions:

- 1) A known dangerous or hazardous condition exists for which service may remain disconnected for as long as the condition exists, including but not limited to a public health nuisance as defined in Texas Health and Safety Code Sections 341.011 or 343.011. If there is reason to believe a dangerous or hazardous condition exists, the Corporation may conduct a customer service inspection (CSI) to verify the hazardous condition and may notify the local county health office. The Corporation will disconnect without notice if the Member refuses to allow access for the purpose of confirming the existence of such condition and/or removing the dangerous or hazardous condition (30 TAC 290.46(i) and 290.46(j)). Service will be restored when a CSI confirms no health hazard exists, the health hazard has been removed or repaired, or the health hazard has been isolated from the Corporation's water system by the installation of a backflow prevention device.
- 2) A line leak on the member's side of the meter is considered a potential hazardous condition under b 1. If the Corporation conducts a CSI and discovers that the line leak has created a hazardous condition, the Corporation will provide the member up to five (5) business days, or another time period determined reasonable under the circumstances, to repair the line prior to disconnection of service.
- 3) Service is connected without authority by a person who has not made application for service or who has reconnected service without authority following termination of service for nonpayment; and in instances of tampering with the Corporation's meter or equipment, bypassing the meter or equipment, or other diversion of water or sewer service.
- 4) A threat to perform or actual performance of: (a) bodily injury to any Corporation employee, agent or representative or (b) damage to any Corporation property. The display of any firearm or other weapon in a confrontational, menacing or threatening manner shall be deemed to be a threat to perform bodily injury regardless of the condition of said firearm or weapon.

**NOTE:** Where reasonable, given the nature of the reason for disconnection, a written statement providing notice of disconnection and the reason therefore shall be posted at the place of common entry or upon the front door of each affected residential unit as soon as possible after service has been disconnected.

**c. Disconnection Prohibited** – Utility service may not be disconnected for any of the following reasons:

- 1) Failure of the Member to pay for merchandise or charges for nonutility service provided by the Corporation, unless an agreement exists between the Applicant and the Corporation whereby the Member guarantees payment of nonutility service as a condition of service;
- 2) Failure of the Member to pay for a different type or class of utility service unless a fee for such service is included in the same bill;
- 3) Failure of the Member to pay charges arising from an under-billing occurring due to any misapplication of rates more than six (6) months prior to the current billing;
- 4) Failure of the Member to pay the account of another Member as guarantor thereof, unless the Corporation has in writing the guarantee as a condition precedent to service;
- 5) Failure of the Member to pay charges arising from an under-billing due to any faulty metering, unless the meter has been tampered with or unless such under-billing charges are due under the Inoperative Meters subsection E 22. of this Tariff.



- 6) Failure of the Member to pay estimated bill other than a bill rendered pursuant to an approved meter reading plan, unless the Corporation is unable to read the meter due to circumstances beyond its control.
  - d. **Disconnection on Holidays and Weekends** – Unless a dangerous condition exists or the Member requests disconnection, service shall not be disconnected on a day, or on a day preceding a day, when personnel of the Corporation are not available to the public for the purpose of making collections and reconnecting service.
  - e. **Disconnection Due to Utility Abandonment** – The Corporation may not abandon a Member or a Certificated Service Area without written notice to its Members and all similar neighboring utilities and approval from the Texas Commission on Environmental Quality.
  - f. **Disconnection for Ill Customers** – The Corporation may not discontinue service to a delinquent residential Member or tenant under an alternative billing agreement permanently residing in an individually metered dwelling unit when that Member or tenant establishes that discontinuance of service will result in some person at that residence becoming seriously ill or more seriously ill if service is discontinued. To avoid disconnection under these circumstances, the Member or tenant must provide a written statement from a physician to the Corporation prior to the stated date of disconnection. Service may be disconnected in accordance with Subsection (a) of this Section if the next month's bill and the past due bill are not paid by the due date of the next month's bill, unless the Member or tenant enters into a Deferred Payment Agreement (see Miscellaneous Transaction Forms). The Corporation shall provide notice to an owner of rental property in the event a tenant requests service not be discontinued due to illness as per this subsection.
  - g. **Disconnection of Temporary Service** – When an applicant with a Temporary service fails to comply with the conditions stated in the Service Application and Agreement Form or other rules of this Tariff service may be terminated with notice.
18. **Billing Cycle Changes.** The Corporation reserves the right to change its billing cycles if the workload requires such practice. After a billing period has been changed, the billings shall be sent on the new change date unless otherwise determined by the Corporation.
19. **Back-billing.** The Corporation may back-bill a Member for up to four (4) years (48 months) for meter error, misapplied meter multiplier, incorrect meter readings, or error in computing a Member's bill. Failure to pay the most recent six (6) months billing will result in disconnection of service.
20. **Disputed Bills.** In the event of a dispute between the Member and the Corporation regarding any bill, the Corporation shall make and conduct an investigation as required by the particular case, and report the results in writing thereof to the Member. All disputes under this Subsection must be submitted to the Corporation, in writing, prior to the due date posted on said bill.
21. **Inoperative Meters.** Water meters found inoperative will be repaired or replaced within a reasonable time. If a meter is found not to register for any period, unless bypassed or tampered with, the Corporation shall make a charge for units used, but not metered, for a period not to exceed six (6) months, based on amounts used under similar conditions during the period preceding or subsequent thereto, or during corresponding periods in previous years.
22. **Bill Adjustment.**
- a. Due to Meter Error. The Corporation shall test any Member's meter upon written request of the Member. In the event the meter tests within the accuracy standards of The American Water Works Association, a test fee as prescribed in Section G of this Tariff shall be imposed. In the event the test

results indicate that the meter is faulty or inaccurate, the test fee shall be waived, the meter shall be calibrated or replaced, and a billing adjustment may be made as far back as six (6) months. The billing adjustment shall be made to the degree of the meter's inaccuracy as determined by the test. The Member shall complete a Meter Test Request Form prior to the test. (See Misc. Transaction Forms.)

- b. Due to Estimated Billing. If the Corporation has estimated usage because the Corporation is unable to access the meter due to circumstances beyond the Corporation's control, such as a natural disaster; or because access is hindered or denied by a Member, the Corporation shall adjust the bill once access has been regained and actual usage is determined.

### **23. *Meter Tampering and Damage to Property.***

- a. For purposes of this Section, the term "Tampering" shall mean meter tampering, bypassing, or diversion of the Corporation's service equipment, or other instances of diversion, including:
  - 1. Removing a locking or shutoff device used by the Corporation to discontinue service,
  - 2. Physically disorienting the meter,
  - 3. Attaching objects to the meter to divert service or to bypass,
  - 4. Inserting objects into the meter tap,
  - 5. Other electrical and mechanical means of tampering with, bypassing, or diverting service,
  - 6. connection or reconnection of service without Corporation authorization;
  - 7. connection into the service line of adjacent customers of the Corporation; and
  - 8. Preventing the water supply from being correctly registered by a metering device due to adjusting the valve so that flow is reduced below metering capability.

The burden of proof of Tampering is on the Corporation. Photographic evidence or any other reliable and credible evidence may be used; however, any evidence shall be accompanied by a sworn affidavit by the Corporation's staff when any action regarding Tampering is initiated. A court finding of Tampering may be used instead of photographic or other evidence, if applicable. Unauthorized users of services of the Corporation shall be prosecuted to the extent allowed by law under the Texas Penal Code Sections 28.03 and 12.21 and 12.22.

- a. If the Corporation determines under subsection (a) that Tampering has occurred, the Corporation shall disconnect service without notice as set forth in E.18.b. and charge the person who committed the Tampering the total actual loss to the Corporation, including the cost of repairs, replacement of damaged facilities, and lost water revenues.
- b. A person who otherwise destroys, defaces, damages or interferes with Corporation property will be charged the total actual loss to the Corporation including but not limited to the cost of repairs, replacement of damaged facilities, and lost water revenues. The Corporation also will prosecute the offending party to the extent allowed under law pursuant to Texas Water Code Section 49.228 and other applicable laws.
- c. In addition to actual damages charged under subsection (b), the Corporation may assess a penalty against the offending party. The penalty shall not exceed six (6) times the Base Rate.

**Note:** For purposes of this section, "offending party" means the person who committed the Tampering or damaged the property.

24. ***Meter Relocation.*** Relocation of services shall be allowed by the Corporation provided that:

- a. The relocation is limited to the existing property designated to receive service;
- b. A current easement for the proposed location has been granted to the Corporation; and
- c. The Member pays the actual cost of relocation plus administrative fees.

25. ***Prohibition of Multiple Connections to a Single Tap.***

a. No more than one (1) residential, commercial, or industrial service connection is allowed per meter or sewer tap. The Corporation may consider allowing an apartment building or mobile home/RV park to apply as a "Master Metered Account" and have a single meter or sewer tap (See Section E 27.) If the Corporation has sufficient reason to believe a Multiple Connection exists, the Corporation shall discontinue service under the Disconnection with Notice provisions of this Tariff for a first violation and for subsequent violations, service will be disconnected without notice in accordance with E 18. b. (See Sample Application Packet RUS-TX Bulletin 1780-9 (Rev. 01/09))

b. For purposes of this section, the following definitions shall apply:

- 1) A "multiple connection" is the connection to any portion of a member's water system that is connected to a primary delivery point already servicing one residence, one commercial or industrial facility of a water line serving another residence or commercial or industrial facility. Water lines to outbuildings, barns or other accessory structures shall not be considered a multiple connection if: (i) those structures are located on the same tract as the primary delivery point and (ii) such structures are not used as a residence or as a commercial or industrial facility.
- 2) A "primary delivery point" shall mean the physical location of a meter tap that is installed in accordance with this Tariff and applicable law and which provides water service to the residence or commercial or industrial facility of a member.
- 3) A "residence" shall mean any structure which is being used for human habitation, which may include kitchen and bathroom facilities or other evidence of habitation as defined by the Corporation.
- 4) "Commercial" facility shall mean any structure or combination of structures at which any business, trade, occupation, profession, or other commercial activity is conducted. A business conducted within a member's residence or property that does not require water in addition to that provided to the member's residence shall not be considered a separate commercial facility.

c. The corporation agrees to allow members in good standing to share water usage with a visitor on their property with a recreation vehicle (RV) or travel trailer for a period of no longer than three months. If the recreation vehicle/travel trailer is being used for a permanent residence, this Tariff requires that an additional meter installation and membership be purchased. If the member routinely has more than one visitor at a time with recreation vehicles or travel trailers or has multiple visitors throughout the year, the corporation may require that a second or additional meter(s) be purchased. The member must submit a written request to the corporation's business office at least five (5) business days prior to sharing corporation water with a visitor. The corporation has the right to refuse or deny the shared usage for any reason. The corporation also has the right to inspect the premises for any potential cross-contamination issues as outlined in the Customer Service Inspection requirements and to ensure that the meter is properly sized for the additional usage at the time of total peak water demand. These requirements pertain to visitors ONLY. No commercial usage where fees for water are charged is allowed. If a member is found to violate these conditions, the member will be sent a letter of notice stating that water service will be cut off in ten days if the situation is not corrected.

26. *Master Metered Account Regulations.* PHWSC does not currently support Master Metered Accounts.

27 *Member's Responsibility.*

- a. The Member shall provide access to the meter location as per the easement and service agreement. If access to the meter is hindered or denied preventing the reading of the meter, an estimated bill shall be rendered to the Member for the month; and a notice shall be sent to the effect that access could not be gained. If access is denied for three (3) consecutive months after proper notification to the Member, then service shall be discontinued and the meter removed with no further notice.

Conditions that may hinder access include, but are not limited to, fences with locked gates, vehicles or objects placed on top of meters or meter boxes, and unrestrained animals.

- b. The Member shall be responsible for compliance with all utility, local, and state codes, requirements, and regulations concerning on-site service and plumbing facilities.
  - 1) All water connections shall be designed to ensure against on-site sewage contamination, backflow or siphonage into the Corporation's water supply. In particular, livestock water troughs shall be plumbed above the top of the trough with air space between the discharge and the water level in the trough. (30 TAC 290.46, Texas Health & Safety Code Chapter 366)
  - 2) The use of pipe and pipe fittings that contain more than 8.0% lead or solder and flux that contain more than 0.2% lead is prohibited for any plumbing installation or repair of any residential or nonresidential facility providing water for human consumption and connected to the Corporation's facilities. Customer service pipelines shall be installed by the applicant. (30 TAC 290.46 )
  - 3) A Member owning more than one (1) Membership shall keep all payments current on all accounts. Failure to maintain current status on all accounts shall be enforceable as per Service Application and Agreement executed by the Member.
- c) The Corporation's ownership and maintenance responsibility of water supply equipment shall end at the meter or other service equipment as installed. Therefore, all water usage registering upon and/or damages occurring to the metering equipment owned and maintained by the Corporation shall be subject to charges as determined by the Corporation's Tariff as amended from time to time by the Board of Directors.
- d) The Corporation shall require each Member to have a cutoff valve preferably within two feet of the meter on the Member's side of the meter for purposes of isolating the Member's service pipeline and plumbing facilities from the Corporation's water pressure. The valve shall meet AWWA standards (a ball valve is preferred). The Member's use of the Corporation's curb stop or other similar valve for such purposes is prohibited. Any damage to the Corporation's equipment shall be subject to service charges. (This cut-off valve may be installed as a part of the original meter installation by the Corporation.)
- e) The member is required to notify the system 48 hours prior to digging or excavation activities along or near water/sewer lines and appurtenances.

## **SECTION F. DEVELOPER, SUBDIVISION AND NON-STANDARD SERVICE REQUIREMENTS**

**Part I. General Requirements.** This section details the requirements for all types of non-standard service requests.

1. ***Purpose.*** It is the purpose of this Section to define the process by which the specific terms and conditions for service to subdivisions and other kinds of Non-Standard Service are determined, including the Non-Standard Service Applicant's and the Corporation's respective costs.

