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**SOAH DOCKET NO. 473-19-5674.WS
PUC DOCKET NO. 49351**

**RATEPAYERS APPEAL OF THE
DECISION BY BEAR CREEK SPECIAL
UTILITY DISTRICT TO CHANGE
RATES**

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**BEFORE THE STATE OFFICE

OF

ADMINISTRATIVE HEARINGS**

DIRECT TESTIMONY

OF

CAMILLE REAGAN

ON BEHALF OF BEAR CREEK SPECIAL UTILITY DISTRICT

EXHIBIT BCSUD-1

AUGUST 3, 2020

**PUC DOCKET NO. 49351
SOAH DOCKET NO. 473-19-5674.WS**

**DIRECT TESTIMONY OF CAMILLE REAGAN
WITNESS FOR BEAR CREEK SPECIAL UTILITY DISTRICT**

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**DIRECT TESTIMONY OF CAMILLE REAGAN
WITNESS FOR BEAR CREEK SPECIAL UTILITY DISTRICT**

EXHIBITS

Exhibit CR-1	Résumé
Exhibit CR-2	TCEQ Drinking Water Watch – Water System Detail Report and Summary Sheet
Exhibit CR-3	NTMWD Contract with Bear Creek SUD f/k/a Lavon WSC
Exhibit CR-4	October 9, 2018 Minutes
Exhibit CR-5	Ordinance 2018-006 Amending Rate Order
Exhibit CR-6	Rate Order Adopted October 9, 2018
Exhibit CR-7	Budget approved for FY2017-2018
Exhibit CR-8	Minutes approving FY2017-2018 Budget
Exhibit CR-9	Budget Amended September 11, 2018
Exhibit CR-10	2013 Audit
Exhibit CR-11	2014 Audit
Exhibit CR-12	2015 Audit
Exhibit CR-13	2016 Audit
Exhibit CR-14	2017 Audit
Exhibit CR-15	TCEQ FMT Capacity Assessment Report
Exhibit CR-16	GTUA Loan Application Submittal to TWDB
Exhibit CR-17	Water Facilities Contract
Exhibit CR-18	Debt Service Schedule – Independent Bank Loan
Exhibit CR-19	Debt Service Schedule – GTUA Loan
Exhibit CR-20	GTUA / TWDB Project Budget
Exhibit CR-21	NTMWD Notice of Rate Increase and Projections
Exhibit CR-22	Bear Creek Employee Handbook
Exhibit CR-23	Employee Job Descriptions
Exhibit CR-24	<u>CONFIDENTIAL</u> – Employee Payroll Information

**DIRECT TESTIMONY OF
CAMILLE REAGAN,
WITNESS FOR BEAR CREEK SPECIAL UTILITY DISTRICT**

I. INTRODUCTION, POSITION, AND QUALIFICATIONS

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND CURRENT
EMPLOYMENT POSITION.**

A. My name is Camille Reagan. My business address is 16881 County Road 541, Lavon, Texas 75166. I am the General Manager for Bear Creek Special Utility District (“Bear Creek” or the “District”).

**Q. PLEASE DESCRIBE YOUR BACKGROUND AND PROFESSIONAL
EXPERIENCE.**

A. I have over 15 years of experience in the water utility industry. Prior to my tenure at Bear Creek, I served in several information technology and administrative positions. I have attached a copy of my current résumé as Exhibit CR-1.

**Q. HOW LONG HAVE YOU BEEN EMPLOYED BY BEAR CREEK SPECIAL
UTILITY DISTRICT (“BEAR CREEK”)?**

A. I have been employed at Bear Creek for 15 years. December of 2020 will be my 16th year at Bear Creek.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. To provide factual information related to Bear Creek’s finances and operations and need for a rate increase as of October 2018 and the events leading to the need for that rate increase.

1 **Q. WHAT HAVE YOU REVIEWED IN ORDER TO PREPARE FOR YOUR**
2 **TESTIMONY?**

3 A. I have reviewed Bear Creek's historical records related to the rate increase in October 2018
4 including financial information, audits, all budget documentation, the Water Master Plan
5 and update, and system operation reports. In addition, I have reviewed the rate appeal
6 filings in this proceeding.

7 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE PUBLIC**
8 **UTILITY COMMISSION OF TEXAS?**

9 A. No.

10 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

11 A. I am testifying on behalf of Bear Creek.

12 **II. BEAR CREEK DESCRIPTION**

13 **Q. WHAT IS BEAR CREEK SPECIAL UTILITY DISTRICT?**

14 A. Bear Creek is a special utility district operating under Chapter 49 and 65 of the Texas Water
15 Code. Bear Creek's single purpose is to provide retail potable water service to its
16 customers. Bear Creek began as Lavon Water Supply Corporation in 1965. In 2013, Lavon
17 Water Supply Corporation converted to Lavon Special Utility District. In 2016, the Texas
18 Commission on Environmental Quality approved the name change from Lavon Special
19 Utility District to Bear Creek Special Utility District, which was done in order to reflect
20 Bear Creek's service to surrounding communities in addition to that of the City of Lavon.

1 **Q. PLEASE EXPLAIN HOW BEAR CREEK IS GOVERNED?**

2 A. Bear Creek is governed by a Board of seven directors elected by the qualified voters of the
3 district (the “Board”). Each director serves for a three-year term. Bear Creek conducts
4 elections in accordance with the Texas Water Code and the Texas Election Code based on
5 the staggered election cycle for each director position. The Board of Directors has monthly
6 Board meetings to manage and govern Bear Creek. The Board selects the General
7 Manager, who serves at the pleasure of the Board and carries out the decisions of the Board.

8 **Q. PLEASE EXPLAIN IN DETAIL YOUR RESPONSIBILITIES WITH RESPECT**
9 **TO BEAR CREEK’S BOARD OF DIRECTORS.**

10 A. As General Manager, I serve at the will of the Board. I implement all Board policies and
11 directives as set by the Board. I prepare and provide all financial, system operations, and
12 customer service information to the Board of Directors for the Board to manage Bear Creek
13 in accordance with Section 49.057 of the Texas Water Code. The Board also has created
14 committees comprised of less than a quorum of its members to review specific business of
15 Bear Creek as necessary. It is my responsibility to oversee all clerical and preparation
16 duties necessary to both prepare for Board meetings and Board committee meetings, as
17 well as respond to the day-to-day requests made by Board members.

18 **Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES DURING YOUR TENURE**
19 **WITH BEAR CREEK.**

20 A. I have served as both the Office Manager and General Manager of Bear Creek, and
21 therefore know each and every aspect of Bear Creek’s operations. I am fortunate to have
22 been a part of the growth that Bear Creek has experienced and am proud of how our rural

1 water utility has sustained the growth and how our system is prepared to handle the
2 continued increase in demand.

3 From December 2004 to October 2013, I was the Office Manager for Bear Creek. As
4 Office Manager I supervised all office work related to customer accounts, bookkeeping,
5 election procedures and budget preparation. I performed administrative tasks as requested
6 by the General Manager. From October 2013 to December 2013 I served as Interim
7 General Manager.

8 I have served as the Bear Creek General Manager since December 2013. As General
9 Manager, I manage and operate all the affairs of Bear Creek pursuant to Section 49.056 of
10 the Texas Water Code, including development of the District's budget, monthly financial
11 reporting, facilitating the District's annual audit, maintaining and operating the water
12 system, and planning for capital improvements and system expansion. In addition, I
13 supervise all Bear Creek employees and consultants, and manage all customer service,
14 annual Board election, and administrative matters. My duties also include ensuring Bear
15 Creek complies with all state and federal drinking water regulations and that customers
16 have a continuous and reliable source of water. I am responsible for coordinating and
17 preparing for all Board of Directors meetings, including regular interaction with, and
18 providing information to, Bear Creek's seven Board members.

19 **Q. PLEASE EXPLAIN IN DETAIL YOUR RESPONSIBILITIES WITH RESPECT**
20 **TO THE PROCESS TO DEVELOP BEAR CREEK'S BUDGET.**

21 A. Budget development includes a rigorous review of audited actual costs and revenues from
22 the previous fiscal year, current year-to-date expenditures, projected capital improvement

1 expenditures based upon then-current information, projected population and system
2 demand, and projected water usage and increase in rates charged by North Texas Municipal
3 Water District (“NTMWD”). Our budget development process also includes a detailed
4 review and discussion of our audit with our auditor. During the budget process, the staff
5 provides me with detailed lists of items needed to accomplish their job requirements for
6 the next fiscal year. Field personnel provide me with information on system upgrade
7 requirements, supplies needed to maintain all water system infrastructure and supplies
8 required to comply with state and federal drinking water regulations. Office personnel
9 provide me with information on requirements of customer billing, office equipment
10 upgrades and software requirements, building and system security requirements, and office
11 supplies. If large projects are planned for the fiscal year, we request quotes of costs for
12 projects from vendors or contractors. I am responsible for gathering all this information
13 for the Board and presenting a proposed budget for their consideration annually.

14 **Q. PLEASE EXPLAIN IN DETAIL YOUR RESPONSIBILITIES WITH RESPECT**
15 **TO MONTHLY FINANCIAL REPORTING AND AUDITS?**

16 A. Monthly financial reporting includes detailed spreadsheet tracking of all expenditures and
17 income related to each line item in the budget. I provide a detailed budget report each
18 month to the District’s Board that shows each line item of expenditures and income
19 contained in the budget. The Board essentially receives a monthly breakdown of the
20 overall annual budget and a profit and loss statement of each specific line item in the
21 budget. During the month, as deposits are made into bank accounts for all receivables, I
22 post all the deposits into the Bear Creek accounting software according to income accounts.
23 At the end of the month, I reconcile all bank accounts based on end of month bank

1 statements. After bank statements are reconciled, I update the budget according to the
2 monthly profit and loss statement. The monthly updated budget and profit and loss
3 statement is provided to the Board at each monthly board meeting. In addition, I present
4 budget amendments to the Board for consideration as necessary.

5 **Q. PLEASE EXPLAIN IN DETAIL YOUR RESPONSIBILITIES WITH RESPECT**
6 **TO OPERATING AND MAINTAINING BEAR CREEK'S WATER SYSTEM.**

7 A. Maintenance and operation of the system includes daily monitoring of system performance.
8 Each day, I review and determine the needs for our employees to operate and maintain the
9 water system, including meter installation/repair, leak repair, pump station maintenance,
10 line flushing, water quality testing, response to customer service requests, in addition to
11 many other daily activities necessary to keep the system functioning to the required level
12 of performance. My duties in this regard also include management of
13 contractors/subcontractors and inspection of the construction work on any portion of the
14 facilities. Maintenance and operation of the system also includes significant short and
15 long-term planning and coordination, examples of this include overseeing all development,
16 design and project management of each capital improvement of the system and staying up-
17 to-date on the best practices recommended for optimal system performance.

18 I am responsible for and manage all our employees that operate and maintain the system.
19 Bear Creek is required to employ at least two operators with a minimum of a Class C Water
20 Distribution license, and we do. These licensed operators check daily water quality
21 throughout the system to maintain state drinking water regulations. Office personnel input
22 work orders for any customer service requests, such as water leaks, line locates, meter
23 installs, and meter problems. Field personnel respond to all work orders, maintain Bear

1 Creek water infrastructure, inspect all infrastructure installed as part of the Water Master
2 Plan and inspect and coordinate with developers on infrastructure installed within new
3 subdivisions. Bear Creek also has two employees with a license to perform customer
4 service inspections, to check for cross contamination, backflow prevention and to check
5 for lead in solder or flux or pipes and pipe fittings. These employees inspect all new
6 construction, major renovations, or existing services where contaminants are suspected.
7 Field personnel inspects daily any construction work of system facilities. I supervise and
8 manage the entire field staff on a daily basis.

9 **Q. PLEASE EXPLAIN IN DETAIL YOUR RESPONSIBILITIES WITH RESPECT**
10 **TO CAPITAL IMPROVEMENTS AND EXPANSION OF BEAR CREEK'S**
11 **SYSTEM.**

12 A. I oversee the development and implementation of Bear Creek's Water Master Plan. Due
13 to the age of Bear Creek's facilities, we are committed to repairing or replacing aging
14 facilities as necessary to ensure the best service possible for our existing customers. With
15 regard to new expansion of the system, I am responsible for coordinating with all
16 developers, which often includes many hours of meetings, phone calls, and planning in
17 order to provide the requisite level of service to new customers. My responsibilities also
18 include being present for all inspections of new facilities that tie into the Bear Creek
19 system.

1 **III. BEAR CREEK WATER SYSTEM**

2 **Q. PLEASE DESCRIBE BEAR CREEK'S WATER SYSTEM.**

3 A. Bear Creek currently serves over 8,000 residents at 2,422 connections to the system. The
4 current service area is 21 square miles. The Bear Creek system consists of a total of 4,050
5 gallons per minute (gpm) in pumping capacity, and 1.920 million gallons of total water
6 storage. The facilities consist of three pressure planes with a combined total of four
7 elevated storage tanks, and three ground storage tanks. The system includes two pump
8 stations.

9 **Q. WHAT IS BEAR CREEK'S PUBLIC WATER SYSTEM IDENTIFICATION**
10 **NUMBER ("PWS ID")?**

11 A. TX0430037. I have attached copies of the Texas Commission on Environmental Quality
12 Drinking Water Watch – Water System Detail Report and the Summary Sheet as Exhibit
13 CR-2.

14 **Q. WHAT IS BEAR CREEK'S CERTIFICATE OF CONVENIENCE AND**
15 **NECESSITY ("CCN") NUMBER?**

16 A. 10066. Our CCN boundary is shown on the system maps attached as Exhibit JH-2 to the
17 testimony of Joe Helmberger.

18 **Q. HOW LONG HAS BEAR CREEK BEEN PROVIDING WATER SERVICE?**

19 A. Bear Creek's water system has provided service to its customers since the creation of
20 Lavon Water Supply Corporation in 1965.

1 Q. HOW MANY CUSTOMERS DOES BEAR CREEK HAVE?

2 A. As of the date of the rate appeal filed in 2019, Bear Creek had 2,384 customers. As of the
3 date of the Board of Directors' decision to increase rates in 2018, Bear Creek had 2,311
4 customers.

5 Q. PLEASE EXPLAIN HOW BEAR CREEK HAS OBTAINED ITS WATER SUPPLY.

6 A. Bear Creek has always purchased treated surface water from the North Texas Municipal
7 Water District (“NTMWD”). Bear Creek, prior to its conversion and name change, has
8 had a contract with NTMWD since Lavon Water Supply Corporation was created in 1965.
9 I have attached a copy of the contract with NTMWD that has been in effect since before
10 the October 2018 rate increase was adopted as Exhibit CR-3.

11 IV. RATE APPEAL

12 Q. WHAT IS YOUR UNDERSTANDING OF THE REASON FOR THE APPEAL OF
13 BEAR CREEK'S RATES?

14 A. It is my understanding that the primary focus of the rate appeal is based upon matters that
15 are unrelated to rates. The only reference to actual rate information in the rate appeal
16 documentation I have seen appears to be limited to the increase to the base rate.

17 Q. WHEN DID BEAR CREEK INCREASE ITS RATES?

18 A. The Board of Directors voted to approve the rate increase on October 9, 2018. A copy of
19 the minutes from the October 9, 2018 board meeting are attached as Exhibit CR-4. A copy
20 of Ordinance No. 2018-006 Amending Rate Order is attached as Exhibit CR-5. The Board
21 voted to increase the rates after numerous Board meetings in 2017 and 2018 devoted to
22 reviewing the critical infrastructure improvements and increases in Bear Creek costs.

specifically wholesale water purchase costs from North Texas Municipal Water District. I have also attached a copy of Bear Creek's full Rate Order as Exhibit CR-6.

Q. WHY DID BEAR CREEK INCREASE ITS RATES?

A. Rates were increased based upon NTMWD's increase in wholesale water rates of five percent (5%) and the need to pay for the loan obtained to construct a new pump station and ground storage tank that Bear Creek and its consultants determined were critically necessary.

Q. HOW DOES BEAR CREEK DETERMINE A RATE INCREASE IS NECESSARY?

A. Through a comprehensive review of budgeted costs, actual costs, audit results, and projected capital improvement costs for the next fiscal year. Specifically, the increase in demand and rate paid to NTMWD (total costs to purchase water) were both projected to increase, and Bear Creek had to obtain funding from the Texas Water Development Board ("TWDB") Drinking Water State Revolving Fund ("DWSRF") in order to fund the capital improvements critically necessary for the system.

Q. WHY IS THE BUDGET USED INSTEAD OF THE ACTUAL COSTS?

A. Each year's budget preparation is based heavily on a review of the previous year's actual costs. The budget is a detailed estimate of what we expect our costs and income to be for a particular fiscal year. The primary revenue for Bear Creek is water sales, which can vary drastically month-to-month based on various factors, and therefore budgeting based on historical and seasonal changes in water sales is important in budget preparation. In addition, we review our Water Master Plan in order to project costs related to upcoming system improvements in a fiscal year.

1 **Q. WHAT WAS THE BUDGET AT THE TIME THE RATES WERE INCREASED?**

2 A. The income pursuant to the budget amendment adopted by the Board on September 11,
3 2018 was \$1,761,072.85; the expenses pursuant to the budget amendment adopted by
4 Board on September 11, 2018 were 1,374,235.229. I have attached a copy of the detailed
5 budget that had been adopted by the Board in December 2017 for 2018 as Exhibit CR-7.
6 A copy of the minutes approving the 2018 Budget from the December 12, 2017 board
7 meeting are attached as Exhibit CR-8

8 **Q. HOW DOES BEAR CREEK DEVELOP THE BUDGET EACH YEAR?**

9 A. Through a comprehensive review of actual costs, the previous year's audit, and anticipated
10 capital improvement funding necessary for maintaining and operating the system. I review
11 the actual costs from the prior year budget and prior year audit in preparation of the new
12 budget. I take into account any increase in costs of items that were purchased the prior
13 year, such as supplies for maintaining the Bear Creek water system infrastructure and to
14 maintain state and federal regulations. I look at what upgrades and improvements need to
15 be made for the next year according to the Water Master Plan to include in the budget.

16 **Q. HOW DO BEAR CREEK'S ACTUAL COSTS IMPACT THE PREPARTION OF**
17 **THE BUDGET?**

18 A. Actual costs are the primary component of preparing the budget. We use actual cost
19 information and incorporate projected costs based on the best available information at the
20 time the budget is prepared in order to be as accurate as possible. In addition, we amend
21 the budget throughout the year to reflect actual costs.

1 **Q. WAS THE 2018 BUDGET AMENDED BEFORE THE BOARD ADOPTED RATES**
2 **IN OCTOBER 2018?**

3 A. Yes. The last amendment was September 11, 2018. The amended budget is attached at
4 Exhibit CR-9.

5 **Q. HOW DOES THE PRIOR YEAR AUDIT IMPACT THE PREPARATION OF THE**
6 **BUDGET?**

7 A. The prior year's audit is the starting point for budget preparation. Bear Creek's auditor
8 attends a Board meeting each year to present the audit prior to budget preparation that year.
9 The prior year audit is the starting point for the budget preparation.

