



Control Number: 51683



Item Number: 9

Addendum StartPage: 0

RECEIVED

APPLICATION OF INTEGRA WATER, §
TEXAS, LLC FOR A SEWER §
CERTIFICATES OF CONVENIENCE §
AND NECESSITY IN BASTROP §
COUNTY §

BEFORE THE PUBLIC UTILITY COMMISSION
FEBRUARY 11 2021 12:00

PUBLIC UTILITY COMMISSION

OF TEXAS

**INTEGRA WATER TEXAS, LLC'S
RESPONSE TO ORDER NO. 2 AND SUPPLEMENT TO APPLICATION**

COMES NOW, Integra Water Texas, LLC. (Integra or Applicant) and files this Response to Order No. 2 and Supplement to its Application, as required by Order No. 2.¹ This Response and Supplement is timely filed.

On February 4, 2021, the Staff of the Public Utility Commission (Staff) filed its Recommendation on Administrative Completeness of the Application and Notice, along with Staff's Memorandum of the same date. Staff's recommendations identify five deficiencies in Applicant's filing of January 5, 2021.

This filing supplements the Application filed herein on January 5, 2021. Specifically, attached as supplemental information are the following:

1. A copy of the Escrow Agreement between Integra and CenTex Los Milagros, LP, executed on February 26, 2020, a copy of the Assignment of and Amendment to Agreement between Integra and CenTex Los Milagros, LP, Cayetano Development, LLC and Integra Water Tennessee, LLC, executed February 26, 2020 and Agreement between Cayetano Development, LLC and Integra Water Tennessee, LLC dated December 20, 2018, attached as **Attachment A**.
2. Integra's Income Statement for years 2019 and 2020, attached as **CONFIDENTIAL Attachment B** (CD provided).
3. Integra's Organizational Charts, including current affiliates, attached as **Attachment C**.
4. Integra's digital mapping data for the requested area in shapefile (SHP) format, attached as **Attachment D** (CD provided).

¹ Order No. 2 Finding Application Insufficient, Establishing Deadlines and Opportunity to Cure (Feb. 5, 2021).

5. Copy of the revised tariff that contains the rates if the utility's application is approved, attached as **Attachment E**.

Integra respectfully requests that its application be deemed administratively complete.

Respectfully submitted,

**LLOYD GOSSELINK ROCHELLE
& TOWNSEND, P.C.**

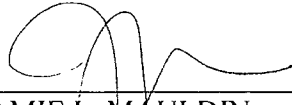
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JAMIE L. MAULDIN
State Bar No. 24065694

**ATTORNEYS FOR INTEGRA WATER
TEXAS, LLC**

CERTIFICATE OF SERVICE

I certify that, unless otherwise ordered by the presiding officer, notice of the filing of this document was provided to all parties of record via electronic mail on March 4, 2021, in accordance with the Order Suspending Rules, issued in Project No. 50664.



JAMIE L. MAULDIN

ESCROW AGREEMENT

This Escrow Agreement (this "Escrow Agreement") is made by and among **INTEGRA WATER TEXAS, LLC**, a Texas limited liability company ("Integra") and **CENTEX LOS MILAGROS, L.P.**, a Texas limited partnership ("Los Milagros") and **JONES, GALLIGAN, KEY & LOZANO, L.L.P.**, a Texas limited liability partnership ("Escrow Agent"), effective February 26, 2020 (the "Effective Date").

RECITALS

WHEREAS, Integra's and Los Milagros' predecessors-in-interest entered into an Agreement for the Design, Permitting, Construction, Ownership, Operation and Maintenance of the Wastewater Utility System (the "Agreement"), effective as of December 20, 2018, relating to the wastewater utility system that will serve the Los Milagros Subdivision in Bastrop County, Texas (the "Subdivision"); and

WHEREAS, Integra and Los Milagros have agreed to escrow funds payable by Los Milagros to Integra pursuant to Section 6.3 of the Agreement with Escrow Agent (the "Escrow Funds") so that Escrow Agent can disburse the Escrow Funds directly to the person entitled to receive such funds pursuant to Section 6.3.

THEREFORE, for and in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are acknowledged and confessed, the parties hereto agree as follows:

TERMS OF AGREEMENT

1. **Defined Terms.** The following terms shall have the meanings given below:
 - (a) A "business day" is any day other than Saturday, Sunday, or a holiday observed by the Federal Reserve Bank of Dallas.
 - (b) "Escrow Account" means an escrow account kept by Escrow Agent in its ordinary course of business.
 - (c) "Escrow Funds" shall have the meaning described in the Recitals.
 - (d) "Invoices" shall have the meaning assigned in Paragraph 4(a).
2. **Escrow Account** - The Escrow Account will be under the sole control of Escrow Agent, and designated signers of Escrow Agent will have the sole and exclusive authority to draw checks or make withdrawals from the Escrow Account.
3. **Deposit and Disbursement of Escrow Funds.** Disbursements of the Escrow Funds will be made in accordance with the following conditions:
 - (a) In accordance with Section 6.3 of the Agreement, Integra will send invoices to Escrow Agent based on the progress of Integra's work under the Agreement. Such invoices will be for the actual cost of labor, equipment, materials, consultants, contractors, and other associated expenses (the "Invoices") with instructions to Escrow Agent for the payment of such expenses directly to the contractors, consultants, and persons providing

such labor, equipment, material, or other related expenses. Los Milagros shall review the invoices and shall inform Escrow Agent and Integra of its approval of or any dispute regarding the invoices within fifteen (15) business days following its receipt of the invoices. Upon receipt and approval of the invoices, Los Milagros will transfer Escrow Funds in an amount sufficient to pay the invoices into the Escrow Account and will direct Escrow Agent to pay the invoices, which Escrow Agent will do immediately upon receipt of such notice. Escrow Agent shall not be required to pay any of the invoices which are disputed by Los Milagros until such time as Integra and Los Milagros jointly direct Escrow Agent to do so. As used herein, the term "Invoices" shall include the CIAC taxes payable under Section 6.3 of the Agreement, which shall be payable to Integra.

(b) Under no circumstances may Escrow Agent release any portion of the Escrow Funds for invoices approved by Los Milagros without written authorization from Los Milagros. Further, Escrow Agent shall not release any portion of the Escrow Funds for invoices disputed by Los Milagros without the written authorization of both Integra and Los Milagros.

4. Termination. This Escrow Agreement will terminate when all work required of Integra by the provisions of the Agreement has been completed.

5. Exculpation Provisions for Escrow Agent.

(a) It is agreed that (i) Escrow Agent will in no event be liable for any direct or indirect damage caused by the performance of Escrow Agent's obligations in accordance with the terms of this Escrow Agreement, except to the extent caused by Escrow Agent's negligence or willful breach of its duties hereunder; and (ii) Escrow Agent will not be liable or responsible for the sufficiency or correctness as to form, manner of execution, or validity of any instrument tendered to Escrow Agent hereunder, nor as to identity, authority, or rights of any person executing the same.

(b) In the event of any disagreement between the parties to this Escrow Agreement resulting in adverse claims or demands being made in connection with the Escrow Funds, or if Escrow Agent, in good faith, is in doubt as to what action it should take hereunder, Escrow Agent may, at its option, refuse to comply with any requests, claims or demands relating to this Escrow Agreement, so long as such disagreements continue or such doubt exists, and in any such event, Escrow Agent may continue to refrain from acting until (i) the rights to the Escrow Funds have been fully and finally adjudicated by a court of competent jurisdiction or (ii) all differences have been resolved by written agreement among all of the persons making requests, claims, or demands with respect to the Escrow Funds and Escrow Agent has been notified thereof in writing signed by all such persons. In connection with any such disagreement as aforesaid, Escrow Agent may institute a bill of interpleader, and any costs so incurred by Escrow Agent may be payable out of the Escrow Funds. The rights of Escrow Agent under this paragraph are cumulative of all other rights that it may have by law or otherwise and will survive the termination of this Escrow Agreement.

6. Replacement of Escrow Agent.

(a) At any time during the term of this Escrow Agreement, Escrow Agent may resign and be discharged of the obligations created by this Escrow Agreement by executing and delivering to Integra and Los Milagros, written notice of its resignation as

Escrow Agent and specifying the date when such resignation is to take effect. Any resignation of Escrow Agent will not become effective until the earlier to occur of (i) acceptance of appointment by the successor Escrow Agent or (ii) thirty (30) days after Escrow Agent's notice of resignation.