For purposes of the Section, the term "Applicant" shall refer to the individual or entity that desires to secure Non-Standard Service from the Corporation. The Applicant must be the same person or entity that is authorized to enter into a contract with the Corporation setting forth the terms and conditions pursuant to which Non-Standard Service will be furnished to the property. In most cases, the Applicant shall be the owner of real property for which Non-Standard Service is sought. In the event that the Applicant is other than the owner of real property, the Applicant must furnish evidence to the Corporation that it is authorized to request Non-Standard Service on behalf of such owner, or that it otherwise has authority to request Non-Standard Service for the real property.

2. ***Application of Rules.*** This Section is applicable to subdivisions, additions to subdivisions, developments, or whenever additional service facilities are required for a single tract of property. Examples of non-standard services for a single tract of land can include, but are not limited to, road bores, extensions to the distribution system, service lines exceeding 3/4" diameter and service lines exceeding 20 feet. Non-residential or residential service applications requiring a larger sized meter typically will be considered non-standard. For the purposes of this Tariff, Applications subject to this Section shall be defined as Non-Standard. This Section may be altered or suspended for planned facility expansions when the Corporation extends its indebtedness. The Board of Directors of the Corporation or their designee shall interpret on an individual basis whether or not the Applicant's service request shall be subject to all or part of the conditions of this Section.

This Section sets forth the general terms and conditions pursuant to which the Corporation will process Non-Standard Service Requests. The specific terms and conditions pursuant to which the Corporation will provide non-standard service in response to any request will depend upon the nature of such request and may be set forth in a legally enforceable, contractual agreement to be entered into by the Corporation and the service Applicant. The agreement may not contain any terms or conditions that conflict with this Section.

3. ***Non-Standard Service Application.*** The Applicant shall meet the following requirements prior to the initiation of a Non-Standard Service Contract by the Corporation:
  - a. The Applicant shall provide the Corporation a completed Non-Standard Service Application (See Section I this Tariff). The Applicant shall specify any Special Service Needs, such as large meter size, size of subdivision or multi-use facility.
  - b. A final plat (see Tariff Definition Section- Final Plat) approved by the Corporation must accompany the Application showing the Applicant's requested service area. The plat must be approved by all governmental authorities exercising jurisdiction over lot sizes, sewage control, drainage, right-of-way, and other service facilities. Plans, specifications, and special requirements of such governmental authorities shall be submitted with the plat. Applicants for single taps involving extension or upsizing of

facilities shall be required to submit maps or plans detailing the location of the requested extension and details of demand requirements.

**NOTE:** It is the responsibility of the Applicant to secure all necessary approvals of the subdivision once an Agreement is in place between the Corporation and the Applicant.

- c. A Non-Standard Service Investigation Fee shall be paid to the Corporation in accordance with the requirements of Section G of this Tariff for purposes of paying initial administrative, legal, and engineering fees. The Corporation shall refund any balance that remains after it has completed its service investigation, and has completed all legal and engineering services associated with processing a request. In the event such a fee is not sufficient to pay all expenses incurred by the Corporation, the Applicant shall pay to the Corporation upon the Corporation's request all additional expenses that have been, or will be incurred by the Corporation and Corporation shall have no obligation to complete processing of the Application until all remaining expenses have been paid.
  - d. If after the service investigation has been completed, the Corporation determines that the Applicant's service request is for property located, in whole or in part, outside the area described in the Corporation's Certificate of Convenience and Necessity, service may be extended provided that:
    - 1). The service location is not in an area receiving similar service from another retail Corporation;
    - 2). The service location is not within another retail Corporation's Certificate of Convenience and Necessity; and
    - 3). The Corporation's Certificate of Convenience and Necessity shall be amended to include the entirety of Applicant's property for which service is requested. Applicant shall pay all costs incurred by Corporation in amending its CCN, including but not limited to engineering and professional fees. If the service location is contiguous to or within one-fourth (1/4) mile of Corporation's Certificate of Convenience and Necessity, Corporation may extend service prior to completing the amendment to its CCN, but will do so only upon Applicant's legally enforceable agreement to fully support such amendment (including but not limited to payment of all professional fees, including legal, surveying and engineering fees incurred by Corporation in securing the amendment).
4. **Design.** The Corporation shall approve the design requirements of the Applicant's required facilities prior to initiation of a Non-Standard Service Contract in accordance with the following schedule:
- a. The Corporation's engineer shall design, or review and approve plans for, all on-site and off-site service facilities for the Applicant's requested service within the Corporation's specifications, incorporating any applicable municipal or other governmental codes and specifications.
  - b. The engineer's fees shall be paid out of the Non-Standard Service Investigation Fee under Tariff Section F 3.
  - c. The engineer shall submit to the Corporation a set of detailed plans, specifications, and cost estimates for the project.
  - d. The Corporation's engineer shall ensure that all facilities for any Applicant meet the demand for service as platted and/or requested in the plans or plat submitted in application for service. The Corporation reserves the right to upgrade design of service facilities to meet future demands provided however, that the Corporation shall pay the expense of such upgrading in excess of that which is reasonably allocable to the level and manner of service requested by the Applicant.
  - e. The Corporation's engineer will determine the fire flow design for any non-standard service request, including new subdivisions, based on density, type of structure, and other factors.
5. **Non-Standard Service Contract.** Applicants requesting or requiring Non-Standard Service may be requested to execute a written contract, drawn up by the Corporation's Attorney (see example Section I Sample Forms), in addition to submitting the Corporation's Non-Standard Service Application. Said

contract shall define the terms of service prior to construction of required service facilities. The service contract may include, but is not limited to:

- a. All costs associated with required administration, design, construction, and inspection of facilities for water/sewer service to the Applicant's service area and terms by which these costs are to be paid.
  - b. Procedures by which the Applicant shall accept or deny a contractor's bid, thereby committing to continue or discontinue the project.
  - c. Terms by which service capacity shall be reserved for the Applicant and duration of reserved service with respect to the demand which the level and manner of the service will have upon the Corporation's system facilities.
  - d. Terms by which the Applicant shall be reimbursed or compensated for fees duplicated in assessments for monthly rates and Equity Buy-In Fees.
  - e. Terms by which the Corporation shall administer the Applicant's project with respect to:
    1. Design of the Applicant's service facilities;
    2. Securing and qualifying bids;
    3. Execution of the Service Contract;
    4. Selection of a qualified bidder for construction;
    5. Dispensing advanced funds for construction of facilities required for the Applicant's service;
    6. Inspecting construction of facilities; and
    7. Testing facilities and closing the project.
  - f. Terms by which the Applicant shall indemnify the Corporation from all third party claims or lawsuits in connection with the project.
  - g. Terms by which the Applicant shall dedicate, assign and convey to the Corporation all constructed facilities and related rights (including contracts, easements, rights-of-way, deeds, warranties, and so forth) by which the Corporation shall assume operation and maintenance responsibility for the Applicant's project. The Applicant shall also provide reproducible as-built drawings of all constructed facilities. The as-built drawings must verify that all facilities have been properly located within the easements conveyed to the Corporation.
  - h. Terms by which the Board of Directors shall review and approve the Service Contract pursuant to current rules, regulations, and bylaws.
6. ***Construction of Facilities by Applicant Prior to Execution of Service Contract.*** – The Corporation and the Applicant must execute a Non-Standard Service Contract prior to the purchase of supplies and materials or initiation of construction of facilities by the Applicant. In the event that the Applicant commences construction of any such facilities prior to execution of a Contract with the Corporation, then the Corporation may refuse to provide service to the Applicant or, in a subdivision, to any person purchasing a lot or home from the Applicant. Alternatively the Corporation may require full costs of replacing/repairing any facilities constructed without prior execution of a contract from any person buying a lot or home from Applicant. At a minimum, the Corporation will require that all facilities be uncovered by the Applicant for inspection by the Corporation, require that any facilities not approved by the Corporation be replaced, and take any other lawful action determined appropriate by the Board of Directors of the Corporation.
7. ***Dedication of Water System Extension to WSC.***
- a. Upon proper completion of construction of all on-site and off-site service facilities to meet the level and manner of service requested by the Applicant (the "Facilities"); the Facilities shall become the property of the WSC. The Facilities shall thereafter be owned and maintained by WSC subject to the warranties required of Applicant under Subsection (b). Any connection of individual customers to the Facilities shall be made by the WSC.

- b. Upon transfer of ownership of the Facilities, Applicant shall warrant materials and performance of the Facilities constructed by Applicant for 12 months following the date of the transfer.

**8. *Property and Right-of-Way Acquisition.*** – With regard to construction of facilities, the Corporation shall require private right-of-way easements or purchase of private property as per the following conditions: If the Corporation determines that right-of-way easements or facility sites outside the Applicant's property are required, the Applicant shall secure easements or else title to facility sites in behalf of the Corporation. All right-of-way easements and property titles shall be researched, validated, and filed by the Corporation at the expense of the Applicant. (See Sample Application Packet RUS Form 442-8 or 442-9 (Rev. 6-06))

- a. All additional costs associated with facilities that must be installed in public rights-of-way on behalf of the Applicant, due to the inability of the Applicant to secure private right-of-way easements, such as including road bores and Texas Department of Transportation (TXDOT) approvals shall be paid by the Applicant. Alternatively, Applicant shall pay all costs, including legal and other professional fees and the condemnation award in the event Corporation secures such private easements or facility sites through eminent domain proceedings.
- b. The Corporation shall require an exclusive dedicated right-of-way easement on the Applicant's property (as required by the size of the planned facilities and as determined by the Corporation) and title to property required for other on-site and off-site facilities.
- c. Easements and facilities sites shall be prepared for the construction of the Corporation's pipelines and facility installations in accordance with the Corporation's requirements and at the expense of the Applicant.

**9. *Bids for Construction.*** – The Corporation's Consulting Engineer shall advertise for bids for the construction of the Applicant's proposed facilities in accordance with generally accepted practices. Plans and specifications shall be made available, with or without charge (as per Engineer's determination), to prospective bidders. Although the Corporation reserves the right to reject any bid or contractor, the Corporation shall generally award the contract to the lowest qualified bidder in accordance with the following criteria:

- a. The Applicant shall sign the Service Contract noting willingness to proceed with the project and shall pay all costs in advance of construction associated with the project;
- b. The Contractor shall provide an adequate bid bond under terms acceptable to the Corporation;  
The Contractor shall secure adequate performance and payment bonding for the project under terms acceptable to the Corporation;
- c. The Contractor shall supply favorable references acceptable to the Corporation;
- d. The Contractor shall qualify with the Corporation as competent to complete the work (including but not limited to current water/sewer license, OSHA competent person training, and other licenses / certificates as required to complete the project); and
- e. The Contractor shall provide adequate certificates of insurance as required by the Corporation.

**10. *Pre-Payment for Construction and Service.*** – After the Applicant has executed the Service Agreement, the Applicant shall pay to the Corporation all costs necessary for completion of the project prior to construction and in accordance with the terms of the Non-Standard Service Contract.

**11. *Construction.***

- a. All roadwork pursuant to state, county and/or municipal standards (as applicable) shall be completed prior to facility construction to avoid future problems resulting from road right-of-way completion and excavation. Subject to approval of the requisite authority, approved road sleeves /casings may be installed prior to road construction to avoid road damage during construction of Applicant's facilities.



- b. The Corporation shall, at the expense of the Applicant, inspect the facilities to ensure compliance with Corporation standards.
- c. Construction plans and specifications shall be strictly adhered to, but the Corporation reserves the right to issue change-orders of any specifications, due to unforeseen circumstances during the design phase, to better facilitate construction or operation of the Applicant's facility. All change-order amounts shall be charged to the Applicant.

## **PART II. Request for Service to Subdivided Property**

**This section contains additional requirements for applicants that are developers as defined in Section C Definitions.**

1. ***Sufficient Information*** - Applicants shall provide the corporation sufficient information describing the level and manner of service requested and the timeline for initiation of this service. The following is the minimum information needed for an engineering evaluation of the requested service to the property described in the application.
  - a. Completion of requirements described in Section F Part I, including completing the *Non-Standard Service Application*.
  - b. Applicant shall provide the Corporation with details concerning access to the property during evaluation of application.
  - c. Applicant shall be notified in writing by the Corporation or designated representative the timeframe within which the requested service can be provided and the costs for which the applicant will be responsible, in accordance with the details described on the Applicant's request for service.
2. ***Service within Subdivisions*** – The Corporation's obligation to provide service to any customer located within a subdivision governed by this Section is strictly limited to the level and manner of the nonstandard service specified by the Applicant. The Applicant is responsible for paying for all costs necessary for non-standard service to a subdivision as determined by the Corporation under the provisions of this Tariff and specifically the provisions of this Section; if the Applicant fails to pay these costs, the Corporation has the right to require payment of these costs by any one or more of the persons purchasing lots or homes within such subdivision before the Corporation is obligated to provide water/sewer service (Texas Water Code Section 13.2502). In addition, Corporation may elect to pursue any remedies provided by the Non-Standard Service Contract if one has been executed. Applicant is advised that purchasers of lots also may have legal recourse to the Applicant under Texas law, including but not limited to Texas Water Code Section 13.257, and the Texas Business and Commerce Code Chapter 17, Subchapter E Deceptive Trade Practices & Consumer Protection Act.
  - a.) The Applicant must provide the following in addition to all other information otherwise required by this Section:
    - i. Map and legal description of the area to be served using map criteria in 30 TAC 291.105(a) (2) (A-G)).
    - ii. Time frame for:
      - a. Initiation of service
      - b. Service to each additional or projected phase following the initial service
    - iii. Detailed description of the nature and scope of the project/development for:

- a. Initial needs
- b. Phased and final needs, including a map showing each phase, and the projected land uses that support the requested level of service for each phase
- iv. Flow and pressure for anticipated level of fire protection requested, including line size and capacity
- v. Specific infrastructure needs for anticipated level of fire protection requested, including line size and capacity
- vi. Any additional information requested by the Corporation necessary to determine the capacity and the costs for providing the requested service.
- vii. Copies of all required approvals, reports and studies done by or for the Applicant to support the viability of the proposed development.

