

System operation and to promote conservation of limited ground water resources. To that end, Member agrees to minimize the installation of new wells to withdraw additional underground water resources and to stabilize pumping from existing wells, if any. Further, if Member develops plans to seek future surface water supplies from an entity other than the District, Member agrees to give the District sixty (60) days written notice of such intention and to give the District an opportunity to address the needs or concerns so noticed. The acquisition of, or use of, water from other sources shall never obviate or reduce the obligations, duties and responsibilities of Member to make payments specified in this Contract and to secure the payment of Bonds issued pursuant to this Contract.

Section 4.10. **Resale.** Member hereby agrees that it will not sell water purchased from District to any person or entity outside Member's boundaries unless Member has received prior written approval from the District. Approval to make retail sales to individual customers outside such boundaries may be granted by the Executive Director of the District. Approval to make wholesale sales for resale shall require the specific approval of the Board. In granting such authorization, District may establish the terms and conditions of the conveyance of such water including, but not restricted to, the setting of monetary rates for sale of such water. "**Convey**" means sell, trade, donate, exchange, transfer title, or contract therefor. This provision applies to all water whether initially conveyed to Member under this Contract, obtained from the water wells of Member or from other sources.

Section 4.11. **Other Contracts.**

(a) The District reserves the right to supply treated water from the System to Additional Participating Members under contracts similar to this Contract subject to appropriate minimum quantities as provided in Sections 4.04 and 5.05 hereof. Each contract with any Additional Participating Member shall comply with the requirements of this Contract, shall substantially restate the essential provisions of this Contract, and shall be structured to be similar hereto to the fullest extent applicable and practicable, with such additions or changes as are necessary to meet the actual circumstances, with the effect that each Additional Participating Member will in effect adopt the provisions of this Contract, as supplemented and necessarily changed by its contract.

(b) It is further recognized and agreed that the District may sell treated water from the System to Customers which are not Additional Participating Members, provided that all such sales of water from the System to such Customers shall not be unduly preferential or impair the capability of the District to fulfill its duties and obligations under this Contract.

Such contracts to sell water may be on a parity with this Contract or may be subordinate to the prior rights of Member to water from the System.

(c) However, the District shall not obligate itself to sell or deliver raw or treated water from the System to an Additional Participating Member or future Customer if, in the judgment and discretion of the District, such obligation would jeopardize the District's ability to meet its obligation to treat, transport and deliver treated water from the System to Participating Members, including specifically Celina.

(d) The parties hereto recognize and acknowledge that it is the policy and practice of the District that any other person that desires to receive service from the System shall contract directly with the District to become a Customer of the District or an Additional Participating Member. Any proposal to the contrary would be considered an exception to that policy. Accordingly, Member may enter into subcontracts with a City, another utility or other entity to provide wholesale water service only if approved in writing in advance by the District. If approved, no such transaction shall relieve the Member of its obligations to the District under the terms of this Contract.

Section 4.12. **Quality.** The water to be delivered by the District and received by Member shall be potable, treated water from the System. Member has satisfied itself that such water will be suitable for its needs. The District is obligated to treat such water according to standards of all State and Federal agencies having jurisdiction over water quality. The District and Member shall cooperate, each within its legal powers, in preventing, to the extent practicable, the pollution and contamination of the reservoirs and watersheds from which System water is obtained.

Section 4.13. Points of Delivery.

(a) District agrees to deliver water contracted by Celina at Point(s) of Delivery as delineated in Exhibit A attached hereto. The initial delivery facilities delineated in Exhibit A hereof shall be constructed by District and included in the cost of the Project. Recognizing that the initial delivery facilities are being provided as part of the Joint Project in which Celina will secure certain capacity for its own distribution system, District reserves the right to designate a permanent Point of Delivery at a mutually satisfactory location near the western side of Celina's service area when the District later constructs its own transmission facilities for delivery of water from the System to Celina. District will be responsible for the cost of the permanent Point of Delivery when constructed.

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(b) Except as provided in paragraph (a) of this Section, and unless otherwise mutually agreed to, Member shall be responsible for the design, construction and

financing of facilities and acquisition of any rights-of-way for additional or future Points of Delivery for water from the System. Plans shall be submitted to District for written approval and all designs, materials and specifications shall conform to District requirements. Member agrees that District has the right to make periodic inspections during the construction phase of such future or additional delivery facilities. Final acceptance of completed delivery facilities is subject to the written approval of District. Member agrees that after final inspection and acceptance of delivery facilities, Member will convey title of those facilities and rights-of-way in conjunction therewith to District. Upon conveyance of title to delivery facilities by appropriate instrument(s), District shall be responsible for operation and maintenance thereof.

Section 4.14. Metering Equipment.

(a) The District will furnish, install, operate, and maintain at its expense the necessary equipment and devices of standard type required for measuring the quantity of treated water delivered under this Contract from the System to Member through its Point or Points of Delivery, except as otherwise provided in Section 4.13. Such meters and other equipment so installed shall remain the property of the District. The District shall inspect, calibrate, and adjust its meters at least annually as necessary to maintain accurate measurements of the quantity of treated water being delivered. Member shall have access to the metering equipment at all reasonable times for inspection and examination, but the reading, calibration, and adjustment thereof shall be done only by employees or agents of the District. If requested, Member may witness such reading, calibration and adjustment of meters. All readings of meters will be entered upon proper books of record maintained by the District. Member may have access to said record books during normal business hours.

(b) Member may request, in writing, that the District calibrate any meter or meters in the presence of the Member. The District will make up to two (2) such calibrations in any fiscal year at no charge to Member. All requested calibrations in excess of two (2) will be made at the expense of the requesting Member, except when the accuracy of the meter is beyond the limits of commercial accuracy in which case the District shall bear such expense. If, for any reason, any meter is out of service or out of repair, or if, upon any test, the percentage of inaccuracy of any meter is found to be in excess of commercial accuracy [which unless otherwise agreed to shall be considered to be two (2%±) percent], registration thereof shall be corrected for a period of time extending back to the time when such inaccuracy began, if such time is ascertainable, and if not ascertainable, then for a

period extending back one-half ($\frac{1}{2}$) of the time elapsed since the date of the last calibration, but in no event further back than a period of six (6) months.

(c) Member may, at its option and its own expense, install and operate a meter (check meter) to check any meter installed by the District, but the measurement for the purpose of this Contract shall be solely by the District's meters, except as in this Section specifically provided to the contrary. All such check meters shall be of standard make, shall be installed in a location approved by the District, and shall be subject at all reasonable times to inspection and examination by any employee or agent of the District, but the reading, calibration, and adjustment thereof shall be made only by the Member, except during any period when a check meter may be used under specific written consent by the District for measuring the amount of treated water delivered from System, in which case the reading, calibration, and adjustment thereof shall be made by the District with like effect as if such check meter or meters had been furnished or installed by the District.

(d) If either party at any time observes a variation between the delivery meter or meters and the check meter or meters, if any such check meter or meters shall be installed, such party will promptly notify the other party, and the parties hereto shall then cooperate to procure an immediate calibration test and joint observation of any adjustment and the same meter or meters shall then be adjusted to accuracy. Each party shall give the other party forty-eight (48) hours' notice of the time of all tests of meters so that the other party may conveniently have a representative present.

(e) If for any reason any meters are out of repair so that the amount of water delivered cannot be ascertained or computed from the reading thereof, the water delivered through the period such meters are out of service or out of repair shall be estimated and agreed upon by the parties hereto upon the basis of the best data available. For such purpose, the best data available shall be deemed to be the registration of any check meter or meters if the same have been installed and are accurately registering. Otherwise, the amount of water delivered during such period may be estimated: (i) by correcting the error if the percentage of the error is ascertainable by calibration tests or mathematical calculation, or (ii) by estimating the quantity of delivery by deliveries during the preceding periods under similar conditions when the meter or meters were registering accurately.

Section 4.15. **Unit of Measurement.** The unit of measurement for treated water delivery from the System hereunder shall be 1,000 gallons, U.S. Standard Liquid Measure. **603**

Section 4.16. Access.

(a) Member agrees to provide ingress and egress for District employees and agents to all its premises inside Member's boundaries to install, operate, inspect, test, and maintain facilities owned or maintained by District within corporate or jurisdictional limits of Member.

(b) District agrees to provide ingress and egress for Member employees and agents to all premises under control of the District to install, operate, inspect, test, and maintain facilities, and read meters owned or maintained by Member.

Section 4.17. Reporting Requirements. Approximately sixty days after the end of each Annual Payment Period, Member shall furnish in writing to the District the following information:

- (1) The number of active domestic water connections currently served;
- (2) The number of commercial and business water connections currently served;
- (3) The number of water connections currently served which purchase 1,000,000 gallons or more per year, with name and location of each;
- (4) The number of gallons of water pumped from sources other than the District during the most recent Annual Payment Period;
- (5) An estimate of the projected annual water requirements from the System by Member for each of the next five (5) years;
- (6) An estimate of Demand for the next Water Year.

The purpose of this provision is to permit the District to accumulate statistical data which will enable it to plan for adequate service, and to facilitate plans for betterment and future facilities expansion.

Section 4.18. Customer Advisory Council.

(a) On an annual basis, the governing body of each Customer may appoint a member of its governing body or one of its employees as a member of the Customer Advisory Council for the Regional Treated Water System, which Council is hereby created and established. The Council shall elect a Chairman, a Vice-Chairman, and a Secretary.

The Council may establish bylaws governing the election of officers, meeting dates and other matters pertinent to its function. The Council shall consult with and advise the District and the Board with regard to the following matters pertaining to the District:

- (i) The issuance of Bonds;
- (ii) The operation and maintenance of the District and the System;
- (iii) Contracts for services to Customers;
- (iv) The District's Annual Budget, prior to its submission to the Board;
- (v) All other pertinent matters relating to operation of the District and the System; and
- (vi) Improvements and extensions of the System.

The Council shall have access to and may inspect at reasonable times all physical elements of the System and all records and accounts of the District pertaining to the System.

(b) The term of membership on the Council shall be at the pleasure of each governing body represented, respectively, and each member shall serve until replaced by such governing body. All expenses of the Council in discharging its duties under this Section shall be considered as an Operation and Maintenance Expense of the District.

Section 4.19. Water Conservation, Drought Contingency Plan.

(a) Member agrees that water supplies or services may be limited or curtailed pursuant to Section 4.02. Also, Member agrees to coordinate with the District the implementation of any action to limit or curtail water supplies to minimize adverse impact on System operation, and on adequacy of service, and to promote public understanding of the need for and terms of such limitation or curtailment.

(b) It is the policy of the District to prepare, adopt and maintain a regional water conservation plan which incorporates loss reduction measures and demand management practices which insure that the available supply of the System is used in an economically efficient and environmentally sensitive manner. Similarly, it is the policy of the District to prepare, adopt and maintain a drought and emergency contingency plan for water supply to Customers. Member agrees to cooperate in the implementation of both plans and to

adopt and enforce such or similar plans for use within its jurisdiction. Member may be required by State or Federal agencies to implement a water conservation plan; also, the District reserves the right to require Member to implement a water conservation plan. The Member's water conservation plan is subject to approval by District.

(c) To the extent the District imposes restrictions of general applicability to Customers, including rules relating to the curtailment or rationing of water delivery and availability, District agrees to impose such restrictions equitably and in a non-discriminatory fashion. Such rationing shall, within the limits permitted by law, be done by the District on the basis of the relative actual total amount of water taken from the System by each Customer respectively during the most recent Water Year during which rationing among the Customers was not necessary.

Section 4.20. **Standards.** Member agrees to protect its storage and distribution system from cross connections under the specifications required by health standards of the State of Texas. Member agrees to provide air gaps for any ground storage and backflow preventers for any elevated storage receiving water from the System. Member agrees to provide internal storage sufficient to meet its emergency needs and to maintain a reasonable load factor for deliveries from the System.

ARTICLE V

Fiscal Provisions

Section 5.01. **Annual Requirements.** Subject to the terms and provisions of this Contract, the District will provide and pay for the cost of the acquisition, construction and improvement of the System and all System facilities, by issuing its Bonds in amounts which will be sufficient to accomplish such purposes. It is acknowledged and agreed that payments to be made under this Contract and similar contracts with other Customers and Additional Participating Members, if any, will be the primary source available to the District to provide the Annual Requirement. In compliance with the District's duty to fix, and from time to time to revise, the rates and charges for services of the System, the Annual Requirement may change from time to time. Each such Annual Requirement shall be allocated among the Members as hereinafter provided, and the Annual Requirement for each Annual Payment Period shall be provided for in each Annual Budget and shall at all times be not less than an amount sufficient to pay or provide for the payment of:

(a) An "Operation and Maintenance Component" equal to the amount paid or payable for all Operation and Maintenance Expenses of the System; and

(b) A “**Capital Component**” equal to:

(1) the principal of, redemption premium, if any, and interest on, its Bonds, as such principal, redemption premium, if any, and interest become due, less interest to be paid out of Bond proceeds or from other sources if permitted by any Bond Resolution, and all amounts required to redeem any Bonds prior to maturity when and as provided in any Bond Resolution, plus the fees, expenses and charges of each paying agent/registrar for paying the principal of and interest on the Bonds, and for authenticating, registering and transferring Bonds on the registration books; and

(2) the proportionate amount of any special, contingency or reserve funds required to be accumulated and maintained by the provisions of any Bond Resolution; and

(3) an amount in addition thereto sufficient to restore any deficiency in any of such funds required to be accumulated and maintained by the provisions of any Bond Resolution; and

(c) A “**Special Reserve**” in an amount deemed appropriate and necessary by the Board for Operation and Maintenance Expenses of the System and for capital improvements. Any such reserve shall be used as operating funds for Operation and Maintenance Expenses, for emergency expenses and a fluctuating reserve for additions to or shortfalls in the annual revenues of the System. The normal level of such reserve shall not exceed 25% of the annual Operation and Maintenance Expenses (estimated to be approximately three (3) months of expenses); however, the Board may authorize the reserves to be maintained at a higher level, especially if necessary for capital improvements.

Section 5.02. **Annual Budget.** Each Annual Budget for the System shall always provide for amounts sufficient to pay the Annual Requirement. The Annual Budget for the System for all or any part of the Annual Payment Period during which the System is first placed into operation shall be prepared by the District based on estimates made by the District. On or before June 15 of each year, the District shall furnish to each Member a preliminary estimate of the Annual Payment required from each Member for the next following Annual Payment Period. Not less than forty days before the commencement of each Annual Payment Period, the District shall cause to be prepared as herein provided

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its preliminary budget for the System for the next ensuing Annual Payment Period. A copy of such preliminary budget shall be filed with each Participating Member for review before action by the Board. Any Participating Member may submit comments about the preliminary budget directly to the Board. The Board may adopt the preliminary budget or make such amendments thereto, as the Board may deem proper. The budget thus approved by the Board shall be the Annual Budget for the next ensuing Annual Payment Period. The Annual Budget (including the first Annual Budget) may be amended by the District at any time to transfer funds from one account or fund to another account or fund so long as such transfer will not increase the total budget. The amount for any account or fund, or the amount for any purpose, in the Annual Budget may be increased through formal action by the Board even though such action might cause the total amount of the Annual Budget to be exceeded; provided that such action shall be taken only in the event of an emergency or special circumstances which shall be clearly stated in a resolution at the time such action is taken by the Board.

Section 5.03. Payments by Participating Member.

(a) For the treated water services to be provided to Celina under this Contract, Celina agrees to pay, at the time and in the manner hereinafter provided, its proportionate share (Annual Payment) of the Annual Requirement. Celina shall pay its part of the Annual Requirement for each Annual Payment Period directly to the District, in monthly installments in accordance with the schedule of payments furnished by the District, as hereinafter provided.

(b) Celina shall pay its Annual Payment according to the minimum amounts respectively specified in Section 4.04 of this Contract and according to the actual volume of treated water taken. The District shall estimate a price per 1,000 gallons of Demand and volume for purposes of determining the monthly payment to be made by each Member. Member shall pay a Demand charge in approximately equal monthly installments based on the minimum quantity specified in Exhibit B or upon a different quantity subsequently established by the District in accordance with Section 4.05. Such Demand charge shall be sufficient to cover the fixed cost portion of the Annual Requirement. Each Member shall pay a volume charge based on the actual volume of treated water delivered to each Member monthly. The volume charge shall be sufficient to cover the variable cost portion of the Annual Requirement and specifically the costs of raw water purchased and the variable costs associated with treating, pumping, transporting and delivering the water. The District reserves the right to combine the volume and Demand charge into a unified

charge for the convenience of the District and its Customers, especially for short-term sales or for sale of small quantities.

Section 5.04. **Fiscal Policy.** It is provided that in estimating costs for services, the District is specifically authorized, in its discretion, to include in such estimate of costs reasonable contributions to reserve funds or to assume that the Annual Payment Period may be a wet year which could cause revenues to be increased if the year is actually normal or dry. This fiscal policy is expressly approved by the Member and is deemed by the parties hereto to be beneficial in the fiscal management of the System, and will assure the timely availability of funds even under unexpected circumstances. Upon receipt during any Annual Payment Period of an amount sufficient to meet the then current Annual Budget of the System for the remainder of the then current Annual Payment Period, the District shall deposit subsequent revenues received into appropriate reserve or contingency accounts, unless otherwise specifically hereinafter provided in the event of unexpected or additional Annual Budget requirements. If there is a shortfall in revenues, the District may withdraw from the reserves, adjust the Annual Requirement, revise the payment schedule or do any combination thereof.

Section 5.05. **Minimum Payments.** It is agreed that if, during any Annual Payment Period, the estimated and/or actual metered volume of treated water provided by the System to Celina is, for any reason whatsoever, less than any minimum amount prescribed by this Contract and the District, Celina shall pay its Annual Payment according to such minimum amount. However, if Celina's estimated and/or actual metered amount of water is equal to or in excess of such minimum amount, its Annual Payment shall be calculated on the basis of estimated and actual volumes and Demands. All contracts with Additional Participating Members shall provide for equitable minimum amounts, also. Such minimum quantities shall be fixed in amounts at least sufficient, as determined by the District, to assure an initial Annual Payment by such Additional Participating Member for not less than the amount of its estimated use of treated water during the first year of service under such contract.

Section 5.06. **Redetermination of Annual Requirements.** Notwithstanding the foregoing, the Annual Requirement, and each Member's share thereof (Annual Payment), may be redetermined, after consultation with each Member, at any time during any Annual Payment Period, to the extent deemed necessary or advisable by the District, if:

- (i) The District commences furnishing services of the System to an Additional Participating Member or Customer;

- (ii) Unusual, extraordinary, or unexpected expenditures for operation and maintenance expenses are required which are not provided for in the District's Annual Budget or reserves for the System;
- (iii) Operation and maintenance expenses of the System are substantially less than estimated;
- (iv) District issues Bonds which require an increase in the Capital Component of the Annual Payment; or
- (v) The District receives either significantly more or significantly less revenue or other amounts than those anticipated.

If the Annual Requirement is redetermined, Member will be advised of the Adjusted Annual Payment.

Section 5.07. **Other Revenues.** During each Annual Payment Period, all revenue derived from sales of System water, other than sales of treated water to Participating Members, shall be credited to and be used for paying part of the Annual Requirement in the manner determined by the District, with the result that such credits shall reduce, to the extent of such credits, the amounts which otherwise would be payable by the Member. The District shall estimate all such credits which it expects to make during each Annual Payment Period in calculating each Annual Payment.

Section 5.08. **Prompt Payment/Disputed Bills.** Member hereby agrees that it will make payments required by this Contract to the District within 20 days of the date a bill for service is rendered. If Member at any time disputes the amount to be paid by it to the District, Member shall nevertheless promptly make such payment or payments; but, if it is subsequently determined by agreement or court decision that such disputed payments should have been less, or more, the District shall promptly revise and reallocate the charges in such manner that Member will recover its overpayment or the District will recover the amount due it. All amounts due and owing to the District by Member, or due and owing to Member by the District, shall, if not paid when due, bear interest at the rate of ten (10%) percent per annum from the date when due until paid.

Section 5.09. **Delinquent Bills.** The District shall, to the extent permitted by law, suspend the delivery of water from the System to any Member or Customer which remains delinquent in any payments due hereunder for a period of sixty (60) days, and shall not resume delivery of water while such Member or Customer is so delinquent. It is further

provided and agreed that if Member should remain delinquent in any payments due hereunder for a period of one hundred twenty (120) days, and if such delinquency continues during any period thereafter, Member's minimum amount specified by Contract, shall be deemed to have been zero gallons during all periods of such delinquency, for the purpose of calculating and redetermining the percentage of each Annual Requirement to be paid by the non-delinquent Members and Customers; and, the District shall redetermine such percentage in such event on a basis so that the non-delinquent Members and Customers, collectively, shall be required to pay all of the Annual Requirement. However, the District shall pursue all legal remedies against any such delinquent Member or Customer to enforce and protect the rights of the District, the other Members and Customers, and the holders of the Bonds. The delinquent Member shall not be relieved of the liability to the District for the payment of all amounts which would have been due hereunder had no default occurred or the percentage had not been redetermined as provided in this Section. It is understood that the foregoing provisions are for the benefit of the holders of the Bonds so as to insure that all of the Annual Requirement will be paid by the non-delinquent Members and Customers during each Annual Payment Period regardless of the delinquency of a particular Member or Customer. If any amount due and owing the District by Member is placed with an attorney for collection, Member shall pay to the District all attorneys fees, in addition to all other payments provided for herein, including interest.

