

Bryan W. Shaw, Ph.D., *Chairman*  
Buddy Garcia, *Commissioner*  
Carlos Rubinstein, *Commissioner*  
Mark R. Vickery, P.G., *Executive Director*



## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

March 26, 2010

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

Re: TCEQ Docket No. 2010-0100-UCR; Petition from Jona Acquisitions, Inc., (Jona) for an Expedited Release from Water Certificate of Convenience and Necessity (CCN) No. 11029 of Creedmoor-Maha Water Supply Corporation (WSC) in Travis County, Texas, Application No. 36051-D.

Dear Ms. Castañuela:

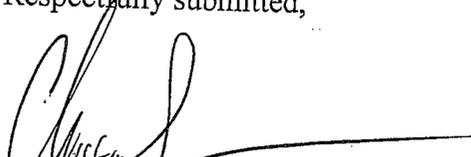
Enclosed for filing with the Texas Commission on Environmental Quality (Commission) is the original plus seven copies of the following backup materials for the April 14, 2010, agenda item on the above referenced matter:

1. Agenda Executive Summary;
2. Caption;
3. Proposed order;
4. Petition for expedited release from Jona, filed May 7, 2008;
5. Order from the Executive Director granting Jona's expedited release petition, dated August 5, 2008;
6. Letter from the City of Austin expressing its intent to provide Jona with water service, dated August 24, 2009;
7. Letter from ED initiating compensation phase, dated August 31, 2009;

8. Letter from ED directing parties to obtain independent appraisers, dated October 2, 2009;
9. Letter from ED extending deadline, dated October 29, 2009;
10. Appraisal prepared for Jona by Donald G. Rauschuber & Associates, Inc. (DGR), dated November 10, 2009;
11. Appraisal prepared for Creedmoor-Maha WSC by GDS Associates, Inc., filed on November 20, 2009;
12. Appraisal prepared for the Commission by Sam Jones, dated December 11, 2009;
13. Appraisal (REVISED) prepared for Jona, dated December 10, 2009; and

Please do not hesitate to contact me at (512) 239-6743 if you have any questions regarding this material. Thank you for your attention to this matter.

Respectfully submitted,

  
Christiaan Siano  
Staff Attorney  
Environmental Law Division

Enclosure

cc: Heidi Graham, Water Supply Division, MC-153  
Mark Zeppa, Attorney for Creedmoor-Maha WSC (attachments 4-13 not included)  
Ken Ramirez, Attorney for Jona Acquisitions, Inc. (attachments 4-13 not included)

**1**

# Texas Commission on Environmental Quality

## INTEROFFICE MEMORANDUM

**TO:** Texas Commission on Environmental Quality      **DATE:** March 26, 2010  
**THRU:** LaDonna Castañuela, Chief Clerk  
**FROM:** Environmental Law Division  
**SUBJECT:** TCEQ Docket No. 2010-0100-UCR. Consideration of a request for a Commission order determining the amount of compensation owed to Creedmoor Maha Water Supply Corporation (WSC) by the City of Austin for area decertified from Creedmoor Maha WSC's water certificate of convenience and necessity (CCN) No. 11029 due to an expedited release petition filed by Jona Acquisitions, Inc.

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### DESCRIPTION OF APPLICATION

**Applicant:** Jona Acquisitions, Inc., City of Austin, and Creedmoor Maha WSC  
**Regulated Activity:** Retail water utility service  
**Type of Application:** Request for a Commission order determining compensation  
**Commission Action:** Hearing regarding compensation  
**Authority:** Texas Water Code (TWC) §13.254(a-1) and 30 Texas Administrative Code (TAC) § 291.113(b)

### FACTUAL BACKGROUND

Jona Acquisition, Inc. (Applicant), submitted a petition to the Commission to decertify a portion of Creedmoor Maha WSC's (Creedmoor) CCN on May 7, 2008. This petition was submitted under section 13.254 of the Texas Water Code (TWC) and title 30, Texas Administrative Code (TAC), section (§) 291.113(b). The petition was accepted for filing on June 11, 2008. The petition was granted by order of the Executive Director on August 5, 2008. The monetary compensation amount for the former CCN holder is determined when the retail public utility seeking to serve the decertified area notifies the Commission (TCEQ) of its intent to serve. 30 TAC §291.113(i). On August 26, 2009, the TCEQ received a letter from the City of Austin dated August 24, 2009, notifying TCEQ of its intent to provide service to the decertified area.

As of October 2, 2009, there was no agreement between the parties on an independent appraiser. The ED sent a letter to each party instructing them to individually engage an independent appraiser at their own expense and submit the appraisal by October 26, 2009.

By letter dated October 15, 2009, the Applicant requested a 15 day extension to complete the requested appraisal. The ED approved the request and extended the deadline from October 26 to November 10, 2009, for both parties to submit their respective appraisals.

On November 10, 2009, the Applicant submitted an appraisal and documentation, with a value of \$13,454. On November 20, 2009, Creedmoor submitted an appraisal and documentation, with a value of \$2,157,072. After reviewing the documentation provided by Creedmoor with its appraisal, the Applicant submitted a revised appraisal on December 11, 2009, incorporating information which previous had not been available, setting a value of \$16,547.73.

On November 24, 2009, the ED appointed a third appraiser, Sam Jones, P.E., to determine the amount of compensation pursuant to TWC §13.254(g-1). Mr. Jones completed his appraisal on December 11, 2009, setting the value of the compensation due to the Creedmoor in the amount of \$179,392.

#### LEGAL AUTHORITY

Section 13.254(a-1) of the Texas Water Code allows a landowner<sup>1</sup> to petition the Commission for expedited release from a CCN to receive service from another retail public utility (RPU).<sup>2</sup> The expedited release process involves three phases: (1) landowner requests non-standard service from the CCN holder and is denied that request<sup>3</sup>; (2) the landowner petitions the TCEQ for release from the CCN<sup>4</sup>; (3) compensation to the CCN holder.<sup>5</sup> This process is referred to as expedited because each phase will take 90 days and the release is not subject to the APA and the decision to decertify may not be appealed. TWC § 13.254(a-4).

If any of the CCN holder's property is rendered useless or valueless as a result of the decertification, the new RPU must compensate the former CCN holder for such property before serving the area.<sup>6</sup> Once the new RPU notifies the Commission of its intent to serve the area, the compensation amount is determined two different ways. Either the RPUs agree on an independent appraiser, whose determination is binding on the Commission;<sup>7</sup> or, the RPUs do not agree on an appraiser and each hires its own.<sup>8</sup> If the latter, the ED must then appoint a third

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<sup>1</sup> The tract must be at least fifty acres and not in a platted subdivision actually receiving water service.

<sup>2</sup> See also 30 TEX. ADMIN. CODE § 291.113(b).

<sup>3</sup> TWC § 13.254(a-1).

<sup>4</sup> TWC § 13.254(a-3).

<sup>5</sup> TWC § 13.254(d) – (g-1).

<sup>6</sup> *Id.* § 291.113(h).

<sup>7</sup> *Id.* § 291.113(j).

<sup>8</sup> *Id.* § 291.113(j)(1).

appraiser.<sup>9</sup> This third appraisal can not be less than the lower appraisal nor more than the higher appraisal.<sup>10</sup> The appraisers must use the standards found in section 291.113(k) when conducting their appraisals and determining the amount of compensation.

The monetary amount shall be determined by a qualified individual or firm serving as independent appraiser agreed upon by the decertified retail public utility and the retail public utility seeking to serve the area. TWC § 13.254(f); *see also* 30 TAC § 291.113. If the retail public utilities cannot agree on an independent appraiser, each retail public utility must hire its own appraiser, and each appraisal must be submitted to the Commission. TWC § 13.254(g-1). After receiving the appraisals, the Commission appoints a third appraiser who makes a determination of the compensation which may not be less than the lower appraisal or more than the higher appraisal. *Id.*

#### BASIS FOR STAFF RECOMMENDATION

The following items were considered in developing the staff's recommendation:

1. Appraisal of the area released from Creedmoor's CCN prepared for Creedmoor Maha WSC by GDS Associates, Inc., filed on November 20, 2009;
2. Appraisal of the area released from Creedmoor's CCN prepared for Jona by Donald G. Rauschuber & Associates, Inc. (DGR), dated November 10, 2009;
3. Appraisal of the area released from Creedmoor's CCN prepared for the Commission by Sam Jones, dated December 11, 2009; and
4. Revised appraisal area released from Creedmoor's CCN prepared for Jona by DGR, dated December 11, 2009;

#### STAFF RECOMMENDATION

Sam Jones calculated a compensation amount of \$179,392. As detailed in the attached appraisal, this amount included debt, impact on future revenues lost from existing customers, and legal expenses and professional fees. No adjustment has been made to this amount for the amount paid by Creedmoor Maha WSC to GDS Associates for the appraisal it submitted to the TCEQ in this matter. Though each RPU is required to pay for its own appraisal when the two RPUs do not agree on an appraiser, *see* § 291.113(j)(1), Jona made no objection to the amount that Creedmoor listed as its professional expenses. Therefore, the ED recommends that the amount of compensation be set at \$179,392.

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<sup>9</sup> *Id.* § 291.113(j)(2).

<sup>10</sup> *Id.*

In accordance with the compensation process detailed in § 291.113, the ED recommends that the Commission approve the attached order, which directs the City of Austin to pay \$179,392 to Creedmoor Maha WSC as compensation for the territory removed from its CCN.

STAFF CONTACTS

Christiaan Siano, Environmental Law Division (239-6743)  
Heidi Graham, Water Supply Division (239-0844)

**2**

**CAPTION**  
**CREEDMOOR-MAHA WSC**  
**Application No. 36051-D**

TCEQ Docket No. 2010-0100-UCR. Consideration of a Commission order setting the compensation amount for a the decertification from Creedmoor-Maha Water Supply Corporation (Creedmoor) of a portion of Certificate of Convenience and Necessity (CCN) No. 11029, in Travis County, Texas, pursuant to section 13.254(a-1) of the Texas Water Code. The Commission will consider appraisals of the decertified area conducted on behalf of Creedmoor, the landowner Jona Acquisitions, Inc., and the Executive Director. (Christiaan Siano, Heidi Graham).

3

**AN ORDER** determining the amount of compensation owed to Creedmoor-Maha Water Supply Corporation (WSC) by the City of Austin for area decertified from Creedmoor-Maha WSC's water certificate of convenience and necessity (CCN) No. 11029 due to an expedited release petition filed by Jona Acquisitions, Inc.; TCEQ Docket No. 2010-0100-UCR.

A request for a Commission order determining the amount of compensation owed to Creedmoor-Maha WSC (Creedmoor) by the City of Austin for area decertified from Creedmoor's water CCN No. 11029 due to an expedited release petition filed by Jona Acquisitions, Inc. (Jona), in Travis County, Texas, was presented to the Texas Commission on Environmental Quality (TCEQ or Commission) pursuant to section 13.254 of the Texas Water Code and title 30, section 291.113 of the Texas Administrative Code.

On May 7, 2008, Jona filed a petition for an expedited release of approximately 1,960 acres from Creedmoor's water CCN No. 11029. The Executive Director (ED) granted the petition in an order dated August 5, 2008. The City of Austin sent a letter to the TCEQ dated August 24, 2009, informing the agency that it intends to provide Jona's property with water service. Because Jona and Creedmoor were unable to agree on an appraiser, each submitted its own appraisals: Jona's on or about November 10, 2009; Creedmoor's on or about November 20, 2009. ED staff then requested a third appraisal to be completed based on the first two appraisals. The third appraisal, dated December 11, 2009, was provided to the TCEQ. Jona then submitted a revised appraisal on or about December 11, 2009.

Jona's appraisal valued Creedmoor's loss at \$16,547.73. Creedmoor's appraisal valued Creedmoor's loss at \$2,157,072. The third appraisal valued Creedmoor's loss at \$179,392.

The Commission held a hearing on the request at its April 14, 2010, agenda meeting and found the request has merit.

Based on the appraisals filed in this matter, Creedmoor has property that has been rendered useless or valueless as a result of the decertification. Pursuant to section 291.113, Austin may not render retail water service to the decertified area without providing compensation for this property.

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

1. Within ninety days of this order, the City of Austin shall pay \$179,392 to Creedmoor and shall not in any way render service to Jona's property until this amount has been paid.
2. If they have not already done so, within thirty days of this order, the City of Austin and Creedmoor shall each pay one-half of the cost of the third appraisal, or \$5,084.98, to Sam Jones.
3. The Chief Clerk of the Texas Commission on Environmental Quality shall forward a copy of this order to the parties.
4. 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:

TEXAS COMMISSION ON  
ENVIRONMENTAL QUALITY

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For the Commission

**4**

JONA ACQUISITION INC.'S  
PETITION FOR THE  
EXPEDITED RELEASE OF  
PROPERTY FROM THE RETAIL  
WATER CCN NO.11029 OF  
CREEDMOOR MAHA WATER  
SUPPLY CORPORATION

§ BEFORE THE TEXAS  
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§ COMMISSION ON  
§  
§ ENVIRONMENTAL QUALITY  
§

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PETITION FOR EXPEDITED RELEASE FROM A CERTIFICATE OF  
CONVENIENCE AND NECESSITY

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TEXAS COMMISSION  
ON  
ENVIRONMENTAL QUALITY

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TCEQ  
WATER SUPPLY DIV.

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Brown McCarroll, L.L.P.  
Kenneth Ramirez  
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ATTORNEY FOR JONA ACQUISITION INC.  
AND CARMA TEXAS INC.

JONA ACQUISITION INC.'S  
PETITION FOR THE  
EXPEDITED RELEASE OF  
PROPERTY FROM THE RETAIL  
WATER CCN NO.11029 OF  
CREEDMOOR MAHA WATER  
SUPPLY CORPORATION

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BEFORE THE TEXAS  
COMMISSION ON  
ENVIRONMENTAL QUALITY

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TCEQ  
WATER SUPPLY DIV.  
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PETITION FOR EXPEDITED RELEASE FROM A CERTIFICATE OF  
CONVENIENCE AND NECESSITY

TO THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY:

Petitioner Jona Acquisition Inc. ("Jona"), acting pursuant to Section 13.254(a-1) of the Texas Water Code, and 30 TAC Section 291.113(b), hereby respectfully petitions the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission"), for the expedited release of certain real property Jona owns or has a contract to acquire from within the area covered by Certificate of Convenience and Necessity No. 11029 held by the Creedmoor-Maha Water Supply Corporation ("Creedmoor"). Jona is a wholly-owned subsidiary of Carma Texas Inc., and the names Jona and Carma are used interchangeably throughout this Petition. The real property that is the subject of this Petition comprises approximately 1,960 acres, and is located near US HWY 183 and FM 1625 in Travis County, Texas (the "Property"). Maps and legal description of the Property are attached as Exhibit A, in accordance with 30 TAC § 291.105(a)(2)(A-G).

I. Summary

Jona seeks the expedited release of its Property from Creedmoor's CCN for the following reasons:

A. Jona intends to develop an urban level, master planned community made up of residential, multi-family, office, restaurant, and retail land uses. Jona contemplates the

development will also include schools, parks, trails, recreational facilities, libraries, places of worship, and other civic amenities. Jona's plans call for developing 10,300 Living Unit Equivalents (LUEs) within Creedmoor's CCN, and the projected peak day water demand is over 13,000 gpm.

B. The Property is not located in a platted subdivision actually receiving water.

C. The Property is located entirely within Creedmoor's Retail Water CCN No. 11029.

This Petition relates to water service only.

D. The Property is located within the City of Austin's wastewater CCN. (See Exhibit B: City of Austin wastewater CCN boundaries).

E. Jona will require a level of water service that is beyond the capacity of Creedmoor to provide because Creedmoor does not have sufficient water supplies and has no binding commitments to secure new water supplies. Creedmoor's system will only serve between 800 and 1,700 additional LUEs beyond the current number of connections, far fewer than Jona needs.

F. Creedmoor has responded to Jona's request for water service by admitting it is still looking for additional water. Creedmoor's response constitutes denial of service because:

- (1) Creedmoor does not have sufficient water supplies to provide continuous and adequate service within the time frame, at the level, or in the manner reasonably needed by Jona's current and projected service demand; and
- (2) Creedmoor intends to impose on Jona the cost of acquiring and transporting new water supplies (expected to cost \$40 to \$60 million), thereby conditioning the provision of service on the payment of costs not properly allocable to Jona's service request.

G. Creedmoor recently agreed to sell that portion of its water CCN where the Jona Property that is the subject of this Petition is located. SWWC Utilities, Inc. ("Southwest Water")

has agreed to purchase the CCN, but only if they can reach agreement with Jona on a deal to import water. In effect, Creedmoor has thrown up its hands and turned to Southwest Water for help.

H. By contrast, the City of Austin is an established and reliable alternative water provider who has already committed to providing water service for all 10,300 LUEs within the time frame, at the level, and in the manner reasonably needed by Jona, and at a substantially lower cost. Through two water supply agreements with the LCRA, Austin has secured a water supply that will last another 100 years, and therefore has ample water to serve Jona.

## II. Information About Jona

A. Jona is a wholly-owned subsidiary of Carma Texas Inc., a Delaware corporation that is also a wholly-owned subsidiary of Brookfield Properties Corporation ("Brookfield"). Brookfield is a publicly-held commercial and residential real estate development company with its securities traded on the New York and Toronto Stock Exchanges ([www.brookfieldproperties.com](http://www.brookfieldproperties.com)). Brookfield owns, develops, and operates premier office assets in the downtown core of high-growth North American cities. Brookfield is fifty percent owned by Brookfield Asset Management, an asset manager focused on property, power, and other infrastructure assets, and has approximately \$95 billion of assets under management.

B. Carma Developers LP ([www.carma.ca](http://www.carma.ca)) and its affiliated entities (also wholly-owned by Brookfield) (collectively, "Carma") have developed over 75 master-planned communities in Canada and the United States since 1958 and currently have a number of master planned communities under design and development in Calgary, Canada, Edmonton, Canada, Vancouver Island, Canada, Denver, Colorado, Kansas City, Missouri, Ute Lake, New Mexico, and Austin, Texas.

C. Carma's business model is to purchase larger tracts of land, obtain entitlements, develop infrastructure, and sell finished lots or plats to home builders. Currently Carma has several large scale master planned communities under development, just a few of which are listed below:

(1) In Southeast Calgary, Canada, Carma controls over 4,100 acres of land similar to the Property that is the subject of this Petition. The development in Southeast Calgary is marketed under several community names that combined will have an estimated population of over 66,000 residents at its build-out, some 20 plus years after its introduction. These communities include:

- (a) McKenzie Towne, Calgary, Canada – Introduced in 1995, this community is anticipated to be completed in 2012. The community is estimated to contain 4,600 single family residents and about 1,750 multi-family units. Current population is estimated at just under 12,000 residents with a build-out population of well over 15,000. In 2002, McKenzie Towne was recognized as one of 26 "Great Planned Communities" in the world by the Urban Land Institute (ULI).
- (b) Cranston, Calgary, Canada – Introduced in 1999, this community is anticipated to be complete in 2014. Current population is estimated at 6,500 residents and is anticipated to have a population of approximately 21,000 by its completion.
- (c) New Brighton, Calgary, Canada – Introduced in 2002 and expected to be complete in 2014, New Brighton has a current population of just under 2,700 residents and is expected to top 13,000 at build-out.
- (d) Auburn Bay, Calgary, Canada – Introduced in 2005, this community is anticipated to have a build-out population of over 17,000 residents.

- (e) Seton, Calgary, Canada – 380 plus acres of mixed-use commercial district which began in 2007 with the construction of a regional hospital on 44 acres.
- (2) Tuscany, Calgary, Canada – Introduced in 1995, this community is anticipated to be completed within the next 2 years. Current population is estimated at around 16,000 residents with over 5,700 residential units.
- (3) Ute Lake Ranch, New Mexico – Introduced in 2007, Ute Lake will ultimately be a 12,500 acre second home and resort community along side an 8,400 acre lake.

D. Carma's acquisition of the 1,960 acres that comprise the Property, together with its 50 years of experience in land acquisition and development, clearly demonstrate its commitment to develop the Property and its ability to do so successfully. Recent articles in the Austin American Statesman and the Austin Business Journal feature Carma and its planned development on the Property that is the subject of this Petition. (See Exhibit C: Newspaper Articles).

### III. Information About Creedmoor

A. Creedmoor is a small rural water provider with modest infrastructure and limited water supplies that currently serves about 2,244 existing connections, primarily single-family detached homes. Creedmoor's water supply comes from a combination of wells in the Barton Springs-Edwards Aquifer and four water meters from two wholesale water suppliers (three from the City of Austin and one from Aqua WSC). The total maximum daily capacity of all supplies is 2,380 gpm. Contracts for the City of Austin's meters will expire in November of 2011, leaving a total capacity in the system of just 1,860 gpm if the contracts are not renewed. (See Exhibit D: Summary of Creedmoor's water service capacity).

B. Creedmoor has very limited excess water supply capacity to serve Jona and meet future demands from urban level growth that is beginning to occur in this area. The remaining capacity in Creedmoor's system will only serve about 800 LUEs, based on City of Austin demand criteria. This remaining capacity is neither sufficient to meet Jona's water demands nor to meet the "reasonable local demand characteristics of the service area," as required by 30 TAC § 291.93.

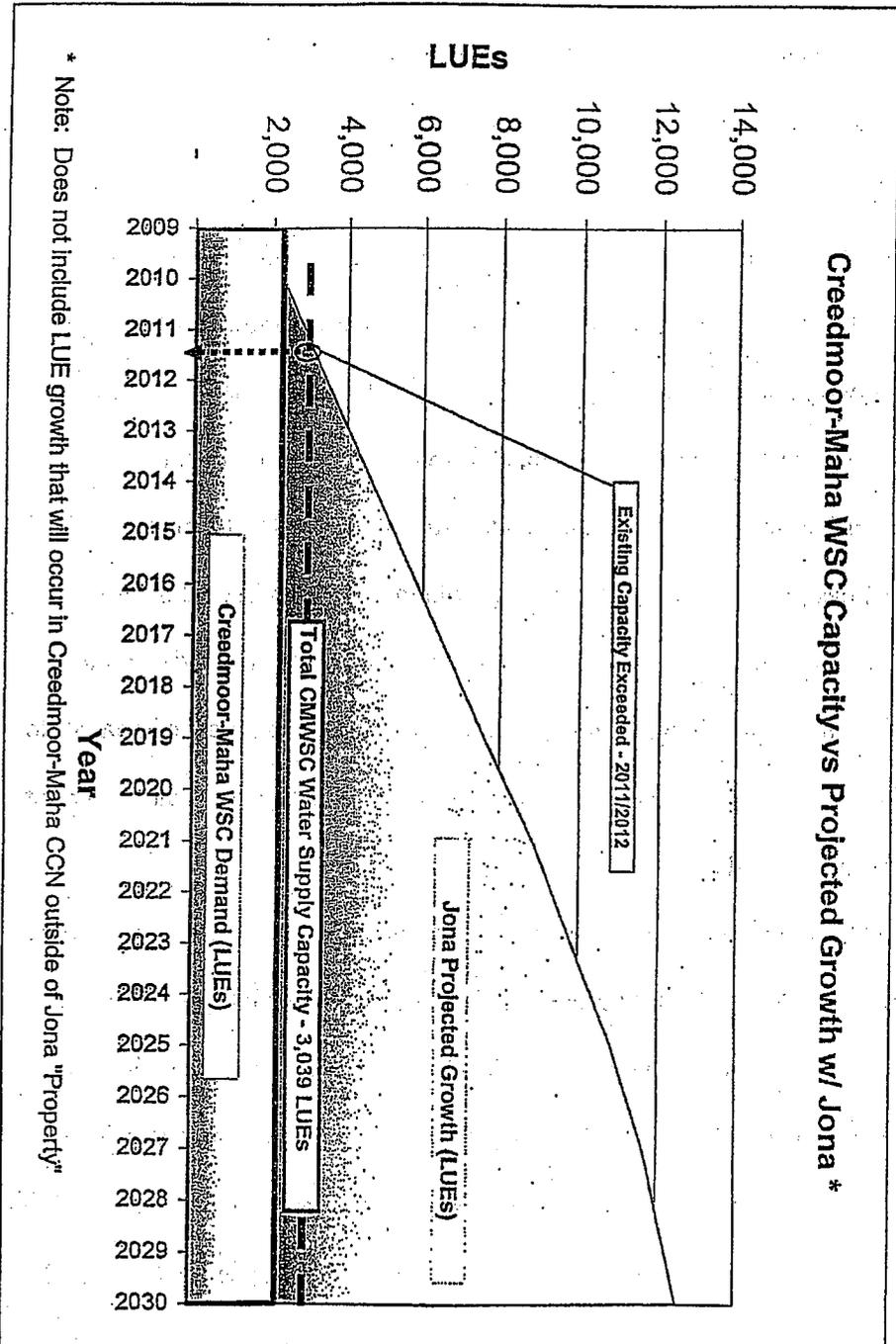
C. Creedmoor's ability to provide continuous and adequate service in the CCN area will grow even worse because of the residential and commercial development anticipated to come with the addition of two major new highway projects: SH 130, which bisects the Eastern portion of the CCN Area and recently opened to traffic, and SH 45 SE, which will extend from Buda, Texas, to the new SH 130 in early 2009. The Capital Area Metropolitan Planning Organization ("CAMPO") has projected that population growth in the area will continue to increase dramatically. (See Exhibit E: Population Projections for Southeastern Travis County).

D. Figure 1 is a graph showing Jona's projected water demands compared to Creedmoor's capacity to meet those demands. Figure 1 constitutes Jona's statement of current needs, and a projection of future needs.

E. Since 2002, Creedmoor has only secured one increase in groundwater withdrawals from the Barton Springs-Edward Aquifer Conservation District (BSEACD), and that increase was only for 10% more water. (See Exhibit F: Creedmoor's Application to BSEACD for Permit Amendment and resulting Permit). Creedmoor has been unable to identify any additional supplies of firm water. As depicted in Exhibit G, Creedmoor has apparently explored two offsite options for a long-term water supply, including surface water from the Colorado River, which is about seven miles away, and groundwater from the Carrizo-Wilcox

Figure 1: Creedmoor Maha WSC Capacity vs Projected Growth w/ Jona

	LUES											
	2011	2012	2013	2014	2015	2020	2025	2030				
Jona Cumulative Projected Growth (LUES)	600	1200	1800	2400	3000	6000	8600	10300				
Existing CMWWSG Demand (LUES)	2,244	2,244	2,244	2,244	2,244	2,244	2,244	2,244				
Total CMWWSG CCN Demand w/ Jona (LUES)	2,844	3,444	4,044	4,644	5,244	8,244	10,844	12,544				
CMWWSG Capacity (In LUES)	3,039	3,039	3,039	3,039	3,039	3,039	3,039	3,039				



aquifer in Milam and Burleson Counties, which is over 40 miles away. Based on Creedmoor's response to Jona's request for service, Creedmoor is currently focused on the groundwater options, but Creedmoor has not yet identified the exact source or amount of water, when the water might become available, who would finance and construct the conveyance pipeline (expected to be 40 miles long), or how much the water might cost.

F. Creedmoor has no binding contractual commitments for any firm amounts of water, and its prospects for acquiring additional water supplies are purely speculative.

G. By contract dated April 9, 2008, Creedmoor agreed to sell to Southwest Water that portion of its water CCN that includes all of the Property that is the subject of this Petition (See Exhibit H: Contract for the Purchase of Public Water Service Area Segment in Travis County, Texas). The purchase contract further provides that if Southwest Water and "the Carma Group are unable to negotiate an agreement for the Carma development project, then [Southwest Water] shall have a right to cancel" the contract with Creedmoor. (See Exhibit H, page 5). Subject to regulatory approval, then, Creedmoor has now contracted to sell off its CCN for that area where Carma is located.

H. The contract between Creedmoor and Southwest Water demonstrates that:

- (1) Creedmoor does not have sufficient water to provide Jona with water services, and is now looking to Southwest Water to develop new supplies and provide Jona with water service;
- (2) Creedmoor expects Southwest Water to find and convey the water necessary to provide the requested services; and
- (3) Creedmoor and Southwest Water both expect Jona to pay the costs of producing new and additional water supplies.

I. As of the date of this Petition, Jona has had two introductory meetings (November 13, 2007, and May 1, 2008) with Southwest Water about the acquisition of new/additional water supplies. There have been no formal negotiations between Jona and Southwest, and the matter remains inconclusive and unresolved. Jona was not involved in negotiations between Southwest and Creedmoor.

J. Neither Creedmoor nor Southwest Water has provided Jona with any of the essential details of a water supply contract: the source, quality, amount, cost, timing, or delivery of water. The contract between Creedmoor and Southwest Water contains none of those details, but instead provides that Southwest Water would provide "a non-interruptible water supply in an amount to be determined in a separate wholesale water sales contract." (See Exhibit H. p. 3).

K. Creedmoor has advised Jona that, in order to secure water, Jona will be required to pay:

- (1) an up-front, lump-sum payment of approximately \$75 - 100 million for onsite and offsite water service; and
- (2) starting in the first year, an additional annual water reservation fee of \$30 per month per LUE, which Jona estimates to be approximately \$3.7 million in the first year.

Of this money, approximately \$40 - 60 million is necessary to secure the new and additional water supplies Creedmoor will need to provide service to Jona.

L. By contrast, the City of Austin as alternative provider requires no up-front expenditures or reservation fees, and no cost at all for acquiring additional water supplies, other than standard impact fees paid when water service is actually provided. The City of Austin already has the water to provide service to Jona.

M. In order to begin this Project, Jona needs an immediate commitment for continuous and adequate water service for all 10,300 LUEs. The City of Austin has already made this commitment. (See Exhibit I.) Creedmoor has not and cannot make this commitment because it does not have the water to serve the master planned community and its future residents.

N. Carma's Project demonstrates that the near-term, future growth slated for this desired growth corridor, as envisioned by local, county and state officials, is already taking place. Exhibit J is a map of the City of Austin's desired development zone, showing that the Carma project (the Property) is located directly in this growth corridor. Projected growth patterns for this and the entire State Highway 130 corridor indicate that rural water services will not be sufficient to meet the coming needs. Upgraded facilities capable of serving urban densities are, however, available from neighboring urban providers, such as the City of Austin.

O. Jona needs an immediate commitment for water service, and therefore expedited release from Creedmoor's CCN, because:

- (1) Overall cost projections for the Project cannot be finalized without this commitment because water infrastructure details remain uncertain;
- (2) Overall Project financing models cannot be determined without this commitment because infrastructure participation levels and costs are unknown;
- (3) Overall project financing cannot be obtained unless Carma can demonstrate it has final commitments for firm supplies of water;
- (4) Government approvals needed for this project require Jona to present final plans and commitments for water service;

- (5) Project viability is based upon final planning and design for a 5,000 acre regional planning area which cannot proceed without a firm commitment for water; and
- (6) Jona's plans to finance the construction of roadway connections to SH 130 are not possible until project viability is established, which requires a firm commitment for water supplies.

P. Creedmoor simply does not have the water necessary to serve Jona's demands. Even if Creedmoor (or Southwest Water) somehow manages to find water somewhere, the cost to Jona would be exorbitant, and the timing of water delivery would be unreasonably lengthy and unreliable.

Q. On November 29, 2006, Creedmoor offered to release portions of its CCN to certain property owners willing to pay \$714 per acre to be released. (See Exhibit K: Letter from Mark Zeppa offering to release portions of the CCN; please note that the original of Mr. Zeppa's letter is misdated 2007 instead of 2006) At that time, Jona owned or controlled 1,407.316 acres of the Property, all of which Jona requested to have released, in accordance with the terms outlined by Creedmoor for the release of the other areas. (See Exhibit L: Letter from Andy Martin) The request was denied by Creedmoor at its November 14, 2007, board meeting.

R. Creedmoor brings nothing to the table except its CCN. In effect, Creedmoor is proposing that Jona fund Creedmoor's (or Southwest Water's) acquisition of new water supplies from some off-site, remote source. Recently, Creedmoor amended its Tariff to require that all applicants for non-standard water service of 10 LUEs or more "provide permanent recorded water rights with required groundwater conservation district (GCD) pumpage permits or long-term purchased water capacity, at the rate of one-half acre foot per LUE," (See Exhibit M:

Letter from Mark Zeppa to Board of Directors, CMWSC) This demonstrates that Creedmoor lacks sufficient water to provide continuous and adequate service.

#### IV. Jona's Request for Service and Creedmoor's Response

A. On May 4th, 2007, August 10, 2007, October 26, 2007, and January 14, 2008, Jona submitted to Creedmoor written requests and supplemental information for service (the "Requests for Service"). The Requests for Service identified the area for which service is sought, the timeframe in which service is needed for current and projected service demands, and the level and manner of service needed for current and projected service demands for the Property. Copies of the Requests for Service are attached as Exhibit N. These requests, collectively, contain the information required by Section 13.254(a-1), and applicable regulations of the Texas Commission on Environmental Quality. Due to Creedmoor's inability to provide a commitment for water, Jona has now been forced to delay the project until a water service provider is confirmed, yet another reason why an expedited release is necessary.

B. Creedmoor's response to Jona's Request for Service makes no commitment and provides no plan for providing the necessary water and, therefore, constitutes a denial of service. (See Exhibit O: Engineer's Report, Water Service Plan for Carma, Texas, February, 2008). Creedmoor's so-called Water Service Plan is no plan at all, but instead serves to demonstrate that Creedmoor is incapable of providing continuous and adequate service at the level and in the manner that Carma needs.

C. Creedmoor's Water Service Plan admits that:

- (1) Creedmoor is "still pursuing our search for the most cost effective service of water for this and other developments in Creedmoor-Maha WSC service area."

- (2) Creedmoor's "most viable and reliable option (for water) at this time appears to be Southwest Water Company."
- (3) Creedmoor is still trying to determine the most basic details for supplying the water Jona has requested, including:
  - (a) where additional water supplies might be located, whether any water is available for purchase, and, if so, in what quantities;
  - (b) how much money additional water might cost;
  - (c) if additional water might be available, how Creedmoor might convey that water from its source to the Creedmoor service area, and how much that might cost;
  - (d) when that water might become available; and
  - (e) who will pay the significant sums of money necessary to develop and transport (through a newly constructed pipeline) the water.

D. The chronology of negotiations between Jona and Creedmoor is attached as Exhibit P.

**V. Information About the Alternative Provider, the City of Austin**

A. The City of Austin is a well-established municipal water utility service with approximately 850,000 water service customers over a utility service area of 538 square miles.

B. The City of Austin supplies water to customers inside and outside its corporate city limits, including the communities of Rollingwood, Sunset Valley, Pflugerville and Round Rock.

C. The City of Austin holds the CCN for the area adjacent to Creedmoor and is capable of providing Jona with continuous and adequate service within the time frame, at the level and in the manner reasonably needed.

D. An additional 500 acres of Jona's property (outside the Property Jona wishes to have released by this Petition) is located inside the City of Austin's CCN, and the City of Austin will be providing water service to that area. The City of Austin will also provide wastewater service to the entire development, including the Property that is the subject of this Petition.

E. The City of Austin has an existing 10M gallon ground storage tank within the boundaries of Jona's planning area, which is only partially used. The City of Austin is currently in the design stage for construction of additional water infrastructure, ultimately costing approximately \$33.2 M, to install booster pumps and extend transmission and service lines through the property in response to the growing demand for service.

F. A commitment letter demonstrating the City of Austin's willingness and ability to provide continuous and adequate service within the time frame, at the level, and in the manner reasonably needed or requested by both current and projected service demands in the area is attached as Exhibit I. This satisfies the regulatory requirement for expedited release found at 30 TAC § 291.113(b)(4).

G. Pursuant to 30 TAC § 291.113(b) and (g) and consistent with the intent of Texas Water Code Section 13.254(a-1), Jona requests that the TCEQ grant this Petition, revoke Creedmoor's Retail Water CCN No. 11029 for that portion of the CCN where the Property is located, and authorize the City of Austin to provide water service to that same Property.

**VI. Information Regarding Creedmoor's Indebtedness to the United States Department of Agriculture Rural Development**

A. Creedmoor is indebted pursuant to a loan guaranteed by the United States Department of Agriculture Rural Development agency. Counsel for Creedmoor has previously opined that property in Creedmoor's CCN is "not subject to involuntary release" under 7 U.S.C. 1926(b) (the "federal law"), as construed by a 1996 federal court decision. See letter from Mark Zeppa to Judd Willmann and Andrew Martin dated September 4, 2007, attached as Exhibit Q. Creedmoor may argue that the federal law prohibits TCEQ consideration and approval of this petition. To anticipate that argument, Jona first vigorously disputes—and will do so in the appropriate forum—that Creedmoor is protected by this federal law. During the past twelve years, federal courts throughout the United States have consistently held that a federally-indebted rural water provider is protected *only* if it has "provided or made available" water service in a disputed service area. As established by this petition and the underlying facts, Creedmoor has not "provided or made available" water service to Jona's Property, applying either the criteria established by these federal decisions or Section 13.254(a-1) of the Texas Water Code.

B. In addition, the issues presented by a claim that the federal law protects Creedmoor and its CCN area must be raised before a forum with jurisdiction to consider and decide those issues. TCEQ is not that forum. TCEQ must review and decide this petition by applying the criteria established only by Section 13.254(a-1) of the Texas Water Code.

**VII. Conclusion**

A. Jona has served on Creedmoor, via certified mail, return receipt requested, a copy of this Petition, pursuant to 30 TAC 291.113(b).

B. Jona has submitted with this Petition a filing fee in the amount of one hundred dollars (\$100.00) to the Commission.

WHEREFORE, Jona prays that the Commission grant this Petition, revoke Creedmoor's Retail Water CCN No. 11029 for that portion of the CCN where the Property is located, authorize the City of Austin to provide water service to that same Property, and thereafter proceed to set the compensation, if any is required, for the value of the CCN area at issue.

Respectfully submitted

Brown McCarroll, L.L.P.  
111 Congress Avenue, Suite 1400  
Austin, TX 78701-4043  
Phone: (512) 472-5456  
Fax: (512) 479-1101

By: Kenneth Ramirez

Kenneth Ramirez  
State Bar No. 1650220

ATTORNEY FOR JONA ACQUISITION INC.  
AND CARMA TEXAS INC.

**5**







THE STATE OF TEXAS  
COUNTY OF TRAVIS  
I HEREBY CERTIFY THAT THIS IS A TRUE AND CORRECT COPY  
OF A TEXAS COMMISSION ON ENVIRONMENTAL QUALITY  
DOCUMENT, WHICH IS FILED IN THE PERMANENT RECORDS

FEB 23 2009

OF THE COMMISSION, EVER UNDER MY HAND AND THE  
SEAL OF THIS AGENCY.

*Virginia Castañeda*

VIRGINIA CASTAÑEDA, CHIEF CLERK  
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

# Texas Commission On Environmental Quality

By These Presents Be It Known To All That  
Creedmoor Maha Water Supply Corporation

having duly applied for certification to provide water utility service for the convenience and necessity of the public, and it having been determined by this commission that the public convenience and necessity would in fact be advanced by the provision of such service by this Applicant, is entitled to and is hereby granted this

## Certificate of Convenience and Necessity No. 11029

to provide continuous and adequate water utility service to that service area or those service areas in Travis County as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Application No. 36051-D are on file at the Commission offices in Austin, Texas; and are matters of official record available for public inspection; and be it known further that these presents do evidence the authority and the duty of Creedmoor Maha Water Supply Corporation to provide such utility service in accordance with the laws of this State and Rules of this Commission, subject only to any power and responsibility of this Commission to revoke or amend this Certificate in whole or in part upon a subsequent showing that the public convenience and necessity would be better served thereby.

Issued at Austin, Texas, this August 5, 2008

*[Signature]*  
For the Commission

6



# City of Austin

Assistant City Manager's Office  
P.O. Box 1088, Austin, Texas 78767  
(512) 974-2000

7000  
WATER SUPPLY DIV.

2009 AUG 26 AM 10 25

August 24, 2009

Ms. Heidi Graham  
Texas Commission on Environmental Quality  
Water Supply Division MC-153  
P.O. Box 13087  
Austin, TX 78711-3087

Re: Petition from Jona Acquisition, Inc. ("Jona") Pursuant to Texas Water Code Section 13.254 to Decertify a Portion of Water Certificate of Convenience and Necessity ("CCN") No. 11029 of Creedmoor-Maha Water Supply Corporation ("WSC") in Travis County, Texas, Application No. 36051-D, CN: 600625115/RN:101441574

Dear Ms. Graham:

This letter is to reaffirm the City of Austin's intent to provide water service with the conditions previously stated in the City's letter to Jona dated April 14, 2008 ("Jona Letter"). The City is designing infrastructure that will be able to provide water service to the property released from the WSC's CCN, as indicated in the Texas Commission on Environmental Quality's order dated August 5, 2008.

In order for the City to actually provide service, the City is ready to continue the Texas Water Code 13.254 proceedings under the conditions stated in the Jona Letter. If you have any questions, please contact Sharon Smith, Assistant City Attorney, at 974-7773.

Sincerely,

Rudy Garza  
Assistant City Manager

cc: Charles Laws, Creedmoor-Maha Water Supply Corporation  
Ken Ramirez, Brown McCarroll, LLP  
Sharon Smith, Law Department, City of Austin  
Bart Jennings, Austin Water Utility

STATE OF TEXAS  
COUNTY OF TRAVIS  
HEREBY CERTIFY THAT THIS IS A TRUE AND CORRECT COPY OF  
A TEXAS INSTRUMENT OF RECORD, FILED FOR RECORD IN THE  
PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

SEP 30 2009

ROCK THOMAS  
ATTORNEY GENERAL  
TEXAS COMMISSIONER OF INFORMATION SECURITY

*The City of Austin is committed to compliance with the Americans with Disabilities Act. Reasonable modifications and equal access to communications will be provided upon request.*

**7**

Buddy Garcia, *Chairman*  
Larry R. Soward, *Commissioner*  
Bryan W. Shaw, Ph.D., *Commissioner*  
Mark R. Vickery, P.G., *Executive-Director*

## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

August 31, 2009

Mr. Kenneth Ramirez  
Brown McCarroll, LLP  
111 Congress Ave., Suite 1400  
Austin, Texas 78701-4043

Re: Petition Pursuant to Texas Water Code, Section 13.254, from Jona Acquisition, Inc., to Decertify a Portion of Certificate of Convenience and Necessity (CCN) No. 11029 from Creedmoor Maha Water Supply Corporation (WSC) in Travis County; Application No. 36051-D

CN: 600660807; RN: 101218964

To Whom It May Concern:

Jona Acquisition, Inc.'s (Jona) petition for an expedited release from Creedmoor Maha WSC's CCN was granted by order of the Executive Director on August 5, 2008. Pursuant to Title 30, Section 291.113(i) of the Texas Administrative Code, the monetary compensation amount for the former CCN holder is determined when the retail public utility seeking to serve the decertified area notifies the Texas Commission on Environmental Quality (TCEQ) of its intent to serve. We received a letter dated August 24, 2009, from the City of Austin notifying TCEQ of its intent to provide service to Jona.

At this stage in the process, Jona and Creedmoor Maha WSC should attempt to agree on an independent appraiser by September 3, 2009. Jona is responsible for the cost of the independent appraiser. If there is no agreement between the parties on an independent appraiser, then each party shall individually engage an independent appraiser at its own expense and each appraisal shall be submitted to TCEQ by October 23, 2009. Each party should also supply the names of two additional appraisers and summarize their qualifications to serve as a third appraiser who may be used by the TCEQ to review the two appraisals. The TCEQ will then appoint the third appraiser who will determine the amount of compensation within 30 days after the TCEQ receives the appraisals. Each party will pay one-half of the cost of the third appraisal.

To ensure that the amount of compensation is just and adequate, the value of the property in question will be determined according to factors specified in Section 291.113(k).

