



Control Number: 52324



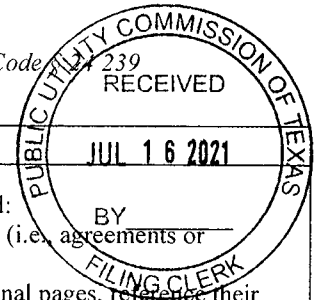
Item Number: 1

Addendum StartPage: 0



Application for Sale, Transfer, or Merger of a Retail Public Utility

Pursuant to Texas Water Code § 13.301 and 16 Texas Administrative Code



Sale, Transfer, or Merger (STM) Application Instructions

- I. **COMPLETE:** In order for the Commission to find the application sufficient for filing, the Applicant should:
 - i. Provide an answer to every question and submit any required attachment applicable to the STM request (i.e. agreements or contracts).
 - ii. Use attachments or additional pages to answer questions as necessary. If you use attachments or additional pages, reference their inclusion in the form.
 - iii. Provide all mapping information as detailed in Part G: Mapping & Affidavits.
- 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.
 - i. **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):** Applicants 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):** Applicants 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 Applicants issue notice, a copy of the actual notice sent and an affidavit attesting to notice should be filed in the docket assigned to the application. Recipients of notice may request a hearing on the merits.

HEARING ON THE MERITS: An affected party may request a hearing within 30 days of notice. In this event, the application may be referred to the State Office of Administrative Hearings (SOAH) to complete this request.
- V. **TRANSACTION TO PROCEED:** at any time following the provision of notice, or prior to 120 days from the last date that proper notice was given, Commission Staff will file a recommendation for the transaction to proceed as proposed or recommend that the STM be referred to SOAH for further investigation. The Applicants will be required to file an update in the docket to the ALJ every 30 days following the approval of the transaction. The transaction must be completed within six (6) months from the ALJ's order (Note: The Applicants may request an extension to the 6 month provision for good cause).
- VI. **FILE:** Seven (7) copies of completed transaction documents and documentation addressing the transfer or disposition of any outstanding deposits. After receiving all required documents from the Applicants, the application will be granted a procedural schedule for final processing. The Applicants are requested to consent in writing to the proposed maps and certificates, or tariff if applicable.
- VII. **FINAL ORDER:** The ALJ will issue a final order issuing or amending the applicable CCNs.

FAQ:

Who can use this form?

Any retail public utility that provides water or wastewater 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) prior to any STM of a water or sewer system, or utility, or prior to the transfer of a portion of a certificated service area.

Terms

Transferor: Seller

Transferee: Purchaser

CCN: Certificate of Convenience and Necessity

STM: Sale, Transfer, or Merger

IOU: Investor Owned Utility

Application Summary

Transferor: Southwest Environmental Resources

(selling entity)

CCN No.s: 11648

- Sale
 Transfer
 Merger
 Consolidation
 Lease/Rental

Transferee: MANVEL TERRACE UTILITIES

(acquiring entity)

CCN No.s: 12080

- Water
 Sewer
 All CCN
 Portion CCN
 Facilities transfer

County(ies): Fort Bend

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Please mark the items included in this filing

- | | |
|--|-----------------------------------|
| <input checked="" type="checkbox"/> Contract, Lease, Purchase, or Sale Agreement | Part A: Question 1 |
| <input checked="" type="checkbox"/> Tariff including Rate Schedule | Part B: Question 4 |
| <input checked="" type="checkbox"/> List of Customer Deposits | Part B: Question 5 |
| <input type="checkbox"/> Partnership Agreement | Part C: Question 7 |
| <input type="checkbox"/> Articles of Incorporation and By-Laws (WSC) | Part C: Question 7 |
| <input type="checkbox"/> Certificate of Account Status | Part C: Question 7 |
| <input type="checkbox"/> Financial Audit | Part C: Question 10 |
| <input checked="" type="checkbox"/> Application Attachment A & B | Part C: Question 10 |
| <input type="checkbox"/> Disclosure of Affiliated Interests | Part C: Question 10 |
| <input type="checkbox"/> Capital Improvement Plan | Part C: Question 10 |
| <input type="checkbox"/> List of Assets to be Transferred | Part D: 11.B |
| <input type="checkbox"/> Developer Contribution Contracts or Agreements | Part D: 11.D |
| <input checked="" type="checkbox"/> Enforcement Action Correspondence | Part E: Question 18 (Part D. Q12) |
| <input checked="" type="checkbox"/> TCEQ Compliance Correspondence | Part F: Question 22 |
| <input type="checkbox"/> TCEQ Engineering Approvals | Part F: Question 24 |
| <input type="checkbox"/> Purchased Water Supply or Treatment Agreement | Part F: Question 26 |
| <input checked="" type="checkbox"/> Detailed (large scale) Map | Part G: Question 29 |
| <input checked="" type="checkbox"/> General Location (small scale) Map | Part G: Question 29 |
| <input type="checkbox"/> Digital Mapping Data | Part G: Question 29 |
| <input checked="" type="checkbox"/> Signed & Notarized Oath | Page 13-14 |

Part A: General Information

1. Describe the proposed transaction, including the effect on all CCNs involved, and provide details on the existing or expected land use in the area affected by the proposed transaction. Attach all supporting documentation, such as a contract, a lease, or proposed purchase agreements:

Southwest Environmental Resources CCN 11648, transferor, does sell in its entirety to Manvale Terrace Utilities CNN 12080, transferee, all land, equipment and assets of Southwest Environmental Resources.

2. The proposed transaction will require (check all applicable):

For **Transferee** (Purchaser) CCN:

For **Transferor** (Seller) CCN:

- Obtaining a NEW CCN for Purchaser
- Transfer all CCN into Purchaser's CCN (Merger)
- Transfer Portion of CCN into Purchaser's CCN
- Transfer all CCN to Purchaser and retain Seller CCN
- Uncertificated area added to Purchaser's CCN

- Cancellation of Seller's CCN
- Transfer of a Portion of Seller's CCN to Purchaser
- Only Transfer of Facilities, No CCN or Customers
- Only Transfer of Customers, No CCN or Facilities
- Only Transfer CCN Area, No Customers or Facilities

Part B: Transferor Information

Questions 3 through 5 apply only to the *transferor* (current service provider or seller)

3. A. Name: Southwest Environmental Resources
(individual, corporation, or other legal entity)
 Individual Corporation WSC Other: _____

B. Mailing Address: PO BOX 727 Rosenberg, TX 77471-727

Phone: (832) 496-5512 Email: JEFF_MAHAN@Sbcglobal.net

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

Name: Jeffrey Mahan Title: Owner

Mailing Address: PO BOX 727 Rosenberg, TX 77471-727

Phone: (832) 496-5512 Email: JEFF_MAHAN@Sbcglobal.net

4. If the utility to be transferred is an Investor Owned Utility (IOU), for the most recent rate change, attach a copy of the current tariff and complete A through B:

A. Effective date for most recent rates: April 6, 2006

- B. Was notice of this increase provided to the Public Utility Commission of Texas (Commission) or a predecessor regulatory authority?

No Yes Application or Docket Number: TCEQ 34963-S

If the transferor is a Water Supply or Sewer Service Corporation, provide a copy of the current tariff.

5. For the customers that will be transferred following the approval of the proposed transaction, check all that apply:

- There are *no* customers that will be transferred
- # of customers without deposits held by the transferor 167
- # of customers with deposits held by the transferor* _____

*Attach a list of all customers affected by the proposed transaction that have deposits held, and include a customer indicator (name or account number), date of each deposit, amount of each deposit, and any unpaid interest on each deposit.

Part C: Transferee Information

Questions 6 through 10 apply only to the *transferee* (purchaser or proposed service provider)

6. A. Name: Manvel Terrace Utilities

(individual, corporation, or other legal entity)

- Individual Corporation WSC Other:

B. Mailing Address: PO BOX 690521 Houston, TX 77269-521

Phone: (832) 534-8545 Email: _____

C. Contact Person. 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: Harrison Williams

Title: Owner

Address: P.O. BOX 690521 Houston, Tx 77269

Phone: (832) 834-8545 Email: _____

D. If the transferee is someone other than a municipality, is the transferee current on the Regulatory Assessment Fees (RAF) with the Texas Commission on Environmental Quality (TCEQ)?

- No Yes N/A

E. If the transferee is an IOU, is the transferee current on the Annual Report filings with the Commission?

- No Yes N/A

7. The legal status of the transferee is:

- Individual or sole proprietorship
- Partnership or limited partnership (*attach* Partnership agreement)

Corporation

Charter number (as recorded with the Texas Secretary of State): 800565031

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

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

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

Municipally-owned utility

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

- County
- Affected County (a county to which Subchapter B, Chapter 232, Local Government Code, applies)
- Other (please explain): _____

8. If the transferee operates under any d/b/a, provide the name below:

Name: N/A

9. If the transferee's legal status is anything other than an individual, provide the following information regarding the officers, members, or partners of the legal entity applying for the transfer:

Name:	<u>Harrison Williams</u>		Ownership % (if applicable):	<u>100.00%</u>
Position:	<u>President</u>			
Address:	_____			
Phone:	_____	Email:	_____	
Name:	_____			
Position:	_____		Ownership % (if applicable):	<u>0.00%</u>
Address:	_____			
Phone:	_____	Email:	_____	
Name:	_____			
Position:	_____		Ownership % (if applicable):	<u>0.00%</u>
Address:	_____			
Phone:	_____	Email:	_____	
Name:	_____			
Position:	_____		Ownership % (if applicable):	<u>0.00%</u>
Address:	_____			
Phone:	_____	Email:	_____	

10. Financial Information

The transferee Applicant 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 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 taking the historical information of the transferor Applicant into consideration when establishing the projections.

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 (16 Tex. Admin. Code § 24.11(e)(3)) 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.

Part D: Proposed Transaction Details

11. A. Proposed Purchase Price: \$ _____

If the transferee Applicant is an investor owned utility (IOU) provide answers to B through D.

B. Transferee has a copy of an inventory list of assets to be transferred (*attach*):

No Yes N/A

Filed confidentially

Total Original Cost of Plant in Service: \$ _____

Accumulated Depreciation: \$ _____

Net Book Value: \$ _____

C. **Customer contributions in aid of construction (CIAC):** Have the customers been billed for any surcharges approved by the Commission or TCEQ to fund any assets currently used and useful in providing utility service? Identify which assets were funded, or are being funded, by surcharges on the list of assets.

No Yes

Total Customer CIAC: \$ _____

Accumulated Amortization: \$ _____

D. **Developer CIAC:** Did the transferor receive any developer contributions to pay for the assets proposed to be transferred in this application? If so, identify which assets were funded by developer contributions on the list of assets and provide any applicable developer agreements.

No Yes

Total developer CIAC: \$ _____

Accumulated Amortization: \$ _____

12. A. Are any improvements or construction required to meet the minimum requirements of the TCEQ or Commission and to ensure continuous and adequate service to the requested area to be transferred plus any area currently certificated to the transferee Applicant? Attach supporting documentation and any necessary TCEQ approvals, if applicable.

No Yes

B. If yes, describe the source and availability of funds and provide an estimated timeline for the construction of any planned or required improvements:

N/A

13. Provide any other information concerning the nature of the transaction you believe should be given consideration:

None

14. Complete the following proposed entries (listed below) as shown in the books of the Transferee (purchaser) after the acquisition. Debits (positive numbers) should equal credits (negative numbers) so that all line items added together equal zero. Additional entries may be made; the following are suggested only, and not intended to pose descriptive limitations:

Utility Plant in Service: \$ _____
Accumulated Depreciation of Plant: \$ _____ **Filed confidentially**
Cash: \$ _____
Notes Payable: \$ _____
Mortgage Payable: \$ _____
(Proposed) Acquisition Adjustment*: \$ _____
Other (NARUC account name & No.): _____
Other (NARUC account name & No.): _____

* Acquisition Adjustments will be subject to review under 16 TAC § 24 41(d) and (e)

15. A. Explain any proposed billing change (NOTE: If the acquiring entity is an IOU, the IOU may not change the rates charged to the customers through this STM application. Rates can only be changed through the approval of a rate change application.)

No proposed billing changes

B. If transferee is an IOU, state whether or not the transferee intends to file with the Commission, or an applicable municipal regulatory authority, an application to change rates for some or all of its customers as a result of the transaction within the next twelve months. If so, provide details below:

Undertermined at this time. A rate study will be conducted after the tranfer has been approved by the PUC and the trasnfer has been finanlized.

Part E: CCN Obtain or Amend Criteria Considerations

16. Describe, in detail, the anticipated impact or changes in the quality of retail public utility service in the requested area as a result of the proposed transaction:

The quality of service is expected to improve as a result of the water utility being under the ownership and operation of a full-time professional with 20 years of experience of owning and operating Investor Owned Public Water and Wastewater Utilities.

17. Describe the transferee's experience and qualifications in providing continuous and adequate service. This should include, but is not limited to: other CCN numbers, water and wastewater systems details, and any corresponding compliance history for all operations.

Harrison Williams has over 20 years experience ng and operating Investor Owned Public Water and Wastewater Utilities. SP Utilities has 2 CCN 12978 & 20817. SP Utiliy has no outstanding compliance violation. The last compliance violation was in 2010 and was corrected. DOCKET NO.:2010-0301-PWS-ETCEQ ID:RN103779039CASE NO.:3920

18. Has the transferee 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? Attach copies of any correspondence with the applicable regulatory agency(ies)

No Yes

19. Explain how the environmental integrity or the land will be impacted or disrupted as a result of the proposed transaction:

The environmental integrity will not be impacted or disrupted becasue these is no new construction or any changes that will impact the land.

20. How will the proposed transaction serve the public interest?

The public interest will be served by the delivery of impoved service with professional management of the water utilities.

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

10713 City of Rosenberg

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

Complete Part F for EACH Public Water or Sewer system to be transferred subject to approval of the transaction. Attach a separate sheet with this information if you need more space for additional systems being transferred.

22. A. For Public Water System (PWS):

TCEQ PWS Identification Number: 0790144 (7 digit ID)

Name of PWS: Millbrook Water and Sanitary System

Date of last TCEQ compliance inspection: January 22, 2020 (attach TCEQ letter)

Subdivisions served: Horseshoe Bend Village

B. For Sewer service:

TCEQ Water Quality (WQ) Discharge Permit Number: WQ - (8 digit ID)

Name of Wastewater Facility: _____

Name of Permittee: _____

Date of last TCEQ compliance inspection: _____ (attach TCEQ letter)

Subdivisions served: _____

Date of application to transfer permit *submitted* to TCEQ: _____

23. List the number of *existing* connections, by meter/connection type, to be affected by the proposed transaction:

Water				Sewer	
	Non-metered		2"		Residential
167	5/8" or 3/4"		3"		Commercial
	1"		4"		Industrial
	1 1/2"		Other		Other
Total Water Connections:				Total Sewer Connections:	

24. A. Are any improvements required to meet TCEQ or Commission standards?

No Yes

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:

C. Is there a moratorium on new connections?

No Yes:

25. Does the system being transferred operate within the corporate boundaries of a municipality?

No Yes: _____ (name of municipality)

If yes, indicate the number of customers within the municipal boundary.

Water: _____ Sewer: _____

26. A. Does the system being transferred purchase water or sewer treatment capacity from another source?

No Yes: If yes, attach a copy of purchase agreement or contract.

Capacity is purchased from: _____

Water: _____

Sewer: _____

B. Is the PWS required to purchase water to meet capacity requirements or drinking water standards?

No Yes

C. What is the amount of water supply or sewer 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:		0.00%
Sewer:		0.00%

D. Will the purchase agreement or contract be transferred to the Transferee?

No Yes:

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

No Yes:

28. List the name, class, and TCEQ license number of the operator that will be responsible for the operations of the water or sewer utility service:

Name (as it appears on license)	Class	License No.	Water or Sewer
Harrison Williams	B	WG0014737 & WW00472074	Water & Wastewater
Frank Ontiveros	C	WG0017682 & WW0054976	Water & Wastewater
Abri Reyna	C	WG0012670 & WW0039104	Water & Wastewater

Part G: Mapping & Affidavits

ALL applications require mapping information to be filed in conjunction with the STM application. Read question 29 A and B to determine what information is required for your application.

29. A. For applications requesting to transfer an entire CCN, without a CCN boundary adjustment, provide the following mapping information with each of the seven (7) copies of the application:

1. A general location (small scale) map identifying the requested area in reference to the nearest county boundary, city, or town. The following guidance should be adhered to:
 - i. If the application requests to transfer certificated service areas for both water and sewer, 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 and natural landmarks such as roads, rivers, and railroads. The Applicant should adhere to the following guidance:
 - i. The map must 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 or natural landmarks must be labeled and marked on the map as well.
 - ii. If the application requests 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.
 - iv. The outer boundary of the requested area should not be covered by any labels, roads, city limits or extraterritorial jurisdiction (ETJ) boundaries.

- B. For applications that are requesting to include area not currently within a CCN, or for applications that require a CCN amendment (any change in a CCN boundary), such as the transfer of only a portion of a certificated service area, provide the following mapping information with each of the seven (7) copies of the application:

- 1. A general location (small scale) map identifying the requested area with enough detail to locate the requested area in reference to the nearest county boundary, city, or town. Please refer to the mapping guidance in part A 1 (above).
- 2. A detailed (large scale) map identifying the requested area with enough detail to accurately locate the requested area in reference to verifiable man-made or natural landmarks such as roads, rivers, or railroads. Please refer to the mapping guidance in part A 2 (above).
- 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 A 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 A 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 drive), clearly labeled, and filed with Central Records. Seven (7) copies of the digital mapping data is also required.

Part H: Notice Information

The following information will be used to generate the proposed notice for the application.
DO NOT provide notice of the application until it is found sufficient and the Applicants are ordered to provide notice.

30. Complete the following using verifiable man-made 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: 83.90

Number of customer connections in the requested area: 167

Affected subdivision :

The closest city or town: Rosenburg

Approximate mileage to closest city or town center: 3

Direction to closest city or town: North

The requested area is generally bounded on the North by: Geronimo Lane

on the East by: Highway 36

on the South by: Arapahoe Drive

on the West by: Apache Lane

31. A copy of the proposed map will be available at: 12111 Spring Cypress Tomball, TX 77377

32. What effect will the proposed transaction have on an average bill to be charged to the affected customers? Take into consideration the average consumption of the requested area, as well as any other factors that would increase or decrease a customer's monthly bill.

All of the customers will be charged the same rates they were charged before the transaction.

All of the customers will be charged different rates than they were charged before the transaction.

higher monthly bill lower monthly bill

Some customers will be charged different rates than they were charged before (i.e. inside city limit customers)

higher monthly bill lower monthly bill

Oath for Transferee (Acquiring Entity)

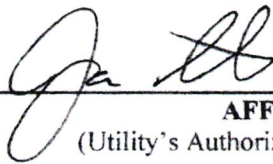
STATE OF TEXAS

COUNTY OF Harris

I, HARRISON WILLIAMS being duly sworn, file this application for sale, transfer, merger, consolidation, acquisition, lease, or rental, as PRESIDENT
(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.

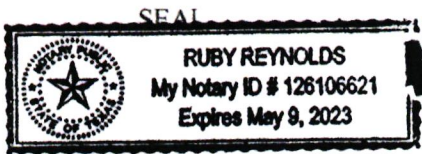
I further state that I have been provided with a copy of the 16 TAC § 24.239 Commission rules. I am also authorized to agree and do agree to be bound by and comply with any outstanding enforcement orders of the Texas Commission on Environmental Quality, the Public Utility Commission of Texas or the Attorney General which have been issued to the system or facilities being acquired and recognize that I will be subject to administrative penalties or other enforcement actions if I do not comply.



AFFIANT
(Utility's Authorized Representative)

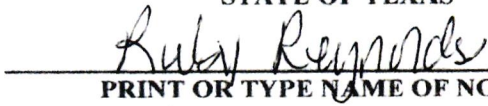
If the Affiant to this form is any person other than the sole owner, partner, officer of the Applicant, or its attorney, a properly verified Power of Attorney must be enclosed.

SUBSCRIBED AND SWORN BEFORE ME, a Notary Public in and for the State of Texas
this day the 15th of July, 2021





**NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS**



PRINT OR TYPE NAME OF NOTARY

My commission expires: May 9, 2023

Oath for Transferor (Transferring Entity)

STATE OF TEXAS
COUNTY OF Harris

I, JEFFREY MAHAN being duly sworn, file this application for sale, transfer, merger, consolidation, acquisition, lease, or rental, as **OWNER**

(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 state that I have been provided with a copy of the 16 TAC § 24.239 Commission rules. I am also authorized to agree and do agree to be bound by and comply with any outstanding enforcement orders of the Texas Commission on Environmental Quality, the Public Utility Commission of Texas or the Attorney General which have been issued to the system or facilities being acquired and recognize that I will be subject to administrative penalties or other enforcement actions if I do not comply.

Jeffrey Mahan

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 1st of July, 2021



Ruby Reynolds

NOTARY PUBLIC IN AND FOR THE STATE OF TEXAS

Ruby Reynolds

PRINT OR TYPE NAME OF NOTARY

My commission expires:

May 9, 2023

**ALL FINANCIAL
DOCUMENTS
HAVE BEEN FILED
CONFIDENTIALLY**

ASSET PURCHASE AGREEMENT
between
JEFFREY MAHAN D/B/A SOUTHWEST ENVIRONMENTAL RESOURCES
and
MANVEL TERRACE UTILITIES, INC.

THIS ASSET PURCHASE AGREEMENT (this “**Agreement**”) executed as of this the 24th day of June, 2021, (the “**Effective Date**”), is by and between Jeffrey Mahan d/b/a Southwest Environmental Resources, owner of the Public Water Supply (“**PWS**”) (referred to herein as “**Seller**”), and Manvel Terrace Utilities, Inc. (referred to herein as “**Purchaser**”). The Purchaser and Seller may be referred to individually as a “**Party**” and collectively as the “**Parties**.”

