

Bryan W. Shaw, Ph.D., P.E., *Chairman*
Toby Baker, *Commissioner*
Zak Covar, *Commissioner*
Richard A. Hyde, P.E., *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

May 30, 2014

Ms. Bridget Bohac
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. 2014-0383-UCR; Consideration of a request for a Commission Order approving contracts designating service areas between the City of Smithville and Aqua WSC. Application No. 37679-C.

Dear Ms. Bohac:

Enclosed for filing with the Texas Commission on Environmental Quality (Commission) is the original plus seven copies of the following items to be filed as backup materials for the June 18, 2014 Commission agenda regarding the request for an Order approving contracts designating water service areas between the City of Smithville and Aqua WSC:

1. Proposed Order;
2. Agenda Executive Summary;
3. Caption;
4. Staff memo detailing financial, managerial, and technical capabilities of the City of Smithville and Aqua WSC to provide continuous and adequate service to the affected areas;
5. Request for Commission Order approving Texas Water Code section 13.248 agreements filed by the City of Smithville and Aqua WSC on August 1, 2013, and declared administratively complete on August 12, 2013;
6. Two Texas Water Code section 13.248 agreements between the City of Smithville and Aqua WSC executed on July 14, 1997 and March 25, 2013;
7. Letter sent from City of Smithville and Aqua WSC to the Commission dated March 31, 2014 correcting the acreage listed in the section 13.248 agreement executed on March 25, 2013;
8. City of Smithville Certificate of Convenience and Necessity No. 10946;
9. Aqua WSC Certificate of Convenience and Necessity No. 10294;
10. Proposed map of the service areas subject to the section 13.248 agreements;
11. Consent forms signed by representatives for both the City of Smithville and Aqua WSC giving approval to the Executive Director for the attached final maps; and
12. Notice of Agenda setting letters to the City of Smithville and Aqua WSC.

Please do not hesitate to contact me at (512) 239-0627 if you have any questions regarding this material. Thank you for your attention to this matter.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Jessica Gray". The signature is written in black ink and is positioned above a horizontal line.

Jessica Gray
Staff Attorney
Environmental Law Division

Enclosure

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



**TCEQ DOCKET NO. 2014-0383-UCR
APPLICATION NO. 37679-C**

IN THE MATTER OF	§	BEFORE THE TEXAS
THE REQUEST FOR AN	§	
ORDER APPROVING	§	
THE AGREEMENTS	§	
DESIGNATING SERVICE	§	COMMISSION ON
AREAS BETWEEN THE	§	
CITY OF SMITHVILLE	§	
AND AQUA WSC IN	§	
BASTROP COUNTY,	§	
TEXAS	§	ENVIRONMENTAL QUALITY

ORDER

A request for a Commission Order approving agreements designating service areas between the City of Smithville, water Certificate of Convenience and Necessity (CCN) No. 10946, and Aqua WSC, water CCN No. 10294, in Bastrop County, Texas, was presented to the Texas Commission on Environmental Quality (Commission) for approval pursuant to Section 13.248 of the Texas Water Code, and Title 30 of the Texas Administrative Code, Sections 291.117 and 291.120.

The City of Smithville and Aqua WSC entered into two Contract Service Agreements (Agreements), one on July 14, 1997 (1997 Agreement) and one on March 25, 2013 (2013 Agreement) regarding their respective water service areas pursuant to Section 13.248 of the Texas Water Code.

Approximately 1,551.1 total acres of Aqua WSC's CCN No. 10294 will be transferred to the City of Smithville under the Agreements. Under the 1997 Agreement, Aqua WSC will transfer an approximately 1,400-acre portion of CCN No. 10294 to the

City of Smithville. The City of Smithville will be singly certificated to this portion except where Aqua WSC maintains lines and customers, which will be dually certificated to the City of Smithville and Aqua WSC. Under the 2013 Agreement, Aqua WSC will transfer an approximately 151.1-acre portion consisting of five tracts of CCN No. 10294 to the City of Smithville. The City of Smithville will be singly certificated to this portion, except that Aqua WSC will maintain a Facilities Only CCN within Tract 4. No customers or facilities will be transferred under the Agreements. The Agreements are attached to this Order.

Contracts between retail public utilities designating areas to be served and customers to be served by those retail public utilities, when approved by the Commission after public notice and hearing, are valid and enforceable, and are incorporated into the appropriate areas of public convenience and necessity. TEXAS WATER CODE, §13.248.

The Commission held a hearing on the request at the June 12, 2014 agenda and found the request had merit.

The City of Smithville is capable of rendering continuous and adequate water service to every customer in the CCN area to be transferred as described by the Agreements. The CCN transfer, which results in the City of Smithville being singly certificated to the 1,400-acre tract, and dually certificated with Aqua WSC to where Aqua WSC maintains lines and customers within the 1,400-acre tract, and being singly certificated to the approximately 151.1-acre portion consisting of five tracts, except for the Facilities Only CCN within Tract 4 to be maintained by Aqua WSC, is necessary for the service, accommodation, convenience, or safety of the public.