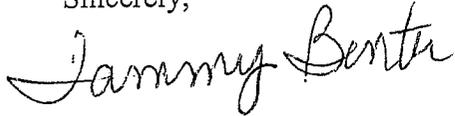
Mr. Kenneth Ramirez

Page 2

August 31, 2009

If you have any questions, please contact Ms. Heidi Graham at 512/239-0844, or if by correspondence, include Mail Code 153 in the letterhead address.

Sincerely,

A handwritten signature in cursive script that reads "Tammy Benter". The signature is written in black ink and is positioned to the left of the typed name and title.

Tammy Benter, Team Leader  
Utilities & Districts Section  
Water Supply Division  
Texas Commission on Environmental Quality

TB/hg/as

cc: Mailing List

Mailing List

Mark Zeppa  
Law Offices of Mark H. Zeppa  
4833 Spicewood Springs Road, Suite 202  
Austin, Texas 78759

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

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Bryan W. Shaw, Ph.D., *Chairman*  
Buddy Garcia, *Commissioner*  
Carlos Rubinstein, *Commissioner*  
Mark R. Vickery, P.G., *Executive Director*



## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

October 2, 2009

City of Austin  
Ms. Sharon Smith  
Law Department  
P.O. Box 1088  
Austin, Texas 78767-8865

Mr. Mark Zeppa  
Law Offices of Mark H. Zeppa  
4833 Spicewood Springs Road, Suite 202  
Austin, Texas 78759

Re: Petition Pursuant to Texas Water Code, Section 13.254, from Jona Acquisition, Inc., to Decertify a Portion of Certificate of Convenience and Necessity (CCN) No. 11029 from Creedmoor Maha Water Supply Corporation (WSC) in Travis County; Application No. 36051-D

CN: 600660807; RN: 101218964

Dear Ms. Smith/Mr. Zeppa:

Jona Acquisition, Inc.'s (Jona) petition for an expedited release from Creedmoor Maha WSC's CCN was granted by order of the Executive Director on August 5, 2008. Pursuant to Title 30, Section 291.113(i) of the Texas Administrative Code, the monetary compensation amount for the former CCN holder is determined when the retail public utility seeking to serve the decertified area notifies the Texas Commission on Environmental Quality (TCEQ) of its intent to serve. We received a letter on August 26, 2009 dated August 24, 2009, from the City of Austin notifying TCEQ of its intent to provide service to Jona.

Since neither the City of Austin, nor Creedmoor Maha WSC has agreed on an independent appraiser, each party shall individually engage an independent appraiser at its own expense and each appraisal shall be submitted to TCEQ by **October 26, 2009**. The Commission would appreciate notification of each party's choice of appraiser as soon as possible. The TCEQ can then appoint a third appraiser who will determine the amount of compensation within 30 days after the TCEQ receives your appraisals.

To ensure that the amount of compensation is just and adequate, the value of the property in question will be determined according to factors specified in Section 291.113(k).

Ms. Sharon Smith  
Page 2  
October 2, 2009

If you have any questions, please contact Ms. Heidi Graham at 512/239-0844, or if by correspondence, include Mail Code 153 in the letterhead address.

Sincerely,

A handwritten signature in cursive script that reads "Tammy Benter".

Tammy Benter, Team Leader  
Utilities & Districts Section  
Water Supply Division  
Texas Commission on Environmental Quality

TB/hg/ln

cc: Mailing List

Mailing List

City of Austin  
Mr. Rudy Garza  
Assistant City Manager  
P.O. Box 1088  
Austin, Texas 78767-8865

City of Austin  
Mr. Bart Jennings  
Austin Water Utility  
P.O. Box 1088  
Austin, Texas 78767-8865

Mr. Kenneth Ramirez  
Brown McCarroll, LLP  
111 Congress Ave., Suite 1400  
Austin, Texas 78701-4043

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

9

Bryan W. Shaw, Ph.D., *Chairman*  
Buddy Garcia, *Commissioner*  
Carlos Rubinstein, *Commissioner*  
Mark R. Vickery, P.G., *Executive Director*



## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

October 29, 2009

Mr. Kenneth Ramirez  
Brown McCarroll, LLP  
111 Congress Ave., Suite 1400  
Austin, Texas 78701-4043

Mark Zeppa  
Law Offices of Mark H. Zeppa  
4833 Spicewood Springs Road, Suite 202  
Austin, Texas 78759

Re: Petition Pursuant to Texas Water Code, Section 13.254, from Jona Acquisition, Inc., to Decertify a Portion of Certificate of Convenience and Necessity (CCN) No. 11029 from Creedmoor Maha Water Supply Corporation (WSC) in Travis County; Application No. 36051-D

CN: 600660807; RN: 101218964

To Whom It May Concern:

We received a letter from Ken Ramirez, dated October 15, 2009, requesting a 15 day extension to complete Jona Acquisition's appraisal requested in our October 2, 2009 letter. The original deadline was October 26, 2009.

Your request is hereby granted and the new deadline for both Jona Acquisition, Inc. and Creedmoor Maha WSC to submit their independent appraisals to the Commission is **November 10, 2009.**

If you have any questions, please contact Ms. Heidi Graham at 512/239-0844, or if by correspondence, include Mail Code 153 in the letterhead address.

Sincerely,

A handwritten signature in cursive script that reads "Tammy Benter".

Tammy Benter, Team Leader  
Utilities & Districts Section  
Water Supply Division  
Texas Commission on Environmental Quality

TB/hg/ln

cc: Mailing List

Mailing List

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

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**10**

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**dgr**  
**Donald G. Rauschuber & Associates, Inc.**

P.O. Box 2777  
Georgetown, Texas 78627  
Office: (512) 763-1170  
Fax: (512) 763-1341

Water Engineering  
Municipal Engineering

November 10, 2009

Kenneth Ramirez, Attorney at Law  
Brown McCarroll, LLP  
111 Congress, Suite 140  
Austin, Texas 78701

RE: Engineering Valuation of the Approximately 1,960-Acre Tract of Carma Easton Inc. (f/k/a Jona Acquisition Inc.) Pertaining to the Petition for Expedited Release of the Tract from the Creedmoor Maha WSC Certificate of Convenience and Necessity No. 11029

Dear Mr. Ramirez:

This Letter Report presents the findings and recommendations of Donald G. Rauschuber & Associates, Inc. ("DGRA") regarding the approximate 1,960-acre (the "Carma Tract") of Carma Easton Inc. (f/k/a Jona Acquisition Inc.) ("Carma") that was previously located within the boundaries of the area within Certificate of Convenience and Necessity No. 11029 that the Texas Commission on Environmental Quality ("TCEQ") decertified from the Creedmoor Maha Water Supply Corporation ("CMWSC") by Order dated August 5, 2008.

#### BACKGROUND

On May 7, 2008, Carma filed its Petition for Expedited Release ("Petition") pursuant to Texas Water Code § 13.254 (a-1) and 30 TAC § 291.113(b). By Order dated August 5, 2008, the TCEQ granted that Petition, ruling that Carma had satisfied the statutory and regulatory requirements necessary to be released from the decertified area. The City of Austin has committed to supplying water to Carma. Under 30 TAC § 291.113(h), however, Austin cannot render water service without first compensating CMWSC for the decertified area. The appraisal below has been prepared pursuant to 30 TAC § 291.113 (j) to determine the monetary amount CMWSC should be compensated.

On October 5, 2009, Counsel for Carma, Mr. Kenneth Ramirez, submitted to CMWSC a Request Under Public Information Act, Chapter 552, Texas Government Code (Attachment #1) seeking documents necessary to complete today's appraisal. While CMWSC has forwarded some of the requested documents, counsel for Creedmoor, Mr. Wesley G. Ritchie, sent a letter to the Texas Office of Attorney General on October 19, 2009 (Attachment #2) seeking approval to exempt

from disclosure seven categories of documents that are critical to this appraisal. The Attorney General's Office has not yet responded. Accordingly, because of Creedmoor's refusal to disclose documents to Carma, today's appraisal was completed without any current or specific information concerning water improvements located within the Carma Tract; water improvements that are used and useful to service the Carma Tract and surrounding service area; or any information pertaining to how CMWSC may be impacted pursuant to Texas Water Code § 13.254(g) when Carma's TCEQ petition for expedited release was granted. As such, the valuation presented below is based on the limited-available data and information provided by CMWSC and from other public sources.

### APPROACH

The required specific factors that must be considered in valuation of property subject to an expedited release from a utility's CCN are set forth in Texas Water Code § 13.254(g) and in 30 TAC § 291.113(k) and utilized in this valuation in determining a just and adequate compensation are as follows:

- A. the amount of the retail public utility's debt allocable for service to the area in question;
- B. the value of the service facilities of the retail public utility located within the area in question;
- C. the amount of any expenditures for planning, design, or construction of service facilities that are allocated to service in the area in question;
- D. the amount of the retail public utility's contractual obligations allocable to the area in question;
- E. any demonstrated impairment of service or increase of cost to consumers of the retail public utility remaining after the decertification;
- F. the impact of future revenues lost from existing customers;
- G. necessary and reasonable legal expenses and professional fees; and
- H. other relevant factors.

### DOCUMENTS REVIEWED

Documents reviewed for the preparation of this Letter Report include, but are not limited to, the following:

Page 3

Letter Report to Ken Ramirez, Attorney at Law  
Engineering Valuation of the Carma Tract  
November 10, 2009

- A. May 7, 2008, Petition for Expedited Release From Certificate of Convenience and Necessity pertaining to the matter prepared on behalf of Carma;
- B. Various documents prepared by representatives of CMWSC filed with TCEQ pertaining to Carma's Petition for Expedited Release from CCN No. 11029;
- C. Various letters prepared by TCEQ staff pertaining to Carma's Petition for Expedited Release from CCN No. 11029;
- D. Title 30 § 291.113 provisions;
- E. CMWSC's annual financial audits for fiscal years ended 2007, 2008, and 2009;
- F. Undated and unexecuted FmHA Utility Security Instrument listing FmHA loan commitments to CMWSC;
- G. CMWSC's 2005 water system layouts illustrating improvements throughout CMWSC's service area and location of water customers;
- H. Various letters and engineering documents prepared by Travis Associates, Consulting Engineers, on behalf of CMWSC;
- I. CMWSC's current water rates/tariffs;
- J. Limited information concerning CMWSC's current debt obligation instruments;
- K. The following CMWSC water purchase contracts:
  - 1. November 30, 1965, Agreement to purchase Water by and between CMWSC and the City of Austin;
  - 2. April 10, 1997, Service Agreement by and between CMWSC and Aqua WSC;
  - 3. 2001 Amendment to 1965 Agreement for Purchase of Water by and between CMWSC and the City of Austin; and
  - 4. March 6, 1996, Water Service Agreement among CMWSC, Lumbermen's Investment Corporation, and the City of Austin; and
- L. Various miscellaneous documents associated with this matter.

The Carma Tract, shown in Attachment #3, is an approximate 1,960-acre tract of land located within that portion of the CMWSC's Water CCN No. 11029, as shown in Attachment #4. Carma proposes to develop the subject tract as a high density mix-use development having over 10,000 living unit equivalents.

As shown in Attachment #4, CMWSC has existing water lines (year 2005 base) located along existing Sassman Road as it traverses generally east-west through the Carma Tract, along FM 1625 as it traverses north-south through the property, and a small single-home extension running north-south across an open field. Also, CMWSC has water lines along Thaxton Road and along U. S. Highway 183, which are partial eastern and western Carma Tract perimeter boundary streets. The location of year 2005 CMWSC water customer water meters located within and in the vicinity of the Carma Tract is shown in Attachment #4. Based on an approximate overlay of the Carma Tract project boundary on the 2005 water system improvements map provided by CMWSC, it appears the utility may have up to 15-existing water customers located within the Carma Tract.

#### VALUATION OF THE CARMA TRACT

- A. Factor: The amount of the retail public utility's (CMWSC's) debt allocable for service to the area in question (Carma Tract)

##### **Finding:**

CMWSC's 2005 water system maps generally indicate Carma's water improvements (e.g. water lines, water services, and appurtenances) located within and in the vicinity of the Carma Tract. Although requested, CMWSC did not provide any specific information concerning line sizes and capacities, actual number of customers located within the Carma Tract or information on the utility's debt allocable for service to the area in question.

However, CMWSC's 2008 Annual Financial Report lists the following long term debt obligations:

Note 1. Note to "Financial Institution" bearing interest at the Institution's weekly quoted variable rate, which was 4.14% on October 31, 2008, plus principal, with monthly payments approximating \$8,000 per month, payable until amortized, secured by real estate. Balance FY 2008: \$1,387,760

Note 2. Note to the USDA bearing interest at 5 percent, due in installments through 2016, unsecured. Balance FY 2008: \$0.00  
(Note probably retired in FY 2008)

Note 3. Note to the USDA bearing interest at 5 percent, due in installments through 2016, unsecured. Balance FY 2008: \$210,829

Note 4. Note to the USDA bearing interest at 4.625 percent, due in installments through 2043, unsecured. Balance FY 2008: \$557,808

Note 5. Note to the USDA bearing interest at 4.625 percent, due in installments through 2044, unsecured. Balance FY 2008: \$352,774

Note 6. Note to the USDA bearing interest at 4.5 percent, due in installments through 2014, unsecured. Balance FY 2008: \$77,566

Although requested, CMWSC did not provide copies of the actual loan instruments or amortization schedules for the notes listed in their FY 2008 Annual Financial Report. However, an undated/unexecuted FmHA Utility Security Instrument listed the FmHA loan commitments to CMWSC shown in Table 1.

A visual comparison of the FmHA loan commitments to CMWSC for Loan Nos. 1 through 5, shown on Table 1, generally corresponds (although not in the same order) to Note Nos. 2 through 6 listed above. Note 1 listed above to a "Financial Institution" cannot be documented from the information received from CMWSC or from any available public source. Therefore, for purposes of this valuation, Note 1 shown above is not included in this valuation.

An allocation of the debt service attributable to the Carma Tract for the five (5) FmHA notes shown in Table 1 is made based on the following assumptions:

1. The FmHA loans are for CMWSC facilities constructed that are directly used and useful to water service to and within the Carma Tract;
2. CMWSC has 2,230 total water meters (based on TCEQ records) that are serviced by water facilities constructed from FmHA loan proceeds;
3. The Jona development will involve the termination of water service to 15-existing CMWSC water customers located within the Carma Tract; and
4. For purposes of calculating the present value of those portions of the CMWSC - FmHA loans allocable to the loss of 15-water meters at an interest rate of 4.00% is representative.

The amount for each CMWSC - FmHA loan or debt allocable for service associated with the Carma Tract, given the above assumptions, is calculated in Table 2 through Table 6 and summarized in Table 7, cumulative value for Factor A is \$8,009.

- B. Factor: The value of CMWSC's water service facilities located within the Carma Tract

**Finding:**

As shown in Attachment #4, CMWSC has existing water system facilities located within public road right-of-ways that are adjacent to or traverse the Carma Tract. It does not appear CMWSC owns any major or minor water improvements on the subject property owned by Carma, other than possibly water services/meters associated with service to 15 water customers and a small diameter single-house service line. Again, CMWSC did not provide specific information concerning the size and capacity of existing water improvements or water easements that may be impacted by the proposed Carma development.

Since CMWSC's existing water improvements are located within public right-of-ways and outside of the Carma Tract, all existing water improvements except for the minor aforementioned meter services, will remain used and useful to CMWSC for providing retail water service to the utility's remaining water customers. As such, the value for Factor B is \$0.00.

- C. Factor: The amount of any expenditures for planning, design, or construction of service facilities that are allocated to service to the area in question.

**Finding:**

CMWSC did not provide any specific information or data concerning utility expenditures for planning, design, or construction of service facilities that may be allocated to service to the Carma Tract. Therefore, the value for Factor C is \$0.00.

- D. Factor: The amount of CMWSC's contractual obligations allocable to the Carma Tract.

**Finding:**

CMWSC provided the following information concerning their contractual obligations:

November 30, 1965, Agreement for Purchase of Water by and between CMWSC and the City of Austin;

2001 Amendment to the 1965 Agreement for Purchase of Water Agreement;

March 6, 1996, Water Service Agreement by and among CMWSC, Lumbermen's Investment Corporation, and the City of Austin; and

April 10, 1997, Aqua Water Supply Corporation (AWSC) Service Agreement between AWSC and CMWSC.

Although the above referenced contracts may be used to provide water to the assumed 15 existing CMWSC water customers impacted by the Carma Development, none of the agreements appear to have take-or-pay or minimum monthly payments provisions that would negatively impact CMWSC due to the release of the Carma Tract from the utility's water CCN area. Therefore, the valuation for Factor D is \$0.00.

- E. Factor: Any demonstrated impairment of service or increase of cost to consumers of the WSC remaining after the decertification.

**Finding:**

CMWSC did not provide any information concerning service impairments or increase cost to consumers as a result of the decertification of the Carma Tract. Therefore, the valuation for Factor E is \$0.00.

- F. Factor: The impact on future revenues lost from existing customers.

**Finding:**

Potential impact on CMWSC future revenues and expenses due to the loss of an assumed 15-water customers located within the Carma Tract may be based on an evaluation of the utility's fixed costs. A portion of a water utility's operation and maintenance costs are "fixed". Fixed costs are expenses a water utility incurs that are not a function of water sold, as opposed to "variable" costs (e.g., electricity, chemicals, most repairs and maintenance, and postage for billings) that are a direct function of water pumped and sold. Fixed cost generally includes salaries and wages, materials and supplies (less chemicals), office utilities, routine maintenance, contract services, reoccurring professional fees, and debt payments (included in Factor A, above).

CMWSC did not provide detailed information concerning its impact on future revenues due to the lost of existing water customers located within the Carma Tract. However, an approximation of such impact on the utility's loss of future revenues may be derived from the analysis shown on Table 7. As shown in this table, CMWSC's total projected operation and maintenance cost for FY 2008 totaled \$1,293,247. Of this amount, the utility's fixed cost is estimated at \$809,513 and its variable cost at \$483,734, using typical industry percentage allocations between fixed and variable costs.

With an assumed 2,230 total water connections, CMWSC's fixed cost per connection is estimated at \$363.01 (i.e., \$809,513 / 2,230). Using a fixed cost rate per connection for

FY 2008, yields a projected loss in annual revenue of \$5,445 for 15 water connections (i.e., \$363.01 x 15).

Therefore, the valuation for Factor F is \$5,445.

- G. Factor: Necessary and reasonable legal expenses and professional fees.

**Finding:**

CMWSC did not provide any information concerning the utility's "necessary and reasonable legal expenses and professional fees" associated with this matter. Therefore, the valuation for Factor G is \$0.00.

- H. Factor: Other relevant factors.

**Finding:**

There are no other identifiable factors associated with the release of the Carma Tract from CMWSC's certificated water CCN area. Therefore, Factor H has a valuation of \$0.00.

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In summary, DGRA, Inc.'s projected valuation for the expedited release of the Carma Tract, based on the limited information provided by CMWSC and from other public sources totals \$13,454, as summarized below:

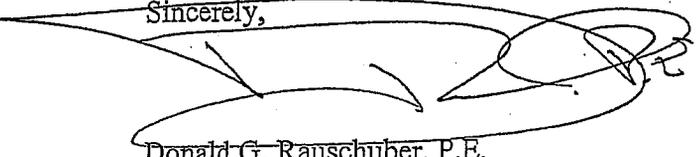
Factor A	\$ 8,009
Factor B	0
Factor C	0
Factor D	0
Factor E	0
Factor F	5,445
Factor G	0
Factor H	0
<b>TOTAL</b>	<b>\$13,454</b>

Preparing and performing a comprehensive valuation pursuant to Title 30 TAC § 291.113 (j) and (k) on a parcel subject to expedited review is very difficult to accomplish without having cooperative access to the utility's records and benefit of the utility's working knowledge of their system operations. If CMWSC makes available in the future detailed information addressing each of the factors set forth in Title 30 TAC § 291.113 (j) and (k), the valuation presented above may change significantly.

Page 9  
Letter Report to Ken Ramirez, Attorney at Law  
Engineering Valuation of the Carma Tract  
November 10, 2009

If you have any questions concerning this matter, please do not hesitate to contact me.

Sincerely,



Donald G. Rauschuber, P.E.  
President, DGRA, Inc.

enclosure .

Brown | M<sup>c</sup>Carroll  
L.L.P.

111 Congress Avenue, Suite 1400, Austin, Texas 78701-4043  
512-472-5456 fax 512-479-1101

KENNETH RAMIREZ  
DIRECT: (512) 479-9711  
DIRECT FAX: (512) 226-7271  
E-MAIL: kramirez@mailbmc.com

October 5, 2009

VIA OVERNIGHT FEDEX

Mr. Charles Laws  
Creedmoor Maha Water Supply Corporation  
12100 Laws Road  
Buda, TX 78610-9609

Re: Request Under Texas Public Information Act, Chapter 552, Texas Government Code.

Dear Mr. Laws:

This letter is a request to the Creedmoor Maha Water Supply Corporation ("CMWSC") for public information pursuant to the Public Information Act, Chapter 552, Texas Government Code. The request seeks copies of the following items:

1. CMWSC Annual Financial Audits for the last three years.
2. CMWSC water system maps/layouts illustrating improvements throughout the CMWSC Service Area and location of water customers/demand centers.
3. For the period of record available (for at least the last five years), the following information:
  - a. Monthly/annual number of water customers, categorized by meter size/class;
  - b. Monthly/annual retail water sales (gallons sold and revenue received); and
  - c. Monthly water produced.
4. CMWSC's historic and current water master plan(s).
5. CMWSC's population and/or customer growth projection
6. CMWSC's historic and current water rates/tariffs.
7. CMWSC's current debt obligation instruments including notes, loans and amortization schedules.
8. CMWSC's water planning documents, including but not limited to its Capital Improvements Plan (CIP), and any planned water improvements expansions.

4336846.3  
54846.2

Austin • Dallas • Houston • El Paso

Attachment #1

Mr. Charles Laws  
October 5, 2009  
Page 2

9. Description of CMWSC's water system improvements, including supply sources, treatment plants, pressurization facilities, pumping/transmission facilities, and distribution system.
10. Copy of any and all of CMWSC's wholesale water purchase and/or wholesale water sales documents or contracts.
11. Inventory of any existing water improvements located within, adjacent to and/or which the CMWSC claims would be used and useful to service the tract(s) of property released from CMWSC's CCN by TCEQ Order dated August 5, 2008 (collectively, the "Carma Tract").
12. Construction contracts or documents documenting the cost or value of improvements located within, adjacent to, and/or which the CMWSC claims would be used and useful to service the Carma Tract.
13. Information that would document CMWSC's legal costs and professional expenses, if any, associated with the Carma's Petition For Expedited Release filed at the TCEQ on May 7, 2008 (the "Carma Petition").
14. CMWSC's FY 2009/2010 Budget, as amended.
15. Current map of Water CCN No. 11029.
16. Current map of CMWSC's statutory boundary.
17. Any and all documents, correspondences, and memorandums, etc., associated with the Carma Petition.
18. Copies and any CMWSC appraisals or valuations projecting the value of the CMWSC's water service area/CCN area located within the Carma Tract and/or prepared for any of CMWSC's service area that the TCEQ decertified pursuant to the TCEQ's Order dated August 5, 2008.
19. Copies of any contracts, agreements and/or other documents that involve the decertification of any portion of CMWSC's water service area.
20. Any plans, reports, documents, memorandums, working papers, and other materials that illustrate how CMWSC plans on providing retail water service to the Carma Tract.
21. For any CMWSC water service area decertified pursuant to the TCEQ's Order dated August 5, 2008, a copy of all correspondences between the CMWSC and the United States Department of Agriculture Rural Development Office pertaining to such decertification matter.

This request encompasses any and all information and documents whether developed by or for CMWSC, an interested party, another government entity, or an independent party if such

Mr. Charles Laws  
October 5, 2009  
Page 3

information is currently in the possession of CMWSC or is available to the CMWSC upon its request.

If you have any questions about the nature or scope of this request, please contact me at the number above. If information requested is part of a voluminous document for which only a discrete portion is within the scope of this request, the request covers only that portion and any additional material (such as the cover page, table of contents, or list of definitions) necessary to understand the portion provided. If any such records are in active use or in storage, please state that in writing and set a date and time within a reasonable time when the records will be available as required by Section 552.221, Texas Government Code. I am prepared to pay reasonable costs for copying, within the guidelines set by the Public Information Act.

If you determine that all or some portion of the information requested is exempted from required disclosure, please provide me with the portions of the requested information that are public and reasonably separable from that which you believe is exempted. If you determine that all or some part of the information requested is exempt from required disclosure under a particular exception, please advise me as to what exception you believe applies. If you rely on a previous determination, please advise me of the applicable court or Attorney General opinion on which you are relying. If there is no such determination, please advise me of the request for such an opinion and provide a dated copy of your letter to the Attorney General as required under Section 552.301, Texas Government Code.

I would like to have a representative come to CMWSC's offices to review these documents. In the alternative, I am available to pick these documents up from your office. Please call me if I must pick the documents up from your office.

Time is of the essence in this matter, and failure to timely deliver said documents will affect the rights of interested parties. I appreciate your assistance, and look forward to hearing from you very soon.

Sincerely,

  
KENNETH RAMIREZ

KR/gw

cc: Mark H. Zeppa - *via electronic mail* - [markzeppa@austin.rr.com](mailto:markzeppa@austin.rr.com)

Shaun Cranston  
Carma Texas Inc.

4336846.3  
54846.2

**RASH, CHAPMAN, SCHREIBER & PORTER, L.L.P.**

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WRITER'S E-MAIL  
writchie@rcsp.com

October 19, 2009

Office of the Attorney General  
P.O. Box 12548  
Austin, Texas 78711-2548

Re: Request submitted by Brown McCarroll, LLP, to Creedmoor Maha Water Supply Corporation under Texas Public Information Act, Chapter 552, Texas Government Code

Gentlemen:

This letter is written on behalf of Creedmoor Maha Water Supply Corporation (herein "Creedmoor Maha" or "CMWSC"). On or about October 6, 2009, Creedmoor Maha received a request for public information from Brown McCarroll, LLP, and a copy of this request is attached hereto as Exhibit "A". Creedmoor Maha is involved in pending litigation with Carma Easton, Inc. (f/k/a Jonah Acquisition Inc.) (herein "Carma"), and Brown McCarroll, LLP represents Carma in that litigation.

Creedmoor Maha believes that the following items in Exhibit "A" are excepted from required public disclosure pursuant to Section 552.103 of the Texas Government Code (commonly referred to as the "litigation exception"), and requests a decision by the Attorney General as to whether these items fall within the litigation exception:

11. Inventory of any existing water improvements located within, adjacent to and/or which Creedmoor Maha claims would be used and useful to service the tract(s) of property released from Creedmoor Maha's CCN by TCEQ Order dated August 5, 2008 (collectively, the "Carma Tract").

12. Construction contracts or documents documenting the cost or value of improvements located within, adjacent to, and/or which Creedmoor Maha claims would be used and useful to service the Carma Tract.

Attachment #2

13. Information that would document Creedmoor Maha's legal costs and professional expenses, if any, associated with Carma's Petition for Expedited Release filed at the TCEQ on May 7, 2008 (the "Carma Petition").

17. Any and all documents, correspondence, and memorandums, etc., associated with the Carma Petition.

18. Copies and any Creedmoor Maha appraisals or valuations projecting the value of the Creedmoor Maha water service area/CCN area located within the Carma Tract and/or prepared for any of Creedmoor's service area that the TCEQ decertified pursuant to the TCEQ's Order dated August 5, 2008.

20. Any plans, reports, documents, memorandums, working papers, and other materials that illustrate how Creedmoor Maha plans on providing retail water service to the Carma Tract.

21. For any Creedmoor Maha water service area decertified pursuant to the TCEQ's Order dated August 5, 2008, a copy of all correspondence between Creedmoor Maha and the United States Department of Agriculture Rural Development Office pertaining to such decertification matter.

In summary, Creedmoor Maha is a nonprofit water supply corporation, providing potable water service to customers in Travis and other adjacent counties. Creedmoor Maha held a Certificate of Convenience and Necessity ("CCN") covering certain lands in Travis County land that Carma sought to develop into a master planned community, and Carma obtained an Order from the TCEQ dated August 5, 2008, granting an expedited release of this land from Creedmoor's CCN, thereby allowing another retail public utility to provide water service to that land.

Creedmoor timely filed an Original Petition with the District Courts of Travis County appealing this Order of the TCEQ. Subsequently Creedmoor Maha dropped its appeal by filing its First Amended Petition, therein seeking declaratory relief and injunctive relief. In pertinent part, Creedmoor Maha contends that the TCEQ's Order and the application of Texas Water Code Section 13.254 to Creedmoor Maha is unconstitutional because it fails to comply with the Open Court's provision in the Texas Constitution and it violates, and conflicts with, 7 USC Section 1926(b), a federal statute, in violation of the Supremacy Clause of the US Constitution.

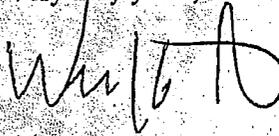
A copy of Creedmoor Maha's First Amended Petition is enclosed to confirm the existence of pending litigation related to the matters included within the requests set forth above. Although the trial court dismissed Creedmoor's lawsuit for lack of jurisdiction, Creedmoor Maha has appealed that decision to the Third Court of Appeals in Austin and that appeal has been docketed as Cause No. 03-09-00553CV. It is now expected that Creedmoor Maha's appellate brief will be filed on or about November 20, 2009, with the brief of Carma and the other parties due thereafter.

Office of the Attorney General  
October 19, 2009  
Page 3 of 3

A copy of this letter is being sent to the requestor, Kenneth Ramirez with Brown McCarroll, LLP. With respect to the other items requested by Mr. Ramirez in Exhibit "A", Creedmoor Maha is making them available for inspection and copying.

Thank you for your attention to this matter and please contact me with any questions.

Very truly yours,



Wesley G. Ritchie

WGR:kl

✓ Enclosures

cc: Kenneth Ramirez

City of Austin  
Water Service Area

Creedmoor/Maha  
Water CCN

	Planning Boundary
	Carma Parcel w/in Creedmoor/Maha
	City of Austin Water Service Area
	Creedmoor/Maha Water CCN

Attachment #3



Carma SE Austin  
Parcels w/in Creedmoor / Maha  
Water CCN Boundary

**JE JACOBS**  
Carter Burgess  
4/21/2004



**TABLE 1**  
**FmHA LISTED LOAN COMMITMENTS TO CMWSC**  
 (Source: FmHA Undated/Unexecuted Utility Security Instrument)

A	B	C	D	E	F
ITEM NO.	DATE OF INSTRUMENT	PRINCIPAL AMOUNT	ANNUAL RATE OF INTEREST	DUE DATE OF FINAL INSTALLMENT	ESTIMATED DEBT ALLOCABLE TO CARMA TRACT
1	7-Oct-04	\$365,400	4.625%	7-Oct-44	\$2,503.17
2	7-Oct-04	\$578,000	4.625%	7-Oct-44	\$3,959.59
3	31-Oct-78	\$540,500	5.00%	31-Oct-18	1426,527317
4	18-Apr-73	\$130,000	5.00%	18-Apr-13	116,237464
5	30-Jun-71	\$10,500	5.00%	30-Jun-11	\$3.81
<b>TOTAL</b>					<b>\$8,009.33</b>

Table 1

TABLE 2  
PROJECTED AMORTIZATION FOR CMWSCS OCTOBER 1, 2004, LOAN WITH FIMBA IN THE AMOUNT OF \$365,400

DATE OF INSTRUMENT 7-Oct-04  
 PRINCIPAL \$365,400  
 INTEREST 4.625%  
 TOTAL CMWSC WATER METERS 2230  
 TOTAL NO. OF WATER METERS IN CARMA TRACT 15  
 PRESENT WORTH INTEREST RATE 4.00%

YEAR	PRINCIPAL PAYMENT	INTEREST PAYMENT	TOTAL PAYMENT	PRINCIPAL AND INTEREST PAYMENT PER METER	PAY ON NUMBER OF METERS IN CARMA TRACT	PRESENT VALUE AT DISCOUNT RATE
2004	\$3,312.86	\$16,899.75	\$20,212.61	\$9.06	1335.96	\$130.73
2005	\$3,466.08	\$16,746.53	\$20,212.61	\$9.06	1335.96	\$125.70
2006	\$3,626.39	\$16,586.22	\$20,212.61	\$9.06	1335.96	\$120.87
2007	\$3,794.11	\$16,418.50	\$20,212.61	\$9.06	1335.96	\$116.22
2008	\$3,969.59	\$16,243.03	\$20,212.61	\$9.06	1335.96	\$111.75
2009	\$4,153.18	\$16,059.43	\$20,212.61	\$9.06	1335.96	\$107.45
2010	\$4,345.27	\$15,867.35	\$20,212.61	\$9.06	1335.96	\$103.32
2011	\$4,546.24	\$15,666.38	\$20,212.61	\$9.06	1335.96	\$99.34
2012	\$4,756.50	\$15,456.12	\$20,212.61	\$9.06	1335.96	\$95.52
2013	\$4,976.49	\$15,236.13	\$20,212.61	\$9.06	1335.96	\$91.85
2014	\$5,206.65	\$15,005.96	\$20,212.61	\$9.06	1335.96	\$88.32
2015	\$5,447.46	\$14,765.16	\$20,212.61	\$9.06	1335.96	\$84.92
2016	\$5,699.40	\$14,513.21	\$20,212.61	\$9.06	1335.96	\$81.65
2017	\$5,963.00	\$14,249.61	\$20,212.61	\$9.06	1335.96	\$78.51
2018	\$6,238.79	\$13,973.83	\$20,212.61	\$9.06	1335.96	\$75.49
2019	\$6,527.33	\$13,685.28	\$20,212.61	\$9.06	1335.96	\$72.59
2020	\$6,829.22	\$13,383.39	\$20,212.61	\$9.06	1335.96	\$69.80
2021	\$7,145.07	\$13,067.34	\$20,212.61	\$9.06	1335.96	\$67.11
2022	\$7,475.53	\$12,737.08	\$20,212.61	\$9.06	1335.96	\$64.53
2023	\$7,821.28	\$12,391.34	\$20,212.61	\$9.06	1335.96	\$62.05
2024	\$8,183.01	\$12,029.60	\$20,212.61	\$9.06	1335.96	\$59.66
2025	\$8,561.47	\$11,651.14	\$20,212.61	\$9.06	1335.96	\$57.37
2026	\$8,957.44	\$11,255.17	\$20,212.61	\$9.06	1335.96	\$55.16
2027	\$9,371.72	\$10,840.89	\$20,212.61	\$9.06	1335.96	\$53.04
2028	\$9,805.17	\$10,407.45	\$20,212.61	\$9.06	1335.96	\$51.00
2029	\$10,258.65	\$9,953.96	\$20,212.61	\$9.06	1335.96	\$49.04
2030	\$10,733.12	\$9,479.30	\$20,212.61	\$9.06	1335.96	\$47.15
2031	\$11,229.52	\$8,983.09	\$20,212.61	\$9.06	1335.96	\$45.34
2032	\$11,748.89	\$8,463.72	\$20,212.61	\$9.06	1335.96	\$43.60
2033	\$12,292.28	\$7,920.34	\$20,212.61	\$9.06	1335.96	\$41.92
2034	\$12,860.79	\$7,353.82	\$20,212.61	\$9.06	1335.96	\$40.31
2035	\$13,455.61	\$6,757.01	\$20,212.61	\$9.06	1335.96	\$38.76
2036	\$14,077.93	\$6,134.69	\$20,212.61	\$9.06	1335.96	\$37.27
2037	\$14,729.03	\$5,483.38	\$20,212.61	\$9.06	1335.96	\$35.83
2038	\$15,410.25	\$4,802.37	\$20,212.61	\$9.06	1335.96	\$34.45
2039	\$16,122.97	\$4,089.64	\$20,212.61	\$9.06	1335.96	\$33.11
2040	\$16,868.66	\$3,343.95	\$20,212.61	\$9.06	1335.96	\$31.81
2041	\$17,648.84	\$2,563.78	\$20,212.61	\$9.06	1335.96	\$30.54
2042	\$18,465.10	\$1,747.32	\$20,212.61	\$9.06	1335.96	\$29.39
2043	\$19,319.11	\$893.51	\$20,212.61	\$9.06	1335.96	\$28.34
TOTALS	\$365,400.00	\$443,104.57	\$808,504.57	\$9.06	1335.96	\$7,503.17

Table 2

TABLE 3  
 PROJECTED AMORTIZATION FOR CAMWSC'S OCTOBER 7, 2004, LOAN WITH FIBEA IN THE AMOUNT OF \$578,000

DATE OF INSTRUMENT 7-08-04  
 PRINCIPAL \$578,000  
 INTEREST 4.625%  
 TOTAL CAMWSC WATER METERS 2230  
 TOTAL NO. OF WATER METERS IN CARMA 1 15  
 PRESENT WORKING INTEREST RATE 4.00%

A	B	C	D	E	F	G	H
ITEM NO.	YEAR	PRINCIPAL PAYMENT	INTEREST PAYMENT	TOTAL PAYMENT	PRINCIPAL AND INTEREST PAYMENT PER METER	P & I ON NUMBER OF METERS IN CARMA TRACT	PRESENT VALUE AT DISCOUNT RATE
1	2004	\$3,240.38	\$26,732.50	\$31,972.88	\$14.34	\$215.06	\$198.84
2	2005	\$5,482.75	\$26,400.13	\$31,972.88	\$14.34	\$215.06	\$191.19
3	2006	\$5,736.33	\$26,236.56	\$31,972.88	\$14.34	\$215.06	\$183.84
4	2007	\$6,001.63	\$25,971.25	\$31,972.88	\$14.34	\$215.06	\$176.77
5	2008	\$6,279.21	\$25,693.67	\$31,972.88	\$14.34	\$215.06	\$169.97
6	2009	\$6,569.62	\$25,403.26	\$31,972.88	\$14.34	\$215.06	\$206.79
7	2010	\$6,873.47	\$25,099.42	\$31,972.88	\$14.34	\$215.06	\$198.84
8	2011	\$7,191.36	\$24,781.52	\$31,972.88	\$14.34	\$215.06	\$191.19
9	2012	\$7,523.96	\$24,448.92	\$31,972.88	\$14.34	\$215.06	\$183.84
10	2013	\$7,871.95	\$24,100.93	\$31,972.88	\$14.34	\$215.06	\$176.77
11	2014	\$8,236.02	\$23,736.86	\$31,972.88	\$14.34	\$215.06	\$169.97
12	2015	\$8,616.94	\$23,355.94	\$31,972.88	\$14.34	\$215.06	\$163.43
13	2016	\$9,015.47	\$22,957.41	\$31,972.88	\$14.34	\$215.06	\$157.15
14	2017	\$9,432.44	\$22,540.44	\$31,972.88	\$14.34	\$215.06	\$151.10
15	2018	\$9,868.69	\$22,104.19	\$31,972.88	\$14.34	\$215.06	\$145.29
16	2019	\$10,325.12	\$21,647.76	\$31,972.88	\$14.34	\$215.06	\$139.70
17	2020	\$10,802.65	\$21,170.23	\$31,972.88	\$14.34	\$215.06	\$134.33
18	2021	\$11,302.28	\$20,670.60	\$31,972.88	\$14.34	\$215.06	\$129.16
19	2022	\$11,825.01	\$20,147.87	\$31,972.88	\$14.34	\$215.06	\$124.19
20	2023	\$12,371.91	\$19,600.97	\$31,972.88	\$14.34	\$215.06	\$119.42
21	2024	\$12,944.12	\$19,028.77	\$31,972.88	\$14.34	\$215.06	\$114.82
22	2025	\$13,542.78	\$18,430.10	\$31,972.88	\$14.34	\$215.06	\$110.41
23	2026	\$14,169.13	\$17,803.75	\$31,972.88	\$14.34	\$215.06	\$106.16
24	2027	\$14,824.46	\$17,148.43	\$31,972.88	\$14.34	\$215.06	\$102.08
25	2028	\$15,510.09	\$16,462.79	\$31,972.88	\$14.34	\$215.06	\$98.15
26	2029	\$16,227.43	\$15,745.45	\$31,972.88	\$14.34	\$215.06	\$94.38
27	2030	\$16,977.95	\$14,994.93	\$31,972.88	\$14.34	\$215.06	\$90.75
28	2031	\$17,763.18	\$14,209.70	\$31,972.88	\$14.34	\$215.06	\$87.26
29	2032	\$18,584.72	\$13,388.16	\$31,972.88	\$14.34	\$215.06	\$83.90
30	2033	\$19,444.27	\$12,528.61	\$31,972.88	\$14.34	\$215.06	\$80.67
31	2034	\$20,343.57	\$11,629.32	\$31,972.88	\$14.34	\$215.06	\$77.57
32	2035	\$21,284.46	\$10,688.43	\$31,972.88	\$14.34	\$215.06	\$74.59
33	2036	\$22,268.86	\$9,704.02	\$31,972.88	\$14.34	\$215.06	\$71.72
34	2037	\$23,298.80	\$8,674.09	\$31,972.88	\$14.34	\$215.06	\$68.96
35	2038	\$24,376.37	\$7,596.52	\$31,972.88	\$14.34	\$215.06	\$66.31
36	2039	\$25,503.77	\$6,469.11	\$31,972.88	\$14.34	\$215.06	\$63.76
37	2040	\$26,683.92	\$5,289.56	\$31,972.88	\$14.34	\$215.06	\$61.31
38	2041	\$27,917.43	\$4,055.46	\$31,972.88	\$14.34	\$215.06	\$58.95
39	2042	\$29,208.61	\$2,764.28	\$31,972.88	\$14.34	\$215.06	\$56.68
40	2043	\$30,559.50	\$1,413.38	\$31,972.88	\$14.34	\$215.06	\$54.59
	TOTALS	\$378,000.00	\$700,915.28	\$1,278,915.28	\$14.34	\$215.06	\$3,959.59

Table 3

TABLE 4  
PROJECTED AMORTIZATION FOR CAMWSCS OCTOBER 31, 1978, LOAN WITH FINRA IN THE AMOUNT OF \$540,500

DATE OF INSTRUMENT 31-Oct-78  
 PRINCIPAL \$540,500  
 INTEREST 5.00%  
 TOTAL CAMWSC WATER METERS 2230  
 TOTAL NO. OF WATER METERS IN CARMA TRACT 15  
 PRESENT WORTH INTEREST RATE 4.00%

