

Kathleen Hartnett White, *Chairman*  
Larry R. Soward, *Commissioner*  
Glenn Shankle, *Executive Director*



## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

March 22, 2007

### AGENDA ITEM NOTICE

TO: Persons on Attached Mailing List  
RE: TCEQ Docket No2006-0780-UCR, SOAH Docket No. 582-07-0297  
Setting a final rate pursuant to the Application for an emergency sewer rate filed by Patrick King, as receiver for Lamar Water Supply Corporation  
Application No35354-G  
CCN 20607

The above-referenced application for an Emergency Order will be considered by the Commissioners of the Texas Commission on Environmental Quality during the public meeting on **April 11, 2007**. The meeting will begin at **1:00 pm.** in Room 201S of Building E, at the Commission's offices located at 12100 Park 35 Circle in Austin, Texas.

Attached you will find the backup materials that the Executive director has provided to the Commission for this item.

Should you have any questions, please contact me at (512) 239-0750.

Sincerely,

A handwritten signature in cursive script that reads "Brian MacLeod".

Brian MacLeod  
Staff Attorney  
Environmental Law Division

OFFICE CLERK'S OFFICE  
MAR 23 AM 9:04  
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

**Mailing List**  
**Lamar Water Supply Corporation**  
**SOAH Docket No: 582-07-0297**  
**TCEQ Docket No. 2006-0780-UCR**

**STATE OFFICE OF  
ADMINISTRATIVE HEARINGS:**  
Honorable William G. Newchurch  
Administrative Law Judge  
State Office of Administrative Hearings  
300 West Fifteenth Street, Suite 502  
Austin, Texas 78701-1649  
Tel.: (512) 475-4993  
Fax: (512) 475-4994

**FOR THE APPLICANT:**  
Stan Putnam  
Judge, Kostura & Putnam, P.C.,  
2901 Bee Caves Road  
Heritage Square, Box L  
Austin, Texas 78746  
Tel.: (512) 328-9099  
Fax: (512) 328-4132

**FOR SEA GUN HOMEOWNERS  
ASSOCIATION:**  
Fred B. Werkenthin, Jr.  
Booth, Ahrens, and Werkenthin, P.C.  
515 Congress Avenue, Suite 1515  
Austin, Texas 78701-3503  
Tel: (512) 472-3263  
Fax: (512) 473-2609

**FOR THE PUBLIC INTEREST  
COUNSEL:**  
Mary Alice Boehm-McKaughan, Staff  
Attorney  
Texas Commission on Environmental  
Quality  
Office of the Public Interest Counsel,  
MC 103  
P.O. Box 13087  
Austin, Texas 78711-3087  
Tel.: (512) 239-6363  
Fax: (512) 239-6377

**FOR THE CHIEF CLERK:**  
LaDonna Castañuela, Chief Clerk  
Texas Commission on Environmental  
Quality  
Office of the Chief Clerk, MC 105  
P.O. Box 13087  
Austin, Texas 78711-3087  
Tel.: (512) 239-3300  
Fax: (512) 239-3311

**FOR THE GENERAL COUNSEL:**  
Todd Burkey  
Texas Commission on Environmental  
Quality  
Office of the General Counsel, MC 101  
P. O. Box 13087  
Austin, Texas 78711-3087  
Tel.: (512) 239-5525  
Fax: (512) 239-5533

Kathleen Hartnett White, *Chairman*  
Larry R. Soward, *Commissioner*  
Glenn Shankle, *Executive Director*



## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

March 22, 2007

Ms. LaDonna Castañuela  
Office of the Chief Clerk  
Texas Commission on Environmental Quality  
Post Office Box 13087, MC-105  
Austin, Texas 78711-3087

Re: Application of Patrick C. King, as receiver appointed by the 250th Judicial District of Travis County appointed by the 250th Judicial District of Travis County for the Lamar Water Supply Corporation for an emergency sewer rate increase in in Aransas County, Texas; Application No. 35354-G, Certificate of Convenience and Necessity No. 20607

Dear Ms. Castañuela:

Enclosed for filing please find the original and eleven copies of the Executive Director's Backup materials for the April 11, 2007, Commissioners' Agenda regarding the referenced matter. If you have any questions, please do not hesitate to call me at (512) 239-0750.

Sincerely,

A handwritten signature in black ink that reads "Brian D. MacLeod".

Brian D. MacLeod  
Staff Attorney  
Environmental Law Division

cc: Mailing List

Enclosures

2007 MAR 23 AM 9:04  
CHIEF CLERK'S OFFICE  
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

**Mailing List**  
**Lamar Water Supply Corporation**  
**SOAH Docket No: 582-07-0297**  
**TCEQ Docket No. 2006-0780-UCR**

**STATE OFFICE OF  
ADMINISTRATIVE HEARINGS:**  
Honorable William G. Newchurch  
Administrative Law Judge  
State Office of Administrative Hearings  
300 West Fifteenth Street, Suite 502  
Austin, Texas 78701-1649  
Tel.: (512) 475-4993  
Fax: (512) 475-4994

**FOR THE APPLICANT:**  
Stan Putnam  
Judge, Kostura & Putnam, P.C.  
2901 Bee Caves Road  
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Austin, Texas 78746  
Tel.: (512) 328-9099  
Fax: (512) 328-4132

**FOR SEA GUN HOMEOWNERS  
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Fax: (512) 473-2609

**FOR THE PUBLIC INTEREST  
COUNSEL:**  
Mary Alice Boehm-McKaughan, Staff  
Attorney  
Texas Commission on Environmental  
Quality  
Office of the Public Interest Counsel,  
MC 103  
P.O. Box 13087  
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**FOR THE CHIEF CLERK:**  
LaDonna Castañuela, Chief Clerk  
Texas Commission on Environmental  
Quality  
Office of the Chief Clerk, MC 105  
P.O. Box 13087  
Austin, Texas 78711-3087  
Tel.: (512) 239-3300  
Fax: (512) 239-3311

**FOR THE GENERAL COUNSEL:**  
Todd Burkey  
Texas Commission on Environmental  
Quality  
Office of the General Counsel, MC 101  
P. O. Box 13087  
Austin, Texas 78711-3087  
Tel.: (512) 239-5525  
Fax: (512) 239-5533

# Texas Commission on Environmental Quality

INTEROFFICE MEMORANDUM

To: Texas Commission on Environmental Quality Date: March 22, 2007

Through: LaDonna Castañuela  
Chief Clerk

From: Environmental Law Division

Subject: Agenda Executive Summary; Establishment of Final Sewer Rate after Granting  
Emergency Sewer Rate pursuant to Application of Patrick King, Receiver for Lamar  
Water Supply Corporation; Certificate of Convenience and Necessity ("CCN") No.  
20607, for an Emergency Sewer Rate Increase in Aransas County, Texas; TCEQ  
Docket No. 2006-0780-UCR.

CHIEF CLERK'S OFFICE  
227 MAR 23 AM 10:00  
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

**APPLICANT:** Patrick C. King, Receiver for Lamar Water Supply Corporation

**TYPE OF REQUEST:** Establishment of a final rate after an emergency sewer rate increase.

**AUTHORITY:** Texas Water Code §§ 5.508 and 13.4133; 30 Texas Administrative Code § 35.202.

**BACKGROUND:** Patrick C. King (King), as receiver for Lamar Water Supply Corporation, operates a sewer treatment plant in Aransas County, Texas. The sewer system failed. The failure necessitated that the sewage be pumped and hauled to another plant for treatment. In order to cover the costs of the pumping and hauling, King filed a request for an emergency sewer rate increase on May 10, 2006. The utility provides sewer service to approximately 36 customers. On July 13, 2006, the Executive Director approved the emergency rate increase. The emergency rate increase was sent to agenda to be affirmed, modified, or set aside. The backup material and supplemental backup material provided for that agenda setting are attached (Exhibit A). On September 15, 2006, the Commission affirmed and modified the ED emergency order (Exhibit B). The modified emergency order was provided to the customers and the customers were notified of the time and date that SOAH would hold a hearing to establish a final rate (Exhibit C). On November 7, 2006, SOAH held a preliminary hearing, took jurisdiction and named the parties. On December 19, 2006, the protestant withdrew its protest based on a settlement the parties finalized. (Exhibit D) On December 29, 2006, the applicant filed a motion to dismiss the case based on the settlement. (Exhibit E) On January 10, 2007, the ALJ signed an order dismissing the case and remanded the application for the ED to present to the Commission for approval of the agreement. All the SOAH orders in this case are attached (Exhibit F). Notice of the April 11, 2007, agenda setting has been provided to all parties and is attached (Exhibit G)

**STAFF RECOMMENDATION:** Staff recommends approving the final rate to which the parties agreed. A proposed order is attached.

**STAFF CONTACTS:**

Brian MacLeod, Environmental Law Division (239-6257)

Andy Lutringer, Water Supply Division (239-6179)

Doug Holcomb, Water Supply Division (239-6947)

# EXHIBIT A



Kathleen Hartnett White, *Chairman*  
Larry R. Soward, *Commissioner*  
Glenn Shankle, *Executive Director*



## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

August 18, 2006

Ms. LaDonna Castañuela  
Office of the Chief Clerk  
Texas Commission on Environmental Quality  
Post Office Box 13087, MC-105  
Austin, Texas 78711-3087

TEXAS  
COMMISSION  
ON ENVIRONMENTAL  
QUALITY  
2006 AUG 18 PM 4:39  
CHIEF CLERKS OFFICE

Re: Application of Patrick C. King, as receiver appointed by the 250th Judicial District of Travis County for the Lamar Water Supply Corporation for an emergency sewer rate increase in in Aransas County, Texas; Application No. 35354-G, Certificate of Convenience and Necessity No. 20607

Dear Ms. Castañuela:

Enclosed for filing please find the original and eleven copies of the Executive Director's Backup materials for the September 6, 2006 Commissioners' Agenda regarding the referenced matter. Subject to the General Counsel's approval, the Executive Director would like to file the Applicant's Affidavits regarding notice of the rate increase and notice of agenda at a later date, not to exceed two days before agenda.

If you have any questions, please do not hesitate to call me at (512) 239-0750.

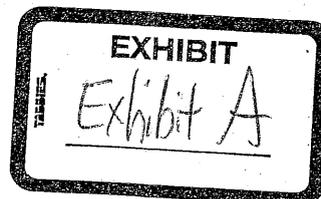
Sincerely,

A handwritten signature in black ink, appearing to read "B. MacLeod", with a long horizontal line extending to the right.

Brian D. MacLeod  
Staff Attorney  
Environmental Law Division

cc: Mailing List

Enclosures



**Mailing List**  
**Lamar Water Supply Corporation**  
**TCEQ Docket No. 2006-0780-UCR**

**FOR THE APPLICANT:**

Patrick C. King  
Receiver for Lamar Water Supply  
Corporation  
1600 Stagecoach Road Lp  
Dripping Springs, Texas 78620

**FOR THE EXECUTIVE DIRECTOR:**

Brian MacLeod, Staff Attorney  
Texas Commission on Environmental  
Quality  
Environmental Law Division, MC 173  
P.O. Box 13087  
Austin, Texas 78711-3087  
Tel.: (512) 239-0750  
Fax: (512) 239-0606

**FOR THE PUBLIC INTEREST  
COUNSEL:**

Blas J. Coy, Jr.  
Texas Commission on Environmental  
Quality  
Office of the Public Interest Counsel,  
MC 103  
P.O. Box 13087  
Austin, Texas 78711-3087  
Tel.: (512) 239-6363  
Fax: (512) 239-6377

**FOR OFFICE OF PUBLIC  
ASSISTANCE:**

Jodena Henneke, Director  
Texas Commission on Environmental  
Quality  
Office of Public Assistance, MC 108  
P.O. Box 13087  
Austin, Texas 78711-3087  
Tel.: (512) 239-4085  
Fax: (512) 239-4007

**FOR ALTERNATIVE DISPUTE  
RESOLUTION:**

Kyle Lucas  
Texas Commission on Environmental  
Quality  
Office of Alternative Dispute  
Resolution, MC 222  
P.O. Box 13087  
Austin, Texas 78711-3087  
Tel.: (512) 239-4010  
Fax: (512) 239-4015

**FOR THE GENERAL COUNSEL:**

Derek Seal  
Texas Commission on Environmental  
Quality  
Office of the General Counsel, MC 101  
P. O. Box 13087  
Austin, Texas 78711-3087  
Tel.: (512) 239-5525  
Fax: (512) 239-5533

**FOR THE CHIEF CLERK:**

LaDonna Castañuela, Chief Clerk  
Texas Commission on Environmental  
Quality  
Office of the Chief Clerk, MC 105  
P. O. Box 13087  
Austin, Texas 78711-3087  
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Fax: (512) 239-3311

# Texas Commission on Environmental Quality

INTEROFFICE MEMORANDUM

To: Texas Commission on Environmental Quality Date: August 16, 2006

Through: LaDonna Castañuela  
Chief Clerk

From: Environmental Law Division

Subject: Agenda Executive Summary; Application of Patrick King, Receiver for Lamar Water Supply Corporation; Certificate of Convenience and Necessity ("CCN") No. 20607, for an Emergency Sewer Rate Increase in Aransas County, Texas; TCEQ Docket No. 2006-0780-UCR.

**APPLICANT:** Patrick C. King, Receiver for Lamar Water Supply Corporation

**TYPE OF REQUEST:** Emergency sewer rate increase.

**AUTHORITY:** Texas Water Code §§ 5.508 and 13.4133; 30 Texas Administrative Code § 35.202.

**BACKGROUND:** Patrick C. King (King), as receiver for Lamar Water Supply Corporation, operates a sewer treatment plant in Aransas County, Texas. The sewer system failed. The failure necessitated that the sewage be pumped and hauled to another plant for treatment. In order to cover the costs of the pumping and hauling, King filed a request for an emergency sewer rate increase on May 10, 2006. The utility provides sewer service to approximately 36 customers. On July 13, 2006, the Executive Director approved the Emergency rate increase. A copy of the order is attached to the filed backup materials.

**EMERGENCY RATE ORDER:** The Executive Director issued an Emergency Rate Increase Order on July 13, 2006, without a hearing, approving emergency rates different and in a different form than what were proposed by the Applicant. A copy of the Emergency Rate Order is attached to the backup materials and gives the details of the approved emergency rate.

**STAFF RECOMMENDATION:** Staff recommends approving the emergency order without modification.

**HEARING TO SET FINAL RATE:** In addition to the hearing required by Water Code § 5.504 and 30 Texas Administrative Code Chapter 35 to affirm, modify, or set aside the Emergency Rate Order, sections 5.508(c) and 13.4133(c) of the Water Code require the Commission to schedule a hearing to establish a final rate within 15 months after the date an emergency rate increase took effect. The additional revenues collected under the emergency rate increase are subject to refund if the Commission finds that the rate increase was larger than necessary to ensure continuous and adequate service.

**STAFF CONTACTS:**

Brian MacLeod, Environmental Law Division (239-6257)  
Andy Lutringer, Water Supply Division (239-6179)  
Doug Holcomb, Water Supply Division (239-6947)

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



TCEQ DOCKET NO. 2006-0780-UCR

APPLICATION OF PATRICK C.	§	BEFORE THE
KING, RECEIVER FOR LAMAR	§	
WATER SUPPLY CORPORATION	§	
CERTIFICATE OF CONVENIENCE	§	TEXAS COMMISSION ON
AND NECESSITY NO. 20607	§	
FOR AN EMERGENCY SEWER RATE	§	
INCREASE IN ARANSAS COUNTY,	§	
TEXAS	§	ENVIRONMENTAL QUALITY

**AN ORDER TO AFFIRM AN EMERGENCY RATE INCREASE ORDER**

On September 6, 2006, the Texas Commission on Environmental Quality ("TCEQ" or "Commission") considered whether to affirm, modify, or set aside an Emergency Rate Increase Order for Patrick C. King, Receiver for Lamar Water Supply Corporation, Certificate of Convenience and Necessity ("CCN") No. 20607 in Aransas County, Texas. The Emergency Order was issued by the Executive Director without a hearing on July 13, 2006. The Commission considered the application by Patrick C. King under §§ 5.508 and 13.4133, Texas Water Code (Code), and 30 Texas Administrative Code ("TAC") § 35.202. The Commission finds that the Executive Director appropriately issued the Emergency Order and that Patrick C. King has satisfied the requirements for an Emergency Rate Increase Order under Subchapter L of Chapter 5 of the Code and Subchapter K of Chapter 13 of the Code.

**THEREFORE, THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY ORDERS THAT:**

The Emergency Order, attached as Exhibit A and incorporated into this Order by reference, is affirmed.

TEXAS COMMISSION ON  
ENVIRONMENTAL QUALITY

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For the Commission

EMERGENCY ORDER APPLICATION OF  
PATRICK C. KING, AS RECEIVER,  
APPOINTED BY THE 250<sup>TH</sup> JUDICIAL  
DISTRICT COURT OF TRAVIS COUNTY,  
FOR LAMAR WATER SUPPLY  
CORPORATION, SEWER CERTIFICATE  
OF CONVENIENCE AND NECESSITY  
NO. 20607, APPLICATION NO. 35354-G

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§

BEFORE THE TEXAS COMMISSION  
ON  
ENVIRONMENTAL QUALITY

**EMERGENCY RATE ORDER**

On July 13, 2006, the Executive Director (ED) of the Texas Commission on Environmental Quality (TCEQ) considered the application of Patrick C. King, as receiver appointed by the 250<sup>th</sup> Judicial District of Travis County for Lamar Water Supply Corporation, for an emergency sewer rate increase under §§ 5.508 and 13.4133, Texas Water Code, and 30 Texas Administrative Code § 35.202. The Commission has jurisdiction to consider this matter and the following findings of fact and conclusions of law are appropriate after examining the application and the supporting documentation:

**FINDINGS OF FACT**

1. Patrick C. King, as receiver appointed by the 250<sup>th</sup> Judicial District of Travis County for Lamar Water Supply Corporation ("Utility"), provides retail utility sewer service. The Utility is located in Aransas County Texas, and its mailing address is at 1600 Stagecoach Ranch Loop, Dripping Springs, Texas. The Utility provides retail sewer service to approximately 36 customers; the Utility provides sewer service within the Seagun Subdivision. No portion of the area served is within the corporate limits of any municipality.
2. On May 10, 2006, the Utility submitted an application requesting an emergency sewer rate increase. The application requested a slight lowering of the flat rate and the imposition of a surcharge and a pass through. The rate increase is requested to allow the Utility to meet its revenue requirements with rates sufficient to meet the Utility's operating expenses.

3. The ED has reviewed the information included in the application and recommends approval of the staff's following emergency rate as necessary to ensure the provision of continuous and adequate sewer service to the Utility's customers:

	UTILITY'S CURRENT RATE	UTILITY'S PROPOSED RATE	STAFF'S RECOMMENDED RATE
For Condominium Complex:			
Flat monthly fee	\$61.13/mo.	\$46.03/mo	\$39.00/mo
Surcharge fee	\$0.00	\$38.06	\$23.30
Pass through Fee	\$0.00	\$124.77/mo.	\$0.10/gallon *
TOTAL	61.13	\$208.86	\$62.30 + 0.10/gallon *
For the Retail Convenience Store:			
Flat monthly fee	\$61.13/mo.	\$46.03/mo	\$39.00
Surcharge fee	\$0.00	\$2,367.95/mo.	\$23.30
Pass through Fee	\$0.00	\$7,971.98/mo.	\$0.10/gallon *
TOTAL	61.13	\$7,971.98	\$62.30 + 0.10/gallon

4. The effective date of the emergency rate should be July 14, 2006 with a termination date of October 14, 2006.

5. Because the Utility began billing its proposed rate without authorization from the

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\* Based on number of gallons of water metered

Commission, the Utility shall refund to the customers any amounts collected in excess of the prior rate billed before the effective date of the emergency rate established in this order.

6. This Emergency Order will be scheduled for consideration by the Commission to affirm, modify, or set aside, on September 6, 2006.

#### CONCLUSIONS OF LAW

1. The Commission is authorized to regulate rates within the Utility's service area, which is outside the limits of any municipality.
2. Pursuant to §§ 5.508 and 13.4133(a) of the Texas Water Code, the Commission may approve an emergency rate for a utility for which a receiver has been appointed under §13.412 of the Water Code.
3. Section 5.501(c), Texas Water Code, authorizes the Commission to delegate its authority to issue emergency orders to the Executive Director. Section 35.202, 30 Texas Administrative Code, authorizes the Executive Director to approve an emergency rate increase pursuant to §§ 5.508 and 13.4133, Texas Water Code.
4. Notice to ratepayers of an emergency rate increase is governed by §§ 5.508(b) and 13.4133(b), Texas Water Code, and 30 Texas Administrative Code § 35.202(f).
5. Public hearings on an emergency rate increase are governed by §§ 5.508(c) and 13.4133(c), Texas Water Code.
6. The Executive Director's recommended emergency rate set forth in finding of Fact No. 3 is necessary to ensure the provision of continuous and adequate services to the Utility's customers.

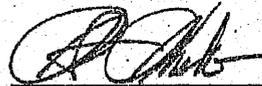
NOW, THEREFORE, BE IT ORDERED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY THAT:

1. The emergency rate increase requested by Patrick C. King, as receiver appointed by the 250<sup>th</sup> Judicial District of Travis County for Lamar Water Supply Corporation, is approved and shall be subject to the following conditions:
  - a. The Executive Director's recommended emergency rate set forth in Finding of Fact No. 3 is approved for a period of three (3) months from its effective date, or until a final rate is set, whichever occurs sooner.
  - b. The emergency rate is effective July 14, 2006 with a termination date of October 14, 2006.
  - c. The surcharge and pass through fee revenues shall be maintained by the receiver in a separate bank account to be used only for hauling costs and wastewater treatment costs.
  - d. The Utility shall refund to the customers any amounts collected in excess of the prior rate billed before the effective date of the emergency rate established in this order. This may be done by either a credit on future bills or by direct cash payment.
2. Patrick C. King, as receiver appointed by the 250<sup>th</sup> Judicial District of Travis County for Lamar Water Supply Corporation, is directed to notify each ratepayer of the emergency rate increase not later than the effective date of the approved emergency rate (July 14, 2006), in accordance with 30 Texas Administrative Code § 35.202(f).
3. This Order was issued without a hearing. This Emergency Order will be scheduled for consideration by the Commission to affirm, modify, or set aside, on September 6, 2006.

4. The Chief Clerk of the Texas Commission on Environmental Quality shall forward a copy of this Order to all parties.
5. If any provision, sentence, clause, or phrase of this Order is for any reason held to be invalid, the invalidity of any portion shall not affect the validity of the remaining portions of the Order.

Issue Date: JUL 13 2006

TEXAS COMMISSION ON  
ENVIRONMENTAL QUALITY



---

For the Commission

Kathleen Hartnett White, *Chairman*  
Larry R. Soward, *Commissioner*  
Glenn Shankle, *Executive Director*



## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

August 8, 2006

**BY CERTIFIED AND FIRST CLASS MAIL**

Patrick King, Receiver for  
Lamar Water Supply Corporation  
1600 Stagecoach Road Loop  
Dripping Springs, Texas 78620

RE: Mailing requirements for Notice of Public Hearing on Application by Patrick King, receiver for Lamar water Supply Corporation, Certificate of Convenience and Necessity No. 20607, for an emergency Sewer Rate Increase in Aransas County; TCEQ Docket No. 2006-0780-UCR

Dear Mr. King:

Enclosed is a Notice of Public Hearing concerning the above-referenced application. This notice must be provided in its entirety to all effected utility customers at the utility company's expense. You may mail it with a utility bill or statement, or by separate first class mail. In accordance with Section 35.25(e) (8) of the Texas Commission on Environmental Quality rules, 30 Texas Administrative Code, all effected customers **must receive notice** not less than 10 days before the hearing date, **or not later than August 25, 2006.**

After the notice is mailed to all affected customers, you must file an affidavit stating the attached notice was mailed to all affected customers, and stating the date on which it was mailed. Please be sure to attach a copy of the mailed notice to the affidavit. The affidavit must be filed with the Office of the Chief Clerk of the Texas Commission on Environmental Quality, Attention: Paul Mungia, TCEQ, Mail Code 105, P.O. Box 13087, Austin, Texas 78711-3087, at least two days before the public hearing.

