

Control Number: 49097



Item Number: 9

Addendum StartPage: 0

DOCKET NO. 49097

APPLICATION OF CITY OF LORENA, §
SPRING VALLEY WATER SUPPLY §
CORPORATION, AND CITY OF §
WACO FOR APPROVAL OF A §
SERVICE AREA CONTRACT UNDER §
TEXAS WATER CODE § 13.248 §
DESIGNATING SERVICE AREA §
IN MCLENNAN COUNTY §

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OF TEXAS

**SPRING VALLEY WATER SUPPLY CORPORATION'S
RESPONSE TO
COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION AND REQUEST
FOR ADMISSION TO SPRING VALLEY WATER SUPPLY CORPORATION
QUESTION NOS. STAFF 1-1 THROUGH 1-17**

To: Public Utility Commission of Texas, Legal Division, by and through its attorney, Rashmin J. Asher, Public Utility Commission of Texas, 1701 N. Congress Avenue, P.O. Box 13326, Austin, Texas 78711-3326.

Spring Valley Water Supply Corporation, a Texas non-profit corporation ("Spring Valley WSC"), provides this response to Staff's First Request for Information and Request for Admission to Spring Valley WSC.

Respectfully submitted,

SCANES & ROUTH, LLP
7901 Fish Pond Road, Suite 200
P. O. Box 20965
Waco, Texas 76702-0965
(254) 399-8788
(254) 399-8780 FAX

By: 

James H. "Bo" Routh
State Bar No. 00797352

ATTORNEYS FOR SPRING VALLEY
WATER SUPPLY CORPORATION

DOCKET NO. 49097

CERTIFICATE OF SERVICE

I certify that a copy of this document has been served on the requesting party and any party that has requested, in writing, to be served on March 26, 2019, in accordance with 16 TAC § 22.144(b)(2).


James H. "Bo" Routh

DOCKET NO. 49097

Staff 1-1 Please provide a list of customers and connections outside of Spring Valley Water Supply Corporation's certificate of convenience and necessity (CCN) service area receiving water service by the Spring Valley Water Supply Corporation (WSC).

RESPONSE: 1. Andrew or Theresa Prado, 2894 Buckellen Lane, Moody, Texas 76557;
2. Jeff or Celena Porter, 2598 Buckellen Lane, Moody, Texas 76657;
3. John and Kim Vela II, 2438 Buckellen Lane, Moody, Texas 76657; and
4. Doris Prado, 2326 Buckellen Lane, Moody, Texas 76657.

Also, please see Spring Valley WSC's Response to Staff 1-7 below.

Staff 1-2 Please provide a list of connections, inside Spring Valley WSC's CCN service area, not receiving water service by Spring Valley WSC.

RESPONSE: Spring Valley WSC could not locate any documents in its possession, custody, or control that are responsive to this Request.

Staff 1-3 Please provide documents regarding requests for provision of water service inside Spring Valley WSC's CCN Service Area.

RESPONSE: Spring Valley WSC objects to this Request on the grounds that it is vague, unclear, unintelligible, overly broad, and unduly burdensome. Subject to these objections and without waiving the same, please see Spring Valley WSC's Water Tariff attached hereto.

Staff 1-4 Please provide a detailed schematic showing the location and size of any facilities for production, transmission, distribution, and service connections currently being served by the Spring Valley WSC within its CCN service area. Facilities should be identified on subdivision plats, engineering planning maps, or other large scale maps. Facilities should include line size and metered connections.

RESPONSE: Please see the attached documents, including, without limitation, the most current map of the Spring Valley WSC water system in Spring Valley WSC's possession, custody, or control.

Staff 1-5 Please provide a detailed schematic showing the location and size of any facilities for production, transmission, distribution, and service connections currently being served by the Spring Valley WSC outside its CCN service area. Facilities should be identified on subdivision plats, engineering planning maps, or other large scale maps. Facilities should include line size and metered connections.

RESPONSE: Please see the attached documents, including, without limitation, the most current map of the Spring Valley WSC water system in Spring Valley WSC's possession, custody, or control.

Staff 1-6 Please state the number of connections being served by Spring Valley WSC inside its CCN boundaries.

RESPONSE: Seven hundred eighty-nine (789) service connections, currently.

Staff 1-7 Please state the number of connections being served by Spring Valley WSC outside its CCN boundaries.

RESPONSE: Four (4) service connections on the western edge of Spring Valley WSC's service area, in accordance with Section 13.243(1), Texas Water Code. Please see Spring Valley WSC's Response to Staff 1-1 above.

Staff 1-8 Please provide an accounting of the Spring Valley WSC present water capacity. Please detail all sources of water and any legal arrangements pertaining thereto.

RESPONSE: Spring Valley WSC has the following sources of water: (a) two (2) groundwater wells; and (b) wholesale water supply contract with Bluebonnet Water Supply Corporation. Spring Valley WSC has a production permit from Southern Trinity Groundwater Conservation District to pump not more than 61.40 acre-feet of water per year from its two (2) wells, and not to exceed 125 gpm from such wells. Attached is the most current map of the Spring Valley WSC water system facilities in Spring Valley WSC's possession, custody or control which includes more detailed information regarding the capacity of Spring Valley WSC's water system. Also attached are copies of Spring Valley WSC's Regional Water Supply Facilities Contract with Bluebonnet Water Supply Corporation; and Spring Valley WSC's production permit from Southern Trinity Groundwater Conservation District.

Staff 1-9 Please provide any documents regarding agreements between City of Lorena and Spring Valley WSC about water service, including applicable boundaries of agreed upon service areas.

RESPONSE: Please see *City of Lorena, Texas, Spring Valley Water Supply Corporation, and City of Waco, Texas Petition Under Texas Water Code Section 13.248* filed under this Docket No. 49097. Also, please see following documents, copies of which are attached hereto: (a) Letter from Brian H. Boyd, Executive Director of the Public Utility Commission of Texas to the City of Lorena, dated October 25, 2017; and (b) Direct Testimony and Exhibits of Ken Mays filed in PUC Docket No. 45995, SOAH Docket No. 473-17-0952-WS, a copy of which is attached hereto. Spring Valley WSC could not locate any other documents in its possession, custody, or control that are responsive to this Request. Spring Valley WSC believes correspondence may exist between Spring Valley WSC, the City of Lorena, and/or the Texas Commission on Environmental Quality (TCEQ) that is responsive to this

Request, but Spring Valley WSC cannot locate copies of such correspondence in its files.

Staff 1-10 Please provide all of the Spring Valley WSC policies, ordinances, and regulations regarding retail water service requests, including non-standard service requests.

RESPONSE: Please see Spring Valley WSC's Water Tariff attached hereto.

Staff 1-11 Please provide a current detailed and general location map showing Spring Valley WSC existing CCN service area.

RESPONSE: Please see the attached documents, including, without limitation, the most current map of the Spring Valley WSC water system in Spring Valley WSC's possession, custody, or control.

Staff 1-12 Please provide a current detailed map showing properties served by Spring Valley WSC outside of Spring Valley WSC CCN service area.

RESPONSE: Please see the attached documents, including, without limitation, the most current map of the Spring Valley WSC water system in Spring Valley WSC's possession, custody, or control.

Staff 1-13 Please provide a current detailed map showing properties inside of Spring Valley WSC CCN service area not served by Spring Valley WSC.

RESPONSE: Please see the attached documents, including, without limitation, the most current map of the Spring Valley WSC water system in Spring Valley WSC's possession, custody, or control.

Staff 1-14 Please provide a current detailed map showing properties served by Spring Valley WSC in the area generally bounded on the north by Mitchell Road; on the east by Country Place Road; on the south by Pilgrim Road; and on the west by Southern View Road.

RESPONSE: Please see the attached documents, including, without limitation, the most current map of the Spring Valley WSC water system in Spring Valley WSC's possession, custody, or control.

Staff 1-15 Admit or Deny: Spring Valley WSC provides water service to property labeled Strahan Judy K in Attachment D to the petition.

RESPONSE: Admit.

Staff 1-16 Admit or Deny: Spring Valley WSC provides water service to property labeled Polk Erma J in Attachment D to the petition.


RESPONSE: Admit.


Staff 1-17 Admit or Deny: Spring Valley WSC provides water service to property labeled DMDC LLC shown in Attachment D to the petition.


RESPONSE: Deny.

The forgoing Responses are based on information known to and documents identified by Spring Valley WSC at this time. Spring Valley WSC will supplement these Responses if Spring Valley WSC becomes aware of additional responsive information or identifies additional responsive documents.

COUNTY OF McLENNAN §


Larry Hobbs, President of
Spring Valley Water Supply Corporation




Notary Public in and for
the State of Texas

DeAnn T. Walker
Chairman

Kenneth W. Anderson, Jr.
Commissioner

Brandy Marty Marquez
Commissioner

Brian H. Lloyd
Executive Director



Greg Abbott
Governor

Public Utility Commission of Texas

October 25, 2017

**VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

Mr. Joseph Pace
City Manager
107-A S Frontage Road
Lorena, TX 76655

Ms. Barbara Boulware-Wells
The Knight Law Firm, LLP
Attorneys at Law
Executive Office Terrace
223 West Anderson Lane, Suite A-105
Austin, Texas 78752

RE: Issues regarding service by the City of Lorena to customers residing in the Spring Valley Water Corporation service area

Dear Mr. Pace and Ms. Boulware-Wells:

As you know, Public Utility Commission of Texas (PUC) Staff have been evaluating the issues related to the provision of water service to several customers that are currently served by the City of Lorena (Lorena) that are currently within the Spring Valley Water Supply Corporation (Spring Valley) service area. This letter is meant to reset these discussions and help to collaboratively determine the most expeditious path to conforming the respective utilities' CCNs and minimizing any impacts to the affected customers.

After receiving a briefing from my staff on this issue, here is what I understand the facts to be:

- Since 2000, Lorena has provided and continues to provide retail water utility service to two service connections within the Subject Area and outside of its water CCN service area. These two service connections are located at or about 2222 and 2274 Pilgrim Lane, Lorena, TX 76655.
- These two locations are within both Spring Valley's Certificate of Convenience and Necessity (CCN) and the City of Waco's CCN, but are not currently within Lorena's CCN.

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1701 N. Congress Avenue PO Box 13326 Austin, TX 78711 512/936-7000 Fax: 512/936-7003 web site: www.puc.texas.gov

- Both Lorena and Spring Valley have stated that service to these customers was agreed to by the two retail water utilities and affected customers. However, this agreement appears to have never been reduced to writing and submitted to the Texas Commission on Environmental Quality (TCEQ) for approval¹, as required under Texas Water Code § 13.248 (TWC) nor have the respective utilities' CCNs been amended to otherwise reflect the provision of service to these customers by Lorena.

TWC § 13.242 and 16 TAC § 24.101 each state that a retail public utility "may not furnish, make available, render, or extend retail water or sewer utility service to any area to which retail water or sewer utility service is being lawfully furnished by another retail public utility without first having obtained a certificate of public convenience and necessity that includes the area in which the consuming facility is located." While Lorena is in technical non-compliance with these provisions, I recognize the long-standing arrangement that has been in place and have no desire for service to these customers to be disrupted. However, I do believe it important to properly conform the respective CCNs as soon as possible.

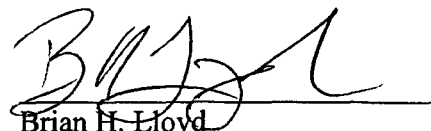
I have asked the PUCT Staff to research the various options available to execute this task, and have been informed that two options exist:

- 1) Lorena and/or Spring Valley can submit a CCN amendment application per the application procedures of 16 TAC § 24.105 that amends CCN No. 10030 to include these locations, or
- 2) Lorena and Spring Valley can enter into a contract and submit an application to approve that contract with Spring Valley re-designating service to the Subject Area from Spring Valley to Lorena per the application procedures of 16 TAC § 24.117.

Lorena also has an option to discontinue/transfer these customers' service to Spring Valley or the City of Waco, which would require Lorena to submit an application to discontinue, reduce, or impair utility service per 16 TAC § 24.115. However, as I indicated above, this option would appear to me to be unnecessarily disruptive to the customers.

In order to bring this matter to a conclusion, I respectfully request that Lorena consider these options and inform PUCT staff as to which option you would like to pursue by December 1, 2017. The PUCT can also enlist the Texas Rural Water Association to assist you with the application process if that would be helpful. Please inform Ms. Caroline Dinges, Attorney for the Oversight and Enforcement Division, regarding your decision. Ms. Dinges may be reached at the following phone number or email address: (512) 936-7065 or caroline.dinges@puc.texas.gov

Sincerely,

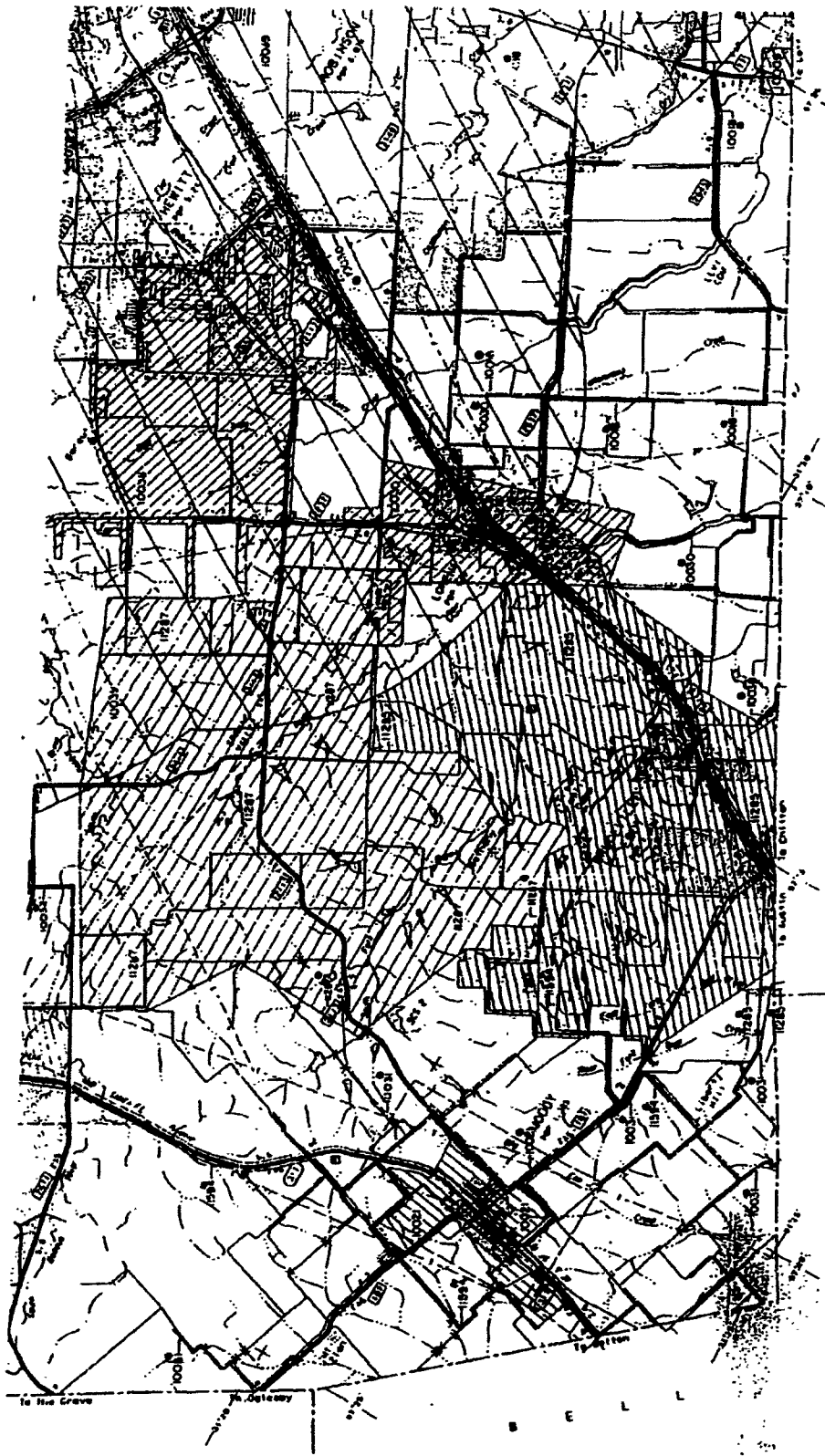


Brian H. Lloyd
Executive Director
Public Utility Commission of Texas

¹ As you know, the economic regulation of water utilities and issues related to CCNs transferred to the PUCT from the TCEQ in September 2014.