A	B	C	D	E	F	G	H
ITEM NO.	YEAR	PRINCIPAL PAYMENT	INTEREST PAYMENT	TOTAL PAYMENT	PRINCIPAL AND INTEREST PAYMENT PER METER	P & I ON NUMBER OF METERS IN CARMA TRACT	PRESENT VALUE AT DISCOUNT RATE
1	1978	\$4,474.35	\$7,025.00	\$31,499.35			
2	1979	\$4,698.06	\$6,801.28	\$31,499.35			
3	1980	\$4,932.97	\$6,566.38	\$31,499.35			
4	1981	\$5,179.61	\$6,319.73	\$31,499.35			
5	1982	\$5,438.60	\$6,060.75	\$31,499.35			
6	1983	\$5,710.53	\$5,788.82	\$31,499.35			
7	1984	\$5,996.05	\$5,503.29	\$31,499.35			
8	1985	\$6,295.85	\$5,203.49	\$31,499.35			
9	1986	\$6,610.65	\$4,888.70	\$31,499.35			
10	1987	\$6,941.18	\$4,558.17	\$31,499.35			
11	1988	\$7,288.24	\$4,211.11	\$31,499.35			
12	1989	\$7,652.65	\$3,846.70	\$31,499.35			
13	1990	\$8,035.28	\$3,464.06	\$31,499.35			
14	1991	\$8,437.05	\$3,062.30	\$31,499.35			
15	1992	\$8,858.90	\$2,640.45	\$31,499.35			
16	1993	\$9,301.84	\$2,197.50	\$31,499.35			
17	1994	\$9,766.94	\$1,732.41	\$31,499.35			
18	1995	\$10,255.28	\$1,244.06	\$31,499.35			
19	1996	\$10,768.05	\$731.30	\$31,499.35			
20	1997	\$11,306.45	\$201.92.90	\$31,499.35			
21	1998	\$11,871.77	\$19,627.57	\$31,499.35			
22	1999	\$12,465.36	\$19,033.99	\$31,499.35			
23	2000	\$13,088.63	\$18,410.72	\$31,499.35			
24	2001	\$13,743.06	\$17,766.29	\$31,499.35			
25	2002	\$14,430.21	\$17,099.13	\$31,499.35			
26	2003	\$15,151.72	\$16,347.62	\$31,499.35			
27	2004	\$15,909.31	\$15,590.04	\$31,499.35			
28	2005	\$16,704.78	\$14,794.57	\$31,499.35			
29	2006	\$17,540.01	\$13,959.33	\$31,499.35			
30	2007	\$18,417.02	\$13,082.33	\$31,499.35			
31	2008	\$19,337.87	\$12,161.48	\$31,499.35			
32	2009	\$20,304.76	\$11,194.59	\$31,499.35			
33	2010	\$21,320.00	\$10,179.35	\$31,499.35	\$14.13	\$211.88	\$203.73
34	2011	\$22,386.00	\$9,113.35	\$31,499.35	\$14.13	\$211.88	\$195.89
35	2012	\$23,505.30	\$7,994.05	\$31,499.35	\$14.13	\$211.88	\$188.36
36	2013	\$24,680.56	\$6,818.78	\$31,499.35	\$14.13	\$211.88	\$181.12
37	2014	\$25,914.59	\$5,584.76	\$31,499.35	\$14.13	\$211.88	\$174.15
38	2015	\$27,210.32	\$4,289.03	\$31,499.35	\$14.13	\$211.88	\$167.45
39	2016	\$28,570.84	\$2,928.51	\$31,499.35	\$14.13	\$211.88	\$161.01
40	2017	\$29,999.38	\$1,499.97	\$31,499.35	\$14.13	\$211.88	\$154.82
	TOTALS	\$540,500.00	\$719,473.84	\$1,259,973.84	\$14.13	\$1,695.03	\$1,426.53

Table 4

TABLE 5  
 PROJECTED AMORTIZATION FOR CMAWCS'S APRIL 18, 1973, LOAN WITH FIBRA IN THE AMOUNT OF \$130,000

DATE OF INSTRUMENT 18-Apr-73  
 PRINCIPAL \$130,000  
 INTEREST 5.00%  
 TOTAL CMAWCS WATER METERS 2230  
 TOTAL NO. OF WATER METERS IN CARMA 15  
 PRESENT WORTH INTEREST RATE 4.00%

A	B	C	D	E	F	G	H
ITEM NO.	YEAR	PRINCIPAL PAYMENT	INTEREST PAYMENT	TOTAL PAYMENT	PRINCIPAL AND INTEREST PAYMENT PER METER	P & I ON NUMBER OF METERS IN CARMA TRACT	PRESENT VALUE AT DISCOUNT RATE
1	1973	\$1,076.16	\$6,500.00	\$7,576.16			
2	1974	\$1,129.97	\$6,446.19	\$7,576.16			
3	1975	\$1,186.47	\$6,399.69	\$7,576.16			
4	1976	\$1,245.79	\$6,350.37	\$7,576.16			
5	1977	\$1,308.08	\$6,298.08	\$7,576.16			
6	1978	\$1,373.48	\$6,242.68	\$7,576.16			
7	1979	\$1,442.16	\$6,184.00	\$7,576.16			
8	1980	\$1,514.27	\$6,121.89	\$7,576.16			
9	1981	\$1,589.98	\$6,056.18	\$7,576.16			
10	1982	\$1,669.48	\$5,986.68	\$7,576.16			
11	1983	\$1,752.95	\$5,913.21	\$7,576.16			
12	1984	\$1,840.60	\$5,835.56	\$7,576.16			
13	1985	\$1,932.63	\$5,753.53	\$7,576.16			
14	1986	\$2,029.25	\$5,666.90	\$7,576.16			
15	1987	\$2,130.73	\$5,575.44	\$7,576.16			
16	1988	\$2,237.26	\$5,479.90	\$7,576.16			
17	1989	\$2,349.12	\$5,380.78	\$7,576.16			
18	1990	\$2,466.58	\$5,277.04	\$7,576.16			
19	1991	\$2,589.91	\$5,168.76	\$7,576.16			
20	1992	\$2,719.41	\$5,055.94	\$7,576.16			
21	1993	\$2,855.38	\$4,938.67	\$7,576.16			
22	1994	\$2,998.14	\$4,816.94	\$7,576.16			
23	1995	\$3,148.05	\$4,690.74	\$7,576.16			
24	1996	\$3,305.45	\$4,559.97	\$7,576.16			
25	1997	\$3,470.73	\$4,424.64	\$7,576.16			
26	1998	\$3,644.26	\$4,284.74	\$7,576.16			
27	1999	\$3,826.48	\$4,140.28	\$7,576.16			
28	2000	\$4,017.80	\$3,991.26	\$7,576.16			
29	2001	\$4,218.69	\$3,837.69	\$7,576.16			
30	2002	\$4,429.62	\$3,679.56	\$7,576.16			
31	2003	\$4,651.11	\$3,516.87	\$7,576.16			
32	2004	\$4,883.66	\$3,349.62	\$7,576.16			
33	2005	\$5,127.84	\$3,177.81	\$7,576.16			
34	2006	\$5,384.24	\$2,991.56	\$7,576.16			
35	2007	\$5,653.45	\$2,790.86	\$7,576.16			
36	2008	\$5,936.12	\$2,575.70	\$7,576.16			
37	2009	\$6,232.93	\$2,346.08	\$7,576.16	\$3.40	\$30.96	\$40.28
38	2010	\$6,544.57	\$2,101.99	\$7,576.16	\$3.40	\$30.96	\$38.73
39	2011	\$6,871.80	\$1,843.16	\$7,576.16	\$3.40	\$30.96	\$37.24
40	2012	\$7,215.39	\$1,568.77	\$7,576.16	\$3.40	\$30.96	\$35.88
TOTALS		\$130,000.00	\$173,046.44	\$303,046.44		\$152.88	\$116.24

Table 5

TABLE 6  
 PROJECTED AMORTIZATION FOR CWMWSCS JUNE 30, 1971, LOAN WITH FIMBA IN THE AMOUNT OF \$10,500

DATE OF INSTRUMENT 30-June-71  
 PRINCIPAL \$10,500  
 INTEREST 5.00%  
 TOTAL CWMWSC WATER METERS 2230  
 TOTAL NO. OF WATER METERS IN CARMA 15  
 PRESENT WORTH DISCOUNT RATE 4.00%

A	B	C	D	E	F	G	H
ITEM NO.	YEAR	PRINCIPAL PAYMENT	INTEREST PAYMENT	TOTAL PAYMENT	PRINCIPAL AND INTEREST PAYMENT PER METER	# & I ON NUMBER OF METERS IN CARMA TRACT	PRESENT VALUE AT DISCOUNT RATE
1	1971	\$86.92	\$525.00	\$611.92			
2	1972	\$91.27	\$520.65	\$611.92			
3	1973	\$95.83	\$516.09	\$611.92			
4	1974	\$100.62	\$511.30	\$611.92			
5	1975	\$105.65	\$506.27	\$611.92			
6	1976	\$110.94	\$500.99	\$611.92			
7	1977	\$116.48	\$495.44	\$611.92			
8	1978	\$122.31	\$489.61	\$611.92			
9	1979	\$128.42	\$483.50	\$611.92			
10	1980	\$134.84	\$477.08	\$611.92			
11	1981	\$141.58	\$470.34	\$611.92			
12	1982	\$148.66	\$463.26	\$611.92			
13	1983	\$156.10	\$455.82	\$611.92			
14	1984	\$163.90	\$448.02	\$611.92			
15	1985	\$172.10	\$439.82	\$611.92			
16	1986	\$180.70	\$431.22	\$611.92			
17	1987	\$189.74	\$422.18	\$611.92			
18	1988	\$199.22	\$412.70	\$611.92			
19	1989	\$209.19	\$402.74	\$611.92			
20	1990	\$219.64	\$392.28	\$611.92			
21	1991	\$230.63	\$381.29	\$611.92			
22	1992	\$242.16	\$369.76	\$611.92			
23	1993	\$254.27	\$357.66	\$611.92			
24	1994	\$266.98	\$344.94	\$611.92			
25	1995	\$280.33	\$331.58	\$611.92			
26	1996	\$294.34	\$317.58	\$611.92			
27	1997	\$309.06	\$302.85	\$611.92			
28	1998	\$324.51	\$287.41	\$611.92			
29	1999	\$340.74	\$271.18	\$611.92			
30	2000	\$357.78	\$254.14	\$611.92			
31	2001	\$375.67	\$36.25	\$611.92			
32	2002	\$394.45	\$217.47	\$611.92			
33	2003	\$414.17	\$197.75	\$611.92			
34	2004	\$434.88	\$177.04	\$611.92			
35	2005	\$456.62	\$155.30	\$611.92			
36	2006	\$479.43	\$132.46	\$611.92			
37	2007	\$503.43	\$108.49	\$611.92			
38	2008	\$528.60	\$83.32	\$611.92			
39	2009	\$555.03	\$56.89	\$611.92	\$0.27	\$4.12	\$3.81
40	2010	\$582.78	\$29.14	\$611.92	\$0.27	\$4.12	\$3.81
TOTALS		\$10,500.00	\$13,976.83	\$24,476.83		\$8.23	\$3.81

Table 6

**TABLE 7**  
**PROJECTION OF CREDMOR-MAHA WSC FIXED AND VARIABLE COST FOR FISCAL YEAR ENDING 2008**  
**(SOURCE OF COST OF SERVICE ITEMS (COLUMN B): CMWSC ANNUAL FINANCIAL REPORT OCTOBER 31, 2008)**

A ITEM NO.	B COST OF SERVICE ITEM CMWSC FY 2008 ANNUAL FINANCIAL REPORT (EXCLUDINGS)	C FY YEAR ENDING 10/31/2008	D ADJUSTMENT TO EXPENSE	E ADJUSTED O&M COSTS [COL. C + COL. D]	F PERCENTAGE FIXED COST	G WATER		I COMMENTS
						FIXED EXPENSES [COL. E * COL. F]	VARIABLE EXPENSES [COL. E - COL. G]	
1	OPERATION & MAINTENANCE EXPENSES							
2	Salaries and Wages	\$181,589	\$0	\$181,589	90%	\$163,430	\$18,159	
3	Contract Labor	\$100	\$0	\$100	90%	\$90	\$10	
4	Computer Services	\$2,606	\$0	\$2,606	50%	\$1,303	\$1,303	
5	Advertising	\$1,936	\$0	\$1,936	10%	\$194	\$1,742	
6	Utilities (Electricity)	\$98,580	\$0	\$98,580	10%	\$9,858	\$88,722	
7	Repairs/Maintenance	\$618,500	\$0	\$618,500	50%	\$309,250	\$309,250	
8	Dues and Fees	\$10,078	\$0	\$10,078	50%	\$5,039	\$5,039	
9	Office Expense	\$19,165	\$0	\$19,165	50%	\$9,583	\$9,583	
10	Licenses and Fees	\$9,557	\$0	\$9,557	100%	\$9,557	\$0	
11	Fuel	\$24,976	\$0	\$24,976	90%	\$22,478	\$2,498	
12	Telephone Expense	\$13,507	\$0	\$13,507	10%	\$1,351	\$12,156	
13	Security	\$7,239	\$0	\$7,239	50%	\$3,620	\$3,619	
14	Training	\$1,491	\$0	\$1,491	100%	\$1,491	\$0	
15	Insurance Expense	\$82,065	\$0	\$82,065	100%	\$82,065	\$0	
16	Postage Expense	\$13,140	\$0	\$13,140	10%	\$1,314	\$11,826	
17	Payroll Expenses	\$0	\$0	\$0	100%	\$0	\$0	
18	Property and Other Taxes	\$14,184	\$0	\$14,184	50%	\$7,092	\$7,092	
19	Travel	\$16,995	\$0	\$16,995	100%	\$16,995	\$0	
20	Professional Fees (Accounting, Legal)	\$138,951	\$0	\$138,951	100%	\$138,951	\$0	
21	Bad Debts	\$16,364	\$0	\$16,364	50%	\$8,182	\$8,182	
22	Bank Charges	\$2,152	\$0	\$2,152	50%	\$1,076	\$1,076	
23	Contributions	\$2,500	\$0	\$2,500	50%	\$1,250	\$1,250	
24	Reimbursements	\$15,572	\$0	\$15,572	50%	\$7,786	\$7,786	
25	TOTAL	\$1,293,247	\$0	\$1,293,247		\$809,513	\$483,734	

NOTE: Expense items shown in CMWSC's FY 2008 Annual Financial Report not included in the above analysis include Depreciation (\$266,024), Interest (\$118,568), TCEQ Fees (\$8,408), and Loss on Asset Disposal (\$18,387).

Table 7

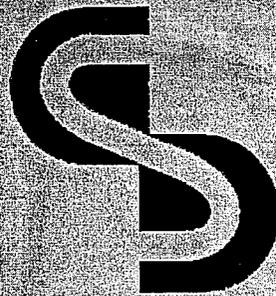
**11**

**Determination of Monetary Compensation  
for the CCN Area Requested to be Released  
by Jona Acquisition, Inc.**

**Prepared for  
Creedmoor-Maha Water Supply Corporation**

**TCEQ CCN # 11029**

*November 2009*



**GDS Associates, Inc.**  
Engineers and Consultants

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## I. Introduction

This report is prepared as a result of an application filed by Jona Acquisition Inc. ("Jona") pursuant to Tex. Water Code §13.255 requesting the Texas Commission on Environmental Quality "TCEQ" or "Commission") to decertify a portion of Creedmoor Maha Water Supply Corporation's ("Creedmoor Maha" or the "WSC") service area that it holds under Certificate of Convenience and Necessity No. 11029. Attachment "A" includes a map showing the requested area in relation to Creedmoor Maha's CCN.

The application has been referred to the State office of Hearings as a contested matter. The parties have agreed to submit independent value analysis reports. This report is submitted on behalf of Creedmoor Maha WSC

The value of Creedmoor Maha's service area to be transferred was determined based on analysis of the factors set forth in Tex. Water Code §13.255(g) and the Commission's rules at 30 Tex. Admin. Code §291.113(k) (Attachment "B" contains the text of the referenced statute and rule). In general, just compensation for utility property acquired should include the physical and intangible property, the on-going concern value to the utility, and in some cases goodwill. The purpose of this report is to recommend to the TCEQ the amount that is adequate and just to compensate Creedmoor Maha for the loss of a significant portion of its service area due to the actions of Jona. The just compensation should include an amount for property that, as a result of Jona's application will no longer be used and useful by the WSC and will have no value to it. Additionally, the remaining customers must be compensated to make up for lost revenues from lost customers and potential new customers that would have come from the area of concern. Those lost revenues are based on costs of facilities and service expenses that would have been shared with the customers or potential customers in the affected area. Finally, since the proposed transfer involves water utility service rights, consideration must be given to the value of those rights based on similar transactions.

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Information relied upon in the preparation of the report included a site visit to the Creedmoor Maha WSC service area and the area in question, review of Creedmoor Maha's files, and review of the application and related documents submitted by Jona in taking this action.

This valuation has been prepared following the guidelines of Section 13.255, Water Code.

Pursuant to Section 13.255(g), Water Code, the value of real property owned and utilized by the retail public utility for its facilities shall be determined according to the standards set forth in Chapter 21, Property Code. The value of personal property, at minimum, shall be determined according to the following factors:

1. The amount of the retail utility's debt allocable to the service area in question,
2. The value of the service facilities of the retail public utility in the area,
3. The amount of any expenditure for planning and construction of facilities in the area,
4. The amount of any contractual obligations allocable to the service area in question,
5. The demonstrated impairment of service or increased costs to the remaining customers of the utility,
6. The impact of future revenues lost from existing customers,
7. Necessary and reasonable legal and professional expenses,
8. And, "Other relevant factors."

## **II. Creedmoor Maha Water Supply Corporation**

The WSC is a non-profit, member owned, member controlled water utility that provides retail water service to approximately 2242 connections in a certificated service area (TCEQ CCN No. 11029) that encompasses over 40,000 acres and lies within western Bastrop, northern Caldwell, a small portion of northeastern Hays, and southeast Travis Counties.

The WSC originally began serving water to customers in the 1960s. When the State of Texas began its jurisdiction over public utilities, the WSC had its service area established initially in 1977 by the Public Utility Commission of Texas (see Attachment C).

The water is provided to customers through 8, 6, and 4 inch water lines. The sources of supply include water produced by the WSC from its own groundwater wells, treated surface water purchased wholesale from the City of Austin, and also water purchased wholesale from the groundwater system of Aqua Water Supply Corporation. The WSC maintains several pumping stations and storage facilities located at various sites throughout the service area. There is a centrally located business and customer service office at 12100 Laws Road in Mustang Ridge.

The service area is generally bordered on the north by the corporate limits of the City of Austin, on the west by Interstate Highway 35 and is bisected by U.S .Highway 183. The southern extension of Texas Toll Road 30, a major bypass around Austin, cuts diagonally through the middle of the service area and is now under construction.

In its 2006 Regional Water Plan projections the Texas Water Development Board (TWDB) showed the entire Creedmoor Maha service area to grow at a rate of about 4.5 connections per month. This is similar to the growth projections from the Texas A&M Department of Rural Sociology used by the WSC to support the most recent loan application to the USDA. Once the toll road began construction, actual growth in the past few years did not meet projections and current data shows the WSC adding connections at a rate of 1.5 per month. However, the completion of the toll road in 2012 coupled with continued regional growth from the Austin metro area is expected to increase the number of customers significantly.

### III. Area to be Transferred

The total area requested by Jona to be transferred in this action from the WSC's certificated area is 1,970 acres. This area will be referred to as the "Requested Area." Jona has asked for decertification of only the parts of Creedmoor Maha's CCN which cover the property tracts it owns and controls. Thus, there are a few isolated tracts of land not owned by Jona that are either partially or entirely surrounded by the proposed area to be transferred.

The Requested Area is located within the northern half of the WSC's CCN. The WSC's CCN area lies within Bastrop, Caldwell, Hays, and Travis Counties, but the requested area is located only in Travis County. The requested area is generally bounded on the east by U. S. Highway 183 and State Highway 1625 and Thaxton Road on the west. See Attachment A for a map which shows the location of the requested area within the certificated area of Creedmoor Maha WSC.

The characteristics of the requested service area can be described as currently rural with scattered single family residences and undeveloped large tracts of land. The WSC has water lines in many parts of the requested area and, until the purchase of various tracts of land by Jona, provided water service to about 38 meters located within or in close proximity to the area. Of these, approximately 21 connections have recently been lost as customers after the various tracts of land were purchased by Jona.

Of the 38, there are 17 active connections still served by Creedmoor Maha not physically located in the requested area, but located close to it and served through facilities that are located in part in the requested area. It is understood that Jona is not asking for any current Creedmoor Maha customers, water lines or related facilities as part of the transfer. These 17 current customers would in effect be "stranded" as any additions in the area will be restricted. And service could be impaired because the infrastructure was sized to both

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serve growth within the area and for optimum delivery of water and service to customers in other parts of the system.

#### **IV. Determination of Values**

Using the valuation elements of Section 13.255, a compensation value of \$2,157,072 has been determined. This is based on the following:

- |                  |             |
|------------------|-------------|
| 1. Debt service: | \$24,129.16 |
|------------------|-------------|

The WSC has long-term debt of (as of November 2009) in five separate notes – one with CoBank and four with the U. S. Department of Agriculture. These are detailed in Attachment E. Total monthly payments on that debt are \$13,312. Based on the loss of 21 once active bill paying customers (about 0.8% of the total), the lost revenues needed to service the debt is \$112.81 per month. This does not even include additional debt of approximately \$500,000 that will soon be incurred to construct a new elevated tank to alleviate deficiencies and improve service reliability. Nor does it include any debt for other needed system upgrades.

The WSC was counting on income from both the lost customers and growth within its entire service area to contribute to debt service. Even if the area would remain rural, which is very unlikely to happen, there will be natural growth associated with the requested area. However, the 1,970 acres represent around 4.86% of the total service area. Assuming all conditions remain the same and using the very conservative, current growth rate of 1.5 connections system wide per month, there still would be one new customer added in the requested area every 18 months. Over the 20 year life of the CoBank loan, which was obtained in part to fund improvements to serve customers in the requested area, this means there would be eventually be 17 additional customers from the requested area that would have been available to help support the loans payments.

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The computation of this present value of the estimated impact over the 20 year planning horizon to the remaining customers associated with the loss of 36 connections is shown in Attachment E.

2. Asset value: \$117,630.87

This value of the assets in this proceeding is based upon the estimated net book value for the existing WSC facilities in the Requested Area that are to be abandoned. The assets that would be abandoned include a 6 inch water line segment, three 4 inch water line segments, easements, and services that served customers. Also, not needed is a 0.5 acre tract of land that the WSC purchased originally to be a new tank site to serve in part the eventual growth in the requested area.

In this analysis, the assets costs were determined using estimated original costs adjusted for age and condition by applying the appropriate depreciation for the asset accounts using the depreciation rates utilized by the WSC. The supporting computations for the values associated with the abandoned assets are shown in Attachment F.

3. Planning and construction expenditures: \$0

The WSC has done significant capital planning studies related to providing service to the area. These include engineering studies specifically related to the applicant's (Jona) request for service as well as long range planning for water supplies necessary to meet the growth anticipated. Some have been reimbursed by the applicant. In addition to the costs reimbursed by Jona, the WSC has invested significant amounts in planning studies and continues to explore alternative water supplies. However, no amount is being specifically designated for recovery in this value analysis.

4. Contractual obligation: \$1,481,419

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The WSC has several water supply contracts for purchased water. These include agreements with the City of Austin and Aqua WSC. These supply contracts included water for current and future customers of the requested area. The WSC is continually looking for additional water supply sources, and the overall anticipated future water supply requirements for the remaining CCN area will more than take up the water from the existing contracts not used for the requested area.

By far the most important contractual obligation impacting the remaining customers is the one that did not occur. In 2008 the WSC had negotiated a sale of a significant portion of its service area to SWWC Utilities, Inc. As part of the deal the WSC would have received the long-term rights to purchase wholesale water service from SWWC and the purchase proceeds would have helped fund the new infrastructure to bring in the water. This firm source of supply would have contributed up to 2 million gallons per day toward the long term water supply needs of the WSC as it grew.

This transaction was not completed, primarily due to the legal proceedings associated with this case. The agreement would have provided mutually beneficial supply efficiencies to both parties and would have given the WSC access to a dependable source of water for much less overall cost than it will now have to incur.

In order to continue with any plans to use that source, the WSC will now have to pay full costs of transmission lines for the SWWC supply and would also now have to pay impact fees. That option is now not cost effective. The WSC must pursue additional resources for water since it lost a firm source that would have been available for up to 40 years.

One available option points toward the drilling of a well or wells. No additional permits for large volume wells can be obtained in the Edwards aquifer, and any new well in the region must be drilled to the Lower Trinity formation. Although the well could be located in the western portion of the service area, near to other existing wells, it is highly likely the water would also require additional treatment and related facilities due to poor quality. A

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conservative, very preliminary estimate of wells and treatment costs is \$1,600,000 which includes costs test wells. It is anticipated that the new well or wells should be put in service within three years or sooner. The value shown represents the present value of a real cost that the remaining customers will be required to bear that they would not have if the original transfer had taken place. See Attachment G.

5. Impairment of service: \$0

As previously noted, service to at least 17 existing customers of the WSC could be impaired by the transfer of the requested area. The system has been designed to serve all customers including anticipated growth within the area of concern. No additional growth will be allowed in the transferred sections and daily system operations will have to be watched to ensure the level of service to the remaining customers will not be impaired. Several of the WSC's lines that cross the requested area also supply water to the rest of the system. Although some daily operating adjustments may be done, it is hard to determine the financial impacts and therefore no specific costs have been estimated for "impairment of service."

6. Future revenues from existing customers: \$320,383.32

There will be an adverse impact on the remaining WSC customers due to the lost revenues of the customers to be transferred. The WSC has budgeted annual basic operating expense needs of \$1,472,000 (not including capital improvement projects) to maintain the existing level of service to the current customers. Without considering inflation and based on the loss of 38 bill paying customers (estimated at conservative growth rates) over a twenty year span, the annual income shortfall would eventually be over \$23,000. Initially, the annual income shortfall from just the lost 21 customers is \$13,788 (\$1,149 per month). Over a twenty year planning horizon, 17 additional customers from the area (based on conservative growth estimates) would have not only paid monthly

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rates, but also paid one-time tap and capital improvement fees. The remaining customers would now be required to make up the lost revenue burden.

The estimated revenue impact and present value of the lost revenues on the remaining customers from the loss of customers in the transfer area is shown in Attachment H.

7. Legal and professional expenditures: \$14,800- (total from below)

The following legal and expenditures related to processing this action have been incurred to date:

A.	Law Offices of Mark Zeppa	\$4,800
B.	GDS Associates, Inc.	\$10,000

8. Other factors: \$198,710

Traditional property valuation for non-regulated water utility situations may include all or part of several approaches, including:

- Market value – where consideration is given to actual comparable transaction similar in nature.
- Asset value – where value of physical property and facilities are considered.
- Economic value – where income related economic benefits such as earnings stream and cash flow are used in the value computation.

A factor which absolutely must be considered in any value exercise is Comparable Market Value.

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The value of the 1,970 acres of requested service area should ultimately be determined using comparable market sales, as that factor takes into account the value of service area rights on the open market. There is a real, tangible value for the future rights to provide service to water utility customers in an area. The only way for the WSC to determine the true value of its service rights comes with comparison of sales values for similar transactions. An analysis of similar transactions reflects what the value will be in open unrestricted negotiations. These are the prices that have been agreed on where there is a willing buyer and a willing seller that have knowledge of the relevant facts. This final element of the Chapter 21 criteria is the only one that recognizes and takes this factor into account.

There have been several recent transactions involving the transfer of Creedmoor Maha WSC facilities to other certificate holders. They are relatively recent and were substantially similar in the nature of service desired. The buyers in those purchases desired the service for various reasons to enhance their utility operations and determined that the purchase would fit the long range plans for their service area growth. These transactions all represent CCN area transfers as a result of negotiations between willing buyer and willing seller.

The average transaction price per acre was \$853 for seven transactions. Information related to the transactions is set forth below:

- 2428 Partners, L.P (LCRA / Sunfield M.U.D.): The WSC transferred CCN rights for about 1,800 acres in Hays and Travis Counties from the WSC to the Lower Colorado River Authority for development. This agreement was executed in 2006. No facilities, water lines, or equipment were transferred as part of this transaction. The purchase price for this transfer was \$1,285,200, which amounts to \$714 per acre.

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- Heep Ranch Properties, Ltd.: Transfer of CCN rights for 2166 acres in Travis and Hays Counties at a price of \$714 per acre. This agreement was executed in January 2007. No facilities, water lines, or equipment were transferred as part of this transaction.
  - Onion Associates, Ltd.: Transfer of CCN rights for approximately 215.6 acres in Travis County. This agreement was executed in December 2006. The total price paid to Creedmoor Maha for the transfer of its CCN was \$153,932, which amounts to \$714 per acre. No facilities, water lines, or equipment were transferred as part of this transaction.
  - Goodnight Ranch: Transfer of CCN rights for approximately 400 acres in Travis County. This agreement was executed in February 2007. The total price paid to Creedmoor Maha for the transfer of its CCN was \$285,600, which amounts to \$714 per acre. No facilities, water lines, or equipment were transferred as part of this transaction.
  - Legends Way: Transfer of CCN rights for approximately 114.8 acres in Travis County. This agreement was executed in May 2007. The total price paid to Creedmoor Maha for the transfer of its CCN was \$82,000, which amounts to \$714 per acre. No facilities, water lines, or equipment were transferred as part of this transaction.
  - South IH 35 Investors, LP: Transfer of CCN rights for approximately 58.4 acres in Travis County. This agreement was executed in June 2009. The total price paid to Creedmoor Maha for the transfer of its CCN was \$70,066.20, which amounts to \$1200 per acre. No facilities, water lines, or equipment were transferred as part of this transaction.

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The most important transaction was the one that did not occur. In 2008 the WSC had negotiated a sale of a significant portion of its service area, approximately 2,500 acres at a price of \$1,200 per acre to SWWC Utilities, Inc. In addition, the WSC would have received the long-term rights to purchase wholesale water service from SWWC. This transaction was not completed. It is important however, in that the 2,500 acres to be transferred included much of the same area that is now the area requested for release by Jona. It represents the value that the CCN area would receive as a result of actual negotiations between a willing buyer and a willing seller.

Attachment I contains the executed agreements for all referenced transactions. These transactions were all recent transactions and had circumstances very similar to this case. They did not involve the transfer of existing customers or facilities, and included areas where new facilities would be needed. And, most important, they involved willing buyers and willing sellers that focused on the value of service rights.

The prices per acre of the transactions reinforce the determination that a value of \$853 per acre is very reasonable for a transaction of this nature. So, using \$853 per acre, the comparable price for the 1,970 acres is \$1,680,129. To account for the value of the water replacement facilities that would have been funded from the proceeds if the SWWC transaction had taken place and is included in Element 4 above, this is adjusted down to \$198,710 (\$1,680,129 - \$1,481,419).

## **V. Conclusion**

The WSC has had certificated rights to serve the area since at least 1977. CCNs are by nature a right to provide service and also an obligation to provide service within the certificated area. Therefore it is reasonable to assume that the WSC intends in good faith to provide water service anywhere within its CCN area when the requests for service are made. This has been demonstrated by the great lengths the WSC has gone to negotiate a long term water service agreement for the Jona tracts.

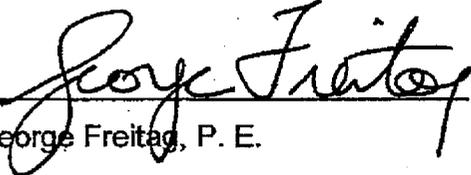
As it has been established as the only rightful water supplier in the area for over 32 years, the WSC as a whole has value as a going concern in being an established business. Even though not serving a significant number of customers within the area, the fact that the area requested by Jona makes up a substantial part of its CCN has given the WSC assurances that when growth occurs and service is requested, there will be additional customers to share the costs. Customer growth for the entire service area of the WSC has been steady over recent years, but primarily due to the planned toll road extensions, much of the expected growth did not occur as landowners were waiting for the proposed routing and ultimate construction to be completed. Costs of providing service continue to increase however, and the addition of new connections would be valuable to the WSC in sharing of costs. In fact, as previously noted in anticipation of continuing growth and serving the area in question, the WSC recently purchased property with the expectations of erecting a new storage tank.

Most important however, is the fact that due to the request to be released from the service area by Jona, the customers of the WSC must now face the uncertainties and additional expenses of finding new water supply sources. The remaining customers will now have to bear not only a greater share of the existing debt service, the daily operating costs, and also the costs of obtaining new water supplies.

Therefore, based on all factors that must be considered in the process, a value of \$2,157,072 (as summarized on Attachment J) to compensate Creedmoor Maha Water Supply Corporation for the transfer of the certificated water service rights to the area requested by Jona Acquisition, Inc. is supported by a preponderance of the evidence.

**CERTIFICATION**

I certify that this Value Analysis Report and Exhibits for Creedmoor Maha Water Supply Corporation have been prepared by me or under my supervision and control.

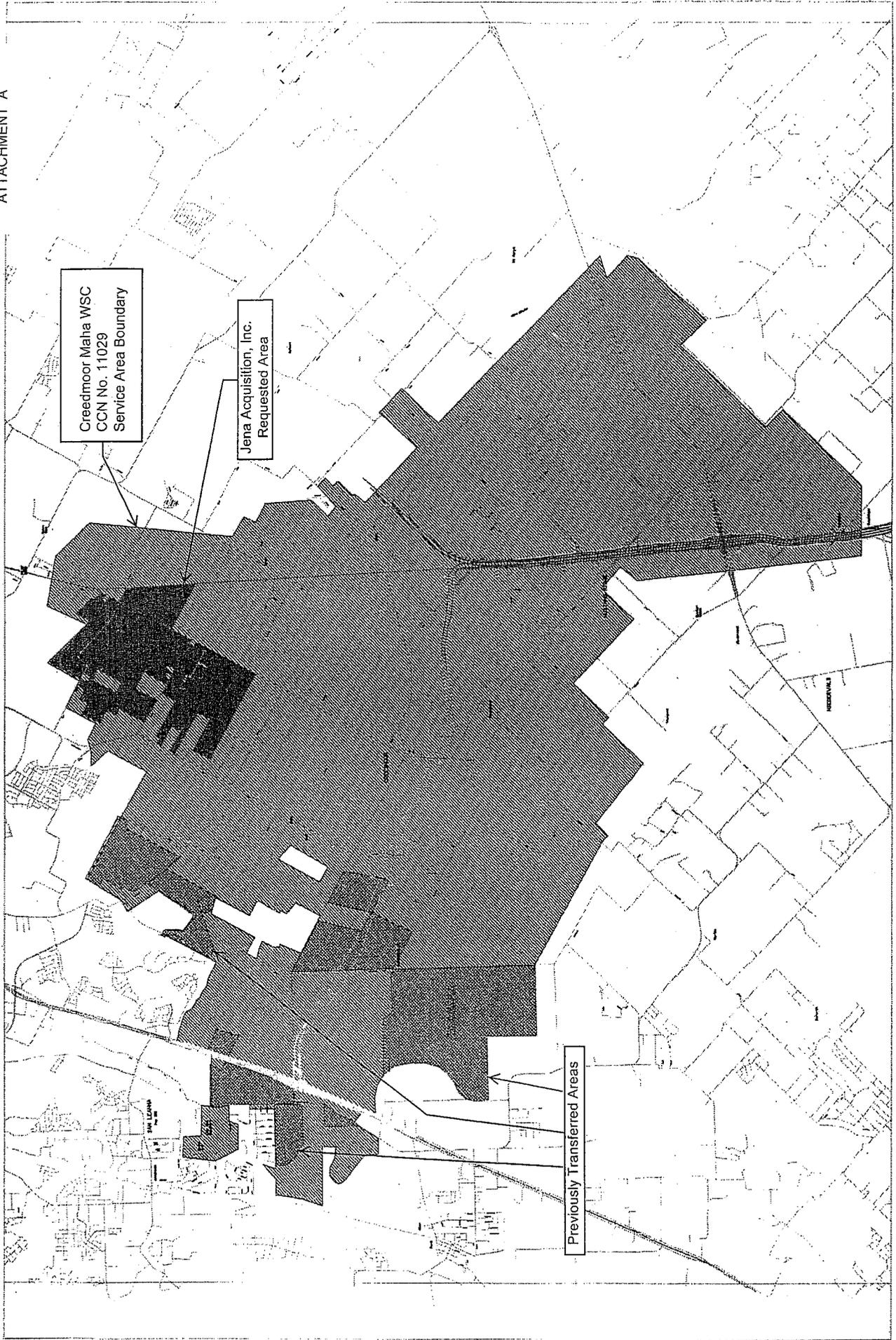
  
George Freitag, P. E.

Date: NOVEMBER 17, 2009

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**ATTACHMENT A**

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1/4 = 500'

**ATTACHMENT B**

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ATTACHMENT B

Sec. 13.255. SINGLE CERTIFICATION IN INCORPORATED OR ANNEXED AREAS. (a) In the event that an area is incorporated or annexed by a municipality, either before or after the effective date of this section, the municipality and a retail public utility that provides water or sewer service to all or part of the area pursuant to a certificate of convenience and necessity may agree in writing that all or part of the area may be served by a municipally owned utility, by a franchised utility, or by the retail public utility.

In this section, the phrase "franchised utility" shall mean a retail public utility that has been granted a franchise by a municipality to provide water or sewer service inside municipal boundaries. The agreement may provide for single or dual certification of all or part of the area, for the purchase of facilities or property, and for such other or additional terms that the parties may agree on. If a franchised utility is to serve the area, the franchised utility shall also be a party to the agreement. The executed agreement shall be filed with the commission, and the commission, on receipt of the agreement, shall incorporate the terms of the agreement into the respective certificates of convenience and necessity of the parties to the agreement.

(b) If an agreement is not executed within 180 days after the municipality, in writing, notifies the retail public utility of its intent to provide service to the incorporated or annexed area, and if the municipality desires and intends to provide retail utility service to the area, the municipality, prior to providing service to the area, shall file an application with the commission to grant single certification to the municipally owned water or sewer utility or to a franchised utility. If an application for single certification is filed, the commission shall fix a time and place for a hearing and give notice of the hearing to the municipality

and franchised utility, if any, and notice of the application and hearing to the retail public utility.

(c) The commission shall grant single certification to the municipality. The commission shall also determine whether single certification as requested by the municipality would result in property of a retail public utility being rendered useless or valueless to the retail public utility, and shall determine in its order the monetary amount that is adequate and just to compensate the retail public utility for such property. If the municipality in its application has requested the transfer of specified property of the retail public utility to the municipality or to a franchised utility, the commission shall also determine in its order the adequate and just compensation to be paid for such property pursuant to the provisions of this section, including an award for damages to property remaining in the ownership of the retail public utility after single certification. The order of the commission shall not be effective to transfer property. A transfer of property may only be obtained under this section by a court judgment rendered pursuant to Subsection (d) or (e) of this section. The grant of single certification by the commission shall go into effect on the date the municipality or franchised utility, as the case may be, pays adequate and just compensation pursuant to court order, or pays an amount into the registry of the court or to the retail public utility under Subsection (f). If the court judgment provides that the retail public utility is not entitled to any compensation, the grant of single certification shall go into effect when the court judgment becomes final. The municipality or franchised utility must provide to each customer of the retail public utility being acquired an individual written notice within 60 days after the effective date for the transfer specified in the court judgment. The notice must clearly advise the customer of the identity of the new service provider, the reason for the transfer,

the rates to be charged by the new service provider, and the effective date of those rates.

(d) In the event the final order of the commission is not appealed within 30 days, the municipality may request the district court of Travis County to enter a judgment consistent with the order of the commission. In such event, the court shall render a judgment that:

(1) transfers to the municipally owned utility or franchised utility title to property to be transferred to the municipally owned utility or franchised utility as delineated by the commission's final order and property determined by the commission to be rendered useless or valueless by the granting of single certification; and

(2) orders payment to the retail public utility of adequate and just compensation for the property as determined by the commission in its final order.

(e) Any party that is aggrieved by a final order of the commission under this section may file an appeal with the district court of Travis County within 30 days after the order becomes final. The hearing in such an appeal before the district court shall be by trial de novo on all issues. After the hearing, if the court determines that the municipally owned utility or franchised utility is entitled to single certification under the provisions of this section, the court shall enter a judgment that:

(1) transfers to the municipally owned utility or franchised utility title to property requested by the municipality to be transferred to the municipally owned utility or franchised utility and located within the singly certificated area and property determined by the court or jury to be rendered useless or valueless by the granting of single certification; and

(2) orders payment in accordance with Subsection (g) of this section to the retail public utility of adequate and just

compensation for the property transferred and for the property damaged as determined by the court or jury.

(f) Transfer of property shall be effective on the date the judgment becomes final. However, after the judgment of the court is entered, the municipality or franchised utility may take possession of condemned property pending appeal if the municipality or franchised utility pays the retail public utility or pays into the registry of the court, subject to withdrawal by the retail public utility, the amount, if any, established in the court's judgment as just and adequate compensation. To provide security in the event an appellate court, or the trial court in a new trial or on remand, awards compensation in excess of the original award, the municipality or franchised utility, as the case may be, shall deposit in the registry of the court an additional sum in the amount of the award, or a surety bond in the same amount issued by a surety company qualified to do business in this state, conditioned to secure the payment of an award of damages in excess of the original award of the trial court. On application by the municipality or franchised utility, the court shall order that funds deposited in the registry of the court be deposited in an interest-bearing account, and that interest accruing prior to withdrawal of the award by the retail public utility be paid to the municipality or to the franchised utility. In the event the municipally owned utility or franchised utility takes possession of property or provides utility service in the singly certificated area pending appeal, and a court in a final judgment in an appeal under this section holds that the grant of single certification was in error, the retail public utility is entitled to seek compensation for any damages sustained by it in accordance with Subsection (g) of this section.

(g) For the purpose of implementing this section, the value of real property owned and utilized by the retail public utility

for its facilities shall be determined according to the standards set forth in Chapter 21, Property Code, governing actions in eminent domain; the value of personal property shall be determined according to the factors in this subsection. The factors ensuring that the compensation to a retail public utility is just and adequate, shall, at a minimum, include: impact on the existing indebtedness of the retail public utility and its ability to repay that debt, the value of the service facilities of the retail public utility located within the area in question, the amount of any expenditures for planning, design, or construction of service facilities outside the incorporated or annexed area that are allocable to service to the area in question, the amount of the retail public utility's contractual obligations allocable to the area in question, any demonstrated impairment of service or increase of cost to consumers of the retail public utility remaining after the single certification, the impact on future revenues lost from existing customers, necessary and reasonable legal expenses and professional fees, factors relevant to maintaining the current financial integrity of the retail public utility, and other relevant factors.

(g-1) The commission shall adopt rules governing the evaluation of the factors to be considered in determining the monetary compensation under Subsection (g). The commission by rule shall adopt procedures to ensure that the total compensation to be paid to a retail public utility under Subsection (g) is determined not later than the 90th calendar day after the date on which the commission determines that the municipality's application is administratively complete.

(h) A municipality or a franchised utility may dismiss an application for single certification without prejudice at any time before a judgment becomes final provided the municipality or the franchised public utility has not taken physical possession of

property of the retail public utility or made payment for such right pursuant to Subsection (f) of this section.

(i) In the event that a municipality files an application for single certification on behalf of a franchised utility, the municipality shall be joined in such application by such franchised utility, and the franchised utility shall make all payments required in the court's judgment to adequately and justly compensate the retail public utility for any taking or damaging of property and for the transfer of property to such franchised utility.

(j) This section shall apply only in a case where:

(1) the retail public utility that is authorized to serve in the certificated area that is annexed or incorporated by the municipality is a nonprofit water supply or sewer service corporation, a special utility district under Chapter 65, Water Code, or a fresh water supply district under Chapter 53, Water Code; or

(2) the retail public utility that is authorized to serve in the certificated area that is annexed or incorporated by the municipality is a retail public utility, other than a nonprofit water supply or sewer service corporation, and whose service area is located entirely within the boundaries of a municipality with a population of 1.7 million or more according to the most recent federal census.

(k) The following conditions apply when a municipality or franchised utility makes an application to acquire the service area or facilities of a retail public utility described in Subsection (j)(2):

(1) the commission or court must determine that the service provided by the retail public utility is substandard or its rates are unreasonable in view of the reasonable expenses of the utility;

(2) if the municipality abandons its application, the court or the commission is authorized to award to the retail public utility its reasonable expenses related to the proceeding hereunder, including attorney fees; and

(3) unless otherwise agreed by the retail public utility, the municipality must take the entire utility property of the retail public utility in a proceeding hereunder.

(1) For an area incorporated by a municipality, the compensation provided under Subsection (g) shall be determined by a qualified individual or firm to serve as independent appraiser, who shall be selected by the affected retail public utility, and the costs of the appraiser shall be paid by the municipality. For an area annexed by a municipality, the compensation provided under Subsection (g) shall be determined by a qualified individual or firm to which the municipality and the retail public utility agree to serve as independent appraiser. If the retail public utility and the municipality are unable to agree on a single individual or firm to serve as the independent appraiser before the 11th day after the date the retail public utility or municipality notifies the other party of the impasse, the retail public utility and municipality each shall appoint a qualified individual or firm to serve as independent appraiser. On or before the 10th business day after the date of their appointment, the independent appraisers shall meet to reach an agreed determination of the amount of compensation. If the appraisers are unable to agree on a determination before the 16th business day after the date of their first meeting under this subsection, the retail public utility or municipality may petition the commission or a person the commission designates for the purpose to appoint a third qualified independent appraiser to reconcile the appraisals of the two originally appointed appraisers. The determination of the third appraiser may not be less than the lesser or more than the greater of the two

original appraisals. The costs of the independent appraisers for an annexed area shall be shared equally by the retail public utility and the municipality. The determination of compensation under this subsection is binding on the commission.

