



Control Number: 49103



Item Number: 1

Addendum StartPage: 0



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

## Public Utility 491 03

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

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

- I. **COMPLETE:** In order for the Commission to find the application sufficient for filing, the Applicant should:
  - i. Provide an answer to every question and submit any required attachment applicable to the STM request (i.e., agreements or contracts).
  - ii. Use attachments or additional pages to answer questions as necessary. If you use attachments or additional pages, reference their inclusion in the form.
  - iii. Provide all mapping information as detailed in Part G: Mapping & Affidavits.
- II. **FILE:** Seven (7) copies of the completed application with numbered attachments. One copy should be filed with no permanent binding, staples, tabs, or separators; and 7 copies of the portable electronic storage medium containing the digital mapping data.
  - i. **SEND TO:** Public Utility Commission of Texas, Attention: Filing Clerk, 1701 N. Congress Avenue, P.O. Box 13326, Austin, Texas 78711-3326 (NOTE: Electronic documents may be sent in advance of the paper copy, however they will not be processed and added to the Commission's on-line Interchange until the paper copy is received and file-stamped in Central Records).
- III. The application will be assigned a docket number, and an administrative law judge (ALJ) will issue an order requiring Commission Staff to file a recommendation on whether the application is sufficient. The ALJ will issue an order after Staff's recommendation has been filed:
  - i. **DEFICIENT (Administratively Incomplete):** Applicants will be ordered to provide information to cure the deficiencies by a certain date, usually 30 days from ALJ's order. *Application is not accepted for filing.*
  - ii. **SUFFICIENT (Administratively Complete):** Applicants will be ordered by the ALJ to give appropriate notice of the application using the notice prepared by Commission Staff. *Application is accepted for filing.*
- IV. Once the Applicants issue notice, a copy of the actual notice sent and an affidavit attesting to notice should be filed in the docket assigned to the application. Recipients of notice may request a hearing on the merits.
 

**HEARING ON THE MERITS:** An affected party may request a hearing within 30 days of notice. In this event, the application may be referred to the State Office of Administrative Hearings (SOAH) to complete this request.
- V. **TRANSACTION TO PROCEED:** at any time following the provision of notice, or prior to 120 days from the last date that proper notice was given, Commission Staff will file a recommendation for the transaction to proceed as proposed or recommend that the STM be referred to SOAH for further investigation. The Applicants will be required to file an update in the docket to the ALJ every 30 days following the approval of the transaction. The transaction must be completed within six (6) months from the ALJ's order (Note: The Applicants may request an extension to the 6 month provision for good cause).
- VI. **FILE:** Seven (7) copies of completed transaction documents and documentation addressing the transfer or disposition of any outstanding deposits. After receiving all required documents from the Applicants, the application will be granted a procedural schedule for final processing. The Applicants are requested to consent in writing to the proposed maps and certificates, or tariff if applicable.
- VII. **FINAL ORDER:** The ALJ will issue a final order issuing or amending the applicable CCNs.

**FAQ:**

**Who can use this form?**

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

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

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

**Terms**

**Transferor:** Seller

**Transferee:** Purchaser

**CCN:** Certificate of Convenience and Necessity

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

**IOU:** Investor Owned Utility

PUBLIC UTILITY COMMISSION  
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## Application Summary

**Transferor:** SWWC Utilities, Inc. dba Southwest Utility Company  
*(selling entity)*

**CCN No.s:** 12284

Sale     Transfer     Merger     Consolidation     Lease/Rental

**Transferee:** Monarch Utilities I L.P.  
*(acquiring entity)*

**CCN No.s:** 12983

Water     Sewer     All CCN     Portion CCN     Facilities transfer

**County(ies):** Harris

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**Please mark the items included in this filing**

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



**Part A: General Information**

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

SouthWest Water Company is the parent company of both Monarch Utilities I L.P. (Monarch) and SW Utility Company (SWUC). SWUC is a small, single system company with a stable customer base. There will be no changes to land use or the existing CCN boundaries. This application is to transfer the assets only - operations and customer service are already provided by the Texas Utilities Group of SouthWest Water.

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

For **Transferee** (Purchaser) CCN:

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

For **Transferor** (Seller) CCN:

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

**Part B: Transferor Information**

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

3. A. Name: SWWC Utilities, Inc. dba SW Utility Company (SWUC)  
(individual, corporation, or other legal entity)  
 Individual  Corporation  WSC  Other: dba

B. Mailing Address: 12535 Reed Road Sugar Land, TX 77478

Phone: (830) 207-6100 Email: swwc.com

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

Name: George Freitag Title: Regulatory Manager

Mailing Address: 1620 Grand Avenue Parkway, Suite 150 Pflugerville, TX 78660

Phone: (512) 219-2288 Email: gf Freitag@swwc.com

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

A. Effective date for most recent rates: 09/01/2012

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

No  Yes Application or Docket Number: TCEQ Docket No. 37381-R

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

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

There are no customers that will be transferred

# of customers without deposits held by the transferor 27

# of customers with deposits held by the transferor\* 18

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

### Part C: Transferee Information

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

6. A. Name: Monarch Utilities I L.P.

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

B. Mailing Address: 12535 Reed Road Sugar Land, TX

Phone: (830) 207-6100 Email: swwc.com

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

Name: George Freitag, P.E. Title: Regulatory Manager

Address: 1620 Grand Avenue Parkway, Suite 150 Pflugerville, TX 78660

Phone: (512) 219-2288 Email: gfreitag@swwc.com

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

No  Yes  N/A

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

No  Yes  N/A

7. The legal status of the transferee is:

Individual or sole proprietorship

Partnership or limited partnership (*attach* Partnership agreement)

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

Non-profit, member-owned, member controlled Cooperative Corporation [Article 1434(a) Water Supply or Sewer Service Corporation, incorporated under TWC Chapter 67]  
Charter number (as recorded with the Texas Secretary of State): \_\_\_\_\_

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

Municipally-owned utility

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

County

Affected County (a county to which Subchapter B, Chapter 232, Local Government Code, applies)

Other (please explain): \_\_\_\_\_

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

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

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

Name: Charles W. Profilet, Jr.

Position: President

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

Address: 12535 Reed Road Sugar Land, TX

Phone: (830) 207-6100

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

Name: Kirk B. Michael

Position: Chief Financial Officer

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

Address: 12535 Reed Road Sugar Land, TX

Phone: (830) 207-6100

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

Name: William K. Dix

Position: V.P. and General Counsel

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

Address: 12535 Reed Road Sugar Land, TX

Phone: (830) 207-6100

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

Name: Kirk B. Michael

Position: Treasurer

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

Address: 12535 Reed Road Sugar Land, TX

Phone: (830) 207-6100

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

10. **Financial Information**

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

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

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



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

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

**Part D: Proposed Transaction Details**

11. A. Proposed Purchase Price: \$ n/a

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

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

No  Yes  N/A

Total Original Cost of Plant in Service: \$ 116,920.11

Accumulated Depreciation: \$ 37,800.97

Net Book Value: \$ 79,119.14

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

No  Yes

Total Customer CIAC: \$ \_\_\_\_\_

Accumulated Amortization: \$ \_\_\_\_\_

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

No  Yes

Total developer CIAC: \$ \_\_\_\_\_

Accumulated Amortization: \$ \_\_\_\_\_

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

No  Yes

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

No additional facilities or improvements are currently needed.

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

SWUC is a stand alone company that provides water service to a single subdivision - Western Trails. The proposed transaction is an inter-company transfer of assets from SWUC to Monarch through an inter-company accounting entry. There will be no change in daily customer service and operations will not be affected. Except for the name change, the transfer will be seamless to the customers.

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

Utility Plant in Service: \$ \_\_\_\_\_  
Accumulated Depreciation of Plant: \$ \_\_\_\_\_  
Cash: \$ \_\_\_\_\_  
Notes Payable: \$ \_\_\_\_\_  
Mortgage Payable: \$ \_\_\_\_\_  
(Proposed) Acquisition Adjustment\*: \$ \_\_\_\_\_  
Other (NARUC account name & No.): \_\_\_\_\_  
Other (NARUC account name & No.): \_\_\_\_\_

\*Acquisition Adjustments will be subject to review under 16 TAC § 24.31(d) and (e)

See summary of all entries  
in Attachment Part A Q 14

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

There will be no billing or rate changes as part of this transaction. Customer accounts will be transferred to Monarch - including customer deposits where appropriate. SouthWest already provides the customer service and support, and the customer service rules and policies on the current tariffs of both are similar.

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

The transferee, Monarch, does not intend to file a general rate case application to change rates within the next 12 months.

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

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

There will be no change in daily customer service, and operations will not be affected. Daily operations are already done along with other Monarch systems out of nearby regional field offices. Customer service is provided out of SouthWest's central offices. Except for the name change, the transfer will be seamless to the customers.

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

SouthWest, the parent company of Monarch, has the necessary Financial, Managerial, and Technical resources to continue providing quality service to the customers to be transferred. Monarch and its affiliates have been successfully operating in Texas for many years. It is the second largest IOU in the state and serves approximately 25,000 water and wastewater customers. In addition to licensed operators, SouthWest's management and operations staff includes engineers, environmental health and safety managers, financial managers, and experienced customer service agents.

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

No  Yes

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

SWUC is providing water service to a single subdivision, Western Trails, in Harris County. The subdivision is essentially built out and the customer count is very stable. There will be no effects on, disruptions, or changes to the environmental integrity of the land from the transaction.

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

The transfer of assets of the single stand alone company serving one subdivision and consolidation into Monarch will improve internal accounting and tracking within the company. It will reduce external reporting requirements and reduce the administrative costs of regulating the entity.

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

Harris County, Waynewood Place Civic Club, Inc., AquaTexas, Orchard Crossing, Suburban Utility Company, HMW SUD, Telge Pines POA, Inc., Enchanted Valley WSC, Barker Utilities GP, LLC, House Hahl Commercial Owners Assoc., Harris County MUD 360, Harris County MUD 365, Harris County MUD 374, Harris County MUD 389, Northwest Harris County MUD 5, Northwest Harris County MUD 10, Cypress Hill MUD 1, Grant Road PUD

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

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

22. **A.** For Public Water System (PWS):

TCEQ PWS Identification Number: 1010230 (7 digit ID)

Name of PWS: Western Trails Subdivision

Date of last TCEQ compliance inspection: 02/12/2015 (attach TCEQ letter)

Subdivisions served: Western Trails

**B.** For Sewer service:

TCEQ Water Quality (WQ) Discharge Permit Number: WQ - (8 digit ID)

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

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

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

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

Date of application to transfer permit *submitted* to TCEQ: \_\_\_\_\_

23. List the number of existing connections, by meter/connection type, to be affected by the proposed transaction:

| Water                    |              |  |       | Sewer                    |             |
|--------------------------|--------------|--|-------|--------------------------|-------------|
|                          | Non-metered  |  | 2"    |                          | Residential |
| 45                       | 5/8" or 3/4" |  | 3"    |                          | Commercial  |
|                          | 1"           |  | 4"    |                          | Industrial  |
|                          | 1 1/2"       |  | Other |                          | Other       |
| Total Water Connections: |              |  | 45    | Total Sewer Connections: |             |

24. **A.** Are any improvements required to meet TCEQ or Commission standards?

No  Yes

**B.** Provide details on each required major capital improvement necessary to correct deficiencies to meet the TCEQ or Commission standards (attach any engineering reports or TCEQ approval letters):

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

**C.** Is there a moratorium on new connections?

No  Yes:

25. Does the system being transferred operate within the corporate boundaries of a municipality?

No  Yes: \_\_\_\_\_ (name of municipality)

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

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

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

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

Capacity is purchased from: \_\_\_\_\_

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

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

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

No  Yes

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

|        | Amount in Gallons | Percent of demand |
|--------|-------------------|-------------------|
| Water: |                   |                   |
| Sewer: |                   |                   |

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

No  Yes:

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

No  Yes:

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

| Name (as it appears on license) | Class  | License No.          | Water or Sewer |
|---------------------------------|--------|----------------------|----------------|
| Jake R. Simpson                 | B, CSI | WG0016769, C10010079 | Water          |
| David Reneau                    | C      | WG0015003            | Water          |
| Darrell Yates                   | C, CSI | WG0004398, C10004896 | Water          |
| Joel Massie                     | C      | WG0013990            | Water          |

**Part G: Mapping & Affidavits**

**ALL applications require mapping information to be filed in conjunction with the STM application. Read question 29 A and B to determine what information is required for your application.**

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

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

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

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

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

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

**Part H: Notice Information**

The following information will be used to generate the proposed notice for the application.  
**DO NOT provide notice** of the application until it is found sufficient and the Applicants are ordered to provide notice.