SECTION D.
GEOGRAPHIC AREA SERVED

Spring Valley Water Supply Corporation supplies water service the general area of Southwestern McLennan County adjacent to Lorena, Bruceville, Moody, and McGregor. The Corporation's certificated service area map is available for review. The assigned Certificate of Convenience and Necessity is Certificate No. 11287 and allows the Spring Valley Water Supply Corporation to provide water service under V.T.C.A., Water Code and TCEQ substantive rules.



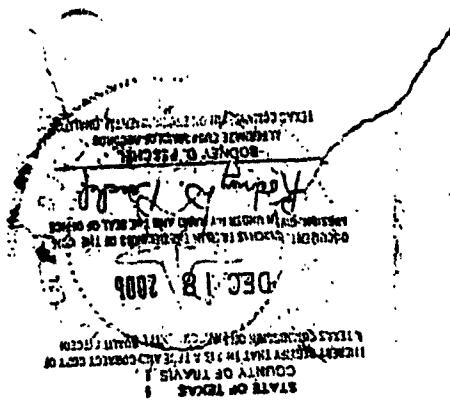
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SPRING VALLEY WATER SUPPLY CORP.
CCN #11287



Spring Valley Water wsc
50 Don
BX 399
Lepena, TX 76655

FILED AND RECORDED
OFFICIAL PUBLIC RECORDS

J. A. Andy Harwell

December 29, 2006 09:08:48 AM 2006048081
FEE: \$27.00

J.A. "Andy" Harwell County Clerk
McLennan County TEXAS

WRS-161
GENERAL HIGHWAY MAP
MCLENNAN 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

**SPRING VALLEY WATER SUPPLY CORPORATION
AREA DESCRIPTION
CCN SERVICE AREA 11287**

Beginning at a point on Old Lorena Road approximately 2540 feet north west of FM 2113 to a point approximately 1000 feet southeast on FM 2113

Thence northeast to a point 200 feet northeast of the Old Lorena Road , then southeast remaining 200 feet northeast of Old Lorena Road to the centerline of Mini Drive. Then to the centerline of Old Lorena road

Thence southeast down the centerline of Old Lorena road to the South side of Pilgrim Lane

Thence along the southside of Pilgrim Lane to a point 200 feet on the west side of Southern View road

Thence 660 feet northwest along a line 200 feet west of Southern View.

Thence Southwest approximately 3600 feet to a point

Thence 660 feet southeast to a point

Thence southwest along a line 200 feet southeast of Mockingbird Lane to a point 990 feet east of Box Ranch Road

Thence southeast to a point on Box Ranch Road located 1485 feet southwest of Robin Road

Thence to a point where the centerline of Old Bethany Road and South Cow Bayou intersect

Thence along the centerline of South Cow Bayou to a point approximately 3135 feet southeast of Old Bethany Road

Thence approximately 1650 feet south to a point

Thence approximately 1485 feet southwest to a point

SPRING VALLEY WATER SUPPLY CORPORATION
AREA DESCRIPTION, CCN 11287

Pg 2

Thence approximately 1980 feet northwest to a point

Thence southwest along a line 200 feet south of Winchester Drive to the centerline East Ridge

Thence along the centerline of East Ridge to Remington Circle

Thence northwest on Remington Circle to North Ridge

Thence approximately 1650 northeast to the deadend of North Ridge

Thence approximately 2 miles northwest to a point approximately 825 feet west of FM 2113

Thence to the point where Wyatt Lane intersects Horne Hill Lane

Thence to a point 200 feet west of the intersection of Bubert Lane and Indian Trail Drive

Thence to a point on Indian Trail Road approximately 990 feet southeast of McGregor South Loop

Thence Northeast to a point on FM 2416 approximately 2970 feet west from the centerline of the South Bosque River Bridge

Thence northeast approximate two miles to a point approximately 1485 feet northwest of Chapel Road

Thence southeast approximately two miles to a point approximately 660 feet southeast of Bluebonnet Lane

Thence northeast approximately 5610 feet to the point of beginning to close.

FILED AND RECORDED

OFFICIAL PUBLIC RECORDS

J. A. Andy Harwell

January 09, 2007 04:26:08 PM

2007001083

FEE: \$31.00

J.A. "Andy" Harwell County Clerk

McLennan County TEXAS

STATE OF TEXAS §
 §
COUNTY OF BELL §

**REGIONAL WATER SUPPLY
FACILITIES CONTRACT**

THIS CONTRACT (the "Contract") is made and entered into as of the 1st day of October, 1996 (the "Contract Date"), by and among **BLUEBONNET WATER SUPPLY CORPORATION** ("Bluebonnet"), a water supply corporation, and the following:

**MOFFAT WATER SUPPLY CORPORATION IN BELL COUNTY,
TEXAS;
PENDLETON WATER SUPPLY CORPORATION IN BELL COUNTY,
TEXAS;
ELM CREEK WATER SUPPLY CORPORATION IN McLENNAN
COUNTY, TEXAS;
CITY OF BRUCEVILLE-EDDY, IN McLENNAN COUNTY, TEXAS;
CITY OF MOODY, IN McLENNAN COUNTY, TEXAS;
CITY OF MCGREGOR, IN McLENNAN COUNTY, TEXAS;
SPRING VALLEY WATER SUPPLY CORPORATION IN McLENNAN
COUNTY TEXAS; AND
CITY OF WOODWAY, IN McLENNAN COUNTY, TEXAS**

(collectively, the "Initial Contracting Parties").

RECITALS

1. Moffat Water Supply Corporation, Pendleton Water Supply Corporation, Elm Creek Water Supply Corporation, Bruceville-Eddy, Moody, McGregor, Spring Valley Water Supply Corporation, and Woodway are duly created cities and water supply corporations of the State of Texas operating under the Constitution and laws of the State of Texas.
2. Bluebonnet Water Supply Corporation is a non-profit water supply corporation organized and established under TEX. REV. CIV. STAT. ANN. art. 1434a, supplemented by the Texas Non-Profit Corporation Act, Article 1.01 *et seq.*, as amended, for the purposes of constructing and operating a wholesale water supply transmission system for municipal and domestic purposes.

3. Bluebonnet and the Initial Contracting Parties are authorized to enter into this Contract pursuant to TEX. LOC. GOV'T CODE ANN. § 402.018, TEX. REV. CIV. STAT. ANN. art. 1434a, and other applicable laws.
4. Bluebonnet presently has contracts with the Brazos River Authority ("BRA") which entitles Bluebonnet up to 8,301 acre-feet of raw water per year. Bluebonnet also owns and operates water treatment and distribution facilities to divert and treat water from Lake Belton for distribution to the Initial Contracting Parties (the "Existing System"). The contracts currently in effect between the BRA and Bluebonnet are: (1) "Replacement Water Supply Agreement Between Brazos River Authority and Bluebonnet Water Supply Corporation" entered into on July 6, 1992, with an effective date of January 1, 1992, to divert 4,684 acre-feet per annum; (2) "Water Supply Contract By and Between Brazos River Authority and Bluebonnet Water Supply Corporation" dated October 22, 1979, to divert 1,600 acre-feet per annum; (3) "Assignment of Water Supply Contract by and Between Brazos River Authority and City of McGregor, Texas" dated March 13, 1989, to divert 1,450 acre-feet per annum; and (4) "System Water Supply Agreement Between Brazos River Authority and Bluebonnet Water Supply Corporation" dated September 1, 1993, to divert 567 acre-feet per annum.
5. As of the effective date of this contract, Bluebonnet debt obligations are: (a) a forty (40) year note dated December 2, 1980, in the amount of \$4,214,700; (b) a thirty-five (35) year note dated September 6, 1984, in the amount of \$133,000 to finance the Spring Valley extension; (c) a forty (40) year note dated December 6, 1995, in the amount of \$5,935,000; and (d) a forty (40) year note dated December 6, 1995, in the amount of \$509,300. The Spring Valley extension is a project to add a Point of Delivery for Spring Valley Water Supply Corporation. Pursuant to Section 6 of this Contract, the note for financing the Spring Valley extension is not a System Debt Instrument and the principal, and interest payments under this note are not to be included in the Annual Requirement but borne solely by Spring Valley Water Supply Corporation.

6. Bluebonnet presently supplies and sells potable water from the Existing System to the Initial Contracting Parties under various contracts now in effect. The parties have agreed that the existing contracts are inadequate to provide for the water system needed to meet the current and known future potable water requirements of the Initial Contracting Parties, thus making contracts similar to this Contract necessary to enable Bluebonnet to supply such requirements.
7. The existing water supply contracts with the Initial Contracting Parties recognize that Bluebonnet has assumed responsibility for providing additional water supply sources as needed by the Initial Contracting Parties, subject to suitable feasibility and financing, and that the payments to be made by the Initial Contracting Parties would be increased in amounts sufficient to pay such parties' pro rata share of the necessary costs of such additional sources.
8. It is agreed by Bluebonnet and the Initial Contracting Parties that the Initial Contracting Parties have equally contributed to the establishment of the system to the extent that no premium or equity contributions from Initial Contracting Parties are appropriate.
9. The parties have determined that it is necessary to make certain modifications and amendments to the existing water supply contracts between the parties so that the entire relationship between Bluebonnet and the Initial Contracting Parties with respect to the System and the Bluebonnet facility debt will be set forth in this Contract.
10. It is specifically covenanted by the parties that none of the modifications or amendments to the prior contracts which will occur as a result of entering into this Contract will in any way have an adverse effect on the System operation or the holders of the existing debt; and that this Contract will provide additional security for the debts by clarifying and strengthening the ability of Bluebonnet to adjust rates as necessary to meet the needs of a growing water supply system.

AGREEMENT

For and in consideration of the mutual promises, covenants, obligations, and benefits described in this Contract, Bluebonnet and the Initial Contracting Parties agree as follows:

Section 1. DEFINITION OF TERMS.

The following terms and expressions as used in this Contract, unless the context clearly shows otherwise, shall have the following meanings:

- A. "Additional Contracting Party" means any party not defined as one of the Initial Contracting Parties with which Bluebonnet makes a contract similar to this Contract for supplying water from the System, provided that after execution of any such contract such party shall become one of the Contracting Parties for all purposes of this Contract, unless otherwise provided herein.
- B. "Annual Payment" means the amount of money to be paid to Bluebonnet by each of the Contracting Parties during each Annual Payment Period as its proportionate share of the Annual Requirement.
- C. "Annual Payment Period" means the period beginning on October 1 of each calendar year and ending on the last day of September of the next calendar year.
- D. "Annual Requirement" means the total amount of money required for Bluebonnet to pay all Operation and Maintenance Expenses of the System, to pay the debt service on any System Debt Instruments, to pay or restore any amounts required to be deposited in any special or reserve funds required to be established and/or maintained by the provisions of any System Debt Instruments. "Annual Requirement" also includes any special funds established by Bluebonnet as an operating fund or to accumulate funds for system improvements or expansions.
- E. "System Debt Instruments" means all notes, bonds, or other financial obligations made by Bluebonnet, to construct, complete, improve, expand, or extend the Existing System. Debt instruments used to finance the costs of providing new Points of Delivery are not System Debt Instruments.
- F. "Contracting Parties" means the "Initial Contracting Parties," as defined in the first paragraph of this Contract, together with any other party or parties which hereafter become one of the Contracting Parties by becoming an Additional Contracting Party.

- G. "Contracting Party" means any one of the Contracting Parties.
- H. "Bluebonnet" means the "Bluebonnet Water Supply Corporation" as defined in the preamble of this Contract.
- I. "Existing System" means the "Existing System" as defined in the preamble to this Contract.
- J. "MGD" is an abbreviation for "million gallons of water per day" and means a quantity of water during a period of time expressed for convenience in terms of an average annual daily quantity during an Annual Payment Period. The value of two MGD, for example is calculated as follows: two million gallons multiplied by the number of days in an Annual Payment Period.
- K. "Operation and Maintenance Expenses" means all costs and expenses of operation and maintenance of the System, including (for greater certainty but without limiting the generality of the foregoing) repairs and replacements for which no special fund is created in the Bond Resolutions or other System Debt Instruments, cash financed capital expenditures, operating personnel, the cost of utilities, the amounts required to pay for raw water including amounts paid to the Brazos River Authority for water storage rights in Lake Belton, the costs of supervision, engineering, accounting, auditing, legal services, supplies, services, administration of the System, and equipment necessary for proper operation and maintenance of the System, and payments made by Bluebonnet in satisfaction of judgments resulting from claims not covered by Bluebonnet's insurance arising in connection with the operation and maintenance of the System. The term also includes the charges of the bank or banks where the System Debt Instruments are payable. The term does not include depreciation.
- L. "System" means collectively the Existing System and any additional facilities used for supplying water to Contracting Parties. System now means and includes, and in the future shall mean and include, only the water supply facilities of Bluebonnet Water Supply Corporation.
- M. A Contracting Party's "Potable Water Requirement" means the actual requirement of a Contracting Party up to 1.1 times that Contracting Party's maximum monthly usage since January 1, 1992.