(b) Escrow Agent may be removed at any time by Integra and Los Milagros by a written notice to Escrow Agent executed by both Integra and Los Milagros, whereupon a successor Escrow Agent will be appointed pursuant to subparagraph (d) below.

(c) If Escrow Agent resigns, is dissolved, or its property or affairs are taken under the control of any state or federal court or administrative body or agency because of insolvency or bankruptcy or for any other reason, a vacancy shall forthwith exist in the office of Escrow Agent, and a successor will be appointed pursuant to subparagraph (d) below.

(d) In the event of the removal or resignation of the Escrow Agent pursuant to subparagraph (a), (b) or (c) above, Integra and Los Milagros will endeavor in good faith to agree upon a successor Escrow Agent to be appointed by written instrument, one copy of which instrument will be delivered to each of the predecessor Escrow Agent, the successor Escrow Agent, Integra and Los Milagros. Any successor Escrow Agent appointed by Integra and Los Milagros pursuant to this subparagraph will, in Integra's and Los Milagros's reasonable judgment, be adequately bonded, qualified and reputable.

(e) Any successor Escrow Agent appointed hereunder will execute, acknowledge and deliver to Integra and Los Milagros an instrument accepting such appointment hereunder, and thereupon such successor Escrow Agent, without any further act will become duly vested with all of the property, rights, powers, trusts, duties and obligations of its predecessor hereunder, with the same effect as if originally named Escrow Agent.

7. Miscellaneous.

(a) Any notice, demand, contest, request, or other communication (herein, a "**notice**") provided or permitted to be given under this Escrow Agreement must be in writing and may be served by (i) depositing the same in the United States Mail, addressed to the party to be notified, postage prepaid, via certified mail with return receipt requested; (ii) delivering the same in person (e.g., by local courier) to such party; (iii) overnight delivery service that retains regular records of delivery and receipt; or (iv) electronic mail during the hours of 9:00 a.m. and 4:30 p.m., Central Standard Time, so long as the notice is also delivered by one of the other methods provided herein. Notices sent by United States Mail, as aforesaid, or by overnight courier service shall be deemed received on the date of actual receipt or refusal of service. Notices given by personal delivery shall be deemed received on the date of receipt or refusal of service. Notices sent via electronic mail during the aforesaid hours shall be deemed received on the date of actual receipt. A party's address for notice hereunder must be an address within the United States of America. The addresses of Integra, Los Milagros, and Escrow Agent (and parties to whom copy must be sent) for purposes of notice hereunder will be as follows until changed by notice:

If to Integra: INTEGRA WATER TEXAS, LLC
Attn: John L. McDonald, Manager

3212 6th Avenue South, Suite 200
Birmingham, Alabama 35222
JMcDonald@integrawater.com (e-mail)

If to Los Milagros: CENTEX LOS MILAGROS, L.P.
Attn: Matthew J. Long
2211 Hancock Drive
Austin, Texas 78756
mlong@cayetanodevelopment.com (E-mail)

If to Escrow Agent: JONES, GALLIGAN, KEY & LOZANO, L.L.P.
c/o Eugene R. Vaughan, III
P.O. Drawer 1247
Weslaco, Texas 78599-1247
evaughan@jgkl.com (e-mail)

- (b) This Escrow Agreement will be governed by the laws of the State of Texas.
- (c) The provisions of this Escrow Agreement may be amended only by a written agreement signed by or on behalf of Integra, Los Milagros, and Escrow Agent.
- (d) This Escrow Agreement evidences the entire agreement between the undersigned relating to the manner of Escrow Agent's holding and disbursing the Escrow Funds and supersedes all prior agreements, understandings, negotiations and discussions, oral or written, of the parties relating to such subject matter.
- (e) The terms of this Escrow Agreement will be binding upon and will inure to the benefit of Escrow Agent, Integra and Los Milagros and their respective successors and permitted assigns, including any debtor in possession or bankruptcy trustee acting for any of said parties. Neither Integra, Los Milagros, nor Escrow Agent may assign its rights or obligations under this Escrow Agreement or any interest herein without the other parties' prior written consent.
- (f) Time is of the essence of this Escrow Agreement and all time periods hereunder; provided, however, if any day for the occurrence of an event or act under this Escrow Agreement falls on a day other than a business day, then the time of the occurrence of such event or act shall be extended to the next succeeding business day.
- (g) Termination of this Escrow Agreement will not terminate the rights and obligations of Integra and Los Milagros under any other contracts or agreements then in effect between them.
- (h) Integra represents and warrants to Los Milagros and Escrow Agent that Integra has full right, power and authority to execute, deliver, and perform the terms and obligations of this Escrow Agreement, and this Escrow Agreement has been authorized and approved by all necessary actions of Integra. Accordingly, this Escrow Agreement constitutes the legal, valid and binding obligation of Integra, and is enforceable in accordance with its terms and provisions.
- (i) Los Milagros represents and warrants to Integra and Escrow Agent that Los Milagros has full right, power, and authority to execute and deliver and perform the

terms and obligations of this Escrow Agreement, and this Escrow Agreement has been authorized and approved by all necessary actions of Los Milagros. Accordingly, this Escrow Agreement constitutes the legal, valid and binding obligation of Los Milagros, and is enforceable in accordance with its terms and provisions.

(j) Escrow Agent represents and warrants to Integra and Los Milagros that Escrow Agent has full right, power, and authority to execute and deliver and perform the terms and obligations of this Escrow Agreement, and this Escrow Agreement has been authorized and approved by all necessary actions of Escrow Agent. Accordingly, this Escrow Agreement constitutes the legal, valid and binding obligation of Escrow Agent, and is enforceable in accordance with its terms and provisions.

(k) The failure of a party to insist, in any one or more instances, upon performance of any provision of this Escrow Agreement, shall not be construed as a waiver or relinquishment of the future performance of any such provision by another party, and the obligation of such other party with respect to such future performance shall continue in full force and effect. No waiver of any provision hereof shall be effective unless set forth in writing signed by the waiving party and no waiver of any provision hereof shall be deemed to imply or constitute a waiver of any other provision set forth herein. If any provision of this Escrow Agreement, or its application to any person or circumstance, is ever held to be invalid or unenforceable, then in each such event the remainder of this Escrow Agreement or the application of such provision to any other person or any other circumstance (other than those as to which it is invalid or unenforceable) shall not be thereby affected, and each provision hereof shall remain valid and enforceable to the fullest extent permitted by law or in equity.

(l) The headings in this Escrow Agreement are for convenience only, shall in no way define or limit the scope or content of this Escrow Agreement, and shall not be considered in any construction or interpretation of this Escrow Agreement or any part hereof. The parties acknowledge that they and their counsel have reviewed and revised this Escrow Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party will not be employed in the interpretation of this Escrow Agreement or any amendments or exhibits hereto. Whenever the context requires, the singular shall include the plural, the plural shall include the singular, the whole shall include any part thereof, and any gender shall include all other genders.

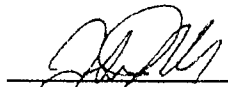
(m) If any party files a lawsuit in connection with this Escrow Agreement, then the party that prevails in such action, as determined by the court, shall be entitled to recover from the non-prevailing party, in addition to all other remedies or damages provided herein, reasonable attorneys' fees and costs of court incurred in such lawsuit.

(n) This Escrow Agreement may be executed in multiple counterparts, each one of which will be deemed an original, but all of which when disassembled, aggregated and taken together will constitute one and the same instrument.

IN WITNESS WHEREOF, Integra, Los Milagros, and Escrow Agent have executed this Escrow Agreement to be effective as of February 26, 2020.

Integra:

INTEGRA WATER TEXAS, LLC, a Texas limited liability company


By: 
Printed Name: Adam McDonald
Title: Manager

Los Milagros:

CENTEX LOS MILAGROS, L.P., a Texas limited partnership

By: CENTEX LOS MILAGROS GP, LLC, a Texas limited liability company

Its: General Partner

By: 
_____ **MATTHEW J. LONG, Vice-President**

Escrow Agent:

JONES, GALLIGAN, KEY & LOZANO, L.L.P.

By: Eugene R. Vaughan III
EUGENE R. VAUGHAN, III

**ASSIGNMENT OF AND AMENDMENT TO
AGREEMENT CONCERNING WASTEWATER UTILITY SYSTEM**

This Assignment of and Amendment to Agreement Concerning Wastewater Utility System (this "Assignment and Amendment"), dated as of February 26, 2020, is made by and among **CAYETANO DEVELOPMENT, LLC, a Texas limited liability company** ("Cayetano"), **CENTEX LOS MILAGROS, L.P., a Texas limited partnership** ("Los Milagros"), **INTEGRA WATER TENNESSEE, LLC, a Tennessee limited liability corporation** ("Integra Tennessee"), and **INTEGRA WATER TEXAS, LLC, a Texas limited liability company** ("Integra Texas").