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

The total acreage of the requested area is approximately: 32.4

Number of customer connections in the requested area: 45

Affected subdivision : Western Trails

The closest city or town: Tomball

Approximate mileage to closest city or town center: 9.0

Direction to closest city or town: Northeast

The requested area is generally bounded on the North by: Spring - Cypress Road

on the East by: Allemand Lane and Far Point Manor Court

on the South by: Jarvis Road

on the West by: Cypress - Woods High School

31. A copy of the proposed map will be available at: 12535 Reed Road Sugar Land, TX 77478

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

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

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

higher monthly bill     lower monthly bill

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

higher monthly bill     lower monthly bill

Oath for Transferor (Transferring Entity)

STATE OF Texas

COUNTY OF Travis

I, CHARLES W. PROFFET, JR. being duly sworn, file this application for sale, transfer,

merger, consolidation, acquisition, lease, or rental, as

VICE PRESIDENT

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

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

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

Charles W Proffet

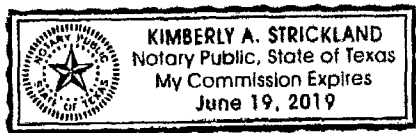
AFFIANT

(Utility's Authorized Representative)

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

SUBSCRIBED AND SWORN BEFORE ME, a Notary Public in and for the State of Texas this day the 11 of JAN, 2019

SEAL



Kim Strickland

NOTARY PUBLIC IN AND FOR THE STATE OF TEXAS

KIM STRICKLAND

PRINT OR TYPE NAME OF NOTARY

My commission expires: JUNE 19, 2019



Oath for Transferee (Acquiring Entity)

STATE OF Texas

COUNTY OF Travis

I, CHARLES W. PROFILET, JR. being duly sworn, file this application for sale, transfer, merger, consolidation, acquisition, lease, or rental, as PRESIDENT (owner, member of partnership, title as officer of corporation, or authorized representative)

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

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

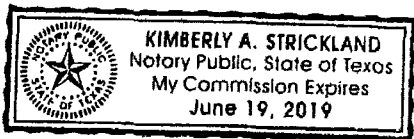
Charles W Profilet

AFFIANT (Utility's Authorized Representative)

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

SUBSCRIBED AND SWORN BEFORE ME, a Notary Public in and for the State of Texas this day the 11 of JANUARY, 2019

SEAL



Kim Strickland NOTARY PUBLIC IN AND FOR THE STATE OF TEXAS

KIM STRICKLAND PRINT OR TYPE NAME OF NOTARY

My commission expires: JUNE 19, 2019

Contract, Lease, Purchase, or Sale Agreement

Part A: Question 1

**UNANIMOUS WRIT  
DIRECTORS OF  
SWWC UTILITIES, INC.**

The undersigned, constituting all of the directors of SWWC Utilities, Inc., a Delaware corporation (the "Company"), take the following action by written consent in lieu of a meeting, in accordance with the General Corporation Law of Delaware and the bylaws of the Company, as of December 19, 2018.

**WHEREAS**, the Company desires to transfer all assets of the Company's Western Trails Water System, which does business under the name SW Utility Company ("SWUC"), including the assets listed in the attached Exhibit A and Certificate of Convenience and Necessity Number 12284 (the "CCN") (collectively, "Assets") to the Company's affiliate, Monarch Utilities I L.P. ("Monarch"); and

**WHEREAS**, the transfer of the Assets ("Transfer") requires regulatory approval of the Public Utility Commission of Texas ("PUCT") and the Transfer will be effectuated only upon the PUCT's approval of the Transfer.

**NOW, THEREFORE, BE IT RESOLVED**, that the Company's Board of Directors ("Board") approves the Transfer, subject to the regulatory approval of PUCT;

**FURTHER RESOLVED**, that each of the officers of the Company is authorized in the name and on behalf of the Company to effectuate the Transfer of the Assets to Monarch; and

**FURTHER RESOLVED**, that each of the officers of the Company is authorized and directed, for and on behalf of the Company, to execute all documents and take such further action as they may deem necessary, appropriate or advisable to effect the purposes of each of the foregoing resolutions.

**IN WITNESS WHEREOF**, the undersigned have executed this Unanimous Action by Written Consent as of the date first written above.

Robert MacLean  
4CC4F3897C7A72ED3E62A6681589D89A2 contractworks

Robert MacLean

Kirk B. Michael  
F8ADD14CDD6D6E32A68CF40E25F682F1 contractworks

Kirk Michael

William K. Dix  
B3A17377DCBAD2E0C1B30DD0F4D4EE2 contractworks

William K. Dix

**EXHIBIT A**

**SOUTHWEST UTILITY COMPANY ASSETS:**

**WESTERN TRAILS WATER SYSTEM**

**TEXAS PWS 1010230**

1. **Land.** Approximately 0.70 acres located at 13602 Salt Grass Trail, Cypress, TX 77429 ("Site").
  
2. **Assets located on the Site:**
  - a. Water well (337 feet) – approx. 42 gpm
  - b. Corrugated Metal Building – approx 10 x 20
  - c. Booster Pumps (2) – 55 gpm each
  - d. Air compressor (1)
  - e. Solution feed chlorinator and chemical tank
  - f. Hydrotank – 3,000 gallons
  - g. Bolted Steel Ground Storage Tank – 25,000 gallons
  - h. Chain link fencing and gate – approx. 220 feet
  
3. **Distribution system:**
  - a. 6 inch water line – 1566 feet
  - b. 4 inch water line – 7774 feet
  - c. Valves and appurtenances
  
4. **Customer meters and services (45)**

Tariff Including Rate Schedule

Part B: Question 4



SECTION 1.0 -- RATE SCHEDULE

Section 1.01 - Rates

| <u>Meter Size</u> | <u>Monthly Minimum Charge</u><br>(Includes 0 gallons all meters) | <u>Gallonge Charge</u>   |
|-------------------|--|--------------------------|
| 5/8" or 3/4"      | \$24.62  | \$2.86 per 1,000 gallons |
| 1"                | \$61.55  |                          |
| 1 1/2"            | \$123.10   |                          |
| 2"                | \$196.96   |                          |
| 3"                | \$369.30   |                          |

FORM OF PAYMENT: The utility will accept the following forms of payment:

Cash X, Check X, Money Order X, MasterCard X, Visa X,

Electronic Fund Transfer X

THE UTILITY MAY REQUIRE EXACT CHANGE FOR PAYMENTS AND MAY REFUSE TO ACCEPT PAYMENTS MADE USING MORE THAN \$1.00 IN SMALL COINS. A WRITTEN RECEIPT WILL BE GIVEN FOR CASH PAYMENTS. AT THE CUSTOMER'S OPTION, ANY BILLING TRANSACTION OR COMMUNICATION MAY BE PERFORMED ON THE INTERNET. THIS INCLUDES THE UTILITY SENDING PAPERLESS BILLS BY EMAIL.

REGULATORY ASSESSMENT ..... 1.0%  
TCEQ RULES REQUIRE THE UTILITY TO COLLECT A FEE OF ONE PERCENT OF THE RETAIL MONTHLY BILL.

Section 1.02 - Miscellaneous Fees

TAP FEE ..... \$700.00  
TAP FEE IS BASED ON THE AVERAGE OF THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR STANDARD RESIDENTIAL CONNECTION OF 5/8" or 3/4" METER PLUS UNIQUE COSTS AS PERMITTED BY TCEQ RULE AT COST.

TAP FEE (Unique costs)..... Actual Cost  
FOR EXAMPLE, A ROAD BORE FOR CUSTOMERS OUTSIDE OF SUBDIVISIONS OR REDIDENTIAL AREAS.

LARGE METER TAP FEE ..... Actual Cost  
TAP FEE IS BASED ON THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR METERS LARGER THAN STANDARD 5/8" or 3/4" METERS.

RATES LISTED ARE EFFECTIVE ONLY  
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SECTION 1.0 -- RATE SCHEDULE (Continued)

Section 1.02 -- Miscellaneous Fees (Continued)

RECONNECTION FEE

THE RECONNECT FEE WILL BE CHARGED BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS BEEN DISCONNECTED FOR THE FOLLOWING REASONS:

- a) Non-payment of bill (Maximum \$25.00) ..... \$25.00
  - b) Customer's request..... \$50.00
- or other reasons listed under Section 2.0 of this tariff

TRANSFER FEE..... \$45.00

THE TRANSFER FEE WILL BE CHARGED FOR CHANGING AN ACCOUNT NAME AT THE SAME SERVICE LOCATION WHEN THE SERVICE IS NOT DISCONNECTED.

LATE CHARGE ..... 10%

A ONE-TIME PENALTY MAY BE MADE ON DELINQUENT BILLS BUT MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE PENALTY WAS APPLIED IN A PREVIOUS BILLING.

RETURNED CHECK CHARGE..... \$25.00

CUSTOMER DEPOSIT RESIDENTIAL (Maximum \$50) ..... \$50.00

COMMERCIAL AND NON-RESIDENTIAL DEPOSIT.....1/6TH ESTIMATED ANNUAL BILL

METER TEST FEE (actual cost of testing the meter up to)..... \$25.00

THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS A SECOND METER TEST WITHIN A TWO-YEAR PERIOD AND THE TEST INDICATES THAT THE METER IS RECORDING ACCURATELY.

METER RELOCATION FEE ..... Actual Relocation Cost, Not To Exceed Tap Fee

THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS RELOCATION OF AN EXISTING METER.

METER CONVERSION FEE..... Actual Cost To Convert That Meter

THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS CHANGE OF SIZE OF AN EXISTING METER OR CHANGE IS REQUIRED BY MATERIAL CHANGE IN CUSTOMERS SERVICE DEMAND.

SEASONAL RECONNECTION FEE:

BASE RATE FOR METER SIZE TIMES NUMBER OF MONTHS OFF THE SYSTEM NOT TO EXCEED SIX MONTHS WHEN LEAVE AND RETURN WITHIN A TWELVE MONTH PERIOD.

LINE EXTENSION AND CONSTRUCTION CHARGES:

REFER TO SECTION 2.20 SPECIFIC UTILITY SERVICE RULES AND SECTION 3.02 UTILITY SPECIFIC EXTENSION POLICY FOR TERMS, CONDITIONS, AND CHARGES.

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SECTION 1.0 -- RATE SCHEDULE (Continued)

Section 1.02 -- Miscellaneous Fees (Continued)

**GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE CLAUSE:**

INCREASES IN INSPECTION FEES AND WATER TESTING COSTS IMPOSED BY STATE OR FEDERAL LAW MAY BE PASSED THROUGH AS AN ADJUSTMENT TO THE MONTHLY BASE RATE CHARGE UNDER THE TERMS AND CONDITIONS OF 30 TAC 291.21(k)(2) AFTER NOTICE TO CUSTOMERS AND UPON WRITTEN APPROVAL BY THE TCEQ.

**SUPPLEMENTAL EMERGENCY SERVICE FEE:**

APPLICABLE TO NONRESIDENTIAL WATER SERVICE CUSTOMERS WHO REQUIRE SUPPLEMENTAL SERVICE OVER AND ABOVE THEIR EXISTING WATER SERVICE FROM TIME TO TIME. USAGE IS TO BE DETERMINED BY CUSTOMER. THE MINIMUM DIAMETER FOR SUPPLEMENTAL SERVICE METER SHALL BE 2 INCHES.

MONTHLY SUPPLEMENTAL SERVICE RATE:..... \$13.43  
PER INCH DIAMETER OF SERVICE CONNECTION METER

**METER TAMPERING, DAMAGE OR DIVERSION FEE:**

ONE TIME PENALTY PER OCCURRENCE FOR TAMPERING WITH OR DAMAGING A WATER METER OR ANY APPURTENANCE THERETO INCLUDING LOCKS AND METER BOXES OR SERVICE DIVERSION OF ONE HUNDRED DOLLARS (\$100.00).

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SECTION 1.0 -- RATE SCHEDULE (Continued)

Section 1.02 -- Miscellaneous Fees (Continued)

**TEMPORARY WATER RATE:**

Unless otherwise superseded by TCEQ order or rule, if the Utility is ordered by a court or governmental body of competent jurisdiction to reduce its pumpage, production or water sales, the Utility shall be authorized to increase its approved gallonage charge according to the formula:

$$TGC = cgc + \frac{(pr)(cgc)(r)}{(1.0-r)}$$

Where:

- TGC = temporary gallonage charge
- cgc = current gallonage charge
- r = water use reduction expressed as a decimal fraction (the pumping restriction)
- pr = percentage of revenues to be recovered expressed as a decimal fraction, for this tariff pr shall equal 0.5.

To implement the Temporary Water Rate, the utility must comply with all notice and other requirements of 30 TAC 291.21(l).