Section 2. QUANTITY.

Bluebonnet agrees to sell and to deliver to each Initial Contracting Party its Potable Water Requirement, at the applicable Point or Points of Delivery, as provided in Section 6, except to the extent otherwise provided herein. No Contracting Party shall be allowed to take more than its Potable Water Requirement unless sufficient water is available such that there is no impairment of Bluebonnet's ability to provide other Contracting Parties with their Potable Water Requirements. It is specifically provided, however, that after the Contract Date, no Contracting Party shall enter into any agreement or obligation to supply any water for use outside its service area unless each such agreement is made subject and subordinate in all respects to the water requirements of all of the Contracting Parties collectively under this Contract. No Contracting Party shall become a party to any contract for the sale of water which would violate or be inconsistent with the provisions of this Contract.

Section 3. ADDITIONAL SOURCES AND SHORTAGES.

Bluebonnet will use its best efforts to remain in position to furnish potable water sufficient for the reasonable demands of each Contracting Party, but its obligation shall be limited to the amount of water available to it from the System. Bluebonnet agrees to use its best efforts to acquire additional sources of supply, and to construct, maintain, improve, and extend the entire System, so as to enable Bluebonnet to furnish such water to the Contracting Parties. Bluebonnet further agrees to not obligate itself to furnish water to Additional Contracting Parties to the extent it would jeopardize Bluebonnet's ability to provide the Initial Contracting Parties with their Potable Water Requirement unless approved by Bluebonnet's Board of Directors. However, in the event it becomes necessary to ration water from the System, the Initial Contracting Parties shall, within the limits permitted by law, have absolute priority to the use of all System water over all other Contracting Parties; and all contracts with such later Contracting Parties shall recognize such priority and be made subordinate thereto. As between the Initial Contracting Parties, if water from the System must be rationed, such rationing shall, within the limits permitted by law, be done by Bluebonnet on the basis of the relative actual total amount of all water from the entire System taken by each such

Contracting Party, respectively, during the last preceding Annual Payment Period in which rationing among said parties was not necessary.

If any Contracting Party decides to procure water from sources other than Bluebonnet, then the Contracting Party shall give written notice to Bluebonnet of its intention to do so. Within thirty (30) days from the receipt by Bluebonnet of such written notice, Bluebonnet shall advise the Contracting Party in writing of whether it agrees that such Contracting Party should procure water from sources other than Bluebonnet. If the Contracting Party still believes that it is necessary for such Contracting Party to procure water from other sources, such Contracting Party may proceed to procure the water at its sole cost, and without any liability for damages accruing in favor of or against Bluebonnet by reason thereof. If such Contracting Party procures water additional to that supplied by Bluebonnet under this Contract, then the Contracting Party shall nevertheless continue to pay for at least its minimum take as specified below. All Contracting Parties shall always have the right to secure water from any possible source in any emergency when Bluebonnet is unable to deliver water from the System because of any "Force Majeure" as defined in this Contract.

Section 4. QUALITY.

The water to be delivered by Bluebonnet and received by each Contracting Party shall be potable water from the System meeting applicable purity standards of the Texas Natural Resource Conservation Commission. Each Contracting Party has satisfied itself that such water will be suitable for its needs.

Section 5. UNIT OF MEASUREMENT.

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

Section 6. POINTS OF DELIVERY, DAILY MAXIMUM VOLUME, AND PRESSURE.

Water shall be delivered by Bluebonnet to each Contracting Party at the Point(s) of Delivery for that Contracting Party at twenty (20) pounds per square inch. The

Contracting Parties agree that Bluebonnet reserves the right to install any flow restricting devices necessary for Bluebonnet to meet its water delivery obligations under this Contract.

The Points of Delivery for the Initial Contracting Parties are described in Exhibit 1. Point(s) of Delivery for Additional Contracting Parties shall be established in the Additional Party Contracts. The capacity of Point(s) of Delivery can be increased, the location of Point(s) of Delivery can be changed, or additional Point(s) of Delivery can be added for any Contracting Party with approval in writing by Bluebonnet; provided, however, that all construction costs necessary, excluding the cost of any additional master meters, necessary shall be borne by the Contracting Party requesting or requiring the additional Point(s) of Delivery or additional capacity for existing Point(s) of Delivery.

The Contracting Parties, at their sole cost, and without credits or reimbursements from Bluebonnet or other Contracting Parties, shall maintain and operate facilities, including pipelines, used to transport and deliver water from their Point(s) of Delivery. Bluebonnet shall have the right, but not the obligation, to notify Contracting Parties of maintenance or repair work deemed necessary by Bluebonnet, and the Contracting Parties agree to take appropriate steps to effect that identified maintenance and repair work, and, in the event that such work is not done and performed by the Contracting Party, to diminish or withhold deliveries of water at the Point of Delivery until such work is accomplished. In the event of measurable and preventable leakage of water from any of the facilities to be maintained by Contracting Parties, the Contracting Party responsible shall pay Bluebonnet for such water losses as if it had taken and used same from the System.

Section 7. MEASUREMENT.

Bluebonnet shall maintain, at its own expense, the necessary metering equipment at the Points of Delivery. It shall be Bluebonnet's duty to accurately measure the deliveries, to render bills to Contracting Parties based upon such measurements, and to maintain the measuring devices so that the water delivered is accounted for accurately. It is agreed that any measurement within two percent (2%), plus or minus,

of the actual delivery amount shall be deemed accurate. Bluebonnet shall test and calibrate metering equipment at least once per year. Bluebonnet shall also test and calibrate metering equipment whenever requested by a Contracting Party at that Contracting Party's expense. Bluebonnet will notify each Contracting Party served by a meter prior to testing, and each Contracting Party has the right to have its representative observe the testing. If a Contracting Party disputes the test results, the Contracting Party may require independent testing of the measuring device provided that the Contracting Party shall pay the cost of said testing service. If, upon any test, any measuring device is found to be inaccurate, such equipment shall be adjusted immediately by Bluebonnet to measure accurately.

If upon any test of the water meter(s), the percentage of inaccuracy of such metering equipment is found to be in excess of two percent (2%), registration thereof shall be corrected for a period extending back to the time when such inaccuracy began, if such time is ascertainable. If such time is not ascertainable, then registration thereof shall be corrected for a period extending back one-half (1/2) of the time elapsed since the last date of calibration, but in no event further back than a period of six (6) months. If any meter(s) are out of service or out of repair so that the amount of water delivered cannot be ascertained or computed from the reading thereof, the water delivered through the period such meter(s) are out of service or out of repair shall be estimated and agreed upon by Bluebonnet and the Contracting Party upon the basis of the best data available. If Bluebonnet and the Contracting Party fail to agree on the amount of water delivered during such period, Bluebonnet may estimate the amount of water delivered by:

(1) correcting the error if the percentage of the error is ascertainable by calibration tests or mathematical calculation; or

(2) estimating the quantity of delivery by deliveries during the preceding periods under similar conditions when the meter or meters were registering accurately.

All books and records pertaining to this agreement shall be open and available for copying, inspection and audit by Bluebonnet and the Contracting Parties.

Section 8. OTHER CONTRACTS.

Bluebonnet reserves the right to supply water from the System to Additional Contracting Parties under contracts similar to this Contract, subject to the requirements concerning "minimums," "premiums," and "surcharges" as provided in Section 9, and the priority of use of water as provided in Section 2. All contracts with Additional Contracting Parties shall provide for equitable minimums. Such minimums shall be fixed in amounts at least sufficient, as determined by Bluebonnet, to assure an initial annual payment by such Additional Contracting Party for not less than the amount of its estimated use of potable water during the first year of service under such contract. All such contracts further shall provide for an equitable premium to be paid by each Additional Contracting Party so as to cause equitable treatment of all Contracting Parties to the end that each Additional Contracting Party will pay a fair share of previous capital expenditures with respect to the System as it then exists, including a fair share of any Debt Service Component previously paid by the Contracting Parties, all as determined by Bluebonnet. Further, if Bluebonnet agrees to finance the costs of adding a Point of Delivery, the contract with the Additional Contracting Party shall include a surcharge to reimburse Bluebonnet.

Each contract with any Additional Contracting Party shall comply with the requirements of this Contract, shall substantially restate the essential provisions of this Contract, and shall be structured to be similar hereto to the fullest extent applicable and practicable, with the changes necessary to meet the actual circumstances, with the effect that each Additional Contracting Party will adopt the provisions of this Contract, as supplemented and necessarily changed by its contract. However, after the date of this Contract, Bluebonnet shall not obligate itself to deliver potable water from the System to any future Additional Contracting Party if such obligation would jeopardize Bluebonnet's ability to meet its obligation to deliver at the specified rates and pressure the amounts of water from the System required by prior Contracting Parties as provided in this Contract; and any such contract with a future Additional Contracting Party shall recognize, and be made subordinate to, the prior rights to water from the System of the Initial Contracting Parties.

Section 9. FISCAL PROVISIONS.

A. FINANCING THE SYSTEM.

Subject to the terms and provisions of this Contract, Bluebonnet will provide and pay for all System facilities, and Bluebonnet will own and operate the System.

B. ANNUAL REQUIREMENT.

It is acknowledged and agreed that payments to be made under this Contract and similar contracts with Additional Contracting Parties will be the primary source available to Bluebonnet to provide the Annual Requirement, and that, in compliance with Bluebonnet's duty to fix and from time to time revise the rates of compensation or charges for water sold and services rendered by Bluebonnet, the Annual Requirement will change from time to time, and that each such Annual Requirement shall be allocated among the Contracting Parties as hereinafter provided, and that the Annual Requirement for each Annual Payment Period shall at all times be not less than an amount sufficient to pay or provide for the payment of:

1. An "Operation and Maintenance Component" equal to the amount paid or payable for all Operation and Maintenance Expenses of the System; and
2. A "Debt Service Component" equal to:
 - a) the principal of, redemption premium, if any, and interest on any System Debt Instrument as such principal, redemption premium, and interest become due;
 - b) the proportionate amount of any special or reserve funds required to be accumulated and maintained by the provisions of any system debt instrument; and
 - c) any amount in addition thereto sufficient to restore any deficiency in any of such funds required to be accumulated and maintained by the provisions of any system debt instrument.

3. A "System Reserve Component", which may include a "System Development Fund", a "System Reserve Fund", or other special funds component, the amount and use of which is to be determined by Bluebonnet's Board of Directors.

C. PAYMENTS FOR SERVICES.

(1) Allocation of Annual Requirement

For the water supply to be provided to the Contracting Parties under this Contract, each of the Contracting Parties agrees to pay, at the time and in the manner hereinafter provided, its proportionate share of the Annual Requirement, which shall be determined as hereafter described and shall constitute a Contracting Party's Annual Payment.

(2) Bluebonnet System Rate

The Bluebonnet System Rate is the amount of money in terms of dollars per thousand gallons that is needed for Bluebonnet to recover the Annual Requirement assuming that Bluebonnet has total water sales of at least an amount equal to the sum of all Contracting Parties' Minimum Take.

As soon as practicable after the execution of this Contract, and on or before July 15 of each calendar year thereafter, Bluebonnet shall furnish each Contracting Party with a worksheet and proposed budget deriving the tentative Bluebonnet System Rate for the ensuing Annual Payment Period. The Bluebonnet System Rate shall be the amount calculated by the following formula:

$$BSR = (E - R) / BU$$

Where:

BSR = Bluebonnet System Rate

E = Annual Requirement

R = All revenues of the System other than revenues derived by Bluebonnet from the Contracting Parties. This term would include interest earned from deposits.

BU = The total amount of water in thousands of gallons that equals the sum of all Contracting Parties' Minimum Take for an Annual Payment Period.

An example of a worksheet deriving the Bluebonnet System Rate is attached as Exhibit 2.

At least ten days prior to September 1 of each calendar year thereafter, Bluebonnet shall adopt the final Bluebonnet System Rate for the ensuing Annual Payment Period.

(3) Annual True-up

At the close of each Annual Payment Period, for each Contracting Party, Bluebonnet will total the measured amount of water actually taken in thousands of gallons during the Annual Payment Period and multiply that number by the Bluebonnet System Rate in effect for the Annual Payment Period. The difference between the number so calculated and the sum of the monthly payments made by each Contracting Party for water taken during the Annual Payment Period, if any, shall be credited to that Contracting Party's account in the bill for water used in the final month of the Annual Payment Period. Any remaining credit shall be refunded to the Contracting Party within 30 days of the end of the Annual Payment Period.

An example of the annual true-up is shown in Exhibit 3.

(4) Minimum Take

Notwithstanding the provisions of paragraph (3), above, and as an exception thereto, it is agreed that if, during any Annual Payment Period, any Contracting Party, for any reason whatsoever, actually takes or uses less than the minimum amount prescribed for it as hereinafter provided in this paragraph (4), such Contracting Party nevertheless shall pay its share of each Annual Requirement as if it had actually taken and used such minimum amount; provided that if any such party takes and uses an amount equal to or in excess of such minimum amount, its share of each Annual Requirement shall be calculated on the basis of actual use as provided in paragraph (1), above.

For the first Annual Payment Period after the effective date of this contract, the Initial Contracting Parties' monthly minimum take shall be:

Entity	Initial Minimum Monthly Take (thousand gallons)
Moffat WSC	6,773
Pendleton WSC	5,939
Elm Creek WSC	7,042
Bruceville-Eddy	8,430
Moody	5,594
McGregor	23,202
Spring Valley WSC	2,878
Woodway	3,750

Minimum monthly amounts for subsequent Annual Payment Periods shall be equal to the three year rolling annual average calculated from the amount actually taken from the System by such Contracting Party during the thirty-six month period ending on the preceding 31st of May, divided by twelve, but shall never be less than eighty (80) percent of the Initial Minimum Monthly Take fixed above.

(5) Premiums

Bluebonnet agrees that any contract with Additional Contracting Parties will include a provision for payment of a premium to compensate the Initial Contracting Parties for equity in the system. Premiums paid to Bluebonnet will be used to defray capital costs or to reduce Bluebonnet's debt associated with System Debt Instruments.

The amount of premium required shall be based on the Additional Contracting Party's demand for water and the capital cost of Bluebonnet's water supply system, less depreciation. The premium is calculated by dividing the capital cost of Bluebonnet's water supply system, less depreciation, by the yield of Bluebonnet's water supply system in million gallons per day (MGD). This quotient, representing the premium per MGD, is then multiplied by the Additional Contracting Party's maximum contracted for water capacity in MGD. The premium is payable in twelve monthly installments. An example of the calculation of premium is shown in Exhibit 4.