RECITALS:

WHEREAS, Cayetano and Integra Tennessee entered into that one certain Agreement for the Design, Permitting, Construction, Ownership, Operation, and Maintenance of the Wastewater Utility System to be Installed to Serve Los Milagros dated December 20, 2018 (the "Agreement"), pursuant to which Integra Tennessee would build, operate and own a wastewater utility system for the benefit of the Los Milagros Subdivision in Bastrop County, Texas; and

WHEREAS, Cayetano desires to assign its rights in and obligations under the Agreement to Los Milagros;

WHEREAS, Integra Tennessee desires to assign its rights in and obligations under the Agreement to Integra Texas; and

WHEREAS, the parties desire to amend the Agreement to provide for payments made pursuant to the Agreement to be made to and disbursed by an escrow agent chosen by the parties.

AGREEMENT:

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants set forth herein and in the Agreement the parties hereby agree as follows:

1. Assignment of the Agreement by Cayetano. Cayetano hereby assigns all of its interest in the Agreement to Los Milagros, and Los Milagros hereby assumes all of Cayetano's interest in the Agreement and the rights, duties, and obligations of Cayetano therein. Integra Tennessee and Integra Texas hereby consent to the assignment of the Agreement to Los Milagros.

2. Assignment of the Agreement by Integra Tennessee. Integra Tennessee hereby assigns all of its interest in the Agreement to Integra Texas, and Integra Texas hereby assumes all of Integra Tennessee's interest in the Agreement and the rights, duties, and obligations of Integra Tennessee therein. Cayetano and Los Milagros hereby consent to the assignment of the Agreement to Integra Texas.

3. Escrow for Reimbursement of Design, Permitting, and Construction Costs. Section 6.3 of the Agreement is hereby amended to provide that the UTILITY (as that term is defined in the Agreement) shall provide invoices for the items to be reimbursed by DEVELOPER (as that term is defined in the Agreement) to an escrow agent appointed by the parties (the "Escrow Agent"), which shall consist of the actual costs of labor, equipment, materials, consultants, contractors, and other associated expenses, and the Contribution in Aid of

Construction tax (the "CIAC"). Upon receipt of such invoices, the DEVELOPER will transfer funds in the amount of such invoices to the Escrow Agent who will disburse such funds to the appropriate parties upon the written instructions of DEVELOPER and UTILITY.

4. Amendment to Cover Page. The phrase "Niederwald, Texas" shall be deleted from the cover page of the Agreement and from all other places it may appear within the Agreement. The phrase "Bastrop County, Texas" shall be substituted in its place.

5. Ratification. The Agreement, as hereby amended, is ratified and confirmed in all respects. This Assignment and Amendment shall be subject to, governed by and be a part of the Agreement.

6. Counterparts. This Assignment and Amendment may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

[Signature pages follow.]

EXECUTED by Cayetano and Los Milagros the 12th day of February, 2020.

CAYETANO:

CAYETANO DEVELOPMENT, LLC, a Texas limited liability company

By:



MATTHEW J. LONG, President

LOS MILAGROS:

CENTEX LOS MILAGROS, L.P., a Texas limited partnership

By: **CENTEX LOS MILAGROS GP, LLC, a Texas limited liability company**

Its: General Partner

By:

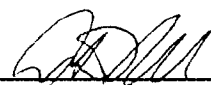


MATTHEW J. LONG, Vice-President

EXECUTED by Integra Tennessee and Integra Texas the _____ day of _____, 2020.

INTEGRA TENNESSEE:

INTEGRA WATER TENNESSEE, LLC, a Tennessee limited liability corporation

By: 

Printed Name: John McDonald

Title: Manager

INTEGRA TEXAS:

INTEGRA WATER TEXAS, LLC, a Texas limited liability company

By: 

Printed Name: John McDonald

Title: Manager

AGREEMENT

between

Cayetano Development

and

INTEGRA WATER TENNESSEE, LLC

for the Design, Permitting, Construction, Ownership, Operation and Maintenance of the

WASTEWATER UTILITY SYSTEM

to be installed to serve

Los Milagros

Niederwald, Texas

December 20, 2018

AGREEMENT

This Agreement for the installation, conveyance, and operation of the wastewater utility system to be installed to serve Los Milagros (“Agreement”) is made as of the 20th day of December 2018, by and between CAYETANO DEVELOPMENT, LLC AND/OR ASSIGNS, (“Development Company”), a Texas corporation, and INTEGRA WATER TENNESSEE, LLC (INTEGRA), a Tennessee Limited Liability Corporation; DEVELOPMENT COMPANY and INTEGRA shall collectively be referred to as the “Parties”.

WITNESSETH:

WHEREAS, DEVELOPMENT COMPANY has requested, and INTEGRA has agreed that upon completion of the Wastewater Utility System (defined below), DEVELOPMENT COMPANY shall convey the Wastewater Utility System Assets (defined below) constructed during such phase to INTEGRA, and INTEGRA shall accept such Wastewater Utility Assets and, thereafter, own and operate such facilities, all in accordance with this Agreement.

NOW, THEREFORE, for and in consideration of the premises and of the rights, powers, and duties hereinafter set forth to be performed by each Party, DEVELOPMENT COMPANY and INTEGRA do mutually agree as follows:

1. DEFINITIONS

- 1.1. “*Agreement*” shall mean this Agreement for the installation, conveyance, and operation of the wastewater utility systems serving Los Milagros (defined below), including all exhibits and schedules hereto, if any, as amended from time to time.
- 1.2. “*TCEQ*” shall mean Texas Commission on Environmental Quality.
- 1.3. “*Certificate*” shall mean the Certificate of Public Convenience and Necessity for providing Wastewater utility service in Los Milagros to be issued by the Commission (defined below).
- 1.4. “*Closing*” shall mean each instance upon which Wastewater Utility System Assets (defined below), as the context requires, are transferred from DEVELOPMENT COMPANY to INTEGRA.
- 1.5. “*Closing Date*” shall mean the date of closing.
- 1.6. “*Commission*” shall mean the Public Utility Commission of Texas.
- 1.7. “*Easement Property*” shall mean the real property that will be part of the Wastewater Utility System that is owned by Developer and will be used in connection with the Wastewater Utility System, including, but no limited to, storage site, treatment facility sites, treatment disposal sites, access and utility easements, and other real property that is needed for the construction, operation, maintenance, repair, and replacement of the Wastewater Utility System.

- 1.8. “*Developer*” shall mean Cayetano Development, an Texas Corporation, whose mailing address is: 2211 Hancock Drive Austin, Texas 78756.
- 1.9. “*GPD*” shall mean gallons per day.
- 1.10. “*Permit*” shall mean the Wastewater Utility System Permit and/or the Authorization to Construct to be issued by TCEQ.
- 1.11. “*Service Line*” shall mean that portion of the individual household wastewater line for which the Utility will not assume maintenance responsibility. The Service Line shall include only that portion of the individual household wastewater line that extends from the Utility’s wastewater tap at or near the property line to the home. The portion of the line extending from the wastewater tap to the wastewater main at or near the street shall not be included in the term “Service Line”.
- 1.12. “*REU*” shall mean One Residential Equivalent Unit, as defined as follows:
- 1.13. “*Subdivision*” shall mean the property that is to be developed by Developer, to be known as Los Milagros consisting of approximately 374 single family residential lots located off Highway 21, in Bastrop County, Texas.
- 1.14. “*Utility*” shall mean Integra Water Tennessee, LLC, a Tennessee Limited Liability corporation, its successors and assigns, whose business address is: 3212 6th Ave S, Suite 200, Birmingham, Alabama 35222.
- 1.15. “Wastewater Plans” shall mean all plans and specifications, as may be amended from time to time, for the Wastewater Utility System approved by the Utility and TCEQ and engineered by Developer’s engineer.
- 1.16. “*Wastewater Utility System*” shall mean the storage, treatment, and collection system, and other facilities used in the storage, treatment and collection of the wastewater utility service necessary to provide service to the lots of the Subdivision, including but not limited to, treatment facilities, storage ponds, collection mains, services, pump stations, pumps, controls, electrical equipment, wastewater treatment equipment, valves, and other additional components of the Wastewater Utility System necessary to provide wastewater to the lots in the Subdivision, along with Easement Property.