Section 5.10. Updated Schedule of Payment. If, during any Annual Payment Period, Member's Annual Payment is redetermined in any manner as provided or required in the foregoing Sections, the District will promptly furnish Member with an updated schedule of monthly payments reflecting such redetermination.

Section 5.11. Service Areas. For purposes of determining the Annual Requirement and for delivery of services, the District shall maintain separate cost centers for each service area, including specifically the North Service Area and the South Service Area. Provided, however, that the District may combine the cost of two (2) or more such service areas if, in the Board's judgment, such action would result in more equitable distribution of costs of the System or in the rendition of service to Customers.

ARTICLE VI

Miscellaneous Provisions and Special Conditions

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Section 6.01. Operation and Maintenance of System. The District will continuously operate and maintain the System in an efficient manner and in accordance
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with good business and engineering practices, and at reasonable cost and expense. The District recognizes its right and duty to operate the various facilities of the System in the most prudent and economical manner for the benefit of all Customers.

Section 6.02. **Project Schedule.** It is the intent of the parties that the Project will be placed in operation as soon as practicable, and the District agrees to proceed diligently with the design and construction of the Project to meet such schedule, subject to the other terms and conditions in this Contract.

Section 6.03. **Permits, Financing and Applicable Laws.** It is understood that any obligations on the part of the District to acquire, construct, and complete the Project and other System facilities and to provide treated water from the Project and other System facilities to the Member shall be: (i) conditioned upon the District's ability to obtain all necessary permits, material, labor, and equipment; (ii) conditioned upon the ability of the District to finance the cost of the Project and other System facilities through the actual sale of the District's Bonds; and (iii) subject to all present and future valid laws, orders, rules, and regulations of the United States of America, the State of Texas, and any regulatory body having jurisdiction.

Section 6.04. **Title to Water; Indemnification.** Title to all water supplied to Member shall be in the District up to each Point of Delivery, at which point title shall pass to the receiving Member, except that the District reserves the right of re-use of wastewater treated effluent, to the extent authorized by State of Texas. The District and Celina agree to save and hold each other harmless, to the extent authorized by law, from all claims, demands, and causes of action which may be asserted by anyone on account of the transportation and delivery of said water while title remains in such party. Both Celina and District agree to be responsible for their own respective negligent acts.

Section 6.05. **Payments Solely From Revenues.** The District shall never have the right to demand payment by Celina of any obligations assumed by it or imposed on it under and by virtue of this Contract from funds raised or to be raised by taxes, and the obligations under this Contract shall never be construed to be a debt of such kind as to require Member to levy and collect a tax to discharge such obligation. Nonetheless, Member may make payments from its water and wastewater (sewer) system revenues, or from any other lawful source, including ad valorem taxes.

Section 6.06. **Operating Expenses.** Member represents and covenants that all payments to be made by it under this Contract shall constitute reasonable and necessary

"operating expenses" of its combined waterworks and sewer system, as defined in Vernon's Ann. Tex. Civ. St. Article 1113, and that all payments will be made from the revenues of its combined waterworks and sewer system or any other lawful source. Member represents and has determined that the treated water supply to be obtained from the System, including the Project and other System facilities, is absolutely necessary and essential to the present and future operation of its water system and that the System is the best long-term source of supply of treated water therefor, and accordingly, all payments required by this Contract to be made by Member shall constitute reasonable and necessary operating expenses of its respective system as described above, with the effect that the obligation to make such payments from revenues of such system(s) shall have priority over any obligation to make any payments from such revenues (whether of principal, interest, or otherwise) with respect to all bonds or other obligations heretofore or hereafter issued by Member.

Section 6.07. Rates for Water and Wastewater Services. Member agrees throughout the term of this Contract to continuously operate and maintain its waterworks system, its wastewater (sewer) system or both, and to fix and collect such rates and charges for water services, wastewater (sewer) services or both to be supplied by its system or systems as aforesaid as will produce revenues in an amount equal to at least: (i) all of the expenses of operation and maintenance expenses of such system or systems, including specifically, its payments under this Contract, and (ii) all other amounts as required by law and the provisions of the ordinance or resolutions authorizing its revenue bonds or other obligations now or hereafter outstanding, including the amounts required to pay all principal of and interest on such bonds and other obligations.

Section 6.08. Use of Funds and System. The District covenants and agrees that neither the proceeds from the sale of the Bonds, nor the moneys paid it pursuant to this Contract, nor any earnings from the investment of any of the foregoing, will be used for any purposes, except those directly relating to the System, and the Bonds as provided in this Contract; provided that the District may rebate any excess arbitrage earnings from such investment earnings to the United States of America in order to prevent any Bonds from becoming "arbitrage bonds" within the meaning of the Internal Revenue Code of 1986 (the "Code") or any amendments thereto in effect on the date of issue of such Bonds. Celina covenants and agrees that it will not use or permit the use of the System in any manner that would cause the interest on any of the Bonds to be or become subject to federal income taxation under the Code or any amendments thereto in effect on the date of issue of such Bonds.

Section 6.09. Rights-of-Way.

(a) Celina hereby grants to the District without additional cost to the District, the perpetual use of the streets, easements, and rights-of-way under its control for the construction, operation, and maintenance of the System and the Project.

(b) Celina agrees, that with prior written approval, District may use streets, alleys and public rights-of-way within Member's boundaries for pipeline purposes to provide water to Member or to other Customers without charges or tolls provided that District makes the necessary repairs to restore the streets, alleys or public rights-of-way used to their original condition.

(c) Celina hereby consents to the District exercising its power of eminent domain, if necessary, to obtain property or rights-of-way within the boundaries of Celina for the Project and the System.

(d) District shall coordinate with Celina concerning the need for sites, easements or rights-of-way for future permanent transmission pipelines and other facilities for delivery of water from System to Celina, and Celina shall make reasonable effort to obtain through its development, platting and zoning process such sites, easements or rights-or-way, that District may so request.

Section 6.10. Use of Customer Facilities. The parties to this Contract, including specifically the District, desire to develop and operate the System in an efficient manner. To that end, the policy of the District is to encourage joint-use of facilities, including existing and future, pipelines, storage tanks and pump stations owned by and under the control of Customers wherever feasible and advantageous to the delivery of water from the System. The District agrees that if it proposes the joint use of such facilities and if a Customer agrees that the Customer whose facilities will be used is entitled to fair and reasonable compensation for the use of facilities and for the service provided by the Customer to District. Further, it is agreed by all parties to this Contract that such compensation will be considered to be an Operation and Maintenance Expense of the System.

Section 6.11. Unconditional Obligation to Make Payments. Recognizing the fact that Celina and other Participating Members urgently require the facilities and services of the Project and the System, and that such facilities and services are essential and necessary for actual use and for standby purposes, and recognizing the fact that the

District will use payments received from Celina and other Participating Members to pay and secure its Bonds, it is hereby agreed that Celina shall be unconditionally obligated to pay, without offset or counterclaim, its proportionate share of the Annual Requirement, as provided and determined in this Contract (including the obligations for paying for "minimums" as described in Section 4.04 hereof), regardless of whether or not the District actually acquires, constructs or completes the Project or the System or is actually delivering water from the System to Celina, or whether or not Celina actually receives or uses water from the System whether due to Force Majeure or any other reason whatsoever, regardless of any other provisions of this or any other contract or agreement between any of the parties hereto. This covenant by Celina shall be for the benefit of and enforceable by the holders of the Bonds as well as the District.

Section 6.12. **Insurance.** The District agrees to carry and arrange for fire, casualty, public liability, and/or other insurance, including self insurance, on the System for purposes and in amounts which, as determined by the District, ordinarily would be carried by a privately owned utility company owning and operating such facilities, except that the District shall not be required to provide liability insurance except to insure itself against risk of loss due to claims for which it can, in the opinion of the District's legal counsel, be liable under the Texas Tort Claims Act or any similar law or judicial decision. Such insurance will provide, to the extent feasible and practicable, for the restoration of damaged or destroyed properties and equipment, to minimize the interruption of the services of such facilities. All premiums for such insurance shall constitute an Operation and Maintenance Expense of the System.

Section 6.13. **Future Capacity.** The Project and the System will include capacity in pipelines and certain other facilities for future needs of Participating Members, Additional Participating Members, Participating Utilities and other Customers. Member agrees that it is in the best interest of both the District and Member to plan, acquire and construct the Project and System with excess capacity in anticipation of future increases in Member's requirements and in anticipation of future new Customers. Further, Celina agrees that if the District executes a financial plan for the Project that includes participation by the State in future capacity costs and includes deferral of a portion of the costs to a future date, that Celina will assume its respective share when due of such System cost so deferred as if Bonds had been issued during the initial construction of the Project. The District reserves the right to contract with Additional Participating Members and other Customers for equitable participation in such future capacity in accordance with Section 4.11.

Section 6.14. **Special Provisions.** The parties hereto acknowledge and agree to the Special Provisions which are set forth in Exhibit C hereto which Exhibit is incorporated herein for all purposes. The Special Provisions for this Contract reflect circumstances or issues for this specific Customer which may be different from those of other Customers and therefore constitute a modification of, or a requirement in addition to, the standard provisions otherwise contained in this Contract.

ARTICLE VII

Standard Provisions

Section 7.01. **Force Majeure.** If by reason of force majeure any party hereto shall be rendered unable wholly or in part to carry out its obligations under this Contract, other than the obligation of Member to make the payments required under this Contract, then if such party shall give notice and full particulars of such force majeure in writing to the other party within a reasonable time after occurrence of the event or cause relied on, the obligation of the party giving such notice, so far as it is affected by such force majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and any such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "Force Majeure" as employed herein shall mean acts of God, strikes, lockouts or other industrial disturbances, acts of public enemy, orders of any kind of the Government of the United States or the State of Texas, or any civil or military authority, insurrection, riots, epidemics, landslides, lightning, earthquake, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, or on account of any other causes not reasonably within the control of the party claiming such inability.

Section 7.02. **Limitations and Conditions/Other Systems.** If the District determines that it will be necessary to participate with other parties in the construction of facilities in order to fulfill its obligations under this Contract, Member agrees that such participation is as much a part of the Project and System as if separate facilities were constructed by the District. Furthermore, any cost, rates, fees or charges applicable to pumping, transportation or treatment of water by others, and charges for other services rendered by other parties at the request of the District for the benefit of the Project and System shall constitute Operation and Maintenance Expense of the System as defined herein.

Section 7.03. **Term of Contract.** This Contract shall be effective on and from the Contract Date, and shall continue in force and effect for thirty (30) years or for such period of time that Bonds issued by the District for the Project or System remain outstanding, whichever period is greater; provided, however, the term of the Contract and the expiration date may be extended for a period not to exceed 20 years at the option of the Participating Member, upon the mutual agreement of the Participating Member and the District as to the terms and conditions. The District's obligation to provide the contracted for services shall commence from the date that the District gives written notice that the Project is operational and functional to treat and deliver treated water to Member. This Contract and its attachments constitute the sole agreement between the parties hereto with respect to the Project.

Section 7.04. **Contracting Parties.** This Contract shall be effective as to Celina whether or not all parties who have previously executed contracts of a similar nature remain participants in the System. The "minimums" listed in Exhibit B shall remain the same as listed for Celina, whether or not the District may agree to changes in minimums with other parties who are participants in the System.

Section 7.05. **Modification.** No change, amendment or modification of this Contract shall be made or be effective which will affect adversely the prompt payment when due of all moneys required to be paid by Member under this Contract or any similar contract and no such change, amendment or modification shall be made or be effective which would cause a violation of any provisions of any Bond Resolution.

Section 7.06. **Addresses and Notice.** Unless otherwise provided herein, any notice, communication, request, reply or advice (herein severally and collectively, for convenience, called "**Notice**") herein provided or permitted to be given, made or accepted by any party to any other party must be in writing and may be given or be served by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner described above shall be conclusively deemed to be effective, unless otherwise stated herein, from and after the expiration of three days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the parties shall, until changed as hereinafter provided, be as follows:

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If to the District, to: Executive Director
Upper Trinity Regional Water District
396 West Main Street
P. O. Drawer 305
Lewisville, Texas 75067

If to Celina, to: City Administrator
City of Celina
P. O. Drawer D
Celina, Texas 75009

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

Section 7.07. **State or Federal Laws, Rules, Orders or Regulations.** This Contract is subject to all applicable Federal and State laws and any applicable permits, ordinances, rules, orders and regulations of any local, state or federal governmental authority having or asserting jurisdiction; but, nothing contained herein shall be construed as a waiver of any right to question or contest any such law, ordinance, order, rule or regulation in any forum having jurisdiction.

Section 7.08. **Remedies Upon Default.** It is not intended hereby to specify (and this Contract shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by any party hereto and shall be cumulative. However, recognizing that the District's undertaking to provide and maintain the services of the System is an obligation, failure in the performance of which cannot be adequately compensated in money damages alone, the District agrees, in the event of any default on its part, that Member shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available. Recognizing that failure in the performance of Member's obligations hereunder could not be adequately compensated in money damages alone, Member agrees in the event of any default on its part that the District shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available to the District. Notwithstanding anything to the contrary contained in this Contract, any right or remedy or any default hereunder, except the right of the District to receive the Annual Payment which

shall never be determined to be waived, shall be deemed to be conclusively waived unless asserted by a proper proceeding at law or in equity within two (2) years plus on (1) day after the occurrence of such default. No waiver or waivers of any breach or default (or any breaches or defaults) by any party hereto or of performance by any other party of any duty or obligation hereunder shall be deemed a waiver thereof in the future, nor shall any such waiver or waivers be deemed or construed to be a waiver of subsequent breaches or defaults of any kind, character or description, under any circumstance.

Section 7.09. **Severability.** The parties hereto specifically agree that in case any one or more of the sections, subsections, provisions, clauses or words of this Contract or the application of such sections, subsections, provisions, clauses or words to any situation or circumstance should be, or should be held to be, for any reason, invalid or unconstitutional, under the laws or constitutions of the State or the United States of America, or in contravention of any such laws or constitutions, such invalidity, unconstitutionality or contravention shall not affect any other sections, subsections, provisions, clauses or words of this Contract or the application of such sections, subsections, provisions, clauses or words to any other situation or circumstance, and it is intended that this Contract shall be severable and shall be construed and applied as if any such invalid or unconstitutional section, subsection, provision, clause or word had not been included herein, and the rights and obligations of the parties hereto shall be construed and remain in force accordingly.

Section 7.10. **Venue.** All amounts due under this Contract, including, but not limited to, payments due under this Contract or damages for the breach of this Contract, shall be paid and be due in Denton County, Texas, which is the County in which the principal administrative offices of the District are located. It is specifically agreed among the parties to this Contract that Denton County, Texas, is the place of performance of this Contract; and in the event that any legal proceeding is brought to enforce this Contract or any provision hereof, the same shall be brought in Denton County, Texas.

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

UPPER TRINITY REGIONAL WATER DISTRICT

By: Blake L. English
Blake L. English, President, Board of Directors

ATTEST:

Paul E. Reese
Paul E. Reese, Secretary

(DISTRICT SEAL)

APPROVED AS TO FORM AND LEGALITY:

John F. Boyle, Jr.
John F. Boyle, Jr., Counsel for the District

CITY OF CELINA

By: Olen Long
Olen Long, Mayor

ATTEST:

Vicki Jackson
Vicki Jackson, City Secretary

APPROVED AS TO FORM AND LEGALITY:

Counsel for the City

c:\Contract\Add'l-Part-Celina

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EXHIBIT A
CITY OF CELINA
APPROXIMATE POINT OF DELIVERY

The provisions of this Exhibit A form a part of the Contract and are applicable to the District and to Celina as if set forth in its entirety in the body of the Contract.

Initial Point of Delivery:

The District will deliver water to Celina to a point that is mutually convenient for Celina and District. The approximate location of the Initial Point of Delivery is delineated in the attached sketch

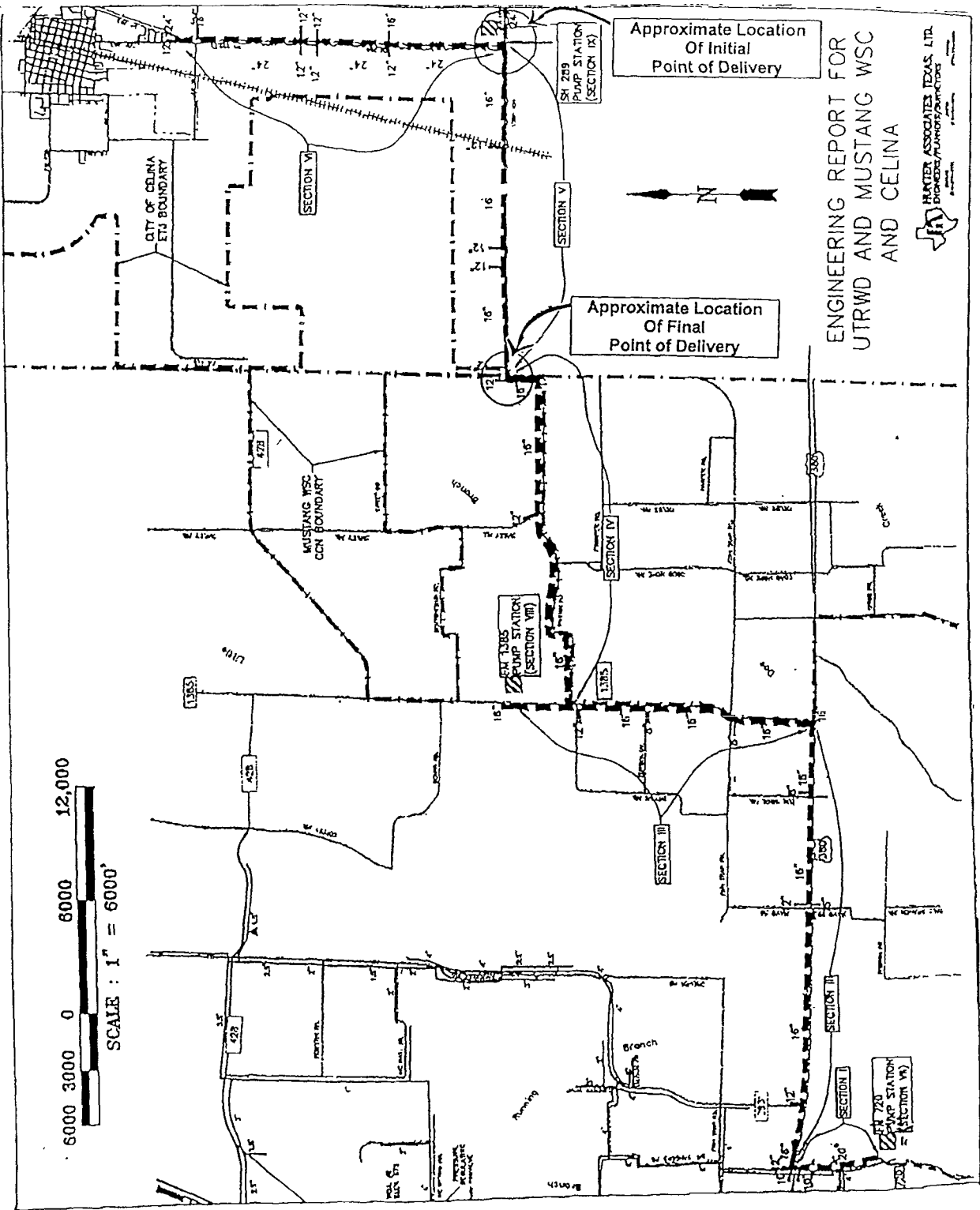
Final Point of Delivery:

The District plans to construct at a future date a transmission line to Celina. In conjunction with that project a mutually agreeable Point of Delivery will be established. Such Point of Delivery is expected to be at a mutually agreeable location near the western edge of Celina's service area.

Note

Upon mutual agreement of the District and City of Celina, an updated Exhibit A may be substituted for this Exhibit A.

EXHIBIT A-1
CITY OF CELINA



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EXHIBIT B

MINIMUM AMOUNT OF SYSTEM CAPACITY (DEMAND)
BEING COMMITTED FOR CITY OF CELINA IN
ACCORDANCE WITH SECTION 4.04 OF CONTRACT

The provisions of this Exhibit B form a part of the Contract and are applicable to the District and to Celina as if set forth in its entirety in the body of the Contract.

<u>Participating Member</u>	<u>Minimum Demand</u>
City of Celina	1.0 MGD

EXHIBIT C

SPECIAL PROVISIONS FOR CITY OF CELINA

The provisions of this Exhibit C form a part of the Contract and are applicable to the Upper Trinity Regional Water District (the "District") and to City of Celina ("Celina") as if set forth in their entirety in the body of the Contract.