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

The Agreements transferring portions of Aqua WSC's water CCN No. 10294 and designating that retail water service shall be provided by the City of Smithville, water CCN No. 10946, in those areas, is hereby approved.

CCN No. 10946 in Bastrop County, held by the City of Smithville, is hereby amended in accordance with the contract.

CCN No. 10294 in Bastrop County, held by Aqua WSC, is hereby amended in accordance with the contract.

The Executive Director is directed to redraw the maps of the respective CCNs as provided in the Agreements and as set forth on, the map attached to this Order, and to amend the Commission's official water service area map for Bastrop County, Texas.

The Chief Clerk of the Texas Commission on Environmental Quality shall forward a copy of this Order to the parties.

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

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
INTEROFFICE MEMORANDUM

TO: Texas Commission on Environmental Quality **DATE:** May 30, 2014
THRU: Bridget Bohac, Chief Clerk
FROM: Jessica Gray, Staff Attorney, Environmental Law Division
SUBJECT: TCEQ Docket No. 2014-0383-UCR. Consideration of a request for a Commission Order approving contracts designating service areas between the City of Smithville and Aqua WSC. Application No. 37679-C.

DESCRIPTION OF APPLICATION

Applicant: The City of Smithville and Aqua WSC
Regulated Activity: Retail water utility service
Type of Application: Request for a Commission Order approving a contract
Commission Action: Hearing regarding approval of the contract
Authority: Texas Water Code § 13.248 and 30 Texas Administrative Code § 291.117

FACTUAL BACKGROUND

The City of Smithville, water Certificate of Convenience and Necessity (CCN) No. 10946, and Aqua WSC, water CCN No. 10294, provide retail water service in Bastrop County, Texas. The City of Smithville and Aqua WSC executed two separate Contract Service Agreements (Agreements) regarding their respective water service areas, one on July 14, 1997 (1997 Agreement) and the other on March 25, 2013 (2013 Agreement), pursuant to Section 13.248 of the Texas Water Code.

The 1997 Agreement addresses the transfer of Aqua WSC's authority to provide water service to approximately 1,400 acres (1997 Transfer Area). The 1997 Agreement provides that the City of Smithville will be the sole provider of retail water service in the 1997 Transfer Area except where Aqua WSC maintains lines and customers. The City of Smithville and Aqua WSC will have dual certification in that portion of the 1997 Transfer Area where Aqua WSC maintains lines and customers. All customers of Aqua WSC located within the 1997 Transfer Area prior to the execution of the 1997 Agreement had the option of remaining Aqua WSC customers. All existing customers in the 1997 Transfer Area chose to continue receiving service from Aqua WSC.

The 2013 Agreement addresses the transfer of Aqua WSC's authority to provide water service to approximately 151.1 acres (2013 Transfer Area).¹ The 2013 Transfer Area consists of five tracts of land: Tract 1) the Baseball Field, which consists of approximately 11.4 acres; Tract 2) Smithville High School, which consists of approximately 96.9 acres; Tract 3) the North Street Area, which consists of approximately 28.1 acres; Tract 4) the FM 535 Area, which consists of approximately 11.8 acres; and Tract 5) the SE 2nd Street Area, which consists of approximately 2.9 acres. The 2013 Agreement provides that the City of Smithville will be the sole provider of retail water service in the 2013 Transfer Area, except that Aqua WSC will maintain a Facilities Only CCN within Tract 4 of the 2013 Transfer Area to accommodate a four inch water line that traverses FM 535 for 1,588 feet. Aqua WSC currently serves one customer within the 2013 Transfer Area, and will continue to do so.

No customers or facilities will be transferred under the Agreements. The parties were provided with a copy of the map that will be attached to the Order. The parties have consented that the maps are accurate with regards to the proposed areas.

LEGAL AUTHORITY

The Texas Water Code prohibits a utility, a utility operated by an affected county, or a water supply corporation from rendering retail water or sewer utility service directly or indirectly to the public without first obtaining a CCN.² Conversely, a municipality is not required to obtain a CCN to provide retail water or sewer service.³ However, a municipality may not provide service to areas that are outside of its corporate boundaries but within the CCN of another retail public utility without first obtaining written consent from that retail public utility.⁴

The Texas Water Code and Commission rules allow retail public utilities to enter into service area agreements and have the Commission affirm the agreements by amending the entities' respective CCNs.⁵ A transfer of a water or sewer system that also includes

¹ The 2013 Agreement lists the acreage of the area to be transferred as 171.86 acres. This acreage is incorrect due to a scrivener's error and was corrected by the parties to read 151.1 acres in a letter dated March 31, 2014. The correction letter was agreed to by both parties and the letter is included in the backup packet.

² TEX. WATER CODE ANN. § 13.242(a).