10 **Q. WHAT WERE THE RESULTS OF THE MOST RECENT AUDIT THAT WAS**
11 **AVAILABLE TO BEAR CREEK IN OCTOBER 2018?**

12 A. The audited amounts for the fiscal year ending December 31, 2017 were as follows:

13 Operating Revenue: \$2,088,907.00

14 Operating Expenses: \$2,347,732.00

15 Net Operating Revenue (Expense): (\$258,825.00)

16 Non-Operating Revenue: \$273,358.00

17 Change in Net Position: \$14,533.00

18 This 2017 Audit was the most recent audit available to the Board when it adopted the rate
19 increase on October 9, 2018. I have attached a full copy of the 2017 Audit as Exhibit CR-
20 14. Also attached as Exhibit CR-10 is a complete copy of the 2013 Audit¹; Exhibit CR-11

¹ The FY2013 audit only covered a 6-month period.

1 is a complete copy of the 2014 Audit; Exhibit CR-12 is a complete copy of the 2015 Audit;
2 and Exhibit CR-13 is a complete copy of the 2016 Audit.

3 **Q. HOW DID THE FY2017 AUDIT IMPACT THE BUDGET THAT WAS IN PLACE**
4 **WHEN THE RATES WERE SET IN OCTOBER 2018?**

5 A. The results of the 2017 Audit showed a shortfall in net operating revenue by \$258,825.00,
6 with a total change in net position of \$14,533.00. As a result of including the increased
7 costs for the NTMWD rate increase and payments on the loan in the 2019 budget analysis,
8 we projected shortfall of revenue necessitating a rate increase.

9 **Q. WHAT GROWTH HAD BEAR CREEK EXPERIENCED IN THE YEARS**
10 **BEFORE OCTOBER 2018, WHEN THE RATE INCREASE THAT IS THE**
11 **SUBJECT OF THIS APPEAL WAS ADOPTED?**

12 A. From 2013 to 2017, Bear Creek's demand increased from serving a population of 5,523 to
13 serving a population of 6,933. The number of connections in 2015 was 2,096 and the
14 number of connections in 2018 (year ending) was 2,366.

15 **Q. HOW MANY NEW CUSTOMERS HAD BEEN ADDED TO BEAR CREEK EACH**
16 **YEAR?**

17 A. The following information shows a breakdown of the connections for 2015 through 2018
18 (year ending):

19 2015: 2,096 connections

20 2016: 2,136 connections

21 2017: 2,255 connections

22 2018: 2,366 connections

1 **Q. WHAT NEW DEVELOPMENTS WERE BEING PLANNED OR CONSTRUCTED**
2 **WITHIN THE BEAR CREEK WATER SYSTEM IN THE FIVE YEARS BEFORE**
3 **OCTOBER 2018?**

4 A. Abston Hills, LakePointe Development, Crestridge Meadows, Traditions at Grand
5 Heritage, Traditions at Grand Heritage West, Traditions at Grand Heritage Phase 2, Bear
6 Creek Phase 3-5, Cameron Family Trust, Moores Lake, Lavon Farms, Presidents
7 Boulevard Extension, 7-11 Store, O'Reilly's Auto Store, MUD No. 5, Lavon 678
8 Development.

9 **Q. HOW MANY CONNECTIONS ARE PLANNED FOR EACH OF THE**
10 **DEVELOPMENTS?**

11 A.	Abston Hills –	6,000	
12	Lakepointe Development –	630	Single Family,
13		150	Multiple Family
14	Crestridge Meadows –	274	
15	Traditions at Grand Heritage –	97	
16	Traditions at Grand Heritage West –	84	
17	Traditions at Grand Heritage Phase 2 –	111	
18	Bear Creek Phase 3, 4, 5 –	454	
19	Cameron Family Trust –	148	
20	Moores Lake –	39	
21	Lavon Farms –	150	
22	President Boulevard Extension –	1	
23	7-11 Store -	3	
24	O'Reilly's Auto Store –	2	
25	MUD No. 5 –	896	
26	Lavon 678 Development -	300	

1 **Q. HOW DID THESE NEW CUSTOMERS AND DEVELOPMENT IMPACT BEAR**
2 **CREEK’S WATER USAGE?**

3 A. The growth and development resulted in an increase in demand/water usage. Which
4 resulted in purchasing increased supply from NTMWD. This increase in supply needs
5 results in a constant increase in our minimum required purchase year after year.

6 **V. WATER MASTER PLAN AND DEBT SERVICE**

7 **Q. WHAT HAS BEAR CREEK DONE TO PLAN FOR ITS CAPITAL**
8 **IMPROVEMENTS?**

9 A. Bear Creek has engaged the engineering firm of Kimley-Horn & Associates (“KHA”) to
10 analyze the existing system, future demands, and the infrastructure improvements needed
11 to serve future demands. The Water Master Plan (“WMP”) developed by KHA includes
12 an overview of the costs associated with each proposed improvement. Bear Creek has
13 historically done this type of analysis on a regular basis according to best practices for
14 water utilities.

15 **Q. WHEN WAS BEAR CREEK’S WATER MASTER PLAN (“WMP”) ADOPTED?**

16 A. The most recent WMP was finalized in June 2017 and was updated in October 2018.

17 **Q. WHO WAS ENGAGED TO PREPARE THE WMP FOR BEAR CREEK?**

18 A. Joe Helmberger, P.E., Todd Strouse, P.E., and Stuart Williams, P.E., of KHA.

1 **Q. WHY WAS THE WMP NECESSARY?**

2 A. The WMP is necessary to have a construction and funding plan for properly maintaining,
3 expanding and operating the system. The WMP allows Bear Creek to prioritize which
4 projects are critical for optimal system performance.

5 **Q. WHAT WERE THE RESULTS OF THE WMP FOR BEAR CREEK?**

6 A. The WMP showed that Bear Creek needed to construct improvements to pressure plane 1
7 (pump station 2). These improvements include four 1,200 gpm pumps and one 1.0-million-
8 gallon ground storage tank. Pressure plane 2 (pump station 2) improvements include four
9 2,000 gpm pumps, two 2.0-million-gallon ground storage tanks and one 1.5-million-gallon
10 elevated storage tank. Site improvements to the pump station No. 2 property, 6,975 linear
11 feet of 12-inch water line, 1,537 linear feet of 16-inch water line. The pump station No. 2
12 improvements will provide 13.5 hours of storage for pressure plane No. 1 and 38.4 hours
13 of storage for pressure plane No. 2. Improvements for pressure plane 3 (pump station 1)
14 would be four 1,700 gpm pumps, two 1.0-million-gallon ground storage, one 500,000-
15 gallon ground storage tank and one 1.0-million-gallon elevated storage tank. The WMP
16 projects that in 2020 the system will have approximately seven hours of ground storage
17 capacity available during peak demand at pump station No. 2. The WMP noted that such
18 deficient capacity only achieves 58% of the recommended capacity at this site. The pump
19 station at pressure plane No. 2 accounts for 60% of the customers in the system and is the
20 only delivery source for both pressure plane No. 1 and pressure plane No. 2. In addition,
21 the lack of redundancy was noted as an issue in the 2017/2018 WMP. Assessment of the
22 existing facilities showed that the pump station being located on top of the existing concrete
23 ground storage tank created maintenance and safety hazards that could be avoided by

1 moving the pump station to ground level. In addition, the new ground storage tank will
2 include a new emergency interconnect between pressure planes Nos. 1 and 2, which will
3 provide adequate ground storage capacity in the event of an emergency at pressure plane
4 No. 2. This was the most essential improvement needed to the system, and is part of a
5 larger, phased project identified in the WMP to provide additional ground storage, pumping
6 capacity, and water lines necessary for service to existing and new customers.

7 **Q. HOW DID BEAR CREEK DETERMINE WHAT IMPROVEMENTS NEEDED TO**
8 **BE MADE?**

9 A. The most critical improvements were prioritized. At the time of the rate increase, Bear
10 Creek had recently completed the WMP in 2017 that was updated in 2018. The Plan
11 showed that a new pump station and ground storage tank for Pressure Zone 2 was essential
12 to provide continuous and adequate water service to customers. The pump stations at this
13 delivery point account for 60% of the demand of the system and is the only delivery site
14 for Pressure Zones 1 and 2.

15 **Q. HOW DID BEAR CREEK PLAN TO FINANCE THOSE IMPROVEMENTS?**

16 A. Bear Creek contracted with the Greater Texoma Utility Authority (“GTUA”) to finance the
17 improvements through the TWDB Drinking Water State Revolving Fund (“DWSRF”).

18 **Q. WHY DID BEAR CREEK’S BOARD OF DIRECTORS (THE “BOARD”) ENGAGE**
19 **GTUA?**

20 A. GTUA is a governmental entity specifically created to assist utilities with obtaining low
21 interest financing of critical infrastructure projects.

1 **Q. DID THE BOARD ENGAGE ANYONE ELSE?**

2 A. Yes. We engaged our engineers at KHA on this project to assist in projecting costs and
3 construction design. In addition, GTUA engaged the financial advisor firm of Specialized
4 Public Finance, Inc. to assist in its loan procurement. This is another benefit to utilizing
5 GTUA to assist in obtaining the financing.

6 **Q. WHAT DID GTUA RECOMMEND TO BEAR CREEK WITH RESPECT TO**
7 **FUNDING AND CAPITAL IMPROVEMENTS?**

8 A. GTUA recommended that Bear Creek obtain a DWSRF loan from the TWDB in the
9 amount of \$7,490,000 with an interest rate of 2.41%. Use of this funding mechanism is
10 expected to save Bear Creek approximately \$1,802,000 over the life of the loan. Bear
11 Creek's Board voted to proceed with this course of action in May 2018.

12 **Q. PLEASE EXPLAIN BEAR CREEK'S PROCESS TO OBTAIN A LOAN FROM**
13 **THE TWDB.**

14 A. The application and approval process for the DWSRF is very comprehensive, and required
15 many hours of drafting and review by GTUA personnel who have extensive experience
16 with these types of applications, Bear Creek's engineers at KHA, and myself. The
17 application consisted of nine sections, with the bulk of the application devoted to
18 describing the project, evaluating environmental setting, impacts and mitigation, and
19 coordination with the agency. TWDB conducts a rigorous review of all aspects of Bear
20 Creek operation and financials, with numerous levels of in-house review by TWDB staff.
21 I spent significant time throughout 2017-2018 to prepare for and work with all necessary
22 parties to obtain the financing.

1 In addition, the TWDB required Bear Creek to submit to an FMT Capacity Assessment by
2 the TCEQ. TCEQ issued a Capacity Assessment report finding that Bear Creek has the
3 financial, managerial, and technical capacity to proceed with the proposed project. Bear
4 Creek was required to provide the TCEQ inspector with the information requested, and the
5 TCEQ inspector then issued a report on the operations of Bear Creek, which is attached to
6 my testimony as Exhibit CR-15.

7 **Q. WHAT INFORMATION WAS BEAR CREEK REQUIRED TO SUBMIT TO**
8 **TWDB FOR THE LOAN?**

9 A. Bear Creek was required to send all financials dating back to 2013, including budgets and
10 audits for the applicable years. We were also required to send rate information, including
11 the information related to the rate increase as proof of financial capability of paying the
12 debt service for the loan. I have attached a copy of all the information that Bear Creek
13 submitted to the TWDB through GTUA for its application as Exhibit CR-16.

14 **Q. WHAT ELSE DID GTUA REQUIRE OF BEAR CREEK IN ORDER TO OBTAIN**
15 **THE LOAN FROM THE TWDB?**

16 A. GTUA required Bear Creek to increase its rates. In addition, GTUA required Bear Creek
17 to enter into the Water Facilities Contract, which was also approved at the October 9,
18 2018 Board meeting by Resolution No. 2018-006. I have attached a copy of the Water
19 Facilities Contract as Exhibit CR-17.

20 **Q. WHAT RATE CHANGE DID GTUA REQUIRE?**

21 A. Upon a detailed review of Bear Creek's financial position along with completion of a pro
22 forma developed in conjunction with GTUA's financial advisor firm, GTUA required that

1 Bear Creek increase its base rate by \$10.00 in 2018 order to meet the revenue requirements
2 necessary for paying on the loan. GTUA also recommended that Bear Creek increase its
3 base rate by another \$5.00 (total of \$15.00 increase to base rate) beginning in 2019.

4 **Q. WHY DID GTUA REQUIRE THE INCREASE?**

5 A. GTUA advised Bear Creek that the increase was required in order for Bear Creek to show
6 financial capability of paying on the loan.

7 **Q. WHAT DID THE CAPACITY ASSESSEMENT REPORT ISSUED BY THE TEXAS**
8 **COMMISSION ON ENVIRONMENTAL QUALITY ("TCEQ") CONCLUDE**
9 **WITH REGARD TO BEAR CREEK?**

10 A. An FMT Capacity Assessment Report was issued by TCEQ on September 21, 2018 stating
11 that Bear Creek has the financial, managerial and technical capacity to proceed with the
12 project that would be funded by the application for financing from the DWSRF. The report
13 concluded that the proposed project necessitating the funding would allow Bear Creek to
14 remain in compliance with TCEQ rules and regulations. In fact, the report indicated that
15 Bear Creek met each standard reviewed by TCEQ, with the exception of the emergency
16 interconnections criteria, which Bear Creek will address at least partially through the
17 project for which the funding will be used.

18 **Q. DID BEAR CREEK HAVE ANY EXISTING DEBT AT THAT TIME?**

19 A. Yes. According to the 2017 Audit, the outstanding debt was \$1,862,211.00 at the end of
20 2017.

1 **Q. DID BEAR CREEK SEEK ANY OTHER FINANCING FOR ITS IMPROVEMENT**
2 **PROJECTS?**

3 A. No, not officially. However, I did a comparison of interest rates on various loans available
4 to Bear Creek at the time to present to the Board so that the Board could have the best
5 information available in making a decision on the financing. The TWDB DWSRF was the
6 lowest interest financing we were aware of at the time.

7 **Q. WHAT IS THE DEBT SERVICE SCHEDULE FOR EACH OF THESE**
8 **OBLIGATIONS?**

9 A. I have attached the debt service schedules for both of Bear Creek's loans as Exhibit CR-18
10 and Exhibit CR-19.

11 **Q. WHAT WERE THE PROCEEDS OF THE TWDB LOAN USED FOR?**

12 A. The project is currently under construction and not all the funds have been disbursed to
13 Bear Creek. The loan proceeds were disbursed to GTUA. Bear Creek submits pay requests
14 to GTUA for payment for any projects approved under the loan process. However, at the
15 times the rates were set in October 2018, the cost breakdown for each project component
16 for the new ground storage tank and pump station were as follows:

Construction:	\$5,214,000.00
Basic Engineering:	\$748,000.00
Environmental:	\$5,000.00
Fiscal Services:	\$262,271.00
Water Conservation Plan:	\$500.00
Land/Easements, Administrative, Legal Expenses, Inspection, Construction Management, Testing, etc.:	\$215,000.00
Recommended Contingencies:	<u>\$1,045,029.00</u>
Total Funding:	\$7,490,00.00

1 **Q. HOW WERE THOSE PROCEEDS ACCOUNTED FOR?**

2 A. The loan proceeds were deposited in a GTUA account. The funds remain in that account
3 until disbursed to pay for projects approved under the loan process. Bear Creek keeps a
4 detailed accounting of each line item expenditure. I have attached a copy of the Project
5 Budget prepared by GTUA at the time the October 2018 rates were adopted as Exhibit
6 CR-20. In addition, GTUA also keeps a detailed accounting of each project expenditure.

7 **VI. OPERATIONS & MAINTENANCE – WATER SUPPLY**

8 **Q. PLEASE DESCRIBE HOW BEAR CREEK GETS ITS WATER SUPPLY.**

9 A. Bear Creek has obtained its water supply since 2005 through the version of the contract
10 with the NTMWD described earlier and attached as Exhibit CR-3.

11 **Q. WHAT WAS THE RATE THAT THE NTMWD CHARGED BEAR CREEK WHEN**
12 **THE 2005 CONTRACT WAS EXECUTED?**

13 A. When the NTMWD contract was executed in 2005, the rate was \$1.02 per 1,000 gallons.

14 **Q. WHAT WAS THE RATE CHARGED AT THE TIME THE NEW RATES WERE**
15 **SET BY BEAR CREEK ON OCTOBER 9, 2018?**

16 A. The 2018 NTMWD rate was \$2.83 per 1,000 gallons. At the time of Bear Creek's rate
17 increase, we had just received notice from NTMWD that the rates would increase to \$2.97
18 per 1,000 gallons for FY 2019. I have attached a copy of the notice of rate increase issued
19 by the NTMWD on September 28, 2018, and the NTMWD rate projections as Exhibit
20 CR-21.

1 **Q. PLEASE DESCRIBE HOW NTMWD’S RATES HAVE CHANGED OVER THE**
2 **YEARS.**

3 A. NTMWD’s rates have steadily increased. The rates increased from \$1.02 per 1000 gallons
4 to \$2.97 per 1000 gallons from 2005 to 2019.

5 **Q. AT THE TIME THE RATES WERE SET ON OCTOBER 9, 2018, WAS BEAR**
6 **CREEK ANTICIPATING ANY ADDITIONAL RATE INCREASES FROM**
7 **NTMWD?**

8 A. Yes. NTMWD sent a letter dated September 28, 2018, indicating that a five percent (5%)
9 rate increase would be effective beginning with its next fiscal year, beginning on
10 October 1, 2018.

11 **Q. HOW MUCH WATER WAS BEAR CREEK OBLIGATED TO PURCHASE FROM**
12 **NTMWD AT THE TIME THE RATES WERE SET?**

13 A. Beginning on October 1, 2018, the minimum amount purchased under the NTMWD
14 contract was 243,364,000 for a total cost of \$722,791.00.

15 **Q. PLEASE EXPLAIN HOW THAT AMOUNT HAS CHANGED OVER THE FIVE**
16 **YEARS LEADING UP TO THE RATE INCREASE.**

17 A. The total cost of water purchases from NTMWD in 2014 was \$423,323.00. The total cost
18 of water purchases from NTMWD in 2018 was \$683,786.00. The total cost of water for
19 2020 is budgeted to be \$785,000.00.

20 **Q. DOES BEAR CREEK PROJECT FUTURE INCREASES IN THAT AMOUNT?**

21 A. Yes.

1 **Q. WHERE IS THE COST OF WATER SUPPLY REFLECTED IN BEAR CREEK'S**
2 **BUDGET?**

3 A. As a specific line item under operational expenses.

4 **Q. HOW WERE THE ACTUAL WATER SUPPLY COSTS USED IN DEVELOPING**
5 **BEAR CREEK'S BUDGET?**

6 A. The actual water supply costs for the previous five years are reviewed, with emphasis on
7 the prior year's costs. If our annual amount used exceeds the contract minimum amount
8 from NTMWD, then we know we will automatically increase to that amount for the next
9 contract year. In addition, we anticipate an increase in water rates of at least five percent
10 (5%) based on our NTMWD contract and historical trends. These historical trends show
11 that in the last 10 years NTMWD has passed on an annual increase every year to customer
12 entities like Bear Creek increasing rates from \$1.23 per 1000 gallons to \$2.97 per 1000
13 gallons during that time.

