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DOCKET NO. 52445

CERTIFICATE OF SERVICE

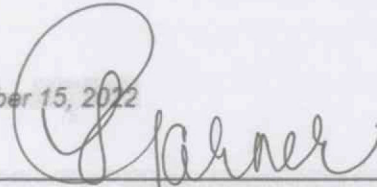
I hereby certify that I have or will serve a true and correct copy of the foregoing document via hand delivery, facsimile, electronic mail, overnight mail, U.S. mail, or Certified Mail Return Receipt Requested on all parties on the 15th of September 2022.

Roy Rodriguez / Utilities Director  
NAME / TITLE

Signature: \_\_\_\_\_



Given under my hand and seal of office on September 15, 2022



\_\_\_\_\_  
Notary Public, State of Texas





**DOCKET NO. 52445**

**RESPONSE TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO  
HYDROTEX, LLC.  
QUESTION NO. STAFF 1-1**

- Staff 1-1      Please admit or deny that SVAG Investments, LLC (SVAG) will provide the funding to construct and cover any operating shortages of HydroTex, LLC (HydroTex).
- a. If admit, please provide supporting documentation that SVAG has substantial influence or control over the policies and actions of HydroTex, LLC pursuant to the definition 16 TAC§ 24.3(3)(F) or (G) such as articles of incorporation, minutes, written explanation and Affidavit attesting to such control.
  - b. If admit provide the articles of incorporation of SVAG and HydroTex

**RESPONSE: SVAG Investments, LLC will provide the funding to construct and cover any operating shortages of HydroTex, LLC (HydroTex). Please see attached Financial Resource Affidavit and "COMPANY AGREEMENT OF HYDROTEX LLC."**

**Prepared by: Roy Rodriguez**

## FINANCIAL RESOURCES AFFIDAVIT

Section 24.11 of the Texas Administrative Code provides that an owner or operator of a retail public utility must demonstrate the financial resources to operate and manage the utility and to provide continuous and adequate services to the current and proposed utility service area. To demonstrate that **HYDROTEX LLC**, a Texas limited liability company (the "**Utility Company**"), meets the requirements of the leverage and operations tests, pursuant to 16 TAC § 24.11(e)(2) and (3), the undersigned, who, being by me duly sworn, deposed as follows:

1. Sudharshan Vembutty is the sole owner of SVAG Investments LLC, a Texas limited liability company ("**SVAG Investments**"), which owns ninety-eight percent (98%) of the membership interests of the Utility Company. The remaining membership interests of the Utility Company are owned one percent (1%) by SUNICOST, LLC, a Texas limited liability company, and one percent (1%) by Trinity Residential Development LLC, a Texas limited liability company.
2. SVAG Investments is an affiliated entity of the Utility Company, and, as such, is capable, available, and willing to cover temporary cash shortages.
3. SVAG Investments has sufficient cash available to cover any projected capital improvements shortages, operations shortages, and maintenance shortages in the first five (5) years of the Utility Company's operations.
4. SVAG Investments has a debt to equity ratio of less than one, using long term debt and equity or net assets.
5. SVAG Investments has a debt service coverage ratio of more than 1.25 using annual net operating income before depreciation and non-cash expenses divided by annual combined long term debt payments.
6. SVAG Investments has sufficient unrestricted cash available as a cushion for two (2) years of debt service.
7. Attached hereto as **Exhibit A** are a compilation of year-end financial statements for the most recent fiscal year as prepared by a certified accountant (CPA), of SVAG Investments, which accurately present the financial condition of SVAG Investments in all material respects.

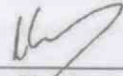
Under penalties or perjury, I declare that I have examined this certification and to the best of my knowledge and belief it is true, correct and complete, and I further declare that I have authority to sign this document on behalf of the SVAG Investments.

This Financial Resources Affidavit is dated as of September 15<sup>th</sup>, 2022.

[SIGNATURE PAGE FOLLOWS]

SVAG INVESTMENTS LLC,  
a Texas limited liability company

By: SVAG Asset Management LLC,  
a Texas limited liability company  
Its: Manager

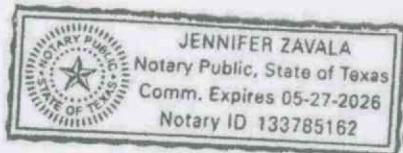
By:   
Sudharshan Vembutty  
Manager

  
SUDHARSHAN VEMBUTTY

STATE OF Texas )  
County of Ft. Bend )

SWORN TO AND SUBSCRIBED before me on this 15 day of September, 2022, by Sudharshan Vembutty, whose identity was proven to me on the basis of satisfactory evidence to be the person he or she claims to be, and acknowledged before me that he or she executed the same in his or her authorized capacity, as applicable, and that by his or her signature on the instrument the person, or the entity or entities upon behalf of which the person acted, as applicable, executed the instrument.

(seal)



  
Notary Public



**COMPANY AGREEMENT  
OF  
HYDROTEX LLC,  
a Texas limited liability company**

This Company Agreement (this “Agreement”), dated effective November 13, 2020, is executed and agreed to, for good and valuable consideration, by the initial Members listed on Exhibit A.

**Article 1  
Formation**

1.1 **Formation.** HydroTex LLC (the “Company”) was formed as a limited liability company under and pursuant to the Texas Business Organizations Code (the “BOC”) and other relevant laws of the State of Texas by the filing of a Certificate of Formation with the Secretary of State of the State of Texas on November 13, 2020.

1.2 **Name.** The name of the Company shall be HydroTex LLC. The Company shall conduct business under that name or such other names complying with applicable law as the Managers may determine from time to time.

1.3 **Duration.** The Company shall exist until terminated in accordance with this Agreement.

1.4 **Purpose.** The purposes of the Company shall be to engage in any lawful business for which limited liability companies may be organized under the Texas Business Organizations Code.

1.5 **Principal Office.** The Company’s principal office shall be as set forth in the Company’s Certificate of Formation, or such other place as the Managers may determine from time to time.

1.6 **Registered Office and Registered Agent.** The initial address of the registered office of the Company in the State of Texas shall be as set forth in the Company’s Certificate of Formation. The Managers may change the registered office and the registered agent of the Company from time to time. The Managers may cause the Company to qualify to do business as a limited liability company (or other entity in which the Members have limited liability) in any other jurisdiction and to designate any registered office or registered agent in any such jurisdiction.

1.7 **Definitions.** Certain terms used in this instrument are capitalized. Such terms shall have the meaning set forth in the text or in Section 11.12.

**Article 2  
Members and Membership Interests**

2.1 **Initial Members.** In connection with the formation of the Company, the Persons executing this Agreement as Members are admitted to the Company as Members effective as of

the date of Company's formation. The Percentage held by each of the Members is set forth next to such Member's name on **Exhibit A**.

**2.2 Issuance of Membership Interests After Formation of Company.** The Company, after the formation of the Company, may issue membership interests in the Company to any Person with the affirmative vote or Written consent of the Managers. Any such affirmative vote or Written consent of the Managers shall specify the capital contribution, if any, required in connection with the new membership interest, the Percentage represented by the newly issued membership interest, and all changes in the Percentages represented by the membership interests outstanding prior to the issuance of the new membership interest.

**2.3 Nature of Membership Interest.** A membership interest in the Company is personal property. A Member of the Company or an assignee of a membership interest in the Company does not have an interest in any specific property of the Company. A membership interest includes a Member's or assignee's share of profits and losses or similar items and the right to receive distributions as provided in this Agreement, but does not include a Member's right to participate in management.

**2.4 Withdrawal or Expulsion of Member Prohibited.** A Member of the Company may not withdraw or be expelled from the Company.

**2.5 Assignment of Membership Interest.** Subject to the requirements of Article 8, a membership interest in the Company may be wholly or partly assigned. An assignment of a membership interest in the Company is not an event requiring the winding up of the Company and does not entitle an assignee who is not already a Member of the Company to participate in the management and affairs of the Company, become a Member of the Company or exercise any rights of a Member of the Company.

**2.6 Admission of New Members.** Any Member of the Company who is issued a new membership interest as provided in Section 2.2 or who acquires a membership interest by assignment (including by reason of death or divorce) shall become a Member of the Company with respect to the new or assigned membership interest immediately upon the issuance or assignment of the membership interest. Approval pursuant to Section 2.2 of the issuance of a new membership interest in the Company to a Person who is not already a Member shall be deemed approval of the admission of such Person as a Member. An assignee of a membership interest in the Company who is not already a Member of the Company is entitled to become a Member of the Company on the affirmative vote or Written consent of Members owning a majority of all Members' Percentages in the Company. Any Person who desires to become a Member after the formation of the Company shall, as a condition to becoming a Member and in addition to any other conditions set forth herein or established by the Members or Managers, execute and deliver an agreement to be bound by the terms and provisions of the Agreement. Such agreement shall also state such Person's name, postal address, email address, and mobile phone number for notices hereunder.

**2.7 Rights and Duties of Assignee of Membership Interest Before Membership.**

(a) A Person who is assigned a membership interest in the Company is entitled to:



(i) receive any allocation of income, gain, loss, deduction, credit, or a similar item that the assignor is entitled to receive to the extent the allocation of the item is assigned;

(ii) receive any distribution the assignor is entitled to receive to the extent the distribution is assigned;

(iii) subject to Article 7, require, for any proper purpose, reasonable information or a reasonable account of the transactions of the Company; and

(iv) subject to Article 7, make, for any proper purpose, reasonable inspections of the books and records of the Company.

(b) An assignee of a membership interest in the Company is not liable as a Member of the Company until the assignee becomes a Member of the Company.

**2.8 Rights and Liabilities of Assignee of Membership Interest After Becoming a Member.**

(a) An assignee of a membership interest in the Company, after becoming a Member of the Company, is:

(i) entitled to the same rights and powers granted or provided to a Member of the Company by this Agreement; and

(ii) subject to the same restrictions and liabilities placed or imposed on a Member of the Company by this Agreement; and

(iii) except as provided by subsection (b) of this Section 2.8, liable for the assignor's obligation to make contributions to the Company.

(b) An assignee of a membership interest in the Company, after becoming a Member of the Company, is not obligated for a liability of the assignor that:

(i) the assignee did not have knowledge of on the date the assignee became a Member of the Company; and

(ii) could not be ascertained from this Agreement.

**2.9 Rights and Duties of Assignor of Membership Interest.** An assignor of a membership interest in the Company continues to be a Member of the Company and is entitled to exercise any rights or powers of the Member not vested in the assignee by virtue of the assignment (including the right to vote on or consent to any matters requiring approval or consent of the Members under this Agreement) until the assignee becomes a Member of the Company. Upon admission of an assignee as a Member, the assignor shall cease to be a Member with respect to the membership interest assigned. If a Member's membership interest is purchased by the Company, the Member shall cease to be a Member with respect to the membership interest purchased.

2.10 **Certificates.** Membership interests in the Company shall be uncertificated.

2.11 **Representations and Warranties.** Each Member hereby represents and warrants to the Company and each other Member that (a) the Member has duly executed and delivered this Agreement; and (b) the Member's authorization, execution, delivery, and performance of this Agreement do not conflict with any other agreement or arrangement to which that Member is a party or by which that Member is bound.

### **Article 3 Management of the Company, Meetings and Voting**

3.1 **Managers and Management Generally.** The Managers shall have the exclusive authority to manage, control, and operate the business and affairs of the Company and make all decisions with respect thereto, except for those matters expressly reserved to the Members. The foregoing shall not restrict the authority of the officers of the Company as described in Section 3.6 below. By the unanimous vote of all of the Managers, the authority of the Managers to act may be delegated to a committee of less than all of the Managers. Each Manager is an agent of the Company for the purpose of carrying out the Company's business in accordance with the authority granted by action of the Managers. No Member of the Company in the Member's capacity as such shall be an agent of the Company or have any authority or right to act for or bind the Company or to manage, control, or operate the business and affairs of the Company, except as otherwise permitted in this Agreement or applicable law.

#### **3.2 Number and Qualifications of Managers.**

(a) The Managers of the Company may consist of one or more Persons. Except as provided by subsection (b) of this Section 3.2, the number of Managers of the Company is one. The initial manager is SVAG Asset Management LLC, a Texas limited liability company.

(b) The number of Managers of the Company may be increased or decreased by amendment to this Agreement.

(c) A Manager of the Company is not required to be a resident of Texas or Member of the Company.

3.3 **Terms for Managers.** Unless a term is specified upon selection of a Manager, as provided herein, each Manager shall serve until the resignation, removal, or death of the Manager. If a term is specified by the Members upon the selection of a Manager, the Manager shall serve for the specified term and until the Manager's successor is selected by the affirmative vote of Members owning a majority of all Members' Percentages in the Company, or until the earlier resignation, removal, or death of the Manager.

3.4 **Resignation and Removal of Managers.** A Manager may resign at any time by giving Written notice to the Company. Such resignation shall take effect at the time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. A Manager may be removed, with or without cause, by the affirmative vote of all Members.