³ A municipality is a "retail public utility" under section 13.002(19) of the Texas Water Code but is not a "utility" under section 13.002(23). Therefore, the section 13.242(a) requirement that a "utility" must obtain a CCN before providing retail water or sewer utility service does not apply to a municipality.

⁴ TEX. WATER CODE ANN. § 13.242(b).

⁵ *Id.*; TEX. WATER CODE ANN. § 13.248; 30 TEX. ADMIN. CODE § 291.117 (West 2005)(Tex. Comm'n on Env'tl. Quality, Contracts Valid and Enforceable). Section 13.248 states "[c]ontracts between retail public utilities designating areas to be served and customers to be served by those retail public utilities, when

the transfer of customers and/or facilities may, in some cases, also require separate Commission approval for the transfer of customers and/or facilities.⁶

The request to approve a 13.248 agreement is not subject to the notice provisions of Section 291.106, Title 30 of the Texas Administrative Code, which apply to applications for new and amended CCNs. The Commission may approve the service area agreement pursuant to section 13.248 of the Texas Water Code with the appropriate notice under the Open Meetings Act. The Executive Director will mail notice of the hearing upon the setting of an Agenda date.

BASIS FOR STAFF RECOMMENDATION

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

1. Request for a Commission Order approving the Texas Water Code Section 13.248 Agreement filed by Aqua WSC on August 1, 2013 and declared administratively complete on August 12, 2013 (Application No. 37679-C);
2. Agreements between the City of Smithville and Aqua WSC, executed on July 14, 1997 and March 25, 2013;
3. Financial, Managerial, and Technical analysis of the City of Smithville's ability to operate in the affected areas;
4. Proposed Order;
5. Final proposed maps of the water service areas subject to the 13.248 Agreement; and
6. Consent forms signed by representatives for both the City of Smithville and Aqua WSC, which give approval to the Executive Director for the above final maps.

STAFF RECOMMENDATION

Staff has confirmed that both parties are retail public utilities with active water CCNs. Staff has confirmed that the approximately 1,400-acre area the parties seek to transfer from Aqua WSC to the City of Smithville to be singly certificated to the City of Smithville, except for the portion where Aqua WSC maintains lines and customers,

approved by the commission after public notice and hearing, are valid and enforceable and are incorporated into the appropriate areas of public convenience and necessity."

⁶ TEX. WATER CODE ANN. § 13.301. The section requires that some applicants also demonstrate "adequate financial, managerial, and technical capability for providing continuous and adequate service to the service area being acquired and to any areas currently certificated to the person" for the separate transaction relating to the transfer of facilities and/or customers.

which will be dually certificated to both the City of Smithville and Aqua WSC, is singly certificated to Aqua WSC. Staff has confirmed that the approximately 151.1-acre area the parties seek to be released by Aqua WSC to be singly certificated to the City of Smithville, except for the Facilities Only CCN in Tract 4 to be maintained by Aqua WSC, is singly certificated to Aqua WSC. No customers or facilities will be transferred under the Agreements. Further, Staff is satisfied that the City of Smithville possesses the adequate financial, managerial, and technical capability to provide continuous and adequate service to both areas of land under dual and single certification. Finally, the parties have reviewed the Executive Director's proposed final maps and have signed consent forms showing approval for the proposed maps. Therefore, based on the facts stated in the application and the supporting documentation submitted by the City of Smithville and Aqua WSC, Staff supports the request for a Commission Order approving an Agreement transferring portions of Aqua WSC's water service area to the City of Smithville.

STAFF CONTACTS

Jessica Gray, Environmental Law Division (239-0627)
Leila Guerrero, Water Supply Division (239-2286)

CAPTION
City of Smithville and Aqua WSC
Application No. 37679-C

TCEQ Docket No. 2014-0383-UCR. Consideration of a request for a Commission Order approving two contracts (Agreements) designating service areas between the City of Smithville, water Certificate of Convenience and Necessity (CCN) No. 10946, and Aqua WSC, water CCN No. 10294, in Bastrop County, Texas pursuant to section 13.248 of the Texas Water Code. Approximately 1,551.1 total acres of Aqua WSC's CCN No. 10294 will be transferred to the City of Smithville. Under the Agreements, Aqua WSC will transfer an approximately 1,400-acre portion of CCN No. 10294 to the City of Smithville. The City of Smithville will be singly certificated as to this portion except where Aqua WSC maintains lines and customers, which will be dually certificated to the City of Smithville and Aqua WSC. Additionally, Aqua WSC will transfer an approximately 151.1-acre portion consisting of five tracts of CCN No. 10294 to the City of Smithville. The City of Smithville will be singly certificated as to this portion, except that Aqua WSC will maintain a Facilities Only CCN within Tract 4. No customers or facilities will be transferred under the Agreements. (Jessica Gray, Leila Guerrero)