(6) Surcharges

In addition to payments for potable water service, Contracting Parties agree to pay Bluebonnet the costs for providing additional Point(s) of Delivery, including financing costs, if the costs of adding Point(s) of Delivery are financed by Bluebonnet. In this regard, Spring Valley Water Supply Corporation agrees to make the payments required under Bluebonnet's thirty-five (35) year note dated September 6, 1984, in the amount of \$133,000 to FMHA that was issued to finance the Spring Valley extension.

(7) Rate Adjustments

The Bluebonnet System Rate shall be redetermined, after consultation with each of the Contracting Parties, at any time during any Annual Payment Period, to the extent deemed necessary or advisable by Bluebonnet, if:

- a) Bluebonnet commences supplying System water to an Additional Contracting Party or Parties;

- b) Unusual, extraordinary, or unexpected expenditures for Operation and Maintenance Expenses are required which are not provided for in Bluebonnet's Annual Budget for the System or in any System Debt Instrument covenant or Bond Resolution;
- c) Operation and Maintenance Expenses are substantially less than estimated;
- d) Bluebonnet is the maker of any system debt instrument which requires an increase in the Debt Service Component of the Annual Payment; or
- e) Bluebonnet receives either significantly more or significantly less revenues or other amounts than those anticipated.

(8) System Revenues

During each Annual Payment Period the revenues of the System described and defined as constituting "R" under the formula set forth in paragraph (2), above, shall be credited to, and be used for paying part of the Annual Requirement, with the result that such credits shall reduce, to the extent of such credits, the amounts which otherwise would be payable by the Contracting Parties pursuant to the methods prescribed in paragraphs (1), (2), and (3), above. Bluebonnet shall estimate all such credits which it expects to make during each Annual Payment Period in calculating each Annual Payment.

(9) Monthly Bills

At the end of each month, Bluebonnet will read the meters and prepare monthly bills for each Contracting Party. Bills will be delivered to Contracting Parties by the 15th of the following month.

(10) Monthly Payments

Each of the Contracting Parties shall pay its part of the Annual Requirement for each Annual Payment Period directly to Bluebonnet, as monthly payments equal to the

higher of (i) the Bluebonnet System Rate then in effect times the amount of water taken in the month being billed in thousands of gallons or (ii) the Bluebonnet System Rate then in effect times the monthly minimum applicable to that Contracting Party in thousands of gallons. Each Contracting Party hereby agrees that it will make such payments to Bluebonnet on or before the last day of the month in which the bill was received.

(11) Rate Disputes

If any Contracting Party at any time disputes the amount to be paid by it to Bluebonnet, such complaining party shall nevertheless promptly make such payment or payments, but if it is subsequently determined by agreement or court decision that such disputed payments made by such complaining party should have been less, or more, Bluebonnet shall promptly revise and reallocate the charges among all Contracting Parties in such manner that such complaining party will recover its overpayment or Bluebonnet will recover the amount due it. All amounts due and owing to Bluebonnet by each Contracting Party or due and owing to any Contracting Party by Bluebonnet shall, if not paid when due, bear interest at the rate of ten (10) percent per annum from the date when due until paid. If any Contracting Party remains delinquent in any payments due for a period of sixty (60) days, Bluebonnet may suspend delivery of water from the System to that Contracting Party while such Contracting Party is delinquent. It is further provided and agreed that if any Contracting Party should remain delinquent in any payments due hereunder for a period of one hundred twenty (120) days, and if such delinquency continues during any period thereafter, such Contracting Party's Minimum Take as described in paragraph 4 of Section 9 above, shall be deemed to have been zero during all periods of such delinquency, for the purpose of calculating and redetermining the percentage of each Annual Payment to be paid by the non-delinquent contracting Parties. However, Bluebonnet shall pursue all legal remedies against any such delinquent Contracting Party to enforce and protect the rights of Bluebonnet, the other Contracting Parties, and the holders of the System Debt Instruments, and such delinquent Contracting Party shall not be relieved of the liability to Bluebonnet for the payment of all amounts which would have been due hereunder, in the absence of the next preceding sentence. It is understood that the foregoing provisions are for the

benefit of the holders of the System Debt Instruments so as to insure that all of the Debt Service Component of each Annual Requirement will be paid by the non-delinquent Contracting Parties during each Annual Payment Period regardless of the delinquency of a Contracting Party. If any amount due and owing by any Contracting Party to Bluebonnet is placed with an attorney for collection, such Contracting Party shall pay to Bluebonnet all attorneys fees, in addition to all other payments provided for herein, including interest.

Nothing in this Agreement shall be construed as constituting an undertaking by Bluebonnet to furnish water to Contracting Party except pursuant to the terms of this Agreement. Contracting Party stipulates and agrees that the rates and policies specified in this Agreement are just, reasonable, and without discrimination.

Section 10. OPERATION OF THE SYSTEM.

Bluebonnet will continuously operate and maintain the System in an efficient manner and in accordance with good business and engineering practices and all applicable state and federal regulations and laws and at reasonable cost and expense. By executing this Contract, the Contracting Parties waive any and all claims, as against each other, to any preferential right or entitlement to the capacity or use of specific water sources of Bluebonnet.

Section 11. INSURANCE.

Bluebonnet agrees to carry fire, casualty, public liability, and other insurance on the System for purposes and in amounts which ordinarily would be carried by a privately-owned utility company owning and operating such facilities, except that Bluebonnet shall not be required to carry liability insurance except to insure itself against risk of loss due to claims for which it can, in the opinion of Bluebonnet's legal counsel, be liable under the Texas Tort Claims Act, if ever applicable, or any similar law or judicial decision. Such insurance will provide, to the extent feasible and practicable, for the restoration of damaged or destroyed properties and equipment, to minimize the interruption of the services of such facilities. All premiums for such insurance shall constitute an Operation and Maintenance Expense of the System.

Section 12. TITLE TO WATER.

Title to all water supplied hereunder to each Contracting Party shall be in Bluebonnet up to each Point of Delivery, at which point title shall pass to the receiving Contracting Party. Each of the parties hereto hereby agrees to save and hold each other party hereto harmless from all claims, demands, and causes of action which may be asserted by anyone on account of the transportation and delivery of said water while title remains in such party.

Section 13. SOURCE OF FUNDS.

While a Contracting Party may choose to pay all or a portion of its payments due under this Contract out of tax revenues, Bluebonnet shall never have the right to demand payment by any Contracting Party of any obligations assumed by it or imposed on it under and by virtue of this Contract from funds raised or to be raised by taxes, and the obligations under this Contract shall never be construed to be a debt of such kind as to require any of the Contracting Parties to levy and collect a tax to discharge such obligation.

Each of the Contracting Parties respectively, represents and covenants that all payments to be made by it under this Contract shall constitute reasonable and necessary "operating expenses" of their water system or combined water and sewer system, as defined in TEX. CIV. STAT. ANN. art. 1113 and similar statutes and laws and that all such payments will be made from the revenues of its system or additional sources at the Contracting Party's option. Each of the Contracting Parties, respectively, represents and has determined that the water supply to be obtained from the System is essential to the present and future operation of its system; therefore, all payments required by this Contract to be made by each Contracting Party shall constitute reasonable and necessary operating expenses of its system as described above.

Each of the Contracting Parties agrees throughout the term of this Contract to continuously operate and maintain its combined waterworks and sewer system or water system, as the case may be, and to fix and collect such rates and charges for water and sewer services or water services to be supplied by its combined waterworks and sewer

system or water system as aforesaid as will produce revenues in an amount equal to at least (i) all of its payments under this Contract and (ii) all other amounts as required by the provisions of the ordinances or resolutions authorizing its revenue bonds or other obligations now or hereafter outstanding.

Section 14. FORCE MAJEURE.

If, by reason of force majeure, any party hereto shall be rendered unable wholly or in part to carry out its obligations under this Contract then if such party shall give notice and full particulars of such force majeure in writing to the other parties within a reasonable time after occurrence of the event or cause relied on, the obligation of the party giving such notice, so far as it is affected by such force majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and any such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "Force Majeure" as employed herein shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of public enemy, orders of any kind of the Government of the United States or the State of Texas, or any Civil or military authority, insurrection, riots, epidemics, landslides, lightning, earthquake, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, and inability on the part of Bluebonnet to deliver water hereunder for any reason, or on account of any other causes not reasonably within the control of the party claiming such inability.

Section 15. PURPOSE AND PLACE OF USE.

Contracting Party shall use water purchased from Bluebonnet under this Contract for municipal purposes only as defined in 30 TEX. ADMIN. CODE § 297.1 (West 1996) and within Contracting Party's service area.

Section 16. WATER CONSERVATION PLANS.

Contracting Party shall cooperate with and assist Bluebonnet in its efforts to develop and implement plans, programs, and rules to develop water resources and to

promote practices, techniques, and technologies that will reduce the consumption of water, reduce the loss or waste of water, or improve the efficiency in use of water or increase the recycling and reuse of water. Bluebonnet's obligations under this Contract shall be subject to Contracting Party preparing and implementing a water conservation plan or water conservation measures, as well as any water conservation plans and drought contingency plans adopted by Bluebonnet and required or approved by the Commission, the Texas Water Development Board, or any other federal, state, or local regulatory authority with power to require or approve water conservation and drought contingency plans. Upon execution of this Contract, Contracting Party shall submit its water conservation plan or water conservation measures to Bluebonnet for its review.

If Bluebonnet authorizes Contracting Party to resell Bluebonnet water, Contracting Party shall require through a contract condition that any successive user of Bluebonnet water must implement water conservation measures that comply with the state's, Bluebonnet's, and Contracting Party's water conservation plans, programs and rules.

Section 17. OTHER CHARGES.

In the event any sales or use taxes, or other taxes, assessments, or charges of any similar nature are imposed on diverting, storing, delivering, gathering, impounding, taking, selling, using, or consuming the water received by Contracting Party, the amount of the tax, assessment, or charge shall be borne by Contracting Party, in addition to all other charges, and whenever Bluebonnet shall be required to pay, collect, or remit any tax, assessment, or charge on water received by Contracting Party, then Contracting Party shall promptly pay or reimburse Bluebonnet for the tax, assessment, or charge in the manner directed by Bluebonnet.

Section 18. UNCONDITIONAL OBLIGATION TO MAKE PAYMENTS.

Recognizing the fact that the Contracting Parties urgently require the facilities and services of the System, and that such facilities and services are essential and necessary for actual use and for standby purposes, and recognizing the fact that Bluebonnet will use payments received from the Contracting Parties to pay and secure

the System Debt Instruments, it is hereby agreed that each of the Contracting Parties shall be unconditionally obligated to pay, without offset or counterclaim, its proportionate share of each Annual Requirement, as provided and determined by this Contract (including the obligations for paying for "minimums" as described in Section 9 hereof), regardless of whether or not Bluebonnet is actually delivering water from the System to any Contracting Party hereunder, or whether or not any Contracting Party actually receives or uses water from the System, and regardless of any other provisions of this or any other contract or agreement between any of the parties hereto. This covenant by the Contracting Parties shall be for the benefit of the holders of System Debt Instruments.

Section 19. TERM OF CONTRACT.

This Contract shall be effective as of October 1, 1996, and this Contract shall continue in force and effect until all System Debt Instruments have been paid, and thereafter shall continue in force and effect during the entire useful life of the System.

It is specifically agreed and understood that this Contract, as of October 1, 1996, will completely amend and supersede all of the contracts, agreements, and arrangements between each of the parties with respect to the System and the water therefrom, and will constitute the sole agreement between the parties with respect to the System and the water therefrom; and all such previous contracts, agreements, and arrangements shall be of no force or effect, except for liabilities accrued thereunder prior to October 1, 1996. Notwithstanding the foregoing provisions, it is specifically agreed and understood that all rights of Bluebonnet and of each of the Initial Contracting Parties which existed and accrued under any contract or agreement described in this Contract shall continue to exist, be preserved, and be fully enforceable with respect to and against any entity which is not an Additional Contracting Party or a party to this Contract, the same as if such contract or agreement were in full force and effect for all purposes, and all legal and equitable remedies with respect to such rights shall be available and may be pursued against any entity which is not an Additional Contracting Party or a party to this Contract. The parties further agree and understand that this Contract is amendatory in nature and is not intended to abrogate or adversely

affect the rights of the holder of any System Debt Instrument, but is intended to increase the security therefore, substantially restate, carry forward, and update the provisions of the prior contracts, and add additional parties thereto as permitted thereby.

Section 20. DISPUTE RESOLUTION.

The parties agree that in the event of a dispute concerning the performance or non-performance of any obligations flowing from or as a result of this Contract and prior to the initiation of any litigation, the parties will voluntarily submit the dispute to a dispute resolution organization or system as though it were referred through the operation of the Texas Alternative Dispute Resolution Procedures Act, Chapter 154, TEX. CIV. PRAC. & REM. CODE ANN. (Vernon 1996). No record evidence, statement, or declaration resulting from or in connection with such alternate dispute resolution procedure may be used in evidence in subsequent litigation except to demonstrate that this section has been complied with in good faith by either party.

Section 21. MODIFICATION.

No change or modification of the Contract shall be made which will affect adversely the prompt payment when due of all moneys required to be paid by each Contracting Party under the terms of this Contract and no such change shall be effective which would cause a violation of any provisions of any Debt Instrument.

Section 22. ADDRESS AND NOTICE.

Unless otherwise provided herein, and notice, communication, request, reply, or advice (herein severally and collectively, for convenience, called "Notice") herein provided or permitted to be given, made, or accepted by any party to any other party must be in writing and may be given or be served by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner herein above described shall be conclusively deemed to be effective, unless otherwise stated herein, from and after the expiration of

three days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the parties shall, until changed as hereinafter provided, be as follows:

If to Bluebonnet, to:

Bluebonnet Water Supply Corporation
Attention: Plant Manager
Water Supply Road
Route 5, Box 331-E
Temple, TX 76501

If to the Initial Contracting Parties, as follows:

Moffat Water Supply Corporation
Attention: Plant Manager
5635 Wagon Road # 132
Temple, TX 76502

Pendleton Water Supply Corporation
Attention: Plant Manager
Route 1, Box 142
Temple, TX 76501

Elm Creek Water Supply Corporation
Attention: Plant Manager
P.O. Box 538
Moody, TX 76557

City of Bruceville-Eddy
Attention: Utilities Manager
P.O. Box 548
Bruceville-Eddy, TX 76524

City of Moody, Texas
Attention: City Secretary
P.O. Box 68
Moody, TX 76557

City of McGregor
Attention: City Manager
302 South Madison
McGregor, TX 76657

Spring Valley Water Supply Corporation
Attention: Utility Operator
P.O. Box 399, Lorena, TX 76655

City of Woodway
Attention: City Manager
P.O. Drawer 20937
Waco, TX 76702-0937

The parties hereto shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address by at least fifteen (15) days' written notice to the other parties hereto.