2 REPRESENTATIONS AND WARRANTIES OF DEVELOPMENT COMPANY

Developer hereby represents and warrants as follows:

- 2.13. Organization; Good Standing; Power. Developer is a corporation duly organized, validly existing and in good standing under the laws of the State of Texas and has all the requisite power and authority to own, lease and operate its properties, to carry on its business as now being conducted and to enter into this Agreement and perform its whole obligations hereunder.

- 2.14 Authority Relative to Agreement. The execution, delivery and performance of this Agreement by Developer have been duly and effectively authorized by all necessary action. This Agreement has been duly executed by Developer and is a valid and legally binding obligation of Developer enforceable in accordance with its terms except (i) as limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, or other laws of general application relating to or affecting the enforcement of creditors' rights generally, (b) laws relating to the availability of specific performance, injunctive relief, or other equitable remedies, or (ii) to the extent the indemnification provisions may be limited by applicable federal or state securities laws.
- 2.15 Effect of Agreement. The execution, delivery and performance of this Agreement by Developer and the consummation of the transactions contemplated hereby will not (i) require the consent, approval or authorization of any person, corporation, partnership, joint venture or other business association or public authority other than the Commission or TCEQ, (ii) violate, with or without the giving of notice or the passage of time or both, any provisions of law now applicable to Developer or (iii) result in a violation of articles of organization or operating agreement.

3 REPRESENTATIONS AND WARRANTIES OF THE UTILITY

The Utility hereby represents and warrants as follows:

- 3.13 Organization; Good Standing; Power. The Utility is a limited liability corporation duly organized, validly existing and in good standing under the laws of the State of Alabama and has all requisite corporate power and authority to own, lease and operate its properties, to carry on its business as now being conducted and to enter into this Agreement and perform its obligations hereunder.
- 3.14 Authority Relative to Agreement. The execution, delivery and performance of this Agreement by the Utility have been duly and effectively authorized by all necessary corporate action. This Agreement has been duly executed by the Utility and is a valid and legally binding obligation of the Utility enforceable in accordance with its terms except (i) as limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, or other laws of general application relating to or affecting the enforcement of creditors' rights generally, (b) laws relating to the availability of specific performance, injunctive relief, or other equitable remedies, or (ii) to the extent the indemnification provisions may be limited by applicable federal or state securities laws.
- 3.15 Effect of Agreement. The execution, delivery and performance of this Agreement by the Utility and the consummation of the transactions contemplated hereby will not (i) require the consent, approval or authorization of any person, corporation, partnership, joint venture or other business association or public authority other than the Commission or TCEQ, (ii) violate, with or without the giving of notice or the passage of time or both, any provisions of law now applicable to the Utility, or (iii) result in a violation of the Utility's charter or bylaws.

4 WASTEWATER COLLECTION SYSTEM DESIGN AND INSTALLATION REQUIREMENTS

- 4.1 Developer, at its cost, shall cause to be designed, constructed, and installed in the Subdivision the Wastewater Utility System collection system and sewage lift station, in accordance with plans and specifications to be approved by the Utility and TCEQ and engineered by Developer's engineer. The Wastewater Utility System collection system shall be designed, constructed, and installed pursuant to the Utility's specifications.
- 4.2 Neither the Developer nor the Utility shall construct or begin construction of any portion of the Wastewater Utility System prior to approval of the Wastewater Utility System plans and specifications by TCEQ or prior to the issuance of an Authorization to Construct by TCEQ.
- 4.3 Any penalties assessed against the Utility (as the applicant for the Wastewater Utility System), Developer's engineer, or Developer by TCEQ as a result of Developer installing all or a portion of the Wastewater Utility System without TCEQ approval shall be paid by Developer prior to wastewater service being provided in the Subdivision.

5 APPLICATION FOR CERTIFICATE AND PERMITTING

- 5.1 After the execution of this Agreement, the Utility will apply to the Commission and TCEQ, as soon as may be practicable, for a Certificate to provide wastewater service to residents in the Subdivision and a wastewater discharge permit. Upon the granting of the wastewater discharge permit the Utility will begin construction on the Wastewater Utility System. Upon the granting of the Certificate by the Commission, the conveyance of an easement in the completed Wastewater Utility System to the Utility, and the Closing occurring, the Utility will supply wastewater service to the residents of the Subdivision.
- 5.2 It is mutually understood and agreed that the sale and conveyance of the Wastewater Utility System shall become effective only upon the granting of the Certificate by the Commission and approval of the Water Utility System by TCEQ.

6 WASTEWATER TREATMENT PLANT DESIGN, PERMITTING, CONSTRUCTION, OWNERSHIP AND OPERATION

6.1 Design of WWTP. UTILITY, at DEVELOPER'S expense, shall be obligated for engineering and permitting via an NPDES permit associated with the WWTP.

6.2 Construction of WWTP.

DEVELOPER shall be obligated to:

- a) Grade the site suitable for erection of the wastewater treatment plant;
- b) Construct an all-weather access drive to the fence line,
- c) Provide electric connection to the WWTP property line
- d) Construct a sewage lift station and force main equipped with SCADA to UTILITY specifications;
- e) DEVELOPER shall track its cost associated with the grading, leveling and placing of stone on the plant site to include labor, equipment, and materials and provide a written certification of DEVELOPER'S cost to UTILITY.

UTILITY shall, at DEVELOPER'S expense, be obligated to:

- a) Construct a Wastewater Treatment Plant in two phases each capable of treating up to 40,000 GPD of wastewater treatment capacity in such a manner to meet the effluent permit requirements established by the TDEQ Permit; Wastewater Treatment Plant specs and estimated costs are outlined in Exhibit B.
- b) Provide a backup generator and automatic transfer switch;
- c) Provide SCADA,;
- d) Provide UV disinfection;
- e) Provide site fencing & lighting;
- f) Provide an influent lift station capable of servicing 374 residential units;
- g) Provide yard piping, plant water, plant electrical
- h) Provide trenching and piping from WWTP plant to discharge point. The discharge point is identified on Exhibit C.
- i) Other components associated with the WWTP;

- 6.3 Reimbursement of Design, Permitting and Construction Cost. UTILITY shall invoice based on progress expenses associated with the design, permitting, construction, and taxes, at a total cost to Developer not to exceed \$1,739,100 for both phases. DEVELOPER shall pay UTILITY within fifteen (15) days of issuance of an invoice from UTILITY for actual cost provided during the preceding month. UTILITY shall invoice DEVELOPER actual cost labor, equipment, materials, consultants, contractors and other associated expenses. Upon completion of construction, UTILITY shall invoice and DEVELOPER shall pay the Contribution in Aid of Construction (CIAC) tax for the Wastewater Utility System pursuant to section 118 (c) 2017 tax law. NOTE: The sum totals of all invoices eligible for reimbursement for phase 1, including all CIAC taxes assessed for the Wastewater Utility System, shall be capped at \$976,500, and the sum total of all invoices eligible for reimbursement for phase 2, including all CIAC taxes assessed for the Wastewater Utility System shall be capped at \$762,600. Any expenses over and above the agreed upon caps will be paid by the Utility.
- 6.4 Timing of Construction of Phase 2. In consideration of potential inflationary effects on the cost of construction, the \$762,600 cap on Phase 2 (referenced in Section 6.3), shall be valid for two years from the completion of Phase 1. If Phase 2 shall not be completed within 2 years of completion of Phase 1, the Developer and Utility will obtain new cost estimates for construction of Phase 2 treatment plant and revise the cap if necessary.
- 6.5 Connection Fees. Upon payment of all invoices for the design, permitting and construction of the WWTP, UTILITY shall waive all connection fees.
- 6.6 Construction Delays. In the event that construction of the WWTP is not completed by the time the subdivision roads, drainage, water and electric are completed, the Utility shall provide pump and haul services until such time as the WWTP is completed.
- a) Purchase Price. The Purchase Price made by UTILITY to DEVELOPER shall be \$500/REU. The Purchase Price payments shall begin when the 1st connection has been made to the Wastewater Collection System and end when the 374th REU has been connected to the Wastewater Collection System. The Purchase Price Payment shall be paid by the Buyer to the Seller on a quarterly basis, based on the number of connections installed during the previous quarter. Such payments shall be made on or about January 31, April 30, July 31, and October 31 of each calendar year and in the month following each calendar quarter.
- 6.7 Tariff. In consideration of the Purchase Price, UTILITY shall request that TPUC approve a tariff that establishes a monthly flat sewer rate of approximately \$49.50 per REU. In the event that, prior to Closing, the TPUC approves a tariff that establishes a flat monthly sewer rate greater than \$49.50 per REU, DEVELOPER shall be entitled to terminate this Agreement upon written notice to UTILITY. UTILITY agrees that for a period of 5 years after DEVELOPER executes this Agreement, it will not seek TPUC

approval of a rate increase per REU greater than the CPI over the period since its last rate increase.