TCEQ Interoffice Memorandum

To: Environmental Law Division

Date: September 23, 2013

Thru: Lisa Fuentes, Team Leader
Leila Guerrero
Utilities Financial Review

From: *DLJ* Debi Loockerman CPA

Subject: Contract Service Agreement Pursuant to Texas Water Code Section 13.248, from City of Smithville, Certificate of Convenience and Necessity (CCN) No. 10946, and Aqua Water Supply Corporation (Aqua WSC), CCN No. 10294 in Bastrop County; Application No. 37679-C

CN: 600610828; RN: 102672482 (Aqua WSC)
CN: 600643894; RN: 101386290 (City of Smithville)

Under the terms of the contract agreement signed on March 7, 2013, the parties seek to adjust their respective CCN's to transfer approximately 171.86 acres of land from Aqua WSC's CCN to the City's CCN. All acreage is currently served by the City, but within Aqua WSC's CCN. The acreage includes 5 tracts of land which are described as "baseball field", Smithville High School, North Street Area, FM 6535 area, and SE 2nd Street Area. The transfer has no effect on either entity's current customers and is immaterial to the overall financial and managerial operations of both utilities. There area is less than 10% of the area in either affected CCN. The following analysis is presented so that industry norms and ratios are available as requested by the TCEQ Office of Legal Services.

City of Smithville

I have reviewed an unqualified opinion audit for the City for the fiscal year ended September 30, 2012 which states that the basic financial statements present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Smithville, Texas and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. The statement of Net Assets on that date showed total assets of \$9.8 million, long-term debt of \$7.9 million and net assets (equity) of \$9.2 million, for an overall ratio of debt to equity of 0.86:1. TCEQ staff prefers to see a ratio of less than 1.0 to 1.0 when reviewing for financial capability.

TCEQ Interoffice Memorandum

September 23, 2013
Aqua WSC and City of Smithville
Page 2 of 2

The statement of revenues and expenses for water and wastewater operations showed net operating revenues of \$1,337,518. This figure was net of depreciation expense of \$289,883. Therefore, cash available for debt service was \$1,627,401. Debt service for the year of 2013, enterprise fund, was reported as \$623,814. The ratio of debt service coverage is 2.61 to 1.00. TCEQ staff considers debt service coverage ratio of 1.25 to 1.00 to be adequate to find financial capability.

Aqua WSC

The 2011-2012 audited financial statements for the Aqua WSC were available on the WSC's website. The audit report included an unqualified auditors' opinion for the fiscal years ending September 30, 2011 and 2012. The WSC's financial statements reflected a debt to net asset ratio for 2012 of 0.35 to 1.00, and a debt service coverage ratio of 2.31 to 1.00.

This information supports a finding of adequate financial and managerial capability to provide service to the area contracted for transfer.



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TCEQ
WATER SUPPLY DIV.

816 Congress Avenue, Suite 1900
Austin, Texas 78701
Telephone: (512) 322-5800
Facsimile: (512) 472-0532
www.lglawfirm.com

2013 AUG 1 PM 3 28

Ms. Crump's Direct Line: (512) 322-5832
Email: gerump@lglawfirm.com

August 1, 2013

VIA HAND DELIVERY

Utilities and Districts Section, MC 153
Water Supply Division
Texas Commission on Environmental Quality
12100 Park 35 Circle, Bldg. F, 3rd Floor
Austin, TX 78753

RE: Submission Pursuant to Texas Water Code § 13.248 and 30 Tex. Admin. Code § 291.117

Dear Sir/Madam:

The City of Smithville ("City") and Aqua Water Supply Corporation ("Aqua WSC") file this application (the "Application") pursuant to Texas Water Code ("TWC") § 13.248 and 30 Texas Administrative Code ("TAC") § 291.117 for the Commission's approval of two contracts between the City and Aqua WSC designating the areas and customers to be served by each, and requesting amendment of Water CCN No. 10946 of the City and Water CCN No. 10294 of Aqua WSC, pursuant to such contracts. The City and Aqua WSC are both "retail public utilities" as defined by TWC § 13.002(19) and 30 TAC § 291.3(4), and may thus utilize the process described in TWC § 13.248 and 30 TAC § 291.117 for this purpose.

1997 Agreement

As noted above, there are two contracts between the City and Aqua WSC concerning utility service areas, both of which are included in this Application. The agreement was executed by the City and Aqua WSC on July 14, 1997, and is referred to herein as the "1997 Agreement." A copy of the 1997 Agreement is attached to this submission as **Attachment 1**. This agreement has not previously been submitted to the TCEQ for revisions to the CCNs of the City and Aqua WSC.