Immediately contact the Office of the Chief Clerk in the event that this notice is not provided in a timely manner. When contacting the Commission regarding this application, please reference the TCEQ Docket number given at the top of this letter.

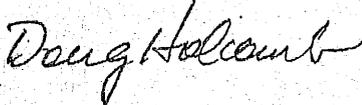
TEXAS  
COMMISSION  
ON ENVIRONMENTAL  
QUALITY

2006 AUG - 8 PM 1:17  
CHIEF CLERKS OFFICE

Mr. Patrick King  
August 8, 2006  
Page 2

If you have any questions, please contact Brian MacLeod in the Environmental Law Division at (512) 239-0750.

Sincerely,



Doug Holcomb, P.E., Section Manager  
Utilities & Districts Section  
Water Supply Division  
Enclosures  
cc: Mailing List

TCEQ – Office of the Chief Clerk  
Attn: Paul Mungia – MC 105  
P.O. Box 13087  
Austin, Texas

TCEQ Docket No. 2006-0780-UCR  
Emergency Rate Increase  
Set for 09/06/06 Commission Agenda

AFFIDAVIT OF NOTICE TO CUSTOMERS OF PUBLIC HEARING

STATE OF TEXAS

COUNTY OF TRAVIS

Before me, the undersigned authority, on this day personally appeared the affiant who being by me duly sworn, deposes and says:

My name is Patrick King, I am over eighteen years of age. I have personal knowledge of the facts stated herein, and they are all true and correct.

I am the Receiver for Lamar Water Supply Corporation (Utility) appointed by the 250<sup>th</sup> Judicial District Court of Travis County, Texas. On August \_\_\_\_, 2006, I caused to be mailed to all of the Utility's affected customers the attached notice of public hearing. The notice was mailed by first class mail.

\_\_\_\_\_  
Signature of Affiant

Subscribed and Sworn to before me on this \_\_\_\_ day of August, 2006, to certify which witness my hand and seal of office.

\_\_\_\_\_  
Notary Public in and for the State of Texas

(SEAL)

\_\_\_\_\_  
Print or Type Name of Notary

My Commission expires: \_\_\_/\_\_\_/\_\_\_

**Mailing List for Lamar Water Supply Corporation**  
**Application No. 35354-G**  
**TCEQ Docket No. 2006-0780-UCR**

Mr. Darrell Nichols  
B&D Environmental, Inc.  
P.O. Box 90544  
Austin, Texas 78709

Engineer for Receiver

Mr. Stan Puttman  
2901 Bee Caves Road, Box L  
Austin, Texas 78746

Attorney for Receiver

Courtesy copies:

Tom Bohl, Office of the Attorney General  
TCEQ Region 14 Office  
Brian MacLeod, TCEQ, MC 176  
Andy Lutringer, TCEQ, MC 153  
Brian Dickey, TCEQ, MC 153

TEXAS  
COMMISSION  
ON ENVIRONMENTAL  
QUALITY

2006 AUG - 8 PM 4:08  
CHIEF CLERKS OFFICE

**NOTICE OF PUBLIC HEARING  
EMERGENCY RATE INCREASE  
TCEQ Docket No. 2006-0780-UCR**

**APPLICATION.** Patrick C. King, as receiver appointed by the 250<sup>th</sup> Judicial District of Travis County for Lamar Water Supply Corporation ("Utility"), Certificate of Convenience and Necessity No. 20607, applied to the Texas Commission on Environmental Quality ("TCEQ" or "Commission") for an emergency sewer rate increase (Application No. 35354-G). An emergency rate increase was approved by the Executive Director on July 13, 2006, without a hearing. The Emergency Rate Increase Order authorized a rate increase for sewer rates as follows:

	UTILITY'S PREVIOUS RATE	EMERGENCY ORDER RATE
<b>For Condominium Complex:</b>		
Flat monthly fee	\$61.13/mo.	\$39.00/mo
Surcharge fee	\$0.00	\$23.30
Pass through Fee	\$0.00	\$0.10/gallon *
<b>TOTAL</b>	<b>61.13</b>	<b>\$62.30 + 0.10/gallon *</b>
<b>For the Retail Convenience Store:</b>		
Flat monthly fee	\$61.13/mo.	\$39.00
Surcharge fee	\$0.00	\$23.30
Pass through Fee	\$0.00	\$0.10/gallon *
<b>TOTAL</b>	<b>61.13</b>	<b>\$62.30 + 0.10/gallon*</b>

The surcharge fee was approved to allow the Utility to begin repayment for pumping and hauling services and waste water treatment services provided before the effective date of the emergency

\* Based on number of gallons of water metered

rates. The pass through fee was approved to allow the Utility to continue to pay for pumping and hauling services and waste water treatment services provided after the effective date of the emergency rates (the effective date was July 14, 2006). Patrick C. King requested the emergency rate increase to allow the Utility to continue to provide continuous and adequate services to its customers.

The Utility provides service to approximately 36 customers in Aransas County, Texas. None of its customers are within the corporate limits of any municipality, therefore the Commission has jurisdiction to set emergency rates for all of the Utility's customers. The Utility is located in Aransas County Texas, and its mailing address is at 1600 Stagecoach Ranch Loop, Dripping Springs, Texas. Patrick King was appointed receiver of the Utility by the 250<sup>th</sup> Judicial District of Travis County.

**PUBLIC HEARING.** The Commission will conduct a public hearing on this application at:

**9:30 a.m. — September 6, 2006**  
**Texas Commission on Environmental Quality**  
**Room 201S, Building E**  
**12100 Park 35 Circle**  
**Austin, Texas 78753-1808**

The public hearing will be conducted in accordance with Title 30, Texas Administrative Code (TAC), Chapter 10 (relating to Commission meetings).

**PUBLIC COMMENT.** You may comment either in person at the public hearing on September 6, 2006, or by submitting written comments. You are encouraged to submit written comments before the public hearing to the Office of Chief Clerk, TCEQ, MC-105, P.O. Box 13087, Austin, Texas 78711-3087. Written comments should include: (1) your name, address, and daytime telephone number, and (2) the TCEQ docket number found at the top of this notice.

**EVIDENTIARY HEARING.** If requested by an affected person, either at or before the public hearing on September 6, 2006, the TCEQ may grant an evidentiary hearing on the Emergency Rate Increase Order. The Commission will determine if a person is an affected person in accordance with Texas Water Code § 5.115(a) and 30 TAC § 35.28. An evidentiary hearing is similar to a court trial, with each party afforded the opportunity to present sworn testimony and other legally admissible evidence and to ask questions of other witnesses. If an evidentiary hearing is held, the Commission's decision to grant or deny the application will be based on evidence introduced at the hearing and applicable law.

To request an evidentiary hearing, you must furnish the following: (1) your name (or for a group or association, an official representative), mailing address, daytime phone number, and fax number, if any; (2) applicant's name; (3) the statement: "[I/we] request an evidentiary hearing"; (4) a brief and

specific description of how you would be affected by the application in a way not common to the general public. You may also submit your proposed adjustments to the Emergency Rate Increase Order that would satisfy your concerns.

Requests for an evidentiary hearing must be submitted in writing to the Office of the Chief Clerk at the address provided in the information section below. If you submit a written evidentiary hearing request to the Office of the Chief Clerk before the public hearing on September 6, 2006, you are encouraged to attend the public hearing to answer any questions the Commission may have.

If an evidentiary hearing is held, it shall be conducted under the Administrative Procedures Act (APA), Chapter 2001, Texas Government Code, and the procedural rules of the TCEQ and the State Office of Administrative Hearings, including 30 TAC Chapter 80 and 1 TAC Chapter 155.

**HEARING TO SET FINAL RATE.** In addition to the public hearing on September 6, 2006, and whether or not the Commission grants an evidentiary hearing on the Emergency Rate Increase Order, the TCEQ will schedule a hearing to establish final rates within 15 months after the date the emergency rate took effect. The additional revenues collected under the emergency rate increase are subject to refund if the Commission finds that the rate increase was larger than necessary to ensure continuous and adequate service.

**INFORMATION.** A copy of the application for the emergency rate increase may be obtained from the Office of the Chief Clerk, TCEQ, MC-105, P.O. Box 13087, Austin, Texas 78711-3087. For information concerning the hearing process, please contact the TCEQ Office of the Public Interest Counsel (MC 103), P.O. Box 13087, Austin, TX 78711-3087. For additional information, contact the TCEQ Water Supply Division, Utilities & Districts Section (MC 153), P.O. Box 13087, Austin, TX 78711-3087, telephone 512-239-4691 or Brian MacLeod, Staff Attorney, Environmental Law Division, TCEQ, MC-173, P.O. Box 13087, Austin, Texas 78711-3087, telephone 512-239-0600. General information regarding the TCEQ can be found at our web site at [www.TCEQ.state.tx.us](http://www.TCEQ.state.tx.us).

**(PERSONS WITH DISABILITIES WHO PLAN TO ATTEND THE TCEQ AGENDA AND WHO MAY NEED AUXILIARY AIDS OR SERVICES SUCH AS INTERPRETERS FOR PERSONS WHO ARE DEAF OR HEARING IMPAIRED, READERS, LARGE PRINT, OR BRAILLE ARE REQUESTED TO CONTACT OFFICE OF THE CHIEF CLERK AT (512) 239-3300 AT LEAST TWO (2) WORK DAYS PRIOR TO THE AGENDA, SO THAT APPROPRIATE ARRANGEMENTS CAN BE MADE. PERSONS WHO DESIRE THE ASSISTANCE OF AN INTERPRETER IN CONJUNCTION WITH THEIR ORAL PRESENTATION AT THIS TCEQ AGENDA ARE REQUESTED TO CONTACT THE OFFICE OF THE CHIEF CLERK AT (512) 239-3300 AT LEAST FIVE (5) WORK DAYS PRIOR TO THE AGENDA SO THAT APPROPRIATE ARRANGEMENTS CAN BE MADE.)**

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

PATRICK KING  
 RECEIVER FOR LAMAR WATER SUPPLY  
 CORPORATION  
 1600 STAGECOACH ROAD, LP  
 DRIPPING SPRINGS TX 78620

Re: 8/8/06 LETTER

2. Article Number  
(Transfer from service label)

7004 1350 0000 4757 2212

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature  Agent  
*Shelma Rhodes*  Addressee

B. Received by (Printed Name) C. Date of Delivery  
*Shelma Rhodes* 8/10/06

D. Is delivery address different from Item 1?  Yes  
 If YES, enter delivery address below:  No

3. Service Type  
 Certified Mail  Express Mail  
 Registered  Return Receipt for Merchandise  
 Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)  Yes

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

UNITED STATES POSTAL SERVICE



First-Class Mail  
 Postage & Fees Paid  
 USPS  
 Permit No. G-10

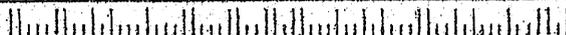
• Sender: Please print your name, address, and ZIP+4 in this box •

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY  
 OFFICE OF LEGAL SERVICES  
 BRIAN MACLEOD  
 PO Box 13087  
 AUSTIN TX 78711-3087

RECEIVED  
 AUG 11 2006

OFFICE OF LEGAL SERVICES

8012



Kathleen Hartnett White, *Chairman*  
R. B. "Ralph" Marquez, *Commissioner*  
Larry R. Soward, *Commissioner*  
Glenn Shankle, *Executive Director*



## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

July 13, 2006

Mr. Patrick C. King, Receiver  
Lamar Water Supply Corporation  
1600 Stagecoach Ranch Road  
Dripping Springs, Texas 78620

Re: Emergency Rate Increase Application of Patrick C. King, Receiver for Lamar Water Supply Corporation in Aransas County; CCN No. 20607; Application No. 35354-G  
RN: 102685609 CN: 601363153

Dear Mr. King:

Your emergency rate increase application for Lamar Water Supply Corporation, received on May 10, 2006, has been approved by the Executive Director. As this application was approved without a hearing, the Texas Administrative Code, Section 35.27 requires a hearing to affirm, modify, or set aside the order to be held before the Commission as soon as practicable after the order is issued. You will be receiving correspondence shortly advising you of the date upon which the Commission will consider the Executive Director's approval of your emergency rate increase application.

Your new rates which are different from the requested increase may go into effect July 14, 2006. The attached notice of rate increase must be provided to the ratepayers as soon as possible.

A hearing to determine the final rates to be charged by this water system will be scheduled within fifteen months after the date of the emergency rate increase effective date. The utility is required to provide notice of this hearing to each customer. The additional revenues collected during the emergency rate increase are subject to refund if the commission finds the rate increase was larger than necessary to ensure continuous and adequate service.

If you have any further questions, please contact Ms. Elsie Pascua at (512) 239-5367 or Mr. Brian Dickey at (512) 239-0963, or if by mail, include MC 153 in the letterhead address.

Sincerely,

A handwritten signature in cursive script that reads "Doug Holcomb".

Doug Holcomb, P.E., Manager  
Utilities & Districts Section  
Water Supply Division

DH/ARL/ac

Enclosure

MAILING LIST  
PATRICK C. KING  
RECEIVER FOR LAMAR WATER SUPPLY CORPORATION  
CCN NO. 20607; APPLICATION NO. 35354-G  
TCEQ DOCKET NO. 2006-0780-UCR

Mr. Patrick C. King, Receiver  
Lamar Water Supply Corporation  
1600 Stagecoach Ranch Road  
Dripping Springs, Texas 78620

Bret W. Fenner, P.E.  
P.O. Box 90544  
Austin, Texas 78709

Texas Commission on Environmental Quality  
P.O. Box 13087  
Austin, TX 78711-3087

Brian MacLeod, Environmental Law Division, MC 173  
Elsie N. Pascua, Water Supply Division, MC 153  
Tammy Lee Holguin-Benter, Water Supply Division, MC 153  
Brian Dickey, Water Supply Division, MC 153  
Blas Coy, Public Interest Counsel, MC 103  
Docket Clerk, Office of Chief Clerk, MC 105

EMERGENCY ORDER APPLICATION OF §  
PATRICK C. KING, AS RECEIVER §  
APPOINTED BY THE 250<sup>TH</sup> JUDICIAL §  
DISTRICT COURT OF TRAVIS COUNTY, §  
FOR LAMAR WATER SUPPLY §  
CORPORATION, SEWER CERTIFICATE §  
OF CONVENIENCE AND NECESSITY §  
NO. 20607, APPLICATION NO. 35354-G §

BEFORE THE TEXAS COMMISSION  
ON  
ENVIRONMENTAL QUALITY

**EMERGENCY RATE ORDER**

On July 13, 2006, the Executive Director (ED) of the Texas Commission on Environmental Quality (TCEQ) considered the application of Patrick C. King, as receiver appointed by the 250<sup>th</sup> Judicial District of Travis County for Lamar Water Supply Corporation, for an emergency sewer rate increase under §§ 5.508 and 13.4133, Texas Water Code, and 30 Texas Administrative Code § 35.202. The Commission has jurisdiction to consider this matter and the following findings of fact and conclusions of law are appropriate after examining the application and the supporting documentation:

**FINDINGS OF FACT**

1. Patrick C. King, as receiver appointed by the 250<sup>th</sup> Judicial District of Travis County for Lamar Water Supply Corporation ("Utility"), provides retail utility sewer service. The Utility is located in Aransas County Texas, and its mailing address is at 1600 Stagecoach Ranch Loop, Dripping Springs, Texas. The Utility provides retail sewer service to approximately 36 customers; the Utility provides sewer service within the Seagun Subdivision. No portion of the area served is within the corporate limits of any municipality.
2. On May 10, 2006, the Utility submitted an application requesting an emergency sewer rate increase. The application requested a slight lowering of the flat rate and the imposition of a surcharge and a pass through. The rate increase is requested to allow the Utility to meet its revenue requirements with rates sufficient to meet the Utility's operating expenses.

3. The ED has reviewed the information included in the application and recommends approval of the staff's following emergency rate as necessary to ensure the provision of continuous and adequate sewer service to the Utility's customers:

	UTILITY'S CURRENT RATE	UTILITY'S PROPOSED RATE	STAFF'S RECOMMENDED RATE
For Condominium Complex:			
Flat monthly fee	\$61.13/mo.	\$46.03/mo	\$39.00/mo
Surcharge fee	\$0.00	\$38.06	\$23.30
Pass through Fee	\$0.00	\$124.77/mo.	\$0.10/gallon *
TOTAL	61.13	\$208.86	\$62.30 + 0.10/gallon *
For the Retail Convenience Store:			
Flat monthly fee	\$61.13/mo.	\$46.03/mo	\$39.00
Surcharge fee	\$0.00	\$2,367.95/mo.	\$23.30
Pass through Fee	\$0.00	\$7,971.98/mo.	\$0.10/gallon *
TOTAL	61.13	\$7,971.98	\$62.30 + 0.10/gallon

4. The effective date of the emergency rate should be July 14, 2006 with a termination date of October 14, 2006.

5. Because the Utility began billing its proposed rate without authorization from the

---

\* Based on number of gallons of water metered

Commission, the Utility shall refund to the customers any amounts collected in excess of the prior rate billed before the effective date of the emergency rate established in this order.

6. This Emergency Order will be scheduled for consideration by the Commission to affirm, modify, or set aside, on September 6, 2006.

#### CONCLUSIONS OF LAW

1. The Commission is authorized to regulate rates within the Utility's service area, which is outside the limits of any municipality.
2. Pursuant to §§ 5.508 and 13.4133(a) of the Texas Water Code, the Commission may approve an emergency rate for a utility for which a receiver has been appointed under §13.412 of the Water Code.
3. Section 5.501(c), Texas Water Code, authorizes the Commission to delegate its authority to issue emergency orders to the Executive Director. Section 35.202, 30 Texas Administrative Code, authorizes the Executive Director to approve an emergency rate increase pursuant to §§ 5.508 and 13.4133, Texas Water Code.
4. Notice to ratepayers of an emergency rate increase is governed by §§ 5.508(b) and 13.4133(b), Texas Water Code, and 30 Texas Administrative Code § 35.202(f).
5. Public hearings on an emergency rate increase are governed by §§ 5.508(c) and 13.4133(c), Texas Water Code.
6. The Executive Director's recommended emergency rate set forth in finding of Fact No. 3 is necessary to ensure the provision of continuous and adequate services to the Utility's customers.

**NOW, THEREFORE, BE IT ORDERED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY THAT:**

1. The emergency rate increase requested by Patrick C. King, as receiver appointed by the 250<sup>th</sup> Judicial District of Travis County for Lamar Water Supply Corporation, is approved and shall be subject to the following conditions:
  - a. The Executive Director's recommended emergency rate set forth in Finding of Fact No. 3 is approved for a period of three (3) months from its effective date, or until a final rate is set, whichever occurs sooner.
  - b. The emergency rate is effective July 14, 2006 with a termination date of October 14, 2006.
  - c. The surcharge and pass through fee revenues shall be maintained by the receiver in a separate bank account to be used only for hauling costs and wastewater treatment costs.
  - d. The Utility shall refund to the customers any amounts collected in excess of the prior rate billed before the effective date of the emergency rate established in this order. This may be done by either a credit on future bills or by direct cash payment.
2. Patrick C. King, as receiver appointed by the 250<sup>th</sup> Judicial District of Travis County for Lamar Water Supply Corporation, is directed to notify each ratepayer of the emergency rate increase not later than the effective date of the approved emergency rate (July 14, 2006), in accordance with 30 Texas Administrative Code § 35.202(f).
3. This Order was issued without a hearing. This Emergency Order will be scheduled for consideration by the Commission to affirm, modify, or set aside, on September 6, 2006.

4. The Chief Clerk of the Texas Commission on Environmental Quality shall forward a copy of this Order to all parties.
  
5. If any provision, sentence, clause, or phrase of this Order is for any reason held to be invalid, the invalidity of any portion shall not affect the validity of the remaining portions of the Order.

Issue Date: JUL 13 2006

TEXAS COMMISSION ON  
ENVIRONMENTAL QUALITY



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For the Commission

**LAMAR WATER SUPPLY CORPORATION  
NOTICE TO CUSTOMERS OF EMERGENCY RATE INCREASE  
EFFECTIVE JULY 14, 2006  
TCEQ Docket No. 2006-0780-UCR**

The Executive Director of the Texas Commission on Environmental Quality (TCEQ or commission) has issued an emergency order approving an emergency sewer rate increase, effective July 14, 2006, pursuant to an application by Patrick C. King, as receiver appointed by the 250<sup>th</sup> Judicial District of Travis County for Lamar Water Supply Corporation (Utility). This emergency rate increase has been approved by the Texas Commission on Environmental Quality under authority granted by Texas Water Code § 5.508 and § 13.4133 to ensure the provision of continuous and adequate service to the Utility's customers. The commission is also required to schedule a hearing to establish a final rate within 15 months after the date on which the emergency order takes effect. The utility is required to provide notice of the hearing to all customers at least 10 days before the date of the hearing. The additional revenues collected under this emergency rate are subject to refund if the commission finds that the sewer rate increase was larger than necessary to ensure continuous and adequate service. Because the emergency order was issued by the Executive Director, the commission is also required to hold a hearing to affirm, modify, or set aside the emergency order as soon as practicable after the order is issued. Utility ratepayers will be provided notice of the time and place of the commission hearing to affirm, modify, or set aside the emergency order at least 10 days before the date of the hearing.

The following rates are effective on July 14, 2006, for Utility ratepayers.

Patrick C. King, receiver appointed by the 250<sup>th</sup> Judicial District of Travis County for Lamar Water Supply Corporation, may be contacted at:

Patrick C. King, receiver appointed by the 250<sup>th</sup> Judicial District of Travis County for Lamar Water Supply Corporation  
1600 Stagecoach Ranch Loop  
Dripping Springs, Texas 28620  
Office Phone: (512) 264-3472  
Office Fax: (512) 264-3473

The Executive Director of the TCEQ approved the following staff recommended rates applicable to Utility ratepayers because they are necessary to ensure provision of continuous and adequate services to the utility's customers. The surcharge fee was approved to allow the Utility to begin repayment for pumping and hauling services and waste water treatment services provided before the effective date of the emergency rates. The pass through fee was approved to allow the Utility to continue to pay for pumping and hauling services and waste water treatment services provided after the effective date of the emergency rates. Pursuant to Rule §35.202(f)(1) of title 30 of the Texas Administrative Code, the Utility's previous rates are also listed:

	UTILITY'S PREVIOUS RATE	STAFF'S RECOMMENDED/ APPROVED RATE
<b>For Condominium Complex:</b>		
Flat monthly fee	\$61.13/mo.	\$39.00/mo
Surcharge fee	\$0.00	\$23.30
Pass through Fee	\$0.00	\$0.10/gallon *
TOTAL	61.13	\$62.30 + 0.10/gallon *
<b>For the Retail Convenience Store:</b>		
Flat monthly fee	\$61.13/mo.	\$39.00
Surcharge fee	\$0.00	\$23.30
Pass through Fee	\$0.00	\$0.10/gallon *
TOTAL	61.13	\$62.30 + 0.10/gallon

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\* Based on number of gallons of water metered

**B & D ENVIRONMENTAL, INC.**  
UTILITY MANAGEMENT, OPERATIONS, AND CONSULTING

P.O. Box 90544  
Austin, Texas 78709

Phone: (512) 264-9124  
Fax: (512) 891-0740

May 9, 2006

**RECEIVED**

MAY 10 2006

TEXAS COMMISSION  
ON  
ENVIRONMENTAL QUALITY

Ms. Tammy Lee Holguin-Benter  
TCEQ  
Water Supply Division - MC 153  
P.O. Box 13087  
Austin, Texas 78711-3087

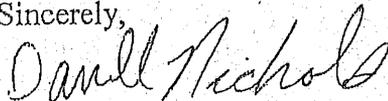
Re: Emergency Rate/Tariff Change Application for Patrick C. King, Receiver for Lamar Water Supply Corporation, Certificate of Convenience and Necessity No. 20607 Aransas County, Texas

Dear Ms. Holguin-Benter:

Enclosed are an original and five copies of a completed Emergency Rate/Tariff Change Application. Because the utility is currently in Receivership and because of the catastrophic failure of the wastewater treatment system we are requesting a waiver of the filing fee. We are requesting the rates be put into effect immediately to cover the cost of transporting the wastewater to a neighboring facility for treatment and to prevent untreated sewage from discharging into the coastal environment.

