

Control Number: 50553



Item Number: 1

Addendum StartPage: 0



**Southwest
Engineers**

www.swengineers.com | TBPE No. F-1909

Civil | Environmental | Land Development

HEADQUARTERS

307 Saint Lawrence St.

Gonzales, TX 78629

Phone: 830.672.7546

CENTRAL TEXAS OFFICE

205 Cimarron Park Loop, Ste A

Buda, TX 78610

Phone: 512.312.4336

RECEIVED
2020 FEB 14 PM 1:07
PUBLIC UTILITY COMMISSION
FILING CLERK

February 11, 2020

Public Utility Commission of Texas
Attention: Filing Clerk
1701 North Congress Avenue
P. O. Box 13326
Austin, Texas 78711-3326

RE: CCN Amendment Application
County Line Special Utility District
Hays & Caldwell Counties, Texas
SWE Project No. 0017-063-18

To Whom It May Concern,

On behalf of our client, County Line SUD, we are respectfully submitting the enclosed Application to Amend a Water Certificate of Convenience and Necessity (CCN No. 10292).

Seven copies of the application and digital data are provided.

If you have any questions or need additional information, please do not hesitate to contact me at (830) 672-7546 or jeff.kallus@swengineers.com.

Respectfully submitted,

Jeff J. Kallus

ENCL.

cc: Daniel Heideman, County Line SUD



Application to Obtain or Amend a Water or Sewer Certificate of Convenience and Necessity (CCN)

*Pursuant to 16 Texas Administrative Code (TAC) Chapter 24, Substantive Rules Applicable to Water and Sewer
Service Providers, Subchapter G: Certificates of Convenience and Necessity*

CCN Application Instructions

- I. **COMPLETE:** In order for the Commission to find the application sufficient for filing, you should adhere to the following:
 - i. Answer every question and submit all required attachments.
 - ii. Use attachments or additional pages if needed to answer any question. If you use attachments or additional pages, reference their inclusion in the form.
 - iii. Provide all mapping information as detailed in Part F: Mapping & Affidavits.
 - iv. Provide any other necessary approvals from the Texas Commission on Environmental Quality (TCEQ), or evidence that a request for approval is being sought at the time of filing with the Commission.
- II. **FILE:** Seven (7) copies of the completed application with numbered attachments. One copy should be filed with no permanent binding, staples, tabs, or separators; and 7 copies of the portable electronic storage medium containing the digital mapping data.
SEND TO: Public Utility Commission of Texas, Attention: Filing Clerk, 1701 N. Congress Avenue, P.O. Box 13326, Austin, Texas 78711-3326 (NOTE: Electronic documents may be sent in advance of the paper copy; however, they will not be processed and added to the Commission's on-line Interchange until the paper copy is received and file-stamped in Central Records).
- III. The application will be assigned a docket number, and an administrative law judge (ALJ) will issue an order requiring Commission Staff to file a recommendation on whether the application is sufficient. The ALJ will issue an order after Staff's recommendation has been filed:
 - i. **DEFICIENT (Administratively Incomplete):** Applicant will be ordered to provide information to cure the deficiencies by a certain date (usually 30 days from ALJ's order). *Application is not accepted for filing.*
 - ii. **SUFFICIENT (Administratively Complete):** Applicant will be ordered by the ALJ to give appropriate notice of the application using the notice prepared by Commission Staff. *Application is accepted for filing.*
- IV. Once the Applicant issues notice, a copy of the actual notice sent (including any map) and an affidavit attesting to notice should be filed in the docket assigned to the application. Recipients of notice may choose to take one of the following actions:
 - i. **HEARING ON THE MERITS:** an affected party may request a hearing on the application. The request must be made within 30 days of notice. If this occurs, the application may be referred to the State Office of Administrative Hearings (SOAH) to complete this request.
 - ii. **LANDOWNER OPT-OUT:** A landowner owning a qualifying tract of land (25+ acres) may request to have their land removed from the requested area. The Applicant will be requested to amend its application and file new mapping information to remove the landowner's tract of land, in conformity with this request.
- V. **PROCEDURAL SCHEDULE:** Following the issuance of notice and the filing of proof of notice in step 4, the application will be granted a procedural schedule for final processing. During this time the Applicant must respond to hearing requests, landowner opt-out requests, and requests for information (RFI). The Applicant will be requested to provide written consent to the proposed maps, certificates, and tariff (if applicable) once all other requests have been resolved.
- VI. **FINAL RECOMMENDATION:** After receiving all required documents from the Applicant, Staff will file a recommendation on the CCN request. The ALJ will issue a final order after Staff's recommendation is filed.

FAQ:

Who can use this form?

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

Who is required to use this form?

A retail public utility that is an investor owned utility (IOU) or a water supply corporation (WSC) must use this form to obtain or amend a CCN prior to providing retail water or sewer utility service in the requested area.

What is the purpose of the application?

A CCN Applicant is required to demonstrate financial, managerial, and technical (FMT) capability to provide continuous and adequate service to any requested area. The questions in the application are structured to support an Applicant's FMT capabilities, consistent with the regulatory requirements.

Application Summary

Applicant: County Line Special Utility District

CCN No. to be amended: 10292

or ☐ Obtain NEW CCN ☒ Water ☐ Sewer

County(ies) affected by this application: Hays and Caldwell

Dual CCN requested with: _____

CCN No.: _____

(name of retail public utility)

☐ Portion or ☐ All of requested area

Decertification of CCN for: Polonia WSC (10420)

CCN No.: 10420

(name of retail public utility)

☒ Portion or ☐ All of requested area

Table of Contents

CCN Application Instructions	1
Part A: Applicant Information	3
Part B: Requested Area Information	4
Part C: CCN Obtain or Amend Criteria Considerations	6
Part D: TCEQ Public Water System or Sewer (Wastewater) Information	7
Part E: Financial Information	9
Part F: Mapping & Affidavits	10
Part G: Notice Information	11
Appendix A: Historical Financial Information (Balance Sheet and Income Schedule)	13
Appendix B: Projected Information	16

Please mark the items included in this filing

<input type="checkbox"/> Partnership Agreement	Part A: Question 4	
<input type="checkbox"/> Articles of Incorporation and By-Laws (WSC)	Part A: Question 4	
<input type="checkbox"/> Certificate of Account Status	Part A: Question 4	
<input checked="" type="checkbox"/> Franchise, Permit, or Consent letter	Part B: Question 7	See Attachment A
<input checked="" type="checkbox"/> Existing Infrastructure Map Part D: Question 27	Part B: Question 8	See Attachment E
<input checked="" type="checkbox"/> Customer Requests For Service in requested area	Part B: Question 9	See Attachment B
<input type="checkbox"/> Population Growth Report or Market Study	Part B: Question 10	
<input type="checkbox"/> TCEQ Engineering Approvals	Part B: Question 11	
<input type="checkbox"/> Requests & Responses For Service to ½ mile utility providers	Part B: Question 12.B	
<input type="checkbox"/> Economic Feasibility (alternative provider) Statement	Part B: Question 12.C	
<input type="checkbox"/> Alternative Provider Analysis	Part B: Question 12.D	
<input type="checkbox"/> Enforcement Action Correspondence	Part C: Question 16	
<input checked="" type="checkbox"/> TCEQ Compliance Correspondence	Part D: Question 20	See Attachment C
<input checked="" type="checkbox"/> Purchased Water Supply or Treatment Agreement	Part D: Question 23	See Attachment D
<input type="checkbox"/> Rate Study (new market entrant)	Part E: Question 28	
<input checked="" type="checkbox"/> Tariff/Rate Schedule District Service Policy / Rate Schedule	Part E: Question 29	See Attachment F
<input checked="" type="checkbox"/> Financial Audit	Part E: Question 30	See Attachment G
<input type="checkbox"/> Application Attachment A & B	Part E: Question 30	
<input type="checkbox"/> Capital Improvement Plan	Part E: Question 30	
<input type="checkbox"/> Disclosure of Affiliated Interests	Part E: Question 31	
<input checked="" type="checkbox"/> Detailed (large scale) Map	Part F: Question 32	See Attachment I
<input checked="" type="checkbox"/> General Location (small scale) Map	Part F: Question 32	See Attachment H
<input checked="" type="checkbox"/> Digital Mapping Data	Part F: Question 32	Included on CD
<input checked="" type="checkbox"/> Signed & Notarized Affidavit	Page 12	

Part A: Applicant Information

1. A. Name: County Line Special Utility District
(individual, corporation, or other legal entity)

☐

Individual

☐

Corporation

☐

WSC

☒

Other: S.U.D.

B. Mailing Address: 8870 Camino Real
Uhland, TX 78640

Phone No.: (512) 398-4748 Email: heideman@clsud.com.

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

Name: Jeffrey Kallus, P.E. Title: Project Engineer

Mailing Address: 307 St. Lawrence; Gonzales, Tx 78629-3935

Phone No.: (830) 672-7546 Email: jeff.kallus@swengineers.com

2. If the Applicant is someone other than a municipality, is the Applicant currently paid in full on the Regulatory Assessment Fees (RAF) remitted to the TCEQ?

☐

Yes

☐

No

☒

N/A

3. If the Applicant is an Investor Owned Utility (IOU), is the Applicant current on Annual Report filings with the Commission? N/A

☐

Yes

☐

No

If no, please state the last date an Annual Report was filed: _____

4. The legal status of the Applicant is:

☐

Individual or sole proprietorship

☐

Partnership or limited partnership (*attach* Partnership agreement)

☐

Corporation:

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

☐

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

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

☐

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

☐

Municipally-owned utility

☒

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

☐

County

☐

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

☐

Other (please explain): _____

5. If the Applicant operates under an assumed name (i.e., any d/b/a), provide the name below:

Name: _____

Part B: Requested Area Information

6. Provide details on the existing or expected land use in the requested area, including details on requested actions such as dual certification or decertification of service area.

Amending a property to the CCN that requested water service. The property owner plans to develop property to single-family residential lots. The property was originally within County Line's CCN, but the previous landowner opted out.

Amend CCN boundary near Polonia WSC (10420) to clean up the boundary so that it follows roadways and property lines.

See Attachment A - Consent Letter

7. The requested area (check all applicable):

☐ Currently receives service from the Applicant ☒ Is being developed with no current customers

☒ Overlaps or is within municipal boundaries ☐ Overlaps or is within district boundaries

Municipality: Polonia WSC (10420) District:

Provide a copy of any franchise, permit, or consent granted by the city or district. If not available please explain:

County Line and Polonia's general manager had a sit down meeting and both agreed of the proposed change to the CCN boundaries where it follows property lines.

8. Describe the circumstances (economic, environmental, etc.) driving the need for service in the requested area:

The property owner is developing the property to single-family residential. Water utility service is necessary in these proposed areas since individual water wells are not economically feasible.

9. Has the Applicant received any requests for service within the requested area?

See Attachment B

☒ Yes* ☐ No *Attach copies of all applicable requests for service and show locations on a map

10. Is there existing or anticipated growth in the requested area? **The properties are expected to develop into single family residential lots similar to neighboring properties.**

☒ Yes* ☐ No *Attach copies of any reports and market studies supporting growth

11. A. Will construction of any facilities be necessary to provide service to the requested area?

☒ Yes* ☐ No *Attach copies of TCEQ approval letters

B. Date Plans & Specifications or Discharge Permit App. submitted to TCEQ: N/A

Water line extensions may be necessary as the properties develop.

C. Summarize an estimated timeline for construction for any required facilities to serve the requested area:

Next 10 years depending on timeline which the properties develop. Water line extensions are the only expected improvements necessary to serve these properties.

D. Describe the source and availability of funds for any required facilities to serve the requested area:

Direct funds.

Note: Failure to provide applicable TCEQ construction or permit approvals, or evidence showing that the construction or permit approval has been filed with the TCEQ may result in the delay or possible dismissal of the application.

12. A. If construction of a physically separate water or sewer system is necessary, provide a list of all retail public water and/or sewer utilities within one half mile from the outer boundary of the requested area below:

N/A; the areas will be served by current (County Line SUD) water system.

Utilities: Goforth SUD, Polonia WSC, & Maxwell WSC

B. Did the Applicant request service from each of the above water or sewer utilities? **N/A**

☐ Yes*

☒ No

*Attach copies of written requests and copies of the written response

C. Attach a statement or provide documentation explaining why it is not economically feasible to obtain retail service from the water or sewer retail public utilities listed above. **CLSUD has an elevated tank and large lines adjacent to the**

property being added. The other area being amended, south of Uhland, includes mostly properties that are already partially inside County Line SUD's service area.

D. If a neighboring retail public utility agreed to provide service to the requested area, attach documentation addressing the following information:

- (A) A description of the type of service that the neighboring retail public utility is willing to provide and comparison with service the applicant is proposing;
- (B) An analysis of all necessary costs for constructing, operating, and maintaining the new facilities for at least the first five years of operations, including such items as taxes and insurance; and
- (C) An analysis of all necessary costs for acquiring and continuing to receive service from the neighboring retail public utility for at least the first five years of operations.

13. Explain the effect of granting the CCN request on the Applicant, any retail public utility of the same kind serving in the proximate area, and any landowners in the requested area. The statement should address, but is not limited to, regionalization, compliance, and economic effects.

No effects are expected. The property being amended to the CCN was previously within County Line's CCN and County Line SUD owns an elevated tank adjacent to this property that is capable of serving it.

No effect is expected regarding the adjustment of CCN boundary near Polonia WSC. County Line SUD and Polonia WSC agreed upon the proposed CCN boundary. Currently, most of these properties affected fall within both service areas, so the new boundary will clear up who provides water to who and help in future infrastructure planning.

Part C: CCN Obtain or Amend Criteria Considerations

14. Describe the anticipated impact and changes in the quality of retail utility service for the requested area:

There are no anticipated impact or changes expected.

15. Describe the experience and qualifications of the Applicant in providing continuous and adequate retail service:

County Line SUD has been providing potable water service for decades. County Line SUD has the infrastructure and staff to continue to provide quality service to new and existing customers.

16. Has the Applicant been under an enforcement action by the Commission, TCEQ, Texas Department of Health (TDH), the Office of the Attorney General (OAG), or the Environmental Protection Agency (EPA) in the past five (5) years for non-compliance with rules, orders, or state statutes?

☐ Yes* ☒ No

*Attach copies of any correspondence with the applicable regulatory agency concerning any enforcement actions, and attach a description of any actions or efforts the Applicant has taken to comply with these requirements.

17. Explain how the environmental integrity of the land will or will not be impacted or disrupted as a result of granting the CCN as requested:

Most of the properties are already owned by Developers with the intent to developing.

18. Has the Applicant made efforts to extend retail water or sewer utility service to any economically distressed area located within the requested area?

No, there are no economically distressed areas within the requested area.

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

Goforth SUD
Polonia WSC
Maxwell WSC
Monarch Utilities
City of Lockhart

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

20. A. Complete the following for all Public Water Systems (PWS) associated with the Applicant's CCN:

TCEQ PWS ID:	Name of PWS:	Date of TCEQ inspection*:	Subdivisions served:
TX1050038	County Line Special Utility District	3/14/2019	

See Attachment C

*Attach evidence of compliance with TCEQ for each PWS

- B. Complete the following for all TCEQ Water Quality (WQ) discharge permits associated with the Applicant's CCN:

N/A TCEQ Discharge Permit No:	Date Permit expires:	Date of TCEQ inspection*:	Subdivisions served:
WQ-			
WQ-			
WQ-			
WQ-			

*Attach evidence of compliance with TCEQ for each Discharge Permit

- C. The requested CCN service area will be served via:

PWS ID: TX1050038

WQ - N/A

21. List the number of existing connections for the PWS & Discharge Permit indicated above (Question 20. C.):

Water				Sewer	
0	Non-metered	6	2"		Residential
3,355	5/8" or 3/4"	1	3"		Commercial
13	1"	2	4"		Industrial
2	1 1/2"	0	Other		Other
Total Water Connections:		3,379		Total Sewer Connections:	

22. List the number of additional connections projected for the requested CCN area:

Water				Sewer	
	Non-metered		2"		Residential
300	5/8" or 3/4"		3"		Commercial
	1"		4"		Industrial
	1 1/2"		Other		Other
Total Water Connections:		300		Total Sewer Connections:	

estimated

23. A. Will the system serving the requested area purchase water or sewer treatment capacity from another source?

☒ Yes*

☐ No

*Attach a copy of purchase agreement or contract.

Capacity is purchased from:

See Attachment D

Water: Canyon Regional Water Authority

Sewer:

- B. Are any of the Applicants PWS's required to purchase water to meet the TCEQ's minimum capacity requirements or TCEQ's drinking water standards?

☒ Yes

☐ No

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

	Amount in Gallons	Percent of demand
Water:	426,241,000 1308 AF	80%
Sewer:		0%

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

☒ Yes

☐ No

25. List the name, class, and TCEQ license number of the operators that will be responsible for the operations of the water or sewer utility service provided to the requested area:

Name (as it appears on license)	Class	License No.	Water/Sewer
Daniel Heideman	C	WG0005037	Water
Doug Schnautz	C	WG0010680	Water
Kevin (Drew) Schnautz	C	WG0017061	Water

26. A. Are any improvements required for the existing PWS or sewer treatment plant to meet TCEQ or Commission standards?

☐ Yes ☒ No

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

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

27. Provide a map (or maps) showing all facilities for production, transmission, and distribution, and the location of existing or proposed customer connections, in the requested area. Facilities should be identified on subdivision plats, engineering planning maps, or other large scale maps. Color coding can be used, and is encouraged, to distinguish types of facilities.

See Attachment E

Part E: Financial Information

28. If the Applicant seeking to obtain a CCN for the first time is an Investor Owned Utility (IOU) and under the original rate jurisdiction of the Commission, a proposed tariff must be attached to the application. The proposed rates must be supported by a rate study, which provides all calculations and assumptions made. Once a CCN is granted, the Applicant must submit a rate filing package with the Commission within 18 months from the date service begins. The purpose of this rate filing package is to revise a utility's tariff to adjust the rates to a historic test year and to true up the new tariff rates to the historic test year. It is the Applicant's responsibility in any future rate proceeding to provide written evidence and support for the original cost and installation date of all facilities used and useful for providing utility service. Any dollar amount collected under the rates charged during the test year in excess of the revenue requirement established by the Commission during the rate change proceeding shall be reflected as customer contributed capital going forward as an offset to rate base for ratemaking purposes. **N/A**

29. If the Applicant is an existing IOU, please attach a copy of the current tariff and indicate: **N/A**

A. Effective date for most recent rates: _____

B. Was notice of this increase provided to the Commission or a predecessor regulatory authority?

☐

No

☐

Yes

Application or Docket Number: _____

C. If notice was not provided to the Commission, please explain why (ex: rates are under the jurisdiction of a municipality)

See Attachment F - District Service Policy and Rate Schedule

If the Applicant is a Water Supply or Sewer Service Corporation (WSC/SSC) and seeking to obtain a CCN, attach a copy of the current tariff.

30. **Financial Information** **See Attachment G - Audits**

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

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

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

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

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

- 31.** Attach a disclosure of any affiliated interest or affiliate. Include a description of the business relationship between all affiliated interests and the Applicant. N/A

DO NOT INCLUDE ATTACHMENTS A OR B IF LEFT BLANK

Part F: Mapping & Affidavits

- 32.** Provide the following mapping information with each of the seven (7) copies of the application:

- 1.** A general location (small scale) map identifying the requested area in reference to the nearest county boundary, city, or town. The Applicant should adhere to the following guidance:

See Attachment H

- i.** If the application includes an amendment for both water and sewer certificated service areas, separate maps must be provided for each.
- ii.** A hand drawn map, graphic, or diagram of the requested area is not considered an acceptable mapping document.
- iii.** To maintain the integrity of the scale and quality of the map, copies must be exact duplicates of the original map. Therefore, copies of maps cannot be reduced or enlarged from the original map, or in black and white if the original map is in color.

- 2.** A detailed (large scale) map identifying the requested area in reference to verifiable man-made or natural landmarks such as roads, rivers, and railroads. The Applicant should adhere to the following guidance:

See Attachment I

- i.** The map should be clearly labeled and the outer boundary of the requested area should be marked in reference to the verifiable man-made or natural landmarks. These verifiable man-made and/or natural landmarks must be labeled and marked on the map as well.
- ii.** If the application includes an amendment for both water and sewer certificated service area, separate maps need to be provided for each.
- iii.** To maintain the integrity of the scale and quality of the map, copies must be exact duplicates of the original map. Therefore, copies of maps cannot be reduced or enlarged from the original map, or in black and white if the original map is in color.

- 3.** One of the following identifying the requested area:

- i.** A metes and bounds survey sealed or embossed by either a licensed state land surveyor or a registered professional land surveyor. Please refer to the mapping guidance in part 2 (above);

ii. A recorded plat. If the plat does not provide sufficient detail, Staff may request additional mapping information. Please refer to the mapping guidance in part 2 (above); or

iii. Digital mapping data in a shapefile (SHP) format georeferenced in either NAD 83 Texas State Plane Coordinate System (US Feet) or in NAD 83 Texas Statewide Mapping System (Meters). The digital mapping data shall include a single, continuous polygon record. The following guidance should be adhered to:

Included with
Application on CD.

- a. The digital mapping data must correspond to the same requested area as shown on the general location and detailed maps. The requested area must be clearly labeled as either the water or sewer requested area.
- b. A shapefile should include six files (.dbf, .shp, .shx, .sbx, .sbn, and the projection (.prj) file).
- c. The digital mapping data shall be filed on a data disk (CD or USB drives), clearly labeled, and filed with Central Records. Seven (7) copies of the digital mapping data is also required.

Part G: Notice Information

The following information will be used to generate the proposed notice for the application.
DO NOT provide notice until the application is deemed sufficient for filing and the Applicant is ordered to provide notice.

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

The total acreage of the requested area is approximately: _____

Number of customer connections in the requested area: 0

The closest city or town: Uhland, Texas

Approximate mileage to closest city or town center: 1

Direction to closest city or town: One area is 1 mile north of Uhland. The other is 3 to 4 miles south of Uhland.