(m) The commission shall deny an application for single certification by a municipality that fails to demonstrate compliance with the commission's minimum requirements for public drinking water systems.

Added by Acts 1987, 70th Leg., ch. 583, Sec. 1, eff. Aug. 31, 1987.

Amended by Acts 1989, 71st Leg., ch. 567, Sec. 32, eff. Sept. 1, 1989; Acts 1989, 71st Leg., ch. 926, Sec. 1, eff. Aug. 28, 1989; Acts 1995, 74th Leg., ch. 814, Sec. 1 to 4, eff. Aug. 28, 1995; Acts 1999, 76th Leg., ch. 1374, Sec. 1, eff. Aug. 30, 1999; Acts 1999, 76th Leg., ch. 1375, Sec. 1, eff. Sept. 1, 1999.

Amended by:

Acts 2005, 79th Leg., Ch. 1145, Sec. 10, eff. September 1, 2005.

Sec. 13.2551. COMPLETION OF DECERTIFICATION. (a) As a condition to decertification or single certification under Section 13.254 or 13.255, and on request by an affected retail public utility, the commission may order:

(1) the retail public utility seeking to provide service to a decertified area to serve the entire service area of the retail public utility that is being decertified; and

(2) the transfer of the entire certificate of public convenience and necessity of a partially decertified retail public utility to the retail public utility seeking to provide service to the decertified area.

(b) The commission shall order service to the entire area under Subsection (a) if the commission finds that the decertified retail public utility will be unable to provide continuous and adequate service at an affordable cost to the remaining customers.

(c) The commission shall require the retail public utility seeking to provide service to the decertified area to provide continuous and adequate service to the remaining customers at a cost comparable to the cost of that service to its other customers and shall establish the terms under which the service must be provided. The terms may include:

- (1) transferring debt and other contract obligations;
- (2) transferring real and personal property;
- (3) establishing interim service rates for affected customers during specified times; and
- (4) other provisions necessary for the just and reasonable allocation of assets and liabilities.

(d) The retail public utility seeking decertification shall not charge the affected customers any transfer fee or other fee to obtain service other than the retail public utility's usual and customary rates for monthly service or the interim rates set by the commission, if applicable.

(e) The commission shall not order compensation to the decertificated retail utility if service to the entire service area is ordered under this section.

Added by Acts 2005, 79th Leg., Ch. 1145, Sec. 11, eff. September 1, 2005.

Adopted September 27, 2000

Effective October 19, 2000

**§291.113. Revocation or Amendment of Certificate.**

(a) A certificate or other order of the commission does not become a vested right and the commission at any time after notice and hearing may on its own motion or on receipt of a petition revoke or amend any certificate of public convenience and necessity with the written consent of the certificate holder or if it finds that:

(1) the certificate holder has never provided, is no longer providing service, is incapable of providing service, or has failed to provide continuous and adequate service in the area or part of the area covered by the certificate;

(2) in an affected county, the cost of providing service by the certificate holder is so prohibitively expensive as to constitute denial of service, provided that, for commercial developments or for residential developments started after September 1, 1997, in an affected county, the fact that the cost of obtaining service from the currently certificated retail public utility makes the development economically unfeasible does not render such cost prohibitively expensive in the absence of other relevant factors;

(3) the certificate holder has agreed in writing to allow another retail public utility to provide service within its service area, except for an interim period, without amending its certificate; or

(4) the certificate holder has failed to file a cease and desist action under Texas Water Code, §13.252 within 180 days of the date that it became aware that another retail public utility was providing service within its service area, unless the certificate holder demonstrates good cause for its failure to file such action within the 180 days.

(b) As an alternative to decertification under subsection (a) of this section, the owner of a tract of land that is at least 50 acres and that is not in a platted subdivision actually receiving water or sewer service may petition the commission under this subsection for expedited release of the area from a certificate of public convenience and necessity so that the area may receive service from another retail public utility. Prior to the petition being filed with the commission, the petitioner shall deliver, via certified mail, a copy of the petition to the certificate holder, who may submit information to the commission to controvert information submitted by the petitioner. The petitioner must demonstrate that:

(1) a written request for service, other than a request for standard residential or commercial service, has been submitted to the certificate holder, identifying:

(A) the area for which service is sought shown on a map with descriptions according to §291.105(a)(2)(A) - (G) of this title (relating to Contents of Certificate of Convenience and Necessity Applications);

(B) the time frame within which service is needed for current and projected service demands in the area;

(C) the level and manner of service needed for current and projected service demands in the area; and

(D) any additional information requested by the certificate holder that is reasonably related to determination of the capacity or cost for providing the service;

(2) the certificate holder has been allowed at least 90 calendar days to review and respond to the written request and the information it contains;

(3) the certificate holder:

(A) has refused to provide the service;

(B) is not capable of providing the service on a continuous and adequate basis within the time frame, at the level, or in the manner reasonably needed or requested by current and projected service demands in the area; or

(C) conditions the provision of service on the payment of costs not properly allocable directly to the petitioner's service request, as determined by the commission; and

(4) the alternate retail public utility from which the petitioner will be requesting service is capable of providing continuous and adequate service within the time frame, at the level, and in the manner reasonably needed or requested by current and projected service demands in the area. An alternate retail public utility is limited to:

(A) an existing retail public utility; or

(B) a district proposed to be created under Texas Constitution, Article 16, §59 or Article 3, §52. If an area is decertificated under a petition filed in accordance with subsection (d) of this section in favor of such a proposed district, the commission may order that final decertification is conditioned upon the final and unappealable creation of the district and that prior to final decertification the duty of the certificate holder to provide continuous and adequate service is held in abeyance.

(c) A landowner is not entitled to make the election described in subsection (b) of this section but is entitled to contest the involuntary certification of its property in a hearing held by the commission if the landowner's property is located:

(1) within the boundaries of any municipality or the extraterritorial jurisdiction of a municipality with a population of more than 500,000 and the municipality or retail public utility owned by the municipality is the holder of the certificate; or

(2) in a platted subdivision actually receiving water or sewer service.

(d) Within 90 calendar days from the date the commission determines the petition filed under subsection (b) of this section to be administratively complete, the commission or executive director shall grant the petition unless the commission or executive director makes an express finding that the petitioner failed to satisfy the elements required in subsection (b) of this section and supports its finding with separate findings and conclusions for each element based solely on the information provided by the petitioner and the certificate holder. The commission or executive director may grant or deny a petition subject to terms and conditions specifically related to the service request of the petitioner and all relevant information submitted by the petitioner and the certificate holder. In addition, the commission may require an award of compensation as otherwise provided by this section.

(e) Texas Government Code, Chapter 2001, does not apply to any petition filed under subsection (b) of this section. The decision of the commission or executive director on the petition is final after any reconsideration authorized under §50.139 of this title (relating to Motion to Overturn Executive Director's Decision) and may not be appealed.

(f) Upon written request from the certificate holder, the executive director may cancel the certificate of a utility or water supply corporation authorized by rule to operate without a certificate of public convenience and necessity under Texas Water Code, §13.242(c).

(g) If the certificate of any retail public utility is revoked or amended, the commission may require one or more retail public utilities to provide service in the area in question. The order of the commission shall not be effective to transfer property.

(h) A retail public utility may not in any way render retail water or sewer service directly or indirectly to the public in an area that has been decertified under this section without providing compensation for any property that the commission determines is rendered useless or valueless to the decertified retail public utility as a result of the decertification.

(i) The determination of the monetary amount of compensation, if any, shall be determined at the time another retail public utility seeks to provide service in the previously decertified area and before service is actually provided but no later than the 90th calendar day after the date on which a retail public utility notifies the commission of its intent to provide service to the decertified area.

(j) The monetary amount shall be determined by a qualified individual or firm serving as independent appraiser agreed upon by the decertified retail public utility and the retail public utility seeking to serve the area. The determination of compensation by the independent appraiser shall be binding on the commission. The costs of the independent appraiser shall be borne by the retail public utility seeking to serve the area.

(1) If the retail public utilities cannot agree on an independent appraiser within ten calendar days after the date on which the retail public utility notifies the commission of its intent to provide service to the decertified area, each retail public utility shall engage its own appraiser at its own expense, and each appraisal shall be submitted to the commission within 60 calendar days after the date on which the retail public utility notified the commission of its intent to provide service to the decertified area.

(2) After receiving the appraisals, the commission or executive director shall appoint a third appraiser who shall make a determination of the compensation within 30 days after the commission receives the appraisals. The determination may not be less than the lower appraisal or more than the higher appraisal. Each retail public utility shall pay one-half of the cost of the third appraisal.

(k) For the purpose of implementing this section, the value of real property owned and utilized by the retail public utility for its facilities shall be determined according to the standards set forth in Texas Property Code, Chapter 21, governing actions in eminent domain and the value of personal property shall be determined according to the factors in this subsection. The factors ensuring that the compensation to a retail public utility is just and adequate shall include: the amount of the retail public utility's debt allocable for service to the area in question; the value of the service facilities of the retail public utility located within the area in question; the amount of any expenditures for planning, design, or construction of service facilities that are allocable to service to the area in question; the amount of the retail public utility's contractual obligations allocable to the area in question; any demonstrated impairment of service or increase of cost to consumers of the retail public utility remaining after the decertification; the impact on future revenues lost from existing customers; necessary and reasonable legal expenses and professional fees; and other relevant factors.

(l) As a condition to decertification or single certification under Texas Water Code, §13.254 or §13.255, and on request by a retail public utility that has lost certificated service rights to another retail public utility, the commission may order:

(1) the retail public utility seeking to provide service to a decertified area to serve the entire service area of the retail public utility that is being decertified; and

(2) the transfer of the entire certificate of public convenience and necessity of a partially decertified retail public utility to the retail public utility seeking to provide service to the decertified area.

(m) The commission shall order service to the entire area under subsection (l) of this section if the commission finds that the decertified retail public utility will be unable to provide continuous and adequate service at an affordable cost to the remaining customers.

(n) The commission shall require the retail public utility seeking to provide service to the decertified area to provide continuous and adequate service to the remaining customers at a cost comparable to the cost of that service to its other customers and shall establish the terms under which the service must be provided. The terms may include:

(1) transferring debt and other contract obligations;

(2) transferring real and personal property;

(3) establishing interim service rates for affected customers during specified times; and

(4) other provisions necessary for the just and reasonable allocation of assets and liabilities.

(o) The retail public utility seeking decertification shall not charge the affected customers any transfer fee or other fee to obtain service other than the retail public utility's usual and customary rates for monthly service or the interim rates set by the commission, if applicable.

(p) The commission shall not order compensation to the decertificated retail public utility if service to the entire service area is ordered under this section.

(q) Within ten calendar days after receipt of notice that a decertification process has been initiated, a retail public utility with outstanding debt secured by one or more liens shall:

(1) submit to the executive director a written list with the names and addresses of the lienholders and the amount of debt; and

(2) notify the lienholders of the decertification process and request that the lienholder provide information to the executive director sufficient to establish the amount of compensation necessary to avoid impairment of any debt allocable to the area in question.

Adopted December 14, 2005

Effective January 5, 2006

**§291.114. Requirement to Provide Continuous and Adequate Service.**

(a) Any retail public utility which possesses or is required by law to possess a certificate of convenience and necessity or a person who possesses facilities used to provide utility service must provide continuous and adequate service to every customer and every qualified applicant for service whose primary point of use is within the certificated area and may not discontinue, reduce or impair utility service except for:

(1) nonpayment of charges for services provided by the certificate holder or a person who possesses facilities used to provide utility service;

(2) nonpayment of charges for sewer service provided by another retail public utility under an agreement between the retail public utility and the certificate holder or a person who possesses facilities used to provide utility service or under a commission order;

(3) nonuse; or

(4) other similar reasons in the usual course of business without conforming to the conditions, restrictions, and limitations prescribed by the commission.

(b) After notice and hearing, the commission may:

**ATTACHMENT C**

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<u>Utility Name</u>	<u>Dkt. No.</u>	<u>Type Utility</u>	<u>Location</u>	<u>Type Order</u>	<u>Date of Order</u>
Thurman Water Co.	830	Water	Tarrant	CCN	11/18
Medina Co. WCID #1	831- 832	Water	Medina	CCN	11/18
City of Miles	834 and 1014	Water	Runnels	CCN	11/18
Valencia Water Co.	837	Water	Bexar	CCN	11/18
Lake Forest Corp.	838	Water	Bell	CCN	11/18
Orange Grove Water System	839	Water	Harris	CCN	11/18
Earl Horne	840	Water	Brown	CCN	11/18
Violet Water Supply	841	Water	Nueces	CCN	11/18
Willow Run Public Service, Inc.	842	Water	Montgomery, Harris	CCN	11/18
Swan Development	843	Water	Smith	CCN	11/18
City of Pecan Gap	844	Water	Delta	CCN	11/18
Fayette WSC	845	Water	Fayette	CCN	11/18
Stillhouse Hollow Estates Water System	848	Water	Bell	CCN	11/18
Blue Bell Manor Utility Company	849	Water	Harris, Montgomery	CCN	11/18
Bulverde Utility Co.	850	Water	Bexar	CCN	11/18
Denton West, Inc.	851 and 856	Water	Denton	CCN	11/18
Blue Grove WSC	852	Water	Clay	CCN	11/18
McGowen Water Distribution Systems	853	Water	Van Zandt	CCN	11/18
Jonah WSC	854	Water	Williamson	CCN	11/18
Harmon Creek Service Co.	855	Water	Walker	CCN	11/18
City of Rollingwood	875	Water	Travis	CCN	11/18
City of Woodville	876	Water	Tyler	CCN	11/18
City of Madisonville	877	Water	Madison	CCN	11/18
City of Manor	878	Water	Travis	CCN	11/18
City of Crosbyton	879	Water	Crosby	CCN	11/18
City of Navasota	880	Water	Grimes	CCN	11/18
Nacogdoches Co. MUD No. 1	881	Water	Nacogdoches	CCN	11/18
City of Smithville	882	Water	Bastrop	CCN	11/18
Pecos City	883	Water	Reeves, Ward	CCN	11/18
Crockett Co. WCID #1	884	Water	Crockett	CCN	11/18
Libby WSC	885	Water	Nacogdoches	CCN	11/18
City of Keller	902- 903	Water	Tarrant	CCN	11/18
City of Luling	904	Water	Caldwell	CCN	11/18
City of Crowley	905 and 910	Water	Tarrant	CCN	11/18
May WSC	906	Water	Brown	CCN	11/18

<u>Utility Name</u>	<u>Dkt. No.</u>	<u>Type Utility</u>	<u>Location</u>	<u>Type Order</u>	<u>Date of Order</u>
Horseshoe Water Co.	907	Water	Tarrant	CCN	11/18
Flower Mound MUD #1	908	Water	Denton	CCN	11/18
Town of Flower Mound	909	Water	Denton	CCN	11/18
Riverside Service Co.	911	Water	Bastrop, Liberty	CCN	11/18
Ames-Hinglewood WSC	920	Water	Liberty	CCN	11/18
City of Port Arthur	921- 922	Water	Jefferson	CCN	11/18
Brookshire Mun. Water District	923- 924	Water	Waller	CCN	11/18
City of LaFeria	925- 926	Water	Cameron	CCN	11/18
City of Lexington	927- 928	Water	Lee	CCN	11/18
City of Rhone	929- 930	Water	Wise	CCN	11/18
City of Boyd	931- 932	Water	Wise	CCN	11/18
Sheridan WSC	933	Water	Colorado	CCN	11/18
City of Henderson	934- 935	Water	Rusk	CCN	11/18
City of Anahuac	936 and 966	Water	Chambers	CCN	11/18
Flat WSC	938	Water	Coryell	CCN	11/18
City of Whitesboro	951- 952	Water	Grayson	CCN	11/18
City of Kerens	953- 954	Water	Navarro	CCN	11/18
City of Ralls	955- 956	Water	Crosby	CCN	11/18
Trinity Bay Cons. Dist.	957- 958	Water	Chambers	CCN	11/18
City of Beaumont	959- 960	Water	Jefferson	CCN	11/18
De Berry WSC	961	Water	Panola	CCN	11/18
Childress Creek WSC	968	Water	Bosque	CCN	11/18
Pickton WSC	969	Water	Hopkins	CCN	11/18
Brownlee Corp.	970	Water	Cherokee	CCN	11/18
Lilly Grove WSC	971	Water	Nacogdoches	CCN	11/18
City of Howe	972- 973	Water	Grayson	CCN	11/18
North Collin WSC	974	Water	Collin	CCN	11/18
Forreston Sewer Service	975	Water	Ellis	CCN	11/18
Lone Star WSC	976	Water	Fannin, Delta	CCN	11/18
New Concord WSC	979	Water	Cherokee	CCN	11/18
City of La Grange	980	Water	Fayette	CCN	11/18
City of West Columbia	981	Water	Brazoria	CCN	11/18
City of Lytle	982	Water	Atascosa, Medina, Bexar	CCN	11/18

<u>Utility Name</u>	<u>Dkt. No.</u>	<u>Type Utility</u>	<u>Location</u>	<u>Type Order</u>	<u>Date of Order</u>
City of Pearland	983	Water	Brazoria, Harris	CCN	11/18
Zavalla WCID	1004	Water	Angelina	CCN	11/18
City of Hico	1005- 1006	Water	Hamilton	CCN	11/18
Arrowhead Lodge Water System	1007	Water	Hill	CCN	11/18
City of Brackettville	1008- 1009	Water	Kenney	CCN	11/18
City of Troup	1010- 1011	Water	Smith, Cherokee	CCN	11/18
City of Kyle	1012- 1013	Water	Hays	CCN	11/18
City of Clifton	1015- 1016	Water	Bosque	CCN	11/18
City of Beckville	1017- 1018	Water	Panola	CCN	11/18
Nueva Investments, Inc. dba Lake McQueeney Estates	1019	Water	Guadalupe	CCN	11/18
City of Glenn Heights	1020 and 1023	Water	Dallas, Ellis	CCN	11/18
Garry Z. Luker, Joe Nutt dba Oak Trail Plaza	1021	Water	Hood	CCN	11/18
J. M. Mowrey dba Eastwood Village	1022	Water	Hood	CCN	11/18
Riverside WSC	1025	Water	Walker	CCN	11/18
C and C Water Works, Inc.	1026	Water	Marion	CCN	11/18
<b>Creedmore-Maha WSC</b>	<b>1027</b>	<b>Water</b>	<b>Travis, Caldwell</b>	<b>CCN</b>	<b>11/18</b>
East Montgomery Co.	1028	Water	Montgomery	CCN	11/18
City of Littlefield	1029- 1030	Water	Lamb	CCN	11/18
Four Way WSC	1031	Water	Angelina	CCN	11/18
Woodland Estates Subdivision	1032	Water	Sabine	CCN	11/18
Southwestern Water Co.	1033	Water	Williamson, Travis	CCN	11/18
Centerville WSC	1034	Water	Trinity	CCN	11/18
Alpha Utility Co.	1035	Water	Marion, Harrison	CCN	11/18
Taylor Lake Estates	1036	Water	Polk	CCN	11/18
Potosi WSC	1037	Water	Taylor	CCN	11/18
Rivercrest WS	1038	Water	Travis	CCN	11/18
Galco Utilities	1039	Water	Harris	CCN	11/18
City of Granger	1055	Water	Williamson	CCN	11/18
Circle "Y" Farms dba Pelican Bay WSC	1056	Water	Tarrant	CCN	11/18
City of Walls	1057- 1058	Water	Cherokee	CCN	11/18
City of Cedar Hill	1059- 1060	Water	Dallas	CCN	11/18

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APPLICATION OF CROSBY WATER AND  
SEWER SUPPLY FOR A CERTIFICATE  
OF CONVENIENCE AND NECESSITY IN  
HARRIS COUNTY

DOCKETS NO. 1550 AND 1551

ORDER OF DISMISSAL

Applicant was previously certificated in Docket No. 30 as Crosby Municipal Utility District. These dockets are therefore, moot.

It is ORDERED that Dockets No. 1550 and 1551 are DISMISSED.

ENTERED AT AUSTIN, TEXAS, on this the 17<sup>th</sup> day of February, 1978.

PUBLIC UTILITY COMMISSION OF TEXAS

  
GEORGE A. SCHARMEN  
HEARINGS EXAMINER

APPROVED BY:

  
ROY J. HENDERSON  
COMMISSION SECRETARY  
AND DIRECTOR OF HEARINGS

uncontested cases

The following uncontested orders have been entered by the Commission.

<u>NAME OF UTILITY</u>	<u>LOCATION</u>	<u>DKT. NO.</u>	<u>EXAM.</u>	<u>TYPE ORDER</u>	<u>DATE OF ORDER</u>
TP & L	Dallas	631	CM	Elect-CCN	2/23
Eddy Water Co.	McLennan	727	DB	Water-CCN	2/23
Continental Tele. Co.	Callahan	750	DB	Tele-CCN	2/23
Mobilefone of Texas, Inc.	Young, et al	771	DB	R-T-CCN	2/23
Hidden Valley	Travis	813	JC	Water-CCN	2/23
General Tele. Co.	Cass	916	PR	Tele-CCN	2/23
Bon Wier WSC	Newton	965	GS	Water-CCN	2/23
Public Communications, Inc.	Angelina, Nacog- doches, et al	1203	CM	R-T-CCN	2/23
Gulf Utilities Co.	Galveston	1204 & 1257	DB	Water-CCN	2/23
Wharton Co. Elect. Coop., Inc.	Wharton	1332	SEC	Elect-CCN	2/23

<u>NAME OF UTILITY</u>	<u>LOCATION</u>	<u>DKT. NO.</u>	<u>EXAM.</u>	<u>TYPE ORDER</u>	<u>DATE OF ORDER</u>
Creedmore-Maha WSC	Travis	1350	RQ	Water-CCN	2/23
S W Bell Tele. Co.	Dallas	1394	SEC	Tele-Misc.	2/23
Basin Communications, Inc.	Ector, Ward & Winkler	1455	GS	R-T-CCN	2/23
Goforth WSC	Caldwell, Hays, and Travis	1494	CM	Water-CCN	2/23
Windthorst WSC	Archer	1495	CM	Water-CCN	2/23
Town of Lakeview	Jefferson	1496-1497	CM	Water-CCN	2/23
Camilla Coves	San Jacinto	1498	CM	Water-CCN	2/23
Palm Park Water Co.	Bexar	1536	GS	Water-CCN	2/23
City of Deer Park	Harris	1538-1539	GS	Water-CCN	2/23
Domestic Utility Co.	Harris	1540	GS	Water-CCN	2/23
Wildorado WSC	Oldham	1545	GS	Water-CCN	2/23
Atascosa Rural WSC	Atascosa	1546	GS	Water-CCN	2/23
Bell Co. W. C. I. D. #4	Bell	1569-1570	DB	Water-CCN	2/23
Camilla WSC	San Jacinto	1587	JC	Water-CCN	2/23
Locust Water Co.	Grayson	1591	CM	Water-CCN	2/23
Oakridge Water Co. d/b/a Pine Springs Utility	Trinity	1595	RQ	Water-CCN	2/23
Continental Tele. Co.	Lamar	1603	CM	Tele-CCN	2/23
Continental Tele. Co.	Swisher	1604	CM	Tele-CCN	2/23
First Heritage Corp.	Parker	1605	SEC	Water-CCN	2/23
West Hardin WSC	Hardin & Liberty	1608	JC	Water-CCN	2/23
City of McAllen	Hidalgo	1610	JC	Water-CCN	2/23
North Concho Lake Estates	Tom Green	1615	CM	Water-CCN	2/23
TESCO	Wichita	1616	JC	Elect-CCN	2/23
McDade Estates Water Dept.	Montgomery	1624	GS	Water-CCN	2/23
City of Kaufman	Kaufman	1630	JC	Water-CCN	2/23

DB . . . . .	Darrell Blakeway	CM . . . . .	Cleve Moten
SEC . . . . .	Shelia E. Cheaney	RQ . . . . .	Ralph Quintanilla
JC . . . . .	John Cunningham	PR . . . . .	Phillip Ricketts
RH . . . . .	Roy Henderson	GS . . . . .	George Scharmen
AH . . . . .	Alan Holman		

X

**ATTACHMENT D**

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**Texas Water Development Board  
2006 Regional Water Plan  
Municipal Water Demand Projections for 2000 - 2060  
for Cities, Utilities and County-Other by County and Region in Texas**

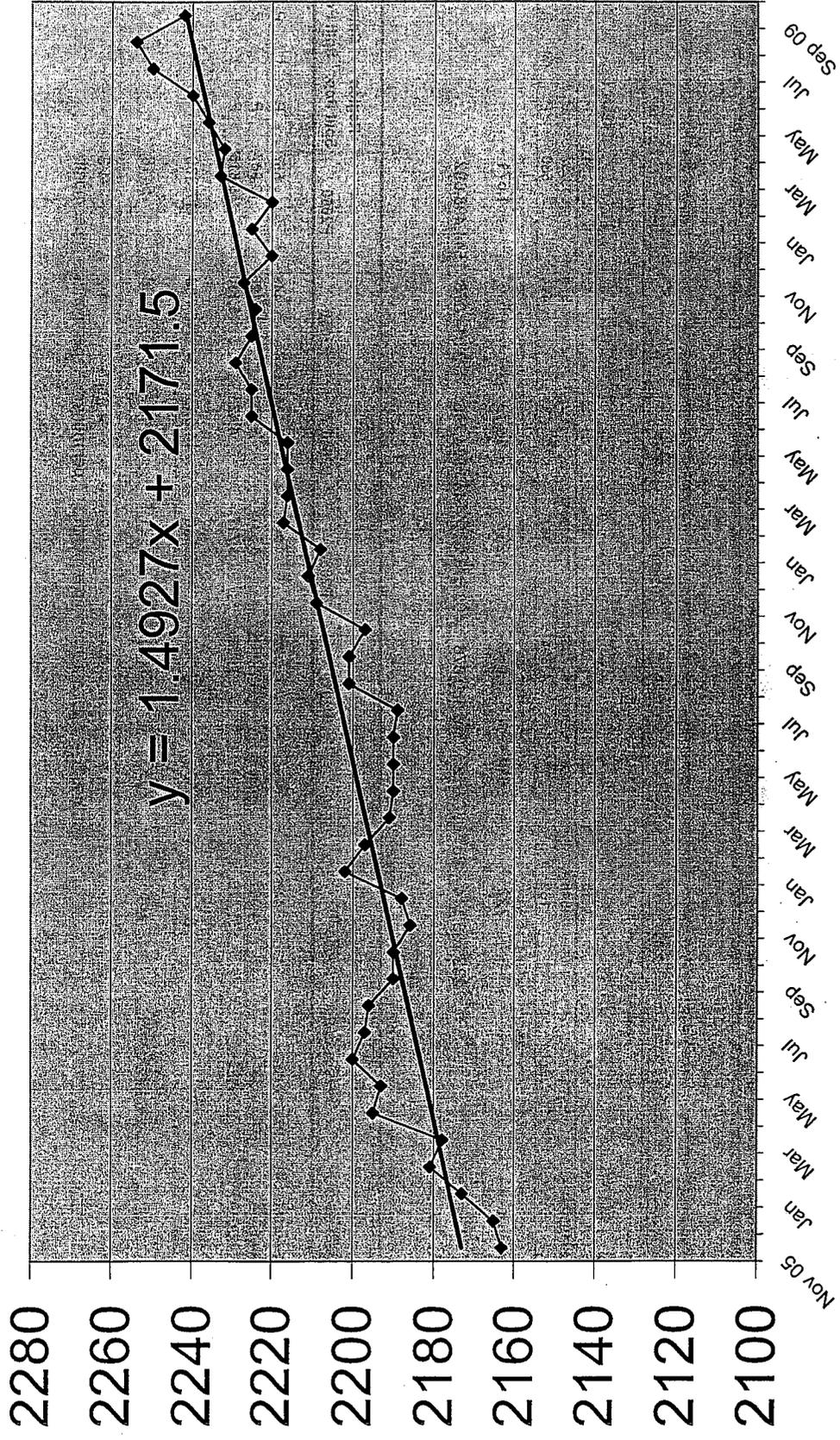
REGION	WATER USER GROUP	COUNTY NAME	D2000	D2010	D2020	D2030	D2040	D2050	D2060	Region Split <sup>2)</sup>	County Split <sup>1)</sup>
K	CREEDMOOR-MAHA WSC	BASTROP	15	19	23	29	35	43	54	in acct1	in acct1
K	CREEDMOOR-MAHA WSC	TRAVIS	545	628	736	841	907	976	1,057	P	P
L	CREEDMOOR-MAHA WSC	CALDWELL	162	234	304	367	431	494	560	P	P
C-M WSC Total ac-ft			722	881	1,063	1,237	1,373	1,513	1,671		

Gal 235,265,144 287,075,612 346,380,676 403,078,924 447,394,796 493,014,076 544,498,692

REGION	WATER USER GROUP	COUNTY NAME	P2000 <sup>1)</sup>	P2010	P2020	P2030	P2040	P2050	P2060	Region Split Pop. <sup>2)</sup>	County Split Pop. <sup>3)</sup>
K	CREEDMOOR-MAHA WSC	BASTROP	140	181	232	292	361	448	557	P	P
K	CREEDMOOR-MAHA WSC	TRAVIS	4,962	5,962	7,301	8,537	9,309	10,126	10,967	P	P
L	CREEDMOOR-MAHA WSC	CALDWELL	1,470	2,217	3,015	3,717	4,423	5,130	5,815	P	P
C-M WSC Total Pop			6,572	8,360	10,548	12,546	14,093	15,704	17,339		

at 3.2 per conn 2054 2613 3296 3921 4404 4908 5418  
4.7 per month 5.2 per month 5.7 per month 6.2 per month 6.7 per month 7.2 per month 7.7 per month  
per month per month per month per month per month per month per month

# Active Connections



**ATTACHMENT E**

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PRESENT VALUE COMPUTATION  
OF DEBT SERVICE TO BE SHIFTED  
TO REMAINING CUSTOMERS

NOTE	Payments		Nov-09	
	Per Month	Per Year	Stops	Payments Left
Co Bank 20 yr	\$ 5,912.70	\$ 70,952.40	Jul-28	224
Rural Develop	\$ 383.00	\$ 4,596.00	Jul-14	56
Rural Develop	\$ 1,689.00	\$ 20,268.00	Jul-16	80
Rural Develop	\$ 2,671.00	\$ 32,052.00	Jul-43	404
Rural Develop	\$ 2,656.00	\$ 31,872.00	Jul-44	416
	\$ 13,311.70	\$ 159,740.40		

Debt Service Lost from Requested Area

System Growth = 1.5 per month

Requested Area = 4.87%

i = 2.90%

Month	Co-Bank	RD 1	RD 2	RD 3	RD 4	Monthly Total	Active Conn	per Conn	lost conn	from lost conn	growth	from growth	total lost	NPV
1	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2242	\$ 5.94	21	\$ 124.69	0	\$ -	\$ 124.69	\$ 124.39
2	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2244	\$ 5.93	21	\$ 124.57	0	\$ -	\$ 124.57	\$ 123.97
3	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2246	\$ 5.93	21	\$ 124.46	0	\$ -	\$ 124.46	\$ 123.57
4	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2248	\$ 5.92	21	\$ 124.35	0	\$ -	\$ 124.35	\$ 123.16
5	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2250	\$ 5.92	21	\$ 124.24	0	\$ -	\$ 124.24	\$ 122.75
6	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2252	\$ 5.91	21	\$ 124.13	0	\$ -	\$ 124.13	\$ 122.35
7	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2254	\$ 5.91	21	\$ 124.02	1	\$ 5.91	\$ 129.93	\$ 127.75
8	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2256	\$ 5.90	21	\$ 123.91	1	\$ 5.90	\$ 129.81	\$ 127.33
9	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2258	\$ 5.90	21	\$ 123.80	1	\$ 5.90	\$ 129.70	\$ 126.91
10	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2260	\$ 5.89	21	\$ 123.69	1	\$ 5.89	\$ 129.58	\$ 126.49
11	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2262	\$ 5.88	21	\$ 123.58	1	\$ 5.88	\$ 129.47	\$ 126.08
12	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2264	\$ 5.88	21	\$ 123.47	1	\$ 5.88	\$ 129.35	\$ 125.66
13	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2266	\$ 5.87	21	\$ 123.37	1	\$ 5.87	\$ 129.24	\$ 125.25
14	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2268	\$ 5.87	21	\$ 123.26	1	\$ 5.87	\$ 129.13	\$ 124.84
15	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2270	\$ 5.86	21	\$ 123.15	1	\$ 5.86	\$ 129.01	\$ 124.42
16	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2272	\$ 5.86	21	\$ 123.04	1	\$ 5.86	\$ 128.90	\$ 124.02
17	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2274	\$ 5.85	21	\$ 122.93	1	\$ 5.85	\$ 128.79	\$ 123.61
18	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2276	\$ 5.85	21	\$ 122.82	1	\$ 5.85	\$ 128.67	\$ 123.20
19	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2278	\$ 5.84	21	\$ 122.72	1	\$ 5.84	\$ 128.56	\$ 122.80
20	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2280	\$ 5.84	21	\$ 122.61	2	\$ 11.68	\$ 134.28	\$ 127.96
21	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2282	\$ 5.83	21	\$ 122.50	2	\$ 11.67	\$ 134.17	\$ 127.54
22	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2284	\$ 5.83	21	\$ 122.39	2	\$ 11.66	\$ 134.05	\$ 127.12
23	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2286	\$ 5.82	21	\$ 122.29	2	\$ 11.65	\$ 133.93	\$ 126.70
24	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2288	\$ 5.82	21	\$ 122.18	2	\$ 11.64	\$ 133.82	\$ 126.28
25	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2290	\$ 5.81	21	\$ 122.07	2	\$ 11.63	\$ 133.70	\$ 125.87
26	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2292	\$ 5.81	21	\$ 121.97	2	\$ 11.62	\$ 133.58	\$ 125.46
27	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2294	\$ 5.80	21	\$ 121.86	2	\$ 11.61	\$ 133.47	\$ 125.04
28	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2296	\$ 5.80	21	\$ 121.75	2	\$ 11.60	\$ 133.35	\$ 124.63
29	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2298	\$ 5.79	21	\$ 121.65	2	\$ 11.59	\$ 133.23	\$ 124.23
30	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2300	\$ 5.79	21	\$ 121.54	2	\$ 11.58	\$ 133.12	\$ 123.82
31	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2302	\$ 5.78	21	\$ 121.44	2	\$ 11.57	\$ 133.00	\$ 123.41
32	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2304	\$ 5.78	21	\$ 121.33	2	\$ 11.56	\$ 132.89	\$ 123.01
33	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2306	\$ 5.77	21	\$ 121.23	2	\$ 11.55	\$ 132.77	\$ 122.61
34	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2308	\$ 5.77	21	\$ 121.12	3	\$ 17.30	\$ 138.42	\$ 127.52
35	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2310	\$ 5.76	21	\$ 121.01	3	\$ 17.29	\$ 138.30	\$ 127.10
36	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2312	\$ 5.76	21	\$ 120.91	3	\$ 17.27	\$ 138.18	\$ 126.68
37	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2314	\$ 5.75	21	\$ 120.81	3	\$ 17.26	\$ 138.06	\$ 126.27
38	\$ 5,912.70	\$ 383.00	\$ 1,689.00	\$ 2,671.00	\$ 2,656.00	\$ 13,311.70	2316	\$ 5.75	21	\$ 120.70	3	\$ 17.24	\$ 137.95	\$ 125.86

Month	Co-Bank	RD 1	RD 2	RD 3	RD 4	Monthly Total	Active Conn.	per Conn.	lost conn.	from lost conn.	growth	from growth	total debt service	NPV						
39	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$13,311.70	2,656.00	21	\$	120.60	3	\$	17.23	\$	137.83	\$	125.44
40	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$13,311.70	2,656.00	21	\$	120.49	3	\$	17.21	\$	137.71	\$	125.03
41	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$13,311.70	2,656.00	21	\$	120.39	3	\$	17.20	\$	137.59	\$	124.62
42	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$13,311.70	2,656.00	21	\$	120.29	3	\$	17.18	\$	137.47	\$	124.22
43	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$13,311.70	2,656.00	21	\$	120.18	3	\$	17.17	\$	137.35	\$	123.81
44	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$13,311.70	2,656.00	21	\$	120.08	3	\$	17.15	\$	137.23	\$	123.41
45	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$13,311.70	2,656.00	21	\$	119.98	3	\$	17.14	\$	137.12	\$	123.00
46	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$13,311.70	2,656.00	21	\$	119.87	3	\$	17.12	\$	137.00	\$	122.60
47	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$13,311.70	2,656.00	21	\$	119.77	4	\$	22.81	\$	142.58	\$	127.29
48	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$13,311.70	2,656.00	21	\$	119.67	4	\$	22.79	\$	142.46	\$	126.88
49	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$13,311.70	2,656.00	21	\$	119.57	4	\$	22.77	\$	142.34	\$	126.46
50	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$13,311.70	2,656.00	21	\$	119.46	4	\$	22.76	\$	142.22	\$	126.05
51	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$13,311.70	2,656.00	21	\$	119.36	4	\$	22.74	\$	142.10	\$	125.64
52	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$13,311.70	2,656.00	21	\$	119.26	4	\$	22.72	\$	141.98	\$	125.23
53	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$13,311.70	2,656.00	21	\$	119.16	4	\$	22.70	\$	141.86	\$	124.82
54	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$13,311.70	2,656.00	21	\$	119.06	4	\$	22.68	\$	141.73	\$	124.41
55	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$13,311.70	2,656.00	21	\$	118.96	4	\$	22.66	\$	141.61	\$	124.01
56	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$13,311.70	2,656.00	21	\$	118.85	4	\$	22.64	\$	141.49	\$	123.60
57	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$12,928.70	2,656.00	21	\$	115.34	4	\$	21.97	\$	137.31	\$	119.66
58	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$12,928.70	2,656.00	21	\$	115.24	4	\$	21.95	\$	137.19	\$	119.27
59	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$12,928.70	2,656.00	21	\$	115.14	4	\$	21.93	\$	137.07	\$	118.88
60	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$12,928.70	2,656.00	21	\$	115.04	5	\$	27.39	\$	142.43	\$	123.23
61	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$12,928.70	2,656.00	21	\$	114.95	5	\$	27.37	\$	142.31	\$	122.83
62	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$12,928.70	2,656.00	21	\$	114.85	5	\$	27.34	\$	142.19	\$	122.43
63	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$12,928.70	2,656.00	21	\$	114.75	5	\$	27.32	\$	142.07	\$	122.03
64	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$12,928.70	2,656.00	21	\$	114.65	5	\$	27.30	\$	141.95	\$	121.63
65	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$12,928.70	2,656.00	21	\$	114.56	5	\$	27.28	\$	141.83	\$	121.24
66	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$12,928.70	2,656.00	21	\$	114.46	5	\$	27.25	\$	141.71	\$	120.84
67	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$12,928.70	2,656.00	21	\$	114.37	5	\$	27.23	\$	141.59	\$	120.45
68	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$12,928.70	2,656.00	21	\$	114.27	5	\$	27.21	\$	141.48	\$	120.06
69	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$12,928.70	2,656.00	21	\$	114.17	5	\$	27.19	\$	141.36	\$	119.67
70	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$12,928.70	2,656.00	21	\$	114.08	5	\$	27.16	\$	141.24	\$	119.28
71	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$12,928.70	2,656.00	21	\$	113.98	5	\$	27.14	\$	141.12	\$	118.89
72	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$12,928.70	2,656.00	21	\$	113.89	5	\$	27.12	\$	141.00	\$	118.51
73	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$12,928.70	2,656.00	21	\$	113.79	5	\$	27.09	\$	140.88	\$	118.12
74	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$12,928.70	2,656.00	21	\$	113.69	6	\$	32.48	\$	146.18	\$	122.27
75	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$12,928.70	2,656.00	21	\$	113.60	6	\$	32.46	\$	146.06	\$	121.87
76	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$12,928.70	2,656.00	21	\$	113.50	6	\$	32.43	\$	145.93	\$	121.48
77	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$12,928.70	2,656.00	21	\$	113.41	6	\$	32.40	\$	145.81	\$	121.08
78	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$12,928.70	2,656.00	21	\$	113.31	6	\$	32.38	\$	145.69	\$	120.69
79	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$12,928.70	2,656.00	21	\$	113.22	6	\$	32.35	\$	145.57	\$	120.30
80	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$12,928.70	2,656.00	21	\$	113.13	6	\$	32.32	\$	145.45	\$	119.91
81	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$11,239.70	2,656.00	21	\$	98.27	6	\$	28.08	\$	126.34	\$	103.90
82	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$11,239.70	2,656.00	21	\$	98.18	6	\$	28.05	\$	126.24	\$	103.57
83	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$11,239.70	2,656.00	21	\$	98.10	6	\$	28.03	\$	126.13	\$	103.23
84	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$11,239.70	2,656.00	21	\$	98.02	6	\$	28.01	\$	126.03	\$	102.90
85	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$11,239.70	2,656.00	21	\$	97.94	6	\$	27.98	\$	125.92	\$	102.56
86	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$11,239.70	2,656.00	21	\$	97.86	6	\$	27.96	\$	125.82	\$	102.23
87	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$11,239.70	2,656.00	21	\$	97.78	7	\$	32.59	\$	130.37	\$	105.68
88	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$11,239.70	2,656.00	21	\$	97.70	7	\$	32.57	\$	130.26	\$	105.33
89	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$11,239.70	2,656.00	21	\$	97.62	7	\$	32.54	\$	130.15	\$	104.99
90	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$11,239.70	2,656.00	21	\$	97.53	7	\$	32.51	\$	130.05	\$	104.65
91	\$	5,912.70	\$	383.00	\$1,689.00	\$2,671.00	\$	2,656.00	\$11,239.70	2,656.00	21	\$	97.45	7	\$	32.48	\$	129.94	\$	104.31

