



Control Number: 50963



Item Number: 1

Addendum StartPage: 0



50963

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 be 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.

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PUBLIC UTILITY COMMISSION
FILING CLERK

Application Summary

Applicant: City of McGregor

CCN No. to be amended: 10033, 20009

or Obtain NEW CCN Water Sewer

County(ies) affected by this application: McLennan

Dual CCN requested with: City of Waco

CCN No.: 10039, 20010 (name of retail public utility) Portion or All of requested area

Decertification of CCN for: _____

CCN No.: _____ (name of retail public utility) Portion or All of requested area

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Appendix A: Historical Financial Information (Balance Sheet and Income Schedule)..... 13

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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 type="checkbox"/> | Franchise, Permit, or Consent letter | Part B: Question 7 |
| <input checked="" type="checkbox"/> | Existing Infrastructure Map | Part B: Question 8 |
| <input checked="" type="checkbox"/> | Customer Requests For Service in requested area | Part B: Question 9 |
| <input checked="" type="checkbox"/> | Population Growth Report or Market Study | Part B: Question 10 |
| <input checked="" type="checkbox"/> | TCEQ Engineering Approvals | Part B: Question 11 |
| <input type="checkbox"/> | Requests & Responses For Service to 1/2 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 checked="" type="checkbox"/> | Enforcement Action Correspondence | Part C: Question 16 |
| <input checked="" type="checkbox"/> | TCEQ Compliance Correspondence | Part D: Question 20 |
| <input checked="" type="checkbox"/> | Purchased Water Supply or Treatment Agreement | Part D: Question 23 |
| <input type="checkbox"/> | Rate Study (new market entrant) | Part E: Question 28 |
| <input type="checkbox"/> | Tariff/Rate Schedule | Part E: Question 29 |
| <input checked="" type="checkbox"/> | Financial Audit | Part E: Question 30 |
| <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 |
| <input checked="" type="checkbox"/> | General Location (small scale) Map | Part F: Question 32 |
| <input checked="" type="checkbox"/> | Digital Mapping Data | Part F: Question 32 |
| <input checked="" type="checkbox"/> | Signed & Notarized Affidavit | Page 12 |

Question 27

Part A: Applicant Information

1. A. Name: City of McGregor (individual, corporation, or other legal entity)
[] Individual [] Corporation [] WSC [X] Other: Municipality

B. Mailing Address: PO Box 192
McGregor, Texas 76657

Phone No.: (254) 840-2806 Email:

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: Paul Kilpatrick Title: Asst. City Manager

Mailing Address: PO Box 192, McGregor, Texas 76657

Phone No.: (254) 840-2806 Email: pkilpatrick@mcgregor-texas.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 [X] N/A

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

[X] 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)
[X] 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: N/A

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.

The requested area consists of approximately 23 acres of land currently within the City of McGregor's (Applicant) corporate limits. The area consists of the Parks at McGregor (Phase 1) residential subdivision. The area is located with the boundary of the City of Waco's water and sewer CCN's (10039, 20010); however, the City of McGregor and City of Waco have an agreement in place to allow for the City of McGregor to serve both water and sewer to the requested area. Applicant is seeking dual certification of the requested area this application. Refer to the attachments for maps and supporting documentation regarding the agreement. Area of the Park at McGregor (Phase 1) within Central Bosque WSC's water CCN is not included for the Applicant's water CCN requested area at this time.

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: City of McGregor District: _____

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

The current boundary for the City of McGregor extends beyond areas currently identified as the City's water and sewer utility CCNs. This application seeks to extend the City's water and sewer utility CCNs to generally match the defined municipal boundary east of the city center on the south side of US 84.

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

Both residential and commercial growth is occurring along US 84 between the City of McGregor and City of Waco. The request to amend the City of McGregor's CCN area is being made to reconcile the City's CCN with it's existing city limits, which have been expanded to incorporate areas that have been developed as outlined in this application.

9. Has the Applicant received any requests for service within the requested area? See Attachment #2

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? See Attachment #2

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? See Attachment #3

Yes* No *Attach copies of TCEQ approval letters

B. Date Plans & Specifications or Discharge Permit App. submitted to TCEQ: 01/31/2018

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

Construction of a new 16" water transmission line, which will supply water to the requested area, is anticipated to be complete by June 15, 2020.

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

Funds to construct and maintain the new 16" water transmission line serving the requested CCN area will be covered by the City of McGregor, City of Waco, and City of Woodway. These three municipalities have entered into an interlocal cooperation agreement that addresses funding for this facility.

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

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

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.

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.

Amending the applicant's CCN will allow the applicant to provide service to the development within the requested area, which is within the boundary of the applicant's city limits. The entirety of the requested area is a developed residential subdivision. Due to the small size of the requested area (approx. 23 acres), regionalization is not a feasible/applicable strategy in this situation. The applicant's water system currently has sufficient capacity (with regards to TCEQ requirements) to supply the anticipated future connections with the requested area, and no new facilities or system upgrades are planned at this time.

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:

The City of McGregor is currently purchasing water from the City of Waco to provide service to the existing connections within the requested service area. Once the applicant's CCN is amended to include the requested area, the applicant will be in a position to provide direct service to the development. No adverse changes in quality of water service are anticipated as a result of extending the applicant's water CCN boundary.

The City of McGregor is currently collecting and conveying sewer for the development to the City of Waco collection system; therefore, no adverse changes in quality of sewer service are anticipated as a result of extending the applicant's sewer CCN boundary.

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

The applicant operates and maintains a retail water utility system which serves the City of McGregor as well as provides wholesale water to Central Bosque WSC. Additionally, the applicant purchases water from Bluebonnet WSC in addition to groundwater production from applicant owned and operated facilities. The applicant has operated and maintained its system under the supply agreements with Bluebonnet WSC since 1996.

The applicant also operates and maintains a retail sewer collection system which serves the City of McGregor. The applicant has operated and maintained its system for over 60 years.

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 See Attachment #4

*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:

Amending the CCN as requested will allow the applicant to serve the development directly. The development has impacted the environmental integrity of the land as it changed from raw/undeveloped land to developed land. Since the requested area lies within the city limits of the City of McGregor, the City will have the authority over review/inspection of future development plans and will ensure the plans and activities conform to applicable regulatory requirements.

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

N/A. The requested area is small (approx. 23 acres) and consists of a single residential development.

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:

The following is a list of water retail utilities identified to be within a 2 mile buffer measured from the boundary requested: City of McGregor, City of Waco, Central Bosque WSC.

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:
155004	City of McGregor		City of McGregor

*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:

TCEQ Discharge Permit No:	Date Permit expires:	Date of TCEQ inspection*:	Subdivisions served:
WQ- 0010219002	11/30/2018		City of McGregor
WQ- 0014889001	4/17/2024		Cities of Waco, Hewitt, Woodway, Robinson, Lacy Lakeview, Bellmead, Lorena
WQ- 0011071001	1/24/2025		Cities of Waco, Hewitt, Woodway, Robinson, Lacy Lakeview, Bellmead, Lorena
WQ-			

*Attach evidence of compliance with TCEQ for each Discharge Permit

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

PWS ID: 155004
WQ - 0014889001

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

Water				Sewer	
	Non-metered	35	2"	1,875	Residential
1,952	5/8" or 3/4"	5	3"	82	Commercial
117	1"	7	4"	9	Industrial
8	1 1/2"	2	Other	4	Other
Total Water Connections:			2,126	Total Sewer Connections: 1,970	

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

Water				Sewer	
	Non-metered		2"	39	Residential
39	5/8" or 3/4"		3"		Commercial
	1"		4"		Industrial
	1 1/2"		Other		Other
Total Water Connections:			39	Total Sewer Connections: 39	

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. See Attachment #5

Capacity is purchased from:

Water: Bluebonnet WSC

Sewer: City of Waco

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:		99%
Sewer:		100%

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
Paul D. Kilpatrick	B	WG0000183	Groundwater Treatment Operator
Robert W. Myers	C	WG0014836	Groundwater Treatment Operator
Martin L. Blackman	C	WD0004361	Water Distribution Operator
James M. Leyva	C	WG0014957	Groundwater Treatment Operator

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):

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 #6

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)

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**
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. See Attachment #7

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: See Attachment #1
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:
 - 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:
 - 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:
 - 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: 23

Number of customer connections in the requested area: 47

The closest city or town: McGregor, TX (property located within City)

Approximate mileage to closest city or town center: 2

Direction to closest city or town: West

The requested area is generally bounded on the North by: US Hwy 84

on the East by: FM 2188 / Cotton Belt Parkway

on the South by: Wildflower Dr

on the West by: Undeveloped / raw land

34. A copy of the proposed map will be available at McGregor City Hall, 302 S Madison Ave, McGregor, TX 76657

Applicant's Oath

STATE OF TEXAS

COUNTY OF MCKENNA

I, KEVIN P. EVANS being duly sworn, file this application to obtain or amend a water or sewer CCN, as CITY MANAGER (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.