7 TITLE INSURANCE FOR EASEMENTS

- 7.1 Prior to the Closing, Developer agrees to also furnish to the Utility, at Developer's expense, title insurance for all perpetual non-exclusive easements for the Wastewater Utility System certifying the easements to be free and clear of all liens and encumbrances. Developer shall pay all costs and attorney's fees incurred in connection therewith. Developer shall pay the title insurance premiums in connection with the issuance of an owner's policy at or prior to Closing.

8 DESIGN, ENGINEERING, CONSTRUCTION AND CERTIFICATION OF THE WASTEWATER COLLECTION SYSTEM

- 8.1 Design of WWCS. DEVELOPER shall pay for all engineering cost and permits fees associated with the design and TEQ approval and permitting of the Wastewater Collection System necessary to serve the Los Milagros Development, including all future phases.
- 8.2 Construction of WWCS. DEVELOPER shall be responsible for the construction and installation of the WWCS. In connection with development of each phase of Los Milagros Development, DEVELOPER shall cause to be installed, at DEVELOPER'S expense, a complete Wastewater Collection System to serve all lots in that phase of the Development. The entire Wastewater Collection System shall be constructed in such a manner as to restrict entry of groundwater and surface waters into the Wastewater Utility System to the greatest extent practicable and, at a minimum, shall conform to the minimum standards established by the TEQ regulations for infiltration/inflow.
- 8.3 The WWCS shall be installed in accordance with the approved Wastewater Plans. Furthermore: prior to the commencement of any construction work on the Wastewater Utility System, DEVELOPER shall obtain UTILITY approval of all contractors and subcontractors who will perform work on the installation of the Wastewater Utility System. Attached as Exhibit A is a list of all utility contractors and consultants currently approved by UTILITY for Wastewater Utility System installations at the Development. UTILITY shall update this list whenever requested by DEVELOPER, with the list always having a minimum of three approved utility contractors. DEVELOPER may submit to UTILITY additional names of licensed utility contractors (including references) for investigation and evaluation by UTILITY. UTILITY shall not unreasonably withhold, condition or delay approval of such additional contractors.
- 8.4 DEVELOPER shall furnish to UTILITY copies of all required surveys, maps, and engineering drawings and specifications sufficient for filing an application with the Commission for the Certificate or Certificate Extension. Surveys, maps and engineering drawings shall be submitted to UTILITY in both paper and electronic versions, with the electronic files being in a ".dwg" format.

- 8.5 UTILITY may periodically inspect the construction and may require correction to portions of the construction that are not consistent with the Wastewater Plans which changes must be specifically authorized by the Wastewater Plans and in accordance with all applicable law.

9 SUBDIVISION PLATS

- 9.1 Developer shall provide the Utility with a recorded plat showing each lot being served or to be served by the Wastewater Utility System. Said plat shall include utility and access easements in favor of the Utility for ingress, egress, regress and access to operate, maintain, repair, and replace the collection mains and appurtenant equipment related to the Wastewater Utility System

10 WRITTEN CERTIFICATION OF COSTS

- 10.1 Developer, at the closing, shall deliver to the Utility a written certification of Developer's cost in the Wastewater Utility collection system, including storage, collection mains, wet wells and engineering fees for the Wastewater Utility System. The cost certification shall include a breakdown between various components showing the vendor and the applicable amounts. The written certification shall be delivered to the Utility at the closing date.

11 Wastewater Utility System Contractor's and Contractor's Warranty

- 11.1 Developer's contractor shall provide to the Utility a one-year warranty on all Wastewater Utility collection system components and workmanship. This warranty shall begin from the date of issuance of the final engineering certification. Should the Closing occur within 90 days of the final engineering certification, Developer shall provide an extended warranty on the Wastewater Utility collection system for each month not closed beginning 90 days from the date of the engineer's final certification of the Wastewater Utility System.

12 DATE OF CLOSING

- 12.1 The Utility shall not provide wastewater service to Subdivision until the date of the Closing when the following events shall have occurred:
- a. TCEQ has approved the Wastewater Utility System plans.
 - b. Developer has installed the Wastewater Utility collection system pursuant to TCEQ and Utility approved plans.
 - c. Developer assigns and conveys to the Utility and Easement of any real property that is conveyed, with access, and shall be recorded at the Bastrop County Registry of Deed office.
 - d. The Commission has issued the Certificate.
 - e. Developer has furnished the Utility title insurance for the easements.

- f. Developer's engineer shall supply the Utility with an electronic copy of an accurate, comprehensive map and engineering record drawings in plan and profile as constructed ("as-builts") and also a hard copy of the as-builts. The electronic version of the as-builts shall be submitted to the Utility in ".dwg" format and shall include pipe size, pipe material, pipe location, flow direction, date of install, and service locations.
- g. Developer shall furnish the Utility with a list of physical addresses and lot numbers for each lot in Subdivision.
- h. Developer shall furnish the Utility with a recorded plat with such wastewater utility service related covenants and restrictions acceptable to the Utility for all lots in the Subdivision.
- i. Developer's contractor has provided the Utility with a one-year contractor's warranty on all Wastewater Utility collection system components and workmanship.
- j. Developer has conveyed to the Utility by bill of sale and easements the wastewater system.
- k. Developer delivers to the Utility a written certification of the Developer's cost in the collection system.

13 GENERAL PROVISIONS

- 13.1 Execution of Future Agreements. After the execution of this Agreement, all agreements entered into by Developer with respect to development at Los Milagros Estates shall be consistent with the terms of this Agreement to the extent addressing the provision of wastewater service to Los Milagros Estates.
- 13.2 Cooperation for All Necessary Government Approvals. Developer and Utility agree to cooperate in obtaining all necessary permits including the Permits and issuance of the Certificate and/or Certificate Extensions by the Regulatory Authority to the Utility. The Utility, at the Utility cost, shall file for all Certificates and Certificate Extensions.
- 13.3 Representations, Warranties, Covenants and Agreements Survive Closing. All representations and warranties of Developer and the Utility hereunder shall survive each Closing. Further, any covenant or agreement herein which contemplates performance after the time of any Closing shall not be deemed to be merged into or waived by the instruments delivered in connection with such Closing, but shall expressly survive such Closing and be binding upon the Parties obligated thereby.
- 13.4 Binding upon Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of Developer and the Utility, and the successors and permitted assigns of each.

- 13.5 No Third Party Beneficiary Rights. Nothing expressed or referred to in this Agreement will be construed to give any person other than the Parties any legal or equitable right, remedy or claim under or with respect to this Agreement or any provision of this Agreement.
- 13.6 Independent Contractors. The Parties are and shall be independent contractors to one another, and nothing herein shall be deemed to cause this Agreement to create an agency, partnership, or joint venture between the Parties.
- 13.7 Counterparts. This Agreement may be executed in one or more counterpart signature pages, each of which (including counterpart signature pages transmitted by facsimile or other electronic means) will be deemed to be an original of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement.
- 13.8 Headings. The headings of particular provisions of this Agreement are inserted for convenience only and shall not be construed as a part of this Agreement or serve as a limitation or expansion on the scope of any term or provision of this Agreement.
- 13.9 Enforcement of Agreement. Each Party acknowledges and agrees that the other Party would be irreparably damaged if any of the provisions of this Agreement are not performed in accordance with their specific terms and that any breach of this Agreement by a Party could not be adequately compensated in all cases by monetary damages alone. Accordingly, in addition to any other right or remedy to which a Party may be entitled, at law or in equity, it shall be entitled to enforce any provision of this Agreement by a decree of specific performance and to temporary, preliminary and permanent injunctive relief to prevent any breach or threatened breach of any of the provisions of this Agreement, without posting any bond or other undertaking.
- 13.10 Waiver. No waivers of, or exceptions to, any term, condition or provision of this Agreement, in any instance or instances, shall be deemed to be, or construed as, a further or continuing waiver of any such term, condition or provision.
- 13.11 Entire Agreement. This writing and the documents referred to herein embody the entire agreement and understanding between the Parties and there are no other agreements or understandings, oral or written, with reference to the subject matter hereof that are not merged herein and superseded hereby.
- 13.12 Modifications in Writing. This Agreement shall not be modified, amended, or changed in any respect except in writing, duly signed by the Parties and each Party hereby waives any right to amend this Agreement in any other way.
- 13.13 Consent to Jurisdiction. The Parties agree that the state and federal courts of Texas shall have exclusive jurisdiction over this Agreement and any controversies arising out of, relating to, or referring to this Agreement, the formation of this Agreement, and actions undertaken by the Parties hereto as a result of this Agreement, whether such controversies sound in tort law, contract law or otherwise. Each of the Parties hereto expressly and irrevocably consents to the personal jurisdiction of such state and federal courts, agrees to

accept service of process by mail, and expressly waives any jurisdictional or venue defenses otherwise available.