The requested area is generally bounded on the North by: Goforth SUD

on the East by: Goforth SUD

on the South by: County Line SUD or City of Uhland

on the West by: County Line SUD or City of Uhland

34. A copy of the proposed map will be available at County Line SUD's Office

Applicant's Oath

STATE OF Texas

COUNTY OF Hays and Caldwell

I, Daniel Heideman being duly sworn, file this application to
obtain or amend a water or sewer CCN, as general manager of County Line SUD
(owner, member of partnership, title as officer of corporation, or authorized representative)

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

I further represent that the application form has not been changed, altered, or amended from its original form.

I further represent that the Applicant will provide continuous and adequate service to all customers and qualified applicants within its certificated service area should its request to obtain or amend its CCN be granted.

Daniel R Heideman

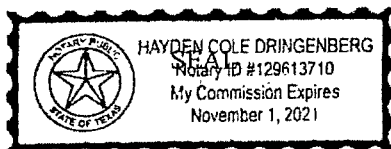
AFFIANT

(Utility's Authorized Representative)

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

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

this day the 07 of FEBRUARY, 2020



[Signature]
NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

Hayden Dringenberg
PRINT OR TYPE NAME OF NOTARY

My commission expires: November 1, 2021

ATTACHMENT A

Polonia WSC – Consent Letter

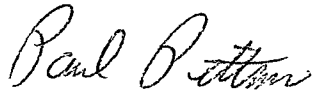
Part B: Question 7

POLONIA WATER SUPPLY CORPORATION
P. O. Box 778
Lockhart, Texas 78644

TO WHOM IT MAY CONCERN:

Polonia Water Supply Corporation consents to the decertification of a portion of its water service area to County Line Special Utility District. The area to be decertified is described as being located southwest of F.M. 2720 and shown on the enclosed exhibit.

Respectfully,

A handwritten signature in cursive script, appearing to read "Paul Pittman".

Paul Pittman
General Manager
Polonia Water Supply Corporation

ENCL.

Legend

2000 ft

CCN - County Line

PUC_CCN Polonia

Polonia WSC Decertification

Parcel - Caldwell

PROPOSED
AREA TO BE
DECERTIFIED

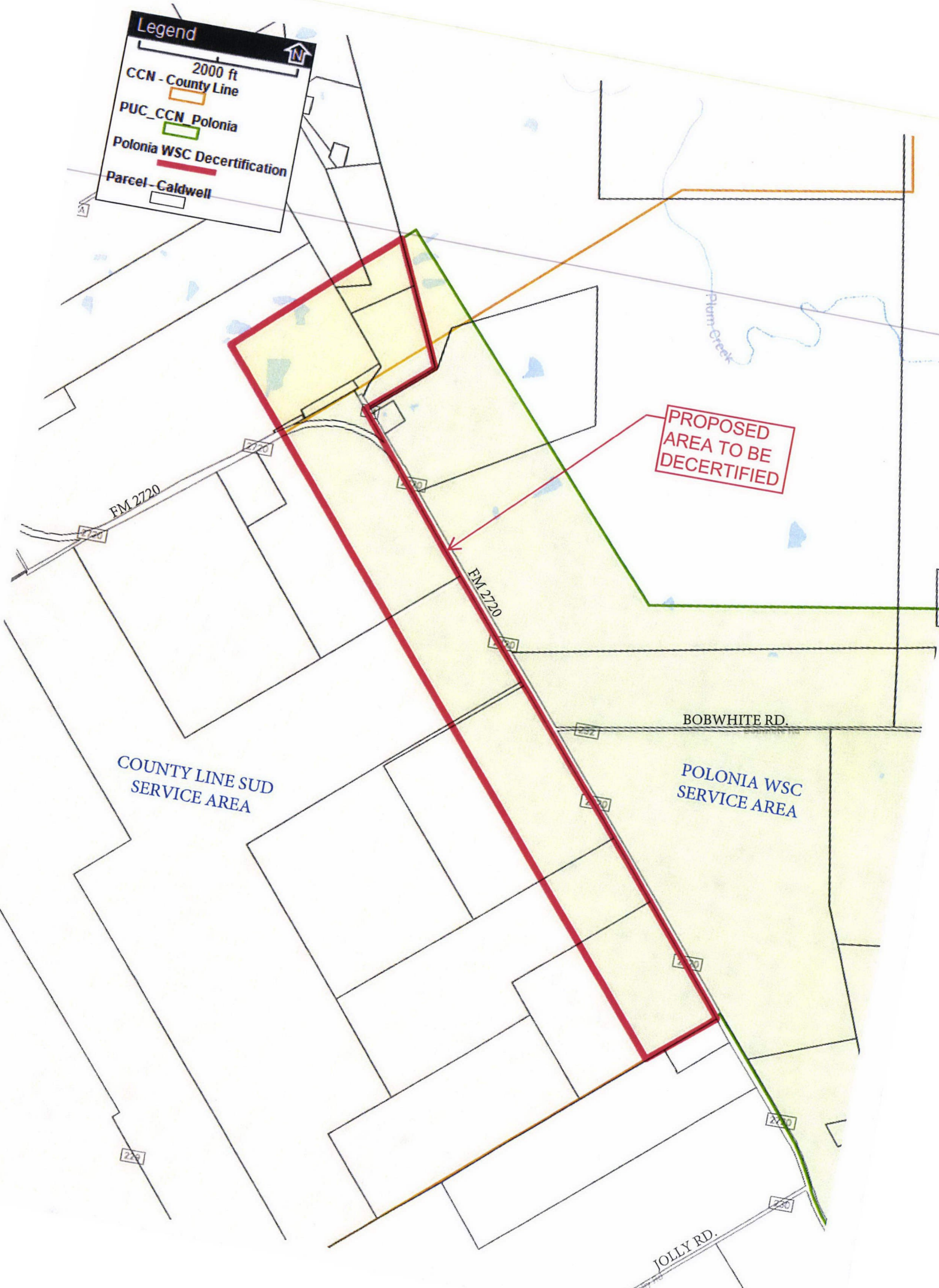
COUNTY LINE SUD
SERVICE AREA

BOBWHITE RD.

POLONIA WSC
SERVICE AREA

Google

Map data ©2019



ATTACHMENT B

Service Request

Part B: Question 9



TRI-TECH

ENGINEERING ▲ SURVEYING ▲ PLANNING

October 26, 2018

From:

Al Carroll, P.E.
Civil Engineering Manager – San Marcos Division
Tri-Tech Engineering, LP
155 Riverwalk Dr.
San Marcos, TX 78666

To:

Mr. Daniel Heideman
County Line Special Utility District
8870 Camino Real
Uhland, Texas 78640

RE: Potable Water Service
Harmony Hills Subdivision

Dear Mr. Heideman:

Please find enclosed information form for the proposed Harmony Hills Subdivision to be located on High Road, just north of Plum Creek Road in Uhland, Texas. The subdivision encompasses a total of 188 acres and is to consist of approximately 620 single family residential lots and 1 commercial lot to be built in 4 phases. We request that County Line SUD provide said subdivision with potable water service. Please contact me if you have any questions or concerns regarding this request.

Respectfully submitted,

Al Carroll, P.E.
Civil Engineering Manager
San Marcos Division

ATTACHMENT C

TCEQ Compliance Correspondence

Part D: Question 20

Jon Niermann, *Chairman*
Emily Lindley, *Commissioner*
Toby Baker, *Executive Director*

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

April 5, 2019

Mr. Chris Betz, President
County Line Special Utility District
8870 Camino Real Road
Uhland, Texas 78640-6482

Re: Comprehensive Compliance Investigation at:
County Line SUD, Highway 21, Uhland (Hays County), Texas
RN101199370, PWS ID No.: 1050038

Dear Mr. Betz:

On March 14, 2019, Anna Wood of the Texas Commission on Environmental Quality (TCEQ) Austin Region Office conducted an investigation of the above-referenced facility to evaluate compliance with applicable requirements for public water supply. No violations are being alleged as a result of the investigation.

The TCEQ appreciates your assistance in this matter and your compliance efforts to ensure protection of the State's environment. If you or members of your staff have any questions regarding these matters, please feel free to contact Ms. Wood in the Austin Region Office at (512)-339-2929.

Sincerely,



Shawn Stewart
Manager, Water Section
Austin Region Office

SS/aw

ATTACHMENT D

Water Purchase Contracts

Part D: Question 23

CONTRACT FOR RAW WATER SERVICE

This Contract for Raw Water Service is entered into as of June 16, 1999 between Guadalupe-Blanco River Authority, a conservation district and political subdivision of the State of Texas ("GBRA"), and Canyon Regional Water Authority ("Purchaser").

RECITALS

Pursuant to the terms of that certain contract for raw water service between GBRA and Maxwell Water Supply Corporation ("Maxwell WSC") dated December 23, 1996, as amended, designated by the Texas Natural Resource Conservation Commission ("TNRCC") as **Contract No. 2071**, GBRA agreed to supply 350 acre-feet of untreated water per annum to Maxwell WSC.

Pursuant to the terms of that certain contract for raw water service between GBRA and County Line Water Supply Corporation ("County Line WSC") dated April 7, 1997, and designated by TNRCC as **Contract No. 2140**, GBRA agreed to supply 30 acre-feet of untreated water per annum to County Line WSC.

Maxwell WSC and County Line WSC desire that the two existing contracts described above be cancelled and that the commitment by GBRA for untreated water to be delivered by GBRA to Maxwell WSC and County Line WSC be included in this Contract for Raw Water Service with CRWA. GBRA agrees that the contracts with Maxwell WSC and County Line WSC may be cancelled and that the commitments in those contracts be included in this Contract. Also included in this Contract is a commitment of 50 acre-feet per annum of untreated water that will be delivered through CRWA to the Martindale Water Supply Corporation.

AGREEMENT

For and in consideration of the mutual promises, obligations, and benefits hereinafter set forth, GBRA and Purchaser agree as follows:

1. QUANTITY. GBRA agrees to furnish Purchaser, at the Point of Diversion (hereinafter defined), during the term of this agreement, untreated water from conservation storage in Canyon Reservoir under Certificate of Adjudication 18-2074D, as amended, in such quantity as may be required by Purchaser, not to exceed 430 acre-feet per year (the "Annual Commitment"), to be used for Municipal purposes.

2. POINT OF DIVERSION. The water will be furnished at a point in Guadalupe County (the "Point of Diversion") as follows: North 21° West from the South corner of the Antonio M. Esnaurrizar Survey, a distance of 34,800 feet. Said point is also located on the East bank of the GBRA Dunlap Hydro Canal and downstream 100' due South from the headwork tainter gates.

The maximum rate of diversion at the Point of Diversion shall not exceed 350 gallons per minute (0.78 cubic feet/second). The vicinity map attached hereto as Exhibit "A" shows the Point of Diversion. Exhibit "B" shows the place of use. Certificate of Adjudication 18-2074D authorizes GBRA to use the bed and banks of

the Guadalupe River to convey water released from Canyon Reservoir to the Point of Diversion.

3. MONTHLY PAYMENTS. Purchaser agrees to pay GBRA at its office in Guadalupe County, Texas, or such other place as GBRA may designate in writing, upon execution of this contract by Purchaser, and thereafter not later than the twentieth (20th) day of each month during the term of this contract, an amount of money equal to one-twelfth of the Annual Commitment multiplied by the then applicable rate for water supplied from conservation storage in Canyon Reservoir (the "Raw Water Rate"). The payment due upon execution of this contract shall be \$ 2,185.83 based upon the current Raw Water Rate of \$ 61.00 per acre-foot per year.

4. ANNUAL ADJUSTMENT. Purchaser agrees to pay GBRA at its office in Guadalupe County, Texas, or such other place as GBRA may designate in writing, not later than the thirty-first day of January of each year, a dollar amount equal to the Raw Water Rate times the number of acre-feet by which the total amount of water diverted at the Point of Diversion in the previous calendar year exceeds the Annual Commitment, provided, however, that nothing in this section shall be construed as obligating GBRA to supply in any year more water than the Annual Commitment.

5. ADJUSTMENT OF RAW WATER RATE. The Raw Water Rate may be adjusted by GBRA at any time and from time to time. If GBRA desires to adjust the Raw Water Rate, it shall, at least sixty (60) days prior to the first day on which the adjustment is proposed to become effective, give written notice of the proposed adjustment to Purchaser.

6. METERING. GBRA shall furnish, install, operate and maintain at its own expense at the Point of Diversion a measuring device or devices to measure the quantity of water diverted for Purchaser within five percent (5%) above or below the amount actually diverted. All measuring devices shall be subject at all reasonable times to inspection, examination and testing by an employee or agent of Purchaser. Any measuring device which fails to function or which functions incorrectly shall, at GBRA's expense, promptly be adjusted, repaired or replaced by a like device having the required accuracy. Purchaser may, at its expense, install and maintain such measuring devices as it deems appropriate to measure the quantity of water diverted for Purchaser at the Point of Diversion, in which case measurement of water shall be made by GBRA's measuring devices. GBRA shall read the metering equipment monthly and shall maintain records of such readings. Purchaser shall furnish GBRA by the first day of each month with an estimate of the total amount of water to be diverted that month, as well as the amount actually diverted the previous month. GBRA agrees to complete and file with the TNRCC (or its successor) all reports of water used by Purchaser.

7. QUALITY. The water to be supplied hereunder shall be untreated water as it occurs in the Guadalupe River at the Point of Diversion.

8. REGULATORY AGENCIES. The effectiveness of this contract is dependent upon compliance with the applicable provisions, if any, of 31 TAC 295 and 297, Subchapter J of the Texas Natural Resource Conservation Commission.

9. ASSIGNMENT. Except as specifically provided otherwise below, Purchaser may not assign this contract without the prior written consent of GBRA. Without obtaining GBRA's consent, Purchaser may assign this contract to the U. S. Department of Agriculture-Rural Development. Any successor or assign of GBRA shall succeed to the rights and obligations of GBRA hereunder.

10. CAPTIONS. All titles of the sections of this contract have been inserted for convenience of reference only and are not considered a part of this contract and in no way shall they affect the interpretation of any provisions of this contract.

11. TERMINATION. Purchaser may terminate this contract at any time for any reason by giving GBRA written notice of termination thirty (30) days prior to the date of termination. If Purchaser fails to pay any amounts payable under this contract when due and payable, GBRA may give written notice of such delinquency to Purchaser, and if all amounts due and unpaid, including interest thereon from the date payment was due at maximum legal rates, are not paid within thirty days after delivery of such notice, then GBRA may, at its option, institute suit for the collection thereof and utilize such other remedies as may exist to collect any amounts due and unpaid, together with interest thereon at the maximum legal rate and attorney's fees. In addition to all other remedies, GBRA may, at its option, if such amounts are not paid within said thirty day period, terminate this contract without recourse.

12. TERM. This contract shall terminate on December 31, 2039 unless it is terminated earlier pursuant to the provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be duly executed in multiple counterparts, each of which shall constitute an original.

Attest:

Joe Shumaker

Guadalupe-Blanco River Authority

By

William E. West, Jr., General Manager

Attest:

Anthony M. [Signature]

Purchaser

By

David Davenport, General Manager

[Redacted Signature]
[Redacted Signature]

City, State, Zip

[Redacted Address]
Telephone No.

THE STATE OF TEXAS)

COUNTY OF GUADALUPE)

BEFORE ME, the undersigned, a Notary Public in and for said State, on this day personally appeared William E. West, Jr., known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the GUADALUPE-BLANCO RIVER AUTHORITY, a conservation district and political subdivision, and that he executed the same as the act of such conservation district and political subdivision for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 17th day of June



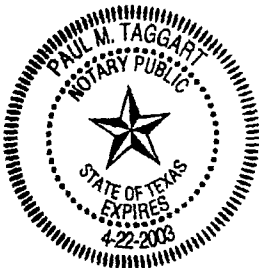
Clara Sue Brush
Notary Public
The State of Texas

THE STATE OF TEXAS §

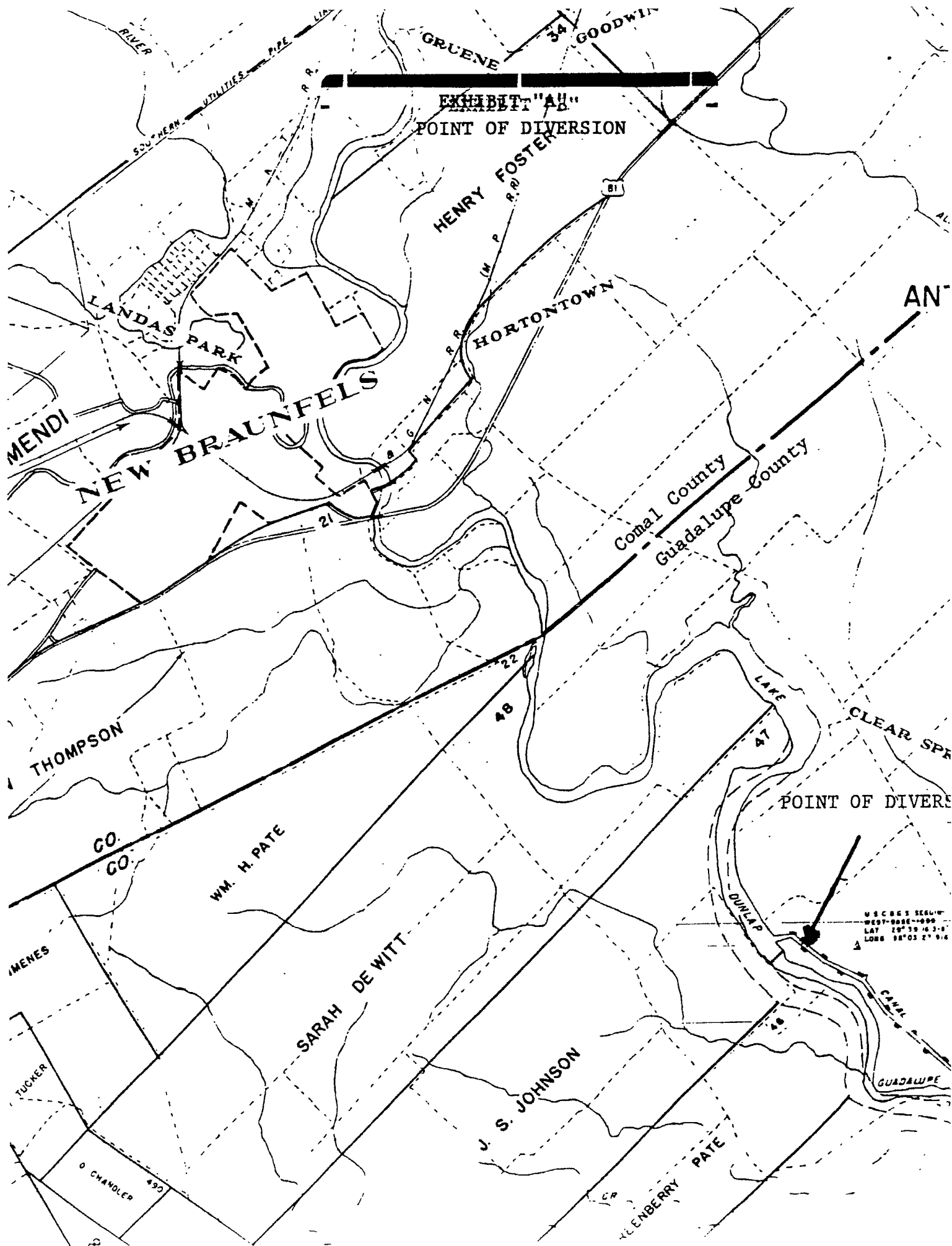
COUNTY OF Guadalupe §

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared DAVID DAVENPORT, GENERAL MANAGER OF THE CANYON REGIONAL WATER AUTHORITY, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 14th day of June, 1999.