Under the 1997 Agreement, Aqua WSC is transferring approximately one thousand four hundred (1,400) acres of its CCN to the City ("1997 Transfer Area"). This acreage is all contiguous, as shown on the map attached as Exhibit 1 to the Agreement. At the time of the Agreement, Aqua WSC served eighteen (18) customers with the 1997 Transfer Area. Under the provisions of Section 4.5 of the 1997 Agreement, all current customers of Aqua WSC within the 1997 Transfer Area had "the option of remaining Aqua customers." All of these eighteen customers remained Aqua WSC customers, and are Aqua WSC customers today. The locations of these customers are shown on the map attached as Exhibit 1 to the 1997 Agreement (identified

by green circles and corresponding account numbers). Also under the terms of the 1997 Agreement, all new customers (after the date of that Agreement) will be served by the City only. The City has added customers to its water utility system within the 1997 Transfer Area since the date of the Agreement. No customers of either the City or Aqua WSC are being transferred under the 1997 Agreement.

Aqua WSC is retaining ownership of certain facilities within the 1997 Transfer Area. These facilities are also shown on Exhibit 1 to the 1997 Agreement, and are color-coded to indicate the size of the pipes. Pursuant to Section 4.2 of the 1997 Agreement, Aqua WSC is retaining its CCN where it maintains lines and customers within the 1997 Transfer Area in order to continue water service to existing customers. It is the intent of the 1997 Agreement that Aqua WSC and the City be dually certified in "that portion of the transfer area where Aqua maintains lines and customers." The extent of this dual certification is shown on Exhibit 1 to the 1997 Agreement.

The metes and bounds description of the 1997 Transfer Area is attached as Exhibit 2 to the 1997 Agreement. The accompanying CD (**Attachment 4** to this submittal) also transmits the shape files for this transfer area.

2013 Agreement

In March 2013, the City and Aqua WSC entered into a second CCN agreement, referred to herein as the "2013 Agreement," which transfers additional water CCN areas from Aqua WSC to the City. A copy of the 2013 Agreement is attached to this submission as **Attachment 2**. The acreage transferred under the 2013 Agreement is identified therein as five (5) separate tracts, for a total of 171.86 acres ("2013 Transfer Areas"). As noted in Section 4.3 of the 2013 Agreement, Aqua WSC is retaining a "facilities only" CCN within Tract 4 to accommodate the continued location of its four inch (4") water main that traverses this area. Aqua WSC currently serves one customer on this identified four inch line. This customer will remain Aqua WSC's customer.

Exhibit A to the 2013 Agreement is a map showing the location of the five (5) tracts to be transferred, as well as the "facilities only" CCN that will be retained by Aqua WSC within Tract 4. With the exception of the one current customer of Aqua WSC in Tract 4, Aqua WSC has no other customers within any of the 2013 Transfer Area. The City is currently providing retail water utility service to each of the five tracts. No customers will be transferred as a result of the 2013 Agreement.

Mapping Data

A color map summarizing the two Agreements is included as **Attachment 3**. A CD containing the digital mapping information for the maps included in both the 1997 Agreement and the 2013 Agreement is included with this submission as **Attachment 4**.

Qualifications of City

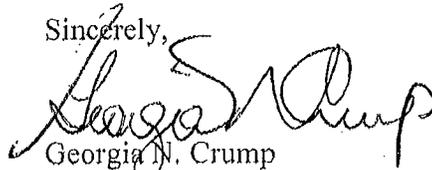
The City will be acquiring additional water CCN area under the 1997 Agreement and the 2013 Agreement. The City has the financial, managerial, and technical ability to provide service in the 1997 Transfer Area and the 2013 Transfer Areas. As noted above, the City has been providing retail water utility service within the 1997 Transfer Area since prior to the date of that Agreement, and its service has been continuing and expanding until the present. As further indication of the City's ability to provide service in the 1997 Transfer Area and the 2013 Transfer Areas, please see copies of the City's financial reports for the fiscal years ending September 30, 2010 through September 30, 2012, attached hereto as **Attachment 5**.

The only public water systems affected by the transfers of the water CCN areas are the City and Aqua WSC. These transfers of water CCN areas will not effect a change of retail water providers to the area. As noted above, no customers of either Aqua WSC or the City are being transferred by this Application.

The City and Aqua WSC are pleased to have reached these Agreements related to their water CCN areas. The Commission is respectfully requested to approve the 1997 Agreement and the 2013 Agreement as they relate to the transfer of the CCN areas and the amendment of the City's and Aqua WSC's CCNs.

We appreciate your assistance. Please address any questions or concerns to me at (512) 322-5832 or gcrump@lglawfirm.com, or to Charlie Crossfield, City Attorney for the City of Smithville, at (512) 255-8877 or charlie@scrrlaw.com.

Sincerely,



Georgia N. Crump
Attorney for Aqua Water Supply Corporation

GNC:jmc
707/53/3845418.1

cc: David McMurry
Charlie Crossfield

Attachments:

- 1 – 1997 Agreement
- 2 – 2013 Agreement
- 3 – Hard copy of map summarizing 1997 Agreement and 2013 Agreement
- 4 – CD containing digital mapping data
- 5 – Financial reports for City of Smithville

RECEIVED
TCEQ
WATER SUPPLY DIV.