RECITALS

WHEREAS, Seller operates a potable water supply system located at 1902 Commanche Blvd, Rosenberg, Texas 77471, identified with the Public Utility Commission of Texas (“**PUCT**”) under its Water Certificate of Convenience and Necessity (“**CCN**”) number 11648, Public Water Supply (“**PWS**”) number 0790144, (all together, the “**Water System**”);

WHEREAS, Purchaser desires to purchase from Seller, and Seller desires to sell to Purchaser, all of Seller’s assets that it utilizes in the Water System on the terms and conditions set forth herein; and

WHEREAS, the Parties acknowledge and agree that Seller gave notice to Purchaser of the requirements of Section 13.301(k) of the Texas Water Code before either Party executed this Agreement.

NOW, THEREFORE, in consideration of the above premises and the respective representations, warranties, agreements and conditions herein set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

ARTICLE I
DEFINITIONS

1.1 As used in this Agreement:

- (a) “*Acquired Assets*” has the meaning set forth in Section 2.1.
- (b) “*Final Order Date*” means the date on which the PUCT Final Order becomes final and non-appealable in all respects.
- (c) “*Person*” means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, any other business entity or a governmental authority.
- (d) “*Water System*” has the meaning set forth in the first recital of this Agreement.

- (e) “*TCEQ*” means the Texas Commission on Environmental Quality or its successor.
- (f) “*PUCT*” means the Public Utility Commission of Texas or its successor.
- (g) “*STM Application*” means an “Application for Sale, Transfer or Merger of a Retail Public Utility” that is required to be filed with the PUCT in connection with the sale and transfer of the Water System from Seller to Purchaser and the assignment to Purchaser of Seller’s CCN service area.
- (h) “*PUCT Final Order*” means the final order issued by the PUCT after approval of the STM Application authorizing the transfer of the Water System from Seller to the Purchaser and the assignment to Purchaser of Seller’s CCN service area.

ARTICLE II
SALE OF ASSETS AND ASSUMPTION OF LIABILITIES

2.1 Sale of Assets. At the Closing, Seller shall sell and transfer to Purchaser, and Purchaser shall accept from Seller, free and clear of all liens, encumbrances and adverse claims of any kind, except as may otherwise be expressly set forth herein, all right, title and interest in and to the assets used by or for the benefit of the Seller in connection with the operation of the Water System (collectively, the “**Acquired Assets**”), which assets include the following:

- (a) all of the real property set forth on **Schedule 2.1(a)** (the “**Owned Real Property**”);
- (b) all of Seller’s personal property, equipment and fixtures used by Seller in the operation of the Water System, including, but not limited to, that property described on **Schedule 2.1(b)**, **subject to the following**:
 - (i) Seller shall provide to Purchaser copies of all of Seller’s records regarding the operation and maintenance of the water company and Water System, including electronic records;
 - (2) Seller shall provide to Purchaser the hard copy version of all other of Seller’s records regarding the operation and maintenance of the water company and Water System, unless declined by Purchaser.
 - (3) Purchaser shall retain copies of the hard copy version of records pertaining to the Acquired Assets or Water System obtained by Purchaser from Seller prior to the Closing Date and such records shall be made available for review and copying by Seller upon reasonable request and notice until the Closing Date; and
 - (4) No other personal property located within the confines of Seller’s office shall convey, unless specifically listed on Schedule 2.1(b); and
 - (5) Purchaser shall not be liable to Seller, its agents or assigns, for the unintentional loss, damage, or destruction of any records provided to Purchaser from Seller in accordance with this Section 2.1(b).
- (d) all of Seller’s rights of recovery under any insurance policies or otherwise existing under law or in equity regarding damages or losses relating to the Water System,

except that Seller shall first receive from such proceeds reimbursement for actual expenses incurred and paid or incurred by Seller prior to Closing, if covered under the policy, after allowing for the policy's threshold deductible;

- (e) all rights to surface water and groundwater related to, and used by, the Water System;
- (f) all historical groundwater production rights associated with the wells on the Owned Real Property, the wells used by or for the benefit of the Water System, and any production credit associated with the lands served by such wells.

2.2 Condition and Suitability. Except as stated herein, the assets to be conveyed by Seller to Purchaser in Section 2.1 shall be conveyed "*Where Is, As Is*" as of the date of Closing. Without limiting the foregoing, Seller shall make a general warranty of title to all of the Acquired Assets, and as a material part of this Agreement, the Parties agree as follows:

EXCEPT FOR ANY WARRANTY AS TO TITLE CONTAINED IN THE DEED TO BE DELIVERED BY SELLER TO PURCHASER AND THE WARRANTIES EXPRESSLY MADE IN THIS ASSET PURCHASE AGREEMENT, SELLER HEREBY DISCLAIMS AND PURCHASER HEREBY WAIVES, ANY AND ALL OTHER WARRANTIES OF ANY NATURE, EXPRESS OR IMPLIED, REGARDING THE ACQUIRED ASSETS, INCLUDING WITHOUT LIMITATION ANY AND ALL OTHER WARRANTIES RELATED TO THE CONDITION, CONSTRUCTION, FITNESS, HABITABILITY, SAFETY, PROFITABILITY AND/OR MERCHANTABILITY, OF THE PROPERTY OR THE ACQUIRED ASSETS, OR TO CUSTOM AND USAGE, OR TO COMPLIANCE OF THE ACQUIRED ASSETS WITH ANY LEGAL REQUIREMENTS APPLICABLE THERETO, AND PURCHASER SHALL ACCEPT THE ACQUIRED ASSETS SUBJECT TO ANY AND ALL DEFECTS THEREIN, WHETHER LATENT OR PATENT, "AS-IS," "WHERE-IS," AND "WITH ALL FAULTS".

PURCHASER HAS MADE, WILL MAKE, OR STATES THAT IT HAS HAD THE OPPORTUNITY TO MAKE ITS OWN INDEPENDENT INSPECTION OF ALL ASPECTS OF THE ACQUIRED ASSETS, AND SHALL HAVE NO RECOURSE WHATSOEVER AGAINST SELLER IN THE EVENT OF DISCOVERY BY PURCHASER OF ANY DEFECTS OF ANY KIND, LATENT OR PATENT, EXCEPT AS MAY BREACH ANY WARRANTY OF TITLE CONTAINED IN THE DEED TO BE DELIVERED BY SELLER TO PURCHASER OR THE WARRANTIES EXPRESSLY MADE BY SELLER IN THIS ASSET PURCHASE AGREEMENT.

The Parties agree that language substantially to this effect will be included in the deed at Closing, but that this limitation of warranty shall survive Closing and not merge with the deed or any other document.

2.3 Indemnification by Seller. Notwithstanding any of the foregoing or any other provision of this Agreement, Seller agrees to indemnify, defend and hold harmless Purchaser, its parent company, subsidiaries of such parent company and all of their respective officers, directors, employees, and agents harmless, from and against any and all losses, claims, damages, liabilities, fines, penalties, judgments ("Claims") to which those indemnified herein may

become subject to after the Closing, including reasonable costs and attorney fees, insofar as such Claims, arise out of or are based on Seller's breach of its representations and warranties set forth in Article IV. Seller's indemnification obligations set forth in this Section 2.3 shall survive the expiration or termination of this Agreement or the Closing.

ARTICLE III PURCHASE PRICE AND CLOSING

3.1 Purchase Price. In consideration for Seller's sale and transfer of the Acquired Assets to Purchaser, Purchaser agrees to pay to Seller (the "**Purchase Price**").

Filed confidentially _____

3.1.1 Release of Funds to Seller: Title Company will release the Closing Payment to Seller on or before the next business day after receipt of a copy of the signed PUCT Final Order.

3.2 The Closing. The Closing shall take place at the offices of American Title Company or such other place as may be agreed upon by the Parties no later than ninety (90) days following the latter of: (i) the earlier of (a) the 120th day after proper notice has been given to each of Seller's customers and each utility within 2 miles of Seller's CCN service area in accordance with the requirements of the Purchaser's STM Application, or (b) Purchaser has received written notice from the PUCT that a hearing on the sale will not be requested; (ii) if a hearing is requested or if proper notice is not provided, the written determination by the PUCT that the sale serves the public interest; or (iii) the satisfaction or waiver by Purchaser that the conditions of Section 7.1 have been met by Seller. However, in no event will the Closing Date be later than December 31st 2022, unless otherwise agreed to in writing by both Parties. If this transaction has not closed by December 31st, 2022, and the Parties have not otherwise extended the Closing Date, this Agreement will terminate, and in such event, the Title Company is hereby authorized and directed to unilaterally make disbursement of the Earnest Money to the Party or Parties entitled thereto, without any further joinder or approval of Seller or Purchaser, and neither Party shall have any further rights or obligations under this Agreement or otherwise, except as may be set forth herein with respect to rights or obligations which survive termination.

Management, title and control of the Water System, along with the Owned Real Property, shall transfer from Seller to Purchaser at Closing. Seller shall be responsible for the operation, repair, and upgrade of the Water System and the Owned Real Property, the payment of all expenses associated therewith, and be entitled to all revenues accrued prior to Closing. Purchaser shall be responsible for the operation, repair and upgrade of the Water System and the Owned Real Property after Closing, the payment of all expenses associated therewith, and Purchaser will be entitled to all revenues from water sales from the date of Closing forward.

ARTICLE IV

SELLER'S REPRESENTATIONS AND WARRANTIES

Seller represents and warrants to Purchaser as follows, such representations and warranties being deemed to be made as of the time specified. All representations made by Seller in this Agreement are made to the personal knowledge of Michael Johnson and Ryan Johnson, current as of the time deemed made, under no duty to further investigate after such time specified.

- 4.1 Organization of Seller. As of the Effective Date and at the time of Closing, Sellers are individuals doing business as Johnsons Water Service is validly existing in the State of Texas and in good standing with the Comptroller of the State of Texas with regards to the payment of all taxes, franchise or otherwise.
- 4.2 Authorization of Transaction. As of the Effective Date and on a continuous basis until the Closing, the execution, delivery and performance of this Agreement and all other transaction documents contemplated by this Agreement, to which Seller is a party, have been duly authorized by Seller.
- 4.3 Non-contravention. As of the Effective Date and at the time of Closing, the transactions contemplated by this Agreement will not (i) violate any legal requirement to which Seller is subject or any provision of its organizational documents, (ii) conflict with, or result in a breach of, any contract to which Seller is a party; or (iii) violate any ordinance, regulation, statute or law of any governmental entity or authority.
- 4.4 Third Party Consents. As of the Effective Date and at the time of Closing, except for the consents set forth in **Schedule 4.4** ("**Seller's Required Consents**"), no consent, approval, waiver or authorization of any governmental authority or any other person, other than the PUCT, is necessary in connection with the execution, delivery or performance by Seller of this Agreement, the conveyance of the Water System, along with the Owned Real Property, to Purchaser, or the subsequent operation of the Water System, along with the Owned Real Property, by Purchaser.
- 4.5 Brokers' Fees. As of the Effective Date and on a continuous basis until the Closing, Seller has no obligation to pay any fees or commissions to any broker, finder, or similar agent with respect to the transactions contemplated herein for which Purchaser could become liable or obligated to pay.
- 4.6 Title to Assets. At Closing, Seller will have good and marketable title to all of the Acquired Assets, meaning that they are free and clear of any liens, encumbrance, third-party claim or ownership, or restriction on transfer, except for Permitted Encumbrances (as that term is defined below) and as may otherwise be set forth herein.
- 4.7 Tax Matters. As of the Effective Date and at the time of Closing, each of the following: There are no liens, or unpaid accounts, for taxes or assessments or unpaid taxes (other than taxes or assessments not yet due and payable), including ad valorem taxes and assessments, upon any of the Acquired Assets. Seller has withheld and paid all taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, or other third party, and all Forms W-2 and 1099 required with respect thereto have been properly completed in all respects and timely filed. No

proceeding is pending against or involving Seller with respect to any of Seller's tax returns or with respect to Seller's taxes, and Seller has not waived any statute of limitations in respect of taxes or agreed to any extension of time with respect to a tax assessment or deficiency. Seller will pay, at or before Closing, for all unpaid and due property or ad valorem taxes attributable to the Acquired Assets (assessed against both the personal and real property of Seller) for years prior to the year of the Closing, and it will pay at Closing its prorated share of any property or ad valorem taxes or estimates thereof attributable to the Acquired Assets up to the date of the Closing, except that Seller will pay only for any rollback taxes due as a result of any change of use of any of the Acquired Assets by Seller prior to Closing, and Purchaser will pay for any such rollback taxes due to change of use by Purchaser.

- 4.8 Rights of Third Parties. As of the Closing Date, Seller has not leased or otherwise granted to any Person the right to use or occupy any of the Acquired Assets, and there are no outstanding options, rights of first offer or rights of first refusal to purchase any of the Acquired Assets and any interest therein.
- 4.9 Condition of Acquired Assets. Seller makes no representation or warranty (other than title) of the condition of all buildings, structures, fixtures, building systems and equipment, and all components thereof, included in the Acquired Assets. As of the Closing Date, Seller owns title to the easements or fee attributable to the real property underlying all of the Water System, and there are no third-party claims to any of that underlying real property that would affect or diminish the value of the Water System to Purchaser.
- 4.10 Compliance. Except as disclosed in writing to Purchaser as of the Effective Date this Agreement, and except as Seller may otherwise be notified by the TCEQ or PUCT up to the time of Closing, Seller is, in general compliance with all legal requirements applicable to the lawful operation of the Water System. Except as disclosed to Purchaser this Agreement, and except as Seller may be otherwise notified after the Effective Date, at Closing, Seller has not received any notice of pending material violation or impending violation of any state regulations, legal requirements, or insurance requirements relating to the Acquired Assets, and there is no material basis for the issuance of any such notice or the taking of any action for such violation. In the event that Seller has received notice after the Effective Date that the Acquired Assets are not in such compliance, Seller shall use commercially reasonable efforts to bring the Acquired Assets into compliance prior to Closing. In the event that Seller is unable to bring the Acquired Assets into compliance prior to Closing, then Purchaser shall have the right to terminate under Section 9.1. Any and all reports or notices of non-compliance received by Seller after the Effective Date shall be provided to Purchaser within 48 hours of Seller's receipt of the same. Any administrative or penalties sought by the TCEQ, PUCT or other governmental entity at the time of closing in a pending Order or other instrument, will remain the responsibility and be paid by Seller. If any such enforcement Order is issued by the TCEQ or PUCT or other governmental entity, the Seller will remain liable for compliance with said Order.

- 4.11 Access. At Closing, each parcel of real property that is a part of the Acquired Assets has direct access to a public street adjoining that property or has access to a public street via an insurable easement benefiting such parcel, and such access is not dependent on any land or other real property interest that is not included in the Acquired Assets. None of the improvements or any portion thereof is dependent on access, use or operation on any land, building, improvement or other real property interest that is not included in the Acquired Assets.
- 4.12 Prepayments and Customer Deposits. At the time of Closing, Seller shall have refunded all customer deposits, improperly collected pass-through charges, and any and all other monies owed the Water System customers by Seller, with interest accrued to the benefit of those customers if applicable. At Closing, Seller shall supply Purchaser with an affidavit executed by Seller contained in the form agreement attached hereto in **Schedule 4.12** (the "**Closing Agreement**"), which affidavit shall evidence Seller's payment of the aforementioned refunds. The affidavit provided for in Schedule 4.12 may be modified by the Parties at any time prior to the PUCT Final Order Date in order to facilitate the PUCT's acceptance of the same as evidence that all amounts mentioned in this Section 4.12 have been refunded by Seller to Seller's customer's on or prior to the Closing Date.
- 4.13 Litigation and Insurance Claims. Except as disclosed to Purchaser as set forth on **Schedule 4.13**, as of the Effective Date and, except as Seller may be otherwise notified after the Effective Date, and up to the time of Closing, Seller is not subject to any outstanding court or administrative order or other legal or regulatory proceedings, nor does the Seller have any knowledge of any notice or threat of it to be made a party to any legal proceeding or subject to any administrative order or investigation. In the event that Seller has received notice of such suit, order, or proceeding and Seller is unable to fully resolve such prior to Closing, then Purchaser shall have the right to terminate under Section 9.1. Any and all notices of administrative, legal, or regulatory proceeding received by Seller after the Effective Date shall be provided to Purchaser within 48 hours of Seller's receipt of the same.
- As of the Effective Date, Seller has no claims outstanding against any insurer of any property, general liability, worker's compensation, automotive, or umbrella insurance policy in any way related to the Acquired Assets.
- 4.14 Employees. As of the Effective Date and on a continuous basis until the Closing, Seller has not made any representations to any of Seller's employees that would cause any such employee to expect that any of them would or will become an employee of South Coast Utilities, LLC.
- 4.15 Environmental, Health, and Safety Requirements.
- (a) As of the Effective Date and at the time of Closing and with the exception of any enforcement action identified on Schedule 4.10, 4.13, or 4.15(f), Seller is in compliance, with all governmental environmental, health and safety requirements.
- (b) A list of all permits, licenses and governmental authorizations known by Seller as of the Effective Date to be required by all governmental environmental, health.

- (c) As of the Effective Date and at the time of Closing Seller has not received any written notice, report or other information from any governmental authority regarding any actual or alleged existing violation of environmental, health and safety requirements, or any liabilities, including any investigatory, remedial or corrective obligations, relating to the Water System arising under any environmental, health or safety requirement. Any and all such reports or notices received by Seller after the Effective Date shall be provided to Purchaser within 48 hours of Seller's receipt of the same.

- (d) As of the Effective Date and except as may be discovered due to any environmental studies done during the pendency of this Agreement, Seller does not have any knowledge that any of the following exists at any property or facility used by the Water System:
 - (i) underground storage tanks,
 - (ii) asbestos-containing material in any friable and damaged form or condition,
 - (iii) materials or equipment containing polychlorinated biphenyls,
 - (iv) landfills, surface impoundments, or disposal areas, or
 - (v) lead paint.

- (e) As of the Effective Date and the Closing Date and on a continuous basis until the Closing, excepting chlorine, Seller has not treated, stored, disposed of, arranged for or permitted the disposal of, transported, handled, manufactured, distributed, or released any substance, including any hazardous substance, or owned or operated any property or facility (and no such property or facility is contaminated by any such substance) so as to give rise to any current or future liabilities, including any liability for fines, penalties, response costs, corrective action costs, personal injury, property damage, natural resources damages or attorney's fees, pursuant to any environmental, health or safety requirement. Seller has used and maintained on premises chlorine for the sole purpose of water disinfection as required by TCEQ regulations and that chlorine is a known hazardous substance.

- (f) As of the Effective Date, Seller has given to Purchaser written copies of all environmental audits, environmental reports, TCEQ inspection reports, notices of violation, environmental notices and other environmental documents and related correspondence from any governmental authority relating to Seller's Water System, current properties, facilities, or operations that are in their possession or under their reasonable control and of any environmental audits, reports, and other material environmental documents and correspondences that Seller has conducted, prepared or received in the last two (2) years.

- 4.16 Customers. lists all of Seller's customers at the time of the Effective Date which Purchaser will rely on in its STM Application filing in connection with the transactions hereunder. This list shall be updated by Seller at Closing. As of the Effective Date no customer listed has given Seller written notice of its intent to protest this transaction. All prepayments and customer deposits received by Seller, described in Section 4.12, shall be returned or refunded to said customers by Seller prior to the Closing Date in accordance with Section 7.1.7.
- 4.17 Operations. Until Closing, Seller will continue to operate the Water System and to service its customers under the same manner and methods that Seller has used historically, and Seller will use its best efforts to maintain the condition and operating standards of the Water System throughout that period.
- 4.18 Access to Books and Records and Facilities. Seller shall provide Purchaser with reasonable access to the Water System and Seller's books and records related thereto at any time before Closing. Purchaser shall give Seller at least forty-eight (48) hour notice of an inspection. Purchaser shall be liable for and shall repair any damage to the Water System due to the fault of Purchaser occurring during Purchaser's inspection(s). Books and records of Seller will be available , unless Purchaser agrees to pay for copy of same to be made and delivered to Purchaser, in which case Seller will reasonably cooperate with Purchaser to accomplish that delivery.

ARTICLE V

PURCHASER'S REPRESENTATIONS AND WARRANTIES

Purchaser represents and warrants to the Seller as follows (such representations and warranties being deemed to be made as of the date hereof and on a continuous basis until the Closing).

- 5.1 Organization of Purchaser. Purchaser is duly organized, validly existing, and in good standing under the laws of the State of Texas.
- 5.2 Operation after Closing. Purchaser shall be completely responsible for the operation and maintenance of the Water System, including compliance with all state and federal regulations, after Closing, and knowingly assumes all duties, obligations and liabilities associated therewith without any recourse to Seller, except those arising from any liability to TCEQ, PUCT, other governmental entity, or person under enforcement order or for breach by Seller of the representations and warranties made by Seller or its principal herein.