Section 23. STATE OR FEDERAL LAWS, RULES, ORDERS, OR REGULATIONS.

This Contract is subject to all applicable Federal and State laws and any applicable permits, ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having or asserting jurisdiction, but nothing contained herein shall be construed as a waiver of any right to question or contest any such law, ordinance, order, rule, or regulation in any forum having jurisdiction. This Contract is also subject to any contracts between Bluebonnet and the Brazos River Authority.

Section 24. SEVERABILITY.

The parties hereto specifically agree that in case any one or more of the sections, subsections, provisions, clauses, or words of this Contract or the application of such sections, subsections, provisions, clauses, or words to any situation or circumstance should be, or should be held to be, for any reason, invalid or unconstitutional, under the laws or constitutions of the State of Texas or the United States of America, or in contravention of any such laws or constitutions, such invalidity, unconstitutionality, or contravention shall not affect any other sections, subsections, provisions, clauses, or words of this Contract or the application of such sections, subsections, provisions, clauses, or words to any other situation or circumstance, and it is intended that this Contract shall be severable and shall be construed and applied as if any such invalid or unconstitutional section, subsection, provision, clause, or word had not been included herein, and the rights and obligations of the parties hereto shall be construed and remain in force accordingly.

Section 25. SUCCESSOR TO THE SELLER.

In the event of any occurrence rendering Bluebonnet incapable of performing under this Contract, any successor of Bluebonnet, whether the result of legal process, assignment, or otherwise, shall succeed to the rights of Bluebonnet hereunder. Recognition also is taken of the fact that in the future it may be advisable to seek the creation of a political subdivision of the State of Texas with the power to assume the duties and responsibilities of Bluebonnet. If such conversion occurs, the Initial Contracting Parties reserve the right to form an Advisory Committee if a majority of the Initial Contracting Parties so desire.

If an Advisory Committee is created, the governing body of each of the Initial Contracting Parties (but no other Contracting Party) annually shall appoint one of the members of its governing body or one of its officers as a voting member of the Advisory Committee for the System. Additionally, the Board of Directors of Bluebonnet annually shall appoint to serve as a voting member of the Advisory Committee one of the members of said Board of Directors or one of the officers of Bluebonnet. The Advisory Committee shall consult with and advise Bluebonnet, through its Manager, with regard

to the following matters pertaining to the System: issuance of debt, System operation and maintenance, the terms and conditions of contracts with Additional Contracting Parties, other contracts for sale of water, review of Bluebonnet's Annual Budget prior to Board submission, review of Bluebonnet's Annual Audit, other pertinent matters relating to the management of the System, and System improvements and extensions and the providing of any additional source of water supply.

The Contracting Parties also agree that the assumption of Bluebonnet's responsibilities hereunder by a governmental entity and political subdivision of the State of Texas shall not affect any of the Contracting Parties' obligations under this Contract.

Section 26. ASSIGNMENT.

This Contract is assignable to the United States of America, Department of Agriculture, Rural Development, as security for any loan made or to be made or insured by it.

Section 27. REMEDIES UPON DEFAULT.

It is not intended hereby to specify (and this Contract shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by any party hereto and shall be cumulative. Recognizing however, that Bluebonnet's undertaking to provide and maintain a supply of water hereunder is an obligation, failure in the performance of which cannot be adequately compensated in money damages alone, Bluebonnet agrees, in the event of any default on its part, that each Contracting Party shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available. Recognizing that failure in the performance of any Contracting Party's obligations hereunder could not be adequately compensated in money damages alone, each Contracting Party agrees in the event of any default on its part that Bluebonnet shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available to Bluebonnet.

Section 28. WAIVER AND AMENDMENT.

Failure to enforce or the waiver of any provision of this Contract or any breach or nonperformance by Bluebonnet or Contracting Party shall not be deemed a waiver by Contracting Party or Bluebonnet of the right in the future to demand strict compliance and performance of any provision of this Contract. Regardless of any provision contained in this Contract to the contrary, any right or remedy or any default under this Contract, except the right of Bluebonnet to receive the Annual Payment which shall never be determined to be waived, shall be deemed to be conclusively waived unless asserted by a proper proceeding at law or in equity within two (2) years plus one (1) day after the occurrence of the default.

No officer or agent of Bluebonnet or Contracting Party is authorized to waive or modify any provision of the Contract. No modifications to or rescission of this Contract may be made except by a written document signed by Bluebonnet's and Contracting Party's authorized representatives.

Section 29. VENUE.

All amounts due under this Contract, including, but not limited to, payments due under this Contract or damages for the breach of this Contract, shall be paid and be due in Bell County, Texas, which is the County in which the principal administrative offices of Bluebonnet. It is specifically agreed among the parties to this Contract that Bell County, Texas, is the place of performance of this Contract; and in the event that any legal proceeding is brought to enforce this Contract or any provision hereof, the same shall be brought in Bell County, Texas.

Section 30. CAPTION.

The sections and captions contained herein are for convenience and reference only and are not intended to define, extend or limit any provision of this Contract.

Section 31. NO THIRD PARTY BENEFICIARIES.

This Contract does not create any third party benefits to any person or entity other than the signatories hereto, and is solely for the consideration herein expressed. No existing or potential user of Bluebonnet's water system shall have any right, title, or interest in and to this Contract except as a customer of Bluebonnet as if the Contract did not exist.

IN WITNESS WHEREOF, the parties hereto acting under authority of their respective governing bodies have caused this Contract to be duly executed in several counterparts, each of which shall constitute an original, all as of the day and year first above written, which is the date of this Contract.

BLUEBONNET WATER SUPPLY
CORPORATION

By: Jim Thigpen
Name: Jim Thigpen
Title: President

ATTEST:

Edgar M. Bauder

MOFFAT WATER SUPPLY
CORPORATION

By: Jim Bonifacio
Name: Jim Bonifacio
Title: President

ATTEST:

J.L. Kormanig 2-11-97

PENDLETON WATER SUPPLY
CORPORATION

By: Mark H. Elliott
Name: MARK H. ELLIOTT
Title: PRESIDENT

ATTEST:

Jim Thigpen

ELM CREEK WATER SUPPLY
CORPORATION

By: Kevin Huttman
Name: Kevin Huttman
Title: President

ATTEST:

Margie Barker

CITY OF BRUCEVILLE-EDDY

By: Gene Mc Bride
Name: Gene Mc Bride
Title: Mayor

ATTEST:

J. L. Romney 2-10-97

CITY OF MOODY

By: Mike Alton
Name: Mike Alton
Title: Mayor

ATTEST:

J. L. Romney 2-11-97

CITY OF MCGREGOR

By: [Signature]
Name: FELIX A. MORRIS
Title: MAYOR

ATTEST:

[Signature] 2-11-97

SPRING VALLEY WATER SUPPLY
CORPORATION

By: [Signature]
Name: KENNETH W. MAYS
Title: PRESIDENT

ATTEST:

[Signature]

CITY OF WOODWAY

By: [Signature]
Name: MARK L. MCDANIEL
Title: CITY MANAGER

ATTEST:

[Signature]

List of Exhibits

1. Descriptions of Points of Delivery
2. Example Calculation of Bluebonnet System Rate
3. Example of True-up Calculation
4. Example of Calculation of Premium

LOCATION OF POINTS OF DELIVERY

Pendleton Meter #1: From Farm Road 1237 take the 1237 Spur to the Pendleton Loop. From the center line of the 1237 Spur take a right onto the Pendleton Loop for 488 feet. Then go south from the center line of the Pendleton Loop for 35 feet. Pendleton Meter #1 is located at this point.

Pendleton Meter #2: From the Old Highway 81 take the Pleasant View Road west. From the center line of the Old Highway 81 proceed for 1,216 feet west down the Pleasant View Road for 1,216 feet. Then from the center line of the Pleasant View Road go south for 33 feet. The Pendleton Meter #2 is located at this point.

Pendleton Meter #3: At the intersection of Highway 317, Farm Road 1237, and White Hall Road proceed from the center line of Highway 317 west on White Hall Road for 244 feet. Then from the center line of the White Hall Road go north for 53 feet. The Pendleton Meter #3 is located at this point.

Moody Meter #1: From Highway 317 take Farm Road 107 east to Church Street. From the center line of Church Street proceed west for 155 feet. Then from the center line of Farm Road 107 go north for 40 feet. The Moody Meter #1 is located at this point.

Moody Meter #2: From Highway 317 south of town take the Teauge Road east to Valley Drive. Then from the center line of Teauge Road proceed south on Valley Drive for 33 feet. Then from the center line of the Valley Drive go east for 22 feet. The Moody Meter #2 is located at this point.

McGregor/Woodway Meters: The McGregor/Woodway master meter is located in the right-of-way of Highway 317 across from the west entrance road for the McGregor High School and the football stadium. Each of these cities also has separate meters beyond the point of delivery at McGregor's 9th Street Water Plant, which will also be read by Bluebonnet at the same time the master meter is read.

Moffat Meter: From Highway 317 go west on State Highway 36 for 1.5 miles. Take a right onto Moffat Road. Proceed to Water Supply Road. From the center line of Moffat Road proceed east on Water Supply Road for 100 feet. Then from the center line of Water Supply Road go north for 44 feet. The Moffat meter is located at this point.

Moffat Meter #2: At Moffat WSC elevated storage tower on South Whitehall Road.

Elm Creek Meter #1: From the City of Moody going east on Farm Road 107 proceed until you reach Ruby Road. Take a right onto Ruby Road go until you reach Liberty Hill Road. Take a right onto Liberty Hill Road and travel for 0.45 miles. From the center line of Liberty Hill Road go south for 45 feet. Elm Creek meter #1 is located at this point.

Elm Creek Meter #3: At the intersection of Highway 317 and Payne Branch Road take the Payne Branch Road to the east from the center line of Highway 317 for 99 feet. Then from the center line of the Payne Branch Road go north for 63 feet. The Elm Creek Meter #3 is located at this point.

Elm Creek Meter #4: From the City of Moody take the Farm Road 107 west to the Bluecut Road C-3D 119-from the Bluecut Road C-D 119 proceed west for 0.8 miles. Then from the center line of Farm Road 107 go north 49 feet. The Elm Creek Meter #4 is located at this point.

Bruceville-Eddy Meter: From the City of Bruceville-Eddy proceed west on Farm Road 107 to Tower Road. Take a right onto Tower Road and proceed to Westridge Drive. Take a right onto Westridge Drive until you reach Theresa Lane. Take a left onto Theresa Lane and go 0.5 miles. Then from the center line on Theresa Lane go 43 feet. The Bruceville-Eddy meter is located at this point.

Spring Valley Meter: At the intersection of Farm Road 2113 and May Lane proceed from the center line of May Lane south on Farm Road 2113 for 376 feet. Then from the center line of Farm Road 2113 go west for 70 feet. The Spring Valley meter is located at this point.

Example of Rate Calculation

	A	C
1	Billing Units	
2		Annual
3	Moffat	81,276
4	Pendleton	71,268
5	Elm Creek	84,504
6	Bruceville-Eddy	101,160
7	Moody	67,128
8	McGregor	278,424
9	Spring Valley	34,536
10	Woodway	45,000
11		
12	Total	763,296
13		
14		
15	Annual Requirement	
16		
17	O&M	\$ 658,853
18	Purchased Water	\$ 120,000
19	Debt	\$ 547,749
20	Reserves	\$ 54,775
21		
22	Total	\$1,381,377
23		
24		
25	Income	\$ 20,000
26		
27		
28	Rate (\$/thou gal)	\$ 1.78

Example of Rate Calculation

Cell: C28

Note: = (Annual Requirement - Revenue)/Billing Units

Example of True-Up

	A	B	C	D	E
1	Example Entity	Annual Min	Monthly Min		
2		81276	6773		
3		Usage	Billed	Rate	Payments
4		(thou gal)	(thou gal)	(\$/thou gal)	
5	Oct	7175	7175	1.784	\$ 12,800.20
6	Nov	5031	6773	1.784	\$ 12,083.03
7	Dec	5159	6773	1.784	\$ 12,083.03
8	Jan	5101	6773	1.784	\$ 12,083.03
9	Feb	6182	6773	1.784	\$ 12,083.03
10	Mar	6502	6773	1.784	\$ 12,083.03
11	Apr	3474	6773	1.784	\$ 12,083.03
12	May	9904	9904	1.784	\$ 17,668.74
13	Jun	10458	10458	1.784	\$ 18,657.07
14	Jul	13832	13832	1.784	\$ 24,676.29
15	Aug	8298	8298	1.784	\$ 14,803.63
16	Sept	8000	8000	1.784	\$ 14,272.00
17					
18	Total	89,116	98,305		\$ 175,376.12
19					
20	True-up Calculation				
21		Thou Gallons		Rate	
22	Actual Amount Owed	89,116	*	1.784	\$ 158,982.94
23	Amount Owed w/o true-up	98,305	*	1.784	\$ 175,376.12
24					
25					
26					
27	Amount Owed w/o true-up		\$175,376.12		
28	Actual Amount Owed		\$158,982.94		
29	Over Payment		\$ 16,393.18		
30	Credit Applied to Sept bill		\$ 14,272.00		
31	Refund		\$ 2,121.18		

Example of True-Up

Cell: E4

Note: Payments are not actually received by Bluebonnet until the next month.

Cell: C31

Note: This is the credit remaining in excess of the \$14,274 for the 8,000 gallons taken in September.

Example of Premium Calculation

	A	B	C	D	E	F	G	H
1	System Capacity (MGD)	6						
2	Committed Capacity (MGD)	4						
3	Requested Capacity (MGD)	1						
5	Capital Cost of System	Initial Cost	Grant	Outstanding Debt	Useful Life	Years in Service	Depreciation	Equity
6	Raw Water	\$ -	\$ -	\$ -				\$ -
7	Raw Water Pumps and Pipe	\$ 1,000,000	\$ 84,175	\$ 500,000	50	20	\$ 400,000	\$ 15,825
8	Treatment Plant	\$ 3,128,000	\$ 263,300	\$ 1,564,000	50	20	\$ 1,251,200	\$ 49,500
9	Clear Well Storage	\$ 1,500,000	\$ 126,263	\$ 750,000	50	20	\$ 600,000	\$ 23,737
10	Potable Water Pumps and Pipe	\$ 1,500,000	\$ 126,263	\$ 750,000	50	20	\$ 600,000	\$ 23,737
11								
12	Total	\$ 7,128,000	\$ 600,000					\$ 112,800
14								
15	Equity for Requested Capacity	\$ 22,560						

EXHIBIT 4

Example of Premium Calculation

Cell: B3

Note: This is the amount of water requested by an Additional Contracting Party.

Cell: A5

Note: This refers to the capital cost of the whole system and not just the latest expansion.