14 **Q. WHAT WATER CONSERVATION PROGRAMS DOES BEAR CREEK HAVE IN**
15 **PLACE?**

16 A. Bear Creek has a conservation-oriented rate structure and provides conservation awareness
17 information to customers.

18 **Q. HOW DOES WATER CONSERVATION AFFECT BEAR CREEK'S WATER**
19 **USAGE?**

20 A. It is directly proportional—less water used by customers results in less demand. However,
21 the amount of water conservation by existing customers does not cover the increase in
22 demand each year by growth in connections and customers served.

1 **Q. HOW DOES DEVELOPMENT AND NEW CONSTRUCTION AFFECT BEAR**
2 **CREEK'S WATER USAGE?**

3 A. Development and new construction are the drivers behind the increase in Bear Creek's
4 increased usage and purchasing from NTMWD.

5 **VII. OPERATIONS & MAINTENANCE – OTHER COSTS**

6 **A. Operations & Maintenance – Payroll & Benefits**

7 **Q. WHAT COSTS ARE INCLUDED IN PAYROLL & BENEFITS?**

8 A. Employee salaries, bonuses, overtime, temporary help costs, health insurance, and IRA
9 contributions. I have attached a copy of Bear Creek's Personnel Handbook, which was
10 updated in May 2017 as Exhibit CR-22, which describes these benefits.

11 **Q. WHERE ARE THE COSTS FOR PAYROLL AND BENEFITS REFLECTED IN**
12 **BEAR CREEK'S BUDGET?**

13 A. As line items under operational expenses.

14 **Q. HOW MANY EMPLOYEES DOES BEAR CREEK HAVE?**

15 A. Bear Creek has seven total employees in 2020. When the appealed rates were adopted in
16 2018, the total number of employees was six plus one part-time employee.

17 **Q. PLEASE IDENTIFY THE TITLE FOR EACH OF THOSE POSITIONS?**

18 A. Bear Creek had a General Manager, an Office Manager, an Office Assistant, a Field
19 Supervisor, a Crew Lead, and an Operator at the time the rates were adopted. I have
20 attached the job description for each position as Exhibit CR-23.

1 **Q. FOR EACH POSITION, HOW MANY DAYS A WEEK DID THAT JOB ENTAIL?**

2 A. General Manager – 5 to 7 days per week.
3 Office Manager – 5 to 7 days per week.
4 Office Assistant – 5 days per week.
5 Field Supervisor – 5 to 7 days per week.
6 Crew Lead – 5 to 7 days per week.
7 Operator – 5 to 7 days per week.

8 The range from 5 to 7 days per week for certain positions reflects additional days that the
9 employee must work based upon the duties of position and based upon on-call and
10 emergency repair and maintenance type of work. All positions were full-time and required
11 at least 40 hours per week.

12 **Q. FOR EACH POSITION, HOW MUCH OVERTIME IS REQUIRED?**

13 A. While there is not a specific benchmark that each employee must meet related to overtime,
14 the following information applies to overtime figures for 2017 and 2018: General
15 Manager – overtime not calculated according to pay due to salaried position. All other
16 positions – 2017: 880 hours of overtime worked; 2018: 824 hours of overtime worked.

17 **Q. WHAT WERE BEAR CREEK'S WAGE AND SALARY COSTS IN 2018 WHEN**
18 **THE RATES WERE SET?**

19 A. Bear Creek's total salary costs for the fiscal year in which the rates were set were projected
20 to be \$337,412 for the entire year. I have attached CONFIDENTIAL Exhibit CR-24, which
21 shows specific salaries for each employee at Bear Creek.

1 **Q. PLEASE IDENTIFY THE BENEFITS AND OTHER EXPENSES ASSOCIATED**
2 **WITH EACH POSITION.**

3 A. General Manager – health insurance, IRA contributions, vehicle allowance, Texas
4 Workforce Commission, training and travel, safety equipment, employee drug testing,
5 bonus

6 Office Manager – health insurance, IRA contributions, mileage reimbursement, Texas
7 Workforce Commission, training and travel, safety equipment, employee drug testing,
8 bonus, overtime

9 Office Assistant – health insurance, IRA contributions, mileage reimbursement, Texas
10 Workforce Commission, training and travel, safety equipment, employee drug testing,
11 bonus, overtime

12 Field Supervisor – health insurance, IRA contributions, mileage reimbursement, Texas
13 Workforce Commission, training and travel, safety equipment, employee drug testing,
14 uniforms, bonus, overtime

15 Crew Lead – health insurance, IRA contributions, mileage reimbursement, Texas
16 Workforce Commission, training and travel, safety equipment, employee drug testing,
17 uniforms, bonus, overtime

18 Operator – health insurance, IRA contributions, mileage reimbursement, Texas Workforce
19 Commission, training and travel, safety equipment, employee drug testing, uniforms,
20 bonus, overtime

1 The total annual cost for medical, dental and vision insurance paid for 2018 was
2 \$125,459.65 for six employees. Total cost for mileage reimbursement was \$2,420.73 for
3 all employees and was reimbursed at \$0.545 per mile. The total cost of auto allowance for
4 2018 was \$4,999.92. Total annual cost of uniforms for 2018 was \$4,062.99. Company
5 IRA contributions for 2018 were \$4,626.24. The 2018 annual cost for Texas Workforce
6 Commission was \$3,606.00. Annual costs of training and travel for 2018 were \$3,230.99.
7 Annual costs in 2018 for employee safety equipment and drug testing was \$2,095.52. Total
8 annual costs for 2018 for six employees bonus was \$9,038.22. The total annual costs for
9 2018 for five employees overtime was \$28,095.12.

10 **Q. HOW DOES BEAR CREEK EVALUATE THE APPROPRIATE AMOUNT OF**
11 **SALARY OR PAY FOR EACH POSITION?**

12 A. Based upon the Texas Rural Water Association's salary survey, the compensation
13 schedules of other utilities in the region, the local job market and commensurate
14 experience.

15 **Q. HOW WERE THE ACTUAL PAYROLL AND BENEFITS COSTS USED IN**
16 **DEVELOPING BEAR CREEK'S BUDGET?**

17 A. The 2018 budget for these items was developed using 2017 data of actual expenses and
18 adding in employee raises approved by the Board to be effective in 2018.

1 **Q. WHAT WERE THE TOTAL PROJECTED PAYROLL COSTS AT THE TIME**
2 **RATES WERE SET IN OCTOBER 2018?**

3 A. Bear Creek's total payroll costs for the fiscal year in which the rates were set were projected
4 to be \$386,823 for the entire year. I have attached CONFIDENTIAL Exhibit CR-24, which
5 shows specific payroll costs for each employee at Bear Creek.

6 **B. Operations & Maintenance – Repair & Maintenance**

7 **Q. WHAT COSTS ARE INCLUDED IN REPAIR & MAINTENANCE?**

8 A. Costs of materials, equipment charges (rentals), contracted labor and system expenses.

9 **Q. WHERE ARE THE COSTS FOR REPAIR AND MAINTENANCE REFLECTED**
10 **IN THE BUDGET?**

11 A. As specific line items.

12 **Q. HOW DOES BEAR CREEK BUDGET FOR REPAIR AND MAINTENANCE**
13 **COSTS FOR THE SYSTEM?**

14 A. Through a review of actual costs and projected repair and maintenance projects for the
15 fiscal year. We also amend the budget throughout a fiscal year as necessary to reflect actual
16 costs for unexpected repair and maintenance costs incurred.

17 **Q. DID BEAR CREEK EXPERIENCE ANY UNUSUAL MAINTENANCE COSTS**
18 **FOR THE PERIOD FROM JANUARY 2017 TILL THE TIME THE RATES WERE**
19 **ADOPTED?**

20 A. Yes, in 2017 four elevated storage tanks were painted. In 2018, four pumps were rebuilt
21 at pump station 2.

1 Q. HOW DOES BEAR CREEK KEEP TRACK OF ITS REPAIR AND
2 MAINTENANCE COSTS?

3 A. Through a detailed, line-item accounting of expenditures.

4 Q. HOW WERE THE ACTUAL REPAIR AND MAINTENANCE COSTS USED IN
5 DEVELOPING BEAR CREEK'S BUDGET?

6 A. The 2018 budget for these items was developed using 2017 data on actual expenses.

7 **C. Operations & Maintenance – Utilities**

8 Q. WHAT COSTS ARE INCLUDED IN UTILITIES?

9 A. Gas and electric, trash and telephone.

10 Q. WHERE ARE THE COSTS FOR UTILITIES REFLECTED IN THE BUDGET?

11 A. As specific line items.

12 Q. HOW DOES BEAR CREEK BUDGET FOR UTILITIES COSTS FOR THE
13 SYSTEM?

14 A. The 2018 budget for these items was developed using 2017 data on actual expenses.

15 Q. DID BEAR CREEK EXPERIENCE ANY UNUSUAL UTILITIES COSTS FOR
16 THE PERIOD FROM JANUARY 2017 TILL THE TIME THE RATES WERE
17 ADOPTED?

18 A. No.

19 Q. HOW DOES BEAR CREEK KEEP TRACK OF ITS UTILITIES COSTS?

20 A. Specific accounting of each expenditure under that particular line item.

1 Q. HOW WERE THE ACTUAL UTILITIES COSTS USED IN DEVELOPING BEAR
2 CREEK'S BUDGET?

3 A. The 2018 budget for these items was developed using 2017 data on actual expenses.

4 D. Operations & Maintenance – Supplies

5 **Q. WHAT COSTS ARE INCLUDED IN SUPPLIES?**

6 A. Tools and supplies.

7 **Q. WHERE ARE THE COSTS FOR SUPPLIES REFLECTED IN THE BUDGET?**

8 A. As specific line items.

9 **Q. HOW DOES BEAR CREEK BUDGET FOR SUPPLIES COSTS FOR THE**
10 **SYSTEM?**

11 A. The 2018 budget for these items was developed using 2017 data on actual expenses.

12 **Q. DID BEAR CREEK EXPERIENCE ANY UNUSUAL COSTS FOR SUPPLIES FOR**
13 **THE PERIOD FROM JANUARY 2017 TILL THE TIME THE RATES WERE**
14 **ADOPTED?**

15 A. No.

16 **Q. HOW DOES BEAR CREEK KEEP TRACK OF ITS SUPPLIES COSTS?**

17 A. Specific accounting of each expenditure under that particular line item.

18 **Q. HOW WERE THE ACTUAL COSTS FOR SUPPLIES USED IN DEVELOPING**
19 **BEAR CREEK'S BUDGET?**

20 A. The 2018 budget for these items was developed using 2017 data on actual expenses.

1 **E. Operations & Maintenance – Insurance**

2 **Q. WHAT COSTS ARE INCLUDED IN INSURANCE?**

3 A. Workers' Comp, commercial insurance, dental insurance, and medical insurance.

4 **Q. WHERE ARE THE COSTS FOR INSURANCE REFLECTED IN THE BUDGET?**

5 A. As specific line items.

6 **Q. HOW DOES BEAR CREEK BUDGET FOR INSURANCE COSTS FOR THE**
7 **SYSTEM?**

8 A. The 2018 budget for these items was developed using 2017 data on actual expenses.

9 **Q. DID BEAR CREEK EXPERIENCE ANY UNUSUAL INSURANCE COSTS FOR**
10 **THE PERIOD FROM JANUARY 2017 TILL THE TIME THE RATES WERE**
11 **ADOPTED?**

12 A. No.

13 **Q. HOW DOES BEAR CREEK KEEP TRACK OF ITS INSURANCE COSTS?**

14 A. Specific accounting of each expenditure under that particular line item.

15 **F. Operations & Maintenance – Dues and Fees**

16 **Q. WHAT COSTS ARE INCLUDED IN DUES AND FEES?**

17 A. Dues to organizations that Bear Creek is a member of, such as Texas Rural Water
18 Association, Texas Water Utilities Association, for example, and subscriptions.

19 **Q. WHAT BENEFIT DO THESE MEMBERSHIPS PROVIDE TO BEAR CREEK?**

20 A. Memberships to these organizations provide discounts on training for employees and
21 guidance for setting salaries and benefits.

1 Q. WHERE ARE THE COSTS FOR DUES AND FEES REFLECTED IN THE
2 BUDGET?

3 A. As a line item in the budget.

4 Q. HOW DOES BEAR CREEK BUDGET FOR DUES AND FEES COSTS FOR THE
5 SYSTEM?

6 A. The 2018 budget for these items was developed using 2017 data on actual expenses.

7 Q. DID BEAR CREEK EXPERIENCE ANY UNUSUAL COSTS FOR DUES AND
8 FEES FOR THE PERIOD FROM JANUARY 2017 TILL THE TIME THE RATES
9 WERE ADOPTED?

10 A. No.

11 Q. HOW DOES BEAR CREEK KEEP TRACK OF ITS COSTS FOR DUES AND
12 FEES?

13 A. Specific accounting of each expenditure under that particular line item.

14 **G. Operations & Maintenance – Professional Fees**

15 Q. WHAT COSTS ARE INCLUDED IN PROFESSIONAL FEES?

16 A. Engineering services, legal services, and the financial audit, which are their own separate
17 line items.

18 Q. WHERE ARE THE COSTS FOR PROFESSIONAL FEES REFLECTED IN THE
19 BUDGET?

20 A. As specific line items in the budget.

1 **Q. HOW DOES BEAR CREEK BUDGET FOR PROFESSIONAL FEES FOR THE**
2 **SYSTEM?**

3 A. The 2018 budget for these items was developed using 2017 data on actual expenses and
4 are increased as necessary based on projected increase in fees due to additional projects or
5 fee increases upon notification by the professional.

6 **Q. DID BEAR CREEK EXPERIENCE ANY UNUSUAL COSTS FOR**
7 **PROFESSIONAL FEES FOR THE PERIOD FROM JANUARY 2017 TILL THE**
8 **TIME THE RATES WERE ADOPTED?**

9 A. Yes. The Water Master Plan was developed by the Bear Creek engineering firm, TWDB
10 Loan, and Highway 205 Widening all resulted in increased engineering costs during that
11 time.

12 **Q. DID BEAR CREEK EXPECT THOSE INCREASED COSTS TO CONINUE IN**
13 **THE COMING YEAR?**

14 A. Yes.

15 **Q. HOW DOES BEAR CREEK KEEP TRACK OF ITS PROFESSIONAL FEES?**

16 A. Specific accounting of each expenditure under that particular line item.

17 **H. Operations & Maintenance – Other Operating Expenses**

18 **Q. WHAT COSTS ARE INCLUDED IN OTHER OPERATING EXPENSES?**

19 A. Checks, training, employee—other expenses, temporary employee costs, mileage, hotel,
20 travel—other expenses, uniforms, gasoline, office expense, business materials, meals and
21 entertainment, advertising, software, equipment, postage and delivery, directors'
22 compensation, contractor work, inspections, and security.

1 **Q. HOW ARE THE DIFFERENT SOURCES OF REVENUE REFLECTED IN THE**
2 **BUDGET?**

3 A. Each source described above has a specific line item.

4 **Q. WHICH SOURCES OF REVENUE ARE AVAILABLE FOR BEAR CREEK'S**
5 **GENERAL OPERATING EXPENSES?**

6 A. All of the above revenue sources are available for Bear Creek's general operating
7 expenses.

8 **Q. ARE ANY FUNDS AVAILABLE FOR BEAR CREEK'S GENERAL OPERATING**
9 **EXPENSES?**

10 A. No. Restricted funds, including construction account reserved for projects, loan
11 expenditures, deposits on fire hydrant meters, and customer deposits are not available for
12 general operating expenses.

13 **Q. PLEASE EXPLAIN WHY EACH OF THOSE FUNDS IS NOT AVAILABLE FOR**
14 **GENERAL OPERATING EXPENSES.**

15 A. Because each of those funds is reserved for specific expenditures, or in the case of deposit
16 funds, are required to be paid back to the customer in accordance with Bear Creek's Rate
17 Order.

18 **Q. HOW OFTEN HAS BEAR CREEK CHANGED ITS RATES?**

19 A. Only five (5) times since 2013.

1 **Q. HOW DOES BEAR CREEK ACCOUNT FOR REVENUES RECEIVED FROM**
2 **CUSTOMERS FOR PAYMENT OF WATER BILLS?**

3 A. In two separate line items for water sales and costs of service (base rate) under income.

4 **Q. HOW ARE THOSE REVENUES REFLECTED IN BEAR CREEK’S BUDGET?**

5 A. We use the actual revenues received for those line items and incorporate them into the next
6 fiscal year’s budget, with increases based upon population and new development
7 projections.

8 **Q. HOW DOES BEAR CREEK ACCOUNT FOR REVENUES RECEIVED FROM**
9 **CONTRIBUTION IN AID OF CONSTRUCTION FEES (“CIAC FEES”) FROM**
10 **NEW CUSTOMERS?**

11 A. As a specific line item under income.

12 **Q. HOW WERE THE ACTUAL CIAC FEES USED IN DEVELOPING THE**
13 **BUDGET?**

14 A. The actual income received from CIAC fees in 2017 were used, with additional income
15 added in on the line item based on an analysis of the population growth and anticipated
16 developments coming online in the applicable fiscal year.

17 **Q. WHAT OTHER CHARGES AND FEES DOES BEAR CREEK COLLECT?**

18 A. Meter connection fees, utility deposits, late fees, and lockout fees.

19 **Q. HOW ARE THOSE CHARGES AND FEES INCORPORATED INTO BEAR**
20 **CREEK’S BUDGET?**

21 A. As specific line items in the budget.

1 include additional expenses incurred as these proceedings progress and additional rate case
2 expenses have been paid.
3

4 **X. CONCLUSION**

5 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

6 **A. Yes.**

Camille Reagan
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Quinlan, TX 75474
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creagan@bearcreeksud.com

PROFESSIONAL SUMMARY

Determined and responsible manager with more than 15 years of experience in the water utility industry. In depth knowledge of day to maintenance, operations, structure, and functions of water distribution system, as well as district rules, regulations, policies and activities.

AREAS OF STRENGTH AND EXPERTISE

- **Water Distribution**
- **Performance Management**
- **Project Management**
- **Accounting/Budgeting**
- **System Operations**
- **Business Support**
- **Compliance & Auditing**
- **Leadership**
- **Administration**
- **Process Improvement**

PROFESSIONAL EXPERIENCE

Bear Creek SUD, Lavon TX

2004 to Current

General Manager (December 2013 -Current)

Interim General Manager (October 2013 – December 2013)

- Manage all District activities including water distribution, supply, personnel, customer service, finance and administrative activities.
- Responsible for overseeing the compliance with all federal, state, and local drinking water and environmental regulations. Meets and communicates with state and federal agencies on a consistent basis. Participates in the development, design, and project management of the district's capital improvement projects
- Attends all meetings of the Board of Directors. Represents and oversees Board policies and programs involving employees, community representative, and other agencies. Responsible for preparing the monthly financial reports for the board and for maintaining expense appropriation within the budget.
- Manage budget implementations, sub-contractor reviews, training, schedules, and contract negotiations. Oversees the preparation of the annual budget, making recommendations to the Board of Directors on final expenditure levels. Maintains continuous awareness of administrative and operation practices and recommend changes to increase the efficiency and economy of the district operations
- Responsible for consulting with District Counsel, engineers, and developers ensuring district standards, policies, and directives are maintained.