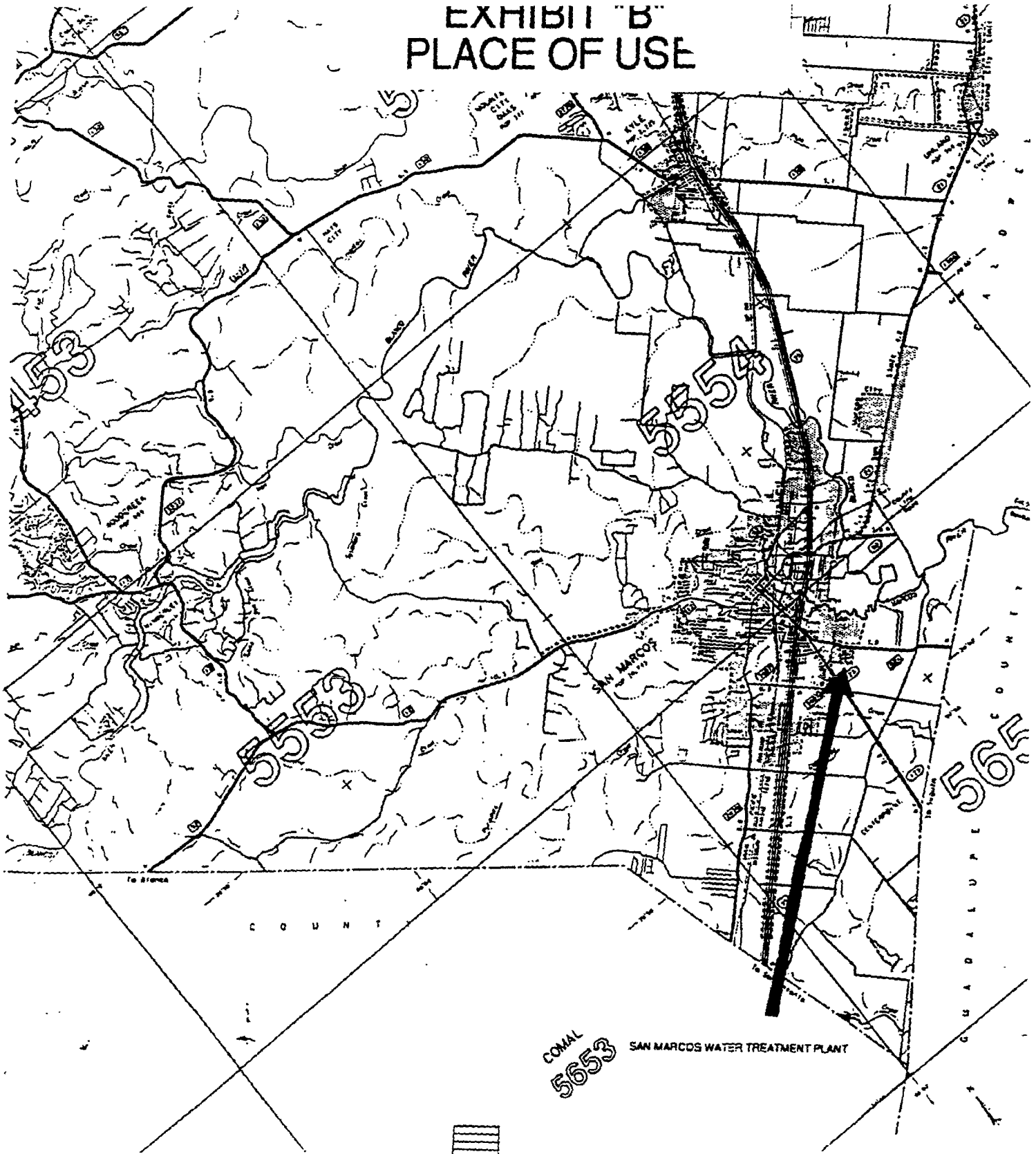


Paul M. Taggart
Notary Public
The State of Texas



U.S.C.G.S. SEAMOUNT
WEST-000-000
LAT 29° 59' 16.3" N
LONG 98° 03' 27.9" W

EXHIBIT "B" PLACE OF USE



SAN MARCOS WATER TREATMENT PLANT NRCC NO. 1744-A
CITY OF SAN MARCOS WATER PURCHASE CONTRACT

GENERAL HIGHWAY MAP
HAYS COUNTY
TEXAS

PREPARED BY THE
TEXAS DEPARTMENT OF TRANSPORTATION

**FIRST AMENDMENT TO CONTRACT FOR RAW WATER SERVICE
BETWEEN
GUADALUPE-BLANCO RIVER AUTHORITY
AND CANYON REGIONAL WATER AUTHORITY**

This Contract Amendment (hereinafter called the "First Amendment"), entered into as of the 24th day of January, 2000¹, between the GUADALUPE-BLANCO RIVER AUTHORITY, a conservation district and political subdivision of the State of Texas (hereinafter called "GBRA"), and CANYON REGIONAL WATER AUTHORITY, a regional water authority created under Article XVI, Section 59 of the Texas Constitution, (hereinafter called "Purchaser"), shall constitute an amendment to that certain contract (TNRCC Water Contract No. 2204) between the parties, dated as of June 16, 1999, entitled "Contract for Raw Water Service" (such contract as amended, hereinafter called the "Contract");

W I T N E S S E T H :

Recitals

Under the terms of the Contract for Raw Water Service between Guadalupe-Blanco River Authority ("GBRA") and Canyon Regional Water Authority ("Purchaser") dated June 16, 1999, designated by the Texas Natural Resource Conservation Commission ("TNRCC") as Contract No. 2204, GBRA has agreed to supply to Purchaser for its customers a total commitment of 430 acre-feet. Purchaser's customers include several water supply corporations. Of the total 430 acre-feet per year of untreated water, Maxwell Water Supply Corporation ("Maxwell WSC") is to be supplied 350 acre-feet; County Line Water Supply Corporation ("County Line WSC") is to be supplied 30 acre-feet; and Martindale Water Supply Corporation ("Martindale WSC") is to be supplied 50 acre-feet.

Maxwell WSC now desires to increase the amount of untreated water supplied under this Contract from 350 acre-feet per year to 550 acre-feet per year. County Line WSC also desires to

increase the amount of untreated water supplied under this Contract from 30 acre-feet per year to 230 acre-feet per year.

Agreement

NOW, THEREFORE, for and in consideration of the mutual promises, obligations, and benefits hereinafter set forth, GBRA and Purchaser agree to amend, modify and change certain sections of the Contract as follow:

Section 1, shall be amended in its entirety to read as follows:

1. QUANTITY. GBRA agrees to furnish Purchaser, at the Point of Diversion (hereinafter defined), during the term of this Agreement, untreated water from conservation storage in Canyon Reservoir under Certificate of Adjudication 18-2074, as amended, in such quantity as may be required by Purchaser, not to exceed 830 acre-feet per year (the "Annual Commitment"), to be used for Municipal purposes. The 830 acre-foot Annual Commitment shall be divided as follows: Maxwell WSC shall have an Annual Commitment of 550 acre-feet; County Line WSC shall have an Annual Commitment of 230 acre-feet; and Martindale WSC shall have an Annual Commitment of 50 acre-feet.

Section 3, shall be amended in its entirety to read as follows:

3. MONTHLY PAYMENTS. Purchaser agrees to pay GBRA at its office in Guadalupe County, Texas, or such or other place as GBRA may designate in writing, upon execution of this Amendment by Purchaser, and thereafter not later than the twentieth (20th) day of each month during the term of this contract, an amount of money equal to one-twelfth of the Annual Commitment multiplied by the then applicable rate for water supplied from conservation storage in Canyon Reservoir (the "Raw Water Rate"). The payment due upon execution of the Amendment shall be \$4,772.50 based upon the current Raw Water Rate of \$69 per acre-foot per year.

Sections 13 and 14 shall be added as follows:

13. CONSERVATION AND DROUGHT MANAGEMENT PLANS. Purchaser shall develop and implement a water conservation and drought management plan applicable

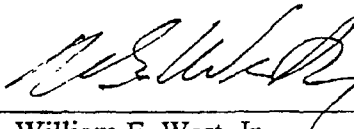
to the use of all water supplied under this Agreement. Such plan shall at all times meet all requirements of all applicable laws and regulations, and all reasonable requirements of GBRA.

14. ALLOCATION DURING DROUGHT. During drought conditions or in any other condition when water cannot be supplied to meet the demands of all customers, the water to be distributed shall be divided among all customers of stored water from Canyon Reservoir pro rata according to the amount each may be entitled to, subject to reasonable conservation and drought management plans and requirements based on particular purposes of use of the water, so that preference is given to no one and everyone suffers alike.

IN WITNESS WHEREOF, the parties hereto, acting under the authority of their respective governing bodies, have caused the First Amendment to be duly executed in four (4) counterparts, each of which shall constitute an original.

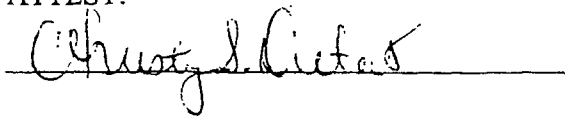
GUADALUPE-BLANCO RIVER AUTHORITY

By



William E. West, Jr.
General Manager

ATTEST:



CANYON REGIONAL WATER AUTHORITY

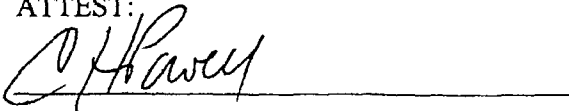
By



David Davenport, General Manager

855-


ATTEST:

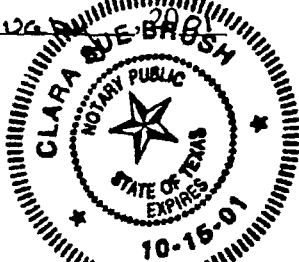


§ THE STATE OF TEXAS

§ COUNTY OF GUADALUPE

BEFORE ME, the undersigned authority, on this day personally appeared WILLIAM E. WEST, Jr., known to me to be the person whose name is subscribed to the foregoing instrument as GENERAL MANAGER OF THE GUADALUPE-BLANCO RIVER AUTHORITY, a conservation and reclamation district, a governmental agency and a body politic and corporate, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said Authority.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 24th day of January, 2001.



Clara Sue Bruch

Notary Public in and for

The State of Texas

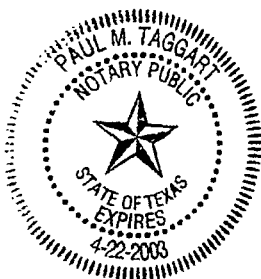
My Commission Expires: 10-15-01

§ THE STATE OF TEXAS

§ COUNTY OF GUADALUPE

BEFORE ME, the undersigned authority, on this day personally appeared DAVID DAVENPORT, GENERAL MANAGER of the CANYON REGIONAL WATER AUTHORITY, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said Authority.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 8th day of January, 2001.



Paul M. Taggart

Notary Public in and for

The State of Texas

My Commission Expires: 4-22-03

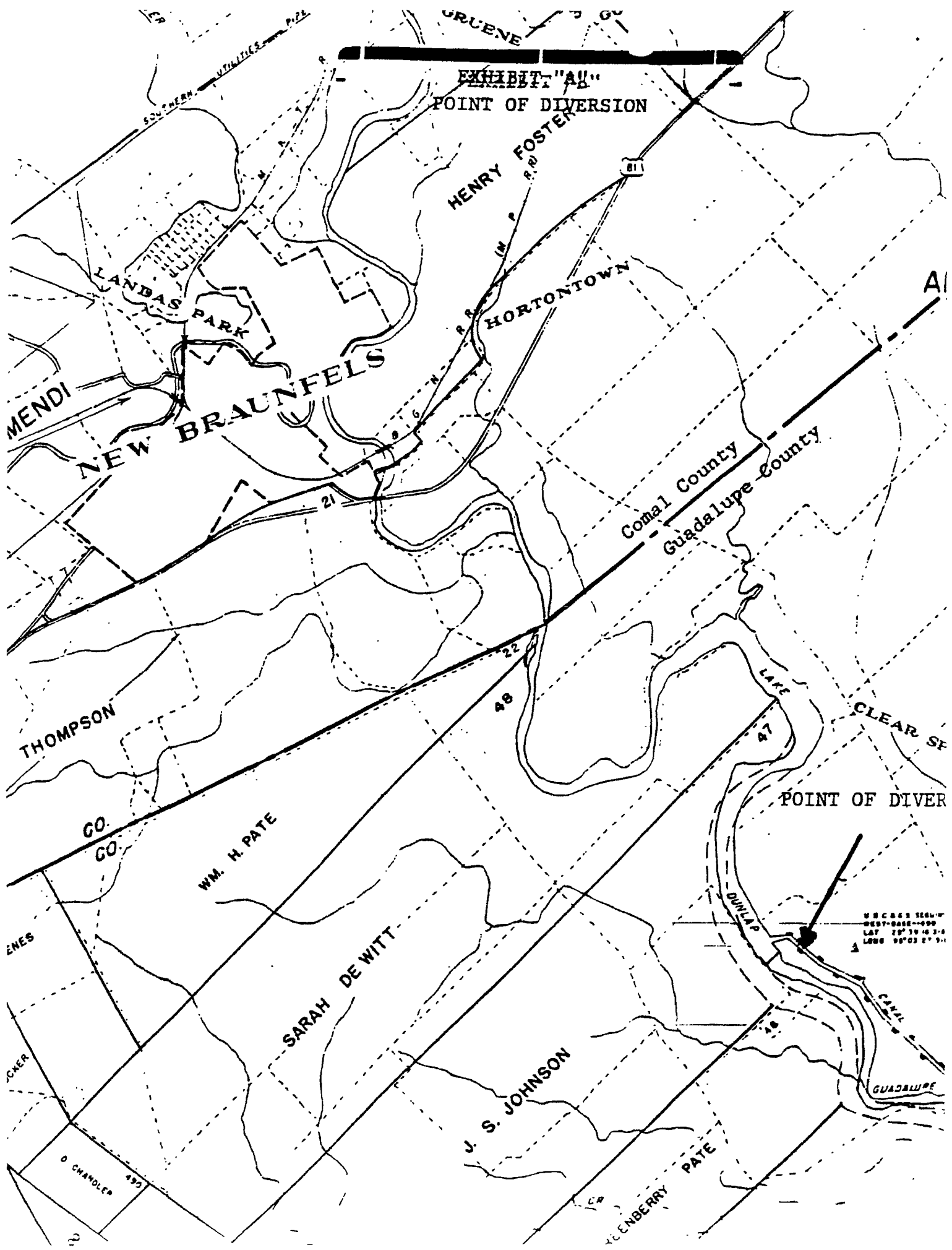
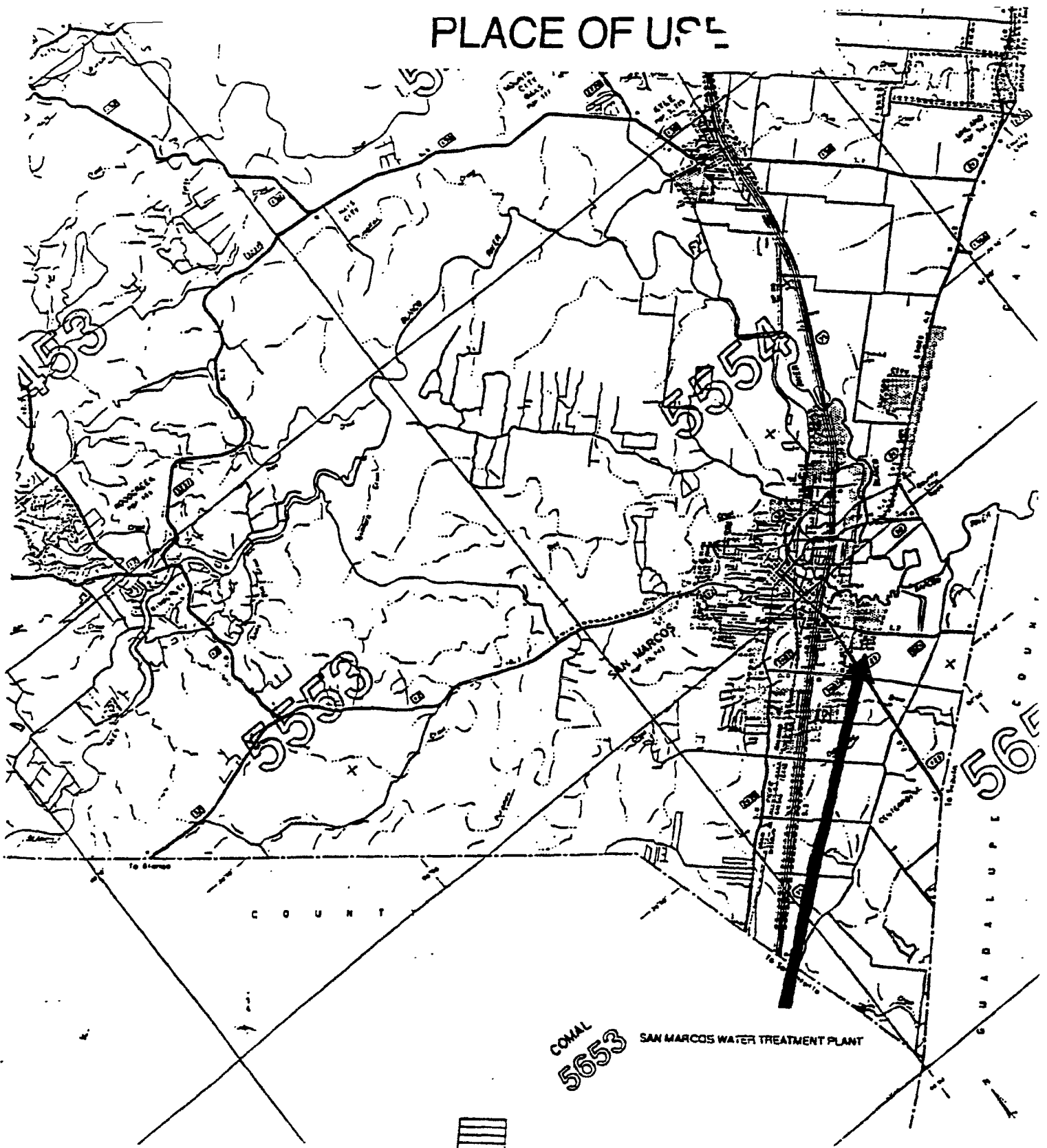


EXHIBIT "A"
POINT OF DIVERSION

POINT OF DIVER

USCGS SEQUOIA
WEST-BASE-400
LAT 29° 30' 16.3" N
LONG 98° 03' 2" W

PLACE OF USE



SAN MARCOS WATER TREATMENT PLANT NRCC NO. 1744-A
CITY OF SAN MARCOS WATER PURCHASE CONTRACT

GENERAL HIGHWAY MAP
HAYS COUNTY
TEXAS

PREPARED BY THE
TEXAS DEPARTMENT OF TRANSPORTATION

Exhibit "C"

North 21° West from the South corner of the Antonio M. Esnaurizar Survey, a distance of 34,800 feet. Said point is also located on the East bank of the GBRA Dunlap Hydro Canal and downstream 100' due South from the headwork tainter gates.

CONTRACT FOR RAW WATER SERVICE

This Contract for Raw Water Service is entered into as of April 7, 1997 between Guadalupe-Blanco River Authority, a conservation district and political subdivision of the State of Texas ("GBRA"), and County Line WSC ("Purchaser").

For and in consideration of the mutual promises, obligations, and benefits hereinafter set forth, GBRA and Purchaser agree as follows:

1. QUANTITY. GBRA agrees to furnish Purchaser, at the Point of Delivery (hereinafter defined), during the term of this agreement, untreated water from conservation storage in Canyon Reservoir under Certificate of Adjudication 18-2074C, as amended, in such quantity as may be required by Purchaser, not to exceed 30 acre-feet per year (the "Annual Commitment"), to be used for Municipal purposes.

2. POINT OF DIVERSION. The water will be furnished at a point in Caldwell County (the "Point of Diversion") as follows:

See Exhibit "A"

The maximum rate of diversion at the Point of Diversion shall not exceed _____ gallons per minute (_____ cubic feet/second). The vicinity map attached hereto as Exhibit "A" shows the Point of Diversion and place of use. Certificate of Adjudication 18-2074C authorizes GBRA to use the bed and banks of the Guadalupe River to convey water released from Canyon Reservoir to the Point of Diversion.

3. MONTHLY PAYMENTS. Purchaser agrees to pay GBRA at its office in Guadalupe County, Texas, or such other place as GBRA may designate in writing, upon execution of this contract by Purchaser, and thereafter not later than the twentieth (20th) day of each month during the term of this contract, an amount of money equal to one-twelfth of the Annual Commitment multiplied by the then applicable rate for water supplied from conservation storage in Canyon Reservoir (the "Raw Water Rate"). The payment due upon execution of this contract shall be \$ 132.58 based upon the current Raw Water Rate of \$ 53.03 per acre-foot per year.

4. ANNUAL ADJUSTMENT. Purchaser agrees to pay GBRA at its office in Guadalupe County, Texas, or such other place as GBRA may designate in writing, not later than the thirty-first day of January of each year, a dollar amount equal to the Raw Water Rate times the number of acre-feet by which the total amount of water diverted at the Point of Diversion in the previous calendar year

exceeds the Annual Commitment, provided, however, that nothing in this section shall be construed as obligating GBRA to supply in any year more water than the Annual Commitment.

5. ADJUSTMENT OF RAW WATER RATE. The Raw Water Rate may be adjusted by GBRA at any time and from time to time. If GBRA desires to adjust the Raw Water Rate, it shall, at least sixty (60) days prior to the first day on which the adjustment is proposed to become effective, give written notice of the proposed adjustment to Purchaser.

6. METERING. Purchaser shall furnish, install, operate and maintain at its own expense at the Point of Diversion a measuring device or devices to measure the quantity of water diverted by Purchaser within five percent (5%) above or below the amount actually diverted. All measuring devices shall be subject at all reasonable times to inspection, examination and testing by an employee or agent of GBRA. Any measuring device which fails to function or which functions incorrectly shall, at Purchaser's expense, promptly be adjusted, repaired or replaced by a like device having the required accuracy. GBRA may, at its expense, install and maintain such measuring devices as it deems appropriate to measure the quantity of water diverted by Purchaser at the Point of Diversion, in which case measurement of water shall be made by GBRA's measuring devices. Purchaser shall read the metering equipment weekly at or near the first day of each week, and shall maintain records of such readings. When meters are judged to be unnecessary by GBRA, an alternative method of measurement may be authorized provided accurate records of actual water use are maintained. Purchaser shall furnish GBRA by the fifteenth day of January of each year with a tabulation indicating the total amount of water diverted each week during the previous year. GBRA agrees to complete and file with the Texas Natural Resource Conservation Commission (or its successor) all reports of water used by Purchaser.

7. QUALITY. The water to be supplied hereunder shall be untreated water as it occurs in the Guadalupe River at the Point of Diversion.

8. REGULATORY AGENCIES. The effectiveness of this contract is dependent upon compliance with the applicable provisions, if any, of 31 TAC 295 and 297, Subchapter J of the Texas Natural Resource Conservation Commission.

9. ASSIGNMENT. Purchaser may not assign this contract without the prior written consent of GBRA. Any successor or assign of GBRA shall succeed to the rights and obligations of GBRA hereunder.

10. CAPTIONS. All titles of the sections of this contract have been inserted for convenience of reference only and are not considered a part of this contract and in no way shall they affect the interpretation of any provisions of this contract.

11. TERMINATION. Purchaser may terminate this contract at any time for any reason by giving GBRA written notice of termination thirty (30) days prior to the date of termination. If Purchaser fails to pay any amounts payable under this

contract when due and payable, GBRA may give written notice of such delinquency to Purchaser, and if all amounts due and unpaid, including interest thereon from the date payment was due at maximum legal rates, are not paid within thirty days after delivery of such notice, then GBRA may, at its option, institute suit for the collection thereof and utilize such other remedies as may exist to collect any amounts due and unpaid, together with interest thereon at the maximum legal rate and attorney's fees. In addition to all other remedies, GBRA may, at its option, if such amounts are not paid within said thirty day period, terminate this contract without recourse.

12. TERM. This contract shall terminate on December 31, _____ unless it is terminated earlier pursuant to the provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be duly executed in multiple counterparts, each of which shall constitute an original.

Guadalupe-Blanco River Authority

By _____
General Manager

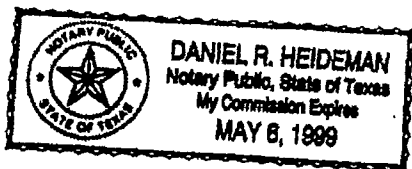
Attest:

Purchaser

By Kelly B. Turner
County Line WSC
140 Grist Mill Rd.
Address
Uhland, Texas 78640
City, State, Zip
512/398-4748
Telephone No.