3.5 **Manager Vacancy.** A vacancy in the position of a Manager may be filled by the affirmative vote of all of the remaining managers, regardless of whether the remaining managers constitute a quorum, or the affirmative vote of Members owning a majority of all Members' Percentages in the Company.

3.6 **Officers and Other Agents.** The Managers may appoint such officers or other agents of the Company as the Managers may deem appropriate and may remove any such officer or agent at any time with or without cause. The Managers may delegate to the Company's officers such authority as the Managers may deem appropriate and subsequently revoke or modify that authority. The Managers also may delegate authority to other Persons and revoke that delegation as the Managers may deem appropriate including the power to delegate authority.

3.7 **Meetings of Members.** The Managers or any Member may call a meeting of the Members. Meetings of the Members of the Company may be held at the principal office of the Company or, if remote attendance is allowed and provided in accordance with Section 3.9, at another place in or outside Texas designated by the Person or Persons calling the meeting. Members of the Company owning a majority of all Members' Percentages in the Company constitute a quorum for the purpose of transacting business at a meeting of the Members.

3.8 **Meetings of Managers or Committees of Managers.** Any Manager may call a meeting of the Managers or a committee of the Managers. The Managers of the Company or a committee of the Managers may hold meetings at the principal office of the Company or, if remote attendance is allowed and provided in accordance with Section 3.9, at another place in or outside Texas designated by the Manager calling the meeting. A majority of all the Managers or members of a committee of the Managers constitutes a quorum for the purpose of transacting business at a meeting of the Managers or committee of the Managers.

3.9 **Alternative Forms of Meetings.**

(a) The Members, the Managers, or a committee of the Managers may hold meetings and allow attendance at meetings by using a conference telephone or similar communications equipment, or another suitable electronic communications system, including videoconferencing technology or the Internet, or any combination, if the telephone or other equipment or system permits each individual participating in the meeting to communicate with all other individuals participating in the meeting.

(b) If voting is to take place at the meeting, the Company must implement reasonable measures to verify that every Person voting at the meeting by means of remote communications is sufficiently identified, and if a proxy for a Person is voting at the meeting, to verify that the proxy requirements set forth in Section 3.15 are satisfied.

3.10 **Participation Constitutes Presence.** A Person participating in a meeting is considered present at the meeting unless the participation is for the express purpose of objecting to the transaction of business at the meeting on the ground that the meeting has not been lawfully called or convened.

3.11 **Notice of Meetings.** Notice of a meeting of the Members, the Managers, or a committee of the Managers, must be given in a manner described in Section 11.1 and state the



date and time of the meeting and the location of the meeting or, if the meeting is held or attendance is allowed by using a conference telephone or other communications system authorized by Section 3.9, the form of communication used for the meeting. Notice of a meeting of the Members shall state the purpose of the meeting and shall be given not later than the tenth (10th) day or earlier than the sixtieth (60th) day before the date of the meeting. Notice of a meeting of the Managers or a committee of Managers must be given not later than the third (3rd) day before the date of the meeting. Notice of a meeting is not required to be given to a Member, Manager or committee member entitled to notice under this Agreement if the Person entitled to notice signs a Written waiver of notice of the meeting, regardless of whether the waiver is signed before or after the time of the meeting. If a Person entitled to notice of a meeting participates in the meeting, the Person's participation constitutes a waiver of notice of the meeting unless the Person participates in the meeting solely to object to the transaction of business at the meeting on the ground that the meeting was not lawfully called or convened.

**3.12 Acts of Members Generally.** Except as otherwise provided in this Agreement, the affirmative vote of Members owning a majority of all Members' Percentages in the Company constitutes an act of the Members.

**3.13 Votes Required to Approve Certain Actions.** A Fundamental Business Transaction of the Company or an action that would make it impossible for the Company to carry out the ordinary business of the Company may be approved by the Managers. For purposes of this Agreement, "Fundamental Business Transaction" means a merger, interest exchange, conversion, or sale of all or substantially all of the Company's assets.

**3.14 Acts of Managers or Committees.** The affirmative vote of a majority of all Managers or a majority of all members of a committee of the Managers constitutes an act of the Managers or committee of the Managers, as appropriate.

**3.15 Manner of Voting.** A Member of the Company may vote at a meeting in person or by a proxy executed in Writing by the Member to another Member. A Manager or member of a committee of the Managers may vote at a meeting in person or by a proxy executed in Writing by the Manager to another Manager, or a committee member to another committee member, as the case may be. Except as provided in this Section, Members, Managers, and committee members may not vote by proxy.

**3.16 Action by Written Consent.** An action may be taken without holding a meeting, without providing notice, or without taking a vote if a Written consent or consents stating the action to be taken is obtained from the number of Members, Managers, or committee members, as appropriate, necessary to have at least the minimum number of votes that would be necessary to take the action at a meeting at which each Member, Manager, or committee member, as appropriate, entitled to vote on the action is present and votes. Any of the following shall satisfy the requirement for a Written consent: an originally signed document; a photographic, photostatic, or similarly reliable reproduction of an originally signed document; or an electronic message if the transmission contains or is accompanied by information allowing a determination (i) that the message was transmitted by the consenting Member, Manager, or committee member and (ii) of the date of the transmission. Unless otherwise dated, a consent given by electronic message is considered given on the date transmitted.

3.17 **Explicit Vote or Consent Required.** The exclusive methods by which Members or Managers or committee members may take action with respect to the Company are voting affirmatively at a meeting or giving Written consent as provided in this Article 3. A Member or Manager or committee member shall not be deemed to have voted in favor of, or consented to, an action unless such Person has voted affirmatively at a meeting or given explicit consent as provided in this Article 3.

3.18 **Developer.**

(a) Trinity Residential Development LLC ("Trinity") is hereby appointed as developer of the Project (the "Developer"). The Developer shall oversee and manage the Company's installation of water and sewer lines in such locations as the Manager directs (the "Project") in accordance with the terms herein.

(b) The Developer shall diligently and in good faith, subject to the other terms herein:

(i) Oversee and manage the day-to-day field work for the development of the Project;

(ii) Cause the Project to be developed in a good and workmanlike manner, consistent with industry standards;

(iii) Obtain price quotes for any goods and services that are necessary for the Project's development;

(iv) Communicate with contractors, vendors, governmental authorities, and other third parties concerning matters related to the development of the Project;

(v) Supervise any field work that is performed to develop the Project; and

(vi) Perform any other Project-related act as directed by the Manager or the Engineer.

(c) The Developer shall regularly communicate with the Manager and Engineer to provide updates on the Project's progress, to ask for guidance on decisions concerning the Project, and to ensure that its performance of services is acceptable to the Manager and Engineer. The Developer shall perform its services at all times in accordance with the Manager's and Engineer's direction; provided that in the event of a conflict of direction between Manager and Engineer, the direction from the Manager shall control.

(d) The Manager may remove the Developer from his position for any of the following ("Cause"):

(i) Kevin Browder ("Browder") ceases to control Developer, including, without limitation, owning one hundred percent (100%) of the outstanding membership interest in Developer;



(ii) Developer's insolvency, commencement (whether voluntary or involuntary) of any bankruptcy proceeding, or assignment for the benefit of creditors;

(iii) Developer's failure or refusal to perform, comply with, and adhere to the provisions of, and diligently perform its duties under this Agreement;

(iv) Developer's making of disparaging or insulting public comments, statements, or remarks concerning the Company or its members, managers, officers or affiliates resulting in damages to the Company or its members, managers, officers or affiliates;

(v) Developer's engagement in negligence, gross negligence, illegal conduct, willful misconduct, or gross misconduct, in each case, in performance of Developer's obligations hereunder;

(vi) Developer's or Browder's embezzlement, misappropriation, bribery, or fraud;

(vii) The unlawful use or possession of illegal drugs or abuse of drugs or alcohol by Browder or any representative of Developer, which result in damages to the Company;

(viii) Developer's or Browder's unexplained absence or failure to respond to the Manager for seven or more consecutive business days without prior notice to the Company; or

(ix) Developer's or Browder's conviction of a felony.

(e) Notwithstanding anything to the contrary herein, the Developer shall not, without the prior written approval of the Manager:

(i) Enter into any contract or agreement on behalf of the Company;

(ii) Approve or modify plans or specifications of the Project;

(iii) Expend any funds on behalf of the Company; or

(iv) Incur any debt on behalf of the Company.

(f) The Company shall reimburse Developer for any reasonable costs or expenses incurred by the Developer in the course of providing the above-described services provided such costs or expenses are approved by the Manager in its sole discretion.

(g) As compensation for the Developer's services, the Developer shall be entitled to its share of the distributions of the Company provided for in Section 6.1.

(h) Notwithstanding anything to the contrary herein, upon the Developer's removal from his position as Developer in accordance with Section 3.18(d), the Developer's rights and duties under this Section 3.18 shall automatically cease, and the Developer's rights to distributions of the Company shall be governed by Article VI.

**3.19 Engineer.**

(a) Sunicost LLC, a Texas limited liability company ("Sunicost"), is hereby appointed as engineer of the Project (the "Engineer"). The Engineer shall oversee and manage the Developer, the overall development of the Project, and all technical aspects of the Project.

(b) The Engineer shall diligently and in good faith, subject to the other terms herein:

(i) Maintain a Certificate of Convenience and Necessity ("CCN") for the Project and for the exclusive benefit of the Company until such time as the Company obtains its own CCN ("Company CCN");

(ii) Cause the Company to obtain the Company CCN no later than nine (9) months from the date hereof and any other approvals, licenses, and permits that are necessary to develop the Project;

(iii) Develop and implement a strategic plan for the Project and cause the Project to be developed in a good and workmanlike manner, consistent with industry standards; and

(iv) Perform any other Project-related act that the Manager requests.

(c) The Engineer shall regularly communicate with the Manager to provide updates on the matters for which he is responsible, to ask for guidance on such matters, and to ensure that its performance of services is acceptable to the Manager. The Engineer shall perform its services at all times in accordance with the Manager's direction.

(d) The Manager may remove the Engineer from his position for any of the following ("Cause"):

(i) Steven Sullivan ("Sullivan") ceases to control Engineer, including, without limitation, owning one hundred percent (100%) of the outstanding membership interest in Engineer;

(ii) Engineer's or Sullivan's insolvency, commencement (whether voluntary or involuntary) of any bankruptcy proceeding, or assignment for the benefit of creditors;

(iii) Engineer ceases to exist or forfeits its right to transact business in the State of Texas;



(iv) Engineer's failure or refusal to perform, comply with, and adhere to the provisions of, and diligently perform its duties under this Agreement;

(v) Engineer's or Sullivan's making of disparaging or insulting public comments, statements, or remarks concerning the Company or its members, managers, officers or affiliates resulting in damages to the Company or its members, managers, officers or affiliates;

(vi) Engineer's engagement in negligence, gross negligence, illegal conduct, willful misconduct, or gross misconduct, in each case, in performance of Engineer's obligations hereunder;

(vii) Engineer's or Sullivan's embezzlement, misappropriation, bribery, or fraud;

(viii) The unlawful use or possession of illegal drugs or abuse of drugs or alcohol by Sullivan or any representative of Engineer, which result in damages to the Company;

(ix) Engineer's or Sullivan's unexplained absence or failure to respond to the Manager for seven or more consecutive business days without prior notice to the Company; or

(x) Engineer's or Sullivan's conviction of a felony.

(e) Notwithstanding anything to the contrary herein, the Engineer shall not, without the prior written approval of the Manager:

(i) Enter into any contract or agreement on behalf of the Company;

(ii) Expend any funds on behalf of the Company;

(iii) Use Engineer's CCN for any purpose other than the Project; or

(iv) Incur any debt on behalf of the Company.

(f) The Company shall reimburse Engineer for any reasonable costs or expenses incurred by the Engineer in the course of providing the above-described services provided such costs or expenses are approved by the Manager in its sole discretion.

(g) As compensation for the Engineer's services, the Engineer shall be entitled to its share of the distributions of the Company provided for in Section 6.1.

(h) Notwithstanding anything to the contrary herein, upon the Engineer's removal from his position as Engineer in accordance with Section 3.19(d), the Engineer's rights and duties under this Section 3.19 shall automatically cease, and the Engineers's rights to distributions of the Company shall be governed by Article VI.

#### **Article 4 Capital Contributions**

4.1 **Agreed Capital Contributions.** Each initial Member shall contribute to the Company the contribution set forth opposite such Member's name on the attached **Exhibit A**. Any Person issued a membership interest in the Company after the formation of the Company shall contribute to the capital of the Company the contribution, if any, approved as provided in Section 2.2. A Person's obligation to contribute to the capital of the Company may be released or settled only by the affirmative vote or Written consent of all Members.

4.2 **Additional Capital Contributions.** The Managers may at any time request and allow, but may not require, that the Members make additional contributions to the capital of the Company pro rata based on each Member's Percentage. Should any member elect to not make such contribution, the other Members may elect to make such contribution in descending priority order of then-current Percentages.