1. Celina agrees to maintain master plans for both the water and wastewater systems within its service area. To that end, Celina agrees to provide the District with an initial copy of such plans and updated master plans for both water and wastewater at least every five years.
2. The District and Celina agree that the public health and safety require that plans for control of wastewater be prepared and implemented in conjunction with extension of the treated surface water supply system being developed by the District.
3. Celina will cooperate with and support the District's program to prevent pollution of surface waters through an effort to upgrade the design, construction, operation and maintenance of on-site wastewater treatment systems (generally referred to as septic tanks.) To that end, Celina will develop a regulatory strategy for regular inspection and maintenance of on-site treatment facilities now existing or later installed in the City.
4. Celina will require customers within the City to connect to the City's wastewater collection system under reasonable rules as the collection system is installed or extended.
5. If Celina receives notice from the District, the County or any regulatory agency having jurisdiction that one of its water customers is not in compliance with public health or water quality rules, Celina agrees to terminate water service to that customer, if necessary, to achieve compliance with such rules or notice.
6. Celina acknowledges that a portion of the System is funded through the State Participation Program, resulting in the State having an equity ownership interest in the System. The District's policy is to purchase (buy-back) the State's interest over a reasonable period of time; and, to that end, District requires that any entity contracting for new or additional water service capacity to pay an "Equity Fee" established by District. Accordingly, Celina agrees to pay the applicable "Equity Fee" for System capacity requested by Celina pursuant to this Contract according to the terms established by the District.

Exhibit C

Page 2 of 2

7. Celina acknowledges and agrees that the Project as defined in this Contract will include interim pipeline capacity to deliver water from the system to Celina in this phase of System development. When needed and feasible, District expects to construct direct and permanent pipeline capacity to the Point of Delivery for Celina. In the meantime, Celina, Mustang Water and District will cooperate in the construction and operation of the joint facilities defined herein as the Project.

8. An initial **Point of Delivery** is agreed upon for this Contract. When, and if, the District builds its own transmission facilities to deliver the water from the System directly to Celina, the District agrees to provide for a final Point of Delivery in conjunction with the construction of delivery facilities.

9. In conjunction with the Project defined herein and in conjunction with the permanent delivery facilities to be constructed later, to enable the most effective and safe delivery of water to Celina, it may be necessary for Celina to install certain facilities: (1) a storage tank to receive the water through an air gap, (2) a pump station to allow Celina to deliver the water into its distribution system and (3) facilities to add disinfectant to the water to maintain disinfectant levels required by regulatory agencies. Design and construction of such facilities shall be the responsibility of Celina and shall be subject to approval by District.

10. Celina anticipates that growth of the City will require additional water supply that is beyond the capacity of the Project to be constructed pursuant to the Contract. Celina will provide the District with periodic projections of its requirements at least annually to enable the District to plan permanent facilities to deliver water to Celina. Celina and the District agree to coordinate plans and to give each other sufficient notice to allow the necessary facilities to be planned, financed and constructed. It shall be the sole discretion of the District to determine when an extension from the System to Celina is feasible.

11. Celina agrees to coordinate its water and wastewater needs with the District and to give the District a timely opportunity to meet the City's water supply and wastewater treatment requirements, and to minimize the installation of wells. However, this Contract is not intended to limit the options of Celina to develop, acquire or contract for water supplies from other sources.

12. To help enable efficient operation and use of the System, Celina hereby agrees to use water at a minimum rate as herein specified. For each Water Year during the life of this Contract, Celina agrees to use a minimum daily volume of water from the System equal to twenty percent (20%) of the highest peak demand actually taken from the System in the immediately preceding five (5) Water Years, or the actual volume needed to meet total requirements of Celina's retail water system, whichever amount is least.

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EXHIBIT D: CITY OF CELINA

ENGINEERING REPORT
FOR
UPPER TRINITY REGIONAL WATER DISTRICT
AND
MUSTANG WATER SUPPLY CORPORATION
AND
CITY OF CELINA

JANUARY 11, 2000

Prepared by:
HUNTER ASSOCIATES TEXAS, LTD.
6842 Main Street, Suite 105
Frisco, Texas 75034



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ENGINEERING REPORT
FOR
UPPER TRINITY REGIONAL WATER DISTRICT
AND
MUSTANG WATER SUPPLY CORPORATION
AND
CITY OF CELINA

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INTRODUCTION

As the Collin and Denton County area continues to grow, availability of potable water for the population is of great concern. The Mustang Water Supply Corporation and the City of Celina are currently within the path of growth. Both entities will require an additional water source from the water wells currently in use. The Upper Trinity Regional Water District (UTRWD) can be this new source. This report will provide information and cost estimates for improvements required to provide service to these areas.

EXISTING SYSTEMS

MUSTANG WSC

Mustang WSC currently has 585,000 gallons of total storage capacity of which 300,000 gallons is elevated. The well pumps have a total rated pumping capacity, with the largest pump (240 gpm) out of service, of 675 gpm (972,000 gpd). The Mustang WSC has entered into an agreement with the UTRWD for delivery of 1 MG of water in July, 2000 and an additional 1 MG in July, 2001 to the new FM 720 pump station site. With the addition of the UTRWD water supply the total supply capacity will increase to 1,370 gpm (1,972,000 gpd) in 2000 and 2,065 gpm (2,972,000 gpd) in 2001. The Mustang WSC is currently operated in three pressure planes. The elevated tank and three wells are located in the upper pressure plane and the remaining two wells are located in the middle pressure plane. There are no existing facilities within the lower pressure plane. The pressure planes are separated with pressure reducing valves. This new pump station will be located within the lower pressure plane.

Based upon recent water usage data, the average water use per customer is 425 gallons per day and a peak day usage is approximately 2.5 times the average daily usage. The projected water usage for the Mustang WSC is shown below in Table 1.

TABLE 1
MUSTANG WSC PROJECTED WATER USAGE

YEAR	CUSTOMERS	AVG. USAGE (425 GAL/CUSTOMER) (gallons/day)	PEAK USAGE (2.5Q) (gallons/day)
1999	1291	549,000	1,373,000
2000	1407	598,000	1,495,000
2001	1533	652,000	1,630,000
2002	1671	710,000	1,775,000
2003	1822	774,000	1,935,000
2004	1986	844,000	2,110,000
2005	2164	920,000	2,300,000
2006	2359	1,003,000	2,508,000
2007	2572	1,093,000	2,733,000
2008	2803	1,191,000	2,978,000
2009	3055	1,299,000	3,248,000
2010	3330	1,415,000	3,538,000

The Texas Natural Resource Conservation Commission (TNRCC) has established requirements for water storage capacity and water supply capacity. The TNRCC requires a minimum total storage capacity of 200 gallons per connection and a minimum elevated storage capacity of 100 gallons per connection. The minimum water supply capacity is 0.6 gallons per minute per connection with the largest well out of service. An analysis of the required storage and pumping capacity, based upon TNRCC requirements, is presented in Table 2.

TABLE 2
TNRCC REQUIREMENTS

YEAR	CUSTOMERS	TOTAL STORAGE (gallons)	ELEVATED STORAGE (gallons)	WELL CAPACITY (gallons/day)
1999	1291	258,200	129,100	1,115,000
2000	1407	281,400	140,700	1,216,000
2001	1533	306,600	153,300	1,325,000
2002	1671	334,200	167,100	1,444,000
2003	1822	364,400	182,200	1,574,000
2004	1986	397,200	198,600	1,716,000
2005	2164	432,800	216,400	1,870,000
2006	2359	471,800	235,900	2,038,000
2007	2572	514,400	257,200	2,222,000
2008	2803	560,600	280,300	2,422,000
2009	3055	611,000	305,500	2,640,000
2010	3330	666,000	333,000	2,877,000

With the commitments already in place with the UTRWD, Mustang WSC should have sufficient water supply for the next 8 years, based upon the projected growth rate of the system. With an additional 0.5 MGD commitment, the supply should be adequate for approximately 10 years. Within the next 8 years additional storage will be required, based upon TNRCC requirements. However, it is preferred to have a minimum storage capacity equivalent to one day's usage in the event of a failure of the water supply. Therefore, additional storage capacity would be desired within the next several years.

CITY OF CELINA

The City of Celina currently has 382,000 gallons of total storage capacity of which 50,000 gallons is elevated and 157,000 gallons is in a standpipe. The existing total rated well capacity, with the largest pump out of service, is 460 gpm (662,400 gpd). The City of Celina is currently operated in two pressure planes. Three of the wells, all ground storage and elevated storage are within the lower pressure plans. The upper pressure plane contains one well and the standpipe. A new 500,000 gallon tank should be completed in 2000 and will be located within the upper pressure plane.

Based upon the projected density of 2.81 persons per single family unit and an assumed 130 gallons per person, the projected water usage for the City of Celina is shown below in Table 3. A peaking factor of 3 was utilized for the peak day usage.

TABLE 3
CITY OF CELINA PROJECTED WATER USAGE

YEAR	POPULATION	CUSTOMERS (2.81 persons/connection)	AVG. USAGE (130 gal/person) (gallons/day)	PEAK USAGE (3Q) (gallons/day)
1999	2458	875	320,000	960,000
2000	2666	949	347,000	1,041,000
2001	2893	1,030	376,000	1,128,000
2002	3139	1,117	408,000	1,224,000
2003	3406	1,212	443,000	1,329,000
2004	3695	1,315	480,000	1,440,000
2005	4065	1,447	528,000	1,584,000
2006	4471	1,591	582,000	1,746,000
2007	4918	1,750	640,000	1,920,000
2008	5410	1,925	703,000	2,109,000
2009	5951	2,118	774,000	2,322,000
2010	6546	2,330	851,000	2,553,000

The Texas Natural Resource Conservation Commission (TNRCC) has established requirements for water storage capacity and water supply capacity. The TNRCC requires a minimum total storage capacity of 200 gallons per connection and a minimum elevated storage capacity of 100 gallons per connection. The minimum water supply capacity is 0.6 gallons per minute per connection with the largest well out of service. An analysis of the required storage and pumping capacity, based upon Texas Natural Resource Conservation Commission (TNRCC) requirements is presented in Table 4.

TABLE 4
TNRCC REQUIREMENTS

YEAR	CUSTOMERS	TOTAL STORAGE (gallons)	ELEVATED STORAGE (gallons)	WELL CAPACITY (gallons/day)
1999	875	175,000	87,500	756,000
2000	949	189,800	94,900	820,000
2001	1,030	206,000	103,000	890,000
2002	1,117	223,400	111,700	965,000
2003	1,212	242,400	121,200	1,047,000
2004	1,315	263,000	131,500	1,136,000
2005	1,447	289,400	144,700	1,250,000
2006	1,591	318,200	159,100	1,375,000
2007	1,750	350,000	175,000	1,512,000
2008	1,925	385,000	192,500	1,663,000
2009	2,118	423,600	211,800	1,830,000
2010	2,330	466,000	233,000	2,013,000

The City of Celina needs a new additional water supply, based upon current TNRCC requirements. As with Mustang WSC, the storage capacity, with the new elevated tank, is sufficient for over ten years, based upon TNRCC requirements, but additional storage is preferred sooner. The proposed delivery point for the City of Celina would be located near the intersection of SH 289 and FM 1461 on the south side of the City.

FUTURE WATER SUPPLY

The City of Celina has submitted an application to become a Growth Member of the UTRWD. Approval of this application is important to the future planning of water supply in this area. Mustang WSC has already committed to the UTRWD for water supply. Due to the geographic proximity of the two entities and the availability of water from UTRWD, cooperation is important to the continued growth in the area. The portion of the project to be utilized by Mustang WSC and the UTRWD is designated as Part A and the portion of the project to be utilized by the City of Celina and the UTRWD is designated as Part B.

WATER SUPPLY

As stated earlier, the UTRWD has a commitment to provide Mustang WSC 1 MGD in July, 2000 and an additional 1 MGD in July, 2001. An additional commitment of 0.5 MGD may be required to be delivered at the FM 1385 pump station site. The combination of the existing wells and the water to be supplied by the UTRWD should provide a sufficient supply for Mustang WSC for the next ten years.

The City of Celina is projected to have a deficient water supply by 2003. We recommend an initial agreement with the UTRWD for 1 MGD. This additional 1 MGD and the existing wells should provide a sufficient supply for the City of Celina for the next eight years at which time an additional 1 MGD could be required.

Both of these above scenarios assume that the existing wells will be able to maintain the current pumping capacity for the next ten years and the growth rate does not increase significantly from the projected growth rate. The cost of maintaining the wells may be prohibitive in the future and the need for additional water from UTRWD may be earlier than originally anticipated.

WATER STORAGE

Both systems will be required to have storage facilities to receive the water supplied by the UTRWD. Sizing of these tanks should be based upon future storage needs as well as the quantity of water to be supplied. It is desirable to provide sufficient storage capacity at the receiving point to store one days supply of water. Based upon this, we recommend a total storage capacity of 2 million gallons be provided at the FM 720 pump station site, 500,000 gallons at the FM 1385 site and 1 million gallons at the SH 289/FM 1461 site.

The 2 million gallons of storage capacity at Mustang WSC's FM 720 pump site could be provided by two (2) 1 MG ground storage tanks or one (1) 2 MG ground storage tank. Two (2) storage tanks would allow some flexibility in operations but would require a higher initial capital cost. One (1) storage tank would be less expensive but would not provide the flexibility of two (2) storage tanks. A 0.5 MG tank would be built at the FM 1385 site and a 1 MG tank would be built at Celina's FM 1461 site.

WATER LINES

The water delivered to Mustang WSC's FM 720 pump site would be pumped north along FM 720 (Section I) then east along US 380 (Section II) and then north along FM 1385 to the Country View well site #6 (Section III). From this point Mustang WSC would need to pump the water into the upper pressure planes of the system. The new lines would not be dedicated transmission lines but would be connected to existing and future Mustang WSC distribution lines.

The distribution line installed for Mustang would be utilized as a temporary supply line for Celina until a new transmission line could be constructed from the future UTRWD water plant along US 380. The line for Celina would extend from the line along FM 1385 west along Parvin Rd.(Section IV), CR 5 and Loop 289 (Section V) to Celina's delivery point at SH 289/FM 1461.

It has been assumed that the lines to be installed will be utilized both as distribution lines by Mustang WSC and the City of Celina and temporary supply lines by the UTRWD until the completion of the proposed Water Treatment Plant in the US 380 area. These temporary supply lines will become distribution lines for each entity upon completion of new supply lines from this plant. Sections I, II, III and IV will become a part of Mustang WSC's distribution system and Section V will become a part of Celina's distribution system.

The 24" water line for Section I will have a total capacity of approximately 7 MGD of which Mustang WSC will require 2 MGD (30%) of the capacity and the remaining 5 MGD excess water will be utilized by the UTRWD for purchase by other entities. The 20" water line in Section II will have a total capacity of approximately 4.5 MGD of which UTRWD will require 4 MGD (88%) of the capacity and the remaining 0.5 MGD capacity will be utilized by the Mustang WSC. The 16" water line in Section III will have a total capacity of approximately 4.5 MGD of which UTRWD will require 3 MGD (67%) of the capacity and the remaining 1.5 MGD capacity will be utilized by the Mustang WSC. The UTRWD will require a capacity of 2 MGD (44%) within Sections IV and V with the remaining 2.5 MGD capacity to be reserved for Mustang WSC and Celina.

Additional storage and pumping capacity will be required for the UTRWD at the FM 720 pump station to provide service to other entities. The UTRWD will need 500,000 gallons of storage capacity at the site. The remaining 1.5 million gallons will be utilized by Mustang WSC. The pump station will need to be sized to allow Mustang WSC to pump 2 MGD plus 5 MGD capacity for UTRWD. The full pumping capacity would not be installed initially, but provisions should be incorporated in the design to allow for installation of larger and/or additional pumps for the future. This would represent approximately 35% of the capacity of the pump station. The FM 1385 pump station site would also be shared by UTRWD and Mustang WSC with the UTRWD utilizing 25% of the capacity. The SH 289/FM 1461 pump station would not be utilized by the UTRWD.

COST ESTIMATES

Part A - Section I (FM 720)

24" Water Line (4,500 l.f. @ \$63/l.f.)	\$ 283,500
24" Highway Crossing (450 l.f. @ \$ 280/l.f.)	126,000
24" Butterfly Valves (4 each @ \$15,000 / Each)	<u>60,000</u>
Subtotal Construction	\$ 469,500
Contingencies	46,900
Engineering & Technical	<u>35,700</u>
TOTAL PROJECT COST (SECTION I)	\$ 552,100

Part A - Section II (US 380)

20" Water Line (24,000 l.f. @ \$ 55/l.f.)	\$ 1,320,000
20" Highway Crossing (700 l.f. @ \$260/l.f.)	182,000
20" Waterway Crossing (250 l.f. @ \$65/l.f.)	16,250
20" Butterfly Valves (7 each @ \$10,000/each)	70,000
12" Gate Valves (3 each @ \$1,100/each)	3,300
8" Gate Valve (1 each @ \$900/each)	900
Air/Vacuum Release Valves (7 each @ \$1,800/each)	<u>12,600</u>
Subtotal Construction	\$ 1,605,050
Contingencies	160,550
Engineering & Technical	<u>121,900</u>
TOTAL PROJECT COST (SECTION II)	\$ 1,887,500

Part A - Section III-A (FM 1385)

16" Water Line (12,400 l.f. @ \$ 43/l.f.)	\$ 533,200
16" Highway Crossing (120 l.f. @ \$210/l.f.)	25,200
16" Waterway Crossing (50 l.f. @ \$52/l.f.)	2,600
16" Gate Valves (4 each @ \$8,500/each)	34,000
12" Gate Valves (1 each @ \$1,100/each)	1,100
8" Gate Valve (2 each @ \$900/each)	<u>1,800</u>
Subtotal Construction	\$ 597,900
Contingencies	59,800
Engineering & Technical	<u>46,000</u>
TOTAL PROJECT COST (SECTION III-A)	\$ 703,700

Part A - Section III-B (FM 1385)

16" Water Line (2,600 l.f. @ \$ 43/l.f.)	\$ 111,800
16" Gate Valves (2 each @ \$8,500/each)	<u>17,000</u>
Subtotal Construction	\$ 128,800
Contingencies	12,900
Engineering & Technical	<u>9,900</u>
TOTAL PROJECT COST (SECTION III-B)	\$ 151,600

Part A - Section IV (Parvin Rd.)

16" Water Line (19,000 l.f. @ \$ 43/l.f.)	\$ 817,000
16" Highway Crossing (120 l.f. @ \$210/l.f.)	25,200
16" Waterway Crossing (130 l.f. @ \$52/l.f.)	6,760
16" Gate Valves (3 each @ \$8,500/each)	25,500
12" Gate Valves (2 each @ \$1,100/each)	<u>2,200</u>
Subtotal Construction	\$ 876,660
Contingencies	87,740
Engineering & Technical	<u>67,500</u>
TOTAL PROJECT COST (SECTION IV)	\$ 1,031,900

Part B - Section V (CR 5 / Loop 289)

16" Water Line (17,000 l.f. @ \$ 43/l.f.)	\$ 731,000
16" Railroad Crossing (100 l.f. @ \$210/l.f.)	21,000
16" Highway Crossing (300 l.f. @ \$ 210/l.f.)	63,000
16" Waterway Crossing (80 l.f. @ \$52/l.f.)	4,160
16" Gate Valves (6 each @ \$8,500/each)	51,000
12" Gate Valves (4 each @ \$1,100/each)	<u>4,400</u>
Subtotal Construction	\$ 874,560
Contingencies	87,540
Engineering & Technical	<u>67,300</u>
TOTAL PROJECT COST (SECTION V)	\$ 1,029,400

Part B - Section VI (SH 289)

16" Water Line (16,000 l.f. @ \$ 43/l.f.)	\$ 688,000
16" Highway Crossing (120 l.f. @ \$ 210/l.f.)	25,200
16" Waterway Crossing (200 l.f. @ \$52/l.f.)	10,400
16" Gate Valves (6 each @ \$8,500/each)	51,000
12" Gate Valves (6 each @ \$1,100/each)	<u>6,600</u>

Subtotal Construction	\$ 781,200
Contingencies	78,100
Engineering & Technical	<u>60,200</u>

TOTAL PROJECT COST (SECTION VI) \$ 919,500

Part A - FM 720 Pump Station (SECTION VII)

2 Mg Ground Storage	\$ 710,000
High Service Pump Station	895,000
Disinfection System	180,000
Yard Piping	31,000
Electrical	136,000
Scada System	<u>17,000</u>

Subtotal Construction	\$ 1,969,000
Contingencies	196,900
Engineering & Technical	<u>152,000</u>

TOTAL PROJECT COST (SECTION VII) \$ 2,317,900

Part A - FM 1385 Pump Station (SECTION VIII)

0.5 Mg Ground Storage	\$ 230,000
High Service Pump Station	55,000
Disinfection System	43,000
Yard Piping	4,000
Electrical	12,000
Scada System	<u>15,000</u>

Subtotal Construction	\$ 359,000
Contingencies	35,900
Engineering & Technical	<u>27,600</u>

TOTAL PROJECT COST (SECTION VIII) \$ 422,500

Part B - SH 289/FM 1461 Pump Station (SECTION IX)

1 Mg Ground Storage	\$ 480,000
High Service Pump Station	95,000
Disinfection System	148,000
Yard Piping	6,000
Electrical	18,000
Scada System	<u>15,000</u>
Subtotal Construction Cost	\$ 762,000
Contingency	76,200
Engineering & Technical	<u>58,700</u>
TOTAL PROJECT COST (SECTION IX)	\$ 896,900

Part B - SH 289 South Elevated Tank (SECTION X)

0.5 MG Elevated Storage	\$ 490,000
16" Water Line (5,000 l.f. @ \$ 43/l.f.)	215,000
Yard Piping	4,000
Electrical	2,000
Scada System	<u>10,000</u>
Subtotal Construction Cost	\$ 721,000
Contingency	72,100
Engineering & Technical	<u>55,500</u>
TOTAL PROJECT COST (SECTION X)	\$ 848,600

The following summary outlines the projected cost and the estimated portion of the cost for each entity.