Month	Co-Bank	RD 1	RD 2	RD 3	RD 4	Monthly Total	Active Conn	per Conn	lost conn	from lost conn	growth	from growth	lost debt service	NPV
92	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2424	\$ 4.64	21	\$	97.37	7	\$ 32.46	\$ 129.83
93	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2426	\$ 4.63	21	\$	97.29	7	\$ 32.43	\$ 103.64
94	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2428	\$ 4.63	21	\$	97.21	7	\$ 32.40	\$ 103.31
95	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2430	\$ 4.63	21	\$	97.13	7	\$ 32.38	\$ 102.97
96	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2432	\$ 4.62	21	\$	97.05	7	\$ 32.35	\$ 102.64
97	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2434	\$ 4.62	21	\$	96.97	7	\$ 32.32	\$ 102.31
98	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2436	\$ 4.61	21	\$	96.89	7	\$ 32.30	\$ 101.98
99	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2438	\$ 4.61	21	\$	96.81	7	\$ 32.27	\$ 101.65
100	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2440	\$ 4.61	21	\$	96.74	8	\$ 36.85	\$ 104.94
101	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2442	\$ 4.60	21	\$	96.66	8	\$ 36.82	\$ 104.60
102	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2444	\$ 4.60	21	\$	96.58	8	\$ 36.79	\$ 104.26
103	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2446	\$ 4.60	21	\$	96.50	8	\$ 36.76	\$ 103.93
104	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2448	\$ 4.59	21	\$	96.42	8	\$ 36.73	\$ 103.59
105	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2450	\$ 4.59	21	\$	96.34	8	\$ 36.70	\$ 103.26
106	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2452	\$ 4.58	21	\$	96.26	8	\$ 36.67	\$ 102.93
107	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2454	\$ 4.58	21	\$	96.18	8	\$ 36.64	\$ 102.59
108	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2456	\$ 4.58	21	\$	96.10	8	\$ 36.61	\$ 102.26
109	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2458	\$ 4.57	21	\$	96.03	8	\$ 36.58	\$ 101.93
110	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2460	\$ 4.57	21	\$	95.95	8	\$ 36.55	\$ 101.60
111	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2462	\$ 4.57	21	\$	95.87	8	\$ 36.52	\$ 101.28
112	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2464	\$ 4.56	21	\$	95.79	8	\$ 36.49	\$ 100.95
113	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2466	\$ 4.56	21	\$	95.72	8	\$ 36.46	\$ 100.62
114	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2468	\$ 4.55	21	\$	95.64	9	\$ 40.99	\$ 103.76
115	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2470	\$ 4.55	21	\$	95.56	9	\$ 40.95	\$ 103.43
116	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2472	\$ 4.55	21	\$	95.48	9	\$ 40.92	\$ 103.09
117	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2474	\$ 4.54	21	\$	95.41	9	\$ 40.89	\$ 102.76
118	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2476	\$ 4.54	21	\$	95.33	9	\$ 40.86	\$ 102.43
119	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2478	\$ 4.54	21	\$	95.25	9	\$ 40.82	\$ 102.10
120	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2480	\$ 4.53	21	\$	95.17	9	\$ 40.79	\$ 101.77
121	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2482	\$ 4.53	21	\$	95.10	9	\$ 40.76	\$ 101.45
122	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2484	\$ 4.52	21	\$	95.02	9	\$ 40.72	\$ 101.12
123	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2486	\$ 4.52	21	\$	94.95	9	\$ 40.69	\$ 100.79
124	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2488	\$ 4.52	21	\$	94.87	9	\$ 40.66	\$ 100.47
125	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2490	\$ 4.51	21	\$	94.79	9	\$ 40.63	\$ 100.15
126	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2492	\$ 4.51	21	\$	94.72	9	\$ 40.59	\$ 99.83
127	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2494	\$ 4.51	21	\$	94.64	10	\$ 45.07	\$ 102.82
128	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2496	\$ 4.50	21	\$	94.56	10	\$ 45.03	\$ 102.49
129	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2498	\$ 4.50	21	\$	94.49	10	\$ 44.99	\$ 102.16
130	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2500	\$ 4.50	21	\$	94.41	10	\$ 44.96	\$ 101.84
131	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2502	\$ 4.49	21	\$	94.34	10	\$ 44.92	\$ 101.51
132	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2504	\$ 4.49	21	\$	94.26	10	\$ 44.89	\$ 101.18
133	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2506	\$ 4.49	21	\$	94.19	10	\$ 44.85	\$ 100.86
134	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2508	\$ 4.48	21	\$	94.11	10	\$ 44.82	\$ 100.54
135	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2510	\$ 4.48	21	\$	94.04	10	\$ 44.78	\$ 100.21
136	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2512	\$ 4.47	21	\$	93.96	10	\$ 44.74	\$ 99.89
137	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2514	\$ 4.47	21	\$	93.89	10	\$ 44.71	\$ 99.57
138	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2516	\$ 4.47	21	\$	93.81	10	\$ 44.67	\$ 99.25
139	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2518	\$ 4.46	21	\$	93.74	10	\$ 44.64	\$ 98.93
140	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2520	\$ 4.46	21	\$	93.66	11	\$ 49.06	\$ 101.80
141	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2522	\$ 4.46	21	\$	93.59	11	\$ 49.02	\$ 101.47
142	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2524	\$ 4.45	21	\$	93.52	11	\$ 48.98	\$ 101.15
143	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2526	\$ 4.45	21	\$	93.44	11	\$ 48.95	\$ 100.82
144	\$	5,912.70	-	\$2,671.00	2,656.00	\$ 11,239.70	2528	\$ 4.45	21	\$	93.37	11	\$ 48.91	\$ 100.50

Month	Co-Bank	RD 1	RD 2	RD 3	RD 4	Monthly Total	Active	Conn. per Conn.	lost conn.	from lost conn.	growth	from growth	tot lost debt service	NPV
145	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2530	\$ 4.44	21	\$ 93.29	11	\$ 48.87	\$ 142.16	\$ 100.18
146	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2532	\$ 4.44	21	\$ 93.22	11	\$ 48.83	\$ 142.05	\$ 99.86
147	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2534	\$ 4.44	21	\$ 93.15	11	\$ 48.79	\$ 141.94	\$ 99.54
148	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2536	\$ 4.43	21	\$ 93.07	11	\$ 48.75	\$ 141.83	\$ 99.22
149	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2538	\$ 4.43	21	\$ 93.00	11	\$ 48.71	\$ 141.71	\$ 98.91
150	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2540	\$ 4.43	21	\$ 92.93	11	\$ 48.68	\$ 141.60	\$ 98.59
151	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2542	\$ 4.42	21	\$ 92.85	11	\$ 48.64	\$ 141.49	\$ 98.27
152	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2544	\$ 4.42	21	\$ 92.78	11	\$ 48.60	\$ 141.38	\$ 97.96
153	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2546	\$ 4.41	21	\$ 92.71	11	\$ 48.56	\$ 141.27	\$ 97.65
154	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2548	\$ 4.41	21	\$ 92.63	12	\$ 52.93	\$ 145.57	\$ 100.38
155	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2550	\$ 4.41	21	\$ 92.56	12	\$ 52.89	\$ 145.45	\$ 100.06
156	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2552	\$ 4.40	21	\$ 92.49	12	\$ 52.85	\$ 145.34	\$ 99.74
157	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2554	\$ 4.40	21	\$ 92.42	12	\$ 52.81	\$ 145.23	\$ 99.42
158	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2556	\$ 4.40	21	\$ 92.34	12	\$ 52.77	\$ 145.11	\$ 99.10
159	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2558	\$ 4.39	21	\$ 92.27	12	\$ 52.73	\$ 145.00	\$ 98.79
160	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2560	\$ 4.39	21	\$ 92.20	12	\$ 52.69	\$ 144.89	\$ 98.47
161	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2562	\$ 4.39	21	\$ 92.13	12	\$ 52.64	\$ 144.77	\$ 98.16
162	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2564	\$ 4.38	21	\$ 92.06	12	\$ 52.60	\$ 144.66	\$ 97.84
163	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2566	\$ 4.38	21	\$ 91.99	12	\$ 52.56	\$ 144.55	\$ 97.53
164	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2568	\$ 4.38	21	\$ 91.91	12	\$ 52.52	\$ 144.44	\$ 97.22
165	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2570	\$ 4.37	21	\$ 91.84	12	\$ 52.48	\$ 144.32	\$ 96.91
166	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2572	\$ 4.37	21	\$ 91.77	12	\$ 52.44	\$ 144.21	\$ 96.60
167	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2574	\$ 4.37	21	\$ 91.70	13	\$ 56.77	\$ 148.47	\$ 99.21
168	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2576	\$ 4.36	21	\$ 91.63	13	\$ 56.72	\$ 148.35	\$ 98.90
169	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2578	\$ 4.36	21	\$ 91.56	13	\$ 56.68	\$ 148.23	\$ 98.58
170	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2580	\$ 4.36	21	\$ 91.49	13	\$ 56.63	\$ 148.12	\$ 98.27
171	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2582	\$ 4.35	21	\$ 91.42	13	\$ 56.59	\$ 148.01	\$ 97.95
172	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2584	\$ 4.35	21	\$ 91.34	13	\$ 56.55	\$ 147.89	\$ 97.64
173	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2586	\$ 4.35	21	\$ 91.27	13	\$ 56.50	\$ 147.78	\$ 97.33
174	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2588	\$ 4.34	21	\$ 91.20	13	\$ 56.46	\$ 147.66	\$ 97.02
175	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2590	\$ 4.34	21	\$ 91.13	13	\$ 56.42	\$ 147.55	\$ 96.71
176	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2592	\$ 4.34	21	\$ 91.06	13	\$ 56.37	\$ 147.43	\$ 96.41
177	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2594	\$ 4.33	21	\$ 90.99	13	\$ 56.33	\$ 147.32	\$ 96.10
178	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2596	\$ 4.33	21	\$ 90.92	13	\$ 56.29	\$ 147.21	\$ 95.79
179	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2598	\$ 4.33	21	\$ 90.85	13	\$ 56.24	\$ 147.09	\$ 95.49
180	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2600	\$ 4.32	21	\$ 90.78	14	\$ 60.52	\$ 151.30	\$ 97.98
181	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2602	\$ 4.32	21	\$ 90.71	14	\$ 60.47	\$ 151.19	\$ 97.67
182	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2604	\$ 4.32	21	\$ 90.64	14	\$ 60.43	\$ 151.07	\$ 97.36
183	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2606	\$ 4.31	21	\$ 90.57	14	\$ 60.38	\$ 150.96	\$ 97.05
184	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2608	\$ 4.31	21	\$ 90.50	14	\$ 60.34	\$ 150.84	\$ 96.75
185	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2610	\$ 4.31	21	\$ 90.43	14	\$ 60.29	\$ 150.72	\$ 96.44
186	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2612	\$ 4.30	21	\$ 90.37	14	\$ 60.24	\$ 150.61	\$ 96.13
187	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2614	\$ 4.30	21	\$ 90.30	14	\$ 60.20	\$ 150.49	\$ 95.83
188	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2616	\$ 4.30	21	\$ 90.23	14	\$ 60.15	\$ 150.38	\$ 95.52
189	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2618	\$ 4.29	21	\$ 90.16	14	\$ 60.11	\$ 150.26	\$ 95.22
190	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2620	\$ 4.29	21	\$ 90.09	14	\$ 60.06	\$ 150.15	\$ 94.92
191	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2622	\$ 4.29	21	\$ 90.02	14	\$ 60.01	\$ 150.03	\$ 94.62
192	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2624	\$ 4.28	21	\$ 89.95	14	\$ 59.97	\$ 149.92	\$ 94.32
193	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2626	\$ 4.28	21	\$ 89.88	14	\$ 59.92	\$ 149.81	\$ 94.02
194	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2628	\$ 4.28	21	\$ 89.81	15	\$ 64.15	\$ 153.97	\$ 96.40
195	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2630	\$ 4.27	21	\$ 89.75	15	\$ 64.10	\$ 153.85	\$ 96.09
196	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2632	\$ 4.27	21	\$ 89.68	15	\$ 64.06	\$ 153.73	\$ 95.79
197	\$ 5,912.70	-	-	\$ 2,671.00	\$ 2,656.00	\$ 11,239.70	2634	\$ 4.27	21	\$ 89.61	15	\$ 64.01	\$ 153.62	\$ 95.48

Month	Co-Bank	RD 1	RD 2	RD 3	RD 4	Monthly Total	Active Conn	per Conn	lost conn	from lost conn	growth	from growth	tot lost debt service	NPV
198	\$	5,912.70	-	\$2,671.00	\$ 2,656.00	\$ 11,239.70	2636	\$ 4.26	21	\$	89.54	15	\$ 63.96	\$ 153.50
199	\$	5,912.70	-	\$2,671.00	\$ 2,656.00	\$ 11,239.70	2638	\$ 4.26	21	\$	89.47	15	\$ 63.91	\$ 153.38
200	\$	5,912.70	-	\$2,671.00	\$ 2,656.00	\$ 11,239.70	2640	\$ 4.26	21	\$	89.41	15	\$ 63.86	\$ 153.27
201	\$	5,912.70	-	\$2,671.00	\$ 2,656.00	\$ 11,239.70	2642	\$ 4.25	21	\$	89.34	15	\$ 63.81	\$ 153.15
202	\$	5,912.70	-	\$2,671.00	\$ 2,656.00	\$ 11,239.70	2644	\$ 4.25	21	\$	89.27	15	\$ 63.77	\$ 153.04
203	\$	5,912.70	-	\$2,671.00	\$ 2,656.00	\$ 11,239.70	2646	\$ 4.25	21	\$	89.20	15	\$ 63.72	\$ 152.92
204	\$	5,912.70	-	\$2,671.00	\$ 2,656.00	\$ 11,239.70	2648	\$ 4.24	21	\$	89.14	15	\$ 63.67	\$ 152.81
205	\$	5,912.70	-	\$2,671.00	\$ 2,656.00	\$ 11,239.70	2650	\$ 4.24	21	\$	89.07	15	\$ 63.62	\$ 152.69
206	\$	5,912.70	-	\$2,671.00	\$ 2,656.00	\$ 11,239.70	2652	\$ 4.24	21	\$	89.00	15	\$ 63.57	\$ 152.58
207	\$	5,912.70	-	\$2,671.00	\$ 2,656.00	\$ 11,239.70	2654	\$ 4.24	21	\$	88.94	16	\$ 67.76	\$ 156.70
208	\$	5,912.70	-	\$2,671.00	\$ 2,656.00	\$ 11,239.70	2656	\$ 4.23	21	\$	88.87	16	\$ 67.71	\$ 156.58
209	\$	5,912.70	-	\$2,671.00	\$ 2,656.00	\$ 11,239.70	2658	\$ 4.23	21	\$	88.80	16	\$ 67.66	\$ 156.46
210	\$	5,912.70	-	\$2,671.00	\$ 2,656.00	\$ 11,239.70	2660	\$ 4.23	21	\$	88.73	16	\$ 67.61	\$ 156.34
211	\$	5,912.70	-	\$2,671.00	\$ 2,656.00	\$ 11,239.70	2662	\$ 4.22	21	\$	88.67	16	\$ 67.56	\$ 156.22
212	\$	5,912.70	-	\$2,671.00	\$ 2,656.00	\$ 11,239.70	2664	\$ 4.22	21	\$	88.60	16	\$ 67.51	\$ 156.11
213	\$	5,912.70	-	\$2,671.00	\$ 2,656.00	\$ 11,239.70	2666	\$ 4.22	21	\$	88.53	16	\$ 67.46	\$ 155.99
214	\$	5,912.70	-	\$2,671.00	\$ 2,656.00	\$ 11,239.70	2668	\$ 4.21	21	\$	88.47	16	\$ 67.40	\$ 155.87
215	\$	5,912.70	-	\$2,671.00	\$ 2,656.00	\$ 11,239.70	2670	\$ 4.21	21	\$	88.40	16	\$ 67.35	\$ 155.76
216	\$	5,912.70	-	\$2,671.00	\$ 2,656.00	\$ 11,239.70	2672	\$ 4.21	21	\$	88.34	16	\$ 67.30	\$ 155.64
217	\$	5,912.70	-	\$2,671.00	\$ 2,656.00	\$ 11,239.70	2674	\$ 4.20	21	\$	88.27	16	\$ 67.25	\$ 155.52
218	\$	5,912.70	-	\$2,671.00	\$ 2,656.00	\$ 11,239.70	2676	\$ 4.20	21	\$	88.20	16	\$ 67.20	\$ 155.41
219	\$	5,912.70	-	\$2,671.00	\$ 2,656.00	\$ 11,239.70	2678	\$ 4.20	21	\$	88.14	16	\$ 67.15	\$ 155.29
220	\$	5,912.70	-	\$2,671.00	\$ 2,656.00	\$ 11,239.70	2680	\$ 4.19	21	\$	88.07	17	\$ 71.30	\$ 159.37
221	\$	5,912.70	-	\$2,671.00	\$ 2,656.00	\$ 11,239.70	2682	\$ 4.19	21	\$	88.01	17	\$ 71.24	\$ 159.25
222	\$	5,912.70	-	\$2,671.00	\$ 2,656.00	\$ 11,239.70	2684	\$ 4.19	21	\$	87.94	17	\$ 71.19	\$ 159.13
223	\$	5,912.70	-	\$2,671.00	\$ 2,656.00	\$ 11,239.70	2686	\$ 4.18	21	\$	87.88	17	\$ 71.14	\$ 159.01
224	\$	5,912.70	-	\$2,671.00	\$ 2,656.00	\$ 11,239.70	2688	\$ 4.18	21	\$	87.81	17	\$ 71.08	\$ 158.89

\$ 31,516.64 \$24,129.16  
Total NPV

**ATTACHMENT F**

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## Company: Creedmoor Maha Water Supply Corporation

System Name: C-M WSC PWS ID: 2270008		VALUATION SUMMARY					
Region: (Travis County)							
Acct. No.	Account Name / Description	Actual or Estimated Date Installed	Quantity	Original Cost Asset Value	Original Cost Less Depreciation or Net Book Value	Estimated Replacement Value	Replacement Value Adjusted for Age & Condition
<b>303.0</b>	<b>Land Water System</b>						
	Storage Tank Site, Colton Bluff Springs Rd	1-Jan-07	21,035	\$20,000.00	\$20,000.00	\$25,000.00	\$25,000.00
	Water Line Easements	1-Jul-99	6,700	\$1,247.08	\$817.33	\$3,350.00	\$2,288.52
	6" Water Line serving 22,22A, and 26						
	Water Line Easements	1-Jul-99	800	\$148.91	\$97.59	\$400.00	\$273.26
	4" Water Line across Tract 14-5						
	Water Line Easements	1-Jul-99	3,360	\$625.40	\$409.89	\$1,680.00	\$1,147.67
	4" Water Line across Tracts 25, 26, and 45						
	Water Line Easements	1-Aug-94	2,800	\$441.97	\$217.26	\$1,400.00	\$727.05
	4" Water Line across Tracts 48, 52, and 50						
<b>331.0</b>	<b>Transmission and Distribution Mains</b>						
	6" Water Line serving 22,22A, and 26	1-Jul-99	6,700	\$66,386.83	\$49,228.95	\$115,575.00	\$88,109.13
	4" Water Line across Tract 14-5	1-Jul-99	800	\$5,744.05	\$4,259.48	\$10,000.00	\$7,623.55
	4" Water Line across Tracts 25, 26, and 45	1-Jul-99	3,360	\$24,125.00	\$17,889.82	\$42,000.00	\$32,018.89
	4" Water Line across Tracts 48, 52, and 50	1-Aug-94	2,800	\$17,187.50	\$10,633.66	\$35,000.00	\$22,382.27
	6" Valves	1-Jul-99	5	\$4,280.69	\$3,174.33	\$7,125.00	\$5,431.78
	4" Valves	1-Jul-99	5	\$3,679.89	\$2,728.81	\$6,125.00	\$4,669.42
	Flush Valves	1-Jul-99	2	\$510.68	\$378.69	\$850.00	\$648.00
<b>333.0</b>	<b>Services</b>						
	Residential services	1-Jan-00	6	\$1,185.40	\$893.96	\$1,800.00	\$1,394.91
	Residential services	1-Jan-00	6	\$1,185.40	\$893.96	\$1,800.00	\$1,394.91
	Residential services	1-Jan-00	7	\$1,382.96	\$1,042.95	\$2,100.00	\$1,627.39
<b>334.0</b>	<b>Meters and Meter Installations</b>						
	Residential meters	1-Jan-00	6	\$691.48	\$521.47	\$1,050.00	\$813.70
	Residential meters	1-Jan-00	6	\$691.48	\$521.47	\$1,050.00	\$813.70
	Residential meters	1-Jan-00	7	\$806.73	\$608.39	\$1,225.00	\$949.31
<b>335.0</b>	<b>Hydrants</b>						
	Hydrant Assemblies	1-Jul-99		\$4,467.49	\$3,312.85	\$6,000.00	\$4,574.13
<b>TOTAL</b>				<b>\$154,788.94</b>	<b>\$117,630.87</b>	<b>\$263,530.00</b>	<b>\$201,887.58</b>

**ATTACHMENT G**

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**ESTIMATED COSTS OF REPLACEMENT WATER SOURCE**

Drill new Lower Trinity Well adjacent to other wells	each	\$440,000
Complete well, approx. 1,300 feet, includes test well, estimated yield 300 to 400 gpm		<u>          x 2</u> \$880,000
On-site treatment and storage facilities, tie to system		<u>\$400,000</u>
Cost for replacement water source		\$1,280,000
Engineering and contingencies	25%	<u>\$320,000</u>
		<b>Total estimated costs <u>\$1,600,000</u></b>
This will occur in	3 years	Pres Value \$1,481,419
i =	2.60%	



Wet Rock Groundwater Services, L.L.C.

*Groundwater Specialists*

TBPG Firm No: 50038

P.O. Box 163144

Austin, Texas 78716

Ph: 512-773-3226 Fax: 512-879-6809

www.wetrockgs.com

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November 16, 2009

Mr. Mark H. Zeppa, Attorney at Law  
4833 Spicewood Springs Road, Suite 202  
Austin, Texas 78759

RE: **Creedmoor-Maha WSC**

Dear Mr. Zeppa:

This letter is in regard to your request for a cost estimation of a new public supply well completed within the Trinity Aquifer located within the Creedmoor-Maha Water Supply Corporation (WSC) service area. Previously, we researched the potential for a Trinity Aquifer supply for the Creedmoor-Maha WSC and concluded that it would be possible to drill a well within the Trinity Aquifer as a water supply although there would be risks that the water quality may not meet the Texas Commission on Environmental Quality (TCEQ) drinking water standards.

A new Trinity Aquifer well would most likely consist of 10-inch steel casing with an open hole completion. The total depth of the well would depend upon the well location and land elevation, but generally the well depth would be approximately 1,300 ft. Based upon similarly completed wells within the past year the total cost for the well including pump, motor and column pipe would be approximately \$400,000.00. This does not include acidization of the well to increase well yield. With acidization, the total cost of the well would be increased to approximately \$440,000.00.

If you have any questions please call me at (512) 773-3226. Thank you.

Sincerely,

Wet Rock Groundwater Services, L.L.C.

Kaveh Khorzad, P.G.  
President/ Senior Hydrogeologist

**ATTACHMENT H**

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Creedmoor Maha WSC  
Budget for Year 2008 - 2009

ATTACHMENT H  
page 1

	2009-10 Budget Cash Flow	Attributed to Transfer Area	Factors by Conn	Lost Total percentage	21 2242 0.94%
<b>Operating Expenses</b>					
Accounting and auditing	\$21,500		\$201		
Bad debts, checks	\$19,500		\$183		
Bank charges	\$7,000		\$66		
Business Expenses, supplies	\$18,000		\$169		
Computer, tech support services	\$6,200		\$58		
Chemicals	\$11,000		\$103		
Contributions	\$1,500		\$14		
Contract labor	\$60,000		\$562		
Engineering	\$20,000		\$187		
Fuel	\$20,000		\$187		
Insurance	\$80,000		\$749		
Legal					
Licenses and fees			\$0		
Office supplies	\$5,000		\$47		
Postage	\$14,000		\$131		
Purchased Water	\$325,000		\$3,044		
Reimbursements	\$2,500		\$23		
Repairs - equipment, signs	\$25,000		\$234		
Repairs - water lines/wells/tanks	\$450,000		\$4,215		
Salaries and wages	\$134,000		\$1,255		
SS, Medicare, other Empl Exp	\$14,500		\$136		
Sampling - TDH	\$8,000		\$75		
Security	\$9,600		\$90		
Survey/easement/appraisal			\$0		
Taxes (IRS)	\$58,000		\$543		
Telephone	\$16,000		\$150		
TCEQ Fees	\$15,000		\$140		
Training and Associations	\$7,500		\$70		
Conferences, classes and lodging	\$17,000		\$159		
Utilities - Plants	\$105,000		\$983		
Utilities - Office	\$1,200		\$11		
<b>Total Operating Expenses</b>	<b>\$1,472,000</b>		<b>\$13,788 Annual</b>	<b>\$ 1,148.97 monthly</b>	<b>\$54.71</b>
<b>TxDOT / Toll road (CMWSC's portion)</b>	<b>\$180,000</b>				
<b>Depreciation</b>	<b>\$200,000</b>				
<b>Debt Service (P &amp; I)</b>	<b>\$159,740</b>				
<b>Capital Improvements</b>					
Engineering	\$50,000				
Legal	\$70,000				
Easements	\$60,000				
Equipment and supplies	\$18,000				
Meter and Boxes	\$25,000				
Water Line Upgrades and Expansions	\$1,387,625				
Pumps and Motors	\$5,000				
SCADA	\$25,000				
Miox Systems	\$2,500				
Storage sites	\$1,000				
Elevated Tank	\$1,500,000				
Standby power units	\$56,000				
<b>Total Capital Improvements Budget</b>	<b>\$3,200,125</b>				
<b>Total 2009 - 2010 Budget</b>	<b>5,052,125</b>				

Total O&M Part of Budget  
 Current active connections  
 O&M per connection per month

\$1,472,000.00  
 2,242  
 \$54.71

PRESENT VALUE COMPUTATION  
 OF O & M REVENUES TO BE SHIFTED  
 TO REMAINING CUSTOMERS

i = 2.90%

Month	Avg O&M per bill	lost conn	from lost conn	growth	tap fees	lost from growth	tot lost revenues	NPV
1	\$ 54.71	21	\$ 1,148.91	0	\$ -	\$ -	\$ 1,148.91	\$ 1,146.14
2	\$ 54.71	21	\$ 1,148.91	0	\$ -	\$ -	\$ 1,148.91	\$ 1,143.38
3	\$ 54.71	21	\$ 1,148.91	0	\$ -	\$ -	\$ 1,148.91	\$ 1,140.62
4	\$ 54.71	21	\$ 1,148.91	0	\$ -	\$ -	\$ 1,148.91	\$ 1,137.87
5	\$ 54.71	21	\$ 1,148.91	0	\$ -	\$ -	\$ 1,148.91	\$ 1,135.13
6	\$ 54.71	21	\$ 1,148.91	0	\$ -	\$ -	\$ 1,148.91	\$ 1,132.39
7	\$ 54.71	21	\$ 1,148.91	1	\$ 3,750.00	\$ 54.71	\$ 4,953.62	\$ 4,870.63
8	\$ 54.71	21	\$ 1,148.91	1	\$ -	\$ 54.71	\$ 1,203.62	\$ 1,180.60
9	\$ 54.71	21	\$ 1,148.91	1	\$ -	\$ 54.71	\$ 1,203.62	\$ 1,177.75
10	\$ 54.71	21	\$ 1,148.91	1	\$ -	\$ 54.71	\$ 1,203.62	\$ 1,174.92
11	\$ 54.71	21	\$ 1,148.91	1	\$ -	\$ 54.71	\$ 1,203.62	\$ 1,172.08
12	\$ 54.71	21	\$ 1,148.91	1	\$ -	\$ 54.71	\$ 1,203.62	\$ 1,169.26
13	\$ 54.71	21	\$ 1,148.91	1	\$ -	\$ 54.71	\$ 1,203.62	\$ 1,166.44
14	\$ 54.71	21	\$ 1,148.91	1	\$ -	\$ 54.71	\$ 1,203.62	\$ 1,163.63
15	\$ 54.71	21	\$ 1,148.91	1	\$ -	\$ 54.71	\$ 1,203.62	\$ 1,160.82
16	\$ 54.71	21	\$ 1,148.91	1	\$ -	\$ 54.71	\$ 1,203.62	\$ 1,158.02
17	\$ 54.71	21	\$ 1,148.91	1	\$ -	\$ 54.71	\$ 1,203.62	\$ 1,155.23
18	\$ 54.71	21	\$ 1,148.91	1	\$ -	\$ 54.71	\$ 1,203.62	\$ 1,152.45
19	\$ 54.71	21	\$ 1,148.91	1	\$ -	\$ 54.71	\$ 1,203.62	\$ 1,149.67
20	\$ 54.71	21	\$ 1,148.91	2	\$ 3,750.00	\$ 109.42	\$ 5,008.33	\$ 4,772.30
21	\$ 54.71	21	\$ 1,148.91	2	\$ -	\$ 109.42	\$ 1,258.33	\$ 1,196.14
22	\$ 54.71	21	\$ 1,148.91	2	\$ -	\$ 109.42	\$ 1,258.33	\$ 1,193.25
23	\$ 54.71	21	\$ 1,148.91	2	\$ -	\$ 109.42	\$ 1,258.33	\$ 1,190.38
24	\$ 54.71	21	\$ 1,148.91	2	\$ -	\$ 109.42	\$ 1,258.33	\$ 1,187.51
25	\$ 54.71	21	\$ 1,148.91	2	\$ -	\$ 109.42	\$ 1,258.33	\$ 1,184.64
26	\$ 54.71	21	\$ 1,148.91	2	\$ -	\$ 109.42	\$ 1,258.33	\$ 1,181.79
27	\$ 54.71	21	\$ 1,148.91	2	\$ -	\$ 109.42	\$ 1,258.33	\$ 1,178.94
28	\$ 54.71	21	\$ 1,148.91	2	\$ -	\$ 109.42	\$ 1,258.33	\$ 1,176.10
29	\$ 54.71	21	\$ 1,148.91	2	\$ -	\$ 109.42	\$ 1,258.33	\$ 1,173.26
30	\$ 54.71	21	\$ 1,148.91	2	\$ -	\$ 109.42	\$ 1,258.33	\$ 1,170.43
31	\$ 54.71	21	\$ 1,148.91	2	\$ -	\$ 109.42	\$ 1,258.33	\$ 1,167.61
32	\$ 54.71	21	\$ 1,148.91	2	\$ -	\$ 109.42	\$ 1,258.33	\$ 1,164.80
33	\$ 54.71	21	\$ 1,148.91	2	\$ -	\$ 109.42	\$ 1,258.33	\$ 1,161.99
34	\$ 54.71	21	\$ 1,148.91	3	\$ 3,750.00	\$ 164.13	\$ 5,063.04	\$ 4,664.12
35	\$ 54.71	21	\$ 1,148.91	3	\$ -	\$ 164.13	\$ 1,313.04	\$ 1,206.67
36	\$ 54.71	21	\$ 1,148.91	3	\$ -	\$ 164.13	\$ 1,313.04	\$ 1,203.76
37	\$ 54.71	21	\$ 1,148.91	3	\$ -	\$ 164.13	\$ 1,313.04	\$ 1,200.86
38	\$ 54.71	21	\$ 1,148.91	3	\$ -	\$ 164.13	\$ 1,313.04	\$ 1,197.96
39	\$ 54.71	21	\$ 1,148.91	3	\$ -	\$ 164.13	\$ 1,313.04	\$ 1,195.07
40	\$ 54.71	21	\$ 1,148.91	3	\$ -	\$ 164.13	\$ 1,313.04	\$ 1,192.19
41	\$ 54.71	21	\$ 1,148.91	3	\$ -	\$ 164.13	\$ 1,313.04	\$ 1,189.32
42	\$ 54.71	21	\$ 1,148.91	3	\$ -	\$ 164.13	\$ 1,313.04	\$ 1,186.45
43	\$ 54.71	21	\$ 1,148.91	3	\$ -	\$ 164.13	\$ 1,313.04	\$ 1,183.59
44	\$ 54.71	21	\$ 1,148.91	3	\$ -	\$ 164.13	\$ 1,313.04	\$ 1,180.74
45	\$ 54.71	21	\$ 1,148.91	3	\$ -	\$ 164.13	\$ 1,313.04	\$ 1,177.89
46	\$ 54.71	21	\$ 1,148.91	3	\$ -	\$ 164.13	\$ 1,313.04	\$ 1,175.05
47	\$ 54.71	21	\$ 1,148.91	4	\$ 3,750.00	\$ 218.84	\$ 5,117.75	\$ 4,568.88
48	\$ 54.71	21	\$ 1,148.91	4	\$ -	\$ 218.84	\$ 1,367.75	\$ 1,218.12
49	\$ 54.71	21	\$ 1,148.91	4	\$ -	\$ 218.84	\$ 1,367.75	\$ 1,215.18
50	\$ 54.71	21	\$ 1,148.91	4	\$ -	\$ 218.84	\$ 1,367.75	\$ 1,212.25
51	\$ 54.71	21	\$ 1,148.91	4	\$ -	\$ 218.84	\$ 1,367.75	\$ 1,209.33
52	\$ 54.71	21	\$ 1,148.91	4	\$ -	\$ 218.84	\$ 1,367.75	\$ 1,206.41
53	\$ 54.71	21	\$ 1,148.91	4	\$ -	\$ 218.84	\$ 1,367.75	\$ 1,203.51
54	\$ 54.71	21	\$ 1,148.91	4	\$ -	\$ 218.84	\$ 1,367.75	\$ 1,200.60
55	\$ 54.71	21	\$ 1,148.91	4	\$ -	\$ 218.84	\$ 1,367.75	\$ 1,197.71
56	\$ 54.71	21	\$ 1,148.91	4	\$ -	\$ 218.84	\$ 1,367.75	\$ 1,194.82
57	\$ 54.71	21	\$ 1,148.91	4	\$ -	\$ 218.84	\$ 1,367.75	\$ 1,191.94
58	\$ 54.71	21	\$ 1,148.91	4	\$ -	\$ 218.84	\$ 1,367.75	\$ 1,189.07
59	\$ 54.71	21	\$ 1,148.91	4	\$ -	\$ 218.84	\$ 1,367.75	\$ 1,186.20
60	\$ 54.71	21	\$ 1,148.91	5	\$ 3,750.00	\$ 273.55	\$ 5,172.46	\$ 4,475.08
61	\$ 54.71	21	\$ 1,148.91	5	\$ -	\$ 273.55	\$ 1,422.46	\$ 1,227.71

Month	Avg O&M per bill	lost conn	from lost conn	growth	tap fees	lost from growth	tot lost revenues	NPV	
62	\$	54.71	21	\$ 1,148.91	5	\$ -	\$ 273.55	\$ 1,422.46	\$ 1,224.75
63	\$	54.71	21	\$ 1,148.91	5	\$ -	\$ 273.55	\$ 1,422.46	\$ 1,221.80
64	\$	54.71	21	\$ 1,148.91	5	\$ -	\$ 273.55	\$ 1,422.46	\$ 1,218.85
65	\$	54.71	21	\$ 1,148.91	5	\$ -	\$ 273.55	\$ 1,422.46	\$ 1,215.91
66	\$	54.71	21	\$ 1,148.91	5	\$ -	\$ 273.55	\$ 1,422.46	\$ 1,212.98
67	\$	54.71	21	\$ 1,148.91	5	\$ -	\$ 273.55	\$ 1,422.46	\$ 1,210.06
68	\$	54.71	21	\$ 1,148.91	5	\$ -	\$ 273.55	\$ 1,422.46	\$ 1,207.14
69	\$	54.71	21	\$ 1,148.91	5	\$ -	\$ 273.55	\$ 1,422.46	\$ 1,204.23
70	\$	54.71	21	\$ 1,148.91	5	\$ -	\$ 273.55	\$ 1,422.46	\$ 1,201.33
71	\$	54.71	21	\$ 1,148.91	5	\$ -	\$ 273.55	\$ 1,422.46	\$ 1,198.43
72	\$	54.71	21	\$ 1,148.91	5	\$ -	\$ 273.55	\$ 1,422.46	\$ 1,195.54
73	\$	54.71	21	\$ 1,148.91	5	\$ -	\$ 273.55	\$ 1,422.46	\$ 1,192.66
74	\$	54.71	21	\$ 1,148.91	6	\$ 3,750.00	\$ 328.26	\$ 5,227.17	\$ 4,372.14
75	\$	54.71	21	\$ 1,148.91	6	\$ -	\$ 328.26	\$ 1,477.17	\$ 1,232.56
76	\$	54.71	21	\$ 1,148.91	6	\$ -	\$ 328.26	\$ 1,477.17	\$ 1,229.59
77	\$	54.71	21	\$ 1,148.91	6	\$ -	\$ 328.26	\$ 1,477.17	\$ 1,226.63
78	\$	54.71	21	\$ 1,148.91	6	\$ -	\$ 328.26	\$ 1,477.17	\$ 1,223.67
79	\$	54.71	21	\$ 1,148.91	6	\$ -	\$ 328.26	\$ 1,477.17	\$ 1,220.72
80	\$	54.71	21	\$ 1,148.91	6	\$ -	\$ 328.26	\$ 1,477.17	\$ 1,217.78
81	\$	54.71	21	\$ 1,148.91	6	\$ -	\$ 328.26	\$ 1,477.17	\$ 1,214.84
82	\$	54.71	21	\$ 1,148.91	6	\$ -	\$ 328.26	\$ 1,477.17	\$ 1,211.91
83	\$	54.71	21	\$ 1,148.91	6	\$ -	\$ 328.26	\$ 1,477.17	\$ 1,208.99
84	\$	54.71	21	\$ 1,148.91	6	\$ -	\$ 328.26	\$ 1,477.17	\$ 1,206.08
85	\$	54.71	21	\$ 1,148.91	6	\$ -	\$ 328.26	\$ 1,477.17	\$ 1,203.17
86	\$	54.71	21	\$ 1,148.91	6	\$ -	\$ 328.26	\$ 1,477.17	\$ 1,200.27
87	\$	54.71	21	\$ 1,148.91	7	\$ 3,750.00	\$ 382.97	\$ 5,281.88	\$ 4,281.42
88	\$	54.71	21	\$ 1,148.91	7	\$ -	\$ 382.97	\$ 1,531.88	\$ 1,238.73
89	\$	54.71	21	\$ 1,148.91	7	\$ -	\$ 382.97	\$ 1,531.88	\$ 1,235.74
90	\$	54.71	21	\$ 1,148.91	7	\$ -	\$ 382.97	\$ 1,531.88	\$ 1,232.76
91	\$	54.71	21	\$ 1,148.91	7	\$ -	\$ 382.97	\$ 1,531.88	\$ 1,229.79
92	\$	54.71	21	\$ 1,148.91	7	\$ -	\$ 382.97	\$ 1,531.88	\$ 1,226.83
93	\$	54.71	21	\$ 1,148.91	7	\$ -	\$ 382.97	\$ 1,531.88	\$ 1,223.87
94	\$	54.71	21	\$ 1,148.91	7	\$ -	\$ 382.97	\$ 1,531.88	\$ 1,220.92
95	\$	54.71	21	\$ 1,148.91	7	\$ -	\$ 382.97	\$ 1,531.88	\$ 1,217.97
96	\$	54.71	21	\$ 1,148.91	7	\$ -	\$ 382.97	\$ 1,531.88	\$ 1,215.04
97	\$	54.71	21	\$ 1,148.91	7	\$ -	\$ 382.97	\$ 1,531.88	\$ 1,212.11
98	\$	54.71	21	\$ 1,148.91	7	\$ -	\$ 382.97	\$ 1,531.88	\$ 1,209.19
99	\$	54.71	21	\$ 1,148.91	7	\$ -	\$ 382.97	\$ 1,531.88	\$ 1,206.27
100	\$	54.71	21	\$ 1,148.91	8	\$ 3,750.00	\$ 437.68	\$ 5,336.59	\$ 4,192.14
101	\$	54.71	21	\$ 1,148.91	8	\$ -	\$ 437.68	\$ 1,586.59	\$ 1,243.34
102	\$	54.71	21	\$ 1,148.91	8	\$ -	\$ 437.68	\$ 1,586.59	\$ 1,240.34
103	\$	54.71	21	\$ 1,148.91	8	\$ -	\$ 437.68	\$ 1,586.59	\$ 1,237.35
104	\$	54.71	21	\$ 1,148.91	8	\$ -	\$ 437.68	\$ 1,586.59	\$ 1,234.37
105	\$	54.71	21	\$ 1,148.91	8	\$ -	\$ 437.68	\$ 1,586.59	\$ 1,231.39
106	\$	54.71	21	\$ 1,148.91	8	\$ -	\$ 437.68	\$ 1,586.59	\$ 1,228.42
107	\$	54.71	21	\$ 1,148.91	8	\$ -	\$ 437.68	\$ 1,586.59	\$ 1,225.46
108	\$	54.71	21	\$ 1,148.91	8	\$ -	\$ 437.68	\$ 1,586.59	\$ 1,222.50
109	\$	54.71	21	\$ 1,148.91	8	\$ -	\$ 437.68	\$ 1,586.59	\$ 1,219.56
110	\$	54.71	21	\$ 1,148.91	8	\$ -	\$ 437.68	\$ 1,586.59	\$ 1,216.62
111	\$	54.71	21	\$ 1,148.91	8	\$ -	\$ 437.68	\$ 1,586.59	\$ 1,213.68
112	\$	54.71	21	\$ 1,148.91	8	\$ -	\$ 437.68	\$ 1,586.59	\$ 1,210.76
113	\$	54.71	21	\$ 1,148.91	8	\$ -	\$ 437.68	\$ 1,586.59	\$ 1,207.84
114	\$	54.71	21	\$ 1,148.91	9	\$ 3,750.00	\$ 492.39	\$ 5,391.30	\$ 4,094.39
115	\$	54.71	21	\$ 1,148.91	9	\$ -	\$ 492.39	\$ 1,641.30	\$ 1,243.47
116	\$	54.71	21	\$ 1,148.91	9	\$ -	\$ 492.39	\$ 1,641.30	\$ 1,240.47
117	\$	54.71	21	\$ 1,148.91	9	\$ -	\$ 492.39	\$ 1,641.30	\$ 1,237.48
118	\$	54.71	21	\$ 1,148.91	9	\$ -	\$ 492.39	\$ 1,641.30	\$ 1,234.50
119	\$	54.71	21	\$ 1,148.91	9	\$ -	\$ 492.39	\$ 1,641.30	\$ 1,231.52
120	\$	54.71	21	\$ 1,148.91	9	\$ -	\$ 492.39	\$ 1,641.30	\$ 1,228.55
121	\$	54.71	21	\$ 1,148.91	9	\$ -	\$ 492.39	\$ 1,641.30	\$ 1,225.59
122	\$	54.71	21	\$ 1,148.91	9	\$ -	\$ 492.39	\$ 1,641.30	\$ 1,222.64
123	\$	54.71	21	\$ 1,148.91	9	\$ -	\$ 492.39	\$ 1,641.30	\$ 1,219.69
124	\$	54.71	21	\$ 1,148.91	9	\$ -	\$ 492.39	\$ 1,641.30	\$ 1,216.75
125	\$	54.71	21	\$ 1,148.91	9	\$ -	\$ 492.39	\$ 1,641.30	\$ 1,213.82
126	\$	54.71	21	\$ 1,148.91	9	\$ -	\$ 492.39	\$ 1,641.30	\$ 1,210.89
127	\$	54.71	21	\$ 1,148.91	10	\$ 3,750.00	\$ 547.10	\$ 5,446.01	\$ 4,008.18