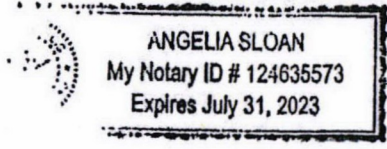
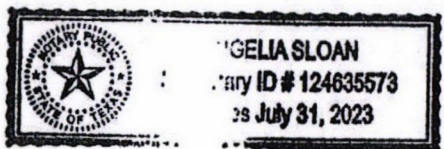
Kevin P. Evans

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 18th of June, 2020

SEAL



Angelia Sloan
NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

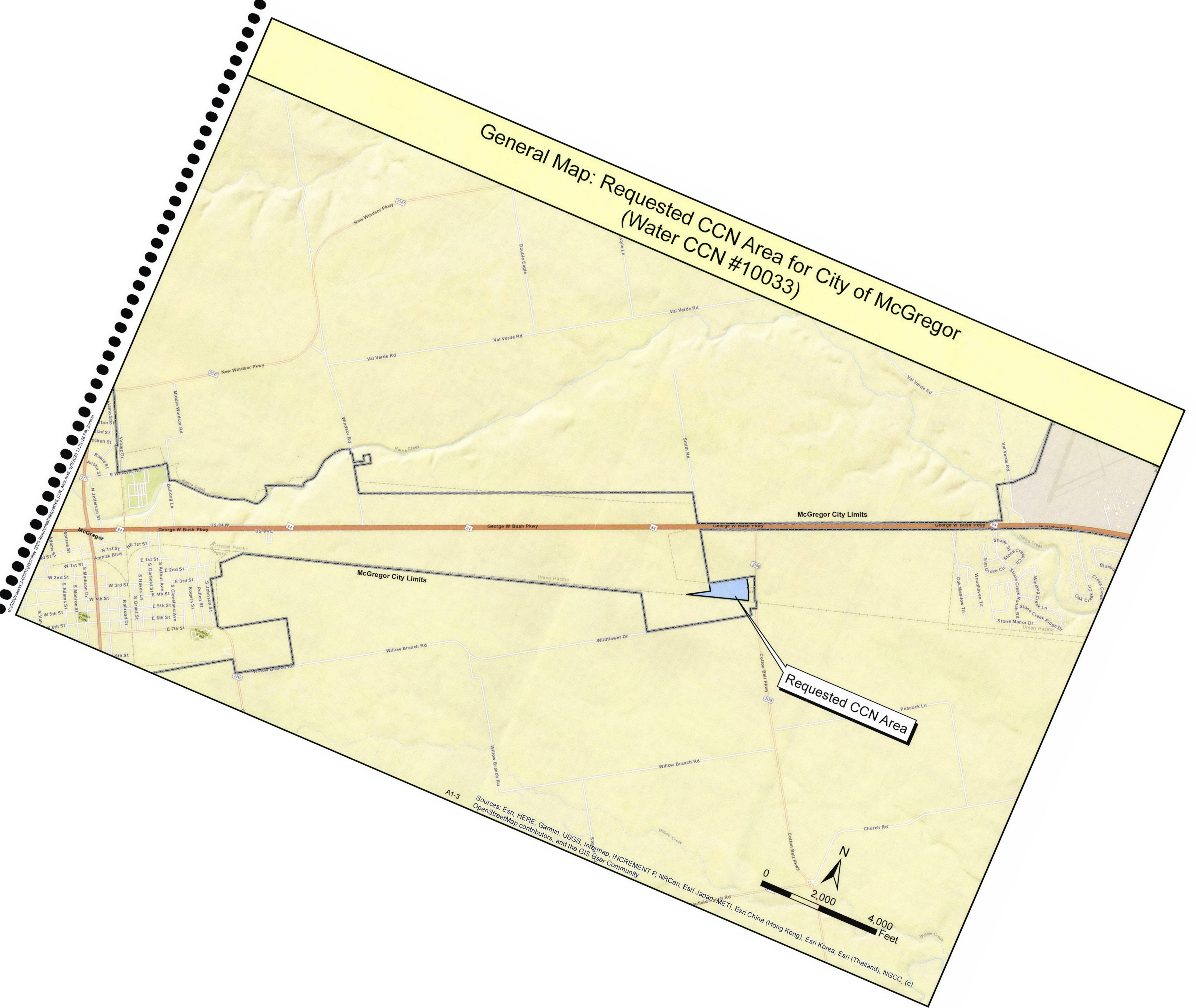
Angelia Sloan
PRINT OR TYPE NAME OF NOTARY

My commission expires: July 31, 2023

Attachment 1 – Mapping and Affidavits (Application Part F)

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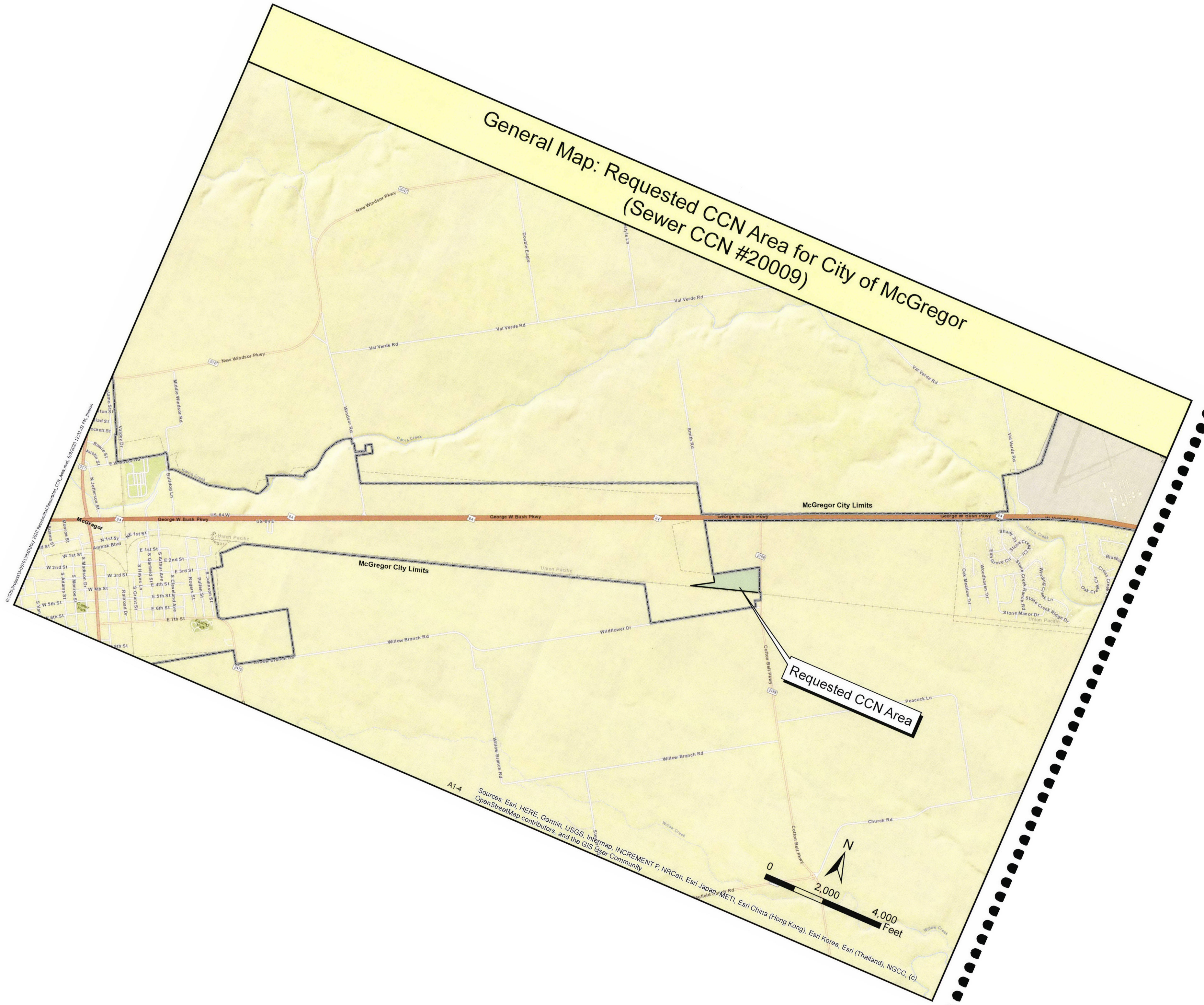
General Map: Requested CCN Area for City of McGregor (Water CCN #10033)



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A1-3 Sources: Esri, HERE, Garmin, USGS, Intermap, INCREMENT P, NRCan, Esri Japan, METI, Esri China (Hong Kong), Esri Korea, Esri (Thailand), NGCC, (c)

General Map: Requested CCN Area for City of McGregor (Sewer CCN #20009)