TABLE 5
COST ESTIMATE SUMMARY

PROJECT	TOTAL COST	UTRWD	MUSTANG	CELINA
SECTION I (PART A)	\$552,100	\$386,500	\$165,600	
	100%	70%	30%	
SECTION II (PART A)	\$1,887,500	\$1,661,000	\$226,500	
	100%	88%	12%	
SECTION III-A (PART A)	\$703,700	\$471,500	\$232,200	
	100%	67%	33%	
SECTION III-B (PART A)	\$151,600		\$151,600	
	100%		100%	
SECTION IV (PART A)	\$1,031,900	\$454,000	\$577,900	
	100%	44%	56%	
SECTION V (PART B)	\$1,029,400	\$452,900		\$576,500
	100%	44%		56%
SECTION VII (PART A)	\$2,317,900	\$811,300	\$1,506,600	
	100%	35%	65%	
SECTION VIII (PART A)	\$422,500	\$105,600	\$316,900	
	100%	25%	75%	
TOTAL*	\$8,096,600	\$4,342,800	\$3,177,300	\$576,500
	100%	54%	39%	7%
SECTION VI (PART B)	\$919,500			\$919,500
	100%			100%
SECTION IX (PART B)	\$896,900			\$896,900
	100%			100%
SECTION X (PART B)	\$848,600			\$848,600
	100%			100%
	\$10,761,600	\$4,342,800	\$3,177,300	\$3,241,500

* Total of project without City of Celina internal projects (Sections VI, IX & X)

EXHIBIT E

CITY OF CELINA'S PARTICIPATION IN JOINT PROJECT WITH MUSTANG WATER SUPPLY CORPORATION CONSTRUCTION AND COST OF FACILITIES

1. Hunter report (attached hereto as Exhibit D) and this Contract are based on Mustang Water Supply Corporation ("Mustang Water") being a participant in the proposed joint transmission line (the Project); and, this Contract will not be binding on either party hereto, unless the District and Mustang Water execute an appropriate agreement for such participation.
2. The parties hereto desire to share cost of the Project according to relative benefits which on a preliminary overall basis has been calculated in Exhibit D to be 7% for Celina, 54% for District, and 39% for Mustang Water.
3. The parties agree to make a final determination of each party's respective cost share based on final design of the Project, according to the relative benefit to each party for each major element of the Project, generally in accordance with Exhibit D.
4. Celina and District agree that District will be responsible for preparation of the final design for the Project; District will advertise for bids and will award and oversee the contract(s) for construction; Celina will make available for the Project any appropriate existing rights of way under the control of Celina.
5. Celina agrees to take steps to acquire any additional needed rights-of-way for the Project within its service area (CCN), with assistance from District as requested.
6. The parties agree that the Project may be designed and constructed in phases, according to the needs of the parties.
7. The parties recognize that Celina may conveniently provide much of the field inspection services during construction, and agrees to coordinate with the District concerning the extent of inspection services to be provided by Celina.

8. **Consulting Engineers/Design.** For engineering services related to the Project, District agrees to contract with the Consulting Engineering firm agreed to by Celina and Mustang Water to prepare the final design and contract documents for the Project and to provide construction phase services. District agrees to coordinate the design and location of facilities for the Project with Celina. Before the District advertises for construction bids, District will obtain written concurrence from Celina and Mustang Water.
9. **Determination of Cost Share.** After preparation of final design and prior to construction of the Project, the parties will finalize the respective share of costs for the Project based on relative benefits, following the general concept outlined in Exhibit D hereto. The agreed upon relative cost shares will be then attached hereto as Exhibit F. The final cost to be shared by the parties will include cost of consulting engineers, construction cost, construction inspection and management, and a reasonable share of the overhead cost of the District applicable to the Project. Upon completion of construction, District will prepare a report of total costs and respective shares thereof pursuant to the previously agreed Exhibit F.
10. **Phased Design and Construction.** Certain facilities may not be needed initially by Upper Trinity. Similarly, certain appurtenances and facilities may not be needed initially for Celina. Accordingly, any facilities for the benefit of either party may be constructed on a phased basis when needed, as mutually agreed in writing by the parties.
11. **Project Participation/Construction Cost.** Celina agrees to participate in the Project on a pro rata basis, generally in accordance with Exhibit D, and more specifically in accordance with Exhibit F to be later developed and agreed upon, which Exhibits are incorporated into this Contract for all purposes. The Project shall be designed and constructed by the District. District agrees to design and construct the Project between the points and along the general route and for the nominal capacities and sizes delineated in Exhibit D.

12. **Payment of Construction Cost.** After design of the Project has been completed and after concurrence by Celina and Mustang Water, the District shall take competitive bids for construction. After receipt of bids and before a contract (or contracts) for construction is awarded, the District shall give written notice to Celina concerning the District's recommendation regarding award of contract(s) and of Celina's share of the proposed contract to be awarded. Unless Celina elects the payment option set forth in Section 14, Celina shall deposit with the District, within forty-five (45) days, its pro rata share of the proposed construction cost for the Project plus the cost of special appurtenances, if any, requested by and for Celina. The funds so deposited by Celina for construction shall be placed in an interest bearing construction account by District. The District may withdraw funds from the construction account as required to make progress and final payment according to the construction contract awarded for the Project. The District shall maintain an accounting of all direct expenditures for rights of way and for design and construction of the Project, including engineering and geotechnical services during construction. Upon completion of construction, Celina agrees to pay its share, if any, of contract change orders, direct services during construction, or extra costs required to complete the Project. After payment for change orders, services during construction or extra costs, any surplus funds remaining in the interest bearing account shall be returned to Celina at completion of the contract(s).
13. **Payment Option.** If Celina elects not to deposit its share of the construction cost as provided in Section 13, District will provide funds for construction of the entire Project, and Celina agrees to pay applicable fees and charges for its pro rata share of the Project, generally as described in the Contract for Annual Requirement.
14. **Appurtenances and Facilities for Either Party.** If Celina desires and requests the District to construct improvements or install appurtenances as part of the Project, which improvements or appurtenances are not otherwise needed by District, Celina shall be responsible for the entire cost of such improvements or appurtenances installed for the sole benefit of Celina. Likewise, if the District requests the construction of facilities solely needed for District purposes, then District shall be responsible for the entire costs of such improvements installed for the sole benefit of 647 District.

15. **Operating Responsibility.** On behalf of Celina and District, Celina agrees to operate the Project from Collin County Road 6 (at or near the Denton/Collin County Line) to the Point of Delivery, and to be responsible for normal and routine maintenance according to the standards of Celina's own water transmission and distribution system. Celina will maintain records of the actual cost of such maintenance and will send periodic reports of cost to District for reimbursement of cost in proportion to respective share of the Project according to Exhibit F. If, in the opinion of Celina, extraordinary maintenance such as pipeline replacement exceeding one hundred (100) feet of pipeline is required, Celina shall give written notice of such needed replacement to District, and District and Celina shall mutually determine which party shall take appropriate steps to accomplish such extraordinary maintenance.
16. **Coordinating Procedure.** Prior to completion of construction of the Project, District and Celina shall develop a mutually satisfactory written procedure for coordinating the operation and maintenance of the Project, and for each party to notify the other party of any activities which may affect the operations of the other party's system. The parties agree to review said procedures for coordination and operation from time to time and to make appropriate revisions to the written procedures; and, in particular, if District initiates service from the Project to a Customer other than Celina, the parties agree to make timely changes to the written procedures.
17. **Early Payment.** Celina, without penalty, may pay or prepay the entire remaining balance, or any portion thereof, (in five thousand dollar increments) of its share of capital cost participation in the Project at any time. The amount of such early payment will be equal to the unpaid balance (the unpaid principal), or portion thereof, including any deferred amounts.
18. **Repurchase of District's Share of Project.** For specified segments of the Project as outlined below and in Exhibit D, Celina shall purchase the District's share, in whole or in part, if Celina uses District capacity or if District at any future time, gives notice that its share of that segment is no longer needed for District purposes. The District expressly has the right to reserve capacity to serve other Customers of the District.

(a) For facilities between Collin County Road 6, and the authorized Point of Delivery, including the facilities at the Point of Delivery, Celina agrees to purchase any portion of the District's share that it uses as defined in Exhibit F, and shall purchase any portion of the District's share of the Project in said interval not used or reserved by the District when the District provides alternative transmission facilities, either upon completion of such alternative transmission facilities, or ten (10) years from effective date of this Amendment, whichever date occurs later.

(b) Notwithstanding the provisions of Paragraph (a) immediately preceding, Celina agrees to purchase the District's share according to the schedule attached hereto as Exhibit G, unless the parties otherwise agree in writing to an alternative schedule based on actual usage.

(c) The price to be paid by Celina to District to purchase any portion of the District's share of the Project under this Section shall be equal to the original cost thereof for the District's share, less accumulated depreciation expense. Depreciation expense will be computed on a straight-line basis over a period not to exceed thirty (30) years for the District's share of pipelines and storage facilities, and shall not exceed fifteen (15) years for pumping facilities.

19. Celina Distribution System. Celina may, if so desired, request the District to issue "Special Facilities Bonds" as set forth in Section 1.02.27 of this Contract to construct for Celina certain facilities north of the approximate location of Point of Delivery at SH 289, for pipeline, pumping or storage facilities to provide capital improvements for Celina's retail distribution.

UPPER TRINITY REGIONAL WATER DISTRICT
CITY OF CELINA
AMENDMENT TO
PARTICIPATING MEMBER CONTRACT

THE STATE OF TEXAS §
 §
COUNTY OF DENTON §

This **AGREEMENT** ("Amendment") is made and entered into as of the 22 day of September 2003 ("Effective Date"), by and between **UPPER TRINITY REGIONAL WATER DISTRICT**, (the "District") and **CITY OF CELINA** ("Celina") to amend the Participating Member Contract dated February 14, 2000, (the "Contract"), which provides for Celina to participate in the District's Regional Treated Water System (the "System").

WHEREAS, Celina is a municipality, a duly incorporated political subdivision of the State of Texas operating under the Constitution and law of the State of Texas that provides retail utility service to customers in its service area; and

WHEREAS, the District has entered into participating contracts with certain Members and Customers located generally north and east of Lewisville Lake, including Celina, (herein "Northeast Participants") to provide wholesale water service; and

WHEREAS, some Northeast Participants are expected to have continued growth into the long-term future, thus creating greater demands for treated water north and east of Lewisville Lake; and

WHEREAS, in preparation for said growth, the District is proceeding with the design and construction of a new water treatment plant to be located in northeastern Denton County on Fishtrap Road east of FM 2931 (the "Tom Harpool Water Treatment Plant"), which plant will be a part of the System and will help assure an adequate supply of treated water for all District Members and Customers, particularly the Northeast Participants; and

WHEREAS, pursuant to the terms of the Contract, Celina has provided timely notification to the District regarding its estimated subscribed capacity needs in the System over the next several years; and

WHEREAS, currently the System has limited capacity to deliver water to Celina and other Northeast Participants until the Tom Harpool Water Treatment Plant is constructed and operational; and

WHEREAS, due to limited System deliverability and to ensure efficient operation, Celina hereby agrees with certain provisions relating to usage, demand management, and curtailment outlined in this Amendment; and

WHEREAS, Celina has requested to increase its Minimum Demand as provided in the Revised Exhibit B, which is attached hereto and incorporated herein; and

WHEREAS, the capacities listed in the Revised Exhibit B of this Amendment shall be made available to and subscribed by Celina in phases.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the District and Celina agree as hereinafter set forth to wit:

Section 1. Adoption of Preamble. All of the matters stated in the preamble of this Amendment are true and correct and are hereby incorporated into the body of the Amendment as though fully set forth in their entirety herein.

Section 2. Demand. The "Revised Exhibit B" attached hereto is hereby adopted. The District and Celina agree that for Celina, said "Revised Exhibit B" in all respects shall supercede and be substituted for the Exhibit B in the Contract.

Section 3. Payment of Fees.

(a) Original Subscription (1.0 MGD) - 2000

Celina currently is paying the required Equity Fee (maturity July 15, 2005) and has paid the Facilities Charges associated with its original 1.0 MGD subscription.

(b) Additional 0.5 MGD during Interim Period - 2003

Celina agrees to pay the Equity Fee required by the Contract for the additional 0.5 MGD provided in Revised Exhibit B hereof for the Interim Period. Within sixty (60) days after the Effective Date of this Amendment, Celina shall pay the Equity Fee for said 0.5 MGD which fee is \$76,718.50. Celina has the option to pay the required Equity Fee in a lump sum or to pay said fee over a sixty (60) month period with interest of an annual rate of 5.985%. Celina agrees to begin paying the Facilities Charge (\$1,875.00 per month) for the additional 0.5 MGD thirty (30) days after the Effective Date of this Amendment, which Facilities Charge shall continue for twelve consecutive months or until Celina begins taking water from the System, whichever occurs first.

(c) Deferred Demand Charge

When water is made available at Celina's Point of Delivery, as established in the Revised Exhibit A attached hereto and incorporated herein, Celina will be responsible for Demand Charges based on its subscribed capacity during the Interim Period. However, recognizing the District's limited System capacity during the Interim Period, the District hereby agrees to defer the charges for 0.25 MGD of Celina's Demand for the Interim Period until July 1, 2005.

(d) Additional 1.0 MGD when Tom Harpool Water Treatment Plant is Operational - 2003

After the District has provided notice that the System is capable of delivering the remaining 1.0 MGD of subscribed capacity from the Tom Harpool Water Treatment Plant to Celina's Point of Delivery, Celina agrees to pay the Equity Fee of \$153,437.00, the Facility Charge of \$45,000.00 and the total Demand Charge based on its total Minimal Demand. The parties agree that the Demand Charge and Equity Fee shall be due and payable by July 1, 2006. However, if the Tom Harpool Water Treatment Plant is operational before said date and if Celina requests to use additional capacity above the interim 1.5 MGD prior to July 1, 2006, then Celina agrees to pay the Demand Charge and Equity Fee within sixty (60) days of the earlier date of requested use. Celina has the option to pay the required Equity Fee, when due, in a lump sum or to pay said fee over a sixty (60) month period, with interest at an annual rate of 5.985%. The Facilities Charge shall be paid in monthly payments beginning July 1, 2005 and ending twelve months later or when payment of the associated Demand Charge begins, whichever occurs first.

Section 4. Greenbelt/Watershed Protection. To help protect the quality of the District's water supply in Lewisville Lake, Celina agrees to cooperate with the District in arranging for suitable and appropriate natural riparian lands within its boundaries to be set-aside as greenbelts. To the extent feasible, said greenbelts shall be dedicated in perpetuity and shall be under the control of and administered by Celina, an alternative public agency or a local homeowners association. Such greenbelts shall be left largely in their natural state, but may be used for multiple purposes such as buffer zones, hiking or jogging trails, wetlands, stormwater retention and playgrounds. Further, Celina agrees to work with District in a mutually beneficial manner to promote and develop water impoundments for aesthetic, water quality and water supply reuse purposes according to a master plan for a "chain of lakes" concept, if such plan is adopted by the District.

Section 5. Demand Management Plan. As a condition of the Contract, as amended, Celina hereby agrees to cooperate with the District in its development of provisions relating to water restrictions and curtailments in order to receive its Minimum Demand until the Tom Harpool Water Treatment Plant is operational. Due to limited System deliverability during the Interim Period, there is a need to develop a demand management plan in order for the District to be able to deliver the Minimum Demand specified in the Revised Exhibit B for Celina and other Northeast Participants. The demand management plan will be developed by the District to enable Celina and other Members and Customers to meet the basic needs of their respective systems without creating simultaneous peak water demands or placing an undo stress on the existing System. The plan will apply to applicable Northeast Participants, including Celina, and will include provisions relating to (i) the establishment of alternating days for outside watering; (ii) factors to determine when the District shall curtail water to the Customers and Members; and (iii) the requirement that each Customer and Member will enforce its established water conservation and drought management plan. Any curtailment pursuant to this paragraph will be on a pro-rata basis among the affected entities. District shall coordinate with Celina and other affected participants during development of said plan, allowing participants to provide comments concerning the proposed plan; however, the District shall make the final determination of any necessary measures to maintain operational integrity of the System.

Section 6. It is mutually agreed that the water pipeline to serve Celina will be oversized to meet Celina's future water needs. Accordingly, in order to help maintain freshness and quality of water in the pipeline and to meet certain water quality requirements of the State during the Interim Period, beginning October 1, 2004, Celina agrees to take or pay for a minimum of 0.125 MGD or the actual volume needed to meet total daily requirements of Celina's retail water system, whichever amount is least. Beginning July 1, 2006, Celina agrees to take or pay for a minimum of 0.25 MGD or the actual volume needed to meet total daily requirements of Celina's retail water system, whichever is least. In each of the first five years after the date of this Amendment, the District agrees to provide Celina a 50% discount on the Volume Charge for water it takes daily during the winter months (October through March) above 0.125 MGD, but less than 0.25 MGD, for the Interim Period. Beginning July 1, 2006 until the end of said 5-year period, the District also agrees to provide Celina a 50% discount on the Volume Charge for water it takes daily during said winter months above 0.25 MGD, but less than 0.5 MGD.

Section 7. Point of Delivery. The agreed Point of Delivery, as illustrated by the attached Revised Exhibit A is hereby adopted; and, in all respects said Revised Exhibit A shall supercede and be substituted for the "Exhibit A" incorporated into the Contract.

Section 8. Contract Provisions. All other provisions of the Contract, as amended, shall continue in full force and effect.

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

UPPER TRINITY REGIONAL WATER DISTRICT

By: 


Oscar Burchard, President, Board of Directors

ATTEST:


Martha Mason, Secretary, Board of Directors

(DISTRICT SEAL)

APPROVED AS TO FORM AND LEGALITY:


John F. Boyle, Jr., Counsel for the District

CITY OF CELINA

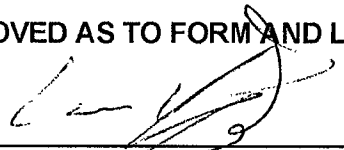
By: 

Bud Phillips, Mayor Pro Tem

ATTEST:


Vicki Faulkner, City Secretary

APPROVED AS TO FORM AND LEGALITY:


Lance Vanzant, General Counsel

REVISED EXHIBIT A

**CITY OF CELINA
POINT OF DELIVERY**

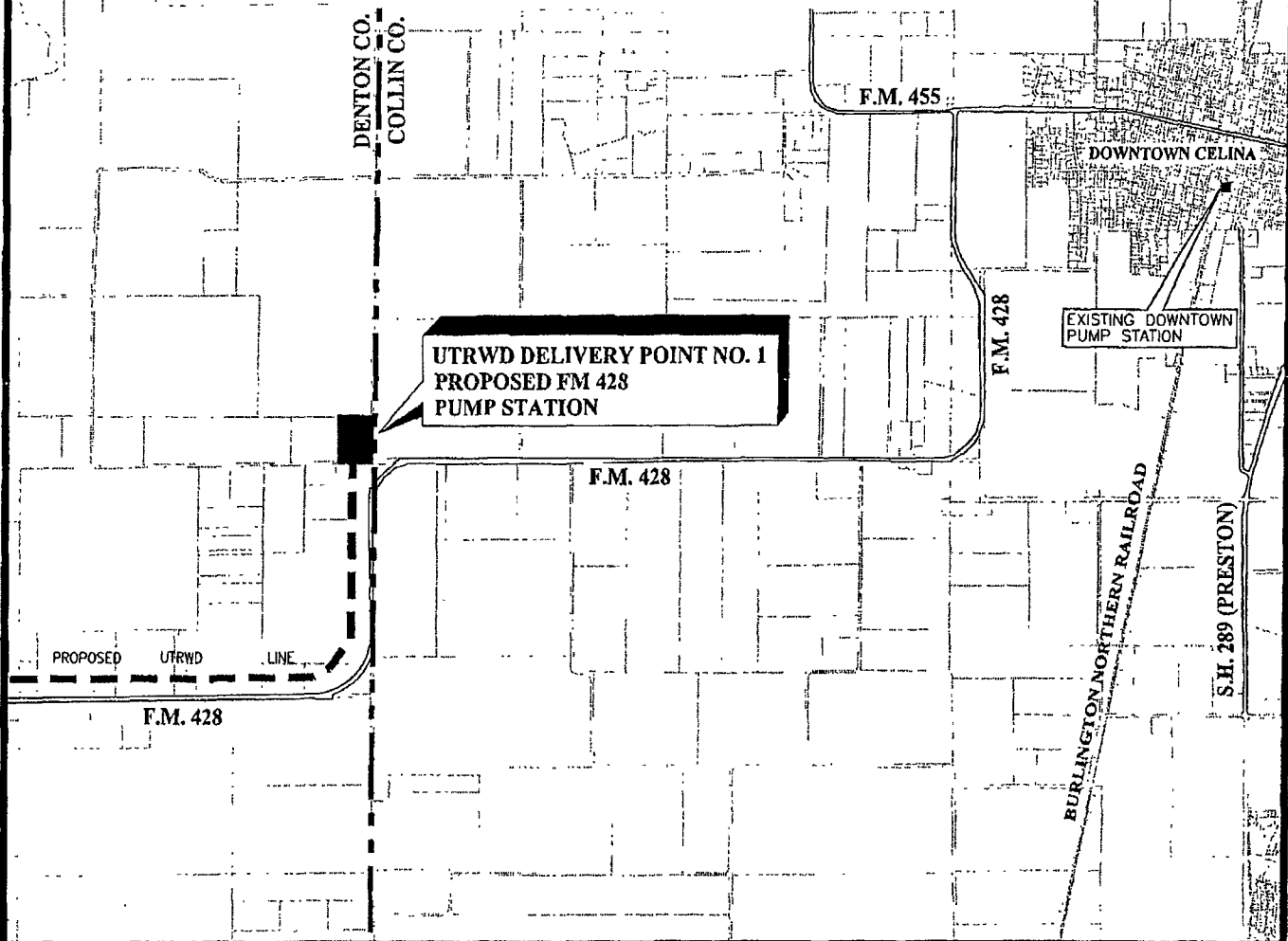
The provisions of this Revised Exhibit A form a part of the Contract and are applicable to the District and to the City of Celina (Celina) as if set forth in its entirety in the body of the Contract.