Should you have any further questions concerning this application, please do not hesitate to contact me at (512) 264-9124.

Sincerely,



Darrell Nichols  
B & D Environmental, Inc.

Enclosures

cc: Andy Lutringer



**APPLICATION FOR AN  
EMERGENCY RATE/TARIFF  
CHANGE  
(RECEIVERSHIP)**

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APPLICATION FOR A RATE/TARIFF CHANGE

SECTION IA - GENERAL INFORMATION

Applicant: Patrick C. King, Receiver for Lamar Water Supply Corporation  
(Individual, Corporation, or Other Legal Entity)

Utility Name: Lamar Water Supply Corporation  
(If different than above)

Legal form of Applicant:

<input type="checkbox"/>	Individual
<input type="checkbox"/>	Partnership
<input type="checkbox"/>	Corporation. Provide Charter Number: _____
<input type="checkbox"/>	Sub Chapter-S Corporation
<input checked="" type="checkbox"/>	Other: <u>Receiver appointed by the 250<sup>th</sup> Judicial District Court in Travis County</u>

Utility Address: 1600 Stagecoach Ranch Road Dripping Springs Texas 78620  
Street Address or Location City State Zip Code

County(ies) where services are provided: Aransas County CCN Number(s): 10566  
20607

Contact Person: Bret W. Fenner Telephone Number: (512) 264-9124  
Position: Representative Fax Number: (512) 264-9927

Address: P.O. Box 90544 Austin Texas 78709  
Street Address or Location City State Zip Code

If the applicant is a corporation, please provide a copy of the corporation's "Certificate of Account Status" (regarding the payment of franchise taxes) from the State Comptroller's Office. This "Certificate of Account Status" can be obtained from:

Comptroller of Public Accounts, Office Management  
P. O. Box 13528  
Austin, Texas 78711  
1-800-252-5555  
or  
<http://ecpa.cpa.state.tx.us/coa/coaStart.html>

**SECTION IB - MISCELLANEOUS INFORMATION**

- A. How often and on what dates are water meters typically read? Beginning of each month  
 B. When are bills typically sent out? \_\_\_\_\_

C. Do you serve customers within the corporate limits of a municipality? If No, Go to D.  Yes  No.

If yes, which municipalities? \_\_\_\_\_

How many customers are within limits of the municipality? \_\_\_\_\_

Have you filed a request to change rates with the municipality?  Yes.  No. If no, please explain: \_\_\_\_\_

D. Are you currently collecting the Regulatory Assessment Fee from your customers?  
 Yes  No **Receiver has been collecting fee since August 2, 2001**

If yes, are you current in your payment of the Regulatory Assessment Fee to the Texas Commission on Environmental Quality or the predecessor agency, Texas Water Commission, for assessments payable beginning January 1, 1992?  
 Yes  No

E. *Water Utilities:* Please indicate the Public Water System Identification numbers for each of your systems:

System Name	TCEQ PWS ID #	County	Rate Increase Applicable?
Lamar WSC	0040018	Aransas	No

For each of the systems, please provide a copy of the most recent public water system annual inspection report letter from the Texas Commission on Environmental Quality and a written explanation detailing how and when you will comply with all noted deficiencies.

F. *Sewer Utilities:* Please indicate the discharge permit number for each Wastewater Treatment Plant you operate:

Wastewater Treatment Plant Name	TCEQ Discharge Permit Number	County	Rate Increase Applicable?
Lamar WSC	10669-001	Aransas	Yes

For each of the plants, please provide a copy of the most recent inspection report letter from the Texas Commission on Environmental Quality and a written explanation detailing how and when you will comply with all noted deficiencies. **See Attachment A**

**INFORMATION REQUIRED  
FOR AN EMERGENCY  
SEWER RATE/TARIFF CHANGE**

**SECTION II: OPERATIONAL INFORMATION - SEWER**

<u>MANAGER (or owner if services are routinely provided to the utility)</u>	
Name: <u>Patrick C. King</u>	Relationship to owner: <u>Receiver</u>
Short job description: <u>Appointed by the 250<sup>th</sup> Judicial District Court to oversee all utility operations, all financial records, and to develop and implement a capital improvement schedule to bring the wastewater system into compliance with TCEQ minimum standards; time outside normal operations billed additionally @\$65.00 per hour.</u>	
Approximate number of hours per week this person works for the company: <u>20</u>	
Compensation: <u>\$10 per connection per month - \$360/month</u> ( ) Hourly - ( ) Weekly - (X) Monthly - ( ) Annual	
<u>Contract Services (no employees)</u>	
Name: <u>J.S. McHugh</u>	Relationship to owner: <u>None</u>
Short job description: <u>Onsite manager, operations, co-ordination.</u>	
Approximate number of hours per week this person works for the company: <u>5-10</u>	
Compensation: <u>\$500-w&amp;s, (\$74/mo sewer)</u> ( ) Hourly - ( ) Weekly - (X) Monthly - ( ) Annual	
Name: <u>PGMSI</u>	Relationship to owner: <u>Owned by Receiver</u>
Short job description: <u>Bookkeeping, billing, customer service, A/P, A/R, financial statements.</u>	
Approximate number of hours per week this person works for the company: <u>10</u>	
Compensation: <u>\$1072.17 w&amp;s (\$158.84 sewer)</u> ( ) Hourly - ( ) Weekly - (X) Monthly - ( ) Annual	
<u>Contract Services (attach additional sheets if necessary)</u>	
Name: _____	Relationship to owner: _____
Short job description: _____	
Approximate number of hours per week this person works for the company: _____	
Amount paid for services: _____ ( ) Hourly - ( ) Weekly - ( ) Monthly - ( ) Annual	
Please provide the names and classifications of the utility's certified operators:	
Certified Operator's Name / Classification	Certified Operator's Name / Classification
J.K. Management Services	

-Attach additional sheet(s) if necessary-

SECTION III. PLANT & EQUIPMENT INFORMATION - SEWER

A. CUSTOMER CONTRIBUTIONS

If any of the items included in your plant and equipment were 100% financed with customer contributions, assessments, surcharges, extension fees, etc., you may not include depreciation or return on those items in your cost of service. However, if those customer contributions did not cover the entire cost of the asset, you may include the amount that the utility paid for. Please list below all items that were funded either all or in part by customer contributions and indicate amount that the customers contributed for each item.

Table III. A.

Item [A]	Date of installation [B]	Total Cost [C]	Amount of Customer Contribution [D]	Difference [E] = [C] - [D]
None				①
				①
				①
				①
				①

- Attach additional sheet(s) if necessary -

① If any amount in this column is greater than zero, enter that item in the appropriate category in Table III. B.

**B. ORIGINAL COST & DEPRECIATION SCHEDULE - SEWER**

See Attachment B

Please provide the following inventory of the water utility plant being used to provide water service at the end of the test year (for sewer attach a similar list). You will be responsible for supporting this information with invoices or other documentation. Round your figures to the nearest dollar. Figures should be computed as of the end of the "test year."

Table III, B.

[A] See Attachment B Item	[B] Date of Installation	[C] Service Life (yrs)		[D] Original Cost when installed (\$)	Depreciation			[E] = [D]/[C] Annual (\$)	[F] Accumulated (\$)	[G] = [D]-[F] Net Book Value (\$)
		*	**		Years in Service					
					Yrs ①	Mos ②	Days ③			
Land		n/a								
Collection Sewers										
Gravity		50								
Force		50								
Pumping Equipment		5								
Treatment & Disposal Equipment		25								
Structures:										
Wood		15								
Masonry		30								
Plant Sewers		50								
Outfall sewer lines		50								
Laboratory Equipment		10								
Meters and Service (taps not covered by fees)		20								
Office Equipment		10								
Vehicles		5								
Shop Tools		15								
Heavy Equipment		10								
Fencing		20								
Other: (Please list)										
<b>Total</b>	26,621			26,621			739 ①	16,986 ②	9,635 ③	

\* TNRCC Suggested Service Life \*\* Other Service Life

① Enter this number in Table VI. A., Line [O], Column ① ② If [F] is greater than [D], enter the total for [D]  
 ③ Enter this number in Table IV. E., Line [A]

-Attach additional sheet(s) if necessary-

**C. DEVELOPER CONTRIBUTIONS - SEWER**

If any of the Items listed in the Depreciation Schedule were contributed by a developer, please list those items and the associated cost below.

Table III. C.

Item	Date of installation or Contribution	Total Cost	Amount of Developer Contribution	Net Book Value (from Table III. B.)
N/A				
Total				①

① Insert this amount in Table IV. E., Line [E]

- Attach additional sheet(s) if necessary -

**SECTION IV - LONG TERM DEBT & EQUITY INFORMATION - SEWER**

**A. EQUITY**

How much equity or total capital does the company have in the utility? 9,635  
 Enter also in Table IV. D., Box ③ below

**B. RATE OF RETURN**

What rate of return (profit) on investment in plant (equity) is expected? 12 %  
 Enter also in Table IV. D., Box ④ below

NOTE: You may choose

- an average equity return established by the staff each year and included with the Annual Report Instructions OR
- an interest rate that you think is fair that is less than the rate established by the staff OR
- to use the Rate of Return Worksheet which is attached to the Instructions.

**C. BANKRUPTCY**

Has the utility or utility owner filed bankruptcy within the last seven years? YES  NO  
 If YES, explain status of applicant at this time. \_\_\_\_\_

**D. DEBT & EQUITY**

List the following information concerning debt and equity of the utility and attach copies of notes payable:

Round all percentages to two (2) decimal places.

**Table IV. D. - SEWER**

[A] Name of Bank/Lender	[B] Date of Issue	[C] Date of Maturity	[D] Original Amount of Loan	[E] Outstanding or Unpaid Balance - End of Test Year	[F] Interest Rate	[G] Weighted Average [E]+ ⑥*[F]
Part 1 - Debt						
N/A			\$	\$	%	%
			\$	\$	%	%
			\$	\$	%	%
			\$	\$	%	%
			\$	\$	%	%
Total			\$ ①	\$ ②		%⑥
Part 2 - Investment/Equity				\$ 9,635 ③	12%④	12%⑦
Total Debt & Equity				\$ 9,635 ⑤		
					Rate of Return:	12%⑧

- ① Total amount of original loans
- ② Total amount of the outstanding balance on the loans
- ③ Equity in the utility - From **Section IV. A.**
- ④ Return on Equity - From **Section IV. B.**
- ⑤ Total of ② + ③
- ⑥ Total weighted average of debt - To **Table V, Line [C]**
- ⑦ Weighted average of Investment/Equity ③+ ⑤\*④
- ⑧ Sum of ⑥ + ⑦ - To **Table IV. E., Line [G]**

E. INVESTED CAPITAL & RETURN - SEWER

Table IV. E.

Net Book Value - From Table III. B., Box ③	[A]	\$ 9,635
Working cash allowance - (Amount From Table VI. A., Line [L] Column ③, Box ⑦ (+ 8)	[B]	\$ 2,211
Materials and supplies	[C]	\$
Subtotal - Sum of [A] thru [C]	[D]	\$ 11,846
Developer Contributions - From Table III. C., Box ①	[E]	\$
Total invested capital [D] - [E]	[F]	\$ 11,846
Rate of return - From Table IV. D., Box ⑥	[G]	12.0000%
Return/Interest - If [F] is greater than -0-, then enter [F] * [G]. If [F] is less than -0-, enter -0-. Enter this amount in Table V., Line [A] and Table VI. A., Line [Q], Column ②	[H]	\$ 1,421

SECTION V - INCOME TAX CALCULATION - SEWER

Use the following table to determine the amount of income tax that can be included in your revenue requirement.

Table V. See Attachment C

Return - From Table IV. E., Line [H] See Attachment#	[A]	\$
Interest Calculation		
Total Invested Capital - From Table IV. E., Line [F]	[B]	\$
Weighted Cost of Debt Capital - Percentage From Table IV. D., Box ⑥	[C]	%
Interest [B]*[C]	[D]	\$
Taxable Income [A] - [D]	[E]	\$
Enter Income Tax from Tax Table (Appendix A)	[F]	\$ ①

①To Table VI. A., Line [P], Column ②

REVENUE REQUIREMENT  
 Please provide the following information regarding the cost to the utility of providing sewer utility service over your selected twelve month year." Note 1 - Instead of using the percentages listed, you may take the Total Cost and multiply it by 67% to determine the fixed portion 33% for the variable portion.

TABLE VI. A.

Item	Line	12 Month "test year" per books	Known and Measurable Changes	Revenue Requirement for next yr	% of that is		Fixed Expenses	Variable Expenses
					Rec.	Act.		
Salaries and Wages	[A]	①	②	③=①+②	④	⑤=(③*④)/1	⑥=③-⑤	
Contract Labor	[B]	14,149	(3,775)	10,374	90	9,337	1,037	
Purchased Sewer Service	[C]	43,700	(43,700)	0	0			
Chemicals for treatment	[D]	1,796	(1,796)	0	0			
Utilities (electricity)	[E]	1,399		1,399	0	1,399	1,399	
Repairs/maintenance/supplies	[F]	2,855		2,855	50	1,428	1,427	
Office expenses	[G]	1,875	(829)	1,046	50	523	523	
Accounting & Legal fees	[H]				100			
Insurance	[I]				100			
Rate case expense	[J]		2,000	2,000	100	2,000		
Miscellaneous	[K]	210	(200)	10	50	5	5	
<b>Subtotal - Sum of Line [A] thru Line [K]</b>	[L]	65,984	(48,300)	17,684	⑦	13,293	4,391	
Payroll Taxes	[M]			0	50			
Property and other taxes	[N]			0	100			
Annual Depreciation and Amortization - From Table III. B., Box ①	[O]		739	739	100	739		
Income Taxes - From Known & Measurable changes	[P]		251	251	100	251		
Return - From Table IV. E., Line [H]	[Q]		1,421	1,421	100	1,421		
<b>Subtotal - Sum of Line [L] thru Line [Q]</b>	[R]	65,984	(45,889)	20,095		15,704	4,391	
Other Revenues	[S]	212	0	(212)	100	(212)	0	
<b>Total Cost = Line [L] + Line [R] - Line [S]</b>	[T]	65,772	(45,889)	19,883	⑧	15,492	4,391	
<b>Alternative Allocation between Fixed and Variable [Note 1]</b>	[U]			19,883	⑨	19,883	⑩	

⑦ Divide this amount by 8 and enter the result in Table IV. E., Line [B]    ⑧ To Table X. A., Line [D]    ⑨ To Table IX. B., Line [A]    ⑩ To Table IX. A., Line [A]

B. **KNOWN & MEASURABLE**  
 If you listed anything in TABLE VI. A. above as an increase/decrease expected in the next 12 months, please provide a short explanation by item why there will be a change and how you projected the cost. Changes in cost must be known and measurable and supported by invoices or other documentation.

See Attachment C

-Attach additional sheet(s) or a separate listing for sewer service if necessary-

**SECTION VII - CUSTOMER INFORMATION - SEWER**

**NUMBER OF CUSTOMERS**

How many customers (active connections) did you have at the beginning and at the end of the twelve month test year?

**TABLE VII**

Connection Type	Line	Beginning of period ①	End of period ②	Equivalency Factor ③	Meter Equivalents ④=②*③
Non-Metered Connections:					
Residential	[A]			1	
Commercial	[B]			1	
Standby	[C]			1	
Metered Water Connection:					
5/8" x 3/4"	[D]	36	36	1	36
3/4"	[E]			1.5	
1"	[F]			2.5	
1 1/2"	[G]			5	
2"	[H]			8	
3"	[I]			15	
Other:	[J]				
Total	[K]	36	36		36

⑤ To Table IX. B., Line [B] AND Table X. A., Line [F]

**SECTION VIII - TREATMENT INFORMATION - SEWER**

Please provide the following information regarding sewer utility operations over your selected twelve month "test year".

**Table VIII**

Total number of gallons treated (total master meter reading for the year)	[A]	17,391,040	gallons
Total number of gallons treated by another source for sale to customers (if any)	[B]		gallons
Total number of gallons treated $[C] = [A] + [B]$	[C]	17,391,040 ①	gallons
Source of Purchased Treatment	All sewage is hauled to Arkansas County MUD and treated there. Some chemicals are required for the MUD to receive sewage.		

① To Table IX, A., Line [B] and Table X, A., Line [B]

SECTION IX - RATE DESIGN - SEWER

A. VARIABLE RATE CALCULATIONS

Table IX. A.

	Line		Instructions
Total Variable Costs	[A]	\$ 4,391	From Table VI. A., Line [T], Box ④ or Line [U], Box ④
Total # of Gallons Treated	[B]	17,391,040	From Table VIII, Line [B]
Total # of 1,000 Gallons treated	[C]	17,391	Divide Line [B] by 1,000
Variable Cost per 1,000 gallons	[D]	\$0.25	Divide Line [A] by Line [C] Transfer to Table IX. B., Lines [E] through [J], Box ⑤

A. BASE RATE CALCULATIONS

Table IX. B.

	Line		# of 1000 gallons in base bill	Variable cost per 1,000 gals	Variable cost to be added to base rate	Total base rate per meter size
		①	②	③	④=②*③	⑤=①+④
Total fixed costs - From Table VI. A., Line [T], Box ④	[A]	\$15,492				
Total meter equivalents at end of test year - From Table VII, Line [K], Box ④	[B]	36				
Base charge per meter equivalent or for each unmetered connection [A]÷[B] and then divide by 12	[C]	\$35.86				
Base charge per meter size						
$\frac{5}{8}$ " x $\frac{3}{4}$ " or unmetered	Multiply [C] by 1 [D]	35.86	0	\$0.25⑤	0	35.86
$\frac{3}{4}$ "	Multiply [C] by 1.5 [E]	53.79	0	0.25⑤	0	53.79
1"	Multiply [C] by 2.5 [F]	89.65	0	0.25⑤	0	89.65
1½"	Multiply [C] by 5.0 [G]	179.30	0	0.25⑤	0	179.30
2"	Multiply [C] by 8.0 [H]	286.88	0	0.25⑤	0	286.88
3"	Multiply [C] by 15.0 [I]	537.90	0	0.25⑤	0	537.90
Other:	[J]			⑤		

⑤ From Table IX. A., Line [D]

**SECTION X - ALTERNATE METHOD OF RATE DESIGN - SEWER**

After you have performed the calculations in SECTION IX, you may find that the cost per 1,000 gallons is not what you think your customers will approve. If that is the case, then the following will allow you to calculate a rate structure that still recovers your revenue requirement, but with rates that you think may be more appropriate for your customers.

**Table X. A.**

	Line		
Cost per 1,000 gallons	[A]	\$0.00	This is the rate that you think is appropriate
Total # of 1,000 Gallons billed	[B]	17,391	From Table IX. A., Line [C]
Total Cost to be recovered through gallonage charge	[C]	\$0	Multiply Line [A] times Line [B]
Total Revenue Requirement	[D]	\$19,883	From Table VI. A., Line [T] Box ⑥
Total to be recovered through base rate	[E]	\$19,883	Subtract Line [C] from Line [D]
Total number of meter equivalents	[F]	36	From Table VII, Line [K], Box ⑥
Base rate per meter equivalent	[G]	\$46.03	Divide Line [E] by Line [F] & then divide by 12months Enter this in Table X. B, Line [A] Column ①

**Table X. B.**

	Line		# of 1000 gallons in base bill	Variable cost per 1,000 gals	Variable cost added to base	Total base bill per meter size
		①	②	③	④=②*③	⑤=①+④
Base charge per meter equivalent or for each unmetered connection From Table X. A, Line [G]	[A]	\$46.03				
Base rate per meter size						
5/8" x 3/4" or unmetered	[B]	46.03		⑥		46.03
3/4"	[C]	69.05		⑥		69.05
1"	[D]	115.08		⑥		115.08
1 1/2"	[E]	230.15		⑥		230.15
2"	[F]	368.24		⑥		368.24
3"	[G]	690.45		⑥		690.45
Other:	[H]			⑥		

⑥ From Table X. A., Line [A]

**AFFIDAVIT**

**WATER &/OR SEWER**

**EMERGENCY RATE/TARIFF CHANGE**

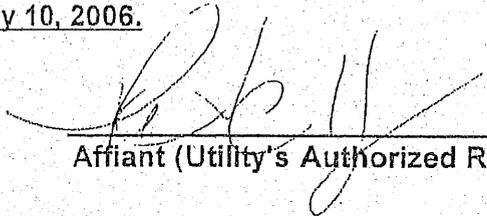
AFFIDAVIT

STATE OF TEXAS

COUNTY OF HAYS

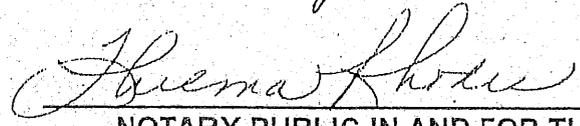
I, Patrick C. King, being duly sworn, file this NOTICE OF PROPOSED EMERGENCY RATE CHANGE as receiver and authorized representative of Utility; that, in such capacity, I am qualified and authorized to file and verify such NOTICE; and that all statements made and matters set forth herein are true and correct.

I further represent that a copy of the attached notice was provided by United States mail to each customer or other affected party on or about May 10, 2006.  
(mail or hand delivery)

  
\_\_\_\_\_  
Affiant (Utility's Authorized Representative)

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

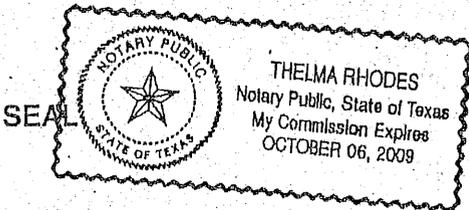
Subscribed and sworn to before me this the 10<sup>th</sup> day of May 2006,  
2008, to certify which witness my hand and seal of office.

  
\_\_\_\_\_  
NOTARY PUBLIC IN AND FOR THE

STATE OF TEXAS

Thelma Rhodes  
\_\_\_\_\_  
PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES 10/06/09



**NOTICE OF RATE/TARIFF CHANGE  
TO BE PROVIDED TO CUSTOMERS**

**NOTICE OF PROPOSED RATE CHANGE-CONDOMINIUMS**

Patrick C. King, Receiver for Lamar Water Supply Corporation

20607

Company Name

CCN Number

has submitted an emergency rate change application to the Texas Commission on Environmental Quality (Commission). The proposed rates listed on the next page will apply to service received after the effective date provided below. This emergency rate increase has been allowed by the Commission under authority granted by the Texas Water Code, sections 5.508 and 13.4144, to ensure the provision of continuous and adequate service to the utility's customers. The commission is also required to schedule a hearing to establish a final rate within 15 months after the date on which the emergency rates take effect. The Utility is required to provide notice of the hearing to all customers at least 10 days before the date of the hearing. The additional revenues collected under this emergency rate increase are subject to refund if the commission finds that the rate increase was larger than necessary to ensure continuous and adequate service. Please read the following information carefully:

**Seagun Subdivision - Condominium Complex**

**Subdivisions or Systems Affected by Rate Change**

1600 Stagecoach Ranch Road	Dripping Springs	TX	78620	512-264-3472
Company Address	City	State	Zip	Telephone
Regular rates, decrease of \$6,523 Surcharge, increase of \$44,399 Pass-through provision for transport and treatment of wastewater			<b>May 10, 2006</b>	

**Annual Revenue Increase**

January 10, 2002

**Date Customer Notice Mailed**

Beginning of each month

**Date of Last Rate Change**

**EFFECTIVE DATE OF PROPOSED INCREASE: May 10, 2006**

**Date Meters Typically Read**

**BILLING COMPARISON**

Sewer:	Existing	Flat rate (Total bill)	\$ 61.13/mo	Proposed	Flat Rate:	\$ 46.03/mo
	Existing	Surcharge	\$ 0.00	Proposed	Surcharge (12 mo)	\$ 38.06/month
Sewer	Existing	Pass-through	\$ 0.00	Proposed	Pass-through: (Estimate based on March usage)	\$ 124.77/month**
Sewer:	Existing	Total Bill:	\$ 61.13/mo	Proposed	Estimated Total monthly Bill:	\$ 208.86/mo

\*\* Pass-through will be limited to monthly cost to haul sewage to Aransas County MUD by Truck. Estimate based on March charges.