Applicant must provide reasonably sufficient information, in writing, to allow the Corporation to determine whether the level and manner of service specified by the Applicant can be provided within the time frame specified by the Applicant and to generally determine what capital improvements, including expansion of capacity of the Corporation's production, treatment and/or storage facilities and/or general transmission facilities properly allocable directly to the service request are needed. If the Applicant proposes development in phases, the Applicant should specify the level and manner of service and the estimated time frame within which that service must be provided for each phase, and the Applicant must depict the currently estimated location of each phase on the maps required under 30 TAC Section 291.105(a)(2)(A-G). It is important that the Applicant's written request be complete. A complete application by the Applicant should include:

- (a) The proposed improvements to be constructed by the Applicant;
- (b) A map or plat signed and sealed by a licensed surveyor or registered professional engineer;
- (c) The intended land use of the development, including detailed information concerning the types of land uses proposed;
- (d) the projected water and/or sewer demand of the development when fully built out and occupied, the anticipated water/sewer demands for each type of land use, and a projected schedule of build-out;
- (e) a schedule of events leading up to the anticipated date upon which service from the CCN holder will first be needed; and
- (f) A proposed calendar of events, including design, plat approval, construction phasing and initial occupancy.

Applicant must establish that current and projected service demands justify the level and manner of service being requested. In making his/her written request for service, the Applicant must advise the Corporation that he/she may request expedited decertification from the TCEQ.

Upon payment of the required fees, the Corporation shall review Applicant's service request. If no additional information is required from Applicant, the Corporation will prepare a written report on Applicant's service request, subject to any final approval by the Corporation's governing body (if applicable) which must be completed within the 90 days from the date of application and payment of the required fees. The Corporation's written report will state whether the requested service will be provided, whether the requested service can be provided within the time frame specified by the Applicant, and the costs for which the Applicant will be responsible (including capital improvements, easements or land acquisition costs, and professional fees).

In the event the Corporation's initial review of the Applicant's service shows that additional information is needed, the Corporation will notify Applicant of the need for such additional information. Notice of the need for additional information will be made in writing within 30 days of the date the Corporation receives the Applicant payment of the required fees. Applicant should respond to the Corporation's request for additional information within 15 days of receipt of the Corporation's written request. In any case, the Corporation will provide the written report, including any final approval by the Corporation's Board (if applicable) within 90 days from the date of the **initial** written application and payment of all required fees.

By mutual written agreement, the Corporation and the Applicant may extend the time for review beyond the 90 days provided for expedited petitions to the TCEQ.

3. ***Final approval*** – Upon final approval by the Corporation and acceptance of proposal for service by the Applicant, a non-standard service contract will be executed and the corporation shall provide service according to the conditions contained in the Non-Standard Service Contract.

## **SECTION G. RATES AND SERVICE FEES**

Unless specifically defined in this Tariff, all fees, rates, and charges as stated shall be nonrefundable.

1. ***Service Investigation Fee.*** The Corporation shall conduct a service investigation for each service application submitted at the Corporation office. An initial determination shall be made by the Corporation, without charge, as to whether the service request is Standard or Non-Standard. An investigation shall then be conducted and the results reported under the following terms:
  - a. All Standard Service requests shall be investigated without charge and all applicable costs for providing service shall be quoted in writing to the Applicant within ten (10) working days of application.
  - b. All Non-Standard Service requests shall be subject to a fee, appropriate to each project, of sufficient amount to cover all administrative, legal, and engineering fees associated with investigation of the Corporation's ability to deliver service to the Applicant to;
    - (1) provide cost estimates of the project,
    - (2) to present detailed plans and specifications as per final plat,
    - (3) to advertise and accept bids for the project,
    - (4) to present a Non-Standard Service Contract to the Applicant, and
    - (5) to provide other services as required by the Corporation for such investigation. A Non-Standard Service Contract shall be presented to the Applicant within a suitable amount of time as determined by the complexity of the project. (See Section F.)
2. ***Membership Fee.*** At the time the application for service is approved, a non-refundable Membership Fee must be paid for each service requested before service shall be provided or reserved for the Applicant by the Corporation. The membership fee cannot be more than 12 times the minimum monthly base rate. The Membership Fee for water service is \$100.00 for each service unit.
3. ***Easement Fee.*** When the Corporation determines that private right-of-way easements and/or facilities sites are necessary to provide service to the Applicant, the Applicant shall be required to make good faith efforts to secure easements in behalf of the Corporation and/or pay all costs incurred by the Corporation in validating, clearing, and retaining such right-of-way in addition to tap fees otherwise required pursuant to the provisions of this Tariff. The costs may include all legal fees and expenses necessary to attempt to secure such right-of-way and/or facilities sites in behalf of the Applicant. (See Section E and Section F)
4. ***Installation Fee.*** The Corporation shall charge an installation fee for service as follows:
  - a. **Standard Service** shall include all current labor, materials, engineering, legal, customer service inspection, and administrative costs necessary to provide individual metered water or wastewater service and shall be charged on a per tap basis as computed immediately prior to such time as metered service is requested and installed.
  - b. **Non-Standard Service** shall include any and all construction labor and materials, inspection, administration, legal, and engineering fees, as determined by the Corporation under the rules of Section F of this Tariff.
  - c. Standard and Non-Standard Service Installations shall include all costs of any pipeline relocations as per Section E 3e of this Tariff.

## 5. *Monthly Charges.*

### a. Base Rate Water Service

The monthly charge for standard metered water service is for a 5/8" by 3/4" meter. The 5/8" X 3/4" meter charge is used as a base multiplier for larger non-standard meters in accordance with the following chart based on American Water Works Association maximum continuous flow specifications:

METER SIZE	MONTHLY BASE RATE	
Less than 1 inch	\$55.00	(residential)
1 inch or more	\$66.00	(commercial)

### b. **Gallage Charge** - In addition to the Base Rate, a gallage charge shall be added at the following rates for usage during any one (1) billing period.

Water Used:

- \$ 7.00 per 1,000 gallons for 0 to 10,000 gallons
- \$ 7.50 per 1,000 gallons for 10,001 gallons to 20,000 gallons
- \$ 8.00 per 1,000 gallons for all usage over 20,000 gallons

**6. Assessments.** – If at the end of the fiscal year, or in the event of emergency repairs, the Board of Directors determines the total amount derived from the collection of water charges to be insufficient for the payment of all costs incident to the operation of the Corporation's system during the year in which such charges are collected, the Board shall make and levy an assessment against each Member of the Corporation as the Board may determine or as may be required by Rural Development, so that the sum of such assessments and the amount collected from water and other charges is sufficient to fully pay all costs of the operation, maintenance, replacement and repayment of indebtedness for the year's operations. (See Article XVIII of USDA Model Bylaws, Section 1)

**7. Late Payment Fee.** Once per billing period, a penalty of \$5.00 shall be applied to delinquent bills. This late payment penalty shall not be applied to any balance to which the penalty was applied in a previous billing, but shall be applied to any unpaid balance during the current billing period.

**NOTE:** The Corporation cannot charge political subdivisions and state agencies the late payment fee.  
(Texas Government Code Chapter 2251.021 and Sec. E)

**8. Owner Notification Fee.** The Corporation may, at the expense of the Member, notify said Member of a renter/lessee delinquent account status prior to disconnection of service.

**9. Returned Check Fee.** In the event a check, draft, or any other similar instrument is given by a person, firm, corporation, or partnership to the Corporation for payment of services provided for in this Tariff, and the instrument is returned by the bank or other similar institution as insufficient or nonnegotiable for any reason, the account for which the instrument was issued shall be assessed a return check charge of \$30.00.

**10. Reconnect Fee.** The Corporation shall charge a fee of **\$50.00** for reconnecting service after the Corporation has previously disconnected the service for any reason provided for in this Tariff except for activation of service under Section E 7.b. Re-Service.

**11. Seasonal Reconnect Fee** – Members that seasonally disconnect their water service may be subject to this fee. Base Rate multiplied by the number of months during which service is suspended, not to exceed nine (9) months during any twelve (12) consecutive months.

**12. Service Trip Fee.** The Corporation may charge a trip fee of \$25.00 for any service call or trip to the Member's tap as a result of a request by the Member or resident for response to damage of the Corporation's or another Member's facilities, for customer service inspections due to suspicion of meter tampering, bypass or diversion of service, for the purpose of disconnecting or collecting payment for services or any trip to turn water service off as a result of a reported or non-reported leak. For service trips that extend beyond one hour, such as when an extended line location is required, the Corporation may charge \$25.00 per employee per hour for each additional hour required.

**13. Equipment Damage Fee.** If the Corporation's facilities or equipment have been damaged by tampering, bypassing, installing unauthorized taps, reconnecting service without authority, or other service diversion, a fee shall be charged equal to the actual costs for all labor, material, and equipment necessary for repair, replacement, and other Corporation actions. This fee shall be charged and paid before service is reestablished. If the Corporation's equipment has not been damaged, a fee equal to the actual costs for all labor, material, equipment, and other actions necessary to correct service diversions, unauthorized taps, or reconnection of service without authority shall be charged. All components of this fee will be itemized, and a statement shall be provided to the Member. If the Corporation's facilities or equipment have been damaged due to negligence or unauthorized use of the Corporation's equipment, right-of-way, or meter shutoff valve, or due to other acts for which the Corporation incurs losses or damages, the Member shall be liable for all labor and material charges incurred as a result of said acts or negligence.

**14. Meter Tampering and Damage to Property Penalty.** In addition to the Equipment Damage Fee, the Corporation may charge a penalty for "Tampering" as defined in Section E 23. The penalty may only be assessed against the person who committed the Tampering. An owner cannot be assessed for the Tampering committed by their tenant. The penalty shall not exceed six (6) times the Base Rate.

**15. Customer History Report Fee.** A fee may be charged to provide a copy of the Members record of past water purchases in response to a Member's request for such a record.

**16. Meter Test Fee.** The Corporation shall test a Member's meter upon written request of the Member. Under the terms of Section E of this Tariff, may charge a minimum of \$25.00 to the affected account.

**17. Transfer Fee.** An Applicant for service who is a Transferee shall complete all required application forms, etc., and pay a Transfer Fee of \$10.00.

**18. Information Copy Fee.** A fee for the copying of any public information may be charged to the person requesting that information in compliance with the cost rules of the Texas Government Code Section 552.261 et. seq.

**19. Customer Service Inspection Fee.** A fee of \$25.00 may be assessed each Applicant before permanent continuous service is provided to new construction.

**20. Regulatory Assessment.** A fee of 0.5% of the amount billed for water service may be assessed each customer; this assessment is required under Texas law and TCEQ regulations. **NOTE:** The regulatory assessment is not to be collected from state agencies, wholesale customers, or buyers of non-potable (not drinkable) water. (Ref. TCEQ RG-199 revised Oct. 2002; TCEQ Section 291.76 (c))

**21. Additional Assessments.** In the event any federal, state or local government imposes on the Corporation a “per meter” fee or an assessment based on a percent of water charges, this fee or assessment will be billed and collected as a “pass through” charge to the customer.

**22. Groundwater District Production Fee.** Not currently applicable to PHWSC.

**23. Other Fees.** All services outside the normal scope of utility operations that the Corporation may be compelled to provide at the request of a customer or Member shall be charged to the recipient based on the cost of providing such service.

Pendleton Harbor Water Supply Corporation  
Board of Directors

# Pendleton Harbor Water Supply Corporation

## SERVICE APPLICATION AND AGREEMENT

Account Number \_\_\_\_\_ (Assigned by PHWSC)

NOTE: FORM MUST BE COMPLETED BY APPLICANT ONLY

Please Print Clearly

APPLICANT'S NAME: \_\_\_\_\_ DATE: \_\_\_\_\_

DRIVER'S LICENSE NUMBER: \_\_\_\_\_ STATE: \_\_\_\_\_

CO-APPLICANT'S NAME: \_\_\_\_\_ RELATIONSHIP: \_\_\_\_\_

CURRENT ADDRESS: \_\_\_\_\_ CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_

BILLING ADDRESS: \_\_\_\_\_ CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_

APPLICANT PHONE NUMBERS

Home (\_\_\_\_) \_\_\_\_\_ -

Work (\_\_\_\_) \_\_\_\_\_ -

Cell (\_\_\_\_) \_\_\_\_\_ -

CO- APPLICANT PHONE NUMBERS

Home (\_\_\_\_) \_\_\_\_\_ -

Work (\_\_\_\_) \_\_\_\_\_ -

Cell (\_\_\_\_) \_\_\_\_\_ -

PROPERTY ADDRESS: \_\_\_\_\_

LOT NUMBER OF PROPERTY \_\_\_\_\_

NUMBER OF HOUSEHOLD MEMBERS: \_\_\_\_\_

PREVIOUS OWNER'S NAME AND ADDRESS: \_\_\_\_\_

**SPECIAL SERVICE NEEDS OF APPLICANT** (for example, any medical condition that may be impacted by the water supply):

\_\_\_\_\_

\_\_\_\_\_

The following information is requested by the Federal Government in order to monitor compliance with Federal Laws prohibiting discrimination against applicants seeking to participate in this program. You are not required to furnish this information, but are encouraged to do so. This information will not be used in evaluating your application or to discriminate against you in any way. However, if you choose not to furnish it, we are required to note the race/national origin of individual applicants on the basis of visual observation or surname.

White, Not of Hispanic \_\_\_\_\_ Black, Not of Hispanic Origin \_\_\_\_\_ Hispanic \_\_\_\_\_ American Indian or Alaskan \_\_\_\_\_ Native Asian or Pacific Islander \_\_\_\_\_ Other/specify \_\_\_\_\_ Male \_\_\_\_\_ Female \_\_\_\_\_



By execution hereof, the Applicant agrees that non-compliance with the terms of this agreement by said Applicant shall constitute denial or discontinuance of service until such time as the violation is corrected to the satisfaction of the Corporation.

Any misrepresentation of the facts by the Applicant on any of the pages of this agreement shall result in discontinuance of service pursuant to the terms and conditions of the Corporation's tariff.

Applicant Name (please print) \_\_\_\_\_ (required)

Signature of Applicant : \_\_\_\_\_ (required)      Date: \_\_\_\_\_ (required)

Pendleton Harbor Water Supply Corporation, a corporation organized under the laws of the State of Texas (hereinafter called the corporation) and the above signed applicant. (Hereinafter called the Applicant and/or Member),

The Corporation shall sell and deliver water service to the Applicant and the Applicant shall purchase and receive service from the Corporation in accordance with the bylaws and tariff of the Corporation as amended from time to time by the Board of Directors of the Corporation. Upon compliance with said policies, including payment of a Membership Fee, the Applicant qualifies for Membership as a new applicant or continued Membership as a transferee and thereby may hereinafter be called a Member.