**PURCHASED WATER AND/OR DISTRICT FEE PASS THROUGH CLAUSE - ALL WATER SUBJECT TO FEE:**

Changes in fees imposed by any non-affiliated third party water supplier or underground water district having jurisdiction over the Utility shall be passed through as an adjustment to the water gallonage charge according to the following formula:

$$AG = G + B/(1-L),$$

Where:

- AG = adjusted gallonage charge, rounded to the nearest one cent;
- G = approved gallonage charge (per 1,000 gallons);
- B = change in purchased water/district gallonage charge (per 1,000 gallons);
- L = system average line loss for preceding 12 months not to exceed 0.15

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SECTION 1.0 -- RATE SCHEDULE (Continued)

Section 1.02 – Miscellaneous Fees (Continued)

**PURCHASED WATER AND/OR DISTRICT FEE PASS THROUGH CLAUSE –  
PORTION OF WATER SUBJECT TO FEE:**

Upon notice from a water supplier of either an increase or a decrease in the cost of purchased water, the utility shall provide notice to customers and the Commission of its intent to implement rates imposed by any non-affiliated third party water supplier or underground water district having jurisdiction over the Utility shall be passed through as an adjustment to the water gallonage charge according to the following formula:

$$\text{Adjustment to the gallonage rate: } AG = (CP/GB) \times 1,000$$

$$\text{Adjustment to the minimum bill: } AMB = GMB \times AG$$

Where:

CP: CP1 – CPO = Change in cost of purchased water

CP1: Cost of purchased water during the most recent 12 month period at the new rates;

CPO: Cost of purchased water during the most recent 12 month period at the previous rates;

GMB: Number of gallons in the minimum bill, divided by 1,000; and

GB: Number of gallons billed to customers in excess of the amount included in the monthly minimum bill for the 12 Month period used above.

**FRANCHISE FEE PASS THROUGH CLAUSE:**

Charges a municipality makes for use of streets and alleys pursuant to Tax Code §182.025 or other applicable state shall be passed through as an adjustment to the water gallonage charge according to the following formula:

$$AG = G + B$$

Where:

AG = adjusted gallonage charge, rounded to the nearest one cent:

G = approved gallonage charge (per 1,000 gallons) and

B = projected franchise fees payable (per 1,000 gallons).

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SECTION 2.0 - SERVICE RULES AND REGULATIONS

Section 2.01 – Rules

The Utility will have the most current TCEQ Rules, 30 TAC Chapter 291, Water Rates, available at its office for reference purposes. The Rules and this tariff shall be available for public inspection and reproduction at a reasonable cost. The latest Rules or Commission approved changes to the Rules supersede any rules or requirements in this tariff.

Section 2.02 - Application for and Provision of Water Service

All applications for service will be made on the Utility's standard application or contract form (attached in the Appendix to this tariff) and will be signed by the applicant before water service is provided by the Utility. A separate application or contract will be made for each service location.

After the applicant has met all the requirements, conditions, and regulations for service, the Utility will install tap, meter, and utility cut-off valve and/or take all necessary actions to initiate service. The Utility will serve each qualified applicant for service within 5 working days unless line extensions or new facilities are required. If construction is required to fill the order and if it cannot be completed within 30 days, the Utility will provide the applicant with a written explanation of the construction required and an expected date of service.

Where service has previously been provided, service will be reconnected within one working day after the applicant has met the requirements for reconnection.

The customer will be responsible for furnishing and laying the necessary customer service pipe from the meter location to the place of consumption. Customers may be required to install a customer owned cut-off valve on the customer's side of the meter or connection.

Section 2.03 - Refusal of Service

The Utility may decline to serve an applicant until the applicant has complied with the regulations of the regulatory agencies (state and municipal regulations) and for the reasons outlined in the TCEQ Rules. In the event that the Utility refuses to serve an applicant, the Utility will inform the applicant in writing of the basis of its refusal. The Utility is also required to inform the applicant that a complaint may be filed with the Commission.

Section 2.04 - Customer Deposits

If a residential applicant cannot establish credit to the satisfaction of the Utility, the applicant may be required to pay a deposit as provided for in Section 1.02 of this tariff. The Utility will keep records of the deposit and credit interest in accordance with TCEQ Rules.

Residential applicants 65 years of age or older may not be required to pay deposits unless the applicant has an outstanding account balance with the Utility or another water or sewer utility that accrued within the last two years.

SECTION 2.0 - SERVICE RULES AND REGULATIONS (Continued)

Section 2.04 - Customer Deposits (Continued)

Nonresidential applicants who cannot establish credit to the satisfaction of the Utility may be required to make a deposit that does not exceed an amount equivalent to one-sixth of the estimated annual billings.

Refund of deposit. If service is not connected, or after disconnection of service, the Utility will promptly refund the customer's deposit plus accrued interest or the balance, if any, in excess of the unpaid bills for service furnished. The Utility may refund the deposit at any time prior to termination of utility service but must refund the deposit plus interest for any residential customer who has paid 18 consecutive billings without being delinquent. Deposits from non-residential customers may be held as long as that customer takes service.

Section 2.05 - Meter Requirements, Readings, and Testing

All water sold by the Utility will be billed based on meter measurements. The Utility will provide, install, own, and maintain meters to measure amounts of water consumed by its customers. One meter is required for each residential, commercial, or industrial facility in accordance with the TCEQ Rules.

Service meters will be read at monthly intervals and as nearly as possible on the corresponding day of each monthly meter reading period unless otherwise authorized by the Commission.

Meter tests. The Utility will, upon the request of a customer, and, if the customer so desires, in his or her presence or in that of his or her authorized representative, make without charge a test of the accuracy of the customer's meter. If the customer asks to observe the test, the test will be made during the Utility's normal working hours at a time convenient to the customer. Whenever possible, the test will be made on the customer's premises, but may, at the Utility's discretion, be made at the Utility's testing facility. If within a period of two years the customer requests a new test, the Utility will make the test, but if the meter is found to be within the accuracy standards established by the American Water Works Association, the Utility will charge the customer a fee that reflects the cost to test the meter up to a maximum \$25 for a residential customer. Following the completion of any requested test, the Utility will promptly advise the customer of the date of removal of the meter, the date of the test, the result of the test, and who made the test.

Section 2.06 - Billing

Bills from the Utility will be mailed monthly unless otherwise authorized by the Commission. The due date of the bills for utility service will be at least sixteen (16) days from the date of issuance. If the customer is a state agency, the due date for the bill may

SECTION 2.0 - SERVICE RULES AND REGULATIONS (Continued)

Section 2.06 - Billing (Continued)

not be less than 30 days after issuance, unless otherwise agreed to by the agency. The postmark on the bill or, if there is no postmark on the bill, the recorded date of mailing by the Utility will constitute proof of the date of issuance. At the customer's option, bills may be sent in a paperless, electronic form by email. The date of the email will constitute the date of issuance. Payment for utility service is delinquent if full payment, including late fees and the regulatory assessment, is not received at the Utility or the Utility's authorized payment agency by 5:00 p.m. on the due date. If the due date falls on a holiday or weekend, the due date for payment purposes will be the next workday after the due date.

A late penalty of 10% of the delinquent bill will be charged on bills received after the due date. The penalty on delinquent bills will not be applied to any balance to which the penalty was applied in a previous billing. The Utility must maintain a record of the date of mailing to charge the late penalty.

Each bill will provide all information required by the TCEQ Rules. For each of the systems it operates, the Utility will maintain and note on the monthly bill a telephone number (or numbers) which may be reached by a local call by customers. At the Utility's option, a toll-free telephone number or the equivalent may be provided.

In the event of a dispute between a customer and the Utility regarding any bill for utility service, the Utility will conduct an investigation and report the results to the customer. If the dispute is not resolved, the Utility will inform the customer that a complaint may be filed with the Commission.

Section 2.07 - Service Disconnection

Utility service may be disconnected if the bill has not been paid in full by the date listed on the termination notice. The termination date must be at least 10 days after the notice is mailed or hand delivered.

The Utility may offer a deferred payment plan to a customer who cannot pay an outstanding bill in full and is willing to pay the balance in reasonable installments. However, a customer's utility service may be disconnected if a bill has not been paid or a deferred payment agreement has not been entered into within 30 days from the date of issuance of a bill and if proper notice of termination has been given.

Notice of termination must be a separate mailing or hand delivery in accordance with the TCEQ Rules.

Section 2.08 - Reconnection of Service

Utility service may also be disconnected without notice for reasons as described in the TCEQ Rules.

SECTION 2.0 - SERVICE RULES AND REGULATIONS (Continued)

Section 2.08 - Reconnection of Service (Continued)

Utility personnel must be available to collect payments and to reconnect service on the day of and the day after any disconnection of service unless service was disconnected at the customer's request or due to a hazardous condition.

Service will be reconnected within 36 hours after the past due bill and any other outstanding charges are paid or correction of the conditions which caused service to be disconnected.

Section 2.09 - Service Interruptions

The Utility will make all reasonable efforts to prevent interruptions of service. If interruptions occur, the Utility will re-establish service within the shortest possible time. Except for momentary interruptions due to automatic equipment operations, the Utility will keep a complete record of all interruptions, both emergency and scheduled and will notify the Commission in writing of any service interruptions affecting the entire system or any major division of the system lasting more than four hours. The notice will explain the cause of the interruptions.

Prorated Bills. If service is interrupted or seriously impaired for 24 consecutive hours or more, the Utility will prorate the monthly base bill in proportion to the time service was not available to reflect this loss of service.

Section 2.10 - Quality of Service

The Utility will plan, furnish, and maintain production, treatment, storage, transmission, and distribution facilities of sufficient size and capacity to provide a continuous and adequate supply of water for all reasonable consumer uses. Unless otherwise authorized by the Commission, the Utility will maintain facilities as described in the TCEQ Rules and Regulations for Public Water Systems.

Section 2.11 - Customer Complaints and Disputes

If a customer or applicant for service lodges a complaint, the Utility will promptly make a suitable investigation and advise the complainant of the results. Service will not be disconnected pending completion of the investigation. If the complainant is dissatisfied with the Utility's response, the Utility must advise the complainant that he has recourse through the TCEQ complaint process. Pending resolution of a complaint, the Commission may require continuation or restoration of service.

The Utility will maintain a record of all complaints which shows the name and address of the complainant, the date and nature of the complaint and the adjustment or disposition thereof, for a period of two years after the final settlement of the complaint.

**SECTION 2.12 - SPECIFIC UTILITY SERVICE RULES AND REGULATIONS**

This section contains specific utility service rules in addition to the rules previously listed under Section 2.0. It must be reviewed and approved by the Commission and in compliance with TCEQ Rules to be effective.

The Utility adopts the administrative rules of the TCEQ, as the same may be amended from time to time, as its Company specific service rules and regulations. These rules will be kept on file at the Utility's offices for customer inspection during regular business hours. In the event of a conflict between the TCEQ's amended rules and the provisions of this tariff, the amended rules shall prevail. Where necessary, any conflicting provision of this tariff shall be deemed to have been superseded by the TCEQ rule in question to the degree that the Utility may conduct its lawful business in conformance with all requirements of said rule.

All references in Utility's tariff, service contracts, or TCEQ rules shall mean the Utility's offices at 12535 Reed Road, Sugar Land, Texas 77478. Customers may make payments, apply for service, and report service problems at the office. Use of the term "business office" shall refer to this office.

All payments for utility service shall be delivered or mailed to the Utility's business office. If the business office fails to receive payment before the time of noticed disconnection for non-payment of a delinquent account, service will be terminated as scheduled. Utility service crews shall not be allowed to collect payments on customer accounts in the field.

Payment of an account by any means that has been dishonored and returned by the payor or payee's bank shall be deemed to be delinquent. All returned payments must be redeemed with a valid money order. If a customer has two returned payments within a twelve-month period, the customer shall be required to pay a deposit if one has not already been paid.

Customers shall not be allowed to use the Utility's cutoff valve on the Utility's side of the meter. Existing customers may install cutoff valves on their side of the meter and are encouraged to do so. All new customers must install customer-owned and -maintained cutoff valves on their side of the meter.

No water connection from any public drinking water supply system shall be made to any establishment where an actual or potential contamination or system hazard exists without an air gap separation between the drinking water supply and the source of potential contamination. The containment air gap is sometimes impractical and, instead, reliance must be placed on individual "internal" air gaps or mechanical backflow prevention devices.

Under these conditions, additional protection shall be required at the meter in the form of a backflow prevention device (in accordance with AWWA Standards C510 and C511, and AWWA Manual M14) on those establishments handling substances deleterious or hazardous to the public health. The water purveyor need not require backflow protection at the water service entrance if an adequate cross-connection control program is in effect that includes an annual inspection and testing by a certified backflow prevention device tester. It will be the responsibility of the water purveyor to ensure that these requirements are met.