Month	Avg O&M per bill	lost conn	from lost conn	growth	tap fees	lost from growth	tot lost revenues	NPV
128	\$ 54.71	21	\$ 1,148.91	10	\$ -	\$ 547.10	\$ 1,696.01	\$ 1,245.23
129	\$ 54.71	21	\$ 1,148.91	10	\$ -	\$ 547.10	\$ 1,696.01	\$ 1,242.23
130	\$ 54.71	21	\$ 1,148.91	10	\$ -	\$ 547.10	\$ 1,696.01	\$ 1,239.23
131	\$ 54.71	21	\$ 1,148.91	10	\$ -	\$ 547.10	\$ 1,696.01	\$ 1,236.24
132	\$ 54.71	21	\$ 1,148.91	10	\$ -	\$ 547.10	\$ 1,696.01	\$ 1,233.26
133	\$ 54.71	21	\$ 1,148.91	10	\$ -	\$ 547.10	\$ 1,696.01	\$ 1,230.29
134	\$ 54.71	21	\$ 1,148.91	10	\$ -	\$ 547.10	\$ 1,696.01	\$ 1,227.32
135	\$ 54.71	21	\$ 1,148.91	10	\$ -	\$ 547.10	\$ 1,696.01	\$ 1,224.36
136	\$ 54.71	21	\$ 1,148.91	10	\$ -	\$ 547.10	\$ 1,696.01	\$ 1,221.41
137	\$ 54.71	21	\$ 1,148.91	10	\$ -	\$ 547.10	\$ 1,696.01	\$ 1,218.47
138	\$ 54.71	21	\$ 1,148.91	10	\$ -	\$ 547.10	\$ 1,696.01	\$ 1,215.53
139	\$ 54.71	21	\$ 1,148.91	10	\$ -	\$ 547.10	\$ 1,696.01	\$ 1,212.60
140	\$ 54.71	21	\$ 1,148.91	11	\$ 3,750.00	\$ 601.81	\$ 5,500.72	\$ 3,923.38
141	\$ 54.71	21	\$ 1,148.91	11	\$ -	\$ 601.81	\$ 1,750.72	\$ 1,245.69
142	\$ 54.71	21	\$ 1,148.91	11	\$ -	\$ 601.81	\$ 1,750.72	\$ 1,242.69
143	\$ 54.71	21	\$ 1,148.91	11	\$ -	\$ 601.81	\$ 1,750.72	\$ 1,239.69
144	\$ 54.71	21	\$ 1,148.91	11	\$ -	\$ 601.81	\$ 1,750.72	\$ 1,236.70
145	\$ 54.71	21	\$ 1,148.91	11	\$ -	\$ 601.81	\$ 1,750.72	\$ 1,233.72
146	\$ 54.71	21	\$ 1,148.91	11	\$ -	\$ 601.81	\$ 1,750.72	\$ 1,230.74
147	\$ 54.71	21	\$ 1,148.91	11	\$ -	\$ 601.81	\$ 1,750.72	\$ 1,227.78
148	\$ 54.71	21	\$ 1,148.91	11	\$ -	\$ 601.81	\$ 1,750.72	\$ 1,224.82
149	\$ 54.71	21	\$ 1,148.91	11	\$ -	\$ 601.81	\$ 1,750.72	\$ 1,221.86
150	\$ 54.71	21	\$ 1,148.91	11	\$ -	\$ 601.81	\$ 1,750.72	\$ 1,218.92
151	\$ 54.71	21	\$ 1,148.91	11	\$ -	\$ 601.81	\$ 1,750.72	\$ 1,215.98
152	\$ 54.71	21	\$ 1,148.91	11	\$ -	\$ 601.81	\$ 1,750.72	\$ 1,213.05
153	\$ 54.71	21	\$ 1,148.91	11	\$ -	\$ 601.81	\$ 1,750.72	\$ 1,210.12
154	\$ 54.71	21	\$ 1,148.91	12	\$ 3,750.00	\$ 656.52	\$ 5,555.43	\$ 3,830.74
155	\$ 54.71	21	\$ 1,148.91	12	\$ -	\$ 656.52	\$ 1,805.43	\$ 1,241.93
156	\$ 54.71	21	\$ 1,148.91	12	\$ -	\$ 656.52	\$ 1,805.43	\$ 1,238.94
157	\$ 54.71	21	\$ 1,148.91	12	\$ -	\$ 656.52	\$ 1,805.43	\$ 1,235.95
158	\$ 54.71	21	\$ 1,148.91	12	\$ -	\$ 656.52	\$ 1,805.43	\$ 1,232.97
159	\$ 54.71	21	\$ 1,148.91	12	\$ -	\$ 656.52	\$ 1,805.43	\$ 1,230.00
160	\$ 54.71	21	\$ 1,148.91	12	\$ -	\$ 656.52	\$ 1,805.43	\$ 1,227.03
161	\$ 54.71	21	\$ 1,148.91	12	\$ -	\$ 656.52	\$ 1,805.43	\$ 1,224.07
162	\$ 54.71	21	\$ 1,148.91	12	\$ -	\$ 656.52	\$ 1,805.43	\$ 1,221.12
163	\$ 54.71	21	\$ 1,148.91	12	\$ -	\$ 656.52	\$ 1,805.43	\$ 1,218.18
164	\$ 54.71	21	\$ 1,148.91	12	\$ -	\$ 656.52	\$ 1,805.43	\$ 1,215.24
165	\$ 54.71	21	\$ 1,148.91	12	\$ -	\$ 656.52	\$ 1,805.43	\$ 1,212.31
166	\$ 54.71	21	\$ 1,148.91	12	\$ -	\$ 656.52	\$ 1,805.43	\$ 1,209.39
167	\$ 54.71	21	\$ 1,148.91	13	\$ 3,750.00	\$ 711.23	\$ 5,610.14	\$ 3,748.96
168	\$ 54.71	21	\$ 1,148.91	13	\$ -	\$ 711.23	\$ 1,860.14	\$ 1,240.04
169	\$ 54.71	21	\$ 1,148.91	13	\$ -	\$ 711.23	\$ 1,860.14	\$ 1,237.05
170	\$ 54.71	21	\$ 1,148.91	13	\$ -	\$ 711.23	\$ 1,860.14	\$ 1,234.07
171	\$ 54.71	21	\$ 1,148.91	13	\$ -	\$ 711.23	\$ 1,860.14	\$ 1,231.09
172	\$ 54.71	21	\$ 1,148.91	13	\$ -	\$ 711.23	\$ 1,860.14	\$ 1,228.12
173	\$ 54.71	21	\$ 1,148.91	13	\$ -	\$ 711.23	\$ 1,860.14	\$ 1,225.16
174	\$ 54.71	21	\$ 1,148.91	13	\$ -	\$ 711.23	\$ 1,860.14	\$ 1,222.21
175	\$ 54.71	21	\$ 1,148.91	13	\$ -	\$ 711.23	\$ 1,860.14	\$ 1,219.26
176	\$ 54.71	21	\$ 1,148.91	13	\$ -	\$ 711.23	\$ 1,860.14	\$ 1,216.32
177	\$ 54.71	21	\$ 1,148.91	13	\$ -	\$ 711.23	\$ 1,860.14	\$ 1,213.39
178	\$ 54.71	21	\$ 1,148.91	13	\$ -	\$ 711.23	\$ 1,860.14	\$ 1,210.46
179	\$ 54.71	21	\$ 1,148.91	13	\$ -	\$ 711.23	\$ 1,860.14	\$ 1,207.55
180	\$ 54.71	21	\$ 1,148.91	14	\$ 3,750.00	\$ 765.94	\$ 5,664.85	\$ 3,668.58
181	\$ 54.71	21	\$ 1,148.91	14	\$ -	\$ 765.94	\$ 1,914.85	\$ 1,237.08
182	\$ 54.71	21	\$ 1,148.91	14	\$ -	\$ 765.94	\$ 1,914.85	\$ 1,234.09
183	\$ 54.71	21	\$ 1,148.91	14	\$ -	\$ 765.94	\$ 1,914.85	\$ 1,231.12
184	\$ 54.71	21	\$ 1,148.91	14	\$ -	\$ 765.94	\$ 1,914.85	\$ 1,228.15
185	\$ 54.71	21	\$ 1,148.91	14	\$ -	\$ 765.94	\$ 1,914.85	\$ 1,225.19
186	\$ 54.71	21	\$ 1,148.91	14	\$ -	\$ 765.94	\$ 1,914.85	\$ 1,222.24
187	\$ 54.71	21	\$ 1,148.91	14	\$ -	\$ 765.94	\$ 1,914.85	\$ 1,219.29
188	\$ 54.71	21	\$ 1,148.91	14	\$ -	\$ 765.94	\$ 1,914.85	\$ 1,216.35
189	\$ 54.71	21	\$ 1,148.91	14	\$ -	\$ 765.94	\$ 1,914.85	\$ 1,213.42
190	\$ 54.71	21	\$ 1,148.91	14	\$ -	\$ 765.94	\$ 1,914.85	\$ 1,210.49
191	\$ 54.71	21	\$ 1,148.91	14	\$ -	\$ 765.94	\$ 1,914.85	\$ 1,207.57
192	\$ 54.71	21	\$ 1,148.91	14	\$ -	\$ 765.94	\$ 1,914.85	\$ 1,204.66
193	\$ 54.71	21	\$ 1,148.91	14	\$ -	\$ 765.94	\$ 1,914.85	\$ 1,201.76

Month	Avg O&M per bill	lost conn	from lost conn	growth	tap fees	lost from growth	tot lost revenues	NPV
194	\$ 54.71	21	\$ 1,148.91	15	\$ 3,750.00	\$ 820.65	\$ 5,719.56	\$ 3,580.94
195	\$ 54.71	21	\$ 1,148.91	15	\$ -	\$ 820.65	\$ 1,969.56	\$ 1,230.14
196	\$ 54.71	21	\$ 1,148.91	15	\$ -	\$ 820.65	\$ 1,969.56	\$ 1,227.18
197	\$ 54.71	21	\$ 1,148.91	15	\$ -	\$ 820.65	\$ 1,969.56	\$ 1,224.22
198	\$ 54.71	21	\$ 1,148.91	15	\$ -	\$ 820.65	\$ 1,969.56	\$ 1,221.27
199	\$ 54.71	21	\$ 1,148.91	15	\$ -	\$ 820.65	\$ 1,969.56	\$ 1,218.32
200	\$ 54.71	21	\$ 1,148.91	15	\$ -	\$ 820.65	\$ 1,969.56	\$ 1,215.38
201	\$ 54.71	21	\$ 1,148.91	15	\$ -	\$ 820.65	\$ 1,969.56	\$ 1,212.45
202	\$ 54.71	21	\$ 1,148.91	15	\$ -	\$ 820.65	\$ 1,969.56	\$ 1,209.53
203	\$ 54.71	21	\$ 1,148.91	15	\$ -	\$ 820.65	\$ 1,969.56	\$ 1,206.61
204	\$ 54.71	21	\$ 1,148.91	15	\$ -	\$ 820.65	\$ 1,969.56	\$ 1,203.71
205	\$ 54.71	21	\$ 1,148.91	15	\$ -	\$ 820.65	\$ 1,969.56	\$ 1,200.80
206	\$ 54.71	21	\$ 1,148.91	15	\$ -	\$ 820.65	\$ 1,969.56	\$ 1,197.91
207	\$ 54.71	21	\$ 1,148.91	16	\$ 3,750.00	\$ 875.36	\$ 5,774.27	\$ 3,503.51
208	\$ 54.71	21	\$ 1,148.91	16	\$ -	\$ 875.36	\$ 2,024.27	\$ 1,225.25
209	\$ 54.71	21	\$ 1,148.91	16	\$ -	\$ 875.36	\$ 2,024.27	\$ 1,222.30
210	\$ 54.71	21	\$ 1,148.91	16	\$ -	\$ 875.36	\$ 2,024.27	\$ 1,219.35
211	\$ 54.71	21	\$ 1,148.91	16	\$ -	\$ 875.36	\$ 2,024.27	\$ 1,216.41
212	\$ 54.71	21	\$ 1,148.91	16	\$ -	\$ 875.36	\$ 2,024.27	\$ 1,213.48
213	\$ 54.71	21	\$ 1,148.91	16	\$ -	\$ 875.36	\$ 2,024.27	\$ 1,210.56
214	\$ 54.71	21	\$ 1,148.91	16	\$ -	\$ 875.36	\$ 2,024.27	\$ 1,207.64
215	\$ 54.71	21	\$ 1,148.91	16	\$ -	\$ 875.36	\$ 2,024.27	\$ 1,204.73
216	\$ 54.71	21	\$ 1,148.91	16	\$ -	\$ 875.36	\$ 2,024.27	\$ 1,201.82
217	\$ 54.71	21	\$ 1,148.91	16	\$ -	\$ 875.36	\$ 2,024.27	\$ 1,198.92
218	\$ 54.71	21	\$ 1,148.91	16	\$ -	\$ 875.36	\$ 2,024.27	\$ 1,196.03
219	\$ 54.71	21	\$ 1,148.91	16	\$ -	\$ 875.36	\$ 2,024.27	\$ 1,193.15
220	\$ 54.71	21	\$ 1,148.91	17	\$ 3,750.00	\$ 930.07	\$ 5,828.98	\$ 3,427.45
221	\$ 54.71	21	\$ 1,148.91	17	\$ -	\$ 930.07	\$ 2,078.98	\$ 1,219.50
222	\$ 54.71	21	\$ 1,148.91	17	\$ -	\$ 930.07	\$ 2,078.98	\$ 1,216.56
223	\$ 54.71	21	\$ 1,148.91	17	\$ -	\$ 930.07	\$ 2,078.98	\$ 1,213.62
224	\$ 54.71	21	\$ 1,148.91	17	\$ -	\$ 930.07	\$ 2,078.98	\$ 1,210.70
							\$ 424,671.87	\$ 320,383.32
							Total	NPV

**ATTACHMENT I**

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COMPARABLE CCN TRANSFERS WITH CREEDMOOR MAHA WSC

Feb 2007	Goodnight Ranch	400 ac	per ac	\$	714
May 2007	Legends Way	114 ac	per ac	\$	714
Dec 2006	Onion Associates Ltd	215 ac	per ac	\$	714
June 2006	LCRA, Sunfield MUD	1800 ac	per ac	\$	714
Jan 2007	Heep et al	2166 ac	per ac	\$	714
June 2009	South IH 35 Investors	58 ac	per ac	\$	1,200
April 2008 ***	SWWC	2,500 ac	per ac	\$	1,200
*** if completed			average	\$	853
	acreage of tract	percent disc	1970 ac x = total	\$	1,680,129

deduct estimated water source replacement costs \$1,481,419

difference \$198,710

LEDGENDS WAY

## **AGREEMENT FOR RELEASE OF CERTIFICATED RETAIL PUBLIC WATER UTILITY SERVICE AREA**

This Agreement is entered between Creedmoor-Maha Water Supply Corporation (WSC), a state-certificated non-profit water supply corporation incorporated under Texas Water Code Chapter 67, and LOC 261, LLC, a Texas limited liability company (Developer), a real property developer owning or contracting to own land within WSC's state-certificated service area. This Agreement is made to facilitate the orderly release of Developer's property from WSC's certificated service area, designated by the Texas Commission on Environmental Quality (TCEQ) as certificate of convenience and necessity (CCN) No. 11029, so that said property can receive alternative utility service from the City of Austin (Austin) or other state-approved service provider of Developer's choice.

WHEREAS, WSC has been issued CCN No. 11029 by the TCEQ to provide retail public water utility service in southeastern Travis County and portions of three adjacent counties.

WHEREAS, WSC's CCN provides WSC with an exclusive right to provide retail public water utility service within its geographic boundaries as depicted on the TCEQ's master certification maps.

WHEREAS, WSC has pledged its CCN and all present and future service rights arising thereunder as security to its creditors, including the USDA Rural Development pursuant to 7 USC §1926.

WHEREAS, Austin owns and operates retail public water and sewer utility systems in proximity to WSC's northern most certificated service area in Southeast Travis County that the parties reasonably believe can be extended to Developer's property.

WHEREAS, Developer owns, or has under contract to own, real property within WSC's certificated service area in excess of 50 acres outside of a platted subdivision, which property consists of 114.8 acres in the Santiago Del Valle Survey of Travis County, Texas and is depicted by both plat and legal description on Exhibit "A" to this Agreement.

WHEREAS, Developer's property is entirely located within the corporate limits of the City of Austin and is subject to Austin's development codes and water service requirements.

WHEREAS, WSC's water system design standards and available water service options are different from Austin's.

WHEREAS, Developer desires to have its property released from WSC's service area so that it may receive retail public water utility service from Austin or other state-approved service provider of Developer's choice in a manner that is compatible with all development codes and water service requirements applicable to said property.

WHEREAS, to induce WSC to release Developer's property from its CCN and obtain a release of USDA Rural Development's CCN lien, WSC requires Developer to pay consideration which WSC may use to fund water system service capacities for its remaining service area and/or service existing debt.

WHEREAS, any release and/or transfer of WSC's certificated service area is contingent upon TCEQ and USDA Rural Development approval.

WHEREAS, the release of Developer's property depicted on Exhibit "A" hereto will benefit said property now and in the future regardless of who owns the property because it will enable the landowner to obtain water retail public water utility service from Austin or other state-approved service provider of Developer's choice, under Austin's or said alternate provider's prescribed rates and terms of service.

WHEREAS, WSC's release of its exclusive service rights for monetary consideration is deemed by all parties to be Developer's purchase of a marketable property interest affecting the encumbered land currently held by a third party - WSC.

WHEREAS, the benefits, duties and obligations arising hereunder shall attach to and run with the affected land depicted on Exhibit "A."

*In compensation for the consideration and promises exchanged herein, the parties agree and bind themselves and their assigns and successors in interest to the following:*

1. Subject to the contingencies and governmental approvals cited herein, WSC agrees to voluntarily release Developer's property depicted on Exhibit "A" by decertification to facilitate water service by Austin pursuant to the Service Plan attached to Austin's Ordinance No. 031106-35, which annexes the Developer's property.

2. Developer shall pay WSC the sum of \$82,000,00 calculated at a rate of \$714.00 per acre for Developer's gross acreage to be released from WSC's CCN No. 11029 and transferred to Austin or decertificated to allow service from another state-approved service provider of Developer's choice for the benefit of Developer or Developer's assignee or successor in interest.

3. In order to obtain WSC's covenant to release its CCN for this consideration, Developer must execute WSC's standard *AGREEMENT FOR RELEASE OF CERTIFICATED RETAIL PUBLIC WATER UTILITY SERVICE AREA*, subject to subsequent WSC's Board approval, on or before June 29, 2007.

4. If Developer executes a standard *AGREEMENT FOR RELEASE OF CERTIFICATED RETAIL PUBLIC WATER UTILITY SERVICE AREA* in accordance with this Agreement Developer shall pay the release consideration identified in Paragraph 2 at the time of execution of this Agreement by WSC.

5. If Developer elects to initiate the TCEQ and USDA Rural Development approval processes as quickly as possible, Developer shall pay the release consideration in full at the time of execution of this Agreement. This payment shall be escrowed and released for WSC's use in the manner described below. Upon payment and execution of this Agreement, Developer and WSC shall cooperatively prepare the necessary applications for TCEQ and USDA Rural Development approval and shall file the same at the earliest practical date.

6. If Developer executes a standard *AGREEMENT FOR RELEASE OF CERTIFICATED RETAIL PUBLIC WATER UTILITY SERVICE AREA* agreement and elects to delay the initiation of the TCEQ and USDA Rural Development approval processes, Developer shall not be required to pay the release consideration at the time of election. Developer shall pay the release consideration at such future date when Developer elects to initiate TCEQ and USDA Rural Development approval processes. Receipt of this release consideration payment shall initiate the approval processes and the funds shall be escrowed in the manner described in Paragraph 5. There shall be no deadline or limit on when Developer may make such election and still benefit from the terms of this Agreement. However, Developer may not commit, directly or indirectly, any act or omission for the TCEQ approval and commencement of construction of any water utility distribution facilities by Developer or any state-approved water utility service provider until the release consideration is paid and the TCEQ and USDA Rural Development approval processes initiated.

7. WSC shall escrow payments of the release consideration in an FDIC insured account at a bank of WSC's choice upon receipt from Developer. The release consideration funds shall remain in said escrow account until receipt of

the latter of: (a) approval of the CCN release by the TCEQ or (b) approval of the release of its lien against the CCN by USDA Rural Development. Approval by the TCEQ shall be deemed to occur upon the earlier of: (a) receipt of the TCEQ's Executive Director's notice of waiver of a contested hearing and authorization to proceed with the transaction or (b) receipt of a final appealable TCEQ order transferring or decertifying the property in question from WSC's CCN. If either governmental approval is denied or if Developer elects to withdraw from this Agreement before both approvals are received, the escrowed funds shall be returned to Developer less bank escrow fees. If Developer does not elect to withdraw and both approvals are received, WSC shall be entitled to the release of the escrowed funds upon presentation to the bank's designated escrow agent, with notice to Developer, of copies of the approval documents. Upon their release from escrow, WSC shall be entitled to use the funds without further obligation to or oversight by Developer.

8. Developer's obligations arising hereunder shall attach to Developer's assignees or successors in interest. WSC may exercise any rights it may have at law and in equity to enforce the same including, but not limited to, injunctive relief or specific performance.

9. Developer agrees that Developer or Developer's assignees or successors in interest shall not be entitled to retail public water utility service to its property depicted on Exhibit "A" by Austin or other state-approved purveyor until WSC has been paid in full and the necessary governmental approvals obtained.

10. Any notice required or permitted to be delivered under this Agreement shall be forwarded via hand-delivery or the United States Postal Service, postage prepaid, to the addresses shown below:

WSC:

Creedmoor-Maha Water Supply Corporation  
1699 Laws Road  
Buda, Texas 78610  
Attn: General Manager

DEVELOPER:

LOC 261, LLC, a Texas limited liability company  
6836 Bee Cave Road, #224  
Austin, TX 78746  
Attn: Jay Symcox, Manager

The parties shall have the right at any time to change their respective addresses by giving written notice of same to the other party.

11. WSC shall cooperate with Developer at all times to promote the efficient performance of the utility services property depicted on Exhibit "A" under the terms of this Agreement. WS shall be responsible, at Developer's expense, for the preparing, filing and prosecuting to a successful conclusion the required applications for TCEQ and USDA Rural Development approvals. If Developer fails to pay these administrative process costs at any time for any reason, WSC may elect as a possible remedy without prejudice to other remedies to withdraw the applications without further obligation or commitment to Developer. If WSC withdraws the applications, the escrowed release funds shall be returned to Developer less Bank escrow fees.

12. The provisions of this Agreement are severable. If any part of this Agreement or the application thereof to any person or circumstances shall ever be held by any court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this Agreement and the application of such part of this Agreement to other persons or circumstances shall not be affected and this Agreement shall be construed as if such invalid or unconstitutional portion had never been contained.

13. This Agreement constitutes the entire agreement between the parties relative to the subject matter of this Agreement and supersedes all prior or contemporaneous agreements, representations, covenants, or warranties, whether oral or in writing, respecting the subject matter hereof.

14. No amendment of this Agreement shall be effective unless executed in writing by authorized representatives of WSC and Developer. It is WSC's intent that this Agreement and companion agreements with similarly affected landowner/developers treat all such persons equally and equitably. Therefore, no amendment will be allowed that provides a material benefit to any developer unless all affected developers receive the same or comparable benefit.

15. This Agreement shall be construed under and in accordance with the laws of the State of Texas and all obligations of the parties are expressly deemed performable in Travis County, Texas. Venue for any civil suit arising under this Agreement shall be in Travis County, Texas. Venue for any administrative law action arising under this Agreement shall be vested in the TCEQ.

16. No party may assign its rights and obligations hereunder without the prior written consent of the other. There are no third party beneficiaries of this Agreement and none are intended.

17. This Agreement may be executed in multiple originals, each of equal dignity.

18. This Agreement may be filed in the Real Property Records of Travis County, Texas as evidence of a lawful debt and encumbrance against the property.

This Agreement shall be effective upon the last date of execution by the authorized representatives of the parties.

WSC:

BY: \_\_\_\_\_  
W. P. Stromberg, President

Date: \_\_\_\_\_

DEVELOPER:  
LOC 261, LLC, a Texas limited liability company

BY: Jay Symcox  
Jay Symcox, owner and manager

Date: 5/22/07

ATTESTATIONS

STATE OF TEXAS

§  
§  
§

COUNTY OF TRAVIS

SWORN AND SUBSCRIBED TO UNDER OATH by W. P. Stromberg, who did state that he was the President of the Creedmoor-Maha Water Supply Corporation, and that he was authorized to and did execute the foregoing Agreement For Release Of Certificated Retail Public Water Utility Service Area for the purposes and considerations recited therein on \_\_\_\_\_, 2006.

SEAL

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

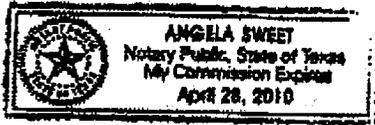
Name: \_\_\_\_\_

Commission expires: \_\_\_\_\_

STATE OF TEXAS §  
COUNTY OF TRAVIS §

SWORN AND SUBSCRIBED TO UNDER OATH by Jay Symcox, who did state that he was the owner of LOC 21a, LLC, and that he was authorized to and did execute the foregoing Agreement For Release Of Certificated Retail Public Water Utility Service Area for the purposes and considerations recited therein on May 22, 2008.

SEAL



Angela Sweet  
Notary Public in and for the State of Texas

Name: Angela Sweet

Commission expires: April 28, 2010

STATE OF TEXAS §  
COUNTY OF \_\_\_\_\_ §

SWORN AND SUBSCRIBED TO UNDER OATH by \_\_\_\_\_, who did state that he was the \_\_\_\_\_ of \_\_\_\_\_, the holder of fee title to the real property that is the subject of this Agreement and that he was authorized to and did execute the foregoing Agreement For Release Of Certificated Retail Public Water Utility Service Area for the purposes and considerations recited therein on \_\_\_\_\_, 2008.

SEAL

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

Name: \_\_\_\_\_

Commission expires: \_\_\_\_\_

**AGREEMENT FOR RELEASE OF CERTIFICATED RETAIL  
PUBLIC WATER UTILITY SERVICE AREA**

**EXHIBIT "A"**

**[Due to the requirements of TCEQ Rule 291.106(b), the required legal description must be in the form of:**

- (A) metes and bounds survey certified by a licensed state land surveyor or a registered professional land surveyor;**
- (B) the Texas State Plane Coordinate System or any standard map projection and corresponding metadata;**
- (C) verifiable landmarks, including a road, creek, or railroad line; or**
- (D) a copy of the recorded plat of the area, if it exists, with lot and block number.**

**Developer shall provide all maps and legal descriptions required by the TCEQ or USDA Rural Development. Said maps shall be incorporated into Exhibit "A" for reference and copies shall be physically attached when the TCEQ approval application is prepared.]**

## AGREEMENT FOR RELEASE OF CERTIFICATED RETAIL PUBLIC WATER UTILITY SERVICE AREA

This Agreement is entered between Creedmoor-Maha Water Supply Corporation (WSC), a state-certificated non-profit water supply corporation incorporated under Texas Water Code Chapter 67, and Onion Associates, Ltd. (Developer), a real property developer owning or contracting to own land within WSC's state-certificated service area. If Developer does not hold fee title to his affected property, the fee titleholder shall also be a party to this Agreement, in which case Onion Associates, Ltd. and the fee titleholder shall together hereinafter be referred to as "Developer." This Agreement is made to facilitate the orderly release of Developer's property from WSC's certificated service area, designated by the Texas Commission on Environmental Quality (TCEQ) as certificate of convenience and necessity (CCN) No. 11029, so that said property can receive alternative utility service from the City of Austin (Austin) or other state-approved service provider of Developer's choice.

WHEREAS, WSC has been issued CCN No. 11029 by the TCEQ to provide retail public water utility service in southeastern Travis County and portions of three adjacent counties.

WHEREAS, WSC's CCN provides WSC with an exclusive right to provide retail public water utility service within its geographic boundaries as depicted on the TCEQ's master certification maps.

WHEREAS, WSC has pledged its CCN and all present and future service rights arising thereunder as security to the its creditors, including the USDA Rural Development pursuant to 7 USC §1926.

WHEREAS, Austin owns and operates retail public water and sewer utility systems in proximity to WSC's northern most certificated service area in Southeast Travis County that the parties reasonably believe can be extended to Developer's property.

WHEREAS, Developer owns, or has under contract to own, real property within WSC's certificated service area in excess of 50 acres outside of a platted subdivision, which property consists of 215.592 acres and is depicted by both plat and legal description on Exhibit "A" to this Agreement.

WHEREAS, Developer's property is located within Austin's extraterritorial jurisdiction (ETJ), in whole or in part, and will be subject, in whole or in part, to Austin's development codes and water service requirements.

WHEREAS, WSC's water system design standards and available water service options are different from Austin's.

WHEREAS, Developer desires to have his property released from WSC's service area so that he may receive retail public water utility service from Austin or other state-approved service provider of Developer's choice in a manner that is compatible with all development codes and water service requirements applicable to said property.

WHEREAS, to induce WSC to release Developer's property from its CCN and obtain a release of USDA Rural Development's CCN lien, WSC requires Developer to pay consideration which WSC may use to fund water system service capacities for its remaining service area and/or service existing debt.

WHEREAS, any release and/or transfer of WSC's certificated service area is contingent upon TCEQ and USDA Rural Development approval.

WHEREAS, the release of Developer's property depicted on Exhibit "A" hereto will benefit said property now and in the future regardless of who owns the property because it will enable the landowner to obtain retail public water utility service from Austin or other state-approved service provider of Developer's choice, under Austin's or said alternate provider's prescribed rates and terms of service.

WHEREAS, WSC's release of its exclusive service rights for monetary consideration is deemed by all parties to be Developer's purchase of a marketable property interest affecting the encumbered land currently held by a third party – WSC.

WHEREAS, the benefits, duties and obligations arising hereunder shall attach to and run with the affected land depicted on Exhibit "A."

*In compensation for the consideration and promises exchanged herein, the parties agree and bind themselves and their assigns and successors in interest to the following:*

1. Subject to the contingencies and governmental approvals cited herein, WSC agrees to voluntarily release Developer's property depicted on Exhibit "A"

by transfer to Austin or decertification to facilitate water service by another state-approved service provider of Developer's choice.

2. Developer shall pay WSC the sum of \$ 153,932.68, calculated at a rate of \$714.00 per acre for Developer's gross acreage to be released from WSC's CCN No. 11029 and transferred to Austin or decertificated to allow service from another state-approved service provider of Developer's choice for the benefit of Developer or Developer's assignee or successor in interest. This CCN Release Consideration Fee of \$714 per acre covers any and all partial release and or loan related expenses required to be paid related to any WSC debt, specifically but not limited to the USDA Rural Development debt wherein Developer's property depicted in Exhibit A, may be encumbered.

3. In order to obtain WSC's covenant to release its CCN for this consideration, Developer must execute WSC' standard **AGREEMENT FOR RELEASE OF CERTIFICATED RETAIL PUBLIC WATER UTILITY SERVICE AREA**, subject to subsequent WSC's Board approval, on or before February 1, 2007. After February 1, 2007, as the owner of property inside Austin's ETJ, in whole or in part, Developer may request WSC to release its property but WSC shall have no obligation to agree to such release. The terms of this Agreement will not apply to a request for release received on or after February 2, 2007.

4. If Developer executes a standard **AGREEMENT FOR RELEASE OF CERTIFICATED RETAIL PUBLIC WATER UTILITY SERVICE AREA** agreement on or before February 1, 2007, Developer shall have the option of paying the release consideration identified in Paragraph 2 at the time of execution or delaying payment until such future date when Developer desires to initiate the TCEQ and USDA Rural Development approval processes.

5. If Developer elects to initiate the TCEQ and USDA Rural Development approval processes as quickly as possible, Developer shall pay the release consideration in full at the time of execution of this Agreement. This payment shall be escrowed and released for WSC's use in the manner described below. Upon payment and execution of this Agreement, Developer and WSC shall cooperatively prepare the necessary applications for TCEQ and USDA Rural Development approval and shall file the same at the earliest practical date.

6. If Developer executes a standard **AGREEMENT FOR RELEASE OF CERTIFICATED RETAIL PUBLIC WATER UTILITY SERVICE AREA** agreement and elects to delay the initiation of the TCEQ and USDA Rural Development approval processes, Developer shall not be required to pay the release consideration at the time of election. Developer shall pay the release consideration at such future date when Developer elects to initiate TCEQ and USDA Rural Development approval processes. Receipt of this release

consideration payment shall initiate the approval processes and the funds shall be escrowed in the manner described in Paragraph 5. There shall be no deadline or limit on when Developer may make such election and still benefit from the terms of this Agreement. However, Developer may not commit, directly or indirectly, any act or omission for the TCEQ approval and commencement of construction of any water utility distribution facilities by Developer or any state-approved water utility service provider until the release consideration is paid and the TCEQ and USDA Rural Develop approval processes initiated.

7. WSC shall escrow payments of the release consideration in an FDIC insured account at a bank of WSC's choice upon receipt from Developer. The release consideration funds shall remain in said escrow account until receipt of the latter of: (a) approval of the CCN release by the TCEQ or (b) approval of the release of its lien against the CCN by USDA Rural Development. Approval by the TCEQ shall be deemed to occur upon the earlier of: (a) receipt of the TCEQ's Executive Director's notice of waiver of a contested hearing and authorization to proceed with the transaction or (b) receipt of a final appealable TCEQ order transferring or decertifying the property in question from WSC's CCN. If either governmental approval is denied or if Developer elects to withdraw from this Agreement before both approvals are received, the escrowed funds shall be returned to Developer less bank escrow fees. If Developer does not elect to withdraw and both approvals are received, WSC shall be entitled to the release of the escrowed funds upon presentation to the bank's designated escrow agent, with notice to Developer, of copies of the approval documents. Upon their release from escrow, WSC shall be entitled to use the funds without further obligation to or oversight by Developer.

8. Developer's obligations arising hereunder shall bind Developer's assignees or successors in interest. WSC may exercise any rights it may have at law and in equity to enforce the same including, but not limited to, injunctive relief or specific performance.

9. Developer agrees that Developer or Developer's assignees or successors in interest shall not be entitled to retail public water utility service to his property depicted on Exhibit "A" by Austin or other state-approved purveyor until WSC has been paid in full and the necessary governmental approvals obtained.

10. Any notice required or permitted to be delivered under this Agreement shall be forwarded via hand-delivery or the United States Postal Service, postage prepaid, to the addresses shown below:

**WSC:**  
Creedmoor-Maha Water Supply Corporation  
1699 Laws Road  
Buda, Texas 78610  
Attn: General Manager

**DEVELOPER:**  
Onion Associates, Ltd.  
Attention: Bruce T. Morrison  
Attorney at Law  
4131 Spicewood Springs Road  
Suite H-1  
Austin, Texas 78759

The parties shall have the right at any time to change their respective addresses by giving written notice of same to the other party.

11. WSC shall cooperate with Developer at all times to promote the efficient performance of the utility services property depicted on Exhibit "A" under the terms of this Agreement. WSC shall be responsible, at Developer's expense, for the preparing, filing and prosecuting to a successful conclusion the required applications for TCEQ and USDA Rural Development approvals. If Developer fails to pay these administrative process costs at any time for any reason, WSC may elect as a possible remedy without prejudice to other remedies to withdraw the applications without further obligation or commitment to Developer. If WSC withdraws the applications, the escrowed release funds shall be returned to Developer less Bank escrow fees.

12. This Agreement constitutes the entire agreement between the parties relative to the subject matter of this Agreement and supersedes all prior or contemporaneous agreements, representations, covenants, or warranties, whether oral or in writing, respecting the subject matter hereof.

13. No amendment of this Agreement shall be effective unless executed in writing by authorized representatives of WSC and Developer. It is WSC's intent that this Agreement and companion agreements with similarly affected landowner/developers treat all such persons equally and equitably. Therefore, no amendment will be allowed that provides a material benefit to any developer unless all affected developers receive the same or comparable benefit.

14. This Agreement shall be construed under and in accordance with the laws of the State of Texas and all obligations of the parties are expressly deemed

performable in Travis County, Texas. Venue for any civil suit arising under this Agreement shall be in Travis County, Texas. Venue for any administrative law action arising under this Agreement shall be vested in the TCEQ.

15. No party may assign its rights and obligations hereunder without the prior written consent of the other. There are no third party beneficiaries of this Agreement and none are intended.

16. This Agreement may be executed in multiple originals, each of equal dignity.

17. This Agreement may be filed in the Real Property Records of Travis County, Texas as evidence of a lawful debt and encumbrance against the property.

This Agreement shall be effective upon the last date of execution by the authorized representatives of the parties.

WSC:

BY: Earl Burkland  
W.P. Stromberg, President  
Earl Burkland, Vice President  
Date: 12/19/06

DEVELOPER:

ONION ASSOCIATES, LTD., a Texas limited partnership

BY: ONION ASGP, INC., a Texas corporation,  
Its General Partner

By: Bruce T. Morrison  
Bruce T. Morrison, President

Date: Dec. 12, 2006

ATTESTATIONS

STATE OF TEXAS       §  
                                  §  
COUNTY OF TRAVIS   §

SWORN AND SUBSCRIBED TO UNDER OATH by W. P. Stromberg, who did state that he was the President of the Creedmoor-Maha Water Supply Corporation, and that he was authorized to and did execute the foregoing *Agreement For Release Of Certificated Retail Public Water Utility Service Area* for the purposes and considerations recited therein on 12/19/06, 2006.

SEAL



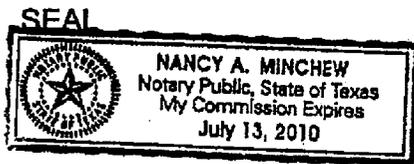
Martha A. Kyser  
Notary Public in and for the State of Texas

Name: Martha A. Kyser

Commission expires: 3/12/2010

STATE OF TEXAS       §  
                                  §  
COUNTY OF TRAVIS   §

SWORN AND SUBSCRIBED TO UNDER OATH by Bruce T. Morrison, who did state that he was the President of ONION ASGP, INC., a Texas corporation, the General Partner of ONION ASSOCIATES, LTD., a Texas limited partnership, and that he was authorized to and did execute the foregoing *Agreement For Release Of Certificated Retail Public Water Utility Service Area* for the purposes and considerations recited therein, on behalf of said corporation and partnership on DECEMBER 12, 2006.



Nancy A. Minchew  
Notary Public in and for the State of Texas  
Name: NANCY A. MINCHEW  
Commission expires: 7-13-2010

STATE OF TEXAS       §  
                                  §  
COUNTY OF \_\_\_\_\_ §

SWORN AND SUBSCRIBED TO UNDER OATH by \_\_\_\_\_, who did state that he was the \_\_\_\_\_ of \_\_\_\_\_, the holder of fee title to the real property that is the subject of this Agreement and that he was authorized to and did execute the foregoing *Agreement For Release Of Certificated Retail Public Water Utility Service Area* for the purposes and considerations recited therein on \_\_\_\_\_, 2006.

SEAL

\_\_\_\_\_  
Notary Public in and for the State of Texas  
Name: \_\_\_\_\_  
Commission expires: \_\_\_\_\_

# AGREEMENT FOR RELEASE OF CERTIFICATED RETAIL PUBLIC WATER UTILITY SERVICE AREA

## EXHIBIT "A"

[Due to the requirements of TCEQ Rule 291.106(b), the required legal description must be in the form of:

- (A) metes and bounds survey certified by a licensed state land surveyor or a registered professional land surveyor;
- (B) the Texas State Plane Coordinate System or any standard map projection and corresponding metadata;
- (C) verifiable landmarks, including a road, creek, or railroad line; or
- (D) a copy of the recorded plat of the area, if it exists, with lot and block number.

Developer shall provide all maps and legal descriptions required by the TCEQ or USDA Rural Development. Said maps shall be incorporated into Exhibit "A" by reference and copies shall be physically attached when the TCEQ approval application is prepared.]

## AGREEMENT FOR RELEASE OF CERTIFICATED RETAIL PUBLIC WATER UTILITY SERVICE AREA

This Agreement is entered between Creedmoor-Maha Water Supply Corporation (WSC), a state-certificated non-profit water supply corporation incorporated under Texas Water Code Chapter 67, and Heep Ranch Properties, Ltd. acting by and through its General Partner Heep Ranch Properties, L.L.C. (Developer), a real property developer owning or contracting to own land within WSC's state-certificated service area. If Developer does not hold fee title to his affected property, the fee titleholder shall also be a party to this Agreement, in which case (Not Applicable) and the fee titleholder shall together hereinafter be referred to as "Developer." This Agreement is made to facilitate the orderly release of Developer's property from WSC's certificated service area, designated by the Texas Commission on Environmental Quality (TCEQ) as certificate of convenience and necessity (CCN) No. 11029, so that said property can receive alternative utility service from the City of Austin (Austin) or other state-approved service provider of Developer's choice.

WHEREAS, WSC has been issued CCN No. 11029 by the TCEQ to provide retail public water utility service in southeastern Travis County and portions of three adjacent counties.

WHEREAS, WSC's CCN provides WSC with an exclusive right to provide retail public water utility service within its geographic boundaries as depicted on the TCEQ's master certification maps.

WHEREAS, WSC has pledged its CCN and all present and future service rights arising thereunder as security to the its creditors, including the USDA Rural Development pursuant to 7 USC §1926.

WHEREAS, Austin owns and operates retail public water and sewer utility systems in proximity to WSC's northern most certificated service area in Southeast Travis County that the parties reasonably believe can be extended to Developer's property.

WHEREAS, Developer owns real property within WSC's certificated service area in excess of 50 acres outside of a platted subdivision, which property consists of approximately 2200 acres and is depicted by both plat and legal description on Exhibit "A" to this Agreement.

WHEREAS, Developer's property is located within Austin's extraterritorial jurisdiction (ETJ), in whole or in part, and will be subject, in whole or in part, to Austin's development codes and water service requirements.

WHEREAS, WSC's water system design standards and available water service options are different from Austin's.

WHEREAS, Developer desires to have his property released from WSC's service area so that he may receive retail public water utility service from Austin or other state-approved service provider of Developer's choice in a manner that is compatible with all development codes and water service requirements applicable to said property.

WHEREAS, to induce WSC to release Developer's property from its CCN and obtain a release of USDA Rural Development's CCN lien, WSC requires Developer to pay consideration which WSC may use to fund water system service capacities for its remaining service area and/or service existing debt.

WHEREAS, any release and/or transfer of WSC's certificated service area is contingent upon TCEQ and USDA Rural Development approval.

WHEREAS, the release of Developer's property depicted on Exhibit "A" hereto will benefit said property now and in the future regardless of who owns the property because it will enable the landowner to obtain water retail public water utility service from Austin or other state-approved service provider of Developer's choice, under Austin's or said alternate provider's prescribed rates and terms of service.

WHEREAS, WSC's release of its exclusive service rights for monetary consideration is deemed by all parties to be Developer's purchase of a marketable property interest affecting the encumbered land currently held by a third party – WSC.

WHEREAS, the benefits, duties and obligations arising hereunder shall attach to and run with the affected land depicted on Exhibit "A."

*In compensation for the consideration and promises exchanged herein, the parties agree and bind themselves and their assigns and successors in interest to the following:*

1. Subject to the contingencies and governmental approvals cited herein, WSC agrees to voluntarily release Developer's property depicted on Exhibit "A"

Subject to final approval by WSC Board of Directors

KNA  
Page 2 of 10  
MS

by transfer to Austin or decertification to facilitate water service by another state-approved service provider of Developer's choice.

2. Developer shall pay WSC the sum calculated at a rate of \$714.00 per acre for Developer's gross acreage to be released from WSC's CCN No. 11029 and transferred to Austin or decertificated to allow service from another state-approved service provider of Developer's choice for the benefit of Developer or Developer's assignee or successor in interest. Developer understands that the \$714.00 per acre is only applicable for the first release request and if Developer does not request all of its property be released from WSC's CCN with the first request, the terms for release of the remaining acreage may or may not be the same as is contained in this contract.

3. In order to obtain WSC's covenant to release its CCN for this consideration, Developer must execute WSC' standard **AGREEMENT FOR RELEASE OF CERTIFICATED RETAIL PUBLIC WATER UTILITY SERVICE AREA**, subject to subsequent WSC's Board approval, on or before February 1, 2007. After February 1, 2007, as the owner of property inside Austin's ETJ, in whole or in part, Developer may request WSC to release its property but shall WSC shall have no obligation to agree to such release. The terms of this Agreement will not apply to a request for release received on or after February 2, 2007.

4. If Developer executes a standard **AGREEMENT FOR RELEASE OF CERTIFICATED RETAIL PUBLIC WATER UTILITY SERVICE AREA** agreement on or before February 1, 2007, Developer shall have the option of paying the release consideration identified in Paragraph 2 at the time of execution or delaying payment until such future date when Developer desires to initiate the TCEQ and USDA Rural Development approval processes.

5. If Developer elects to initiate the TCEQ and USDA Rural Development approval processes as quickly as possible, Developer shall pay the release consideration in full at the time of execution of this Agreement. This payment shall be escrowed and released for WSC's use in the manner described below. Upon payment and execution of this Agreement, Developer and WSC shall cooperatively prepare the necessary applications for TCEQ and USDA Rural Develop approval and shall file the same at the earliest practical date.