ARTICLE VI

PRE-CLOSING COVENANTS

The Parties agree as follows with respect to the period between the execution of this Agreement and the Closing:

- 6.1 Cooperation; Access. Each of the Parties will use commercially reasonable efforts to take all actions and to do all things necessary, proper or advisable to close this transaction.
- 6.2 Consents; Regulatory Matters and Approvals. Seller will give any notices needed to accomplish the transaction, and it will execute all applications and related documents and use commercially reasonable efforts to obtain the Seller's Required Consents and, at no further cost to Seller, to assist Purchaser in obtaining the necessary PUCT approvals, PUCT Final Order and all other authorizations, consents, and approvals necessary to complete the transaction. Purchaser shall prepare and file the Parties' STM Application no later than Sixty (60) days following the Effective Date of this Agreement. Purchaser shall pay all costs associated with the preparation, filing, prosecution, and notice of the STM application. Seller covenants and agrees to fully cooperate with, and to assist, Purchaser in submitting the STM Application and any other related filing requirements.
- 6.3 Preservation of Business. Seller shall carry on its business in the ordinary course of business and shall: (a) use its best efforts in the manner specified in Section 4.17 to preserve intact the Water System, the Acquired Assets, its present operations, physical facilities, working conditions, insurance policies, and business organization, and (b) keep and endeavor to preserve its relationships with customers, lessors, landlords, partners, suppliers and others having business dealings with it to the end that its goodwill and ongoing business shall not be impaired in any material respect at the Closing. Without limiting the generality of the foregoing, Seller will not: (i) intentionally and willfully engage in any practice or take any action that would cause or result in, or permit by inaction, any of the representations and warranties contained in Article IV to become untrue or misleading, (ii) intentionally and willfully engage in any practice, take any action or otherwise act in any manner that may result in a material adverse effect on Seller, Purchaser, the Acquired Assets, the Assumed Liabilities or the transactions contemplated herein, or (iii) intentionally and willfully engage in any act that would cause Seller to deplete the Acquired Assets other than in the ordinary course of business.
- 6.4 Transfer of Utility Accounts. Within five (5) days preceding the Closing, or such other time agreed to by the Parties, Seller and Purchaser shall conduct final meter readings of all meters related to the operation of the systems, including, without limitation, water, natural gas and electric meters. They each shall use their best efforts to have all such accounts transferred to the name of the Purchaser as of the date of Closing. Seller shall be entitled to the refund of all of Seller's outstanding deposits with its utility suppliers and other vendors.
- 6.5 Notice of Developments. Each Party will give prompt written notice to the other Party of any adverse development causing a breach of any of its own representations and warranties in Article IV or Article V or likely to cause a material adverse effect. No disclosure by any Party pursuant to this Section 6.5, however, shall be deemed to amend or supplement such Party's disclosure schedules or to prevent or cure any misrepresentation, breach of warranty, or breach of covenant.

- 6.6 Backup Offers/Confidentiality. Seller shall not solicit, initiate, or encourage the submission of any proposal or offer from any Person relating to the acquisition of all or substantial portion of the assets of Seller after the Effective Date of this Agreement. If Seller does receive any proposals or inquiries from third-parties, due in no part to the actions of Seller following the Effective Date of this Agreement, Seller shall promptly communicate to Purchaser the terms of any such inquiry or proposal concerning the acquisition of the assets or the Water System that Seller may receive, and if such inquiry or proposal is in writing, Seller shall promptly deliver a copy of such inquiry or proposal to Purchaser. Under no circumstances shall Seller disclose the identity of Purchaser or the Purchase Price to any third parties, unless and until such information becomes public information in the filing of the STM Application. Both Parties agree to keep the Purchase Price confidential and to not disclose it to any third parties, save and except on a need-to-know basis to the Parties' respective accountants, attorneys, bankers, financial advisors, directors, and principals, and as may be reasonably required in processing the closing, issuance of the title policies, and in applying for, qualifying for, and otherwise processing the STM Application.

ARTICLE VII CONDITIONS TO OBLIGATION TO CLOSE

- 7.1 Conditions to Purchaser's Obligation. The Purchaser's obligation to close is subject to satisfaction of all the following conditions:
- 7.1.1 In compliance with Section 13.301 of the Texas Water Code, Purchaser shall have obtained all approvals from the PUCT of the STM Application and any others necessary to close the transactions contemplated by this Agreement without the imposition of any restrictions, conditions or obligations that are deemed to be unacceptable to Purchaser in its sole discretion;
 - 7.1.2 The representations and warranties set forth in Article IV shall be true and correct in all material respects as of the Closing, and there has been no material adverse change in the value of the Water System;
 - 7.1.3 Seller shall have complied with all of its covenants in this Agreement in all material respects through the Closing;
 - 7.1.4 Seller and Purchaser shall each be in compliance with all material regulatory requirements of all applicable governmental authorities necessary to close this transaction;
 - 7.1.5 Seller shall be able to transfer good and marketable title to the Owned Real Property, meaning being free and clear of any liens, encumbrance, third-party claim or ownership, or restriction on transfer, except for Permitted Encumbrances (as that term is defined below), as may otherwise be set forth on **Schedule 2.1(b)**, and as may otherwise be set forth herein, by the execution of the deed described in Section 8.1.1, and Purchaser shall have received enforceable title commitments dated as of

the Closing (from a title company reasonably acceptable to Purchaser) covering the Owned Real Property in such form and substance reasonably acceptable to Purchaser in its sole and absolute discretion;

- 7.1.6 Seller shall have good and indefeasible title to all of the Acquired Assets, being free and clear of any liens, encumbrance, third-party claim or ownership, or restriction on transfer, except as may otherwise be set forth herein. Any Acquired Assets owned by Seller, shall have been transferred to Purchaser prior to Closing.
 - 7.1.7 As of its final billing to the customers of the Water System, Seller shall have refunded all customer deposits, improperly collected pass-through charges, and any and all other monies owed the Water System customers by Seller, with interest accrued to the benefit of those customers, and Seller shall have supplied Purchaser reasonable proof of such refunds in such form and substance as is reasonably necessary to prove the same to the PUCT, said form being attached hereto in Schedule 4.12, as may be amended prior to the PUCT Final Order Date; and
 - 7.1.8 Seller shall have resolved, to the satisfaction of the TCEQ, PUCT and Purchaser, any and all of the Water System violations disclosed, and that are required to be disclosed, to Purchaser by Seller.
- 7.2 Purchaser may waive any condition specified in Section 7.1, but that waiver must be in writing and signed by Purchaser, except that if Purchaser proceeds to Closing, such condition shall be deemed waived.
- 7.3 Conditions to Seller's Obligation. The obligation of Seller to close is subject to the following conditions:
- 7.3.1 The representations and warranties set forth in Article V shall be true and correct in all material respects at and as of the Closing; and
 - 7.3.2 Purchaser shall have complied with all of its covenants in this Agreement in all material respects through the Closing.
- 7.4 Seller may waive any condition specified in Section 7.3, but that waiver must be in writing signed by Seller, except that if Seller proceeds to Closing, such condition shall be deemed waived.

ARTICLE VIII CLOSING DELIVERIES

- 8.1 Items to be delivered by the Seller. At the Closing, the Seller shall deliver to Purchaser the following:
- 8.1.1 The General Warranty Deed, substantially in form.

- 8.1.2 Closing documents acceptable to Purchaser of all conveyances of all interests in and to the Acquired Assets currently owned by Seller (as defined later herein), which conveyances convey unencumbered title to the assets owned by Seller;
 - 8.1.3. Access to and possession and control of the Acquired Assets;
 - 8.1.4. Tax certificates evidencing Seller's payment of any and all past-due ad valorem taxes assessed against the Acquired Assets (personal and real property); and
 - 8.1.5. Title commitment policy insuring title into Purchaser with no exceptions other than the Permitted Encumbrances.
- 8.2 Items to be delivered by Purchaser. At the Closing, Purchaser shall deliver:
- 8.2.1 The Closing Payment, as described in Section 3.1; and,
 - 8.2.2 The Assignment and Assumption of Non-Realty Assets, as described above, executed by Purchaser.

ARTICLE IX TERMINATION

- 9.1 Termination of Agreement. The Parties may terminate this Agreement by mutual written consent at any time prior to the Closing. Purchaser may terminate this Agreement by giving written notice to the Seller: (a) if the Seller has materially breached any material representation, warranty, or covenant contained in this Agreement, including those obligations listed in Section 7.1, Purchaser has notified the Seller of the breach in writing, and the breach has continued without cure for a period of ten (10) days after Seller's receipt of the notice of breach, (b) if there has been any material adverse change in the Seller's Water System, including, without limitation, the Cash Flow, as that term is defined at the end of this subparagraph, from the Acquired Assets, Purchaser has notified the Seller of the change in writing, and the change has continued without cure for a period of ten (10) days after Seller's receipt of the notice of change, (c) if any consent or approval of any governmental authority or entity necessary to consummate the transactions contemplated by this Agreement has imposed any restrictions, conditions, or obligations that are deemed to be unacceptable to Purchaser, if Purchaser has otherwise complied with all terms of this Agreement, (d) Seller has not conveyed to Purchaser the Owned Real Property and all other Acquired Assets that are owned by Seller on or before the Closing Date. For purposes of this subparagraph "**Cash Flow**" means normal, long-term operating cash flow without consideration for any extraordinary expense, including emergency repairs, incurred due to an event or cause that occurred after the Effective Date and that Seller had no knowledge nor reasonable expectation would occur between the Effective Date and the Closing; or

ARTICLE X MISCELLANEOUS

10.1 Notices. Notice may be given by certified mail, return receipt requested, regular mail, personal delivery, courier delivery, facsimile transmission, electronic mail (email), or other commercially reasonable means and will be effective when actually received. Any address for notice may be changed by written notice delivered as provided herein. Copies of each notice must be given by one of these methods to the attorney of the party to whom notice is given. Contact information is as follows:

If to Seller: Jeffrey Mahan
P.O. Box 727
Rosenberg, Tx. 77471
E-mail: JEFF_MAHAN@Sbcglobal.net

If to Purchaser: Harrison Williams
Manvel Terrace Utilities
P.O. Box 690521
Houston, Tx. 77269
e-mail: harrison.ftu@gmail.com

10.2 Amendments and Waivers. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by all of the Parties hereto. No waiver by any Party of any provision of this Agreement or any individual default, misrepresentation or breach of warranty or covenant hereunder, whether intentional or not, shall be valid unless the same shall be in writing and signed by the Party making such waiver.

10.3 Incorporation of Exhibits and Schedules. The Exhibits and Schedules referred to or identified in this Agreement are incorporated herein by reference and made a part hereof.

10.4 Entire Agreement. This Agreement (including the Schedules and Exhibits of even date herewith and the other documents referred to herein) constitutes the entire agreement between the Parties and supersedes any prior understandings, agreements or representations by or between the Parties, written or oral, to the extent they relate in any way to the subject matter hereof.

10.5 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. Facsimile signatures shall be given the same effect as original signatures.

10.6 Section Headings. The section headings are intended for the convenience of reference only, and they have no substantive meaning or effect on the agreement of the Parties.

10.7 Time is of the Essence. In matters related to this Agreement, time is of the essence.

10.8 Days. The term "business day" shall mean any calendar day other than Saturday, Sunday or a day which is generally recognized as a holiday by financial institutions in the State of

Texas. Any other reference to day or days shall refer to calendar days. If any date or any period provided in this Agreement ends on a day which is not a business day, then the applicable period shall be extended to 5:00 p.m. Central Standard Time on the next business day.

- 10.9 Governing Law. This Agreement shall be governed by and construed under the laws of the State of Texas. Venue of any arbitration, mediation or litigation arising under or related to this Agreement shall be in Harris County, Texas.

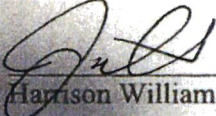
ARTICLE XI
Purchaser's Indemnity of Seller

- 11.1 Purchaser's Indemnity of Seller. Purchaser agrees to indemnify, defend and hold harmless Seller and all of its respective officers, directors, employees, and agents harmless, from and against any and all losses, claims, damages, liabilities, fines, penalties, judgments ("Seller Claims") to which those indemnified herein may become subject to after the Closing, including reasonable costs and attorney fees, insofar as such Claims, arise out of or are based on Purchaser's obligations under Section 5.2, and such indemnification obligations shall survive Closing.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

PURCHASER:

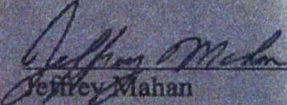
Manvel Terrace Utilities, Inc.

By:  _____
Harrison Williams, President

Date: 06/24/21

SELLER:

Jeffrey Mahan d/b/a Southwest Environmental Resources

By:  _____
Jeffrey Mahan

Date: 06/24/21

SCHEDULE 4.12
Closing Agreement

CLOSING AGREEMENT
between
JEFFREY MAHAN D/B/A SOUTHWEST ENVIRONMENTAL RESOURCES
and
MANVEL TERRACE UTILITIES, INC.

THIS CLOSING AGREEMENT executed effective as of _____, 2021, is by and between Jeffrey Mahan d/b/a Southwest Environmental Resources (“Seller”), and Manvel Terrace utilities, Inc., a Texas Corporation (“Purchaser”). The Purchaser and Seller are referred to individually as a “Party” and collectively as the “Parties.” Capitalized terms not defined in this Closing Agreement shall have the same definitions set forth in the Asset Purchase Agreement.

RECITALS

WHEREAS, Purchaser and Seller entered into that Asset Purchase Agreement dated _____, 2021, (the “Asset Purchase Agreement”), under which Purchaser agreed to purchase from Seller, and Seller agreed to sell to Purchaser, all of Seller’s water distribution system assets and associated real and personal property utilized by Seller in the operation of Seller’s potable water supply system in Fort Bend County, Texas, better known as the Southwest Environmental Resources public water supply system, identified with the Public Utility Commission of Texas under its Certificate of Convenience and Necessity (“CCN”) number 11648 and Public Water System number 0790144, (all together, the “Water System”); and

WHEREAS, all of the conditions, representations, and warranties of the Asset Purchase Agreement have been met, and the Parties wish to commemorate the Closing of the purchase and sale of the Water System.

NOW, THEREFORE, in consideration of the above premises and the respective representations, warranties, agreements and conditions herein set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. All the transactions contemplated by the Asset Purchase Agreement have been completed and funded.
2. Seller certifies, represents and warrants to Purchaser as of the date hereof, that each and every one of Seller’s representations and warranties contained in Asset Purchase Agreement are and continue to be true and correct on the date hereof.
3. Seller certifies, represents and warrants to Purchaser that in accordance with Section 4.12 of the Asset Purchase Agreement, as of the date of Closing, and the effective date of this Closing Agreement, Seller has refunded all customer deposits, improperly collected pass-through charges, and any and all other monies owed the Water System customers by Seller,

including interest accrued to the benefit of those customers if applicable. Accordingly, Seller shall be bound by its indemnification obligations set forth in Section 2.3 of the Asset Purchase Agreement for failure to comply with its obligation described in this paragraph.

4. Seller hereby consents to the transfer of the Water System assets to Purchaser according to the terms of the Asset Purchase Agreement.

The Parties understand and accept that this consent will serve to authorize the Executive Director of the PUCT to take action upon receipt of Purchaser's signed consent form alone and that Seller is relying on Purchaser to provide the final consent on the transfer of the Water System and corresponding amendment to Purchaser's Certificate of Convenience and Necessity in accordance with Title 16, Chapter 24, Subchapter G, of the Texas Administrative Code.

IN WITNESS WHEREOF, the undersigned have executed this Closing Agreement effective as of the date first written above.

PURCHASER: Manvel Terrace Utilities, a Texas Corporation

By: _____
Harrison Williams, President

SELLER: Jeffrey Mahan d/b/a Southwest Environmental Resources, a Texas sole proprietorship

By: _____
Jeffrey Mahan, owner

CONTACT LIST

SOUTHWEST ENVIORMENTAL			
ACCT#	NAME	SERVICE ADDRESS	
1	VACANT	5019 CUSTER CIRCLE	
2	VACANT	2210 COMANCHE BLVD	
3	VACANT	2203 COMANCHE BLVD	
4	VACANT	3002 PISCES	
5	VACANT	5711 LIBRA	
6	VACANT	5703 LIBRA	
7	VACANT	3019 PISCFS	
8	VACANT	5610 AQUARIUS	
9	VACANT	2710 PISCES	
10	VACANT	2710 PISCES	
11	VACANT	5611 AQUARIUS	
12	VACANT	2926 PISCES	
13	MR & MRS ABEL AGUILAR	5211 CUSTER CIRCLE	
14	MR FIDENCIO AGUILAR	5102 NAVAJO	
15	MR LORENZO ALVARADO	2531 BAND ROAD	
16	MS MARISOL ALVARADO	5202 NAVAJO	
17	MS ANGELA AMAYA	5003 CUSTER CIRCLE	
18	MR CARLOS ANBRADE	5402 NAVAJO	
19	NOE AYALA	2210 GERONIMO	
20	MR JUAN BAEZ	3011 PISCES	
21	MR FRANCISCO BARCENAS	5310 NAVAJO	
22	BARRERA/ALANIZ	2119 GERONIMO	
23	MR JOSE/FAM BENAVIDES	5502 CHEROKEE	
24	ROBERT BOLANAS	2103 KIOWA DRIVE	
25	BELINDA BOLANOS	2319 GERONIMO	
26	T ADELL BROWN	2411 GERONIMO	
27	BENJAMIN BUENULLO	5511 CHEROKEE	
28	FRANCISCO CABALL	2502 ARAPAHOE DR	
29	GREG CANO	5503 CHEROKEE	
30	MR JOE CANO	2918 PISCES	
31	ALBINO III CANTU	2210 KIOWA DRIVE	
32	ARMELINDA CANTU	2303 GERONIMO	
33	MR ARTHUR CANTU	5118 NAVAJO	
34	OSCAR CARDENAS	2211 KIOWA DRIVE	
35	JUAN CARREON	2203 KIOWA DRIVE	
36	CINDY CASTRO	2911 PISCES	
37	MS REBECCA CAVAZOS	3423 USTINIK ROAD	
38	MR ALVARO CENTENO	2902 PISCES	
39	RAMIRO CENTENO	2903 PISCES	
40	MR/MRS ALFR CERVANTES	5503 GERONIMO	
41	REYNA CHILDRESS	3003 PISCES	

	42	MR/MRS MARGAR COLUNGA	5103 BUFFALO	
	43	MR & MRS JESUS CORTES	2311 ARAPAHOE DR	
	44	MR JAVIER CORTEZ	2302 COMANCHE BLVD	
	45	MR & MRS REYNA DAVILA	2202 ARAPAHOE DR	
	46	MR LEONARD DAVIS	2403 KIOWA DRIVE	
	47	MR ROBERT DE LA ROSA	2515 ARAPAHOE DR	
	48	MR & MRS JIMMIE DEAN	2111 KIOWA DRIVE	
	49	MR & MRS DEMETRI DIAZ	2111 ARAPAHOE DR	
	50	MS IRMA DONJUAN	3518 APACHE	
	51	LAURIE & JOHN DROWN	2410 COMANCHE BLVD	
	52	MR & MRS BREG DYKSTRA	3519 APACHE	
	53	EL ACAPULCO BAR	5406 HIGHWAY 36	
	54	LEONEL ESCAMILLA	5419 GERONIMO	
	55	MS PEGGY FARLEY	2815 PISCES	
	56	JAMIE FLORES	2119 ARAPAHOE DR	
	57	MS MARIA FLORES	2303 KIOWA DRIVE	
	58	GALLARDO/LOPEZ	5110 CUSTER CIRCLE	
	59	MR & MRS JOE GALVAN	3511 APACHE	
	60	ALBERTO GARCIA	4911 NAVAJO	
	61	EPITACIO GARCIA	5110 BUFFALO	
	62	ERNESTINE GARCIA	5114 CUSTER CIRCLE	
	63	JORGE GARCIA	5227 CUSTER CIRCLE	
	64	MR & MRS GARCIA	1902 COMANCHE BLVD	
	65	MR & MRS EPITA	5111 BUFFALO	
	66	MR & MRS JORGE GARCIA	5303 CUSTER CIRCLE	
	67	RAQUEL GARCIA	5027 CUSTER CIRCLE	
	68	VICTOR GARCIA	4906 CUSTER CIRCLE	
	69	LUIS GARZA	5102 CUSTER CIRCLE	
	70	MS YOLANDA GARZA	2418 KIOWA DRIVE	
	71	ROSALIA GENIZ	5319 CUSTER CIRCLE	
	72	MS AURORA B GONZALES	2110 KIOWA DRIVE	
	73	MS MARY GONZALES	2102 KIOWA DRIVE	
	74	RAQUEL GONZALES	5210 NAVAJO	
	75	LUZ GONZALEZ	5110 NAVAJO	
	76	GILBERT GARCIA	2311 COMANCHE BLVD	
	77	JOY GRAWNOSKI	2419 ARAPAHOE DR	
	78	MR & MRS ROBER GRIGAR	5119 CUSTER CIRCLE	
	79	MR JUAN CALOS GUERRA	4806 CUSTER CIRCLE	
	80	ARTURO GUTIERREZ	2303 ARAPAHOE DR	
	81	ADOLFO GUZMAN	5103 CUSTER CIRCLE	
	82	JESSICA GUZMAN	2419 GERONIMO	
	83	MR SERGIO GUZMAN	2810 PISCES	
	84	MR CHUCK HALE	2802 PISCES	
	85	ALEJANDRO HERNANDEZ	5215 NAVAJO	
	86	ERNESTO HERNANDEZ	2402 COMANCHE BLVD	