Section 2.12 - Specific Utility Service Rules and Regulations (Continued)

Customer shall be liable for any damage or injury to utility-owned property or personnel shown to be caused by the customer, his invitees, his agents, his employees, or others directly under his control.

Limitation on Product/Service Liability. Public water utilities are required to deliver water to the customer's side of the meter or service connection that meets the potability and pressure standards of the TCEQ. The Utility will not accept liability for any injury or damage to individuals or their property occurring on the customer's side of the meter when the water delivered meets these state standards. The Utility makes no representations or warranties (expressed or implied) that customer's appliances will not be damaged by disruptions of or fluctuations in water service whatever the cause. The Utility will not accept liability for injuries or damages to persons or property due to disruption of water service caused by: (1) acts of God, (2) acts of third parties not subject to the control of the Utility if the Utility has undertaken such preventive measures as are required by TCEQ rules, (3) electrical power failures in water systems not required by TCEQ rule to have auxiliary power supplies, or (4) termination of water service pursuant to the Utility's tariff and the TCEQ's rules. The Utility is not required by law and does not provide fire prevention or firefighting services. The Utility therefore does not accept liability for fire-related injuries or damages to persons or property caused or aggravated by the availability (or lack thereof) of water or water pressure (or lack thereof) during fire emergencies. The Utility will accept liability for any injury or damage to individuals or their property directly caused by defective utility plant (leaking water lines or meters) or the repairs to or construction of the Utility's facilities.

If the services of a registered professional engineer are required as a result of an application for service received by the Utility for service to that applicant's service extension only, the Utility and the applicant will select such engineer, and the applicant shall bear all expenses incurred therein.

If an applicant requires service other than the standard service provided by the Utility, such applicant will be required to pay all expenses incurred by the Utility in excess of the expenses that would be incurred in providing the standard service and connection. Any applicant who places unique or non-standard service demands on the system may be required to provide contributions in aid of construction (as may be allowed by TCEQ rule) for the actual costs of any additional facilities required to maintain compliance with the TCEQ minimum design criteria for water production, treatment, pumping storage and transmission.

Any applicant or existing customer required to pay for any costs not specifically set forth in the rate schedule pages of this tariff shall be entitled to a written explanation of such costs before payment and/or commencement of construction. If the applicant or existing customer does not believe that these costs are reasonable or necessary, the applicant, or existing customer, shall have the right to appeal such costs to the TCEQ or such other regulatory authority having jurisdiction over the Utility's rates in that portion of the Utility's service area in which the applicant's or existing customer's property(ies) is located.

SECTION 2.0 - SERVICE RULES AND REGULATIONS (Continued)

Section 2.12 - Specific Utility Service Rules and Regulations (Continued)

Tap fees may be increased by unique costs not normally incurred as may be permitted by 30 TAC 291.86(a)(1)(C).

The Utility adopts the Uniform Plumbing Code pursuant to TCEQ Rule 290.46(i). The piping and other equipment on the premises furnished by the customer will be maintained by the customer at all times in conformity with the requirements of the TCEQ, the Uniform Plumbing Code and with the service rules and regulations of the Utility. The customer will bring out his service line to his property line at the point on the customer's property mutually acceptable to the customer and the Utility subject to such requirements as may exist by TCEQ rule. No water service smaller than 5/8" will be connected. No pipe or pipe fitting which contains more than 8.0% lead can be used for the installation or repair of plumbing at any connection, which provides water for human use. No solder or flux, which contains more than 0.2% lead, can be used at any connection that provides water for human use.

The Utility will have the right of access to the customer's premises at all times reasonable for the purpose of installing, testing, inspecting or repairing water mains or other equipment used in connection with its provision of water service, or for the purpose of removing its property and disconnecting lines, and for all other purposes necessary to the operation of the Utility system including inspecting the customer's plumbing for code, plumbing or tariff violations. The customer shall allow the Utility and its personnel access to the customer's property to conduct any water quality tests or inspections required by law. Unless necessary to respond to equipment failure, leak or other condition creating an immediate threat to public health and safety or the continued provision of adequate utility service to others, such entry upon the customer's property shall be during normal business hours. The customer may require any Utility representative, employee, contractor, or agent seeking to make such entry identify themselves, their affiliation with the Utility, and the purpose of their entry.

Threats to or assaults upon Utility personnel shall result in criminal prosecution.

Except in cases where the customer has a contract with the Utility for reserve or auxiliary service, no other water service will be used by the customer on the same installation in conjunction with the Utility's service, either by means of a crossover valve or any other connection. Customer shall not connect, or allow any other person or party to connect, onto any water lines on his premises. Two places shall not be permitted to be supplied with one service pipe where there is a water main abutting the premises.

No connection shall be allowed which allows water to be returned to the public drinking water supply. No backflow prevention device shall be permitted to be installed in the customer's plumbing without notice to and written permission from the Utility. Any backflow prevention devices so installed shall be inspected annually by a licensed backflow prevention device inspector or appropriately licensed plumber and a written report of such inspection delivered to the Utility.

SECTION 2.0 - SERVICE RULES AND REGULATIONS (Continued)

Section 2.12 - Specific Utility Service Rules and Regulations (Continued)

No application, agreement, or contract for service may be assigned or transferred without the written consent of the Utility.

It is agreed and understood that any and all meters, water lines, and other equipment furnished by the Utility (excepting the customer's individual service lines from the point of connection to customer's structures on customer's premises) are and shall remain the sole property of the Utility, and nothing contained herein or in a contract/application for service shall be construed to reflect a sale or transfer of any such meters, lines, or equipment to any customer. All tap and extension charges shall be for the privilege of connecting to said water lines and for installation, not purchase, of said meters and lines.

Applicants for service at new consuming facilities or facilities which have undergone extensive plumbing modifications are required to deliver to the Utility a certificate that their facilities have been inspected by a state-licensed inspector and that they are in compliance with all applicable plumbing codes and are free of potential hazards to public health and safety. Service may be denied until the certificate is received or any identified violations or hazards are remedied. The Utility is not required to perform these inspections for the applicant/customer, but will assist the applicant/customer to locate and obtain the services of a licensed inspector in a timely manner. When potential sources of contamination are identified which, in the opinion of the inspector or the Utility, require the installation of a state-approved backflow prevention device, such backflow prevention device shall be installed on the customer's service line or other necessary plumbing facilities by an appropriately licensed plumber/backflow prevention device specialist at the customer's expense. The backflow prevention device shall be maintained by the customer at his expense and inspected annually by a licensed inspector. Copies of the annual inspection report must be provided to the Utility. Failure to comply with this requirement may constitute grounds for termination of water service with notice.

All customers or service applicants shall provide access to meters and Utility cutoff valves at all times reasonably necessary to conduct ordinary utility business and after normal business hours as needed to protect and preserve the integrity of the public drinking water supply. Access to meters and cutoff valves shall be controlled by the provisions of 30 TAC 291.89(c).

Where necessary to serve an applicant's property, the Utility may require the applicant to provide it a permanent recorded public utility easement on and across the applicant's real property sufficient to provide service to that applicant.

Service applicants may be required to comply with any pre-condition to receiving service not printed herein as may exist under TCEQ rule (customer service, health and safety, water conservation, or environmental), USEPA rule, TWDB rule, local water or conservation district rule or health department rule. Existing customers shall be required to comply with such rules, including modification of their plumbing and/or consumption patterns, after notice.

SECTION 3.0 - EXTENSION POLICY

Section 3.01 - Standard Extension Requirements

LINE EXTENSION AND CONSTRUCTION CHARGES. No contribution in aid of construction may be required of any customer except as provided for in this approved extension policy.

The customer will be given an itemized statement of the costs, options such as rebates to the customer, sharing of construction costs between the Utility and the customer, or sharing of costs between the customer and other applicants before beginning construction.

The Utility will bear the full cost of any oversizing of water mains necessary to serve other customers in the immediate area. The individual residential customer shall not be charged for any additional production, storage, or treatment facilities. Contributions in aid of construction may not be required of individual residential customers for production, storage, treatment or transmission facilities unless otherwise approved by the Commission under this specific extension policy.

COST UTILITIES SHALL BEAR. Within its certificate area, the Utility will pay the cost of the first 200 feet of any water main or distribution line necessary to extend service to an individual residential customer within a platted subdivision. However, if the residential customer requesting service purchased the property after the developer was notified of the need to provide facilities to the Utility, the Utility may charge for the first 200 feet. The Utility must also be able to document that the developer of the subdivision refused to provide facilities compatible with the Utility's facilities in accordance with the Utility's approved extension policy after receiving a written request from the Utility.

Developers may be required to provide contributions in aid of construction in amounts to furnish the system with all facilities necessary to comply with the TCEQ's Rules.

SECTION 3.02 - SPECIFIC UTILITY EXTENSION POLICY

This section contains the Utility's specific extension policy that complies with the requirements already stated under Section 3.01. It must be reviewed and approved by the Commission and in compliance with TCEQ Rules to be effective.

Residential customers not covered under Section 3.01 will be charged the equivalent of the costs of extending service to their property from the nearest transmission or distribution line even if that line does not have adequate capacity to serve the customer. However, if the customer places unique, non-standard service demands upon the system, the customer may be charged the full cost of extending service to and throughout their property, including the cost of all necessary transmission and storage facilities necessary to meet the service demands anticipated to be created by that property.

Developers may be required to provide contributions in aid of construction in amounts sufficient to furnish the development with all facilities necessary to provide for reasonable local demand requirements and to comply with TCEQ minimum design criteria for facilities used in the production, transmission, pumping, or treatment of water or TCEQ minimum requirements. For purposes of this subsection, a developer is one who subdivides or requests more than two meters on a piece of property. Commercial, industrial, and wholesale customers will be treated as developers.

The Utility adopts the administrative rules of the TCEQ, as amended from time to time, as its Company specific extension policy. These rules will be kept on file at the Company's business office for customer inspection during normal business hours. In the event of a conflict between the TCEQ's amended rules and the provisions of this tariff, the amended rules shall prevail. Where necessary, any conflicting provision of this tariff shall be deemed to have been superseded by the TCEQ rule in question to the degree that the Utility may conduct its lawful business in conformance with all requirements of said rule.

When an individual residential applicant requires an extension of a main line beyond 200 feet, the charge to that applicant shall be the actual cost of such extension in excess of 200 feet, plus the applicable tap fee plus such other approved costs as may be provided in this tariff and/or TCEQ rules.

Residential tap fees may be increased by other unique costs not normally incurred as permitted by TCEQ rule. Larger meter taps shall be made at actual cost associated with that tap which shall include such extraordinary expenses.

Any service extension to a subdivision (recorded or unrecorded) may be subject to the provisions and restrictions of 30 TAC 291.86(d) and this tariff. When a developer wishes to extend the system to prepare to service multiple new connections, the charge shall be the cost of such extension, plus a pro-rata charge based upon the capacities of production, transmission, storage, pumping and treatment facilities, compliant with the TCEQ minimum design criteria, which must be committed to such extension. As provided by 30 TAC 291.86(d)(4), for purposes of this section, commercial, industrial, and wholesale customers shall be treated as developers.

SECTION 3.0 – SPECIFIC EXTENSION POLICY (Continued)

Any applicant who places unique or non-standard service demands on the system may be required to provide contributions in aid of construction for the actual costs of any additional, facilities required to maintain compliance with the TCEQ minimum design criteria for water production, treatment, pumping, storage and transmission.

Unless expressly exempted by TCEQ rule or order, each point of use (as defined by 30 TAC 291.3) must be individually metered.

The imposition of additional extension costs or charges as provided by Sections 2.12 and 3.02 of this tariff shall be subject to appeal as provided in this tariff, TCEQ rules, or the rules of such other regulatory authority as may have jurisdiction over the Utility's rates and services. Any applicant required to pay for any costs not specifically set forth in the rate schedule pages of this tariff shall be entitled to a written explanation of such costs before payment and/or commencement of construction. If the applicant does not believe that these costs are reasonable or necessary, the applicant shall have the right to appeal such costs to the TCEQ or such other regulatory authority having jurisdiction over the Utility's rates in that portion of the Utility's service area in which the applicant's property (ies) is located. Unless the TCEQ or other regulatory authority enters interlocutory orders to the contrary, service to the applicant may be delayed until such appeal is resolved.

The Utility will provide a written service application form to the applicant for each request for service received by the Utility's business offices. A separate application shall be required for each potential service location if more than any individual applicant desires one service connection. Service application forms will be available for applicant pick up at the Utility's business office during normal weekday business hours. Service applications will be sent by prepaid first class United States mail to the address provided by the applicant upon request. Completed applications should be returned by hand delivery in case there are questions that might delay fulfilling the service request. Completed service applications may be submitted by mail if hand delivery is not possible.