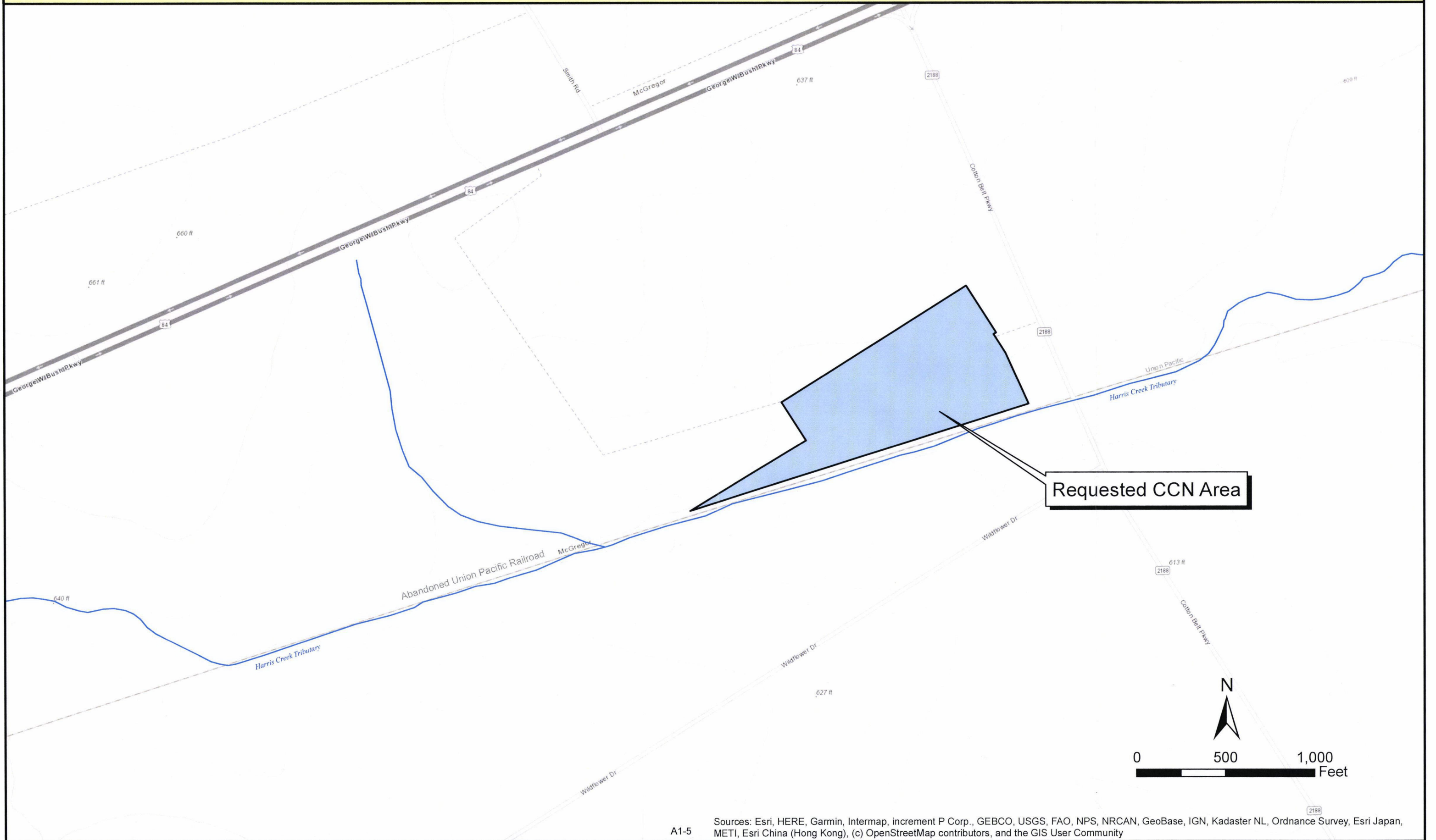
Requested CCN Area

McGregor City Limits

McGregor City Limits

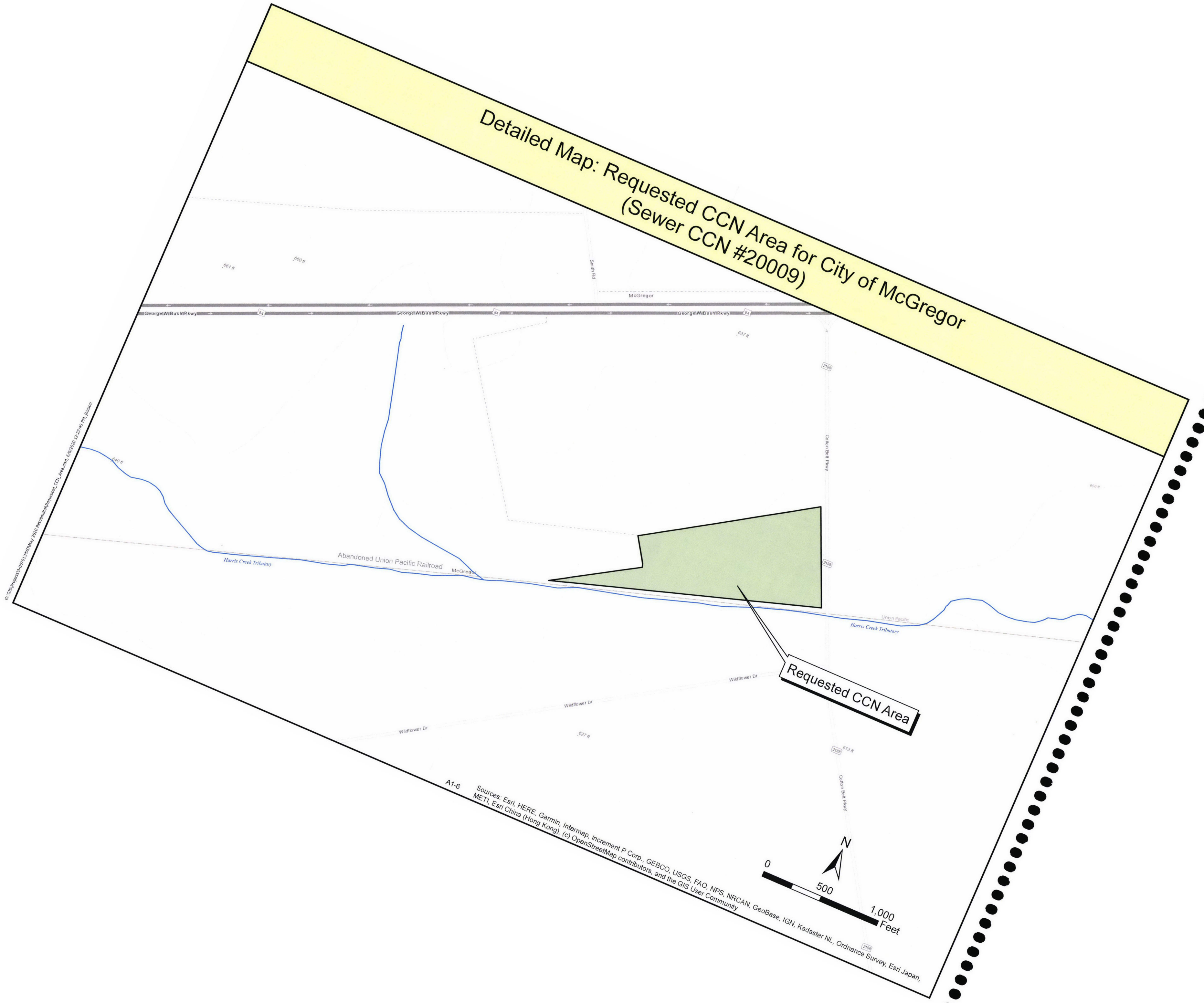
A1-4 Sources: Esri, HERE, Garmin, USGS, Intermap, INCREMENT P, NRCan, Esri Japan, METI, Esri China (Hong Kong), Esri Korea, Esri (Thailand), NGCC, (c)

Detailed Map: Requested CCN Area for City of McGregor (Water CCN #10033)



G:\GIS\Projects\3-0070\1\Map\2020 Resubmittal\Requested_CCN_Area.mxd, 6/9/2020 9:36:30 AM, jhinson

Detailed Map: Requested CCN Area for City of McGregor (Sewer CCN #20009)



G:\GIS\Projects\2020\Map\2020_Requested\Requested_CCN_Area.mxd, 6/09/2020 12:27:48 PM, jphison

A1-6 Sources: Esri, HERE, Garmin, Intermap, increment P Corp., GEBCO, USGS, FAO, NPS, NRCAN, GeoBase, IGN, Kadaster NL, Ordnance Survey, Esri Japan, METI, Esri China (Hong Kong), (c) OpenStreetMap contributors, and the GIS User Community

Attachment 2 – Area Growth and Estimate of Future Connections in Requested Area

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MEMORANDUM

To: Public Utility Commission of Texas

Re: City of McGregor (Water CCN No. 10033; Sewer CCN No. 20009)
Application to Amend a Water and Sewer CCN – Area Growth and
Estimate of Future Connections in Requested Area

Date: June 5, 2020

The City of McGregor is located in western McLennan County, Texas near the county border with Coryell County. Data published by the US Census Bureau for the 2010 census shows the population for the City of McGregor and McLennan County to be 4,987 and 234,906 people, respectively.

The City of Waco created “*The City Plan, Waco Comprehensive Plan 2040*”, which covers all aspects of the city such as land use regulations, transportation, utilities, parks, and neighborhoods and was adopted in September 2016. Though the plan primarily focusses on the Waco metro area, it does include information relevant for population and growth in and around the City of McGregor, as well as rural areas of McLennan County. The attached figure from the plan provides estimates for population change across the county which were adopted by the City of Waco for planning purposes. The figure generally shows the greatest increase in population to occur in the western half of the county, with areas of relatively significant increases located along HWY 84 between Waco and McGregor.

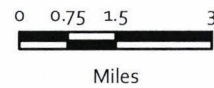
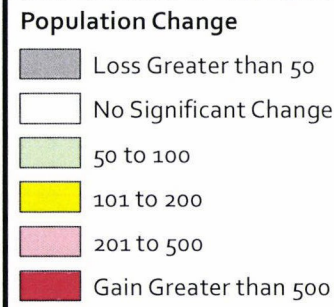
Additionally, the 2021 Regional Water Plan Population Projections published by the Texas Water Development Board (TWDB) show an anticipated increase in population will occur in McLennan and neighboring Coryell County. **Table 1** below provides a summary of county wide population estimates for the next five decades. The projections show a decade over decade increase in population ranging between 9-14% and 5-8% for McLennan and Coryell counties, respectively.

Table 1
2021 Regional Water Planning Population Estimates by County

County	2010	2020	2030	2040	2050	2060	2070
Coryell	75,388	86,105	97,771	110,752	122,101	134,199	146,240
McLennan	234,906	252,211	272,216	289,887	307,661	325,373	342,757