The Member shall pay the Corporation for service hereunder as determined by the Corporation's tariff and upon the terms and conditions set forth therein, a copy of which has been provided as an information packet, for which Member acknowledges receipt hereof by execution of this agreement. A copy of this agreement shall be executed before service may be provided to the Applicant.

The Board of Directors shall have the authority to discontinue service and cancel the Membership of any Member not complying with any policy or not paying any utility fees or charges as required by the Corporation's published rates, fees, and conditions of service. At any time service is discontinued, terminated or suspended, the Corporation shall not re-establish service unless it has a current, signed copy of this agreement if revisions are required.

All water shall be metered by meters to be furnished and installed by the Corporation. The meter connection is for the sole use of the Member or customer and is to provide service to only one (1) dwelling. Extension of pipe(s) to transfer utility service from one property to another, to share, resell, or sub meter water to any other persons, dwellings, businesses, or property, etc., is prohibited.

The Corporation shall have the right to locate a water service meter and the pipe necessary to connect the meter on the Member's property at a point to be chosen by the Corporation, and shall have access to its property and equipment located upon Member's premises at all reasonable and necessary times for any purpose connected with or in the furtherance of its business operations, and upon discontinuance of service the Corporation shall have the right to remove any of its equipment from the Member's property. The Member shall install, at their own expense, any necessary service lines from the Corporation's facilities and equipment to the point of use, including customer service isolation valves, backflow prevention devices, pressure reduction valves, and other equipment as may be specified by the Corporation. The Corporation shall also have access to the Member's property for the purpose of inspecting for possible cross-connections, potential contamination hazards, and illegal lead materials.

The Corporation is responsible for protecting the drinking water supply from contamination or pollution which could result from improper practices. This service agreement serves as notice to each customer of the restrictions which are in place to provide this protection. The Corporation shall enforce these restrictions to ensure the public health and welfare. The following undesirable practices are prohibited by state regulations:

- a. No direct connection between the public drinking water supply and a potential source of contamination is permitted. Potential sources of contamination shall be isolated from the public water system by an air gap or an appropriate backflow prevention assembly in accordance with state regulations.
- b. No cross-connection between the public drinking water supply and a private water system is permitted. These potential threats to the public drinking water supply shall be eliminated at the service connection by the proper installation of an air gap or a reduced pressure-zone backflow prevention assembly and a service agreement must exist for annual inspection and testing by a certified backflow prevention device tester.
- c. No connection which allows condensing, cooling, or industrial process water to be returned to the public drinking water supply is permitted.
- d. No pipe or pipe fitting which contains more than 8.0 % lead may be used for the installation or repair of plumbing on or after July 1, 1988, at any connection which provides water for human consumption.
- e. No solder or flux which contains more than 0.2 % lead may be used for the installation or repair of plumbing on or after July 1, 1988 at any connection which provides water for human consumption.

The Corporation shall maintain a copy of this agreement as long as the Member and/or premise are connected to the public water system. The Member shall allow their property to be inspected for possible cross-connections, potential contamination hazards, and illegal lead materials. These inspections shall be conducted by the Corporation or its designated agent prior to initiating service and periodically thereafter. The inspections shall be conducted during the Corporation's normal business hours.

The Corporation shall notify the Member in writing of any cross-connections or other undesirable practices which have been identified during the initial or subsequent inspection. The Member shall immediately correct any undesirable practice on their premises. The Member shall, at their expense, provide, install, test, and maintain any backflow prevention device required by the Corporation. Copies of all testing and maintenance records shall be provided to the Corporation as required, failure to comply with the terms of this service agreement shall cause the Corporation to either terminate service or properly install, test, and maintain an appropriate backflow prevention device at the service connection. Any expenses associated with the enforcement of this agreement shall be billed to the Member.

In the event the total water supply is insufficient to meet the requirements of all of the Members, or in the event there is a shortage of water, the Corporation may initiate the Emergency Rationing Program as specified in the Corporation's Tariff. By execution of this agreement, the Applicant hereby shall comply with the terms of said program.

By execution hereof, the Applicant shall hold the Corporation harmless from any and all claims for damages caused by service interruptions due to waterline breaks by utility or like contractors, tampering by other Member/users of the Corporation, normal failures of the system, or other events beyond the Corporation's control.

The Member shall grant to the Corporation, now or in the future, any easements of right-of-way for the purpose of installing, maintaining, and operating such pipelines, meters, valves, wells, and any other equipment which may be deemed necessary by the Corporation to extend or improve service for existing or future Members, on such forms as are required by the Corporation.

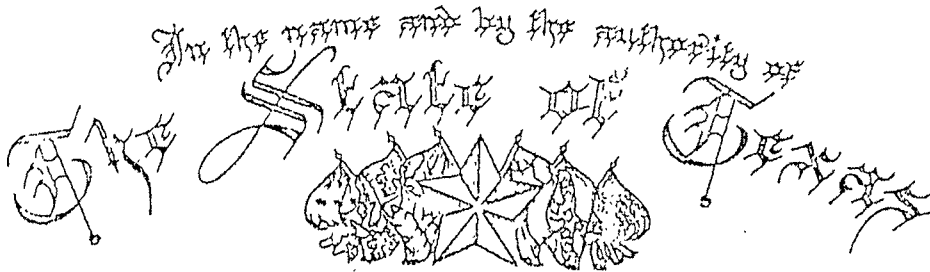
By execution hereof, the Applicant shall guarantee payment of all other rates, fees, and charges due on all accounts for which said Applicant owns a Membership Certificate.

*Please submit Signed Application and Agreement along with Membership fee of \$ 100 to:*

**Pendleton Harbor Water Supply Corporation  
501 Kennon Drive South  
Hemphill, TX 75948**

**Part C – Question 7**

**Articles of Incorporation and By-Laws  
of G-M Water Supply Corporation**



OFFICE OF THE SECRETARY OF STATE

# CERTIFICATE OF INCORPORATION OF

G - M WATER SUPPLY CORPORATION

CHARTER NO. 250027

The undersigned, as Secretary of State of the State of Texas, hereby certifies that duplicate originals of Articles of Incorporation for the above corporation duly signed and verified pursuant to the provisions of the Texas Non-Profit Corporation and Article 1434a, V.A.C.S. of Texas Act, have been received in this office and are found to conform to law.

ACCORDINGLY the undersigned, as such Secretary of State, and by virtue of the authority vested in him by law, hereby issues this Certificate of Incorporation and attaches hereto a duplicate original of the Articles of Incorporation.

Dated August 2, 1968

  
Secretary of State



ARTICLES OF INCORPORATION

SEP 2 1959

*Charles T. Wood*  
Deputy Director, Corp. Division

G - M WATER SUPPLY CORPORATION

THE STATE OF TEXAS KNOW ALL MEN BY THESE PRESENTS:  
COUNTY OF SABINE

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

ARTICLE I.

The name of the Corporation is G - M Water Supply Corporation.

ARTICLE II.

The Corporation is a non-profit Corporation organized under Article 1.31a of the Revised Civil Statutes of Texas of 1925, as amended, supplemented by the Texas Non-Profit Corporation Act, Article 1.01 et seq., as amended, and is authorized to exercise all powers, privileges and rights conferred on a Corporation by these Acts, and all powers and rights incidental in carrying out the purposes for which the Corporation is formed, except such as are inconsistent with the express provisions of these Acts.

ARTICLE III.

The period of its duration is perpetual.

ARTICLE IV.

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

ARTICLE V.

The street address of the initial registered office of the Corporation is Geneva, Texas, and the name of its initial registered agent at such address is William E. Low.

ARTICLE VI.

The number of directors constituting the initial Board of Directors of the Corporation is Five (5), and the names and addresses of the persons who are to serve as the initial directors are:

<u>NAME</u>	<u>ADDRESS</u>	<u>CITY</u>
<u>William E. Low</u>	<u>Gen. Del.</u>	<u>Geneva, Texas</u>
<u>Turner Mills</u>	<u>Gen. Del.</u>	<u>Milam, "</u>
<u>C. A. Nethery</u>	<u>Gen. Del.</u>	<u>Milam, "</u>
<u>R. V. Maxey</u>	<u>Gen. Del.</u>	<u>Milam, "</u>
<u>Revis SINSTON</u>	<u>Rt 2 Box 145B</u>	<u>San Augustine</u>
<u>C. E. Canton</u>	<u>Gen. Del.</u>	<u>Geneva, "</u>

ARTICLE VII.

The name and street address of each incorporator is:

<u>NAME</u>	<u>ADDRESS</u>	<u>CITY</u>
William E. Low	Gen. Del.	Geneva, Texas
Turner Mills	Gen. Del.	Milam, Texas
C. A. Nethery	Gen. Del.	Milam, Texas
R. V. Maxey	Gen. Del.	Milam, Texas
<del>Pervissington</del>	<del>Gen. Del.</del>	<del>Geneva, Texas</del>
<del>Geneva, Texas</del>	<del>Geneva, Texas</del>	<del>Geneva, Texas</del>

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

ARTICLE VIII.

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

IN WITNESS WHEREOF, we have hereunto set out hands, this the 2-2  
day of July, 19 68.

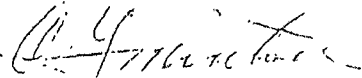
William E. Low  
Turner Mills  
C. A. Nethery  
R. V. Maxey  
PERVISSINGTON

THE STATE OF TEXAS            0  
COUNTY OF SABINE           0

I, C. G. Minton, a Notary Public, do  
hereby certify that on this 22nd. day of July, 1968,  
personally appeared before me William E. Low, Turner Mills.  
A. Nothery, R. V. Maxey and Pervis Singleton

who each being by me first duly sworn, severally declared that they are the per-  
sons who signed the foregoing document as incorporators, and that the statements  
therein contained are true.

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



Notary Public in and for

Sabine County, Texas.

Notarial Seal)

My Commission expires June 1, 1969.



BYLAWS  
  
OF  
  
G-M WATER SUPPLY CORPORATION

REVISED AS OF

APRIL 10,2018

**BYLAWS**  
**of**  
**G-M WATER SUPPLY CORPORATION**

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

**ARTICLE I**

The President shall preside and vote at all Members' and Directors' meetings. The President shall perform all other duties that usually pertain to the office or are delegated by the Board of Directors.

**ARTICLE II**

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

**ARTICLE III**

The Secretary-Treasurer shall have custody of all monies, records, and securities of the Corporation. The Secretary-Treasurer shall keep minutes of all meetings of the Corporation. All monies of the Corporation shall be deposited by the Secretary-Treasurer

in such depository as shall be selected by the Directors. Checks must be signed by the Secretary- Treasurer or assistant or deputy secretary, and the President or a designee of that

office. The Secretary-Treasurer shall have custody of the seal of the Corporation and affix it as directed by resolution passed by the Board of Directors or Members. The Board of Directors may appoint an employee as assistant or deputy secretary to assist the Secretary-Treasurer in all official duties pertaining to that office.

The position of the Secretary-Treasurer, and other Board positions and/or employees entrusted with receipt and disbursement of funds, shall be placed under a fidelity bond in an amount which shall be set from time to time, but not less than once each year, by the Board of Directors. The fidelity bond coverage amount shall approximate the total annual debt service requirements for all USDA Rural Development, Rural Utilities Service (RUS) loans and be evidenced by a position fidelity schedule bond as acceptable to USDA Rural Development, RUS, or its successor agencies and assigns.

#### ARTICLE IV

Section 1. The Board of Directors shall consist of nine (9) Directors, a majority of whom shall constitute a quorum. Upon issuance of the Charter and annually thereafter on the **Second Tuesday in April**, the Board of Directors shall elect a President, a Vice-President and a Secretary-Treasurer. The Directors shall be elected by the Members at the Members' meetings provided for in Article VI of the Bylaws. The Directors shall be divided into three (3) classes each class to be as near as equal in number as possible. The terms of the Directors of the first class shall expire at the first annual meeting of the Members after their election; the terms of the Directors of the second class shall expire at the second annual meeting after their election; and terms of the Directors of the third class shall expire at the third annual meeting after their election. At each annual meeting after such classification, the number of

Directors equal to the number of the class whose term expires at the time of such meeting shall be elected to hold office until the third succeeding annual meeting. Directors, as such, shall receive a stated salary of Fifty dollars per meeting for their services, except as provided for by state law. There shall be three (3) Directors elected from each class for a total of nine (9) Board Members.

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

Section 2. Officers and Directors may be removed from office in the following manner except as otherwise provided in Article V; Any Member, Officer, or Director may present charges against a Director or Officer by filing such charges in writing with the Secretary- Treasurer of the Corporation. If presented by a Member, the charges must be accompanied by a petition signed by at least ten (10) percent of the Members of the Corporation.

Such removal shall be voted on at the regular or special meeting of the Membership and shall be effective if approved by a vote of 2/3 majority of those voting if a quorum is present. The Director(s) or Officer(s) against whom such charges have been presented shall be informed in writing of such charges at least twenty (20) days prior to the meeting, and shall have the opportunity at such meeting to be heard in person or by counsel and to present witnesses; and the person or persons presenting such charges shall have the same opportunity. If the removal of a Director(s) is approved, such action shall also vacate any other office(s) held by the removed Director(s) in the Corporation. A vacancy in the Board thus created shall immediately be filled by a qualified person other than the removed Director upon a vote of a majority of the Members present and voting at such meeting, in accordance with the written annual or special meetings procedures as adopted by the Board. A vacancy in any office thus created shall be filled by the Board of Directors from among their number so constituted after the vacancy in the Board has been filled.