Office Manager (December 2004 -October 2013)

- Supervised all office work regarding customer accounts including billing, processing payments, applications for service, final notices to discontinued customers, work orders, computer system updating, inquiries and complaints, etc.;
- Responsible for bookkeeping work related to processing of accounts receivables invoicing, accounts payable, and payroll including reviewing for accuracy, calculating monthly journal entries, balancing to general ledger, and filing of required reports to State and Federal government.
- Prepared and reviewed operational budgets for office supplies and expenses, benefit insurance, employee retirement, and payroll taxes. Prepared, created, and filed reports such as capital expenditures, statistics, capital projects, payroll distribution, and monthly water sample reports
- Performed administrative tasks for the General Manager when requested and provided clerical support for Board Members. Coordinated and oversaw election procedures.

Exhibit CR-1

FEC Communications, Royse City, TX***Customer Care Representative (2003 -2004)***

- Process payments and bank deposits daily
- Manage large call volume for new orders, changes to existing services and billing questions.
- Process monthly billing statements for all customers.
- Maintain customer database for all services.

Rockwell International/Collins Radio, Richardson, TX**1975-2002*****Information Technology Team Leader (1998 -2002)***

- Team lead of Computer help desk, administered and delegated user calls.
- Negotiated contracts and purchased all PC hardware equipment and network equipment for division.
- Prepared and maintained annual budgets for Information Technology department.
- Evaluated and purchased printers, pagers, cell phones, fax machines and software for division
- Led team of ten that included hardware technicians, PC Help Desk Support, copy center personnel, Video Conference Center personnel, switchboard operators.
- Conducted annual reviews, hiring, firing and discipline, as well as coaching, recognition and promotions.

Information Systems Technical Analyst (1995-1998)

- Transitioned and trained employees on Microsoft Office within the division.
- Led the training and transition of employees on Windows for the division.
- Supported PC Help Desk by answering the calls and determining the appropriate action.
- Supported Corporate Staff in all aspects of computing environment, on-site and off-site, including configuration and installation on software in executive homes, company planes, and executive suites.

Information Systems Security Specialist (1992 – 1995)

- Security administration of all computer platforms at location, which included adding users and providing individual access to data.
- Established and maintained security controls for access to data files and data systems.
- Performed Security audits of personal computers every six months and file servers quarterly.
- Maintained ACF2 and Novell Access rules.
- Established, wrote and implemented security procedures of all hardware platforms.
- Established procedures and Information Security for classified systems.
- Wrote, prepared and initiated disaster recovery procedures for all platforms.
- DoD Top Secret Security Clearance

Senior Telecommunications Advisor (1991-1992)

- Novell System Security Administrator including adding and deleting users.
- Transitioned 1,500 computer systems and trained employees from Word Processing System to WordPerfect within nine months, which included installing software, installing systems, and network cabling.
- Weekly administered 1,750 calls and 1,200 voice messages with callbacks.
- Provided user support and training for employees on PC based Word Processing System.
- Converted location from Network Mail System to Local Area Network Mail System.

Office Systems Analyst (1985-1991)

- Planned, installed and implemented Electronic Mail Network for entire location.
- Wang VS System Security Administrator including adding and deleting users, and providing individual access.
- Trained Wang System Administrators within company in remote locations.
- Developed and maintained database of computer equipment within the company.

Exhibit CR-1

Database Coordinator/Staff Administrator (1981-1985)

- VS System Administrator and Mail Administrator for Wang computer system.
- Provided employee training on Microcomputer hardware and commercial software packages.
- Evaluated, determined and implemented commercial software packages and microcomputer systems for employees within the company.

Administrative Secretary (1975-1981)

- Secretary to the manager
- Administered company sponsored computer purchase program including ordering/receiving of computers and set up payroll deductions.
- Maintained database and distributed employee written computer programs.
- Wrote, edited and published bi-monthly newsletter.
- Setup procedure for all bulletins and Newsletters released by Information Center.

Organizations

Member of American Water Works Association (AWWA)

Member of Texas Rural Water Association (TRWA)

Vice President – National Management Association

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TCEQ - Drinking Water Watch

Texas Commission on Environmental Quality	Office of Water	Public Drinking Water Section
County Map of TX	Water System Search	Office of Compliance and Enforcement

Water System Detail			
Water System Facilities	Violations	Enforcement	TCR Sample Results
Source Water Assessment Results	Actions		TTHM HAA5 Summaries
Sample Points	Assistance Actions	Recent Positive TCR Results	PBCU Summaries
Sample Schedules / FANLs / Plans	Compliance Schedules	Other Chemical Results	Chlorine Summaries
Site Visits Milestones	TOC/Alkalinity Results	Chemical Results: Sort by: Name Code	Turbidity Summaries
Operators All POC	LRAA (TTHM/HAA5)	Recent Non-TCR Sample Results	TCR Sample Summaries
Glossary		DWW Instructions	

Water System Detail Information			
Water System No.:	TX0430037	System Type:	C
Water System Name:	BEAR CREEK SUD	Primary Source Type:	SWP
Principal County Served:	COLLIN	System Status:	A
Principal City Served:		Activity Date:	01-01-1913
Population:	6627	System Recognition:	NO DATA

Water System Contacts			
Type	Contact	Communication	
AC - Administrative Contact	STORK, HERMAN PO BOX 188 LAVON, TX 75166-0188	Phone Type	Value
		BUS - Business	972-843-2101
		FAX - Facsimile	972-853-2505
		MOB - Mobile	972-977-3488
		EMERG - Emergency	972-843-2103

Sources of Water			
Name	Type	Activity	Availability
NORTH TEXAS MWD 6" METER	CC	A	P
NORTH TEXAS MWD 3" METER (LAVON 1)	CC	A	P

https://dww2.tceq.texas.gov/DWW/JSP/WaterSystemDetail.jsp?tinwsys_is_number=1015&tinwsys_st_code=TX&wsnumber=TX0430037 &DWWState... 1/3

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TCEQ - Drinking Water Watch

Source Water Percentages			
Surface Water	0	Surface Water Purchased	0
Ground Water	0	Ground Water Purchased	0
Ground Water UDI	0	Ground Water UDI Purchased	0

Water Purchases
Water System \ Treatment Status
TX0430037 buys from NORTH TEXAS MWD WYLIE WTP - TX0430044 / who is providing Treated and Filtered Water

Buyers of Water
Water System / Population / Availability (blank, (S)easonal, (E)mergency, (I)nterim, (P)ermanent, (O)ther
No Buyers

Total Population Served = 6627

Total Population Served included ALL active connections, including emergency.

Annual Operating Period(s)					
Effective Begin Date	Effective End Date	Start Month/Day	End Month/Day	Type	Population
05-29-2018	No End Date	1/1	12/31	R	6627

Service Connections			
Type	Count	Meter Type	Meter Size
RS	2209	ME	0

Service Area	
Code	Name
R	RESIDENTIAL AREA

Regulating Agencies	
Name	Alias/Inspector
TX COMMISSION ON ENVIRONMENTAL QUALITY	TCEQ

Water System Historical Names
Historical Name(s)
LAVON SUD
LAVON WSC

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TCEQ - Drinking Water Watch

System Certification Requirements		
Certification Name	Code	Begin Date

WS Flow Rates		
Type	Quantity	UOM
MDD - Maximum Daily Demand	1.366	MGD
PSPC - Provided Service Pump Capacity	7.776	MGD
ADU - Average Daily Usage	0.591	MGD

WS Measures		
Type	Quantity	UOM
TESC - Total Elevated Storage Capacity	1.1	MG
TSTC - Total Storage Capacity	1.669	MG

WS Indicators		
Type	Value	Date
DBP2 - Stage2 DBPR Schedule Category	1 - 1	04-01-2012
MDDD - Maximum Daily Demand Date	MDDD - Maximum Daily Demand Date	08-01-2017
POWN - Previous Ownership Type Code. This is the WUD ownership code.	DIS - District	
PRFT - Status as a For or Non Profit Entity	NON - Non Profit	
SSWP - State Source Water Program	YES - Yes	03-07-2019
XCON - Cross Connection control Program Ranking	ADQTE - Adequate	07-20-2011

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TCEQ - SUMMARY SHEET TEST

<u>Texas Commission on Environmental Quality</u>	<u>Office of Water</u>	<u>Public Drinking Water Section</u>
<u>County Map of TX</u>	<u>Water System Search</u>	<u>Office of Compliance and Enforcement</u>

08/02/2020
11:08:21

Texas Commission on Environmental Quality
DWW Water System Summary Sheet

PWS ID	PWS Name	Central Registry RN
TX0430037	BEAR CREEK SUD	RN101457877

Organization/Customer *	Central Registry CN
BEAR CREEK SUD	CN603655713

*Regulatory mail will be addressed to this organization/person

All Water System Contacts			
Type	Contact	Communication	
AC - Administrative Contact - PRESIDENT	STORK, HERMAN PO BOX 188 LAVON, TX 75166-0188	Phone Type	Value
		BUS - Business	972-843-2101
		FAX - Facsimile	972-853-2505
		MOB - Mobile	972-977-3488
		EMERG - Emergency	972-843-2103
EC - Emergency Contact - GENERAL MANAGER	REAGAN, CAMILLE PO BOX 188 LAVON, TX 75166-0188	Electronic Type	Value
		Phone Type	Value
		BUS - Business	972-843-2101
		FAX - Facsimile	972-853-2505
		MOB - Mobile	214-475-1569
ECS - Emergency Contact - Secondary - FIELD MANAGER	MARTIN, CHARLES, E PO BOX 188 LAVON, TX 75166-0188	Electronic Type	Value
		Phone Type	Value
		BUS - Business	972-843-2101
		FAX - Facsimile	972-853-2505
		MOB - Mobile	214-675-1142
FC - Financial Contact - OFFICE MANAGER	WRIGHT, AMBER PO BOX 188 LAVON, TX 75166-0188	Phone Type	Value
		BUS - Business	972-843-2101
OW - Owner	BEAR CREEK SUD PO BOX 188 LAVON, TX 75166-0188		
PWS - Public Water System Contact - GENERAL MANAGER	REAGAN, CAMILLE PO BOX 188 LAVON, TX 75166-0188	Electronic Type	Value
		Phone Type	Value
		BUS - Business	972-843-2101

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TCEQ - SUMMARY SHEET TEST

		FAX - Facsimile	972-853-2505
		MOB - Mobile	214-475-1569

Operator Grade	Number
WATER DISTRIBUTION OPERATOR Grade C	2

Water Operator Licenses		
License Holder:	LILES, JOSH D	
CURRENT	Class: C - WATER DISTRIBUTION OPERATOR	WD0007441
License Holder:	MARTIN, CHARLES E III	
CURRENT	Class: C - WATER DISTRIBUTION OPERATOR	WD0007572
License Holder:	FOX, GARY ALTON	
EXPIRED	Class: B - SURFACE WATER TREATMENT OPERATOR	WS0002329
License Holder:	BRYANT, ADAM M	
EXPIRED	Class: C - WATER DISTRIBUTION OPERATOR	WD0011533

Owner Type	Owner Type Options: COUNTY, DISTRICT, FEDERAL GOVERNMENT, INVESTOR OWNED, MUNICIPALITY, NATIVE AMERICAN, PRIVATE, STATE GOVERNMENT, WATER SUPPLY CORPORATION
District	

System Type	System Type Options: COMMUNITY, TRANSIENT/NON-COMMUNITY, NON-PUBLIC, NON-TRANSIENT/NON-COMMUNITY
C - Community	

Population Type	Population Served	# of Connect	# I/C w/other PWS
Residential	6627	2209	0

Total Product (MGD)	Average Daily Consump.	Max Daily Demand (MGD)	Total Storage (MG)	Elev. Storage (MG)	Service Pump Cap.	Max.Purchase Cap.(MGD/GPM)	Pressure Tank Cap. (MG)
	0.5910	1.3660 MGD	1.669	1.100	7.776		

https://dww2.tceq.texas.gov/DWW/JSP/DataSheet.jsp?tinwsys_is_number=1015&tinwsys_st_code=TX&wsnumber=TX0430037 &DWWState=TX&be... 2/5

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TCEQ - SUMMARY SHEET TEST

MGD	Occurred on 08/01/2017	MG	MG	MGD		
-----	---------------------------	----	----	-----	--	--

Activity Status	Inactivation Date
A - ACTIVE	

Last Survey Date	Surveyor	Survey Type	Region	County
01/04/2018	DANIELA HILL	Sanitary Survey	ARLINGTON	COLLIN
06/11/2015	MERISSA GREEN	Sanitary Survey	ARLINGTON	COLLIN
06/13/2012	IMRAN, A KHAWAJA	Sanitary Survey	ARLINGTON	COLLIN

(Treatment Plant)							
Entry Point	EP Name/Source Summation (Activity Status)	Plant Name (Activity Status)	Plant Num	Chemical Mon Type	Chem Sample Point	Distribution Mon Type	Dist Sample Point
EP001	TRT-TAP / Purchased Surface Water(A)	PUMP STATION 1 AT HWY 66(A)	TP17607		NO		NO

Train:	Unnamed			
(Treatments)				
Disinfection Zone	Treatment Sequence	Objective	Process	Treatment
null	null	D	890	CHLORAMINES (PRE)

(Active Sources)							
Source Number	Source Name (Activity Status)	Operational Status	Source Type	Depth	Tested GPM	Rated GPM	
P0430037A	NORTH TEXAS MWD 3" METER (LAVON 1) (A)	P	P	N/A	N/A	N/A	
Drill Date		Source Summary					
None Available							
GPS Latitude (decimal)	GPS Longitude (decimal)	GPS Elevation	GPS Date	Seller			
32.964476	-96.378196	0	11/30/2016	TX0430044			

https://dww2.tceq.texas.gov/DWW/JSP/DataSheet.jsp?tinwsys_is_number=1015&tinwsys_st_code=TX&wsnumber=TX0430037 &DWWState=TX&be... 3/5

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TCEQ - SUMMARY SHEET TEST

(Inactive/Offline Sources)			
SourceNumber	Name	Status	Depth

(Treatment Plant)							
Entry Point	EP Name/Source Summation (Activity Status)	Plant Name (Activity Status)	Plant Num	Chemical Mon Type	Chem Sample Point	Distribution Mon Type	Dist Sample Point
EP002	TRT-TAP / Purchased Surface Water(A)	PUMP STATION 2 AT HWY 78(A)	TP19741		NO		NO

Train:	Unnamed			
(Treatments)				
Disinfection Zone	Treatment Sequence	Objective	Process	Treatment
null	null	D	890	CHLORAMINES (PRE)

(Active Sources)							
Source Number	Source Name (Activity Status)	Operational Status	Source Type	Depth	Tested GPM	Rated GPM	
P0430037B	NORTH TEXAS MWD 6" METER (A)	P	P	N/A	N/A	N/A	
Drill Date		Source Summary					
None Available							
GPS Latitude (decimal)	GPS Longitude (decimal)	GPS Elevation	GPS Date	Seller			
33.018135	-96.450396	0	11/30/2016	TX0430044			

(Inactive/Offline Sources)			
SourceNumber	Name	Status	Depth

Code Explanations
Monitoring Type Codes: (GW) GROUNDWATER , (GUP) GROUNDWATER UNDER THE INFLUENCE - PURCHASED , (SWP) SURFACE WATER - PURCHASED , (GU)

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TCEQ - SUMMARY SHEET TEST

GROUNDWATER UNDER THE INFLUENCE OF SURFACE WATER , (N) NO SOURCES , (SW) SURFACE WATER
--

Activity Status Codes: (A) ACTIVE , (D) DELETED/DISSOLVED , (I) INACTIVE , (P) PROPOSED ,

Operational Status Codes: (E) EMERGENCY , (I) INTERIM/PEAK (O) OTHER , (P) PERMANENT , (S) SEASONAL

Source Types: (G) GROUND WATER , (S) SURFACE WATER , (U) GROUND WATER UNDER THE INFLUENCE

- End of Report -

At the time of your query this data was the most current information available from our database, which is in real time. Every effort was made to retrieve it according to your query. Thank-you for using DWW.

Exhibit CR-3

NORTH TEXAS MUNICIPAL WATER DISTRICT

LAVON WATER SUPPLY CORPORATION POTABLE WATER SUPPLY CONTRACT

THE STATE OF TEXAS §
 §
THE COUNTY OF COLLIN §

THIS CONTRACT (the "Contract") made and entered into as of this the 15th day of December, 2005, by and between the North Texas Municipal Water District, hereinafter called "NTMWD", a conservation and reclamation district created under Article 16, Section 59, of the Texas Constitution, and the Lavon Water Supply Corporation, hereinafter called "Customer".

W I T N E S S E T H:

WHEREAS, NTMWD and Customer are authorized to enter into this Contract pursuant to NTMWD's Enabling Legislation, Chapter 791 of the Texas Government Code, (the "Interlocal Cooperation Act") and other applicable laws; and,

WHEREAS, Customer is desirous of obtaining an adequate and dependable water supply; and

WHEREAS, Customer and NTMWD are parties to a potable water supply contract dated March 25, 2004 under which NTMWD agreed to tender and make available to Customer and Customer agreed to purchase from NTMWD water in accordance with the provisions of said contract; and

WHEREAS, NTMWD currently delivers potable water to Customer at a point of delivery located on NTMWD's twelve inch (12") Rockwall to Royse City Pipeline and a point of delivery located on NTMWD's twenty inch (20") Wylie to Rockwall Pipeline; and

WHEREAS, NTMWD and Customer desire to relocate potable water delivery from NTMWD's twenty inch (20") Wylie to Rockwall Pipeline to NTMWD's thirty-six inch (36") Wylie-Rockwall-Farmersville Pipeline; and

WHEREAS, it is deemed necessary and advisable by the parties hereto that the existing potable water supply contract date March 25, 2004 be amended and completely replaced with this Contract so that the entire relationship between NTMWD and Customer with respect to potable water service will be set forth in this Contract.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, NTMWD agrees to furnish water, and Customer agrees to pay for water upon the terms and conditions and for the consideration hereinafter set forth, to wit:

Section 1. DEFINITION OF TERMS. The following terms and expressions as used in this Contract, unless the context clearly shows otherwise, shall have the following meanings:

Exhibit CR-3

- (a) "Annual Payment" means the amount of money to be paid to NTMWD by Customer during each Annual Payment period.
- (b) "Annual Payment Period" means NTMWD'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 (12) consecutive month period fixed by NTMWD.
- (c) "Contract Date" means the effective date of this Contract as executed by both parties.
- (d) "Customer" means Lavon Water Supply Corporation, the contracting party.
- (e) "Customer City or Cities" means any customer other than the Member Cities with which NTMWD contracts with to furnish water.
- (f) "NTMWD" means the North Texas Municipal Water District as defined in the preamble to this Contract.
- (g) "Member City or Cities" means the Cities of Allen, Farmersville, Forney, Frisco, Garland, McKinney, Mesquite, Plano, Princeton, Richardson, Rockwall, Royse City and Wylie.
- (h) "MGD" is an abbreviation for "million gallons of water per day" and means a quantity of water during a period of time expressed for convenience in terms of an average annual daily quantity during an Annual Payment Period.
- (i) "Regional Contract" means the "North Texas Municipal Water District Regional Water Supply Facilities Amendatory Contract" dated August 1, 1988 together with all similar contracts between NTMWD and contracting parties.
- (j) "System" means collectively the existing system and the future improvements and water of NTMWD included as part of the System under the Regional Contract for projects, water storage, treatment, transmission and supply, including all dams, reservoirs, and other properties or interests therein wherever located. Said terms do not include any of NTMWD's facilities that provide wastewater treatment or disposal services, or solid waste disposal services, of any kind. Said terms do not include any facilities acquired or constructed by NTMWD with the proceeds from the issuance of "Special Facilities Bonds", which are payable from any source, contract, or revenues whatsoever, other than revenues from the System.
- (k) "Water Year" means the period of August 1 of each calendar year through July 31 of the next following calendar year or such other twelve (12) month period designated by NTMWD to all Member Cities and customers.