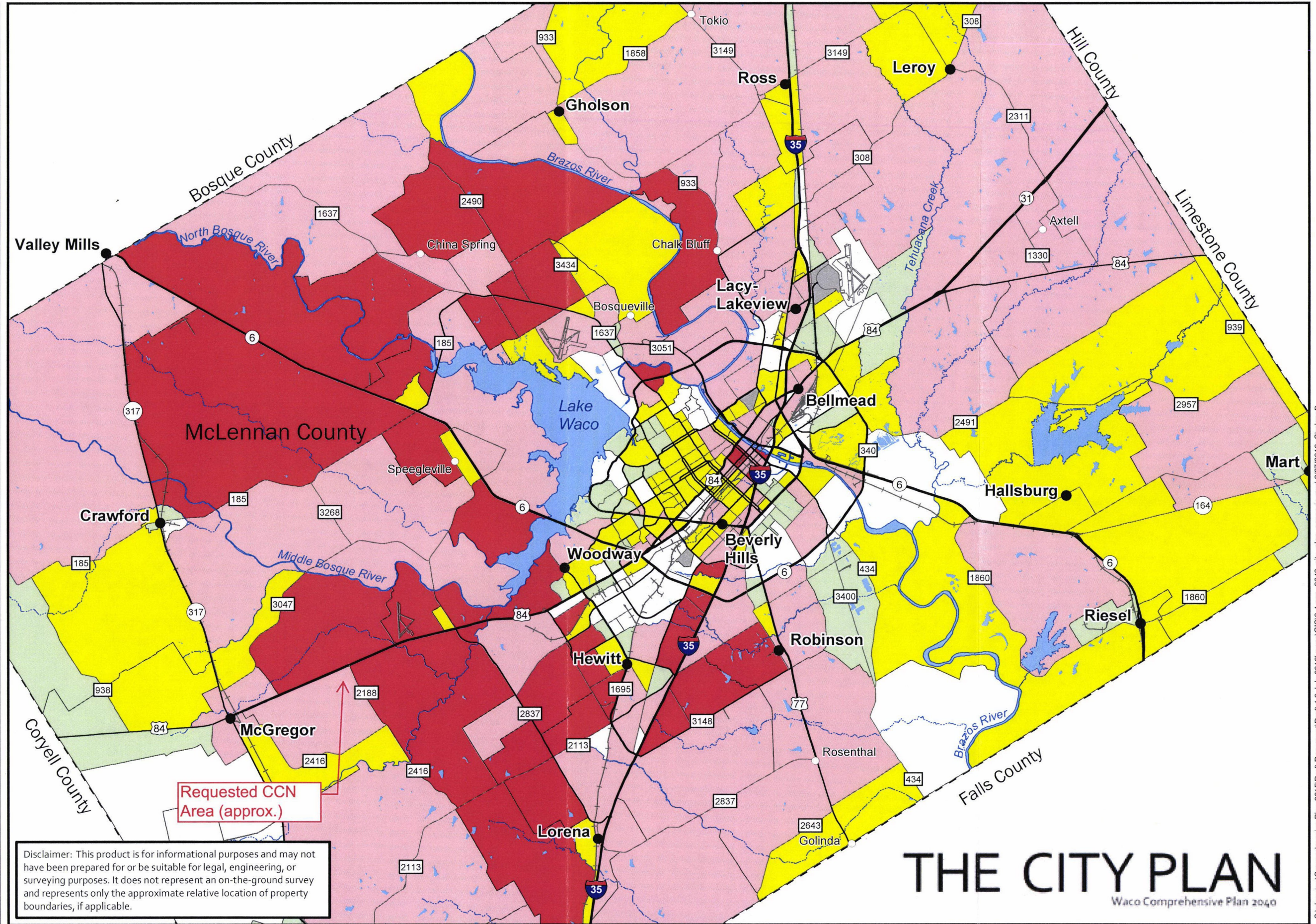
A masterplan for the Parks at McGregor (409 lot residential development) is in place and a preliminary plat has been prepared for the eastern portion of the development. A final plat for Phase 1 of the Parks at McGregor subdivision, which includes 47 residential lots, was accepted and filed and construction of civil improvements was completed in August 2018. The applicant received a formal written request for service in the requested area.

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July 2016

**Map 3.4: Projected Population Change:
2010 to 2040 - City Plan Adopted Scenario
Traffic Analysis Zones**



Disclaimer: This product is for informational purposes and may not have been prepared for or be suitable for legal, engineering, or surveying purposes. It does not represent an on-the-ground survey and represents only the approximate relative location of property boundaries, if applicable.

THE CITY PLAN
Waco Comprehensive Plan 2040

S:\planning\Comprehensive Plan 2015\Draft Document\Draft 1.2 July 2016\maps\GIS\3.4 pop_2040_city_plan_scenario.mxd 6/27/2016: ChelseaP



Attachment 3 – TCEQ Plan Review
Submission and Approval Letters for New
Distribution Facilities

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January 31, 2018

Plan and Technical Review Section (MC 159)
Water Supply Division
Texas Commission on Environmental Quality
P.O. Box 13087
Austin, TX 78711-3087

Re: City of McGregor
PWS I.D. 1550004
McGregor-Waco-Woodway 16-Inch Waterline
WP Project No.: 3-00528.01

Dear Reviewer:


The City of McGregor proposes to construct a 16-inch diameter potable water transmission line consisting of approximately 1,670 linear feet of pipeline from the City of McGregor's meter from Bluebonnet WSC at Highway 317 to the City's 9th Street Ground Storage Tank and Pump Station Site. The project also consists of approximately 22,130 linear feet of pipeline from the City's 9th Street Ground Storage Tank and Pump Station Site to the eastern edge of the City of McGregor at FM 2188 (Cottonbelt Parkway).

The purpose of the project is to provide water service to the eastern portions of the City of McGregor and to establish a connection between the City of McGregor water system and the City of Waco water system. This connection would create a secondary supply of water for both Cities. A blending analysis of the surface water source for both systems has been attached to this letter. The Cities of McGregor, Waco, and Woodway have executed an Interlocal Cooperation Agreement for the construction and maintenance of the proposed waterline.

On behalf of the City of McGregor, Walker Partners hereby submits one set of plans (11x17) for the proposed water line improvements for TCEQ review and approval.

If more information is required don't hesitate to contact me at 254-714-1402 or kschulze@walkerpartners.com

Sincerely,



Kyle Schulze, P.E.
Client Manager

Attachments:
Waterline Plans
Blending Analysis

Mail

Cc: Project File

Bryan W. Shaw, Ph.D., P.E., *Chairman*
Toby Baker, *Commissioner*
Jon Niermann, *Commissioner*
Stephanie Bergeron Perdue, *Interim Executive Director*



PWS_1550004_CO_20180406_Plan Ltr
PWS_0140162_CO_20180406_Plan Ltr
PWS_1550008_CO_20180406_Plan Ltr

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

April 6, 2018

Mr. Kyle D. Schulze, P.E.
Walker Partners, L.L.C.
600 Austin Avenue, Suite 20
Waco, TX 76701

Re: City of McGregor - Public Water System ID No. 1550004
Proposed Interconnection between the City of McGregor and Bluebonnet WSC PWS NO. 0140162 and a Proposed Interconnection between the City of McGregor and City of Waco PWS NO. 1550008
Engineer Contact Telephone: (254) 714-1402
Plan Review Log No P-02052018-031
McLennan County, Texas

CN600755631; RN101387199

Dear Mr. Schulze:

On February 5, 2018, the Texas Commission on Environmental Quality (TCEQ) received planning material with your letter dated January 31, 2018 for the proposed City of McGregor interconnection with Bluebonnet WSC (PWS NO. 0140162) and City of Waco (PWS NO. 1550008). The proposed interconnection between the City of McGregor and Waco provides a secondary source for the City of Waco. Based on our review of the information submitted, the project generally meets the minimum requirements of Title 30 Texas Administrative Code (TAC) Chapter 290 - Rules and Regulations for Public Water Systems and is **approved for construction**.

The submittal consisted of 44 sheets of engineering drawings and technical specifications. The approved project consists of:

- For interconnect between City of McGregor and City of Waco - approximately 22,130 linear feet of 16-inch, American Water Works Association Standard C900-16, dimension ratio 18, polyvinyl chloride pipe;
- For interconnect between City of McGregor and Bluebonnet WSC - approximately 1670 linear feet of 16-inch, American Water Works Association Standard C900-16, dimension ratio 18, polyvinyl chloride pipe; and,
- Various valves, fittings, and appurtenances.

Mr. Kyle D. Schulze, P.E.
Page 2
April 6, 2018

This approval is for the construction of the above listed items only. Any wastewater components contained in this design were not considered.

The Bluebonnet WSC public water supply system provides water treatment.

The project begins approximately ½ south of the intersection between U.S. Route 84 and Smith Road at the Pump Station Site on Farm-to-Market 2188 (Cottonbelt Parkway) and runs west to the 9th Street Water Plant 3 (TP9737) before running south along West Jefferson Avenue to the city's meter with Bluebonnet Water Supply Corporation on South Main Street (Texas-317), in the City of McGregor, McLennan County, Texas.

An appointed engineer must notify the TCEQ's Region 9 Office in Waco at (254) 751-0335 when construction will start. Please keep in mind that upon completion of the water works project, the engineer or owner will notify the commission's Water Supply Division, in writing, as to its completion and attest to the fact that the completed work is substantially in accordance with the plans and change orders on file with the commission as required in 30 TAC §290.39(h)(3).

Please refer to the Plan Review Team's Log No. P-02052018-031 in all correspondence for this project.

Please complete a copy of the most current Public Water System Plan Review Submittal form for any future submittals to TCEQ. Every blank on the form must be completed to minimize any delays in the review of your project. The document is available on TCEQ's website at the address shown below. You can also download the most current plan submittal checklists and forms from the same address.

<https://www.tceq.texas.gov/drinkingwater/udpubs.html>

For future reference, you can review part of the Plan Review Team's database to see if we have received your project. This is available on TCEQ's website at the following address:

<https://www.tceq.texas.gov/drinkingwater/planrev.html/#status>


You can download the latest revision of 30 TAC Chapter 290 - Rules and Regulations for Public Water Systems from this site.

Mr. Kyle D. Schulze, P.E.
Page 3
April 6, 2018

If you have any questions concerning this letter or need further assistance, please contact Mr. Alan Wong at (512) 239-4648 or by email at Alan.Wong@Tceq.Texas.Gov. If you are unable to contact Mr. Wong, please contact another member of the Plan Review Team at (512) 239-4691 or by correspondence at the following:

Plan Review Team, MC-159
Texas Commission on Environmental Quality
P.O. Box 13087
Austin, Texas 78711-3087

Sincerely,



Craig A. Stowell, P.E.
Plan Review Team
Plan and Technical Review Section
Water Supply Division
Texas Commission on Environmental Quality



Vera Poe, P.E., Team Leader
Plan Review Team
Plan and Technical Review Section
Water Supply Division
Texas Commission on Environmental Quality

VP/CAS/aw/av

cc: City of McGregor, Attn: The Honorable James S. Herring, Mayor, P.O. Box 192, McGregor, TX 76657-0192
Bluebonnet WSC, Attn: Mr. Randall Riggs, 6100 Water Supply Road, Temple, TX 76502-6950
City of Waco, Attn: The Honorable Kyle Deaver, Mayor, P.O. Box 2570, Waco, TX 76702-2570

Mr. Kyle D. Schulze, P.E.
Page 4
April 6, 2018

bcc: TCEQ Central Records PWS File 1550004 (p-02052018-031/City of McGregor)
TCEQ Central Records PWS File 0140162
TCEQ Central Records PWS File 1550008
TCEQ Region No. 9 Office - Waco
TCEQ PWSINVEN, MC-155



Attachment 4 – Enforcement Actions and Demonstration of Compliance

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MEMORANDUM

To: Public Utility Commission of Texas

Re: City of McGregor (CCN No. 10033) Application to Amend a Water CCN
– Regulatory Enforcement Actions

Date: June 3, 2020

The Texas Commission of Environmental Quality (TCEQ) has issued 39 Enforcement Actions associated with the City of McGregor PWS system (#1550004) since January 1, 2013. These enforcement actions correspond to 12 unique violations as described below in **Table 1**. The City of McGregor PWS system has resolved all the listed action items and returned to compliance with the TCEQ except for violation 2019-70038364 for Consumer Confidence Rule Report. The attached documentation from the TCEQ's Texas Drinking Water Watch database is provided to show compliance with the enforcement actions. The City of McGregor PWS system has not received any enforcement actions from Texas Department of Health, Office of the Attorney General, or US EPA within the last 5 years.