87	JACQUELINE HERNANDEZ	2311 GERONIMO
88	M/M AGUSTI HERNANDEZ	2202 KIOWA DRIVE
89	MR & MRS RU HERNANDEZ	5510 CHEROKEE
90	MR/MRS CESA HERNANDEZ	2414 GERONIMO
91	MS CARMEN HERNANDEZ	3411 APACHE
92	ARLEN HERRERA	5519 CHEROKEE
93	MS THERISE HILTON	2510 ARROW
94	JAIME JIMENEZ	2111 COMANCHE BLVD
95	DENNIS JOHNSON	2402 GERONIMO
96	MS BEATRIZ JOYA	5411 GERONIMO
97	MR HELIODORO JUAREZ	4919 CUSTER CIRCLE
98	MR & MRS TOMM LAMPSON	4903 CUSTER CIRCLE
99	MR & MRS JOS LANDEROS	2403 ARAPAHOE DR
100	MR & MRS BASILIO LARA	2402 ARAPAHOE DR
101	VICTOR LARA	2411 ARAPAHOE DR
102	LINDA LEMOS	2411 BAND ROAD
103	MR THOMAS J LILLEY	5103 NAVAJO
104	MS AURORA LOPEZ	4911 CUSTER CIRCLE
105	JACKIE LUNA	3511 USTINIK ROAD
106	MR & MRS MARGARI LUNA	5011 CUSTER CIRCLE
107	MR BRUCE LUNDAY	5118 BUFFALO
108	REBECA MADIN	2411 COMANCHE BLVD
109	MS MARIA MARQUEZ	5611 AQUARIUS
110	JENNIFER/HOM MARTINEZ	5302 NAVAJO
111	MR & MRS LUP MARTINEZ	4922 CUSTER CIRCLE
112	MR JORGE CAR MARTINEZ	2403 BAND ROAD
113	MR SEVEDEO C MARTINEZ	4918 NAVAJO
114	MR VICTOR MARTINEZ	2410 ARAPAHOE DR
115	MR & MRS JAVIER MATA	2302 GERONIMO
116	MR/MRS CLIF MCCASKILL	2615 BAND ROAD
117	MR PEFE MCEWAN	2211 COMANCHE BLVD
118	MS BRENDA MEARS	2210 ARAPAHOE DR
119	SONIA MEDELLIN	2910 PISCES ST
120	LAURA MELGAR	4910 NAVAJO
121	MR/MRS CARLO MENJIVAR	3415 USTINIK ROAD
122	MR & MRS DAL MITCHELL	2403 GERONIMO
123	MR & MRS JUA MONTALVO	5011 BUFFALO
124	ANDY MORALES	2111 GERONIMO
125	FRANCISCO MORALES	5320 NAVAJO
126	MR & MRS ARNU MORALES	2410 KIOWA DRIVE
127	CANDY MORGAN	3418 APACHE
128	MR & MRS LANNI MORRIS	2211 ARAPAHOE DR
129	MARIA H MUNOZ	2310 KIOWA DRIVE
130	MR & MRS JOSE MUNOZ	2203 GERONIMO
131	MS SANDRA MUNOZ	2102 COMANCHE BLVD

	132	NAVARRO TEPA ROOFING	2515 ARROW	
	133	KIM NGO	2310 COMANCHE BLVD	
	134	FELIPE OCANAS	5218 NAVAJO	
	135	MR & MRS SILVE OCANAS	2310 GERONIMO	
	136	MR FELIPE OCANAS	5518 CHEROKEE	
	137	MARIA OLIVAREZ	2311 KIOWA DRIVE	
	138	MR RICHARD OLSOUSKY	2811 PISCES	
	139	OLGA OLSOVSKY	2919 PISCES	
	140	GEORGE ORIGINALI S	2302 KIOWA DRIVE	
	141	RAMON ORTIZ	2110 COMANCHE BLVD	
	142	MS MARIA ORTIZ	2106 GERONIMO	
	143	MR & MRS RAU PALACIOS	5203 BUFFALO	
	144	JAVIER PARRADA	2503 BAND ROAD	
	145	LAURA PARRADA	2502 ARROW	
	146	MR JOSE PARADA	5519 GERONIMO	
	147	CRISANTO PEREZ	2202 COMANCHE BLVD	
	148	ROGER JR PEREZ	5010 CUSTER CIRCLE	
	149	MS MY-LIEN THI PHAN	2103 COMANCHE BLVD	
	150	ANGEL PLASENCIA	4811 CUSTER CIRCLE	
	151	MR & MRS ALCI PLOURDE	2402 KIOWA DRIVE	
	152	MRS MARY V RAMIREZ	5111 CUSTER CIRCLE	
	153	BERLY RAMOS	2202 GERONIMO	
	154	ERIC RAMOS	2303 COMANCHE BLVD	
	155	JOANN RAMOS	2503 GERONIMO	
	156	YURI RAMOS	5302 CUSTER CIRCLE	
	157	DULCE RANGEL	2302 ARAPAHOE DR	
	158	MR & MRS JOE REYNA	5307 NAVAJO	
	159	MS LOLLIL RIOS	5219 CUSTER CIRCLE	
	160	MR & MRS JOHN RIVERA	5022 NAVAJO	
	161	MR & MRS MIGUE	3506 APACHE	
	162	MR ISIDRO RIVERA	2318 GERONIMO	
	163	EDUARDO RODRIGUEZ	2403 COMANCHE BLVD	
	164	MR RICARDO RODRIGUEZ	2411 KIOWA DRIVE	
	165	APOLONIA G ROMAN	2702 PISCES	
	166	MR & MRS JOSE ROMAN	5203 CUSTER CIRCLE	
	167	CECILIA ROMERO	5014 NAVAJO	
	168	MARK ROSKLY	3010 PISCES	
	169	ROY AUTO REPAIR	5050 HWY 36	
	170	RUBINA LARA	4818 CUSTER CIRCLE	
	171	MR & MRS FRANCIS RUIZ	5002 NAVAJO	
	172	MARIA SALDIERNA	2110 ARAPAHOE DR	
	173	MR & MRS ANTH SALINAS	3402 APACHE	
	174	MR & MRS GLENN SALTER	5511 GERONIMO	
	175	FERNANDO SANCHEZ	5403 GERONIMO	
	176	GUILLEMMO SANCHEZ	2102 ARAPAHOE DR	

	177	MARIA D SANCHEZ	2511 GERONIMO	
	178	MR & MRS LUIS SANCHEZ	5010 NAVAJO	
	179	MR NEMECIO SANCHEZ	2103 ARAPAHOE DR	
	180	NMS MARY ALICE SARGENT	2211 GERONIMO	
	181	MR JUAN F SIERRA	5410 NAVAJO	
	182	JONATHAN SILVA	2814 PISCES	
	183	MR AUGUST SILVA	5702 AQUARIUS	
	184	NANCY SPARROW	3519 USTINIK ROAD	
	185	TINT N TOYZ	5130 HIGHWAY 36 SOUTH	
	186	CHRISTOPHER TORRES	2927 PISCES	
	187	DOLORES TORRES	4902 NAVAJO	
	188	MR & MRS ALEJAN	3407 USTINIK ROAD	
	189	MR ABEL TRUJILLO	4819 CUSTER CIRCLE	
	190	ANNITA TURFUBATE	5311 CUSTER CIRCLE	
	191	MS ANITA TURRUBIATES	5119 BUFFALO	
	192	UNKNOWN	2723 PISCES	
	193	CONNIE VASQUEZ	2310 ARAPAHOE DR	
	194	LEONEL G JR VELA	5117 NAVAJO	
	195	MARISOL VELA	2718 PISCES	
	196	MS CINDY N WILLIAMS	2503 ARROW	
	197	MR DANIEL YBARBO	5019 BUFFALO	
	198	DENNIS YOUNG	2511 BAND ROAD	
	199	MR STEVE YURCHICK	5410 APACHE	
	200	ANDY ZAMORA	2111 GERONIMO	
	201	MR REFUGIO ZAMORA	2103 GERONIMO	
		Accounts listed		
All Customers				

**WATER UTILITY TARIFF
FOR**

Jeffrey Mahan dba Southwest Environmental Resources
(Utility Name)

P. O. Box 727
(Business Address)

Rosenberg, Texas 77471
(City, State, Zip Code)

(832 496-5512
(Area Code/Telephone)

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

11648

This tariff is effective in the following county:

Fort Bend

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

None

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

Millbrook Water and Sanitary System, Horseshoe Bend Village: PWS # 0790144
Park Place Southwest: PWS #0790331

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	2
SECTION 2.0 -- SERVICE RULES AND POLICIES	4
SECTION 3.0 -- EXTENSION POLICY	12
SECTION 4.0 -- DROUGHT CONTINGENCY PLAN	18
APPENDIX A -- SAMPLE SERVICE AGREEMENT	
APPENDIX B -- APPLICATION FOR SERVICE	

SECTION 1.0 -- RATE SCHEDULE

Section 1.01 - Rates

<u>Meter Size</u>	<u>Monthly Minimum Charge</u>	<u>Gallorage Charge</u>
5/8" or 3/4"	<u>\$ 12.11</u> (Includes 0 gallons)	<u>\$ 1.00</u> per 1000 gallons for all meter sizes
1"	<u>\$ 30.28</u>	
1 1/2 "	<u>\$ 60.55</u>	
2"	<u>\$ 96.88</u>	
3"	<u>\$ 181.65</u>	

FORM OF PAYMENT: The utility will accept the following forms of payment:

Cash____, Check X, Money Order X, Credit Card____, Other (specify)_____

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.

REGULATORY ASSESSMENT 1.0%

TCEQ RULES REQUIRE THE UTILITY TO COLLECT A FEE OF ONE PERCENT OF THE RETAIL MONTHLY BILL.

Section 1.02 - Miscellaneous Fees

TAP FEE \$0.00

TAP FEE COVERS THE UTILITY'S COSTS FOR MATERIALS AND LABOR TO INSTALL A STANDARD RESIDENTIAL 5/8" or 3/4" METER. AN ADDITIONAL FEE TO COVER UNIQUE COSTS IS PERMITTED IF LISTED ON THIS TARIFF.

TAP FEE (Unique costs) Actual Cost

FOR EXAMPLE, A ROAD BORE FOR CUSTOMERS OUTSIDE OF SUBDIVISIONS OR RESIDENTIAL AREAS.

TAP FEE (Large meter) Actual Cost

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

METER RELOCATION FEE Actual Relocation Cost, Not to Exceed Tap Fee

THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS THAT AN EXISTING METER BE RELOCATED.

RATES LISTED ARE EFFECTIVE ONLY
IF THIS PAGE HAS TCEQ APPROVAL STAMP

TEXAS COMM. ON ENVIRONMENTAL QUALITY

343560 CCN 11648 JUL 28 '04

APPROVED TARIFF BY LEP

SECTION 1.0 -- RATE SCHEDULE (Continued)

METER TEST FEE \$25.00

THIS FEE WHICH SHOULD REFLECT THE UTILITY'S COST MAY BE CHARGED IF A CUSTOMER REQUESTS A SECOND METER TEST WITHIN A TWO-YEAR PERIOD AND THE TEST INDICATES THAT THE METER IS RECORDING ACCURATELY. THE FEE MAY NOT EXCEED \$25.

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) Non payment of bill (Maximum \$25.00) \$15.00
- b) Customer's request that service be disconnected \$10.00

TRANSFER FEE \$0.00

THE TRANSFER FEE WILL BE CHARGED FOR CHANGING AN ACCOUNT NAME AT THE SAME SERVICE LOCATION WHEN THE SERVICE IS NOT DISCONNECTED

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

TCEQ 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 \$10.00

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

CUSTOMER DEPOSIT RESIDENTIAL (Maximum \$50) \$0.00

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

GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE N/A

WHEN AUTHORIZED IN WRITING BY TCEQ AND AFTER NOTICE TO CUSTOMERS, THE UTILITY MAY INCREASE RATES TO RECOVER INCREASED COSTS FOR INSPECTION FEES AND WATER TESTING. [30 TAC 291.21(K)(2)]

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.

RATES LISTED ARE EFFECTIVE ONLY
IF THIS PAGE HAS TCEQ APPROVAL STAMP

TEXAS COMM. ON ENVIRONMENTAL QUALITY

34 3565 CCN 11648 JUL 28 '04

APPROVED TARIFF BY *Sm/EP*

PURCHASED WATER AND/OR DISTRICT FEE PASS THROUGH CLAUSE:

Changes in fees imposed by any non-affiliated third party water supplier or underground water district having jurisdiction over the utility shall be passed through as an adjustment to the water gallonage charge according to the following formula:

- AG = $G + B/(1-L)$, where
- AG = adjusted gallonage charge, rounded to the nearest one cent;
- G = approved gallonage charge (per 1,000 gallons);
- B = change in purchased water/district gallonage charge (per 1,000 gallons);
- L = system average line loss for preceding 12 months not to exceed 0.15.

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TEXAS COMM. ON ENVIRONMENTAL QUALITY

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SECTION 1.0 -- RATE SCHEDULE

Section 1.01 - Rates

<u>Meter Size</u>	<u>Monthly Minimum Charge</u>	<u>Gallage Charge</u>
5/8" or 3/4"	<u>\$25.00</u> (Incl 0 gallons)	<u>\$2.00</u> per 1000 gallons, up to 12,000 gallons
1"	<u>\$33.40</u>	<u>\$3.00</u> per 1000 gallons, 12,001 gallons and thereafter
1 1/2 "	<u>\$66.60</u>	
2"	<u>\$106.60</u>	

FORM OF PAYMENT: The utility will accept the following forms of payment:

Cash _____, Check X, Money Order X, Credit Card _____, Other (specify) _____

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.

REGULATORY ASSESSMENT 1.0%
 TCEQ RULES REQUIRE THE UTILITY TO COLLECT A FEE OF ONE PERCENT OF THE RETAIL MONTHLY BILL.

Section 1.02 - Miscellaneous Fees

TAP FEE \$500.00
 TAP FEE COVERS THE UTILITY'S COSTS FOR MATERIALS AND LABOR TO INSTALL A STANDARD RESIDENTIAL 5/8" or 3/4" METER. AN ADDITIONAL FEE TO COVER UNIQUE COSTS IS PERMITTED IF LISTED ON THIS TARIFF.

TAP FEE (Large meter) Actual Cost
 TAP FEE IS THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR METER SIZE INSTALLED.

METER RELOCATION FEE Actual Relocation Cost, Not to Exceed Tap Fee
 THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS THAT AN EXISTING METER BE RELOCATED.

METER TEST FEE \$25.00
 THIS FEE WHICH SHOULD REFLECT THE UTILITY'S COST MAY BE CHARGED IF A CUSTOMER REQUESTS A SECOND METER TEST WITHIN A TWO-YEAR PERIOD AND THE TEST INDICATES THAT THE METER IS RECORDING ACCURATELY. THE FEE MAY NOT EXCEED \$25.

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SECTION 1.0 -- RATE SCHEDULE (Continued)

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) Non payment of bill (Maximum \$25.00) \$25.00
- b) Customer's request that service be disconnected \$45.00

TRANSFER FEE \$45.00

THE TRANSFER FEE WILL BE CHARGED FOR CHANGING AN ACCOUNT NAME AT THE SAME SERVICE LOCATION WHEN THE SERVICE IS NOT DISCONNECTED

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

TCEQ 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 \$25.00

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

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 TCEQ AND AFTER NOTICE TO CUSTOMERS, THE UTILITY MAY INCREASE RATES TO RECOVER INCREASED COSTS FOR INSPECTION FEES AND WATER TESTING. [30 TAC 291.21(K)(2)]

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.

PURCHASED WATER AND/OR DISTRICT FEE PASS THROUGH CLAUSE:

Changes in fees imposed by any non-affiliated third party water supplier or underground water district having jurisdiction over the utility shall be passed through as an adjustment to the water gallonage charge according to the following formula:

- AG = $G + B/(1-L)$, where
- AG = adjusted gallonage charge, rounded to the nearest one cent;
- G = approved gallonage charge (per 1,000 gallons);
- B = change in purchased water/district gallonage charge (per 1,000 gallons);
- L = system average line loss for preceding 12 months not to exceed 0.15.

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SECTION 2.0 - SERVICE RULES AND REGULATIONS

Section 2.01 - Texas Commission on Environmental Quality Rules

The utility will have the most current Texas Commission on Environmental Quality Rules, Chapter 291, Water Rates, 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 2.02 - Application for and Provision of Water Service

All applications for service will be made on the utility's standard application or contract form (attached in the Appendix to this tariff) and will be signed by the applicant before water service is provided by the utility. A separate application or contract will be made for each service location.

After the applicant has met all the requirements, conditions and regulations for service, the utility will install tap, meter and utility cut-off valve and/or take all necessary actions to initiate service. The utility will serve each qualified applicant for service within ten 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. Notwithstanding any statement in this tariff to the contrary, the utility will serve each qualified applicant for service within the time limits prescribed in 30 TAC 291.85 (aa)-(b) as that rule may be amended by the TCEQ.

Where service has previously been provided, service will be reconnected within three working day after the applicant has met the requirements for reconnection.

The customer will be responsible for furnishing and laying the necessary customer service pipe from the meter location to the place of consumption. Customers may be required to install a customer owned cut-off valve on the customer's side of the meter or connection.

Section 2.03 - 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 TCEQ 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 a complaint may be filed with the Commission.

Section 2.04 - 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 of this tariff. The utility will keep records of the deposit and credit interest in accordance with TCEQ Rules.

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SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONT.)

Section 2.04 - Customer Deposits (cont.)

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 or the balance, if any, in excess of the unpaid bills for service furnished. The utility may refund the deposit at any time prior to termination of utility service but must refund the deposit plus interest for any customer who has paid 18 consecutive billings without being delinquent.

Section 2.05 - Meter Requirements, Readings, and Testing

All water sold by the utility will be billed based on meter measurements. The utility will provide, install, own and maintain meters to measure amounts of water consumed by its customers. One meter is required for each residential, commercial or industrial facility in accordance with the TCEQ Rules.

Service meters will be read at monthly intervals and as nearly as possible on the corresponding day of each monthly meter reading period unless otherwise authorized by the Commission.

Meter tests. The utility will, upon the request of a customer, and, if the customer so desires, in his or her presence or in that of his or her authorized representative, make without charge a test of the accuracy of the customer's meter. If the customer asks to observe the test, the test will be made during the utility's normal working hours at a time convenient to the customer. Whenever possible, the test will be made on the customer's premises, but may, at the utility's discretion, be made at the utility's testing facility. If within a period of two years the customer requests a new test, the utility will make the test, but if the meter is found to be within the accuracy standards established by the American Water Works Association, the utility will charge the customer a fee which reflects the cost to test the meter up to a maximum \$25 for a residential customer. Following the completion of any requested test, the utility will promptly advise the customer of the date of removal of the meter, the date of the test, the result of the test, and who made the test.

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONT.)

Section 2.06 - 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 21 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 work day after the due date.

A late penalty of \$5.00 will be charged on bills received after the due date. Customer payments post marked by the due date will not incur a late penalty. 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.

Each bill will provide all information required by the TCEQ Rules. For each of the systems it operates, the utility will maintain and note on the monthly bill a telephone number (or numbers) which may be reached by a local call by customers. At the utility's option, a toll-free telephone number or the equivalent may be provided.

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 2.07 - Service Disconnection

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 31 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 TCEQ Rules.

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SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONT.)

Section 2.07 - Service Disconnection (cont.)

Utility service may also be disconnected without notice for reasons as described in the TCEQ Rules.

Utility personnel must be available to collect payments and to reconnect service on the day of and the day after any disconnection of service unless service was disconnected at the customer's request or due to a hazardous condition.

Section 2.08 - Reconnection of Service

Service will be reconnected within 36 hours after the past due bill and any other outstanding charges are paid or correction of the conditions which caused service to be disconnected.

Section 2.09 - 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.

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 2.10 - Quality of Service

The utility will plan, furnish, and maintain production, treatment, storage, transmission, and distribution facilities of sufficient size and capacity to provide a continuous and adequate supply of water for all reasonable consumer uses. Unless otherwise authorized by the Commission, the utility will maintain facilities as described in the TCEQ Rules or in the Texas Commission on Environmental Quality's "Rules and Regulations for Public Water Systems."

Section 2.11 - 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 Texas Commission on Environmental Quality complaint process. Pending resolution of a complaint, the commission may require continuation or restoration of service.

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SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONT.)

Section 2.11 - Customer Complaints and Disputes (cont.)

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.

SECTION 2.20 - SPECIFIC UTILITY SERVICE RULES AND REGULATIONS

This section contains specific utility service rules in addition to the rules previously listed under Section 2.0. It must be reviewed and approved by the Commission and in compliance with TCEQ Rules to be effective.

The utility adopts the administrative rules of the Texas Commission on Environmental Quality, as the same may be amended from time to time, as its company specific service rules and regulations. These rules will be kept on file at the company's offices for customer inspection during regular business hours. In the event of a conflict between the TCEQ's amended rules and the provisions of this tariff, the amended rules shall prevail. Where necessary, any conflicting provision of this tariff shall be deemed to have been superseded by the TCEQ rule in question to the degree that the utility may conduct its lawful business in conformance with all requirements of said rule.

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.

Customers shall not be allowed to use the utility's cutoff valve on the utility's side of the meter. Existing customers may install cutoff valves on their side of the meter and are encouraged to do so. All new customers must install customer-owned and maintained cutoff valves on their side of the meter.

No water connection from any public drinking water supply system shall be made to any establishment where an actual or potential contamination or system hazard exists without an air gap separation between the drinking water supply and the source of potential contamination. The containment air gap is sometimes impractical and, instead, reliance must be placed on individual "internal" air gaps or mechanical backflow prevention devices.

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SECTION 2.20 - SPECIFIC UTILITY SERVICE RULES AND REGULATIONS (CONT.)

Under these conditions, additional protection shall be required at the meter in the form of a backflow prevention device (in accordance with AWWA Standards C510 and C511, and AWWA Manual M14) on those establishments handling substances deleterious or hazardous to the public health. The water purveyor need not require backflow protection at the water service entrance if an adequate cross-connection control program is in effect that includes an annual inspection and testing by a certified backflow prevention device tester. It will be the responsibility of the water purveyor to ensure that these requirements are met.

Customer shall be liable for any damage or injury to utility-owned property or personnel shown to be caused by the customer, his invitees, his agents, his employees, or others directly under his control.

Limitation on Product/Service Liability - Public water utilities are required to deliver water to the customer's side of the meter or service connection that meets the potability and pressure standards of the Texas Commission on Environmental Quality. The utility will not accept liability for any injury or damage to individuals or their property occurring on the customer's side of the meter when the water delivered meets these state standards. The utility makes no representations or warranties (expressed or implied) that customer's appliances will not be damaged by disruptions of or fluctuations in water service whatever the cause. The utility will not accept liability for injuries or damages to persons or property due to disruption of water service caused by: (1) acts of God, (2) acts of third parties not subject to the control of the utility if the utility has undertaken such preventive measures as are required by TCEQ rules, (3) electrical power failures in water systems not required by TCEQ rule to have auxiliary power supplies, or (4) termination of water service pursuant to the utility's tariff and the TCEQ's rules. The utility is not required by law and does not provide fire prevention or fire fighting services. The utility therefore does not accept liability for fire-related injuries or damages to persons or property caused or aggravated by the availability (or lack thereof) of water or water pressure (or lack thereof) during fire emergencies. The utility will accept liability for any injury or damage to individuals or their property directly caused by defective utility plant (leaking water lines or meters) or the repairs to or construction of the utility's facilities.