Section 2. QUANTITY. NTMWD agrees to sell and to deliver potable water under this Contract to Customer at its Point of Delivery as described in Section 5 hereof, and Customer agrees to take at its Point of Delivery all water required for use by Customer during the term of this Contract, including all potable water for Customer's own use and for distribution to all customers served by Customer's water distribution system, or within Customer's existing Texas Commission on Environmental Quality ("TCEQ") certified service area. It is specifically

Exhibit CR-3

provided, however, that after the Contract Date, unless required to do otherwise by the TCEQ or a court of competent jurisdiction, Customer shall not enter into, renew, or amend with regard to volume of water to be supplied, any agreement to provide wholesale or retail potable water for use outside its boundaries, its extraterritorial jurisdiction, or its certified service area unless each such agreement is approved by NTMWD (which approval shall not be unreasonably withheld unless the projected additional volume affects NTMWD's ability to provide service to others or conflicts with law or NTMWD policy). Customer shall not become a party to any contract for the sale of potable water, which would violate or be inconsistent with the provisions of this Contract. NTMWD will use its best efforts to furnish and remain in a position to furnish potable water sufficient for all reasonable potable water requirements of Customer, but its obligation shall be limited to the amount of potable water available to it from the System during routine operation.

The maximum volume allowed shall be that volume capable of being supplied by the routine operation of NTMWD's System utilizing the meter and meter sizes as described in Section 5, POINT(S) OF DELIVERY, at the defined Point of Delivery.

Section 3. OTHER CONTRACTS. NTMWD reserves the right to supply potable water from the System to additional parties as determined by the Board of Directors of NTMWD.

Section 4. QUALITY. The water to be delivered by NTMWD and received by Customer shall be potable water. Customer has satisfied itself that such water will be suitable for its needs, but NTMWD is obligated to treat such water so as to meet the standards of all State and Federal agencies having jurisdiction over water quality. NTMWD and Customer shall cooperate, each within its legal powers, in preventing, to the extent practicable, the pollution and contamination of the reservoirs and watersheds from which water is obtained.

Section 5. POINT(S) OF DELIVERY. The Point of Delivery for Customer shall be as follows:

1. A three inch (3") meter and three inch (3") tap located at pipeline station 325+20 on the Rockwall to Royse City twelve inch (12") Pipeline.
2. A six inch (6") meter and eight inch (8") tap located at pipeline station 274+00 on the Wylie-Rockwall-Farmersville thirty-six inch (36") Pipeline.

Customer shall construct, maintain, and operate, at its own cost and expense, all facilities and equipment necessary to receive and take all potable water delivered to it under this Contract. All facilities and equipment must be inspected and approved by NTMWD and any construction from NTMWD's pipeline through the air gap connection must meet NTMWD standard specifications. No change in the type or size of meters, or size of the tap, shall be allowed unless this Contract has been amended as set forth in Section 10, MODIFICATION.

Section 6. MEASURING EQUIPMENT. Customer shall furnish, and install at its own expense at the Point of Delivery the necessary rate of flow equipment of a standard type approved by NTMWD for measuring properly the quantity of potable water delivered under this Contract and such meter and other equipment so installed shall become the property of NTMWD. Customer shall have access to such metering equipment at all reasonable times, but the reading, calibration, and adjustment thereof shall be done only by the employees or agents of NTMWD. For the purpose of this Contract, the original record or reading of the meter shall be the journal or other record book maintained by NTMWD in its office in which the records of the employees or agents of NTMWD who take the reading may be transcribed. Upon written request of Customer,

Exhibit CR-3

NTMWD will provide a copy of such journal or record book, or permit it to have access to the same in the office of NTMWD during reasonable business hours.

Not more than once in any six (6) month time period, NTMWD shall test its meter if requested in writing by Customer to do so, in the presence of a representative of Customer, and the parties shall jointly observe any adjustments which are made to the meter in case any adjustments shall be necessary, and if the check meter hereinafter provided for has been installed, the same shall also be calibrated by Customer in the presence of a representative of NTMWD and the parties shall jointly observe any adjustment if necessary. If Customer shall in writing request NTMWD to calibrate its meter, then NTMWD shall give Customer notice of the time when any such calibration is to be made and if a representative of Customer is not present at the time set, NTMWD may proceed with calibration and adjustment in the absence of any representative of Customer.

If either party at any time observes a variation between the delivery meter 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.

If upon any test, the percentage of inaccuracy of any metering equipment is found to be in excess of two percent (2%), registration thereof shall be corrected for a period extending back to the time when such inaccuracy began, if such time is ascertainable, and if such time is not ascertainable, then for a period extending back one-half (1/2) of the time elapsed since the last date of calibration, but in no event further back than a period of six (6) months. If 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) estimating the quantity of delivery by deliveries during the preceding periods under similar conditions when the meter or meters were registering accurately.

Customer may, at its option and its own expense, install and operate a check meter to check each meter installed by NTMWD, the measurement of water for the purpose of this Contract shall be solely by NTMWD's meters, except in the cases hereinabove specifically provided to the contrary. All such check meters shall be of standard make and shall be subject at all reasonable times to inspection and examination by any employee or agent of NTMWD, but the reading, calibration and adjustment thereof shall be made only by Customer except during any period when a check meter may be used under the provisions hereof for measuring the amount of water delivered, in which case the reading, calibration, and adjustment thereof shall be made by NTMWD with like effect as if such check meter or meters had been furnished or installed by NTMWD.

Section 7. UNIT OF MEASUREMENT. The unit of measurement for potable water delivered under this Contract shall be 1,000 gallons of water, U.S. Standard Liquid Measure.

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Section 8. PRICE AND TERMS. The service to be performed under this Contract by NTMWD consists of the readiness of NTMWD to deliver to Customer upon its demand, water in accordance with the conditions, limitations and provisions of this Contract.

In return for such service Customer agrees to compensate NTMWD by payment of certain minimum annual sums of money, for each of which said sums NTMWD agrees, if required by Customer, to deliver all, or so much thereof as Customer may desire, of a certain corresponding volume of water as follows:

(a) For the First Annual Payment Period beginning October 1, 2005, Customer will take or pay for 148,610,000 gallons of water (407,151 gallons per day) at a rate of five cents (5¢) per 1,000 gallons above the rate established for Member Cities. Any water delivered in excess of the amount allowed for the annual minimum will be purchased at a rate of five cents (5¢) per 1,000 gallons above the amount charged to Member Cities for excess water, however the excess water provision shall not apply until Customer has established an annual minimum of 148,610,000 gallons. The maximum rate of delivery shall not exceed 2.5 times the daily average of water supplied to Customer hereunder, which is consistent with the capabilities and abilities of NTMWD facilities, and it is understood that NTMWD may from time to time adjust the maximum rate of delivery on an equitable and uniform basis to all Customer Cities. If potable water must be rationed, such rationing shall, within the limits permitted by law, be accomplished by NTMWD on an equal basis of the relative actual total amount of all potable water taken by each respective Customer City, respectively, during the last preceding Annual Payment Period in which rationing among said customers was not necessary. The minimum amount of water Customer will be required to purchase at the above rate, or such other rate, as may be from time to time determined by NTMWD, shall be calculated annually for each ensuing year and such amount shall be determined in the same manner as said amount is determined for the Member Cities. The annual minimum to be purchased during any ensuing year shall not be less than the highest total amount withdrawn by Customer during any previous year or 148,610,000 gallons, whichever is greater.

(b) The quantities and rates set forth in Section 2 and Section 8 hereof shall be reviewed at the end of the first full Annual Payment Period of service after the first delivery of water to Customer, and each year thereafter, and the minimum amount of water to be purchased, rate per 1,000 gallons and the maximum rate of delivery shall be re-determined by the Board of Directors of NTMWD at that time in the same manner as applied to NTMWD Member Cities.

(c) Payment of the minimum annual service charge listed above shall be made each year by Customer to NTMWD in twelve (12) equal monthly installments, each of which shall be due and payable on or before the 10th day of the month following the service.

(d) It is further agreed that, in addition to the amounts required to be paid by Customer herein, if during any Water Year Customer uses System treated water in excess of the minimum amount applicable to it for the Annual Payment Period which commenced during such Water Year, then Customer shall pay an "Excess Water Charge" equal to that part of the operation and maintenance expenses (e.g. electric power, chemicals, and other similar cost) directly attributable to supplying such excess treated water to Customer, all as determined by NTMWD. Such Excess Water Charge shall be billed by NTMWD to Customer as soon as practicable after the end of such Water Year and shall be paid to NTMWD as soon as practicable thereafter, and in all events prior to the beginning of the next Annual Payment Period. Such Excess Water Charge shall be credited to and be used to pay part of the operation and maintenance expenses for the then current

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Annual Payment Period and reduce to the extent of such credits the amounts which otherwise would be payable by Customer during such then current Annual Payment Period.

(e) Liability for making payments, as herein set forth, shall commence on October 1, 2005.

(f) In the event that Customer shall fail to make any such monthly payment or annual payment within the time herein in this section specified, interest on such amount shall accrue at the rate of ten percent (10%) per annum from the date such payment becomes due until paid in full with the interest as herein specified. In the event such payment is not made within thirty (30) days from the date such payment becomes due, NTMWD may at its option discontinue delivery of water to Customer until the amount due NTMWD is paid in full with interest as herein specified.

Section 9. TERM OF CONTRACT. This Contract shall continue in force and effect for a period of forty (40) years from the date of this Contract. This Contract shall be considered null and void if not executed by Customer by December 31, 2005.

Section 10. MODIFICATION. This Contract may be changed or modified only by written agreement of the parties and only after having obtained approval from the governing bodies of both NTMWD and Customer. No change or modification shall be made to this Contract which will affect adversely the prompt payment when due of all moneys required to be paid by Customer under the terms of this Contract.

Section 11. 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 Customer to make the payments required under Section 8 of 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 12. INSURANCE. NTMWD agrees to carry and arrange for fire, casualty, public liability, and/or other insurance, including self insurance for purposes and in amounts which, as determined by NTMWD, ordinarily would be carried by a privately owned utility company owning and operating such facilities, except that NTMWD 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 NTMWD'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 just and reasonable operation and maintenance expense. The insurance coverage does not extend to any facility owned by Customer.

Exhibit CR-3

Section 13. REGULATORY BODIES AND LAWS. 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 14. NOTICES. 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 hereinabove described shall be conclusively deemed to be effective, unless otherwise stated herein, from and after the expiration of three (3) days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the parties shall, until changed as hereinafter provided, be as follows:

If to NTMWD, to:

Executive Director
North Texas Municipal Water District
P.O. Box 2408
Wylie, Texas 75098

If to Customer, as follows:

President
Lavon Water Supply Corporation
P.O. Box 188
Lavon, Texas 75166

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

Exhibit CR-3

Section 16. 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 Collin County, Texas, which is the County in which the principal administrative offices of NTMWD are located. It is specifically agreed among the parties to this Contract that Collin County, Texas, is a principal place of performance of this Contract.

Section 17. OTHER CONDITIONS AND PROVISIONS.

(a) Operation and Maintenance of System. NTMWD 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.

(b) Title to Water: Indemnification. Title to all water supplied to Customer shall be in NTMWD up to the Point of Delivery, at which point title shall pass to Customer. NTMWD and Customer shall save and hold each other harmless from all claims, demands, and causes of action, which may be asserted by anyone on account of the transportation and delivery of said water while title remains in such party. As between the parties, Customer shall have the first right to use all effluent produced from its wastewater treatment plant for reuse solely for its own purposes. To the extent that effluent produced by Customer is discharged to water courses of the State, the right of Customer to reuse such effluent produced from its wastewater treatment is terminated, and NTMWD shall have the right as between the parties, and pursuant to any necessary authorization of the State, to appropriate and reuse such discharged effluent.

(c) Operating Expenses of Customer. Customer represents and covenants that all payments to be made by it under this Contract shall constitute reasonable and necessary "operating expenses" of its system, as defined in Section 1502.056, Texas Government Code, and that all such payments will be made from the revenues of its system. Customer represents and has determined that the potable water supply to be obtained from the System is absolutely necessary and essential to the present and future operation of its water system and is the only available and adequate source of supply of potable water. Accordingly, all payments required by this Contract to be made by Customer shall constitute reasonable and necessary operating expense 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 Customer.

(d) Customer's Rate for Waterworks System. Customer agrees throughout the term of this Contract to continuously operate and maintain its waterworks system, and to fix and collect such rates and charges for water services to be supplied by its waterworks system as aforesaid as will produce revenues in an amount equal to at least (i) all of its payments under this Contract and (ii) all other amounts required to be paid from said revenues by the provisions of the ordinances or resolutions authorizing its revenue bonds or other obligations now or hereafter outstanding and to file appropriate financial reports related to the Customer's system including annual audits.

Section 18. WATER CONSERVATION. Customer agrees to adopt and enforce any and all ordinances generally related to water conservation as may be required by the rules of the TCEQ and/or as may be adopted or recommended by the Board of Directors of NTMWD.

Exhibit CR-3

Section 19. SPECIAL CONDITIONS.

(a) The meter size, location and any quantity set forth in this contract are intended to meet the water needs of Customer. The needs of Customer are independently determined by Customer, and NTMWD has conducted no independent evaluation of the Customer's water system.

(b) Customer is utilizing this Contract to obtain funds from the United States Department of Agriculture Rural Development, Rural Utilities Service. NTMWD agrees that Customer may assign this Contract to the United States Department of Agriculture Rural Development, Rural Utilities Services.

(c) Customer agrees to use its best efforts to complete construction of metering facilities and control equipment necessary to utilize Point of Delivery No. 2, as set forth in Section 5, by June 30, 2007. Notwithstanding anything herein to the contrary, the parties understand that Point of Delivery No. 2 as established in the March 25, 2004 water supply contract shall remain in service until such time as Customer completes construction of the improvements described herein.

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

NORTH TEXAS MUNICIPAL WATER DISTRICT

By:

Jerry E. Yancey
Jerry Yancey, President

ATTEST:

Bill Harrison
Bill Harrison, Secretary

(SEAL)

LAVON WATER SUPPLY CORPORATION

By:

Donna D. Parks

President, B.O.D.

ATTEST:

Donna D. Parks
Secretary

(SEAL)



Exhibit CR-4

BEAR CREEK SUD

Telephone 1-972-843-2101 • P.O. Box 188
Lavon, Texas 75166

Date: October 9, 2018

Time: 7:00PM

MINUTES OF REGULAR BOARD MEETING

Call to order by: President Herman Stork

Directors Present: Herman Stork, Bryan Block, Chris Elder, Leticia Harrison, Robert Haynes, David Hawkins, Kevin Hutchinson

Directors Absent: None

Public Comment: None

Consent Items:

Approval of Minutes of Regular Meeting on September 11, 2018.

Approval of September 2018 Financials.

Approval of September 2018 General Manager Report

General Manager, C. Reagan noted that all lead and copper samples that were submitted for 2018 were approved by Texas Commission on Environmental Quality (TCEQ). C. Reagan received notification from TCEQ stating that Bear Creek SUD will now be on a three year sampling schedule for lead and copper and will no longer be required to complete Water Quality Parameter sampling.

Motion made by Director B. Block, seconded by Director K. Hutchinson to approve Consent Items. Motion carried unanimously.

Staff Report:

Legal update by James W. Wilson: Attorney James Wilson was not in attendance

Regular Agenda Items:

- A. Consider all matters incident and related to the approval and execution of a Water Facilities Contract with the Greater Texoma Utility Authority (GTUA), including the adoption of a resolution pertaining thereto:

Exhibit CR-4

Motion made by Director C. Elder, seconded by Director R. Haynes to approve the contract presented by GTUA pending approval by attorney, James Wilson. Motion carried unanimously.

- B. Discuss and act upon approving Resolution No. 2018-006 – Appointment of Assistant Secretary:

Motion made by Director B. Block, seconded by Director K. Hutchinson to approve Resolution 2018-006 appointing Amber Wright to the Office of Assistant Secretary. Motion carried unanimously.

- C. Discuss and act upon approving Resolution No. 2018-007 – Appointment of Assistant Secretary:

Motion made by Director B. Block, seconded by Director K. Hutchinson to approve Resolution 2018-007 appointing Camille Reagan to the Office of Assistant Secretary. Motion carried unanimously.

- D. Discuss Texas Water Development Board Loan Rate Increase and North Texas Municipal Water District Rate Increase FY2019 Workshop: *Todd Strouse, Kimley-Horn, presented the documents to the Board of Directors for the rate increase workshop to be held on October 30, 2018. Kimley-Horn will make the recommended changes to the documents and present at the rate increase workshop on October 30, 2018.*

North Texas Municipal Water District finalized the rate increase for 2019 for members and customers. The rate increase will be 5% for 2019. Bear Creek SUD's annual demand has increased for 2019 to 243,364,000 gallons of water for the take and pay contract.

A Capacity Assessment Report was completed by Texas Commission on Environment Quality (TCEQ) for Bear Creek SUD. A representative from TCEQ met with Bear Creek SUD representatives on September 13, 2018 to evaluate the financial, managerial and technical capacity of Bear Creek SUD. The report was received on September 27, 2018 from TCEQ stating that Bear Creek SUD was found to have the financial, managerial and technical capacity to proceed with the application for assistance from the Drinking Water State Revolving Fund for the proposed project. It was determined that the proposed project would assist Bear Creek SUD to remain compliant with the TCEQ rules and regulations.

- E. Discuss and act upon approving Ordinance 2018-006 – Amending Bear Creek SUD Rate Order:

Motion made by Director K. Hutchinson, seconded by Director D. Hawkins to approve Ordinance 2018-006 amending the Bear Creek SUD Rate Order. Motion carried unanimously.

Exhibit CR-4

Adjournment to Executive Session:

Motion by Director K. Hutchinson, seconded by Director R. Haynes to adjourn to Executive Session at 8:20PM. Motion carried unanimously

Executive Session:

Executive Session Call to Order at 8:23PM.

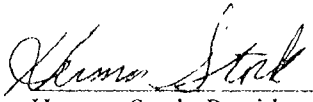
Executive Session Agenda Items:

- (A) The Board may recess into closed or executive session to discuss the following:
 - (1) Government Code §551.072. Discuss Property Purchase.
- (B) Reconvene into Regular Session and take any action necessary as a result of the Executive Session.