The proposed rates will apply to all service rendered after the effective date and will be reflected on the bill you receive approximately 30 to 45 days after the effective date.

In the event that the application is set for hearing, the specific rates requested by the utility may be decreased or increased by order of the Commission. If the Commission orders a lower rate to be set, the utility may be ordered to refund or credit against future bills all sums collected during the pendency of the rate proceeding in excess of the rate finally ordered plus interest. You may inspect a copy of the rate change application at your utility's office or at the Commission's office at Park 35 - Building F, 12015 Park 35 Circle, Suite 3101, Austin, Texas, west side of IH-35, south of Yager Lane. Additional information about the application can be obtained by contacting the Utilities and Districts Section at 512/239-4691. Information about how you can participate in the rate setting process can be obtained by contacting the Public Interest Counsel at 512/239-6363.

<u>CURRENT RATES</u>		<u>PROPOSED RATES</u>	
FLAT RATE:	<u>\$61.13/MONTH</u>	FLAT RATE:	<u>\$46.03</u>
Residential		Residential	
Surcharge:	<u>\$0.00</u>	Surcharge:	<u>\$38.06 (for 12 months only)</u>
Pass-through:	<u>\$0.00</u>	Pass-through:	<u>Monthly amount charged by outside provider to haul and receive sewage times % usage for that month for the complex divided by number of active units.</u>
<u>Miscellaneous Fees</u>		<u>Miscellaneous Fees</u>	
Tap fee	<u>\$ 500.00 (Actual cost for large connections)</u>	Tap fee	<u>\$ 500.00 (Actual Cost for large connections)</u>
Reconnect Fee: Non-payment (Maximum - \$25.00)	<u>\$25.00</u>	Reconnect Fee: Non-payment (Maximum - \$25.00)	<u>\$25.00</u>
Customer's request	<u>\$50.00</u>	Customer's request	<u>\$50.00</u>
Transfer fee	<u>\$25.00</u>	Transfer fee	<u>\$25.00</u>
Late charge	<u>\$ 5.00</u>	Late charge (Indicate either \$5.00 or 10%)	<u>5.00</u>
Returned check charge	<u>\$25.00</u>	Returned check charge	<u>\$25.00</u>
Deposit	<u>\$50.00</u>	Deposit (Maximum \$50.00)	<u>\$50.00</u>
Meter test fee	<u>\$</u>	Meter test fee	<u></u>

Regulatory Assessment of 1% is added to base rate and gallonage charges

**NOTICE OF PROPOSED RATE CHANGE-RETAIL CONVENIENCE STORE**

Patrick C. King, Receiver for Lamar Water Supply Corporation

20607

Company Name

CCN Number

has submitted an emergency rate change application to the Texas Commission on Environmental Quality (Commission). The proposed rates listed on the next page will apply to service received after the effective date provided below. This emergency rate increase has been allowed by the Commission under authority granted by the Texas Water Code, sections 5.508 and 13.4144, to ensure the provision of continuous and adequate service to the utility's customers. The commission is also required to schedule a hearing to establish a final rate within 15 months after the date on which the emergency rates take effect. The Utility is required to provide notice of the hearing to all customers at least 10 days before the date of the hearing. The additional revenues collected under this emergency rate increase are subject to refund if the commission finds that the rate increase was larger than necessary to ensure continuous and adequate service. Please read the following information carefully:

**Seagun Subdivision - Retail Convenience Store Only**

**Subdivisions or Systems Affected by Rate Change**

1600 Stagecoach Ranch Road	Dripping Springs	TX	78620	512-264-3472
Company Address	City	State	Zip	Telephone
Regular rates, decrease of \$8,523 Surcharge, Increase of \$44,399 Pass-through provision for transport and treatment of wastewater			May 10, 2006	

**Annual Revenue Increase**

January 10, 2002

**Date Customer Notice Mailed**

Beginning of each month

**Date of Last Rate Change**

**EFFECTIVE DATE OF PROPOSED INCREASE:**

**Date Meters Typically Read**

May 10, 2006

**BILLING COMPARISON**

Sewer:	Existing	Flat rate (Total bill)	\$ 61.13/mo	Proposed	Flat Rate:	\$ 46.03/mo
	Existing	Surcharge	\$ 0.00	Proposed	Surcharge	\$2,367.95/mo
Sewer	Existing	Pass-through	\$ 0.00	Proposed	Pass-through: (Estimate- based on March usage)	\$5,558.00/mo**

Sewer:	Existing	Total Bill:	\$ 61.13/mo	Proposed	Estimated Total Monthly Bill:	\$ 7,971.98/mo
--------	----------	-------------	-------------	----------	----------------------------------	----------------

\*\* Pass-through will be limited to monthly cost to haul sewage to Aransas County MUD by Truck. Estimate based on March charges.

The proposed rates will apply to all service rendered after the effective date and will be reflected on the bill you receive approximately 30 to 45 days after the effective date.

In the event that the application is set for hearing, the specific rates requested by the utility may be decreased or increased by order of the Commission. If the Commission orders a lower rate to be set, the utility may be ordered to refund or credit against future bills all sums collected during the pendency of the rate proceeding in excess of the rate finally ordered plus interest. You may inspect a copy of the rate change application at your utility's office or at the Commission's office at Park 35 - Building F, 12015 Park 35 Circle, Suite 3101, Austin, Texas, west side of IH-35, south of Yager Lane. Additional information about the application can be obtained by contacting the Utilities and Districts Section at 512/239-4691. Information about how you can participate in the rate setting process can be obtained by contacting the Public Interest Counsel at 512/239-6363.

Si desea informacion en Espanol, puede llamar al 512-239-0200.

NOTICE OF PROPOSED RATE CHANGE -SEWER RETAIL CONVENIENCE STORE (Cont.)Page 2

<u>CURRENT RATES</u>		<u>PROPOSED RATES</u>	
FLAT RATE:	<u>\$61.13/MONTH</u>	FLAT RATE:	<u>\$46.03</u>
Residential		Residential	
Surcharge:	<u>\$0.00</u>	Surcharge:	<u>\$2,367.95 (to be billed for 12 months only)</u>
Pass-through:	<u>\$0.00</u>	Pass-through:	<u>Monthly amount charged by outside providers to haul and receive sewage times % water usage for that month.</u>
<u>Miscellaneous Fees</u>		<u>Miscellaneous Fees</u>	
Tap fee	<u>\$ 500.00 (Actual cost for large connections)</u>	Tap fee	<u>\$ 500.00 (Actual Cost for large connections)</u>
Reconnect Fee: Non-payment (Maximum - \$25.00)	<u>\$50.00</u>	Reconnect Fee: Non-payment (Maximum - \$25.00)	<u>\$25.00</u>
Customer's request	<u>\$50.00</u>	Customer's request	<u>\$50.00</u>
Transfer fee	<u>\$25.00</u>	Transfer fee	<u>\$25.00</u>
Late charge	<u>\$ 5.00</u>	Late charge (Indicate either \$5.00 or 10%)	<u>5.00</u>
Returned check charge	<u>\$25.00</u>	Returned check charge	<u>\$25.00</u>
Deposit	<u>\$50.00</u>	Deposit (Maximum \$50.00)	<u>\$50.00</u>
Meter test fee	<u>\$</u>	Meter test fee	<u></u>

Regulatory Assessment of 1% is added to base rate and gallonage charges

**SEWER  
TARIFF PAGES**

SECTION 1.0 - RATE SCHEDULE

Section 1.01 - Rates

Flat Rate

All Connections: \$46.03 per equivalent unit per month

Surcharges:

Condo Complex: \$38.06 per month for each equivalent unit (Condominium) for 12 (twelve) months.

Convenience Store: \$2,367.95 per month for 12 (twelve) months.

Pass through charges:

Condo Complex: Monthly transporting and receiving charges incurred to haul sewage times % usage for that month, then divided by the number of units.

Convenience store: Monthly transporting and receiving charges incurred to haul sewage times % usage for that month.

Regulatory Assessment Fee .....1% (not applicable to pass through charges).

A REGULATORY ASSESSMENT, EQUAL TO ONE PERCENT OF THE CHARGE FOR RETAIL WATER SERVICE ONLY, SHALL BE COLLECTED FROM EACH RETAIL CUSTOMER

Section 1.02 - Miscellaneous Fees

**TAP FEE** ..... \$500.00 or actual cost.  
TAP FEE IS BASED ON THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR STANDARD RESIDENTIAL CONNECTION OF 3/4" X 1/2" METER.

**RECONNECTION FEE**  
THE RECONNECT FEE WILL BE CHARGED BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS BEE DISCONNECTED FOR THE FOLLOWING REASONS:

- a) Non payment of bill (Maximum \$25.00) ..... \$25.00
  - b) Customer's request ..... \$50.00
- Or other reasons listed under Section 20CF of this tariff

**TRANSFER FEE** ..... \$25.00  
THE TRANSFER FEE WILL BE CHARGED FOR CHANGING AN ACCOUNT NAME AT THE SAME SERVICE LOCATION WHEN THE SERVICE IS NOT DISCONNECTED.

**LATE CHARGE (Not more than \$5.00 or 10%)(Indicate one)** ..... \$5.00  
A ONE TIME PENALTY MADE ON DELINQUENT BILLS BUT MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE PENALTY WAS APPLIED IN A PREVIOUS BILLING.

**RETURNED CHECK CHARGE** ..... \$25.00

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

**METER TEST FEE (actual cost of testing the meter up to)** ..... \$25.00  
THIS FEE 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.

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

# ATTACHMENT A

## Attachment A

Patrick King was appointed Receiver for Lamar WSC on August 2, 2001. At the time of his appointment, the wastewater system was in very poor condition and had been operating without a discharge permit since May 27, 1999.

In October of 2005, Lamar WSC experienced catastrophic failure of the un-permitted wastewater treatment plant. The Receiver was forced to haul untreated sewage to a neighboring utility for treatment. This cost has been substantial. However, the collect and haul method was the only option available to prevent untreated sewage from discharging directly into the coastal environment.

Mr. King has negotiated a contract with Aransas County Municipal Utility District No. 1 to accept Lamar WSC's wastewater for continuous treatment upon Lamar WSC constructing a lift station and force main. The estimated cost of the construction is \$231,495. Included in this attachment is a letter from Mr. King outlining the estimated cost of construction and a copy of the contract with Aransas County Municipal District No. 1.

Mr. King is searching for options to fund these improvements. Until such time as funding secured and construction completed, the current method of hauling sewage to neighboring facility will continue.

This Emergency Rate/Tariff Change seeks to add a surcharge to cover the hauling and treatment expenses paid by the Receiver for the months of October thru March. The application also includes a pass through provision so that the ongoing cost of hauling and treating the wastewater can be passed directly to the customers.

The current customers of the wastewater system consists of a convenience store and a condominium complex of 35 similar units. The convenience store consistently represents more than 50% of the current usage. Included with this attachment is a breakdown of the usage for the convenience store and the condominium complex. This usage summary was used to calculate the surcharge to recover the hauling and treatment cost from October through March.

## Usage Summary for Fixed Surcharge Calculation

	Convenience Store	Condo Complex
October	230,870	66,760
November	62,680	53,730
December	92,730	61,950
January	60,430	33,910
February	55,080	58,250
March	67,410	52,050
	569,200 gal	326,650 gal

Percent of Total Usage

64%

36%

*Professional General Management Services, Inc.*

*utility district management, project management  
planning, training, consulting*

1600 Stagecoach Ranch Loop \* Dripping Springs, Texas 78620 \* phone (512) 264-3472 \* fax (512) 264-3473

May 4, 2005

Mr. Bret Fenner, P.E.  
B & D Environmental  
P.O. Box 90544  
Austin, Texas 78709

Re: Lamar Water Supply  
Request for Immediate Rate Change Application

Dear Mr. Fenner:

As we discussed, Lamar Water Supply (the "System") has recently experienced a catastrophic failure to its un-permitted wastewater treatment plant. The System has found it necessary to haul untreated wastewater to a neighboring facility for treatment and discharge since October 2005 and continues to do so at this time. The costs of this process is extreme as indicated by the attached accounting information. That information shows the System has expended \$46,175 for wastewater hauling and processing to date.

It is anticipated this situation will continue until the System is able to construct a lift station and force main to divert wastewater flows to the facilities owned by Aransas County Municipal Utility District No. 1 (the "District"). The System has recently negotiated an agreement with the District whereby the District will accept the System's wastewater for continuous treatment and discharge for a 20-year term, with provisions for extending that term. A copy of that agreement is attached for your reference. With this agreement now in place, the System has retained engineering services to design a lift station and force main to facilitate the wastewater diversion. The project costs are estimated to be \$231,495. A copy of the engineering estimate is attached herein for your reference.

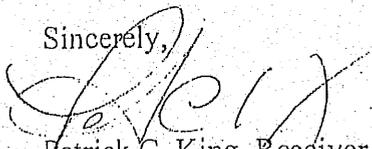
These recent events require the System to prosecute an immediate rate change application to cover these additional costs to the System for wastewater hauling and treatment. Once the lift station and force main are constructed and brought on line, those costs are anticipated to be substantially reduced to cover ongoing wastewater treatment in accordance with the terms of the agreement between the System and the District now in hand.

Mr. Bret Fenner, P.E.  
B & D Environmental  
May 4, 2006  
Page 2

I appreciate your prompt attention to processing application to the Texas Commission on Environmental Quality to approve rates sufficient to cover these ongoing, necessary expenses and to recoup the amounts already expended by the System for this purpose.

If I may provide additional information, please do not hesitate to contact me at (512) 264-3472.

Sincerely,



Patrick C. King, Receiver  
Lamar Water Supply

Enclosures/ Report of Wastewater hauling and treatment costs  
Sanitary Sewer Service Agreement By and Between Aransas County Municipal  
Utility District No. 1 and Lamar Water Supply Corporation  
Engineering Transfer Lift Station Cost Estimate

Cc: Doug Holcomb, TCEQ  
Andy Lutringer, TCEQ  
Tom Bohl, Assistant Attorney General  
Stan M. Putman, Jr., Counsel for Lamar Water Supply

SANITARY SEWER SERVICE AGREEMENT  
 BY AND BETWEEN  
 ARANSAS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1  
 AND  
 LAMAR WATER SUPPLY CORPORATION

THE STATE OF TEXAS                   §  
   §  
 COUNTY OF ARANSAS                   §

1.0 CONTRACTING PARTIES. This SANITARY SEWER SERVICE CONTRACT ("Contract") is made by and between ARANSAS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1 (the "District") and LAMAR WATER SUPPLY CORPORATION ("LAMAR"), a privately owned retail public utility (Certificate of Convenience and Necessity No's. 10566 and 20607) now under a Receivership by ORDER of the 250<sup>th</sup> Judicial District Court in Travis County, Docket No. GV97-07071.

2.0 RECITALS. The District is a conservation and reclamation district created pursuant to Article 16, Section 59 of the Texas Constitution and a municipal utility district and political subdivision of the State of Texas operating under the provisions of Chapters 49 and 54 of the Texas Water Code and located in Aransas County, Texas. The District owns a sanitary sewer collection and treatment system and desires to provide sanitary sewer treatment services to Lamar.

2.1 Lamar is a retail public utility providing water and sewer services located in Aransas County, Texas. Lamar desires to purchase sanitary sewer services from the District, for present and future residential and commercial customers within Lamar's service area. Lamar's wastewater service area is defined by Certificate of Convenience and necessity No. 20607, issued by the State of Texas.

2.2 By previous arrangement between the District and Lamar, Lamar's existing sanitary sewer system presently collects and discharges all its wastewater by way of hauling to the District's sewer system for wastewater treatment and discharge by the District.

2.3 Lamar has determined that the District offers more feasible long term services for treatment and disposal of wastewater generated in Lamar, and upon execution of this agreement Lamar intends to construct a permanent method to divert all wastewater flows directly to the District's wastewater treatment facility for treatment and discharge. The District is desirous of treating and disposing of wastewater collected within the certificated service area of Lamar and can furnish such wastewater treatment and disposal services.

2.4 The District and Lamar are authorized to enter into this cooperative contract by the laws of the State of Texas.

2.5 The parties find that these recitals are true and correct.

3.0 AGREEMENT. For and in consideration of the mutual covenants, agreements, and benefits contained herein, the parties mutually agree as set out in this Contract. This Contract supersedes and replaces any prior agreement between the Parties, whether written, verbal or otherwise.

4.0 DEFINITIONS. Unless the context requires otherwise, the following terms as used in this Contract shall have the meanings given below:

4.1 DISTRICT REGULATIONS - means the Rules and Regulations of the District relating to collection, treatment and disposal of wastewater, together with any and all amendment, modifications or additions thereto.

4.2 DISTRICT SANITARY SEWER SYSTEM - means the District's sewer collection system, and all related mains, valves, and related devices.

4.3 POINT OF DISCHARGE - means the point where wastewater is to be discharged from the Lamar Sanitary Sewer System into (collected by) the District's Sanitary Sewer System, under the provisions of this Contract. Such Point of Discharge is shown on Exhibit A, attached to and made a part of this Contract for all purposes.

4.4 PROHIBITED WASTE - means liquid or water-borne waste, regardless of its source, which (i) exceeds any applicable limitations as to quality or chemical or physical characteristics imposed by present or future District Regulations, State or federal law, (ii) contains any component of such a nature and in such quantities as to constitute an inherent danger to the general health, safety, and welfare or constitute a danger to the operating efficiency and integrity of the District's Sanitary Sewer System and Wastewater Treatment Plant, or (iii) except with the express written consent of the District, is an industrial waste as defined by the District's Regulations.

4.5 LAMAR SANITARY SEWER SYSTEM - means the sewer collection facilities of Lamar, including all related mains, force mains, lift stations, valves, and related devices.

4.6 LAMAR SERVICE AREA - means the area defined by Lamar's wastewater Certificate of Convenience and Necessity No.20607.

4.7 WASTEWATER - means normal domestic sewage as defined in rule of the TCEQ.

4.8 WASTEWATER TREATMENT PLANT - means the wastewater treatment plant of the District, including the District's capacity in the facility together with all valves, pumps and related facilities.

5.0 CONSTRUCTION OF FACILITIES TO DIVERT FLOWS. Lamar will construct a sanitary sewer line or force main to connect the Lamar sanitary sewer system to the District's Sanitary Sewer System. Such sanitary sewer collection line shall be sufficient to serve the Lamar Service Area and capable of delivering the wastewater collected by the Lamar Sanitary Sewer System to the District's Sanitary Sewer System at the Point of Discharge. The sanitary sewer collection line shall be constructed in accordance with plans and specifications prepared by a registered professional engineer. Such plans and specifications shall conform to the requirements of

the Texas Commission on Environmental Quality ("TCEQ"), and all other regulatory agencies with jurisdiction including the District. The sanitary sewer collection line or force main shall be constructed at no cost to the District and at the sole expense of Lamar. After said line is constructed, it shall remain the property of Lamar and be properly and adequately maintained by Lamar, at its sole expense and at no cost to the District.

5.1 The sanitary sewer collection line or force main serving Lamar shall be interconnected to the District's sanitary sewer system or wastewater treatment plant at the Point of Discharge mutually agreed upon and as shown on Exhibit A. Title to, possession and control of the waste shall remain in Lamar until it passes through the aforementioned point of discharge between the District sewage collection system or treatment facility and the sewage collection line serving Lamar where title to, possession and control of said waste shall pass from Lamar to the District. Each party agrees to indemnify and hold the other party harmless from losses or damage caused by the aforesaid waste while title to same is in that party, as aforesaid.

5.2 The parties agree that a meter will be required for the connection to the District's system and the initiation of service. Lamar shall install a metering device at the Point of Discharge for the purpose of measuring the flow of wastewater from Lamar to the District. Such metering device must be of a type and design agreed upon by the District and Lamar. The costs of the meter and its installation shall be borne solely by Lamar. If Lamar fails or refuses to install an approved metering device within sixty (60) days of receiving a written request from the District for same, the District shall have the right to purchase and install a metering device and to bill Lamar the cost of such purchase and installation.

5.3 The metering equipment shall be subject to semi-annual testing and certification as may be required to determine that the meter equipment is accurate. Further, the District may, with reasonable advance written notification to Lamar, conduct such testing and certification at the District's expense as the District determines is appropriate to assure that the meter equipment is accurate.

6.0 **BILLING AND PAYMENT.** On or before the tenth day of each calendar month, after Lamar's System is connected to the District's System, the District shall submit to Lamar a statement setting forth the amount due the District by Lamar for the treatment of wastewater hereunder during the preceding calendar month. Unless and until the District requires the installation of a metering device by Lamar at the Point of Discharge, the volume of wastewater delivered to the District by Lamar shall be based on the wastewater flows from a typical Living Unit Equivalent ("LUE"), as determined by a registered professional engineer acceptable to the District, as served by Lamar's water customer for that billing period.

6.1 Each such statement shall specify the volume of wastewater, expressed in LUE's delivered by Lamar to the District for treatment and discharge through the District's treatment plant during such month, multiplied by the current out-of-district rate as established by the District's Rate Order. Lamar shall pay such statements promptly upon the receipt thereof net amount/30 days. Any amount not timely paid shall bear interest at the rate of 10 percent (10%) per annum, and, if any part of the amount past due and unpaid (including interest) is collected by the District through the services of an attorney, there shall be added thereto the reasonable fee of such attorney.

6.2 To the extent that any bill may not be fully sufficient to evidence all necessary data and information, Lamar and the District shall make their respective records available to the other during regular office hours at their respective offices where such records are ordinarily kept for examination by the representative of each of the parties, at any reasonable times.

6.3 Each party agrees to cooperate with and assist the other in verifying the number of connections served which discharge wastewater into the sanitary sewer system of Lamar. Lamar will not, however, refuse the payment of any statement rendered hereunder due to uncertainty and doubt as to its exact correctness; but any corrections, when finally agreed upon by the District and Lamar will be made by adjustment from the next payment rendered after such agreement.

6.4 Lamar covenants and agrees to assess user charges to its customers that will produce revenues sufficient to discharge its obligations under this Contract to the extent such rates, fees and charges are authorized and approved by the TCEQ as may be required and will actively pursue approval of such rates by the TCEQ or agency with proper jurisdiction.

6.5 Payment of sewer service charges and connection charges shall be made by Lamar to the District under this Contract and shall be a primary obligation of Lamar.

7.0 **PROHIBITED WASTES.** Lamar shall prohibit the discharge of Prohibited Wastes into the Lamar Sanitary Sewer System and shall promptly disconnect any and all sources of Prohibited Waste as it may be authorized.

8.0 **COMPLIANCE WITH PLUMBING CODE.** Lamar covenants and agrees to comply with the State Uniform Plumbing Code, or an equivalent national code as well as the Regulations of the District, provided reasonable written notice of any change to another code is first given to Lamar. Lamar agrees to allow only such connections to the Lamar Sanitary Sewer System as are in compliance with such code and the District's Regulations.

8.1 Lamar agrees it will not permit any connections to be made to its Sanitary Sewer System unless a valid plumbing permit and inspection has been obtained with respect to the dwelling, building, or other structure to be connected.

8.2 Lamar further agrees that no plumbing work will be permitted to be connected to the Lamar Sanitary Sewer System unless such work shall have first been inspected and approved by Lamar's plumbing inspector or by a licensed master plumber approved by Lamar.