Table 1
TCEQ Enforcement Action and Compliance Record (January 2013-Present)

Enforcement Action	Action Type	Action Name	Corresponding Violation	Violation Name	Date Issued
2013-70079815	SIA	Notice of Violation	2013-70038311	MCL (TCR), Monthly	1/7/13
2013-70079816	SIE	Public Notice Requested	2013-70038311	MCL (TCR), Monthly	1/7/13
2013-70079817	SIF	Public Notice Received	2013-70038311	MCL (TCR), Monthly	1/15/13
2015-70079851	RTC	Returned to Compliance	2013-70038311	MCL (TCR), Monthly	4/7/15
2014-70079820	SIA	Notice of Violation	2013-70038314	Monitoring, Routine, Major (Chlorine)	11/13/13
2014-70079821	SIE	Public Notice Requested	2013-70038314	Monitoring, Routine, Major (Chlorine)	11/13/13
2014-70079842	SOF	Admin Order Received	2013-70038314	Monitoring, Routine, Major (Chlorine)	2/20/14
2014-70079844	RTC	Returned to Compliance	2013-70038314	Monitoring, Routine, Major (Chlorine)	7/17/14
2015-70079845	SIA	Notice of Violation	2014-70038333	Monitoring, Routine, Major (Chlorine)	10/23/14
2015-70079846	SIE	Public Notice Requested	2014-70038333	Monitoring, Routine, Major (Chlorine)	10/23/14
2015-70079849	SIF	Public Notice Received	2014-70038333	Monitoring, Routine, Major (Chlorine)	1/15/15
2015-70079850	RTC	Returned to Compliance	2014-70038333	Monitoring, Routine, Major (Chlorine)	3/19/15
2017-70079855	SIA	Notice of Violation	2017-70038353	Follow Up or Routine Tap M/R (Pb and Cu)	10/31/16
2017-70079856	SIE	Public Notice Requested	2017-70038353	Follow Up or Routine Tap M/R (Pb and Cu)	10/31/16
2017-70079857	SIF	Public Notice Received	2017-70038353	Follow Up or Routine Tap M/R (Pb and Cu)	1/3/17

Enforcement Action	Action Type	Action Name	Corresponding Violation	Violation Name	Date Issued
2018-70079862	SOX	Returned to Compliance	2017-70038353	Follow Up or Routine Tap M/R (Pb and Cu)	10/9/17
2017-70079858	SIA	Notice of Violation	2017-70038355	Monitoring, Routine, Major (RTCR)	4/11/17
2017-70079859	SIE	Public Notice Requested	2017-70038355	Monitoring, Routine, Major (RTCR)	4/11/17
2017-70079860	SIF	Public Notice Received	2017-70038355	Monitoring, Routine, Major (RTCR)	7/10/17
2017-70079861	SOX	Returned to Compliance	2017-70038355	Monitoring, Routine, Major (RTCR)	7/28/17
2018-70079863	SIA	Notice of Violation	2017-70038356	Monitoring, Routine, Major	10/24/17
2018-70079864	SIE	Public Notice Requested	2017-70038356	Monitoring, Routine, Major	10/24/17
2019-70078974	SIF	Public Notice Received	2017-70038356	Monitoring, Routine, Major	12/3/18
2018-70079865	SOX	Returned to Compliance	2017-70038356	Monitoring, Routine, Major	10/5/17
2018-70079866	SIA	Notice of Violation	2018-70038358	MCL, LRAA	4/30/18
2018-70079867	SIE	Public Notice Requested	2018-70038358	MCL, LRAA	4/30/18
2019-70079876	SIF	Public Notice Received	2018-70038358	MCL, LRAA	3/4/19
2018-70079869	SOX	Returned to Compliance	2018-70038358	MCL, LRAA	5/9/18
2018-70079868	NOV	Notice of Violation	2018-70038359	PUBLIC NOTICE RULE LINKED TO VIOLATION	6/18/18
2018-70079875	SOX	Returned to Compliance	2018-70038359	MCL, LRAA	3/4/19
2019-70079872	NOV	Notice of Violation	2019-70038362	Monitoring, Routine (DBP), Major	11/14/18
2018-70079873	SOX	Returned to Compliance	2019-70038362	Monitoring, Routine (DBP), Major	12/3/18
2019-70078977	SIA	Notice of Violation	2019-70038363	Monitoring, Routine (DBP), Major	9/30/19
2019-70079878	SIE	Public Notice Requested	2019-70038363	Monitoring, Routine (DBP), Major	9/30/19
2020-70079882	SOX	Returned to Compliance	2019-70038363	Monitoring, Routine (DBP), Major	2/11/20
2020-70079879	SIA	Notice of Violation	2019-70038364	Consumer Confidence Rule	10/8/19
2020-70079880	SIA	Notice of Violation	2019-70038365	Monitoring, Routine (DBP), Major	1/15/20
2020-70079881	SIE	Public Notice Requested	2019-70038365	Monitoring, Routine (DBP), Major	1/15/20
2020-70079882	SOX	Returned to Compliance	2019-70038365	Monitoring, Routine (DBP), Major	2/11/20

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

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

Water System Detail Information			
Water System No.:	TX1550004	Federal Type:	C
Water System Name:	CITY OF MCGREGOR	Federal Source:	SWP
Principal County Served:	MCLENNAN	System Status:	A
Principal City Served:		Activity Date:	01-01-1913

Group Violations					
Fed Fiscal Year	Determ. Date	Violation Type	Violation Name	Analyte Group	Analyte Group Name

Individual Violations							
Violation No.	Compliance Period	Violation Type Code	Violation Name	Analyte Code	Analyte Name	Has the Violation been Addressed? (On the Path to Compliance)	Has the Violation been Resolved? (Returned to Compliance)
<u>2019-70038365</u>	07-01-2019-09-30-2019	27	MONITORING, ROUTINE (DBP), MAJOR	0999	CHLORINE	Yes - Informal	Yes
<u>2019-70038364</u>	07-01-2019-OPEN	71	CCR REPORT	7000	CONSUMER CONFIDENCE RULE	Yes - Informal	No
<u>2019-70038363</u>	04-01-2019-06-30-2019	27	MONITORING, ROUTINE (DBP), MAJOR	0999	CHLORINE	Yes - Informal	Yes
<u>2019-70038362</u>	04-01-2017-06-30-2017	75	PUBLIC NOTICE RULE LINKED TO VIOLATION	7500	PUBLIC NOTICE	Yes - Informal	Yes

A4-5

<u>2018-70038359</u>	01-01-2018-03-31-2018	75	PUBLIC NOTICE RULE LINKED TO VIOLATION	7500	PUBLIC NOTICE	Yes - Informal	Yes
<u>2018-70038358</u>	01-01-2018-03-31-2018	02	MCL, LRAA	2950	TTHM	Yes - Informal	Yes
<u>2017-70038356</u>	04-01-2017-06-30-2017	27	MONITORING, ROUTINE (DBP), MAJOR	0999	CHLORINE	Yes - Informal	Yes
<u>2017-70038355</u>	08-01-2016-08-31-2016	3A	MONITORING, ROUTINE, MAJOR (RTCR)	8000	REVISED TOTAL COLIFORM RULE (RTCR)	Yes - Informal	Yes
<u>2017-70038353</u>	01-01-2014-12-31-2016	52	FOLLOW-UP OR ROUTINE TAP M/R (LCR)	5000	LEAD & COPPER RULE	Yes - Informal	Yes
<u>2014-70038333</u>	04-01-2014-06-30-2014	27	MONITORING, ROUTINE (DBP), MAJOR	0999	CHLORINE	Yes - Informal	Yes
<u>2013-70038314</u>	01-01-2013-03-31-2013	27	MONITORING, ROUTINE (DBP), MAJOR	0999	CHLORINE	Yes - Informal	Yes
<u>2013-70038311</u>	12-01-2012-12-31-2012	22	MCL (TCR), MONTHLY	3100	COLIFORM (TCR)	Yes - Informal	Yes
<u>2011-70038309</u>	08-01-2007-08-31-2007	75	PUBLIC NOTICE RULE LINKED TO VIOLATION	7500	PUBLIC NOTICE	Not yet on path to compliance	Yes
<u>2008-308</u>	08-01-2007-08-31-2007	24	MONITORING (TCR), ROUTINE MINOR	3100	COLIFORM (TCR)	Yes - Informal	Yes
<u>2007-70038307</u>	10-01-2006-12-31-2006	27	MONITORING, ROUTINE (DBP), MINOR	0999	CHLORINE	Yes - Informal	Yes
<u>2007-70038308</u>	01-01-2007-03-31-2007	27	MONITORING, ROUTINE (DBP), MINOR	0999	CHLORINE	Yes - Informal	Yes
<u>2006-70038297</u>	10-01-2005-12-31-2005	27	MONITORING, ROUTINE (DBP), MINOR	0999	CHLORINE	Yes - Informal	Yes
<u>2005-70038304</u>	04-01-2005-06-30-2005	27	MONITORING, ROUTINE (DBP), MINOR	0999	CHLORINE	Yes - Informal	Yes
<u>2005-70038303</u>	01-01-2005-03-31-2005	27	MONITORING, ROUTINE (DBP), MINOR	0999	CHLORINE	Yes - Informal	Yes
<u>2005-70038302</u>	10-01-2004-12-31-2004	27	MONITORING, ROUTINE (DBP), MINOR	0999	CHLORINE	Yes - Informal	Yes
<u>2005-70038296</u>	07-01-2005-09-30-2005	27	MONITORING, ROUTINE (DBP), MINOR	0999	CHLORINE	Yes - Informal	Yes
<u>2004-70038301</u>	07-01-2004-09-30-2004	27	MONITORING, ROUTINE (DBP), MINOR	0999	CHLORINE	Yes - Informal	Yes
<u>2004-70038300</u>	04-01-2004-06-30-2004	27	MONITORING, ROUTINE (DBP), MINOR	0999	CHLORINE	Yes - Informal	Yes

<u>2006-70038298</u>	04-01-2006-06-30-2006	27	MONITORING, ROUTINE (DBP), MINOR	0999	CHLORINE	Yes - Informal	Yes
<u>2006-70038305</u>	01-01-2006-03-31-2006	27	MONITORING, ROUTINE (DBP), MINOR	0999	CHLORINE	Yes - Informal	Yes
<u>2006-70038306</u>	07-01-2006-09-30-2006	27	MONITORING, ROUTINE (DBP), MINOR	0999	CHLORINE	Yes - Informal	Yes
<u>2004-70038299</u>	01-01-2004-03-31-2004	27	MONITORING, ROUTINE (DBP), MINOR	0999	CHLORINE	Yes - Informal	Yes
<u>2004-104</u>	07-01-2004-07-31-2004	25	MONITORING (TCR), REPEAT MAJOR	3100	COLIFORM (TCR)	Yes - Informal	Yes

Total Number of Records Fetched = 28



Attachment 5 – Purchase Agreement for
Water with Bluebonnet WSC and
Interlocal Agreement for Sewer with City
of Waco

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STATE OF TEXAS §
 §
COUNTY OF BELL §

REGIONAL WATER SUPPLY
FACILITIES CONTRACT

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

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

(collectively, the "Initial Contracting Parties").