Section 3. The President of the Board, or Vice-President, shall preside at any meeting of the Members convened to consider removal of an Officer or Director as provided under Section 2, unless the President is the subject of charges, in which event the Vice-President shall preside. In the event both the President and the Vice-President are the subject of charges, those Directors who are not the subject of any charges shall appoint one of their number to preside over the meeting. Any meeting convened to consider the removal of an Officer or Director shall be conducted in accordance with the procedures prescribed by the Board. The fact that the President, Vice-President, or any other Officer or Director has been made the subject of charges does not otherwise prevent such individual from continuing to act in the capacity as an Officer or Director of the Corporation. Any Director that has been removed under the provisions of this Article shall not be precluded from subsequent election to a position on the Board of Directors.

Section 4. The Board of Directors shall adopt and maintain a conflict of interest policy designed to promote the business of the Corporation and serve the interests of the Membership. Such policy, at a minimum, shall be in conformance with the provisions of the Texas NonProfit Corporation Act pertaining to duties and responsibilities of the Board of Directors.

## **ARTICLE V**

Section 1. Meetings of the Board of Directors shall be held at such time and place as the Board may determine at the previous meeting, and shall include posting of the meeting as required by the Texas Open Meetings Act, Chapter 551, Texas Government Code, including any subsequent amendment thereto. In the event of any conflict between the provisions of these Bylaws and the requirements of the Open Meetings Act, the provisions of the Open Meetings Act shall prevail.

Section 2. Any Director failing to attend two (2) consecutive meetings may be

given written notice by the balance of the Board of Directors that failure by said Director to attend a third consecutive meeting, without justifiable cause acceptable to the balance of the Board of Directors, shall give rise to removal of said Director from the Board. A successor shall be appointed by a majority vote of the Directors remaining to serve until the next regular or special Membership meeting, at which time the general Membership shall elect a successor for the balance of the term.

Section 3. The Board of Directors shall provide access for the public, new service applicants, or Members to the meetings of the Board of Directors by setting aside a time for hearing of suggestions, proposals, or grievances; however, there shall be no deliberations or actions by the Board unless such has first been noticed in accordance with the Texas Open Meetings Act. The Board of Directors shall establish reasonable rules for access to such meetings.

Section 4. The Board of Directors may, upon lawful notice to the public, meet in executive session when permitted, in the manner and for such limited purposes as provided for in the Texas Open Meetings Act, as amended, and for no other reason. All proceedings of any meeting at which a quorum of Directors is present to discuss the business of the Corporation shall be recorded in the manner required by the Texas Open Meetings Act.

Section 5. In conducting their duties as members of the Board, Directors; (1) shall be entitled to rely, in good faith and with ordinary care, on information, opinions, reports, or statements, including financial statements and other financial data, concerning the Corporation or the Corporation's affairs that have been prepared or presented by one or more officers or employees of the Corporation, or by legal counsel, public accountants, or other persons retained by the Corporation for the development of professional advice and information falling within such person's professional or expert competence; (2) may believe, in good faith and with ordinary care, that the assets of the Corporation are at least that of their book value; and (3) in determining whether the Corporation has made adequate provision for the discharge of its

liabilities and obligations, may rely in good faith and with ordinary care, on the financial statements of, or other information concerning, any person or entity obligated to pay, satisfy or discharge some or all of the Corporation's liabilities or obligations; and may rely in good faith on information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by one or more Officers or employees of the Corporation, legal counsel, public accountants, or other persons provided the Directors reasonably believes such matters to fall within such person's professional or expert competence. Nevertheless, Directors must disclose any knowledge they may have concerning a matter in question that makes reliance otherwise provided herein to be unwarranted.

## ARTICLE VI

Section 1. There shall be a regular meeting of the Members annually, on the **Second Tuesday in April**, to transact all business that may be properly brought before it. The Secretary-Treasurer shall give at least fifteen (15) days written notice of such annual meeting to the Membership indicating the time, place and purpose of such meeting, and shall address and mail the notice to each Member at the address last known to the Corporation. Failure to hold or call an annual or special meeting in accordance with these Bylaws shall give each Member rights to compel the Board of Directors to properly hold an annual or special meeting of the Membership. Voting by proxy shall be permitted. Members holding ten percent (10) of the votes entitled to be cast, represented in person or by proxy, shall constitute a quorum for the transaction of business.

Section 2. The Board of Directors shall adopt, and from time to time may revise, written procedures for conducting annual or special Membership meetings, including the proxy and/or ballot form which shall be the official proxy and/or ballot for such meetings; procedures for proper notification of the Membership of such meetings and delivery of the Corporation's

official proxy and/or ballot forms to the Membership; procedures to determine, qualify and register the eligible voters for such meetings; and procedures for canvassing all votes and recording the results of all elections at such meetings of the Membership.

Section 3. The Board of Directors shall establish a standing Credentials Committee of three (3) Members, of which the Secretary-Treasurer shall be the chairperson. This committee shall at no time have sufficient board members appointed to constitute a quorum of the Board of Directors. This committee, in accordance with procedures adopted by the Board under Section 2, shall notify the Membership of annual or special Membership meetings and deliver the Corporation's official proxy and/or ballot forms to the Membership; determine, qualify, and register the eligible voters for such meeting; validate proxies, determine presence of quorum for conducting the meeting, canvas all votes, and record the results of such elections. Should the individual holding the office of Secretary-Treasurer be running for re-election, the President shall appoint an officer not currently running for re-election to serve as chairperson of this committee.

Section 4. After fixing a date for the notice of a meeting, the Board of Directors shall prepare an alphabetical list of the names of all voting members who are entitled to vote as of the record date of the meeting. The list must show the address of each voting member. No later than two (2) business days after the date notice is given of the meeting, and continuing through the meeting, the list of voting members must be available for inspection by any member entitled to vote at the meeting for the purpose of communication with other members concerning the meeting at the Corporation's principal office or at a reasonable place identified in the meeting notice in the city where the meeting will be held. Any voting Member, or voting Member's agent or attorney, shall be allowed, on written demand, to inspect and, at a reasonable time and at their expense, copy the list. Further, the Board shall make the list of voting Members available at the meeting, and shall allow inspection of such list by any voting Member or voting Member's agent or attorney at any time during the meeting, including any adjournments thereof.



## **ARTICLE VII**

A special meeting of the Members or Directors may be called by the President, or by demand by a majority of the board members or one-third (1/3) of the Members. Such special meetings shall be held upon giving notice as required by the Texas Open Meetings Act.

Prior to convening any special meeting of the Members, the President shall request in writing that the Secretary-Treasurer give at least ten (10) days prior notice to the Members, and that such special meeting is otherwise noticed, as required under Article 1396-2.11, Texas Revised Civil Statute, and as provided under Article V of these Bylaws. Such notice shall specify the time, place, and purpose of the meeting, and shall be addressed and mailed to each of the Members at their address last known to the Corporation, personally delivered to each Member or sent by facsimile to each Member.

Emergency meetings of the Directors may be held on rare occasions and only when clearly authorized by the Texas Open Meetings Act. Notice of such emergency meeting shall be provided under Article V of the Bylaws and the Texas Open Meetings Act, at least two hours before the meeting is convened. It shall be the responsibility of the President, or a designee of that office, to ensure that proper notice is posted and Directors are properly notified. In no event shall any emergency meeting of the Directors be convened where the business of such meeting could be considered at a regular or special meeting of the Directors receiving at least seventy-two (72) hours notice as provided under Article V of these Bylaws.

## **ARTICLE VIII**

The Corporation shall conduct its business on a non-profit basis, and no dividends shall ever be paid upon the Memberships of such Corporation. All profits arising from the

operation of such business shall be annually paid out to the persons who have, during the past year, transacted business with the Corporation, in direct proportion to the amount of business transacted, provided that no such dividends shall ever be paid while any indebtedness of the Corporation remains unpaid and, provided also, that the Directors of the Corporation may allocate to sinking fund(s) and reserve accounts such amount of profits as they deem necessary for maintenance, operation, capital improvements, expansions and replacements of all facility components, as provided by Section 67.008 (d) of the Texas Water code. Funds allocated by the Board to a sinking fund for replacement, amortization of debts, and the payment of interest that are not required to be spent in the year in which deposited shall be invested in accordance with the provisions of Section 67.014 (b) of the Texas Water Code.

## ARTICLE IX

The Directors of the Corporation shall establish and maintain, so long as the Corporation is indebted to the Government, in an institution insured by the State or Federal Government, or invested in readily marketable securities backed by the full faith and credit of the United States of America, a reserve account separate and apart from other fund accounts of the Corporation. Securities so purchased shall be deemed at all times to be part of the reserve fund account. There shall be deposited in such fund the sum as required by a total of all loan resolutions executed by the Corporation. Such deposits shall be made monthly and shall continue until the total amount deposited equals the sum as required by the executed loan resolutions provided, however, that after any withdrawals, such deposits shall be resumed until the amount accumulated in the fund is restored to the sum as required by the executed loan resolutions.

Withdrawals may be made from this fund only upon prior written approval from USDA Rural Development, RUS. Approval shall be made only for emergency repairs, obsolescence of equipment, improvements to facility, and for making up any deficiencies in

revenue for loan payments.

## ARTICLE X

Section 1. The Corporation shall have Members as defined by the Texas Water Code. All customers of the Corporation must hold a Membership or obtain their service through a Membership. A person or entity that holds an interest in property solely as security for the performance of an obligation or that only builds on or develops the property for sale to others is not required to hold a Membership as a condition to receive service on a limited basis. Every person (which includes any legal entity) owning or having a legal right to the control, possession or occupancy of property served, or which may reasonably be served by the Corporation, shall have the right to become a Member of the Corporation upon payment of the Membership fee hereinafter provided and upon compliance with the Corporation's conditions of water and/or sewer service as provided for in its published charges, rates and conditions of service. Membership shall not be denied because of the applicant's race, color, religion, sex, age, marital status, familial status, handicap, income from Public Assistance, disability or national origin. It is the intent of the Corporation to provide service on a nondiscriminatory basis.

Section 2. The Membership fee shall be as determined by the Board of Directors. Payment of Membership fee or transfer of Membership shall entitle an applicant to further qualify for one (1) connection to the system or shall entitle a transferee of Membership to continue to qualify for service to an existing connection to the system by meeting the conditions for water and/or sewer as provided in the Corporation's published rates, charges, and conditions of service. A person may own more than one Membership, but each Member shall be entitled to only one vote regardless of the number of Memberships owned. Membership certificates shall be in such form as shall be determined by the Board of Directors.

Section 3. The Membership fee may be revised by the Board of Directors as the Board may determine to be appropriate. In determining the amount of the Membership fee,

however, the Board shall ensure that the fee is sufficient to establish the potential Member as being legitimately interested in securing water and/or sewer service from the Corporation of such potential Members' own needs. Furthermore, the Board shall determine and administer such fee in a manner or in an amount which does not unreasonably deny service to financially deprived potential Members. In no event, however, shall the Membership fee exceed an amount equal to the sum of twelve (12) charges of the Corporation's minimum monthly water and/or sewer rate unless previously approved by USDA Rural Development, RUN. Membership fees will be refundable.

## ARTICLE XI

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

## ARTICLE XII

Section 1. In order to ensure that business done by the Corporation shall continue within the capacity of its facilities and to prevent undue financial burden on the Members of the Corporation, Membership in the Corporation shall be transferred in accordance with the following:

(a) Except as herein provided, Membership in the Corporation shall be deemed personal estate and a person or entity that owns any stock of, is a Member of, or has some other

right of participation in the Corporation may not sell or transfer that stock, Membership, or other right of participation to another person or entity except: (1) by will to a transferee who is a person related to the testator within the second degree by consanguinity; (2) by transfer without compensation to a transferee who is a person related to the owner of the stock or other interest within the second degree by consanguinity; or (3) by transfer without compensation or by sale to the Corporation.

(b) Subsection (a) of this section does not apply to a person or entity that transfers the Membership or other right of participation to another person or entity as part of the conveyance of real estate from which the Membership or other right of participation arose.

(c) The transfer of stock, Membership, or another right of participation under this section does not entitle the transferee to water and/or sewer service unless each condition for water and/or sewer service is met as provided in the Corporation's published rates, charges, and conditions of service. Water and/or sewer service provided by the Corporation as a result of stock, Membership, or other right of participation may be conditioned on ownership of the real estate designated to receive service and from which the Membership or other right of participation arose.

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

water and/or sewer service prescribed by the Corporation's published rates, charges, and conditions of service.

Section 2. Notwithstanding anything to the contrary here-in-above provided, the consideration for the transfer of any Membership in the Corporation from the original Members, their transferees, pledges, administrators or executors, or other persons, shall never exceed the amount of the original costs of such Membership. No gain or profit shall ever be realized from the sale or transfer of a Membership.

### **ARTICLE XIII**

The Board may employ a manager to handle the business of the Corporation under the direction of the Board. The Board shall set the salary for the manager.

### **ARTICLE XIV**

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

### **ARTICLE XV**

Upon the discontinuance of the Corporation by dissolution or otherwise, all assets of the Corporation shall be distributed among the Members and former Members in direct proportion to the amount of their patronage with the Corporation insofar as practicable. Any indebtedness due the Corporation by a Member for water and/or sewer service or otherwise shall be deducted from such Member's share prior to final distribution. By application for and acceptance of Membership in the Corporation, each Member agrees that upon the discontinuance of the Corporation by dissolution or otherwise, all assets of the Corporation transferred to that Member shall be in turn immediately transferred by the individual Member to an entity that provides a water supply or wastewater service, or both, that is exempt from ad valorem taxation. By application for and acceptance of membership in the Corporation, each Member grants the Corporation's Board of Directors that Member's permission to execute all instruments and documents necessary to effectuate such transfers in order to preserve the Corporation's statutory rights to exemption from income and ad valorem taxation.

#### ARTICLE XVI

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

#### ARTICLE XVII

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

#### ARTICLE XVIII

Section 1. If at the end of the fiscal year, or in the event of emergency repairs, the Board of Directors determines the total amount derived from the collection of water and/or sewer charges to be insufficient for the payment of all costs incident to the operation of the Corporation's system during the year in which such charges are collected, the Board shall make and levy an assessment against each Member of the Corporation as the Board may determine or as may be required by USDA Rural Development, RUS, so that the sum of such assessments and the amount collected from water and/or sewer and other charges is sufficient to fully pay all costs of operation, maintenance, replacement and repayment on indebtedness for the year's operations, but this provision shall not operate for the benefit of any third party creditor other than USDA Rural Development, RUS, without a favorable vote of the majority of the Members. Any assessments levied to make up operations deficits in any year shall be levied against Members in proportion to their patronage with the Corporation.