2013 AUG 1 PM 3 28
**AGREEMENT BETWEEN THE CITY OF SMITHVILLE, TEXAS
AND AQUA WATER SUPPLY CORPORATION**

This Agreement is executed between the City of Smithville, Texas ("Smithville" or the "City") and Aqua Water Supply Corporation ("Aqua") for the purposes and consideration set forth herein.

RECITALS

WHEREAS, Smithville is a general law municipality organized in accordance with the laws of the State of Texas; and

WHEREAS, Smithville is served by the Smithville City Council that is elected, in accordance with the laws of the State of Texas, by the citizens of Smithville; and

WHEREAS, Aqua is a non-profit corporation organized under the laws of the State of Texas and is authorized to exercise all powers, privileges and rights conferred on a non-profit corporation empowered by or using the laws of the State of Texas and all powers and rights incidental to carrying out the purposes for which the Aqua non-profit corporation is formed; and

WHEREAS, Aqua is served by a Board of Directors of the corporation elected by its members in accordance with Aqua's bylaws and the laws of the State of Texas; and

WHEREAS, Aqua was issued a certificate of incorporation by the Secretary of State of the State of Texas on April 11, 1969; and

WHEREAS, both Smithville and Aqua are "retail public utilities" as defined in §13.002 of the Texas Water Code operating respectively under Certificates of Convenience and Necessity ("CCN") 10946 and 10294; and

WHEREAS, the City has recently annexed into the municipal boundaries of the City approximately 370 acres to the north and east of the previous municipal boundaries of Smithville; and

WHEREAS, some areas of annexations by Smithville fall within the area for which a CCN for the service of water utilities has been granted to Aqua by the State of Texas by and through the Public Utility Commission, the Texas Water Commission and/or the Texas Natural Resource Conservation Commission (hereinafter referred to as the "Commission,") as it is now named; and

WHEREAS, Aqua is currently indebted to the United States Department of Agriculture (hereinafter referred to as "USDA") on a promissory note issued June 12, 1989, which was used to finance improvements to Aqua's water utility system pursuant to 7 U.S.C. 1926(a); and

WHEREAS, USDA holds a security interest in Aqua's CCN pursuant to the real estate deed of trust executed in connection with the June 12, 1989 Promissory Note; and

WHEREAS, Smithville and Aqua have, subject to approval by USDA and the Commission, through good faith negotiations, resolved issues concerning the transfer of Aqua's water utility CCN to Smithville for the recently annexed area and an unannexed area bounded on the north and west by the Colorado River; on the south by a line extending from the southeast corner of the City's corporate boundaries along the southern boundary of the Union Pacific Railroad tracks to the southern boundary of the Benjamin Barton A-8 Survey and thence east to the eastern boundary of the Benjamin Barton A-8 Survey; and on the east by the eastern boundary of the Benjamin Barton A-8 Survey extending northward to the Colorado River; and

WHEREAS, Smithville and Aqua have entered into this Agreement to allocate the area and customers to be served with retail water service by each party pursuant to Texas Water Code §§ 13.248 and 13.255, and the Interlocal Cooperation Act; and

WHEREAS, the Smithville City Council and the Aqua Board of Directors have each determined that they have the power to enter into this Agreement, have each approved this Agreement, and have each authorized its execution.

NOW THEREFORE, Smithville and Aqua enter into the following Agreement (hereinafter referred to as the "Agreement") for the purposes and consideration set forth herein as follows:

I. PARTIES

1.1 This Agreement is entered into by and between the City of Smithville, Texas ("Smithville" or the "City") a general law city of the State of Texas and Aqua Water Supply Corporation, a non-profit, tax exempt corporation organized and existing under the laws of the State of Texas (hereinafter referred to as "Aqua").

II.
TERM OF AGREEMENT

2.1 TERM: This Agreement shall have a term of thirty-five (35) years from the effective date of this Agreement.

III.
EFFECTIVE DATE

3.1 EFFECTIVE DATE: This Agreement is executed on the ___ day of _____, 1997 by the City of Smithville and on the ___ day of _____, 1997 by Aqua. This Agreement becomes effective upon the date it has been executed by both parties.

IV.
SALE AND TRANSFER OF WATER UTILITY CCN SERVICE AREA

4.1 TERMS OF SALE: For and in consideration of the compensation specified in paragraphs 4.4.1 and 4.4.2 and the other terms and conditions of this contract Aqua agrees to sell, assign, convey and transfer to Smithville all rights, privileges and responsibilities of Aqua under Aqua's water utility CCN within the area described in paragraph 4.3 below ("transfer area"), except for Aqua's water utility service to current customers. Final consummation of this sale is contingent on approval of this Agreement by the TNRCC pursuant to the Texas Water Code §§ 13.248 and 13.255, and on the release of Aqua's CCN for the transfer area from the security interest held by the USDA.