RECITALS

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

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

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

AGREEMENT

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

Section 1. DEFINITION OF TERMS.

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

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

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

Section 2. QUANTITY.

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

Section 3. ADDITIONAL SOURCES AND SHORTAGES.

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

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

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

Section 4. QUALITY.

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

Section 5. UNIT OF MEASUREMENT.

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

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

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

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

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

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

Section 7. MEASUREMENT.

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

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

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

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

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

Section 8. OTHER CONTRACTS.

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

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

Section 9. FISCAL PROVISIONS.

A. FINANCING THE SYSTEM.

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

B. ANNUAL REQUIREMENT.

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

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

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

C. PAYMENTS FOR SERVICES.

(1) Allocation of Annual Requirement

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

(2) Bluebonnet System Rate

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

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

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

Where:

- BSR = Bluebonnet System Rate
E = Annual Requirement
R = All revenues of the System other than revenues derived by Bluebonnet from the Contracting Parties. This term would include interest earned from deposits.
BU = The total amount of water in thousands of gallons that equals the sum of all Contracting Parties' Minimum Take for an Annual Payment Period.

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

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

(3) Annual True-up

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

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

(4) Minimum Take

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

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

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

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

(5) Premiums

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

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

(6) Surcharges

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

(7) Rate Adjustments

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

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

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

(8) System Revenues

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

(9) Monthly Bills

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

(10) Monthly Payments

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

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

(11) Rate Disputes

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

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

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

Section 10. OPERATION OF THE SYSTEM.

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

Section 11. INSURANCE.

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

Section 12. TITLE TO WATER.

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

Section 13. SOURCE OF FUNDS.

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

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

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

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

Section 14. FORCE MAJEURE.

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

Section 15. PURPOSE AND PLACE OF USE.

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

Section 16. WATER CONSERVATION PLANS.

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

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

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

Section 17. OTHER CHARGES.

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

Section 18. UNCONDITIONAL OBLIGATION TO MAKE PAYMENTS.

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

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

Section 19. TERM OF CONTRACT.

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

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

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

Section 20. DISPUTE RESOLUTION.

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

Section 21. MODIFICATION.

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

Section 22. ADDRESS AND NOTICE.

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

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

If to Bluebonnet, to:

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

If to the Initial Contracting Parties, as follows:

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

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

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

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

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

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

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

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

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

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

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

Section 24. SEVERABILITY.

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

Section 25. SUCCESSOR TO THE SELLER.

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

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

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

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

Section 26. ASSIGNMENT.

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

Section 27. REMEDIES UPON DEFAULT.

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

Section 28. WAIVER AND AMENDMENT.

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

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

Section 29. VENUE.

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

Section 30: CAPTION.

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

Section 31. NO THIRD PARTY BENEFICIARIES.

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

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

BLUEBONNET WATER SUPPLY CORPORATION

By: Jim Thippen
Name: JIM THIPPEN
Title: PRESIDENT

ATTEST:

Edgar M. Bonds

MOFFAT WATER SUPPLY CORPORATION

By: Jim Bonifacio
Name: JIM BONIFACIO
Title: PRESIDENT

ATTEST:

J.L. Roming 2-11-97

PENDLETON WATER SUPPLY CORPORATION

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

ATTEST:

Jim Thippen

ELM CREEK WATER SUPPLY
CORPORATION

By: *Kevin Huffman*
Name: Kevin Huffman
Title: President

ATTEST:

Margie Barker

CITY OF BRUCEVILLE-EDDY

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

ATTEST:

J. L. Roming 2-10-97

CITY OF MOODY

By: *Mike Alton*
Name: Mike Alton
Title: Mayor

ATTEST:

J. L. Roming 2-11-97

CITY OF MCGREGOR

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

ATTEST:

[Signature] 2-11-97

SPRING VALLEY WATER SUPPLY CORPORATION

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

ATTEST:

[Signature]

CITY OF WOODWAY

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

ATTEST:

[Signature]

List of Exhibits

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

LOCATION OF POINTS OF DELIVERY

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

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

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

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

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

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

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

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

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

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

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

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

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

Example of Rate Calculation

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

Example of Rate Calculation

Cell: C28

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

Example of True-Up

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

Example of True-Up

Cell: E4

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

Cell: C31

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

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

EXHIBIT 4

Cell: B3

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

Cell: A5

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

Cell: A7

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

Cell: B15

Note: Total Equity * (Requested Capacity / (Committed Capacity + Requested Capacity))

A5-43

Bluebonnet Water Supply Corporation

Water Supply Road
Route 5, Box 331-E
Temple, Texas 76501

(817) 986-2949

*File copy
McGregor*

WATER SALE AND PURCHASE CONTRACT

This contract for the sale and purchase of water is made and entered into as of the 02 day of August, 1993, between BLUEBONNET WATER SUPPLY CORPORATION, a Texas non-profit corporation, whose address is Route 5 Box 331-E, Temple, Texas, referred to herein as "SELLER", and the City of McGregor _____, whose address is, P. O. Box 192 McGregor, Texas 76657, referred to as "PURCHASER", each acting by and through the undersigned officers, duly authorized to execute these presents by approving resolution of their governing boards and bodies:

WITNESSETH:

WHEREAS, the PURCHASER is organized, existing and established under the laws of the State of Texas, and is an Incorporated City and owns and operates a water distribution system with a present capacity capable of serving the present customers of PURCHASER'S SYSTEM AND PURCHASER desires to secure a supply of treated water and does require a supply of treated water to serve its present customers; and

WHEREAS, SELLER is organized and established under Article 143a, R.C.S.

of Texas, 1924, as amended, supplemented by the Texas Non-Profit Corporation Act, Article 1.01 et seq., as amended, for the purposes of constructing and operating a water supply transmission system for domestic purposes to serve wholesale water users as described in the Engineer's Report now on file in the office of the SELLER, including supplying the treated water requirements of PURCHASER; and

WHEREAS, by Resolution adopted on the 02 day of August, 1993, by the SELLER, the sale of water to the PURCHASER in accordance with the provisions here of was approved, and the execution of this contract by the President and attested by the Secretary, was duly authorized, and

WHEREAS, by resolution of the Board of Directors of the PURCHASER, adopted on the _____ day of _____ 1993, the purchase of water from the SELLER in accordance with the terms set forth herein was approved, and the execution of this contract by the City of McGregor, and attestation by the Secretary was duly authorized;

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements hereinafter set forth,

A. THE SELLER AGREES:

1. QUALITY AND QUANTITY: To furnish the PURCHASER at the point of delivery hereinafter specified, during the term of this contract, or any renewal or extension thereof, potable treated water meeting application purity standards of State and Federal Health Agencies, in such quantity as may be required by the PURCHASER, but not to exceed a maximum of

98,935,853 gallons per month.

2. POINT OF DELIVERY AND PRESSURE: That water will be furnished at a minimum pressure of 20 psi at a maximum rate of flow of 2,259 gallons per minute, to the point of delivery shown in the Engineer's Report and mutually agreed to by the **SELLER** and **PURCHASER**. Subject to **SELLER'S** approval in writing additional delivery points requested by the **PURCHASER** may be installed and utilized; provided, however, that all construction costs, excluding any additional master meters, necessary to provide such additional delivery points shall be borne by **PURCHASER**.

It is understood by the parties that the pressure and rate of flow prescribed in the foregoing paragraph will provide for the delivery to the **PURCHASER** of at least the minimum take or pay quantity specified in paragraph B-3 heretofore. The cost of providing any greater pressure for such quantity shall be borne by the **PURCHASER**.

Emergency failures of pressure or supply due to main supply line breaks, power failure, flood, fire and use of water to fight fire, earthquake or other catastrophe shall excuse the **SELLER** from this provision for such reasonable period of time as may be necessary to restore service.

3. METERING EQUIPMENT: To furnish, install, operate, and maintain at its own expense at the point or points of delivery, the necessary metering equipment, including a meter house or pit, and required devices of standard type for properly measuring the quantity of water delivered to the **PURCHASER** and to calibrate such metering equipment whenever requested by the **PURCHASER**, but not more frequently than once every twelve (12) months. A meter

registering not more than two percent (2%) above or below the test result shall be deemed to be accurate. The previous readings of any meter disclosed by test to be inaccurate shall be corrected for the twelve (12) months previous to such test in accordance with the percentage of inaccuracy found by such test. 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 SELLER AND PURCHASER shall agree upon a different amount. The metering equipment shall be read on the 1st day of each month. An appropriate official of the PURCHASER at all reasonable times shall have access to the meter for the purpose of verifying its readings.

4. BILLING PROCEDURE: To furnish the PURCHASER at the above address not later than the 5th day of each month, with an itemized statement of the amount of water furnished the PURCHASER during the preceding month.