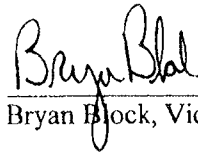
Adjourn Executive Session at 8:47PM.

Regular Session Call to Order at 8:48PM.

Adjournment at 8:49PM:



Herman Stork, President



Bryan Block, Vice President



Camille Reagan, Recorder

Exhibit CR-5

ORDINANCE NO. 2018-006

AN ORDINANCE OF THE BOARD OF DIRECTORS OF BEAR CREEK SPECIAL UTILITY DISTRICT, COLLIN COUNTY, TEXAS, AMENDING AND RESTATING SECTION G.5 OF THE RATE ORDER TO INCREASE MONTHLY MINIMUM AND GALLONAGE RATES; PROVIDING FOR A SAVINGS/REPEALING CLAUSE; PROVIDING FOR A SEVERABILITY CLAUSE; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the Bear Creek Special Utility District (the "District") is a political subdivision of the State of Texas created under the authority of Section 59, Article XVI, Texas Constitution, and operating pursuant to Chapters 49 and 65, Texas Water Code; and

WHEREAS, the Board of Directors of the District has adopted a Rate Order establishing service policies and rates for water service provided by the District to the public and the same has been amended from time to time; and

WHEREAS, the District desires to enter into a water facilities contract with the Greater Texoma Utility Authority ("GTUA") whereby GTUA will issue bonds for the purposes of providing an additional water supply connection to the District and certain water supply facilities in order to store and transport such water to and within the District; and

WHEREAS, the District must raise its monthly minimum rates to evidence its ability to pay all expenses to operate and maintain its water system and to promptly pay all required payments and obligations to GTUA set forth in the water facilities contract; and

WHEREAS, the District has entered into a wholesale supply contract with the North Texas Municipal Water District ("NTMWD") for the District's entire water supply; and

WHEREAS, the NTMWD has imposed a five percent (5%) wholesale rate increase on the District's water supply for fiscal year 2018-2019 and the Board finds it to be fiscally prudent and necessary to amend the gallonage rates set forth in Section G.5 of the Rate Order respectively to match said rate increase.

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF DIRECTORS OF BEAR CREEK SPECIAL UTILITY DISTRICT THAT:

SECTION 1. **Findings Incorporated.** The findings set forth above are incorporated into the body of this Ordinance by reference for all purposes.

SECTION 2. **Amending and Restating Section G.5 of the Rate Order.** Section G.5 of the Rate Order setting forth the Monthly Charges assessed by the District is hereby amended and restated in its entirety to read as follows:

Exhibit CR-5

5. Monthly Charges. *The District shall assess monthly charges for water service at the following rates:*

(a) Monthly Minimums. *The monthly minimum (a/k/a base rate) is that portion of a customer's monthly bill that does not vary due to changes in the volume of water used or consumed. The District's monthly minimums for water service are as follows:*

<u>Meter Size</u>	<u>Monthly Rate</u>
¾"	\$ 35.00
1"	60.00
2"	98.00
3"	186.00
6"	714.00

(b) Gallonge Rate. *In addition to a monthly minimum, customers shall be assessed a gallonge charge at the following rates for water metered during each billing period:*

0 to 5,000 gallons	\$6.35 per 1000 gallons
5,001 to 10,000 gallons	\$7.05 per 1000 gallons
10,001 to 15,000 gallons	\$8.09 per 1000 gallons
15,001 to 25,000 gallons	\$10.00 per 1000 gallons
Over 25,001 gallons	\$11.27 per 1000 gallons

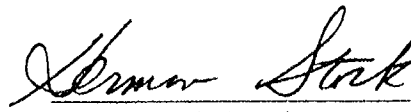
SECTION 3. Savings/Conflicts. All provisions of any ordinance in conflict with this Ordinance are hereby repealed and any remaining portions of such ordinance shall remain in full force and effect.

SECTION 4. Severability. Should any section, subsection, sentence, clause or phrase of this Ordinance be declared unconstitutional or invalid by a court of competent jurisdiction, it is expressly provided that any and all remaining portions of this Ordinance shall remain in full force and effect. The District hereby declares that it would have passed this Ordinance, and each section, subsection, clause or phrase thereof irrespective of the fact that any one or more sections, subsections, sentences, clauses and phrases be declared unconstitutional or invalid.

SECTION 5. Effective Date. This Ordinance shall become effective 30 days after the date written notice is mailed or hand delivered to all affected customers pursuant to Section B.7 of the District's Rate Order.

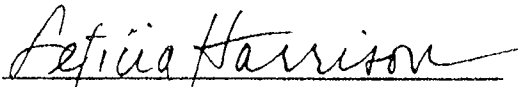
ADOPTED on the 9th day of October, 2018, by the Board of Directors of Bear Creek Special Utility District.

Exhibit CR-5



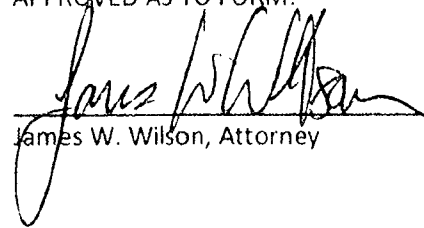
Herman Stork, President

ATTEST:



Leticia Harrison, Secretary

APPROVED AS TO FORM:



James W. Wilson, Attorney



Exhibit CR-6

BEAR CREEK SPECIAL UTILITY DISTRICT

P.O. Box 188
Lavon, Texas 75166
TELEPHONE: (972) 843-2101
FAX: (972) 853-2505

RATE ORDER
CERTIFICATE OF CONVENIENCE AND NECESSITY NO. 10066
COLLIN COUNTY, TEXAS

Adopted December 10, 2013

Amended October 9, 2018

Exhibit CR-6

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Exhibit CR-6

SECTION A.

ADOPTION & AUTHORITY

1. Effective Date. This rate order was adopted by the Board of Directors of the Bear Creek Special Utility District on September 10, 2013. This rate order supersedes all utility service policies, rates, rules and tariffs adopted or passed by the Board of Directors prior to the date of adoption of this rate order. This rate order shall take effect immediately upon its approval.

2. Pre-Existing Penalties and Vested Rights. The adoption of this rate order shall not affect any offense or act committed or done, or any penalty or forfeiture incurred, or any contract or vested right established or accrued prior to the effective date or adoption of this rate order.

3. Official Copy Available. An official copy of the rate order shall be available to the customers of the District during regular office hours of the District. Requests for copies shall be subject to reproduction charges. The Secretary of the District shall maintain the original copy as approved, and clearly exhibit all additions, deletions and amendments hereto.

4. Conflicts. Rules and regulations of state and federal agencies having applicable jurisdiction, promulgated under any applicable state or federal law, shall supersede all terms of this rate order that directly conflict with such State and Federal rules or regulations. If any section, paragraph, sentence, clause phrase, word or words of this rate order are declared unconstitutional or in violation of law, the remainder of this rate order shall not be affected thereby and shall remain in full force and effect.

SECTION B.

STATEMENTS

1. Organization. The District was organized on May 19, 2011, by converting the Lavon Water Supply Corporation to the Lavon Special Utility District under the authority of Article XVI, Section 59, of the Texas Constitution, as amended, and Chapters 49 and 65 of the Texas Water Code, and operates pursuant to Texas law and the regulation and authority of the Texas Commission On Environmental Quality. On January 26, 2016, the Texas Commission on Environmental Quality approved a request to change the name of the District from Lavon Special Utility District to Bear Creek Special Utility District. The District exists for the purpose of furnishing potable water service. The management of the District is controlled by the Board of Directors, the customers of which are elected by qualified voters residing within the District's boundaries.

2. Non-Discrimination Policy. Service is provided to all applicants that comply with the provisions of this rate order regardless of race, creed, color, national origin, sex, disability or marital status.

3. Policy and Rule Application. These policies, rules and regulations apply to the water services provided by the District. Failure on the part of a customer or applicant to observe these policies, rules and regulations gives the District the authority to deny or discontinue service.

Exhibit CR-6

4. **Fire Protection Responsibility.** The District does not provide or imply that fire protection is generally available on the District's water system, unless the District specifically agrees to provide the fire flow through a non-standard service contract under Section F, Subsection 16 or other action by the Board of Directors of the District directly applicable to a specific area. Except in those areas where fire flow is provided under a non-standard service contract or other action of the Board, all hydrants or flush valves are for the operation and maintenance of the system and may be used for refill only by authorized fire departments. The District reserves the right to remove any hydrant due to improper use or detriment to its water system, as determined by the District, at any time without notice, refund or compensation to the contributors unless such hydrants are installed pursuant to the terms of a non-standard service contract, in which event the terms and conditions of the agreement shall apply.

5. **Damage Liability.** The District is not liable for damages caused by service interruptions due to waterline breaks or equipment failure, tampering by third persons or customers of the District, normal system failures, system maintenance or repairs, or other events beyond the District's control, or for damages caused by negligent acts of the District, its employees, designated representatives and contractors. The limit of liability of the District is the extent of the cost of service provided.

6. **Public Information Disclosure.** The records of the District shall be kept at the District's office at 16881 C. R. 541, Lavon, Texas 75166. All information collected, assembled or maintained by or for the District shall be disclosed to the public in accordance with the Texas Public Information Act. An individual customer may request in writing that the District keep the customer's name, address, telephone number or social security number confidential. Such confidentiality does not prohibit the District from disclosing this information to an official or employee of the state or a political subdivision of the state acting in an official capacity or an employee of the District acting in connection with the employee's duties. A reasonable charge as established pursuant to the Texas Public Information Act may be assessed to any person requesting copies of District records.

7. **Notice of Change in Rates.** The District will give written notice of a change to monthly rates by publication, mail or hand delivery to all affected customers at least thirty (30) days prior to the effective date of the new rate. The notice shall contain the old rates, new rates, effective date of the new rates, date of Board authorization, and the name and telephone number of the District representative designated to address inquiries about the rate change. Failure of the District to give the notice shall not invalidate the changed rate or any change based on the changed rate.

8. **Customer Service Inspections.** The District requires that a customer service inspection certificate be completed prior to providing continuous water service to new construction and for all new customers as part of the activation of standard and some nonstandard service. Customer service inspections are also required on any existing service when the District has reason to believe that cross-connections or other potential contaminant hazards exist, or after any material improvement, correction or addition to the customer's water distribution facilities. This inspection is limited to the identification and prevention of cross connections, potential contaminant hazards and illegal lead materials. [30 TAC §290.46(i-j)].

Exhibit CR-6

9. **National Standard Plumbing Code.** The District adopts applicable sections of the National Standard Plumbing Code (2006), as amended, promulgated by the Plumbing Heating Cooling Contractors National Association, as guidance in the design, installation and maintenance of line extensions and service facilities.

10. **Submetering Responsibility.** Submetering and non-submetering by Master Metered Accounts may be allowed in the District's water system provided the Master Metered Account customer registers with the Texas Commission on Environmental Quality and complies with its rules on submetering at Title 30, Chapter 291, Subchapter H of the Texas Administrative Code. The District has no jurisdiction over or responsibility to tenants receiving water under a Master Metered Account, and such tenants are not considered customers of the District. Any interruption or impairment of water service to the tenants is the responsibility of the Master Metered Account customer. Any complaints regarding submetering should be directed to the Texas Commission on Environmental Quality.

SECTION C.

DEFINITIONS

The following words and terms, when used in this rate order, shall have the following meanings unless the context clearly indicates otherwise:

Applicant - A person applying to the District for service.

Designated Representative (or) District Representative - The general manager of the District or a representative or employee of the District engaged in carrying out the terms of or performing services prescribed by this rate order pursuant to either general or specific authorization to do so from the general manager or the Board of Directors.

Board of Directors (or) Board - The governing body of the District elected by qualified voters residing within the District's boundaries in accordance with applicable election laws.

Certificate of Convenience and Necessity (or) CCN - The authorization granted under Chapter 13, Subchapter G, of the Texas Water Code for the District to provide water utility service within a defined territory. The District has been issued Certificate No. 10066 to provide water service.

Certificated Service Area (or) Service Area - The service territory defined in CCN No. 10066 [See Section D, Certificated Service Area Maps]

Customer - Any person receiving services from the District.

Developer - Any person that subdivides land or requests two (2) or more water service connections on a single contiguous tract of land. [See Water Code §13.2505(e)(1)].

Disconnection of Service - The discontinuance of water service to a customer of the District.

District - The Bear Creek Special Utility District.

Exhibit CR-6

Easement - A private perpetual dedicated right-of-way for the installation of water service lines and facilities that allows access to property for future operation, maintenance, replacement, facility upgrades, and/or installation of additional pipelines (if applicable), and may include restrictions on the adjacent area to limit installation of other pipelines or structures that would restrict the District's use of any area of the easement.

Final Plat - A complete and exact plan for the subdivision and/or development of a tract of land which has been approved by all local governments having jurisdiction pursuant to Chapters 212 or 232 of the Texas Local Government Code. The District shall determine if a plat submitted under this rate order qualifies as a final plat. [See 30 TAC §291.851.]

General Manager - The general manager of the District appointed by the Board of Directors.

Hazardous Condition - A condition that jeopardizes the health and welfare of District customers or employees as determined by the District or any other regulatory authority with jurisdiction.

Person - Any natural person, firm, corporation, cooperative, limited liability company, partnership, unincorporated association, public agency or governmental entity, or any other public or private organization or entity of any type or character.

Service - Any act performed, anything furnished or supplied, and any facilities used by the District in the performance of its duties under the Texas Water Code to its customers, employees, other retail public utilities, and the public, as well as the interchange of facilities between the District and one or more retail public utilities.

Service Application and Agreement (or) Service Agreement - A written agreement on the current service application and agreement form between an applicant and the District defining the specific type of service requirements requested, and the responsibilities of each party regarding the service to be provided.

Service Classification/Unit - The type of water service required by an applicant as may be determined by the District based on specific criteria such as usage, meter size, demand, type application, and other relevant factors related to the applicants request. The base service unit of residential water service used by the District in facilities design and rate making in this rate order is a 3/4" x 3/4" water meter.

Service Investigation Fee - A fee paid by a potential customer of the District for the purpose of determining the feasibility of providing service or of a construction, line extension and/or expansion project.

Subdivide - An area of land that has been subdivided into lots or tracts. [See Local Gov't Code §232.021(13)]

Subdivision - The classification for non-standard water service assigned to an applicant that is in the process of constructing a residential commercial structure. The District may also apply this classification to other nonpermanent service uses (e.g., agricultural, road construction, drilling, livestock, etc.). The District may provide temporary water service for up to six (6) months from the date of application for temporary service. Temporary service may be extended upon request and approval of the District's board of directors on a case-by-case basis. As a prerequisite to receiving temporary service, the applicant must pay the applicable Temporary Service Charges, pursuant to Section G.17 of this rate order.

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Texas Commission on Environmental Quality (or) TCEQ - The state regulatory agency having jurisdiction of water service utilities and appellate jurisdiction over the rates and fees charged by the District.

Water System - The water production, treatment, supply, storage and distribution facilities operated by or constructed by or for the District, and any water system extensions, improvements or facilities that may be built within the District's boundaries or service area in the future.

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SECTION D.

GEOGRAPHIC AREA SERVED

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SECTION E.

SERVICE RULES AND REGULATIONS

1. Service Entitlement. (a) An applicant requesting service to real property located within the District's service area shall be considered qualified and entitled to water service when proper application has been made, the terms and conditions of service have been met and continue to be met; (b) all fees have been paid as prescribed; (c) on an undeveloped tract or lot, developer shall follow the District's Subdivision Regulations, before construction of any improvements on a tract or lot; and (d) an applicant requesting service to real property located outside the boundaries of the District's service area shall be considered for service in accordance with current District policies on providing service outside the District's service area.

2. Application Procedures and Requirements.

(a.) Service Classifications. Applications to the District for service shall be divided into the following two classes:

(1) *Standard Service.* Standard service is defined as service from an existing service line where line or service facility extensions are not required and special design and/or engineering considerations are not necessary. Standard water service is provided through a 3/4" x 3/4" meter set on an existing service line.

(2) *Non-Standard Service.* Non-standard service is defined as any service request that requires a 1" or larger meter for service, temporary water service, service to a Master Metered Account pursuant to Section E.2(c)(4) below, or an addition to or extension of the District's water system. Except for temporary service applicants, a non-standard service applicant must comply with the service requirements prescribed by Section F of this rate order before receiving service.

(b.) Requirements for Standard and Non-Standard Service.

(1) The applicant shall complete and sign a Service Application and Agreement or Non-Standard Service Application as applicable.

(2) As a condition for service, the applicant shall complete and execute an Easement and Right-of-Way, Sanitary Control Easement and/or such other easement form(s) required by the District to obtain a dedicated easement(s) to allow the District a right of access to construct, install, maintain, replace, upgrade, inspect or test any facility necessary to serve the applicant as well as the District's purposes in providing system-wide service. [see Tex. Water Code § 49.218]. This requirement may be delayed for nonstandard service applicants. New meters shall be located within a utility easement at or near the boundary line of the property designated for service.

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(3) The applicant shall provide proof of ownership of the real property designated to receive service by warranty deed or other recordable documentation of fee simple title.

(4) At the request of a property owner or an owner's authorized agent, the District shall install individual meters owned by the District in an apartment house, manufactured home rental community, or multiple use facility unless the District determines that the installation of individual meters is not feasible. Individual meters must be installed for residential, or condominiums. If the District determines that installation of individual meters is not feasible, the property owner or manager shall install a plumbing system that is compatible with the installation of a master meter and, if desired by the property owner or manager, sub-meters or individual meters. The District shall be entitled to the payment of reasonable costs to install individual meters pursuant to 30 TAC § 291.122(d) and Section F of this rate order. The property owner shall prepay the cost of individual meter installations and the cost of any additional facilities or system improvements required to satisfy the total water service demand of the property at full occupancy, as determined under applicable provisions of Section F. The District shall consider master metering non-standard service to apartments, trailer/RV parks, or business centers and other similar type enterprises at an applicant's request provided that all units to be served are:

- (A) owned by the same person, partnership, cooperative, corporation, agency, or public or private organization of any type, but not including a family unit;
- (B) directly inaccessible to a public right-of-way; and
- (C) considered a commercial enterprise (i.e., for business, rental or lease purposes).

(5) The District will provide the Applicant with notice of application approval and costs of service or notice of disapproval as determined by the District in writing. Notice of approval and costs of service shall remain in effect for a period not to exceed 30 days. After that time the applicant must re-apply for service. [see 30 TAC § 291.81(a)(1)].

(6) If a water main has been located in the public right-of-way and is adjacent to applicant's property due to the current or previous landowner's refusal to grant an easement to the District for the purpose of installing the water main and appurtenances. The applicant shall grant an easement as required under this rate order and, in addition to the normally required fees for new customer service, pay such sums as are reasonably necessary to remove or cap the existing water main in the public right-of-way and to construct the appropriate line or lines within that easement for the District's system-wide service before receiving the requested service.

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(7) If an applicant or transferee fails to provide all documentation or information required at the time of application, the District will issue written notice that the applicant must provide the documentation or information within ten days or service will be terminated or the application will be rejected. This provision applies to both standard and non-standard service requests.