8.3 Lamar further agrees that all connections shall be maintained in compliance with its plumbing code and the District's Regulations, including but not limited to the District's limitation of one connection per platted lot, and that to enforce this provision the District's inspectors shall be permitted to make inspections upon reasonable request. At the request of the District, Lamar shall require correction of any noncomplying connections or discontinue sewer service, if legally possible, for any location which remains in violation of local or state plumbing code or the District's Regulations, after notice from the District.

9.0 INFLOW/INFILTRATION. Lamar shall maintain its sanitary sewer system in good order and repair so as to limit inflow and/or infiltration into its system. Should excessive inflow and/or infiltration be discovered in the Lamar Sanitary Sewer System, Lamar shall promptly repair and maintain same within ninety (90) days of discovery or receiving notice of such inflow and/or infiltration.

10.0 TERM; TERMINATION. This Contract shall be in force and effect from and after execution by the parties for an initial term of twenty (20) years, and shall be automatically renewed for additional terms of five (5) years each, unless during the existing term either party gives at least two (2) years advance written notice to the other party.

10.1 Lamar shall have the right and option, after giving the District no less than one (1) calendar year notice, 1) to terminate this Contract and provide an alternative means or source for the treatment and disposal of the Lamar sanitary sewer wastewater, or 2) to terminate this Contract in part and to provide for an alternative source for disposal and treatment of a part or portion of Lamar's sanitary sewer wastewater. In the event some part or portion of Lamar wastewater is transported to an alternative system other than the District, this Contract shall be amended to reflect that fact, and billing and payment for sanitary sewer services shall thereafter be based upon the LUE connections actually discharging wastewater into the District's Sanitary Sewer System.

11.0 CAPACITY; RISK OF DAMAGE. The District hereby agrees it will furnish sanitary sewer service to Lamar using existing capacity in the District's wastewater treatment plant with an initial maximum capacity for 50 LUE's, which discharge shall be transportable for treatment by the District's wastewater treatment facility. Lamar and the District may, by written agreement, increase this capacity limit if additional capacity is required by Lamar and is available by the District.

11.1 Lamar customers served by the District hereunder take all of the risk of any and all damage that may result from being furnished such sewer service.

12.0 MAINTENANCE. Lamar shall maintain Lamar's Sanitary Sewer System up to the point of discharge, and the District shall maintain the District's Sanitary Sewer System and treatment plant facility beyond the point of discharge.

13.0 TITLE TO AND RESPONSIBILITY FOR WASTEWATER. Title to, possession, and control of sewer wastewater shall remain in Lamar until it passes through the Point of Discharge, where title to, possession, and control of the wastewater shall pass from Lamar to the District.

14.0 STANDARDS. Lamar shall maintain standards, requirements, and regulations concerning the use of, or addition through new construction to the Lamar Sanitary Sewer System, at least equal to those established by the District for the District's Sanitary Sewer System, and in the event Lamar fails or refuses to do so, then District Regulations establishing such standards, requirements, and regulations concerning the use of, extension of, or addition through new construction to the District's Sanitary Sewer System shall be applied by Lamar, and it agrees that, in such event, Lamar will adopt and enforce such regulations as its own.

15.0 APPLICABLE LAW. This Contract is made subject to the provisions of all applicable laws of and Constitution of the State of Texas, and no provisions of this Contract shall in any manner prejudice the legal rights and remedies of either party hereto. It is not the intent of either party hereto to contract away any governmental or legislative powers.

16.0 FORCE MAJEURE. "Force Majeure" includes, but is not limited to, acts of God, acts of the public enemy, war, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, tornadoes, hurricanes, arrests and restraints of government and people, explosions, and any other inability's of either party to carry out its obligations under this Contract, except strikes or labor disputes and breakage or damage to machinery or equipment, whether similar to those enumerated or otherwise, and not within the control of the party claiming such inability, and which by the exercise of due diligence and care such party could not have avoided.

16.1 In the event either party is rendered unable, wholly or in part, by Force Majeure to carry out its obligations under this Contract, it is agreed that upon such party giving notice and full particulars of such Force Majeure in writing to the other party as soon as possible after the occurrence of the Force Majeure, then the obligations of the party giving such notice, to the extent it is affected by Force Majeure and to the extent that due diligence is being used to resume performance, shall be suspended for the duration of the Force Majeure. Such cause shall, as far as possible, be remedied with all reasonable dispatch.

17.0 INGRESS AND EGRESS. During the term of this Contract, the District shall have the right of ingress and egress, in under and over any and all land, easements, and rights-of-way of Lamar.

18.0 ASSIGNMENTS. This Contract shall bind and benefits the respective parties and their legal successors, but shall not otherwise be assignable, in whole or in part, by either party without first obtaining written consent of the other. "Assignment" as used herein means assignment in law or otherwise.

19.0 NO ADDITIONAL WAIVER IMPLIED. The failure of either party hereto to insist, in any one or more instances upon performance of any of the terms, covenants, or conditions of this Contract, shall not be construed as a waiver or relinquishment of the future performance of any such term, covenant or condition by the other party hereto, but the obligation of such other party with respect to such future performance shall continue in full force and effect.

20.0 INSPECTIONS. Lamar agrees that the District may, after giving advance notice to Lamar, conduct inspections from time to time to determine that no conditions exist in Lamar's Sanitary Sewer System and connections to its customers' premises which would or might adversely affect the District's Sanitary Sewer System. Should such a condition be discovered, Lamar shall promptly cure same.

21.0 MERGER. This instrument contains all the agreements made between the parties.

22.0 **NOTICES.** Unless and until Lamar is otherwise notified in writing by the District, the address of the District is and shall remain as follows:

Aransas County Municipal Utility District No. 1  
1338 Eight Street - Lamar  
Rockport, Texas 78382

W/ copy to: Herman I. Little, Jr., General Counsel  
Smith, Murdaugh, Little & Bonham, L.L.P.  
1100 Louisiana Street, Suite 400  
Houston, Texas 78336

Unless and until the District is otherwise notified in writing by Lamar, the address of Lamar is and shall remain as follows:

Lamar Water Supply Corporation  
1600 Stagecoach Ranch Road  
Dripping Springs, Texas 78620

22.1 All written notices required or permitted to be given under this Contract from one party to the other shall be given by personal delivery (with a receipt showing delivery) or shall be deemed given by the deposit in a United States Postal Service mailbox or receptacle of certified or registered mail, with proper postage affixed thereto, addressed to the respective other party at the address set forth above or at such other address as the parties respectively shall designate by written notice.

23.0 **AUTHORSHIP.** The parties agree that this Contract shall not be construed in favor of or against either party on the basis that the party did or did not author this Contract.

24.0 **PARTIES IN INTEREST.** This Contract shall be for the sole and exclusive benefit of the parties hereto and shall not be construed to confer any right upon any third party.

25.0 **SALE OF SEWER SERVICE OUTSIDE LAMAR SERVICE AREA.** In entering into this Contract the parties contemplate Lamar will sell the sewer services to its customers in its certificated service area only. Therefore, the parties agree that Lamar may not sell sewer services purchased hereunder outside its certificated service area unless such sale is approved in writing by the District.

26.0 **CAPTIONS.** The captions appearing at the first of each numbered section in this Contract are inserted and included solely for convenience and shall never be considered or given any effect in construing this Contract, or any provisions hereof, or in connection with the duties, obligations, or liabilities of the respective parties hereto or in ascertaining intent, if any questions of intent should arise.

27.0 **APPROVALS.** Unless otherwise provided for herein, any consent, approval, or amendment of or by the parties shall be made by the governing body or duly authorized representative of each party.

28.0 DEFAULT AND REMEDIES. Default shall occur only in the event either party fails to adhere to its respective obligations hereunder. In such event, the non-defaulting party shall give the defaulting party written notice describing such default and a proposed date of termination. Such date may not be sooner than the 90<sup>th</sup> day following receipt of the notice. The non-defaulting party, at its sole option, may for sufficient cause extend the proposed date of termination to a later date. If prior to the proposed date of termination the defaulting party cures such default, then the non-defaulting party may not terminate this Contract. This Contract shall not be considered as specifying the exclusive remedy for any default but all remedies existing at law and in equity may be available to either party and shall be cumulative.

29.0 EXECUTION DATE. The District and Lamar have executed this Contract in multiple counterparts, each of which is deemed to be an original, effective as of the \_\_\_\_\_ day of \_\_\_\_\_, 2006.

ARANSAS COUNTY MUNICIPAL  
UTILITY DISTRICT NO. 1

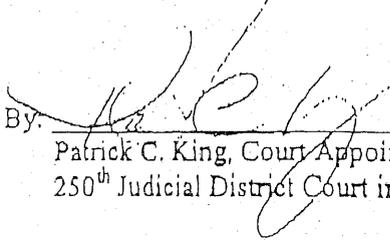
By: *S. E. Kelly*  
S. E. Kelly, President / Board of Directors

ATTEST/SEAL

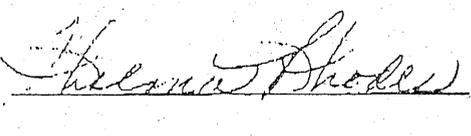
By: *Dolores Barnes*  
Dolores Barnes, Secretary / Board of Directors



LAMAR WATER SUPPLY CORPORATION

By:   
Patrick C. King, Court Appointed Receiver by  
250<sup>th</sup> Judicial District Court in Travis County

ATTEST/SEAL

Witness By: 

	A	B	C	D	E	F
1		Lamar WSC				
2		Transfer Lift Station Cost Estimate				
3						
4		Item	Unit	No.	Unit Price	Subtotal
5						
6						
7		<b>Lift Station and Force Main Improvements</b>				
8		Erosions Controls	LS	1	5,000.00	5,000
9		Replace LS Lid and Install Access Hatch	LS	1	5,000.00	5,000
10		Coat Interior of Existing Wet Well	LS	1	7,500.00	7,500
11		4-Inch PVC SDR 21 Force Main	LF	4,450	15.00	66,750
12		Connect 4-Inch PVC to 4" Steel Pipe	EA	2	750.00	1,500
13		125 GPM Effluent Pumps & Controls	LS	1	50,000.00	50,000
14		Modify Existing Bar Screen/WWTP Influent Box	LS	1	2,000.00	2,000
15		Easements for New 4-Inch Force Main	LS	1	-	-
16		Emergency Generator and Foundation	LS	1	25,000.00	25,000
17		Electrical Improvements (Will Need 3 Phase)	LS	1	5,000.00	5,000
18						
19		<b>Total Estimate</b>				167,750
20						
21		Contingency		20%		33,550
22						
23		<b>Total Construction with Contingency</b>				201,300
24						
25		Surveying		3.0%		6,039
26		Engineering and Approvals		12.0%		24,156
27						
28		<b>Total Estimated Project Cost</b>				<b>\$ 231,495</b>

9:38 AM  
05/04/06  
Cash Basis

Lamar WSC  
Register QuickReport  
October 3, 2005 through May 4, 2006

Type	Date	Num	Memo	Clr	Split	Original Amount	Paid Amount	
Stump Enterprises								
Check	10/24/2005	1001		X	Sludge Haul...	-1,050.00	-1,050.00	
Check	10/24/2005	1002		X	-SPLIT-	-2,100.00	-2,100.00	
Check	11/23/2005	1008		X	Sludge Haul...	-1,400.00	-1,400.00	
Check	12/6/2005	1017		X	Sludge Haul...	-700.00	-700.00	
Check	12/23/2005	1021		X	Sludge Haul...	-1,400.00	-1,400.00	
Check	1/7/2006	1025		X	Sludge Haul...	-1,400.00	-1,400.00	
Check	1/20/2006	1031		X	Sludge Haul...	-5,000.00	-5,000.00	
Check	2/1/2006	1032		X	Sludge Haul...	-5,950.00	-5,950.00	
Check	2/18/2006	1038		X	-SPLIT-	-4,200.00	-4,200.00	
Check	3/3/2006	1041		X	-SPLIT-	-5,250.00	-5,250.00	
Check	3/27/2006	1049		X	-SPLIT-	-6,250.00	-6,250.00	
Check	4/7/2006	1055		X	-SPLIT-	-3,825.00	-3,825.00	
Check	4/16/2006	1063		X	-SPLIT-	-4,500.00	-4,500.00	
Total Stump Enterprises							-43,025.00	-43,025.00
<b>TOTAL</b>							<b>-43,025.00</b>	<b>-43,025.00</b>

9:32 AM  
05/04/06  
Cash Basis

Lamar WSC  
Register QuickReport  
All Transactions

Type	Date	Num	Memo	Clr	Split	Original Amount	Paid Amount
Aransas County Municipal Utility District							
Check	3/13/2006	1047				-375.00	-375.00
Check	5/1/2006				Sludge Haul...	-2,775.00	-2,775.00
Total Aransas County Municipal Utility District							
TOTAL							-3,150.00

# ATTACHMENT B

**Inventory of Sewer Utility Plant**

**Lamar Water Supply Corporation**

Asset Period Ends:		15-Apr-06						
Item Description	Installation Date	Original Cost	Expected Service Life	Remaining Life	Annual Deprec. Expense	Total Accum. Deprec.	Net Book Value	
FT STATIONS	1-Jul-84	\$4,197	50	28	\$84	\$1,835	\$2,362	
Lift Station - 3 ea.								
TREATMENT PLANT	1-Jul-84	\$11,412	30	8	\$380	\$8,317	\$3,095	
Package Plant								
Electrical Controls	1-Jul-84	\$5,338	30	8	\$178	\$3,890	\$1,448	
COLLECTION SYSTEM								
Main Lines	1-Jul-84	\$4,851	50	28	\$97	\$2,121	\$2,730	
CHEMICAL EQUIPMENT								
CHL Equipment	1-Jul-84	\$823	10	0	\$0	\$823	\$0	
<b>Totals:</b>		<b>\$26,621</b>			<b>\$739</b>	<b>\$16,986</b>	<b>\$9,635</b>	

# ATTACHMENT C

Attachment C, page 1

Emergency Rate/tariff change Application for Lamar Water Supply Corp.  
June 1, 2006

Calculations

Calculation of Federal Income Tax

Page 11 of 14

Revenue Requirement:	\$20,095
Less:	
Operations & Maintenance	(17,684)
Depreciation & Amortization	( 739)
Net Taxable Income	\$ 1,672
Tax rate:	<u>X 15%</u>
Federal Income Taxes Allowable	<u>\$ 251</u>

Calculation of 12 Month Surcharge:

Pages 20 & 22 - Notices

Sludge Hauling incurred in test year:	\$43,700
Less: April Hauling included in pass-through	( 3,600)
Less: amount allowed in prior rate case (2001) for sludge hauling	( 8,360)
Reimbursed expenses related to Surcharge	1,382
Sludge receiving charges incurred	3,150
Chemicals necessary for hauling	1,399
Special Projects/Engineering:	
Engineering fees to surcharge:	2,113
Check #943 - engineer meeting	195
Check #960 - meet w/Aransas Co.	390
Prof. Management - Other to surcharge:	
Check #1026 - Aransas County	650
Check #1034 - Aransas County	1,300
Check #1048 - Aransas County	1,430
Check #1054 - Aransas County	<u>650</u>
Total Professional fees to surcharge:	<u>6,728</u>
Total Amount to be surcharged	\$44,399
Surcharge to Condo Complex @36% X \$44,399 / 12 months / 35 units = \$38.06	
Surcharged for Convenience Store @64% X 44,399 / 12 months = \$2,367.95	

Attachment C, page 2

Known & Measurable Changes

Page 12 of 25

<u>Table VI. A., Line B - Contract Labor</u>		
(Prorated b/t water (207) & sewer (36) by number of units.	<u>Water</u>	<u>Sewer</u>
Receiver @ \$1,035/Month water, \$360 sewer	\$12,420	\$4,080
Monthly billing/collection services @ \$595.65/month	6,089	1,059
Bookkeeping services @ 467.52/month	4,779	831
Management/Operator on site @\$500/month	5,111	889
Operations - On site @\$1,148.34/month	11,739	2,041
Special projects Management (w&s in test year - \$1,171.98)	998	174
Two meetings per year to be held with Aransas Co. MUD		1,300
Special projects split out in test year	260	*6,728
Remove sewer special projects to surcharge		*(6,728)
<b>Total adjusted Contract Labor</b>	<b>\$41,396</b>	<b>\$10,374</b>
Less: Test year expense		<b>(14,149)</b>
<b><u>Net decrease for Contract labor</u></b>		<b><u>\$(3,775)</u></b>

Notes to Line B: Receiver fee, monthly billing, bookkeeping services, onsite management, and operations and special projects concerning both water and sewer have been pro-rated on equivalent units of 207 water and 36 sewer. Special projects directly related to only water or sewer have been directly charged to each, respectively. Special projects having to do with the Aransas County project have been removed and placed into the surcharge. Charges for two meetings per year between Patrick King and Aransas County MUD have been placed in contract labor because two meetings per year will be required for continued service.

Line C - Purchased sewer service: All purchased sewer service costs have been removed and are to be recovered in surcharge #1 for amounts paid for services prior to April 1, 2006, and in surcharge #2 on an ongoing basis for services rendered beginning April 1, 2006.

Line D - Chemical expense: Chemical is expected to go to zero due to the agreement with Aransas County MUD. Chemical expense will continue until Aransas County MUD agreement to receive by pipeline is in place. Monthly chemical charges will go away when purchased sewer service goes away, and have been included in surcharge #2 for this reason.

Attachment C, page 3

Emergency Rate/tariff change Application for Lamar Water Supply Corp.,  
Page 16 of 44  
June 1, 2006  
Known & Measurable changes, Page 2:

Line G - Office Expense:

Beginning Sewer office expense	\$1,875.00
Check # 960- Meeting with Aransas County MUD	353.64
Check# 1026-Meeting with Aransas County MUD	205.90
Check# 1034-Meeting with Aransas County MUD	371.59
Check#1048-Meeting with Aransas County MUD	207.33
Check#1054-Meeting with Aransas County MUD	<u>243.33</u>
<u>Total placed in surcharge #2</u>	(1,381.79)
Added back for two meetings w/Aransas Co. MUD (\$1381.79 divided by 5 times 2)	<u>552.80</u>
Total Adjusted office expense	\$ 1,046.00

Office expense includes reimbursed expenses. The following charges for travel for Aransas County MUD meetings have been removed and placed in surcharge #1. Direct water expenses of \$240 have been removed, and allocable expenses of \$601.92 were allocated per connection.

Line K - Miscellaneous expense:

Regulatory assessment of \$100 and deposits of \$100 have been removed from miscellaneous expense, leaving \$10 miscellaneous in the adjusted test period.

## Usage Summary for Fixed Surcharge Calculation

	Convenience Store	Condo Complex
October	230,870	66,760
November	62,680	53,730
December	92,730	61,950
January	60,430	33,910
February	55,080	58,250
March	67,410	52,050
	569,200 gal	326,650 gal

Percent of Total Usage

64%

36%

Kathleen Hartnett White, *Chairman*  
Larry R. Soward, *Commissioner*  
Glenn Shankle, *Executive Director*



## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

August 28, 2006

Ms. LaDonna Castañuela  
Office of the Chief Clerk  
Texas Commission on Environmental Quality  
Post Office Box 13087, MC-105  
Austin, Texas 78711-3087

Re: Supplemental backup materials on the Application of Patrick C. King, as receiver appointed by the 250th Judicial District of Travis County appointed by the 250th Judicial District of Travis County for the Lamar Water Supply Corporation, for an emergency sewer rate increase in Aransas County, Texas; Application No. 35354-G, Certificate of Convenience and Necessity No. 20607. Docket No. 2006-0780-UCR

Dear Ms. Castañuela:

Enclosed for filing please find the original and eleven copies of the Executive Director's Supplemental Backup materials for the September 6, 2006, Commissioners' Agenda regarding the referenced matter.

If you have any questions, please do not hesitate to call me at (512) 239-0750.

Sincerely,

A handwritten signature in cursive script that reads "Brian D. MacLeod".

Brian D. MacLeod  
Staff Attorney  
Environmental Law Division

cc: Mailing List

Enclosures

CHIEF CLERK'S OFFICE

2106 AUG 28 PM 4:54

TEXAS  
COMMISSION  
ON ENVIRONMENTAL  
QUALITY

**Mailing List**

**Lamar Water Supply Corporation  
TCEQ Docket No. 2006-0780-UCR**

**FOR THE APPLICANT:**

Patrick C. King  
Receiver for Lamar Water Supply  
Corporation  
1600 Stagecoach Road Lp  
Dripping Springs, Texas 78620

**FOR THE EXECUTIVE DIRECTOR:**

Brian MacLeod, Staff Attorney  
Texas Commission on Environmental  
Quality  
Environmental Law Division, MC 173  
P.O. Box 13087  
Austin, Texas 78711-3087  
Tel.: (512) 239-0750  
Fax: (512) 239-0606

**FOR THE PUBLIC INTEREST  
COUNSEL:**

Blas J. Coy, Jr.  
Texas Commission on Environmental  
Quality  
Office of the Public Interest Counsel,  
MC 103  
P.O. Box 13087  
Austin, Texas 78711-3087  
Tel.: (512) 239-6363  
Fax: (512) 239-6377

**FOR OFFICE OF PUBLIC  
ASSISTANCE:**

Jodena Henneke, Director  
Texas Commission on Environmental  
Quality  
Office of Public Assistance, MC 108  
P.O. Box 13087  
Austin, Texas 78711-3087  
Tel.: (512) 239-4085  
Fax: (512) 239-4007

**FOR ALTERNATIVE DISPUTE  
RESOLUTION:**

Kyle Lucas  
Texas Commission on Environmental  
Quality  
Office of Alternative Dispute  
Resolution, MC 222  
P.O. Box 13087  
Austin, Texas 78711-3087  
Tel.: (512) 239-4010  
Fax: (512) 239-4015

**FOR THE GENERAL COUNSEL:**

Derek Seal  
Texas Commission on Environmental  
Quality  
Office of the General Counsel, MC 101  
P. O. Box 13087  
Austin, Texas 78711-3087  
Tel.: (512) 239-5525  
Fax: (512) 239-5533

**FOR THE CHIEF CLERK:**

LaDonna Castañuela, Chief Clerk  
Texas Commission on Environmental  
Quality  
Office of the Chief Clerk, MC 105  
P. O. Box 13087  
Austin, Texas 78711-3087  
Tel.: (512) 239-3300  
Fax: (512) 239-3311

# Texas Commission on Environmental Quality

INTEROFFICE MEMORANDUM

To: Texas Commission on Environmental Quality Date: August 28, 2006

Through: LaDonna Castañuela  
Chief Clerk

From: Environmental Law Division

Subject: Supplemental Agenda Executive Summary; Application of Patrick King, Receiver for Lamar Water Supply Corporation; Certificate of Convenience and Necessity ("CCN") No. 20607, for an Emergency Sewer Rate Increase in Aransas County, Texas; TCEQ Docket No. 2006-0780-UCR.

**APPLICANT:** Patrick C. King, Receiver for Lamar Water Supply Corporation

**TYPE OF REQUEST:** Emergency sewer rate increase.

**AUTHORITY:** Texas Water Code §§ 5.508 and 13.4133; 30 Texas Administrative Code § 35.202.

**SUPPLEMENTAL INFORMATION:** On August 18, 2006, the initial backup for the referenced item was filed. This Supplemental Executive Summary outlines the specific reasons why the emergency order reflects a rate different than that requested by the Applicant. A memorandum from technical staff is attached as exhibit A. It explains the reasons why the rates in the emergency order are different than those the applicant requested.

Additionally, the affidavit from the Applicant indicating that the notice of the public hearing at the September 6, 2006, agenda to affirm, modify, or set aside the emergency order has been filed with the clerk and is attached as exhibit B.

**EMERGENCY RATE ORDER:** The Executive Director issued an Emergency Rate Increase Order on July 13, 2006, without a hearing, approving emergency rates different and in a different form than what were proposed by the Applicant. A copy of the Emergency Rate Order was attached to the original backup materials filed on August 18, 2006.