B. THE PURCHASER AGREES:

1. To pay the SELLER the sum of Five Hundred Dollars (\$500.00) contemporaneous with the execution heretofore in consideration of which the SELLER agrees to issue its membership certificate to the PURCHASER or its nominee.

2. To pay for all water delivered by the SELLER at the rate of \$1.195 per thousand gallons.

3. Commencing at the date of availability of water for delivery, to take and/or pay for a minimum of 25,360,000 gallons per month during the term heretofore at the above stipulated rate whether

such water is used by **PURCHASER** or not. Such minimum take or pay sum to be paid to **SELLER** not later than the 15th day of each month.

C. IT IS FURTHER MUTUALLY AGREED BETWEEN THE SELLER AND THE PURCHASER AS FOLLOWS:

1. **TERM OF CONTRACT:** That this contract shall extend for a term of forty (40) years from the date of the initial delivery of any water as shown by the first bill submitted by the **SELLER** to the **PURCHASER** and, thereafter may be renewed or extended for such term, or terms, as may be agreed upon ^{by} the **SELLER** and **PURCHASER**.

2. **DELIVERY OF WATER:** That fifteen (15) days prior to the estimated date of completion of construction of **SELLER'S** water supply transmission system, **SELLER** will notify **PURCHASER** in writing of the date for the initial delivery and/or availability for delivery of water.

3. **FAILURE TO DELIVER:** That the **SELLER** will, at all times, operate and maintain its system in an efficient manner and will take such action as may be necessary to furnish the **PURCHASER** with quantities of water required by the **PURCHASER**. Temporary or partial failure to deliver water shall be remedied with all possible dispatch. In the event of an extended shortage of water, or the supply of water available to the **SELLER** is otherwise diminished over an extended period of time, the supply of water to **PURCHASER'S** consumers shall be reduced or diminished in the same ratio or proportion as the supply to **SELLER'S** consumers is reduced or diminished.

4. **MODIFICATION OF CONTRACT:** That the provision of this contract pertaining to the schedule of rates to be paid by the **PURCHASER** for water

delivered are subject to modification at the end of every one (1) year period. Any increase or decrease in rates shall be based on a demonstrable increase or decrease in the costs of performance hereunder, but such costs shall not include increased capitalization of the SELLER'S system. Further, that the rates for water service heretofore prescribed are subject to revision and modification if ordered by a regulatory agency of a state or federal government having jurisdiction in the premises now or during the term of this contract. Provided, however, and it is specifically agreed that the PURCHASER will continue to pay SELLER at least the minimum sums initially prescribed herein to the extent required for debt service and reserve so long as the loan made by the Farmers Home Administration of the United States Department of Agriculture for financing the construction of the water supply distribution system of the SELLER remains outstanding and unpaid.

5. REGULATORY AGENCIES: That this contract is subject to such rules, regulations, or laws as may be applicable to similar agreements in this State and the SELLER and PURCHASER will collaborate in obtaining such permits, certificates, or the like, as may be required to comply therewith.

6. MISCELLANEOUS:

A. That the construction of the water supply transmission system by the SELLER is being financed by a loan made or insured by, and/or a grant from, the United States of America, acting through the Farmers Home Administration of the United States Department of Agriculture, and the provisions heretofore pertaining to the undertakings of the SELLER are conditions upon the approval, in writing, of the State Director of the Farmers

Home Administration.

B. That the provision of water supply contemplated by this contract is dependent upon the successful consummation of a water supply contract by and between the SELLER and the Brazos River Authority, a governmental agency of the State of Texas. It is specifically agreed that this contract and the obligations of SELLER herein contained are, in all respects, subject to execution of and to the terms and provisions of such contract by and between the SELLER and Brazos River Authority. In the event of any conflict, such contract with the Brazos River Authority shall prevail.

7. SUCCESSOR TO THE SELLER: That in the event of any occurrence rendering the SELLER incapable of performing under this contract, any successor of the SELLER, whether the result of legal process, assignment, or otherwise, shall succeed to the rights of the SELLER hereunder. Recognition is taken of the fact that in the future it may be advisable to seek the creation of a political subdivision of the State of Texas with power to assume the duties and responsibilities of the SELLER. PURCHASER hereby agrees that the assumption of SELLER'S responsibilities hereunder by a governmental entity and political subdivision of the State of Texas shall not affect any of the PURCHASER'S obligations under this contract.

8. ASSIGNMENT: This contract is assignable to the United States of America, Farmers Home Administration, as security for the loan made or to be made or insured by it.

IN WITNESS WHEREOF, the parties heretofore, acting under authority of their respective governing bodies, have caused this contract and agreement

to be duly executed in five (5) counterparts, each of which shall constitute an original.

SELLER:
BLUEBONNET WATER SUPPLY CORPORATION

BY: *Jiri Rejzner*
President

ATTEST:

Edgar M. Bounds
Secretary

PURCHASER:

BY: _____

ATTEST:

Christine Otter
Secretary

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STATE OF TEXAS §
 § INTERLOCAL AGREEMENT
COUNTY OF McLENNAN §

This Agreement ("Agreement") is made and entered into by and between the CITY OF WACO, TEXAS ("Waco"), a Texas home-rule municipal corporation, and the CITY OF MCGREGOR, TEXAS ("Texas"), a Texas home-rule municipal corporation, sometimes collectively referred to as the "Cities" or "Parties," acting by and through their authorized representatives.

Recitals

WHEREAS, the Cities entered into an agreement on September 20, 1977, to allow the City of McGregor to annex the McGregor Airport; and

WHEREAS, in 1999 the Cities entered into an *Interlocal Agreement and Rule 11 Agreement* to resolve issues and disputes regarding the corporate limits and extraterritorial jurisdiction (ETJ) of each City and under which each City released certain areas from its ETJ to be included with the ETJ and possibly be annexed by the other City; and

WHEREAS, the Cities now wish to make another adjustment to their respective ETJ areas with each City releasing an area from its ETJ to become a part of the ETJ of the other City; and

WHEREAS, Texas Local Government Code Section 42.023 provides that a municipality may reduce its ETJ by giving its written consent by ordinance or resolution; and

WHEREAS, the ETJ area that Waco agrees to release to McGregor is within the area covered by Certificate of Convenience and Necessity (CCN) permits granted to Waco in 1977 by the Public Utility Commission (PUC) for water and sewer service; and

WHEREAS, McGregor also has CCNs originally issued by the PUC in 1977 for water and sewer service in nearby areas; and

WHEREAS, pursuant to Texas Water Code Section 13.248, Waco agrees that the area that Waco is releasing from its ETJ to become a part of McGregor's ETJ and ultimately be annexed by McGregor to its corporate limits, which area is a part of Waco's CCN area for water and sewer service, shall be designed as an area whose customers are to be served by McGregor; and

WHEREAS, an agreement was executed in 1994 by and between Waco, McGregor and McLennan County, Texas, for the provision of sewer services to American Standard, Inc. ("Trane"), which is located at the intersection of U.S. Highway 84 and FM 2188 and which adjoins the area that Waco is releasing from its ETJ to become part of McGregor's ETJ; and

WHEREAS, after 1994, Robel Realty moved into property adjoining Trane and was allowed to connect to the sewer line serving Trane; and

WHEREAS, Vossloh now occupies the property previously occupied by Robel Realty; and

WHEREAS, under the 1994 agreement, sewage entering said line was the responsibility of McGregor to treat; and

WHEREAS, the City of Waco is in the process of extending a new gravity wastewater line to provide sewer services to the western limits of its ETJ along U.S. Highway 84, which includes the area near the Trane property; and

WHEREAS, McGregor wishes to obtain sewage treatment and disposal services from the Waco for a new subdivision that is planned for the ETJ area that Waco is designating to be served by McGregor as well as the Trane area; and

WHEREAS, pursuant to Texas Government Code, Chapter 791, the Cities wish to execute an agreement for Waco to provide sewer treatment services to McGregor for the area off U.S. Highway 84 and Farm-to-Market (FM) Road 2188; and

WHEREAS, as a member of the Waco Metropolitan Area Regional Sewer System (WMARSS), Waco has discussed and received the approval of the other WMARSS Cities for McGregor to become a customer city to Waco; and

WHEREAS, Waco and McGregor wish to identify their respective responsibilities and rights with regard to providing service to customers as well as constructing infrastructure improvements for sewer service, and operating and maintaining the infrastructure,

NOW, THEREFORE, for and in consideration of the covenants, conditions, and undertakings hereinafter described, the Cities agree as follows:

Article 1

Findings and Declarations

Section 1.1. Incorporation of Recitals. The above stated recitals are found to be true and correct by the respective City Councils of Waco and McGregor and are incorporated herein and made a part of this Agreement.

Section 1.2. Fact Findings. It is further found and determined that both the governing body of Waco and the governing body of McGregor have authorized and proved this Agreement by official action.

Article 2

Release and Assignment of Extraterritorial Jurisdiction

Section 2.1. Pursuant to Texas Local Government Code, Chapter 42 (expansion and reduction of extraterritorial jurisdiction), McGregor and Waco will each release extraterritorial jurisdiction in order for the areas to become the extraterritorial jurisdiction of the other City and subject to the other City's platting authority and possible annexation.

Section 2.2. Waco's Actions.

- 2.2.1 Release of Waco ETJ.** Waco will by ordinance release the area of its extraterritorial jurisdiction described in Exhibit 1 and shown in a drawing attached as Exhibit 2, which consists of approximately 23 acres ("Waco Tract").
- 2.2.2 Acknowledgement of McGregor Authority to Annex.** Upon completion of said release of the Waco Tract from the extraterritorial jurisdiction of Waco, Waco acknowledges that by the application of law the Waco Tract shall become part of the extraterritorial jurisdiction of McGregor and that McGregor shall have the authority to regulate platting and to annex the Waco Tract to become part of the corporate limits of McGregor.
- 2.2.3 Release and Waiver of Claims.** McGregor waives any and all claims and rights to sue and hereby releases Waco, with respect to any and all claims or rights to sue for any actions relating to the extraterritorial jurisdiction released by Waco.
- 2.2.4 Water and Sewer CCN.** McGregor and Waco acknowledge that the 23 acres of the Waco Tract is currently within Waco's Water and Sewer CCNs

Section 2.3. McGregor's Actions.