NOTE

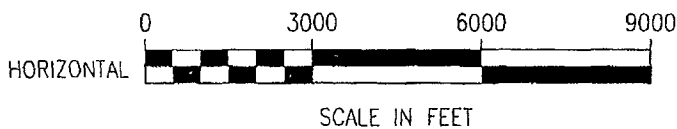
Upon mutual agreement of the District and Celina, an updated Exhibit A may be substituted for this Exhibit A.

REVISED EXHIBIT A

City of Celina Point of Delivery



Page 2 of 2



CITY OF CELINA, TEXAS	
UPPER TRINITY REGIONAL WATER DISTRICT	
DELIVERY POINT NO. 1	
BIRKHOFF, HENDRICKS & CONWAY, L.L.P. CONSULTING ENGINEERS	OCT., 2003

H:\Projects\Celina\4075\104\Delivery Point 1 Exhibit.dwg (Layout2) ctb file: 11x17

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REVISED EXHIBIT B

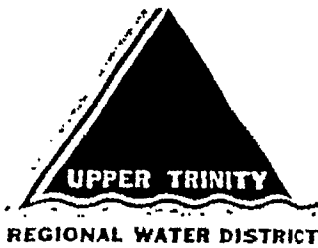
MINIMUM AMOUNT OF SYSTEM CAPACITY (DEMAND) BEING COMMITTED FOR CITY OF CELINA IN ACCORDANCE WITH SECTION 4.04 OF CONTRACT

The provisions of this Revised Exhibit B form a part of the Contract and are applicable to the District and to City of Celina (Celina) as if set forth in its entirety in the body of the Contract.

	<u>Minimum Demand</u>
During Interim Period*	1.5 MGD
After Interim Period	2.5 MGD

*Due to limited System deliverability, an "Interim Period" shall apply until the proposed Tom Harpool Treated Water Plant, and the associated pipelines and pumping facilities, have been constructed and are operational. For purposes of Section 4.04 of the Contract, Celina's Minimum Demand during said Interim Period shall be 1.5 MGD until such time as the District has notified Celina that it is capable of providing the full capacity of 2.5 MGD to Celina's Point of Delivery at Celina Road and F.M. 428 as depicted in the Revised Exhibit A.

System Limitations: Capacity in the System is constrained by limited pipeline capacity to deliver water to Celina and other Northeast Participants. District is proceeding expeditiously with plans to construct the Tom Harpool Water Treatment Plant on Fishtrap Road east of F.M. 2931. The Minimum Demand provided for in this Revised Exhibit B represents specific capacity in the System for Celina, an amount that is expected to be needed in phases over the next three-to-five-year period. Recognizing Celina's pace of growth, District will not be able to meet the full amount of Demand subscribed by Celina until the proposed Tom Harpool Water Treatment Plant is completed. However, the District will use its best efforts to make certain System improvements to enable the District to provide up to 1.5 MGD for an Interim Period. While District will endeavor to meet the full amount of Celina's requirements during the Interim Period, District has the obligation to curtail delivery of water to Celina if necessary to maintain System integrity. If District in its sole discretion determines it necessary to curtail delivery of water according to the District's demand management plan, it will do so on a pro rata basis among the affected entities. For such time that delivery of water is so curtailed by District, the charges for Demand shall be pro rated accordingly.



FAX TRANSMITTAL SHEET

Mail - P. O. Drawer 305 • Lewisville, TX 75067
Shipping - 900 N. Kealy Ave. • Lewisville, TX 75057

(972) 219-1228 • Fax: (972) 219-7521

FROM

Randy Stalnaker
Manager of Contract Services

DATE: 9-14-04 TIME: _____

TO: Scott Albert

FAX # 1 (972) 382-3736

NUMBER SHEETS (Including Cover Sheet): 3

DESCRIPTION: Info on Water Cost for Budget

This Transmission is submitted:

- ☐ For Your File
- ☐ For Your Action
- ☐ For Your Review
- ☐ For Your Approval
- ☒ Per Your Request
- ☐ For Your Information

COMMENTS: There are no demand charges associated
with the flat rate. All alternatives
assume use of minimum take or pay
amounts (1 month @ 250K gpd and
3 months @ 300K gpd)

658

CELINA ALTERNATIVES (Equity fees and Facilities Charges are same for all alternatives)

① FLAT RATE (No Demand Charge)

\$2.50/thousand gallons

- 9 months @ 250K gpd take or pay
273 days x \$625/day \$170,625
 - 3 months @ 300K gpd take or pay
92 days x \$750/day \$69,000
- \$239,625

② NEW, FULL RATE (effective 10-1-04)

DEMAND

$$\$225,000 \times 1.25 \times .75 = \$210,937.50$$

$$\$225,000 \times 1.5 \times .25 = 84,375$$

$$\underline{295,312.50}$$

VOLUME

$$250K \text{ gpd} \times 182 \text{ days} \times 57¢ = \$25,935$$

(winter)

$$250K \text{ gpd} \times 91 \text{ days} \times 86¢ = \$19,565$$

(summer)

$$300K \text{ gpd} \times 92 \text{ days} \times 86¢ = \$23,736$$

(summer)

$$\underline{\$69,236}$$

$$\text{TOTAL } \$364,548.50$$

③ OLD RATES

$$\text{DEMAND } \$190,000 \times 1.25 \times .75 = \$178,125$$

$$\$190,000 \times 1.5 \times .25 = \$71,250$$

VOLUME

$$\underline{\$249,375}$$

$$250K \text{ gpd} \times 273 \times 80¢ = \$54,600$$

$$300K \text{ gpd} \times 92 \times 80¢ = \$22,080$$

TOTAL VOLUME Charge \$76,680

TOTAL CHARGES \$326,055

**FAX TRANSMITTAL SHEET**

Mail - P. O. Drawer 305 • Lewisville, TX 75067
Shipping - 900 N. Kealy Ave. • Lewisville, TX 75057

(972) 219-1228 • Fax: (972) 219-7521

FROM

Randy Stalnaker
Manager of Contract Services

DATE:

9-10-04

TIME:

TO:

Scott Albert

FAX #

1 (972) 382-3736

NUMBER SHEETS (Including Cover Sheet):

2

DESCRIPTION:

Info on rate alternatives

This Transmission is submitted:

- ☐ For Your File
- ☐ For Your Action
- ☐ For Your Review
- ☐ For Your Approval
- ☐ Per Your Request
- ☒ For Your Information

COMMENTS:

Examples using the 3 alternatives
available to Celina

661

EXAMPLES FOR CELINA

- ① Flat Rate (\$2.50/thousand gallons)
with 20% minimum take or pay

$$1.5 \text{ MGD} \times 20\% = 300 \text{ K GPD} = \$750/\text{day or} \\ \$273,750/\text{year}$$

$$\text{With .25 MGD deferral: } 1.25 \text{ MGD} \times 20\% = 250 \text{ K GPD} \\ = \$625/\text{day or } \$228,125/\text{year}$$

- ② New, full rate effective 10-1-04
Demand Charge \$225,000 / MGD / yr.
Volume Charge - Winter 57¢ / thousand gallons
- Summer 86¢ / thousand gallons

$$\text{Demand: } 1.25 \text{ MGD} \times \$225,000 \div 365 = \$770.55/\text{day} \\ \text{Volume (Winter) } 300 \text{ K gal} \times 57¢ = \$171/\text{day TOTAL } \$941.55/\text{day} \\ \text{(Summer) } 300 \text{ K gal} \times 86¢ = \$258/\text{day TOTAL } \$1028.55/\text{day}$$

- ③ Alternative - Old Rates
Demand \$190,000 / MGD
Volume 80¢ / thousand gallons

$$\text{Demand: } 1.25 \text{ MGD} \times \$190,000 \div 365 = \$650.68/\text{day} \\ \text{Volume (Summer) } 300 \text{ K gal} \times 80¢ = \$657.53/\text{day} \\ \text{TOTAL } \$1,308.21/\text{day}$$



Equity Fee & Facilities Charge Cost Summary City of Celina

Initial Subscription (1.0 MGD)

Equity Fee -- \$132,544 per MGD; started June 7, 2000

Monthly payment of \$2,561.52 ^{x 10 mos} ending July 15, 2005 = 25,615.20

Facilities Charge

Paid in Full

Interim Period Subscription (0.5MGD – September 2003)

Equity Fee -- \$153,437 per MGD

A total of \$76,718.50; monthly payments of \$1,482.65 (includes interest at 5.985%) began November 15, 2003 and ends October 15, 2008, or when paid in full.
x 12 = 17,791.80

Facilities Charge -- \$45,000 per MGD

A total of \$22,500; monthly payment of \$1,875; begins October 2003 and ends September 2004.

Tom Harpool Subscription (1.0 MGD – September 2003)

Equity Fee -- \$153,437 per MGD

A total of \$153,437; monthly payment of \$2,965.30 (includes interest at 5.985%) begins July 1, 2006, or sooner, and ends 60 months later, or when paid in full. (Please see note below)

Facilities Charge -- \$45,000 per MGD

A total of \$45,000; monthly payment of \$3,750 beginning July 1, 2005, and will end twelve months later or when payment of the associated Demand Charges begins, whichever occurs first.
x 3 = 11,250.00

** Please note, the Equity Fee will come due on the Tom Harpool Subscription (1.0 MGD) beginning July 1, 2006 **OR** if Celina requests to use additional capacity above the interim 1.5 MGD from the Tom Harpool Water Treatment Plant after it becomes operational, whichever is sooner.

Scott Albert

From: "Randy Stalnaker" <rstalnak@utrwd.com>
To: <salbert@ci.celina.tx.us>
Sent: Wednesday, August 25, 2004 3:26 PM
Subject: Transitional Water Rates

Hi Scott -

Here's the relevant part of the draft item on new rates to be adopted by the Board at its meeting on the second. I would appreciate your feedback when you get the chance (that is, if you think Celina would like to take advantage of either option for Transitional Rates).

SECTION X. That the Board of Directors does hereby adopt the following Transitional Rates for those participating members who have taken treated water from the District for less than one year. Transitional Rates are available to the affected participating members for Fiscal Year 2004-5 only.

Option 1

Flat Rate Volume Charge: \$2.50 per 1,000 gallons of water delivered and metered.

Option 2

Member Volume Charge: \$0.80 per 1,000 gallons of water delivered and metered.

Demand Charge: \$190,000 per year, per million gallons per day (MGD) of contracted demand, billed on a monthly basis.

Each participating customer paying the Transitional Rates may choose either option but shall take or pay at their chosen rate for a minimum daily volume of water from the system equal to twenty percent (20%) of their subscribed amount.

Some relevant provisions of Celina's contract include:

Current subscription 1.5 MGD (.25 deferred until 7-1-05)

Minimum volume 0.125 MGD effective 10-1-04

Minimum volume 0.25 MGD effective 7-1-06

50% discount on volume charge during winter months

I've worked up a few numbers as examples to help with an analysis if you'd like to have them.

Thanks - I'm looking forward to hearing from you.
Randy Stalnaker

110,300.54

111,000
702

100,000
917,500.00

431,524



Equity Fee & Facilities Charge Cost Summary City of Celina

Initial Subscription (1.0 MGD)

Equity Fee - - \$132,544 per MGD; started June 7, 2000

Monthly payment of \$2,561.52 ending July 15, 2005

Facilities Charge

Paid in Full

Interim Period Subscription (0.5MGD – September 2003)

Equity Fee - - \$153,437 per MGD

A total of \$76,718.50; monthly payments of \$1,482.65 (includes interest at 5.985%) began November 15, 2003 and ends October 15, 2008, or when paid in full.

Facilities Charge - - \$45,000 per MGD

A total of \$22,500; monthly payment of \$1,875; begins October 2003 and ends September 2004.

Tom Harpool Subscription (1.0 MGD – September 2003)

Equity Fee - - \$153,437 per MGD

A total of \$153,437; monthly payment of \$2,965.30 (includes interest at 5.985%) begins July 1, 2006, or sooner, and ends 60 months later, or when paid in full. (Please see note below)

Facilities Charge - - \$45,000 per MGD

A total of \$45,000; monthly payment of \$3,750 beginning July 1, 2005, and will end twelve months later or when payment of the associated Demand Charges begins, whichever occurs first.

** Please note, the Equity Fee will come due on the Tom Harpool Subscription (1.0 MGD) beginning July 1, 2006 **OR** if Celina requests to use additional capacity above the interim 1.5 MGD from the Tom Harpool Water Treatment Plant after it becomes operational, whichever is sooner.



June 9, 2017

Mr. Rick Chaffin, City Manager
City of Celina
142 North Ohio Street
Celina, TX 75009

Re: FY 2018 Preliminary Fees and Charges

Dear Mr. Chaffin:

Each year, the District provides a preliminary estimate of fees and charges for the upcoming fiscal year. The attached schedule reflects our current outlook for the fiscal year beginning October 1, 2017.

These estimates are very preliminary, but are considered adequate for budgeting purposes. In addition, we recommend that you update your expected usage and demand to account for total costs. While the District develops its budget over the next few months, we will be refining proposed rates and charges. If the rates / charges differ significantly from these preliminary estimates, you will be notified as soon as possible.

As you prepare your budget, we will be pleased to provide any additional information you may need. If you have any questions, please call Bill Greenleaf, Director of Business Services, or Kim Probasco, Budget and Financial Planning Manager, at (972) 219-1228.

Sincerely,

A handwritten signature in black ink that reads "Thomas E. Taylor".

Thomas E. Taylor
Executive Director

TET/WAG/kp

Enclosure: FY 2018 Preliminary Fees and Charges

C: Lance Vanzant, UTRWD Board Member

CITY OF CELINA
ESTIMATED FEES AND CHARGES
Fiscal Year 2018
June 9, 2017

ADMINISTRATION AND PLANNING FEES

		<u>Population Estimate</u>		
Minimum Fee	\$500	10,310		
Population up to 5,000	\$0.422 per capita	5,000	= \$	2,110
Population 5,001 to 25,000	\$0.237 per capita	5,310	=	1,260
Population over 25,000	\$0.093 per capita			
		<u>10,310</u>	\$	<u>3,370</u>

REGIONAL TREATED WATER SYSTEM

VOLUME CHARGE: Recovers variable O&M costs and is billed for actual metered flow.

Member Rate **\$1.11 / 1,000 gallons**

Note: Minimum Daily Volume: 0.45 mgd

DEMAND CHARGE: Recovers fixed costs of the system (billed monthly).

	<u>Annual</u> or <u>Monthly</u>	
\$428,200 / mgd / year x 2.50 mgd (current Demand)	= \$ 1,070,500	\$ 89,208
	<u>Total</u>	<u>\$ 1,070,500</u> <u>\$ 89,208</u>

NORTHEAST REGIONAL WATER RECLAMATION SYSTEM - DOE BRANCH PLANT

VOLUME CHARGE: Recovers variable O&M costs and is billed for actual metered flow.

Treatment **\$1.25 / 1,000 gallons**

FIXED O&M CHARGE: Recovers certain fixed costs on the system (billed monthly).

	<u>Annual</u> or <u>Monthly</u>	
\$521,350 / mgd / year x 0.665 mgd (current Subscription)	= \$ 346,700	\$ 28,892

CAPITAL CHARGES:	<u>Annual</u>	<u>Monthly</u>
Individual Facilities: \$791,255 / ANNUALLY ¹	= \$ 791,255	\$ 65,938
(DEBT SERVICE) Individual Facilities: \$347,505 / ANNUALLY ²	= 347,505	28,959
	<u>Total</u>	<u>\$ 1,138,760</u> <u>\$ 94,897</u>

During the year, any maintenance or replacement costs for individual facilities, such as pumps or pipelines, will be in addition to the rates and charges above.

¹ Celina's portion (principal and interest) of the 2014 Doe Branch Bonds (based on their initial 0.60 mgd of capacity) for the construction of the Doe Branch Plant.

² Annual payment for Celina's share of the Doe Branch Trunk Line, Phase 2.

**UPPER TRINITY REGIONAL WATER DISTRICT
NORTHEAST REGIONAL WATER RECLAMATION SYSTEM
CITY OF CELINA
PARTICIPATING MEMBER CONTRACT**

**THE STATE OF TEXAS §
 §
COUNTY OF DENTON §**

This **REGIONAL WASTEWATER TREATMENT SERVICES CONTRACT** (the "Contract") made and entered into as of the 7th day of December, 2006 (the "Contract Date"), by and among **UPPER TRINITY REGIONAL WATER DISTRICT**, (the "District"), a conservation and reclamation district created pursuant to Article XVI, Section 59 of the Constitution of the State of Texas, and the **CITY OF CELINA, TEXAS**, a Texas Municipality (referred to herein as "Celina", "Participating Member" or "Member").