13.14 Governing Law. This Agreement shall be governed by the internal substantive laws of the State of Texas, without regard to such state's conflict of law or choice of law rules.

13.15 Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be sent either (i) personally by hand delivery, (ii) by registered or certified United States first-class mail, postage prepaid, return receipt requested, or (iii) by nationally recognized overnight courier, (or at such other address as such Party or permitted assignee shall have furnished to the other Party hereto in writing). All such notices and other written communications shall be effective on the date of delivery.

If to DEVELOPMENT COMPANY, such notice shall be addressed to:

Cayetano Development
c/o Matt Long
2211 Hancock Drive
Austin, Texas 78756

If to INTEGRA, such notice shall be addressed to:

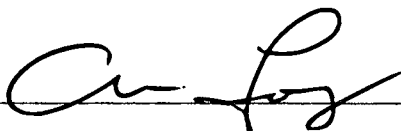
INTEGRA Water Tennessee, LLC
John L. McDonald, Manager
600 University Park Place, Suite 275
Birmingham, AL 35209

[Signature page follows]

[Signature Page to Agreement]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed in their respective names, all by authority duly given, the day and year first above written.

CAYETANO DEVELOPMENT.

By:  _____

INTEGRA WATER TENNESSEE, LLC.


By:  _____

Exhibit A

Contractor List

Exhibit B

Estimated Design, Permitting and Construction Cost

Attachment B

(CONFIDENTIAL – SUBMITTED SEPARATELY UNDER SEAL)

INTEGRA WATER ORGANIZATION CHART

John McDonald
Managing Member

Erica Cochran
Executive Assistant

Sean McMillan
VP of Business
Development

Laurie Oakman
Accounting
Manager

John Miller
Customer
Service/Billing
Manager

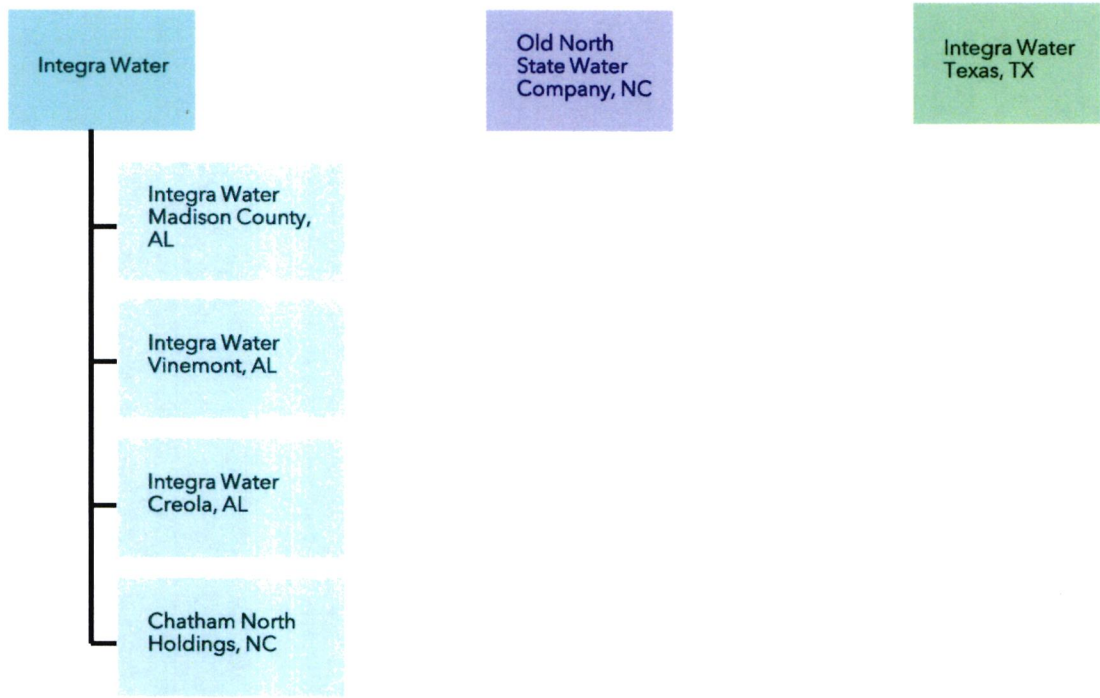
Monica Edwards
Accounts
Payable
Manager

Chantel Sanders
Customer
Service/Billing
Assistant

 National

Water/Wastewater Entity

Organization chart



Footnote: No current business activity in Creola Water Holdings, Integra Water Tennessee, Integra Water North Mobile County, & South Carolina Water

Attachment D

**(DIGITAL MAPPING DATA SUBMITTED SEPARATELY ON
CD IN NATIVE FORMAT)**



**SEWER UTILITY TARIFF
Docket No. 51683**

Integra Water Texas LLC
(Utility Name)

3212 6th Ave. South, Suite 200
(Business Address)

Birmingham, AL 35222
(City, State, Zip Code)

(205)719-7795
(Area Code/Telephone)

This tariff is effective for utility operations under the following Certificates of Convenience and Necessity:

This tariff is effective in the following counties:

Bastrop

This tariff is effective in the following cities or unincorporated towns (if any):

n/a

This tariff is effective in the following subdivisions and public sewer systems:

Los Milagros, Permit Number WQ-0015804001

THE RATES SET OR APPROVED BY THE CITY FOR THE SYSTEMS ENTIRELY WITHIN ITS CORPORATE BOUNDARY ARE NOT PRESENTED IN THIS TARIFF. THOSE RATES ARE NOT UNDER THE ORIGINAL JURISDICTION OF THE TCEQ AND WILL HAVE TO BE OBTAINED FROM THE CITY OR UTILITY

TABLE OF CONTENTS

The above utility lists the following sections of its tariff (if additional pages are needed for a section, all pages should be numbered consecutively):

SECTION 1.0 – RATE SCHEDULE	3
SECTION 2.0 – SERVICE RULES AND POLICIES	5
SECTION 3.0 – EXTENSION POLICY	10

APPENDIX A – SAMPLE SERVICE AGREEMENT

SECTION 1.0 - RATE SCHEDULE

Section 1.01--Rates

Meter Size: Monthly Minimum Charge
All Meters \$49.50 Flat Rate

Volume charges are determined based on average consumption for winter period which includes the following months: N.A.

FORM OF PAYMENT: The utility will accept the following forms of payment:
Cash , Check X, Money Order X, Credit Card X, Other (specify) Online Payment or Automatic Bank Draft

THE UTILITY MAY REQUIRE EXACT CHANGE FOR PAYMENTS AND MAY REFUSE TO ACCEPT PAYMENTS MADE USING MORE THAN \$1.00 IN SMALL COINS. A WRITTEN RECEIPT WILL BE GIVEN FOR CASH PAYMENTS.

UNAFFILIATED THIRD PARTIES WHO ACCEPT AND PROCESS CREDIT CARD, AND ELECTRONIC PAYMENTS FOR UTILITY BILLS MAY REQUIRE PAYMENT OF AN ADDITIONAL CONVENIENCE CHARGE FOR THIS SERVICE.

REGULATORY ASSESSMENT..... 1.0%

PUBLIC UTILITY COMMISSION (COMMISSION) RULES REQUIRE THE UTILITY TO COLLECT AND REMIT TO THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY A FEE OF ONE PERCENT OF THE RETAIL MONTHLY BILL.

Section 1.02 - Miscellaneous Fees

TAP FEE.....\$ 865 .00

TAP FEE COVERS THE UTILITY'S COSTS FOR MATERIALS AND LABOR TO INSTALL A STANDARD RESIDENTIAL CONNECTION. AN ADDITIONAL FEE TO COVER UNIQUE COSTS IS PERMITTED IF LISTED ON THIS TARIFF, INCLUDING COSTS RELATED TO ROAD BORES, ROCK CUTS, AND UNUSUALLY LONG TAPS.