- 2.3.1 Release of McGregor ETJ.** McGregor will by ordinance release the area of its extraterritorial jurisdiction described in Exhibit 3 and shown in a drawing attached as Exhibit 4, which consists of approximately 71 acres ("McGregor Tract").
- 2.3.2 Acknowledgement of Waco Authority to Annex.** Upon completion of said release of the McGregor Tract from McGregor's extraterritorial jurisdiction, McGregor acknowledges that by the application of law the territory shall become part of the extraterritorial jurisdiction of Waco and that Waco shall have the authority to regulate platting and to annex the McGregor Tract to become part of the corporate limits of Waco.
- 2.3.3 Release and Waiver of Claims.** Waco waives any and all claims and rights to sue and hereby releases McGregor, with respect to any and all claims or rights to sue for any actions relating to the extraterritorial jurisdiction released by McGregor.
- 2.3.4 Water and Sewer CCN.** Waco and McGregor agree that the 71 acres is either within the City of Waco's Sewer CCN, or it is not within a Sewer CCN. Waco and McGregor further agree that the 71 acres is either within Waco's Water CCN, the Central Bosque WSC CCN, or not within any Water CCN. Waco understands it is responsible for any changes that need to occur to its CCNs in order to serve these 71 acres.

Section 2.4. Use of Property McGregor Acquires. McGregor acknowledges that the area of the Waco Tract that McGregor is acquiring pursuant to Section 2.1 above will be

annexed to be within the corporate limits of McGregor for use for residential (single family) purposes only. McGregor will apply its zoning regulations to establish the area as "Single Family Residential District." If at any time McGregor permits the building of a non-"Single Family Residential District" structure within Waco Tract as described in Section 2.1 above, McGregor will pay Waco 20% of the property taxes that are collected from said specific property or properties during the life of the Agreement as provided in Section 4.13. McGregor agrees that it will not abate or protest this 20% portion to be paid to Waco.

Section 2.5. City Council Action to Completed Actions. Each City agrees to present the necessary ordinances and/or resolutions to complete the release of the ETJ areas on or before December 31, 2016.

Article 3

Designation of Retail Public Utility to Provide Water & Sewer Service

Section 3.1. Water and Sewer CCN. McGregor acknowledges that the 23 acres of the Waco Tract is currently within Waco's Water and Sewer CCNs. Pursuant to Texas Water Code Section 13.248, Waco authorizes and agrees for McGregor to provide water and sewer service to Waco Tract and for the customers within said area to be customers of McGregor.

Section 3.2. Sewer Service.

- 3.2.1 Within the Waco Tract, McGregor will be responsible for reviewing and approving any subdivision and/or plans for the development, including the wastewater collection system.
- 3.2.2 McGregor will be responsible for collecting the wastewater for transportation to a wastewater treatment plant and billing the customers for the sewer service.

Section 3.3. Water Service.

- 3.3.1 Within the Waco Tract, McGregor will be responsible for reviewing and approving any subdivision and/or plans for the development, including the water distribution system.
- 3.2.2 McGregor will be responsible for providing water service and billing the customers for the service provided.

Section 3.4. Regulatory Approval. Waco and McGregor shall cooperate and assist each other in acquiring any approvals that are needed from regulatory authorities for the designation of McGregor to provide water and sewer service to the Waco Tract. McGregor understands it is responsible for paying any expenses involved in obtaining PUC approval of this designation which affects the CCN of Waco and McGregor.

Article 4

Sewage Treatment and Disposal Services – McGregor as Wholesale Customer

Section 4.1. Extension of Sewer Line.

- 4.1.1 The City of Waco's plans to extend a sewer line to serve the western limits of its ETJ along U.S. Highway 84 as shown in Exhibit 5, which is attached hereto and incorporated for all purposes. The plans include lines designated as Line A, Line B, and Line C. McGregor has requested that Waco provided sewage treatment and disposal services to the Trane area, which McGregor currently services through a force main that sends the sewage to the McGregor treatment plant, and the area that Waco is releasing to McGregor under Article 1 above.
- 4.1.2 The sewer infrastructure will be located within Waco's Sewer CCN. The proximity of Trane operations and the new subdivision on property Waco is releasing to McGregor under Article 1 make it more efficient and effective for the sewer treatment services to be undertaken by Waco. Therefore, McGregor and Waco agree that sewer from this area, transmitted through Line C into Lines A and B, as set forth in Exhibit 5, shall be treated and disposed of by Waco at its wastewater treatment facility(ies).

Section 4.2. Divisions of Costs. The financial responsibility for construction and installation of the lines to extend service as set out in Section 4.1 will be as follows:

- 4.2.1 Costs of construction of Line A will be distributed as follows:
- 4.2.1.1 Waco will contribute 56.8%
 - 4.2.1.2 McGregor will contribute 43.2%
- 4.2.2 Costs of construction of Line B will be paid entirely by Waco.
- 4.2.3 Costs of construction of Line C will be (have been) paid entirely by the McGregor.

Section 4.3. Designing and Bidding Improvements. The infrastructure improvements for the provision of sewer services as set out in Section 4.1 will be designed and bid pursuant to the following terms:

- 4.3.1 The City of Waco is responsible for paying all costs associated with the design of Lines A and B using City of Waco Standard Specifications for Construction and Manual of Standard Details.
- 4.3.2 The City of Waco will bid and administer the construction contract for Lines A and B.

Section 4.4. McGregor Payment to Waco. McGregor shall be prepared to deposit its share of the construction costs for Lines A and B to Waco prior to the award and execution of the construction contract with the chosen bidder. Waco shall place McGregor's funds in a separate account, which may be invested as provided in the City of Waco's Investment Policy, with McGregor being allocated its share of any investment earnings.

Waco will not proceed with execution of the contract and give the contractor notice to proceed until McGregor provides its share of the funding to Waco.

Section 4.5. Sewer Line Ownership. After construction and installation of each Line, ownership of and responsibility for the sewer lines in Exhibit 5 shall be as follows:

- 4.5.1 Waco will own Line A;
- 4.5.2 Waco will own Line B; and
- 4.5.3 McGregor will own Line C.

Section 4.6. Easements. Two easements are required for this Project. The easements have been obtained. Their descriptions, and all applicable paperwork, are at Exhibits 6 and 7, which are attached hereto and incorporated for all purposes.

Section 4.7. Sewer Line Maintenance. The specific point where maintenance and operational responsibility of the sewer improvements begins and ends for McGregor and Waco is at the metering location shown on Exhibit 5. The cost of maintenance will be built in to the cost of sewer service.

Section 4.8. Future Upgrades. Waco and McGregor agree that upgrades within the Waco collection system will be necessary in future years. The Cities will determine participation amounts for the additional capacity within the Waco collection system when *either* the peak weather flow exceeds 80% of full pipe capacity, *or* the designed ultimate hydraulic capacity for average daily flow, whichever occurs first, is expected to be exceeded as a consequence of development.

Section 4.9. Existing Grinder Station and Other Facilities on Trane and Adjoining Private Property.

- 4.9.1 McGregor acknowledges that the owners of the Trane property and the adjoining property (and any future owners of said properties) where grinder station are installed are to be maintained by the property owners. Waco is not responsible for maintenance of those facilities. Waco is responsible for maintenance of the public sewer main within Waco's utility easement at the following properties:
 - 4.9.1.1 182 Cottonbelt Parkway, McGregor, Texas (MONROE W H Acres 20.0; Property ID: 135783);
 - 4.9.1.2 29841 W Hwy 84, Texas (MONROE W H Tract 2 Acres 26.57; Property ID: 135782);
 - 4.9.1.3 39841 W Hwy 84, Texas (MONROE W H Acres 1.053; Property ID: 347104); and
 - 4.9.1.4 388 Cotton Belt Parkway, Texas (MONROE W H Acres 11.737; Property ID: 337493).
- 4.9.2 McGregor further acknowledges that sewer lines may already exist, or will be installed, from one or more of the properties listed in Section 4.9.1, and that these sewer lines will connect into Line B in order to flow into Line A.

Section 4.10. Charging for Sewer Service.

- 4.10.1 At the time sewer service begins through Lines A, B, and C, neither City expects that a meter will be in place to measure sewer usage. In consideration of the provision of such services, Waco shall bill McGregor for sewer service based on the amount of water used as determined by reading each individual water meter.
- 4.10.2 Once the Parks at McGregor subdivision is constructed, a sewer meter will be installed to monitor McGregor's sewer usage. The following will apply to said sewer meter:
- 4.10.2.1 Waco will choose the sewer meter that is to be installed.
- 4.10.2.2 Waco will install the chosen sewer meter.
- 4.10.2.3 McGregor will pay the cost to purchase the chosen sewer meter, or will reimburse Waco for the cost of the meter if Waco purchases it.
- 4.10.2.4 McGregor will pay the cost to install the chosen sewer meter, or will reimburse Waco for the cost of installing the meter if Waco pays for the installation.
- 4.10.2.5 Waco will be responsible for maintaining the meter.
- 3.10.2.6 McGregor will reimburse Waco for the cost of maintaining the meter.
- 4.10.3 Once the sewer meter is installed, in consideration of the provision of services, Waco shall bill McGregor for sewer service based on the sewer meter readings. If at any time any sewer meter fails, and until the meter is fixed, billing will be based on amount of water used as determined by reading from the individual water meters.
- 4.10.3.1 Wastewater flows from Vossloh and Trane will be deducted from the sewer meter readings for McGregor.
- 4.10.4 Since McGregor is paying for a portion of the infrastructure, for the first year McGregor will be responsible for paying its bill for sewer service under the same terms and conditions as Waco sewer "in-City" commercial customers; thereafter McGregor will be responsible for paying its bill for sewer service under Waco's wholesale sewer rate. Both of those rates are established in the Waco City Budget (as amended and adopted each fiscal year).

Section 4.11. Discharge Limits. Pre-treatment and other treatment requirements will be in accordance with applicable laws of the State of Texas. In accordance with the permitting requirements for WMARSS, which Waco is a member of and which treats Waco wastewater, McGregor shall:

- 4.11.1 Adopt a sewer use ordinance which is at least as stringent as the ordinance adopted by Waco and the local limits contained therein, including requirements for Baseline Monitoring Reports;