If the services of a registered professional engineer are required as a result of an application for service received by the utility for service to that applicant's service extension only, such engineer will be selected by the utility and the applicant, and the applicant shall bear all expenses incurred therein.

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

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SECTION 2.20 - SPECIFIC UTILITY SERVICE RULES AND REGULATIONS (CONT.)

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 entitled to a written explanation of such costs prior to 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 have the right to appeal such costs to the TCEQ 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.

Tap fees may be increased by unique costs not normally incurred as may be permitted by 30 T.A.C. 291.86(a)(1)(C).

The utility adopts the Uniform Plumbing Code pursuant to TCEQ Rule 290.46(i). The piping and other equipment on the premises furnished by the customer will be maintained by the customer at all times in conformity with the requirements of the TCEQ, the Uniform Plumbing Code and with the service rules and regulations of the utility. The customer will bring out his service line to his property line at the point on the customer's property mutually acceptable to the customer and the utility subject to such requirements as may exist by TCEQ rule. No water service smaller than 5/8" will be connected. No pipe or pipe fitting which contains more than 8.0% lead can be used for the installation or repair of plumbing at any connection which provides water for human use. No solder or flux which contains more than 0.2% lead can be used at any connection which provides water for human use.

The utility will have the right of access to the customer's premises at all times reasonable for the purpose of installing, testing, inspecting or repairing water mains or other equipment used in connection with its provision of water service, or for the purpose of removing its property and disconnecting lines, and for all other purposes necessary to the operation of the utility system including inspecting the customer's plumbing for code, plumbing or tariff violations. The customer shall allow the utility and its personnel access to the customer's property to conduct any water quality tests or inspections required by law. Unless necessary to respond to equipment failure, leak or other condition creating an immediate threat to public health and safety or the continued provision of adequate utility service to others, such entry upon the customer's property shall be during normal business hours. The customer may require any utility representative, employee, contractor, or agent seeking to make such entry identify themselves, their affiliation with the utility, and the purpose of their entry.

Threats to or assaults upon utility personnel shall result in criminal prosecution.

Except in cases where the customer has a contract with the utility for reserve or auxiliary service, no other water service will be used by the customer on the same installation in conjunction with the utility's service, either by means of a cross-over valve or any other connection. Customer shall not connect, or allow any other person or party to connect, onto any water lines on his premises. Two places shall not be permitted to be supplied with one service pipe where there is a water main abutting the premises.

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SECTION 2.20 - SPECIFIC UTILITY SERVICE RULES AND REGULATIONS (CONT.)

No connection shall be allowed which allows water to be returned to the public drinking water supply. No backflow prevention device shall be permitted to be installed in the customer's plumbing without notice to and written permission from the utility. Any backflow prevention devices so installed shall be inspected annually by a licensed backflow prevention device inspector or appropriately licensed plumber and a written report of such inspection delivered to the utility.

No application, agreement or contract for service may be assigned or transferred without the written consent of the utility. It is agreed and understood that any and all meters, water lines and other equipment furnished by the utility (excepting the customer's individual service lines from the point of connection to customer's structures on customer's premises) are and shall remain the sole property of the utility, and nothing contained herein or in a contract/application for service shall be construed to reflect a sale or transfer of any such meters, lines or equipment to any customer. All tap and extension charges shall be for the privilege of connecting to said water lines and for installation, not purchase, of said meters and lines.

Applicants for service at new consuming facilities or facilities which have undergone extensive plumbing modifications are required to deliver to the utility a certificate that their facilities have been inspected by a state-licensed inspector and that they are in compliance with all applicable plumbing codes and are free of potential hazards to public health and safety. Service may be denied until the certificate is received or any identified violations or hazards are remedied. The utility is not required to perform these inspections for the applicant/customer, but will assist the applicant/customer to locate and obtain the services of a licensed inspector in a timely manner. When potential sources of contamination are identified which, in the opinion of the inspector or the utility, require the installation of a state-approved backflow prevention device, such back flow prevention device shall be installed on the customer's service line or other necessary plumbing facilities by an appropriately licensed plumber/back flow prevention device specialist at the customer's expense. The backflow prevention device shall be maintained by the customer at his expense and inspected annually by a licensed inspector. Copies of the annual inspection report must be provided to the utility. Failure to comply with this requirement may constitute grounds for termination of water service with notice.

All customers or service applicants shall provide access to meters and utility cutoff valves 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. Access to meters and cutoff valves shall be controlled by the provisions of 30 T.A.C. 291.89(c).

Where necessary to serve an applicant's property, the utility may require the applicant to provide it a permanent recorded public utility easement on and across the applicant's real property sufficient to provide service to that applicant.

Service applicants may be required to comply with any pre-condition to receiving service not printed herein as may exist under TCEQ rule (customer service, health and safety, water conservation, or environmental), USEPA rule, TWDB rule, local water or conservation district rule or health department rule. Existing customers shall be required to comply with such rules, including modification of their plumbing and/or consumption patterns, after notice.

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

COST UTILITY SHALL BEAR. Within its certificate 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 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.

Developers may be required to provide contributions in aid of construction in amounts to furnish the system with all facilities necessary to comply with the Texas Commission on Environmental Quality's Rules.

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SECTION 3.20 - SPECIFIC UTILITY EXTENSION POLICY

This section contains the utility's specific extension policy that complies with the requirements already stated under Section 3.01. It must be reviewed and approved by the Commission and in compliance with TCEQ Rules to be effective.

Residential customers not covered under Section 3.01 will be charged the equivalent of the costs of extending service to their property from the nearest transmission or distribution 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 full 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.

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 minimum design criteria for facilities used in the production, transmission, pumping, or treatment of water or Texas Commission on Environmental Quality 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.

The utility adopts the administrative rules of the Texas Commission on Environmental Quality, as amended from time to time, as its company specific extension policy. These rules will be kept on file at the company's business office for customer inspection during normal business hours. In the event of a conflict between the TCEQ's amended rules and the provisions of this tariff, the amended rules shall prevail. Where necessary, any conflicting provision of this tariff shall be deemed to have been superseded by the TCEQ rule in question to the degree that the utility may conduct its lawful business in conformance with all requirements of said rule.

When an individual residential applicant requires an extension of a main line beyond 200 feet, the charge to that applicant shall be the actual cost of such extension in excess of 200 feet, plus the applicable tap fee plus such other approved costs as may be provided in this tariff and/or TCEQ rules.

Residential tap fees may be increased by other unique costs not normally incurred as permitted by TCEQ rule. Larger meter taps shall be made at actual cost associated with that tap which shall include such extraordinary expenses.

Any service extension to a subdivision (recorded or unrecorded) may be subject to the provisions and restrictions of 30 T.A.C. 291.86(d) and this tariff. 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 based upon the capacities of production, transmission, storage, pumping and treatment facilities, compliant with the Texas Commission on Environmental Quality minimum design criteria, which must be committed to such extension. As provided by 30 T.A.C. 291.86(d)(4), for purposes of this section, commercial, industrial, and wholesale customers shall be treated as developers.

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SECTION 3.20 - SPECIFIC UTILITY EXTENSION POLICY (CONT.)

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 Texas Commission on Environmental Quality minimum design criteria for water production, treatment, pumping, storage and transmission.

Unless expressly exempted by TCEQ rule or order, each point of use (as defined by 30 T.A.C. 291.3) must be individually metered.

The imposition of additional extension costs or charges as provided by Sections 2.20 and 3.20 of this tariff shall be subject to appeal as provided in this tariff, TCEQ 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 entitled to 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 have the right to appeal such costs to the TCEQ 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. Unless the TCEQ or other regulatory authority enters interlocutory orders to the contrary, service to the applicant may be delayed until such appeal is resolved.

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 applications forms will be available for applicant pick up 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.

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SECTION 3.20 - SPECIFIC UTILITY EXTENSION POLICY (CONT.)

The utility shall serve each qualified service applicant within its certificated service area as soon as practical after receiving a completed service application. All service requests will be fulfilled within the time limits prescribed by TCEQ 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 TCEQ service dates shall not become applicable until the service applicant has met all conditions precedent to becoming a "qualified service applicant" as defined herein or by TCEQ rules.

The utility is not required to extend service to any applicant outside of its certificated service area and will only do so, at the utility's sole option, under terms and conditions mutually agreeable to the utility and the applicant and upon extension of the utility's certificated service area boundaries by the TCEQ. Service applicants may be required to bear the cost of the service area amendment.

A "qualified service applicant" is an applicant who has: (1) met all of the utility's requirements of service contained in this tariff, TCEQ rules and/or TCEQ order, (2) has made all payments for tap fees and extension charges, (3) has provided all necessary easements and rights-of-way necessary to provide service to the requested location, including staking said easements or rights-of-way where necessary, (4) delivered an executed customer service inspection certificate to the utility and (5) has executed a customer service application for each location to which service is being requested.

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. The tap request must be accompanied with a plat, map, diagram 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. 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 near service main with adequate capacity to service the applicant's full potential service demand. 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, applicant may refer the matter to the TCEQ for resolution. Unless otherwise ordered by the TCEQ, the tap or service connection will not be made until the location dispute is resolved.

SECTION 3.20 - SPECIFIC UTILITY EXTENSION POLICY (CONT.)

The utility shall require a developer (as defined by TCEQ rule) to provide permanent recorded public utility easements as a condition of service to any location within the developer's property. The Developer shall be required to obtain all necessary easements and rights-of-way required to extend the utility's existing service facilities from their nearest point with adequate service capacity (as prescribed by TCEQ rules and local service conditions) to and throughout the Developer's property. The easements shall be sufficient to allow the construction, installation, repair, maintenance, testing, and replacement of any and all utility plant necessary to provide continuous and adequate service to each and every potential service location within the property at full occupancy. Unless otherwise restricted by law, well plant sites shall convey with unrestricted rights to produce water for public drinking water supply. Developers shall be required to provide sanitary control easements acceptable to the TCEQ for each water well site to be located within their property or otherwise being obtained to serve their property. Unless otherwise agreed to by the utility, pipe line right-of-way easements must be at least 15 feet wide to allow adequate room to facilitate backhoe and other heavy equipment operation and meters. Easements must be provided for all production, storage, treatment, pressurization and disposal sites which are sufficient to construct and maintain all weather roads as prescribed by TCEQ rules. All easements shall be evidenced, at Developer's expense, by recorded county-approved subdivision plat or by specific assignment supported by metes and bounds survey from a surveyor licensed by the State of Texas.

Prior to the extension of utility service to developers (as defined by TCEQ rules) or new subdivisions, the Developer shall comply with the following:

(a) The Developer shall make a written request for service to property that is to be subdivided and developed. The Developer shall submit to the utility a proposed plat on a scale of one inch (1") to two hundred feet (200') for review and determination of required easements, utility plant, and plant location. If sewer service is requested, the plat must contain elevation data. A reconcilable deposit in an amount set by the utility may be required to cover preliminary engineering, legal and copy cost to be incurred by the utility in reviewing and planning to meet this service request. The plat and/or accompanying information shall identify the type, location and number of houses and other planned structures that will be requiring utility service. If other than residential structures are to be located on the property, all other types of anticipated businesses and their service demands shall be identified with specificity. All areas requiring special irrigation and/or other unique water demands must be identified. To the extent reasonably possible, this information must be precise so that adequate facilities can be designed and constructed to meet all future service demands without hazard to the public, other utility customers and/or the environment.

(b) After the requirements of easements and rights-of-way have been determined, a red line copy will be returned by the utility to the Developer for final plat preparation.

(c) Copies of all proposed plats and plans must be submitted to the utility prior to their submission to the county for approval to insure that they are compatible with the adequate long-term utility needs of potential service customers. Copies will be returned after review by the utility so that necessary changes may be incorporated into submitted plat(s) and plans.

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SECTION 3.20 - SPECIFIC UTILITY EXTENSION POLICY (CONT.)

(d) The utility shall be provided with three (3) certified copies of the final plat(s) approved by the County Commissioners Court. At this time, the utility will begin engineering the facilities necessary to serve the property. Plans and specifications will be prepared and submitted to the TCEQ by the utility if required by law. If further plat or plans changes are necessary to accommodate the specific service needs of the property and the anticipated customer demands, the Developer will be so notified. Plat amendments must be obtained by the Developer. The Developer shall be notified when all required TCEQ or other governmental approvals or permits have been received. No construction of utility plant which requires prior TCEQ plans approval shall be commenced until that approval has been received by the utility and any conditions imposed by the TCEQ in association with its approvals have been satisfied.

(e) The Developer shall be required to post bond or escrow the funds necessary to construct all required utility plant, except individual taps, meters and sewer connections, required to serve the property. Construction shall not commence until funds are available. If the construction is to be done in coordination with the phased development of the property, funds must be provided in advance which are sufficient to complete each phase. No phase or facilities for any phase shall be constructed prior to the bonding or escrowing of all funds associated with that phase.

(f) At the sole option of the utility, the Developer may be required to execute a Developer Extension Contract setting forth all terms and conditions of extending service to their property including all contributions-in-aid of construction and developer reimbursements, if any.

(g) The utility may require the Developer to commence construction of subdivision improvements within three (3) months of utility plans approval or the utility may abate its construction activities until full development construction begins. If the Developer stops construction of subdivision improvements for any purpose, the utility may abate its construction for a similar period.

(h) As soon as the roads are rough cut and prior to paving, extension lines will need to be constructed at each road crossing. The Developer must notify the utility sufficiently in advance of this development stage to allow for the necessary utility construction without disruption to other service operations of the utility. Failure to provide adequate advance notice and cooperation in the construction of necessary utility plant may result in additional delays in obtaining service to the property. The Developer shall be required to pay for all additional costs of road boring or other remedial construction necessary to install adequate utility plant throughout the affected property.

(i) The Developer, not the utility, shall insure that Developer's employees, agents, contractors and others under its control coordinate their work or construction throughout the property with the utility to insure the orderly and timely construction of all utility plant necessary to serve the public.

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SECTION 3.20 - SPECIFIC UTILITY EXTENSION POLICY (CONT.)

Within its certificated area, the utility shall bear the cost of the first 200 feet of any water main or sewer collection line necessary to extend service to an individual residential service applicant within a platted subdivision unless the utility can document:

(a) 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; or,

(b) that the Developer defaulted on the terms and conditions of a written agreement or contract existing between the utility and the developer or the terms of this tariff regarding payment for services, extensions, or other requirements; or in the event the Developer declared bankruptcy and was therefore unable to meet obligations; and,

(c) that the residential service applicant purchased the property from the Developer after the Developer was notified of the need to provide facilities to the utility. A residential service applicant may be charged the remaining costs of extending service to his property; provided, however, that the residential service applicant may only be required to pay the cost equivalent to the cost of extending the nearest water main, whether or not that line has adequate capacity to serve that residential service applicant. The following criteria shall be considered to determine the residential service applicant's cost for extending service:

(a) the residential service applicant shall not be required to pay for costs of main extensions greater than 2" in diameter for water distribution.

(b) Exceptions may be granted by the TCEQ Executive Director if:

(1) 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;

(2) larger minimum line sizes are required under subdivision platting requirements or applicable building codes.

(c) 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 certificated area, industrial, and wholesale customers shall be treated as developers.

A service applicant requesting a one inch meter for a lawn sprinkler system to service a residential lot is not considered nonstandard service.

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SECTION 4.0 -- DROUGHT CONTINGENCY PLAN
(Utility must attach copy of TCEQ approved Drought Contingency Plan)

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SECTION 4.0 - DROUGHT MANAGEMENT AND CONSERVATION PLAN

Section 4.01. Declaration of Policy, Purpose, and Intent.

In cases of extreme drought, periods of abnormally high usage, system contamination, extended reduction in ability to supply water due to equipment failure or other emergencies, temporary restrictions may be instituted to limit non-essential water usage. The purpose of the Drought Management and Conservation Plan is to encourage customer conservation in order to maintain supply, storage, or pressure or to comply with the requirements of a court, government agency or other authority.

Section 4.02. Public Education.

Millbrook Water & Sanitary Systems, Inc. will periodically provide the public with information about the Plan, including information about the conditions under which each stage of the Plan is to be initiated or terminated and the drought response measures to be implemented in each stage.

Drought plan information will be provided by:

utility bill inserts and or *public notification*

Section 4.03. Notice Requirements.

Written notice will be provided to each customer **prior to implementation or termination of each stage of the water restriction program**. Mailed notice must be given to each customer 72 hours prior to the start of water restriction. If notice is hand delivered, the utility cannot enforce the provisions of the plan for 24 hours after notice is provided. The written notice to customers will contain the following information:

1. the date restrictions will begin,
2. the circumstances that triggered the restrictions,
3. the stages of response and explanation of the restrictions to be implemented, and
4. an explanation of the consequences for violations.

Section 4.04. Violations.

Violations of Stages II or III of the Drought Contingency are as follows:

1. First violation: The customer will be notified by written notice of their specific violation.

SECTION 4.0 - DROUGHT MANAGEMENT AND CONSERVATION PLAN (CONT.)

Section 4.04. Violations (Continued)

2. Subsequent violations:
 - a. After written notice, the utility may install a flow-restricting device in the line to limit the amount of water that will pass through the meter in a 24-hour period. The utility may charge the customer for the actual cost of installing and removing the flow-restricting device, not to exceed \$50.00.
 - b. After written notice, the utility may discontinue service at the meter. The normal reconnect fee of the utility will apply for restoration of service and the customer will be provided a copy of the Drought Management and Conservation Plan. Further violations will result in additional disconnect fees.

Section 4.05. Exemptions or Variances.

The utility may grant any customer an exemption or variance from the Drought Management and Conservation Plan for good cause **upon written request**. A customer who is refused an exemption or variance may appeal such action of the utility in writing to the Texas Commission on Environmental Quality. The utility will treat all customers equally concerning exemptions and variances, and shall not discriminate in granting exemptions and variances. No exemption or variance shall be retroactive or otherwise justify any violation of this Plan occurring prior to the issuance of the variance.

Section 4.06. Response Stages.

Unless there is an immediate and extreme reduction in water production, or other absolute necessity to declare an emergency or severe condition, the utility will initially declare Stage 1 restrictions. If, after a reasonable period of time, demand is not reduced enough to alleviate outages, reduce the risk of outages, or comply with restrictions required by a court, government agency or other authority, Stage 2 may be implemented with Stage 3 to follow, if necessary.

SUMMER CONSERVATION AND CUSTOMER AWARENESS STAGE

Goal: Achieve a voluntary five (5) percent reduction in total water use.

The conservation awareness stage will begin:

Every April 1st, the utility will mail a public notice to its customers. No notice to TCEQ required.

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SECTION 4.0 - DROUGHT MANAGEMENT AND CONSERVATION PLAN (CONT.)

Section 4.06. Response Stages (Continued)

The conservation awareness stage will end:

Every September 30th, the utility will mail a public notice to its customers. No notice to TCEQ required.

Utility Measures:

This announcement will be designed to increase customer awareness of water conservation and encourage the most efficient use of water. A copy of the current public announcement on water conservation awareness shall be kept on file available for inspection. The utility will distribute copies of the five-day watering schedule to all customers.

Voluntary Water Use Restrictions:

Water customers are requested to voluntarily limit the use of water for non-essential purposes and to practice water conservation outdoors by following the five-day watering schedule, provided by the utility, as shown below:

Find the number that your address ends in on the far left. Follow this line across each month to find your watering days:

0 or 9	Jan. 1,6,11,16,21,26,31	Feb. 5,10,15,20,25	Mar. 2,7,12,17,22,27	Apr. 1,6,11,16,21,26	May 1,6,11,16,21,26,31	June 5,10,15,20,25,30
1 or 8	Jan. 2,7,12,17,22,27	Feb. 1,6,11,16,21,26	Mar. 3,8,13,18,23,28	Apr. 2,7,12,17,22,27	May 2,7,12,17,22,27	June 1,6,11,16,21,26
2 or 7	Jan. 3,8,13,18,23,28	Feb. 2,7,12,17,22,27	Mar. 4,9,14,19,24,29	Apr. 3,8,13,18,23,28	May 3,8,13,18,23,28	June 2,7,12,17,22,27
3 or 6	Jan. 4,9,14,19,24,29	Feb. 3,8,13,18,23,28	Mar. 5,10,15,20,25,30	Apr. 4,9,14,19,24,29	May 4,9,14,19,24,29	June 3,8,13,18,23,28
4 or 5	Jan. 5,10,15,20,25,30	Feb. 4,9,14,19,24,29	Mar. 1,6,11,16,21,26,31	Apr. 5,10,15,20,25,30	May 5,10,15,20,25,30	June 4,9,14,19,24,29

0 or 9	July 5,10,15,20,25,30	Aug. 4,9,14,19,24,29	Sep. 3,8,13,18,23,28	Oct. 3,8,13,18,23,28	Nov. 2,7,12,17,22,27	Dec. 2,7,12,17,22,27
1 or 8	July 1,6,11,16,21,26,31	Aug. 5,10,15,20,25,30	Sep. 4,9,14,19,24,29	Oct. 4,9,14,19,24,29	Nov. 3,8,13,18,23,28	Dec. 3,8,13,18,23,28
2 or 7	July 2,7,12,17,22,27	Aug. 1,6,11,16,21,26,31	Sep. 5,10,15,20,25,30	Oct. 5,10,15,20,25,30	Nov. 4,9,14,19,24,29	Dec. 4,9,14,19,24,29
3 or 6	July 3,8,13,18,23,28	Aug. 2,7,12,17,22,27	Sep. 1,6,11,16,21,26	Oct. 1,6,11,16,21,26,31	Nov. 5,10,15,20,25,30	Dec. 5,10,15,20,25,30
4 or 5	July 4,9,14,19,24,29	Aug. 3,8,13,18,23,28	Sep. 2,7,12,17,22,27	Oct. 2,7,12,17,22,27	Nov. 1,6,11,16,21,26	Dec. 1,6,11,16,21,26,31

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SECTION 4.0 - DROUGHT MANAGEMENT AND CONSERVATION PLAN (CONT.)