The Utility shall serve each qualified service applicant within its certificated service area as soon as practical after receiving a completed service application. All service requests will be fulfilled within the time limits prescribed by TCEQ rules once the applicant has met all conditions precedent to achieving "qualified service applicant" status. If a service request cannot be fulfilled within the required period, the applicant shall be notified in writing of the delay, its cause, and the anticipated date that service will be available. The TCEQ service dates shall not become applicable until the service applicant has met all conditions precedent to becoming a "qualified service applicant" as defined herein or by TCEQ rules.

The Utility is not required to extend service to any applicant outside of its certificated service area and will only do so, at the Utility's sole option, under terms and conditions mutually agreeable to the Utility and the applicant and upon extension of the Utility's certificated service area boundaries by the TCEQ. Service applicants may be required to bear the cost of the service area amendment.

SECTION 3.0 – SPECIFIC EXTENSION POLICY (Continued)

A "qualified service applicant" is an applicant who has: (1) met all of the Utility's requirements of service contained in this tariff, TCEQ rules and/or TCEQ order, (2) has made all payments for tap fees and extension charges, (3) has provided all necessary easements and rights-of-way necessary to provide service to the requested location, including staking said easements or rights-of-way where necessary, (4) delivered an executed customer service inspection certificate to the Utility and (5) has executed a customer service application for each location to which service is being requested.

Where a new tap or service connection is required, the service applicant shall be required to submit a written service application and request that a tap is made. The tap request must be accompanied with a plat, map, diagram, or written metes and bounds description of precisely where the applicant desires each tap or service connection is to be made and, if necessary, where the meter is to be installed along the applicant's property line. The actual point of connection and meter installation must be readily accessible to Utility personnel for inspection, servicing, and meter reading while being reasonably secure from damage by vehicles and mowers. If the Utility has more than one main adjacent to the service applicant's property, the tap or service connection will be made to the Utility's near service main with adequate capacity to service the applicant's full potential service demand. If the tap or service connection cannot be made at the applicant's desired location, it will be made at another location mutually acceptable to the applicant and the Utility. If no agreement on location can be made, applicant may refer the matter to the TCEQ for resolution. Unless otherwise ordered by the TCEQ, the tap or service connection will not be made until the location dispute is resolved.

The Utility shall require a developer (as defined by TCEQ rule) to provide permanent recorded public utility easements as a condition of service to any location within the developer's property. The Developer shall be required to obtain all necessary easements and rights-of-way required to extend the Utility's existing service facilities from their nearest point with adequate service capacity (as prescribed by TCEQ rules and local service conditions) to and throughout the Developer's property. The easements shall be sufficient to allow the construction, installation, repair, maintenance, testing, and replacement of any and all utility plant necessary to provide continuous and adequate service to each and every potential service location within the property at full occupancy. Unless otherwise restricted by law, well plant sites shall convey with unrestricted rights to produce water for public drinking water supply. Developers shall be required to provide sanitary control easements acceptable to the TCEQ for each water well site to be located within their property or otherwise being obtained to serve their property. Unless otherwise agreed to by the Utility, pipe line right-of-way easements must be at least 15 feet wide to allow adequate room to facilitate backhoe and other heavy equipment operation and meters. Easements must be provided for all production, storage, treatment, pressurization, and disposal sites that are sufficient to construct and maintain all weather roads as prescribed by TCEQ rules. All easements shall be evidenced, at Developer's expense, by recorded county-approved subdivision plat or by specific assignment supported by metes and bounds survey from a surveyor licensed by the State of Texas.

SECTION 3.0 – SPECIFIC EXTENSION POLICY (Continued)

Before the extension of utility service to developers (as defined by TCEQ rules) or new subdivisions, the Developer shall comply with the following:

(a) The Developer shall make a written request for service to property that is to be subdivided and developed. The Developer shall submit to the Utility a proposed plat on a scale of one inch (1") to two hundred feet (200') for review and determination of required easements, utility plant, and plant location. If sewer service is requested, the plat must contain elevation data. A reconcilable deposit in an amount set by the Utility may be required to cover preliminary engineering, legal, and copy cost to be incurred by the Utility in reviewing and planning to meet this service request. The plat and/or accompanying information shall identify the type, location, and number of houses and other planned structures that will be requiring utility service. If other than residential structures are to be located on the property, all other types of anticipated businesses and their service demands shall be identified with specificity. All areas requiring special irrigation and/or other unique water demands must be identified. To the extent reasonably possible, this information must be precise so that adequate facilities can be designed and constructed to meet all future service demands without hazard to the public, other utility customers, and/or the environment.

(b) After the requirements of easements and rights-of-way have been determined, a red line copy will be returned by the Utility to the Developer for final plat preparation.

(c) Copies of all proposed plats and plans must be submitted to the Utility before their submission to the County for approval to insure that they are compatible with the adequate long-term utility needs of potential service customers. Copies will be returned after review by the Utility so that necessary changes may be incorporated into the Developer's final submitted plat(s) and plans.

(d) The Utility shall be provided with three (3) certified copies of the final plat(s) approved by the County Commissioners Court. At this time, the Utility will begin engineering the facilities necessary to serve the property. Plans and specifications will be prepared and submitted to the TCEQ by the Utility if required by law. If further plat or plans changes are necessary to accommodate the specific service needs of the property and the anticipated customer demands, the Developer will be so notified. Plat amendments must be obtained by the Developer. The Developer shall be notified when all required TCEQ or other governmental approvals or permits have been received. No construction of utility plant that requires prior TCEQ plans approval shall be commenced until that approval has been received by the Utility and any conditions imposed by the TCEQ in association with its approvals have been satisfied.



SECTION 3.0 – SPECIFIC EXTENSION POLICY (Continued)

(e) The Developer shall be required to post bond or escrow the funds necessary to construct all required Utility system extensions, except individual taps, meters, and water connections, required to serve the property. Construction shall not commence until funds are available. If the construction is to be done in coordination with the phased development of the property, funds must be provided in advance which are sufficient to complete each phase. No phase or facilities for any phase shall be constructed before the bonding or escrowing of all funds associated with that phase.

(f) At the sole option of the Utility, the Developer may be required to execute a Developer Extension Agreement setting forth all terms and conditions of extending service to their property including all contributions in aid of construction and developer reimbursements, if any.

(g) The Utility may require the Developer to commence construction of subdivision improvements within three (3) months of utility plans approval or the Utility may abate its construction activities until full development construction begins. If the Developer stops construction of subdivision improvements for any purpose, the Utility may abate its construction for a similar period.

(h) As soon as the roads are rough cut and before paving, extension lines will need to be constructed at each road crossing. The Developer must notify the Utility sufficiently in advance of this development stage to allow for the necessary Utility construction without disruption to other service operations of the Utility. Failure to provide adequate advance notice and cooperation in the construction of necessary utility plant may result in additional delays in obtaining service to the property. The Developer shall be required to pay for all additional costs of road boring or other remedial construction necessary to install adequate utility plant throughout the affected property.

(i) The Developer, not the Utility, shall insure that Developer's employees, agents, contractors, and others under its control coordinate their work or construction throughout the property with the Utility to insure the orderly and timely construction of all utility plant necessary to serve the public.

Within its certificated area, the Utility shall bear the cost of the first 200 feet of any water main or sewer collection line necessary to extend service to an individual residential service applicant within a platted subdivision unless the Utility can document:

(a) That the developer of the subdivision refused to provide facilities compatible with the Utility's facilities in accordance with the Utility's approved extension policy after receiving a written request from the Utility; or,

SECTION 3.0 – SPECIFIC EXTENSION POLICY (Continued)

(b) That the Developer defaulted on the terms and conditions of a written agreement or contract existing between the Utility and the developer or the terms of this tariff regarding payment for services, extensions, or other requirements; or in the event the Developer declared bankruptcy and was therefore unable to meet obligations; and

(c) That the residential service applicant purchased the property from the Developer after the Developer was notified of the need to provide facilities to the Utility. A residential service applicant may be charged the remaining costs of extending service to his property; provided, however, that the residential service applicant may only be required to pay the cost equivalent to the cost of extending the nearest water main, whether or not that line has adequate capacity to serve that residential service applicant. The following criteria shall be considered to determine the residential service applicant's cost for extending service:

1) The residential service applicant shall not be required to pay for costs of main extensions greater than 2" in diameter for water distribution.

2) Exceptions may be granted by the TCEQ Executive Director if:

i. Adequate service cannot be provided to the applicant using the maximum line sizes listed due to distance or elevation, in which case, it shall be the Utility's burden to justify that a larger diameter pipe is required for adequate service;

ii. Larger minimum line sizes are required under subdivision platting requirements or applicable building codes.

3) If an exception is granted, the Utility shall establish a proportional cost plan for the specific extension or a rebate plan which may be limited to seven years to return the portion of the applicant's costs for oversizing as new customers are added to ensure that future applicants for service on the line pay at least as much as the initial service applicant.

For purposes of determining the costs that service applicants shall pay, commercial customers with service demands greater than residential customer demands in the certificated area, industrial, and wholesale customers shall be treated as developers.

A service applicant requesting a one-inch meter for a lawn sprinkler system to service a residential lot is not considered nonstandard service.

**SECTION 4.0 – DROUGHT CONTINGENCY PLAN**  
(Utility must attach a copy of the TCEQ approved Drought Contingency Plan)

## Accounting Entries

### Part A: Question 14

- 14 Complete the following proposed entries (listed below) as shown in the books of acquisition. Debits (positive numbers) should equal credits (negative numbers) equal zero. Additional entries may be made: the following are suggested only, limitations:

|  |                  |
|--|------------------|
| Utility Plant in Service:  | \$ 112,237.98    |
| Construction Work in Progress                                      | \$ 4,682.13      |
| Accumulated Depreciation of Plant:                                 | \$ (37,800.97)   |
| Cash:  | \$ 11,605.53     |
| Notes Payable:   | \$ -             |
| Mortgage Payable:  | \$ -             |
| (Proposed) Acquisition Adjustment*:                                | \$ -             |
| *Acquisition Adjustments will be subject to review under 16 TAC 24 |                  |
| Customer Accounts Receivable (141):                                | \$ 1,132.97      |
| Allowance for Doubtful Accounts (143):                             | \$ 755.14        |
| Prepayments (162):   | \$ 200.00        |
| Other Paid in Capital (211):                                       | \$ 162,338.88    |
| Other Long Term Debt (224):  | \$ (8,632.97)    |
| Accounts Payable (231):  | \$ (1,658.37)    |
| Accounts Payable to Associated Companies (233):                    | \$ (248,222.29)  |
| Customer Deposits (235):   | \$ (890.00)      |
| Accrued Taxes (23.11):   | \$ 4,488.46      |
| Accrued Interest (237):  | \$ (7.52)        |
| Miscellaneous Current and Accrued Liabilities (241):               | \$ (228.97)      |
|  | <u>\$ (0.00)</u> |

List of Customer Deposits

Part B: Question 5

## CUSTOMER DEPOSITS to be TRANSFERRED

## SW UTILITY COMPANY

| Contract/Account | Contract   | Reason for Request | Non-cash security deposit | Start Date | Return date | Cash deposit payment |
|------------------|------------|--------------------|---------------------------|------------|-------------|----------------------|
| 1000046192       | 3000316383 | DISC               | No                        | 8/15/2017  | 2/15/2019   | 50.00                |
| 1000051894       | 3000331114 | REQD               | No                        | 10/29/2013 | 4/27/2015   | 50.00                |
| 1000055978       | 3000340467 | DISC               | No                        | 12/12/2016 | 6/12/2018   | 50.00                |
| 1000056738       | 3000342239 | REQD               | No                        | 8/8/2014   | 2/4/2016    | 50.00                |
| 1000074847       | 3000380286 | REQD               | No                        | 1/31/2017  | 7/31/2018   | 50.00                |
| 1000074768       | 3000380382 | REQD               | No                        | 2/21/2017  | 8/21/2018   | 50.00                |
| 1000075069       | 3000384928 | REQD               | No                        | 3/1/2017   | 9/1/2018    | 50.00                |
| 1000078203       | 3000392774 | REQD               | No                        | 9/20/2017  | 3/20/2019   | 50.00                |
| 1000080136       | 3000397850 | REQD               | No                        | 1/24/2018  | 7/24/2019   | 50.00                |
| 1000080318       | 3000400725 | REQD               | No                        | 12/6/2017  | 6/6/2019    | 50.00                |
| 1000081557       | 3000403783 | REQD               | No                        | 2/15/2018  | 8/15/2019   | 50.00                |
| 1000083118       | 3000407785 | REQD               | No                        | 5/30/2018  | 11/30/2019  | 50.00                |
| 1000039459       | 3000102287 | CONV               | No                        | 10/31/2011 | 4/28/2013   | 40.00                |
| 1000039470       | 3000102338 | DISC               | No                        | 2/17/2017  | 8/17/2018   | 50.00                |
| 1000039471       | 3000102342 | DISC               | No                        | 4/8/2015   | 10/8/2016   | 50.00                |
| 1000039482       | 3000102386 | DISC               | No                        | 2/2/2018   | 8/2/2019    | 50.00                |
| 1000039444       | 3000102230 | DISC               | No                        | 11/11/2015 | 5/11/2017   | 50.00                |
| 1000039461       | 3000102295 | DISC               | No                        | 10/25/2015 | 4/25/2017   | 50.00                |

Partnership Agreement

Part C: Question 7



Corporations Section  
P.O.Box 13697  
Austin, Texas 78711-3697



Geoffrey S. Connor  
Secretary of State

**Office of the Secretary of State**

**CERTIFICATE OF FILING  
OF**

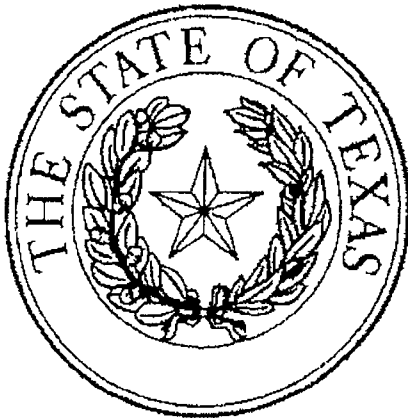
Monarch Utilities I L.P.  
800034797

[formerly: Tecon Water Company, L.P.]