Section 2. In the event a Member should surrender their Membership certificate properly endorsed by the Secretary-Treasurer of the Corporation, the obligation to pay such assessments shall be limited to assessments made and levied prior to the date of surrender of the Membership certificate provided, however, that this paragraph and the second sentence of Article XIV shall not apply to relieve a Member of their obligation under special arrangements covering Multiple Membership certificates held by one Member which may have been required or approved by the USDA Rural Development, RUS.

## ARTICLE XIX

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

Annually, the Board of Directors shall prepare or cause to be prepared a report



of the financial activity of the Corporation for the preceding year including a statement of functional expenses, and balance sheets for all funds or such financial reports as required by USDA Rural Development, RUS. Such report shall be approved by the Board of Directors.

With prior written request, corporate records, books, and annual reports, subject to exceptions provided by the Public Information Act, Chapter 552, Texas Government Code, including any amendments thereto, shall be available for public inspection and copying by the public or their duly authorized representatives during normal business hours subject to a reasonable charge for the preparation of copies.

In the event of any conflict between the provisions of the Public Information Act and the provisions of the Bylaws, the provisions of the Public Information Act shall prevail.

## ARTICLE XX

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

indebted to the Texas Water Development Board, these bylaws shall not be altered, amended or repealed without prior written consent of the Development Fund Manager.

#### ARTICLE XXI

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

#### ARTICLE XXII

The Corporation pledges its assets for use in performing the functions of the corporation as provided by law and the Corporation's Articles of Incorporation.

**Part C – Question 7**

**Certificates of Status for Transferor and Transferee**



## Office of the Secretary of State

### Certificate of Fact

The undersigned, as Secretary of State of Texas, does hereby certify that the document, Legacy Filing for G-M WATER SUPPLY CORPORATION (file number 25002701), a Domestic Nonprofit Corporation, was filed in this office on August 02, 1968.

It is further certified that the entity status in Texas is in existence.

In testimony whereof, I have hereunto signed my name officially and caused to be impressed hereon the Seal of State at my office in Austin, Texas on October 05, 2018.



A handwritten signature in black ink, appearing to read "R. Pablos".

Rolando B. Pablos  
Secretary of State



## Office of the Secretary of State

### Certificate of Fact

The undersigned, as Secretary of State of Texas, does hereby certify that the document, Certificate of Formation for Pendleton Harbor Water Supply Corporation (file number 801617755), a Domestic Nonprofit Corporation, was filed in this office on June 26, 2012.

It is further certified that the entity status in Texas is in existence.

In testimony whereof, I have hereunto signed my name officially and caused to be impressed hereon the Seal of State at my office in Austin, Texas on October 05, 2018.



A handwritten signature in black ink, appearing to read "R. Pablos".

Rolando B. Pablos  
Secretary of State

**Part C – Question 9**

**G-M Water Supply Corp.**

**Current Officers/Directors**

**G-M WATER SUPPLY CORPORATION  
BOARD OF DIRECTORS  
MAY 1, 2018**

JOE KELLEY—PRESIDENT  
307 REBEL RIDGE  
HEMPHILL, TX 75948  
409-787-3745  
joebetty@windstream.net

FELIX HOLMES  
RT 5 BOX 806  
HEMPHILL, TX 75948  
936-596-7698

R. D. GRIFFIN—SECRETARY  
PO BOX 635  
SAN AUGUSTINE, TX 75972  
936-275-2396  
romandevergriffin@yahoo.com

JIM C. NETHERY  
163 CAT HOLLER TRAIL  
HEMPHILL, TX 75948  
409-787-4869  
milamcatholler@yahoo.com

GEORGE CARNEY  
HCR 1 BOX 19C  
MILAM, TX 75959  
409-625-3284  
gecarney@yahoo.com

CARL BEALL, JR-VICE PRESIDENT  
PO BOX 251  
HEMPHILL, TX 75948  
936-275-8737  
mudslinger02@yahoo.com

ROBERT HARRIS, JR  
RT 2 BOX 433  
SAN AUGUSTINE, TX 75972  
936-275-7979 (CELL)

DANIEL FEATHERSTON  
583 MAGASCO DR  
PINELAND, TX 75968  
936-275-8296

MIKE PENNINGTON  
115 MOCKINGBIRD LN  
MILAM, TX 75959  
409-625-0453

JERRY PICKARD—GENERAL MANAGER  
PO BOX 1006  
HEMPHILL, TX 75948  
936-275-6408

**Part C – Question 10**

**G-M Water Supply Corp.**

**Financial Statements - 2016-2017**



**G-M WATER SUPPLY  
CORPORATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 AND 2015**

**G-M WATER SUPPLY CORPORATION**  
Statement of Assets, Liabilities and Net Assets - Cash Basis  
December 31, 2016 and 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Current Assets		
Cash	\$ 780,557	\$ 735,181
Certificates of Deposit	408,709	406,155
Accounts receivable - returned checks	583	431
Total Current Assets	<u>1,189,849</u>	<u>1,141,767</u>
Capital Assets		
Land, Right-of-Way and Building Site	65,476	65,476
Office Building	127,190	127,190
Distribution System	5,613,778	5,613,778
New Water Plant	5,005,672	5,005,672
Equipment and Furniture	490,615	479,487
Vehicles	239,727	233,570
	<u>11,542,458</u>	<u>11,525,173</u>
Accumulated depreciation	<u>(3,780,784)</u>	<u>(3,440,818)</u>
Total Capital Assets, net	<u>7,761,674</u>	<u>8,084,355</u>
Other Assets		
Restricted Cash - Debt Reserve Fund	<u>122,759</u>	<u>116,449</u>
TOTAL ASSETS	<u>\$ 9,074,282</u>	<u>\$ 9,342,571</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Current payables	\$ 461	\$ 591
Note Payable - Current Portion	<u>118,336</u>	<u>119,798</u>
Total Current Liabilities	<u>118,797</u>	<u>120,389</u>
Long-Term Debt		
Notes Payable less Current Portion	<u>4,280,465</u>	<u>4,422,790</u>
Total Liabilities	<u>4,399,262</u>	<u>4,543,179</u>
Net Assets		
Unrestricted net assets	<u>4,675,020</u>	<u>4,799,392</u>
Total Net Assets	<u>4,675,020</u>	<u>4,799,392</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,074,282</u>	<u>\$ 9,342,571</u>

The accompanying notes are an integral part of these financial statements.

**G-M WATER SUPPLY CORPORATION**  
**Statement of Support, Revenue and Expenses - Cash Basis**  
**For the Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>UNRESTRICTED NET ASSETS</b>		
Support		
Water Sales and Related Fees	\$ 1,920,932	\$ 1,739,319
Total Unrestricted Support	<u>1,920,932</u>	<u>1,739,319</u>
General and Administrative Expenses		
Salaries and Contract Labor	494,173	495,551
Water Purchases	411,422	343,322
General System Maintenance	236,128	258,719
Depreciation	145,397	171,434
Depreciation - New Water Plant	212,114	195,358
Insurance	96,385	102,314
Utilities	134,349	135,835
Administrative and Other Costs	107,652	88,966
Interest	82,499	85,472
Payroll Taxes	37,425	37,069
Professional Fees	106,901	22,674
Total Operating Expenses	<u>2,064,445</u>	<u>1,936,714</u>
 (Decrease) Increase in Unrestricted Net Assets from Operations	 <u>(143,513)</u>	 <u>(197,395)</u>
Non-Operating Income / Expenses		
Interest Income	3,176	1,561
Grants	-	1,287,321
Other Income	2,010	22,604
Membership and Insurance Refunds	13,955	10,274
Total Non-Operating Income, Net	<u>19,141</u>	<u>1,321,760</u>
 (Decrease) Increase in Unrestricted Net Assets	 (124,372)	 1,124,365
 <b>NET ASSETS AT BEGINNING OF YEAR</b>	 <u>4,799,392</u>	 <u>3,675,027</u>
 <b>NET ASSETS AT END OF YEAR</b>	 <u>\$ 4,675,020</u>	 <u>\$ 4,799,392</u>

The accompanying notes are an integral part of these financial statements.

**G-M WATER SUPPLY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

G-M Water Supply Corporation is a consumer cooperative providing water services to members living near Hemphill, Bronson and Pineland, Texas.

Basis of Accounting

The Organization maintains its accounting records on the modified cash basis of accounting. This basis differs from generally accepted accounting principles primarily because G-M Water Supply Corporation has not recognized accounts receivable from its members, accounts payable to vendors, nor their related effects on earnings.

The financial statements are presented in accordance with FASB ACS 958, which requires the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Accounts Receivable

Accounts receivable shown are amounts owed by members for returned checks.

Investments

The Organization invests only in money market or certificate of deposit accounts at its depository bank.

Restricted Cash

The restricted cash represents a separate bank account established to hold the debt service reserve funds that is required by the loans from USDA and Texas Water Development Board. (See Note 4)

Subsequent Events

Subsequent events have been evaluated through March 16, 2017, which is the date the financial statements were available to be issued.

**G-M WATER SUPPLY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

Income Taxes

The Organization is exempt from federal income taxes under provisions of Internal Revenue Code, Section 501(C)(12), therefore, no provision for federal income taxes has been made in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Support and Revenue

The Organization maintains its records on a modified cash basis. Revenues are recognized when received from members, either in the form of tap or water usage fees. The membership fees received after May, 2003 are refundable to the members and are not recorded as revenues when received.

Capital Assets

Capital assets includes amounts expended which have an estimated useful life of at least two years and are recorded at historical cost. Maintenance and repairs are charged to expense as incurred, and renewals and betterments are capitalized. The Organization does not have an official capitalization policy. Due to inadequate accounting records for the years prior to 1990, actual costs were unable to be determined. Values of fixed assets acquired prior to 1990 were determined by management's estimates which were based on historical costs. The cost of property and equipment sold or otherwise retired and the accumulation of depreciation applicable thereto are eliminated from the accounts, and the resulting profit or loss is reflected in operations. All fixed assets are depreciated on a straight-line basis over their estimated useful lives. The office building is depreciated over forty years. The water distribution system components are depreciated over fifty years. Equipment is depreciated over periods from 3 to 10 years. The new water plant is being depreciated over periods ranging from 10 to 50 years.

2 CASH AND INVESTMENTS

The Organization maintains its cash accounts at its depository bank. Investments were in certificates of deposits at several banks during 2016 and 2015.

G-M WATER SUPPLY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

3. CHANGES IN CAPITAL ASSETS

	Balance 12-31-15	Additions	Deletions	Balance 12-31-16
Land	\$ 65,476	\$ -	\$ -	\$ 65,476
Buildings	127,190	-	-	127,190
Distribution System	5,613,778	-	-	5,613,778
New Water Plant	5,005,672	-	-	5,005,672
Vehicles and Equipment	<u>713,057</u>	<u>34,830</u>	<u>17,545</u>	<u>730,342</u>
	11,525,173	34,830	17,545	11,542,458
Less: Accumulated Depreciation	<u>(3,440,818)</u>	<u>(357,511)</u>	<u>17,545</u>	<u>(3,780,784)</u>
	<u>\$ 8,084,355</u>	<u>\$(322,681)</u>	<u>\$ -</u>	<u>\$ 7,761,674</u>

4. LONG-TERM DEBT

In April, 2012, the Organization borrowed \$40,903 from Kubota Credit Corporation to purchase an excavator. The terms of the note call for monthly payments of \$682 for 60 months at 0% interest. Security for the note is the excavator.

In November, 2007, the Organization signed a USDA loan agreement for the completion of a water system improvement project in the amount of \$1,312,000. The Organization had drawn \$910,000 on the loan agreement at December 31, 2008 to reimburse vendors for work completed to date. The remaining \$402,000 was drawn on the note during 2009. The note calls for monthly payments of \$5,957 to beginning in December 2008 with maturity in forty years. The interest rate is fixed at 4.5%. The note calls for a reserve cash account to be accumulated at \$520 per month until a total of \$62,400 is reached. The reserve account was adequately funded at December 31, 2016.

On February 24, 2010, the Organization signed a Texas Water Development Board loan to construct a new water plant. The note is to be repaid in principal installments of \$4,980 per month at zero percent interest. The loan matures on February 15, 2040. Amounts drawn on the loan during 2015 and 2014, was \$17,190 and \$2,224,600, respectively. The new water plant was completed during 2015. The note calls for a reserve cash account to be accumulated at \$996 per month until a total of \$59,760 is reached. The reserve account was adequately funded at December 31, 2016.

**G-M WATER SUPPLY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

A supplementary loan for completion of the new water plant was obtained from First Bank and Trust totaling \$765,000. The loan term is 20 years and carries an interest rate of 4.15%. Monthly payments are \$4,696 and the Board of Directors has instructed that the monthly payments include an additional principal payment of \$2,000.

	Payable at <u>12-31-15</u>	<u>Additions</u>	<u>Retirements</u>	Payable at <u>12-31-16</u>
TWDB	\$2,621,400	\$ -	\$ 59,760	\$ 2,561,640
USDA	1,199,276	-	17,884	1,181,392
Supplemental Loan	695,650	-	52,030	643,620
Kubota	11,589	-	8,181	3,408
Two Ford Truck	14,673	-	5,932	8,741
	<u>\$4,542,588</u>	<u>\$ -</u>	<u>\$ 143,787</u>	<u>\$4,398,801</u>

Interest expense for these notes payable was \$82,499 and \$85,472 for the years ended December 31, 2016 and 2015, respectively.

The annual requirements to amortize the notes payable at December 31, 2016, are as follows:

<u>Year Ending Dec. 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2017	\$ 118,336	\$ 79,156	\$ 197,492
2018	113,339	76,963	190,302
2019	113,064	74,538	187,602
2020	115,393	72,209	187,602
2021	117,824	69,777	187,601
2022-2026	817,398	308,528	1,125,926
2027-2031	1,085,410	201,796	1,287,206
2032-2036	849,084	156,336	1,005,420
2037-2041	731,836	105,704	837,540
2042-2046	315,097	42,323	357,420
2047	22,020	182	22,202
	<u>\$4,398,801</u>	<u>\$1,187,512</u>	<u>\$5,586,313</u>

For purposes of the above note payment projections, interest rates effective at December 31, 2016 were used for the entire term of the notes payable.