Cell: A7

Note: This is just an example. Items within categories of capital should have the same useful life.

Cell: B15

Note: $\text{Total Equity} * (\text{Requested Capacity} / (\text{Committed Capacity} + \text{Requested Capacity}))$

STATE OF TEXAS	§	AMENDMENT NUMBER ONE TO
	§	REGIONAL WATER SUPPLY
	§	FACILITIES CONTRACT
COUNTY OF BELL	§	

THIS Amendment to the Regional Water Supply Facilities Contract ("Contract") dated Feb. 27, 1997 is made between Bluebonnet Water Supply Corporation ("Bluebonnet"), a water supply corporation, and the following:

MOFFAT WATER SUPPLY CORPORATION IN BELL COUNTY,
TEXAS;
PENDLETON WATER SUPPLY CORPORATION IN BELL COUNTY,
TEXAS;
ELM CREEK WATER SUPPLY CORPORATION IN McLENNAN
COUNTY, TEXAS;
CITY OF BRUCEVILLE-EDDY, IN McLENNAN COUNTY, TEXAS;
CITY OF MOODY, IN McLENNAN COUNTY, TEXAS;
CITY OF MCGREGOR, IN McLENNAN COUNTY, TEXAS;
SPRING VALLEY WATER SUPPLY CORPORATION IN McLENNAN
COUNTY TEXAS; AND
CITY OF WOODWAY, IN McLENNAN COUNTY, TEXAS

(collectively, the "Initial Contracting Parties"). Section 9.C.(4) of the Contract is amended as follows:

1. As part of the minimum water take provision identified in paragraph 9.C.(4), Bluebonnet and the Initial Contracting Parties have agreed to modify the initial first year minimum monthly take for Elm Creek WSC from 7,042 to 6,554 per month (in thousands of gallons) and for Woodway from 3,750 to 4,238 per month. In consideration of such modification to Woodway, Bluebonnet and the other Initial Contracting Parties also agree to allow Woodway to carry a credit for the 488 thousand gallons per month increase beyond each annual payment period until such time that said credit is completely used by Woodway.

2. All other terms and provisions of the above referenced agreement will remain the same and shall be unaffected by this amendment including the portions of 9.C.(4) that were not changed.

IN WITNESS WHEREOF, the parties hereto, acting under the authority of their respective governing bodies, have caused this Agreement and Amendment to be executed.

**BLUEBONNET WATER SUPPLY
CORPORATION**

By: Jim Thippin
Name: Jim Thippin
Title: President

ATTEST:

Edgar M. Baur

**MOFFAT WATER SUPPLY
CORPORATION**

By: Jim Bonifacio
Name: Jim Bonifacio
Title: President

ATTEST:

Edgar M. Baur

**PENDLETON WATER SUPPLY
CORPORATION**

By: Mark H. Elliott
Name: MARK H. ELLIOTT
Title: PRESIDENT

ATTEST:

Jim Thippin

ELM CREEK WATER SUPPLY
CORPORATION

By: Kevin Huffman
Name: Kevin Huffman
Title: President

ATTEST:

Margie Barker

CITY OF BRUCEVILLE-EDDY

By: J. L. Roming
Name: J. L. ROMING
Title: UTILITY MGR.

ATTEST:

Jin Sheppa

CITY OF MOODY

By: Susie Pruitt
Name: SUSIE PRUITT
Title: Council person

ATTEST:

Edna M. Burch

CITY OF MCGREGOR

By: Bill Dake
Name: BILL DAKE
Title: CITY MANAGER

ATTEST:

Jiri Thuppi

SPRING VALLEY WATER SUPPLY CORPORATION

By: Kenneth W. Mays
Name: KENNETH W MAYS
Title: PRESIDENT BOARD

ATTEST:

Margie Barker

CITY OF WOODWAY

By: Mark L. McDaniel
Name: MARK L. MCDANIEL
Title: CITY MANAGER

ATTEST:

Margie Barker



**BEFORE THE
SOUTHERN TRINITY GROUNDWATER CONSERVATION DISTRICT
State of Texas**

**IN THE MATTER OF THE FOLLOWING APPLICATIONS
FOR A NON-HISTORIC USE PRODUCTION PERMIT:**

NHUPP-2013-001	City of Riesel
NHUPP-2013-002	City of McGregor
NHUPP-2013-003	City of Crawford
NHUPP-2013-004	Twin Rivers Golf Club, Inc.
NHUPP-2013-005	Spring Valley Water Supply Corporation
NHUPP-2013-006	Menlow Water Supply Corporation
NHUPP-2013-008	Ross Water Supply Corporation
NHUPP-2013-009	Camp Hope, LLC
NHUPP-2013-011	Cross Country Water Supply Corporation
NHUPP-2013-012	Neil Amar
NHUPP-2013-013	Neil Amar

**FINAL ORDER GRANTING
APPLICATIONS FOR NON-HISTORIC USE PRODUCTION PERMITS**

ON THIS DAY CAME ON TO BE HEARD the above-styled and numbered matters.

As set forth below, the General Manager of the Southern Trinity Groundwater Conservation District ("District") issued notice of and published his recommended action on the Non-Historic Use Production Permit Applications listed in Exhibit 1 of this Final Order ("NHUPP Applications"), attached hereto and incorporated as a part of this Final Order for all purposes. The applicants listed in Exhibit 1 ("Applicants") were given written notice of the General Manager's recommended action on their respective NHUPP Applications. Each Applicant listed in Exhibit 1, after receiving notice of the General Manager's recommended action on their NHUPP Application, has either not filed with the District a Request for a Contested Case Hearing so as to place the merits of the General Manager's recommended action in issue, or has timely filed a Request for a Contested Case Hearing but has withdrawn it prior to a contested case hearing.

Notice of the right of each Applicant listed in Exhibit 1 to file a Request for a Contested Case Hearing with the District was given to each Applicant according to law. The Board of Directors ("Board") of the District, after having reviewed and considered technical summaries for the NHUPP Applications, as contained in Exhibit 1 to this order, the statements, arguments and presentation of the General Manager of the District, and the arguments and presentations of the Applicants or their representatives who may have appeared before the Board, is of the opinion and finds that the facts necessary to support the General Manager's recommended action to grant the NHUPP Applications has been established by evidence and has not been contested pursuant to District rules, and finds that the General Manager is entitled to prevail with reference to the above-styled and numbered applications. Accordingly, the Board is of the opinion and finds that the NHUPP Applications should be **GRANTED**. In support of this Final Order Granting Applications for Non-Historic Use Production Permits ("Final Order"), the Board makes its Findings of Fact and Conclusions of Law as follows:

I. FINDINGS OF FACT

1. The Applicants filed with the District NHUPP Applications.
2. The NHUPP Applications seek issuance of Non-Historic Use Production Permits ("NHUPPs") from the District for authorizations to withdraw groundwater within and from the Trinity Aquifer or the Brazos River Alluvium Aquifer ("Brazos Alluvium Aquifer").
3. By virtue of their filing NHUPP Applications with the District, the persons listed in Exhibit 1 are applicants before the District.
4. After receipt of the NHUPP Applications, the General Manager of the District conducted an initial review of each NHUPP Application for administrative completeness.
5. By letter dated November 20, 2013, the General Manager notified each Applicant listed in Exhibit 1 that he had determined that their NHUPP Application was administratively

complete.

6. After determining that the NHUPP Applications were administratively complete, the General Manager conducted a technical review of each NHUPP Application for the purpose of determining if the application should be granted or denied, in whole or in part.

7. After completing the technical review of each of the NHUPP Applications, the General Manager concluded that he should recommend to the Board that each of the applications be granted, and proposed that NHUPPs be issued to the Applicants.

8. Following his technical review for each of the NHUPP Applications, the General Manager prepared a Technical Summary, a written statement summarizing the General Manager's recommendation on the applications and the reasons for the recommendation, and a proposed permit.

9. In a letter dated November 20, 2013, the General Manager provided to each of the Applicants a copy of the Technical Summary, the written statement summarizing the General Manager's recommendation on the application and the reasons for the recommendation, and a proposed permit, if applicable.

10. The General Manager published the Notice of Proposed Non-Historic Use Production Permits and Public Hearing in the Waco Tribune Herald on November 22, 2013, being a newspaper of general circulation throughout the District's jurisdiction.

11. Under § 9.307(b) of the District's rules, December 2, 2013 was the last day on which an Applicant could have filed a Request for a Contested Case Hearing to protest the recommended action of the General Manager on the NHUPP Applications. Either no Applicant filed with the District a Request for a Contested Case Hearing with respect to the NHUPP Applications on or before this date, or if a Request for Contested Case Hearing was timely filed, it was withdrawn prior to a contested case hearing being held.

12. In the case where a timely Request for Contested Case Hearing was filed with the District and withdrawn prior to a contested case hearing being held, the amount of groundwater from the Trinity Aquifer or Brazos Alluvium Aquifer that the Applicant will be authorized to withdraw in the NHUPP to be issued as a result of this Final Order remains unchanged from the groundwater withdrawal amount set out in the proposed permit.

13. The District scheduled before the Board a presentation on the NHUPP Applications and the proposed issuance of the NHUPPs associated therewith. The presentation occurred at a public hearing of the Board on Thursday, December 12, 2013 at 9:00 a.m. at the City Council Chambers of the City of Woodway, 922 Estates Drive, Woodway, Texas.

14. On December 6, 2013, the Notice of Meeting ("NOM") of the public hearing of the Board at which the presentation of the NHUPP Applications and their proposed granting thereof was made, was posted at a place convenient to the public outside of the District's office located at 420 North 6th Street, Waco, Texas.

15. On December 6, 2013, the District provided the NOM to the county clerk of McLennan County, being the county in which the administrative office of the District is located.

16. In a letter dated November 20, 2013, the District provided written notice to each Applicant by first class mail, that their NHUPP Application was scheduled for consideration by the Board on Thursday, December 12, 2013 at 9:00 a.m. at the City Council Chambers of the City of Woodway, 922 Estates Drive, Woodway, Texas.

17. The NHUPP Applications were filed at the District's official business offices located at 420 North 6th Street, Waco, Texas.

18. For each NHUPP Application, contemporaneous with its receipt, the District affixed a "date stamp" to the front page of the NHUPP Application indicating its date of receipt by the District.

19. The NHUPP Applications were received by the District on or before 5 p.m. on July 31, 2013, the deadline established by the board for NHUPP Applications to be filed.
20. The Applicants paid the application fee of \$1,000.
21. The Applicants are not delinquent in the payment of any fee or deposit due and owing to the District.
22. The wells, and the place of use, if appropriate, identified in the NHUPP Applications are owned by the Applicants.
23. The Applicants have a legal right to produce groundwater from the Trinity Aquifer or Brazos Alluvium Aquifer from the wells identified in the NHUPP Applications.
24. The wells identified in the NHUPP Applications are physically located within the jurisdictional boundaries of the District.
25. Groundwater from the wells identified in the NHUPP Applications is proposed to be placed to a beneficial use.
26. The places of use for the groundwater withdrawn from the wells identified in the NHUPP Applications are located within the boundaries of the District or the Applicant has applied for or obtained a groundwater exportation permit from the District or Section 5.401(b) applies.
27. There are no other economically feasible alternative sources of water available to Applicants.
28. There is a sufficient volume of water available to issue the proposed NHUPPs under the District's modeled available groundwater from the Trinity Aquifer and the Brazos Alluvium Aquifer.
29. There are no other pending permit applications compliant with the rules, essential to support domestic use, that will be denied, in whole or in part, as a result of granting the

NHUPP Applications.

30. The proposed withdrawal amounts will be physically withdrawn and put to beneficial use within three years.

31. The activities of the Applicants constituting the purpose of use for which the groundwater will be beneficially used will be managed to preserve, protect, prevent the pollution, degradation, or harmful alteration of, control and prevent the waste of, prevent the escape of groundwater from, and achieve the conservation of groundwater in and produced from, the Trinity Aquifer or Brazos Alluvium Aquifer.

32. The proposed production of water will not unreasonably affect existing groundwater or surface water resources or existing holders of permits issued by the District.

33. The operation of the wells identified in the NHUPP Applications will not cause unreasonable interference between wells.

34. The Applicants are in compliance with any permits the Applicants hold from the District and with the District's rules.

35. The NHUPP Applications are consistent with the District's certified groundwater management plan.

36. The wells identified in the NHUPP Applications are as set forth in Exhibit 1 and in the NHUPPs attached to this order.

37. The locations of the places of use for the groundwater withdrawn from the wells identified in the NHUPP Applications are as identified in the NHUPPs attached to this order.

38. The wells identified in the NHUPP Applications are metered as set forth in the NHUPPs attached to this order.

39. The maximum rates of withdrawal for the wells identified in the NHUPP Applications are as set forth in Exhibit 1 and in the NHUPPs attached to this order.

40. The maximum amount of groundwater for the wells identified in the NHUPP Applications that each Applicant is authorized to withdraw annually pursuant to the NHUPPs that are to be issued as a result of this Final Order are as set forth in Exhibit 1 and in the NHUPPs attached to this order.

II. CONCLUSIONS OF LAW

1. Because the NHUPP Applications seek permission to withdraw groundwater from the Trinity Aquifer or Brazos Alluvium Aquifer within the District, the Board of Directors of the District has jurisdiction over these NHUPP Applications.

2. A NHUPP is a category of groundwater withdrawal permit that may be issued by the Board of the District.

3. The NHUPP Applications are for wells and uses that are non-exempt and require a groundwater withdrawal permit to be issued by the District.

4. The NHUPP Applications should be granted in accordance with the amounts and specifications set forth in Exhibit 1 and in the NHUPPs attached to this order.

III. SEVERABILITY

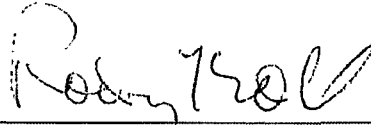
If the action of the District with respect to any one NHUPP Application granted by this order is held or otherwise found to be void or invalid, such a holding or finding of invalidity shall not affect any action on any other NHUPP Application granted by this order and such action shall remain in full force and effect.

IV. ORDERING PROVISION

IT IS THEREFORE ADJUDGED, ORDERED, AND DECREED that the above-styled and numbered Applications for Non-Historic Use Production Permits are hereby **GRANTED** and the General Manager is directed to prepare Non-Historic Use Production Permits, in conformance with the NHUPPs attached to this order, for presentation to the

President of the Board of Directors of the District for execution.