The undersigned, as Secretary of State of Texas, hereby certifies that an amendment to the certificate of limited partnership or the application for registration as a foreign limited partnership for the above named limited partnership has been received in this office and filed as provided by law on the date shown below.

Accordingly, the undersigned, as Secretary of State hereby issues this Certificate evidencing the filing in this office.

Dated: 07/30/2004  
Effective: 07/30/2004



A handwritten signature in black ink, appearing to read "G. Connor".

Geoffrey S. Connor  
Secretary of State

FILED  
In the Office of the  
Secretary of State of Texas

JUL 30 2004

Corporations Section

**CERTIFICATE OF AMENDMENT  
TO THE  
CERTIFICATE OF LIMITED PARTNERSHIP  
OF  
TECON WATER COMPANY, L.P.**

Pursuant to the provisions of Section 2.02 of the Texas Revised Limited Partnership Act, the undersigned limited partnership desires to amend its certificate of limited partnership and for that purpose submits the following certificate of amendment.

1. The name of the limited partnership is **Tecon Water Company L.P.**
2. The certificate of limited partnership is amended as follows:
  - The name of Tecon Water Company L.P. be changed to **Monarch Utilities I L.P.**
  - The address of Monarch Utilities I LP be changed to **One Wilshire Building, 624 S. Grand Ave., Suite 2900, Los Angeles, California 90017.**
  - The officers of Monarch Utilities, I L.P. be changed to:

|                    |                              |
|--------------------|------------------------------|
| Michael O. Quinn   | President                    |
| Peter J. Moerbeek  | Treasurer                    |
| Richard J. Shields | Vice President and Secretary |

Dated: July 27, 2004

TECON WATER COMPANY L.P.

By: *Michael O. Quinn*  
 Michael O. Quinn, President,  
 Texas Water Services Group, LLC,  
 Its General Partner

**AGREEMENT OF LIMITED PARTNERSHIP  
OF  
TECON WATER COMPANY, L.P.**

This **AGREEMENT OF LIMITED PARTNERSHIP** of TECON WATER COMPANY, L.P., a Texas limited partnership, is made as of this the 10th day of December, 2001, between Texas Water Services Group, LLC, a Texas limited liability company (referred to hereinafter as "TWSG" or the "General Partner"), and Tecon Water Companies, Inc., a Texas corporation (referred to hereinafter as "Tecon" or the "Limited Partner").

WHEREAS, TWSG and Tecon desire to form a limited partnership for the purpose of engaging in the water and sewer utility business in the State of Texas and for such other lawful purposes as such parties may determine;

NOW, THEREFORE, in consideration of the mutual covenants, conditions and agreements herein contained, the parties hereto hereby agree as follows:

**ARTICLE 1  
DEFINITIONS**

1.1 Definitions. As used in this Agreement, the following terms have the respective meanings indicated, unless the context otherwise requires. Defined terms in this Agreement include both the singular and plural of such terms.

"Act" shall mean the Texas Revised Limited Partnership Act, as amended.

"Agreement" shall mean this Agreement of Limited Partnership as it may be amended or supplemented from time to time.

"Bankruptcy" shall mean, with respect to a Partner, the commencement of any bankruptcy or insolvency case or proceeding against such Partner which shall continue and remain unstayed and in effect for a period of sixty (60) consecutive days, or the filing by such Partner of a petition, answer or consent seeking relief under any applicable Federal or state bankruptcy, insolvency or similar law.

"Capital Account" shall mean, for each Partner, a separate account that is:

- (a) increased by (i) the amount of such Partner's Capital Contribution and (ii) allocations of profit to such Partner; and
- (b) decreased by (i) the amounts distributed to such Partner by the Partnership, and (ii) allocations of Loss to such Partner.

"Capital Contribution" shall mean, for any Partner, the sum of the net amount of cash and the fair market value of any other property contributed by such Partner to the capital of the Partnership.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Dissolution" of a Partner which is not a natural person shall mean that such Partner has terminated its existence (whether as a partnership, corporation or other legal entity) and dissolved; provided, however, that a change in the membership of a Partner that is a partnership shall not constitute a "Dissolution" of such Partner, so long as the business of the Partner is continued in partnership form, regardless of whether such Partner is deemed technically dissolved for partnership or tax law purposes.

"Event of Default" shall mean any failure by the General Partner to fulfill its obligations under this Agreement or any violation by the General Partner of the express terms of this Agreement, if such failure or violation is not curable or, if curable, is not cured within seven (7) days' written notice of default signed by Limited Partners then holding at least 40% interest in the Partnership.

"General Partner" shall mean TWSG and its successors and assigns.

"Limited Partner" shall mean Tecon and any other Person admitted to the Partnership as a Limited Partner.

"Partners" shall mean the General Partner and the Limited Partner and their successors.

"Partnership" shall mean Tecon Water Company, L.P., a Texas limited partnership.

"Partnership Interest" shall mean the partnership interest of the Partners in the Partnership.

"Percentage Interest" in respect to each of the Partners shall mean the following:

|                 | <u>Percentage<br/>Interest</u> |
|-----------------|--------------------------------|
| General Partner | 0.1%                           |
| Limited Partner | 99.9%                          |

"Person" shall mean any individual, corporation, association, partnership, joint venture, trust, estate or other entity or organization.

"Transfer" shall mean any sale, exchange, transfer, gift, encumbrance, assignment, pledge, mortgage, hypothecation or other disposition, whether voluntary or involuntary

## ARTICLE 2 ORGANIZATION

2.1 Formation of Limited Partnership. The Partners hereby associate themselves in the formation of the Partnership as a limited partnership pursuant to and in accordance with the provisions of the Act. Except as expressly provided herein to the contrary, the rights and

obligations of the Partners and the administration and termination of the Partnership shall be governed by the Act. The partnership interest of any Partner shall be personal property for all purposes

2.2 Name. The name of the Partnership shall be, and the business name of the Partnership shall be conducted under, the name of "Tecon Water Company, L.P." or under such other name as the General Partner may from time to time determine. The General Partner shall provide the Limited Partners with written notice of any change in the Partnership's name within 30 days after such change.

2.3 Character of Business. The purpose of the Partnership shall be to engage in any lawful business activities in which limited partnerships formed in the State of Texas may participate. Without limiting the generality of the foregoing, it is the present intention of the Partners that the primary activities of the Partnership shall be the acquisition, ownership and operation of water and sewer utility systems and facilities and, in connection therewith, (i) owning, operating, dealing in and with, and selling all types of property, both real and personal, tangible and intangible; and (ii) doing all things necessary, advisable or expedient in connection with, or incidental to, the foregoing.

2.4 Principal Place of Business. The address of the Partnership's principal place of business at which records shall be kept shall be 6116 North Central Expressway, Suite 1300, Dallas, Texas 75206. The Partnership may from time to time have such other place or places of business within or without the State of Texas as may be determined by the General Partner.

2.5 Fiscal Year. The fiscal year of the Partnership shall end on the last day of each calendar year. The Partnership shall have the same fiscal year for income tax purposes and for accounting purposes.

2.6 Names and Addresses of Partners. The names and addresses of the Partners are as set forth on Exhibit "A" hereto.

2.7 Term. The Partnership will commence upon the filing of the Certificate of Limited Partnership in accordance with the Act, and shall continue in existence until December 31, 2050, or such later date to which the Partners shall extend the term of the Partnership, unless earlier terminated in accordance with any provision of this Agreement.

2.8 Registered Office. The registered office of the Partnership shall be located at 350 North St. Paul Street, Dallas, Texas 75201. The Registered Agent of the Partnership may from time to time change the registered office of the Partnership by complying with the applicable provisions of the Act.

2.9 Registered Agent. The Registered Agent of the Partnership shall be CT Corporation System at the registered office of the Partnership. Should the Registered Agent resign or become disqualified for service as Registered Agent, then the General Partner shall obtain and designate a new Registered Agent not less than thirty (30) days after such event. The General Partner shall notify the Limited Partners in writing not more than ten (10) days after the effective date of a change in Registered Agent. The General Partner may remove the Registered Agent at any time and appoint as successor Registered Agent any qualified Person designated by the General Partner.

ARTICLE 3  
CAPITAL, DISTRIBUTIONS AND ALLOCATIONS

3.1 Contributions.

(a) Initial Capital Contribution. When required by the General Partner, the Partners will make the initial contributions to the Partnership. The agreed net fair market value of the initial contributions and the initial Capital Account balances of the Partners are reflected on Exhibit "A" hereto.

(b) Additional Contributions. No Partner shall be required to make additional capital contributions to the Partnership unless the General Partner requests such a capital contribution and Limited Partners holding a majority of the Percentage Interests approve such a contribution. Any such additional capital contributions shall be made by the Limited Partners in proportion to their respective Percentage Interests.

3.2 Distributions and Allocations. All distributions and allocations of items of profit and loss shall be in proportion to the Percentage Interests. Tax allocations shall be made in accordance with the Code and the regulations issued thereunder. Capital Accounts shall be maintained in accordance with Section 704(b) of the Code.

3.3 Interest. No interest shall be paid by the Partnership on contributions to the capital of the Partnership.

3.4 Withdrawal and Return of Capital. A Partner shall not be entitled to withdraw any part of its contribution or to receive any distribution from the Partnership, except as approved by the General Partner or as otherwise provided in this Agreement.

3.5 Loans from Partners. Loans by a Partner to the Partnership shall not be considered contributions to the capital of the Partnership.

ARTICLE 4  
CONDUCT OF ACTIVITIES

4.1 Powers of General Partner

(a) The General Partner shall conduct, direct and exercise full control over all activities of the Partnership. Except as otherwise expressly provided in this Agreement or as required under the Act, all management powers over the business and affairs of the Partnership shall be vested exclusively in the General Partner and no Limited Partner (except the General Partner in the event that it is also a Limited Partner) shall have any right to control or exercise management power over the business and affairs of the Partnership. Without limiting the generality of the foregoing, the General Partner shall have the power to manage, operate, sell, convey, assign, mortgage, pledge, hypothecate and otherwise dispose of any Partnership property and assets of any kind. The General Partner may delegate specific management powers to its officers, but no such delegation shall limit or release the General Partner from its responsibility and obligation to manage the Partnership.

(b) Prohibitions and Limitations.

- (i) The General Partner shall not do any act in contravention of this Agreement.
- (ii) The General Partner shall not do any act that would make it impossible to carry on the business of the Partnership
- (iii) The General Partner shall not possess Partnership property or assign rights in Partnership property for other than Partnership purposes.
- (iv) The General Partner shall not admit a person as a General Partner or Limited Partner, except as expressly permitted in this Agreement.
- (v) No act or power of the General Partner authorized by this Agreement or otherwise authorized by law shall in any manner increase or extend the liability of any Limited Partner as described in this Agreement.