G-M WATER SUPPLY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

5. RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Organization continues to carry commercial insurance for all of these types of risks of loss, including commercial building and property, vehicle collision, liability and comprehensive, directors and officers' liability, employee dishonesty, general liability and workmen's compensation. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three fiscal years.

6. COMMITMENTS

The Organization is committed to purchasing water from the City of Hemphill, with a minimum of 5 million gallons of water per month, at designated rates per 1,000 gallons purchased through June 30, 2021.



G-M WATER SUPPLY  
CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

G-M WATER SUPPLY CORPORATION  
Statements of Assets, Liabilities and Net Assets - Modified Cash Basis  
December 31, 2017 and 2016

	<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Current Assets			
Cash		\$ 734,840	\$ 780,557
Certificates of Deposit		410,967	408,709
Accounts receivable - returned checks		564	583
Total Current Assets		<u>1,146,371</u>	<u>1,189,849</u>
Capital Assets			
Land and Building Site		80,866	65,476
Office Building		127,190	127,190
Distribution System		5,701,643	5,613,778
New Water Plant		5,005,672	5,005,672
Equipment and Vehicles		684,055	730,342
		<u>11,599,426</u>	<u>11,542,458</u>
Accumulated depreciation		(4,075,553)	(3,780,784)
Total Capital Assets, net		<u>7,523,873</u>	<u>7,761,674</u>
Other Assets			
Permanent Easement		40,252	-
Restricted Cash - Debt Reserve Fund		126,567	122,759
Total Other Assets		<u>166,819</u>	<u>122,759</u>
 TOTAL ASSETS		 <u>\$ 8,837,063</u>	 <u>\$ 9,074,282</u>
 <u>LIABILITIES AND NET ASSETS</u>			
Current Liabilities			
Current payables		\$ 501	\$ 461
Note Payable - Current Portion		114,414	118,336
Total Current Liabilities		<u>114,915</u>	<u>118,797</u>
Long-Term Debt			
Notes Payable less Current Portion		4,141,230	4,280,465
Total Liabilities		<u>4,256,145</u>	<u>4,399,262</u>
Net Assets			
Unrestricted net assets		4,580,918	4,675,020
Total Net Assets		<u>4,580,918</u>	<u>4,675,020</u>
 TOTAL LIABILITIES AND NET ASSETS		 <u>\$ 8,837,063</u>	 <u>\$ 9,074,282</u>

The accompanying notes are an integral part of these financial statements.

G-M WATER SUPPLY CORPORATION  
Statements of Support, Revenue and Expenses - Modified Cash Basis  
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>UNRESTRICTED NET ASSETS</b>		
Support		
Water Sales and Related Fees	\$ 1,912,142	\$ 1,920,932
Total Unrestricted Support	<u>1,912,142</u>	<u>1,920,932</u>
General and Administrative Expenses		
Salaries and Contract Labor	516,006	494,173
Water Purchases	364,128	411,422
General System Maintenance	264,248	236,128
Depreciation	150,082	145,397
Depreciation - New Water Plant	212,114	212,114
Insurance	115,658	96,385
Utilities	142,351	134,349
Administrative and Other Costs	110,933	107,652
Payroll Taxes	38,926	37,425
Professional Fees	31,704	106,901
Total Operating Expenses	<u>1,946,150</u>	<u>1,981,946</u>
Decrease in Unrestricted Net Assets from Operations	<u>(34,008)</u>	<u>(61,014)</u>
Non-Operating Income / Expenses		
Interest Income	3,143	3,176
Other Income	393	2,010
Interest Expense	(78,358)	(82,499)
Membership and Insurance Refunds	14,728	13,955
Total Non-Operating Income, Net	<u>(60,094)</u>	<u>(63,358)</u>
Decrease in Unrestricted Net Assets	(94,102)	(124,372)
NET ASSETS AT BEGINNING OF YEAR	<u>4,675,020</u>	<u>4,799,392</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,580,918</u>	<u>\$ 4,675,020</u>

The accompanying notes are an integral part of these financial statements

G-M WATER SUPPLY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

G-M Water Supply Corporation is a consumer cooperative providing water services to members living near Hemphill, Bronson and Pineland, Texas.

Basis of Accounting

The Organization maintains its accounting records on the modified cash basis of accounting. This basis differs from generally accepted accounting principles primarily because G-M Water Supply Corporation has not recognized accounts receivable from its members, accounts payable to vendors, nor their related effects on earnings.

The financial statements are presented in accordance with the presentation requirements of FASB ACS 958, which requires the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Accounts Receivable

Accounts receivable shown are amounts owed by members for returned checks.

Restricted Cash

The restricted cash represents a separate bank account established to hold the debt service reserve funds that is required by the loans from USDA and Texas Water Development Board. (See Note 4)

Subsequent Events

Subsequent events have been evaluated through March 22, 2018, which is the date the financial statements were available to be issued.

Cash Equivalents

The Organization considers all highly liquid investments, except those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents.

**G-M WATER SUPPLY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

Income Taxes

The Organization is exempt from federal income taxes under provisions of Internal Revenue Code, Section 501(C)(12), therefore, no provision for federal income taxes has been made in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Support and Revenue

The Organization maintains its records on a modified cash basis. Revenues are recognized when received from members, either in the form of tap or water usage fees. The membership fees received after May, 2003 are refundable to the members and are not recorded as revenues when received.

Capital Assets

Capital assets includes amounts expended which have an estimated useful life of at least two years and are recorded at historical cost. Maintenance and repairs are charged to expense as incurred, and renewals and betterments are capitalized. The Organization does not have an official capitalization policy. Due to inadequate accounting records for the years prior to 1990, actual costs were unable to be determined. Values of fixed assets acquired prior to 1990 were determined by management's estimates which were based on historical costs. The cost of property and equipment sold or otherwise retired and the accumulation of depreciation applicable thereto are eliminated from the accounts, and the resulting profit or loss is reflected in operations. All fixed assets are depreciated on a straight-line basis over their estimated useful lives. The office building is depreciated over forty years. The water distribution system components are depreciated over fifty years. Equipment is depreciated over periods from 3 to 10 years. The new water plant is being depreciated over periods ranging from 10 to 50 years.

2. CASH AND INVESTMENTS

The Organization maintains its cash accounts at its depository bank. Investments were in certificates of deposits at several banks during 2017 and 2016.

3. CHANGES IN CAPITAL ASSETS

	Balance 12-31-16	Additions	Deletions	Balance 12-31-17
Land	\$ 65,476	\$ 15,390	\$ -	\$ 80,866
Buildings	127,190	-	-	127,190
Distribution System	5,613,778	87,865	-	5,701,643
New Water Plant	5,005,672	-	-	5,005,672
Vehicles and Equipment	<u>730,342</u>	<u>21,140</u>	<u>67,427</u>	<u>684,055</u>
	11,542,458	124,395	67,427	11,599,426
Less: Accumulated Depreciation	<u>(3,780,784)</u>	<u>(362,196)</u>	<u>67,427</u>	<u>(4,075,553)</u>
	<u>\$ 7,761,674</u>	<u>\$(237,801)</u>	<u>\$ -</u>	<u>\$ 7,523,873</u>

4. LONG-TERM DEBT

In April, 2012, the Organization borrowed \$40,903 from Kubota Credit Corporation to purchase an excavator. The terms of the note call for monthly payments of \$682 for 60 months at 0% interest. Security for the note is the excavator.

In November, 2007, the Organization signed a USDA loan agreement for the completion of a water system improvement project in the amount of \$1,312,000. The note calls for monthly payments of \$5,957 beginning in December 2008 with maturity in forty years. The interest rate is fixed at 4.5%. The note calls for a reserve cash account to be accumulated at \$520 per month until a total of \$62,400 is reached. The reserve account was adequately funded at December 31, 2017.

On February 24, 2010, the Organization signed a Texas Water Development Board (TWDB) loan to construct a new water plant. The note is to be repaid in principal installments of \$4,980 per month at zero percent interest. The loan matures on February 15, 2040. The note calls for a reserve cash account to be accumulated at \$996 per month until a total of \$59,760 is reached. The reserve account was adequately funded at December 31, 2017.

In April, 2013, the Organization borrowed \$28,966 from First Bank and Trust to purchase two Ford Trucks. The terms of the note call for monthly payments of \$540 for 60 months at 4.5% interest.

A supplementary loan for completion of the new water plant was obtained from First Bank and Trust totaling \$765,000. The loan term is 20 years and carries an interest rate of 4.15%. Monthly payments are \$4,696 and the Board of Directors has instructed that the monthly payments include an additional principal payment of \$2,000.

	Payable at 12-31-16	Additions	Retirements	Payable at 12-31-17
TWDB	\$2,561,640	\$ -	\$ 59,760	\$ 2,501,880
USDA	1,181,392	-	18,706	1,162,686
Supplemental Loan	643,620	-	55,063	588,557
Kubota	3,408	-	3,408	-
Two Ford Trucks	8,741	-	6,219	2,521
	<u>\$4,398,801</u>	<u>\$ -</u>	<u>\$ 143,156</u>	<u>\$4,255,644</u>

The annual requirements to amortize the notes payable at December 31, 2017, are as follows:

Year Ending Dec. 31	Principal	Interest	Total Requirements
2018	\$ 114,414	\$ 75,912	\$ 190,326
2019	114,170	73,455	187,625
2020	116,546	71,079	187,625
2021	119,026	68,599	187,625
2022	121,614	66,011	187,625
2023-2027	838,956	287,088	1,126,044
2028-2032	1,009,332	204,981	1,214,313
2033-2037	858,322	147,098	1,005,420
2038-2042	683,640	94,140	777,780
2043-2047	279,624	28,509	308,133
	<u>\$4,255,644</u>	<u>\$1,116,872</u>	<u>\$5,372,516</u>

For purposes of the above note payment projections, interest rates effective at December 31, 2017 were used for the entire term of the notes payable.

5. RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Organization continues to carry commercial insurance for all of these types of risks of loss, including commercial building and property, vehicle collision, liability and comprehensive, directors and officers' liability, employee dishonesty, general liability and workmen's compensation. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three fiscal years.

6. COMMITMENTS

The Organization is committed to purchasing water from the City of Hemphill, with a minimum of 5 million gallons of water per month, at designated rates per 1,000 gallons purchased through June 30, 2021.



**Part F – Question 22**

**Pendleton Harbor Water Supply Corp.**

**TCEQ Inspection Letter – November, 2017**

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



## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

November 2, 2017

**CERTIFIED MAIL {7014 1200 0000 1917 9282}  
RETURN RECEIPT REQUESTED**

Mr. John Miller, President  
Pendleton Harbor Water Supply Corporation (WSC)  
501 Kennon Drive S  
Hemphill, Texas 75948

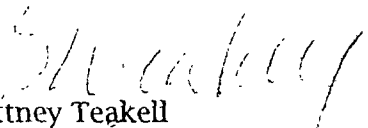
**Re: Unresolved Alleged Violations for Public Water Supply Comprehensive  
Compliance Investigation at: Pendleton Harbor WSC, Hemphill (Sabine), Texas; PWS  
ID No.: 2020020, Investigation No.: 1438540**

Dear Mr. Miller:

The Texas Commission on Environmental Quality (TCEQ) Beaumont Region 10 Office has previously requested that you submit compliance documentation for the alleged violations noted during the investigation of the above-referenced facility conducted on February 17, 2016. We have received acceptable compliance documentation from you for all of the alleged violations except those listed in the enclosed summary. Please be advised that you are responsible for correcting these remaining problems. These unresolved alleged violation will be placed in your file to be evaluated during any subsequent investigation.

If you or members of your staff have any questions regarding these matters, please feel free to contact Ayo Falade in the Beaumont Region 10 Office at (409) 898-3838.

Sincerely,

  
Brittney Teakell  
Water Section Team Leader  
Beaumont Region 10 Office

BT/AF/cal

Enclosure: Summary of Unresolved Investigation Findings

## Summary of Investigation Findings

PENDLETON HARBOR

CUTTYSARK RD

MILAM, SABINE COUNTY, TX 75959

Investigation #

1438540

Investigation Date: 10/06/2017

Additional ID(s): 2020020

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

Track No: 599625

Compliance Due Date: 05/12/2017

30 TAC Chapter 290.45(f)(1)

#### Alleged Violation:

Investigation: 1312974

Comment Date: 04/15/2016

Failure by Pendleton Harbor WSC to have a purchase water contract.

During the investigation, it was noted that a water purchase contract was not available to review in order that production, storage, service pump, or pressure maintenance capacity may be properly evaluated. The WSC indicated that their governing board had attended meetings with G-M WSC to acquire a contract, but were told G-M WSC would not provide one.

Investigation: 1389105

Comment Date: 02/14/2017

Data maintenance was conducted to update compliance due date to April 5, 2017.

Investigation: 1407106

Comment Date: 04/10/2017

No compliance documentation was submitted for this alleged violation.

Investigation: 1438540

Comment Date: 10/11/2017

No documentation has been received regarding this alleged violation.

**Recommended Corrective Action:** Negotiate with G-M WSC to create a purchase water contract or memorandum of understanding that specifically delineates the maximum amount of purchase water available to the Pendleton Harbor WSC. Provide a copy of the agreement to the Beaumont Region Office.

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

Track No: 600333

30 TAC Chapter 290.45(b)(1)(C)(iii)

#### Alleged Violation:

Investigation: 1312974

Comment Date: 04/14/2016

Failure by Pendleton Harbor WSC to provide two or more pumps that have a total capacity of 2.0 gpm per connection.

During the investigation, it was noted that Pendleton Harbor WSC did not have two or more pumps that have a total capacity of 2.0 gpm per connection. Three pumps are on site. One of the pumps only operates when the generator is operating. The other two pumps provide 117 gpm and 95 gpm for a total of 212 gpm. The system is required to provide 388 gpm. The system is 45% deficit in total service pump capacity.