4.3 **Capital Accounts.** A capital account ("Capital Account") shall be established for each Member and shall be maintained in such a manner as to correspond with the rules set forth in the Treasury Regulations promulgated under Section 704(b) of the Code (the "Allocation Regulations"). Except as otherwise required by the Allocation Regulations or the Code, a Member's Capital Account shall be increased by (i) the amount of any contribution of capital to the Company (based on the fair market value of the cash or other assets contributed) and (ii) allocations of income or gain (for Company book purposes) to the Member pursuant to this Agreement, and shall be reduced by (i) the amount of money distributed to the Member by the Company, (ii) the fair market value of any property distributed to the Member by the Company, and (iii) allocations of deduction or loss (for Company book purposes) to the Member by the Company pursuant to this Agreement. The Capital Accounts of the Members shall not bear interest. If any additional membership interests in the Company are to be issued in consideration for a contribution of property or cash or if any Company property is to be distributed in liquidation of the Company or an interest in the Company, the Capital Accounts of the Members (and the amounts at which all Company properties are carried on its books and records other than for income tax purposes) shall, immediately prior to such issuance or distribution, as the case may be, be adjusted (consistent with the provisions of Section 704 of the Code) upward or downward to reflect any unrealized gain or unrealized loss attributable to all Company properties (as if such unrealized gain or unrealized loss had been recognized upon actual sale of the properties upon a liquidation of the Company immediately prior to issuance or distribution). Except as otherwise required by the Allocation Regulations, in the event any membership interest in the Company is transferred in accordance with the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the transferred interest.



## **Article 5 Taxation and Allocations**

5.1 **General.** Unless otherwise required by the Allocation Regulations or the Code, all items of income, gain, loss, deduction, and credit of the Company shall be allocated to the Members for accounting and tax purposes in the same percentages as such Member's rights to distribution set forth in Section 6.1.

5.2 **Regulatory Allocations.** To the extent the Allocation Regulations or the Code require allocations for tax purposes that differ from the foregoing allocations, the Managers may determine the manner in which such tax allocations shall be made so as to fully comply with the Allocation Regulations, the Code, other applicable law and, at the same time to the extent reasonably possible, preserve the economic relationships among the Members as set forth in this Agreement.

5.3 **Reporting.** The Members are aware of the income tax consequences of the allocations made by this Article 5 and hereby agree to be bound by the provisions of this Article 5 in reporting their shares of Company items for income tax purposes.

5.4 **Partnership.** As long as the Company has more than one member, it is the intention of the Company and the Members that the Company be treated as a partnership for federal and all relevant state tax purposes, and neither the Company nor the Members shall take any action or make any election which is inconsistent with such tax treatment. All provisions of this Agreement are to be construed so as to preserve the Company's tax status as a partnership.

### **5.5 Tax Representative.**

(a) The "tax representative" of the Company (initially, Sudharshan Vembutty shall be the Company's designated representative within the meaning of Code Section 6223, with sole authority to act on behalf of the Company for purposes of subchapter C of Chapter 63 of the Code and any comparable provisions of state or local income tax laws. (Any person who is designated as the "tax representative" is referred to herein as the "Tax Representative".) For purposes of this Section 7.4(c), unless otherwise specified, all references to provisions of the Code shall be to such provisions as enacted by the Bipartisan Budget Act of 2015.

(b) If the Company qualifies to elect pursuant to Code Section 6221(b) (or successor provision) to have federal income tax audits and other proceedings undertaken by each Member rather than by the Company, the Tax Representative shall cause the Company to make such election.

(c) Notwithstanding other provisions of this Agreement to the contrary, if any "partnership adjustment" (as defined in Code Section 6241(a)(2)) is determined with respect to the Company, the Tax Representative, in its discretion, may cause the Company to elect pursuant to Code Section 6226 to have such adjustments passed through to the Members for the year to which the adjustment relates (i.e., the "reviewed year" within the meaning of Code Section 6225(d)(1)). In the event that the Tax Representative has not caused the Company to so elect pursuant to Code Section 6226, then any "imputed underpayment" (as determined in accordance with Code Section 6225) or "partnership adjustment" that does not give rise to an "imputed

underpayment” shall be apportioned among the Members of the Company for the taxable year in which the adjustment is finalized in such manner as may be necessary (as determined by the Tax Representative in good faith) so that, to the maximum extent possible, the tax and economic consequences of the partnership adjustment and any associated interest and penalties are borne by the Members based upon their interests in the Company for the reviewed year.

(d) Each Member agrees that, upon request of the Tax Representative, such Member shall take such reasonable actions as may be necessary or desirable (as determined by the Tax Representative) to (1) allow the Company to comply with the provisions of Code Section 6226 so that any “partnership adjustments” are taken into account by the Members rather than the Company or (2) file amended tax returns with respect to any “reviewed year” (within the meaning of Code Section 6225(d)(1)) to reduce the amount of any “partnership adjustment” otherwise required to be taken into account by the Company.

5.6 **Fiscal Year.** The Company fiscal year shall be the calendar year.

## **Article 6 Distributions**

### **6.1 Distributions.**

(a) No distributions shall be made until seventy-five percent (75%) of the aggregate startup costs and capital are recovered for each separate project of the Company, which shall be jointly determined by the Manager and Trinity.

(b) After the recovery of the startup costs and capital described in Section 6.1(a), Available Cash shall be distributed at least once per fiscal quarter as follows:

(i) If Trinity is serving as Developer and Sunicost is serving as Engineer, sixty-five percent (65%) to Sudharshan Vembutty, twenty percent (20%) to Sunicost, and fifteen percent (15%) to Trinity.

(ii) If Trinity is serving as Developer and Sunicost is not serving as Engineer, eighty-four percent (84%) to Sudharshan Vembutty, one percent (1%) to Sunicost, and fifteen percent (15%) to Trinity.

(iii) If Sunicost is serving as Engineer and if Trinity is not serving as Developer, seventy-nine percent (79%) to Sudharshan Vembutty, twenty percent (20%) to Sunicost, and one percent (1%) to Trinity.

(iv) If Sunicost is not serving as Engineer and if Trinity is not serving as Developer, ninety-eight percent (98%) to Sudharshan Vembutty, one percent (1%) to Sunicost, and one percent (1%) to Trinity.



## Article 7

### Bank Accounts, Books of Account, Reports, and Fiscal Year

7.1 **Bank Account; Investments.** The Company shall establish one or more bank or other financial institution accounts into which all Company funds shall be deposited. Funds deposited by the Company into such accounts may be withdrawn only in furtherance of the business of the Company or for distribution to the Members pursuant to this Agreement, in each case, only by the Manager. Pending withdrawal for such purposes, Company funds may be invested in such manner as the Managers may determine.

### 7.2 Books and Records.

(a) The Company shall keep or cause to be kept books and records of the Company using a method consistent with that described in Treasury Regulation Section 1.704-1(b). Income, gain, loss, and deduction of the Company (including income and gain exempt from tax and expenditures not deductible in computing the Company's taxable income) shall be computed based upon the book value of the Company's property using the same methods (e.g., cash or accrual accounting, or straight line or accelerated depreciation) as are used in computing the Company's taxable income. The books of the Company, for both tax and financial reporting purposes, shall be kept using the method of accounting selected by the Managers.

(b) The books and records of the Company shall be maintained at the Company's principal office.

(c) The Company shall provide a Member or an assignee of a membership interest access to the Company's books and records to the extent and as provided by this Section 7.2(c). A Member or an assignee of a membership interest who desires to examine or copy any of the Company's books and records (the "Requester") shall give Written notice to the Company specifying the books and records that the Requester desires to examine or copy and stating a proper purpose for examining or copying the requested books and records. Subject to this subsection and subsection (d) of this Section, within five days after the Requester submits such a Written notice, the Company will make available at its principal office the requested books and records if the requested books and records are required to be maintained by the Company under the BOC or consist of other information regarding the business, affairs, and financial condition of the Company that is reasonable for the Requester to examine and copy. The requested books and records will be made available during regular business hours, and the examination and copying shall be at the expense of the Requester. The Company may deny a Requester's request for access to the Company's books and records and information if the Requester: (i) has improperly used information obtained through a prior examination of the books and records of the Company or of any other entity; or (ii) was not acting in good faith or for a proper purpose in making the Requester's request for information.

(d) The Company may keep confidential from a Requester, for such period of time as the Managers deem reasonable, any information that the Managers reasonably believe to be in the nature of trade secrets or other information the disclosure of which the Managers in good faith believe is not in the best interest of the Company or could damage the Company or its

business or which the Company is required by law or by agreement with a third party to keep confidential.

7.3 **Tax Returns.** The Managers shall prepare or cause to be prepared all federal, state, and local income and other tax returns which the Company is required to file.

7.4 — **Fiscal Year.** The Company's fiscal year shall be the calendar year.

## **Article 8**

### **Transfer Restrictions and Buy-Sell Terms**

8.1 **No Transfer.** No Member shall sell, exchange, transfer, assign, pledge, mortgage, hypothecate, encumber, or otherwise dispose of all or any part of its respective membership interest in the Company without the prior written consent of the Managers.

#### **8.2 Death or Divorce of Member or Spouse.**

(a) On the death of a Member, subject to subsection (c) of this Section 8.2, the executor, administrator, or personal representative (as applicable, the "Personal Representative") of the Deceased Member shall be treated as an assignee. The membership interest of such Personal Representative shall be subject to all the terms and provisions of this Agreement.

(b) Subject to subsection (d) of this Section 8.2, a Member's spouse shall become an assignee of the membership interest in the Company that the spouse succeeds to or obtains as the result of the termination of the marital relationship of the spouse and such Member.

(c) Upon the death of a Member (the "Deceased Member"), the Personal Representative of the Deceased Member shall have ninety (90) days after the Deceased Member's date of death to cause the Company to purchase the Deceased Member's membership interest for the Purchase Value (determined as set forth in Section 8.4(b)) (the "Put Option"). The purchase by the Company pursuant to the Put Option shall be closed in the manner specified in Section 8.5 within sixty (60) days after (i) the exercise of the Put Option or (ii) determination of the Purchase Value, if later. If the Personal Representative of the Deceased Member does not exercise its Put Option by notice to the Company within such ninety (90) day period or if a Personal Representative is not appointed within such ninety (90) day period, then the Company shall have the option within one hundred and twenty (120) days from date the Deceased Member's date of death to elect to purchase the Deceased Member's membership interest for the Purchase Value (determined as set forth in Section 8.4(b)). If the Company does not elect to purchase all of the Deceased Member's membership interest, the remaining Member(s) shall have the option, for period of thirty (30) days following the expiration of the Company's option period, to elect to purchase the Deceased Member's membership interest not purchased by the Company for the Purchase Value (determined as set forth in Section 8.4(b)). Any purchase by the Company or the Members pursuant to this Section 8.2(c) shall be closed in the manner specified in Section 8.5 within sixty (60) days after (i) the end of the applicable option period or (ii) determination of the Purchase Value, if later. If more than one Member elect to purchase the Deceased Member's membership interest pursuant to the option granted to them pursuant to this Section 8.2(c), they shall, absent a different agreement at the time, acquire the Deceased



Member's membership interest pro-rata in accordance with their respective Percentages prior to their purchase pursuant to such option. During the pendency of such options following the Deceased Member's death, the remaining Member(s) may continue the business of the Company, but the estate or Personal Representative of the Deceased Member shall not be liable for any obligations incurred by the Company beyond the amount includable in the Deceased Member's estate already invested or involved in the Company on the date of the Deceased Member's death.

(d) In the event a Member (the "Divorced Member") becomes divorced and such divorced spouse becomes the owner of or becomes entitled to any membership interest, the Divorced Member shall have an option, for a period beginning when the divorce decree becomes final and ending sixty (60) days after the Company and the remaining Member(s) of the Company have been notified of the final divorce decree, to elect to purchase the membership interest of such divorced spouse for its Purchase Value (determined as set forth in Section 8.4(b)). Any purchase by the Divorced Member pursuant to this Section 8.2(d) shall be closed in the manner specified in Section 8.5 within sixty (60) days after (i) the end of the option period or (ii) determination of the Purchase Value, if later. If the Divorced Member does not elect to purchase all of the membership interest of the divorced spouse, then the Company shall have an option, for a period of sixty (60) days following the expiration of the Divorced Member's sixty (60) day option period, to elect to purchase such membership interest for its Purchase Value (determined as set forth in Section 8.4(b)). If neither the Divorced Member nor the Company elects to purchase all of the membership interest of the divorced spouse, the remaining Member(s) shall have an option, for a period of sixty (60) days following the expiration of the Company's sixty (60) day option period, to elect to purchase such membership interest for its Purchase Value (determined as set forth in Section 8.4(b)). Any purchase by the Company or the Members pursuant to this Section 8.2(d) shall be closed in the manner specified in Section 8.5 within sixty (60) days after (i) the end of the applicable option period or (ii) determination of the Purchase Value, if later. If more than one Member elect to purchase the membership interest of the divorced spouse pursuant to the option granted to them pursuant to this Section 8.2(d), they shall, absent a different agreement at the time, acquire the membership interest pro-rata in accordance with their respective Percentages prior to their purchase pursuant to such option. If neither the Divorced Member nor the Company nor the remaining Member(s) elect to purchase the membership interest of the divorced spouse, then such membership interest may be retained by the divorced spouse, subject to the obligations of this Agreement as an assignee. In no event shall the divorced spouse be compelled to sell less than all of such divorced spouse's membership interest.