3. Activation of Standard Service.

(a) New Service Connection. The District shall charge a non-refundable Connection Fee and other applicable fees as required under Section G of this rate order. The Connection Fee and other fees shall be quoted in writing to the applicant. An applicant must pay all fees or enter into a deferred payment agreement before installation of a new service connection or tap.

(b) Re-Service. On property where service previously existed, the District shall charge a deposit and all fees applicable to restoration of service. District will agree to reserve service for this property for a contiguous period of five (5) years. After this time the service equipment may be removed by the District and any future request for service to the property shall be treated as an application for new service.

(c) Performance of Work. The District shall install all taps and equipment necessary to provide service within 20 working days after approval and receipt of payment of all quoted fees and charges. This time may be extended for installation of facilities and equipment necessary to serve a request for non-standard service.

(d) Customer Service Inspections. The District shall perform a customer service inspection of an applicant's property and private water distribution facilities to insure compliance with state required Minimum Acceptable Operating Practices For Public Drinking Water Systems as promulgated by the Texas Commission on Environmental Quality or successor agency. [see Section B.8]. As a result of such an inspection, the District may require that a customer properly install a backflow prevention device, and thereafter, inspect, test and maintain the device, and provide all required documentation to the District, all at the customer's expense. [see 30 TAC § 290.46(Q)].

4. Activation of Non-Standard Service.

(a) Activation of Non-Standard Service. Activation of non-standard service shall be conducted pursuant to Section F of this rate order.

(b) Re-Service. The provisions applicable to standard re-serve requests under the previous subsection 3(b) shall also apply to non-standard re-service requests.

5. Changes in Service Classification. If at any time the District determines that the service classification of a customer has changed from that originally applied for and that additional or different facilities are necessary to provide adequate service, the District shall require the customer to re-apply for service under the terms and conditions of this rate order. Customers failing to comply with this provision shall be subject to Disconnection with Notice under subsection 14(a) below.

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6. Owners and Tenants. The owner of property designated to receive service according to the terms of this rate order is responsible for all fees and charges due the District for service provided to such property. If an owner has signed an alternate billing agreement for rental accounts, the District may bill a tenant for service as a third party. The owner may serve as a guarantor for a tenant's water service.

7. Refusal of Service. The District may refuse to serve an applicant for the following reasons:

- (a) failure of an applicant to complete all required easement forms and pay all required fees and charges;
- (b) failure of an applicant to comply with the rules, regulations and policies of the District;
- (c) existence of a hazardous condition at the applicant's property which would jeopardize the welfare of other customers of the District upon connection;
- (d) failure of an applicant to provide representatives or employees of the District reasonable access to property for which service has been requested;
- (e) failure of an applicant to comply with all rules and regulations of the District that are in this rate order on file with the state regulatory agency governing the service applied for by the applicant;
- (f) failure of an applicant to provide proof of ownership of the property designated to receive service to the satisfaction of the District; or
- (g) District has determined that the applicant's service facilities are known to be inadequate or of such character that satisfactory service cannot be provided.

8. Applicant's Recourse. If the District refuses to serve an applicant under the provisions of this section, the District shall notify the applicant in writing of the basis of its refusal and that the applicant may file a written complaint with the Board of Directors within 15 days after the District sends the notice.

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

- (a) delinquency in payment for service by a previous owner or tenant of the property designated for service;
- (b) failure to pay a bill to correct previous under billing more than six months before the date of application;
- (c) violation of the District's rules pertaining to operation of non-standard equipment or unauthorized attachments that interferes with the service of others, unless the District has made a reasonable attempt to notify the customer and the customer been afforded reasonable opportunity to comply with the requirements;

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(d) failure to pay a bill of another customer as guarantor thereof unless the guarantee was made in writing to the District as a condition precedent to service; or

(e) failure to pay the bill of another customer at the same address except where the change of customer identity is made to avoid or evade payment of a utility bill.

10. Deferred Payment Agreement. The District may enter into a deferred payment agreement, not to exceed a term of one year, with a customer who cannot pay an outstanding balance in full and is willing to pay the balance in reasonable installments as determined by the District, including any late payment penalties or interest on the monthly balance to be determined as per agreement.

11. Charge Distribution and Payment Application.

(a) Base Rate. The applicable Base Rate shall be charged for the billing period from the first day of the billing period to the last day of the billing period. Charges shall be prorated for meter installations and service terminations falling during the billing period. Billings for this amount shall be mailed on or about the twenty-fifth day of the month preceding the month for which this charge is due. All service connections shall be subject to this charge whether or not there is use of service.

(b) Gallonge Charge. A Gallonge Charge shall be billed at the rate specified in Section G and shall be calculated in 1,000 gallon increments. Charges for water usage are based on monthly meter readings and are calculated from reading date to reading date. The District shall take all meter readings used in calculating billing.

(c) Posting of Payments. All payments shall be posted against previous balances prior to posting against current billings.

12. Due Dates, Delinquent Bills, and Service Disconnection Date.

(a) The District shall mail all bills on or about the 25th day of the month. All bills shall be due and payable upon receipt and are past due beyond the date indicated on the bill (allowing approximately 15 days to pay), after which time a penalty shall be applied pursuant to Section G. Payment for utility service is delinquent if the full payment, including late fees and regulatory assessments, is not received at the District by 5:00 p.m. on the due date. Payments made by mail will be considered late if postmarked after the past due date. A five day grace period may then be allowed for delayed payments prior to mailing of final notices. Final notices shall be mailed allowing five additional days for payment prior to disconnection. The five additional days shall begin on the day the final notice is deposited with the U.S. Postal Service with sufficient postage. If the past due date for a regular or final bill falls on a weekend or holiday, the past due date for payment purposes shall be the next day the District office is open for business after said weekend or holiday. For all disputed payment deadlines, the date postmarked on each bill will determine the beginning of each billing cycle or final notice mailings.

(b) Upon written request, any residential customer 65 years of age or older who

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occupies the entire premises of a dwelling receiving water utility service from the District shall receive an extension of the past due date, without penalty. The extension shall not exceed ten days beyond the usual 15 day payment period, for a total of no more than 25 days from the date the bill is issued.

13. Rules for Disconnection of Service. The following describes the rules and conditions for disconnection of service.

(a) Disconnection with Notice. Water service may be disconnected after proper notice for any of the following reasons:

- (1) failure to pay a delinquent account for utility service provided by the District, failure to timely provide a deposit, or failure to comply with the terms of a deferred payment agreement;
- (2) violation of the District's rules pertaining to the use of service in a manner which interferes with the service of others;
- (3) the operation of non-standard equipment, if a reasonable attempt has been made to notify the customer and the customer is provided with a reasonable opportunity to remedy the situation;
- (4) failure to comply with the terms of a service agreement, Non-Standard Service Contract or this rate order;
- (5) failure to provide District personnel or designated representatives access to a meter or to property at which water service is received for purposes of inspecting and verifying the existence of potential hazardous conditions or rate order violations;
- (6) any misrepresentation of fact by an applicant or customer on any form, document or agreement required by the District; or
- (7) failure to re-apply for service upon notification by the District that customer no longer meets the service classification originally applied for under the original service application

(b) Disconnection Without Notice. Water service may be disconnected without prior notice for the following reasons:

- (1) where a known dangerous or hazardous condition exists for which service may remain disconnected for as long as the condition exists, including but not limited to a violation of Chapter 341 of the Health and Safety Code and regulations adopted pursuant thereto, or where the District has reason to believe a dangerous or hazardous condition exists and the customer refuses to allow access for the purpose of confirming the existence of such condition and/or removing the dangerous or hazardous condition [see Sections E.3(d), E.22; 30 TAC § 290.46 0]1;
- (2) where service is connected without authority by a person who has not made application for service;

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(3) where service has been reconnected without authority following termination of service for nonpayment; or

(4) in instances of tampering with the District's meter or equipment by-passing the meter or equipment, or other diversion of service.

(c) Disconnection Prohibited. Water service may not be disconnected for any of the following reasons:

(1) failure to pay for a different class of utility service unless a fee for such service is included in the same bill;

(2) failure to pay charges arising from an under billing due to any misapplication of rates more than six months before the current billing;

(3) failure to pay the account of another customer as guarantor thereof, unless the District has in writing the guarantee as condition precedent to service;

(4) failure of the customer to pay charges arising from an under billing due to any faulty metering, unless the meter has been tampered with or unless such under billing charges are due under subsection 20 below (Inoperative Meters);

(5) failure of the customer to pay an estimated bill other than a bill rendered pursuant to an approved meter reading plan, unless the District is unable to read the meter due to circumstances beyond its control; or

(6) in response to a request for disconnection by an owner of rental property where the tenant is billed directly by the District as authorized by the owner, and the renter's account is not scheduled for disconnection under the rules for disconnection of service in this rate order.

(d) Disconnection on Holidays and Weekends. Unless a dangerous condition exists or the customer requests disconnection, service shall not be disconnected on a day, or on a day preceding a day, when District personnel are not available to the public for the purpose of making collections and reconnecting service.

(e) Disconnection Due to Utility Abandonment. The District may not abandon a customer or a certificated service area without written notice to its customers and all similar neighboring utilities, and obtaining approval from the TCEQ.

(f) Disconnection Due to Illness or Disability. The District may not discontinue service to a delinquent residential customer permanently residing in an individually metered dwelling unit when that customer establishes that discontinuance of service will result in some person at that residence becoming seriously ill or more seriously ill if service is discontinued. To avoid disconnection under these circumstances, the customer must provide a written statement from a physician to the District before the stated date of disconnection. Service may be disconnected in accordance with subsection 14(a) of this section if the next month's bill and the past due bill are not paid by the due date of the next month's bill, unless the customer enters into a deferred payment agreement with the District.

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(g) Disconnection of Master-Metered Accounts. When a bill for service to a master-metered account customer is delinquent, the following shall apply:

(h) Disconnection of Temporary Service. When an applicant with temporary service fails to comply with the conditions stated in the service agreement or provisions of this rate order, the District may terminate temporary service with notice.

(i) Payment During Disconnection. The District is not obligated to accept payment of a bill when a District employee or designated representative is at the customer's property for the purpose of disconnecting service.

14. Returned Check Policy. Payment by check that has been rejected for insufficient funds, closed account, or for which a stop payment order has been issued is not deemed to be payment to the District. The District shall mail, via the U.S. Postal Service, notice that the returned instrument must be redeemed and an additional returned check fee paid at the District office within ten days of the date of the notice. Redemption of the returned instrument and payment of the returned check fee shall be made by cash, money order, or certified check. Failure to meet these terms shall result in disconnection of service. A customer shall be considered a bad credit risk for having an instrument returned as insufficient or non-negotiable for any reason for any two billing periods within a 12-month period, and shall be placed on a "cash-only" basis for a 12-month period during which the District will only accept payment by means of a certified check, money order or cash.

15. Billing Cycle Changes. The District reserves the right to change its billing cycles if the workload requires such practice. After a billing period has been changed, bills shall be sent on the new change date unless otherwise determined by the District.

16. Back-billing. If a customer was undercharged, the District may back-bill the customer for the amount which was under billed. The back-billing shall not exceed six months unless such undercharge was the result of meter tampering, bypass, or diversion of service by the customer as defined in subsection 23 below. If the under billing is \$25 or more, the District shall offer to enter into a deferred payment agreement with such customer for the same length of time as that of the under billing. In cases of meter tampering, bypass, or diversion of service, the District may, but is not required to, offer a customer a deferred payment plan.

17. Inoperative Meters. Water meters found inoperative will be repaired or replaced by the District within a reasonable time. If a meter is found not to register for any period, unless by-passed or tampered with, the District shall make a charge for units used, but not metered, for a period not to exceed three months, based on amounts used under similar conditions during the period preceding or subsequent thereto, or during corresponding periods in previous years.

18. Bill Adjustment Due To Meter Error. The District shall test any customer's meter upon written request of the customer. If the meter tests within the accuracy standards of The American Water Works Association, a meter test fee as prescribed in Section G.15 of this Order shall be imposed. If the test results indicate that the meter is faulty or inaccurate, the test fee shall be waived, the meter shall be calibrated or replaced, and a billing adjustment may be made as far back as six months. The billing adjustment shall be made to the degree of the meter's inaccuracy as determined by the test. The customer must complete and sign a Meter Test Authorization and Test Report prior to the test.

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19. Meter Tampering and Diversion of Service. All meters connected to the District's water system shall be provided, owned, installed and maintained by the District. Meter tampering, bypassing a meter or service equipment, and diversion of service are prohibited. Meter tampering, bypass, or diversion shall be defined as tampering with a meter or service equipment causing damage or unnecessary expense to the District, bypassing a meter or service equipment, or other instances of diversion of service, such as:

- (a) installing a meter or service equipment without authorization from the District;
- (b) removing or altering locks or shut-off devices installed by the District to discontinue service;
- (c) removing, altering or physically disorienting a meter or service equipment;
- (d) inserting or attaching objects to a meter or service equipment to bypass or divert service;
- (e) other electrical and/or mechanical means of tampering with, by-passing, or diverting service;
- (f) connecting or reconnecting service without District authorization; or
- (g) connecting to the service line of an adjacent customer of the District.

The burden of proof of meter-tampering, by-passing, or diversion is on the District. In addition to any other penalties or remedies provided for in this rate order or under Texas civil law, persons who tamper with meters or divert service and unauthorized users of District services may be prosecuted to the extent allowed by law under Texas Penal Code § 28.03 (Criminal Mischief) or § 31.04 (Theft of Service) as appropriate.

20. Damage to District Facilities.

(a) Damage to Meter and Appurtenances. No person other than a duly authorized employee or agent of the District shall be permitted to tap or make any connection to the water distribution lines of the District's water system, except for emergency fire-fighting purposes, or make any repairs or additions to or alterations in any meter, meter box, tap, pipe, cock or other fixture connected with the water system. The District reserves the right, immediately and without notice, to remove the meter or disconnect water service to any Customer whose meter has been tampered with and to assess an equipment damage fee to the Customer under Section G.13 of this rate order.

(b) Right to Repair. The District reserves the right to repair any damage to the water system without prior notice and to assess against any Customer causing the damage such penalties as are provided for by law and this rate order, in addition to those charges necessary to repair system damage.

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provided that:

- (a) the relocation is limited to the requesting customer's existing property designated to receive service;
- (b) a current easement for the proposed location has been granted to the District;
- (c) service capacity is available at the proposed location; and
- (d) the customer pays a Meter Relocation Fee and any additional costs that may be incurred by the District to relocate the meter. [see Section G.17].

In order to improve the operations of the District, the District may relocate a meter at any time at no cost to the customer.

22. Prohibition of Multiple Connections To A Single Tap. No more than one residential, commercial or industrial service connection is allowed per meter. The District may require the owner of an apartment building, mobile home/RV park or other commercial account to apply for a single meter as a "Master Metered Account" pursuant to Section E.2(c)(4) of this rate order. Any unauthorized submetering or diversion of service shall be considered a "multiple connection" and subject to disconnection of service. If the District has sufficient reason to believe a multiple connection exists, the District shall discontinue service under the Disconnection with Notice provisions in subsection 14(a) above.

23. Customer Responsibilities.

(a) District Access to Meters. Customers shall allow District employees and designated representatives access to meters for the purpose of reading, testing, installing, maintaining and removing meters and using utility cutoff valves. If access to a meter is hindered so that the District is prevented from the reading of the meter, an estimated bill shall be rendered to the customer for the month and a notice of the hindrance shall be sent to the customer. If access is denied for three consecutive months after notice to the customer, then service shall be discontinued and the meter removed with no further notice. [see Section E.3(d)].

(b) Compliance with On-Site Service and Plumbing Requirements. Customers shall be responsible for complying with all District, local, state and federal codes, requirements and regulations concerning on-site service and plumbing facilities.

(1) All connections shall be designed to ensure against back-flow or siphonage into the District's water system. In particular, livestock water troughs shall be plumbed above the top of the trough with an air space between the discharge and the water level in the trough. [30 TAG § 290.46].

(2) The use of pipe and pipe fittings that contain more than .25% lead or solder and flux that contain more than 0.2% lead is prohibited for any plumbing installation or repair of any residential or non-residential facility providing water for human consumption and connected to the District's facilities. Customer service pipelines shall be installed by the applicant. [30 TAG § 290.46].

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or repair of existing facilities are found to be in violation of this regulation until such time as the violation is corrected.

(c) Payment on Multiple Accounts. A customer owning more than one service connection shall keep all payments current on all accounts. Failure to maintain current status on all accounts shall be enforceable as per Service Application and Agreement executed by the customer.

(d) Extent of District Ownership and Maintenance. The District's ownership and maintenance responsibility of water distribution and metering equipment shall end at a customer's meter. Therefore, all water usage registering upon and/or damages occurring to the metering equipment owned and maintained by the District shall be subject to charges pursuant to this rate order.

(e) Cut-off Valve Requirement. Each customer shall have a cut-off valve on **the** customer's side of the meter for purposes of isolating the customer's service pipeline and plumbing facilities from the District's water pressure. The valve shall meet AWWA standards (a ball valve is preferred). The customer's use of the District's curb stop or other similar valve for such purposes is prohibited. A customer shall be subject to charges for any damage to the District's meter or other service equipment.

24. Prohibited Plumbing Practices.

(a) No direct connection between the public drinking water supply and a potential source of contamination is permitted. Potential sources of contamination will be isolated from the public water system by an air gap or an appropriate backflow prevention device.

(b) No cross-connection between the water supply and a private water system is permitted. These potential threats to the public drinking water supply must be eliminated at the service connection by the installation of an air-gap or a reduced pressure-zone backflow prevention device.

(c) No connection which allows water to be returned to the public drinking water supply is permitted.

(d) No pipe or pipe fitting which contains more the one quarter of one percent (.25%) lead may be used for the installation or repair of plumbing at any connection which provides water for human use.

(e) No solder which contains more than two-tenths of one percent (0.2%) lead can be used for the installation or repair of plumbing at any connection which provides water for human use.

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25. Water Service Connections.

- (a) Applications for water service connections shall be filed with the District on approved forms. Applicants shall meet all District requirements for service, including the grant of any necessary water easements (as determined by the District) and the installation and maintenance of a cut-off valve at the expense of the service applicant.
- (b) No person, other than District employees or designated representatives, shall be permitted to tap or make any connection with the mains or service lines of the District's water system, or make any repairs or additions to or alterations in any tap, pipe, cock or other fixture connected to a water service line.
- (c) A customer must allow his or her property to be inspected for possible cross-connections and other undesirable plumbing practices. These inspections will be conducted by the District prior to initiating service and may be conducted periodically thereafter. All inspections will be conducted during the District's normal business hours.
- (d) The customer must, at the customer's expense, properly install a backflow prevention device as required by the District.
- (e) All costs to extend or oversize District water mains or service lines to serve any residential or commercial user or any undeveloped area within the District shall be the sole responsibility of the property owner and/or developer requesting service.