Attest:

Daniel R. Heideman



THE STATE OF TEXAS)

COUNTY OF GUADALUPE)

BEFORE ME, the undersigned, a Notary Public in and for said State, on this day personally appeared William E. West, Jr., known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the GUADALUPE-BLANCO RIVER AUTHORITY, a conservation district and political subdivision, and that he executed the same as the act of such conservation district and political subdivision for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 11 day of April, 1997.

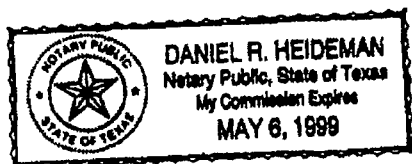
[Signature]
Notary Public
The State of Texas

THE STATE OF TEXAS §

COUNTY OF Hays §

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared Kelly S. Turner, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 7 day of April, 1997.



Daniel R. Heideman
Notary Public
The State of Texas

EXHIBIT "A"

The "Point of Diversion" for the Canyon Regional Water Authority's Lake Dunlap Water Treatment Plant is specifically described as follows: On the West bank of the Guadalupe River in the Moses Baker Grant (A-4), South $112^{\circ} 15'$ East, 31,079 feet from the Northwest corner of the M. Chirino Grant (A-10) in Guadalupe County, Texas. Said Corner is also located on the West bank of the Guadalupe River.

The "Point of Diversion" for the New Braunfels Utilities Water Treatment Plant is specifically described as follows: West longitude $98^{\circ} 96' 51''$, North latitude $29^{\circ} 43' 00''$ or more generally defined as 1700' upstream of the Common Street bridge on the West side of the Guadalupe River in New Braunfels, Comal County, Texas.

The "Point of Diversion" for the proposed San Marcos Water Treatment plant has not been determined. It will generally be located on the West bank of the Guadalupe River between the two points of diversion described above.

Transpec - Sub
**WATER SUPPLY AGREEMENT
BETWEEN
CANYON REGIONAL WATER AUTHORITY
AND
GUADALUPE-BLANCO RIVER AUTHORITY**

This Water Supply Agreement (this "Agreement") between Canyon Regional Water Authority ("CRWA") and Guadalupe-Blanco River Authority ("GBRA") is made and entered into as of the 16th day of June, 1999.

RECITALS

Pursuant to that certain Agreement made and entered into as of July 1, 1997 between GBRA and the City of San Marcos, Texas ("San Marcos"), GBRA and San Marcos are pursuing development of a regional water supply project (the "San Marcos Regional Water Supply Project" or the "Project"), to meet future water needs and reduce dependence on the Edwards Aquifer by providing an alternative source of water to San Marcos and surrounding areas in Hays, Caldwell, Guadalupe and Travis Counties, Texas. A copy of such Agreement (the "Regional Agreement") is attached hereto as Exhibit 1.

The Regional Agreement provides that the Project will consist of a raw water delivery system (the "Raw Water Delivery System") to be constructed and operated by GBRA, and a water treatment plant (the "Plant") to be constructed by San Marcos and operated by an operator selected by San Marcos. The Regional Agreement provides for eventual joint ownership by GBRA and San Marcos of both the Raw Water Delivery System and the Plant.

The Regional Agreement provides that the source of raw water for the Project will be stored water from Canyon Reservoir supplied by GBRA under Certificate of Adjudication No. 18-2074C held by GBRA. The stored water will be released from Canyon Reservoir and diverted from the Guadalupe River at a point of diversion (the "Point of Diversion") downstream of the Reservoir. The Regional Agreement further provides that GBRA and San Marcos agree to work together in an effort to evaluate the joint development and utilization of other sources of supply of raw water for the Plant for the mutual benefit of GBRA and San Marcos and in the best interests of the region.

The Regional Agreement anticipates that GBRA will contract with other entities to supply treated water from the Project to those entities. The Regional Agreement further anticipates that GBRA will contract with other entities to supply raw water from the Raw Water Delivery System to those entities.

GBRA and CRWA have entered into a raw water supply contract (the "Raw Water Contract"), dated as of June 16, 1999, pursuant to which GBRA agrees to supply to CRWA up to 430 acre-feet per year of stored water from Canyon Reservoir (the "Raw Water Commitment"), for use by CRWA Customers. A copy of the Raw Water Contract is attached hereto as Exhibit 2.

CRWA now desires to contract with GBRA for the conveyance of raw water supplied under the Raw Water Contract via the Raw Water Delivery System, the delivery of such water to the Plant or at another point of delivery agreed upon by GBRA and CRWA, the treatment of that water at the Plant and/or at CRWA's San Marcos System, and the supply of such treated water for use by CRWA Customers. CRWA further desires to secure a commitment from GBRA to convey and deliver such raw water to CRWA via the Raw Water Delivery System if and to the extent that CRWA makes satisfactory arrangements for treatment of the raw water.

This Agreement sets forth terms and conditions agreed upon by GBRA and CRWA relating to the supply of treated water from the Plant to CRWA for use by CRWA Customers and, in addition, the delivery to CRWA of raw water from the Raw Water Delivery System for treatment at other treatment facilities and use by CRWA Customers.

AGREEMENT

For and in consideration of the mutual promises, covenants, obligations, and benefits described in this Agreement, and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, GBRA and CRWA agree as follows.

Section 1. Definitions.

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

"Alternate Raw Water Delivery Point" has the meaning set forth in Section 8(a) hereof.

"Annual Payment Period" means the period beginning on October 1 of each calendar year and ending on the last day of September of the next calendar year.

"Cessation Date" has the meaning set forth in Section 6(b) hereof.

"CRWA's Raw Water Contract" means that certain contract dated June 16, 1999 by and between GBRA and CRWA, providing CRWA with a commitment of stored water from Canyon Reservoir of up to 430 acre-feet per year. A copy of such contract is attached hereto as Exhibit 2.

"CRWA Customer" means any individual or entity that receives water from CRWA's San Marcos System, including specifically, but not limited to, County Line Water Supply Corporation, Crystal Clear Water Supply Corporation, Martindale Water Supply Corporation and Maxwell Water Supply Corporation - each of which is a nonprofit water supply corporation organized and governed by the provisions of Chapter 67, Texas Water Code, as amended.

“CRWA’s San Marcos System” means any and all facilities, and any and all lands or interests in land on which such facilities are located, which are owned by CRWA and used or intended to be used at any time or in any way by CRWA in connection with the treatment, storage, distribution or supply of any raw or treated water delivered by GBRA to CRWA under this Agreement, either separate from or commingled with any other water.

“GBRA Customer” means any individual or entity that contracts with GBRA for treated water service or raw water service from the Project whether on a wholesale or retail basis.

“GBRA Reservation” has the meaning defined in Section 7 of the Regional Agreement.

“Management Committee” means the committee established pursuant to Section 14 of the Regional Agreement.

“MGD” means million gallons per day.

“Minimum Plant Expansion” means a 3 MGD increment of Plant treatment capacity.

“Notice Deadline” means July 1, 2002, unless GBRA in its absolute discretion extends such date by giving CRWA written notice of such extension.

“Operation and Maintenance Expenses” means all costs and expenses of operation and maintenance of the Raw Water Delivery System or the Plant, as the case may be, including (for greater certainty but without limiting the generality of the foregoing) repairs and replacements which are not paid from a special fund created in the Bond Resolutions or other Project Debt Instruments, non-debt financed capital expenditures, operating personnel, the cost of utilities, the costs of supervision, engineering, accounting, auditing, legal services, supplies, services, governmental fees and assessments, administrative and general expenses of the Raw Water Delivery System or the Plant, and equipment necessary for proper operation and maintenance of the Raw Water Delivery System or the Plant. The term also includes the charges of the bank or banks where the Bonds are payable. The term does not include depreciation.

“Plant” means all facilities for treating water designed and constructed by San Marcos pursuant to the terms of the Regional Agreement, all facilities for pumping and transporting treated water to the Point of Delivery, and the Plant Site.

“Plant Annual Requirement” means, for the respective Annual Payment Period, the total amount of money required for San Marcos to pay all Operation and Maintenance Expenses of the Plant, to pay the debt service on any Plant Project Debt Instruments, and to maintain balances in any special or reserve funds required by the provisions of any Plant Project Debt Instruments.

“Plant Expansion Date” means the date that the expansion of the initial phase capacity of the Plant described in Section 6 hereof, if any, becomes operational.

“Plant Operator” means the individual or entity hired by San Marcos as provided in the Regional Agreement to operate and maintain the Plant.

“Plant Site” means that tract of land described on Exhibit 2 to the Regional Agreement on which all facilities comprising the Plant will be located.

“Point of Delivery” means the point or points on or near the Plant Site at which GBRA will deliver to CRWA treated water supplied under this Agreement, as generally described on Exhibit 3 attached hereto, or at such location as agreed to by GBRA and CRWA.

“Point of Diversion” means the point on the Guadalupe River at which GBRA will divert raw water to be supplied hereunder, as such point is described on Exhibit 3 to the Regional Agreement, or at such location as agreed to by GBRA and CRWA.

“Project Debt Instruments” means all notes, bonds, or other financial obligations made to construct, complete, improve, or repair the Raw Water Delivery System or the Plant. San Marcos or GBRA may be the obligor on these instruments.

“Project” or the **“San Marcos Regional Water Supply Project”** means the regional surface water supply project contemplated by the Regional Agreement, which consists of the Raw Water Delivery System and the Plant.

“Raw Water Commitment” has the meaning set forth in the fifth recital of this Agreement.

“Raw Water Contract” has the meaning set forth in the fifth recital of this Agreement.

“Raw Water Delivery System” means all facilities designed and constructed by GBRA for diverting water from Guadalupe River at the Point of Diversion to the Plant pursuant to the Regional Agreement, all other facilities that may be agreed upon by GBRA and San Marcos designed and constructed by GBRA for diverting water from other sources to the Plant or for storage of raw water prior to treatment, together with all lands and interests in land on which such facilities are located. The Raw Water Delivery System shall include any interconnection facilities allowing the delivery of raw water to CRWA at the Alternate Raw Water Delivery Point.

“Raw Water Delivery System Annual Requirement” means, for the respective Annual Payment Period, the total amount of money required for GBRA to pay all Operation and Maintenance Expenses of the Raw Water Delivery System, to pay the debt service on any Raw Water Delivery System Project Debt Instruments, to pay debt service coverage of not more than 10%, and to maintain balances in any special or reserve funds required by the provisions of any Raw Water Delivery System Project Debt Instruments.

“Raw Water Facilities Expansion Date” means the Cessation Date or 180 days after the date that CRWA gives GBRA timely written notice pursuant to Section 6(b) of this Agreement, whichever occurs later.

“Regional Agreement” means the *“Agreement Between City of San Marcos and Guadalupe-Blanco River Authority,”* dated July 1, 1997, between GBRA and San Marcos which is further described in the first recital hereof and is attached hereto as Exhibit 1.

“Termination Date” means the latter of (i) December 31, 2039, or (ii) the date on which all Project Debt Instruments related to the Raw Water Delivery System and all Project Debt Instruments, if any, related to the expansion of the initial phase capacity of the Plant in accordance with Section 6 hereof are no longer outstanding.

“TNRCC” means the Texas Natural Resource Conservation Commission or any successor agency.

Section 2. Term.

This Agreement shall be effective as of the date first written above, and shall terminate without notice at midnight on the Termination Date unless it is terminated earlier pursuant to the terms hereof.

Section 3. Rights after Termination.

Except as specifically provided otherwise in this Agreement, all of the rights and obligations of the parties under this Agreement shall terminate upon termination of this Agreement; provided, however, that termination shall not affect the rights or liabilities accrued prior to termination.

Section 4. Delivery of Raw Water to the Plant.

(a) GBRA agrees to convey via the Raw Water Delivery System, and deliver to the Plant or at a point of delivery agreed to by GBRA and CRWA pursuant to the terms of the Regional Agreement, raw water supplied under the Raw Water Contract in such amounts and at such rates requested by CRWA for use by CRWA Customers, subject to the terms, conditions and limitations set forth in this Agreement, the Regional Agreement, and the Raw Water Contract.

(b) Prior to the Plant Expansion Date, the maximum rate of delivery of raw water for CRWA to the Plant, or to another point of delivery agreed to pursuant to subsection (a) of this Section, shall not exceed 350 gpm.

(c) From and after the Plant Expansion Date, the maximum rate of delivery of raw water for CRWA to the Plant shall not exceed 350 gpm.

Section 5. Treatment at the Plant and Delivery of Treated Water.

(a) GBRA agrees to cause, pursuant to the terms of the Regional Agreement, raw water delivered to the Plant under this Agreement to be treated at the Plant and delivered to CRWA, subject to the terms, conditions and limitations set forth in this Agreement, the Regional Agreement, and the Raw Water Contract.

(b) All treated water from the Plant delivered to CRWA pursuant to this Agreement shall be delivered at the Point of Delivery. By separate written agreement by and among CRWA, GBRA and San Marcos, treated water delivered to CRWA pursuant to this Agreement may also be delivered at one or more additional points of delivery on San Marcos' treated water distribution system.

(c) Prior to the Plant Expansion Date, the maximum rate of delivery to CRWA of treated water from the Plant shall not exceed 350 gpm or 0.5 MGD. The treatment capacity utilized to treat such water prior to the Plant Expansion Date shall be the GBRA Reservation.

(d) From and after the Plant Expansion Date, the maximum rate of delivery to CRWA of treated water from the Plant shall not exceed 350 gpm or 0.5 MGD.

Section 6. Expansion of Plant.

(a) Unless CRWA gives GBRA timely notice, pursuant to subsection (b) of this Section, to cease delivering to CRWA treated water from the Plant, GBRA shall cause to be constructed pursuant to the terms of the Regional Agreement an expansion of the initial phase capacity of the Plant for GBRA of not less than 3 MGD.

(b) If CRWA desires that GBRA cease delivering to CRWA treated water from the Plant, it must give GBRA, before the Notice Deadline, written notice to cease delivering such water. In any such notice, CRWA shall specify the date on which delivery of treated water from the Plant shall cease (the "Cessation Date"), which date may not, under any circumstances, extend beyond the expiration of the GBRA Reservation. If CRWA fails to specify a Cessation Date in the notice, or if it specifies a date which extends beyond the expiration of the GBRA Reservation, then the Cessation Date shall be the date of expiration of the GBRA Reservation. If CRWA fails to give GBRA, before the Notice Deadline, written notice to cease delivering to CRWA treated water from the Plant, then GBRA shall proceed with the expansion of the initial phase capacity of the Plant pursuant to subsection (a), above, and CRWA and all other GBRA Customers, if any, that commit to receive treated water from the Plant beyond the expiration of the GBRA Reservation, shall be fully responsible for all reasonable costs associated with such expansion.

Section 7. Cessation of Deliveries of Treated Water from the Plant.

If CRWA gives GBRA timely written notice pursuant to Section 6(b), above, to cease delivering to CRWA treated water from the Plant, then, on the Cessation Date, GBRA shall cease delivering to the Plant any raw water under the Raw Water Contract and GBRA shall cause, pursuant to the terms of the Regional Agreement, cessation of delivery to CRWA of any treated water from the Plant. CRWA understands and agrees that delivery of treated water from the Plant will cease absolutely, permanently, and without qualification on the Cessation Date, regardless of whether CRWA by that date has constructed or caused to be constructed other treatment facilities to treat raw water available for delivery under this Agreement at the Alternate Raw Water Delivery Point, whether such facilities if completed and operational by that date meet the other requirements of Section 8(b), below, or whether CRWA by that date has available any other alternative supply of treated water.

Section 8. Delivery of Raw Water to Alternate Raw Water Delivery Point.

(a) If CRWA gives GBRA timely written notice that CRWA has constructed or caused to be constructed other facilities to treat raw water available for delivery under this Agreement, then GBRA shall deliver to CRWA raw water delivered at the Alternate Raw Water Delivery Point; provided, however, GBRA's obligation to deliver to CRWA any raw water shall be subject to the further provisions of this Section 8. The "Alternate Raw Water Delivery Point" is a point on the Raw Water Delivery System generally described on Exhibit 4 attached hereto; provided, however, if CRWA gives GBRA timely written notice, GBRA will design, construct, own and operate facilities to deliver raw water from a point on the Raw Water Delivery System from the Alternate Raw Water Delivery Point to any treatment facilities identified by CRWA which meet the requirements of Section 8(b), in which case the "Alternate Raw Water Delivery Point" shall be the point at such treatment facilities at which the raw water is delivered.

(b) GBRA shall not be required to deliver to CRWA any raw water at the Alternate Raw Water Delivery Point or at any other point of delivery unless and until: (1) all of the water is intended to be treated, and is capable of being treated, at treatment facilities with a capacity of not less than 1.0 MGD; (2) the facilities are capable of consistently and reliably producing treated water of a quality that meets or exceeds all State and Federal drinking water standards; (3) the design of such facilities has been approved by the TNRCC; and (4) such facilities are completed and operational.

(c) The interconnection facilities allowing the delivery of raw water at the Alternate Raw Water Delivery Point shall be constructed, owned, operated and maintained by GBRA. The interconnection facilities shall be constructed in accordance with the requirements of the Regional Agreement.

(d) Prior to the Raw Water Facilities Expansion Date, the maximum rate of delivery of raw water at the Alternate Raw Water Delivery Point shall not exceed 350 gpm; and the combined maximum amount of raw water delivered for CRWA to the Plant and to the Alternate Raw Water Delivery Point shall not exceed the Raw Water Commitment in any calendar year.

(e) From and after the Raw Water Facilities Expansion Date, the maximum rate of delivery of raw water to the Alternate Raw Water Delivery Point shall not exceed 350 gpm, and the combined maximum amount of raw water delivered to the Plant and to the Alternate Raw Water Delivery Point shall not exceed the Raw Water Commitment in any calendar year.

Section 9. Alternative Sources of Treated Water and Other Treatment Facilities.

Unless GBRA and CRWA agree in writing otherwise, GBRA shall have no obligation whatsoever with respect to the acquisition or supply of any alternative sources of treated water that may be desired or needed by CRWA, or the design, acquisition, construction, financing, operation or maintenance of any water treatment facilities (other than an expansion of the Plant pursuant to this Agreement) that may be desired or needed by CRWA including, without limitation, facilities that meet the requirements of Section 8(b), above, to treat raw water delivered to CRWA at the Alternate Raw Water Delivery Point.

Section 10. Purpose of Use.

No water delivered to CRWA under this Agreement for use by CRWA Customers may be used for any purpose of use other than municipal use.

Section 11. Place of Use.

No water delivered to CRWA under this Agreement may be used in any area prohibited by the Regional Agreement, or in any area outside the Guadalupe River Basin, or in any area outside the certificated service areas of CRWA Customers.

Section 12. Conservation and Drought Management Plans.

In accordance with the Regional Agreement, CRWA shall develop and implement a water conservation and drought management plan, applicable to the use of all treated water supplied to CRWA from the Plant, that is at least as effective as the plan adopted by and in effect for San Marcos at the time this Agreement is entered into. CRWA further agrees to develop and implement a water conservation and drought management plan, applicable to the use of all water supplied to CRWA under this Agreement, if required at any time by applicable law or regulation or by GBRA. Any such plan shall at all times meet all requirements of all applicable laws and regulations, and all requirements of GBRA, as such requirements may be established or modified from time to time.

Section 13. GBRA Customers Committee.

GBRA will form and maintain a customers committee made up of representatives of GBRA and those customers receiving treated water from the Plant. The committee will serve an advisory role, with GBRA providing information on the operation of the Plant and representing the customers' interests through the Management Committee established pursuant to the Regional Agreement. The customers committee shall have the opportunity to review and provide comments on plans and specifications for any expansions of the Plant requested by GBRA and for any proposed amendments to the Regional Agreement.

Section 14. Cooperation.

CRWA and GBRA agree to cooperate with each other in pursuing all necessary permits and approvals needed for the Project and to complete and file all required reports.

Section 15. Agreement Subject to Regional Agreement and Raw Water Contract.

This Agreement shall be subject to the terms and conditions of the Regional Agreement and the Raw Water Contract.

Section 16. Regulatory Requirements.

This Agreement is subject to all applicable federal, state, and local laws and any applicable ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having jurisdiction. This Agreement is specifically subject to all applicable sections of the Texas Water Code and the rules of the TNRCC.

Section 17. Payments for Raw Water.

CRWA shall pay GBRA for raw water pursuant to the terms of CRWA's Raw Water Contract, as such Contract may be amended from time to time.

Section 18. Payments for Raw Water Delivery.

Rates charged to CRWA to recover GBRA's cost of design, construction, maintenance and operation of the Raw Water Delivery System shall be set by GBRA in accordance with the Regional Agreement and billed on a monthly basis. The rates charged to CRWA and all other GBRA Customers, if any, shall be sufficient for GBRA to recover the entire Raw Water Delivery System Annual Requirement in accordance with Section 22 of the Regional Agreement. CRWA shall pay, solely from funds that it receives from CRWA's San Marcos System, on a take-or-pay basis for its appropriate share of the Raw Water Delivery System Annual Requirement. CRWA shall not be entitled to any equity interest in the Raw Water Delivery System for any reason including, without limitation, the payments made to GBRA under this Agreement.

In addition, CRWA shall pay GBRA a monthly charge for raw water delivery, if any, established by GBRA for the design, construction, operation and maintenance of any facilities utilized by GBRA pursuant to Section 8(a) to furnish and deliver raw water from a point on the Raw Water Delivery System to an Alternate Raw Water Delivery Point at the water treatment plant constructed for or by CRWA.

Section 19. Payments for Water Treatment and Delivery.

(a) Rates charged to CRWA for treatment and delivery of treated water at the Point of Delivery shall be the rates established by San Marcos pursuant to the terms of the Regional Agreement, plus GBRA's costs associated with any facilities required to convey the treated water to the Point of Delivery from the point on the Plant Site at which the water is delivered to GBRA, and plus all metering and administrative and general expenses in connection with this Agreement. In addition, the rates charged to CRWA and all other GBRA Customers receiving treated water from the Plant, if any, shall be sufficient for GBRA to recover all additional costs associated with the Plant for which GBRA is responsible under the Regional Agreement. Payment of such charges shall be made by CRWA solely from funds that it receives from CRWA's San Marcos System.