(e) In the event of the death of a Member's spouse and such Member (the "Surviving Member") does not acquire by will or by operation of law all of the membership interest owned by the deceased spouse, the Surviving Member shall have an option, for a period beginning with the date of death and ending sixty (60) days after the Company and the remaining Member(s) have been notified of the death of the Surviving Member's spouse and the name and address of the duly qualified and acting Personal Representative of the deceased spouse, to elect to purchase the membership interest of the deceased spouse for its Purchase Value (determined as set forth in Section 8.4(b)). If the Surviving Member does not elect to purchase the membership interest of the deceased spouse, then the Company shall have an option, for a period of sixty (60) days following the expiration of the Surviving Member's sixty (60) day option period, to elect to



purchase such membership interest for its Purchase Value (determined as set forth in Section 8.4(b)). If neither the Surviving Member nor the Company elects to purchase all of the membership interest owned by the deceased spouse, then the remaining Member(s) shall have an option, for a period of sixty (60) days following the expiration of the Company's sixty (60) day option period, to elect to purchase such membership interest for its Purchase Value (determined as set forth in Section 8.4(b)). Any purchase by the Company or the Members pursuant to this Section 8.2(e) shall be closed in the manner specified in Section 8.5 within sixty (60) days after (i) the end of the applicable option period or (ii) determination of the Purchase Value, if later. If more than one Member elect to purchase the membership interest owned by the deceased spouse pursuant to the option granted to them pursuant to this Section 8.2(e), they shall, absent a different agreement at the time, acquire the membership interest pro-rata in accordance with their respective Percentages prior to their purchase pursuant to such option. If neither the Surviving Member nor the Company nor the remaining Member(s) exercise their option to purchase the membership interest owned by the deceased spouse, then such membership interest may be retained by each devisee or heir subject to the obligations of this Agreement as an assignee. In no event shall the Personal Representative or estate of the Surviving Member's deceased spouse be compelled to sell less than all of the membership interest owned by the deceased spouse.

(f) By executing this Agreement, the spouses of the Members, in addition to any other purposes for which they are executing this Agreement, agree to be bound by the terms of this Agreement with respect to any membership interests now owned or hereafter acquired in the Company. The execution of this Agreement by such spouses is not intended to alter, nor shall it be construed as altering, the existing status and characterization of the membership interests in the Company as the separate or community property of the Members.

### **8.3 Removal of Developer or Engineer.**

(a) Upon Trinity's removal as Developer in accordance with Section 3.18(d) or upon Sunicost's removal as Engineer in accordance with Section 3.19(d), such party who is so removed (each a "Removed Party") shall sell to the Company, and the Company shall purchase from such Removed Party, all of such Removed Party's membership interest in the Company for two-thirds (2/3) of the Purchase Value, provided, however, the Purchase Value for purposes of this Section 8.3 shall be calculated as if the Percentage held by such Removed Party equals the percentage of distributions to which such Removed Party is entitled to under Article VI immediately prior to removal.

(b) The purchase by the Company of Removed Party's membership interest pursuant to this Section 8.3 shall be closed in the manner specified in Section 8.5 within thirty (30) days after such Removed Party's removal. Additionally, at such closing, Removed Party shall execute a general release of claims in favor of the Company, the Manager, the members, and any of their Affiliates in the form provided by the Company.

### **8.4 Determination of Purchase Value.**

(a) "Purchase Value" shall mean the amount of cash and fair market value of property which would be received by the holder of the membership interest to be sold hereunder if the Company sold its business and assets for cash at a purchase price equal to their fair market



value as of the date of determination of the Purchase Value, and all remaining assets of the Company were distributed to the Members in accordance with this Agreement. Purchase Value shall be determined as of a date as near as reasonably practicable to the date of the occurrence of the event which results in the sale of the membership interest hereunder. The party whose membership interest is to be sold hereunder is hereafter referred to as the "Selling Party" and the party or parties acquiring that interest are hereafter referred to, individually or collectively, as the case may be, as the "Acquiring Party." In exercising the right to purchase the membership interests of any party, the Acquiring Party shall develop a purchase price which it reasonably believes to be the Purchase Value for the membership interest and state the purchase price in its notice. If more than one Person is acquiring an interest, the decision of the holders of a majority of the Percentages held by all such parties shall be deemed the decision of the Acquiring Party. The Selling Party shall have thirty (30) days to notify the Acquiring Party in Writing of any objection to such purchase price. If the Selling Party fails to timely object to the purchase price, then the proposed purchase price shall be the purchase price of the membership interests.

(b) If the Selling Party does timely object, the Selling Party shall have the right to engage an independent certified public accountant or certified appraiser to perform a determination of the Purchase Value of the membership interest subject to the terms hereof. Such determination shall be completed within twenty (20) days after the Selling Party has delivered notice of objection to the Acquiring Party. The determination so rendered shall be the purchase price of the membership interests unless the Acquiring Party notifies the Selling Party in Writing of any objection to such purchase price within ten (10) days after the Selling Party has delivered notice of the determination to the Acquiring Party on behalf of the Company. If the Acquiring Party so objects to the purchase price, the Acquiring Party shall have the right to engage an independent certified public accountant or certified appraiser to perform another determination of the Purchase Value of the membership interests. Such determination shall be completed within twenty (20) days after the Acquiring Party has delivered notice of objection to the Selling Party. If the second determination differs from the first, the two firms shall meet and attempt to render a joint determination within five (5) days after delivery of the second determination. If for any reason such firms fail to agree on a joint determination during such five-day period, they shall mutually agree upon and appoint a third independent certified public accountant or certified appraiser within the next five (5) days who shall perform a determination of the Purchase Value of the membership interests within twenty (20) days of appointment, which determination shall be and constitute the purchase price of the membership interests. The determination of the purchase price pursuant to this Section shall be conclusive and binding upon the parties. Each party will bear any and all expenses incurred as the result of their objections to the purchase price and the employment of a suitable firm to render a determination pursuant thereto and the Selling Party and the Acquiring Party shall bear equally the costs of any third firm required to determine the Purchase Value of the membership interests. If the Acquiring Party consists of multiple Persons, such Persons shall bear such costs, absent a different agreement at the time, pro-rata in accordance with their respective Percentages.

**8.5 Closing of Sale; Payment of Purchase Price.** At the closing of any sale of a membership interest pursuant to Article 8, the Selling Party shall assign and deliver the membership interest to the Acquiring Party free and clear of all security interests, liens, or other encumbrances, and the payment of the purchase price shall be in cash at the time of the closing unless agreed by the parties. Any transfer or similar taxes involved in such sale shall be paid by



the Selling Party, and the Selling Party shall provide the Acquiring Party with such evidence of the Selling Party's authority to sell hereunder and such additional instruments as the Acquiring Party may reasonably request.

8.6 **Basis Adjustment.** Upon the transfer of all or part of a membership interest in the Company, at the request of the transferee of the interest, the Managers may, in their sole discretion, cause the Company to elect, pursuant to Section 754 of the Code or the corresponding provisions of subsequent law, to adjust the basis of the Company properties as provided in Sections 734 and 743 of the Code.

## Article 9

### Exculpation, Scope of Duties, Indemnification and Advancement

#### 9.1 Exculpation.

(a) For purposes of this Agreement, "Covered Person" means (i) any Manager, (ii) any Member in its capacity as a Member, (iii) any officer of the Company, (iv) the Developer, and (v) the Engineer. The term "Covered Person" shall also mean any Person with the power, whether through ownership of voting securities, by contract or otherwise, to direct or cause the direction of the actions of the Manager or Member (a "Control Person").

(b) A Covered Person shall not be liable to the Company or the Members for any loss, damage or claim arising out of any act or omission in the Covered Person's capacity as a Covered Person or by reason of the fact that the Covered Person is or was a Covered Person (**INCLUDING ANY LOSS, DAMAGE OR CLAIM ARISING OUT OF THE COVERED PERSON'S NEGLIGENCE**), provided that such loss, damage or claim did not arise from or constitute gross negligence, fraud, or an intentional and material breach of this Agreement by the Covered Person.

(c) The provisions of this Section 9.1 are intended to limit liability with regard to duties, if any, owed or asserted to be owed by Covered Persons, and such provisions shall in no way be deemed to create or impose duties on Covered Persons.

#### 9.2 Scope of Duties of Covered Persons.

(a) The Members, in their capacity as Members, are not agents of the Company and have no agency authority on behalf of the Company. The Members, in their capacity as Members, owe no fiduciary duty to the Company, the Managers, or the other Members.

(b) The fiduciary duties of the Managers that are owed by reason of their capacity as Managers are owed to the Company, and the Managers shall owe no fiduciary duty to any individual Member or Manager. The fiduciary duty to the Company of a Manager or officer, and the fiduciary duty to the Company, if any, of a Control Person of a Manager, shall be limited to refraining from acts or omissions constituting gross negligence or fraud.

9.3 **Indemnification by Company.** A COVERED PERSON SHALL BE ENTITLED TO INDEMNIFICATION FROM THE COMPANY FOR ANY LOSS, DAMAGE OR CLAIM INCURRED BY REASON OF THE FACT THAT THE COVERED PERSON IS OR WAS A

COVERED PERSON (INCLUDING ANY LOSS, DAMAGE OR CLAIM ARISING OUT OF THE COVERED PERSON'S NEGLIGENCE), EXCEPT THAT NO COVERED PERSON SHALL BE ENTITLED TO BE INDEMNIFIED IN RESPECT OF ANY LOSS, DAMAGE OR CLAIM INCURRED BY THAT COVERED PERSON BY REASON OF THAT COVERED PERSON'S GROSS NEGLIGENCE, FRAUD OR INTENTIONAL AND MATERIAL BREACH OF THIS AGREEMENT. ANY INDEMNITY UNDER THIS SECTION 9.3 SHALL BE PROVIDED OUT OF AND TO THE EXTENT OF COMPANY ASSETS ONLY, AND NO MEMBER SHALL HAVE ANY PERSONAL LIABILITY ON ACCOUNT THEREOF.

**9.4 Indemnification by Sunicost.** THE COMPANY AND EACH MEMBER (EXCEPT SUNICOST) SHALL BE ENTITLED TO INDEMNIFICATION FROM SUNICOST FOR ANY LOSS, DAMAGE OR CLAIM ARISING UNDER OR RELATED TO SUNICOST'S PROVISION OF SERVICES AS ENGINEER AS DESCRIBED IN SECTION 3.19 (INCLUDING, WITHOUT LIMITATION, ANY LOSS, DAMAGE OR CLAIM ARISING OUT OF THE NEGLIGENCE OF THE COMPANY OR SUCH MEMBER).

**9.5 Expenses.** Expenses (including legal fees) incurred by a Covered Person in defending any claim, demand, action, suit or proceeding brought against the Covered Person by reason of the fact that the Covered Person is or was a Covered Person shall, from time to time, be advanced by the Company before the final disposition of the claim, demand, action, suit or proceeding upon receipt by the Company of a Written undertaking by or on behalf of the Covered Person to repay that amount if it shall be determined that the Covered Person is not entitled to be indemnified under Section 9.3. Notwithstanding the foregoing, the Company shall not be required to make any advances with respect to a claim, demand, action, suit or proceeding brought against a Covered Person by the Company or a Member or Manager. The Company may enter into indemnity contracts with any Covered Person and the Managers may adopt Written procedures pursuant to which arrangements are made for the advancement of expenses and the funding of obligations under this Section 9.5 and containing other procedures regarding indemnification as are appropriate.

**9.6 Insurance.** The Company may purchase and maintain insurance, to the extent and in amounts the Managers deem reasonable, on behalf of Covered Persons and other Persons as the Managers shall determine, against any liability that may be asserted against or expenses that may be incurred by that Person in connection with the activities of the Company, regardless of whether the Company would have the power to indemnify that Person against the liability under this Agreement. The Company shall have no obligation to fund indemnification of any Person to the extent the liability is covered by insurance. The Company's obligation to fund indemnification of any Person shall commence only after all available insurance has been exhausted.

**9.7 Duration of Protection.** All provisions of this Article 9 shall apply to any former Member or Manager or Control Person thereof for all actions or omissions taken while such Member or Manager was a Member or Manager, as applicable, to the same extent as if that Person were still a Member or Manager, as applicable.



## **Article 10 Winding Up**

**10.1 Events Requiring Winding Up.** The Company shall be wound up only on the first to occur of any one or more of the following:

- (a) the affirmative vote or Written consent of the Managers;
- (b) the occurrence of any event that terminates the continued membership of the last remaining Member in the Company unless the legal representative or successor of the Member agrees to continue the Company and appoints a successor Member in accordance with the BOC;
- (c) entry of a judicial order to wind up the Company; or
- (d) the involuntary termination of the Company under the BOC or Texas Tax Code, unless the Company is reinstated as provided by law.