**STAFF RECOMMENDATION:** Staff recommends approving the emergency order without modification.

**HEARING TO SET FINAL RATE:** In addition to the hearing required by Water Code § 5.504 and 30 Texas Administrative Code Chapter 35 to affirm, modify, or set aside the Emergency Rate Order, sections 5.508(c) and 13.4133(c) of the Water Code require the Commission to schedule a hearing to establish a final rate within 15 months after the date an emergency rate increase took effect. The additional revenues collected under the emergency rate increase are subject to refund if the

Commission finds that the rate increase was larger than necessary to ensure continuous and adequate service.

**STAFF CONTACTS:**

Brian MacLeod, Environmental Law Division (239-6257)

Andy Lutringer, Water Supply Division (239-6179)

Doug Holcomb, Water Supply Division (239-6947)

# Texas Commission on Environmental Quality

## INTEROFFICE MEMORANDUM

**To:** Brian MacLeod **Date:** August 28, 2006  
**Thru:** Tammy Holguin-Benter  
**From:** Andy Lutringer  
**Subject:** Summary of Adjustments to Application of Patrick C. King, Receiver for Lamar Water Supply Corporation, Certificate of Convenience and Necessity ("CCN") No. 20607 Application No. 35354-G for an Emergency Water Rate Increase in Aransas County, Texas; TCEQ Docket No. 2006-0780-UCR.

The Utilities and District Section's Staff made adjustments to the flat monthly rate, the surcharge for past wastewater hauling and treatment costs and the pass through fee surcharge for future wastewater hauling and treatment costs. Below please find a summary of staff adjustments:

**Flat Monthly Fee:**

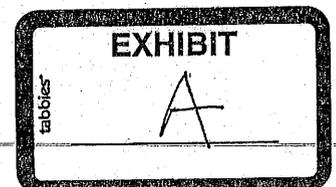
1. Staff disallowed approximately \$1,300 in meeting fees that the receiver charged to Lamar WSC for meeting with Aransas County MUD 1 (ACM1), and
2. Staff reallocated \$2,000 in rate case expenses from the flat rate to a surcharge to be paid over a two year period.

**Surcharge:**

Staff limited the surcharge to the cost of hauling wastewater and the cost of treating the hauled wastewater that remained unpaid to the hauler and ACM1 as of the end of June 2006.

**Pass through:**

Staff obtained copies of separate invoices for hauling costs and treatment costs. The cost for hauling wastewater is \$225 for 3,000 gallons and the wastewater treatment cost is \$25 per thousand gallons; therefore, staff's recommendation was to accurately calculate the pass through surcharge by recommending \$0.10 per gallon.



TCEQ - Office of the Chief Clerk  
Attn: Paul Mungia - MC 105  
P.O. Box 13087  
Austin, Texas

TCEQ Docket No. 2006-0780-UC  
Emergency Rate Increase  
Set for 09/06/06 Commission Agenda

CHIEF CLERK'S OFFICE

136 AUG 18 AM 10:46

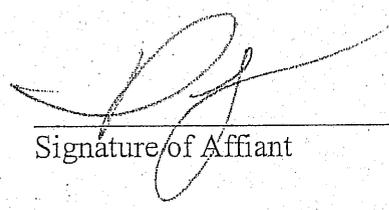
TEXAS  
COMMISSION  
ON ENVIRONMENTAL  
QUALITY

AFFIDAVIT OF NOTICE TO CUSTOMERS OF PUBLIC HEARING  
STATE OF TEXAS  
COUNTY OF TRAVIS

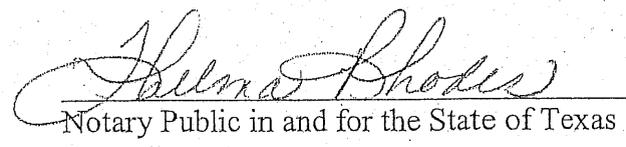
Before me, the undersigned authority, on this day personally appeared the affiant who being by me duly sworn, deposes and says:

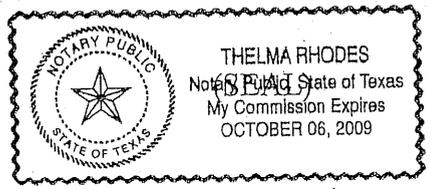
My name is Patrick King, I am over eighteen years of age. I have personal knowledge of the facts stated herein, and they are all true and correct.

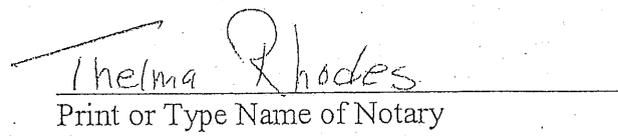
I am the Receiver for Lamar Water Supply Corporation (Utility) appointed by the 250<sup>th</sup> Judicial District Court of Travis County, Texas. On August 17, 2006, I caused to be mailed to all of the Utility's affected customers the attached notice of public hearing. The notice was mailed by first class mail.

  
\_\_\_\_\_  
Signature of Affiant

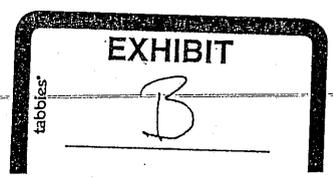
Subscribed and Sworn to before me on this 17<sup>th</sup> day of August, 2006, to certify which witness my hand and seal of office.

  
\_\_\_\_\_  
Notary Public in and for the State of Texas



  
\_\_\_\_\_  
Print or Type Name of Notary

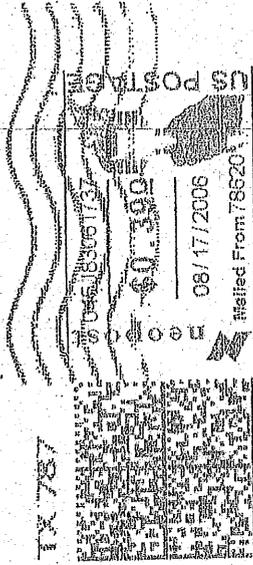
My Commission expires: 10/06/09



P.G.M.S.  
26550 Ranch Road 12, Suite 1  
Dripping Springs, TX 78620

AUSTIN TX 787

17 AUG 2006



TCEQ - Office of the Chief Clerk  
Attn: Paul Mungia - MC 105  
P.O. Box 13087  
Austin, TX 78711

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787113087 8012

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ERROR INFORMATION  
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DATE: August 28, 2006 NUMBER OF PAGES (including this cover sheet):

TO: Name Douglas E. Holcomb  
Organization Texas Commission on Environmental Quality  
FAX Number (512) 239-6972

Protecting Texas  
by Reducing and  
Preventing Pollution

FROM: **TEXAS COMMISSION ON ENVIRONMENTAL QUALITY**  
Name Brian MacLeod  
Division/Region Environmental Law Division  
Telephone Number (512) 239-0750  
FAX Number (512) 239-0606

NOTES:

RE:

Lamar Water Supply Corporation  
TCEQ Docket No. 2006-0780-UCR

COPY TO:

LaDonna Castañuela  
TCEQ Office of the Chief Clerk  
(512) 239-3311

Blas J. Coy, Jr.  
TCEQ Office of the Public Interest Counsel  
Fax: (512) 239-6377

Jodena Henneke, Director  
TCEQ Office of Public Assistance  
Fax: (512) 239-4007

Kyle Lucas  
TCEQ Office of Alternative Dispute

\*\*\*\*\*  
\*\*\* TX REPORT \*\*\*  
\*\*\*\*\*

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Telephone Number (512) 239-0750  
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NOTES:

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Lamar Water Supply Corporation  
TCEQ Docket No. 2006-0780-UCR

COPY TO:

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(512) 239-3311

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TCEQ Office of the Public Interest Counsel  
Fax: (512) 239-6377

Jodena Henneke, Director  
TCEQ Office of Public Assistance  
Fax: (512) 239-4007

Kyle Lucas  
TCEQ Office of Alternative Dispute  
Fax: (512) 239-4015

# EXHIBIT B



# TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

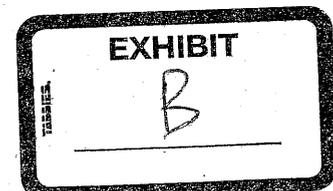


TCEQ DOCKET NO. 2006-0780-UCR

APPLICATION OF PATRICK C.	§	BEFORE THE
KING, RECEIVER FOR LAMAR	§	
WATER SUPPLY CORPORATION	§	
CERTIFICATE OF CONVENIENCE	§	TEXAS COMMISSION ON
AND NECESSITY NO. 20607	§	
FOR AN EMERGENCY SEWER RATE	§	
INCREASE IN ARANSAS COUNTY,	§	
TEXAS	§	ENVIRONMENTAL QUALITY

## AN ORDER TO AFFIRM AND MODIFY AN EMERGENCY RATE INCREASE ORDER

On September 6, 2006, the Texas Commission on Environmental Quality ("TCEQ" or "Commission") considered whether to affirm, modify, or set aside an Emergency Rate Increase Order for Patrick C. King, Receiver for Lamar Water Supply Corporation, Certificate of Convenience and Necessity ("CCN") No. 20607 in Aransas County, Texas. The Emergency Order was issued by the Executive Director without a hearing on July 13, 2006. The Commission considered the application by Patrick C. King under §§ 5.508 and 13.4133, Texas Water Code (Code), and 30 Texas Administrative Code ("TAC") § 35.202. The Commission finds that the Executive Director appropriately issued the Emergency Order and that Patrick C. King has satisfied the requirements for an Emergency Rate Increase Order under Subchapter L of Chapter 5 of the Code and Subchapter K of Chapter 13 of the Code. The Commission made modifications to the term of the Emergency Order and directed the referral of the matter for a contested case hearing on the final rate.



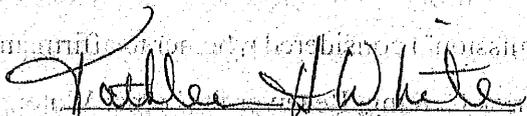
**THEREFORE, THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY ORDERS THAT:**

The Emergency Order, attached as Exhibit A and incorporated into this Order by reference, is affirmed and modified as follows:

- 1) The term of the Emergency Order is extended for six (6) additional months to a nine (9) month term or the date of the Commission's approval of the final rate, whichever occurs first; and
- 2) The Office of the Chief Clerk is directed to refer the matter to the State Office of Administrative Hearings for a contested case hearing on the final rate.

Issue Date: **SEP 15 2006**

**TEXAS COMMISSION ON ENVIRONMENTAL QUALITY**

  
Kathleen Hartnett White, Chairman

# EXHIBIT A

EXHIBIT A

EMERGENCY ORDER APPLICATION OF  
PATRICK C. KING, AS RECEIVER  
APPOINTED BY THE 250<sup>TH</sup> JUDICIAL  
DISTRICT COURT OF TRAVIS COUNTY,  
FOR LAMAR WATER SUPPLY  
CORPORATION, SEWER CERTIFICATE  
OF CONVENIENCE AND NECESSITY  
NO. 20607, APPLICATION NO. 35354-G

§  
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BEFORE THE TEXAS COMMISSION

ON

ENVIRONMENTAL QUALITY

### EMERGENCY RATE ORDER

On July 13, 2006, the Executive Director (ED) of the Texas Commission on Environmental Quality (TCEQ) considered the application of Patrick C. King, as receiver appointed by the 250<sup>th</sup> Judicial District of Travis County for Lamar Water Supply Corporation, for an emergency sewer rate increase under §§ 5.508 and 13.4133, Texas Water Code, and 30 Texas Administrative Code § 35.202. The Commission has jurisdiction to consider this matter and the following findings of fact and conclusions of law are appropriate after examining the application and the supporting documentation:

### FINDINGS OF FACT

1. Patrick C. King, as receiver appointed by the 250<sup>th</sup> Judicial District of Travis County for Lamar Water Supply Corporation ("Utility"), provides retail utility sewer service. The Utility is located in Aransas County Texas, and its mailing address is at 1600 Stagecoach Ranch Loop, Dripping Springs, Texas. The Utility provides retail sewer service to approximately 36 customers; the Utility provides sewer service within the Seagun Subdivision. No portion of the area served is within the corporate limits of any municipality.
2. On May 10, 2006, the Utility submitted an application requesting an emergency sewer rate increase. The application requested a slight lowering of the flat rate and the imposition of a surcharge and a pass through. The rate increase is requested to allow the Utility to meet its revenue requirements with rates sufficient to meet the Utility's operating expenses.

3. The ED has reviewed the information included in the application and recommends approval of the staff's following emergency rate as necessary to ensure the provision of continuous and adequate sewer service to the Utility's customers:

	UTILITY'S CURRENT RATE	UTILITY'S PROPOSED RATE	STAFF'S RECOMMENDED RATE
For Condominium Complex:			
Flat monthly fee	\$61.13/mo.	\$46.03/mo	\$39.00/mo
Surcharge fee	\$0:00	\$38.06	\$23.30
Pass through Fee	\$0:00	\$124.77/mo.	\$0.10/gallon *
<b>TOTAL</b>	<b>61.13</b>	<b>\$208.86</b>	<b>\$62.30 + 0.10/gallon *</b>

For the Retail Convenience Store:

Flat monthly fee	\$61.13/mo.	\$46.03/mo	\$39.00
Surcharge fee	\$0:00	\$2,367.95/mo.	\$23.30
Pass through Fee	\$0:00	\$7,971.98/mo.	\$0.10/gallon *
<b>TOTAL</b>	<b>61.13</b>	<b>\$7,971.98</b>	<b>\$62.30 + 0.10/gallon</b>

4. The effective date of the emergency rate should be July 14, 2006 with a termination date of October 14, 2006.

5. Because the Utility began billing its proposed rate without authorization from the

\* Based on number of gallons of water metered

Commission, the Utility shall refund to the customers any amounts collected in excess of the prior rate billed before the effective date of the emergency rate established in this order.

6. This Emergency Order will be scheduled for consideration by the Commission to affirm, modify, or set aside, on September 6, 2006.

#### CONCLUSIONS OF LAW

1. The Commission is authorized to regulate rates within the Utility's service area, which is outside the limits of any municipality.
2. Pursuant to §§ 5.508 and 13.4133(a) of the Texas Water Code, the Commission may approve an emergency rate for a utility for which a receiver has been appointed under §13.412 of the Water Code.
3. Section 5.501(c), Texas Water Code, authorizes the Commission to delegate its authority to issue emergency orders to the Executive Director. Section 35.202, 30 Texas Administrative Code, authorizes the Executive Director to approve an emergency rate increase pursuant to §§ 5.508 and 13.4133, Texas Water Code.
4. Notice to ratepayers of an emergency rate increase is governed by §§ 5.508(b) and 13.4133(b), Texas Water Code, and 30 Texas Administrative Code § 35.202(f).
5. Public hearings on an emergency rate increase are governed by §§ 5.508(c) and 13.4133(c), Texas Water Code.
6. The Executive Director's recommended emergency rate set forth in finding of Fact No. 3 is necessary to ensure the provision of continuous and adequate services to the Utility's customers.

NOW, THEREFORE, BE IT ORDERED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY THAT:

1. The emergency rate increase requested by Patrick C. King, as receiver appointed by the 250<sup>th</sup> Judicial District of Travis County for Lamar Water Supply Corporation, is approved and shall be subject to the following conditions:
  - a. The Executive Director's recommended emergency rate set forth in Finding of Fact No. 3 is approved for a period of three (3) months from its effective date, or until a final rate is set, whichever occurs sooner.
  - b. The emergency rate is effective July 14, 2006 with a termination date of October 14, 2006.
  - c. The surcharge and pass through fee revenues shall be maintained by the receiver in a separate bank account to be used only for hauling costs and wastewater treatment costs.
  - d. The Utility shall refund to the customers any amounts collected in excess of the prior rate billed before the effective date of the emergency rate established in this order. This may be done by either a credit on future bills or by direct cash payment.
2. Patrick C. King, as receiver appointed by the 250<sup>th</sup> Judicial District of Travis County for Lamar Water Supply Corporation, is directed to notify each ratepayer of the emergency rate increase not later than the effective date of the approved emergency rate (July 14, 2006), in accordance with 30 Texas Administrative Code § 35.202(f).
3. This Order was issued without a hearing. This Emergency Order will be scheduled for consideration by the Commission to affirm, modify, or set aside, on September 6, 2006.

4. The Chief Clerk of the Texas Commission on Environmental Quality shall forward a copy of this Order to all parties.
5. If any provision, sentence, clause, or phrase of this Order is for any reason held to be invalid, the invalidity of any portion shall not affect the validity of the remaining portions of the Order.

Issue Date: JUL 13 2006

TEXAS COMMISSION ON  
ENVIRONMENTAL QUALITY



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For the Commission

JUL 18 2008

COMMISSIONER OF REVENUE  
STATE OF CALIFORNIA



For the Commission

# EXHIBIT C



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



STATE OF TEXAS §

COUNTY OF TRAVIS §

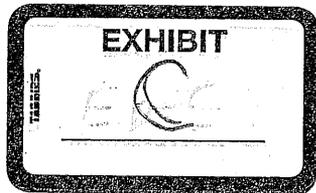
I, LaDonna Castañuela, Chief Clerk of the Texas Commission on Environmental Quality, do hereby certify that the attached mailing list provides the persons to whom the notice of the public hearing for Patrick C. King, Receiver for Lamar Water Supply Corporation, SOAH Docket No. 582-07-0297, TCEQ Docket No. 2006-0780-UCR, was mailed on October 10, 2006.

Given under my hand and the seal of the Texas Commission on Environmental Quality, this the 10th day of October, 2006.

*LaDonna Castañuela*  
LaDonna Castañuela, Chief Clerk  
Texas Commission on Environmental Quality

NOV - 2 2006

(SEAL)



THE STATE OF TEXAS  
COUNTY OF TRAVIS

I hereby certify that this is a true and correct copy of Texas Commission on Environmental Quality documents which is filed in the permanent records of the Commission. Given under my hand and seal of office on

*LaDonna Castañuela*

LaDonna Castañuela, Chief Clerk  
Texas Commission on Environmental Quality

Kathleen Hartnett White, *Chairman*  
Larry R. Soward, *Commissioner*  
Martin A. Hubert, *Commissioner*  
Glenn Shankle, *Executive Director*



## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

October 10, 2006

**BY CERTIFIED AND FIRST CLASS MAIL**  
Certified Receipt # 7003 1680 0000 6290 1232

Patrick C. King  
Receiver for Lamar Water Supply Corporation  
1600 Stagecoach Ranch Loop  
Dripping Springs, Texas 78620

RE: Mailing requirements on Notice of Hearing on Patrick C. King, Receiver for Lamar Water Supply Corporation  
SOAH Docket No. 582-07-0297, TCEQ Docket No. 2006-0780-UCR

Dear Mr. King:

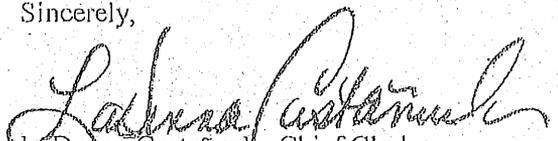
Enclosed is a Notice of Public Hearing concerning the above-referenced application. This notice must be provided in its entirety to all affected utility customers, at the utility company's expense. You may mail it with a utility bill or statement, or by separate first class mail. In accordance with Section 2001.051(1) of the Administrative Procedure Act, **all affected customers must receive the notice not less than 10 days before the hearing date, or not later than October 26, 2006.**

After the notice is mailed to all affected customers, you must file an affidavit stating the attached notice was mailed to all affected customers, and stating the date on which it was mailed. **Please be sure to attach a copy of the mailed notice to the affidavit.** The affidavit must be filed with the Office of the Chief Clerk of the Texas Commission on Environmental Quality (Commission), ATTN: SOAH Docket Clerk (Mail Code 105), P.O. Box 13087, Austin, Texas 78711-3087, at least two days before the public hearing.

Immediately contact the State Office of Administrative Hearings (SOAH) Docket Clerk in the event that notice is not provided in a timely manner. **When contacting the Commission or SOAH regarding this application, please reference the SOAH docket number given at the top of this letter.**

If you have any questions, please call (512) 475-3445 to speak with the SOAH Docket Clerk.

Sincerely,

  
LaDonna Castañeda, Chief Clerk  
Texas Commission on Environmental Quality

Enclosures

cc: Stan Puttman, Attorney, 2901 Bee Caves Road, Box L, Austin, Texas, 78746

OCT 12 2006

Patrick C. King, Receiver for Amar Water Supply Corporation  
TCEQ Docket No. 2006-0780 CR  
SOAH Docket No. 582-07-0297  
Chief Clerk's Office, Mail Code 105, Attn: SOAH Docket Clerk

AFFIDAVIT OF NOTICE TO CUSTOMERS OF THE PUBLIC HEARING

STATE OF TEXAS §

COUNTY OF \_\_\_\_\_ §

Before me, the undersigned authority, on this day personally appeared the affiant who being by me duly sworn, deposes and says:

My name is \_\_\_\_\_, I am over eighteen (18)  
*(Name of Affiant)*

years of age. I have personal knowledge of the facts stated herein, and they are all true and correct.

I am \_\_\_\_\_ of  
*(Title of Affiant)*

\_\_\_\_\_ of  
*(Name of Utility)*

On \_\_\_\_\_, I caused to be mailed to all of the above named utility's  
*(Date)*

customers and affected municipalities, if any, the attached notice of public hearing. The notice was mailed by first class mail.

\_\_\_\_\_  
*Signature of Affiant*

Subscribed and sworn to before me this the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_,  
\_\_\_\_\_ to certify which witness my hand and seal of office.

\_\_\_\_\_  
Notary Public in and for the State of Texas

(SEAL)

\_\_\_\_\_  
Print or type Name of Notary

My Commission Expires \_\_\_\_\_

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



**NOTICE OF HEARING**

**PATRICK C. KING, RECEIVER FOR LAMAR WATER SUPPLY CORPORATION**  
**SOAH Docket No. 582-07-0297**  
**TCEQ Docket No. 2006-0780-UCR**

**APPLICATION.** Patrick C. King, Receiver for Lamar Water Supply Corporation, 1600 Stagecoach Ranch Loop, Dripping Springs, Texas, has applied to the Texas Commission on Environmental Quality (TCEQ) to change its sewer rate effective July 14, 2006 for its service area located in Aransas County, Texas (Certificate of Convenience and Necessity No. 20607, Application No. 35354-G).

**CONTESTED CASE HEARING.** The State Office of Administrative Hearings (SOAH) will conduct a formal contested case hearing on this application at:

**10:00 a.m. – November 7, 2006**  
**William P. Clements Building**  
**300 West 15<sup>th</sup> Street, 4<sup>th</sup> Floor**  
**Austin, Texas 78701**

The hearing will be a legal proceeding similar to a civil trial in state district court. The hearing will be conducted in accordance with Chapter 2001, Texas Government Code; Chapter 13, Texas Water Code; TCEQ rules including 30 Texas Administrative Code (TAC) Chapter 291; and the procedural rules of the TCEQ and SOAH, including 30 TAC Chapter 80 and 1 TAC Chapter 155. To participate in the hearing as a party, you must attend the hearing and show you would be affected by the petition in a way not common to members of the general public.

**INFORMATION.** For information concerning the hearing process, please contact the TCEQ Office of the Public Interest Counsel (MC 103), P.O. Box 13087, Austin, TX 78711-3087, telephone 512-239-6363. For additional information, contact the TCEQ Water Supply Division, Utilities & Districts Section (MC 153), P.O. Box 13087, Austin, TX 78711-3087, telephone 512-239-4691. General information regarding the TCEQ can be found at our web site at [www.TCEQ.state.tx.us](http://www.TCEQ.state.tx.us).

Persons with disabilities who plan to attend this hearing and who need special accommodations at the hearing should call the SOAH Docketing Department at 512-475-3445, at least one week prior to the hearing.

Issued: October 10, 2006

A handwritten signature in cursive script, reading "LaDonna Castañuela".