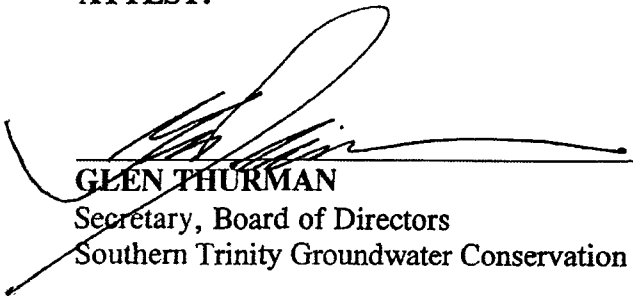
PASSED AND APPROVED BY THE BOARD OF DIRECTORS OF THE SOUTHERN
TRINITY GROUNDWATER CONSERVATION DISTRICT THIS 12TH DAY OF
DECEMBER, 2013.



RODNEY KRÖLL

President, Board of Directors
Southern Trinity Groundwater Conservation District

ATTEST:


GLEN THURMAN
Secretary, Board of Directors
Southern Trinity Groundwater Conservation District

APPROVED AS TO FORM:

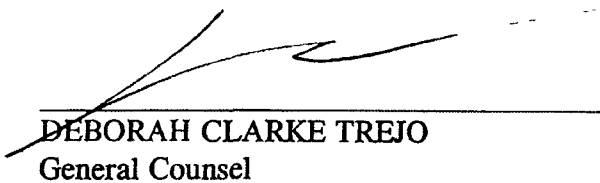

DEBORAH CLARKE TREJO
General Counsel

EXHIBIT 1

Technical Summary – NHUPP 2013-001

Well Owner: City of Riesel
104 N. Hwy 6 (Memorial)
Riesel, Texas, 76682

Application No.: NHUPP-2013-001

Aquifer: Trinity

Annual production of groundwater not to exceed: 131.29 Acre-Feet

Location of Each Point of Withdrawal and Maximum Withdrawal Rate:

Latitude/Longitude (NAD83):

N31D 29M 16S / W96D 56M 33S 300 gpm

Proposed Purpose and Place of Use

All groundwater produced under the proposed permit is restricted to Municipal Use within the Applicant's Water Service Area as defined by the Applicant's Certificate of Convenience and Necessity number 10029 issued by the Texas Commission on Environmental Quality.

Technical Summary – NHUPP 2013-002

Well Owner: City of McGregor
302 South Madison St.
McGregor, Texas, 76657

Application No.: NHUPP-2013-002

Aquifer: Trinity

Annual production of groundwater not to exceed: 204.84 Acre-Feet

Location of Each Point of Withdrawal and Maximum Withdrawal Rate:

Latitude/Longitude (NAD83):

N31D 26M 35S / W97D 24M 53S 200 gpm

N31D 26M 06S / W97D 25M 10S 350 gpm

N31D 26M 05S / W97D 24M 01S 350 gpm

N31D 24M 55S / W97D 25M 27S 350 gpm

N31D 24M 22S / W97D 26M 17S 350 gpm

Proposed Purpose and Place of Use

All groundwater produced under the proposed permit is restricted to Municipal Use within the Applicant's Water Service Area as defined by the Applicant's Certificate of Convenience and Necessity 10033 issued by the Texas Commission on Environmental Quality.

EXHIBIT 1

Technical Summary – NHUPP 2013-003

Well Owner: City of Crawford
6719 North Lonestar Parkway
Crawford, Texas, 76638

Application No.: NHUPP-2013-003

Aquifer: Trinity

Annual production of groundwater not to exceed: 37.29 Acre-Feet

Location of Each Point of Withdrawal and Maximum Withdrawal Rate:

Latitude/Longitude (NAD83):

N31D 31M 59S / W97D 27M 05S 90 gpm
N31D 31M 35S / W97D 27M 43S 80 gpm

Proposed Purpose and Place of Use

All groundwater produced under the proposed permit is restricted to Municipal Use within the Applicant's Water Service Area as defined by the Applicant's Certificate of Convenience and Necessity P0609 issued by the Texas Commission on Environmental Quality.

Technical Summary – NHUPP 2013-004

Well Owner: Twin Rivers Golf Club, Inc.
1000 Bear Ridge Drive
Waco, Texas, 76712

Application No.: NHUPP-2013-004

Aquifer: Trinity

Annual production of groundwater not to exceed: 250.00 Acre-Feet

Location of Each Point of Withdrawal and Maximum Withdrawal Rate:

Latitude/Longitude (NAD83):

N31D 29M 06S / W97D 13M 37S 400 gpm

Proposed Purpose and Place of Use

Permittee may use Trinity Aquifer groundwater only for recreational purposes.

Permittee may beneficially use Aquifer groundwater only within land owned by the Permittee that is contiguous with the location of the well identified in Section 4 of the NHUPP.

EXHIBIT 1

Technical Summary – NHUPP 2013-005

Well Owner: Spring Valley Water Supply Corporation
P.O. Box 399,
Lorena, Texas, 76655

Application No.: NHUPP-2013-005

Aquifer: Trinity

Annual production of groundwater not to exceed: 61.40 Acre-Feet

Location of Each Point of Withdrawal and Maximum Withdrawal Rate:

Latitude/Longitude (NAD83):

N31D 39M 03S / W97D 25M 53S 125 gpm

N31D 42M 00S / W97D 25M 53S 125 gpm

Proposed Purpose and Place of Use

All groundwater produced under the proposed permit is restricted to Municipal Use within the Applicant's Water Service Area as defined by the Applicant's Certificate of Convenience and Necessity 11287 issued by the Texas Commission on Environmental Quality.

Technical Summary – NHUPP 2013-006

Well Owner: Menlow Water Supply Corporation
2476 FM 1304
Abbott, Texas, 76621

Application No.: NHUPP-2013-006

Aquifer: Trinity

Annual production of groundwater not to exceed: 33.76 Acre-Feet

Location of Each Point of Withdrawal and Maximum Withdrawal Rate:

Latitude/Longitude (NAD83):

N31D 49M 50S / W97D 05M 41S 300 gpm

Proposed Purpose and Place of Use

All groundwater produced under the proposed permit is restricted to Municipal Use within the Applicant's Water Service Area as defined by the Applicant's Certificate of Convenience and Necessity 11266 issued by the Texas Commission on Environmental Quality.

EXHIBIT 1

Technical Summary – NHUPP 2013-008

Well Owner: Ross Water Supply Corporation
P.O. Box 202
Ross, Texas, 76640

Application No.: NHUPP-2013-008

Aquifer: Trinity

Annual production of groundwater not to exceed: 81.10 Acre-Feet

Location of Each Point of Withdrawal and Maximum Withdrawal Rate:

Latitude/Longitude (NAD83):

N31D 43M 05S / W97D 07M 09S	125 gpm
N31D 43M 47S / W97D 05M 59S	190 gpm
N31D 42M 53S / W97D 07M 04S	380 gpm

Proposed Purpose and Place of Use

All groundwater produced under the proposed permit is restricted to Municipal Use within the Applicant's Water Service Area as defined by the Applicant's Certificate of Convenience and Necessity 11268 issued by the Texas Commission on Environmental Quality.

Technical Summary – NHUPP 2013-009

Well Owner: Camp Hope, LLC
P.O. Box 195
Gatesville, Texas, 76528

Application No.: NHUPP-2013-009

Aquifer: Trinity

Annual production of groundwater not to exceed: 1.30 Acre-Feet

Location of Each Point of Withdrawal and Maximum Withdrawal Rate:

Latitude/Longitude (NAD83):

N31D 30M 02S / W97D 20M 31S	13 gpm
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Proposed Purpose and Place of Use

Permittee may use Trinity Aquifer groundwater only for recreational purposes.

Permittee may beneficially use Aquifer groundwater only within land owned by the Permittee that is contiguous with the location of the well identified in Section 4 of the NHUPP.

EXHIBIT 1

Technical Summary – NHUPP 2013-011

Well Owner: Cross Country Water Supply Corporation
P.O. Box 87
China Spring, Texas, 76633

Application No.: NHUPP-2013-011

Aquifer: Trinity

Annual production of groundwater not to exceed: 25.31 Acre-Feet

Location of Each Point of Withdrawal and Maximum Withdrawal Rate:

Latitude/Longitude (NAD83):

N31D 40M 56S / W97D 16M 45S	154 gpm
N31D 40M 59S / W97D 16M 34S	157 gpm
N31D 41M 12S / W97D 19M 47S	165 gpm
N31D 40M 48S / W97D 15M 25S	210 gpm

Proposed Purpose and Place of Use

All groundwater produced under the proposed permit is restricted to Municipal Use within the Applicant's Water Service Area as defined by the Applicant's Certificate of Convenience and Necessity 11286 issued by the Texas Commission on Environmental Quality.

Technical Summary – NHUPP 2013-012

Well Owner: Neil Amar
534 Longhorn Drive
Woodway, Texas, 76712

Application No.: NHUPP-2013-012

Aquifer: Trinity

Annual production of groundwater not to exceed: 282.16 Acre-Feet

Location of Each Point of Withdrawal and Maximum Withdrawal Rate:

Latitude/Longitude (NAD83):

N31D 27M 43S / W97D 16M 32S	247 gpm
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Proposed Purpose and Place of Use

Permittee may use Trinity Aquifer groundwater only for **agricultural irrigation purposes**.

Permittee may beneficially use Aquifer groundwater only within land owned by the Permittee

EXHIBIT 1

that is contiguous with the location of the well identified in Section 4 of the NHUPP.

Technical Summary – NHUPP 2013-013

Well Owner: Neil Amar
534 Longhorn Drive
Woodway, Texas, 76712

Application No.: NHUPP-2013-013

Aquifer: Trinity

Annual production of groundwater not to exceed: 28.00 Acre-Feet

Location of Each Point of Withdrawal and Maximum Withdrawal Rate:

Latitude/Longitude (NAD83):

N31D 27M 43S / W97D 16M 32S

17 gpm

Proposed Purpose and Place of Use

Permittee may use Trinity Aquifer groundwater only for **domestic and livestock purposes.**

Permittee may beneficially use Aquifer groundwater only within land owned by the Permittee that is contiguous with the location of the well identified in Section 4 of the NHUPP.

FILED AND RECORDED
OFFICIAL PUBLIC RECORDS

J. A. "Andy" Harwell

J. A. "Andy" Harwell, County Clerk
12/23/2013 08:39 AM
Fee: \$0.00
2013043855 ORDER
McLennan County, Texas

Tariff

**Spring Valley Water Supply Corporation
P. O. Box 399
Lorena, Texas 76655
(254) 857-8614**

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SECTION A. **RESOLUTIONS**

THE BOARD OF DIRECTORS OF SPRING VALLEY WATER SUPPLY CORPORATION
ESTABLISHES THAT :

1. This Tariff of the Spring Valley Water Supply Corporation, serving in McLennan County consisting of Sections A. through H. and forms inclusive, is adopted and enacted as the current regulations and policies effective September 17, 2007.
2. 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.
3. The adoption of this tariff does not prohibit or limit the Corporation from enforcing previous penalties or assessments from before the current effective date.
4. 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.
5. 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.

PASSED and APPROVED this 17th day of September, 2007.



President, Spring Valley Water Supply Corporation

Approved September 17, 2007

Spring Valley WSC

SVWSC 100006

SECTION B. STATEMENTS

1. **Organization.** The Spring Valley Water Supply Corporation 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 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 services provided by the Spring Valley Water Supply Corporation, also referred to as Corporation, or SV WSC. 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 on any of the distribution system. All hydrants or flush valves are for the operation and maintenance of the system and may be used for refill only by authorized fire departments. 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 Spring Valley WSC is not liable for damages caused by service interruptions, events beyond its control, and for normal system failures. The limit of liability of the Spring Valley WSC 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 on Mackey Ranch Road in Moody, 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

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Spring Valley WSC

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 member's 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(i-j)) (See Tariff Section G.18)
- 11 **Submetering Responsibility.** Submetering and Non-Submetering by Master Metered Accounts may be allowed in the Corporation's water distribution system provided the Master Metered Account customer complies with the Texas Commission on Environmental Quality Chapter 291, Subchapter H rules pertaining to Submetering. The Corporation has no jurisdiction or responsibility to the tenants; tenants receiving water under a Master Metered Account are not considered customers of the Corporation. Any interruption or impairment of water service to the tenants is the responsibility of the Master Metered Account Customer. Any complaints regarding submetering should be directed to the Texas Commission on Environmental Quality.

NOTE: The system should check with the Master Metered Account Customer to:

1. See if they have registered with the TCEQ, (Section 13 Texas Water Code Subchapter M.)
2. See that they do not charge their tenants more than the total amount of charges that you have billed. If the aggregate bill is greater than the Corporation's charge, the Master Metered Account Customer is considered by the TCEQ to be a separate Public Water System and will be required to comply with all TCEQ regulations.
3. Protect the System's CCN. Should the Master Metered Account Customer continue to violate these or other State regulations, the Corporation will need to request a Cease and Desist Order from the TCEQ. (Texas Water Code Section 13.252 and 30 TAC Section 291.118)

Approved September 17, 2007

Spring Valley WSC

SVWSC 100009

SECTION C. **DEFINITIONS**

Active Service -- Status of any Member receiving authorized service under the provisions of this Tariff.

Applicant -- Person, partnership, cooperative corporation, corporation, agency, public or private organization of any type applying for service with the Spring Valley Water Supply Corporation.

Board of Directors -- The governing body elected by the Members of the Spring Valley Water Supply Corporation vested with the management of the affairs of the Corporation. (Section 22.001(1), Business Organizations Code)

Bylaws -- The rules pertaining to the governing of the Spring Valley Water Supply Corporation adopted by the Corporation Members. (Section 22.001(2), Business Organizations Code)

Certificate of Convenience and Necessity (CCN) -- The authorization granted under Chapter 13 Subchapter G of the Texas Water Code for Spring Valley Water Supply Corporation to provide water service within a defined territory. Spring Valley Water Supply Corporation has been issued Certificate Number 11287. Territory defined in the CCN shall be the Certificated Service Area. (see Tariff Section D. Certificated Service Area Map)

Commercial or Industrial -- A commercial or industrial facility/structure/business is a place where commercial trade (retail or wholesale) or fabrication takes place and requires water for bathroom/break room facilities or uses water in the process of manufacturing. An office may be associated with the commercial/industrial facility and can be attached or detached. The office is not a residence. If the commercial or industrial facility/structure requires water in its process, it will require appropriate back-flow protection and will require a separate meter. The meter will be sized according to the demand and will be billed by the number of meter equivalents required to service the business.

Corporation -- The Spring Valley Water Supply Corporation. (Section B. 1 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 services on a single contiguous tract of land [as defined in Section 13.2502 (e)(1) of the Water Code].

Development -- Any human-made change to improved or unimproved real estate, including but not limited to subdivisions, buildings or structures, mining, dredging, filling, grading, paving, excavation or drilling.

Disconnection of Service -- The discontinuance of water service by the Corporation to a Member/Customer.