Section 4.06. Response Stages (Continued)

Customers are requested to limit outdoor water use to the days shown in the **5-day watering schedule (see above)** and to irrigate landscaped areas with hose end sprinklers between the hours of 7:00 p.m. and 10:00 a.m. and with underground and (programmable) sprinkler systems and drip irrigation systems between midnight and 10:00 a.m. on designated watering days. However, irrigation of landscaped areas is permitted at anytime if it is by means of a hand-held hose, a faucet filled bucket or watering can of five (5) gallons or less.

STAGE 1 - VOLUNTARY WATER CONSERVATION

Goal: Achieve a voluntary ten percent (10%) reduction in total water use when Stage 1 is in force.

The water utility will implement Stage 1 when any one of the selected triggers is reached:

Supply Based Triggers:

- If Millbrook Water & Sanitary Systems, Inc. is ever required to purchase water from wholesalers, the wholesale supplier will formally notify Millbrook Water & Sanitary Systems, Inc. of one or more precipitating events triggering a stage of the wholesaler's drought contingency plan. Upon enacting of a stage in the wholesaler's drought contingency plan, Millbrook Water & Sanitary Systems, Inc. will correspondingly implement the same or equivalent stage in its service area.

Demand Based Triggers:

- When total daily demand equals or exceeds **85 %** of the daily well production capacity for three (3) consecutive days or **100 %** on a single day.

Upon initiation and termination of Stage 1, the utility will mail a public announcement to its customers. No notice to TCEQ required.

Requirements for Termination:

Stage 1 of the Plan may end when all of the conditions listed as triggering events have ceased to exist for a period of three (3) consecutive days. Upon termination of Stage 1, Summer Conservation and Customer Awareness Stage becomes operative.

Utility Measures:

Visually inspect lines and repair leaks on a daily basis. Monthly review of customer use records and follow-up on any that have unusually high usage.

SECTION 4.0 - DROUGHT MANAGEMENT AND CONSERVATION PLAN (CONT.)

Section 4.06. Response Stages (Continued)

Voluntary Water Use Restrictions:

Restricted Days/Hours: Irrigation of landscaped areas with hose-end sprinklers or automatic irrigation systems. Customers are requested to limit outdoor water use to the days shown in the **5-day watering schedule (see above)** and to irrigate landscaped areas with hose end sprinklers between the hours of 7:00 p.m. and 10:00 a.m. and with underground and (programmable) sprinkler systems and drip irrigation systems between midnight and 10:00 a.m. on designated watering days. However, irrigation of landscaped areas is permitted at anytime if it is by means of a hand-held hose, a faucet filled bucket or watering can of five (5) gallons or less.

STAGE 2 - MANDATORY WATER USE RESTRICTIONS

Goal: Achieve a voluntary twenty percent (20%) reduction in total water use when Stage 2 is in force.

The water utility will implement Stage 2 when any one of the selected triggers is reached:

Supply Based Triggers:

- When and if Millbrook Water & Sanitary Systems, Inc. purchases water from wholesalers, the wholesale supplier will formally notify Millbrook Water & Sanitary Systems, Inc. of one or more precipitating events triggering a stage of the wholesaler's drought contingency plan. Upon enacting of a stage in the wholesaler's drought contingency plan, Millbrook Water & Sanitary Systems, Inc. will correspondingly implement the same or equivalent stage in its service area.

Demand Based Triggers:

- When total daily demand equals or exceeds **90 %** of the daily well production capacity for three (3) consecutive days or **100 %** on a single day while under Stage II Restrictions.

Upon initiation and termination of Stage 2, the utility will mail a public announcement to its customers. Notice to TCEQ is required.

Requirements for Termination:

Stage 2 of the Plan may end when all of the conditions listed as triggering events have ceased to exist for a period of three (3) consecutive days. Upon termination of Stage 2, Stage 1 becomes operative.

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SECTION 4.0 - DROUGHT MANAGEMENT AND CONSERVATION PLAN (CONT.)

Section 4.06. Response Stages (Continued)

Utility Measures:

Visually inspect lines and repair leaks on a regular basis. Flushing is prohibited except for dead end mains.

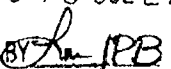
Mandatory Water Use Restrictions:

Under the threat of penalties allowed by the utility tariff for violation, the following water use restrictions shall apply to all customers:

1. Irrigation of landscaped areas with hose-end sprinklers or automatic irrigation systems. Customers are required to limit outdoor water use to the days shown in the 5-day watering schedule (see above) and to irrigate landscaped areas with hose end sprinklers between the hours of 7:00 p.m. and 10:00 a.m. and with underground and (programmable) sprinkler systems and drip irrigation systems between midnight and 10:00 a.m. on designated watering days. However, irrigation of landscaped areas is permitted at anytime if it is by means of a hand-held hose, a faucet filled bucket or watering can of five (5) gallons or less.
2. Use of water to wash any motor vehicle, motorbike, boat, trailer, airplane or other vehicle is prohibited except on designated watering days between the hours of 7:00 p.m. and 10:00 a.m. Such washing, when allowed, shall be done with a hand-held bucket or a hand-held hose equipped with a positive shutoff nozzle for quick rinses. Vehicle washing may be done at any time on the immediate premises of a commercial car wash or commercial service station. Further, such washing may be exempted from these regulations if the health, safety, and welfare of the public is contingent upon frequent vehicle cleansing, such as garbage trucks and vehicles used to transport food and perishables.
3. Use of water to fill, refill, or add to any indoor or outdoor swimming pools, wading pools, or "jacuzzi" type pools is prohibited except on designated watering days between the hours of 7:00 p.m. and 10:00 a.m.
4. Operation of any ornamental fountain or pond for aesthetic or scenic purposes is prohibited except where necessary to support aquatic life or where such fountains or ponds are equipped with a recirculation system.
5. Use of water from hydrants or flush valves shall be limited to maintaining public health, safety, and welfare.

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SECTION 4.0 - DROUGHT MANAGEMENT AND CONSERVATION PLAN (CONT.)

Section 4.06. Response Stages (Continued)

6. Unless irrigated with wastewater effluent or from own system, use of water for the irrigation of golf courses, parks, and green belt areas is prohibited except by hand held hose and only on designated watering days between the hours 7:00 p.m. and 10:00 a.m.
7. The following uses of water are defined as non-essential and are prohibited:
 - a. wash down of any sidewalks, walkways, driveways, parking lots, tennis courts, or other hard-surfaced areas;
 - b. use of water to wash down buildings or structures for purposes other than immediate fire protection;
 - c. use of water for dust control;
 - d. flushing gutters or permitting water to run or accumulate in any gutter or street;
 - e. failure to repair a controllable leak(s) within a reasonable period after having been given notice directing the repair of such leak(s); and
 - f. any waste of water.

STAGE 3 - CRITICAL WATER USE RESTRICTIONS:

Goal: Achieve a voluntary thirty percent (30%) reduction in total water use when Stage 3 is in force.

The water utility will implement Stage 3 when any one of the selected triggers is reached:

Supply Based Triggers:

- When and if Millbrook Water & Sanitary Systems, Inc. purchases water from wholesalers, the wholesale supplier will formally notify Millbrook Water & Sanitary Systems, Inc. of one or more precipitating events triggering a stage of the wholesaler's drought contingency plan. Upon enacting of a stage in the wholesaler's drought contingency plan, Millbrook Water & Sanitary Systems, Inc. will correspondingly implement the same or equivalent stage in its service area.

Demand Based Triggers:

- When total daily demand equals or exceeds 100% of the daily well production capacity for three (3) consecutive days. Millbrook Water & Sanitary Systems, Inc. will recognize that an emergency water shortage condition exists when contamination, natural or man-made, of the water source occurs or a major water line breaks, pump or system failures occur, or when prolonged maintenance is required for storage facilities, which cause unprecedented loss of capability to provide water service.

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SECTION 4.0 - DROUGHT MANAGEMENT AND CONSERVATION PLAN (CONT.)

Section 4.06. Response Stages (Continued)

Upon initiation and termination of Stage 3, the utility will mail a public announcement to its customers. Notice to TCEQ is required.

Requirements for termination:

Stage 3 of the Plan may be rescinded when all of the conditions listed as triggering events have ceased to exist for a period of three (3) consecutive days or at the discretion of the water purveyor. Upon termination of Stage 3, Stage 2 becomes operative.

Operational Measures:

The utility shall visually inspect lines and repair leaks on a daily basis. Flushing is prohibited except for dead end mains and only by the water purveyor. Emergency interconnects or alternative supply arrangements shall be initiated. All meters shall be read as often as necessary to ensure compliance with this program for the benefit of all the customers.

Mandatory Water Use Restrictions: Under the threat of penalties allowed by the utility tariff for violation, the following water use restrictions shall apply to all customers.

1. **All outdoor use of water is prohibited.**
2. **Irrigation of landscaped areas is absolutely prohibited.**
3. **Use of water to wash any motor vehicle, motorbike, boat, trailer, airplane or other vehicle is absolutely prohibited.**

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APPENDIX A -- SAMPLE SERVICE AGREEMENT

From 30 TAC Chapter 290.47(b), Appendix B

SERVICE AGREEMENT

APPENDIX B -- APPLICATION FOR SERVICE
(Utility Must Attach Blank Copy)

MILLBROOK WATER & SANITARY SYSTEMS, INC.

1906 Comanche Boulevard

Rosenberg, Texas 77471

[281] 597-9064

CONTRACT/APPLICATION FOR UTILITY SERVICE

This Contract/Application for Utility Service ("Contract/Application") is by and between Millbrook Water & Sanitary Systems, Inc., a Texas corporation, its successors and assigns ("Utility") and the applicant ("Customer" or "Applicant") whose name and signature is shown below on the last page of this document.

CUSTOMER LIABILITY: Customer shall be liable for any damage or injury to Utility-owned property or personnel shown to be caused by the customer his invitees, his agents, his employees, or others under his control. By accepting service under this agreement, customer agrees to take no action to create a health hazard or otherwise endanger, injure, damage or threaten utility's plant, its personnel, or its customers. Failure to comply with this provision shall be grounds to terminate Customer's service.

LIMITATION ON UTILITY'S PRODUCT/SERVICE LIABILITY: Public water utilities are required to deliver water to the customer's side of the meter or service connection which meets the potability and pressure standards of the Texas Commission on Environmental Quality ("TCEQ"). Utility will not accept liability for any injury or damage to individuals or to their properties occurring on the customer's side of the meter when the water delivered meets these state standards. Utility makes no representations or warranties (expressed or implied) that customer's appliances will not be damaged by disruption of or fluctuations in water service whatever the cause. Utility will not accept liability for injuries or damages to persons or property due to disruption of water service caused by: (1) acts of God (2) acts of third parties not subject to the control of Utility if Utility has undertaken such preventive measures as are required by TCEQ rules, (3) electrical power failures in water systems not required by TCEQ rule to have auxiliary power supplies, or (4) termination of water service pursuant to Utility's tariff and the TCEQ rules. Utility will accept liability for any injury or damage to individuals or their property directly caused by its defective utility plant (leaking water lines or meters) or the repair to or construction of Utility's facilities.

FIRE PROTECTION: Utility is not required by law and does not provide fire prevention or fire fighting services. Utility therefore does not accept liability for fire-related injuries or damages to persons or property caused or aggravated by the availability (or lack thereof) of water or water pressure (or lack thereof) during fire emergencies.

Utility may (but is not required to) contract with individual customers/applicants to provide water service capacities to their properties in excess of the TCEQ's domestic water system regulations so that such water volumes and pressures may be used by the customer/applicant or local fire department (at their sole election and responsibility) for fire fighting purposes. Such additional water service capacities shall be provided only in response to and according to design criteria and/or plans prepared by the customer/applicant's registered professional engineer. Notwithstanding any understanding or intent of such customer/applicant for the use of such excess water service capacity, Utility does not profess, state, warrant, guarantee, or imply that such additional water service capacity is, or shall ever be, adequate or sufficient for fire fighting. Utility neither possesses nor claims to possess knowledge or expertise in fire

fighting or the requirements of fire fighting. No statement or action of Utility shall ever be implied or meant to suggest that any facilities of Utility comply with any state or local fire code.

EXTENSION AND FACILITIES: If the services of a registered professional engineer are required as a result of an application for service to that Applicant only, Utility and the Applicant will select such engineer, and Applicant shall bear all expense incurred therein. The applicant shall bear all extension charges and fees as may be provided in Utility's tariff and the rules of the TCEQ.

PLUMBING CODE: Utility has adopted the Uniform Plumbing Code. Any extensions and/or new facilities shall comply with that code and all standards established by the TCEQ. Where conflicts arise, the more stringent standard must be followed.

If an Applicant requires service other than the standard service provided by Utility, such Applicant will be required to pay all expenses incurred by Utility in excess of the expenses that would be incurred in providing the standard service and connection. 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's minimum design criteria for Public Drinking Water Systems plus meeting any additional requirements needed to meet local service conditions. Utility shall bear all expense related to main oversizing or additional production, storage or treatment facilities for individual residential customers with normal domestic service demands.

The piping and other equipment on the premises furnished by the Customer will be maintained by the Customer at all times in conformity with the requirements of the applicable regulatory authorities and with the service rules and regulations of Utility. The Customer will bring out his service line to his property line at a point mutually acceptable to Utility and the customer. No water service smaller than 5/8" will be connected. The Customer shall install and maintain a cut-off valve on the Customer side of the meter and within three (3) feet of the meter. If the Customer desires water at a lower pressure than that which is delivered at the meter and such delivery pressure does not exceed any TCEQ rule or order pressure standard, the Customer will install, at the Customer's expense, the equipment necessary for such reduction in pressure. It shall be the Customer's responsibility to maintain such equipment in good repair and working order.

Except in cases where the customer has a contract with Utility for reserve or auxiliary service, no other water service will be used by the Customer on the same installation in conjunction with Utility's service, either by means of a cross-over valve or any other connection. Customer shall not connect, or allow any other person or party to connect, onto any water lines on his premises. Two places shall not be permitted to be supplied with one service pipe where there is a water main abutting the premises; each shall have separate service lines and meters. For the purpose of this paragraph, each residence shall be construed to be one entity or consuming facility.

It is agreed and understood that any and all meters, water lines and other equipment furnished by Utility (excepting the Customer's individual service line from the point of connection to the Customer's point of ultimate use) is and shall remain the sole property of Utility and nothing contained herein shall be construed to reflect a sale or transfer of any such meters, lines or equipment to any customer. All tap charges shall be for the privilege of connecting to said water lines and for installation, not purchase, of said meters and lines.

PERIOD OF USE. Customer shall tie onto the Utility system within sixty (60) days of the date of this application or this application shall be deemed void. Any additional request for service for this location must then be made by a new Contract/Application. If major utility construction is needed prior to service being connected, the above date may be extended for another sixty (60) days, or conversely, the Customer may begin paying a monthly water bill based upon an average of the estimated annual gallons as shown below.

ASSIGNMENT: No application, agreement or contract for service may be assigned or transferred without the written consent of Utility.

OTHER CONTRACTS: It is possible that Applicant and Utility will enter into an additional contract pertaining to water service at this location. Any such contract shall be in addition to this Contract/Application. Nothing therein will negate any provision of this Contract/Application.

RIGHT OF ACCESS AND EASEMENTS: Utility will have the right of access to the Customer's premises at all reasonable times for the purpose of installing, inspecting or repairing water mains or other equipment used in connection with its provision of water service, or for the purpose of removing its property and disconnecting lines, and for all other purposes necessary to the operation of Utility's system, including inspecting the customer's plumbing for code, plumbing or tariff violations. This right of access shall not include the right to construct and maintain production, storage or treatment facilities unless these facilities are required to provide continuous and adequate service to the individual property in question.

If the property to be served does not have dedicated, recorded public utility easements available for Utility's use in providing water utility service to the property, the Applicant (or the Applicant's landlord in the case of a tenant applicant) shall be required to provide Utility with a suitable recorded easement as a condition of service. Such easement shall be in a location acceptable to Utility and shall be for a corridor no less than fifteen (15) feet in width. The easement shall be signed by (and shall be binding upon) all record title owners of the property in question. No applicant shall be deemed to be a "qualified" applicant under the TCEQ's rules until such easement is recorded.

LANDLORD GUARANTEE: the owner of the property must countersign Applications by tenants. By signing the application, the landlord grants all required rights of access. IF the landlord is designated herein as the person responsible for the bill, then the landlord GUARANTEES PAYMENT of all utility service charges and fees incurred by or compensable damages caused by their tenant.

PLUMBING RESTRICTIONS:

The following undesirable plumbing practices are prohibited by state regulations. Other prohibitions are found in the Uniform Plumbing Code and/or Utility's tariff.

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 drinking water system by an air-gap only.

- 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 only.
- C. No connection which allows water to return 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 of any connection which provides water for human use.

APPEAL TO THE TCEQ OR OTHER REGULATORY AGENCY: Any applicant or existing customer required to pay for any costs not specifically set forth in the rate schedule pages of Utility's approved tariff shall be entitled to a written explanation of such costs prior to 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 have the right to appeal such costs to the TCEQ or such other regulatory authority with jurisdiction over Utility's rates in that portion of Utility's service area in which the applicant's or existing customer's property is located. Unless the TCEQ or other regulatory authority enters interlocutory orders to the contrary, service to the applicant may be delayed until such appeal is resolved.

PLUMBING INSPECTION: State law requires applicants for service at new consuming facilities or facilities which have undergone extensive plumbing modifications to deliver to Utility a certificate that their facilities have been inspected by a state-licensed inspector and that they are in compliance with all applicable plumbing codes and are free of potential hazards to public health and safety. In addition, Utility shall require such certificates in the case of extensive plumbing modifications to the Customer's water system made after the initial date of service to customer. Installation of a landscaping sprinkler system shall be considered extensive plumbing modifications. If the Customer installs, and/or maintains a landscaping sprinkler system, the Customer must present appropriate inspection reports, including any annual inspection reports, if required. Service may be denied until the certificate is received or any identified violations or hazards remedied. When potential sources of contamination are identified which, in the opinion of the inspector or Utility, require the installation of a state-approved backflow prevention device, such backflow prevention device shall be installed on the customer's service line or other necessary plumbing facilities by an appropriately licensed plumber/backflow prevention device specialist at the customer's expense. The backflow prevention device shall be maintained by the customer at his expense and shall be inspected annually by a licensed inspector. Copies of the annual inspection report shall be provided to Utility. Failure to comply with this inspection and reporting requirement may constitute grounds for termination of water service with notice.

CUSTOMER AGREEMENT: BY SIGNING THIS APPLICATION FOR PUBLIC UTILITY SERVICE, I AGREE TO COMPLY WITH UTILITY'S RULES AND TARIFF AND ALL RULES AND REGULATIONS OF THE TCEQ AND OTHER APPLICABLE REGULATORY AGENCIES. I GUARANTEE PROMPT PAYMENT OF ALL UTILITY BILLS FOR THE SERVICE ADDRESS PRINTED ABOVE. I AGREE TO REMAIN RESPONSIBLE FOR UTILITY BILLS FOR THIS SERVICE ADDRESS FROM THE DATE SERVICE IS STARTED UNTIL THE DAY SERVICE IS TERMINATED AT MY REQUEST.

I AGREE TO TAKE NO ACTION TO CREATE A HEALTH HAZARD OR OTHERWISE ENDANGER, INJURE, DAMAGE OR THREATEN UTILITY'S PLANT, ITS PERSONNEL, OR ITS CUSTOMERS. FAILURE TO COMPLY WITH THIS PROVISION SHALL BE GROUNDS TO TERMINATE MY SERVICE.

I AGREE TO PUT NO UNSAFE, NON-DOMESTIC SERVICE DEMANDS ON UTILITY'S SYSTEM WITHOUT NOTICE TO AND PERMISSION FROM UTILITY.

I HAVE BEEN SHOWN A COPY OF UTILITY'S TCEQ-APPROVED TARIFF AND I AGREE TO PAY THE RATES IN THE TARIFF AND ABIDE BY THE REQUIREMENTS IN THIS APPLICATION. I ACKNOWLEDGE THAT THE RATES AND/OR TERMS OF SERVICE IN THE TARIFF MAY BE CHANGED BY FUTURE ORDER OF THE TCEQ OR OTHER REGULATORY AUTHORITY HAVING JURISDICTION OVER UTILITY'S RATES. I AGREE TO ABIDE BY SUCH CHANGES AS THEY OCCUR.

1. Name of applicant: _____
Applicant is: Landowner _____ Tenant _____
Driver Lic. # _____ SS# _____

2. Address or location of requested service. (Attach plat or drawing if new development):

Subdivision: _____ Block: _____ Lot: _____

3. Type of service: Water _____
residential _____ permanent _____
commercial _____ temporary _____
industrial _____ temporary service termination
developer _____ date: _____

4. Purpose for which water is to be used:
Residential _____ Other _____ (Explain)

5. List all toxic or hazardous chemicals to be used at service location excluding normal domestic cleaning agents typically used in a home or office.

6. Water volume and pressure requirements (to be completed by other than residential applicant):

Gallons: Annual _____ highest day _____

Pressure required: Low _____ Average _____ High _____

Special service requirements: _____

7. Will a deposit be paid? _____ Amount \$ _____

If no deposit, reason for exemption. _____

8. Person responsible for utility service bills:

Name: _____

Relationship to Applicant: _____

Drivers Lic. # _____ SS # _____

Telephone (____) ____ - _____ Home _____ Business _____

Billing address if different from service location address.