**10.2 Revocation or Reinstatement.** A vote or consent to wind up as provided in Section 10.1(a) may only be revoked upon the affirmative vote or Written consent of the Managers.

### **10.3 Winding Up Affairs and Distribution of Assets.**

(a) If an event requiring the winding up of the Company occurs and is not revoked, the Managers or if there are no remaining Managers a Person designated for this purpose by the Members (the remaining Manager or Managers or the Person so designated being called the "Liquidating Agent"), as soon as practicable shall wind up the affairs of the Company and sell and/or distribute the assets of the Company. The Liquidating Agent is expressly authorized and empowered to execute any and all documents necessary or desirable to effectuate the liquidation and termination of the Company and the transfer of any assets. The Liquidating Agent shall apply and distribute the proceeds of the sale or liquidation of the assets and property of the Company in the following order of priority, unless otherwise required by nonwaivable provisions of applicable law:

(i) to pay (or to make provision for the payment of) all creditors of the Company (including Members who are creditors of the Company), in the order of priority provided by law or otherwise, in satisfaction of all debts, liabilities or obligations of the Company due its creditors;

(ii) after the payment (or the provision for payment) of all debts, liabilities and obligations of the Company in accordance with clause (i) above, any balance remaining shall be distributed to the Members in the same manner in which distributions are made pursuant to Article 6.

(b) The Liquidating Agent shall have sole discretion to determine whether to liquidate all or any portion of the assets and property of the Company and the consideration to be received for that property.

(c) If the Company's property is not sufficient to discharge all of the Company's liabilities and obligations, the Liquidating Agent shall apply its property, or make adequate provision for the application of its property, to the extent possible, to the just and equitable discharge of its liabilities and obligations, including liabilities and obligations owed to the Members other than for distributions.

(d) Except as required by nonwaivable provisions of the BOC, no Member shall have any obligation at any time to contribute any funds to replenish any negative balance in the Member's Capital Account.

10.4 **Termination.** On compliance with the distribution plan described in Section 10.3, the Liquidating Agent shall execute, acknowledge and cause to be filed a certificate of termination. Except at otherwise provided by the BOC, the Company shall cease to exist upon the filing of the certificate of termination with the Secretary of State of Texas.

## **Article 11**

### **Miscellaneous Provisions and Definitions**

11.1 **Notices.** Any notice to be given under this Agreement must be in Writing and mailed, transmitted by facsimile or by electronic message, or delivered personally (a) if to the Company, to the registered agent of the Company at the registered address of the Company, (b) if to any initial Member, to such Member at an address therefor set forth on **Exhibit A** or, (c) if to any Member subsequently admitted, to an address set forth in the document in which such Member agreed to be bound by this Agreement, or in each case at such other address as any Person entitled to notice hereunder may designate by notice to the Company and all of the Members. Notice of a meeting that is mailed is considered to be delivered on the date notice is deposited in the United States mail. Notice of a meeting that is transmitted by facsimile or electronic message is considered to be delivered when the facsimile or electronic message is successfully transmitted. Notice of a meeting that is personally delivered to the Person is considered to be delivered when received by the Person.

11.2 **Entire Agreement.** This Agreement supersedes all prior agreements and understandings among the Members with respect to the Company.

11.3 **Amendments.** The affirmative vote or Written consent of all of the Members is required to amend the Certificate of Formation of the Company or this Agreement; provided that upon the admission of any new Member as authorized by this Agreement, amendment of **Exhibit A** of this Agreement to reflect the admission of the new Member shall be deemed approved by the Members.

11.4 **Governing Law.** This Agreement shall be governed by and construed in accordance with the law of Texas.

11.5 **Power of Attorney.** Each Member constitutes and appoints each Manager as a true and lawful attorney of such Member with full power of substitution to make, execute, sign, acknowledge and file (a) all certificates and instruments necessary to form or qualify, or continue the existence or qualification of, the Company in any jurisdiction or before any governmental authority and (b) any amendments to **Exhibit A** to this Agreement to reflect the admission of any



new Member if the same is authorized by this Agreement. This grant of a power of attorney is coupled with an interest and shall survive a Member's disability, incompetence, death or assignment by such Member of the membership interest pursuant to this Agreement.

**11.6 Binding Effect; No Third-Party Beneficiaries.** This Agreement shall be binding upon, and, to the extent provided herein, inure to the benefit of, the signatories of this Agreement and any Members subsequently admitted, their spouses, heirs, devisees, executors, legal representatives, successors, and assigns. Article 9 of this Agreement shall also inure to the benefit of Covered Persons as defined therein. The Members acknowledge and agree that this Agreement is intended to be binding upon and to inure to the benefit of the Company and that the provisions of this Agreement shall be enforceable by and against the Company. The obligations of the Company pursuant to this Agreement are the obligations of the Company only, and absent additional Written agreement, the Members have no personal liability for the obligations of the Company, including any obligations pursuant to Article 8 and Article 9 of this Agreement. No creditor of the Company or of a Member is entitled to or is intended to have third-party beneficiary status to enforce any obligation of any party under this Agreement.

**11.7 Counterparts.** This Agreement may be executed in any number of counterparts or with counterpart signature pages, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

**11.8 Other Activities; Conflicts of Interest.** Any Member or Manager may engage or possess an interest in other business ventures of every nature and description, including but not limited to ventures in direct competition with the Company, independently or with others, and neither the Company nor any of the other Members shall have any right in and to such other ventures or to the income or property derived therefrom. The Company may transact business with any Member, Manager, or an affiliate thereof.

**11.9 No Waiver.** No consent or waiver, express or implied, by any parties hereto of the breach or default by any other party or parties hereto in the performance by any such party or parties of its or their obligation hereunder shall be deemed or construed to be a consent to or waiver of any other breach of default in the performance of such other or others of the same or any other obligations of such other or others hereunder. Failure on the part of any party hereto to complain of any act of any of the other parties or to declare any of the other parties hereto in default, irrespective of how long such failure continues, shall not constitute a waiver by such party of its rights hereunder.

**11.10 Severability.** If any provision of this Agreement or the application thereof to any Person or circumstance shall be invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provisions to other Persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

**11.11 Mediation.** If a dispute concerning this Agreement arises between the Members (a "Dispute"), the Members shall in good faith attempt to resolve the Dispute. If the Dispute is not resolved within twenty (20) days after it arises, any Member may send the other Members a written request for mediation (the "Mediation Request"), and the Dispute shall be submitted to non-binding mediation (the "Mediation") in accordance with this Section 11.11. The Mediation

shall occur in Fort Bend County, Texas or Harris County, Texas no later than twenty (20) days after the Mediation Request is received by the Members to whom it was sent. The Mediation shall be conducted before a single mediator to be agreed upon by the Members. If the Members cannot agree on the mediator, each Member shall select a mediator and such mediators shall together unanimously select a neutral mediator who will conduct the Mediation. All Mediation fees shall be borne equally among the Members. Mediation shall be a condition precedent to proceeding with any litigation.

#### 11.12 **Certain Definitions and Construction.**

(a) As used in this Agreement, the following terms have the following meanings:

(i) “Affiliate Transfer” means, if the transferor is an individual, a gift or contribution by the transferor prior to the transferor’s death to a member of the transferor’s immediate family (i.e. parents, descendants, siblings or spouse) or to a trust, partnership or other entity controlled by or for the benefit of such transferor or such transferor’s immediate family. If the transferor is an entity, “Affiliate Transfer” means the transfer or contribution of the membership interest to another entity so long as the Person or Persons with the power, whether through ownership of voting securities, by contract or otherwise, to direct or cause the direction of the management and policies of the transferor entity have the power to direct or cause direction of the management and policies of the transferee entity.

(ii) “Agreement” means this Company Agreement as it may be amended, modified, supplemented, or restated from time to time as provided herein.

(iii) “Available Cash” means cash on hand held by the Company that the Managers determine is not required for operations, debt service payments, taxes, utilities, fees, expenses, costs, or as a reasonable reserve for capital replacements.

(iv) “Capital Account” means the capital account of a Member in the Company pursuant to Section 4.3.

(v) “Code” means the Internal Revenue Code of 1986.

(vi) “Managers” means the Person or Persons listed in the Company’s Certificate of Formation and any successor Manager or Managers pursuant to Article 3.

(vii) “Member” means any Person admitted to the Company as a member as provided in this Agreement but excludes any such Person that has ceased to be a member as provided in this Agreement or the BOC.

(viii) “Percentage” for any Member means the membership interest of the Member expressed as a percentage. The Percentages of the initial Members as of the formation of the Company are set forth in **Exhibit A**. **Exhibit A** shall be amended as necessary to reflect any changes in Percentages as provided herein. The total Percentages of membership interests owned by all Members and assignees at any point in time shall equal 100%. Upon the purchase by the Company of a membership interest, the



Percentage of the purchased membership interest shall no longer be included in the total Percentages, and the Percentages of membership interests owned by Members and assignees shall be adjusted accordingly. Upon the issuance of an additional membership interest, the Percentages of Members and assignees who have not been issued an additional interest shall be decreased accordingly. For purposes of Sections 3.3, 3.4, 3.5, 3.7 and 3.12, the Percentage representing all or any portion of a membership interest assigned by a Member shall be attributed to the assignor Member if the assignor Member has not ceased to be a Member. If the assignor Member has ceased to be a Member and the Member's assignee has not been admitted as a Member, the Percentage of the assignee shall not be included for purposes of Sections 3.3, 3.4, 3.5, 3.7 and 3.12, and the determination of a "majority" of the Percentages referenced in those Sections shall be made on the basis of Percentages held or attributed to Persons who are at the time Members.

(ix) "Person" means any individual, corporation, partnership, limited liability company, business trust or other entity, series of an entity, or government or governmental agency or instrumentality.

(x) "Writing" or "Written" means an expression of words, letters, characters, numbers, symbols, figures or other textual information that is inscribed on a tangible medium or that is stored in an electronic or other medium that is retrievable in a perceivable form. Unless the context requires otherwise, the term: (1) includes stored or transmitted electronic data, electronic transmissions, and reproductions of Writings; and (2) does not include sound or video recordings of speech other than transcriptions that are otherwise "Writings."

(b) In this Agreement:

(i) Terms defined in the singular have the corresponding meaning in the plural and vice versa.

(ii) All pronouns and any variations thereof contained herein shall be deemed to refer to the masculine, feminine, neuter, singular or plural, as the identity of the Person or Persons may require.

(iii) The word "include" and its derivatives means "include without limitation."

(iv) References to Articles, Sections and Exhibits are to the specified Articles and Sections of, and Exhibits to, this Agreement unless the context otherwise requires. Each Exhibit to this Agreement is made a part of this Agreement for all purposes.

(v) References to agreements, contracts, filings, instruments, and other documents include such agreements, contracts, filings, instruments, and other documents as they may be amended, modified, supplemented, or restated in the future.



(vi) References to statutes or regulations are to those statutes or regulations as currently amended and to the corresponding provisions as they may be amended or superseded in the future.

*[Signature page follows.]*

IN WITNESS WHEREOF, the undersigned Members have duly executed this Agreement as of the day and year first above written

**MEMBERS:**

DocuSigned by:  
*Sudharshan Vembutty*  
730571368E2270E  
SUDHARSHAN VEMBUTTY

SUNICOST LLC

DocuSigned by:  
*Steve Sullivan*  
By: \_\_\_\_\_  
BFBE70ACE9C9460  
Steven Sullivan, Authorized Signatory

TRINITY RESIDENTIAL DEVELOPMENT LLC

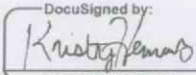
DocuSigned by:  
*Kevin Browder*  
By: \_\_\_\_\_  
D63CD9463B5E985  
Kevin Browder, Authorized Signatory

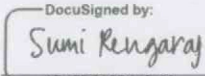


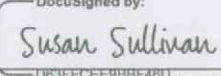
### ACKNOWLEDGMENT AND CONSENT OF SPOUSES

The undersigned are the spouses of a Member or of the person owning a controlling interest of a Member and are executing this Agreement in connection with the execution of this Agreement by the Members. Each of the undersigned acknowledges and represents as follows: I have been provided a copy of the Agreement and have had the opportunity to read and review the Agreement. I approve of all of the provisions of the Agreement and agree to be bound by and accept the terms of the Agreement, but I understand that I am not a Member of the Company. My execution of this Agreement does not alter the legal status, characterization or rights of management of any membership interests now or hereafter acquired by my spouse, and my spouse's membership interests are subject to my spouse's sole management, control and disposition. I understand that the Company and the Members will rely on this acknowledgment and consent in conducting the Company's activities and operations.