LaDonna Castañuela, Chief Clerk  
Texas Commission on Environmental Quality

**MAILING LIST**  
**PATRICK C. KING, RECEIVER FOR LAMAR WATER SUPPLY CORPORATION**  
**SOAH Docket No. 582-07-0297**  
**TCEQ Docket No. 2006-0780-UCR**

Patrick C. King  
Receiver for Lamar Water Supply Corporation  
1600 Stagecoach Ranch Loop  
Dripping Springs, Texas 78620

Stan Puttman, Attorney  
2901 Bee Caves Road, Box L  
Austin, Texas 78746

Texas Commission on Environmental Quality  
P. O. Box 13087  
Austin, Texas 78711-3087

Brian MacLeod, Staff Attorney, Environmental Law Division (MC 173)  
Andy Lutringer, Technical Staff, Water Supply Division, Utilities & Districts Section  
(MC 153)  
Brian Dickey, Technical Staff, Water Supply Division, Utilities & Districts Section (MC  
153)  
Blas Coy, Office of Public Interest Counsel (MC 103)

2321 0629 0000 099T E002

U.S. Postal Service  
**CERTIFIED MAIL RECEIPT**  
(Domestic Mail Only, No Insurance Coverage Provided)  
For delivery information visit our website at www.usps.com

**OFFICIAL USE**

Postage \$

Center

PATRICK KING  
LAMAR WSC  
1600 STAGECOACH RANCH LOOP  
DRIPPING SPRINGS TX 78620-2436

Return F (Endorsement)

Restricted D (Endorsement)

Total Postage

Sent To

Street, Apt. No.,  
or PO Box No.  
City, State, ZIP+4

PS Form 3811, February 2004

See Reverse for Instructions

LAMAR WSC  
PATRICK KING  
2006-0780-UCR  
20607, 35354-G  
53572

or on the front if space permits.

1. Article Addressed to:

PATRICK KING  
LAMAR WSC  
1600 STAGECOACH RANCH LOOP  
DRIPPING SPRINGS TX 78620-2436

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature

*[Handwritten Signature]*

Agent

Addressee

B. Received by (Printed Name)

*[Handwritten Name]*

C. Date of Delivery

*[Handwritten Date]*

D. Is delivery address different from item 1?  Yes

If YES, enter delivery address below:  No

3. Service Type

Certified Mail  Express Mail

Registered  Return Receipt for Merchandise

Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)

Yes

2. Article Number

(Transfer from service label)

7003 1680 0000 6290 1232

Kathleen Hartnett White, *Chairman*  
Larry R. Soward, *Commissioner*  
Martin A. Hubert, *Commissioner*  
Glenn Shankle, *Executive Director*



## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

October 10, 2006

**BY CERTIFIED AND FIRST CLASS MAIL**  
Certified Receipt # 7003 1680 0000 6290 1232

Patrick C. King  
Receiver for Lamar Water Supply Corporation  
1600 Stagecoach Ranch Loop  
Dripping Springs, Texas 78620

RE: Mailing requirements on Notice of Hearing on Patrick C. King, Receiver for Lamar Water Supply Corporation  
SOAH Docket No. 582-07-0297, TCEQ Docket No. 2006-0780-UCR

Dear Mr. King:

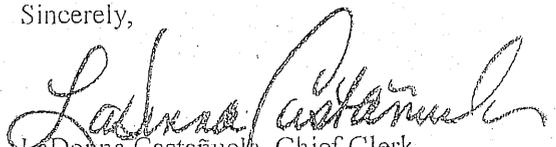
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If you have any questions, please call (512) 475-3445 to speak with the SOAH Docket Clerk.

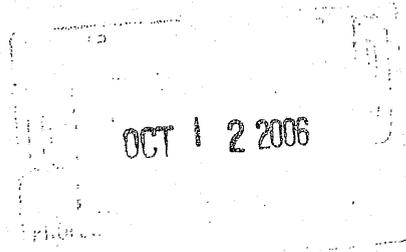
Sincerely,

  
LaDonna Castañuela, Chief Clerk  
Texas Commission on Environmental Quality

Enclosures

cc: Stan Puttman, Attorney, 2901 Bee Caves Road, Box L, Austin, Texas, 78746

CHIEF CLERK'S OFFICE  
OCT 10 2006  
STATE OF TEXAS



Patrick C. King, Receiver for Lamar Water Supply Corporation  
TCEQ Docket No. 2006-0780-UCR  
SOAH Docket No. 582-07-0297  
Chief Clerk's Office, Mail Code 105, Attn: SOAH Docket Clerk

AFFIDAVIT OF NOTICE TO CUSTOMERS OF THE PUBLIC HEARING

STATE OF TEXAS

§

COUNTY OF

HAYS

§

Before me, the undersigned authority, on this day personally appeared the affiant who being by me duly sworn, deposes and says:

My name is

A. LOUISE MARLEY  
(Name of Affiant)

CHIEF CLERK'S OFFICE  
OCT 24 2006  
COUNTY CLERK  
HAYS COUNTY TEXAS

I am over eighteen (18)

years of age. I have personal knowledge of the facts stated herein, and they are all true and correct.

I am

OFFICE MANAGER  
(Title of Affiant)

of

LAMAR WATER SUPPLY CORP.  
(Name of Utility)

On

OCT. 24, 2006  
(Date)

I caused to be mailed to all of the above named utility's

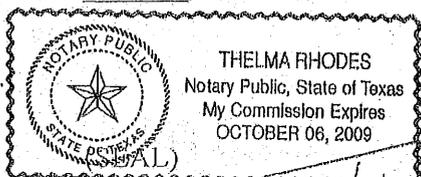
customers and affected municipalities, if any, the attached notice of public hearing. The notice was

mailed by first class mail.

A. Louise Marley  
Signature of Affiant

Subscribed and sworn to before me this the 24th day of October, 2006

to certify which witness my hand and seal of office.



Thelma Rhodes  
Notary Public in and for the State of Texas

Thelma Rhodes  
Print or type Name of Notary

My Commission Expires 10/06/09

# EXHIBIT D



LAW OFFICES OF  
BOOTH, AHRENS & WERKENTHIN, P.C.

A PROFESSIONAL CORPORATION  
515 CONGRESS AVENUE, SUITE 1515  
AUSTIN, TEXAS 78701-3503  
512/472-3263 • 512/473-2609

MICHAEL J. BOOTH  
FRED B. WERKENTHIN, JR.  
WIL GALLOWAY

CAROLYN AHRENS  
OF COUNSEL

December 19, 2006

Honorable William Newchurch  
Administrative Law Judge  
State Office of Administrative Hearings  
William P. Clements Building, Jr.  
300 West Fifteenth Street  
Austin, TX 78701

VIA FILE-FACSIMILE  
(512) 475-4994

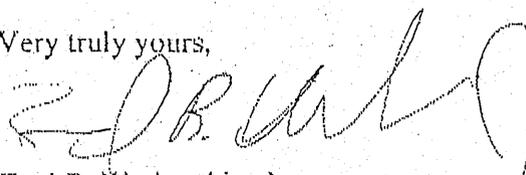
RE: SOAH Docket No. 582-07-0297  
TCEQ Docket No. 2006-0780-UCR  
Application of Patrick C. King, Receiver for Lamar Water Supply  
Corporation, CCN No. 20607, to Change Its Sewer Rates in Aransas County

Dear Judge Newchurch:

Please find attached a copy of the fully executed Settlement Agreement and Withdrawal of Protest with respect to the above-referenced matter.

If you should have any questions, please do not hesitate to call.

Very truly yours,



Fred B. Werkenthin, Jr.  
Attorney for Sea Gun Homeowners Association

FBW/lb

Attachments

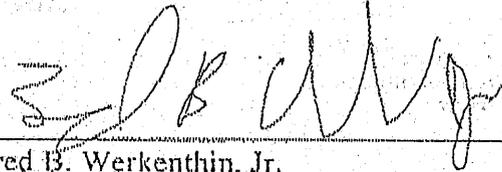
cc: Carrie and Lamar Brown  
Sea Gun Homeowners Association  
4800 Great Divide Drive  
Austin, TX 78738

VIA EMAIL



**CERTIFICATE OF SERVICE**

I hereby certify, by my signature below, that a true and correct copy of the above and foregoing document was forwarded to the persons on the attached mailing list as identified on that list, on this, the 19th day of December, 2006.



Fred B. Werkenthin, Jr.

Stan M. Putman, Jr.  
Judge, Kostura & Putman, P.C.  
2901 Bee Cave, Box L  
Austin, TX 78746

**VIA FACSIMILE**

(512) 328-4132

LaDonna Castañuela, Chief Clerk  
Office of the Chief Clerk, MC-105  
Texas Commission on Environmental Quality  
12100 Park 35 Circle  
Building F, First Floor  
Austin, TX 78753

**VIA FACSIMILE & HAND DELIVERY**

(512) 239-3311

Mary Alice Boehm-McKaughan  
Office of the Public Interest Counsel, MC-103  
Texas Commission on Environmental Quality  
12100 Park 35 Circle  
Building F, Fourth Floor  
Austin, TX 78753

**VIA FACSIMILE**

(512) 239-6377

Brian MacLeod, Staff Attorney  
Environmental Law Division, MC-173  
Texas Commission on Environmental Quality  
12100 Park 35 Circle  
Building A, Third Floor  
Austin, TX 78753

**VIA FACSIMILE**

(512) 239-0606

RECEIVED DEC 20 2006

SOAH DOCKET NO. 582-07-0297  
TCEQ DOCKET NO. 2006-0780-UCR

APPLICATION OF PATRICK C. § BEFORE THE STATE OFFICE  
KING, RECEIVER FOR LAMAR §  
WATER SUPPLY CORPORATION, § OF  
CCN NO. 20607, TO CHANGE ITS §  
SEWER RATES IN ARANSAS COUNTY § ADMINISTRATIVE HEARINGS

SETTLEMENT AGREEMENT

WHEREAS, Patrick C. King, Court appointed Receiver for the Lamar Water Supply Corporation ("Receiver") filed an application for Emergency Rate Increase for sewer rates on May 17, 2006; and

WHEREAS, the Executive Director ("ED") for the Texas Commission on Environmental Quality recommended approval of a rate set out by the ED staff and approval of the recommended rate was established Order of the Texas Commission on Environmental Quality ("the Commission") subject to a public hearing; and

WHEREAS, the Commission conducted a public hearing on September 6, 2006; and

WHEREAS, the Sea Gun Homeowner's Association, ("Protestants") appeared at the public hearing to contest the Emergency Rate Increase and expressed concerns about the reasonableness of sewer hauling charges due to inflow/outflow problems associated with the sewer facility and the Receiver's operations concerning the facility and notification to customers, which concerns Protestants continue to have; and

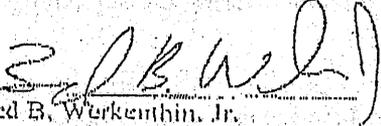
WHEREAS, the Commission entered an Order to Affirm and Modify the Emergency Rate Order as established by the ED on September 15, 2006, making such order subject to a contested rate hearing before the State Office of Administrative Hearings ("SOAH") due to the Protestants contest and establishment of a Final Rate; and

WHEREAS, the contested rate hearing proceedings were established and begun before SOAH on November 7, 2006, wherein the ED staff for the Commission appeared, the Receiver appeared, the Protestant appeared, and the Public Interest Counsel ("PIC") appeared, and all were established as parties (hereinafter collectively referred to as "the Parties"), and

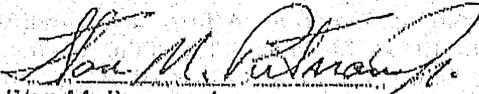
WHEREAS, the Parties have agreed to forego their differences concerning the Emergency Rate Increase and desire to have an Order entered establishing a Final Rate

NOW, THEREFORE, in order to avoid litigating the Application of the Receiver for an increase of the sewer rates for Lamar Water Supply and the Order established by the ED, the Parties agree as follows:

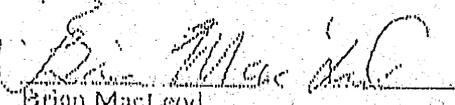
1. The Parties agree to accept the Emergency Rate established by Order of the Commission on September 15, 2006;
2. The Parties agree to request SOAH to recommend that the Emergency Rate established by Order of the Commission on September 15, 2006, be established as the Final Rate;
3. The Protestants agree to withdraw their hearing request on this matter and withdraw its protest to the pending SOAH hearing on this matter;
4. This agreement is enforceable as a contract between the Parties (except for the Executive Director and the Office of Public Interest Counsel), enforceable in a court of competent jurisdiction and is effective on the date the last party executes this agreement; and
5. The Parties will execute all additional documents reasonable and necessary to effectuate this agreement before the Commission, if any.

  
Fred B. Werkenthin, Jr.  
BOOTH, AHRENS & WERKENTHIN, P.C.  
Attorney for Sea Gun Home Owners Association

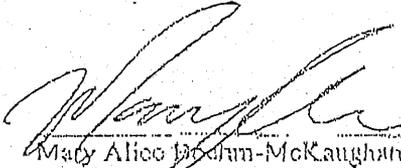
Dated: Dec 14, 2006

  
Stan M. Putman, Jr.  
Judge, Kostura & Putman, P.C.  
Attorney for the Patriot C. King as  
Receiver for Lamar Water Supply Company

Dated: Dec 17, 2006

  
Brian MacLeod  
Texas Commission Environmental Quality  
Attorney for the Executive Director

Dated: Dec 12, 2006



Mary Alice Mahan-McCaughan

Office of the Public Interest

Dated: 12/19/06, 2006

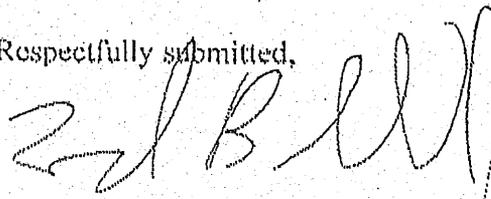
SOAH DOCKET NO. 582-07-0297  
TCEQ DOCKET NO. 2006-0780-UCR

APPLICATION OF PATRICK C.	§	BEFORE THE STATE OFFICE
KING, RECEIVER FOR LAMAR	§	
WATER SUPPLY CORPORATION,	§	OF
CCN NO. 20607, TO CHANGE ITS	§	
SEWER RATES IN ARANSAS COUNTY	§	ADMINISTRATIVE HEARINGS

WITHDRAWAL OF PROTEST

Sea Gun Homeowners Association (Sea Gun), established parties and Protestants in the above entitled matter no longer wishes to pursue its contest to the rate increase and hereby withdraws its request for hearing on the rate application and withdraws its protest to the rate application.

Respectfully submitted,



Fred B. Werkenthin, Jr.  
BOOTH, AHRENS & WERKENTHIN, P.C.  
Attorney for Sea Gun Homeowners Association

# EXHIBIT E



# JUDGE, KOSTURA & PUTMAN, P.C.

THE COMMISSIONERS HOUSE AT HERITAGE SQUARE  
2901 BEE CAVE ROAD, BOX L  
AUSTIN, TEXAS 78746

TELEPHONE: (512) 328-9099

FACSIMILE: (512) 328-4132

### ATTORNEYS AT LAW

JOHN JUDGE\*  
JUDY KOSTURA  
STAN M. PUTMAN, JR.

### LEGAL ASSISTANTS

SUSAN ESTRINGEL  
TRISHA MELONCON

## FAX COVER SHEET

CC:	Brian MacLeod Texas Commission on Environmental Quality	FAX NO.:	239-0606
CC:	Fred Werkenthin Jr. Booth Ahrens & Werkenthin PC	FAX NO.:	473-2609
CC:	Mary Alice Boehm-McKaughan Texas Commission on Environmental Quality	FAX NO.:	239-6377
CC:	Pat King Receiver, Lamar Water Supply Corp.	FAX NO.:	894-3310

DATE: December 28, 2006                      TIME:

FROM: Trisha Meloncon, Legal                      REFERENCE NO.: 3-0333-1  
Assistant

RE: TCEQ Docket No. 2006-0780-UCR, SOAH Docket No. 582-07-0297,  
Emergency Rate Application of Patrick C. King, as Receiver Appointed by  
the 250<sup>th</sup> Judicial District Court of Travis County, for Lamar Water Supply  
Corporation, Sewer Certificate of Convenience and Necessity No. 20607,  
Application No. 35354-G

### COMMENTS:

Original will follow  
 Original will not follow

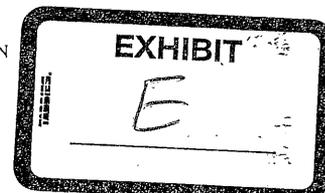
NO. OF PAGES W/COVER: 6

### CONFIDENTIALITY NOTICE

**THE DOCUMENTS ACCOMPANYING THIS FACSIMILE TRANSMISSION CONTAINS INFORMATION FROM THE LAW OFFICE OF JUDGE, KOSTURA & PUTMAN, P.C. THAT IS LEGALLY CONFIDENTIAL AND PRIVILEGED. THE INFORMATION IS INTENDED FOR THE USE OF THE INDIVIDUAL OR ENTITY TO WHOM IT IS DIRECTED. IF YOU ARE NOT THE INTENDED RECIPIENT, BE AWARE THAT ANY DISCLOSURE, COPYING, DISTRIBUTION, OR USE OF THE CONTENTS OF THE FAXED INFORMATION IS PROHIBITED. IF YOU HAVE RECEIVED THIS FAX IN ERROR, PLEASE NOTIFY US BY TELEPHONE IMMEDIATELY SO THAT WE CAN ARRANGE FOR THE RETRIEVAL OF THE ORIGINAL DOCUMENTS. THANK YOU.**

If you received an incomplete fax - please call (512) 328-9099

\* BOARD CERTIFIED CIVIL TRIAL LAW AND PERSONAL INJURY TRIAL LAW, TEXAS BOARD OF LEGAL SPECIALIZATION



**JUDGE, KOSTURA & PUTMAN, P.C.**

THE COMMISSIONERS HOUSE AT HERITAGE SQUARE  
2901 BEE CAVE ROAD, BOX L  
AUSTIN, TEXAS 78746

TELEPHONE: (512) 328-9099

FACSIMILE: (512) 328-4132

**ATTORNEYS AT LAW**

JOHN JUDGE  
JUDY KOSTURA  
STAN M. PUTMAN, JR.

**LEGAL ASSISTANTS**

SUSAN ESTRINGEL  
TRISHA MELONCON

December 28, 2006

ATTN: Deputy Clerk, Natalie Howard  
State Office of Administrative Hearings  
William P. Clements Building  
P.O. Box 13025  
Austin, Texas 78711-3025

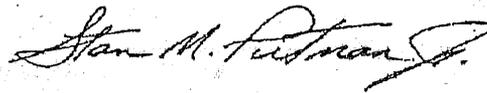
RE: TCEQ Docket No. 2006-0780-UCR, SOAH Docket No. 582-07-0297, Emergency Rate Application of Patrick C. King, as Receiver Appointed by the 250<sup>th</sup> Judicial District Court of Travis County, for Lamar Water Supply Corporation, Sewer Certificate of Convenience and Necessity No. 20607, Application No. 35354-G

Dear Ms. Howard:

Enclosed please find the original and a first page copy of Receiver's Motion to Dismiss and Remand pursuant to Order No. 2. Please file the original and return a file marked first page copy to me in the enclosed self-addressed and stamped envelope.

If you have any questions, please do not hesitate to contact my legal assistant, Trisha, or me.

Sincerely,



Stan M. Putman, Jr.

SMP/tm

Enclosures

cc: Pat King

Mary Alice Boehm-McKaughan  
Texas Commission on Environmental Quality  
Public Interest Counsel - MC103  
P.O. Box 13087  
Austin, Texas 78711-3087  
Via Fax #239-6377 or Email: mboehm@tceg.state.tx.us

Fred Werkenthin Jr.  
Booth Ahrens & Werkenthin PC  
515 Congress Avenue, Suite 1515  
Austin, Texas 78701  
Via Fax # 473-2609 or Email: fbw@baw.com

Brian MacLeod, Staff Attorney  
Texas Commission on Environmental Quality  
Environmental Law Division - MC173  
P.O. Box 13087  
Austin, Texas 78711-3087  
Via Fax # 239-0606 or Email: bmacleod@tceq.state.tx.us

Chief Clerk, LaDonna Castanuela  
Texas Commission on Environmental Quality  
Office of the Chief Clerk – MC-105  
P.O. Box 13087  
Austin, Texas 78711-3087

SOAH DOCKET NO. 582-07-0297  
TCEQ DOCKET NO. 2006-0780-UCR

APPLICATION OF PATRICK C. KING, § BEFORE THE STATE OFFICE  
RECEIVER FOR LAMAR WATER §  
SUPPLY CORPORATION, CCN. NO. § OF  
20607, TO CHANGE ITS SEWER §  
RATES IN ARANSAS COUNTY § ADMINISTRATIVE HEARINGS

**RECEIVER'S MOTION TO DISMISS AND REMAND**

COMES NOW, Patrick C. King, Court Appointed Receiver for the Lamar Water Supply Corporation, the applicant for the Emergency Rate in the above entitled and numbered case, and files this Motion to Dismiss and Remand, and would show the following:

I.

The parties to this rate case have resolved their differences on the Emergency Rater Application filed by the Receiver and entered into a settlement agreement for the purposes of the rates for the Lamar Water Supply Corporation.

II.

The Protestants have withdrawn their protest and the Administrative Law Judge issued an Order on December 20, 2006, granting the withdrawal and canceling the hearing on the merits. There are no facts issues that remain controverted.

III.

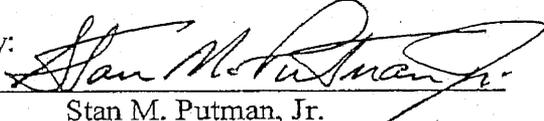
The settlement agreement establishes the final rates for the purposes of the application. There are no matters left in controversy and therefore the matter should be dismissed and remanded to the Executive Director for presentation of an agreed order to the Commission for approval of the final rate pursuant to 80 Tex. Adm. Code §80.101.

WHEREFORE, PREMISES CONSIDERED, Patrick C. King, Court Appointed Receiver, requests that and Order be entered dismissing this matter from the docket of the State Office of Administrative Hearings and remanding the case to the Executive Director for presentation of an agreed order to the Texas Commission on Environmental Quality for approval of a final rate, and for such other relief to which he may be entitled.

Respectfully submitted,

JUDGE, KOSTURA & PUTMAN, P.C.  
The Commissioners House at Heritage Square  
2901 Bee Cave Road, Box L  
Austin, Texas 78746  
(512) 328-9099 Telephone  
(512) 328-4132 Facsimile

By:



Stan M. Putman, Jr.  
State Bar No. 16412700

ATTORNEY FOR PATRICK C. KING,  
RECEIVER FOR LAMAR WATER SUPPLY  
CORPORATION

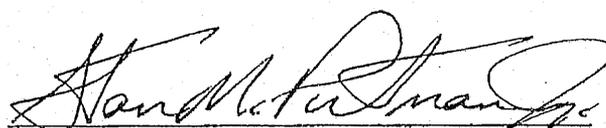
## CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served via facsimile and/or email to the following on this 28<sup>th</sup> day of December 2006:

Fred Bernard Werkenthin Jr.  
Booth Ahrens & Werkenthin PC  
515 Congress Avenue, Suite 1515  
Austin, Texas 78701  
Fax: (512) 473-2609  
Email: [fbw@baw.com](mailto:fbw@baw.com)  
ATTORNEY FOR SEA GUN HOMEOWNERS ASSOCIATION

Mary Alice Boehm-McKaughan  
Texas Commission on Environmental Quality  
Public Interest Counsel - MC103  
P.O. Box 13087  
Austin, Texas 78711-3087  
Fax: (512) 239-6377  
Email: [mboehm@tceq.state.tx.us](mailto:mboehm@tceq.state.tx.us)  
ATTORNEY FOR PUBLIC INTEREST COUNSEL

Brian MacLeod, Staff Attorney  
Texas Commission on Environmental Quality  
Environmental Law Division MC175  
P.O. Box 13087  
Austin, Texas 78711-3087  
Fax: (512) 239-0606  
[bmacleod@tceq.state.tx.us](mailto:bmacleod@tceq.state.tx.us)  
ATTORNEY FOR EXECUTIVE DIRECTOR

  
Stan M. Putman, Jr.