WITNESSETH

WHEREAS, Celina is a general law municipality and a duly incorporated political subdivision of the State of Texas operating under the Constitution and laws of the State of Texas; and

WHEREAS, the District's enabling statute (the "Act" as herein defined) requires that a Member of the District be a governmental entity that provides retail utility service; and

WHEREAS, Celina currently holds a Certificate of Convenience and Necessity ("CCN") issued by the Texas Commission on Environmental Quality ("TCEQ") to provide wastewater services within and without its existing corporate limits; and, Celina does provide wastewater collection services to retail customers within its service area; and

WHEREAS, Celina is a Member of the District, specifically a Participation Member in the Regional Treated Water System, pursuant to a contract dated February 14, 2000; and

WHEREAS, the District, in cooperation with Participating Members and other entities, has constructed and operates the Northeast Regional Water Reclamation System in northeast Denton County that includes the Riverbend Water Reclamation Plant, the Peninsula Water Reclamation Plant, proposed Doe Branch Water Reclamation Plant, associated outfall facilities, trunk mains, joint trunk mains for combined use, sludge handling facilities, effluent discharge and metering facilities; and

WHEREAS, the District completed a study described in a report entitled “Technical Report, Doe Branch Basin Wastewater Service, Planning for Celina Area”, prepared by Alan Plummer Associates, Inc. and dated July 8, 2005, which report (the “Engineering Report”) outlines steps for the District and Celina to take for the District to provide wastewater treatment service for Celina; and

WHEREAS, Celina completed a comprehensive study described in a report entitled “2003 Wastewater Collection System Master Plan Report”, prepared by Birkhoff, Hendricks & Conway, L.L.P. and dated August 2003 (the “Master Plan”); and

WHEREAS, the District filed an application with, and received from, TCEQ a discharge permit for a wastewater treatment plant (“Doe Branch Plant”) to be located just south of U.S. 380 and west of FM 1385; and

WHEREAS, the location of the proposed Doe Branch Plant is advantageous, enabling the District to accept Wastewater by gravity flow from Celina and other entities in the Doe Branch drainage basin; and

WHEREAS, Celina and District agree that it is in the mutual interest of both parties for District to own and operate the Doe Branch Plant as a regional water reclamation facility in accordance with the concept outlined in the Engineering Report and the Master Plan; and

WHEREAS, the District and Celina agree that it is advisable for the District to be able to provide wastewater treatment service on a flexible basis to Celina, initially using temporarily excess capacity at the existing Riverbend Water Reclamation Plant and later at a new Doe Branch Water Reclamation Plant, as determined by the District and this Contract; and

WHEREAS, Celina desires to become a “Participating Member” in the Northeast Regional Water Reclamation System as defined in the Contract, with specific participation in the Riverbend and Doe Branch Plants; and

WHEREAS, Celina desires to enter into a contract with the District to participate in the System for wholesale wastewater treatment services for Wastewater collected by the City of Celina in its service area within and without its corporate boundaries; and

WHEREAS, this initial participation by Celina in the System is for Wastewater collected primarily within the drainage basin of Doe Branch Creek, but, at Celina’s option, may include Wastewater from other drainage basins; and

WHEREAS, if Celina determines to transport Wastewater from basins other than Doe Branch to the System for treatment, Celina will coordinate with, and give timely written notice to, District to enable it to plan for adequate capacity for System facilities; and

WHEREAS, for that portion of Celina's service area located within the drainage basin for Little Elm Creek being served by the Riverbend Plant, Celina and District plan to amend this Contract to provide for additional service to Celina in the future; and

WHEREAS, the District and Celina are authorized to enter into this Contract pursuant to the Act and Chapter 791 of the Texas Government Code (the "Interlocal Cooperation Act"), and other applicable laws; and

WHEREAS, Celina acknowledges that the District may enter into similar contracts as this Contract with Additional Participating Members and other Customers; and

WHEREAS, Celina hereto acknowledges that the District may seek funding for a portion of the cost of the System from the State of Texas through the "State Participation Program", administered by the Texas Water Development Board (TWDB); and if State Participation funds are so provided, the District will be obligated to repurchase said portion in future years from the State; and

WHEREAS, Celina and others have requested the District to provide Wastewater service in the Doe Branch Basin, which service may require construction of the Doe Branch Plant and related facilities, pipeline, metering facilities and associated improvements in accordance with the discharge permit and as generally described in the Engineering Report, as amended - - with an expected initial treatment capacity for Wastewater up to 1.225 MGD; which Doe Branch Plant including the Doe Branch trunk main to the Point of Entry and other related facilities and improvements are herein defined as "Project"; all of which is a part of the System; and

WHEREAS, Celina will own and operate its wastewater collection system for delivery of its Wastewater to the Point of Entry; and

WHEREAS, the parties agree that if the District provides services of the Project or System to future parties who use and benefit from certain facilities of the Project or System previously funded in whole or part by Celina and other Customers pursuant to this Contract, the District will require such benefiting party to pay an appropriate share of such prior costs thereof, and the applicable portion of such funds received by District from any such future benefiting party will be reimbursed on a pro rata basis to participants who provided funds for said prior costs; and

WHEREAS, To avoid any adverse effect on the tax exempt status of District Bonds, notes or other obligations, Celina agrees that the District shall have the right to review and approve any contract with another entity, including any Municipal Utility Districts (MUD's) to operate any wastewater collection and pumping facilities which discharge Wastewater into the System from within Celina's service area ; and

WHEREAS, the District expects to provide initial funding for Phase 2 of the Doe Branch trunk main as soon as practicable after the execution of this Contract. Celina

will provide a portion of the funds as herein provided to acquire and construct the Project, and thereafter under appropriate circumstances, the District, as necessary, will issue an installment or installments of Bonds for the Project and for qualifying expansions of the System, with all of said Bonds to be payable from and secured by Annual Payments made under this Contract and other similar contracts for participation in the Project and System; and

WHEREAS, other participants in the Project or system will be obligated to pay their respective share of the cost, but which cost may be advanced or paid in a different manner than herein provided for Celina; and

WHEREAS, Celina desires to participate with the District and others in an engineering study for preliminary design of the Doe Branch Water Reclamation Plant; which study will review alternatives, scheduling and related matters to enable the District and all participants to make timely decisions about the Project.

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, Celina agrees to pay or deposit funds as provided in this Contract, and the District agrees to take reasonable steps to provide wastewater treatment services of the System to Celina for its service area and to use its best efforts to issue its Bonds, when deemed advisable, to acquire, construct and complete the Project and other System facilities upon and subject to the terms and conditions hereinafter set forth, to-wit:

ARTICLE I

Preamble / Definitions

Section 1.01. Adoption of Preamble. All of the matters stated in preamble of this Contract are true and correct and are hereby incorporated into the body of this Contract as though fully set forth in their entirety herein.

Section 1.02. Definitions. The following terms and expressions as used in this Contract, unless the context clearly shows otherwise, shall have the following meanings:

1. **"Act"** means H. B. 3112 Chapter 1053, Acts of the 71st Legislature, Regular Session, 1989 (effective June 16, 1989), as amended by Chapter 494, 74th Legislature, Regular Session, 1995 (which amendment became effective August 28, 1995), and also amended by Chapter 1053, 77th Legislature, Regular Session 2001 (which amendment became effective May 1, 2001).

2. **"Additional Participating Member"** means any party other than the initial Participating Members with whom the District makes a contract similar to this Contract for supplying wastewater treatment service from the System, provided that after execution of any such contract such party shall become one of the Participating Members for all purposes of this Contract.

3. **"Administrative Payment"** means the amount of money to be paid to the District by each of the Members during each Annual Payment Period as its proportionate share of Administration and Planning Expenses of the District.

4. **"Adjusted Annual Payment"** means the Annual Payment as adjusted by the Board during or after such Annual Payment Period, as provided by this Contract.

5. **"Administrative and Planning Expenses"** means the general overhead cost and expenses of managing the District, but not including expenses related to capital projects financed by the District; such expenses shall include the administration of the District's general office, the activities and meetings of the Board and the planning activities of the District, to the extent such programs and activities shall be for the general welfare of the District. Activities and programs for the benefit of specific parties and for specific capital projects shall, unless otherwise authorized, be the responsibility of the benefiting parties.

6. **"Annual Payment"** means the amount of money to be paid to the District by each of the Members as its proportionate share of the Annual Requirement.

7. **"Annual Payment Period"** means the District's fiscal year, which currently begins on October 1 of each calendar year and ends on September 30 of the next following calendar year, but which may be any twelve consecutive month period fixed by the District; and the first Annual Payment Period under this Contract is estimated to be the period of October 1, 2006 through September 30, 2007, with the first year to be pro rated according to the Contract Date.

8. **"Annual Requirement"** means the total amount of money required for District to pay all Operation and Maintenance Expenses of the System, and to pay the Capital Component of the Annual Requirement as described hereinafter, including debt service on its Bonds, and any sums required to pay or restore any amounts required to be deposited in any special or reserve funds required to be established and/or maintained by the provisions of the Bond Resolutions or by action of the Board.

9. **"Board"** means the governing body of the District. The governing body of each Member of the District and of the County is entitled to appoint a qualified person to serve on the Board.

10. **"Boardmembers"** means a member or members of the Board.

11. **"B.O.D."** (denoting Biochemical Oxygen Demand) means the quantity of oxygen utilized in the biochemical oxidation of organic matter under standard laboratory procedure in five days at 20°C., expressed in milligrams per liter.

12. **"Bond Resolution"** means any resolution of the District, which authorizes any Bonds.

13. **"Bonds"** means all bonds hereafter issued by the District, whether in one or more series or issues, and the interest thereon, to acquire, construct and complete the Project and System, and/or all bonds issued subsequently to improve, extend, operate or maintain the System, and any bonds issued to refund any bonds or to refund any such refunding bonds.

14. **"County"** means Denton County, Texas.

15. **"Customer(s)"** means any wholesale user, including the Member, participating in the wastewater services provided by the District from the System, which user provides retail utility services within its boundaries.

16. **"Customer Advisory Council"** or **"Council"** means the committee authorized to be created to consult with and advise the District with respect to the System as provided in this Contract.

17. **"District"** means the Upper Trinity Regional Water District, a conservation and reclamation district pursuant to Article XVI, Section 59 of the Constitution of the State of Texas created in accordance with the Act.

18. **"Doe Branch Service Area"** means generally the area northeast of Lewisville Lake, including the area which naturally drains to Doe Branch; which service area is a part of the larger Northeast Service Area for purposes of determining the Annual Requirement and for delivery of services. However, the area may be separate from other service areas of the District and may be modified, separated or combined from time to time by the Board, if deemed to be in the best interest of the District.

19. **"Garbage"** means solid wastes from the preparation, cooking, and dispensing of food, and from handling, storage, and sale of produce.

20. **"gpd"** is an abbreviation for "gallons per day".

21. **"Grease"** means fats, waxes, oils, and other similar nonvolatile materials in Wastewater.

22. **"Industrial User (IU)"** means any person, including but not limited to, any individual, firm, partnership, corporation, association, or any other group or combination acting as a unit, or any other legal entity, who discharges or desires to discharge Industrial Wastes into the System.

23. **"Industrial Waste"** means all water-borne solids, liquids, or gaseous substances resulting from an industrial, manufacturing, or food processing operation, or

from the development of a natural resource, or any mixture of these with water or domestic sewage.

24. **"Infiltration Water"** means rainwater or other water which leaks into a sewer that discharges into the System.

25. **"MGD"** is an abbreviation for "million gallons per day".

26. **"mg/l"** is an abbreviation for "milligrams per liter".

27. **"Northeast Service Area"** means the combined service area of the Riverbend Service Area, the Peninsula Service Area and the Doe Branch Service Area.

28. **"Operation and Maintenance Expenses"** means all costs and expenses of operation and maintenance of the System, including (for greater certainty but without limiting the generality of the foregoing) repairs and replacements; operating personnel; the cost of utilities; fees and charges to be paid to Texas Commission on Environmental Quality or any other federal, state or local agency for regulatory purposes or for services rendered; the costs of supervision, engineering, accounting, auditing, legal services, insurance premiums, supplies and services; administration and equipment necessary for proper operation and maintenance of the System; and, payments made by District in satisfaction of judgments resulting from claims not covered by District's insurance arising in connection with the acquisition, construction, operation, and maintenance of the System. The term also includes the charges of the bank or banks acting as paying agents and/or registrars for any Bonds. The term does not include depreciation expense, which is a non-cash expense; nor does it include Administration and Planning Expenses, payment of which is provided for as a separate item.

29. **"Participating Member" or "Member"** means a governmental entity who has met the membership requirements of the District, that provides retail utility service to customers within its boundaries, and that contracts with the District for the acquisition, construction, improvement, enlargement, and payment for the Project and System which may be financed in part and from time to time by the District, and specifically includes Celina.

30. **"Peninsula Service Area"** means generally the area south of the intersection of US 377 and FM 424 north of Lewisville Lake, including the area which naturally drains to Cantrell Slough; which service area is a part of the larger Northeast Service Area for purposes of determining the Annual Requirement and for delivery of services. However, the area may be separate from other service areas of the District and may be modified, separated or combined from time to time by the Board, if deemed to be in the best interest of the District.

31. **"pH"** means the common logarithm of the reciprocal of the weight of hydrogen ions in grams per liter of solution.

32. **"Point(s) of Entry"** means the point(s) designated in Exhibit A to this Contract where Wastewater will be received from Member into the System.

33. **"POTW"** means a publicly owned treatment works as defined in 40 CFR 403 of federal code.

34. **"Project"** means the Doe Branch Plant and related facilities, pipeline, metering facilities and associated improvements in accordance with the discharge permit and as generally described in the report entitled "Technical Report, Doe Branch Basin Wastewater Service, Planning for Celina Area," prepared by Alan Plummer Associates, Inc. and dated July 8, 2005, which Plant shall have an initial treatment capacity for Wastewater up to 1.225 MGD and shall include the Doe Branch trunk main up to the Point of Entry and other related facilities and improvements.

35. **"Properly Shredded Garbage"** means garbage that has been shredded to such degree that all particles will be carried freely under the flow conditions normally prevailing in public sewers, with no particle greater than 1/2 inch in any dimension.

36. **"Riverbend Service Area"** means generally the area north of Lewisville Lake including the area which naturally drains to Little Elm Creek; which service area is a part of the larger Northeast Service Area for purposes of determining the Annual Requirement and for delivery of services. However, the area may be separate from other service areas of the District and may be modified, separated or combined from time to time by the Board, if deemed to be in the best interest of the District.

37. **"Significant Industrial User (SIU)"** means any industrial user who is connected or desires to connect to a governmental entity's domestic wastewater collection system and meets at least one of the following criteria:

(i) Average Industrial Wastewater discharge rate greater than 25,000 gpd.

(ii) B.O.D. and/or suspended solids concentrations in Industrial Wastewater greater than 250 mg/l.

(iii) Industrial category regulated by National Pre-treatment Standards as promulgated by the United States Environmental Protection Agency.

38. **"State"** means the State of Texas.

39. **"Suspended Solids"** means the total suspended matter that either floats on the surface or is in suspension in water, sewage, or other liquids, and which is removable by laboratory filtering, expressed in milligrams per liter.

40. **"System"** means the Project, the future Doe Branch Water Reclamation Plant (and, when deemed appropriate by the District, the Peninsula Water Reclamation Plant and the Riverbend Water Reclamation Plant), outfall and effluent discharge facilities, trunk mains, joint trunk mains, lift stations, sludge handling facilities, metering equipment and other facilities, together with all future improvements, enlargements, extensions, and additions to any of the foregoing which are deemed necessary and feasible by the District to receive, treat, and dispose of Wastewater from any Participating Member or other Customers; and, to comply with the requirements of the regulatory agencies of the State and the United States; future facilities which are acquired or constructed with funds provided by Members, Customers, or others, or with proceeds from the sale of any Bonds, or revenues from the System; and, any other related wastewater facilities which are deliberately and specifically, at the option of the District, made a part of the System, subject to the provisions of this Contract; and, all repairs to, or replacements of, the System. Said term does not include any District facilities which provide potable water services; nor does said term include any facilities acquired or constructed by the District as follows:

(a) with the proceeds from the issuance of "Special Facilities Bonds", which are hereby defined as being revenue obligations of the District which are not secured by or payable from payments made under this Contract and similar contracts with Additional Participating Members or Customers, and which are payable solely from sources other than revenues of the System, or

(b) for Wastewater services provided by the District for any service area other than the Northeast Service Area.

41. **"Total Toxic Organic"** means the sum of all detected concentrations greater than 10 micrograms per liter for all organic compounds classified as priority pollutants by the United States Environmental Protection Agency.

42. **"Trunk Sewer"** means any wastewater line in which sewage (Wastewater) from collecting and lateral sewers is received and conveyed from a Point of Entry to the System.

43. **"ug/l"** is an abbreviation for "micrograms per liter".

44. **"Wastewater"** means sewage, Industrial Waste, municipal waste, recreational waste, and agricultural waste, as defined in the Texas Water Code, together with Properly Shredded Garbage and such Infiltration Water that may be present.

ARTICLE II

General Provisions

Section 2.01. Board Representation. The governing body of Celina, of each Participating Member of the District and of the County are entitled to appoint a qualified person to serve on the Board.

Section 2.02. Board Votes. Boardmembers appointed by the governing body of Participating Members shall be entitled to vote on all matters coming before the Board. The Board shall establish rules for the implementation of a system of weighted votes in accordance with the Act for matters concerning authorization of, and financial commitments for, capital projects.

Section 2.03. Terms. Boardmembers shall serve staggered four (4) year terms in accordance with procedures established by the Board. Boardmembers may serve consecutive terms.

Section 2.04. Board Compensation. The District will not compensate Boardmembers for serving on the Board, but may reimburse Boardmembers for actual reasonable expenses necessarily incurred on behalf of the District or in the discharge of official duties.

Section 2.05. Board Qualifications. A Boardmember must be a qualified voter who resides in the District; and, may not be an elected official of any governmental entity that has the authority to appoint a member of the Board. A Boardmember may be an employee of the appointing entity but of no other entity that has the authority to appoint a member of the Board.

Section 2.06. Consulting Engineers. The District and Member agree that the District will choose the Consulting Engineers for the Project and the System, and may change Consulting Engineers at the option of the District.

Section 2.07. Wastewater Flow. The District agrees to receive, transport and treat Wastewater in accordance with the specifications and restrictions of this Article. The District agrees to provide adequate facilities and processes to meet volume and peaking requirements of Member as provided herein.

Section 2.08. Construction of Project and System. Subject to cost participation by Member as provided herein, the District agrees to use its best efforts to issue its Bonds, payable from and secured by Annual Payments made under this Contract and other similar contracts, to acquire and construct the Project and System facilities when and as needed, as determined by the District, to provide wastewater treatment services to Member and other Customers. It is anticipated that such acquisition and construction will be in phases; and the District agrees to use its best efforts to issue its Bonds for such purpose. Also, at the discretion of the District, Bonds may be issued to refund any Bonds;

and, may be issued to extend, enlarge, repair, renovate, equip, operate, maintain and otherwise improve the System and any System facilities. District agrees that such improvements for the Project and System will be made in accordance with generally accepted engineering practices. It is anticipated that such improvements will be financed by the District through the issuance of one or more series or issues of its Bonds payable from and secured by Annual Payments made under this Contract and other similar contracts.

Section 2.09. Bond Proceeds. The proceeds from the sale and delivery of such Bonds may be used to fund, to the extent deemed advisable by the District, a debt service reserve fund, a contingency fund, and interest on the Bonds during construction; and, such proceeds also will be used for the payment of the District's expenses and costs in connection with the System (including all engineering and design costs and expenses, and the cost of the land and interests therein related to the System) and the Bonds, including, without limitation, all financing, legal, printing, and other expenses and costs related to the issuance of such Bonds and the System.

Section 2.10. Bond Resolution. Each Bond Resolution of the District shall specify the exact principal amount of the Bonds to be issued thereunder, which shall mature within the maximum period, and shall bear interest at not to exceed the maximum rates then permitted by law. Each Bond Resolution shall create and provide for the maintenance of a revenue fund, an interest and sinking fund, a debt service reserve fund, and any other funds deemed advisable, all in the manner and amounts as provided in such Bond Resolution. Member agrees that if and when such Bonds are actually issued and delivered to the purchaser thereof, either for the purpose of initially acquiring and constructing the Project, or subsequently for improving and/or extending the System, the Bond Resolution authorizing the Bonds shall for all purposes be deemed to be in compliance with this Contract in all respects, and the Bonds issued thereunder will constitute Bonds as defined in this Contract for all purposes.

Section 2.11. Flow Rates.

(a) Member agrees that during each Annual Payment Period while the System is in operation, it shall be obligated to transport and discharge into the System at its Point of Entry, the Wastewater which is generated and collected within its Doe Branch service area, subject to the exceptions and restrictions provided herein, including Exhibit D attached hereto.

(b) The combined maximum hourly rate at which Wastewater is discharged by Member at its Point(s) of Entry shall not exceed a rate which, if continued for a period of twenty-four hours would equal 3.75 times the estimated average daily contributing flow of Wastewater for the then current Annual Payment Period unless caused by a system defect which can be located and corrected by Member in a reasonable period of time. The total quantity of Wastewater discharged into the System shall never exceed the amount which the System is capable of receiving, treating, and disposing, unless approved by the

Board, subject to the terms and conditions established by the District. Notwithstanding the foregoing, Member shall never make any discharge into the System that would cause the System to be overloaded or be in violation of its permits from the State and/or the United States of America.

Section 2.12. Point of Entry. Wastewater meeting the quality requirements of Section 2.18 of this Contract will be received into the System at the Point of Entry for Member, as shown on Exhibit A hereto, which Exhibit is attached hereto and incorporated herein for all purposes, or at such other Points of Entry that may be established by mutual agreement between the District and Member, if such other Point(s) of Entry are determined by the District to be economical and beneficial to the System, and if Member pays the costs thereof.

Section 2.13. Capacity. It is the intention of the parties hereto that the System shall be acquired, constructed, extended, and improved so that at all reasonable times it will be capable of receiving, transporting, treating, and disposing of all eligible Wastewater generated within the collection system of, and delivered to the Point of Entry of Member. When the System needs to be expanded, it is anticipated that the District will, from time to time, issue its Bonds in such amounts as are, within its judgment and discretion, sufficient to provide the necessary capacity for then existing Members or to extend the System to serve other Customers or Additional Participating Members.

Section 2.14. Quantity/Operation and Maintenance Expense. The District agrees to accept Wastewater under this Contract from Member at its Point of Entry. Member agrees to deliver to its Point of Entry or to pay for certain minimum quantity of Wastewater specified for Member in Exhibit B hereto to assure adequate funds to the District to fulfill its obligations under this Contract, including Operation and Maintenance Expense.

Section 2.15. Capacity/Fixed Costs. For the purpose of calculating the minimum fixed (or capacity cost) portion of each Annual Requirement for which Member is liable, without offset or counterclaim, Member, during each Annual Payment Period, hereby subscribes to, contracts for, and shall be deemed to have taken and used the contracted capacity (regardless of whether or not such amount is or was actually taken or used) specified for Member in Exhibit B hereto. District agrees to design and construct the Project and the System with adequate overall capacity to provide for the capacity so specified in Exhibit B with reasonable additional capacity for future growth.

Section 2.16. Additional Capacity. To pay the cost of additional capacity in the System for future growth, District may receive funds provided by the Texas Water Development Board (TWDB) for State Participation in the System. If State Participation is offered by TWDB and accepted by District, the State, through the Texas Water Development Board will own certain capacity in the System under an agreement with the District. Under said agreement, District will have an obligation to repurchase the additional capacity when actually used to meet Member's flow requirement, or according to an

agreed schedule of repurchase. District may make such additional capacity available to Additional Participating Members or future Customers in accordance with Section 2.17. The purpose of State Participation in the System is to encourage regional wholesale service and to provide capacity for future growth by Participating Members and other future Customers.