(c) Certificate of Limited Partnership. Promptly after the execution of this Agreement, the General Partner shall cause to be filed the Certificate of Limited Partnership as required by the Act and such other certificates or documents as may be required in Texas or any other state. The General Partner shall thereafter file any necessary amendments to the Certificate of Limited Partnership and shall do all things necessary to the maintenance of the Partnership as a Limited Partnership under the laws of Texas or any other state. The Certificate of Limited Partnership shall include such provisions of this Agreement and other items as are required by law or as are considered desirable by the General Partner. If the Certificate of Limited Partnership contains items not required by law, the General Partner shall be authorized to file an amended Certificate of Limited Partnership deleting such items.

(d) Tax Matters Partner. The General Partner is hereby designated the "tax matters partner" of the Partnership within the meaning of the Code. Except as specifically provided in the Code and the regulations issued thereunder, the General Partner in its sole discretion shall have exclusive authority to act for or on behalf of the Partnership with regard to tax matters, including, without limitation, the authority to make (or decline to make) any available tax elections. The tax returns of the Partnership shall be filed on such basis (cash, accrual or otherwise) as the General Partner determines to be necessary and in accordance with the requirements of the Code. The General Partner shall cause the Partnership's tax returns to be prepared and Schedule K-1 or any successor form to be prepared and delivered in a timely manner to the Limited Partners.

(e) Records. The General Partner shall cause the Partnership to maintain or cause to be maintained true and proper books, records, reports, and accounts in which shall be entered all transactions of the Partnership. Such books, records, reports and accounts shall be located at the principal place of business of the Partnership and shall be available to any Partner for inspection and copying during reasonable business hours.

(f) Interests in Other Entities. The General Partner shall be authorized to cause the Partnership to acquire an interest in one or more corporations and/or in one or more other entities as the General Partner determines necessary or appropriate to carry out the business of the Partnership.

4.2 Limitation of Liability; Powers of Limited Partners. No Limited Partner shall have any liability whatsoever for any debt, obligation or liability of the Partnership. The Limited Partners may, at the request of any Limited Partner, meet with the General Partner and may, at any such meeting, discuss with the General Partner the business of the Partnership. The General Partner will, however, retain exclusive authority and responsibility for the management and control of the business of the Partnership, and the Limited Partners shall not take part in the control of the partnership business or have any authority or power to act for or bind the Partnership.

4.3 Title to Partnership Assets. All assets of the Partnership shall be deemed to be owned by the Partnership, as an entity, and no Partner, individually or collectively, shall have any ownership interest in the assets of the Partnership or any portion thereof. The Partnership shall hold all material assets of the Partnership in its own name or in the name of one or more nominees (which may include the General Partner or its affiliates) for the Partnership.

4.4 No Compensation. Except as provided in Section 4.5, no Partner shall be compensated for its services provided as a Partner to the Partnership.

4.5 Reimbursement of Expenses. Notwithstanding Section 4.5, the General Partner and its affiliates shall be entitled to reimbursement, together with reasonable interest thereon, for all expenses that they reasonably incur for Partnership purposes, including but not limited to the costs of personnel, equipment, and materials used in Partnership operations and the portion of the administrative and overhead expenses (such as rent and office maintenance thereof, payroll and payroll taxes, franchise taxes, insurance, employee benefits, travel and entertainment and similar expenses) of the General Partner and its affiliates at their principal place of business that is properly allocable to the Partnership.

4.6 Consent in Lieu of Meeting. Any action which may be taken by the Partners at a meeting may be effected through the execution of written consents by the requisite percentage in interest of the Partners.

## ARTICLE 5 TRANSFER OF INTERESTS

5.1 General. No Partner may Transfer its interest in the Partnership, in whole or in part, except in accordance with the terms and conditions set forth in this Agreement. Any Transfer or purported Transfer of an interest in the Partnership not made in accordance with this Agreement shall be null and void. Solely for purposes of this Section 5.1, an interest in the Partnership shall be deemed to include, without limitation, any Derivative Partnership Interest held, issued or created by a Partner, an assignee of a Partner or other Person. For purposes of this Section 5.1, "Derivative Partnership Interest" shall mean any actual, notional or constructive interest in, or right in respect of, the Partnership (other than a Partner's total interest in the capital, profits and management of the Partnership) that, under United States Department of the Treasury Regulation Section 1.7704-1(a)(2), is treated as an interest in the Partnership for



purposes of Section 7704 of the Code. Pursuant to the foregoing, "Derivative Partnership Interest" shall include, without limitation, any financial instrument that is treated as debt for Federal income tax purposes and (i) is convertible into or exchangeable for an interest in the capital or profits of the Partnership or (ii) provides for one or more payments of equivalent value.

5.2 Transfer of Interest of General Partner. The General Partner may not Transfer all or any portion of its Partnership Interest as the General Partner unless a majority in interest of the Limited Partners consent (i) to such Transfer, which consent may be given or withheld in the sole discretion of the Limited Partners, and (ii) to the admission of the transferee as a General Partner of the Partnership.

5.3 Transfer of Interest of Limited Partners. A Limited Partner may not Transfer all or any portion of its Partnership Interest without the prior written consent of the General Partner and all Limited Partners. In the case of any Transfer approved by the General Partner and all Limited Partners, the transferee or pledgee shall (i) agree to comply with and be bound by this Agreement and to execute any document that the General Partner may reasonably require to be executed in connection with the assignment to him, and (ii) appoint the General Partner his attorney-in-fact pursuant to the power of attorney set forth in Article 7.

5.4 Removal of General Partner. Upon the occurrence of an Event of Default, a majority in interest of the Limited Partners may require the removal of the General Partner, in accordance with the following provisions:

(a) A notice of removal signed by a majority in interest of the Limited Partners shall be delivered to the General Partner. Upon receipt of the notice, the General Partner shall offer to sell its Partnership Interest to the Limited Partners, each of whom then shall have seven (7) days in which to notify the General Partner whether he elects to purchase a pro rata portion of the General Partner's Partnership Interest.

(b) The General Partner shall sell its Partnership Interest (i) in equal undivided portions to those Limited Partners electing pursuant to paragraph (a) above to purchase same, or (ii) in the absence of any Limited Partners so electing, to a third party approved by a majority in interest of the Limited Partners; provided, however, if no such third party can be located and none of the Limited Partners elects to purchase the General Partner's Partnership Interest, the General Partner may not be removed and its Partnership Interest may not be sold pursuant to this paragraph. The sale described in this paragraph shall occur within sixty (60) days after the date the notice described in paragraph (a) above is delivered to the General Partner.

(c) Any sale of the General Partner's Partnership Interest pursuant to paragraph (b) above shall be made at the fair market value of such Partnership Interest. The fair market value shall be mutually agreed upon by the General Partner and the purchaser. If such an agreement cannot be reached, the fair market value of the Partnership Interest shall be determined by a reputable, independent appraiser experienced in such matters jointly selected by the General Partner and the purchaser. If the General Partner and the purchaser are unable to agree on such an appraiser, the General Partner shall select an appraiser, the purchaser shall select an appraiser and the two appraisers shall select a third appraiser, which third appraiser shall determine the value of the Partnership Interest. The Partnership shall pay the costs of all such appraisers.

ARTICLE 6  
DISSOLUTION AND LIQUIDATION OF THE PARTNERSHIP

6.1 Dissolving Events. The Partnership shall be dissolved upon the occurrence of any of the following events:

- (a) expiration of the Partnership term;
- (b) issuance of an order by a court of competent jurisdiction requiring the Dissolution of the Partnership;
- (c) permanent cessation of the Partnership's business;
- (d) consent to dissolve the Partnership by all Partners;
- (e) the withdrawal, retirement, Bankruptcy, Dissolution, death or incapacity of the General Partner; or
- (f) any other event which results in Dissolution of the Partnership under the Act.

6.2 Winding Up of the Partnership.

- (a) Upon Dissolution of the Partnership, the General Partner shall promptly wind up the affairs of the Partnership.
- (b) Distributions to the Partners in liquidation may be made in cash or in kind, or partly in cash and partly in kind, as determined by the General Partner.
- (c) The profits and losses of the Partnership during the period of Dissolution and liquidation shall be allocated among the Partners in accordance with the provisions of Article 3.
- (d) The assets of the Partnership (including, without limitation, proceeds from the sale or other disposition of any assets during the period of Dissolution and liquidation) shall be applied as follows:
  - (i) first, to repay any indebtedness of the Partnership, whether to third parties or the Partners, in the order of priority required by law;
  - (ii) next, to any reserves which the General Partner reasonably deems necessary for contingent or unforeseen liabilities or obligations of the Partnership (which reserves when they become unnecessary shall be distributed in the remaining priorities set forth in this Section 6.2(d)); and
  - (iii) next, to the Partners in proportion to their respective positive Capital Account balances.

ARTICLE 7  
POWER OF ATTORNEY

7.1 Grant of Power of Attorney. Each Limited Partner does irrevocably constitute and appoint the General Partner (and any successor General Partner) and the authorized officers and attorneys-in-fact of the General Partner (and any successor General Partner), voting together or individually, with full power of substitution as its true and lawful attorney-in-fact and agent, with full power and authority in his name, place and stead to:

(a) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (i) the Certificate of Limited Partnership and all amendments thereto and other instruments that the General Partner deems necessary or appropriate to effect a change or modification of the Certificate of Limited Partnership, (ii) all certificates, conveyances, and other instruments that the General Partner deems necessary or appropriate to effect the acquisition, disposition, pledge, mortgage, hypothecation, encumbrance or exchange of any assets of the Partnership or the Dissolution and termination of the Partnership, (iii) all instruments and consents relating to the admission of additional Limited Partners or the General Partner, (iv) agreements with the Internal Revenue Service to keep open the statute of limitations with respect to any Partnership items under examination with the Internal Revenue Service, and (v) any other instrument that is now or may hereafter be required by law to be filed or recorded on behalf of the Partnership; and

(b) perform all acts and exercise all powers granted to the General Partner under this Agreement.

7.2 Nature of Power of Attorney. The power of attorney granted herein shall be deemed to be coupled with an interest, shall be irrevocable, and shall survive the death, incompetency or termination of existence of such Limited Partner and shall extend to such Limited Partner's heirs, successors and assigns. Each Limited Partner hereby agrees to be bound by any representations made by the General Partner, acting in good faith pursuant to such power of attorney, and each Limited Partner hereby waives any and all defenses that may be available to contest, negate or disaffirm the action of the General Partner taken in good faith under such power of attorney. Any person dealing with the Partnership may conclusively presume and rely upon the fact that any such instruments executed by the attorney-in-fact and agent herein appointed is regular and binding without further inquiry.

7.3 Other Instruments. Each Limited Partner shall execute and deliver to the General Partner within five (5) days after receipt of the General Partner's request therefor such further designations, powers of attorney and other instruments as the General Partner deems necessary to effectuate this Agreement and the purposes of the Partnership.

ARTICLE 8  
MISCELLANEOUS

8.1 Waiver of Partition Each Partner hereby irrevocably waives any and all rights that it may have to maintain an action for partition of any of the Partnership's property.

8.2 Entire Agreement. This Agreement constitutes the entire agreement among the Partners with respect to the subject matter hereof and supersedes any prior agreement or understanding among them with respect to such subject matter.

8.3 Severability. If any provision of this Agreement, or the application of such provision to any person or circumstance, shall be held invalid, the remainder of this Agreement or the application of such provision to other persons or circumstances shall not be affected thereby

8.4 Notices. All notices or other communications required or permitted to be given pursuant to this Agreement shall be in writing and shall be considered as properly given (a) in the case of notices or communications required or permitted to be given to a Limited Partner, if personally delivered or if mailed by United States certified or registered mail, postage prepaid and addressed to the Limited Partner's address for notices as it appears on the records of the Partnership, and (b) in the case of notices of communications required or permitted to be given to the General Partner, if personally delivered or if mailed by United States certified or registered mail, return receipt requested, postage prepaid and addressed to the General Partner at its principal place of business. A Limited Partner may change its address for notices by giving notice in writing, stating the new address for notices, to the General Partner, and the General Partner may change its address for notices by giving notice in writing, stating the new address for notices, to the Limited Partners. Any notice or other communication shall be deemed to have been given as of the date on which it is deposited in the United States mail or transmitted, in each case in compliance with the terms of this section.

8.5 Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF TEXAS.

8.6 Successors and Assigns. Except as otherwise specifically provided, this Agreement shall be binding upon and inure to the benefit of the Partners and their successors and assigns.

8.7 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall constitute one and the same instrument.

8.8 Headings. The section headings in this Agreement are for convenience of a reference only, and shall not be deemed to alter or affect the meaning or interpretation of any provision hereof

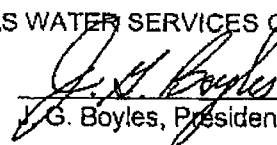
8.9 Amendment of Partnership Agreement. Except as otherwise provided herein, this Agreement may be amended only by a written agreement signed by all of the Partners.