(b) In addition, CRWA shall pay, solely from funds that it receives from CRWA's San Marcos System, on a take-or-pay basis for debt service, debt service coverage of not more than 10%, and other fixed costs relating to any expansion of the initial phase capacity of the Plant constructed pursuant to Section 6 of this Agreement and any facilities needed to convey treated water to the Point of Delivery from the point on the Plant Site at which the water is delivered to GBRA.

(c) CRWA shall not be entitled to any equity interest in the Plant for any reason including, without limitation, the payments made to GBRA under this Agreement.

Section 20. Certain Payments by CRWA Unconditional.

CRWA recognizes that Project Debt Instruments relating solely to the Raw Water Delivery System will be payable from and secured by pledges of the sums of money to be received by GBRA from CRWA under this Agreement (but solely from money CRWA receives from CRWA Customers) and from other customers under similar agreements. In order to make such Project Debt Instruments relating to the Raw Water Delivery System marketable at the lowest available interest rate, it is to the mutual advantage of GBRA and CRWA that CRWA's obligation to make the payments required hereunder be, and the same is hereby, made unconditional, but solely from funds that it receives from CRWA's San Marcos System. CRWA represents, and GBRA recognizes, that as of the date hereof, CRWA's San Marcos System initially will be financed solely from funds annually appropriated by certain CRWA Customers (specifically, County Line Water Supply Corporation, Crystal Clear Water Supply Corporation, Martindale Water Supply Corporation and Maxwell Water Supply Corporation) pursuant to separate take-or-pay contracts, dated August 1, 1998, between CRWA and such CRWA Customers, but additional CRWA Customers may be added by CRWA in the future to receive water from CRWA's San Marcos System. All sums payable hereunder to GBRA shall, so long as any part of such Project Debt Instruments relating to the Raw Water Delivery System are outstanding and unpaid, be paid by CRWA without set-off, counterclaim, abatement, suspension or diminution except as otherwise expressly provided herein; and so long as any part of such Project Debt Instruments relating to the Raw Water Delivery System are outstanding and unpaid, this Agreement shall not terminate, nor shall CRWA have any right to terminate this Agreement nor be entitled to the abatement of any payment or any reduction thereof nor shall the obligations hereunder of CRWA be otherwise affected for any reason, it being the intention of the parties that so long as any portion of

such Project Debt Instruments relating to the Raw Water Delivery System are outstanding and unpaid, all sums required to be paid by CRWA to GBRA shall continue to be payable in all events and the obligations of CRWA hereunder shall continue unaffected, unless the requirement to pay the same shall be reduced or terminated pursuant to an express provision of this Agreement.

Section 21. Operating Expense of CRWA; Source of Payments from CRWA.

(a) The parties agree and CRWA represents and covenants that all money required to be paid by CRWA under this Agreement shall constitute reasonable and necessary operating expenses of CRWA's San Marcos System as authorized by the Constitution and laws of the State of Texas.

(b) All payments required to be made by CRWA to GBRA under this Agreement shall be payable from the revenues of CRWA's San Marcos System. GBRA shall never have the right to demand payment by CRWA of any obligations assumed by or imposed upon it under or by virtue of this Agreement from any funds raised or to be raised by taxation and CRWA's obligation under this Agreement shall never be construed to be a debt of CRWA of such kind as to require it under the Constitution and laws of the State of Texas to levy and collect a tax to discharge such obligation.

(c) CRWA represents and covenants that water provided to CRWA through the Raw Water Delivery System will only be made available by CRWA, and sold by CRWA, to CRWA Customers who are obligated pursuant to binding "take-or-pay" contracts with CRWA to pay for such water.

Section 22. CRWA's Covenant to Maintain Sufficient Income; Rates Charged.

(a) CRWA agrees to fix and maintain rates and collect charges for the facilities and services provided by CRWA's San Marcos System as will be adequate to permit CRWA to make prompt payment of all expenses of operating and maintaining CRWA's San Marcos System, including payments under this Agreement, and to make prompt payment of the interest on and principal of any bonds or other obligations of CRWA payable, in whole or in part, from the revenues of CRWA's San Marcos System. CRWA further agrees to comply with all of the provisions of the ordinances, resolutions, orders or indentures authorizing its bonds or other obligations which are payable, in whole or in part, from the revenues of CRWA's San Marcos System.

(b) CRWA and GBRA recognize that the interest on all Project Debt Instruments heretofore issued by San Marcos to finance the Plant is intended to be excludable from federal income taxation, and that the interest on some Project Debt Instruments heretofore and hereafter issued by GBRA or San Marcos is intended to be excludable from federal income taxation. GBRA hereby covenants and gives CRWA notice, and CRWA hereby acknowledges and agrees, that GBRA will not provide any water to CRWA made available through an expansion of the Plant which, in the opinion of nationally-recognized bond counsel acceptable to GBRA and the City, could cause the interest on such Project Debt Instruments to no longer be excludable from federal income taxation.

Section 23. Measurement.

(a) GBRA shall provide, operate, maintain, and read meters which shall record treated water taken by CRWA at the Point of Delivery or, alternatively, raw water taken by CRWA at the Alternate Raw Water Delivery Point. For billing and reporting purposes under this Agreement, all raw water diverted from the Guadalupe River under the Raw Water Contract will be metered at either the Point of Delivery or the Alternate Raw Water Delivery Point, subject to adjustment by GBRA based on other relevant information available to it at the time.

(b) Water shall be measured through conventional types of approved meter(s). GBRA shall keep accurate records of all measurements of water required under this Agreement, and the measuring device(s) and such records shall be open for inspection at all reasonable times. Measuring devices and recording equipment shall be accessible for adjusting and testing and the installation of check meter(s). If requested in writing and not less than once in each calendar year, GBRA shall calibrate its water meter(s) in the presence of CRWA, and the parties shall jointly observe any adjustments that shall be necessary. GBRA shall give CRWA notice of the date and time when any such calibration is to be made and, if a representative of CRWA is not present at the time set, calibration and adjustment may proceed in the absence of any representative of CRWA.

(c) If upon any test of the water meter(s), the percentage of inaccuracy of such metering equipment is found to be in excess of five percent (5%), registration thereof shall be corrected for a period extending back to the time when such inaccuracy began, if such time is ascertainable. If such time is not ascertainable, then registration thereof shall be corrected for a period extending back one-half ($\frac{1}{2}$) of the time elapsed since the last date of calibration, but in no event further back than period of six (6) months. If any meter(s) are out of service or out of repair so that the amount of water delivered cannot be ascertained or computed from the reading thereof, the water delivered through the period such meters(s) are out of service or out of repair shall be estimated and agreed upon by CRWA and GBRA upon the basis of the best data available, and, upon written request, GBRA shall install new meters or repair existing meters at the cost of GBRA. If CRWA and GBRA fail to agree on the amount of water delivered during such period, the amount of water delivered may be estimated by:

- (1) correcting the error if the percentage of the error is ascertainable by calibration tests or mathematical calculation; or
- (2) estimating the quantity of delivery by deliveries during the preceding periods under similar conditions when the meter or meters were registering accurately.

Section 24. Quality.

The water to be delivered by GBRA to the Plant or to the Alternate Raw Water Delivery Point under this Agreement is untreated water as it is found in the Guadalupe River at the Point of Diversion. The water to be delivered by the City and received by GBRA, and in turn delivered by GBRA to CRWA at the Point of Delivery, shall be potable water from the Plant meeting applicable state and federal purity standards for potable water.

Section 25. Title to and Responsibility for Water.

Title to and responsibility for all water supplied under this Agreement shall be in GBRA from the Point of Diversion to the Plant, at which point title shall pass to San Marcos. Title to and responsibility for water delivered under this Agreement to San Marcos at the Plant for treatment and, following such treatment, delivery back to GBRA, shall be in the City up to the point at which the water is delivered to GBRA, at which point title to and responsibility for the water shall pass to GBRA, and then from GBRA to CRWA upon delivery by GBRA to CRWA at the Point of Delivery. Title to and responsibility for water supplied under this Agreement shall also be in GBRA from the Point of Diversion to the Alternate Raw Water Delivery Point. CRWA and GBRA hereby agree to 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, delivery, processing and handling of said water while title to and responsibility for the water remains in the other party.

Section 26. Other Charges.

In the event any sales or use taxes, or other taxes, assessments, or charges of any similar nature are imposed on diverting, storing, delivering, gathering, impounding, taking, selling, using or consuming the water from the Project, the amount of the tax assessment, or charge shall be included in the Operation and Maintenance Expenses of the Raw Water Delivery System or the Operation and Maintenance Expenses of the Plant as appropriate.

Section 27. Default in Payments.

All amounts due and owing to GBRA by CRWA shall, if not paid when due, bear interest at the Texas post-judgment interest rate as set out in TEX. REV. CIV. STAT. ANN. ART. 5069-1.05 (Vernon Supp. 1996) or any successor statute from the date when due until paid, provided that such rate shall never be usurious or exceed the maximum rate as permitted by law. If any amount due and owing by CRWA is placed with an attorney for collection by GBRA, then CRWA shall pay to GBRA, in addition to all other payments provided for by this Agreement, including interest, GBRA's collection expenses, including court costs and attorney's fees.

Section 28. Waiver and Amendment.

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

(b) No officer or agent of CRWA or GBRA is authorized to waive or modify any provision of the Agreement. No modifications to or rescission of this Agreement may be made except by a written document signed by CRWA's and GBRA's authorized representatives.

(c) It is further agreed that, without receiving the prior written consent of the General Manager of CRWA, GBRA will not to enter into any amendment of the Regional Agreement which, in the reasonable judgment of the General Manager of GBRA, would (i) impose an additional or increased financial obligation on CRWA not otherwise established by the Regional Agreement or this Agreement, or (ii) reduce CRWA's rights to receive treated water under this Agreement.

Section 29. Remedies.

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

Section 30. Force Majeure.

If for any reason of force majeure, GBRA shall be rendered unable, wholly or in part, to carry out its obligations under this Agreement, then if GBRA shall give notice of the reasons in writing to CRWA within a reasonable time after the occurrence of the event, or cause relied on, the obligation of GBRA, so far as it is affected by the force majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period. The term "force majeure" as used in this Agreement shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of public enemy, orders or actions of any kind of government of the United States or of the State of Texas, or any civil or military authority, insurrections, riots, epidemics, land slides, lightning, earthquakes, fires, hurricanes, tornadoes, volcanos, asteroids, storms, floods, washouts, droughts, arrests, restraints of government and people, civil disturbances, explosions, breakage or accident to dams, machinery, pipelines, canals, or other structures, partial or entire failure of water supply including pollution (accident or intentional), and any inability on the part of GBRA to deliver raw or treated water under this Agreement, on account of any other cause not reasonably within the control of GBRA.

Section 31. Non-Assignability.

Neither party may assign this Agreement without the written consent of the other party, except to a successor of the duties and functions of that party.

Section 32. Sole Agreement.

Except for CRWA's Raw Water Contract, this Agreement (including all Exhibits attached hereto) constitutes the sole and only agreement of GBRA and CRWA and supersedes any prior understanding or oral or written agreements between the CRWA and GBRA respecting the subject matter of this Agreement.

Section 33. Severability.

The provisions of this Agreement are severable and if, for any reasons, any one or more of the provisions contained in the Agreement shall be held to be invalid, illegal or unenforceable in any respect, the invalidity, illegality or unenforceability shall not affect any other provision of this Agreement and this Agreement shall remain in effect and be construed as if the invalid, illegal or unenforceable provision had never been contained in the Agreement.

Section 34. Captions.

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

Section 35. No Third Party Beneficiaries.

This Agreement does not create any third party benefits to any person or entity other than the signatories hereto, and is solely for the consideration herein expressed. No existing or potential GBRA Customer, and no CRWA Customer, shall have any right, title or interest in and to this Agreement.

Section 36. Notices.

All notices, payments and communication ("notices") required or allowed by this Agreement shall be in writing and be given by depositing the notice in the United States mail postpaid and registered or certified, with return receipt requested, and addressed to the Party to be notified. Notice deposited in the mail in the previously described manner shall be conclusively deemed to be effective from and after the expiration of three (3) days after the notice is deposited in the mail. For purposes of notice, the addresses of and the designated representative for receipt of notice for each of the parties shall be as follows:

Canyon Regional Water Authority
Attention: General Manager
850 Lakeside Pass
New Braunfels, TX 78130-8233

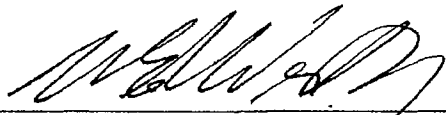
Guadalupe-Blanco River Authority
Attention: General Manager
933 E. Court Street
Seguin, Texas 78155

Either party may change its address by giving written notice of the change to the other party at least fourteen (14) days before the change becomes effective.

Section 37. Duplicate Originals.

GBRA and CRWA, acting under authority of their respective governing bodies, shall authorize the execution of this Agreement in several counterparts, each of which shall be an original. CRWA and GBRA shall submit written evidence in the form of bylaws, charters, resolutions or other written documentation specifying the authority of each party's representative to sign this Agreement which evidence shall be attached to this Agreement as Exhibit 5.

GUADALUPE-BLANCO RIVER AUTHORITY

By: 
William E. West, Jr., General Manager

ATTEST:



CANYON REGIONAL WATER AUTHORITY

By: 

ATTEST:

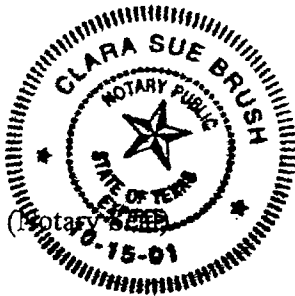


THE STATE OF TEXAS §

COUNTY OF GUADALUPE §

BEFORE ME, the undersigned, a Notary Public in and for said State, on this day personally appeared **William E. West, Jr.**, General Manager of the **GUADALUPE-BLANCO RIVER AUTHORITY**, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 17th day of June, 1999.



Clara Sue Brush
Notary Public
State of Texas

THE STATE OF TEXAS §

COUNTY OF GUADALUPE §

BEFORE ME, the undersigned, a Notary Public in and for said State, on this day personally appeared Donald C. Speer, Chairman of the **CANYON REGIONAL WATER AUTHORITY**, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 14th day of June, 1999.

Paul M. Taggart
Notary Public
State of Texas

(Notary Seal)

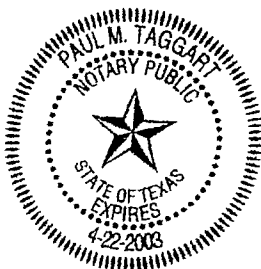


Exhibit "1"

AGREEMENT BETWEEN
CITY OF SAN MARCOS
AND
GUADALUPE-BLANCO RIVER AUTHORITY

This Agreement Between City of San Marcos and Guadalupe-Blanco River Authority (this "Agreement") is made and entered into as of the 1st day of July, 1997, by and between the CITY OF SAN MARCOS, TEXAS (the "City"), a home rule city and municipal corporation of the State of Texas situated in Hays and Caldwell Counties, Texas, organized and operating under the provisions of its home rule charter and the Constitution and laws of the State of Texas, and the GUADALUPE-BLANCO RIVER AUTHORITY ("GBRA"), a conservation and reclamation district and political subdivision of the State of Texas created pursuant to Article XVI, Section 59 of the Texas Constitution by special act of the Legislature, formerly compiled at Article 8280-106, Vernon's Annotated Civil Statutes. The City and GBRA are referred to herein collectively as the "Parties," and separately as the "Party."

Recitals

The City and GBRA entered into an Interlocal Agreement dated April 23, 1996, as amended (the "Interlocal Agreement"). The Interlocal Agreement, was executed by the Parties for the purpose of providing for the expeditious development of a regional surface water supply project (the "San Marcos Regional Water Supply Project," or the "Project"), to meet future water needs and reduce dependence on the Edwards Aquifer by providing an alternative source of water to the City and surrounding areas in Hays, Caldwell, Guadalupe and Travis Counties, Texas. This Agreement sets forth terms and conditions agreed upon by the City and GBRA relating to the planning, development, design, financing, construction, ownership, operation and management of the Project.

GBRA holds the right to store water in and use water from Canyon Reservoir under Certificate of Adjudication No. 18-2074C. The City and GBRA have entered into a "Raw Water Contract" dated October 10, 1989, pursuant to which GBRA agrees to supply to the City up to 5,000 acre-feet per year of stored water from Canyon Reservoir ("Canyon Lake Water"). This Agreement sets forth terms and conditions agreed upon by the City and GBRA relating to the diversion, conveyance and treatment of the Canyon Lake Water to be supplied to the City.

The City is willing to acquire and construct water treatment facilities to treat raw water for municipal use by the Parties and their respective customers as contemplated herein, and is willing to provide the necessary funds through the issuance of bonds. The Parties have agreed that the water treatment facilities should be operated and maintained as provided herein.

GBRA is willing to acquire, construct, operate and maintain a raw water delivery system capable of delivering the raw water the Parties contemplate treating for municipal use by the Parties and their respective customers at the water treatment facilities to be constructed by the City.

The Parties have agreed that the water treatment facilities and the raw water delivery system comprising the San Marcos Regional Water Supply Project should be jointly owned as provided herein.

GBRA and the City have agreed to contract through this Agreement in such a manner that will allow each of the Parties to receive sufficient annual payments to cover their respective costs to provide the services contemplated herein, to pay the annual operation and maintenance expenses of the respective facilities, and to pay the entire principal and interest on the various bonds issued by the Parties to acquire, construct and operate the facilities contemplated herein.

GBRA and the City anticipate that other entities may in the future desire to obtain treated surface water on a contract basis from the Project. This Agreement further sets forth terms and conditions relating to the supply and treatment of additional raw water to the Project for supply of treated surface water to such other entities.

Agreement

For and in consideration of the mutual promises, covenants, obligations, and benefits described in this Agreement, and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged by the Parties, the City and GBRA agree as follows.

Section 1. Definitions.

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

- (1) "Annual Payment Period" means the period beginning on October 1 of each calendar year and ending on the last day of September of the next calendar year.
- (2) "Canyon Lake Water" means the water to be delivered to the City by GBRA pursuant to the City's Raw Water Contract.
- (3) "City's Raw Water Contract" means that certain contract dated October 10, 1989 by and between GBRA and the City, providing the City with a commitment of stored water from

Canyon Reservoir of up to 5,000 acre-feet per year. A copy of such contract is attached as Exhibit 1.

- (4) "City Customer" means any individual or entity that contracts with the City for treated water service from the Project whether on a wholesale or retail basis.
- (5) "GBRA Customer" means any individual or entity that contracts with GBRA for treated water service from the Project whether on a wholesale or retail basis.
- (6) "GBRA Raw Water" means raw water delivered to the Plant for treatment and delivery to GBRA.
- (7) "Management Committee" means the committee established pursuant to Section 14 of the Agreement.
- (8) "MGD" means million gallons per day.
- (9) "Minimum Plant Expansion" means a 3 MGD increment of Plant treatment capacity.
- (10) "Operation and Maintenance Expenses" means all costs and expenses of operation and maintenance of the Raw Water Delivery System or the Plant, as the case may be, including (for greater certainty but without limiting the generality of the foregoing) repairs and replacements which are not paid from a special fund created in the Bond Resolutions or other Project Debt Instruments, non-debt financed capital expenditures, operating personnel, the cost of utilities, the costs of supervision, engineering, accounting, auditing, legal services, supplies, services, administrative and general expenses of the Raw Water Delivery System or the Plant, and equipment necessary for proper operation and maintenance of the Raw Water Delivery System or the Plant. The term also includes the charges of the bank or banks where the Bonds are payable. The term does not include depreciation.
- (11) "Plant" means all facilities for treating water designed and constructed by the City pursuant to the terms of this Agreement, all facilities for pumping and transporting treated water to the Point of Delivery, and the Plant Site.
- (12) "Plant Annual Requirement" means the total amount of money required for the City to pay all Operation and Maintenance Expenses of the Plant, to pay the debt service on any Plant Project Debt Instruments, and to maintain balances in any special or reserve funds

required by the provisions of any Plant Project Debt Instruments.

- (13) "Plant Operator" means the individual or entity hired by the City as provided herein to operate and maintain the Plant.
- (14) "Plant Site" means that tract of land described on Exhibit 2 on which all facilities comprising the Plant will be located.
- (15) "Point of Delivery" means the point on the Plant Site at which the City will deliver to GBRA treated water supplied hereunder, as such point is described on Exhibit 2
- (16) "Point of Diversion" means the point on the Guadalupe River at which GBRA will divert raw water to be supplied hereunder, as such point is described on Exhibit 3.
- (17) "Project Debt Instruments" means all notes, bonds, or other financial obligations made to construct, complete, improve, or repair the Raw Water Delivery System or the Plant. The City or GBRA may be the obligor on these instruments.
- (18) "Project" or the "San Marcos Regional Water Supply Project" means the regional surface water supply project contemplated by this Agreement, which consists of the Raw Water Delivery System and the Plant.
- (19) "Raw Water Delivery System" means all facilities designed and constructed by GBRA for diverting water from Guadalupe River at the Point of Diversion to the Plant pursuant to this Agreement, all other facilities that may be agreed upon by the Parties designed and constructed by GBRA for diverting water from other sources to the Plant or for storage of raw water prior to treatment, together with all lands and interests in land on which such facilities are located.
- (20) "Raw Water Delivery System Annual Requirement" means the total amount of money required for GBRA to pay all Operation and Maintenance Expenses of the Raw Water Delivery System, to pay the debt service on any Raw Water Delivery System Project Debt Instruments, and to maintain balances in any special or reserve funds required by the provisions of any Raw Water Delivery System Project Debt Instruments.

Section 2. Term.

This Agreement shall be effective as of the date first written above, and shall continue in effect for an initial term of fifty (50) years or until all of the Project Debt Instruments (including principal and interest) for the initial phase of the Project have been fully paid, whichever occurs later (the "Initial Term"). Upon termination of the Initial Term, this Agreement shall be renewed or extended at the request of either Party for an additional fifty (50) years under such terms and conditions as may be agreed upon by GBRA and the City.