Easement -- A private perpetual dedicated right-of-way for the installation of water 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). This may also

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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. 9-02) or Form RUS-TX 442-9 (Rev. 9-02)). The easement will be filed in the real property records of the appropriate county or counties.

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 easements, and location(s) of lakes, streams, or rivers through the property. The Spring Valley Water Supply Corporation shall determine if a plat submitted for the purpose of this Tariff shall qualify as a final plat. For the purposes of evaluating Sub-Division service requests under Section F, the Corporation may accept preliminary plans or plats awaiting final approval pending execution of agreement for service by the Corporation.

Front-End Capital Contribution -- A fee assessed of new Applicants for service for the purpose of acquiring capital to defray the costs of expanding the system facilities in order to meet the customer growth needs of the Corporation. This fee is charged for each meter equivalent or service unit for which service has been requested. (Section G: 5., also see Miscellaneous)

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.

Inactive Meter Fee -- This is a fee charged for a future meter installation where a meter has never been installed and the member wants to reserve service. It is computed at the minimum monthly base water charge.

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. (Tariff Section E. 7. b., and Sample Application Packet - USDA Form RUS-TX Bulletin 1780-9 (Rev. 09/02))

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 Corporation and who is a record owner of a fee simple title to the property served, that has qualified for service and been certified as a member in accordance with the Corporation's Tariff. (TX Water Code Section 13.002(11), TX Water Code Section 67.016 d)

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 be applied to the last water bill when a member vacates a property serviced by a Spring Valley WSC meter. Any balance remaining shall be refunded to the member. (30 TAC 291.3 Definitions, Texas Water Code Section 13.043(g))

Meter Reactivation Fee -- This is a fee charged for reactivating a water meter that had previously been installed. The fee is computed by multiplying the number of months the meter is idle times the minimum monthly base water charge not to exceed the Front-End Capitalization Contribution plus the cost of labor and material for reactivating the meter.

Minimum Monthly Charge -- The term Minimum Monthly Charge (proper name) is used to define the monthly charge assessed each Member of the Corporation utilizing service or each Member who has the opportunity to utilize service via a metering device installed by the Corporation. In the text of this Tariff, minimum monthly charge (common name) may be used generically to describe Minimum Monthly Charge or Reserved Service Charge, the monthly charge assessed each Member entitled to service. See definition of Reserved Service Charge.

Multiplex Apartment Building -- A multiplex apartment (duplex, triplex, fourplex) is a residential building that has the capacity of being occupied by more than one family. Each unit (apartment) of the multiplex apartment must have its own meter. A multiplex apartment building may be served by a master meter with approval of the Board of Directors of the Corporation. The billing will be figured on the number of units times the minimum monthly base rate for water, plus the amount of water used. A Front-End Capitalization Fee and membership fee will be paid for each unit of the multiplex apartment. For example, a duplex would be charged two Front-End Capitalization Fees and two membership fees along with the cost of installation of the meters.

Proof of Ownership -- Article 1434a, Tex. Rev. Civ. Stat. Sec. 9A(c) gives authority to the corporation to require ownership of real estate designated to receive service as a condition of membership and service. For the purpose of this tariff, applicants for service and membership shall provide proof of ownership by deed of trust, warranty deed, or other recordable documentation of fee simple title to real estate to be served. (Texas Water Code Section 67.016(d))

Renter -- A consumer who rents or leases property from a Member or who may otherwise be termed a tenant. (Section E.8.)

Re-Service -- Providing service to an Applicant at a location for which service previously existed. Costs of such re-servicing shall be based on justifiable expenses. (See Tariff Section E.4.b., E.5.b., E.6. and Miscellaneous)

Reserved Service Charge -- A monthly charge for each active account at a specific location for which a meter has not been installed but for which the Corporation and the Applicant have entered into agreement and/or contract for reserving service. This monthly charge shall be based on the Corporation's fixed costs to service the Applicant's dedicated facilities on a per Service Unit basis. This charge reserves service to the Applicant's property designated to receive service. This fee is determined on a case by case basis but shall never exceed the Service Availability Charge for Metered Service (Minimum Monthly Charge) on a per Service Unit basis. (See Tariff Section F.6.d., F.6.e., G.6.b.)

Residence -- A residence is a single structure occupied by one family and served by one residential meter (5/8"x3/4").

Rural Utilities Service (RUS) -- An Agency of the United States Department of Agriculture Rural Development Mission Area, previously called Farmers Home Administration Mission Area (FmHA), 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, includes successor agencies.

Service Availability Charge -- (Also known as "minimum monthly charge", "minimum", or the "base rate") The monthly charge assessed each Member/Customer for the opportunity of receiving service. The Service Availability Charge is a fixed rate based upon the meter, service size, or equivalent dwelling unit(s). (See definition of Reserved Service Charge)

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. 09/02) 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.1.)

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.6.a., Miscellaneous)

Subdivide -- To divide the surface area of land into lots or tracts. (Local Government Code Chapter 232, Section 232.021 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. (Local Government Code Chapter 232, Section 232.021 Definitions)

Subdivision -- An area of land that has been subdivided into lots or tracts for sale or lease. (Local Government Code Chapter 232, Section 232.021 Definitions)

Tariff -- The operating policies, service rules, service extension policy, service rates, rationing 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 since September 1, 1989 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. 1, E. 2, E. 3, and E. 5 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.

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. (See Texas Water Code Section 67.011 (b)).

Approved September 17, 2007

Spring Valley WSC

SVWSC 100014

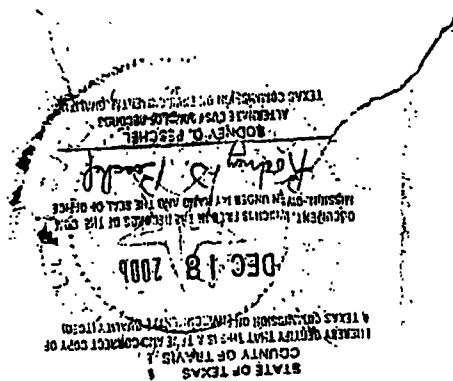
SECTION D.
GEOGRAPHIC AREA SERVED

Spring Valley Water Supply Corporation supplies water service the general area of Southwestern McLennan County adjacent to Lorena, Bruceville, Moody, and McGregor. The Corporation's certificated service area map is available for review. The assigned Certificate of Convenience and Necessity is Certificate No. 11287 and allows the Spring Valley Water Supply Corporation to provide water service under V.T.C.A., Water Code and TCEQ substantive rules.

Approved September 17, 2007

Spring Valley WSC

SVWSC 100015



Spring Valley Water wsr
for Don
Box 399

Lepina, TX 76655

FILED AND RECORDED
OFFICIAL PUBLIC RECORDS

J.A. Andy Harwell

December 29, 2006 09:08:48 AM 2006048081

FEE: \$27.00

J.A. "Andy" Harwell County Clerk
McLennan County TEXAS

WRS-161
GENERAL HIGHWAY MAP
MCLENNAN 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

**SPRING VALLEY WATER SUPPLY CORPORATION
AREA DESCRIPTION
CCN SERVICE AREA 11287**

Beginning at a point on Old Lorena Road approximately 2540 feet north west of FM 2113 to a point approximately 1000 feet southeast on FM 2113

Thence northeast to a point 200 feet northeast of the Old Lorena Road , then southeast remaining 200 feet northeast of Old Lorena Road to the centerline of Mini Drive. Then to the centerline of Old Lorena road

Thence southeast down the centerline of Old Lorena road to the South side of Pilgrim Lane

Thence along the southside of Pilgrim Lane to a point 200 feet on the west side of Southern View road

Thence 660 feet northwest along a line 200 feet west of Southern View.

Thence Southwest approximately 3600 feet to a point

Thence 660 feet southeast to a point

Thence southwest along a line 200 feet southeast of Mockingbird Lane to a point 990 feet east of Box Ranch Road

Thence southeast to a point on Box Ranch Road located 1485 feet southwest of Robin Road

Thence to a point where the centerline of Old Bethany Road and South Cow Bayou intersect

Thence along the centerline of South Cow Bayou to a point approximately 3135 feet southeast of Old Bethany Road

Thence approximately 1650 feet south to a point

Thence approximately 1485 feet southwest to a point

SPRING VALLEY WATER SUPPLY CORPORATION
AREA DESCRIPTION, CCN 11287

Pg 2

Thence approximately 1980 feet northwest to a point

Thence southwest along a line 200 feet south of Winchester Drive to the centerline East Ridge

Thence along the centerline of East Ridge to Remington Circle

Thence northwest on Remington Circle to North Ridge

Thence approximately 1650 northeast to the deadend of North Ridge

Thence approximately 2 miles northwest to a point approximately 825 feet west of FM 2113

Thence to the point where Wyatt Lane intersects Horne Hill Lane

Thence to a point 200 feet west of the intersection of Bubert Lane and Indian Trail Drive

Thence to a point on Indian Trail Road approximately 990 feet southeast of McGregor South Loop

Thence Northeast to a point on FM 2416 approximately 2970 feet west from the centerline of the South Bosque River Bridge

Thence northeast approximate two miles to a point approximately 1485 feet northwest of Chapel Road

Thence southeast approximately two miles to a point approximately 660 feet southeast of Bluebonnet Lane

Thence northeast approximately 5610 feet to the point of beginning to close.

FILED AND RECORDED

OFFICIAL PUBLIC RECORDS

J. A. Andy Harwell

January 09, 2007 04:26:08 PM

2007001083

FEE: \$31.00

J.A. "Andy" Harwell County Clerk

SVWSC 100019

SECTION E.

SERVICE RULES AND REGULATIONS

1. **Service Entitlement.** The Applicant(s) shall be considered qualified and entitled to water 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 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. There shall be no more than one (1) water meter per acre of land.
 - b. **Non-Standard Service** is defined as any service request which requires a larger meter service, service to a Master Metered Account (see E.3.c. of this section), or an addition to the supply, storage and/or distribution 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 (typically this would be the applicant's spouse). (See Sample Application - RUS-TX Bulletin 1780-9 (Rev. 09/02))
 - 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. 09/02), 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 fee simple title to the real estate designated to receive service. (Texas Water Code 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 F.4. 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. The Corporation shall consider master metering and/or non-standard sewer service to apartments, condos, trailer/RV parks, or business centers and other similar type enterprises at an Applicant's request provided the total number of units to be served are all:

- owned by the same person, partnership, cooperative, corporation, agency, public or private organization of any type but not including a family unit,
 - directly inaccessible to public right-of-way, and
 - considered a commercial enterprise i.e. for business, rental, or lease purposes.
- 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. (See Miscellaneous Transaction Forms)
- f) The owner can show there is one acre or more per water meter.

4. 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. 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 or Meter Reactivation Fee** -- 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 delinquent charges if the applicant is the person that previously incurred those charges and other applicable costs necessary to restore service. In addition, the Corporation shall charge accumulated Meter Activation Fees that have been entered on the inactive account as monthly debits. This allows the Corporation to recover the costs of reserving capacity at the location for which re-service has been requested. If restoration of service is not requested, this fee will accumulate monthly until the total balance of Meter Reactivation Fees equals the amount of the Front-End Capitalization Fee previously paid for service to the property. After this time the service equipment may be removed by the Corporation and future requests for service shall be treated as a new application. (see Miscellaneous Section)
- 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 practical, 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); Service Agreement Form)

5. Activation of Non-Standard Service.

- a. **Activation of Non-Standard Service** shall be conducted as prescribed by terms of Section F of this Tariff.
- b. **Re-Service or Meter Reactivation Fee** - The same terms which apply under the Activation of Standard Service Sub-Section on Re-Service or Meter Reactivation shall be applied to Non-Standard Meter Reactivation requests. (Section E.4.b)

6. **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.15.

7. Membership.

- a. **Eligibility** - Eligibility for Membership shall not guarantee service to the Applicant; however, qualification for service is a prerequisite to Membership eligibility for new Applicants.
- b. **Membership** - Upon qualification for service, qualification for Membership, and payment of the required fees, 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. The Membership also 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 thereby represented may be assigned to the specific parcel of land originally designated to receive service at the time of application. (Texas Water Code 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.1. Service Entitlement)

- c. **Cancellation of Membership** -- To keep a Membership in good standing, a Service Availability Charge, Reserved Service Charge or an Inactive Meter Fee 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 Section E.3. of this Tariff. (Texas Water Code 67.016)
- d. **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.15.) The Corporation shall collect any remaining account balances by initiation of legal action. Reinstatement of service shall be subject to the terms of the Activation of Service Section E.4. of this Tariff.
- e. **Cancellation Due To Policy Non-Compliance** -- 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 67.016)
- f. **Re-assignment of Canceled Membership** -- The Corporation, upon cancellation of Membership under the provisions of this Tariff, may re-assign the Membership rights thereby granted to any person who satisfactorily demonstrates eligibility for Membership, including but not limited to proof of ownership of the property from which the Membership arose. (Texas Water Code 67.016)
- g. **Mortgaging of Memberships** -- Nothing herein shall preclude a Member from mortgaging his/her Membership. However, notification to the holder of any security interest (mortgagee/lien-holder) of account status of Member/mortgagor will be provided only upon satisfactory completion of requirements for such conditions under the Membership Mortgage Agreement (See Miscellaneous Transaction Forms). Prior to the cancellation of any Membership as provided under Sub-Section E.7.c. (Cancellation of Membership), the Corporation will notify the holder of any security interest in the Membership. The holder of the security interest also must hold a security interest in the real property at which water service is provided under the Membership. The Corporation may transfer the Membership to the holder of such security interest in lieu of cancellation, provided the holder of the security interest pays in full all delinquent and unpaid obligations and provided further that the holder of the security interest has secured title to the real property from which the Membership arose. The Corporation may withhold cancellation of a Membership pending the resolution of any foreclosure proceedings or similar legal proceedings by the holder of the security interest.

- h. **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 was 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.15.a of this tariff, with a copy of the notice to the bankruptcy Trustee.
 - i. **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.
- 8. **Owners and Renters.** Any Member, renting or leasing real estate property designated to receive service according to the terms of this tariff to other parties, is responsible for all charges due the Corporation. The Corporation may bill the renter or lessee for utility service (at Member's 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. (See Miscellaneous Transaction Forms.) 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 change (see Section: Miscellaneous Transaction Forms).
- 9. **Denial of Service.** The Corporation may deny service for the following reasons:
 - a. Failure of the Applicant to complete all required easements, forms and pay all required fees and charges;
 - b. Failure of the Applicant 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 to provide representatives or employees of the Corporation reasonable access to property for which service has been requested;
 - e. Failure of Applicant 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 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, and/or
 - h. Failure of Applicant 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 TCEQ's designated representative under Chapter 366 of the Texas Health and Safety Code.