If Developer executes a standard **AGREEMENT FOR RELEASE OF CERTIFICATED RETAIL PUBLIC WATER UTILITY SERVICE AREA** agreement and elects to delay the initiation of the TCEQ and USDA Rural Develop approval processes, Developer shall not be required to pay the release consideration at the time of election. Developer shall pay the release consideration at such future date when Developer elects to initiate TCEQ and USDA Rural Develop approval

Subject to final approval by WSC Board of Directors

*K. A. U.*  
Page 3 of 10  
*WPL*

processes. Receipt of this release consideration payment shall initiate the approval processes and the funds shall be escrowed in the manner described in Paragraph 5. There shall be no deadline or limit on when Developer may make such election and still benefit from the terms of this Agreement. However, Developer may not commit, directly or indirectly, any act or omission for the TCEQ approval and commencement of construction of any water utility distribution facilities by Developer or any state-approved water utility service provider until the release consideration is paid and the TCEQ and USDA Rural Develop approval processes initiated.

6. WSC shall escrow payments of the release consideration in an FDIC insured account at a bank of WSC's choice upon receipt from Developer. The release consideration funds shall remain in said escrow account until receipt of the latter of: (a) approval of the CCN release by the TCEQ or (b) approval of the release of its lien against the CCN by USDA Rural Development. Approval by the TCEQ shall be deemed to occur upon the earlier of: (a) receipt of the TCEQ's Executive Director's notice of waiver of a contested hearing and authorization to proceed with the transaction or (b) receipt of a final appealable TCEQ order transferring or decertifying the property in question from WSC's CCN. If either governmental approval is denied or if Developer elects to withdraw from this Agreement before both approvals are received, the escrowed funds shall be returned to Developer less bank escrow fees. If Developer does not elect to withdraw and both approvals are received, WSC shall be entitled to the release of the escrowed funds upon presentation to the bank's designated escrow agent, with notice to Developer, of copies of the approval documents. Upon their release from escrow, WSC shall be entitled to use the funds without further obligation to or oversight by Developer.

8. Developer's obligations arising hereunder shall attach to Developer's assignees or successors in interest. WSC may exercise any rights it may have at law and in equity to enforce the same including, but not limited to, injunctive relief or specific performance.

9. Developer agrees that Developer or Developer's assignees or successors in interest shall not be entitled to retail public water utility service to his property depicted on Exhibit "A" by Austin or other state-approved purveyor until WSC has been paid in full and the necessary governmental approvals obtained.

10. Any notice required or permitted to be delivered under this Agreement shall be forwarded via hand-delivery or the United States Postal Service, postage prepaid, to the addresses shown below:

WSC:

*Subject to final approval by WSC Board of Directors*

*K. D. A.*  
Page 4 of 10  
*NPI*

Creedmoor-Maha Water Supply Corporation  
1699 Laws Road  
Buda, Texas 78610  
Attn: General Manager

DEVELOPER:

FEE TITLE HOLDER (if different):

Heep Ranch Properties, Ltd. acting by and through its General Partner  
Heep Ranch Properties, L.L.C.  
5519 Tupper Lake  
Houston, Texas 77056

Not applicable

The parties shall have the right at any time to change their respective addresses by giving written notice of same to the other party.

11. WSC shall cooperate with Developer at all times to promote the efficient performance of the utility services property depicted on Exhibit "A" under the terms of this Agreement. WS shall be responsible, at Developer's expense, for the preparing, filing and prosecuting to a successful conclusion the required applications for TCEQ and USDA Rural Development approvals. If Developer fails to pay these administrative process costs at any time for any reason, WSC may elect as a possible remedy without prejudice to other remedies to withdraw the applications without further obligation or commitment to Developer. If WSC withdraws the applications, the escrowed release funds shall be returned to Developer less Bank escrow fees.

12. The provisions of this Agreement are severable. If any part of this Agreement or the application thereof to any person or circumstances shall ever be held by any court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this Agreement and the application of such part of this Agreement to other persons or circumstances shall not be affected and this Agreement shall be construed as if such invalid or unconstitutional portion had never been contained.

13. This Agreement constitutes the entire agreement between the parties relative to the subject matter of this Agreement and supersedes all prior or contemporaneous agreements, representations, covenants, or warranties, whether oral or in writing, respecting the subject matter hereof.

14. No amendment of this Agreement shall be effective unless executed in writing by authorized representatives of WSC and Developer. It is WSC's intent that this Agreement and companion agreements with similarly affected landowner/developers treat all such persons equally and equitably. Therefore,

*Subject to final approval by WSC Board of Directors*

*Kha*  
Page 5 of 10

*///*

no amendment will be allowed that provides a material benefit to any developer unless all affected developers receive the same or comparable benefit.

15. This Agreement shall be construed under and in accordance with the laws of the State of Texas and all obligations of the parties are expressly deemed performable in Travis County, Texas. Venue for any civil suit arising under this Agreement shall be in Travis County, Texas. Venue for any administrative law action arising under this Agreement shall be vested in the TCEQ.

16. No party may assign its rights and obligations hereunder without the prior written consent of the other. There are no third party beneficiaries of this Agreement and none are intended.

17. This Agreement may be executed in multiple originals, each of equal dignity.

18. This Agreement may be filed in the Real Property Records of Travis County, Texas as evidence of a lawful debt and encumbrance against the property.

This Agreement shall be effective upon the last date of execution by the authorized representatives of the parties.

WSC:

BY: W. P. Stromberg  
W. P. Stromberg, President

Date: Jan 10, 2007

DEVELOPER:

Heep Ranch Properties, Ltd. acting by and  
through its General Partner Heep Ranch Properties, L.L.C.

BY: Kathleen H. Adkins, President Heep Ranch Properties, Ltd.  
and General Partner Heep Ranch Properties, Ltd.  
Kathleen Adkins, its president  
(Print name and title)

Subject to final approval by WSC Board of Directors

KLA  
Page 6 of 10  
W/P

Date: January 4, 2007

Subject to final approval by WSC Board of Directors

KDA  
Page 7 of 10  
W/S

**AGREEMENT FOR RELEASE OF CERTIFICATED RETAIL  
PUBLIC WATER UTILITY SERVICE AREA**

**EXHIBIT "A"**

**[Due to the requirements of TCEQ Rule 291.106(b), the required legal description must be in the form of:**

- (A) metes and bounds survey certified by a licensed state land surveyor or a registered professional land surveyor;**
- (B) the Texas State Plane Coordinate System or any standard map projection and corresponding metadata;**
- (C) verifiable landmarks, including a road, creek, or railroad line; or**
- (D) a copy of the recorded plat of the area, if it exists, with lot and block number.**

**Developer shall provide all maps and legal descriptions required by the TCEQ or USDA Rural Development. Said maps shall be incorporated into Exhibit "A" by reference and copies shall be physically attached when the TCEQ approval application is prepared.]**

*Subject to final approval by WSC Board of Directors*

*KPA*  
Page 10 of 10  
*WPL*

FEE TITLE HOLDER (if not Developer)

signature required  
yes \_\_\_ no X

BY: NOT APPLICABLE

\_\_\_\_\_  
(Print name and title)

Date: \_\_\_\_\_

ATTESTATIONS

STATE OF TEXAS     §  
                                  §  
COUNTY OF TRAVIS   §

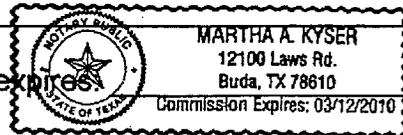
SWORN AND SUBSCRIBED TO UNDER OATH by W. P. Stromberg, who did state that he was the President of the Creedmoor-Maha Water Supply Corporation, and that he was authorized to and did execute the foregoing *Agreement For Release Of Certificated Retail Public Water Utility Service Area* for the purposes and considerations recited therein on JAN 10, 2007 2007.

SEAL

Martha A. Kyser  
Notary Public in and for the State of Texas

Name: \_\_\_\_\_

Commission expires \_\_\_\_\_



Subject to final approval by WSC Board of Directors

K.A.  
Page 8 of 10  
W.P.

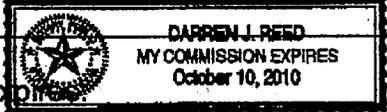
STATE OF TEXAS           §  
  §  
COUNTY OF Harris       §

SWORN AND SUBSCRIBED TO UNDER OATH by Kathleen Adkins, who did state that she is the president of Heep Ranch Properties, L.L.C., the General Partner of Heep Ranch Properties, Ltd., and that she was authorized to and did execute the foregoing *Agreement For Release Of Certificated Retail Public Water Utility Service Area* for the purposes and considerations recited therein on JANUARY 4, 2007.

SEAL

Darren Reed  
Notary Public in and for the State of Texas

Name: \_\_\_\_\_  
Commission expires: \_\_\_\_\_



STATE OF TEXAS           §  
  §  
COUNTY OF \_\_\_\_\_ §

SWORN AND SUBSCRIBED TO UNDER OATH by \_\_\_\_\_, who did state that he was the \_\_\_\_\_ of \_\_\_\_\_, the holder of fee title to the real property that is the subject of this Agreement and that he was authorized to and did execute the foregoing *Agreement For Release Of Certificated Retail Public Water Utility Service Area* for the purposes and considerations recited therein on \_\_\_\_\_, 2006.

SEAL

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

Name: \_\_\_\_\_

Commission expires: \_\_\_\_\_

Subject to final approval by WSC Board of Directors

K.A.A.  
Page 9 of 10  
WPS

EXHIBIT "A"

TRACT 1: Being all of that certain tract or parcel of land containing 1325.44 acres, more or less, out of the Henry M. Dowman Survey No. 536 in Travis County and Hays County, Texas, being a portion of that property described in Deed recorded in Volume 11606, Page 282 of the Real Property Records of Travis County, Texas (Volume 1982, Page 147 of the Official Public Records of Hays County, Texas), said tract of 1325.44 acres being more particularly described by metes and bounds described in Exhibit "A" attached hereto and made a part hereof.

TRACT 2: Being all of that certain tract or parcel of land containing 733.2 acres, more or less, out of and a part of that certain 840.75 acre tract of land out of the William P. Corbin League and Labor Survey No. 7 in Travis and Hays Counties, Texas, being that certain tract of land described as Block M in a Partition Deed of record in Volume 11606, Page 0290 of the Real Property Records of Travis County, Texas, said Block M being also described as all of a called 839.4 acre tract of land, SAVE AND EXCEPT a 120 acre tract and a 107.6 acre tract, described in a Deed to Herman F. Heep, recorded in Volume 2099, Page 230 of the Deed Records of Travis County, Texas, also recorded in Volume 179, Page 398 of the Deed Records of Hays County, Texas, being all of a called 120 acre tract of land described in a Deed to Herman F. Heep, recorded in Volume 2173, Page 448 of the Deed Records of Travis County, Texas and being all of a called 107.6 acre tract of land described in a Deed to Herman F. Heep, recorded in Volume 2173, Page 451 of the Deed Records of Travis County, Texas, said 840.75 acres being more particularly described by metes and bounds shown on Exhibit "B" attached hereto and made a part hereof.

1325.44 Acres  
Tract F1 - F2  
Heep Ranch

# EXHIBIT "A"-1

A DESCRIPTION OF A 1325.44 ACRE TRACT OF LAND OUT OF THE HENRY M. DOWMAN SURVEY NO. 536 IN TRAVIS AND HAYS COUNTIES, TEXAS, BEING THAT CERTAIN TRACT OF LAND DESCRIBED AS BLOCK E-1 IN A PARTITION DEED OF RECORD IN VOLUME 11606, PAGE 0290 OF THE REAL PROPERTY RECORDS OF TRAVIS COUNTY, TEXAS, SAID BLOCK E-1 BEING ALSO DESCRIBED AS A PORTION OF A CALLED 99.26 ACRE TRACT OF LAND DESCRIBED IN A DEED TO HERMAN F. HEEP, RECORDED IN VOLUME 575, PAGE 557 OF THE DEED RECORDS OF TRAVIS COUNTY, TEXAS, BEING A PORTION OF A CALLED 100.00 ACRE TRACT OF LAND DESCRIBED IN A DEED TO HERMAN F. HEEP, RECORDED IN VOLUME 570, PAGE 500 OF THE DEED RECORDS OF TRAVIS COUNTY, TEXAS, AND BEING A PORTION OF FIRST TRACT, SECOND TRACT, AND FIFTH TRACT DESCRIBED IN A DEED TO HERMAN F. HEEP, RECORDED IN VOLUME 570, PAGE 300 OF THE DEED RECORDS OF TRAVIS COUNTY, TEXAS, AND RECORDED IN VOLUME 247, PAGE 621 OF THE DEED RECORDS OF HAYS COUNTY, TEXAS, SAID 1325.44 ACRES BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

BEGINNING at the northeast corner of said Second Tract in the south right-of-way line of F.M. 1327 and in the west right-of-way line of North Turnersville Road for the northeast corner of this tract;

THENCE, departing the south right-of-way line of said F.M. 1327, with the west right-of-way line of said North Turnersville Road, being also the east line of said Second Tract and said First Tract, the following three (3) courses and distances:

1. S 00° 24' 00" W, a distance of 2449.86 feet,
2. S 00° 27' 00" E, a distance of 4581.39 feet, and
3. S 00° 11' 00" W, a distance of 184.44 feet to the southeast corner of said First Tract in the north right-of-way of Turnersville Road for the southeast corner of this tract;

THENCE, with the north right-of-way line of said Turnersville Road, being also the south line of said First Tract, the following six (6) courses and distances:

1. N 59° 22' 00" W, a distance of 398.67 feet,
2. S 89° 11' 00" W, a distance of 2687.22 feet,
3. N 52° 19' 00" W, a distance of 32.78 feet,
4. N 27° 18' 00" W, a distance of 701.67 feet,
5. N 73° 37' 00" W, a distance of 116.28 feet, and
6. N 89° 30' 00" W, a distance of 5517.75 feet to a point for the most southerly southwest corner of this tract, being a point in the east line of a called 35.00 acre tract of land described in a deed to The Herman F. Heep and Minnie Belle Heep Texas A & M Foundation, recorded in Volume 12312, Page 448 of the Real Property Records of Travis County, Texas;

THENCE, with the east line of said 35.00 acres, N 07° 03' 49" E, a distance of 1132.25 feet to the northeast corner of said 35.00 acres;

1325.44 Acres  
Tract F1 - F2  
Heep Ranch

THENCE, with the north line of said 35.00 acre tract, N 59° 40' 07" W, a distance of 957.61 feet to a point in the east right-of-way line of Interregional Highway (I.H.) No. 35 for the most westerly southwest corner of this tract;

THENCE, with the east right-of-way line of said I.H. 35, the following seven (7) courses and distances:

1. N 29° 26' 00" E, a distance of 221.04 feet,
2. N 24° 20' 00" E, a distance of 451.11 feet,
3. N 23° 14' 00" E, a distance of 1965.02 feet,
4. N 09° 12' 00" E, a distance of 88.51 feet,
5. N 23° 13' 33" E, a distance of 599.86 feet,
6. N 29° 09' 17" E, a distance of 1306.99 feet, and
7. N 23° 13' 33" E, a distance of 619.92 feet to a point in the south right-of-way line of said F.M. 1327 for the most northerly northwest corner of this tract;

THENCE, with the south right-of-way line of said F.M. 1327, the following four (4) courses and distances:

1. N 88° 44' 49" E, a distance of 514.87 feet,
2. S 89° 35' 00" E, a distance of 4130.99 feet,
3. S 89° 51' 00" E, a distance of 2701.39 feet, and
4. S 84° 09' 00" E, a distance of 125.44 feet to the POINT OF BEGINNING and containing 1325.44 acres of land.

840.75 ACRES  
TRACT 1  
HEEP RANCH

## EXHIBIT "B"

A DESCRIPTION OF AN 840.75 ACRE TRACT OF LAND OUT OF THE WILLIAM P. CORBIN LEAGUE AND LABOR SURVEY NO. 7 IN TRAVIS AND HAYS COUNTIES, TEXAS, BEING THAT CERTAIN TRACT OF LAND DESCRIBED AS BLOCK M IN A PARTITION DEED OF RECORD IN VOLUME 11606, PAGE 0290 OF THE REAL PROPERTY RECORDS OF TRAVIS COUNTY, TEXAS, SAID BLOCK M BEING ALSO DESCRIBED AS ALL OF A CALLED 839.4 ACRE TRACT OF LAND, SAVE AND EXCEPT A 120 ACRE TRACT AND A 107.6 ACRE TRACT, DESCRIBED IN A DEED TO HERMAN F. HEEP, RECORDED IN VOLUME 2099, PAGE 230 OF THE DEED RECORDS OF TRAVIS COUNTY, TEXAS, ALSO RECORDED IN VOLUME 179, PAGE 398 OF THE DEED RECORDS OF HAYS COUNTY, TEXAS, BEING ALL OF A CALLED 120 ACRE TRACT OF LAND DESCRIBED IN A DEED TO HERMAN F. HEEP, RECORDED IN VOLUME 2173, PAGE 448 OF THE DEED RECORDS OF TRAVIS COUNTY, TEXAS AND BEING ALL OF A CALLED 107.6 ACRE TRACT OF LAND DESCRIBED IN A DEED TO HERMAN F. HEEP, RECORDED IN VOLUME 2173, PAGE 451 OF THE DEED RECORDS OF TRAVIS COUNTY, TEXAS; SAID 840.75 ACRES BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

BEGINNING at a point at the northwest corner of said 839.4 acres, said point being also in the south right-of-way line of Turnersville Road for the northwest corner of this tract;

THENCE, with the north line of said 839.4 acres, being also the south line of said Turnersville Road, the following three (3) courses and distances:

1. S 59° 34' 00" E, a distance of 1844.04 feet,
2. S 60° 18' 00" E, a distance of 2793.64 feet, and
3. S 60° 15' 00" E, a distance of 1724.89 feet to a point in the northeast corner of said 839.4 acre tract for the northeast corner of this tract;

THENCE, with the east line of said 839.4 acres, the following three (3) courses and distances:

1. S 29° 38' 00" W, a distance of 5283.22 feet,
2. S 29° 23' 00" W, a distance of 295.50 feet, and
3. S 31° 13' 00" W, a distance of 1084.61 feet to a point at the southeast corner of said 839.4 acre tract for the southeast corner of this tract;

THENCE, with the south line of said 839.4 acres, N 60° 12' 00" W, a distance of 4544.81 feet to the most southerly southwest corner of said 839.4 acre tract, for the most southerly southwest corner of this tract;

THENCE, with a west line of said 839.4 acres, N 29° 35' 00" E, a distance of 3232.56 feet to a point at an interior corner of said 839.4 acres, for an interior corner of this tract;

THENCE, with a south line of said 839.4 acres, N 80° 22' 00" W, a distance of 1800.14 feet to a point at the most westerly southwest corner of said 839.4 acres, for the most southerly southwest corner of this tract;

840.75 ACRES  
TRACT I  
HEEP RANCH

THENCE, with a west line of said 839.4 acres, N 29° 52' 00" E, a distance of 3449.67 feet to the POINT OF BEGINNING and containing 840.75 acres of land.

## **AGREEMENT FOR RELEASE OF CERTIFICATED RETAIL PUBLIC WATER UTILITY SERVICE AREA**

This Agreement is entered between Creedmoor-Maha Water Supply Corporation (WSC), a state-certificated non-profit water supply corporation incorporated under Texas Water Code Chapter 67, and South IH 35 Investors, LP, of Travis County, Texas (Owner) a Texas limited partnership, a real property developer owning or contracting to own land within WSC's state-certificated service area. If Owner does not hold fee title to his affected property, the fee titleholder shall also be a party to this Agreement, in which case the Owner and the fee titleholder shall together hereinafter be referred to as "Owner." This Agreement is made to facilitate the orderly release of Owner's property from WSC's certificated service area, designated by the Texas Commission on Environmental Quality (TCEQ) as certificate of convenience and necessity (CCN) No. 11029, so that said property can receive alternative utility service from the City of Austin (Austin) or other state-approved service provider of Owner's choice.

WHEREAS, WSC has been issued CCN No. 11029 by the TCEQ to provide retail public water utility service in southeastern Travis County and portions of three adjacent counties.

WHEREAS, WSC's CCN provides WSC with an exclusive right to provide retail public water utility service within its geographic boundaries as depicted on the TCEQ's master certification maps.

WHEREAS, WSC has pledged its CCN and all present and future service rights arising thereunder as security to the its creditors, including the USDA Rural Development pursuant to 7 USC §1926.

WHEREAS, Austin owns and operates retail public water and sewer utility systems in proximity to WSC's northern most certificated service area in Southeast Travis County that the parties reasonably believe can be extended to Owner's property.

WHEREAS, Owner owns, or has under contract to own, real property within WSC's certificated service area in excess of 50 acres outside of a platted subdivision, which property consists of 58.3885 acres and is depicted by both plat and legal description on Exhibit "A" to this Agreement.

WHEREAS, Owner's property is located within Austin and will be subject, in whole or in part, to Austin's development codes and water service requirements.

WHEREAS, WSC's water system design standards and available water service options are different from Austin's.

WHEREAS, Owner desires to have its property released from WSC's service area so that it may receive retail public water utility service from Austin or other state-approved service provider of Owner's choice in a manner that is compatible with all development codes and water service requirements applicable to said property.

WHEREAS, to induce WSC to release Owner's property from its CCN and obtain a release of USDA Rural Development's CCN lien, WSC requires Owner to pay consideration which WSC may use to fund water system service capacities for its remaining service area and/or service existing debt.

WHEREAS, any release and/or transfer of WSC's certificated service area is contingent upon TCEQ and USDA Rural Development approval.

WHEREAS, the release of Owner's property depicted on Exhibit "A" hereto will benefit said property now and in the future regardless of who owns the property because it will enable the landowner to obtain retail public water utility service from Austin or other state-approved service provider of Owner's choice, under Austin's or said alternate provider's prescribed rates and terms of service.

WHEREAS, WSC's release of its exclusive service rights for monetary consideration is deemed by all parties to be Owner's purchase of a marketable property interest affecting the encumbered land currently held by a third party – WSC.

WHEREAS, the benefits, duties and obligations arising hereunder shall attach to and run with the affected land depicted on Exhibit "A."

*For the consideration and promises exchanged herein, the parties agree and bind themselves and their assigns and successors in interest to the following:*

1. Subject to the contingencies and governmental approvals cited herein, WSC agrees to voluntarily release Owner's property depicted on Exhibit "A" by transfer to Austin or decertification to facilitate water service by another state-approved service provider of Owner's choice.

*Subject to final approval by WSC Board of Directors*

*Page 2 of 10  
1113308v1 6/23/2009*

2. Owner shall pay WSC the sum of \$70,066.20, calculated at a rate of \$1,200.00 per acre for Owner's gross acreage to be released from WSC's CCN No. 11029 and transferred to Austin or decertificated to allow service from another state-approved service provider of Owner's choice for the benefit of Owner or Owner's assignee or successor in interest.

3. In order to obtain WSC's covenant to release its CCN for this consideration, Owner must execute WSC's standard *AGREEMENT FOR RELEASE OF CERTIFICATED RETAIL PUBLIC WATER UTILITY SERVICE AREA*, subject to subsequent WSC's Board approval.

4. Owner shall pay the release consideration identified in Paragraph 2 at the time that Owner receives approvals from TCEQ and USDA Rural Development and confirmation from Austin that it will provide service to the Owner's property or at an earlier time if Owner so elects. At the time of application for USDA Rural Development approval, Owner shall pay WSC an amount equal to an estimate of WSC's engineering fees, but not to exceed \$5,000 ("Engineering Deposit"). The Engineering Deposit shall be applied to the release consideration fee and be held in accordance with Paragraph 5 below. Owner and WSC shall cooperatively prepare the necessary applications for TCEQ and USDA Rural Development approval and shall file the same at the earliest practical date.

5. WSC shall escrow any payments of the release consideration in an FDIC insured account at a bank of WSC's choice upon receipt from Owner. The release consideration funds may be paid into said escrow account until receipt of the latest of: (a) approval of the CCN release by the TCEQ; (b) approval of the release of its lien against the CCN by USDA Rural Development; or (c) confirmation from Austin that service will be provided to Owner's property. Approval by the TCEQ shall be deemed to occur upon the earlier of: (a) receipt of the TCEQ's Executive Director's notice of waiver of a contested hearing and authorization to proceed with the transaction or (b) receipt of a final appealable TCEQ order transferring or decertificating the property in question from WSC's CCN. If either governmental approval is denied or if Owner elects to withdraw from this Agreement before both approvals are received, any escrowed funds shall be returned to Owner less bank escrow fees. If Owner does not elect to withdraw and both approvals are received, WSC shall be entitled to the release of any escrowed funds upon presentation to the bank's designated escrow agent, with notice to Owner, of copies of the approval documents. Upon their release from escrow, WSC shall be entitled to use the funds without further obligation to or oversight by Owner.

6. Owner's obligations arising hereunder shall attach to Owner's assignees or successors in interest. WSC may exercise any rights it may have at law and

in equity to enforce the same including, but not limited to, injunctive relief or specific performance.

7. Owner agrees that Owner or Owner's assignees or successors in interest shall not be entitled to retail public water utility service to the property depicted on Exhibit "A" by Austin or other state-approved purveyor until WSC has been paid in full and the necessary governmental approvals obtained.

8. Any notice required or permitted to be delivered under this Agreement shall be forwarded via hand-delivery or the United States Postal Service, postage prepaid, to the addresses shown below:

WSC:

Creedmoor-Maha Water Supply Corporation  
1699 Laws Road  
Buda, Texas 78610  
Attn: General Manager

OWNER:

South IH 35 Investors, LP  
P.O. Box 26676  
Austin, Texas 78755-0676

WITH A COPY TO:

Graves, Dougherty, Hearon & Moody, P.C.  
Attn: Peter Cesaro  
401 Congress Avenue, Suite 2200  
Austin, Texas 78701

FEE TITLE HOLDER (if different):

N/A

The parties shall have the right at any time to change their respective addresses by giving written notice of same to the other party.

9. WSC shall cooperate with Owner at all times to promote the efficient performance of the utility services to the property depicted on Exhibit "A" under the terms of this Agreement. WSC shall be responsible, at Owner's expense, for the preparing, filing and prosecuting to a successful conclusion the required applications for TCEQ and USDA Rural Development approvals. If Owner fails to pay these administrative process costs at any time for any reason, WSC may

*Subject to final approval by WSC Board of Directors*

elect as a possible remedy without prejudice to other remedies to withdraw the applications without further obligation or commitment to Owner. If WSC withdraws the applications, the escrowed release funds shall be returned to Owner less bank escrow fees.

10. The provisions of this Agreement are severable. If any part of this Agreement or the application thereof to any person or circumstances shall ever be held by any court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this Agreement and the application of such part of this Agreement to other persons or circumstances shall not be affected and this Agreement shall be construed as if such invalid or unconstitutional portion had never been contained.

11. This Agreement constitutes the entire agreement between the parties relative to the subject matter of this Agreement and supersedes all prior or contemporaneous agreements, representations, covenants, or warranties, whether oral or in writing, respecting the subject matter hereof.

12. No amendment of this Agreement shall be effective unless executed in writing by authorized representatives of WSC and Owner. It is WSC's intent that this Agreement and companion agreements with similarly affected landowner/developers treat all such persons equally and equitably. Therefore, no amendment will be allowed that provides a material benefit to any owner unless all affected landowner/developers receive the same or comparable benefit.

13. This Agreement shall be construed under and in accordance with the laws of the State of Texas and all obligations of the parties are expressly deemed performable in Travis County, Texas. Venue for any civil suit arising under this Agreement shall be in Travis County, Texas. Venue for any administrative law action arising under this Agreement shall be vested in the TCEQ.

14. No party may assign its rights and obligations hereunder without the prior written consent of the other. There are no third party beneficiaries of this Agreement and none are intended.

15. This Agreement may be executed in multiple originals, each of equal dignity.

16. This Agreement may be filed in the Real Property Records of Travis County, Texas as evidence of a lawful debt and encumbrance against the property.

17. This Agreement shall be reviewed by WSC and processed simultaneously with the written request for release of the Property from Owner to WSC dated June 2, 2009, which request is incorporated herein by reference.

[SIGNATURE PAGE TO FOLLOW]

This Agreement shall be effective upon the last date of execution by the authorized representatives of the parties.

WSC:

Creedmoor-Maha Water Supply Corporation,  
a state-certified non-profit water corporation

By: W. P. Stromberg  
W. P. Stromberg, President

Date: 6/30/09

OWNER:

South IH 35 Investors, LP,  
a Texas limited partnership

By: Hetherly Investments, Inc.,  
its general partner

By: C.W. Hetherly, Jr.  
C.W. Hetherly, Jr., President

Date: 6/24/09

FEE TITLE HOLDER (if not Owner)

N/A

signature required  
yes \_\_\_ no X

BY: \_\_\_\_\_

\_\_\_\_\_  
(Print name and title)

Date: \_\_\_\_\_

Subject to final approval by WSC Board of Directors

ATTESTATIONS

STATE OF TEXAS       §  
                                  §  
COUNTY OF TRAVIS   §

SWORN AND SUBSCRIBED TO UNDER OATH by W. P. Stromberg, who did state that he was the President of the Creedmoor-Maha Water Supply Corporation, and that he was authorized to and did execute the foregoing *Agreement For Release Of Certificated Retail Public Water Utility Service Area* for the purposes and considerations recited therein on \_\_\_\_\_, 2009.

SEAL

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

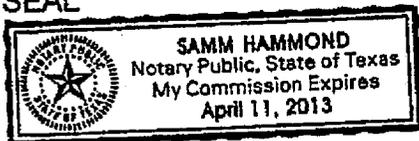
Name: \_\_\_\_\_

Commission expires: \_\_\_\_\_

STATE OF TEXAS       §  
                                  §  
COUNTY OF TRAVIS   §

SWORN AND SUBSCRIBED TO UNDER OATH by C.W. Hetherly, Jr., who did state that he was the President of Hetherly Investments, Inc., a Texas corporation, the general partner of South IH 35 Investors, LP, a Texas limited partnership and he was authorized to and did execute the foregoing *Agreement For Release Of Certificated Retail Public Water Utility Service Area* for the purposes and considerations recited therein on June 24, 2009.

SEAL



Samm Hammond  
Notary Public in and for the State of Texas  
Name: SAMM HAMMOND  
Commission expires: 4/11/2013

STATE OF TEXAS       §  
                                  §  
COUNTY OF \_\_\_\_\_ §

SWORN AND SUBSCRIBED TO UNDER OATH by \_\_\_\_\_, who did state that he was the \_\_\_\_\_ of \_\_\_\_\_, the holder of fee title to the real property that is the subject of this Agreement and that he was authorized to and did execute the foregoing *Agreement For Release Of Certificated Retail Public Water Utility Service Area* for the purposes and considerations recited therein on \_\_\_\_\_, 2009.

SEAL

\_\_\_\_\_  
Notary Public in and for the State of Texas  
Name: \_\_\_\_\_  
Commission expires: \_\_\_\_\_

EXHIBIT "A"

TRACT 1: Being 58.3885 acres of land, more or less, out of the Santiago Del Valle Grant, in Travis County, Texas, and being more particularly described by metes and bounds on Exhibit "A-1" attached hereto.

TRACT 2: A non-exclusive easement five (5) feet in width along the west line of a 16.88 acre tract of land, more or less, out of the Santiago Del Valle Grant in Travis County, Texas. Said 16.88 acre tract of land, more or less, being more particularly described in that certain Deed recorded in Volume 7690, Page 449 of the Real Property Records of Travis County, Texas. (14.88 acres out of the 16.88 acres now known as Lot One (1), St. Alban's Addition, a subdivision in Travis County, Texas, according to the map or plat thereof, recorded in Volume 86, Page 88C of the Plat Records of Travis County, Texas).

58.3885 Acres

Santiago Del Valle Grant  
September 20, 2006

STATE OF TEXAS  
COUNTY OF TRAVIS

§  
§  
§

# EXHIBIT "A-1"

FIELDNOTE DESCRIPTION of a tract or parcel of land containing 58.3885 acres situated in the Santiago Del Valle Grant, Travis County, Texas; being the same 58.46 acres described in a special warranty deed to George C. Conn Trustee recorded in Document No. 2000080218 of the Official Public Records of Travis County, Texas, and conveyed to Nancy Scanlan and Renate Conn, Co-Trustees, by the deed recorded in Document No. 2005136378, of the Official Public Records of Travis County, Texas, the said 58.3885 acre tract more particularly described by metes and bounds as follows;

BEGINNING at a calculated point in the intersection of the east right-of-way line of State Highway IH35 with the northeast line of the above said 58.46 acre tract, and the southwest line of Lot 1, "St. Alban's Addition", a subdivision of record in Book 86, Page 88-C of the Plat Records of Travis County, Texas; Said point of intersection bears S66°13'01"E, 1.16 feet from a ½" iron rod found for the common west corner of said Lot 1 and the 58.46 acre tract;

THENCE, S66°13'01"E, leaving the east line of State Highway IH35, at a distance of 1011.15 feet pass a ½" iron rod found 0.43 feet to the southwest for the southeast corner of above said "Lot 1" and the most westerly corner of a 8.17 acre tract conveyed to Protestant Episcopal Church Council by the deed recorded in Document No. 1999161671 of the said Official Public Records; and for a total distance of 1591.62 feet to a ½" iron rod found (marked "M&S 1838") for the northeast corner of the said 58.46 acre tract in the west line of a 27.0 acre tract, conveyed to Richard Spillman et al, by the deed recorded in Volume 6287, Page 218 of the Deed Records of Travis County, Texas; for the beginning of a boundary line agreement recorded in Volume 7640, Page 122 of the said Deed Records;

THENCE, in a southerly direction, with the common line between the 58.46 acre tract and the Spillman tract along the said boundary line agreement recorded in Volume 7640, Page 122 of the said Deed Records, with the following nine (9) courses:

1. S19°38'09"W, 419.23 feet to a 3/8" iron rod found;
2. S17°49'27"E, 176.11 feet to a ½" iron rod set with a plastic cap stamped "Capital Surveying Company, Inc.";
3. S27°39'33"E, 18.22 feet to a ½" iron rod set with a plastic cap stamped "Capital Surveying Company, Inc." for the north corner of a 0.138 acre tract conveyed to Richard Spillman by the deed recorded in Volume 7640, Page 122 of the said Deed Records;
4. S18°40'08"W, 135.04 feet to a ½" iron rod found (marked "M&S 1838"), for the south corner of the said 0.136 acre tract
5. S78°33'28"W, 4.54 feet to a ½" iron rod found (marked "M&S 1838");

58.3885 Acres

# EXHIBIT "A-1"

Santiago Del Valle Grant  
September 20, 2006

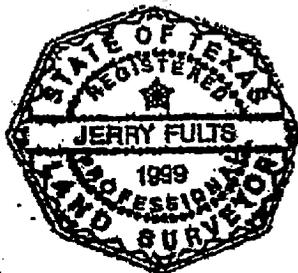
6. S00°42'24"E, 227.38 feet to a 1/2" iron rod found (marked "M&S 1838");
7. S45°58'10"W, 143.14 feet to a 3/8" iron rod found;
8. S25°24'11"W, 207.00 feet to a 3/4" iron rod found;
9. S07°45'17"E, 418.85 feet to a 5/8" iron rod found for the southeast corner of the said 58.46 acre tract and the end of the said boundary line agreement, being in the northeast line of a 449.05 acre tract described in a deed to Turnersville Development LTD recorded in Document No. 2000089761 of the said Official Public Records, said iron rod bears N62°13'05"W, 209.78 feet from a 100-D nail found in a 20" hackberry for an east corner of the 449.05 acre tract;

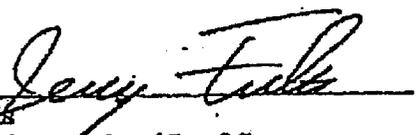
THENCE, N62°11'08"W, with the common line between the 449.05 acre tract and the 58.46 acre tract 1773.60 feet to the calculated point of intersection of this common line with the east right-of-way line of said State Highway IH35, said intersection point bears S62°11'08"E 1.78 feet from an iron pipe found for the southwest corner of the 58.46 acre tract;

THENCE, N18°15'36"E, with the east right-of-way line of said State Highway IH35; 1527.53 feet to the POINT OF BEGINNING, and CONTAINING within these metes and bounds 58.3885 acres of land area.

That I, Jerry Fulis, a Registered Professional Land Surveyor, do hereby certify that the above description is true and correct to the best of my knowledge and that the property described herein was determined by a survey made on the ground under my direction and supervision.

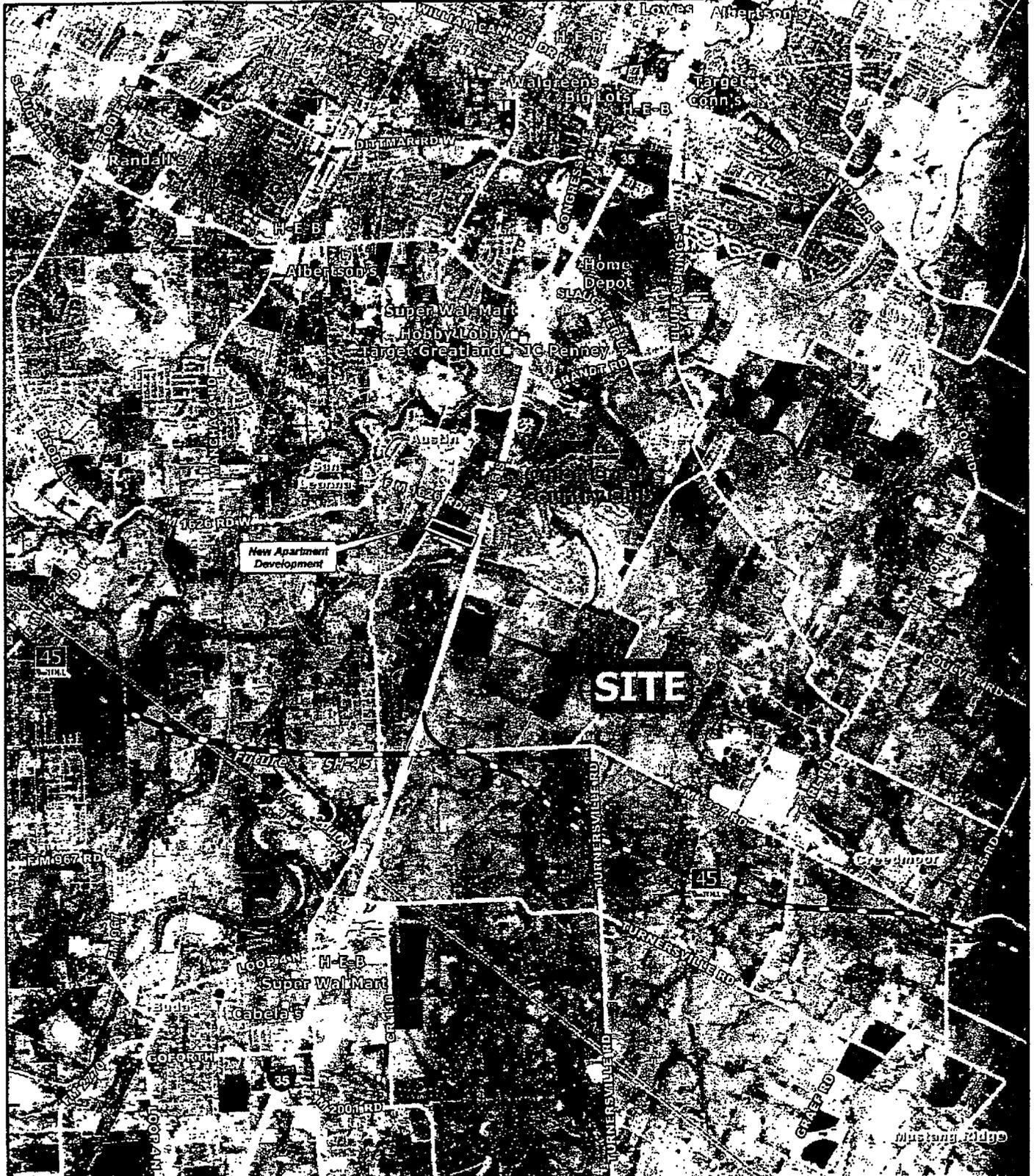
WITNESS MY HAND AND SEAL at Austin, Travis County, Texas, this the 20th day of September, 2006.



  
Jerry Fulis  
Registered Professional Land Surveyor  
No. 1999 - State of Texas

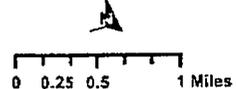
# 58 AC on IH-35 South of Onion Creek

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 WWW.NAICIP.COM 512-346-5150

All information (information provided or expected on this map and/or aerial photograph) has been obtained from third party sources deemed reliable, however, neither NAI Commercial Industrial Properties Company nor any of its brokers, agents, employees, officers, directors or affiliated companies (collectively, NAI CIP and Related Parties) has made an independent investigation of the information or the information sources, and no warranty or representation is made by NAI CIP and Related Parties as to the accuracy of the information. The information is submitted subject to possible errors, omissions, and no person or organization should rely on the information, unless such person or organization has conducted an independent investigation to verify the accuracy thereof.



**NAI** Commercial Industrial Properties Co.

Commercial Real Estate Services

SWWC

**CONTRACT FOR THE PURCHASE OF  
PUBLIC WATER SERVICE AREA SEGMENT  
IN TRAVIS COUNTY, TEXAS**

CREEDMOOR-MAHA WATER SUPPLY CORPORATION, ("SELLER") AND SWWC UTILITIES, INC., A DELAWARE CORPORATION ("BUYER"), ENTER INTO THE FOLLOWING AGREEMENT ("CONTRACT") FOR THE PURCHASE OF THE PUBLIC WATER UTILITY SERVICE AREA WHICH SELLER HOLDS IN TRAVIS COUNTY, TEXAS, AS HEREIN PROVIDED.

WITNESSETH:

WHEREAS, SELLER holds a state-issued certificate of convenience and necessity ("CCN") No. 11029 to operate a retail public water utility (hereinafter referred to as the "Service Area") in a portion of southeast Travis County, Texas; and

WHEREAS, BUYER desires to purchase a portion of the Service Area (the "Service Area Segment") which is more fully described in Exhibit "A" and to obtain a CCN to serve the area; and

WHEREAS, SELLER is willing to sell the Service Area Segment to BUYER under the terms and conditions provided herein; and

WHEREAS, certification and sale of the Service Area Segment as provided herein will ensure that a state-approved water service area segment will be operated within the Service Area Segment which is capable of providing continuous and adequate service to consumers under applicable codes and the regulations without unreasonable or unduly burdensome financial impact on SELLER, BUYER, or BUYER'S customers (current and future); and

WHEREAS, SELLER and BUYER acknowledge their intention to fully comply with the provisions of Chapter 13 of the Texas Water Code (said statute hereinafter referred to as the "Code") and the corresponding administrative rules and Texas Commission on Environmental Quality ("TCEQ") and United States Department of Agriculture ("USDA") regulations concerning the subject matter of this Contract; and

WHEREAS, the parties knowingly enter into this Contract conditioned upon federal and state approval as required by law;

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES, THE MUTUAL PROMISES AND COVENANTS HEREIN CONTAINED, AND FOR OTHER

GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH ARE HEREBY ACKNOWLEDGED, SELLER AND BUYER COVENANT, STIPULATE AND DECLARE AS FOLLOWS:

**ARTICLE 1  
SELLER'S OBLIGATIONS**

- (1) SELLER shall be obligated to sell, transfer and convey the Service Area Segment to Buyer for the consideration provided herein upon approval of the parties' joint sale-transfer-merger ("STM") application to the TCEQ and approval of the USDA.
- (2) SELLER shall retain such easements and public utility pipelines and other facilities as SELLER may have in the Service Area Segment on the date of closing. Seller shall grant BUYER the right to use such easements and public utility pipelines as SELLER may have in the Service Area Segment on the date of closing.
- (3) SELLER shall prepare, subject to the review and approval of BUYER's counsel, all conveyance documents.
- (4) SELLER shall pay all property taxes, if any, to day of closing. SELLER shall provide BUYER with tax certificates prior to closing. BUYER shall be responsible for any tax liabilities generated by this transaction and the change in utility service provider.