4.2 ACTIONS TO SECURE FINAL CONSUMMATION OF THE SALE: Ten (10) days following payment to Aqua of compensation provided for in paragraph 4.4.1: (1) Smithville and Aqua shall jointly submit this Agreement to the Commission and request that the terms of the Agreement be incorporated into the respective Certificates of Convenience and Necessity of the parties; (2) Aqua shall request the USDA to release its security interest in Aqua's water utility CCN for the area described under paragraph 4.3. Provided, however, that Aqua shall retain its water utility CCN where it maintains lines and customers within the transfer area in order to continue water service to existing customers. Aqua and Smithville shall have dual certification in that portion of the transfer area where Aqua maintains lines and customers.

4.3 DESCRIPTION OF TRANSFER AREA: The water utility CCN service area being transferred from Aqua to Smithville is described on the map which is attached to this Agreement as Exhibit "1" and by metes and bounds on Exhibit "2", both of which are incorporated and adopted into this Agreement for all purposes. In the event of a conflict between the metes and bounds description in Exhibit "2" and the map in

Exhibit "1," the metes and bounds description in Exhibit "2" shall control.

4.4.1. COMPENSATION (LEGAL EXPENSES AND PROFESSIONAL FEES):

Within ten days following the date of execution of this Agreement, Smithville shall pay to Aqua the amount of \$16,000.00 to reimburse Aqua for its necessary and reasonable legal expenses and professional fees associated with the negotiation and execution of this Agreement through the date of its approval by the parties. Following approval of this Agreement by the parties Smithville shall reimburse Aqua within thirty (30) days of receipt of invoice for all reasonable administrative costs and legal and professional fees incurred by Aqua relating to the final consummation of this Agreement.

4.4.2. COMPENSATION (IMPACT ON FUTURE REVENUE AND EXPENSES): From and after the effective date of this Agreement until the conclusion of the term of this Agreement, Smithville shall pay Aqua for each meter set to provide retail water utility service within the transfer area according to the following formula:

Meter equivalents x Dollars x years remaining under agreement

A *meter equivalent* shall be defined as the equivalent of a standard 5/8" water meter capable of a flow rate of 15 gallons of water per minute. A water meter other than the standard 5/8" water meter shall be converted to meter equivalents by dividing the quantity of water capable of being delivered through the meter, under normal usage, by 15 gallons per minute. The flow rate of a water meter shall be determined using guidelines approved by the American Water Works Association. In the event that the flow rate of a meter cannot be determined from publications of the American Water Works Association, Aqua and Smithville shall determine the flow rate based on generally accepted engineering practices.

Dollars shall be the dollars paid for each *meter equivalent* for each year remaining under this contract. During the first year of this Agreement *dollars* shall be \$70.00. This element of this formula shall be adjusted annually as specified in paragraph 4.6.

Years remaining under Agreement shall be calculated by subtracting from 35 the number of years that have passed between the effective date of this Agreement to the date that the meter is set. Provided however, for purposes of this

formula years remaining under this contract shall never be less than ten (10).

Smithville's payment of compensation to Aqua under this paragraph shall be made within thirty (30) days following the setting of a meter. By January 31 of each year following the effective date of this contract, Smithville shall provide to Aqua an inventory of all meters in the transfer area and a list of the meters that were set during the preceding calendar year. Aqua shall have the right during normal business hours to inspect the water utility accounts of the City of Smithville.

4.5 CUSTOMERS: All current customers of Aqua within the transfer area shall have the option of remaining Aqua customers. All new customers in the transfer area will be served by Smithville only.

4.6 ESCALATOR CLAUSE. On the first day of each year after the effective date of this Agreement the *dollars* in the compensation formula set forth in paragraph 4.4.2 shall be adjusted as set forth in this paragraph to reflect increases in the Consumer Price Index of the Bureau of Labor Statistics of the United States Department of Labor for the Southern United States using 1997 as the base year. The index numbers referred to in subsection (a) below will be taken from this Consumer Price Index, except as set forth in subsection (b) below.

- a. The adjustments in the *dollars* in the compensation formula set forth in paragraph 4.4.2 shall be determined by multiplying \$70.00 by a fraction, the numerator of which is the index number for the last month of the last year prior to adjustment and the denominator of which is the index number for the first month of the first year of this Agreement.
- b. If the CPI for the Southern United States is discontinued during the term of this Agreement, the remaining adjustments called for in this paragraph shall be made using the formula set forth in (a) above, but substituting the index numbers for the Consumer Price Index - Seasonally Adjusted U.S. City Average For All Items For All Urban Customers ("CPI-U") for the index for the CPI- Southern. If both the CPI-U and CPI-Southern are discontinued during the term of this Agreement, the remaining adjustments for impact on future revenues and expenses called for in this paragraph shall be made using the statistics of the Bureau of Labor Statistics of the U.S. Department of Labor that are most nearly comparable to the CPI-U. If the Bureau of Labor Statistics of the U.S. Department of Labor ceases to exist or ceases to publish statistics concerning the purchasing power of the consumer dollar during the term of this Agreement, the remaining adjustments for impact on future revenues and expenses shall be made using

the most nearly comparable statistics published by a recognized financial authority.