Section 2.17. Payment for Additional Capacity. To acquire any capacity funded by State Participation, if any, in the System, Member and future Customers must pay certain costs to District for its use in repurchase of capacity owned by State. The Board will establish and maintain a policy for repurchase of State Participation.

Section 2.18. Quality. The obligation of the District to receive Member's Wastewater into the System depends upon compliance by Member with the provisions of this Section. In order to permit the District to properly treat and dispose of Member's Wastewater; to protect the public health; to permit cooperation with other agencies which have requirements for the protection of the physical, chemical, and bacteriological quality of public water and water courses; and, to protect the properties of the System; Member hereby agrees to the following provisions concerning quality of Wastewater:

(a) **Admissible Discharges into District's System.** Discharges into the System shall consist only of Wastewater and other waste free from the prohibited constituents listed on Exhibit C, and limited in B.O.D., Suspended Solids, dissolved sulfides, and pH as provided in said Exhibit C, which is attached hereto and incorporated herein for all purposes and, which may be updated by the District from time to time in order to comply with current or future State or federal regulations regarding pollutants.

(b) **Prohibited Discharge Limitations Subject to Change.** Notwithstanding the foregoing provisions of this Section, the parties to this Contract agree and understand that the District has a responsibility to operate the System in a cost-effective, environmentally safe manner and that federal and State regulatory agencies periodically modify standards on prohibited discharges; therefore, revisions to, additions to, or deletions from the items listed or incorporated in this Section may become necessary in the future to comply with the requirements applicable to the District and such revised standards. It is the intention of this Contract that prohibited discharge requirements be reviewed periodically by the District and revised in accordance with the latest standards of any federal or State regulatory agency having jurisdiction over such standards. Any required revision shall be made and written notice thereof given to each Participating Member and Customer. Each Participating Member and Customer shall be responsible for integrating such changes into their local Industrial Waste ordinance, resolution or regulation and notifying all affected retail users of the change within ninety (90) days following written notice from the District of such changes. Any such change shall be incorporated automatically in Exhibit C hereto, to the extent applicable, unless an objection from a Member or Customer shall be filed with the District within sixty (60) days, in which case the District shall hold a hearing relating to such change or changes prior to incorporating such change or changes in Exhibit C.

(c) Normal Quality/Extra Strength. To determine normal quality of Wastewater, the District may collect samples of Wastewater at Point of Entry and cause same to be analyzed in accordance with testing procedures as set forth in the latest edition of Standard Methods of Examination of Water and Wastewater, published by American Public Health Association, Inc., or by such other procedures as may be established or authorized by the Board. Composite samples may be taken monthly, or at other intervals as necessary to determine Wastewater quality. Such Wastewater shall not exceed the limits of concentration specified in Exhibit C for Normal Wastewater. Should the analysis disclose concentrations higher than those listed, the District immediately will inform the respective Member or Customer of the violation of this Section, and the Member or Customer must take immediate steps to correct such excessive concentration. However, with the approval of the District, Wastewater with concentrations of B.O.D. and T.S.S. greater than specified above may be discharged by Members or Customers into the System on an emergency and temporary basis, subject to the payment of a surcharge which shall be in addition to all other payments required by this Contract. The amount of such surcharge shall be based on analysis of samples of the Wastewater taken by the District or its agent.

(d) Additional Charge. An additional charge shall be made for excess strength discharges at the Point of Entry of Member or Customer into the System. A surcharge for each mg/l of B.O.D. in excess of 250 mg/l and for each mg/l of T.S.S. in excess of 250 mg/l shall be assessed by resolution of the Board, which resolution will establish the amount of the surcharge and will specify how it will be applied. Member agrees that the Board, within its judgment, has the right to raise the allowable discharge strengths; but, the Board may lower the allowable strength only by amendment to this Contract. Member shall pay the District for concentrations of B.O.D. and T.S.S. exceeding 250 mg/l at a rate which shall be determined by the Board and which shall be in an amount sufficient to cover and pay all additional costs for transportation, treatment and disposal related to such excess concentration discharges.

(e) Basis for Billing. Member agrees that the results from analysis of composite samples of the Wastewater taken by the District or its agent shall be the basis for billing purposes related to excess strength.

Section 2.19. Metering of Wastewater.

(a) Subject to cost participation provided in Section 2.12, and unless otherwise mutually agreed in writing, District agrees to furnish and install, at or near each Point of Entry, as part of the Project or System, standard type devices and equipment and related facilities for measuring and sampling all Wastewater to be discharged into the System. The District will own, operate and maintain at its expense the measuring equipment and devices so installed. Such meters and other equipment shall remain the property of the District. The District or its designee may from time to time inspect, calibrate, and adjust its meters as necessary to maintain accurate measurements of the Wastewater entering the System. Member shall have access to its respective metering equipment at all reasonable

times for inspection and examination, but the reading, calibration, and adjustment thereof shall be done only by employees or agents of the District. Member may witness such reading, calibration and adjustment of meter. All reading of meters will be entered upon proper books of record maintained by the District. Member may have access to said record books during normal business hours.

(b) District shall provide for the calibration of meter at least one time per fiscal year. Upon request, District will make or cause to be made one (1) additional calibration in any fiscal year at no charge to Member. All requested calibrations in excess of one (1) will be made at the expense of Member, except when the accuracy of the meter is beyond the limits specified herein, in which case the District shall bear such expense. If, for any reason, any meter is out of service or out of repair, or if, upon any test, the percentage of inaccuracy of any meter is found to be in excess of five (5%) percent of the volume so indicated by the meter, the meter records shall be corrected for a period of time extending back to the time when such inaccuracy began, if such time is ascertainable, and if not ascertainable, then for a period extending back one-half ($\frac{1}{2}$) of the time elapsed since the date of the last calibration, but in no event further back than a period of six (6) months.

(c) Member may, at its option and its own expense, install, own and operate a check meter to check each meter installed by the District, but the measurement for the purpose of this Contract shall be solely by the District's meter, except as in this Section specifically provided to the contrary. All such check meters shall be of standard make, shall be installed in a location approved by the District, and shall be subject at all reasonable times to inspection and examination by any employee or agent of the District; but, the reading, calibration, and adjustment thereof shall be the responsibility of the Member owning said check meter, except during any period when a check meter may be used under specific written consent by the District for measuring the amount of Wastewater delivered into the System, in which case the reading, calibration, and adjustment thereof shall be made by District with like effect as if such check meter or meters had been furnished by the District.

(d) If either party at any time observes a variation between the delivery meter and the check meter, if any such check meter shall be installed, such party will promptly notify the other party, and the parties hereto shall then cooperate to procure an immediate calibration test and joint observation of any adjustment and the same meter or meters shall then be adjusted to accuracy.

(e) If for any reason any meter is out of repair so that the amount of Wastewater received cannot be ascertained or computed from the reading thereof, the Wastewater quantity through the period such meters are out of service or out of repair shall be estimated and agreed upon by the parties hereto upon the basis of the best data available. For such purpose, the best data available shall be deemed to be the registration of any check meter or meters if the same have been installed and are accurately registering. Otherwise, the amount of Wastewater for such period may be estimated:

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

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

(f) Each party shall give the other party forty-eight (48) hours notice of the time of all tests of meters so that the other party may conveniently have a representative present.

Section 2.20. Unit of Measurement. The unit of measurement for Wastewater discharged into the System hereunder shall be 1,000 gallons, U. S. Standard Liquid Measure.

Section 2.21. Access.

(a) Member agrees to provide ingress and egress for District employees and agents to all Member premises inside its boundaries to install, operate, inspect, test, and maintain facilities owned or maintained by District within corporate or jurisdictional limits of Member, or to make such inspections or tests authorized by this Contract.

(b) District agrees to provide ingress and egress for Member's employees and agents to all premises under control of the District to install, operate, inspect, test, and maintain facilities, and read meters owned or maintained by Member.

Section 2.22. Resale. Member hereby agrees not to accept nor transport to its Point of Entry any Wastewater from outside Member's boundaries or authorized service area (as may be adjusted from time to time) unless Member has received prior written approval from the District. Approval to provide wastewater collection service on a retail basis to individual customers outside such boundaries may be granted by the Executive Director of the District. Approval to provide wholesale agreements to receive Wastewater or to provide wastewater collection service for other public or utility entities shall require the specific approval of the Board. In granting such authorization, District may establish the terms and conditions for the acceptance and conveyance of such Wastewater including, but not restricted to, the setting of monetary rates for such Wastewater service.

Section 2.23. Reporting Requirements. Approximately sixty (60) days after the end of each Annual Payment Period, Member shall furnish in writing to the District the following information:

(a) The number of active domestic sewer connections in the Member's system being served by the System;

(b) The number of commercial and business connections being served by the System;

(c) The number of industrial connections being served by the System, with name and location of each;

(d) An estimate of the projected annual wastewater flow into the System by Member for the next five (5) years.

The purpose of this provision is to permit the District to accumulate statistical data that will enable it to plan for adequate service and to facilitate plans for betterment and future facilities expansion.

Section 2.24. Industrial Waste Pretreatment Program.

(a) The effects of certain types of Industrial Waste upon sewers and sewage treatment processes are such as to require that careful consideration be made of each industrial connection. To accomplish the purpose of the National Industrial Waste Control Program, when Member has an industrial customer, Member shall obtain approval by the U. S. Environmental Protection Agency of its Industrial Waste Pretreatment Program. If Member chooses to administer its own program, it shall regulate by individual permit the discharge of Industrial Waste generated by a SIU into its sewer system. Member will authorize discharge of Industrial Waste into its sewers subject to the general provision that no harm will result from such discharge. Member will require each such industrial user to file an appropriate application, a copy of which shall be forwarded to the District, containing the following information:

- (1) Name and address of applicant;
- (2) Type of industry;
- (3) Total quantity of plant waste produced;
- (4) Quantity of plant wastes proposed to be discharged;
- (5) Typical analysis of the waste; and
- (6) Type of pretreatment proposed by applicant.

To facilitate inspection and control of Industrial Waste, Member will require industries to separate Industrial Waste from sanitary sewage until such Industrial Waste has passed through a monitoring portal which shall be located so as to be accessible at all times to inspectors of Member and the District. If inspection indicates that damage might result from the discharge, the permit shall be revoked unless and until the industry promptly establishes acceptable remedial measures. As necessary and indicated, the District may collect and analyze samples of all Wastewater at each Point of Entry. Such Wastewater shall not contain prohibited constituents nor exceed the limits of concentration specified in

Section 2.19 of this Contract. Should the analysis disclose prohibited constituents or concentrations higher than those stipulated, the District will inform Member of such unauthorized wastes. It shall be the obligation of Member to require the offending originator of said waste to immediately cease discharge of such unauthorized waste and to initiate and undertake remedial pre-treatment or other legal means before further discharge into Member's sewers.

(b) If Member desires that District administer its Industrial Waste Pretreatment Program, District agrees to contract to provide such service at actual cost thereof.

Section 2.25. Ordinances, Resolutions, Orders. Member agrees that prior to serving any Industrial User, it will enact ordinances, resolutions, or orders, as appropriate, as necessary to include the following provisions:

(a) For each existing and future SIU, Member shall require said user to complete and submit a permit application containing information specified in a sample application form to be furnished by the District. Member shall provide the District with a completed copy of the permit application within thirty (30) days after receipt by Member. The District may provide written comments to Member regarding said application within thirty (30) days of receipt. Failure to comment shall be construed as concurrence by the District. After approval of the permit application by Member, Member shall issue a discharge permit containing standard requirements as specified in a sample permit form to be furnished by the District. Such a discharge permit shall be required of all SIU's before said industrial user will be allowed to discharge Industrial Wastes into the Member's Wastewater collection system. The District reserves the right upon notice to each Member to review each proposed permit before issuance. In the absence of such notice, such review and issuance shall be accomplished by Member without the necessity for District review and approval, except for providing a copy of application to District as required above, subject to periodic inspection of records by the District. It is mutually agreed that unless Member obtains approval by the U. S. Environmental Protection Agency of its Industrial Pretreatment Program that it will contract with the District to administer said Pretreatment Program and will pay the cost of such program, including all monitoring, sampling and testing or will cause said cost to be paid by the affected industry.

(b) Member shall require Significant Industrial Users to comply with applicable Federal Categorical Pretreatment Standards as well as any applicable State and local standards.

(c) Member shall maintain certain information contained in permit applications as confidential at SIU's request.

(d) Member shall not allow a user to employ dilution as a means of reducing pollutant concentrations in an SIU's waste stream.

(e) Upon notice, Member and the District shall be authorized to enter SIU premises at any time for independent monitoring, inspection, or review of applicable records to determine compliance.

(f) Member shall develop and require adherence to SIU compliance schedules.

(g) Member shall require self-monitoring and reporting at SIU's expense.

(h) Member shall choose or designate an approved laboratory to analyze Industrial Wastes.

(i) Member shall require SIU's to pay applicable fees for:

- (1) sampling and testing to determine compliance;
- (2) disconnection/reconnection of service resulting from noncompliance;
- (3) excess concentrations above the criteria established for Normal Wastewater;
- (4) additional costs incurred by Member or the District in transporting or treating wastes; and
- (5) filing, review, revision, or renewal of permit application

(k) Member shall provide prompt notification to the permit holder and the District for instances of violation.

(l) Member shall deny/revoke permit, disallow/disconnect service, assess civil or criminal penalties, and seek other available legal and equitable remedies against SIU for:

- (1) discharge to Wastewater collection system resulting in violation of applicable POTW discharge permit conditions;
- (2) hazard to health or life of POTW personnel or users of receiving waters;
- (3) violation of any applicable ordinance or regulation; and
- (4) false information transmitted to Member through permit application, monitoring reports, etc.;

Upon request by District, Member shall furnish to the District all documents and records, in addition to those outlined herein, as necessary to demonstrate

compliance by all industries with the applicable pretreatment program and this Contract.

Section 2.26. Other Contracts.

(a) The District reserves the right to enter into contracts to provide Wastewater services of the System to Additional Participating Members or Customers under contracts similar to this Contract. Each such contract shall comply with the requirements of this Contract, shall substantially restate the essential provisions of this Contract, and shall be structured to be similar hereto to the fullest extent applicable and practicable, with such additions or changes as are necessary to meet the actual circumstances, with the effect that each Additional Participating Member or Customer will substantially adopt the provisions of this Contract, as supplemented and necessarily changed by its contract. However, the District shall not obligate itself to receive Wastewater into the System from a future Additional Participating Member or Customer if, in the judgment and discretion of the District, such obligation would jeopardize the District's ability to meet its obligation to receive, transport, treat and dispose of Wastewater discharged into the System by Member under this Contract.

(b) The parties hereto recognize and acknowledge that it is the policy and practice of the District that any other party that desires to receive service from the System shall contract directly with the District to become a Customer of the District. However, Member may propose, and with the approval of the Board, Member may negotiate and enter into subcontracts with another city or other entity for Wastewater service. Any such Wastewater to be discharged into the System under such subcontract shall be generated within the planned boundaries of the System, but may be outside the boundaries of Member; such Wastewater would be discharged into Member's sewers, to be transported into the System at Member's Point of Entry along with Member's Wastewater. In such case the additional Wastewater shall be regarded as being Member's Wastewater for all purposes of this Contract. If such arrangement is approved by the District, such transaction shall not relieve Member of its obligations to the District under the terms of this Contract, including payment of the Annual Requirement.

(c) If District enters into a contract(s) to provide services of the System to an Additional Participating Member(s) or to a future Customer(s), such contract(s) shall require a pro rata refund of applicable prior costs, if any, paid by Member, not including State Participation costs required by Section 2.17. If State participation has been repurchased in whole or in part, or if any Member(s) has paid for System capacity for which said Additional Participating Member(s) or Customer(s) will subscribe or beneficially use, District agrees to provide in said contracts for pro rata reimbursement plus interest thereon to the appropriate Member(s) for prior cost so paid for said capacity.

Section 2.27. Customer Advisory Council.

(a) Each participant in the System may appoint a representative to the Customer Advisory Council for the System. The Council shall elect such officers as it deems necessary. The Council shall consult with and advise the District with regard to technical and operational matters, improvements and extensions of the System and other pertinent matters relating to the System. The members of the Council shall play an important role in the efficient functioning of the System, in representing the interest of the Customer and in keeping the Customer well informed. The Council shall have access to and may inspect at reasonable times all physical elements of the System and all records and accounts of the District pertaining to the System.

(b) The term of membership on the Council shall be at the pleasure of each Customer represented, respectively, and each member shall serve until replaced by such Customer. All expenses of the Council in discharging its duties under this Section shall be considered as an Operation and Maintenance Expense of the System.

Section 2.28. Water Conservation, Drought Contingency Plan. It is the policy of the District to prepare, adopt and maintain a regional water conservation plan which incorporates loss reduction measures and demand management practices which insure that the District's water supply and the capacity of the System are used in an economically efficient and environmentally sensitive manner. Similarly, it is the policy of the District to prepare, adopt and maintain a drought and emergency contingency plan for water supply. Member agrees to cooperate in the implementation of both plans and to adopt and enforce such or similar plans for use within its jurisdictions.

Section 2.29. Reuse of Wastewater Effluent. A key element of the District's water conservation program is reuse of effluent produced by the respective water reclamation plants. Member agrees to support the District's efforts to encourage and increase the reuse of treated effluent, whether such reuse is achieved by sale of treated effluent for direct reuse by individual customers or by use of treated effluent to augment the raw water supply available to the District's Regional Treated Water System. For irrigation purposes, Celina and District agree that Celina shall have access to and may use that portion of the effluent from Celina's own wastewater treatment plant which is attributable to water from Celina's water wells. To provide for the accounting thereof, the City Administrator shall develop a protocol for approval by the District's Executive Director, which approval will not be unreasonably denied.

Section 2.30. Attendance at Board Meetings. The Board of the District meets regularly to prepare plans to address the needs of Members of the District, and to conduct the business of the District. Member has the authority to appoint a Boardmember to the Board, and Member recognizes the importance of its Boardmember attending meetings of the Board on a regular basis. To encourage regular attendance, the Board has adopted, and may from time to time revise, an attendance policy for meetings of the Board. Accordingly, Member agrees to comply with said attendance policy, and, if advised by District that Member's Boardmember is not in compliance with said attendance policy, Member agrees to take action to achieve compliance or to appoint a new Boardmember.

For any period of time that Member's representation is not in compliance with the Board's attendance policy, Member's Boardmember shall not be counted in determining a quorum of the Board or in determining the votes necessary to approve a measure requiring a weighted vote.

ARTICLE III **Fiscal Provisions**

Section 3.01. Annual Requirement. Subject to the terms and provisions of this Contract, and after accounting for any cost participation by Member, the District will provide and pay for the cost of the acquisition, construction and expansion of System facilities, by issuing its Bonds in amounts that will be sufficient to accomplish such purposes. It is acknowledged and agreed that payment to be made under this Contract and similar contracts with other Customers, if any, will be the primary source available to the District to provide the Annual Requirement. In compliance with the District's duty to fix and from time to time to revise the rates and charges for services of the System, the Annual Requirement may change from time to time. Each such Annual Requirement shall be allocated among the Members as herein provided; and, the Annual Requirement for each Annual Payment Period shall be provided for in each Annual Budget and shall at all times be not less than an amount sufficient to pay or provide for the payment of:

(a) An "**Operation and Maintenance Component**" equal to the amount paid or payable for all Operation and Maintenance Expenses of the System; and

(b) A "**Capital Component**" equal to:

(1) the principal of, redemption premium, if any, and interest on the Bonds, as such principal, redemption premium, if any, and interest become due, less interest to be paid out of Bond proceeds or from other sources if permitted by any Bond Resolution, and all amounts required to redeem any Bonds prior to maturity when and as provided in any Bond Resolution, plus the fees, expenses and charges of each paying agent/registrar for paying the principal of and interest on the Bonds, and for authenticating, registering and transferring Bonds on the registration books of the District maintained with the paying agent/registrar; and

(2) the proportionate amount of any special, contingency or reserve funds required to be accumulated and maintained by the provisions of any Bond Resolution; and

(3) an amount in addition thereto sufficient to restore any deficiency in any of such funds required to be accumulated and maintained by the provisions of any Bond Resolution; and

(4) the recovery of any capital funds advanced by the District for planning, development or construction of the Project or System.

(c) An “**Operation and Maintenance Reserve**” in an amount deemed appropriate and necessary by the Board for Operation and Maintenance Expenses of the System and for capital improvements. Any such reserve shall be used as a source of funds for Operation and Maintenance Expenses, for emergency expenses and as a fluctuating reserve for additions to, or shortfalls in, the annual revenues of the System. The normal level of such reserve shall be 25% of the annual on-going Operation and Maintenance Expenses of the System; however, the Board may authorize the reserve to be maintained at a higher level, especially if needed for future capital improvements, to respond to new regulatory requirements, and to facilitate efficient operation and maintenance of the System.

(d) Other “**Special Reserves**” as determined necessary by the Board for such purposes as “Rate Stabilization” or for “Capital Improvements”.