**ARTICLE 2  
PROPERTY TO BE CONVEYED**

The property ("PROPERTY") to be conveyed by SELLER to BUYER under this Contract consists of the Service Area Segment depicted on Exhibit "A," a majority of which, to the best knowledge and belief of the parties, is owned or under contract to purchase of the Carma Group and its affiliates.

**ARTICLE 3  
PURCHASE MONEY CONSIDERATION TO SELLER**

- (1) BUYER agrees to pay SELLER ONE THOUSAND TWO HUNDRED DOLLARS (\$1,200.00) per acre (the "Purchase Price") for a total of approximately 2,500 acres.
- (2) BUYER shall not pay SELLER the purchase money consideration at closing. Instead, BUYER may hold the sales proceeds to be used by SELLER to pay

BUYER, or its affiliates, for future long-term wholesale water service. At SELLER's option, these funds may be used to pay future capacity charges, impact fees, construction costs or other charges by BUYER or its affiliates for water delivered to and for the benefit of the remainder of SELLER's certificated service area. BUYER shall pay interest on the "held sales proceeds" in an amount to be set in a mutually agreeable escrow agreement.

BUYER shall be obligated with providing Seller with a non-interruptible water supply in an amount to be determined in a separate wholesale water sales contract. Said water supply must meet all applicable TCEQ public drinking water rules found in 30 TAC Chapter 290(d) and (f). The term of such wholesale water sales shall not be less than forty (40) years and shall be automatically renewable for five (5) year terms thereafter unless either party gives 12-months written notice of its intent not to renew.

BUYER and SELLER shall negotiate a rate for these future wholesale water sales subject to the limitation that SELLER shall not pay any rate or charge greater than the current rate or charge levied on an affiliate of BUYER or any third-party for wholesale water from the same source and delivery system. For example, if the current lowest rates and current fees BUYER charges for groundwater from a well field located east of Travis County and delivered via pipeline to Monarch Utilities, Inc.'s Plum Creek Utility area of Hays or Travis County are levied on affiliate, then SELLER may not be charged any rate or fee higher than charged to an affiliate.

Rates and fees may be renegotiated every five (5) years during the primary term and upon each renewal thereafter.

If SELLER decides not to purchase wholesale water from BUYER, BUYER shall pay to SELLER within thirty (30) days of SELLER's written notice all funds of SELLER being held by BUYER as a consequence of this transaction.

(3) BUYER will pay all costs involved in permitting, constructing, testing and placing into public service any TCEQ-approved and/or USDA-approved water supplies and associated production, storage, and treatment facilities necessary to provide continuous and adequate wholesale water service to SELLER. BUYER shall not be responsible for any costs in excess of the Purchase Price.

(4) BUYER shall prepare and prosecute, at its expense, the parties' joint application for TCEQ and USDA approval of this sale. Each party shall bear the cost of their own attorneys, engineers, accountants, consultants, or other agents in obtaining such state approval.

(5) BUYER shall pay all surveying costs associated with this transaction.

(6) BUYER shall be responsible for all property taxes from the day of closing.

**ARTICLE 4  
TITLE INSURANCE/CLOSING**

(1) SELLER will not be required to furnish BUYER with an Owner's Policy of Title Insurance since this transaction involves only the sale and transfer of state-certificated retail public water utility service area and not any real property.

(2) The closing ("Closing") hereof shall occur on a mutually acceptable date following receipt of authorization to close the sale contemplated herein from the TCEQ or its designated representative.

(3) SELLER and BUYER each agree to exercise diligent, good faith efforts to obtain TCEQ and USDA approval of the sale contemplated herein. Each Party will bear their respective expenses in regard to such proceedings.

(4) If the TCEQ and/or USDA denies the parties' joint sale-transfer-merger application, then this Contract shall become null and void.

**ARTICLE 5  
REMEDIES**

The parties acknowledge that full and faithful performance of this Contract is material to each respective party and their willingness to be bound by the same. The parties further acknowledge that full and faithful compliance with all TCEQ, USDA or applicable governmental orders issued during the regulatory review and approval proceeding(s) arising therefrom is critical to the successful closing of this Contract. Accordingly, the parties agree that the principal, but not exclusive, remedies for any breach hereunder shall be:

If BUYER fails to comply herewith, BUYER shall be in default, and SELLER may;

- A. enforce the Contract through judicially ordered specific performance; or
- B. seek such other relief in equity or as may be provided by law.

If SELLER fails to comply herewith, SELLER shall be in default, and BUYER may:

- A. enforce the Contract through judicially ordered specific performance; or
- B. seek such other relief in equity or as may be provided by law.

In the event BUYER and the Carma Group are unable to negotiate an agreement for the Carma development project then BUYER shall have a right to cancel this Agreement, without further liability to BUYER.

**ARTICLE 6  
HOLD HARMLESS AGREEMENTS**

There are no brokers in this transaction for either party. SELLER and BUYER each agree to save and hold each other harmless from any liability or claim for any commission to any third party claiming by, through or under SELLER or BUYER, respectively.

**ARTICLE 7  
SPECIAL PROVISIONS**

(1) Addresses for Notice. The addresses of the parties for purposes of notice, correspondence or other matters arising here from shall be the following until written notice to the other parties of any change:

**SELLER**

Creedmoor-Maha Water Supply Corporation  
Attn: General Manager  
12100 Laws Road  
Mustang Ridge, Texas 78610

with copy to:

Mark H. Zeppa  
Law Offices of Mark H. Zeppa, PC  
4833 Spicewood Springs Road, Suite 202  
Austin, Texas 78759

**BUYER:**

SWWC Utilities, Inc.  
One Wilshire Building  
624 South Grand Avenue  
Suite 2900  
Los Angeles, California 90017  
Attn: President

with copy to:

SWWC Utilities, Inc.  
One Wilshire Building  
624 South Grand Avenue  
Suite 2900  
Los Angeles, California 90017  
Attn: General Counsel

(2) This Contract supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to the subject matter hereof, and no other agreement, statement or promise relating to the subject matter of this Contract which is not contained herein shall be valid or binding,

(3) This Contract shall be binding on the heirs, executors, administrators, legal representatives, successors and permitted assigns of the respective parties. Except in the case of a sale of all or substantially all of the assets of Buyer, a merger, consolidation, or transfer of 50% or more of the stock of Buyer, this Contract may not be assigned by either party without written consent of the other party, which consent shall not be unreasonably withheld or delayed.

(4) This Contract may be amended by the mutual agreement of the parties herein in a written instrument specifically referencing this Contract.

(5) The headings used in this Contract are used for administrative purposes only and do not constitute substantive matter to be considered in construing the terms of this Contract.

(6) Wherever the context shall so require, all words herein in the male gender shall be deemed to include the female or neuter gender, all singular words shall include the plural, and all plural words shall include the singular.

(7) Any and all notices or other communications required or permitted by this Contract or by law to be delivered to, served on or given to either party to this Contract, by the other party to this Contract or by the Title Company, shall be in writing and shall be deemed properly delivered, given or served when personally delivered to either party, BUYER or SELLER, to whom it is directed, or in lieu of personal service, when deposited in the United States mail, first-class postage prepaid, certified mail, return receipt requested, at the address for notices set forth in this Contract. BUYER or SELLER may change this address for the purposes of this Paragraph by giving written notice of the change to the other party in the manner provided in this Section.

(8) If SELLER is not a "foreign person," as defined in the Federal Foreign Investment in Real Property Tax Act of 1980 and the 1984 Tax Reform Act, as amended (the "federal tax law"), then at the Closing, SELLER will deliver to BUYER a certificate so stating, in a form complying with the federal tax law. If SELLER is a "foreign person" or if the SELLER fails to deliver the required certificate at the Closing, then in either such event SELLER shall comply with the withholding provisions of the federal tax law.

(9) This Contract is performable in Travis County, Texas. All parties agree that if any party should default on any of the conditions and covenants hereunder or threaten to do so, or should it be necessary for any reason for either to hire or

retain an attorney to represent them in connection with this Contract, the party found to be responsible agrees to pay to the prevailing party a reasonable amount for costs and attorney's fees. Prior to the commencement of litigation, the parties agree to submit any dispute arising hereunder not resolved by mutual agreement to non-binding mediation before an impartial third party ("Mediator") qualified under Tex. Civ. Prac. & Rem. Code. The Mediator shall be selected by mutual agreement of the parties or by court order absent such agreement. The parties agree that this agreement may be enforceable by specific performance as well as any other remedy available at law or in equity. Venue over any civil cause of action arising from this agreement shall lie in the courts of Travis County, Texas unless such action may be jointed with a cause of action arising under the parties contract for operation of the Service area segment in which case, the parties agree that venue shall lie in Travis County, Texas and shall be subject to and interpreted by the laws of the State of Texas, without regard to its conflict of laws rules.

(10) The parties acknowledge herein that the performance various covenants and obligations arising hereunder shall not occur until after closing. Therefore, all covenants and obligations created by and terms and conditions of this Contract shall survive closing and shall be binding on all parties, their heirs, successors, and assigns. After closing of the sale of the Service area segment, BUYER shall have exclusive control over the management and operation of the Service area segment, subject only to governmental health, safety, and service regulations. After closing, SELLER's only interest in the Service Area Segment shall be that of User.

(11) There are no third party beneficiaries of this Contract not expressly named herein and none are intended.

EXECUTED in Travis COUNTY, TEXAS on April 9,  
2008.

SELLER

BY: W.P. Stomberg  
Name: W.P. Stomberg  
Title: President

BUYER

BY: *Michael O. Quinn*  
Name: Michael O. Quinn  
Title: President

**ATTACHMENT J**

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**VALUE SUMMARY**

\$ 24,129.16	Debt allocable to Requested Area as Present Value
\$117,630.87	Value of the Facilities Abandoned in the Requested Area as Net Book Value
\$0	Expenditures for Planning, Design, and Construction in the Transferred Area
\$1,481,419	Contractual Obligations - Water Source Replacement
\$0	Impairment of Service or Increase of Costs to Remaining Customers
\$320,383.32	Impact of Future Revenues lost from Existing Customers
\$14,800.00	Legal and Professional Expenses related to action
\$198,710	Other relevant factors - comparable value, less water source replacement value
<u>\$ 2,157,072</u>	<u>Total Value</u>
	1,970 Acres
\$ 1,094.96	per Ac

**12**

# JONES - HEROY & ASSOCIATES, INC.



December 11, 2009

Ms. Vera Poe  
Utilities & Districts Section  
Water Supply Division  
Texas Commission on Environmental Quality (TCEQ)  
PO Box 13087 - MC 153  
Austin, TX 78711-3087

2009 DEC 11 11 4 57 AM  
TCEQ  
WATER SUPPLY DIV.  
RECEIVED

Re: Expedited Release of Jona Acquisition - Creedmoor Maha WSC, Application No. 36051-D;  
Third Party Appraisal.  
JHA Job No. 0154-001

Dear Ms. Poe,

As requested by the Texas Commission on Environmental Quality (TCEQ) (your email dated November 24, 2009), Jones-Heroy & Associates, Inc. (JHA) has completed the third party valuation of the approximate 1,960 acre tract (Carma Tract) that is to be released from the Creedmoor Maha WSC (CMWSC) per the Commission's Final Order dated August 5, 2008.

## BACKGROUND

Creedmoor Maha WSC is a non-profit Corporation organized under Article 1434a of the Revised-Civil Statutes of Texas of 1925, as amended, supplemented by the Texas Non-Profit Corporation Act, article 1.01 et seq., as amended (See **Attachment A**). CMWSC provides retail water service to approximately 37,310 acres (including the Carma Tract) in portions of Bastrop, Caldwell, Travis and Hays Counties (See **Attachment B**). The existing development within the service area is mostly rural in nature. Water supplies are obtained from six wells located west of IH-35 in the Edwards Aquifer and wholesale contracts with Aqua Water Supply Corporation and the City of Austin.

## CONCLUSION

It is our opinion that the value of the property associated with that portion of Certificate of Convenience and Necessity being transferred and associated with the Carma Tract is \$179,392.00.

## ANALYSIS

Our valuation has been performed in compliance with 30 TAC § 291.113 and was based on the following:

- 1) Interview with Mr. Charles Laws, General Manager of the CMWSC at their office in Mustang Ridge, Texas;
- 2) Interview with Mr. Chase Baromeo, Jr. P.E., with Travis Associates, Engineer for CMWSC at his office in Buda, Texas;
- 3) Review of various documents and maps provided by Mr. Laws and Mr. Baromeo;
- 4) Review of TCEQ files;
- 5) Review of November 9, 2009 appraisal completed by GDS Associates, Inc. (GDS) on behalf of CMWSC; and,
- 6) Review of November 10, 2009 appraisal completed by Donald G. Rauschuber & Associates, Inc. on behalf of Jona Acquisition, Inc.

Following are the findings and recommendations of JHA regarding each of the specific factors set forth in 30 TAC § 291.113(k); as detailed below:

- 1) “The amount of the retail public utility’s debt allocable for service to the area in question”

**Estimated Value: \$ 136,308.00**

It was evident from our investigation that CMWSC has invested substantially in facilities to provide continuing water service for all of their CCN area, including service to the Carma Tract based on their current growth demands (rural in nature). Recent key projects identified in our investigation include the following:

1. 18-inch water main from Edwards Aquifer wells west of IH-35 to enable better distribution of water to the service area east of IH-35.
2. City of Austin water meter connection that includes new ground storage, pump station, and a water main extension.
3. CMWSC is currently in the final planning stages for construction of additional elevated storage capacity, water main extensions, and pumping capacity to serve future growth within its service area.

These improvements as well as those financed with other existing debt are not located within the Carma Tract; however, they include improvements to their water supply facilities which would equally benefit the Carma Tract. Because the entire service area appears to have facilities designed to serve it as one large rural tract, we believe that it is reasonable to pro rate these costs among all their customers and assume that the revenue lost from the Carma Tract (had it been developed like the remaining CCN area which is rural in nature) will have to be made up by the existing customers. A copy of CMWSC’s Water System Map, 2005 Water System Map with the Carma Tract Overlay, and CMWSC 2005 Water System Map of Carma Tract area are included under **Attachment C**.

The long-term debt currently owed by CMWSC is detailed in the FY 2008 annual financial report and includes 5 unpaid notes with a total principal balance of \$2,586,737 as of October 31, 2008. The debt service costs were pro rated based on the proportion of the land area in the Carma Tract released from the total CMWSC service area. The total land area within the CMWSC CCN was

calculated at 37,310 acres using the Water CCN geographic information system (GIS) data obtained from the TCEQ archives and updated on September 30, 2008. The proportion of the existing debt service allocated to the Carma Tract (1,960 acres) is calculated at 5.25%. The land area proration methodology was selected due to the uncertainties involved with estimating current customers and future growth conditions over the payment period of the existing debt (thru 2044). **Attachment D** includes a table detailing the pro rated debt service calculations for the Carma Tract.

It is important to mention that a note receivable from LCRA was reviewed but discounted because only a single payment remaining of \$200,000 to CMWSC in FY 2010 is remaining.

- 2) "The value of the service facilities of the retail public utility located within the area in question"

**Estimated Value: \$ 0.00**

The General Manager advised that CMWSC would be retaining ownership of all easements and major facilities currently located within the Carma Tract. Therefore, no value is assumed for this item.

- 3) "The amount of any expenditures for planning, design, or construction of service facilities that are allocable to service to the area in question"

**Estimated Value: \$ 0.00**

Based on documentation reviewed in TCEQ files, CMWSC was reimbursed by Jona Acquisition Inc. for recent engineering studies completed to serve the Carma Tract. Therefore, no value is assumed for this item.

- 4) "The amount of the retail public utility's contractual obligations allocable to the area in question"

**Estimated Value: \$ 0.00**

JHA reviewed current CMWSC agreements for wholesale water with the City of Austin and Aqua WSC. These agreements call for a fee based on the amount of water used and do not appear to include any 'take or pay' provisions. Thus, CMWSC would not incur any additional costs due to the release of the Carma Tract under this item.

The appraisal prepared by GDS included \$1,481,419 for loss of SWWC contract. SWWC had a contract with CMWSC dated April 9, 2008 to purchase that portion of the CMWSC CCN which serves the Carma Tract and in return, SWWC would bring additional water supplies to serve the tract and give CMWSC additional water. While we see the importance of having these additional water supplies, we

did not find any evidence that contracts for these additional supplies were in place nor do we believe that the responsibility for lack of fulfilling the contract can be placed on the applicant. Therefore, under the provisions of 30 TAC § 291.113, we do not believe we can place any value on the contract.

- 5) "Any demonstrated impairment of service or increase of cost to consumers of the retail public utility remaining after the decertification"

**Estimated Value: \$ 0.00**

The General Manager advised that CMWSC would be retaining ownership of all easements and major distribution facilities currently located within the Carma Tract. These facilities are apparently adequate to serve the remaining customers and areas within the Carma Tract that are no longer contiguous with the remaining CCN area. Therefore, no value is assumed for this item except what is included in items 1 and 6.

- 6) "The impact on future revenues lost from existing customers"

**Estimated Value: \$ 31,284.00**

Using CMWSC's operating expenditures as shown in its latest audit (**Attachment E**), the fixed cost was determined based on a pro ration of CMWSC's fixed costs over the next 5 years (see detail calculations, **Attachment F**). Based on an estimated 17 existing customers lost within the Carma Tract (see 2005 Water System Map, **Attachment C**) and 2,239 total existing customers, 0.76% (17/2239) of this fixed cost will have to be paid by the remaining customers. Assuming growth within the remaining service area continues, we believe 5 years is a reasonable amount of time it would take for CMWSC to recover from the loss in revenue from the customer base within the Carma Tract.

A 1.5% growth factor was used for the system to project the fixed costs. Texas A&M rural growth projections for the area reflect an average annual 3% growth over the next 5 years; however, actual annual customer growth over the past 4 years has been approximately 0.9% (See **Attachment G**).

- 7) "Necessary and reasonable legal expenses and professional fees"

**Estimated Value: \$ 11,800.00**

Based on information available (conversations & interviews with involved parties), the legal and professional fees directly related to the application for release of the CCN which have not been paid by the applicant include:

- \$4,800 for legal fees (Law Offices of Mark Zeppa);
- \$6,000 for engineering fees (Travis Associates Consulting Engineers, Inc.); and,

Ms. Vera Poe  
Expedited Release of Jona Acquisition – Creedmoor Maha WSC  
Third Party Appraisal  
December 11, 2009  
Page 5 of 5

• \$1,000 estimated for administration (CMWSC internal staff time):

8) “Other relevant factors”

**Estimated Value: \$ 0.00**

The GDS appraisal considered ‘Comparable Market Value’ as a relevant factor and included an additional \$198,710 for relinquishing the CCN area. The report states: “The value of the 1,970 acres of requested service area should ultimately be determined using comparable market sales...”. This would place a value on the CCN area such that it could be held and sold for a profit. CMWSC was created as a non-profit WSC. As stated in the articles of incorporation (see **Attachment A**), it was “...formed for the purpose of furnishing a water supply for general farm use and domestic purposes to individuals...”. We disagree and do not believe this payment is allowed under the rules. No other relevant factors were identified; therefore, no value is assumed for this item.

**LIST OF ATTACHMENTS**

- A. Articles of Incorporation, CMWSC
- B. CMWSC CCN Boundary and Carma Tract Boundary Map
- C.1. Map of Water System for Entire Service Area
- C.2. Map of Water System w/ Carma Tract Overlay
- C.3. Map of Water System in Carma Tract
- D. Table of Debt Service Calculations
- E. Copy of FYE October 31, 2008 Operating Expenses (From Audit)
- F. Fixed Operating Cost Calculations
- G.1. CMWS Actual Water Usage & Customer Count for 2005 to 2009
- G.2. Texas A&M Population Projections

Respectfully Submitted,  
**JONES – HEROY & ASSOCIATES, INC.**

  
Samuel W. Jones, P.E.

SASJC- Projects\0154 Creedmore-Maha Appraisal\ Creedmoor\MahaWSC Appraisal Letter 2009-12-11.doc

**13**

December 10, 2009

**Via Overnight Delivery**

Tammy Benter, Team Leader  
Utilities & Districts Section  
Texas Commission on Environmental Quality  
Water Supply Division, MC 153  
P.O. Box 13087  
Austin, Texas. 78711

**RE: Creedmoor Maha WSC – GDS, Inc. Valuation of the Approximate 1,960-Acre Carma Easton, Inc. (A.K.A., Jona Acquisiton, Inc.) Pertaining to the Petition for Expedited Release of the Tract from the Creedmoor Maha WSC Certificate of Convenience and Necessity No. 11029 (the “Creedmoor CCN”)**

Dear Ms. Benter:

On behalf of Carma Easton Inc., formerly known as Jona Acquisition Inc. (“Carma”), we are pleased to submit formal comments on the GDS Associates, Inc., (“GDS”) November 2009 report entitled, “Determination of Monetary Compensation for the CCN Area Requested to be Released by Jona Acquisition, Inc.” (the “GDS Report”). The GDS Report was prepared on behalf of Creedmoor-Maha Water Supply Corporation (“CMWSC” or “Creedmoor”) to appraise the 1,960-acre tract (the “Carma Tract”) that the Texas Commission on Environmental Quality (“TCEQ”) decertified from CMWSC Water CCN No. 11029 by Order dated August 5, 2008 (the “TCEQ Order”). After careful review, we find that the GDS Report grossly over values the subject Carma Tract and is premised on misleading statements that are not supported by facts. In addition, the Report fails to adhere to the prescribed regulatory principles set forth in 30 TAC § 291.113(k).

The GDS Report includes information that is new to Carma because Creedmoor did not make it available in response to our October 5, 2009, request for information under the Texas Public Information Act. This new information, combined with the information shown on Attachment A of today’s letter, has caused Carma to revise Donald G. Rauschuber & Associates (“DGR”) November 10, 2009, Appraisal. Attachment A of today’s letter is a map Carma has recently completed showing that only two active water connections remain on the Carma Tract. Attachment B is DGR’s revised and updated Appraisal, which is based on the new information contained in the GDS Report as well as the fact that only two water connections remain. DGR’s revised Appraisal shows that total amount of compensation due is \$16,547.73. We offer the following specific comments on the GDS Report.

1. The amount of the retail's utility's debt allocable to the service area in question.

GDS asserts that the value of debt service allocable to the Carma tract is \$24,129.16. This value is artificially high for several reasons. First, GDS states (see page 4 of 13) that "...approximately 21 connections have recently been lost as customers after the various tracts of land were purchased by Jona." The GDS Report does not document or itemize the claimed 21 lost connections. More importantly, even if there were 21 connections, they were terminated because Jona purchased the property (prior to the TCEQ Order) where the connections were located, not as a result of the TCEQ Order. None of the prescribed regulatory factors in § 291.113(k) allow Creedmoor to claim credit for service connections lost before decertification as a direct consequence of Carma's real estate acquisitions. Service connections lost before the August 8, 2008, TCEQ Order decertifying Creedmoor's CCN cannot be claimed for credit in this appraisal. Attachment A is a chart showing, to the best of Carma's information and belief, the status of water connections on the Carma Tract before and after the TCEQ Order. Attachment A shows that: (1) before the TCEQ Order, there were actually only nine water connections on the Carma Tract; (2) seven of those nine were disconnected prior to the TCEQ Order; and (3) only two water connections remain today.

Secondly, GDS' allocable debt includes projected growth within the Carma Tract. §291.113(k) allows for "the impact on future revenues lost from existing customers" (emphasis added), but clearly excludes from consideration future growth within the Carma Tract. GDS erroneously includes a rural growth rate of approximately 1 water meter every 13-month period for a 224-month period. This results in an artificially inflated valuation. By including a rural growth rate, GDS valuation includes an additional 17 connections over GDS's evaluation period for a total of 38 connections.

Thirdly, GDS' debt service evaluation utilizes five CMWSC loans: four loans with the Rural Development and one loan with Co-Bank (see GDS Attachment F). Although requested by Carma in the October 5, 2009 Public Information Act request. CMWSC refused to supply Carma with loan amortization schedules for any of the CMWSC's loans. The Rural Development loans are identified in CMWSC's annual audits and in FmHA documents supplied by CMWSC to Carma, but neither CMWSC nor the GDS Report has provided the copies of the RD's loan documents so that the terms and conditions pertaining to the RD loans could be evaluated. Also, CMWSC did not provide Carma with any documentation of the Co-Bank loan identified by GDS. In addition, the GDS report does not include any factual documentation of the Co-Bank Loan, other than indicating (in GDS report Attachment E) that CMWSC has a 20-year term loan with Co Bank with annual payments of \$70,952.40. For validation purposes, CMWSC must provide Carma a copy of all their existing loan documents and a description of the

purpose of each loan (i.e., the CMWSC plant facilities and the location of such facilities that were constructed by each loan).

Carma questions whether the Co-Bank loan was issued before the date of the TCEQ Order. If the loan was issued after the decertification, then Creedmoor cannot claim any credit. Carma also questions the purpose for which Co-Bank issued the loan. It is possible that the loan was not issued to support water infrastructure on or within the Carma Tract and, therefore, cannot be included in the GDS Report.

Based on new information previously unavailable to Carma, but contained in the GDS Report, combined with the information shown on Attachment A, we believe that the value for this regulatory component is approximately \$549.92, using the five CMWSC loans based on the undocumented Co-Bank loan, RD loans and two impacted customers.

2. The value of the service facilities of the retail public utility in the area.

The GDS Report values the CMWSC water service facilities "to be abandoned" at \$117,630.87 (see GDS Report Attachment F). However, GDS did not provide any factual basis, including maps showing the water facilities CMWSC claims it has to abandon due to the Carma Tract decertification. Based on the information previously provided to Carma, it appears that all CMWSC's water transmission facilities (i.e., 6-inch diameter and 4-inch diameter water lines and appurtenances) that distribute treated water in the vicinity of the Carma property are either located within public right-of-ways or within easements, and therefore are still available to Creedmoor. It also appears that all of CMWSC's existing water transmission facilities will remain used and useful to the CMWSC to serve existing and future customers located outside the Carma Tract, especially those specific CMWSC customers located along U. S. Highway 183 and along other Carma Tract perimeter roadways. Since (i) these water transmission facilities will remain used and useful to CMWSC, (ii) Carma is not responsible for relocating any of CMWSC water facilities constructed within public right-of-way, and (iii) Carma will honor all existing easement conditions pertaining to CMWSC water transmission facilities located on the Carma Tract, CMWSC's existing water transmission facilities simply will not be impacted due to the Carma development. Also, the GDS Report claims (see Attachment F) that CMWSC will lose the use of an elevated storage tank site, an area of approximately 0.5-acre, due to the Carma development. This is not correct. CMWSC may continue to use this site for future construction of an elevated storage tank. Carma would agree to grant to CMWSC easements across and through Carma property for site access and for construction of an approach main to/from the future elevated storage tank. As such, CMWSC does not deserve to be compensated for the loss of this site.

The only compensable impact under this regulatory component is for the loss of residential services and meters for those existing CMWSC customers directly impacted by the TCEQ's decertification. Based on the information found in Attachment A, Creedmoor can only claim credit for the loss of two water connections. The correct compensation amount for this component is \$471.81.

Finally, if Carma has to compensate CMWSC for the loss of any reported water improvements, easements, other real property (i.e., elevated storage tank site) and/or appurtenances (i.e., water services/meters and hydrant assemblies) due to the Carma development, then the specific improvements for which Carma is compensating CMWSC for should be immediately abandoned by CMWSC and such assets transferred to Carma via a bill of sale upon paying said compensation. Accordingly, CMWSC should not plan to be using these improvements, etc. to serve any of its customers in the vicinity of the Carma Tract.

3. The amount of any expenditures for planning, design, or construction of service facilities that are allocated to service in the area in question.

GDS projects a \$0.00 value for this Element. Carma agrees with this value.

4. The amount of the retail public utility's contractual obligations allocable to the area in question.

GDS claims a \$1,481,419.00 value for this regulatory component, a claim that is unfounded and is not allowed by § 291.113(k).

In April of 2008, Creedmoor and a company known as SWWC Utilities, Inc. ("SWWC"), entered into a purported contract (the "Creedmoor/SWWC Contract") whereby SWWC agreed to purchase that portion of the Creedmoor CCN service area that was "owned or under contract to purchase of the Carma Group and its affiliates." (Contract For The Purchase Of Public Water Service Area Segment In Travis County, Texas, page 2, included as Attachment I of the GDS Report). Carma was not a party to the Creedmoor/SWWC Contract and has never been privy in any way to negotiations between Creedmoor and SWWC. The Creedmoor/SWWC Contract contains the following provision: "In the event Buyer [SWWC] and the Carma Group are unable to negotiate an agreement for the Carma development project, the Buyer [SWWC] shall have a right to cancel this Agreement, without further liability to Buyer [SWWC]." (Creedmoor/SWWC Contract, page 4). Based solely on a detached reading of the Creedmoor/SWWC Contract's language, it appears that Creedmoor and SWWC may have been contemplating a subsequent arrangement for water service between SWWC and Carma as a condition precedent to the underlying Creedmoor-SWWC Contract. No such arrangement was ever even discussed with Carma. Carma hereby asserts without

equivocation that it is in no way associated with the Creedmoor/SWWC Contract and that it played no role in either the negotiations that led to the contract or activities that affected the ultimate fate of the contract. Carma never had any negotiations whatsoever with SWWC about any subsequent water-service arrangements, and has no knowledge of the current relationship, if any, between Creedmoor and SWWC. Carma speculates that Creedmoor entered into the Creedmoor/SWWC Contract in an effort to pass on to SWWC the legal obligations to serve Carma because Creedmoor knew they would be unable to provide that service.

Further, Carma asserts that this "contract" was really more of an initial letter of intent than an agreement between Creedmoor and SWWC. Pursuant to Article 3, Section 2 of the Creedmoor/SWWC Contract, "Buyer [SWWC] shall be obligated with providing Seller [Creedmoor] with a non-interruptible water supply *in an amount to be determined in a separate wholesale water sales contract*" and "Buyer [SWWC] and Seller [Creedmoor] *shall negotiate a rate* for these future wholesale water sales . . ." [Emphasis Added]. Accordingly, their "agreement" was subject not only to the ability of SWWC to negotiate an acceptable arrangement with Carma (as outlined in the preceding paragraph), but also to further negotiation and agreement of material terms relating to the delivery by SWWC of a non-interruptible future water supply to Creedmoor. No money ever passed hands between Creedmoor and SWWC because of this "contract."

By GDS' own admission, there was never an agreement for SWWC to provide water to Creedmoor. On page 7 of 13 of the GDS Report, it states "By far the most important contractual obligation impacting the remaining customers is *the one that did not occur*" and further, referring the Creedmoor/SWWC transaction, "*This transaction was not completed . . .*" [Emphasis Added]. Then GDS goes on to assert that Creedmoor should be compensated for the impact of the TCEQ Order on an agreement (the Creedmoor/SWWC Contract) that was never effective in the first place.

Since the Creedmoor/SWWC contract was never consummated (through no fault of Carma's), it does not qualify as a "contractual obligation allocable to the area in question," as required by § 291.113(k). In essence then, GDS is attempting to assess contractual damages against Carma for a failed contract between Creedmoor and SWWC that never really existed and in which Carma had no participation. For the reasons set forth above, Carma has no obligation under or responsibility for the CMWSC/SWWC contract. Indeed, Creedmoor risks absurdity by trying to claim \$1,481,419.00. GDS uses (see Attachment G) an "Estimated Costs of Replacement Water Source" that apparently involves drilling unknown and unspecified Lower Trinity Formation water wells and constructing unknown and unspecified water treatment and transmission facilities to connect the speculative wells to CMWSC's water system.

GDS's value for this regulatory component is groundless, unfounded, and unallowed by § 291.113(k). The value of this component is \$0.00.

5. Any demonstrated impairment of service or increase of cost to consumers of the retail public utility remaining after the decertification.

Carma agrees that the value of this component is \$0.00.

6. The impact of future revenues lost from existing customers

GDS's purports a valuation of \$320,383.32, an inflated amount that is incorrect and improperly calculated.

The GDS Report states (see page 8 of 13): "The WSC has budgeted annual basic operating expenses needs of \$1,472,000.00 (not including capital improvement projects) to maintain the existing level of service to the current customers." The GDS Report's claimed annual operating expense of \$1,472,000.00 is presented in Attachment H to the report. The \$1,472,000.00 claimed operating expense is a budgeted figure for FY 2009-10 which includes both fixed and variable operational costs and non-recurring cost components. The loss of revenues from existing CMWSC customers due to the Carma development must be based solely on an evaluation of CMWSC's fixed cost components contained in their operating expenses at the time of the Carma Tract's decertification by the TCEQ (August 8, 2008) and not costs anticipated by the CMWSC after decertification. In addition, CMWSC's fixed cost must exclude any non-recurring expenses.

Short of performing a detailed assessment of CMWSC FY 2009-10 Budget (which cannot be accomplished without direct communication with CMWSC management and operational personnel), the fixed cost and variable cost components for a non-profit water utility may be estimated at 60% fixed and 40% variable. Using an estimated 60% fixed cost ratio and assuming all budgeted cost line items are recurring costs, the FY 2009-10 Budget would have a fixed cost component of \$883,200.00 versus the \$1,472,000.00 number incorrectly used in the GDS valuation for this Element.

In addition, GDS used 38 "bill paying customers" over a twenty-year time period (see page 8 of 13 of the GDS Report) for purposes for calculating the value for this Component. The 38 water customers is calculated by GDS as the sum of 21 existing customers lost due to the Carma Tract plus 17 new-growth customers expected within the Carma Tract over the next twenty year period. The use of projected future growth customers within the Carma Tract is incorrect and not allowed by §291.113(k). In addition, and as previously stated, Attachment A of this letter demonstrates that only two water connections remain after the TCEQ Order.

Using a 20-year time period for evaluating the impact of CMWSC losing existing customers with the Carma Tract is without foundation and arbitrary as presented in the GDS Report. GDS' analyses shown in Attachment H use the same monthly amortization

schedule they used for the same Co-Bank debt service evaluation presented in Element No. 1, above, (i.e., evaluated over a 224 month period). Without having detailed input from CMWSC management and operational personnel, it is next to impossible to determine an appropriate time period for which valuation should be based. Typically, the time period for the value of this Element should be based on an assessment of pipeline and pumping capacities associated with the utility's water transmission lines in the area of the subject decertification tract. For example, GDS purports that there are 4-inch diameter and 6-inch diameter lines in the vicinity of the Carma Tract, which are impacted by decertification. Based on TCEQ criteria, 4-inch diameter and 6-inch diameter water lines can convey water to 100 customers and 250 customers, respectively. As such, if the number of CMWSC customers remaining in the vicinity Carma Tract for which the 4-inch and 6-inch water lines are directly used and useful exceeds 100 and 250 customers respectively, the valuation period for this Element should not exceed one year since these facilities would already be at full utilization even with the loss of existing CMWSC located within the Carma Tract. The November 10, 2009, DGRA, Inc., Valuation Report used a one-year valuation period for this Element, due to the lack of information provided by CMWSC concerning surplus pipe capacities and number of customers using the subject pipelines. If the number of CMWSC customers for which the 4-inch and 6-inch diameter lines are directly used and useful are less than the TCEQ minimum criteria stated above, then valuation period for this Element should extend to the earlier of the date debt service for the subject 4-inch and 6-inch diameter lines is retired by the utility or the date that line capacity is reached due to growth. Either determination cannot be made without detailed input from CMWSC. Not having detailed system data from CMWSC, the value of this Element should be \$726.00.

7. Necessary and reasonable legal expenses and professional fees.

GDS report found a valuation for this Element of \$14,800.00. Although not documented by GDS, Carma does not dispute the valuation for this Element.

8. Other relevant factors.

GDS states on page 9 of 13 of their report, "A factor which absolutely must be considered in any value exercise is Comparable Market Value." This statement is incorrect due to the following reasons.

First, the use of Comparable Market Value is only employed in a transaction where there is a willing seller and a willing buyer. This is very evident by examining the CCN purchase documents included in the GDS Report. Each CCN transfer transaction presented in the GDS report is between a willing seller and a willing buyer. This is simply no longer the situation between Carma and CMWSC. In February, 2007, Carma formally offered CMWSC \$714.00 per acre to decertify and release the Carma Tract from CMWSC's certificated Water CCN area. CMWSC declined this offer and

unilaterally chose to enter into its speculative contract with SWWC Utilities, Inc., at a value of \$1,200.00 per acre. Now comes GDS claiming that Creedmoor should be compensated a value of \$853.00 per acre for the Carma Tract under the auspices of a § 291.113(k) decertification valuation. This concept is unfounded and unallowable under applicable regulations.

Secondly, the use of Comparable Market Value is one of several industry methods used by willing sellers and buyers to value real property. Other methods include Replacement Value Less Cumulated Depreciations, Revenue Generation Value, and, as in this case, value established in accordance with the procedures set forth under a §13.255 Decertification Valuation. Each industry valuation method establishes stand-alone method which sets a value for a seller's real property independent of other methods. Valuation methods cannot be commingled in a situation where there is not a willing seller and/or a willing buyer. If the TCEQ accepts GDS' and CMWSC's assertion that CMWSC should also receive a Comparable Market Value for the acreage located within the Carma Tract, while also allowing CMWSC to recover the value for claimed-stranded water improvements, impacts due to loss of customer revenues paid for the utility's fixed O&M costs and debt service costs, cost of legal and professional fees, and/or the monetary value of others claimed impacts, CMWSC would be allowed double compensation for the individual impacts of each element specified under a regulatory decertification. Carma asserts to the TCEQ that the use of Comparable Market Value or the use of a regulatory decertification are stand-alone valuation methods that cannot and should not be commingled as suggested in the GDS report.

Thirdly, the §13.255 decertification valuation process does not specifically allow for the use of the Comparable Market Value as part of the valuation process. If the parties were in agreement on a Comparable Market Value there would have not have been the need for the Expedited Release Petition filed by Carma to seek §13.255 decertification.

Finally, and in the alternative, if a Comparable Market Value analysis is considered (it should not be), then the GDS Report used the wrong numbers. GDS used an average transaction price of \$853.00 per acre, a simple average the sales prices of recent transactions, including the Creedmoor/SWWC contract that never closed. That contract, by the way, also included a water supply component, which means it was not "comparable" with the other transactions used by GDS. The more accurate Comparable Market Value price would be \$719.00 per acre, which is the weighted average (by acreage) of the prices in the six sales that Creedmoor actually consummated (as identified in Attachment I to the GDS Report), excluding the failed SWWC deal. The total amount, then, would be adjusted to \$1,416,430.00.

As outlined above, Carma offered to pay to Creedmoor \$714.00 per acre (the same price offered by Creedmoor in several other proposed transactions and five closed transactions with other landowners in its CCN as reflected in Attachment I to the GDS Report) in February 2007

Tammy Benter, Team Leader  
Utilities & Districts Section  
Texas Commission on Environmental Quality  
December 10, 2009  
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to have the Carma Property released from the Creedmoor CCN. CMWSC subsequently rejected that offer from Carma and would not entertain any subsequent offers from Carma. As a result of continued concern regarding the water supply for its proposed development project, Carma sought alternative relief – at great expense and effort by Carma - by seeking a release of the Carma Tract from the Creedmoor CCN pursuant to the TCEQ's rules and regulations. Carma was granted that relief by the TCEQ in the TCEQ Order. While Carma acknowledges that Creedmoor is entitled to the compensation specifically prescribed in the TCEQ's regulations in connection with the release of the Carma Tract from the Creedmoor CCN, requiring Carma now to pay some additional Comparable Market Value for the release of the CCN from the Carma Property is wholly inappropriate. Creedmoor had its opportunity to receive such a payment from Carma long ago and rejected it. There is no basis for Creedmoor to be entitled to such a payment now.

Given the above facts and reasons, there are no "Other Relevant Factors" associated with establishing a valuation for the decertification of the Carma Tract from CMWSC's Water CCN 11029. As such, the value of this Element is \$0.00.

In summary, Carma finds that the GDS Valuation Report is grossly incorrect, not founded on sound and appropriate evaluation principles, does not comply with the principles or spirit of a 30 TAC § 291.113 evaluation process and, therefore, presents an erroneous valuation for the Carma Tract. As such, we submit to the TCEQ an adjusted valuation of \$16,547.73.

Very truly yours,



Kenneth Ramirez

KR/gw

Enclosures



**dgr**  
**Donald G. Rauscher & Associates, Inc.**

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Office: (512) 763-1170  
Fax: (512) 763-1341

Water Engineering  
Municipal Engineering

December 8, 2009

Kenneth Ramirez, Attorney at Law  
Brown McCarroll, LLP  
111 Congress, Suite 140  
Austin, Texas 78701

**RE: Valuation of the Approximate 1,960-Acre Carma Easton, Inc. (A.K.A., Jona Acquisition, Inc.) Pertaining to the Petition for Expedited Release of the Tract from the Creedmoor Maha WSC Certificate of Convenience and Necessity No. 11029 (the "Creedmoor CCN")**

Dear Mr. Ramirez:

Presented herein is an updated DGRA, Inc., valuation for the approximate 1,960-acre Carma Tract that was decertified from CMWSC's Water CCN No. 11029 by the TCEQ on August 8, 2008. This updated valuation reflects my review of information contained in the November 2009 GDS report and review of Carma land purchase/transaction data that was not available to DGRA, Inc., at the time of filing my November 10, 2009, Valuation Letter Report to the TCEQ.

Please be advised that this updated valuation is still preliminary and subject to revision. A complete valuation cannot be fully performed until CMWSC releases all previously requested financial and operational information /data.

**UPDATED DGRA, INC., VALUATION**

<u>Element - Factor</u>	<u>November 10, 2009 Valuation</u>	<u>Updated Valuation December 8, 2009</u>
1. Amount of Debt Service Allocable to Carma Development	\$ 8,009	\$ 549.92 <sup>1</sup>
2. Value of CMWSC Water Service Facilities Located Within Carma Tract	0	471.81 <sup>1</sup>

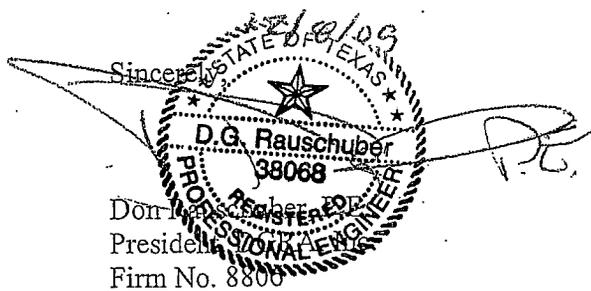
<sup>1</sup> Updated valuation based on information provided in the November 2009 GDS Report for the indicated Element/Factor, adjusted for only having two CMWSC water customers impacted by the Carma Development following the August 8, 2009, TCEQ decertification action.

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 Letter to Ken Ramirez, Attorney at Law  
 Updated Engineering Valuation of the Carma Tract  
 December 8, 2009

<u>Element - Factor</u>	<u>November 10, 2009 Valuation</u>	<u>Updated Valuation December 8, 2009</u>
3. Expenditures for Planning, Design or Construction Associated with Carma	0	0.00
4. Amount of Contractual Obligations Allocable to Carma Development	0	0.00
5. Value of Impairment of Service Allocable to Carma Development	0	0.00
6. Impact of Future Revenue Loss From Existing CMWSC Customers due to Carma	5,445	726.00 <sup>1</sup>
7. Necessary Legal and Professional Fees	0	14,800.00 <sup>1</sup>
8. Other Relevant Factors	<u>0</u>	<u>0.00</u>
<b>TOTAL</b>	<b>\$13,454</b>	<b>\$16,547.73</b>

If you have any questions concerning this matter, please do not hesitate to contact me.

Sincerely,



D.G. Rauschuber  
 Registered Professional Engineer  
 License No. 38068  
 Firm No. 8800