TAP FEE (Large Connection Tap)Actual Cost

TAP FEE IS THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR METER SIZE INSTALLED.

RECONNECTION FEE

THE RECONNECT FEE MUST BE PAID BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS BEEN DISCONNECTED FOR THE FOLLOWING REASONS (OR OTHER REASONS LISTED UNDER SECTION 2.0 OF THIS TARIFF):

- a) Nonpayment of bill (Maximum \$25.00).....\$25.00
- b) Customer’s request that service be disconnected.....\$100.00
- c) After hours reconnection.....\$100.00

LATE CHARGE (EITHER \$5.00 OR 10% OF THE BILL)\$5.00

COMMISSION RULES ALLOW A ONE-TIME PENALTY TO BE CHARGED ON DELINQUENT BILLS. A LATE CHARGE MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE PENALTY WAS APPLIED IN A PREVIOUS BILLING.

RETURNED CHECK CHARGE\$23.50

RETURNED CHECK CHARGES MUST BE BASED ON THE UTILITY’S DOCUMENTABLE COST.

SECTION 1.0 – RATE SCHEDULE (CONT.)

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

COMMERCIAL & NON-RESIDENTIAL DEPOSIT 1/6TH OF ESTIMATED ANNUAL BILL

GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE:

WHEN AUTHORIZED IN WRITING BY THE COMMISSION AND AFTER NOTICE TO CUSTOMERS, THE UTILITY MAY INCREASE RATES TO RECOVER INCREASED COSTS FOR INSPECTION FEES AND WATER TESTING. [16 TAC § 24.25(b)(2)(G)]

LINE EXTENSION AND CONSTRUCTION CHARGES:

REFER TO SECTION 3.0--EXTENSION POLICY FOR TERMS, CONDITIONS, AND CHARGES WHEN NEW CONSTRUCTION IS NECESSARY TO PROVIDE SERVICE.

SECTION 2.0 – SERVICE RULES AND POLICIES

The utility will have the most current Public Utility Commission of Texas (Commission or PUC) Rules relating to sewer utilities available at its office for reference purposes. The Rules and this tariff shall be available for public inspection and reproduction at a reasonable cost. The latest Rules or Commission approved changes to the Rules supersede any rules or requirements in this tariff.

Section 2.01 - Application for Sewer Service

All applications for service will be made on the utility's standard application or contract form (attached in the Appendix to this tariff), will be signed by the applicant, any required fees (deposits, reconnect, tap, extension fees, etc. as applicable) will be paid and easements, if required, will be granted before service is provided by the utility. A separate application or contract will be made for each service location.

Section 2.02 - Refusal of Service

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

Section 2.03 - Fees and Charges & Easements Required Before Service Can Be Connected(A) Customer Deposits

If a residential applicant cannot establish credit to the satisfaction of the utility, the applicant may be required to pay a deposit as provided for in Section 1.02 - Miscellaneous Fees of this tariff. The utility will keep records of the deposit and credit interest in accordance with the Commission rules.

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

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

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

SECTION 2.0 – SERVICE RULES AND POLICIES (Continued)

(B) Reconnect Fees

A customer requesting service where service has previously been provided must pay a reconnect fee as provided in Section 1. Any applicant or existing customer required to pay for any costs not specifically set forth in the rate schedule pages of this tariff shall be given a written explanation of such costs prior to request for payment and/or commencement of construction. If the applicant or existing customer does not believe that these costs are reasonable or necessary, the applicant or existing customer shall be informed of their right to appeal such costs to the Commission or such other regulatory authority having jurisdiction over the utility's rates in that portion of the utility's service area in which the applicant's or existing customer's property(ies) is located.

(C) Easement Requirement

Where recorded public utility easements on the service applicant's property do not exist or public road right-of-way easements are not available to access the applicant's property, the utility may require the applicant to provide it with a permanent recorded public utility easement on and across the applicant's real property sufficient to provide service to that applicant. Such easement(s) shall not be used for the construction of production, storage, transmission or pressure facilities unless they are needed for adequate service to that applicant.

Section 2.04 - Utility Response to Applications for Service

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

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

Section 2.05 - Customer Responsibility

The customer will be responsible for furnishing and laying the necessary customer service pipe from the tap location to the place of consumption. Customers will not be allowed to use the utility's cutoff.

SECTION 2.0 – SERVICE RULES AND POLICIES (Continued)

Section 2.06 - Access to Customer's Premises

All customers or service applicants shall provide access to utility cutoffs at all times reasonably necessary to conduct ordinary utility business and after normal business hours as needed to protect and preserve the integrity of the public drinking water supply.

Section 2.07 - Back Flow Prevention Devices

No water connection shall be made to any establishment where an actual or potential contamination or system hazard exists without an approved air gap or mechanical backflow prevention assembly. The air gap or backflow prevention assembly shall be installed in accordance with the American Water Works Association (AWWA) standards C510, C511 and AWWA Manual M14 or the University Of Southern California Manual Of Cross-Connection Control, current edition. The backflow assembly installation by a licensed plumber shall occur at the customer's expense.

The back flow assembly shall be tested upon installation by a recognized prevention assembly tester and certified to be operating within specifications. Back flow prevention assemblies which are installed to provide protection against high health hazards must be tested and certified to be operating within specifications at least annually by a recognized back flow prevention device tester. The maintenance and testing of the back flow assembly shall occur at the customer's expense.

Section 2.10 - Billing(A) Regular Billing

Bills from the utility will be mailed monthly unless otherwise authorized by the Commission. The due date of bills for utility service will be at least sixteen (16) days from the date of issuance. The postmark on the bill or, if there is no postmark on the bill, the recorded date of mailing by the utility will constitute proof of the date of issuance. Payment for utility service is delinquent if full payment, including late fees and the regulatory assessment, is not received at the utility or the utility's authorized payment agency by 5:00 p.m. on the due date. If the due date falls on a holiday or weekend, the due date for payment purposes will be the next workday after the due date.

(B) Late Fees

A late penalty of either \$5.00 or 10% will be charged on bills received after the due date. The penalty on delinquent bills will not be applied to any balance to which the penalty was applied in a previous billing. The utility must maintain a record of the date of mailing to charge the late penalty.

(C) Information on Bill

Each bill will provide all information required by the Commission rules. For each of the systems it operates, the utility will maintain and note on the monthly bill a local or toll-free telephone number (or numbers) to which customers can direct questions about their utility service.

SECTION 2.0 – SERVICE RULES AND POLICIES (Continued)

(D) Prorated Bills

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

Section 2.11 - Payments

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

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

Section 2.12 - Service Disconnection(A) With Notice

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

The utility is encouraged to offer a deferred payment plan to a customer who cannot pay an outstanding bill in full and is willing to pay the balance in reasonable installments. However, a customer's utility service may be disconnected if a bill has not been paid or a deferred payment agreement entered into within 26 days from the date of issuance of a bill and if proper notice of termination has been given.

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

(B) Without Notice

Utility service may also be disconnected without notice for reasons as described in the Commission rules.

Section 2.13 - Reconnection of Service

Utility personnel must be available during normal business hours to accept payments on the day service is disconnected and the following day unless service was disconnected at the customer's request or due to a hazardous condition.

SECTION 2.0 – SERVICE RULES AND POLICIES (Continued)

Service will be reconnected within 24 hours after the past due bill, reconnect fees and any other outstanding charges are paid or the conditions which caused service to be disconnected are corrected.

Section 2.14 - Service Interruptions

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

Section 2.15 - Quality of Service

The utility will plan, furnish, and maintain and operate production, treatment, storage, transmission, and collection facilities of sufficient size and capacity to provide continuous and adequate service for all reasonable consumer uses and to treat sewage and discharge effluent of the quality required by its discharge permit issued by the TCEQ. Unless otherwise authorized by the TCEQ, the utility will maintain facilities as described in the TCEQ's rules.

Section 2.16 - Customer Complaints and Disputes

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

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

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

Section 2.17 - Customer Liability

Customer shall be liable for any damage or injury to utility-owned property shown to be caused by the customer.

SECTION 3.0 – EXTENSION POLICY

Section 3.01 - Standard Extension Requirements

Line Extension and Construction Charges: No Contribution in Aid of Construction may be required of any customer except as provided for in this approved extension policy.