9. Date of application: _____ Date to begin service: _____

10. Misc. fees required as a condition of service:

Amount: \$ _____ Type: _____ Refundable: yes ___ no ___

Texas Commission on Environmental Quality Investigation Report

The TCEQ is committed to accessibility. If you need assistance in accessing this document, please contact occe@tceq.texas.gov

Customer: Jeffrey Mahan
Customer Number: CN602721755

Regulated Entity Name: SOUTHWEST ENVIRONMENTAL RESOURCES

Regulated Entity Number: RN101282275

Investigation # 1623657

Incident Numbers

Investigator: KATHERINE HELLER

Site Classification GW 51-250 CONNECTION

Conducted: 01/22/2020 -- 01/22/2020

No Industry Code Assigned

Program(s): PUBLIC WATER SYSTEM/SUPPLY

Investigation Type: Compliance Investigation

Location: KEY MAP 644G

Additional ID(s): 0790144

Address: 1902 COMANCHE BLVD,
ROSENBERG, TX , 77471

Local Unit: REGION 12 - HOUSTON

Activity Type(s): PWSCCIGWCM - CCI GW PURCHASE
- COMMUNITY MANDATORY

Principal(s):

Role	Name
RESPONDENT	JEFFREY MAHAN

Contact(s):

Role	Title	Name	Phone
NOTIFIED	SUPERINTENDENT	MR JEFFREY MAHAN	Work (832) 496-5512
REGULATED ENTITY CONTACT	SUPERINTENDENT	MR JEFFREY MAHAN	Work (832) 496-5512
REGULATED ENTITY MAIL CONTACT	SUPERINTENDENT	MR JEFFREY MAHAN	Work (832) 496-5512
PARTICIPATED IN	SUPERINTENDENT	MR JEFFREY MAHAN	Work (832) 496-5512
PARTICIPATED IN		MS CECILIA BUCHANAN	

Other Staff Member(s):

Role	Name
Supervisor	NICHOLE NUNES
QA Reviewer	CHRISTINA BERNAL
QA Reviewer	ELAINE FOWLER

Associated Check List

<u>Checklist Name</u>	<u>Unit Name</u>
PWS STANDARD FIELD	cci
WATER EQUIPMENT	equipment

Investigation Comments:

INTRODUCTION

A Comprehensive Compliance Investigation (CCI) was conducted at Southwest Environmental Resources, Public Water Supply (PWS) ID 0790144, on January 22, 2020, by Texas Commission on Environmental Quality (TCEQ) Environmental Investigator (EI) Ms. Katherine Heller, to determine compliance with applicable PWS regulations. The CCI was coordinated with Mr. Jeffrey Mahan, Superintendent of Southwest Environmental Resources, on January 13, 2020 via telephone.

The investigation was conducted with Mr. Mahan.

An onsite exit interview was conducted with Mr. Mahan on January 22, 2020. An additional exit interview was conducted via telephone with Mr. Mahan prior to emailing the TCEQ Exit Interview Form on January 27, 2020 (Attachment 1). Investigator Heller attempted to contact Mr. Mahan via telephone prior to emailing a second TCEQ Exit Interview Form on March 2, 2020 (Attachment 1).

The investigation included the examination of records, and an on-site investigation of all physical facilities that pertain to the PWS. More specifically, the investigation inspection included the water source, water treatment; water distribution; finished water storage; pumps/pump facilities and controls; monitoring/reporting/data verification; water system management/operations; and operator compliance with TCEQ requirements.

A Notice of Violation letter was mailed to the water system. A detailed description of the alleged violations and additional issues listed in the exit interview form can be found in the Alleged Violation section of the Summary of Investigation Findings.

BACKGROUND

The previous CCI was conducted on December 10, 2015 (Investigation #1300689) and resulted in seven alleged violations being cited for failure to maintain the well meters on well no. 1, well no. 2, and well no. 4 in a watertight condition, failure to adopt an adequate plumbing ordinance, regulations or a service agreement, failure by the regulated entity to calibrate the well meters on well no. 1 and well no. 2, failure to maintain copies of properly completed Customer Service Inspection certifications on file, and failure to submit representative samples of water collected from different locations in the distribution system each month to a TCEQ certified laboratory for bacteriological analysis. The violations have since been resolved. An additional issue was also noted for failure to submit to the executive director a planning report that clearly explains how the retail public utility will provide the expected service demands once the storage capacity reached 94% of its capacity.

Southwest Environmental Resources has not had a complaint within the five years preceding this investigation.

GENERAL FACILITY AND PROCESS INFORMATION

Southwest Environmental Resources is a community PWS. The water system maintains one water plant which supplies water to one pressure plane. This system serves a total of 165 connections, with an estimated population of 492. Population and connection data were provided by the operator at the time of the investigation. The area served by the water plant is the Horseshoe Bend Subdivision and an adjacent business office. The regulated entity has been issued a certificate of public convenience and necessity (CCN) number 11648. Pursuant to 30 Texas Administrative Code (TAC) §24.3(A)(14), a CCN is defined as a permit issued by the commission which authorizes and obligates a retail public utility to furnish, make available, render, or extend continuous and adequate retail water or sewer utility service to a specified geographic area.

Plant No. 1 is located at 1902 Comanche Boulevard and contains three submersible wells, Source ID Nos. G0790144A, G0790144B, and G0790144D, which produce 21 gallons per minute (gpm), 25 gpm, and 170 gpm respectively. The plant treats with polyphosphate for corrosion control purposes and sodium hypochlorite for disinfection purposes prior to entering the 0.035 million gallon (MG) ground storage tank. The plant contains two

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service pumps rated at 180 gpm each. There is one pressure tank with a capacity of 0.005 MG.

For detailed facility information, see the PWS System Flow Diagram and Drinking Water Watch (DWW) Summary Sheet (Attachments 2 and 3).

As of the site visit on January 22, 2020, the system meets the minimum capacity requirements for systems with 50 to 250 connections pursuant to 30 TAC §290.45(b)(1)(C). The information regarding the number of connections (165), service pump capacity (360 gpm), pressure tank storage capacity (0.005 MG), and total storage capacity (0.035 MG) were provided by the operator at the time of the investigation. For more detailed information see the water system capacity calculations spreadsheet (Attachment 4).

The water system employs the following operator for Southwest Environmental Resources:

Mr. Jeffrey Mahan has a B level ground water license, license number WGO016481, which expires on February 17, 2023.

The operator has the appropriate level of certification for the system.

Exceptions:

The water system has not been granted any TCEQ regulatory exceptions.

Emergency Preparedness Plan:

Regulated entities located in Fort Bend County are required to submit an Emergency Preparedness Plan (EPP). Southwest Environmental Resources' EPP was approved by the TCEQ on April 25, 2012. The regulated entity chose EPP Option 4, the use of portable generators capable of serving systems equipped with quick-connect systems. During the investigation, the investigator noted that the PWS has a quick connect and the regulated entity is in compliance with the chosen EPP.

Chemical Analysis:

The system is not in compliance with all TCEQ primary and secondary standards. Southwest Environmental Resources exceeded the current maximum contaminant level (MCL) allowed for the secondary standard iron, on February 22, 2018. The current level of iron is 0.473 milligrams per liter (mg/L) and the MCL is 0.3 mg/L. In addition, Southwest Environmental Resources exceeded the current maximum contaminant level (MCL) allowed for the secondary standard manganese, on February 22, 2018. The current level of manganese is 0.173 mg/L and the MCL is 0.05 mg/L. Southwest Environmental Resources is currently using polyphosphate for sequestering iron and manganese. An additional issue was noted for the exceedances and can be found in the Summary of Investigation Findings.

Interconnects:

Southwest Environmental Resources does not have any interconnects with any other water systems at this time.

Field Monitoring Activities:

The free chlorine residual concentration is required to be greater than or equal to 0.2 milligrams per liter (mg/L) (30 TAC §290.110(b)(4)) and the pressure is required to be greater than or equal to 35 pounds per square inch (psi) (30 TAC §290.46(r)) within the distribution system.

At the time of the field investigation, the disinfectant residual concentration was monitored at a flush valve at the intersection of Arapahoe Drive and Sitting Bull Drive. The location had a 0.73 mg/L free chlorine residual concentration. The chlorine reading was compliant.

A pressure reading was collected at a hose bibb on a property adjacent to the flush valve due to a lack of an appropriate sampling valve with threading or a hydrant in distribution. The pressure reading was for informational purposes because once the drinking water passes through a consumer's meter, it is no longer conveyed through the distribution system and not subject to the TCEQ's regulatory authority per 30 TAC §290.38(22). The location had a pressure of 48 psi. It was noted that at the time of the field investigation, the pressure at the pressure tank at Plant No. 1 was 38 psi.

ADDITIONAL INFORMATION

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See attachment 5 for photographs taken by the EI of the physical violations observed during the field investigation.

At the time of investigation, the ground storage tank was at 94% of its required capacity and the service pumps were at 92% of their required capacity.

One violation was noted for failure, by a retail public utility that possesses a certificate of public convenience and necessity that has reached 85% of its capacity as compared to the most restrictive criteria of the commission's minimum capacity requirements in Chapter 290 T.A.C., to submit to the executive director a planning report that clearly explains how the retail public utility will provide the expected service demands to the remaining areas within the boundaries of its certificated area and can be found in the Summary of Investigation Findings.

On February 7, 2020, Ms. Cecilia Buchanan submitted the following documents in response to the exit interview: a photograph of the new concrete sealing block for Well No.1, a photograph of the secondary containment provided for the phosphate and bleach containers, an update stating that the pitting and rusting on the ground storage tank is scheduled to be repaired on March 10, 2020, an update stating that bacteriological samples taken in distribution will be rotated, an update stating that the well meter calibration for Well Nos. 1, 2, and 4 is scheduled to take place during the week of February 9, 2020, a drought contingency plan dated August 28, 2000, an up-to-date distribution map with mains and valves, an approval to construct letter dated August 12, 1994 for Well No. 4, colorimeter verification logs for low range and high range, and a photograph of the overflow cover closed tightly (Attachment 6).

The documentation submitted completes the record requests for an accurate and up-to-date distribution map with mains and valves and the high range/low range colorimeter verification logs. The photograph submitted of the overflow cover on the ground storage tank resolves the additional issue noted in the exit interview form.

The documentation was not sufficient to resolve some of the issues noted in the Exit Interview Form because the meter tests and ground storage tank repair were not documented as being completed, a record of the bacteriological sites being rotated was not submitted, the letter dated August 12, 1994 did not give approval to use Well No. 4, and the drought contingency plan submitted is more than five years old. Five violations were noted for failure to calibrate the well meters at least once every three years, failure to update the drought contingency plan every five years, failure to maintain the exterior coating systems of the ground storage tank, failure to submit representative samples of water collected from different locations in the distribution system each month to a TCEQ certified laboratory for bacteriological analysis as required by this agency's Drinking Water Standards, failure to calibrate well meters required by §290.41(c)(3)(N) of this title at least once every three years, and failure to submit the well completion data on Well Number 4, Source ID No. G0790114D, for TCEQ review and approval before placing the well into service. These violations can be found in the Outstanding Alleged Violations section of the Summary of Investigation Findings.

The documentation submitted was sufficient to resolve some of the issues. Two violations were noted and resolved for failure to maintain a fine graded well site so that the site is free from depressions, reverse grades, or areas too rough for proper ground maintenance so as to ensure that surface water will drain away from the well and for failure to provide adequate containment facilities that hold the maximum amount of chemical that can be stored with a minimum freeboard of six vertical inches or to hold 110% of the total volume of the containers for all liquid chemical storage tanks. These violations can be found in the Alleged Violations Noted and Resolved section of the Summary of Investigation Findings.

Documentation was requested for review on the exit interview form dated January 27, 2020. The documentation submitted on February 7, 2020 did not address some of the issues noted in the exit interview forms. Two violations were noted for failure to maintain copies of well completion data as defined in §290.41(c)(3)(A) and failure to maintain accurate and up-to-date detailed as-built plans or record drawings and specifications for each treatment plant, pump station, and storage tank. These violations can be found in the Outstanding Alleged Violations section of the Summary of Investigation Findings.

NOV Date 03/13/2020 **Method** WRITTEN

**OUTSTANDING ALLEGED VIOLATION(S)
ASSOCIATED TO A NOTICE OF VIOLATION**

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Track Number: 744637 **Compliance Due Date:** 06/10/2020
Violation Start Date: Unknown

30 TAC Chapter 291.93(3)

Alleged Violation:

Investigation: 1623657 **Comment Date:** 03/12/2020

Failure by a retail public utility that possesses a certificate of public convenience and necessity that has reached 85% of its capacity as compared to the most restrictive criteria of the commission's minimum capacity requirements in Chapter 290 T.A.C., to submit to the executive director a planning report that clearly explains how the retail public utility will provide the expected service demands to the remaining areas within the boundaries of its certificated area.

At the time of investigation, the ground storage tank was at 94% of its required capacity and the service pumps were at 92% of their required capacity.

Recommended Corrective Action: Submit compliance documentation, to the TCEQ Office of Water and copy the Houston Region Office, demonstrating corrective measures have been taken to resolve the alleged violation.

Track Number: 744638 **Compliance Due Date:** 06/10/2020
Violation Start Date: Unknown

30 TAC Chapter 290.46(n)(1)

Alleged Violation:

Investigation: 1623657 **Comment Date:** 03/12/2020

Failure to maintain accurate and up-to-date, detailed as-built plans or record drawings and specifications for each treatment plant, pump station, and storage tank.

At the time of the investigation, as built drawings for plant no. 1 were not provided for review.

Recommended Corrective Action: Submit compliance documentation, to the TCEQ Plan and Technical Review Team and copy the Houston Region Office, demonstrating corrective measures have been taken to resolve the alleged violation.

Track Number: 744639 **Compliance Due Date:** 06/10/2020
Violation Start Date: Unknown

30 TAC Chapter 290.46(n)(3)

Alleged Violation:

Investigation: 1623657 **Comment Date:** 03/12/2020

Failure to maintain copies of well completion data as defined in §290.41(c)(3)(A) for as long as the well remains in service.

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At the time of the investigation, copies of well completion data for Well no. 1 and Well no. 2, Source ID nos. G0790114A and G0790114B, were not provided for review.

Recommended Corrective Action: Submit compliance documentation, to the TCEQ Plan and Technical Review Team and copy the TCEQ Houston Region Office, demonstrating corrective measures have been taken to resolve the alleged violation.

Track Number: 744640 **Compliance Due Date:** 06/10/2020
Violation Start Date: Unknown

30 TAC Chapter 290.41(c)(3)(A)

Alleged Violation:

Investigation: 1623657

Comment Date: 03/12/2020

Failure to submit the well completion data on Well Number 4, Source ID No. G0790114D, for TCEQ review and approval before placing the well into service.

At the time of the investigation, the TCEQ Approval for Use letter for Well no. 4 was not provided for review.

On February 7, 2020, the regulated entity submitted a Texas Natural Resource Conservation Commission letter dated August 17, 1994. In the letter the regulated entity was approved to construct the well, but approval to place the well in service was not given.

The data requested in the letter dated August 17, 1994 included:

- 1.a recorded sanitary control easement or other documentation demonstrating compliance with 30 TAC, §290.41(c)(1)(F) for all property located within 150 feet of the well head,
- 2.the well Driller's Log (geological log and material setting report)
- 3.the cementing certificate,
- 4.the results of a 36-hour pump test which shows the steady state capacity of the well,
- 5.the results of chemical analysis performed by an accredited laboratory, and
- 6.three consecutive daily coliform-free raw water bacteriological analyses conducted by a TCEQ accredited laboratory.

Please be aware you may apply for an exception to this regulation or if you have the well completion data please submit all requests to:

Texas Commission on Environmental Quality, Utilities Review and Oversight Team (MC-159), P.O. Box 13087, Austin, Texas 78711-3087; phone (512)239-4691.

Recommended Corrective Action: Submit compliance documentation, to the TCEQ Plan and Technical Review Team and copy the TCEQ Houston Region Office, demonstrating corrective measures have been taken to resolve the alleged violation.

Track Number: 744641 **Compliance Due Date:** 06/10/2020
Violation Start Date: Unknown

30 TAC Chapter 290.46(s)(1)

Alleged Violation:

Investigation: 1623657

Comment Date: 03/12/2020

Failure to calibrate well meters required by §290.41(c)(3)(N) at least once every three years.

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At the time of the investigation, well meter calibration reports for Well Nos. 1, 2, and 4 (Source ID Nos. G0790114A, G0790114B, and G0790114D) were not provided for review.

On February 7, 2020, the regulated entity sent correspondence stating that the well meter calibration tests have been scheduled for the week of February 9, 2020. The documentation was not sufficient to resolve the violation because the meter tests were not documented as being completed.

Recommended Corrective Action: Submit compliance documentation to the TCEQ Houston Region Office demonstrating corrective measures have been taken to resolve the alleged violation.

Track Number: 744644 **Compliance Due Date:** 06/10/2020
Violation Start Date: Unknown

30 TAC Chapter 290.46(m)

Alleged Violation:

Investigation: 1623657 **Comment Date:** 03/12/2020
Failure to maintain the exterior coating systems of the ground storage tank.

At the time of investigation, Investigator Heller noted that the ground storage tank was pitting and rusting on the west side of the tank.

On February 7, 2020, the regulated entity sent correspondence stating that the tank inspection and repair has been scheduled for March 10, 2020. The documentation was not sufficient to resolve the violation because the repair was not documented as being completed.

Recommended Corrective Action: Submit compliance documentation to the TCEQ Houston Region Office demonstrating corrective measures have been taken to resolve the alleged violation.

Track Number: 744647 **Compliance Due Date:** 04/11/2020
Violation Start Date: Unknown

30 TAC Chapter 288.20(c)

Alleged Violation:

Investigation: 1623657 **Comment Date:** 03/12/2020
Failure to update the drought contingency plan every five years.

At the time of the investigation, the Drought Contingency Plan was not provided for review.

On February 7, 2020, the regulated entity submitted a drought contingency plan dated August 28, 2000. The documentation was not sufficient to resolve the violation because the plan submitted is more than five years old.

Recommended Corrective Action: Submit compliance documentation to the TCEQ Houston Region Office demonstrating corrective measures have been taken to resolve the alleged violation.

ALLEGED VIOLATION(S) NOTED AND RESOLVED

ASSOCIATED TO A NOTICE OF VIOLATION

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Track Number: 744648

Resolution Status Date: 3/12/2020

Violation Start Date: Unknown

Violation End Date: 2/7/2020

30 TAC Chapter 290.42(f)(1)(E)(ii)

Alleged Violation:

Investigation: 1623657

Comment Date: 03/12/2020

Failure to provide adequate containment facilities that hold the maximum amount of chemical that can be stored with a minimum freeboard of six vertical inches or to hold 110% of the total volume of the containers for all liquid chemical storage tanks.

At the time of investigation, Investigator Heller noted that the 100 gallon bleach container and the phosphate container did not have secondary containment.

Recommended Corrective Action: Submit compliance documentation to the TCEQ Houston Region Office demonstrating corrective measures have been taken to resolve the alleged violation.

Resolution: This alleged violation was resolved on February 7, 2020 based on photographic documentation which indicated that adequate containment facilities have been provided.

Track Number: 744649

Resolution Status Date: 3/12/2020

Violation Start Date: Unknown

Violation End Date: 2/7/2020

30 TAC Chapter 290.41(c)(3)(I)

Alleged Violation:

Investigation: 1623657

Comment Date: 03/12/2020

Failure to maintain a fine graded well site so that the site is free from depressions, reverse grades, or areas too rough for proper ground maintenance so as to ensure that surface water will drain away from the well.

At the time of investigation, Investigator Heller noted that water was pooling on and around the concrete sealing block of Well No. 1.

Recommended Corrective Action: Submit compliance documentation to the TCEQ Houston Region Office demonstrating corrective measures have been taken to resolve the alleged violation.

Resolution: This alleged violation was resolved on February 7, 2020 based on photographic documentation which indicated that the well site was fine graded so that surface water will drain away from the well.

Additional Issues

Description Item #1

Additional Comments

SOUTHWEST ENVIRONMENTAL RESOURCES - ROSENBERG

1/22/2020 Inv. # - 1623657

Page 10 of 10

List of Attached files

0790144.sk.docx

Copy of Copy of Capacity Calculations_010320.xlsx

Exit Interview Form 2_Southwest Env. Resources.doc

Exit Interview Form_Southwest Env. Resources.doc

Investigation Photos.docx

Summary of Investigation Findings

SOUTHWEST ENVIRONMENTAL RESOURCES
1902 COMANCHE BLVD
ROSENBERG, FORT BEND COUNTY, TX 77471

Investigation #
1623657
Investigation Date: 01/22/2020

Additional ID(s): 0790144

OUTSTANDING ALLEGED VIOLATION(S) ASSOCIATED TO A NOTICE OF VIOLATION

Track No: 744637 Compliance Due Date: 06/10/2020
30 TAC Chapter 291.93(3)

Alleged Violation:

Investigation: 1623657

Comment Date: 03/12/2020

Failure by a retail public utility that possesses a certificate of public convenience and necessity that has reached 85% of its capacity as compared to the most restrictive criteria of the commission's minimum capacity requirements in Chapter 290 T.A.C., to submit to the executive director a planning report that clearly explains how the retail public utility will provide the expected service demands to the remaining areas within the boundaries of its certificated area.

At the time of investigation, the ground storage tank was at 94% of its required capacity and the service pumps were at 92% of their required capacity.

Recommended Corrective Action: Submit compliance documentation, to the TCEQ Office of Water and copy the Houston Region Office, demonstrating corrective measures have been taken to resolve the alleged violation.

Track No: 744638 Compliance Due Date: 06/10/2020
30 TAC Chapter 290.46(n)(1)

Alleged Violation:

Investigation: 1623657

Comment Date: 03/12/2020

Failure to maintain accurate and up-to-date, detailed as-built plans or record drawings and specifications for each treatment plant, pump station, and storage tank.

At the time of the investigation, as built drawings for plant no. 1 were not provided for review.

Recommended Corrective Action: Submit compliance documentation, to the TCEQ Plan and Technical Review Team and copy the Houston Region Office, demonstrating corrective measures have been taken to resolve the alleged violation.