Investigation: 1389105

Comment Date: 02/14/2017

Data maintenance was conducted to update compliance due date to April 5, 2017.

**PENDLETON HARBOR****Investigation # 1438540**

Investigation: 1407106

Comment Date: 04/10/2017

The region acknowledges documentation submitted regarding negotiations between GM and Pendleton Harbor. The documentation discusses the production capacity issues concerning the amount of water GM is sending to the system and the installation of a new water line that is being installed. This does not address the deficiency of the service pumps.

Investigation: 1438540

Comment Date: 10/11/2017

The Water System has been granted an Alternative Capacity Requirement (ACR).

**Recommended Corrective Action:** Provide 388 gpm service pump capacity. Submit documentation to the Beaumont Regional Office once the capacity requirement has been fulfilled.

Please note that if any modifications are made to the plant in an effort obtain compliance with this regulation, notification shall be made to TCEQ Water Supply division Technical Review and Oversight Team, MC 155 PO Box 13087, Austin, Texas 78711-3087; phone (512) 239-4691. Additionally, an exception may be requested regarding this regulation to the address listed above.

**Resolution:** On August 17, 2017, the Beaumont Regional received a copy of an approved letter of Alternative Capacity Requirements granting the water system an exception to use a calculated peak daily demand. The system is now required to provide a service pump capacity of 0.8 times its number of connections (194) which equals 155 gpm.

**PENDLETON HARBOR WATER SUPPLY CORPORATION**

**501 KENNON DRIVE SOUTH**

**HEMPHILL, TEXAS 75948**

**November 13, 2017**

**Ms Bittany Teakell  
Water Section Team Leader  
Texas Commission on Environmental Quality  
3870 Eastex Frwy  
Beaumont, Texas 77703-1830**

**RE: Unresolved Alleged Violations for Public Water Supply Comprehensive  
Compliance Investigation at: Pendleton Harbor WSC, Hemphill (Sabine), Texas,  
PWS  
ID No: 2020020, Investigation No: 1438540**

**Dear Ms Teakell,**

**In response to your letter date November 2, 2017, we respectfully submit the  
following information for your review.**

**1- Failure by Pendleton Harbor WSC to have a purchase water contract**

**Earlier this year our Board Member, Robert Buttross, met with Mr. Ronald  
Hebert, Jr., TCEQ, Water Section Manager. Their discussion revolved around  
the fact that on many occasions we have attempted to get a contract from GM  
Water Supply, our water provider, and the results have all been the same. GM  
refuses to enter into a contract with us. From the discussion with Mr. Hebert  
we were informed that the legislation that requires a contract for water  
services did indeed require us to obtain one but no where in said legislation  
does it "require" GM to provide us one. Therefore, it was determined during  
this meeting that legally there was nothing PHWSC or TCEQ could do to force  
GM to give us a contract. It was our understanding at the end of this meeting**

that due to this loop hole in the legislation that this alleged violation was not enforceable.

Unless, there has been amended legislation to this regulation that would assist us in requiring GM Water Supply to enter into a contract with us, there is nothing that can be done to resolve this issue.

If you have any information that would assist in this endeavor please forward this information to us.

2- Pendleton Harbor WSC to provide two or more pumps that have a total capacity of 2 gpm per connection

Please refer to the attached document from TCEQ dated August 7, 2017. We are following the guidelines outlined and per our phone conversation with Ms Sharma, TCEQ, we are emailing our monthly pumping report to her and will continue to do so from September 1, 2017 until the 36 months of reports as required are complete.

We sincerely hope this answers the questions you raised in your letter. If you have any further questions please feel free to contact us.

Sincerely,

Jim Baugh  
PHWSC Board Member

Cc: PHWSC Board Members  
File: TCEQ/2017

**Part F – Question 26**

**Pendleton Harbor Water Supply Corp.**

**Water Purchase Agreement with G-M Water Supply Corp.**





By execution hereof, the Applicant agrees that non-compliance with the terms of this agreement by said Applicant shall constitute denial or discontinuance of service until such time as the violation is corrected to the satisfaction of the Corporation.

Any misrepresentation of the facts by the Applicant on any of the four pages of this agreement shall result in discontinuance of service pursuant to the terms and conditions of the Corporation's tariff.

\_\_\_\_\_  
Witnesseth

\_\_\_\_\_  
Approved and Accepted

X *[Signature]*  
Applicant Member

5/7/2014  
Date Approved

**Part F – Question 28**

**Names and License Numbers of Operators who will be  
responsible for water service following merger  
(G-M Water Supply Corp's current employees)**

OPERATOR LIST

JERRY PICKARD-"C" DISTRIBUTION #WD0004390

VANCE C HOYLE, JR- "A" WATER LICENSE # WO0029646

CUSTOMER SERVICE INSPECTION LICENSE # CI0000621

BACKFLOW PREVENTION LICENSE # BP0008484

KEITH MCCROSKEY-"B" GROUND WATER LICENSE # WG0014806

JULIUS TEAGLE-"B" SURFACE WATER LICENSE # WS0008008

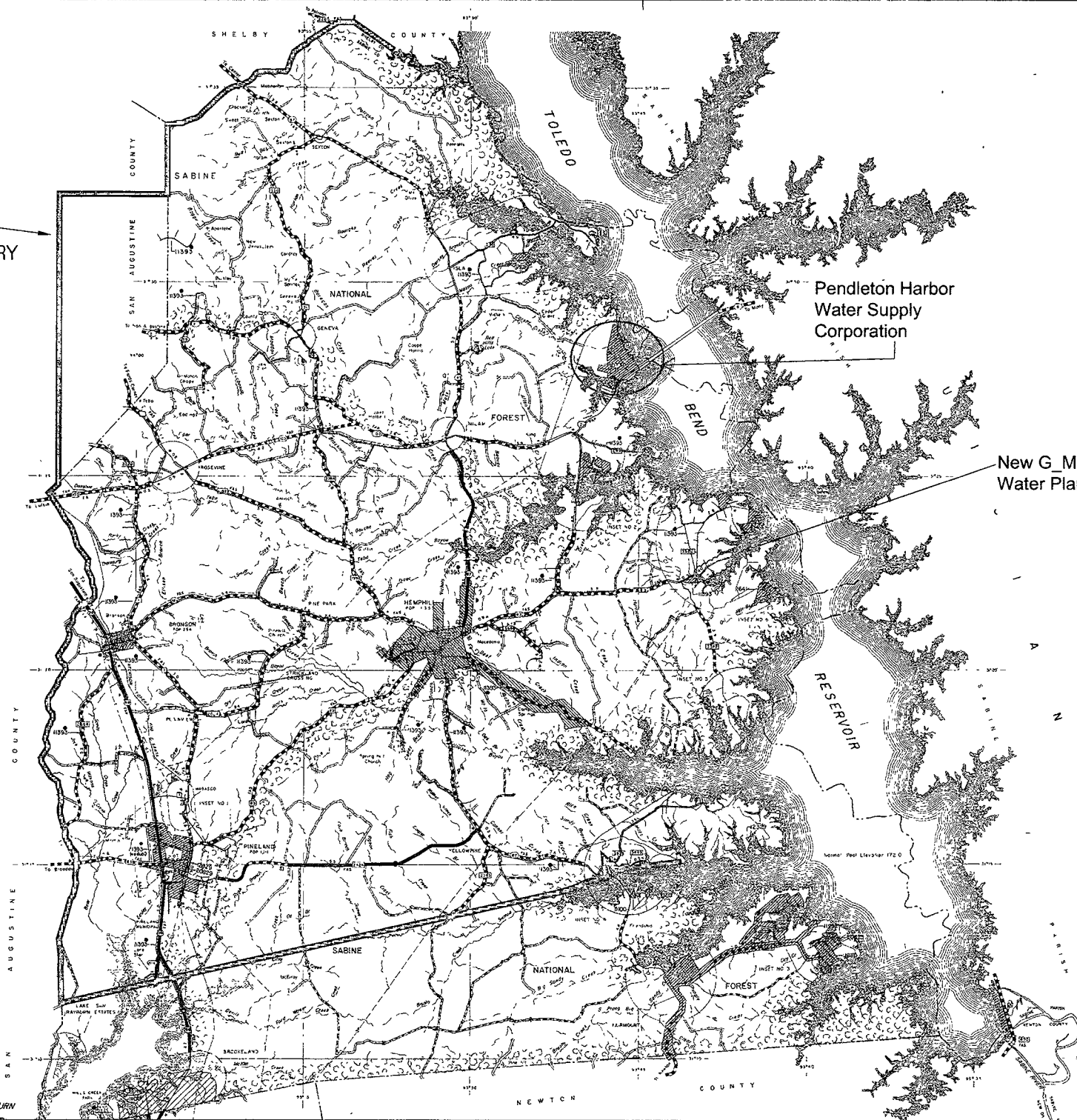
KEVIN MCCROSKEY-"C" SURFACE WATER LICENSE # WS0013396

DEBRA DANIEL-"C" GROUND WATER LICENSE # WG0009686

## **Part G – Question 29**

### **Requested Maps**

G-M WSC  
CCN BOUNDARY



Pendleton Harbor  
Water Supply  
Corporation

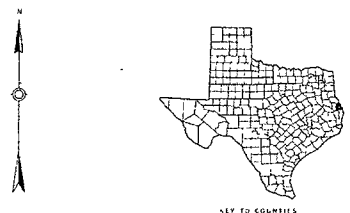
New G.M WSC  
Water Plant

**LEGEND**

<p><b>ROADS</b></p> <p>1. INTERSTATE HIGHWAY</p> <p>2. U.S. HIGHWAY</p> <p>3. STATE HIGHWAY</p> <p>4. COUNTY ROAD</p> <p>5. BRIDGE</p> <p>6. FERRY</p> <p>7. TRAIL</p> <p>8. DIRT ROAD</p> <p>9. GRAVEL ROAD</p> <p>10. GRAVEL AND ASPHALT ROAD</p> <p>11. ASPHALT ROAD</p> <p>12. ASPHALT AND GRAVEL ROAD</p> <p>13. ASPHALT AND GRAVEL ROAD</p> <p>14. ASPHALT AND GRAVEL ROAD</p> <p>15. ASPHALT AND GRAVEL ROAD</p> <p>16. ASPHALT AND GRAVEL ROAD</p> <p>17. ASPHALT AND GRAVEL ROAD</p> <p>18. ASPHALT AND GRAVEL ROAD</p> <p>19. ASPHALT AND GRAVEL ROAD</p> <p>20. ASPHALT AND GRAVEL ROAD</p>	<p><b>WATER</b></p> <p>21. RIVER</p> <p>22. LAKE</p> <p>23. RESERVOIR</p> <p>24. CREEK</p> <p>25. SWAMP</p> <p>26. MARSH</p> <p>27. BAY</p> <p>28. GULF</p> <p>29. OCEAN</p> <p>30. STRAIT</p> <p>31. CHANNEL</p> <p>32. PASSAGE</p> <p>33. SOUND</p> <p>34. BAY</p> <p>35. GULF</p> <p>36. OCEAN</p> <p>37. STRAIT</p> <p>38. CHANNEL</p> <p>39. PASSAGE</p> <p>40. SOUND</p>	<p><b>LAND</b></p> <p>41. FARM</p> <p>42. RANCH</p> <p>43. TRACT</p> <p>44. SECTION</p> <p>45. TOWNSHIP</p> <p>46. RANGE</p> <p>47. COUNTY</p> <p>48. STATE</p> <p>49. FEDERAL</p> <p>50. NATIONAL</p> <p>51. INTERNATIONAL</p> <p>52. TERRITORY</p> <p>53. DISTRICT</p> <p>54. PROVINCE</p> <p>55. KINGDOM</p> <p>56. EMPIRE</p> <p>57. REPUBLIC</p> <p>58. COMMONWEALTH</p> <p>59. DOMINION</p> <p>60. PRINCIPALITY</p> <p>61. ARCHDIOCESE</p> <p>62. DIOCESE</p> <p>63. PARISH</p> <p>64. CONGREGATION</p> <p>65. CHURCH</p> <p>66. TEMPLE</p> <p>67. MONASTERY</p> <p>68. CONVENT</p> <p>69. PRIORY</p> <p>70. ABBEY</p> <p>71. CLOISTER</p> <p>72. HERMITAGE</p> <p>73. RETREAT</p> <p>74. MONASTERY</p> <p>75. CONVENT</p> <p>76. PRIORY</p> <p>77. ABBEY</p> <p>78. CLOISTER</p> <p>79. HERMITAGE</p> <p>80. RETREAT</p>
--	--	---

**LOCATION MAP**

**SPZ SCHAUMBURG & POLK, INC.**  
BEAUMONT • HOUSTON • TYLER  
8885 College Street, Beaumont, Texas 77707  
409 866 0341 P - 409 866 0337 F  
© Copyright 2008



LEGEND  
• Facilities only  
• Facilities + 200'

WRS-202  
GENERAL HIGHWAY MAP  
**SABINE COUNTY**  
**TEXAS**  
PREPARED BY THE  
STATE DEPARTMENT OF HIGHWAYS  
AND PUBLIC TRANSPORTATION  
TRANSPORTATION PLANNING DIVISION  
IN COOPERATION WITH THE  
U.S. DEPARTMENT OF TRANSPORTATION  
FEDERAL HIGHWAY ADMINISTRATION  
SCALE 1:100,000  
1971  
ONE INCH = 10 MILES  
HIGHWAYS REVISED TO MARCH 1 1986  
Copies of this map are available for public use at no charge.



THIS DOCUMENT IS  
BEING RELEASED FOR  
REVIEW UNDER THE  
AUTHORITY OF  
MARK MANN, P.E.  
TX. REG. 91891  
APRIL 2016

IT IS NOT TO BE  
USED FOR BIDDING,  
CONSTRUCTION, OR  
ISSUANCE OF PERMITS.

WATER IMPROVEMENT PROJECT  
SABINE COUNTY  
PROPOSED INCORPORATION  
EXHIBIT No. 1

**SPI SCHÄUMBURG & POLK, INC.**