Section 3.02. Annual Budget. Each annual budget for the System shall always provide for amounts sufficient to pay the Annual Requirement. The annual budget for the System for all or any part of the first Annual Payment Period during which the System is placed into operation shall be prepared by the District based on estimates made by the District. On or before June 15 of each year after the Project is first placed in operation, the District shall furnish to Member a preliminary estimate of the Annual Payment required from Member for the next following Annual Payment Period. Not less than forty days before the commencement of the Annual Payment Period after the System is first placed into operation, and not less than forty days before the commencement of each Annual Payment Period thereafter, the District shall cause to be prepared as herein provided its preliminary budget for the System for the next ensuing Annual Payment Period. A copy of such preliminary budget shall be filed with Member for review before action by the Board. Member may submit comments about the preliminary budget directly to the Board. The Board may adopt the preliminary budget or make such amendments thereto, as the Board may deem proper. The budget thus approved by the Board shall be the annual budget for the next ensuing Annual Payment Period. The Annual Budget (including the first annual budget) may be amended by the District at any time to transfer funds from one account or fund to another account or fund so long as such transfer will not increase the total budget. The amount for any account or fund, or the amount for any purpose, in the annual budget may be increased through formal action by the Board even though such action might cause the total amount of the Annual Budget to be exceeded; provided that such action shall be taken only in the event of an emergency or special circumstances which shall be clearly stated in a resolution at the time such action is taken by the Board.

Section 3.03. Payments By Member.

(a) For the Wastewater services to be provided to Member under this Contract, Member agrees to pay, at the time and in the manner hereinafter provided, its

proportionate share (Annual Payment) of the Annual Requirement. Member shall pay the Annual Payment for each Annual Payment Period directly to the District, in monthly installments in accordance with the schedule of payments furnished by the District, as hereinafter provided.

(b) Member shall pay its Annual Payment, including a capacity charge for fixed costs, and a volume charge for variable costs of Wastewater flow. The District shall estimate its cost and shall establish a capacity charge and a price per 1,000 gallons of volume for purposes of determining the monthly payment to be made by Member. Member shall pay a capacity charge in approximately equal monthly installments, based on the capacity specified in Exhibit B. Such capacity charge shall be sufficient to cover the fixed cost portion of the Annual Requirement. Member shall pay a volume charge based on the actual volume of Wastewater delivered to the Point of Entry. The volume charge shall be sufficient to cover the variable cost portion of the Annual Requirement and specifically the variable costs associated with receiving, pumping, transporting, treating and disposing of the Wastewater and residual bio-solids (sludge). The Board may establish additional fees and charges or different forms of fees and charges as it deems advisable to recover and fairly distribute costs among benefiting parties.

Section 3.04. Fiscal Policy. It is hereby provided that in estimating costs for services, the District is specifically authorized, in its discretion, to include in such estimate of costs reasonable contributions to reserve funds and to assume that the Annual Payment Period may be a dry year. Such policy could cause revenues to be increased if the year is actually normal or wet instead of dry as assumed. This fiscal policy is expressly approved by Member and is deemed by the parties hereto to be beneficial in the fiscal management of the System, and will assure the timely availability of funds even under unexpected circumstances. Upon receipt during any Annual Payment Period of an amount sufficient to meet the then current Annual Budget of the System for the remainder of the then current Annual Payment Period, the District shall deposit subsequent revenues received into appropriate reserve or contingency accounts. If there is a shortfall in revenues, the District may withdraw from the reserves, adjust the Annual Requirement, revise the payment schedule or do any combination thereof.

Section 3.05. Minimum Payments/Schedule.

(a) It is agreed that if, during any Annual Payment Period, the estimated and/or actual flow of Wastewater delivered by Member to the System is, for any reason whatsoever, less than any minimum amount prescribed by this Contract, Member shall pay its Annual Payment according to such minimum amount. However, if Member's estimated and/or actual metered amount of Wastewater is equal to, or in excess of, such minimum amount, its Annual Payment shall be calculated on the basis of estimated and actual volumes. Any future contracts with Additional Participating Members or Customers also shall provide for equitable minimum amounts.

(b) All such payments for each Annual Payment Period shall be made in accordance with a written schedule of payments for the appropriate Annual Payment Period that will be supplied to each of the Participating Members by the District. Such schedule of payments may be based on the use of monthly flow volumes as determined by meter readings or estimates of flow or may be based on other factors determined by the District; but, in no case shall a Participating Member's Annual Payment requirement exceed its pro rata share of the System costs.

Section 3.06. Redetermination of Annual Requirements. Notwithstanding the foregoing, the Annual Requirement, and Member's share thereof (Annual Payment), may be redetermined, at any time during any Annual Payment Period, to the extent deemed necessary or advisable by the District, if:

(a) The District commences furnishing services of the System to an Additional Participating Member or Customer;

(b) Unusual, extraordinary, or unexpected expenditures for Operation and Maintenance Expenses are required which are not provided for in the District's annual budget or reserves for the System;

(c) Operation and Maintenance Expenses of the System are substantially less than estimated;

(d) District issues Bonds which require an increase in the Capital Component of the Annual Payment; or

(e) The District receives either significantly more or significantly less revenues than the amounts that are provided in the District's annual budget for the System.

If the Annual Requirement is so redetermined, Member will be advised of the Adjusted Annual Payment.

Section 3.07. Other Revenues. All surcharges collected from any Customer or Participating Member under Section 2.19 of this Contract shall be used to cover the extra costs of treating excessive strength Wastewater for the respective Customer or Member. Under any of the provisions of this Section, any revenues, payments and surcharges derived from such extra services shall be devoted to paying for the cost of said extra services and shall not be used to make the Annual Payment that is the obligation of Member under this Contract.

Section 3.08. Prompt Payment/Disputed Bills. Member hereby agrees that it will make payments required by this Contract to the District within twenty (20) days of the date a bill for service is rendered. If Member, at any time, disputes the amount to be paid by it to the District, Member shall nevertheless promptly make such payment or payments; but, if it is subsequently determined by agreement or court decision that such disputed

payments should have been less, or more, the District shall promptly revise and reallocate the charges in such manner that Member will recover its overpayment or the District will recover the amount due it. All amounts due and owing to the District by Member, or due and owing to Member by the District, shall, if not paid when due, bear interest at the rate of ten (10%) percent per annum from the date when due until paid.

Section 3.09. Delinquent Bills. As provided in Section 4.10, each Member participating in the System specifically agrees to make all payments required by the Contract without offset or counterclaim. Nonetheless, if any Member shall become delinquent in such payments, District shall, to the extent permitted by law, discontinue the services of the System to any Member which remains delinquent in any payments due hereunder for a period of sixty (60) days, and is not obligated to resume such services while such Member is so delinquent. It is further provided and agreed that if any Member should remain delinquent in any payments due hereunder for a period of one hundred twenty (120) days, and if such delinquency continues during any period thereafter, such Member's minimum amount specified in Exhibit B, shall be deemed to have been zero (0.0) gallons during all periods of such delinquency, for the purpose of calculating and redetermining the percentage of each Annual Requirement to be paid by the non-delinquent Members; and, the District shall redetermine such percentage in such event on a basis so that the non-delinquent Members, collectively, shall be required to pay all of the Annual Requirement. The Board may authorize the use of available System reserves as a source of funds to help offset said delinquent payments. However, the District shall pursue all legal remedies against any such delinquent Member to enforce and protect the rights of the District, other Members, and the holders of the Bonds. The delinquent Member shall not be relieved of the liability to the District for payment of all amounts which would have been due hereunder had no default occurred or the percentage had not been redetermined as provided in this Section. It is understood that the foregoing provisions are for the benefit of the holders of the Bonds so as to insure that all of the Annual Requirement will be paid by the non-delinquent Members during each Annual Payment Period regardless of the delinquency of a particular Member. If any amount due and owing the District by Member is placed with an attorney for collection, Member shall pay to the District all attorneys' fees, in addition to all other payments provided for herein, including interest.

Section 3.10. Updated Schedule of Payment. If, during any Annual Payment Period, Member's Annual Payment is redetermined in any manner as provided or required in the foregoing Sections, the District will promptly furnish such Member with an updated schedule of monthly payments reflecting such redetermination.

Section 3.11. Service Areas. For purposes of determining the Annual Requirement and for delivery of services, the District shall maintain separate cost records for the Riverbend Service Area, the Peninsula Service Area, the Doe Branch Service Area and for such other service areas the District may establish. However, the Board reserves the right to combine two or more such service areas for operational or billing purposes, if in the Board's judgment, such action is in the best interest of the District. Specifically, the

Board may combine the Riverbend Service Area with the service areas of the Peninsula and Doe Branch Water Reclamation Plants, which combined service areas are collectively referred to herein as the Northeast Regional Water Reclamation System, particularly for determination of Operation and Maintenance Expenses.

Section 3.12. Extensions and Enlargements. The District shall have the continuing responsibility to maintain adequate capacity in the System to meet the needs of Member over the term of this Contract, and any extension thereof. Member shall have the responsibility to keep the District informed of its projected needs for Wastewater service to allow adequate time for the District to plan and implement necessary improvements to the System. Likewise, the District shall have the continuing responsibility to plan for the needs of Additional Participating Members and future Customers within the Northeast Service Area.

ARTICLE IV **Miscellaneous Provisions and Special Conditions**

Section 4.01. Operation and Maintenance of System. The District will continuously operate and maintain the System in an efficient manner and in accordance with good business and engineering practices, and at reasonable cost and expense. The District recognizes its right and duty to operate the various facilities of the System in the most prudent and economical manner for the benefit of all Customers.

Section 4.02. Project Schedule. It is the intent of the parties that the Project will be placed in operation as soon as practicable, and the District agrees to proceed diligently with the design and construction of the Project, subject to the terms and conditions in this Contract. In connection herewith, Member agrees to promptly provide any funds to District as required by the provisions in Exhibit D hereto.

Section 4.03. Permits, Financing and Applicable Laws. It is understood that any obligations on the part of the District to acquire, construct, and complete the Project and other System facilities and to provide Wastewater services of the Project and other System facilities to Member shall be:

- (a) conditioned upon the District's ability to obtain all necessary permits, material, labor, and equipment;
- (b) conditioned upon the District receiving Member's and other participants' share of the cost of the Project and other System facilities as specified herein; and
- (c) conditioned upon the ability of the District to finance its share of the cost, if any, of the System facilities through the actual sale of District Bonds; and

(d) subject to all present and future valid laws, orders, rules, and regulations of the United States of America, the State of Texas, and any regulatory body having jurisdiction.

Section 4.04. Title to and Liability for Damages and Responsibility for Treatment and Disposal of Wastewater/Reuse; Indemnification. Liability for damages arising from the transportation, delivery, reception, treatment, and/or disposal of all Wastewater discharged into the System hereunder shall remain with Member to the Point of Entry, and title to such Wastewater shall be in the name of Member to the Point of Entry, and upon passing through Point(s) of Entry, title to such Wastewater and liability for such damages shall pass to the District. The District and Member agree to indemnify to the extent permitted by law and to save and hold the other party harmless from any and all claims, demands, causes of action, damages, losses, costs, fines, and expenses, including reasonable attorney's fees, which may arise or be asserted by anyone at any time on account of the transportation, delivery, reception, treatment, and/or disposal while title to the Wastewater is in such party, or on account of a prohibited discharge by a Participating Member or Customer. Both Member and District agree to be responsible for their own respective negligent acts. The District has the responsibility as between the parties for the proper reception, transportation, treatment, and disposal of all Wastewater discharged into the System, but not for prohibited discharges by any party at any Point of Entry. After such treatment of Wastewater, the District may reclaim, and sell the water, sludge or any other product for reuse. Any net revenues and other benefits of such reclamation, sale and reuse shall be fairly apportioned among the Participating Members and Customers, and other parties participating in such sale and reuse.

Section 4.05. Payments Solely From Revenues. The District shall never have the right to demand payment by Participating Members of any obligations assumed by said Member or imposed on Member under and by virtue of this Contract from funds raised or to be raised by taxes; and, the obligations under this Contract shall never be construed to be a debt of such kind as to require Member to levy and collect a tax to discharge such obligation. Nonetheless, a Member may make payments from its water and wastewater (sewer) system revenues, or from any other lawful source, including ad valorem taxes, impact fees and/or connection fees.

Section 4.06. Operating Expenses. Member represents and covenants that all payments to be made by it under this Contract shall constitute reasonable and necessary "operating expenses" of its combined waterworks and sewer system, and that all such payments will be made from the revenues of its combined waterworks (if any) and sewer system or from any other lawful source. Member represents and has determined that the services to be provided by the System, including the Project and other System facilities, are absolutely necessary and essential to the present and future operation of its wastewater system, and that the System is the best long-term method for discharging, treating and disposing of its Wastewater, and, accordingly, all payments required by this Contract to be made by Member shall constitute reasonable and necessary operating expenses of its respective system as described above, with the effect that the obligation to

make such payments from revenues of such systems shall have priority over any obligation to make any payments from such revenues (whether of principal, interest, or otherwise) with respect to all bonds or other obligations heretofore or hereafter issued by Member.

Section 4.07. Rates for Water and Wastewater Services. Member agrees throughout the term of this Contract to continuously operate and maintain its waterworks system (if any) and its wastewater (sewer) system, and to fix and collect such rates and charges for water and wastewater services, to be supplied by its systems as will produce revenues in an amount equal to at least:

(a) all of the expenses of operation and maintenance of such system or systems, including specifically, its payments under this Contract, and

(b) all other amounts as required by law and the provisions of the ordinance or resolutions authorizing its revenue bonds or other obligations now or hereafter outstanding, including the amounts required to pay all principal of and interest on such bonds and other obligations.

Section 4.08. Use of Funds and System. The District covenants and agrees that neither the proceeds from the sale of the Bonds, nor the monies paid it pursuant to this Contract, nor any earnings from the investment of any of the foregoing, will be used for any purposes, except those directly relating to the System, and the Bonds as provided in this Contract; provided that the District may rebate any excess arbitrage earnings from such investment earnings to the United States of America in order to prevent any Bonds from becoming "arbitrage bonds" within the meaning of the Internal Revenue Code of 1986 (the "Code") or any amendments thereto in effect on the date of issue of such Bonds. Each Participating Member covenants and agrees that it will not use, or permit the use of, the System in any manner that would cause the interest on any of the Bonds to be or become subject to federal income taxation under said Code or any amendments thereto in effect on the date of issue of such Bonds.

Section 4.09. Rights-of-Way.

(a) Member hereby grants to the District without additional cost to the District, the perpetual use of the streets, easements, and rights-of-way under its control for the construction, operation, and maintenance of the System and the Project as determined on a case by case basis through agreement between Member and District. District will reimburse Celina a pro rata share of the cost incurred by Celina to acquire any easement to be used by District.

(b) Subject to the provisions of paragraph (a) above, Member agrees that the District may use streets, alleys and public rights-of-way within Member's service area for pipeline purposes to provide Wastewater service to Members or to other Customers without charges or tolls, provided that District makes the necessary repairs to restore to

their original condition the streets, alleys or public rights-of-way so used. District agrees to obtain prior approval for each proposed use; but, Member hereby agrees not to unreasonably withhold approval for such use of streets, alleys or public rights of way.

(c) Member and its governing body hereby expressly grant consent for District to use the District's power of eminent domain, if necessary, to obtain property, land and rights-of-way within Member's service area for Project and System. Member agrees that the consent provided within this subsection is in compliance with, and fulfillment of, the "consent" provision of the Act. The District agrees to submit to Member for approval the proposed alignment and location of any pipeline for the System within Member's corporate limits or service area, which approval will not be unreasonably withheld.

Section 4.10. Unconditional Obligation to Make Payments.

Recognizing the fact that Member urgently requires the facilities and services of the Project and the System, and that such facilities and services are essential and necessary for actual use and for standby purposes; and, recognizing the fact that the District will use payments received from Member and other Customers to pay and secure its Bonds; it is hereby agreed that Member shall be unconditionally obligated to pay, without offset or counterclaim, its proportionate share of the Annual Requirement, as provided and determined in this Contract (including the obligations to pay for certain "minimums" as described in Section 2.15 hereof,) regardless of whether or not the District actually acquires, constructs or completes the Project or the System or is actually delivering services of the System to Member, or whether or not Member actually receives or uses services of the System (whether due to Force Majeure or any other reason whatsoever), regardless of any other provisions of this or any other contract or agreement between any of the parties hereto. This covenant by Member shall be for the benefit of and enforceable by the holders of the Bonds as well as the District.

Section 4.11. Insurance. The District agrees to carry and arrange for fire, casualty, public liability, and/or other insurance, including self insurance, on the System for purposes and in amounts which, as determined by the District, ordinarily would be carried by a privately owned utility company owning and operating such facilities, except that the District shall not be required to provide liability insurance except to insure itself against risk of loss due to claims for which it can, in the opinion of the District's legal counsel, be liable under the Texas Tort Claims Act or any similar law or judicial decision. Such insurance will provide, to the extent feasible and practicable, for the restoration of damaged or destroyed properties and equipment, to minimize the interruption of the services of such facilities. All premiums for such insurance shall constitute an Operation and Maintenance Expense of the System.

Section 4.12. Future Capacity.

(a) The Project and System will include capacity in pipelines and certain other facilities for future needs of Participating Member, Additional Participating Members and

other Customers. Member agrees that it is in the best interest of both the District and Member respectively, to plan, acquire and construct the Project and System with excess capacity in anticipation of future increases in Member's requirements and in anticipation of future new Customers. Further, Member agrees that if District executes a financial plan for the Project or System that includes participation by the State in future capacity costs and the deferral of a portion of the capital costs to a future date, Member agrees that it will assume its respective share, when due, of such System cost if any, so deferred as if Bonds had been issued during the initial construction of the Project. Subject to the terms of this Contract, the District reserves the right to contract with Additional Participating Members and other Customers for equitable participation (on a pro rata basis) in such future capacity.

(b) This Contract includes a definition of the Doe Branch Service Area, which is a part of the Northeast Service Area. Because most of Member's wastewater service area to be served initially lies within the Doe Branch Service Area, service is expected to ultimately be provided at the future Doe Branch Water Reclamation Plant. However, service may initially, partially or intermittently be provided at the Riverbend Water Reclamation Plant at the District's discretion. Moreover, the District reserves the right to expand the service area and System if required by public interest; but, in the unlikely event of the need for such expansion, the District will be obligated to protect water quality in the receiving stream and lake and to protect environmental quality in the affected areas.

Section 4.13. Contracting Parties. This Contract shall be effective as to Member whether or not other parties, who are expected to execute contracts of a similar nature, become participants in the System. The "minimums" listed in Exhibit B shall remain the same as listed for Member, regardless of minimum amounts agreed for other parties who participate in the System.

Section 4.14. Special Provisions. The parties hereto acknowledge and agree to the Special Provisions which are set forth in Exhibit D attached hereto, which Exhibit is incorporated herein for all purposes. The Special Provisions in Exhibit D of this Contract reflect circumstances or issues for Member which may be different from those of other Members and therefore constitute a modification of, or a requirement in addition to, the standard provisions otherwise contained in this Contract. If any provision of Exhibit D is different from or conflicts with the provisions set forth in the main body of this Contract, the provisions of Exhibit D shall prevail.

Section 4.15. Exhibits. Several special Exhibits styled Exhibit A through Exhibit D are referenced elsewhere in this Contract and attached hereto as part of this Contract.

Exhibit A

This Exhibit identifies the Member's service area and boundaries for service by System and proposed Point(s) of Entry to the System and the preliminary plan for major trunk lines of the System.

Exhibit B	This Exhibit indicates the quantities subscribed by Member.
Exhibit C	This Exhibit describes Prohibited Discharges and Requirements for Normal Wastewater for all Members.
Exhibit D	This Exhibit contains special provisions applicable to Celina.

Section 4.16. Permit Compliance. The Project and System must operate under the terms and conditions of applicable State and federal permits. Accordingly, the District agrees to use its best efforts to operate and maintain the System in an efficient and professional manner, endeavoring to provide satisfactory service to Members while complying with applicable permits. If the District becomes aware of a condition, an action or inaction, that could cause the System to be in violation of such permits, the District will take immediate steps to remedy the potential violation. If the condition, action or inaction appears to be the responsibility of one or more specific Member, the District will give notice to the respective Member to take timely steps to remedy the potential violation. If the District receives a fine or penalty for a violation of an applicable permit, and if the cause of such fine or penalty is determined, after investigation, to have been the responsibility of Member, the District shall require Member to reimburse the District for actual cost thereof, in addition to taking the necessary steps to remedy the circumstance causing the violation.

ARTICLE V

Standard Provisions

Section 5.01. Force Majeure. If by reason of force majeure, any party hereto shall be rendered unable wholly or in part to carry out its obligations under this Contract, other than the obligation of Member to make the payments required under this Contract, then if such party shall give notice and full particulars of such force majeure in writing to the other parties within a reasonable time after occurrence of the event or cause relied on, the obligation of the party giving such notice, so far as it is affected by such force majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and any such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "**Force Majeure**" as employed herein shall mean acts of God, strikes, lockouts or other industrial disturbances, acts of public enemy, orders of any kind of the Government of the United States or the State of Texas, or any civil or military authority, insurrection, riots, epidemics, landslides, lightning, earthquake, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, or on account of any other causes not reasonably within the control of the party claiming such inability.