The City's Raw Water Contract is hereby amended to extend its term so that it terminates upon expiration of the term of this Agreement.

Section 3. Rights after Termination.

Except as specifically provided otherwise in this Agreement, all of the rights and obligations of the Parties under this Agreement shall terminate upon termination of this Agreement, except that such termination shall not affect the rights or liabilities accrued prior to such termination, including the equity ownership interests acquired by the Parties in the Plant and the Raw Water Delivery System, respectively, as provided herein.

Section 4. Design, Construction, Operation and Maintenance, and Ownership of the Plant.

(1) Plant Design and Construction

The City shall design acquire and construct the Plant. The Plant shall be designed and constructed in phases, so that the completed initial phase can be easily expanded from time to time by the Minimum Plant Expansion (3 MGD) or a multiple thereof. The design capacity of the initial phase of the Plant shall be 6 MGD, unless either Party specifies a greater initial capacity as set forth below, or unless the Parties agree otherwise. The amount of any increase in the initial phase capacity of the Plant shall be 1 MGD or a multiple thereof. If either Party desires a greater initial phase capacity, it shall give the other Party notice of the amount of increase before the final Plant design is fifty percent (50%) complete. If either Party desires to increase the initial phase capacity after the final Plant design is fifty percent (50%) complete, the Party requesting the increase in capacity shall be obligated to pay all increases in the cost of design, engineering and construction actually incurred as a result of designing the Plant to include the requested increased capacity in the initial phase. Provided, however, that no change in the final design of the initial phase capacity of the Plant shall be authorized after the final design is fifty percent (50%) complete if such design change could delay the anticipated completion date for the

construction of the initial phase of the Plant which is projected for December 31, 1999. After construction of the initial phase, the City shall expand the capacity of the Plant from time to time upon the request of either Party. The amount of any such expansion shall be the Minimum Plant Expansion or a multiple thereof. The cost of any such expansion shall be borne by the Parties in accordance with the percentage of the additional capacity they intend to utilize. In the event only one of the Parties requests the expansion, that Party shall be solely responsible for all costs for design changes, engineering and construction of such expansion in the full multiple increments of the Minimum Plant Expansion.

(2) Plant Operation and Maintenance

The City shall be responsible for the operation and maintenance of the Plant pursuant to the terms and conditions of this Agreement.

The City shall select a Plant Operator after a competitive procurement process and consideration of any Management Committee recommendations. GBRA and the City may themselves submit proposals for Plant Operator. The City will review the Plant Operator's performance at least once every five years, but may review the Plant Operator's performance more frequently in the City's sole discretion. The City may select another Plant Operator using the same procedure as the original selection. The City may hire a consultant to provide start-up services for the Plant.

(3) Plant Ownership

The City shall hold legal title to the Plant including all properties, rights of way, easements and any other interest in real property acquired for the Plant, during the existence of any Project Debt Instruments issued by the City for the acquisition and construction of the initial phase of the Plant. After such Project Debt Instruments issued by the City for the initial phase of the Plant have been fully paid, redeemed or defeased, such that the City has no outstanding debt under on the initial phase of the Plant, the City shall convey to GBRA, at no cost to GBRA, legal title to an undivided interest in the Plant equal to GBRA's percentage interest in the total treatment capacity of the Plant, if any, at that time. Such conveyance shall be by written instrument in recordable form. After the transfer of legal title contemplated by this Section 4, title to the undivided interest in the Plant to all future expansions of the Plant shall be owned by the Party that requests and pays for the cost of such expansion(s).

Section 5. Design, Construction, Operation and Maintenance and Ownership of the Raw Water Delivery System.

(1) Raw Water Delivery System Design and Construction

GBRA shall design, acquire, construct, operate and maintain the Raw Water Delivery System. The Raw Water Delivery System shall be designed, acquired and constructed in phases. The initial phase shall consist of a pipeline or pipelines with a minimum capacity to convey 9 MGD of raw water and a pump station or stations at the Point of Diversion on the Guadalupe River with an installed capacity of 6 MGD designed for the addition of pumps to easily increase the pumping capacity, and the necessary real property interests for purposes of constructing, operating and maintaining such facilities, unless such initial parameters are enlarged as set forth below, or unless the Parties agree otherwise. If GBRA desires to construct a larger diameter pipeline and/or an additional pipeline as part of the initial phase, it shall give notice of such enlargements to the City by not later than July 1, 1998. The initial pumping capacity may be increased by 1 MGD ("Minimum Pump Expansion") or a multiple thereof. After construction of the initial phase, GBRA shall expand the installed pumping capacity from time to time at the request of either Party. The amount of any such expansion shall be the Minimum Pump Expansion or a multiple thereof.

(2) Raw Water Delivery System Operation and Maintenance

GBRA shall be responsible for the operation and maintenance of the Raw Water Delivery System.

(3) Raw Water Delivery System Ownership

GBRA shall hold legal title to the Raw Water Delivery System, including all properties, rights of way, easements and any other interest in real property acquired for the Raw Water Delivery System, during the existence of any Project Debt Instruments issued by GBRA for the acquisition and construction of the initial phase of the Raw Water Delivery System. After such Project Debt Instruments have been fully paid, redeemed, or defeased, such that GBRA has no outstanding debt on the initial phase of the Raw Water Delivery System, GBRA shall convey to the City, at no cost to the City, legal title to an undivided interest in the Raw Water Delivery System equal to the City's percentage interest in the total capacity of the Raw Water Delivery System at that time. If GBRA constructs a pipeline or pipelines with a conveyancing capacity greater than 9 MGD and/or a pumping capacity greater than 6 MGD in the initial phase of the Raw Water Delivery System, then, after such Project Debt Instruments have been fully paid, redeemed, or defeased, such that GBRA has no outstanding debt on the initial phase of the Raw Water Delivery System, GBRA shall convey to the City, at no cost to the City, legal title to an undivided interest

in the Raw Water Delivery System equal to the City's percentage interest in the total capacity of the Raw Water Delivery System at that time. Such conveyance shall be by written instrument in recordable form. After the transfer of legal title contemplated in this Section 5, title to any additional pipeline(s) or pump station(s) capacity constructed as part of the Raw Water Delivery System shall be held by the Party that requests and pays for the cost of such expansion(s).

Section 6. Approvals of Plans and Specifications; Competitive Bids.

Plans and specifications of the initial phase of the Raw Water Delivery System and the Plant, and any expansion of either, shall be approved by the City Manager and the GBRA General Manager. The City and GBRA will obtain timely review and approval of construction plans and specifications for all facilities. After approval of plans and specifications for any phase of the Raw Water Delivery System, GBRA will advertise for competitive bids for construction of that phase. After approval of plans and specifications for any phase of the Plant, the City will advertise for competitive bids for construction of that phase. As required by state law, the City Council and GBRA Board of Directors will approve the bids for their respective portions of the Project.

Section 7. Plant Treatment Capacity for GBRA.

The City shall reserve for GBRA through the term of this Agreement treatment capacity in the Plant equal to the capacity of the portion, if any, of the initial phase constructed at the request of GBRA above the initial phase capacity of 6 MGD owned by the City, and any expansions thereof subsequently constructed at the request of GBRA, pursuant to the terms of Section 4, above.

Additionally, the City shall reserve for GBRA from the effective date of this Agreement through December 31, 2003 or the fourth anniversary of the date the construction of the initial phase of Plant capacity is completed, whichever is later, treatment capacity in the amount of 1.5 MGD (the "GBRA Reservation") at no cost to GBRA, from and out of the capacity of the portion of the initial phase of the Plant constructed for and owned by the City pursuant to Section 4, above. During the term of the GBRA Reservation, the City shall have the right to use any portion of the 1.5 MGD capacity reserved for GBRA without any compensation to GBRA so long as GBRA is not using the same. Moreover, in the event that the City determines that it needs additional capacity out of the initial phase 6 MGD of capacity, the City shall have the right to reduce the GBRA Reservation by 0.5 MGD (from 1.5 MGD to 1.0 MGD) by providing GBRA with written notice of such determination ninety (90) days prior to the effective date of such reduction, but only to the extent that GBRA has not contracted with any third party to supply treated water in reliance upon the availability of that 0.5

MGD capacity as of the date of the notice. The City and GBRA shall review this reservation annually, and the City Manager and the GBRA General Manager may, without having to modify this Agreement, from time to time extend and/or otherwise modify the City's reservation of treatment capacity for GBRA from and out of the portion of the treatment capacity constructed for the City. GBRA shall be free to rely upon the availability of the 1.5 MGD capacity during the term of the GBRA Reservation, as such term may be extended, for purposes of contracting with third parties for the sale of treated surface water from the Plant. Provided, however, that all such contracts with third parties shall either terminate upon the expiration of the GBRA Reservation or GBRA shall present the City simultaneously with a copy of any such contract a written request for at least a Minimum Plant Expansion to be operational by a date certain, such date to be not earlier than eighteen (18) months from the date the City receives such request and not later than the expiration of the GBRA Reservation. GBRA shall pay the City for treated water made available out of said 1.5 MGD capacity in accordance with Section 23 of this Agreement.

Section 8. Raw Water Delivery System Capacity for the City.

GBRA shall reserve for the City through the term of this Agreement conveyance capacity of 9 MGD in the pipeline or pipelines constructed for the initial phase of the Raw Water Delivery System. GBRA shall also reserve for the City throughout the term of this Agreement pumping capacity of 6 MGD plus any additional pumping capacity that may be requested by and installed for the City from time to time, up to a total maximum pumping capacity reserved for the City of 9 MGD, subject to the reservation for GBRA of a portion of such capacity pursuant to Section 9, below.

Section 9. GBRA's Use of the Raw Water Delivery System.

Subject only to the reservations of capacity for the City set forth in Section 8, above, GBRA shall have the absolute right to use the Raw Water Delivery System to divert raw water from the Guadalupe River and other sources that may be agreed upon by GBRA and the City and to convey and deliver raw water to the Plant or to any person or location desired by GBRA. Additionally, GBRA shall also have the right to use raw water pumping capacity in the pumping facilities located at the Point of Diversion in the amount of 1.5 MGD, from and out of the portion of the capacity installed and reserved for the City during the term of the GBRA Reservation described in Section 8 above. The City and GBRA shall review this reservation of conveyance capacity annually, and the City Manager and the GBRA General Manager may, without having to modify this Agreement, from time to time extend and/or otherwise modify the City's reservation of pumping capacity for GBRA from and out of the portion of the pumping capacity installed for the City. Notwithstanding anything contained in this Section 9 to the contrary, no interconnection by which GBRA supplies raw water from

the Raw Water Delivery System to any person or location other than the Plant shall be constructed in a manner that would adversely impact the delivery of Canyon Lake Water to the Plant in the volumes desired by the City. Provided, further, that any such interconnection shall be constructed at GBRA's sole expense with either a satisfactory air gap or backflow protection device(s) that meets the applicable requirements of the TNRCC to prevent the degradation of the water being delivered to the Plant.

Section 10. GBRA Sales of Treated Surface Water from the Plant to Third Parties.

GBRA agrees that it will not enter into any contract for the sale of treated surface water from the Plant for use within the City's Service Area (hereinafter defined) without first receiving the City's written approval of the same, which approval shall not be unreasonably withheld. The "City's Service Area" is defined generally as the area contained within a line one (1) mile outside the City's extraterritorial jurisdiction ("ETJ"), as the same may be modified from time to time as the result of lawful annexation by the City; provided, however, that the City's Service Area does not include any service area of another water supplier as such area either is certificated or otherwise defined as of the date of this Agreement or is subsequently certificated, if such service area is lawfully modified before the date on which such area becomes a part of the City's Service Area; and provided further, however, that the City's Service Area does not include such other excepted areas shown on the map attached as Exhibit 4, or subsequently agreed to by the Parties. The current "City Service Area" is shown on the map attached hereto as Exhibit 4.

GBRA further agrees that any contract for the sale by GBRA of treated water from the Plant shall require the customer to develop and implement a water conservation and drought management plan that is at least as effective as the plan adopted by and in effect for the City at the time such contract is entered into.

Section 11. Delivery of Raw Water to the Plant.

GBRA shall divert water delivered to the Diversion Point under the City's Raw Water Contract, as such Contract may be amended from time to time, and shall deliver such water to the City at the Plant in volumes requested by the City at any time up to that portion of the pumping capacity installed for the City at such time that is not subject to the GBRA Reservation.

GBRA shall further deliver additional raw water to the Plant in volumes desired by GBRA, for treatment by the City up to the treatment capacity reserved and/or installed for GBRA at such time and, following such treatment, delivery back to GBRA at the Point of Delivery.

Section 12. Delivery of Treated Water to GBRA.

The City shall treat all raw water delivered to the Plant by GBRA for treatment and delivery back to GBRA to the extent that treatment capacity in the Plant is reserved and/or installed for GBRA pursuant to the terms of this Agreement. The City shall deliver such treated water to GBRA at the Point of Delivery in volumes desired by GBRA up to the treatment capacity reserved and/or installed for GBRA at such time. The obligation of the City to supply treated water to GBRA under this Agreement shall be limited to water provided by GBRA that is in addition to the water that is committed to the City under the City's Raw Water Contract, as such Contract may be amended from time to time.

Section 13. Additional Canyon Water and Other Sources of Raw Water.

(1) Additional Canyon Water

At the time of execution of this Agreement, the City and GBRA are discussing entering into a new contract, or amending the City's Raw Water Contract, to provide the City with an additional commitment of stored water from Canyon Reservoir, for as much as an additional 5,000 acre-feet per year. If the Parties reach agreement on such an additional commitment of stored water, the new or amended contract shall provide that payment for the additional amount of stored water committed shall not commence until the date of expiration of the GBRA Reservation, or the date that GBRA first delivers water to the City under the additional commitment, whichever occurs first.

(2) Other Sources of Raw Water

The City and GBRA further agree to work together in an effort to evaluate the joint development and utilization of other sources of supply of raw water for the Plant for the mutual benefit of the Parties and in the best interests of the region. Possible benefits resulting from the joint development and use of such additional sources of supply include stretching and conserving the limited supply of stored water available in Canyon Reservoir, and reducing the overall cost of treated water supplied to all users from the Plant.

It is the intent of the Parties through this provision to insure that neither the quality or quantity of treated water produced by the Plant is impaired as a result of the introduction of such raw water to the Plant or to the Raw Water Delivery Facilities. Accordingly, if any additional facilities, modifications to facilities, and/or modifications to the operation or maintenance of facilities are required in order to avoid any such impairment, then the full costs of such additional facilities

and modifications shall be borne solely by the Party desiring to supply raw water from the other source.

Section 14. Management Committee.

Both GBRA and the City agree to the creation of a management committee (the "Management Committee") consisting of up to three representatives from each Party appointed by each Party's chief executive officer. The Management Committee shall perform the following functions:

- (a) Oversee the design and construction of the Project;
- (b) Monitor changes in the construction projects to ensure compatibility with the objectives of this Agreement;
- (c) Recommend whether a consultant should be hired by the City to provide start-up services for the Plant and, if so, provide recommendations regarding consultant selection;
- (d) Review Plant Operator proposals and provide recommendations to the City;
- (e) Review annual budgets for the Plant submitted by the Plant Operator and provide recommendations to the City;
- (f) Review annual budgets for the Raw Water Delivery System submitted by GBRA;
- (g) Review Plant and Raw Water Delivery System annual audited financial statements provided by the City and GBRA; and
- (h) Perform other tasks that GBRA and the City jointly agree would be appropriate.

Section 15. Budgets, Audits, and Records.

The Plant Operator will provide the Management Committee with the first annual Plant budget four months prior to Plant start-up and subsequent annual budgets by May 1st of each year. The City and GBRA will also submit annual audited financial statements of the Plant and the Raw Water Delivery System to the Management Committee by December 1.

All books and records pertaining to this Agreement shall be open and available for copying, inspection, and audit by the City and GBRA. Appropriate retention schedules that comply with state laws shall be agreed upon by both Parties.

Section 16. Cooperation.

The City and GBRA agree to cooperate with each other in pursuing all necessary permits and approvals needed for the Project and to complete and file all required reports. The City and GBRA further agree to attempt in good faith to resolve amicably any dispute arising from a request to either Party for treated water service from an individual or entity which the other party desires to serve. The City and GBRA further agree to attempt in good faith to develop appropriate uniform water conservation and drought contingency plans, programs and ordinances to be approved by TNRCC for all treated water supplied from the Plant for adoption by GBRA Customers and City Customers.

Section 17. Contracts.

All contracts pursuant to which either GBRA or the City supply treated water from the Plant to their respective Customers shall be subject to the terms and conditions of this Agreement.

Section 18. Regulatory Requirements.

This Agreement is subject to all applicable federal, state, and local laws and any applicable ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having jurisdiction. This Agreement is specifically subject to all applicable sections of the Texas Water Code and the rules of the Texas Natural Resource Conservation Commission, or any successor agency.

Section 19. Unconditional Obligation to Make Payments.

The City shall be unconditionally obligated to pay, without offset or counterclaim, the payments required under Section 22, below, and GBRA shall be unconditionally obligated to pay, without off-set or counterclaim, the payments required under Section 23, regardless of whether or not the City and GBRA actually acquire, construct, or complete the Project, or whether or not GBRA is actually delivering water from the Raw Water Delivery System to City hereunder, or whether or not City actually receives or uses and treats water from the Raw Water Delivery System whether due to Force Majeure or otherwise, and regardless of any other provisions of this or any other contract or agreement between the Parties. This covenant shall be for the benefit of the bond holders of the respective Party and shall continue after expiration of this Agreement until all Project Debt Instruments issued under this Agreement are retired.

Section 20. Pledge of Revenue.

Pursuant to TEX. REV. CIV. STAT. ANN. ART. 8280-106 (Vernon 1954) and TEX. REV CIV. STAT. ANN. ART. 1113 (Vernon 1963), GBRA and the City represent and covenant that all payments to be made under this Agreement shall constitute reasonable and necessary operating expenses of the Parties' San Marcos Regional Water Supply Project and that all such payments will be made from the Parties' revenues from the Plant and the Raw Water Delivery System. GBRA and the City represent and have determined that the water supply to be obtained from the Project is absolutely necessary and essential to the present and future operation of their water systems; therefore, and, accordingly, all payments required by this Agreement to be made by GBRA or the City shall constitute reasonable and necessary operating expenses of GBRA's and the City's system or systems as described above with the effect that the obligation to make such payments from revenues of such system or systems shall have priority over any obligation to make any payments from such revenues, whether of principal, interest, or otherwise, with respect to all Project Debt Instruments heretofore or hereafter issued by City or GBRA.

GBRA and the City agree throughout the term of this Agreement to continuously operate and maintain their water systems and to fix and collect such rates and charges for water services to be supplied by their water systems as will produce revenues in an amount equal to at least (i) all of their payments under this Agreement and (ii) all other amounts as required by the provisions of the ordinances or resolutions authorizing its other revenue bonds or other obligations now or hereafter outstanding.

Unless otherwise specifically provided in writing by subsequent agreement between City and GBRA, neither the City nor GBRA shall have the right to demand payment of any obligation assumed or imposed under this Agreement from funds raised or to be raised by taxation, it being expressly understood by City and GBRA that all payments due by GBRA or the City are to be made from the revenues and income received as a result of their respective interests in and operation of the San Marcos Regional Supply Project.

Section 21. Payments for Raw Water.

The City will pay GBRA for raw water pursuant to the terms of the City's Raw Water Contract, as such Contract may be amended from time to time.

Section 22. Payments for Raw Water Delivery.

Rates charged to the City to recover GBRA's cost of design, construction, maintenance and operation of the Raw Water Delivery System shall be set by GBRA in accordance with accepted rate-making

practices and billed on a monthly basis. The rates charged to the City shall be sufficient for GBRA to recover the entire Raw Water Delivery System Annual Requirement; except, however, that GBRA shall be responsible for any incremental costs incurred by GBRA for any of the following:

- (1) construction by GBRA of an initial pipeline(s) with a conveyancing or pumping capacity greater than the capacities specified in Section 5, above;
- (2) construction by GBRA of any additional pipelines;
- (3) acquisition of additional lands and interests in lands necessary for any additional pipelines and any additional pump stations for such additional pipelines; and
- (4) installation of any pumps for GBRA pursuant to Section 5, above; and

except further, however, that GBRA shall also be responsible for GBRA's share of the remainder of the Raw Water Delivery System Annual Requirement ("GBRA's Share of Remaining Raw Water Requirement"). GBRA's Share of Remaining Raw Water Requirement for any given period of time shall be based upon the amount of water, if any, pumped or conveyed for GBRA, or any third party contemplated by Section 9 of this Agreement, via the Raw Water Delivery System during that period of time relative to the total amount of water pumped or conveyed via the Raw Water Delivery System during that period of time. GBRA's Share of Remaining Raw Water Requirement for any given period of time shall not include costs associated with the design, acquisition, installation or construction of any pumping or conveyance capacity other than capacity, if any, then being reserved for and used by GBRA pursuant to Section 9, above, from and out of the portion of the pumping and conveyance capacity installed and constructed for the City.

For budget years before the date on which GBRA fully pays and retires all of the Project Debt Instruments for the initial phase of the Raw Water Delivery System, the rates charged by GBRA to its customers for the delivery of raw water via the Raw Water Delivery System shall not be less than the rates charged by GBRA to the City for the delivery of raw water under this Agreement (the "City's Rates"). All revenues received by GBRA from its customers for the delivery of raw water during any such year shall go first toward payment of GBRA's total share of the Raw Water Delivery System Annual Requirement for that year. If GBRA's revenues exceed GBRA's total share for that year, then GBRA shall credit the difference toward payment of the City's share of the Raw Water Delivery System Project Debt Instruments for that year for the initial phase of the Raw Water Delivery System, to the extent that GBRA's revenues are due to the difference between the City's Rates and the rates that GBRA would have charged its customers if such rates were calculated

based on payment by GBRA of its actual share, if any, of the Raw Water Delivery System Project Debt Instruments for the initial phase of the Raw Water Delivery System.