Track No: 744639 Compliance Due Date: 06/10/2020
30 TAC Chapter 290.46(n)(3)

Alleged Violation:

Investigation: 1623657

Comment Date: 03/12/2020

Failure to maintain copies of well completion data as defined in §290.41(c)(3)(A) for as long as the well remains in service.

At the time of the investigation, copies of well completion data for Well no. 1 and Well no. 2, Source ID nos. G0790114A and G0790114B, were not provided for review.

Recommended Corrective Action: Submit compliance documentation, to the TCEQ Plan and Technical Review Team and copy the TCEQ Houston Region Office, demonstrating corrective measures have been taken to resolve the alleged violation.

Track No: 744640 **Compliance Due Date:** 06/10/2020**30 TAC Chapter 290.41(c)(3)(A)****Alleged Violation:**

Investigation. 1623657

Comment Date: 03/12/2020

Failure to submit the well completion data on Well Number 4, Source ID No. G0790114D, for TCEQ review and approval before placing the well into service.

At the time of the investigation, the TCEQ Approval for Use letter for Well no. 4 was not provided for review.

On February 7, 2020, the regulated entity submitted a Texas Natural Resource Conservation Commission letter dated August 17, 1994. In the letter the regulated entity was approved to construct the well, but approval to place the well in service was not given.

The data requested in the letter dated August 17, 1994 included:

- 1.a recorded sanitary control easement or other documentation demonstrating compliance with 30 TAC, §290.41(c)(1)(F) for all property located within 150 feet of the well head,
- 2.the well Driller's Log (geological log and material setting report)
- 3.the cementing certificate,
- 4.the results of a 36-hour pump test which shows the steady state capacity of the well,
- 5.the results of chemical analysis performed by an accredited laboratory, and
- 6.three consecutive daily coliform-free raw water bacteriological analyses conducted by a TCEQ accredited laboratory.

Please be aware you may apply for an exception to this regulation or if you have the well completion data please submit all requests to:
Texas Commission on Environmental Quality, Utilities Review and Oversight Team (MC-159),
P.O. Box 13087, Austin, Texas 78711-3087; phone (512)239-4691.

Recommended Corrective Action: Submit compliance documentation, to the TCEQ Plan and Technical Review Team and copy the TCEQ Houston Region Office, demonstrating corrective measures have been taken to resolve the alleged violation.

Track No: 744641 **Compliance Due Date:** 06/10/2020**30 TAC Chapter 290.46(s)(1)****Alleged Violation:**

Investigation. 1623657

Comment Date: 03/12/2020

Failure to calibrate well meters required by §290.41(c)(3)(N) at least once every three years.

At the time of the investigation, well meter calibration reports for Well Nos. 1, 2, and 4 (Source ID Nos. G0790114A, G0790114B, and G0790114D) were not provided for review.

On February 7, 2020, the regulated entity sent correspondence stating that the well meter calibration tests have been scheduled for the week of February 9, 2020. The documentation was not sufficient to resolve the violation because the meter tests were not documented as being completed.

Recommended Corrective Action: Submit compliance documentation to the TCEQ Houston Region Office demonstrating corrective measures have been taken to resolve the alleged violation.

Track No: 744644 **Compliance Due Date:** 06/10/2020**30 TAC Chapter 290.46(m)****Alleged Violation:**

Investigation: 1623657

Comment Date: 03/12/2020

Failure to maintain the exterior coating systems of the ground storage tank.

At the time of investigation, Investigator Heller noted that the ground storage tank was pitting and rusting on the west side of the tank.

On February 7, 2020, the regulated entity sent correspondence stating that the tank inspection and repair has been scheduled for March 10, 2020. The documentation was not sufficient to resolve the violation because the repair was not documented as being completed.

Recommended Corrective Action: Submit compliance documentation to the TCEQ Houston Region Office demonstrating corrective measures have been taken to resolve the alleged violation.

Track No: 744647 **Compliance Due Date:** 04/11/2020

30 TAC Chapter 288.20(c)

Alleged Violation:

Investigation: 1623657

Comment Date: 03/12/2020

Failure to update the drought contingency plan every five years.

At the time of the investigation, the Drought Contingency Plan was not provided for review.

On February 7, 2020, the regulated entity submitted a drought contingency plan dated August 28, 2000. The documentation was not sufficient to resolve the violation because the plan submitted is more than five years old.

Recommended Corrective Action: Submit compliance documentation to the TCEQ Houston Region Office demonstrating corrective measures have been taken to resolve the alleged violation.

ALLEGED VIOLATION(S) NOTED AND RESOLVED ASSOCIATED TO A NOTICE OF VIOLATION

Track No: 744648

30 TAC Chapter 290.42(f)(1)(E)(ii)

Alleged Violation:

Investigation: 1623657

Comment Date: 03/12/2020

Failure to provide adequate containment facilities that hold the maximum amount of chemical that can be stored with a minimum freeboard of six vertical inches or to hold 110% of the total volume of the containers for all liquid chemical storage tanks.

At the time of investigation, Investigator Heller noted that the 100 gallon bleach container and the phosphate container did not have secondary containment.

Recommended Corrective Action: Submit compliance documentation to the TCEQ Houston Region Office demonstrating corrective measures have been taken to resolve the alleged violation.

Resolution: This alleged violation was resolved on February 7, 2020 based on photographic documentation which indicated that adequate containment facilities have been provided.

Track No: 744649

30 TAC Chapter 290.41(c)(3)(I)

Alleged Violation:

Investigation: 1623657

Comment Date: 03/12/2020

Failure to maintain a fine graded well site so that the site is free from depressions, reverse

grades, or areas too rough for proper ground maintenance so as to ensure that surface water will drain away from the well.

At the time of investigation, Investigator Heller noted that water was pooling on and around the concrete sealing block of Well No. 1.

Recommended Corrective Action: Submit compliance documentation to the TCEQ Houston Region Office demonstrating corrective measures have been taken to resolve the alleged violation.

Resolution: This alleged violation was resolved on February 7, 2020 based on photographic documentation which indicated that the well site was fine graded so that surface water will drain away from the well.

ADDITIONAL ISSUES

Description	Additional Comments
Item #1	<p data-bbox="769 590 1127 651">Please be aware of the following: 30 TAC 290.118(b)</p> <p data-bbox="769 674 1330 947">Failure to meet the commission's minimum standards noted in the most recent chemical analysis conducted by the certified laboratory which indicates the quality of the water produced by the system. Specifically, the 0.173 milligrams per liter (mg/L) concentration of manganese exceeds the Secondary Maximum Constituent Level which is 0.05 mg/L and the 0.473 mg/L concentration of iron exceeds the Secondary Maximum Constituent Level which is 0.3 mg/L.</p> <p data-bbox="769 974 1330 1354">While primary standards are established to protect public health, the Secondary Maximum Constituent Levels are set for constituents that may have aesthetic effects in drinking water (e.g. taste, odor, or color). Elevated iron and manganese levels may stain laundry and plumbing fixtures. Southwest Environmental resources sequesters iron and manganese with polyphosphate. Please be aware that if sequestering facilities prove to be ineffective, the agency will require the concentrations of the constituent to be reduced. Please be advised that public water systems shall notify the Executive Director prior to making any change or addition to the system's treatment facilities.</p>
Item #7	<p data-bbox="769 1381 1127 1442">Please be aware of the following: 30 TAC 290.109(d)</p> <p data-bbox="769 1465 1330 1602">Failure to submit representative samples of water collected from different locations in the distribution system each month to a TCEQ certified laboratory for bacteriological analysis as required by this agency's Drinking Water Standards.</p> <p data-bbox="769 1629 1330 1766">At the time of the investigation, one of the sample sites on the Monitoring Plan, 5302 Navajo, was being repeatedly sampled. This location was used for bacteriological sampling from March 2019 thru November 2019.</p> <p data-bbox="769 1793 1330 1869">On February 7, 2020, the regulated entity sent correspondence stating that sites will be rotated from now on.</p>

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



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

March 13, 2020

CERTIFIED MAIL # 91 7199 9991 7038 7310 1835
ELECTRONIC RECEIPT REQUESTED

Mr. Jeffrey Mahan
Superintendent
Southwest Environmental Resources
Post Office Box 727
Rosenberg, Texas 77471-0727

Re: Notice of Violation for the Comprehensive Compliance Investigation at:
Southwest Environmental Resources, 1902 Comanche Boulevard, Rosenberg, Fort Bend
County, Texas
Regulated Entity No.: 101282275 TCEQ ID No.: 0790144 Investigation No.: 1623657

Dear Mr. Mahan:

On January 22, 2020, Ms. Katherine Heller of the Texas Commission on Environmental Quality (TCEQ) Houston Region Office conducted an investigation of the above-referenced regulated entity to evaluate compliance with applicable requirements for Public Water Supply. Enclosed is a summary which lists the investigation findings. During the investigation, some concerns were noted which were alleged noncompliances that have been resolved based on subsequent corrective action as resolved Violations. In addition, certain outstanding alleged violations were identified for which compliance documentation is required. Please submit to this office by the compliance due date listed on the Summary of Investigation Findings enclosure, a written description of corrective action taken and the required documentation demonstrating that compliance has been achieved for the outstanding alleged violations. Please be advised that a violation could be issued upon further review of your system's records or self-reported documentation. Furthermore, an Additional Issue was noted.

In the listing of the alleged violations, we have cited applicable requirements, including TCEQ rules. Please note that both the rules themselves and the agency brochure entitled Obtaining TCEQ Rules (GI 032) are located on our agency website at <http://www.tceq.texas.gov> for your reference. If you would like a hard copy of this brochure mailed to you, you may call and request one from either the Houston Region Office at (713) 767-3650 or the Central Office Publications Ordering Team at (512) 239-0028.

The TCEQ appreciates your assistance in this matter. Please note that the Legislature has granted TCEQ enforcement powers which we may exercise to ensure compliance with environmental regulatory requirements. We anticipate that you will resolve the alleged violations as required in order to protect the State's environment. If you have additional information that we are unaware of, you have the opportunity to contest the violations documented in this notice. Should you choose to do so, you must notify the Houston Region Office within 10 days from the date of this letter. At that time, PWS Team Leader, Ms. Nichole Batista Nunes, will schedule a violation review meeting to be conducted within 21 days from the

Mr. Jeffery Mahan, Superintendent
Page 2
March 13, 2020

date of this letter. However, please be advised that if you decide to participate in the violation review process, the TCEQ may still require you to adhere to the compliance schedule included in the attached Summary of Investigation Findings until an official decision is made regarding the status of any or all of the contested violations.

If you or members of your staff have any questions regarding these matters, please feel free to contact Ms. Katherine Heller in the Houston Region Office at (713) 767-3673.

Sincerely,



Nichole Batista Nunes
Team Leader
Public Water Supply
Houston Region Office
Texas Commission on Environmental Quality

NBN/KH/tj

Enclosure: Summary of Investigation Findings

cc: Fort Bend County Environmental Health Department
4520 Reading Road, Suite A
Rosenberg, Texas 77471-2582

Southwest Environmental Resources
RN No: 101282275, CN No: 602721755
Investigation No.: 1623657
Investigation Type: Comprehensive Compliance Investigation

LIST OF ATTACHMENTS

1. Exit interview forms issued via email on January 27, 2019 and March 2, 2020
2. PWS System Flow Diagram
3. TCEQ DWW Water System Summary Sheet
4. Capacity Calculations Spreadsheet
5. Investigation Photographs
6. Regulated Entity Correspondence received via email on February 5, 2020

Attachment 1

Katherine Heller

From: Katherine Heller
Sent: Monday, January 27, 2020 2:34 PM
To: [REDACTED]
Subject: Southwest Environmental Resources Exit Interview Form
Attachments: RG-344 pdf; Exit Interview Form_Southwest Env. Resources.doc

As discussed during the on-site Exit Interview and in the message left on your telephone on January 27, 2020, please find the attached Exit Interview Form (EIF) relating to the complaint investigation conducted on January 22, 2020, at Southwest Environmental Resources (PWS ID 0790144). Respond to the Records Requests by close of business **Friday, February 7, 2020**. The investigation is considered ongoing until the final approval letter is delivered. Having mentioned that, anything that is found by reviewing all the paperwork will be noted on the investigation report. This EIF is not final.

"The Exit Interview Form: Potential Violations and/or Records Request is being provided as an attachment to this email to ensure that the issues were communicated clearly during our telephone conversation on January 27, 2020. If there are questions about the information contained in the form, or if a meeting at the TCEQ regional office is requested to discuss the contents of the Exit Interview Form, contact me as soon as possible. Please reply to this email, with the attachment, to indicate your receipt."

If you have any questions about the items contained in the exit interview form please do not hesitate to ask.



Katherine Heller
PWS Environmental Investigator
Texas Commission on Environmental Quality
Houston Region 12 Office
Phone: 713-767-3673
Email: Katherine.Heller@tceq.texas.gov

How is our customer service? Fill out our online customer satisfaction survey at www.tceq.texas.gov/customersurvey.

TCEQ EXIT INTERVIEW FORM: Potential Violations and/or Records Request

Regulated Entity/Site Name	Southwest Environmental Resources			TCEQ Add. ID No. RN No (optional)	0790144
Investigation Type	CCI	Contact Made In-House (Y/N)	Y	Purpose of Investigation	Compliance
Regulated Entity Contact	Jeffrey Mahan		Telephone No.	██████████	Date Contacted 1/27/2020
Title	Superintendent		FAX #/Email address	██████████	FAX/Email date 1/27/2020

NOTICE: The information provided in this form is intended to provide clarity to issues that have arisen during the investigation process between the TCEQ and the regulated entity named above and does not represent final TCEQ findings related to violations. Any potential or alleged violations discovered after the date on this form will be communicated to the regulated entity representative prior to the issuance of a notice of violation or enforcement. Conclusions drawn from this investigation, including additional violations or potential violations discovered (if any) during the course of this investigation, will be documented in a final investigation report.

Issue		For Records Request, identify the necessary records, the company contact and date due to the agency. For Alleged and Potential Violation issues, include the rule in question with the clearly described potential problem. Other type of issues: fully describe.	
No.	Type ¹	Rule Citation (if known)	Description of Issue
1	AV	§290.41(c)(3)(I)	The well site shall be fine graded so that the site is free from depressions, reverse grades, or areas too rough for proper ground maintenance so as to ensure that surface water will drain away from the well. It was noted that water was pooling on the concrete sealing block of well no. 1.
2	AV	§290.42(f)(1)(E)(ii)	adequate containment facilities that hold the maximum amount of chemical that can be stored with a minimum freeboard of six vertical inches or to hold 110% of the total volume of the container(s), shall be provided for all liquid chemical storage tanks. It was noted that the 100 gallon bleach and phosphate containers did not have secondary containment.
3	AV	§290.46(m)(1)(A)	It was noted that the ground storage tank was pitting and rusting on the west side of the tank.
4	AV	290.109(d)	Bacteriological Monitoring: Failure to submit representative samples of water collected from different locations in the distribution system each month to a TCEQ certified laboratory for bacteriological analysis as required by this agency's Drinking Water Standards. At the time of the investigation, one of the sample sites on the Monitoring Plan was being repeatedly sampled.
5	RR/PV	§290.46(s)(1)	Well meters required by §290.41(c)(3)(N) of this title shall be calibrated at least once every three years. Calibration reports for Well Nos. 1, 2, and 4 (Source Id Nos. G0790114A, G0790114B, and G0790114D) were not provided for review.
6	RR/PV	§288.30(5)	The Drought Contingency Plan was not provided for review.
7	RR/PV	§290.46(n)(2)	An accurate and up-to-date map of the distribution system with valves and mains shall be maintained. The map provided for review did not contain mains or valves.
8	RR/PV	§290.39(j)	Significant changes in existing systems or supplies shall not be instituted without the prior approval of the executive director. The approval for Well no. 4 was not provided for review.
9	RR/PV	§290.46(n)(3)	Copies of well completion data as defined in §290.41(c)(3)(A) for Well no. 1 and Well no. 2.
10	RR/PV	§290.46(n)(1)	As built drawings for equipment located at plant no. 1, including the service pumps, the ground storage tank, and the pressure tank.

11	RR/PV	§290.46(s)(2)(C)(i)	The verification of the HR/LR colorimeter was only being done in the LR. High range verification was not provided for review.
12	O	§290.93(3)	At the time of investigation, the total storage capacity was at 94% of its required capacity and the service pump capacity was at 92% of its required capacity.
13	O	§290.118(b)	Failure to meet the commission's minimum standards noted in the most recent chemical analysis conducted by the certified laboratory which indicates the quality of the water produced by the system. Specifically, the 0.473 mg/L concentration of iron exceeds the Secondary Maximum Constituent Level (MCL) which is 0.3 mg/L and the 0.173 mg/L concentration of manganese exceeds the MCL which is 0.05 mg/L.
14	O	§290.43(c)(3)	The discharge opening shall be covered with a gravity-hinged and weighted cover, an elastomeric duckbill valve, or other approved device to prevent the entrance of insects and other nuisances. When the tank is not overflowing, the cover shall close automatically and fit tightly with no gap over 1/16 inch. Due to the weather conditions during the investigation it was hard to discern whether or not the cover was tightly closed.

Note 1: Issue Type Can Be One or More of: AV (Alleged Violation), PV (Potential Violation), O (Other), or RR (Records Request)

Did the TCEQ document the regulated entity named above operating without proper authorization?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Did the investigator advise the regulated entity representative that continued operation is not authorized?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Document Acknowledgment. Signature on this document establishes only that the regulated entity (RE) representative received a copy of this document and associated continuation pages on the date noted. If contact was made by telephone, the document will be sent via FAX or Email to RE, therefore, the RE signature is not required.

Katherine Heller	1/27/2020		
Investigator Name (Signed & Printed)	Date	Regulated Entity Representative Name (Signed & Printed)	Date

If you have questions about any information on this form, please contact your local TCEQ Regional Office.

Please contact the agency's public information officer with any requests, questions, or comments on access to records or information at 512-239-0800

White Copy: Regulated Entity Representative Yellow Copy: TCEQ

(Note: use additional pages as necessary) Page 2 of 2

Katherine Heller

From: Katherine Heller
Sent: Monday, March 2, 2020 4:28 PM
To: [REDACTED]
Subject: Southwest Environmental Resources Exit Interview Form 2
Attachments: Southwest Environmental Resources Exit Interview Form; Exit Interview Form 2_Southwest Env. Resources.doc

As discussed in the message left on your telephone on March 2, 2020, please find the attached Exit Interview Form (EIF) relating to the compliance investigation conducted on January 22, 2020, at Southwest Environmental Resources (PWS ID 0790144). This exit interview is in addition to the exit interview issued on January 27, 2020 (see attached email). The investigation is considered ongoing until the final approval letter is delivered. Having mentioned that, anything that is found by reviewing all the paperwork will be noted on the investigation report. This EIF is not final.

“The Exit Interview Form: Potential Violations and/or Records Request is being provided as an attachment to this email to ensure that the issues were communicated clearly. If there are questions about the information contained in the form, or if a meeting at the TCEQ regional office is requested to discuss the contents of the Exit Interview Form, contact me as soon as possible. Please reply to this email, with the attachment, to indicate your receipt.”

If you have any questions about the items contained in the exit interview form please do not hesitate to ask.



Katherine Heller
PWS Environmental Investigator
Texas Commission on Environmental Quality
Houston Region 12 Office
Phone: 713-767-3673
Email: Katherine.Heller@tceq.texas.gov

How is our customer service? Fill out our online customer satisfaction survey at www.tceq.texas.gov/customersurvey.

TCEQ EXIT INTERVIEW FORM: Potential Violations and/or Records Request

Regulated Entity/Site Name	Southwest Environmental Resources			TCEQ Add. ID No. RN No (optional)	0790144
Investigation Type	CCI	Contact Made In-House (Y/N)	Y	Purpose of Investigation	Compliance
Regulated Entity Contact	Jeffrey Mahan		Telephone No.	[REDACTED]	Date Contacted 3/2/2020
Title	Superintendent		FAX #/Email address	[REDACTED]	FAX/Email date 3/2/2020

NOTICE: The information provided in this form is intended to provide clarity to issues that have arisen during the investigation process between the TCEQ and the regulated entity named above and does not represent final TCEQ findings related to violations. Any potential or alleged violations discovered after the date on this form will be communicated to the regulated entity representative prior to the issuance of a notice of violation or enforcement. Conclusions drawn from this investigation, including additional violations or potential violations discovered (if any) during the course of this investigation, will be documented in a final investigation report.

Issue		For Records Request, identify the necessary records, the company contact and date due to the agency. For Alleged and Potential Violation issues, include the rule in question with the clearly described potential problem. Other type of issues: fully describe.			
No.	Type ¹	Rule Citation (if known)	Description of Issue		
1	AV	§290. 93(3)	<p>Failure by a retail public utility that possesses a certificate of public convenience and necessity that has reached 85% of its capacity as compared to the most restrictive criteria of the commission's minimum capacity requirements in Chapter 290 T.A.C., to submit to the executive director a planning report that clearly explains how the retail public utility will provide the expected service demands to the remaining areas within the boundaries of its certificated area.</p> <p>At the time of investigation, the total storage capacity was at 94% of its required capacity and the service pump capacity was at 92% of its required capacity.</p>		

Note 1: Issue Type Can Be One or More of: AV (Alleged Violation), PV (Potential Violation), O (Other), or RR (Records Request)

Did the TCEQ document the regulated entity named above operating without proper authorization?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Did the investigator advise the regulated entity representative that continued operation is not authorized?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Document Acknowledgment. Signature on this document establishes only that the regulated entity (RE) representative received a copy of this document and associated continuation pages on the date noted. If contact was made by telephone, the document will be sent via FAX or Email to RE, therefore, the RE signature is not required.

Katherine Heller	3/2/2020		
Investigator Name (Signed & Printed)	Date	Regulated Entity Representative Name (Signed & Printed)	Date