#### SPOUSES OF MEMBERS:

DocuSigned by:  
  
2159F56348CE4CA  
KRISTY HERNANDEZ  
Spouse of Kevin Browder

DocuSigned by:  
  
AB4ED888D146480  
SUMI RENGARAJ  
Spouse of Sudharshan Vembutty

DocuSigned by:  
  
DB3FFCE88B8E48U  
SUSAN SULLIVAN  
Spouse of Steven Sullivan

**COMPANY AGREEMENT  
OF  
HYDROTEX LLC**

**EXHIBIT A**

**NAMES, ADDRESSES, PERCENTAGES, AND  
CONTRIBUTIONS OF INITIAL MEMBERS**

<b>Name, Postal Address and Email Address for Notices</b>	<b>Percentage</b>	<b>Contribution</b>
Sudharshan Vembutty 101 Parklane Blvd., Suite 100 Sugar Land, Texas 77478 shaun@ashtongraydev.com	98%	\$1,000.00
Sunicost LLC Attn: Steven Sullivan 1381 Autry Ln. Crowley, Texas 76036	1%	Services
Trinity Residential Development LLC Attn: Kevin Browder 25221 Oakhurst Forest Dr. Porter, Texas 77365 mybrowder@yahoo.com	1%	Services



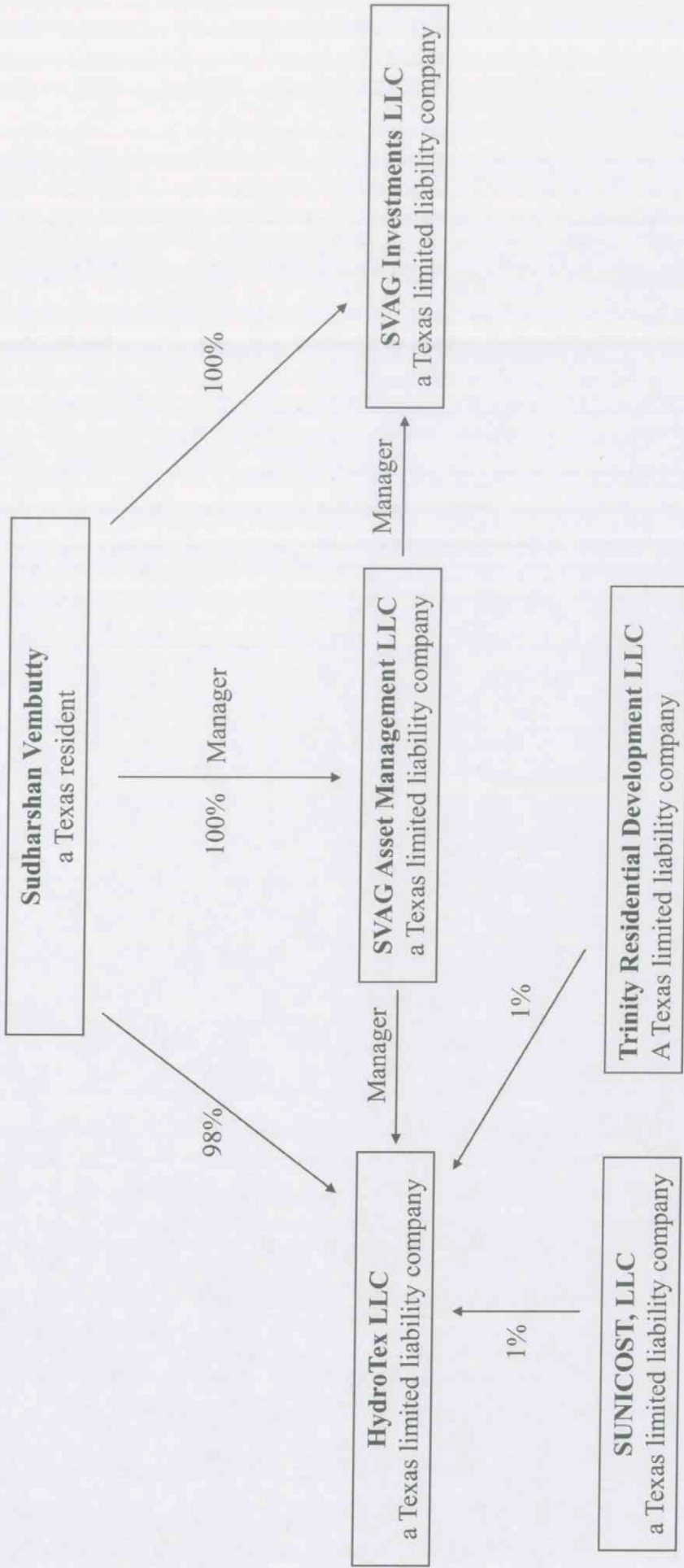
**DOCKET NO. 52445**

RESPONSE TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO  
HYDROTEX, LLC.  
QUESTION NO. STAFF 1-2

Staff 1-2: Please provide an organizational chart of all affiliated companies, including their legal names, that indicates the relationship between the affiliated companies and the owner's legal name. Please also include the ownership percentages for each.

**RESPONSE: Please see attached organizational chart that includes ownership percentages.**

# ORGANIZATIONAL CHART





**DOCKET NO. 52445**

RESPONSE TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO  
HYDROTEX, LLC.  
QUESTION NO. STAFF 1-3

Staff 1-3: Please provide a notarized affidavit from SVAG and Sudharshan Vembutty that includes the following:

- a. a written guarantee indicating the ownership percentage of SVAG and HydroTex.
- b. a written guarantee that SVAG is providing the funding to pay for the capital Improvements and operational shortages for the first 5 years of HydroTex.
- c. a written guarantee from Sudharsan Vembutty and SVAG pursuant to the affiliate requirements in 16 TAC€ 24.11(e)(2)(E) and 16 TAC€ 24.11(e)(3).
- d. a written guarantee that SVAG is also capable, available, and willing to Cover temporary cash shortages for HydroTex, and
- e. a written guarantee affirming that the financial information provided accurately presents the financial condition of SVAG and HydroTex.

**RESPONSE: Please see the attached Financial Resources Affidavit**

**EXHIBIT A**  
**FINANCIAL STATEMENTS**

(see attached)



## FINANCIAL RESOURCES AFFIDAVIT

Section 24.11 of the Texas Administrative Code provides that an owner or operator of a retail public utility must demonstrate the financial resources to operate and manage the utility and to provide continuous and adequate services to the current and proposed utility service area. To demonstrate that **HYDROTEX LLC**, a Texas limited liability company (the "**Utility Company**"), meets the requirements of the leverage and operations tests, pursuant to 16 TAC § 24.11(e)(2) and (3), the undersigned, who, being by me duly sworn, deposed as follows:

1. Sudharshan Vembutty is the sole owner of SVAG Investments LLC, a Texas limited liability company ("**SVAG Investments**"), which owns ninety-eight percent (98%) of the membership interests of the Utility Company. The remaining membership interests of the Utility Company are owned one percent (1%) by SUNICOST, LLC, a Texas limited liability company, and one percent (1%) by Trinity Residential Development LLC, a Texas limited liability company.

2. SVAG Investments is an affiliated entity of the Utility Company, and, as such, is capable, available, and willing to cover temporary cash shortages.

3. SVAG Investments has sufficient cash available to cover any projected capital improvements shortages, operations shortages, and maintenance shortages in the first five (5) years of the Utility Company's operations.

4. SVAG Investments has a debt to equity ratio of less than one, using long term debt and equity or net assets.

5. SVAG Investments has a debt service coverage ratio of more than 1.25 using annual net operating income before depreciation and non-cash expenses divided by annual combined long term debt payments.

6. SVAG Investments has sufficient unrestricted cash available as a cushion for two (2) years of debt service.

7. Attached hereto as **Exhibit A** are a compilation of year-end financial statements for the most recent fiscal year as prepared by a certified accountant (CPA), of SVAG Investments, which accurately present the financial condition of SVAG Investments in all material respects.

Under penalties or perjury, I declare that I have examined this certification and to the best of my knowledge and belief it is true, correct and complete, and I further declare that I have authority to sign this document on behalf of the SVAG Investments.

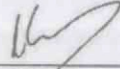
This Financial Resources Affidavit is dated as of September 15<sup>th</sup>, 2022.

[SIGNATURE PAGE FOLLOWS]

SVAG INVESTMENTS LLC,  
a Texas limited liability company

By: SVAG Asset Management LLC,  
a Texas limited liability company  
Its: Manager

By:

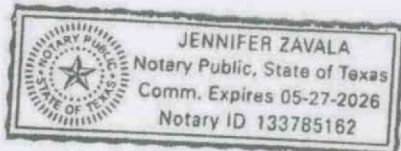
  
Sudharshan Vembutty  
Manager


  
SUDHARSHAN VEMBUTTY

STATE OF Texas )  
County of Ft. Bend )

SWORN TO AND SUBSCRIBED before me on this 15 day of September, 2022, by Sudharshan Vembutty, whose identity was proven to me on the basis of satisfactory evidence to be the person he or she claims to be, and acknowledged before me that he or she executed the same in his or her authorized capacity, as applicable, and that by his or her signature on the instrument the person, or the entity or entities upon behalf of which the person acted, as applicable, executed the instrument.

(seal)



  
Notary Public



**DOCKET NO. 52445**

RESPONSE TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO  
HYDROTEX, LLC.  
QUESTION NO. STAFF 1-4

Staff 1-4: Please provide a copy of the rate design and calculations used to determine the Rates in the proposed tariff.

**RESPONSE: Please see attached WATER UTILITY TARIFF and the PROJECTED INFORMATION PACKET.**

**Prepared by: Roy Rodriguez**



**PROPOSED**

## **WATER UTILITY TARIFF**

**Docket Number: 52445**

(this number will be assigned by the Public Utility Commission after your tariff is filed)

<u>HydroTex</u> (Utility Name)	<u>101 Parline Blvd., Ste 102</u> (Business Address)
<u>Sugar Land Texas 77478</u> (City, State, Zip Code)	<u>713-562-5084</u> (Area Code/Telephone)

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

This tariff is effective in the following counties:

Liberty

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

n/a

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

The Landing

### 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):

### TABLE OF CONTENTS

SECTION 1.0- RATE SCHEDULE	2
SECTION 2.0- SERVICE RULES AND POLICIES	4
SECTION 3.0- EXTENSION POLICY	13
APPENDIX A - DROUGHT CONTINGENCY PLAN	18
APPENDIX B- APPLICATION FOR SERVICE	19

Note: Appendix A – Drought Contingency Plan (DCP) is approved by the Texas Commission on Environmental Quality; however, the DCP is included as part of your approved utility tariff pursuant to PUC rules. If you are establishing a tariff for the first time, please contact the TCEQ to complete and submit a DCP for approval.

**HydroTex**

**Water Tariff Page No 3.**



**SECTION 1.0 -- RATE SCHEDULE**Section 1.01 - Rates

Meter Size	Monthly Minimum Charge	Gallonge Charge
5/8" or 3/4"	\$ 45.00 (Includes 0 gallons)	\$ 5.95 per 1000 gallons
1"	\$ 78.75	
1 1/2"	\$ 146.25	
2"	\$ 225.00	
3"	\$ 495.00	
4"	\$ 945.00	

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

Cash **X** Check **X** Money Order **X** Credit Card **X** Other (specify) **N/A**

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. CREDIT CARD CHARGES ARE SUBJECT TO A 4% FEE ON THE AMOUNT CHARGED.

**REGULATORY ASSESSMENT**1.0%

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

## Section 1.02 - Miscellaneous Fee

**TAP FEE: Standard Tap \$1,600 / Smart Tap \$1,800**

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

**METER TEST FEE**\$25

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.

## 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) Nonpayment of bill (Maximum \$25.00)            | \$25 |
| b) Customer's request that service be disconnected | \$50 |

### TRANSFER FEE

\$25

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

### LATE CHARGE Greater of \$5 or 10% of outstanding bill

PUC 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

\$30

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

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

\$50

### COMMERCIAL & NON-RESIDENTIAL DEPOSIT

1/6TH OF ESTIMATED ANNUAL BILL

### GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE

n/a

WHEN AUTHORIZED IN WRITING BY PUC AND AFTER NOTICE TO CUSTOMERS, THE UTILITY MAY INCREASE RATES TO RECOVER INCREASED COSTS FOR INSPECTION FEES AND WATER TESTING. [P.U.C. SUBST. R. 24.21(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.



## SECTION 2.0 -- SERVICE RULES AND POLICIES

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

### Section 2.01 - Application for 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), will be signed by the applicant, any required fees (deposits, reconnect, tap, extension fees, etc. as applicable) will be paid and easements, if required, will be granted before service is provided by the utility. A separate application or contract will be made for each service location.

### Section 2.02 - Refusal of Service

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

### Section 2.03 - Fees and Charges & Easements Required Before Service Can Be Connected

#### (A) Customer Deposits

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

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

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

**SECTION 2.0 – SERVICE RULES AND POLICIES (Continued)**

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 residential customer who has paid 18 consecutive billings without being delinquent.