\*\*\*\*\*  
\*\*\* RX REPORT \*\*\*  
\*\*\*\*\*

RECEPTION OK

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RECIPIENT ADDRESS	512 328 3954
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# EXHIBIT F



**SOAH DOCKET NO. 582-07-0297  
TCEQ DOCKET NO. 2006-0780-UCR**

<b>APPLICATION OF PATRICK C. KING, RECEIVER FOR LAMAR WATER SUPPLY CORPORATION, CCN NO. 20607, TO CHANGE ITS SEWER RATES IN ARANSAS COUNTY</b>	§ § § § § §	<b>BEFORE THE STATE OFFICE  OF  ADMINISTRATIVE HEARINGS</b>
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**ORDER NO. 1  
MEMORIALIZING PRELIMINARY HEARING AND SETTING CASE SCHEDULE**

**I. Introduction**

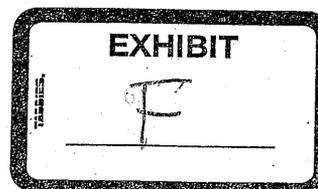
On November 7, 2006, a preliminary hearing was held in this case, and jurisdiction was proven. The following appeared and were admitted as parties:

<b>PARTY</b>	<b>REPRESENTATIVE</b>
Patrick C. King, receiver for Lamar Water Supply Corporation (King)	Stan M. Putman, Jr.
Executive Director (ED)	Brian MacLeod
Public Interest Counsel (PIC)	Mary Alice Boehm-McKaughan
Sea Gun Homeowners Association (Sea Gun)	Fred B. Werkenthin, Jr.

**II. Schedule**

The Parties agreed on the following schedule, which shall govern this hearing:

<b>DATE</b>	<b>EVENT</b>
11/7/2006	Preliminary hearing
11/7-27/2006	Settlement discussion period
11/28/2006	Deadline to serve written discovery requests
12/11/2006	Deadline to serve responses to written discovery requests and disclosures
12/15/2006	Deadline to serve lists of planned witnesses and all planned exhibits



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Order No. 1

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1/3-5/2007	Hearing on merits of the application
1/19/2007	Deadline to file and serve written closing arguments
1/26/2007	Deadline to file and serve written responses to closing arguments
3/2/2007	Deadline for proposal for decision
4/11/2007	Anticipated consideration of the PFD by Commission at an Open Meeting

### III. Hearing and Prehearing Dates and Location

The hearing on the merits will convene at 9:00 a.m., January 3, 2007, at the William P. Clements Office Building, Fourth Floor, 300 West 15th Street, Austin, Texas. Unless the parties are notified otherwise, the hearing will continue each workday thereafter until concluded. Given the complexity and anticipated length, appearing at the hearing on the merits by telephone is not practical and will not be allowed.

### IV. Procedural Rules

Except as otherwise provided herein, this case shall be conducted in accordance with the procedural rules of the Texas Commission on Environmental Quality (TCEQ) and SOAH. 30 TAC Chapter 80 and 1 TAC Chapter 155. In the event of conflict, the TCEQ's rules apply. 1 TAC § 155.1 (b).

### V. Discovery

Discovery shall be conducted according to the Texas Rules of Civil Procedure (TRCP), as supplemented by SOAH's discovery rules. 1 TAC § 155.31. The TRCP shall be interpreted consistently with chapter 80 of the TCEQ's rules, the Texas Water Code, the Texas Health and Safety Code, and the APA. 30 TAC § 80.151. Pursuant to SOAH Procedural Rule 1 TAC § 155.23(3), discovery documents shall be served on the other parties but shall **not** be filed with the

SOAH DOCKET NO. 582-07-0297  
TCEQ DOCKET NO. 2006-0780-UCR

Order No. 1

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Administrative Law Judge (ALJ) unless such materials are the subject of a discovery dispute and only those portions relevant to the dispute shall be attached to any pertinent motion.

The parties are expected to attempt to resolve discovery disputes; however, significant disputes which cannot be resolved should be brought to the ALJ's attention in a motion to compel. Any such motion shall include a copy of any discovery correspondence necessary for an informed ruling on the dispute.

The total time for the Applicant, Sea Gun, the ED, and the PIC to each take oral depositions may not exceed 50 hours, although each may divided its total time among the witnesses as it sees fit. The total number of written interrogatories that any party may serve on any other party may not exceed 25. 30 TAC § 80.152(c).

## VI. Pleadings

Unless a party seeks a hearing and the motion is granted, the ALJ will rule on motions based on the written pleadings. If oral argument is granted, it shall be conducted by telephone conference, unless the ALJ specifies otherwise.

If a deadline is approaching and a party cannot get a fax through for reasons beyond its control, the party should call SOAH's Docketing Division, (512) 475-3445, to discuss the problem.

When filing or serving documents, the parties shall use the service list attached to this order and attach a copy of that list to each filing.

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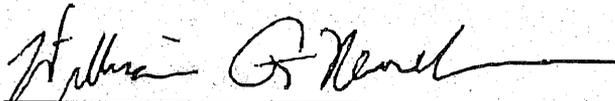
Order No. 1

Page 4

### IX. Transcript

For any proceeding set to last longer than one day, a court reporter is generally required and an ALJ may order one on his or her own motion. 1 TAC § 155.43(b) and 30 TAC § 80.23 (b)(4). The ALJ estimates that the hearing on the merits will last longer than one day. The Applicant shall arrange for and pay a court reporter to record and transcribe the hearing on the merits and deliver the original transcript to the ALJ and two copies to the TCEQ's Chief Clerk within two weeks after the end of the hearing. The delivered transcript shall also include electronic copies thereof on disc in text format. When the Commission makes a final decision in this case, the costs of the recording and transcription shall be allocated among the parties in accordance with 30 TAC § 80.23.

**SIGNED November 10, 2006.**



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**WILLIAM G. NEWCHURCH  
ADMINISTRATIVE LAW JUDGE  
STATE OFFICE OF ADMINISTRATIVE HEARINGS**

**SOAH DOCKET NO. 582-07-0297  
TCEQ DOCKET NO. 2006-0780-UCR**

<b>APPLICATION OF PATRICK C. KING, RECEIVER FOR LAMAR WATER SUPPLY CORPORATION, CCN NO. 20607, TO CHANGE ITS SEWER RATES IN ARANSAS COUNTY</b>	§ § § § § §	<b>BEFORE THE STATE OFFICE  OF  ADMINISTRATIVE HEARINGS</b>
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**ORDER NO. 2  
GRANTING MOTION TO WITHDRAW AND REQUIRING CLARIFICATION**

On December 19, 2006, Sea Gun Homeowners Association (Sea Gun) withdrew its request for a hearing. Sea Gun and all other Parties have reached a settlement, agreeing that the emergency rates established by the Commission in its order of September 15, 2006, should be established as the final rates. They also agreed that the Administrative Law Judge (ALJ) should recommend that outcome.

The motion to withdraw is granted. In view of that and the settlement, the hearing on the merits of the Application, set to begin on January 3, 2007, is canceled.

If necessary, the ALJ could issue a brief Proposal for Decision (PFD) recommending that the Commission take the agreed action. However, it seems procedurally simpler, more in line with 80 Tex. Administrative Code (TAC) § 80.101, and would follow the custom in the vast majority of settled Texas Commission on Environmental Quality (TCEQ) cases for the ALJ to dismiss this case from the docket of the State Office of Administrative Hearings (SOAH) and remand it to the Executive Director (ED) for presentation of an agreed order to the Commission for its approval. By January 3, 2007, the Applicant shall file a motion to that effect or requesting that the ALJ issue a PFD and explaining why that is necessary.

**SIGNED December 20, 2006.**




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**WILLIAM G. NEWCHURCH  
ADMINISTRATIVE LAW JUDGE  
STATE OFFICE OF ADMINISTRATIVE HEARINGS**

SOAH DOCKET NO. 582-07-0297  
TCEQ DOCKET NO. 2006-0780-UCR

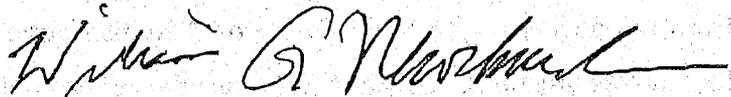
APPLICATION OF PATRICK C. KING,	§	BEFORE THE STATE OFFICE
RECEIVER FOR LAMAR WATER	§	
SUPPLY CORPORATION, CCN NO.	§	OF
20607, TO CHANGE ITS SEWER	§	
RATES IN ARANSAS COUNTY	§	ADMINISTRATIVE HEARINGS
	§	

ORDER NO. 3  
DENYING MOTION TO COMPEL AND  
GRANTING MOTION TO DISMISS AND REMAND

On December 15, 2006, the Executive Director (ED) filed a motion to compel Patrick C. King (Mr. King) to respond to certain discovery requests. On December 21, 2007, Mr. King filed a response, objecting to the motion as moot, since the remaining parties have settled. The Administrative Law Judge (ALJ) agrees with Mr. King. The motion to compel is denied.

Because the parties have settled, on December 29, 2006, Mr. King filed a motion, pursuant to 30 Tex. Administrative Code (TAC) § 80.101, to dismiss this case from the docket of the State Office of Administrative Hearings (SOAH) and remand the Application to the ED for presentation of an agreed order to the Commission for its approval. That motion is granted. This case is dismissed from SOAH's docket and remanded to the ED.

SIGNED January 10, 2007.



WILLIAM G. NEWCHURCH  
ADMINISTRATIVE LAW JUDGE  
STATE OFFICE OF ADMINISTRATIVE HEARINGS

# EXHIBIT G



Kathleen Hartnett White, *Chairman*  
Larry R. Soward, *Commissioner*  
Glenn Shankle, *Executive Director*



## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

March 22, 2007

### AGENDA ITEM NOTICE

TO: Persons on Attached Mailing List  
RE: TCEQ Docket No2006-0780-UCR, SOAH Docket No. 582-07-0297  
Setting a final rate pursuant to the Application for an emergency sewer rate filed by  
Patrick King, as receiver for Lamar Water Supply Corporation  
Application No35354-G  
CCN 20607

The above-referenced application for an Emergency Order will be considered by the Commissioners of the Texas Commission on Environmental Quality during the public meeting on **April 11, 2007**. The meeting will begin at **1:00 pm**. in Room 201S of Building E, at the Commission's offices located at 12100 Park 35 Circle in Austin, Texas.

Attached you will find the backup materials that the Executive director has provided to the Commission for this item.

Should you have any questions, please contact me at (512) 239-0750.

Sincerely,

A handwritten signature in cursive script, appearing to read "Brian MacLeod".

Brian MacLeod  
Staff Attorney  
Environmental Law Division

**Mailing List**

**Lamar Water Supply Corporation**

**SOAH Docket No: 582-07-0297**

**TCEQ Docket No. 2006-0780-UCR**

**STATE OFFICE OF  
ADMINISTRATIVE HEARINGS:**

Honorable William G. Newchurch  
Administrative Law Judge  
State Office of Administrative Hearings  
300 West Fifteenth Street, Suite 502  
Austin, Texas 78701-1649  
Tel.: (512) 475-4993  
Fax: (512) 475-4994

**FOR THE APPLICANT:**

Stan Putnam  
Judge, Kostura & Putnam, P.C.  
2901 Bee Caves Road  
Heritage Square, Box L  
Austin, Texas 78746  
Tel.: (512) 328-9099  
Fax: (512) 328-4132

**FOR SEA GUN HOMEOWNERS  
ASSOCIATION:**

Fred B. Werkenthin, Jr.  
Booth, Ahrens, and Werkenthin, P.C.  
515 Congress Avenue, Suite 1515  
Austin, Texas 78701-3503  
Tel: (512) 472-3263  
Fax: (512) 473-2609

**FOR THE PUBLIC INTEREST  
COUNSEL:**

Mary Alice Boehm-McKaughan, Staff  
Attorney  
Texas Commission on Environmental  
Quality  
Office of the Public Interest Counsel,  
MC 103  
P.O. Box 13087  
Austin, Texas 78711-3087  
Tel.: (512) 239-6363  
Fax: (512) 239-6377

**FOR THE CHIEF CLERK:**

LaDonna Castañuela, Chief Clerk  
Texas Commission on Environmental  
Quality  
Office of the Chief Clerk, MC 105  
P.O. Box 13087  
Austin, Texas 78711-3087  
Tel.: (512) 239-3300  
Fax: (512) 239-3311

**FOR THE GENERAL COUNSEL:**

Todd Burkey  
Texas Commission on Environmental  
Quality  
Office of the General Counsel, MC 101  
P. O. Box 13087  
Austin, Texas 78711-3087  
Tel.: (512) 239-5525  
Fax: (512) 239-5533

**ORDER**



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



TCEQ DOCKET NO. 2006-0780-UCR

APPLICATION OF PATRICK C.	§	BEFORE THE
KING, RECEIVER FOR LAMAR.	§	
WATER SUPPLY CORPORATION	§	
CERTIFICATE OF CONVENIENCE	§	TEXAS COMMISSION ON
AND NECESSITY NO. 20607	§	
FOR AN EMERGENCY SEWER RATE	§	
INCREASE IN ARANSAS COUNTY,	§	
TEXAS	§	ENVIRONMENTAL QUALITY

**AN ORDER TO ESTABLISH A FINAL RATE**

On April 11, 2007, the Texas Commission on Environmental Quality ("TCEQ" or "Commission") considered the settlement agreement that the parties entered into after a hearing on a final rate pursuant to an application for an Emergency Rate Increase Order filed by Patrick C. King, Receiver for Lamar Water Supply Corporation, Certificate of Convenience and Necessity ("CCN") No. 20607 in Aransas County, Texas. The Emergency Order was issued by the Executive Director without a hearing on July 13, 2006. The Commission considered the application by Patrick C. King under §§ 5.508 and 13.4133, Texas Water Code (Code), and 30 Texas Administrative Code ("TAC") § 35.202. The Commission finds that the settlement agreement has satisfied the requirements for a final rate to be established following an Emergency Rate Increase Order under Subchapter L of Chapter 5 of the Code and Subchapter K of Chapter 13 of the Code. The Commission finds that this rate is just and reasonable in compliance with section 13.182 of the Code.

**THEREFORE, THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY ORDERS THAT:**

The settlement agreement, attached as Exhibit A and incorporated into this Order by reference, establishes the appropriate final rate.

TEXAS COMMISSION ON  
ENVIRONMENTAL QUALITY

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For the Commission

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SOAH DOCKET NO. 582-07-0297  
TCEQ DOCKET NO. 2006-0780-UCR

APPLICATION OF PATRICK C.	§	BEFORE THE STATE OFFICE
KING, RECEIVER FOR LAMAR	§	
WATER SUPPLY CORPORATION,	§	OF
CCN NO. 20607, TO CHANGE ITS	§	
SEWER RATES IN ARANSAS COUNTY	§	ADMINISTRATIVE HEARINGS

SETTLEMENT AGREEMENT

WHEREAS, Patrick C. King, Court appointed Receiver for the Lamar Water Supply Corporation ("Receiver") filed an application for Emergency Rate Increase for sewer rates on May 17, 2006; and

WHEREAS, the Executive Director ("ED") for the Texas Commission on Environmental Quality recommended approval of a rate set out by the ED staff and approval of the recommended rate was established Order of the Texas Commission on Environmental Quality ("the Commission") subject to a public hearing; and

WHEREAS, the Commission conducted a public hearing on September 6, 2006; and

WHEREAS, the Sea Gun Homeowner's Association, ("Protestants") appeared at the public hearing to contest the Emergency Rate Increase and expressed concerns about the reasonableness of sewer hauling charges due to inflow/outflow problems associated with the sewer facility and the Receiver's operations concerning the facility and notification to customers, which concerns Protestants continue to have; and

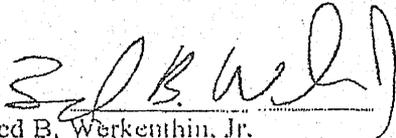
WHEREAS, the Commission entered an Order to Affirm and Modify the Emergency Rate Order as established by the ED on September 15, 2006, making such order subject to a contested rate hearing before the State Office of Administrative Hearings ("SOAH") due to the Protestants contest and establishment of a Final Rate; and

WHEREAS, the contested rate hearing proceedings were established and begun before SOAH on November 7, 2006, wherein the ED staff for the Commission appeared, the Receiver appeared, the Protestant appeared, and the Public Interest Counsel ("PIC") appeared, and all were established as parties (hereinafter collectively referred to as "the Parties"), and

WHEREAS, the Parties have agreed to forego their differences concerning the Emergency Rate Increase and desire to have an Order entered establishing a Final Rate

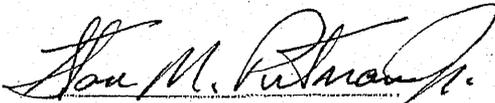
NOW, THEREFORE, in order to avoid litigating the Application of the Receiver for an increase of the sewer rates for Lamar Water Supply and the Order established by the EFD, the Parties agree as follows:

1. The Parties agree to accept the Emergency Rate established by Order of the Commission on September 15, 2006;
2. The Parties agree to request SOAH to recommend that the Emergency Rate established by Order of the Commission on September 15, 2006, be established as the Final Rate;
3. The Protestants agree to withdraw their hearing request on this matter and withdraw its protest to the pending SOAH hearing on this matter;
4. This agreement is enforceable as a contract between the Parties (except for the Executive Director and the Office of Public Interest Counsel), enforceable in a court of competent jurisdiction and is effective on the date the last party executes this agreement; and
5. The Parties will execute all additional documents reasonable and necessary to effectuate this agreement before the Commission, if any.



Fred B. Werkenthin, Jr.  
BOOTH, AHRENS & WERKENTHIN, P.C.  
Attorney for Sea Gun Home Owners Association

Dated: Dec 14, 2006



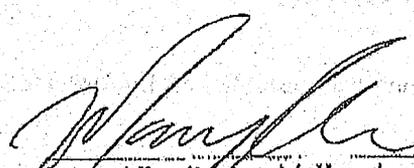
Stan M. Putman, Jr.  
Judge, Kostura & Putman, P.C.  
Attorney for the Patrick C. King as  
Receiver for Lamar Water Supply Company

Dated: Dec. 17, 2006



Brian MacLeod  
Texas Commission Environmental Quality  
Attorney for the Executive Director

Dated: Dec. 12, 2006

  
Macy Alice Boehm-McKaughan  
Office of the Public Interest

Dated: 12/18/06, 2006

# TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



TCEQ DOCKET NO. 2006-0780-UCR

APPLICATION OF PATRICK C.	§	BEFORE THE
KING, RECEIVER FOR LAMAR	§	
WATER SUPPLY CORPORATION	§	
CERTIFICATE OF CONVENIENCE	§	TEXAS COMMISSION ON
AND NECESSITY NO. 20607	§	
FOR AN EMERGENCY SEWER RATE	§	
INCREASE IN ARANSAS COUNTY,	§	
TEXAS	§	ENVIRONMENTAL QUALITY

## AN ORDER TO AFFIRM AND MODIFY AN EMERGENCY RATE INCREASE ORDER

On September 6, 2006, the Texas Commission on Environmental Quality ("TCEQ" or "Commission") considered whether to affirm, modify, or set aside an Emergency Rate Increase Order for Patrick C. King, Receiver for Lamar Water Supply Corporation, Certificate of Convenience and Necessity ("CCN") No. 20607 in Aransas County, Texas. The Emergency Order was issued by the Executive Director without a hearing on July 13, 2006. The Commission considered the application by Patrick C. King under §§ 5.508 and 13.4133, Texas Water Code (Code), and 30 Texas Administrative Code ("TAC") § 35.202. The Commission finds that the Executive Director appropriately issued the Emergency Order and that Patrick C. King has satisfied the requirements for an Emergency Rate Increase Order under Subchapter L of Chapter 5 of the Code and Subchapter K of Chapter 13 of the Code. The Commission made modifications to the term of the Emergency Order and directed the referral of the matter for a contested case hearing on the final rate.

# EXHIBIT A

EMERGENCY ORDER APPLICATION OF  
PATRICK C. KING, AS RECEIVER  
APPOINTED BY THE 250<sup>TH</sup> JUDICIAL  
DISTRICT COURT OF TRAVIS COUNTY,  
FOR LAMAR WATER SUPPLY  
CORPORATION, SEWER CERTIFICATE  
OF CONVENIENCE AND NECESSITY  
NO. 20607, APPLICATION NO. 35354-G

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BEFORE THE TEXAS COMMISSION

ON

ENVIRONMENTAL QUALITY

### EMERGENCY RATE ORDER

On July 13, 2006, the Executive Director (ED) of the Texas Commission on Environmental Quality (TCEQ) considered the application of Patrick C. King, as receiver appointed by the 250<sup>th</sup> Judicial District of Travis County for Lamar Water Supply Corporation, for an emergency sewer rate increase under §§ 5.508 and 13.4133, Texas Water Code, and 30 Texas Administrative Code § 35.202. The Commission has jurisdiction to consider this matter and the following findings of fact and conclusions of law are appropriate after examining the application and the supporting documentation:

### FINDINGS OF FACT

1. Patrick C. King, as receiver appointed by the 250<sup>th</sup> Judicial District of Travis County for Lamar Water Supply Corporation ("Utility"), provides retail utility sewer service. The Utility is located in Aransas County Texas, and its mailing address is at 1600 Stagecoach Ranch Loop, Dripping Springs, Texas. The Utility provides retail sewer service to approximately 36 customers; the Utility provides sewer service within the Seagun Subdivision. No portion of the area served is within the corporate limits of any municipality.
2. On May 10, 2006, the Utility submitted an application requesting an emergency sewer rate increase. The application requested a slight lowering of the flat rate and the imposition of a surcharge and a pass through. The rate increase is requested to allow the Utility to meet its revenue requirements with rates sufficient to meet the Utility's operating expenses.

Commission, the Utility shall refund to the customers any amounts collected in excess of the prior rate billed before the effective date of the emergency rate established in this order.

6. This Emergency Order will be scheduled for consideration by the Commission to affirm, modify, or set aside, on September 6, 2006.

#### CONCLUSIONS OF LAW

1. The Commission is authorized to regulate rates within the Utility's service area, which is outside the limits of any municipality.
2. Pursuant to §§ 5.508 and 13.4133(a) of the Texas Water Code, the Commission may approve an emergency rate for a utility for which a receiver has been appointed under §13.412 of the Water Code.
3. Section 5.501(c), Texas Water Code, authorizes the Commission to delegate its authority to issue emergency orders to the Executive Director. Section 35.202, 30 Texas Administrative Code, authorizes the Executive Director to approve an emergency rate increase pursuant to §§ 5.508 and 13.4133, Texas Water Code.
4. Notice to ratepayers of an emergency rate increase is governed by §§ 5.508(b) and 13.4133(b), Texas Water Code, and 30 Texas Administrative Code § 35.202(f).
5. Public hearings on an emergency rate increase are governed by §§ 5.508(c) and 13.4133(c), Texas Water Code.
6. The Executive Director's recommended emergency rate set forth in finding of Fact No. 3 is necessary to ensure the provision of continuous and adequate services to the Utility's customers.

4. The Chief Clerk of the Texas Commission on Environmental Quality shall forward a copy of this Order to all parties.
  
5. If any provision, sentence, clause, or phrase of this Order is for any reason held to be invalid, the invalidity of any portion shall not affect the validity of the remaining portions of the Order.

Issue Date: JUL 13 2006

TEXAS COMMISSION ON  
ENVIRONMENTAL QUALITY



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For the Commission

THE UNIVERSITY OF CHICAGO PRESS

CHICAGO, ILLINOIS

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