26. Standards for Water Service Lines. The following standards govern the installation of customer service lines for water service to residences or commercial buildings within the District:

- (a) All new residential or commercial connections to the District's water system shall be made in accordance with previous subsection 29 and the Rules and Regulations for Public Water Systems issued by the TCEQ as set forth in Subchapter D, Chapter 290, Title 30 of the Texas Administrative Code. In the event of a conflict between the provisions of subsection 290 and the TCEQ's Rules and Regulations for Public Water Systems, the more stringent shall apply.
- (b) Water service lines and fittings shall be of Type "K" copper or polyvinyl chloride PVC DR 14 as approved by the District.
- (c) Water service lines and wastewater service lines shall not be less than three feet apart horizontally and shall be separated by undisturbed or compacted earth.
- (d) Water service lines or any underground water pipe shall not be run or laid in the same trench with non-metallic sewer or drainage piping unless all three of the following conditions are met:
 - (1) The bottom of the water service line at all points shall be at least 12 inches above the top of the wastewater line.
 - (2) The water service line shall be placed on a solid shelf excavated at one side of the common trench and the two lines shall be separated by a minimum of 8 inches.

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(3) The water service line shall be installed with watertight joints tested to a minimum of 150 PSI.

(e) A minimum of four feet of Type "K" soft copper pipe shall be installed at the end of the water service line at the connection to the water meter.

(f) Water service lines shall be bedded in well graded crushed stone to provide six inches of cushion below the line. The trench bottom and walls shall be cleared of all protruding rocks which could damage the pipe before the crushed stone bedding is placed.

(g) A District-owned water meter and a District-approved meter box shall be installed by the District or its designated representative.

(h) Potable water supply piping, water discharge outlets, backflow prevention devices, or similar equipment shall not be located so as to make possible the submergence of such equipment in any contaminated or polluted substance.

(i) The District's water system shall be protected from swimming pool makeup water by means of an approved backflow prevention device or an adequate air gap.

27. Standards for Service Facilities (Details). All water service facilities shall be constructed in accordance with the District's Water Standard Details. In the event of a conflict between these standard details and any other provision of this rate order, the standard details shall apply.

28. Penalties and Enforcement.

(a) Penalties. Any person violating any provision of this Section E, as amended, may be subject to a fine of not more than \$1,000.00 for each violation.

Each day that a violation of this Section E is permitted to exist shall constitute a separate violation. A penalty under this section is in addition to any other penalty or remedy provided by the laws of the State of Texas or this rate order.

(b) Liability for Costs. Any person violating any provision of this Section E, as amended, shall become liable to the District for any expense, loss or damage occasioned by the District by reason of such violation and the District's enforcement thereof. If the District prevails in any suit to enforce these rules and regulations, it may, in the same action, recover any reasonable fees for attorneys, expert witnesses, and other costs incurred by the District before the court.

(c) No Waiver. The failure on the part of the District to enforce any section, clause, sentence, or provision of this rate order shall not constitute a waiver of the right of the District later to enforce any section, clause, sentence, or provision of this rate order.

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SECTION F.

DEVELOPER, SUBDIVISION AND NON-STANDARD SERVICE REQUIREMENTS

1. District Limitations. All applicants shall recognize that the District must comply with state and federal laws and regulations as promulgated from time-to-time, and with covenants of current indebtedness. The District is not required to extend retail utility service to any applicant requesting standard service to a lot or tract in a subdivision where the developer responsible for the subdivision has failed to comply with the requirements of the District's subdivision service extension policies and non-standard service requirements set forth in this section.

2. Purpose. It is the purpose of this section to define the process by which the specific terms and conditions for service to subdivisions and other kinds of non-standard service are determined, including the non-standard service applicant's and the District's respective costs.

For purposes of this section, the term "applicant" shall refer to a developer or person that desires to secure non-standard service from the District. The applicant must be the same person or entity that is authorized to enter into a contract with the District setting forth the terms and conditions pursuant to which non-standard service will be furnished to the property. In most cases, the applicant will be the owner of the property for which non-standard service is sought. An applicant other than the property owner must furnish evidence to the District that the applicant has authority to request non-standard service on behalf the owner, or that it otherwise has authority to request non-standard service for the property.

3. Application of Rules. This section is applicable to subdivisions, additions to subdivisions, commercial, industrial and governmental developments, and any situation where additional service facilities are required to serve a single tract of property. Examples of nonstandard service to a single tract of land include, without limitation, service requests that require road bores, extensions to the District's distribution system, service lines exceeding two inches internal diameter in size, service lines exceeding twenty feet (20) in length, or which require a meter larger than 1" for service. Most nonresidential service applications will be considered non-standard by the District at its sole discretion. For purposes of this rate order, applications subject to this section shall be defined as "non-standard." This section may be altered or suspended for facility expansions constructed by the District at its expense. The District's general manager shall interpret, on an individual basis, whether or not an applicant's service request shall be subject to all or part of the conditions of this section. For purposes of this section the term "project" includes subdivisions, additions to subdivisions, and commercial, industrial and governmental developments.

This section sets forth the general terms and conditions pursuant to which the District will process non-standard service requests. The specific terms and conditions pursuant to which the District will provide non-standard service in response to any request will depend upon the nature of such request and may be set forth in a contractual agreement to be entered between the District and applicant. The contract may not contain any terms or conditions that conflict with this section.

4. Development Review Process.

- (a) Developer contacts the District to receive planning requirements for water and/or wastewater service and general information about the District's service capability. Developer will receive a copy of the District's rate order and a form contract for non-standard service.

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(b) Developer submits three copies of the preliminary plat including individual water plan sheets to the District office for initial review. At this time, developer pays the Service Investigation Fee of \$2,500.00 for developments up to 250 connections and an additional \$10.00 for each additional connection platted in complete build-out. [NOTE: the District will transmit plat/plans to the District engineer for request to review.] In addition, a fee of \$1,500 shall be paid with all re-submittals of plans to correct deficiencies as identified by the District staff or engineers. All original plans and re-submittals shall only be turned in to the District offices where the developer will receive a stamped receipt. Under no circumstance shall the developer turn plans directly into the District engineer. The District reserves the right to increase the review payment for non-typical applications requiring excessive administrative, engineer or legal review time.

(c) The District staff and the District engineers will review and provide feedback to developer regarding service capability, development fees within rate order, and any necessary changes in plans. Developers should allow 30 days for this process.

(d) The District staff will meet with developer to determine whether planned development meets the requirements of the District rate order. If planned development meets the rate order requirements, then the developer will complete, sign, and submit to the District a non-standard service agreement for the District's consideration. If planned development varies from the District's rate order, additional fees may be assessed by the District for additional administrative processes, including, but not limited to administrative, legal, engineering, and field investigations. Individual District directors may participate in meetings that vary from the rate order and non-standard service contract in effect at the time of application. Such meetings may be subject to requirements of the Texas Open Meetings Act. If any planned development is outside of the current service area as defined by the District's CCN's and/or if the planned development does not conform to the current rate order or non-standard agreement, the developer will be given a detailed list of requirements to be met prior to the District's moving forward with the application, as well as additional fees that will be charged by the District in connection with the application, as well as additional fees that will be charged by the District in connection with the application. The District will take no further action or approval until all conditions and requirements are met. Under no circumstances will the District consider executing a contract to provide service outside its CCN until the developer has agreed to reimburse the District for all costs incurred by obtaining the CCN to service the area requested by the developer.

(e) Final Plat Approval. Following completion of the required meetings and upon final staff approval and recommendation, the District Board of Directors will review and vote on approval of the final plat during a public meeting of the District Board of Directors. Prior to final plat approval, the developer must have executed the non-standard service agreement and paid one-half of all connection fees due per the District rate order. Construction may not commence until the District Board of Directors approves the developer's final plot. The balance of all applicable fees will be paid upon the District's inspection and approval of construction and prior to the District's acceptance of the improvements constructed by the Developer.

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rate order.

5. Non-Standard Service Application.

(a) The applicant shall complete and submit a Non-Standard Service Application to the District, while giving special attention to that portion entitled "Special Service Needs of the Applicant."

(b) Simultaneous with submission of the Non-Standard Service Application the applicant must submit three copies of the proposed final plat for approval by the District showing the applicant's requested service area. The final plat must be approved by all governmental authorities exercising jurisdiction over lot sizes, sewage control, drainage, right-of-way, and other service facilities. Plans, specifications, and special requirements of such governmental authorities shall be submitted with the plat. Applicants for single taps that require an extension or over sizing of District facilities shall be required to submit maps or plans detailing the location of the requested extension and details of demand requirements.

(c) The applicant shall pay a Service Investigation Fee to the District in accordance with the requirements of Section G for purposes of paying the District's administrative, legal and engineering fees. In the event such a fee is not sufficient to pay all expenses incurred by the District, the applicant shall pay to the District all remaining expenses that have been or will be incurred by the District, and the District shall have no obligation to complete processing of the request until all remaining expenses have been paid.

(d) If after completing its service investigation the District determines that the applicant's service request is for property located wholly or partially outside the District's certificated service area, the District may still extend service provided that:

(1) the requested service area is not in an area receiving similar service from another retail utility;

(2) the requested service area is not within another retail utility's certificated service area; and

(3) the District's Certificate of Convenience and Necessity shall be amended to include the entirety of the applicant's property for which service is requested and the applicant shall pay all costs incurred by the District in amending its CCN, including but not limited to engineering and professional fees. If the service location is contiguous to or within one-fourth mile of the District's certificated service area, the District may extend service prior to completing the amendment to its CCN, but will do so only upon applicant's legally enforceable agreement to fully support such amendment (including but not limited to payment of all professional fees, including legal, surveying and engineering fees incurred by District in securing the amendment).

6. Facilities Design and Approval.

(a) Design Requirements. Upon receipt of a completed Non-Standard Service

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Application and Service Investigation Fee, the District shall study the design requirements of the applicant's required facilities before preparing a Non-Standard Service Contract in accordance with the following:

(1) The District's consulting engineer shall design, or review and approve, plats and plans for all on-site and off-site service facilities for the applicant's requested service in accordance with the District's specifications and any applicable municipal or other governmental codes and specifications. The consulting engineer shall notify the applicant in writing of any necessary changes to applicant's proposed plats and/or plans. Allow a minimum of 30 days for the review process.

(2) The consulting engineer shall ensure all facilities for any applicant meet the demands for service as platted and/or requested in the plans or plat submitted by the applicant. The District reserves the right to upgrade and/or oversize the planned service facilities to meet future customer demands on condition that the applicant shall be reimbursed the additional expense of such upgrading and/or oversizing in excess of the applicant's facility requirements.

(3) Water line size and location will be determined by the District's engineer, whose determination is final.

(4) All water line material fittings shall conform to North Central Texas Council of Government standards.

(5) Any water line extensions constructed by a developer shall be constructed completely across (property line to property line) the side of the subdivision or development which is contiguous and adjacent to the road or street on which the main entrance to the project is located.

(6) The water system shall be looped. The District may permit dead ends when necessary as a stage in the growth of the water system, but they shall be located and arranged to ultimately connect the ends to provide circulation. [see 30 TAC § 290.44(d)(6)].

(b) Final Plat Approval. After the final meeting, the final plats and plans will be placed on the agenda of a meeting of the Board of Directors for final consideration and approval.

7. Prepayment of Certain Fees Required. An applicant for non-standard service shall pre-pay certain fees in accordance with the following:

(a) The Connection Fee required by Section G.5 of this rate order and the estimated Non-Standard Service Inspection Fee required by Section G.27 of this rate order, each multiply by the total number of connections requested, shall be paid at the time service is requested.

(b) Subsequent purchasers of individual lots shall pay the Deposits required under Section G.3 of this rate order, upon applying to the District for activation of service to individual lots.

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8. High Density Developments. The District reserves the right to declare a subdivision or development a "High Density Development." The District may determine that a project is a High Density Development based on lot sizes, the total number of lots or living units in the project, or both. The determination of whether a project is a High Density Development is within the sole discretion of the District. In the event the District declares that a project is a High Density Development, then the following regulations will apply.

(a) Off-Site Construction Costs. "Off Site Construction Costs" are the costs to construct an adequate pipeline to serve the project of at least eight inch internal diameter in size from a point to be determined by the District to and across the frontage of the project. The Off Site Construction Costs shall be paid as follows:

(1) Upon the execution of a Non-Standard Service Contract by an applicant and the District, the applicant shall deposit with the District ten percent of the estimated off-site construction costs of water service lines and/or facilities related to the project and the applicant shall promptly make progress payments as provided in the Three Way Contract.

(2) In the event that all or a portion of any unallocated capacity in an existing pipeline previously constructed to a High Density Development is utilized to transmit water to a project, then the applicant shall pay the District the unrecovered construction costs of the line. Payment shall be made upon execution of a Non-Standard Service Agreement. The construction costs of any new pipeline, if any, will be paid in the manner stated in the previous paragraph.

(3) If water is transmitted to the project through a pipeline on which all construction costs have been recouped, then no Off-Site Construction Costs relating to the pipeline will be charged.

(b) Conflict. If any other provision in this rate order conflicts with a provision of this subsection, then the provisions of this subsection will control. The determination of a conflict will be in the sole discretion of the District.

9. Non-Standard Service Contract. Applicants requesting or requiring non-standard service shall be required to execute a written Non-Standard Service contract prepared by the District's attorney. The District shall prepare and deliver the Non-Standard Service contract to the applicant within a reasonable time period as determined by the complexity of the project. The Non-Standard Service contract shall define the terms of service prior to construction of required service facilities for the project and may include, without limitation, provisions for the following:

(a) payment of all costs associated with required administration, design, construction and inspection of facilities for water service to the project;

(b) procedures by which the applicant shall accept or deny a contractor's bid, thereby committing to continue or discontinue the project;

(c) amount and payment of capital contributions required by the District in addition to other costs required under this section;

(d) reservation of service capacity for the applicant and duration of reserved service with respect to the impact the applicant's service demand will have upon the District's

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system capability to meet other service requests;

(e) terms by which the applicant shall indemnify the District from all third party claims or lawsuits arising from or related to the project;

(f) terms by which the applicant shall dedicate all constructed service facilities to the District and by which the District shall assume operation and maintenance responsibility, including any enforcement of warranties related to construction of the service facilities;

(g) terms by which the applicant shall grant title or easements to the District for right-of-ways, constructed service facilities, and service facility sites, and/or terms by which the applicant shall provide for the securing of required right-of-ways and sites;

(h) terms by which the Board of Directors shall review and approve any applicable Non-Standard Service contract or any other contract related to the project pursuant to current rules, regulations and policies of the District; and

(i) terms by which the District shall administer the applicant's project with respect to:

- (1) the design of the applicant's service facilities;
- (2) securing and qualifying bids;
- (3) execution of the contract;
- (4) selection of a qualified bidder for construction;
- (6) inspecting construction of facilities; and
- (7) testing facilities and closing the project.

The District and applicant must execute a Non-Standard Service contract before construction of service facilities for the project is commenced. If the applicant commences construction of any such facilities prior to execution of the contract, the District may refuse to provide service to the applicant (or require full costs of replacing/repairing any facilities constructed without prior execution of the contract from any person buying a lot or home from applicant), require that all facilities be uncovered by the applicant for inspection by the District, require that any facilities not approved by the District be replaced, or take any other lawful action determined appropriate by the Board of Directors.

10. Property and Right-of-Way Acquisition. With regard to construction of facilities, the District shall require private right-of-way easements or private property as per the following conditions:

(a) If the District determines that right-of-way easements or facility sites outside the applicant's property are required, the applicant shall use all due diligence to secure easements or title to the right-of-way or facility sites in behalf of the District. All right-of-way easements and property titles shall be researched, validated, and recorded by the District at the expense of the applicant.

(b) All costs associated with facilities that must be installed in public right-of ways

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on behalf of the applicant, due to the inability of the applicant to secure private right-of-way easements, shall be paid by the applicant. Alternatively, applicant shall pay all costs, including legal and other professional fees, and the condemnation award in the event District secures such private easements or facility sites through eminent domain proceedings. Any request of applicant to the District to commence eminent domain proceedings shall be made in writing. The District reserves the right to secure right-of-way easements or facility sites by eminent domain on its own initiative.

(c) The District shall require an exclusive dedicated right-of-way on the applicant's property (as required by the size of the planned facilities and as determined by the District) and title to property required for other on-site facilities.

(d) Easements and facilities sites shall be prepared for the construction of the District's pipeline and facility installations in accordance with the District's requirements and at the expense of the applicant.

11. Contractor Selection & Qualification.

(a) Selection. Applicants shall choose one of the following methods for selection of a contractor to construct line extensions and/or water distribution facilities required by the District to serve a development. The applicant may select a qualified contractor. The District reserves the right to reject any contractor selected by the applicant in accordance with the criteria set forth in the following subsection 11(b).

(1) The District's consulting engineer shall advertise for bids for the construction of the applicant's proposed facilities in accordance with generally accepted practices. The applicant shall provide the District with a sufficient number of plans and specifications, without charge, for prospective bidders. The District reserves the right to reject any bid or contractor, the District shall generally award the contract to the lowest and best bidder in accordance with the criteria set forth in the following subsection 11(b). After the applicant has executed the Non-Standard Service contract, the applicant shall pay to the District all costs necessary for completion of the project's service facilities prior to construction and in accordance with the terms of the Non-Standard Service contract.

(b) Qualification Criteria.

(1) the applicant shall sign the Non-Standard Service contract noting applicant's willingness to proceed with the project and shall pay all costs in advance of construction associated with the project;

(2) the contractor shall provide an adequate bid bond under terms acceptable to the District;

(3) the contractor shall secure adequate performance and payment bonding for the project under terms acceptable to the District;

(4) the contractor shall supply favorable references acceptable to the District;

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(5) the contractor shall qualify with the District as competent to complete the work; and

(6) the contractor shall provide adequate certificates of insurance as required by the District.

12. Construction.

(a) All road work shall be completed in accordance with applicable state, county and/or municipal standards prior to construction of project service facilities to avoid future problems resulting from road right-of-way excavation and completion. Subject to approval of the requisite authority, road sleeves may be installed prior to road construction to avoid road damage during construction of applicant's service facilities.

(b) The District shall inspect the service facilities to ensure compliance with District standards during construction and prior to acceptance of the service facilities for operation and maintenance.

(c) Construction plans and specifications shall be strictly adhered to, but the District reserves the right to revise any specifications by change-order due to unforeseen circumstances during the design phase or to better facilitate construction and/or operation of the project service facilities. All change order amounts shall be charged to the applicant.

13. Dedication and Acceptance of Service Facilities. Upon proper completion of construction of an applicant's on-site and off-site service facilities, final inspection and approval thereof by the District, and applicant's payment to the District of all required fees and charges in connection therewith, the applicant shall dedicate the service facilities to the District by an appropriate legal instrument approved by the District's attorney, and the District shall accept the dedication. The District shall thereafter own the service facilities subject to applicant's maintenance bond in an amount of not less than 100 percent of the total construction cost of the service facilities and for a term of not less than two years. The maintenance bond is subject to prior approval by the District's attorney.

14. Service within Subdivisions. The District's objective to provide service to any customer located within a subdivision governed by this section is strictly limited to the nonstandard service specified by an applicant. The applicant is responsible for paying for all costs necessary to provide non-standard service to a subdivision as determined by the District under the provisions of this rate order, and in particular, the provisions of this section. Should the applicant fail to pay these costs, the District has the right to require payment of these costs by any one or more of the persons purchasing lots within such subdivision before the District is obligated to provide water service to the subdivision. In addition, the District may elect to pursue any remedies provided by the Non-Standard Service Contract and the laws of Texas.