For budget years following the date on which GBRA fully pays and retires all of the Project Debt Instruments for the Raw Water Delivery System, the rates charged by GBRA to the City for conveying raw water to the City via the Raw Water Delivery System shall be based solely upon the City's prorata share, based on relative amounts of water pumped and delivered, of the Operation, Maintenance Expenses of the Raw Water Delivery System.

Customers of the City and GBRA shall not be entitled to any equity interest in the Raw Water Delivery System for any reason including, without limitation, the payments made to the City or GBRA under this Agreement or under any agreements between either Party and that Party's customers.

Section 23. Payments for Water Treatment and Delivery.

Rates charged to GBRA for treatment and delivery of treated water, if any, to GBRA at the Point of Delivery shall be set by the City in accordance with accepted rate-making practices and billed on a monthly basis. The City shall be responsible for the entire Plant Annual Requirement; except, however, that GBRA shall be responsible for any of the following costs incurred by the City:

- (1) GBRA's pro rata share of the construction of any treatment capacity above the City's 6 MGD that is requested by GBRA as part of the initial phase of the Plant pursuant to Section 4, above; and
- (2) GBRA's incremental share of the construction of any expansion treatment capacity that is requested by GBRA from time to time pursuant to Section 4, above;
- (3) GBRA's pro rata share of the incremental cost of the construction of any expansion treatment capacity that is requested jointly by GBRA and the City from time to time pursuant to Section 4, above; and
- (4) GBRA's prorata share of the cost of the real estate acquisition of the Plant Site based upon the percentage ownership interest in the Plant held by GBRA.

except further, however, that, GBRA shall also be responsible for GBRA's share of the remainder of the Plant Annual Requirement ("GBRA's Share of Remainder of Plant Requirement"). GBRA's Share of Remainder of Plant Requirement for any given period of time shall be based upon the amount of treated water, if any, actually delivered to GBRA at the Point of Delivery during that time period, relative to the total amount of treated water produced by the Plant

during that time period. GBRA's Share of Remaining Plant Requirement for any given period of time shall not include costs associated with the acquisition of any real property or the design, acquisition, installation, or construction of any facilities, other than costs associated with the construction of that amount of treatment capacity, if any, then being reserved for and used by GBRA pursuant to Section 7, above, from and out of the 6 MGD treatment capacity constructed for the City in the initial phase.

For budget years following the date on which the City fully pays and retires all of the Project Debt Instruments associated with the Plant, the rates charged by the City to GBRA for the treatment of GBRA's raw water at the Plant and conveyance to the Point of Delivery shall be based solely upon GBRA's prorata share, based on relative amounts of water treated and delivered, of the Operation and Maintenance Expenses of the Plant.

Customers of the City and GBRA shall not be entitled to any equity interest in the Plant for any reason including, without limitation, the payments made to GBRA or the City under this Agreement or under any agreements between either Party and that Party's customers.

Section 24. Measurement.

For billing purposes, all raw water diverted from the Guadalupe River and delivered to the Plant will be metered at the Plant entrance with meters provided, operated, maintained, and read by GBRA. At its option and expense, GBRA may also meter the raw water diverted at the Guadalupe River at the Point of Diversion. The City shall provide, operate, maintain, and read meters which shall record treated water taken by GBRA at each GBRA Point of Delivery.

Water shall be measured through conventional types of approved meter(s). The party responsible for metering shall keep accurate records of all measurements of water required under this Agreement, and the measuring device(s) and such records shall be open for inspection at all reasonable times. Measuring devices and recording equipment shall be accessible for adjusting and testing and the installation of check meter(s). If requested in writing and not less than once in each calendar year, on a date as near the end of such calendar year as practical, the party responsible for metering shall calibrate its water meter(s) in the presence of the other Party, and the Parties shall jointly observe any adjustments that shall be necessary. The Party responsible for metering shall give the requesting Party notice of the date and time when any such calibration is to be made and, if a representative of requesting Party is not present at the time set, calibration and adjustment may proceed in the absence of any representative of the requesting Party.

If upon any test of the water meter(s), the percentage of inaccuracy of such metering equipment is found to be in excess of five percent (5%), registration thereof shall be corrected for a period extending back to the time when such inaccuracy began, if such time is ascertainable. If such time is not ascertainable, then registration thereof shall be corrected for a period extending back one-half ($\frac{1}{2}$) of the time elapsed since the last date of calibration, but in no event further back than period of six (6) months. If any meter(s) are out of service or out of repair so that the amount of water delivered cannot be ascertained or computed from the reading thereof, the water delivered through the period such meters(s) are out of service or out of repair shall be estimated and agreed upon by the City and GBRA upon the basis of the best data available, and, upon written request, the Party responsible for metering shall install new meters or repair existing meters at the cost of Party responsible for metering. If City and GBRA fail to agree on the amount of water delivered during such period, the amount of water delivered may be estimated by:

- (1) correcting the error if the percentage of the error is ascertainable by calibration tests or mathematical calculation; or
- (2) estimating the quantity of delivery by deliveries during the preceding periods under similar conditions when the meter or meters were registering accurately.

Section 25. Quality.

The water to be supplied to City by GBRA is untreated water as it is found in the Guadalupe River at the Point of Diversion. The water to be delivered by City and received by GBRA at the Point of Delivery shall be potable water from the Plant meeting applicable state and federal purity standards for potable water.

Section 26. Title.

Title to all water supplied hereunder shall be in GBRA from the Point of Diversion to the Plant, then in City up to each GBRA Point of Delivery, at which point title shall pass to GBRA. City and GBRA hereby agree to 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 the other Party.

Section 27. Other Charges.

In the event any sales or use taxes, or other taxes, assessments, or charges of any similar nature are imposed on diverting, storing, delivering, gathering, impounding, taking, selling, using or consuming the water from the Project, the amount

of the tax assessment, or charge shall be included in the Operation and Maintenance Expenses of the Raw Water Delivery System or the Operation and Maintenance Expenses of the Plant as appropriate.

Section 28. Default in Payments.

All amounts due and owing to City by GBRA or owing to GBRA by City shall, if not paid when due, bear interest at the Texas post-judgment interest rate as set out in TEX. REV. CIV. STAT. ANN. ART. 5069-1.05 (Vernon Supp. 1996) or any successor statute from the date when due until paid, provided that such rate shall never be usurious or exceed the maximum rate as permitted by law. If any amount due and owing by either Party is placed with an attorney for collection by the other Party, the owing Party shall pay to the owed Party, in addition to all other payments provided for by this Agreement, including interest, the owed Party's collection expenses, including court costs and attorney's fees.

Section 29. Waiver and Amendment.

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

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

Section 30. Remedies.

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

Section 31. Force Majeure.

If for any reason of force majeure, either the City or GBRA shall be rendered unable, wholly or in part, to carry out its obligations under this Agreement, other than the obligation of GBRA and the City to make the payments required under the terms of this Agreement, then if the Party shall give notice of the reasons in writing to the other Party within a reasonable time after the occurrence of the event, or cause relied on, the obligation of the Party giving the notice, so far as it is affected by the force majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period. The term "force majeure" as used in this Agreement shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of public enemy, orders or actions of any kind of government of the United States or of the State of Texas, or any civil or military authority, insurrections, riots, epidemics, land slides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraints of government and people, civil disturbances, explosions, breakage or accident to dams, machinery, pipelines, canals, or other structures, partial or entire failure of water supply including pollution (accident or intentional), and any inability on the part of GBRA to deliver raw water, the City to receive raw water, the City to treat and/or deliver treated water, or of GBRA to receive treated water, on account of any other cause not reasonably within the control of the Party claiming the inability.

Section 32. Non-Assignability.

Neither Party may assign this Agreement without the written consent of the other Party, except to a successor of the duties and functions of that Party.

Section 33. Sole Agreement.

Except for the City's Raw Water Contract, this Agreement constitutes the sole and only agreement of GBRA and City and supersedes any prior understanding or oral or written agreements between the City and GBRA respecting the subject matter of this Agreement.

Section 34. Severability.

The provisions of this Agreement are severable and if, for any reasons, any one or more of the provisions contained in the Agreement shall be held to be invalid, illegal or unenforceable in any respect, the invalidity, illegality or unenforceability shall not affect any other provision of this Agreement and this Agreement shall remain in effect and be construed as if the invalid, illegal or unenforceable provision had never been contained in the Agreement.

Section 35. Captions.

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

Section 36. No Third Party Beneficiaries.

This Agreement does not create any third party benefits to any person or entity other than the signatories hereto, and is solely for the consideration herein expressed. No existing or potential GBRA Customer or City Customer shall have any right, title or interest in and to this Agreement.

Section 37. Notices.

All notices, payments and communication ("notices") required or allowed by this Agreement shall be in writing and be given by depositing the notice in the United States mail postpaid and registered or certified, with return receipt requested, and addressed to the Party to be notified. Notice deposited in the mail in the previously described manner shall be conclusively deemed to be effective from and after the expiration of three (3) days after the notice is deposited in the mail. For purposes of notice, the addresses of and the designated representative for receipt of notice for each of the parties shall be as follows:

City of San Marcos
Attention: City Manager
630 East Hopkins Street
San Marcos, Texas 78666

Guadalupe-Blanco River Authority
Attention: General Manager
933 E. Court Street
Seguin, Texas 78155

Either Party may change its address by giving written notice of the change to the other Party at least fourteen (14) days before the change becomes effective.

Section 38. Duplicate Originals.

GBRA and the City, acting under authority of their respective governing bodies, shall authorize the execution of this Agreement in several counterparts, each of which shall be an original. The City and GBRA shall submit written evidence in the form of bylaws, charters, resolutions or other written documentation specifying the authority of each Party's representative to sign this Agreement which evidence shall be attached to this Agreement as Exhibit 5.

CITY OF SAN MARCOS
630 East Hopkins Street
San Marcos, Texas 78666

BY: *Spencer A. Dill*
TITLE: *City Manager*
DATE: *6-25-97*

ATTEST:

Daniel G. Wemach

APPROVED AS TO FORM AND LEGALITY

BY: *Mark B. Taylor*
CITY ATTORNEY

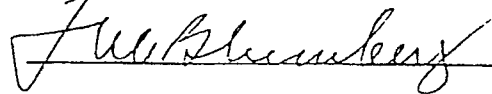
GUADALUPE-BLANCO RIVER AUTHORITY
933 E. Court Street
Seguin, Texas 78156

BY: 

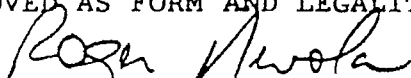
TITLE: GOV. MGR.

DATE: 6/18/97

ATTEST:



APPROVED AS FORM AND LEGALITY

BY: 

ATTORNEY FOR GBRA

EXHIBIT "1"

WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is entered into as of the 10th day October, 1989, between Guadalupe-Blanco River Authority, a conservation and reclamation district and political subdivision of the State of Texas (GBRA), and the City of San Marcos, Hays County, Texas, (San Marcos), a municipal corporation located in Hays and Caldwell Counties, Texas.

WITNESSETH

RECITALS

GBRA holds Certificate of Adjudication Number 18-2074-B (CA-18-2074-B) issued by the Texas Water Commission, based on GBRA's rights under Permit 1885, as amended. CA-18-2074-B authorizes GBRA to impound water in Canyon Reservoir in Comal County, Texas, and to divert and use therefrom not to exceed an average of 50,000 acre-feet of water per annum for domestic, municipal, and industrial purposes and, temporarily, irrigation and recreation purposes.

San Marcos needs a firm surface water supply in order to provide water for municipal and industrial purposes to its retail customers within the service area of the City of San Marcos, and desires to purchase from GBRA untreated water from storage in Canyon Reservoir for such purposes. The water will be treated at a water treatment plant to be constructed in the vicinity of the City of San Marcos, Hays County, Texas.

At the present time, GBRA has available for sale from Canyon Reservoir under CA-18-2074-B water for municipal use only, but shall, upon request by San Marcos pursuant to this Contract, seek the necessary authorizations from time to time from the Texas Water Commission to allow a portion of such water to be used for industrial use.

AGREEMENT

Now, therefore, for and in consideration of the mutual promises, obligations, and benefits hereinafter set forth, GBRA and San Marcos agree as follows:

A. Quantity. GBRA shall furnish San Marcos, at the point or points of delivery hereinafter specified, during the term of this contract or any renewal or extension thereof, untreated water released from conservation storage in Canyon Reservoir under CA-18-2047-B, or other reservoir storage available to GBRA in such quantity as may be required by San Marcos not to exceed the Annual Commitment. The "Annual Commitment" shall mean the minimum quantity of water to be taken from conservation storage or paid for, whether taken or not, on an annual calendar-year basis in any calendar year. The initial Annual Commitment shall be 5,000 acre-feet of water per year, but may be increased from storage in Canyon Reservoir, or other reservoir storage available to GBRA, if available, pursuant to the following provisions:

1. If the total amount of stored water diverted in any calendar year exceeds the Annual Commitment applicable during that year, then, effective as of the first day of January of the following year, the

Annual Commitment shall be such greater amount, if such additional amount is available from storage on a firm yield basis, unless and until further increased pursuant to this paragraph A; or

2. The Annual Commitment may be increased upon request by San Marcos, if available from storage in Canyon Reservoir, or other reservoir storage available to GBRA on a firm annual yield basis.

3. If the proposed water treatment system serves another city, rural water system or other independent water system that has contracted with GBRA for water from storage, the quantity of stored water charged to each contracting user will be based on a proration of the actual amount of treated water delivered to each water system.

B. Point of Delivery. The water will be delivered to the following point(s): A water treatment plant located adjacent to the San Marcos River in Kays County, Texas, as set forth in Exhibit "A" hereto. The maximum delivery rate shall be _____ gallons per minute.

A vicinity map attached hereto as Exhibit "B" shows the Point(s) of Delivery.

C. Purpose of Use. The stored water supplied from conservation storage in Canyon Reservoir or other reservoir storage available to GBRA, under this Contract, shall be used for municipal use only; provided, however, that San Marcos may from time to time request that GBRA seek the necessary authorizations

to allow a portion of the Annual Commitment applicable at such time to be used for industrial use or, as the circumstances may be, to convert a portion back to municipal use. Upon receipt of any such request, GBRA shall seek the necessary authorizations from the Texas Water Commission to allow an appropriate portion of the Annual Commitment to be used for industrial use or, as the circumstances may be, convert an appropriate portion back to municipal use. San Marcos and GBRA contemplate that the uses of stored water supplied under this Contract for "municipal use" and "industrial use" will be within the definitions of such terms under the Rules of the Texas Water Commission in existence on the effective date of this Contract. These definitions, as found in 31 Tex. Adm. Code S 297.1, are set forth in Exhibit "C" attached hereto. If the Commission or a court of competent jurisdiction should ever determine that any of the uses of water presently included within such definitions are not either "municipal use" or "industrial use" but, determine the use is within a purpose of use other than "municipal use" or "industrial use", then, upon request by San Marcos, GBRA shall seek the necessary authorizations from the Commission to allow an appropriate portion of the Annual Commitment applicable at such time to be used for such other purpose of use.

D. Place of Use. Any use of the stored water outside the Guadalupe River Basin must be approved in advance in writing by GBRA.

E. Billing Procedure. GBRA will render bills to San Marcos on or before the tenth (10th) day of each month to the

address provided by San Marcos for the payment amount determined pursuant to Paragraphs "F" and "G", below.

F. Monthly Payments. Beginning on the date that a certification of completion is delivered in writing by San Marcos to GBRA stating that the water treatment plant to be constructed is capable of delivering treated water, or on January 1, 1995, whichever first occurs, San Marcos shall pay GBRA at its office in Guadalupe County, Texas, or such other place as GBRA may designate in writing, not later than the twentieth (20th) day of each month, pursuant to the monthly bill rendered to San Marcos as provided in Paragraph E, above, a dollar amount equal to one-twelfth of the annual cost resulting from multiplying the Annual Commitment in acre-feet times the rate to be paid by San Marcos for stored water reserved and supplied pursuant to this Contract (the "stored water rate"). The present stored water rate is \$44.76 per acre foot.

In addition, San Marcos shall pay a rate for water delivery, if any, established by GBRA, on a cost of service basis, for the construction and operation of any facilities, including but not limited to a pump station, pipeline and terminal storage facilities, necessary to deliver stored water from the Guadalupe River to the water treatment plant site selected by San Marcos. The final plans for delivery facilities shall be reviewed and approved by San Marcos prior to construction and payment by San Marcos shall begin with the initial delivery of water to the plant site.

G. Annual Adjustment. San Marcos will pay G3RA at its office in Guadalupe County, Texas, or such other place as G3RA may designate in writing, not later than the twentieth (20th) day of January of each year, a dollar amount equal to the stored water rate times the number of acre-feet of water used in the previous calendar year which exceeded the Annual Commitment applicable during that year.

H. Adjustment of Rates. The provisions of this Contract pertaining to the rates to be paid by San Marcos for stored water reserved and supplied may be adjusted by G3RA at any time and from time to time in accordance with the basin-wide rate for water from reservoir storage. If G3RA desires to adjust the rates for the water reserved and supplied pursuant to this Contract, it shall, at least sixty (60) days prior to the first day on which such adjustment is proposed to become effective, give written notice of the proposed adjustment to San Marcos.

The rate to be paid for water delivery may be adjusted by G3RA at any time and from time to time, provided that the basis for the rate established by G3RA shall be the cost of service including the debt service requirements which were incurred in connection with the financing of the water delivery system; the expenses incurred in the operation and maintenance of the delivery system including without limitation the expenses of materials, supplies, power and utilities used in connection with the system; the expenses of repairs and replacements and depreciation; the cost of insurance, rentals, licenses, taxes and all other charges of any nature whatsoever related to the

delivery system, including, without limitation, all damages and governmental or judicial assessments; interest and other related fixed charges not included in the above clause of this Paragraph; general and administrative expenses reasonably attributable to the delivery system; wages, salaries, and other compensation and fringe benefits payable to GBRA's employees, and professional fees, including, without limitation, legal, accounting, financial, engineering, consulting, and other technical fees, which may be allocated to work performed in connection with the delivery system; expenses incurred in protecting the water supply delivered to San Marcos, including, without limitation, Water Master fees; and all other costs (whether of a capital or expense nature) incurred on account of, or in connection with, the ownership, occupancy, maintenance, operation, replacement, repair or restoration of the delivery system that are not included in the above clauses of this Paragraph.

In the event of a disagreement between GBRA and San Marcos over the stored water rate or the delivery rate, GBRA and San Marcos may apply by appropriate means to the Texas Water Commission, or any agency succeeding to the rate-making jurisdiction of the Texas Water Commission, to establish a just and reasonable rate for such water.

I. Metering Equipment. At the onset of initial use of water under this Contract, GBRA shall furnish, install, operate and maintain or cause to be furnished, installed, operated and maintained at the Point of Delivery the necessary metering equipment and required devices of standard type for properly

measuring the quantity of water delivered to San Marcos and to calibrate such metering equipment not more frequently than once every twelve (12) months. A meter registering not more than five percent (5%) above or below the test results shall be deemed to be accurate. The previous readings of any meter disclosed by tests to be inaccurate shall be corrected for one-half (1/2) the period elapsed since the next preceding meter test but in no event to exceed six (6) months in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless GBRA and San Marcos shall agree upon a different amount. The metering equipment shall be read weekly at or near the first day of each week.

All measuring devices shall be subject at all reasonable times to inspection, examination and testing by GBRA and San Marcos. Any measuring device which fails to function or which functions incorrectly shall promptly be adjusted, repaired or replaced by a like device having the required accuracy.

J. Term of Contract. This Contract shall extend for a term of thirty (30) years from the date hereof and thereafter may be renewed or extended for such term, or terms, as may be agreed upon by GBRA and San Marcos.

K. Quality of Water. The water to be supplied under this Contract shall be untreated water released from storage, delivered to a Point of Diversion in the Guadalupe River, and

transported to San Marcos by pipeline. San Marcos shall not be obligated to pay for the use of any water which because of the wilful acts or negligence of GBRA, its representatives, agents and employees, is rendered untreatable by San Marcos' water treatment plant of standard design and capability for waters of the Guadalupe River as established by the appropriate governmental authority for the reach of the Guadalupe River in which the Point of Diversion is located. To the extent such untreatable water prevents San Marcos from using the full amount of water delivered, the payment due for the Annual Commitment shall be reduced proportionately.

L. Modification of Contract. The provisions of this Contract may be modified or altered only by written agreement of the parties.

M. Regulatory Agencies. This Contract is subject to CA-13-2074-3 and to such laws, rules, and regulations as may be applicable to this Contract and as may be applicable to rights to use water in the State of Texas. GBRA and San Marcos agree to cooperate with each other to obtain any permits, approvals or other authorizations as may be required to comply therewith.

N. Assignment. San Marcos may not assign this Contract to parties other than those holding mortgages on San Marcos' water supply system without the prior written consent of GBRA. Any successor or assign of GBRA shall succeed to the rights and obligations of GBRA hereunder.

O. Captions. All titles of the sections of this Contract have been inserted for convenience of reference only and are not

considered a part of this Contract and in no way shall they affect the interpretation of any provisions of this Contract.

P. Termination. If San Marcos fails to pay any amounts payable under this contract when due and payable, GBRA may give written notice of such delinquency to San Marcos, and if all amounts due and unpaid, including interest thereon from the date payment was due at maximum legal rates, are not paid within thirty days after delivery of such notice, then GBRA may, at its option, institute suit for collection thereof and utilize such other remedies as may exist to collect any amounts due and unpaid, together with interest thereon at the maximum legal rate and attorney's fees. In addition to all other remedies, GBRA may, at its option, if such amounts are not paid within said thirty day period, terminate this Contract without recourse.

Q. Additional Water. In the event that GBRA should obtain any additional water in whatever manner from Canyon Reservoir or other reservoir storage, which water would be subject to sale by GBRA, then GBRA shall inform San Marcos and thereby provide San Marcos the opportunity to purchase additional water from reservoir storage for the purposes set out under this Contract.

R. Remedies. Unless a particular remedy procedure is set forth herein for any default under the Contract, the parties hereto shall have available to it all remedies at law or in equity.