The utility is not required to extend service to any applicant outside of its certified service area and will only do so under terms and conditions mutually agreeable to the utility and the applicant, in compliance with Commission rules and policies, and upon extension of the utility's certified service area boundaries by the Commission.

The applicant for service will be given an itemized statement of the costs, options such as rebates to the customer, sharing of construction costs between the utility and the customer, or sharing of costs between the customer and other applicants prior to beginning construction.

The utility is not required to extend service to any applicant outside of its certificated service area and will only do so under terms and conditions mutually agreeable to the utility and the applicant, in compliance with Commission rules and policies, and upon extension of the utility's certificated service area boundaries by the Commission.

Section 3.02 - Costs Utilities and Service Applicants Shall Bear

Within its certified area, the utility will pay the cost of the first 200 feet of any water main or distribution line necessary to extend service to an individual residential customer within a platted subdivision.

However, if the residential customer requesting service purchased the property after the developer was notified in writing of the need to provide facilities to the utility, the utility may charge for the first 200 feet. The utility must also be able to document that the developer of the subdivision refused to provide facilities compatible with the utility's facilities in accordance with the utility's approved extension policy after receiving a written request from the utility.

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

Unless an exception is granted by the PUC, the residential service applicant shall not be required to pay for costs of main extensions greater than 6" in diameter for gravity wastewater lines.

SECTION 3.0 – EXTENSION POLICY (Continued)

Exceptions may be granted by the PUC if

- adequate service cannot be provided to the applicant using the maximum line sizes listed due to distance or elevation, in which case, it shall be the utility's burden to justify that a larger diameter pipe is required for adequate service;
- or larger minimum line sizes are required under subdivision platting requirements or building codes of municipalities within whose corporate limits or extraterritorial jurisdiction the point of use is located; or the residential service applicant is located outside the CCN service area.

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

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

If an applicant requires service other than the standard service provided by the utility, such applicant will be required to pay all expenses incurred by the utility in excess of the expenses that would be incurred in providing the standard service and connection beyond 200 feet and throughout his property including the cost of all necessary transmission facilities.

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

Section 3.03 - Contributions in Aid of Construction

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

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

SECTION 3.0 – EXTENSION POLICY (Continued)

Any service extension to a subdivision (recorded or unrecorded) may be subject to the provisions and restrictions of 16 TAC § 24.163(d). When a developer wishes to extend the system to prepare to service multiple new connections, the charge shall be the cost of such extension, plus a pro-rata charge for facilities which must be committed to such extension compliant with the TCEQ minimum design criteria. As provided by 16 TAC § 24.163(d)(4), for purposes of this section, commercial, industrial, and wholesale customers shall be treated as developers.

A utility may only charge a developer standby fees for unrecovered costs of facilities committed to a developer's property under the following circumstances:

- Under a contract and only in accordance with the terms of the contract; or
- if service is not being provided to a lot or lots within two years after installation of facilities necessary to provide service to the lots has been completed and if the standby fees are included on the utilities approved tariff after a rate change application has been filed. The fees cannot be billed to the developer or collected until the standby fees have been approved by the Commission or executive director.
- For purposes of this section, a manufactured housing rental community can only be charged standby fees under a contract or if the utility installs the facilities necessary to provide individually metered service to each of the rental lots or spaces in the community.

Section 3.04 - Appealing Connection Costs

The imposition of additional extension costs or charges as provided by Sections 3.0 - Extension Policy of this tariff shall be subject to appeal as provided in this tariff, Commission rules, or the rules of such other regulatory authority as may have jurisdiction over the utility's rates and services. Any applicant required to pay for any costs not specifically set forth in the rate schedule pages of this tariff shall be given a written explanation of such costs prior to payment and/or commencement of construction. If the applicant does not believe that these costs are reasonable or necessary, the applicant shall be informed of the right to appeal such costs to the Commission or such other regulatory authority having jurisdiction over the utility's rates in that portion of the utility's service area in which the applicant's property(ies) is located.

Section 3.05 - Applying for Service

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

SECTION 3.0 -- EXTENSION POLICY (Continued)

Where a new tap or service connection is required, the service applicant shall be required to submit a written service application and request that a tap be made. A diagram, map, plat, or written metes and bounds description of precisely where the applicant desires each tap or service connection is to be made and, if necessary, where the meter is to be installed, along the applicant's property line may also be required with the tap request. The actual point of connection and meter installation must be readily accessible to utility personnel for inspection, servicing, and meter reading while being reasonably secure from damage by vehicles and mowers. If the utility has more than one main adjacent to the service applicant's property, the tap or service connection will be made to the utility's nearest service main with adequate capacity to service the applicant's full potential service demand. Beyond the initial 200 feet, the customer shall bear only the equivalent cost of extending from the nearest main. If the tap or service connection cannot be made at the applicant's desired location, it will be made at another location mutually acceptable to the applicant and the utility. If no agreement on location can be made, the applicant may refer the matter to the Commission for resolution.

Section 3.06 - Qualified Service Applicant

A "qualified service applicant" is an applicant who has: (1) met all of the utility's requirements for service contained in this tariff, Commission rules and/or order, (2) has made payment or made arrangement for payment of tap fees, (3) has provided all easements and rights-of-way required to provide service to the requested location, (4) delivered an executed customer service inspection certificate to the Utility, if applicable, and (5) has executed a customer service application for each location to which service is being requested.

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

Section 3.07 - Developer Requirements

As a condition of service to a new subdivision, the utility shall require a developer (as defined by PUC rule) to provide permanent recorded public utility easements as a condition of service to any location within the developer's property.

APPENDIX A – SAMPLE SERVICE AGREEMENT
From TCEQ Rules, 30 TAC Chapter 290.47(b), Appendix B
SERVICE AGREEMENT

- I. **PURPOSE.** The NAME OF SEWER SYSTEM is responsible for protecting the drinking water supply from contamination or pollution which could result from improper private water distribution system construction or configuration. The purpose of this service agreement is to notify each customer of the restrictions which are in place to provide this protection. The utility enforces these restrictions to ensure the public health and welfare. Each customer must sign this agreement before the NAME OF SEWER SYSTEM will begin service. In addition, when service to an existing connection has been suspended or terminated, the sewer system will not re-establish service unless it has a signed copy of this agreement.
- II. **RESTRICTIONS.** The following unacceptable practices are prohibited by State regulations.
- A. No direct connection between the public drinking water supply and a potential source of contamination is permitted. Potential sources of contamination shall be isolated from the public water system by an air-gap or an appropriate backflow prevention device.
 - B. No cross-connection between the public drinking water supply and a private water system is permitted. These potential threats to the public drinking water supply shall be eliminated at the service connection by the installation of an air-gap or a reduced pressure-zone backflow prevention device.
 - C. No connection which allows water to be returned to the public drinking water supply is permitted.
 - D. No pipe or pipe fitting which contains more than 8.0% lead may be used for the installation or repair of plumbing at any connection which provides water for human use.
 - E. No solder or flux which contains more than 0.2% lead can be used for the installation or repair of plumbing at any connection which provides water for human use.
- III. **SERVICE AGREEMENT.** The following are the terms of the service agreement between the NAME OF SEWER SYSTEM (the Sewer System) and NAME OF CUSTOMER (the Customer).
- A. The Sewer System will maintain a copy of this agreement as long as the Customer and/or the premises are connected to the Sewer System.
 - B. The Customer shall allow his property to be inspected for possible cross-connections and other potential contamination hazards. These inspections shall be conducted by the Sewer System or its designated agent prior to initiating new water service; when there is reason to believe that cross-connections or other potential contamination hazards exist; or after any major changes to the private water

distribution facilities. The inspections shall be conducted during the Sewer System's normal business hours.

- C. The Sewer System shall notify the Customer in writing of any cross-connection or other potential contamination hazard which has been identified during the initial inspection or the periodic reinspection.
- D. The Customer shall immediately remove or adequately isolate any potential cross-connections or other potential contamination hazards on his premises.
- E. The Customer shall, at his expense, properly install, test, and maintain any backflow prevention device required by the Sewer System. Copies of all testing and maintenance records shall be provided to the Sewer System.

IV. ENFORCEMENT. If the Customer fails to comply with the terms of the Service Agreement, the Sewer System shall, at its option, either terminate service or properly install, test, and maintain an appropriate backflow prevention device at the service connection. Any expenses associated with the enforcement of this agreement shall be billed to the Customer.

CUSTOMER's SIGNATURE: _____

DATE: _____