IN WITNESS WHEREOF, the parties hereby have caused this Agreement to be executed as of the date first above written.

General Partner:

TEXAS WATER SERVICES GROUP, LLC

By:

  
J. G. Boyles, President

Limited Partner:

TECON WATER COMPANIES, INC

By: John H. McClellan  
John H. McClellan, Vice President

EXHIBIT "A"

| <u>Partner and Address</u>  | <u>Contribution</u> | <u>Net Capital<br/>Account<br/>Balance</u> |
|---|---------------------|--|
| Texas Water Services Group, LLC<br>6116 North Central Expressway, Suite 1300<br>Dallas, Texas 75206 | \$10 cash           | \$10.00                                    |
| Tecon Water Companies, Inc.<br>6116 North Central Expressway, Suite 1300<br>Dallas, Texas 75206     | \$9,990 cash        | \$9,990.00                                 |

Certificate of Account Status

Part C: Question 7



## Franchise Tax Account Status

As of : 12/17/2018 12:53:14

This Page is Not Sufficient for Filings with the Secretary of State

### MONARCH UTILITIES I L.P.

**Texas Taxpayer Number** 10303732514

**Mailing Address** 12535 REED RD C/O TAX DEPT (FSC) SUGAR  
LAND, TX 77478-2837

**Right to Transact Business in Texas** ACTIVE

**State of Formation** TX

**Effective SOS Registration Date** 12/10/2001

**Texas SOS File Number** 0800034797

**Registered Agent Name** CORPORATION SERVICE COMPANY DBA CSC -  
LAWYERS INCO

**Registered Office Street Address** 211 E. 7TH STREET SUITE 620 AUSTIN, TX 78701



Financial Audit

Part C: Question 10

**Confidential Documents  
to be submitted separately**

Disclosure of Affiliated Interests

Part C: Question 10

**DISCLOSURE OF AFFILIATE INTERESTS**

| SouthWest Water Company - PARENT COMPANY                    |                 |                 |
|---|-----------------|-----------------|
| Texas   | Texas Water CCN | Texas Sewer CCN |
| <b>Monarch Utilities I, L.P.</b>                            | <b>12983</b>    | <b>20899</b>    |
| SWWC Utilities, Inc. dba Hornsby Bend Utility Company, Inc. | 11978           | 20650           |
| SWWC Utilities, Inc. dba Inverness Utility Company, Inc.    | 11170           | N/A             |
| SWWC Utilities, Inc. dba Mid-Tex Utilities, Inc.            | 12914           | 20865           |
| <b>SWWC Utilities, Inc. dba SW Utility Company</b>          | <b>12284</b>    | <b>N/A</b>      |
| SWWC Utilities, Inc. dba Water Services, Inc.               | 11106           | N/A             |
| SWWC Utilities, Inc. dba Windermere Utility Company Inc.    | 11471           | 20542           |
| NI America Texas LLC  | 11922           | N/A             |

Oklahoma: SWWC Utilities, Inc. dba Tenkiller Utility Company

South Carolina: Kiawah Island Utility, Inc.

California: Suburban Water Systems

Oregon: Oregon Water Utilities

Alabama: Southeast Utilities

Non-Regulated: Metro-H2O, Utilities, Inc.

List of Assets to be Transferred

Part D: Question 11.B

**EXHIBIT A**

**SOUTHWEST UTILITY COMPANY ASSETS:**

**WESTERN TRAILS WATER SYSTEM**

**TEXAS PWS 1010230**

1. **Land.** Approximately 0.70 acres located at 13602 Salt Grass Trail, Cypress, TX 77429 ("Site").
  
2. **Assets located on the Site:**
  - a. Water well (337 feet) – approx. 42 gpm
  - b. Corrugated Metal Building – approx 10 x 20
  - c. Booster Pumps (2) – 55 gpm each
  - d. Air compressor (1)
  - e. Solution feed chlorinator and chemical tank
  - f. Hydrotank – 3,000 gallons
  - g. Bolted Steel Ground Storage Tank – 25,000 gallons
  - h. Chain link fencing and gate – approx. 220 feet
  
3. **Distribution system:**
  - a. 6 inch water line – 1566 feet
  - b. 4 inch water line – 7774 feet
  - c. Valves and appurtenances
  
4. **Customer meters and services (45)**

Enforcement Action Correspondence

Part E: Question 18, Part D Question 12

**Monarch Utilities I L.P.  
Status of Active Enforcement Actions**

| System                  | Docket No.      | Water/Waste water | Violation             | Date AO Signed by      | Original TCEQ Compliance | Extension Request | SWWC Compliance             | Notice of Compliance                            | Comments                                   |
|-------------------------|-----------------|-------------------|-----------------------|------------------------|--------------------------|-------------------|-----------------------------|---|--|
| Ridgecrest              | 2016-0451-PWS-E | Water             | TTHMs                 | 9/6/2017               | 9/6/2018                 | 6/30/2019         | Currently out of compliance | Currently out of compliance with Running Annual | GAC online prior to Q3 compliance sampling |
| HVOF & OTSH Combined AO | 2018-0506-MLM-E | Wastewater        | Effluent Violations   | AO rec'd 5/18/18       | Estimated 120 days       | NA                | Currently out of compliance | HVOF out of compliance/OT SH in                 | WWTP plant expansion planned/Sludg         |
| Southern Hills          | NA              | Water             | Booster pump capacity | NOE received 3/27/2018 | Estimated 90 days        | NA                | Currently out of compliance | Currently out of compliance                     | Construction plans approved by TCEQ -      |



TCEQ Compliance Correspondence

Part F: Question 22

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



RECEIVED

MAR 27 2015

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

TXU - AP

*Protecting Texas by Reducing and Preventing Pollution*

March 25, 2015

Mr. Tim Williford, Environmental Health & Safety Manager  
SouthWest Water Company  
1620 Grand Avenue Parkway, Suite 140  
Pflugerville, Texas 78660

Re: Comprehensive Compliance Investigation at:  
Western Trails Subdivision, 13602 Salt Grass Trail, Cypress, Harris County, Texas  
Regulated Entity No.: 102673720, TCEQ ID No.: 1010230, Investigation No.: 1224002

Dear Mr. Williford:

On February 12, 2015, Ms. Denise Ehrlich, of the Texas Commission on Environmental Quality (TCEQ) Houston Region Office conducted an investigation of the above-referenced facility to evaluate compliance with the applicable requirements for public water supply systems. No violations are being alleged as a result of the investigation; however, please see the attached Additional Issue. In addition, please be advised that a violation could be issued upon further review of your system's records or self-reported documentation.

The TCEQ appreciates your assistance in this matter and your compliance efforts to ensure protection of the State's environment. If you or members of your staff have any questions regarding these matters, please feel free to contact Ms. Ehrlich, in the Houston Region Office at (713) 767-3650.

Sincerely,

A handwritten signature in cursive script that reads "Leticia De Leon".

Leticia De Leon, Team Leader  
Public Water Supply  
Houston Region Office

LD/DE/mar

Enclosure: Summary of Investigation Findings  
cc: Harris County Environmental Health Services

# Summary of Investigation Findings

|   |  |
|---|--|
| <b>WESTERN TRAILS SUBDIVISION</b><br>13602 SALT GRASS TRL<br>CYPRESS, HARRIS COUNTY, TX 77429 | <b>Investigation #</b><br>1224002<br><b>Investigation Date: 02/12/2015</b> |
| <b>Additional ID(s): 1010230</b>  |  |

No Violations Associated with this Investigation

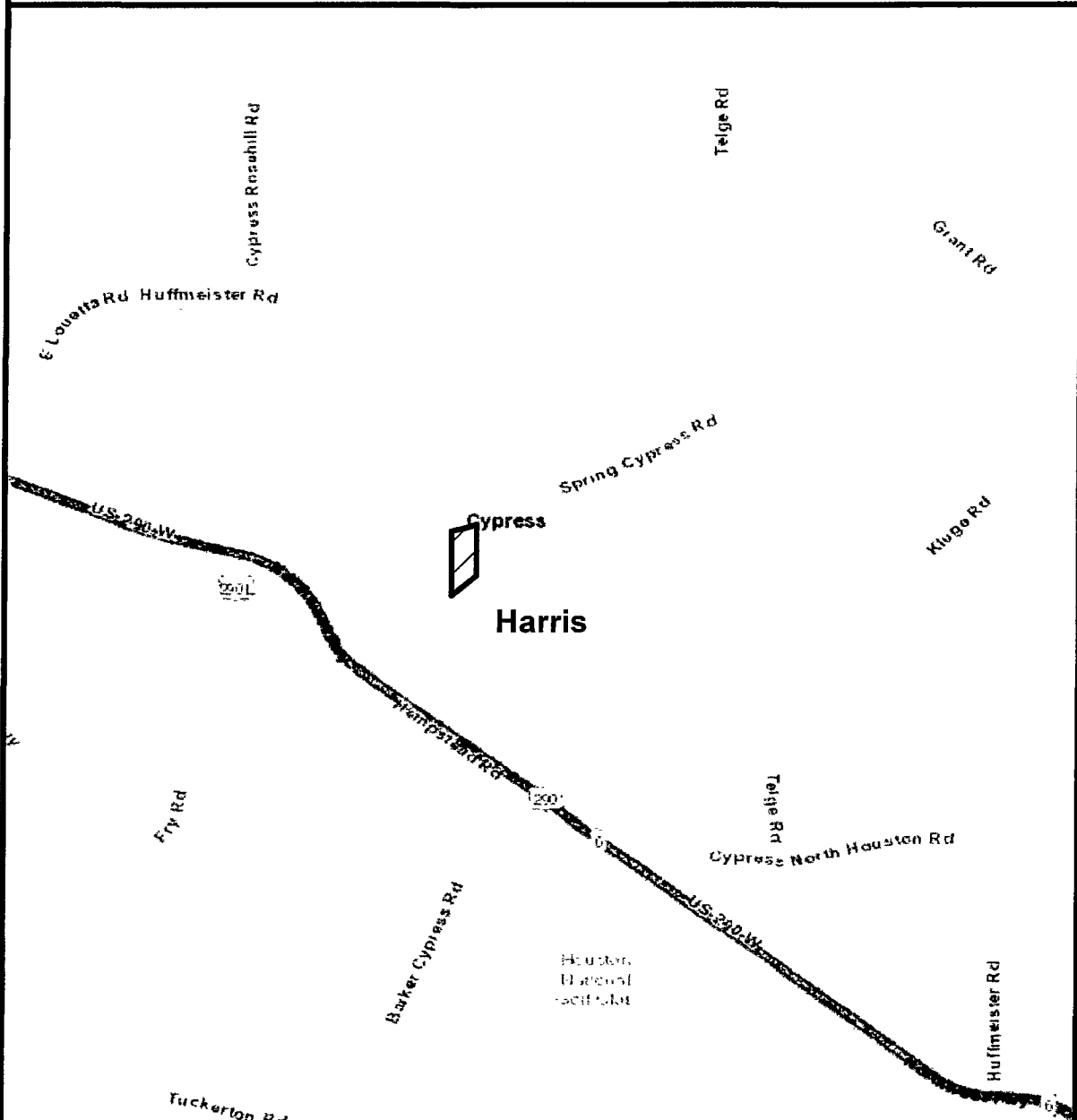
## ADDITIONAL ISSUES

| Description | Additional Comments   |
|-------------|---|
| Item 1      | Service Agreement Update<br>Please be aware that as of January 4, 2014, the EPA has lowered the amount of lead allowed in water pipes to 0.25%. In the future, the Retail Service Agreement will need to reflect this change. |

Detailed (large scale) Map

Part G: Question 29

# SW UTILITY COMPANY TO TRANSFER CCN 12284 TO MONARCH UTILITIES I L.P. CCN 12983 IN HARRIS COUNTY

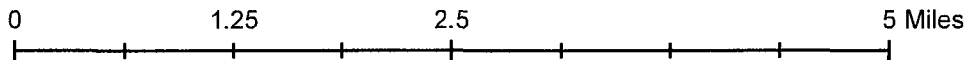


Sources: Esri, HERE, DeLorme, USGS, Intermap, INCREMENT P, Esri Japan, METI, Esri China (Hong Kong), Esri Korea, Esri (Thailand), MapmyIndia, NGCC, © OpenStreetMap contributors, and the GIS User Community



## REQUESTED AREA TO BE TRANSFERRED

 SW UTILITY COMPANY



General Location (small scale) Map

Part G: Question 29



Digital Mapping Data

Part G: Question 29



**CURRENT SERVICE AREA BOUNDARIES**

**WILL NOT CHANGE**

**ONLY TO BE TRANSFERRED**

**from CCN No. 12284**

**to CCN No. 12983**



Signed & Notarized Oath

Pages 13-14

2024