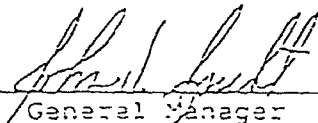
S. Notices. All notices provided for herein shall be by certified United States mail, addressed to the following parties at the address set out for each:

Guadalupe-Blanco River Authority
Attention: General Manager
P. O. Box 271
Seguin, Texas 78156-0271

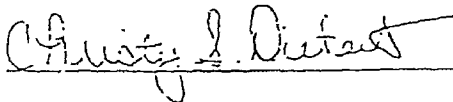
City of San Marcos
Attention: City Manager
630 East Hopkins Street
San Marcos, Texas 78666

In witness whereof, the parties hereto, acting under the authority of the respective governing bodies, have caused this Contract to be duly executed in five (5) counterparts, each of which shall constitute an original.

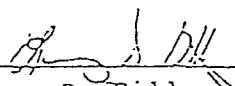
GUADALUPE-BLANCO RIVER AUTHORITY

By: 
General Manager

ATTEST:



CITY OF SAN MARCOS

By: 
Larry D. Gilley
City Manager

ATTEST:

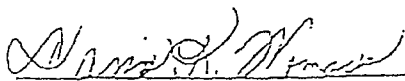
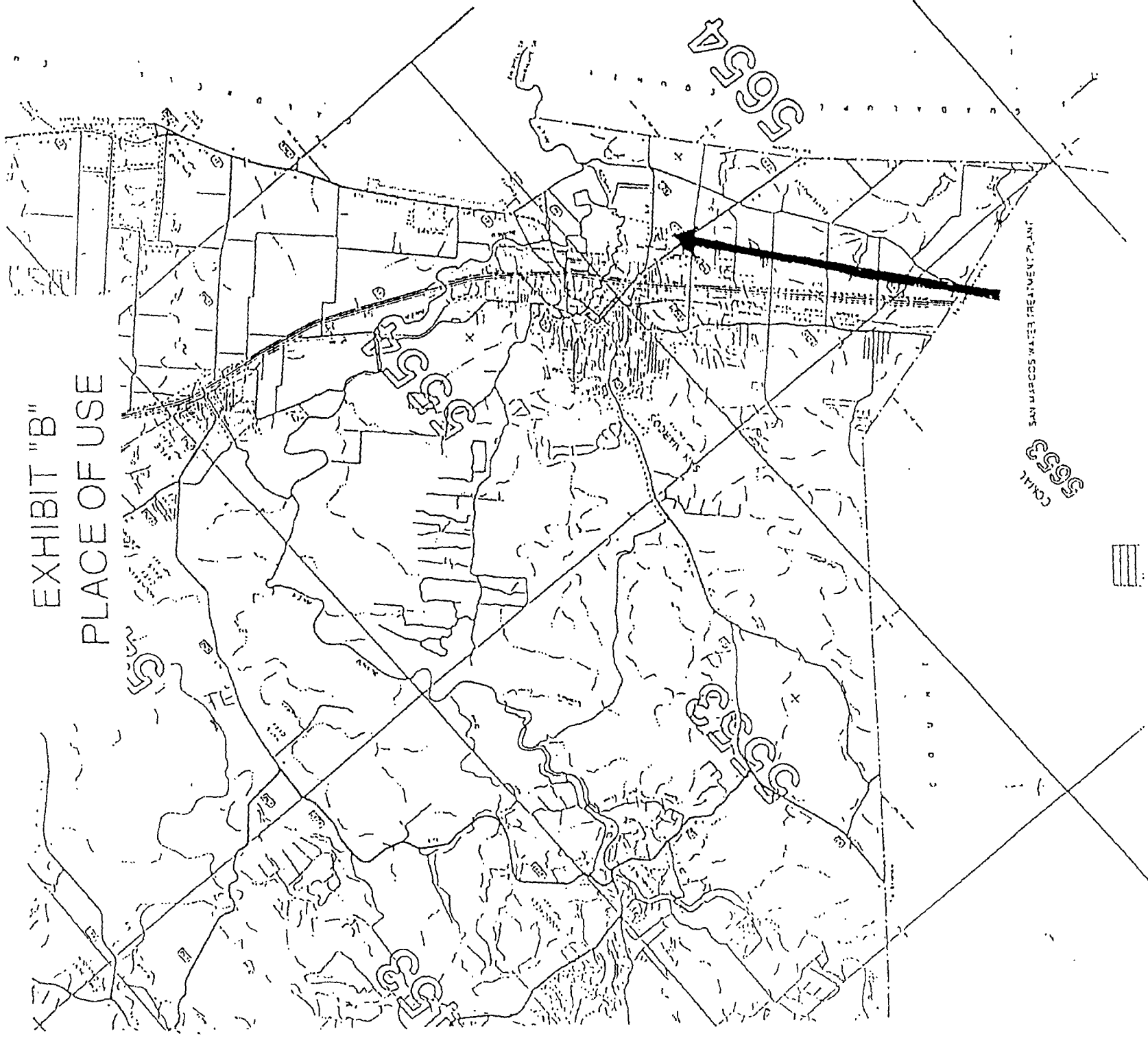

Janis K. Womack
City Secretary

Exhibit "A"
Legal Description
San Marcos Water Treatment Plant

On the North end of the San Marcos pipeline N 14° 6,830 feet from the
South corner of the Thomas G. McGehee Survey.

EXHIBIT "B" PLACE OF USE



SAN MARCOS WATER TREATMENT PLANT IN CC NO. 1744-A
CITY OF SAN MARCOS WATER PURCHASE CONTRACT

GENERAL HIGHWAY MAP
HAYS COUNTY

TEXAS

PREPARED BY THE
TEXAS DEPARTMENT OF TRANSPORTATION

EXHIBIT "C"

§ 297.1 Definitions.

* * *

Industrial use - The use of water in processes designed to convert materials of a lower order of value into forms having greater usability and commercial value, including commercial feedlot operations, commercial fish production and the development of power by means other than hydroelectric.

* * *

Municipal use - The use of treated water within or without a municipality and its environs whether supplied by a person, privately-owned utility, political subdivision, or other entity as well as the use of municipal sewage effluent for certain purposes specified as follows. It includes the use of treated water for domestic purposes, fighting fires, sprinkling streets, flushing sewers and drains, watering parks and parkways, and recreational purposes including public and private swimming pools, the use of treated water in industrial and commercial enterprises supplied by a municipal distribution system without special construction to meet its demands, and for the watering of lawns and family gardens. Municipal use also includes the application of municipal sewage effluent upon land sites, pursuant to a Texas Water Code, Chapter 26, permit, where:

- (A) the primary purpose of the application is the treatment and/or necessary disposal of such effluent, or
- (B) the application site is a park, parkway, golf course, or other landscaped area owned by the owner of the permitted sewerage system, or
- (C) the effluent applied to such site is generated within an area for which the commission has adopted a no-discharge rule.

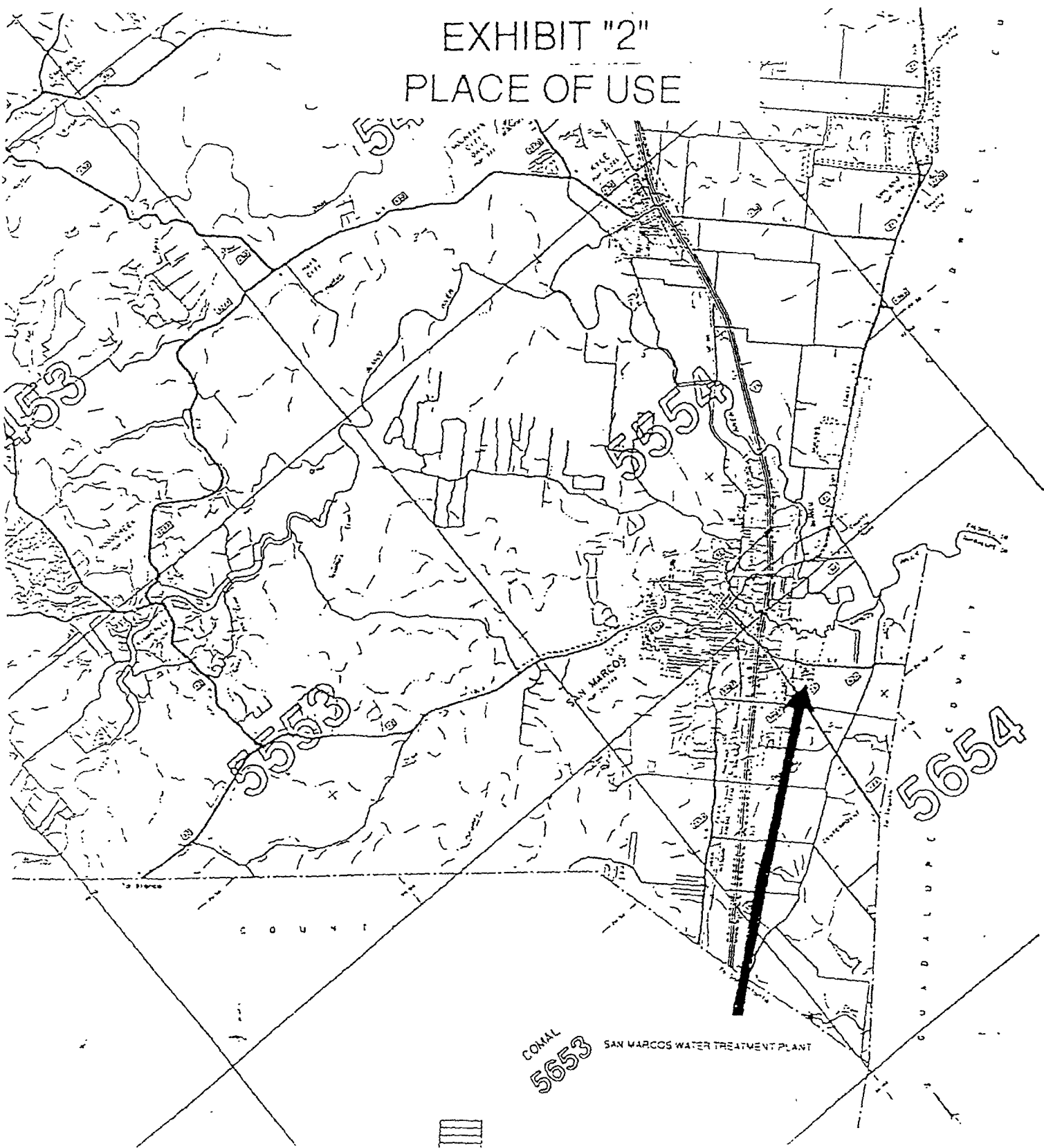
* * *

EXHIBIT "2"

Legal Description San Marcos Water Treatment Plant

On the North end of the San Marcos pipeline N 14° 6,830 feet from the
South corner of the Thomas G. McGehee Survey.

EXHIBIT "2"
PLACE OF USE



SAN MARCOS WATER TREATMENT PLANT NRCC NO. 1744-A
CITY OF SAN MARCOS WATER PURCHASE CONTRACT

GENERAL HIGHWAY MAP
HAYS COUNTY
TEXAS
PREPARED BY THE
TEXAS DEPARTMENT OF TRANSPORTATION

EXHIBIT "3"

POINT OF DIVERSION

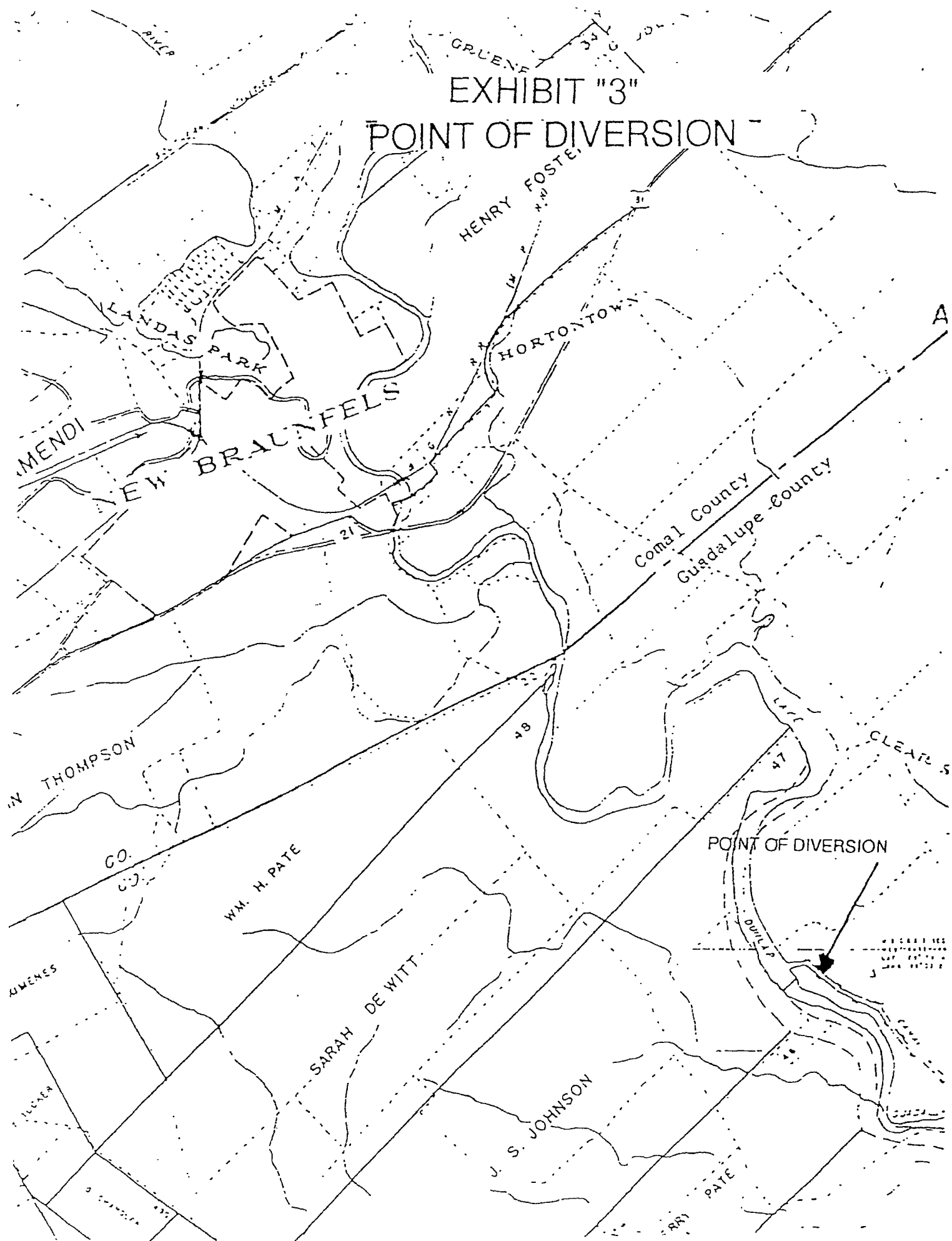


Exhibit "2"

CONTRACT FOR RAW WATER SERVICE

This Contract for Raw Water Service is entered into as of June 16, 1999 between Guadalupe-Blanco River Authority, a conservation district and political subdivision of the State of Texas ("GBRA"), and Canyon Regional Water Authority ("Purchaser").

RECITALS

Pursuant to the terms of that certain contract for raw water service between GBRA and Maxwell Water Supply Corporation ("Maxwell WSC") dated December 23, 1996, as amended, designated by the Texas Natural Resource Conservation Commission ("TNRCC") as **Contract No. 2071**, GBRA agreed to supply 350 acre-feet of untreated water per annum to Maxwell WSC.

Pursuant to the terms of that certain contract for raw water service between GBRA and County Line Water Supply Corporation ("County Line WSC") dated April 7, 1997, and designated by TNRCC as **Contract No. 2140**, GBRA agreed to supply 30 acre-feet of untreated water per annum to County Line WSC.

Maxwell WSC and County Line WSC desire that the two existing contracts described above be cancelled and that the commitment by GBRA for untreated water to be delivered by GBRA to Maxwell WSC and County Line WSC be included in this Contract for Raw Water Service with CRWA. GBRA agrees that the contracts with Maxwell WSC and County Line WSC may be cancelled and that the commitments in those contracts be included in this Contract. Also included in this Contract is a commitment of 50 acre-feet per annum of untreated water that will be delivered through CRWA to the Martindale Water Supply Corporation.

AGREEMENT

For and in consideration of the mutual promises, obligations, and benefits hereinafter set forth, GBRA and Purchaser agree as follows:

1. QUANTITY. GBRA agrees to furnish Purchaser, at the Point of Diversion (hereinafter defined), during the term of this agreement, untreated water from conservation storage in Canyon Reservoir under Certificate of Adjudication 18-2074D, as amended, in such quantity as may be required by Purchaser, not to exceed 430 acre-feet per year (the "Annual Commitment"), to be used for Municipal purposes.

2. POINT OF DIVERSION. The water will be furnished at a point in Guadalupe County (the "Point of Diversion") as follows: North 21° West from the South corner of the Antonio M. Esnaurrizar Survey, a distance of 34,800 feet. Said point is also located on the East bank of the GBRA Dunlap Hydro Canal and downstream 100' due South from the headwork tainter gates.

The maximum rate of diversion at the Point of Diversion shall not exceed 350 gallons per minute (0.78 cubic feet/second). The vicinity map attached hereto as Exhibit "A" shows the Point of Diversion. Exhibit "B" shows the place of use. Certificate of Adjudication 18-2074D authorizes GBRA to use the bed and banks of

the Guadalupe River to convey water released from Canyon Reservoir to the Point of Diversion.

3. MONTHLY PAYMENTS. Purchaser agrees to pay GBRA at its office in Guadalupe County, Texas, or such other place as GBRA may designate in writing, upon execution of this contract by Purchaser, and thereafter not later than the twentieth (20th) day of each month during the term of this contract, an amount of money equal to one-twelfth of the Annual Commitment multiplied by the then applicable rate for water supplied from conservation storage in Canyon Reservoir (the "Raw Water Rate"). The payment due upon execution of this contract shall be \$ 2,185.83 based upon the current Raw Water Rate of \$ 61.00 per acre-foot per year.

4. ANNUAL ADJUSTMENT. Purchaser agrees to pay GBRA at its office in Guadalupe County, Texas, or such other place as GBRA may designate in writing, not later than the thirty-first day of January of each year, a dollar amount equal to the Raw Water Rate times the number of acre-feet by which the total amount of water diverted at the Point of Diversion in the previous calendar year exceeds the Annual Commitment, provided, however, that nothing in this section shall be construed as obligating GBRA to supply in any year more water than the Annual Commitment.

5. ADJUSTMENT OF RAW WATER RATE. The Raw Water Rate may be adjusted by GBRA at any time and from time to time. If GBRA desires to adjust the Raw Water Rate, it shall, at least sixty (60) days prior to the first day on which the adjustment is proposed to become effective, give written notice of the proposed adjustment to Purchaser.

6. METERING. GBRA shall furnish, install, operate and maintain at its own expense at the Point of Diversion a measuring device or devices to measure the quantity of water diverted for Purchaser within five percent (5%) above or below the amount actually diverted. All measuring devices shall be subject at all reasonable times to inspection, examination and testing by an employee or agent of Purchaser. Any measuring device which fails to function or which functions incorrectly shall, at GBRA's expense, promptly be adjusted, repaired or replaced by a like device having the required accuracy. Purchaser may, at its expense, install and maintain such measuring devices as it deems appropriate to measure the quantity of water diverted for Purchaser at the Point of Diversion, in which case measurement of water shall be made by GBRA's measuring devices. GBRA shall read the metering equipment monthly and shall maintain records of such readings. Purchaser shall furnish GBRA by the first day of each month with an estimate of the total amount of water to be diverted that month, as well as the amount actually diverted the previous month. GBRA agrees to complete and file with the TNRCC (or its successor) all reports of water used by Purchaser.

7. QUALITY. The water to be supplied hereunder shall be untreated water as it occurs in the Guadalupe River at the Point of Diversion.

8. REGULATORY AGENCIES. The effectiveness of this contract is dependent upon compliance with the applicable provisions, if any, of 31 TAC 295 and 297, Subchapter J of the Texas Natural Resource Conservation Commission.

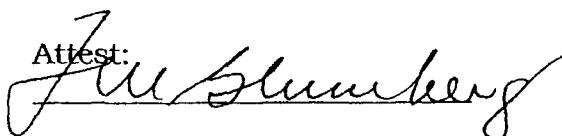
9. ASSIGNMENT. Except as specifically provided otherwise below, Purchaser may not assign this contract without the prior written consent of GBRA. Without obtaining GBRA's consent, Purchaser may assign this contract to the U. S. Department of Agriculture-Rural Development. Any successor or assign of GBRA shall succeed to the rights and obligations of GBRA hereunder.

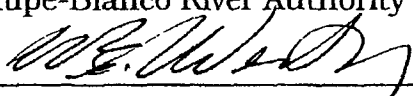
10. CAPTIONS. All titles of the sections of this contract have been inserted for convenience of reference only and are not considered a part of this contract and in no way shall they affect the interpretation of any provisions of this contract.

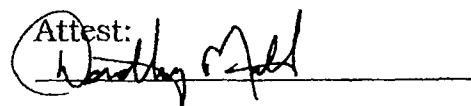
11. TERMINATION. Purchaser may terminate this contract at any time for any reason by giving GBRA written notice of termination thirty (30) days prior to the date of termination. If Purchaser fails to pay any amounts payable under this contract when due and payable, GBRA may give written notice of such delinquency to Purchaser, and if all amounts due and unpaid, including interest thereon from the date payment was due at maximum legal rates, are not paid within thirty days after delivery of such notice, then GBRA may, at its option, institute suit for the collection thereof and utilize such other remedies as may exist to collect any amounts due and unpaid, together with interest thereon at the maximum legal rate and attorney's fees. In addition to all other remedies, GBRA may, at its option, if such amounts are not paid within said thirty day period, terminate this contract without recourse.


12. TERM. This contract shall terminate on December 31, 2039 unless it is terminated earlier pursuant to the provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be duly executed in multiple counterparts, each of which shall constitute an original.

Attest: 

Guadalupe-Blanco River Authority
By 
William E. West, Jr., General Manager

Attest: 

Purchaser
By 
David Davenport, General Manager
850 Lakeside Pass Drive

Address
New Braunfels, TX 78130

City, State, Zip
830-609-0543

Telephone No.