**(B) Tap or Reconnect Fees**

A new customer requesting service at a location where service has not previously been provided must pay a tap fee as provided in Section 1. A customer requesting service where service has previously been provided must pay a reconnect fee as provided in Section 1. Any applicant or existing customer required to pay for any costs not specifically set forth in the rate schedule pages of this tariff shall be given a written explanation of such costs prior to request for payment and/or commencement of construction. If the applicant or existing customer does not believe that these costs are reasonable or necessary, the applicant or existing customer shall be informed of their right to appeal such costs to the PUC 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.

Fees in addition to the regular tap fee may be charged if listed specifically in Section 1 to cover unique costs not normally incurred as permitted by P.U.C. SUBST. R. 24.86(a)(1)(C). For example, a road bore for customers outside a subdivision or residential area could be considered a unique cost.

**(C) Easement Requirement**

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



## **SECTION 2.0 – SERVICE RULES AND POLICIES (Continued)**

### Section 2.04 - Utility Response to Applications for Service

After the applicant has met all the requirements, conditions and regulations for service, the utility will install tap, 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 5 working days unless line extensions or new facilities are required. If construction is required to fill the order and if it cannot be completed within 30 days, the utility will provide the applicant with a written explanation of the construction required and an expected date of service.

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

### Section 2.05 - Customer Responsibility

The customer will be responsible for furnishing and laying the necessary customer service pipe from the meter location to the place of consumption. Customers will 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 may be required to install and maintain a cutoff valve on their side of the meter.

No direct connection between a public water supply system and any potential source of contamination or between a public water supply system and a private water source (ex. private well) will be allowed. A customer shall not connect, or allow any other person or party to connect, onto any water lines on his premises.

### Section 2.06 - Customer Service Inspections

Applicants for new service connections or facilities which have undergone extensive plumbing modifications are required to furnish the utility a completed customer service inspection certificate. The inspection certificate shall certify that the establishment is in compliance with the Texas Commission on Environmental Quality (TCEQ) Rules and Regulations for Public Water Systems, Section 290.46(j). The utility is not required to perform these inspections for the applicant/customer, but will assist the applicant/customer in locating and obtaining the services of a certified inspector.

## **SECTION 2.0 – SERVICE RULES AND POLICIES (Continued)**

### Section 2.07 - Back Flow Prevention Devices

No water connection shall be allowed to any residence or establishment where an actual or potential contamination hazard exists unless the public water facilities are protected from contamination by either an approved air gap, backflow prevention assembly, or other approved device. The type of device or backflow prevention assembly required shall be determined by the specific potential hazard identified in Title 30 Texas Administrative Code (TAC) §290.47(i) Appendix I, Assessment of Hazards and Selection of Assemblies of the TCEQ Rules and Regulations for Public Water Systems.

The use of a backflow prevention assembly at the service connection shall be considered as additional backflow protection and shall not negate the use of backflow protection on internal hazards as outlined and enforced by local plumbing codes. When a customer service inspection certificate indicates that an adequate internal cross-connection control program is in effect, backflow protection at the water service entrance or meter is not required.

At any residence or establishment where it has been determined by a customer service inspection, that there is no actual or potential contamination hazard, as referenced in 30 TAC §290.47(i) Appendix I, Assessment of Hazards and Selection of Assemblies of the TCEQ Rules and Regulations for Public Water Systems, then a backflow prevention assembly or device is not required. Outside hose bibs do require, at a minimum, the installation and maintenance of a working atmospheric vacuum breaker.

All backflow prevention assemblies or devices shall be tested upon installation by a TCEQ certified backflow prevention assembly tester and certified to be operating within specifications. Backflow prevention assemblies which are installed to provide protection against health hazards must also be tested and certified to be operating within specifications at least annually by a certified backflow prevention assembly tester.

If the utility determines that a backflow prevention assembly or device is required, the utility will provide the customer or applicant with a list of TCEQ certified backflow prevention assembly testers. The customer will be responsible for the cost of installation and testing, if any, of backflow prevention assembly or device. The customer should contact several qualified installers to compare prices before installation. The customer must pay for any required maintenance and annual testing and must furnish a copy of the test results demonstrating that the assembly is functioning properly to the utility within 30 days after the anniversary date of the installation unless a different date is agreed upon.



**SECTION 2.0 -- SERVICE RULES AND POLICIES (Continued)**Section 2.08 - Access to Customer's Premises

The utility will have the right of access to the customer's premises at all reasonable times 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 and the utility personnel will attempt to notify the customer that they will be working on the customer's property. 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.

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.

Section 2.09 - Meter Requirements, Readings, and Testing

One meter is required for each residential, commercial, or industrial connection. 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.

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.

**SECTION 2.0 -- SERVICE RULES AND POLICIES(Continued)**

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 2.10 - Billing****(A) Regular Billing**

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

**(B) Late Fees**

A late penalty of either \$5.00 or 10.0% will be charged on bills received after the due date. The penalty on delinquent bills will not be applied to any balance to which the penalty was applied in a previous billing. The utility must maintain a record of the date of mailing to charge the late penalty.

**(C) Information on Bill**

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



**SECTION 2.0 -- SERVICE RULES AND POLICIES (Continued)****(D) Prorated Bills**

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

**Section 2.11- Payments**

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

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

**Section 2.12 - Service Disconnection****(A) With Notice**

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

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

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

**(B) Without Notice**

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

**SECTION 2.0 -- SERVICE RULES AND POLICIES (Continued)**Section 2.13 - Reconnection of Service

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

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

Section 2.14 - Service Interruptions

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

Section 2.15 - Quality of Service

The utility will plan, furnish, and maintain 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 TCEQ, the utility will maintain facilities as described in the TCEQ Rules and Regulations for Public Water Systems.

Section 2.16 - Customer Complaints and Disputes

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



**SECTION 2.0 -- SERVICE RULES AND POLICIES (Continued)**

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

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

Section 2.17 - Customer Liability

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

### **SECTION 3.0--EXTENSION POLICY**

#### Section 3.01 - Standard Extension Requirements

LINE EXTENSION AND CONSTRUCTION CHARGES: NO CONTRIBUTION IN AID OF CONSTRUCTION MAY BE REQUIRED OF ANY CUSTOMER EXCEPT AS PROVIDED FOR IN THIS APPROVED EXTENSION POLICY.

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

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

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

#### Section 3.02 - Costs Utilities and Service Applicants Shall Bear

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

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



### SECTION 3.0 -- EXTENSION POLICY (Continued)

Residential customers 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 additional cost of extending service to and throughout their property, including the cost of all necessary transmission and storage facilities necessary to meet the service demands anticipated to be created by that property.

Unless an exception is granted by the TCEQ, the residential service applicant shall not be required to pay for costs of main extensions greater than 2" in diameter for water distribution and pressure wastewater collection lines and 6" in diameter for gravity wastewater lines.

Exceptions may be granted by the TCEQ if:

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

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

For purposes of determining the costs that service applicants shall pay, commercial customers with service demands greater than residential customer demands in the certified area, industrial, and wholesale customers shall be treated as developers. A service applicant requesting a one inch meter for a lawn sprinkler system to service a residential lot is not considered nonstandard service.

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

### 3.0 -- EXTENSION POLICY (Continued)

The utility will bear the full cost of any over-sizing 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.

#### Section 3.03 - Contributions in Aid of Construction

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

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

Any service extension to a subdivision (recorded or unrecorded) may be subject to the provisions and restrictions of P.U.C. SUBST. R. 24.86(d). When a developer wishes to extend the system to prepare to service multiple new connections, the charge shall be the cost of such extension, plus a pro-rata charge for facilities which must be committed to such extension compliant with the TCEQ minimum design criteria. As provided by P.U.C. SUBST. R. 24.85(e)(3), for purposes of this section, commercial, industrial, and wholesale customers shall be treated as developers.

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

- Under a contract and only in accordance with the terms of the contract; or
- if service is not being provided to a lot or lots within two years after installation of facilities necessary to provide service to the lots has been completed and if the standby fees are included on the utilities approved tariff after a rate change application has been filed. The fees cannot be billed to the developer or collected until the standby fees have been approved by the commission or executive director.

for purposes of this section, a manufactured housing rental community can only be charged standby fees under a contract or if the utility installs the facilities necessary to provide individually metered service to each of the rental lots or spaces in the community.



## SECTION 3.0 -- EXTENSION POLICY (Continued)

### Section 3.04 - Appealing Connection Costs

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

### Section 3.05 - Applying for Service

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

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

## **SECTION 3.0 -- EXTENSION POLICY (Continued)**

### Section 3.06 - Qualified Service Applicant

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

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

### Section 3.07 - Developer Requirements

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



**APPENDIX A – DROUGHT CONTINGENCY PLAN  
(Utility Must Attach TCEQ-Approved Plan)**

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



**Appendix B: Projected Information**

<b>PROJECTED BALANCE SHEETS</b>	<b>START UP</b>	<b>A-1 YEAR</b>	<b>A-2 YEAR</b>	<b>A-3 YEAR</b>	<b>A-4 YEAR</b>	<b>A-5 YEAR</b>
<b>12/31/2021</b>	<b>(12-31-2021)</b>	<b>(12-31-2022)</b>	<b>(12-31-2023)</b>	<b>(12-31-2024)</b>	<b>(12-31-2025)</b>	<b>(12-31-2026)</b>
<b>CURRENT ASSETS</b>						
Cash	\$20,000	\$2,109	\$2,888	\$3,988	\$5,131	\$5,692
Accounts Receivable	\$0	\$5,853	\$11,487	\$18,473	\$21,252	\$17,030
Inventories	\$0	\$0	\$0	\$0	\$0	\$0
Income Tax Receivable	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0	\$0	\$0
<b>A. Total Current Assets</b>	<b>\$20,000</b>	<b>\$7,962</b>	<b>\$14,375</b>	<b>\$22,461</b>	<b>\$26,384</b>	<b>\$22,722</b>
<b>FIXED ASSETS</b>						
Land	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000
Collection/Distribution System	\$0	\$375,000	\$750,000	\$750,000	\$750,000	\$750,000
Buildings	\$0	\$0	\$0	\$0	\$0	\$0
Equipment	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0	\$0	\$0
Less: Accum. Depreciation or Reserves	\$0	(\$8,900)	(\$35,600)	(\$53,400)	(\$71,200)	(\$89,000)
<b>B. Total Fixed Assets</b>	<b>\$125,000</b>	<b>\$491,100</b>	<b>\$839,400</b>	<b>\$821,600</b>	<b>\$803,800</b>	<b>\$786,000</b>
<b>C. TOTAL Assets (A + B)</b>	<b>\$145,000</b>	<b>\$499,062</b>	<b>\$853,775</b>	<b>\$844,061</b>	<b>\$830,184</b>	<b>\$808,722</b>
<b>CURRENT LIABILITIES</b>						
Accounts Payable	\$4,000	\$1,371	\$1,877	\$2,592	\$3,335	\$3,700
Notes Payable, Current	\$0	\$0	\$0	\$0	\$0	\$0
Accrued Expenses	\$0	\$955	\$997	\$1,039	\$1,070	\$1,079
Other	\$0	\$0	\$0	\$0	\$0	\$0
<b>D. Total Current Liabilities</b>	<b>\$4,000</b>	<b>\$2,325</b>	<b>\$2,875</b>	<b>\$3,631</b>	<b>\$4,405</b>	<b>\$4,779</b>
<b>LONG TERM LIABILITIES</b>						
Notes Payable, Long-term	\$0	\$0	\$0	\$0	\$0	\$0
Other (Advance)	\$0	\$0	\$0	\$0	\$0	\$0
<b>E. Total Long Term Liabilities</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>F. TOTAL LIABILITIES (D + E)</b>	<b>\$4,000</b>	<b>\$2,325</b>	<b>\$2,875</b>	<b>\$3,631</b>	<b>\$4,405</b>	<b>\$4,779</b>
<b>OWNER'S EQUITY</b>						
Paid in Capital	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000
Retained Equity		(\$19,000)	(\$12,848)	\$24,440	\$98,715	\$182,871
Other (Additional Paid-In Capital)	\$15,000	\$364,585	\$681,461	\$596,715	\$497,908	\$422,718
Current Period Profit or Loss	(\$19,000)	\$6,152	\$37,287	\$74,275	\$84,156	\$53,354
<b>G. TOTAL OWNER'S EQUITY</b>	<b>\$141,000</b>	<b>\$496,737</b>	<b>\$850,900</b>	<b>\$840,429</b>	<b>\$825,779</b>	<b>\$803,943</b>
<b>TOTAL LIABILITIES+EQUITY (F + G)= C</b>	<b>\$145,000</b>	<b>\$499,062</b>	<b>\$853,775</b>	<b>\$844,061</b>	<b>\$830,184</b>	<b>\$808,722</b>
<b>WORKING CAPITAL (A - D)</b>	<b>\$16,000</b>	<b>\$5,637</b>	<b>\$11,500</b>	<b>\$18,829</b>	<b>\$21,979</b>	<b>\$17,943</b>
<b>CURRENT RATIO (A / D)</b>	<b>5.00</b>	<b>3.42</b>	<b>5.00</b>	<b>6.19</b>	<b>5.99</b>	<b>4.75</b>
<b>DEBT TO EQUITY RATIO (F / G)</b>	<b>0.03</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.01</b>	<b>0.01</b>

PROJECTED NET INCOME INFORMATION						
	START UP	A-1 YEAR	A-2 YEAR	A-3 YEAR	A-4 YEAR	A-5 YEAR
Date of Year End	(12-31-2021)	(12-31-2022)	(12-31-2023)	(12-31-2024)	(12-31-2025)	(12-31-2026)
<b>METER NUMBER</b>						
Existing Number of Taps	0	0	20	50	90	121
New Taps Per Year	-	20	30	40	31	0
<b>Total Meters at Year End</b>	0	20	50	90	121	121
<b>METER REVENUE</b>						
Revenue Per Meter (use for projections)	\$0	\$2,341	\$1,838	\$1,642	\$1,405	\$1,126
Expense per Meter (use for projections)	\$0	\$2,034	\$1,092	\$817	\$710	\$685
<b>Operating Revenue Per Meter</b>						
<b>GROSS WATER REVENUE</b>						
Revenues- Base Rate & Gallonage Fees	\$0	\$10,826	\$37,892	\$75,785	\$114,219	\$130,999
Other (Tap, reconnect, transfer fees, etc.)	\$0	\$36,000	\$54,000	\$72,000	\$55,800	\$5,240
<b>Gross Income</b>	\$0	\$46,826	\$91,892	\$147,785	\$170,019	\$136,239
<b>EXPENSES</b>						
General & Administrative (see schedule)	\$15,000	\$19,091	\$19,317	\$20,178	\$21,028	\$21,639
Operating (see schedule)	\$4,000	\$19,948	\$25,543	\$33,750	\$42,560	\$47,050
Interest	\$0	\$0	\$0	\$0	\$0	\$0
Other (Income Tax)	\$0	\$1,635	\$9,745	\$19,582	\$22,274	\$14,196
<b>NET INCOME</b>	<b>(\$19,000)</b>	<b>\$6,152</b>	<b>\$37,287</b>	<b>\$74,275</b>	<b>\$84,156</b>	<b>\$53,354</b>

PROJECTED EXPENSE DETAIL	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
<b>GENERAL/ADMINISTRATIVE EXPENSES</b>						
Insurance	\$1,545	\$1,591	\$1,639	\$1,688	\$1,739	\$8,203
Engineering/Reg	\$3,000	\$3,090	\$3,183	\$3,278	\$3,377	\$15,927
Legal/Reg	\$3,000	\$3,090	\$3,183	\$3,278	\$3,377	\$15,927
Direct Management	\$2,060	\$2,060	\$2,122	\$2,185	\$2,251	\$10,678
Other Direct Costs	\$2,060	\$2,060	\$2,122	\$2,185	\$2,251	\$10,678
Corporate OH	\$2,060	\$2,060	\$2,122	\$2,185	\$2,251	\$10,678
Franchise Tax	\$351	\$351	\$689	\$1,108	\$1,275	\$3,775
Texas Ad Valorem	\$5,015	\$5,015	\$5,119	\$5,119	\$5,119	\$25,385
<b>Total</b>	<b>\$19,091</b>	<b>\$19,317</b>	<b>\$20,178</b>	<b>\$21,028</b>	<b>\$21,639</b>	<b>\$101,253</b>
<b>% Increase Per Projected Year</b>	0.00%	1.17%	4.27%	4.04%	2.82%	
<b>OPERATIONAL EXPENSES</b>						
Contract O&M	\$618	\$2,228	\$4,589	\$7,124	\$8,416	\$22,976
Plant Utilities	\$336	\$1,211	\$2,495	\$3,873	\$4,576	\$12,492
Chemicals	\$720	\$2,596	\$5,347	\$8,300	\$9,805	\$26,768
Materials & Supplies	\$103	\$371	\$765	\$1,187	\$1,403	\$3,829
Other Direct Costs	\$371	\$1,337	\$2,754	\$4,275	\$5,050	
Depreciation	\$17,800	\$17,800	\$17,800	\$17,800	\$17,800	\$89,000
<b>Total</b>	<b>\$19,948</b>	<b>\$25,543</b>	<b>\$33,750</b>	<b>\$42,560</b>	<b>\$47,050</b>	<b>\$155,066</b>
<b>% Increase Per Projected Year</b>	0.00%	21.90%	24.32%	20.70%	9.54%	69.66%



<b>PROJECTED SOURCES AND USES OF CASH STATEMENTS</b>	<b>YEAR 1</b>	<b>YEAR 2</b>	<b>YEAR 3</b>	<b>YEAR 4</b>	<b>YEAR 5</b>	<b>TOTALS</b>
<b>SOURCES OF CASH</b>						
Net Income	\$6,152	\$37,287	\$74,275	\$84,156	\$53,354	\$255,225
Depreciation (If funded by revenues of system)	\$17,800	\$17,800	\$17,800	\$17,800	\$17,800	\$89,000
Loan Proceeds						\$0
Other (Paid In Capital)	\$375,000	\$375,000				\$750,000
<b>Total Sources</b>	<b>\$398,952</b>	<b>\$430,087</b>	<b>\$92,075</b>	<b>\$101,956</b>	<b>\$71,154</b>	<b>\$1,094,225</b>
<b>USES OF CASH</b>						
Net Loss	\$0	\$0	\$0	\$0	\$0	\$0
Principal Portion of Pmts.						\$0
Fixed Asset Purchase	\$375,000	\$375,000	\$0	\$0	\$0	\$750,000
Reserve						\$0
Other (Advances)	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Uses</b>	<b>\$375,000</b>	<b>\$375,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$750,000</b>
<b>NET CASH FLOW</b>	<b>\$23,952</b>	<b>\$55,087</b>	<b>\$92,075</b>	<b>\$101,956</b>	<b>\$71,154</b>	<b>\$344,225</b>
<b>DEBT SERVICE COVERAGE</b>						
Cash Available for Debt Service (CADS)						
A: Net Income (loss)	\$6,152	\$37,287	\$74,275	\$84,156	\$53,354	\$255,225
B: Depreciation or Reserve Interest	\$17,800	\$17,800	\$17,800	\$17,800	\$17,800	\$89,000
<b>C: Total CADS (A+B=C)</b>	<b>\$23,952</b>	<b>\$55,087</b>	<b>\$92,075</b>	<b>\$101,956</b>	<b>\$71,154</b>	<b>\$344,225</b>
<b>D: DEBT SERVICE (DS)</b>						
Principle Plus Interest	\$0	\$0	\$0	\$0	\$0	\$0
<b>E: DEBT SERVICE COVERAGE RATIO</b>						
CADS Divided by DS (E=C/D)	n/a	n/a	n/a	n/a	n/a	n/a

**DOCKET NO. 52445**

RESPONSE TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO  
HYDROTEX, LLC.  
QUESTION NO. STAFF 1-5

Staff 1-5: Please provide SVAG's most recent financial statements for 2022.

**RESPONSE: Please see the attached SVAG Investments LLC Balance Sheets and Profit & Loss as of Sept. 2022**

**Prepared by: Roy Rodriguez**



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09/12/22

Accrual Basis

**SVAG Investments LLC**  
**Balance Sheet**  
As of September 12, 2022

Sep 12, 22

**ASSETS**

Current Assets

Checking/Savings

BOA CHK 0056	102,000.00
BOA CHK 7359	1,500,000.00
BOA Saving 2630	-600,000.00
BOA Savings Account 8349	5,035,500.00
BRK 2458	-2,750,000.00
First State Bank Saving 5240	400,297.63
Independent Financial #3833	1,566.33
SVAG BOA Checking 7733	39,592.67
SVAG BOA Checking Old Account	373,125.78

Total Checking/Savings 4,102,082.41

Other Current Assets

Capital Investments - External

1485 Holdings LLC	59,000.00
4 Corners Builders & Developers	162,500.00
Ashton Oak Development	25,000.00
Beasley Communities LLC	180,000.00
Bitcoin Mining	501,000.50
Block Flare Two	440,000.00
Brandt Ranch	850,000.00
Ekon Ventures	555,000.00
Elmbase	100,000.00
Field Store Dev - Waller	306,000.00
Hydrotex LLC	10,000.00
Latitude Commercial Series A	6,825.00
Linden Residences	62,941.00
Lockhart 80 Acres	50,000.00
Maria Anna Spec Home	612,500.00
Mission South (Svag Amazon LLC)	10,000.00
Peak 54 Holdings LLC	338,304.34
Shadowcreek Plaza	344,204.24
Stuebner 99 Retail LP	235,763.42

Total Capital Investments - External 4,849,038.50

Investment due from - Internal

5107 Riverside LP	1,401.23
711 Eberhart Ln	100,000.00
Allied Gray Fund	514,818.00
Angleton 90 acres (Addi. Tract)	15,784.41
Briggs 384 Acres	445,708.05
CR 132 50 Acres	60,000.00
Elgin 103 Acres	-18,603.75
Elgin 75 Acres (18401 Elgin)	178,625.00
EM - Granger 62 Acres	21,975.41
Knippwood	396.50
Konle 120 ac	27,037.50
Lakes Edge	-81,250.00
Landing I LLC	115,000.00
Lockhart 1360 Acres	200,000.00
Pearland - FM 521 & Broadway	1,900.00
Reserve II	50,000.00
Residences at Oakmont	192,593.35
Rosenberg 27 acres	43,969.43
Springwood Retail	5,000.00
The Landing IV, LLC	170,000.00
Tuscan Lakes	3,063.00

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SVAG Investments LLC  
**Balance Sheet**  
As of September 12, 2022

	Sep 12, 22
Waukegan - Stonebrook	29,800.00
Westlake Pass	71,000.00
<b>Total Investment due from - Internal</b>	<b>2,148,218.13</b>
<b>Total Other Current Assets</b>	<b>6,997,256.63</b>
<b>Total Current Assets</b>	<b>11,099,339.04</b>
<b>TOTAL ASSETS</b>	<b>11,099,339.04</b>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	85,005.50
<b>Total Accounts Payable</b>	<b>85,005.50</b>
<b>Total Current Liabilities</b>	<b>85,005.50</b>
Long Term Liabilities	
Elgin 103 Acres	
Equity Tru. (Karthik Sadayappa)	50,000.00
Mohan I Javalagi	50,000.00
QTC Holding Corp (IRA 4044711)	14,000.00
Raghu & Shailaja Chunduru	100,000.00
Sidharth Malhotra	1,000,000.00
Thanh Vo	400,000.00
<b>Total Elgin 103 Acres</b>	<b>1,614,000.00</b>
Investor Capital	
Ashish Patel	200,000.00
Coconat LLC	350,000.00
Italo Ivan Dupatrocio	100,000.00
Noel Alvarez	120,000.00
Sasi Ramachan	50,000.00
Sumasi LLC	250,000.00
<b>Total Investor Capital</b>	<b>1,070,000.00</b>
<b>Total Long Term Liabilities</b>	<b>2,684,000.00</b>
<b>Total Liabilities</b>	<b>2,769,005.50</b>
Equity	
Capital	4,252,902.87
Owner's Equity	2,701,434.62
Owners Contribution	850,245.00
Owners Distribution	-2,763,231.79
Net Income	3,288,982.84
<b>Total Equity</b>	<b>8,330,333.54</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>11,099,339.04</b>



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Accrual Basis

**SVAG Investments LLC**  
**Profit & Loss**  
January 1 through September 12, 2022

	Jan 1 - Sep 12, 22
Ordinary Income/Expense	
Income	
Commission Income	834,180.74
Income	2,431,592.70
Interest Income	20,712.33
Reimbursements	37,129.05
<b>Total Income</b>	<b>3,323,614.82</b>
<b>Gross Profit</b>	<b>3,323,614.82</b>
Expense	
Advertising and Promotion	3,400.00
Bank Service Charges	810.00
Closing Costs	915.00
Construction Expenses	62,227.00
Contractors	16,338.46
Due Diligence Costs	99,526.58
Dues and Subscriptions	29,707.02
Filing Fees	2,751.80
Interest Expense	90,251.00
Legal Fees	63,990.70
Office Supplies	13,724.34
Payroll Expenses	214,104.23
Postage and Delivery	114.02
Processing Fee	380.41
Professional Fees	30,250.00
Property Taxes	435.39
Referral Fees / Commissions	288,400.00
Reimbursable Expense	
Business Meeting	276.52
Food	280.00
Medical Insurance	4,516.47
Other Expenses	1,133.94
Travel	9,602.47
<b>Total Reimbursable Expense</b>	<b>15,809.40</b>
Rent Expense	85,762.21
Texas Franchise Tax	17,734.42
<b>Total Expense</b>	<b>1,036,631.98</b>
<b>Net Ordinary Income</b>	<b>2,286,982.84</b>
Other Income/Expense	
Other Income	
Gain/Loss on Sale of Investment	1,002,000.00
<b>Total Other Income</b>	<b>1,002,000.00</b>
<b>Net Other Income</b>	<b>1,002,000.00</b>
<b>Net Income</b>	<b>3,288,982.84</b>