V.
MISCELLANEOUS

5.1 SUCCESSORS AND ASSIGNS: This Agreement shall be binding on Smithville and Aqua and their successors and assigns.

5.2 EMINENT DOMAIN AND CONDEMNATION: During the term of this Agreement Smithville will not use its eminent domain or condemnation authority under Texas law to condemn any of Aqua's water production facilities or water lines.

5.3 GOOD FAITH EFFORTS FOR APPROVAL: Smithville and Aqua will each use good faith diligent efforts to obtain the review and approval of USDA and the Commission of the provisions of this Agreement.

5.4 NOTICE: Any notice required or permitted to be given under this Agreement by one party to the other shall be in writing and the same shall be deemed to have been served and given if (i) delivered in person to the address set forth below for the party to whom the notice is given; (ii) placed in the United States mail by certified mail, return receipt requested, addressed to such party at the address set forth below; or (iii) deposited in the custody of Federal Express Corporation to be sent by Federal Express overnight delivery, addressed to such party at the address set forth below. Any notice mailed in the manner provided above shall be effective upon its deposit into the custody of the United States Postal Service or Federal Express Corporation as applicable; all of the notices shall be effective upon receipt.

The address of Smithville for all purposes under this Agreement and for all notices herein shall be:

Smithville City Manager
P.O. Box 449
137 Main Street
Smithville, Texas 78957

The address of Aqua for all purposes under this Agreement and for all notices herein shall be:

General Manager
Aqua Water Supply Corporation
P.O. Drawer P
305 Eskew Street
Bastrop, Texas 78602

From time to time either party may designate another address within the United States of America for all purposes of this contract by giving the other party not less than ten (10) days advance written notice of such a change of address in accordance with the provisions hereof.

5.5 CAPTIONS: Captions are included solely for convenience of reference and if there is any conflict between captions and the text of the Agreement, the text shall control.

5.6 CONSTRUCTION: Whenever the context requires, the gender of all words herein shall include the masculine, feminine and neuter, and the number of all words shall include the singular and the plural.

5.7 INCORPORATION BY REFERENCE: The exhibits, and maps, if any, attached hereto are incorporated herein by reference for all purposes.

5.8 REFERENCES: Unless otherwise specified and adopted, references in this Agreement to "paragraphs," or "subparagraphs," refers to the paragraphs or subparagraphs in this Agreement.

5.9 REMEDY FOR PARTIAL INVALIDITY. If any provision of this contract is determined by a court or administrative agency of competent jurisdiction to be invalid or unenforceable after Aqua's CCN for the transfer area has been transferred and conveyed to Smithville, Smithville, at the request of Aqua, shall file documents necessary for the Commission to return to Aqua the CCN for the transfer area under this Agreement. Provided, however, that Aqua shall pay to Smithville an amount that is adequate and just to compensate the City for any real or personal property, other than the CCN itself, that is transferred under this section.

5.10 APPLICABLE LAW: This Agreement shall be construed under and in accordance with the laws of the State of Texas.

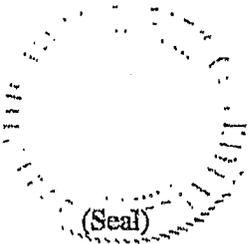
5.11 VENUE: Any action at law or in equity brought to enforce or interpret any provision of this Agreement shall be brought in a court of competent jurisdiction with venue in Bastrop County, Texas.

5.12 OTHER INSTRUMENTS: The parties hereto covenant and agree that they shall execute and deliver such other and further instruments and documents as are or may become necessary or convenient to effectuate and carry out the intent of this Agreement.

5.13 COUNTERPARTS: This Agreement may be executed in multiple originals, either copy of which shall be considered to be an original, by the Mayor of Smithville, and by the President of Aqua Water Supply Corporation.

EXECUTED AND AGREED TO by the parties hereto this 14th day of July, 1997.

CITY OF SMITHVILLE, TEXAS



By: Vernon Richards
Vernon Richards, Mayor

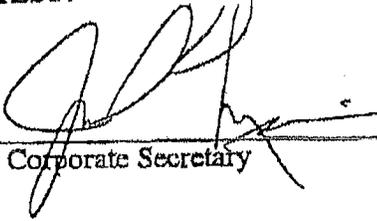
ATTEST:

By: Brenda C. Page
Brenda Page, City Secretary

AQUA WATER SUPPLY CORPORATION

By: Ernest Bracewell
Ernest Bracewell, President

ATTEST:

By: 
Corporate Secretary



1997 SETTLEMENT AGREEMENT CCN TRANSFER AREA

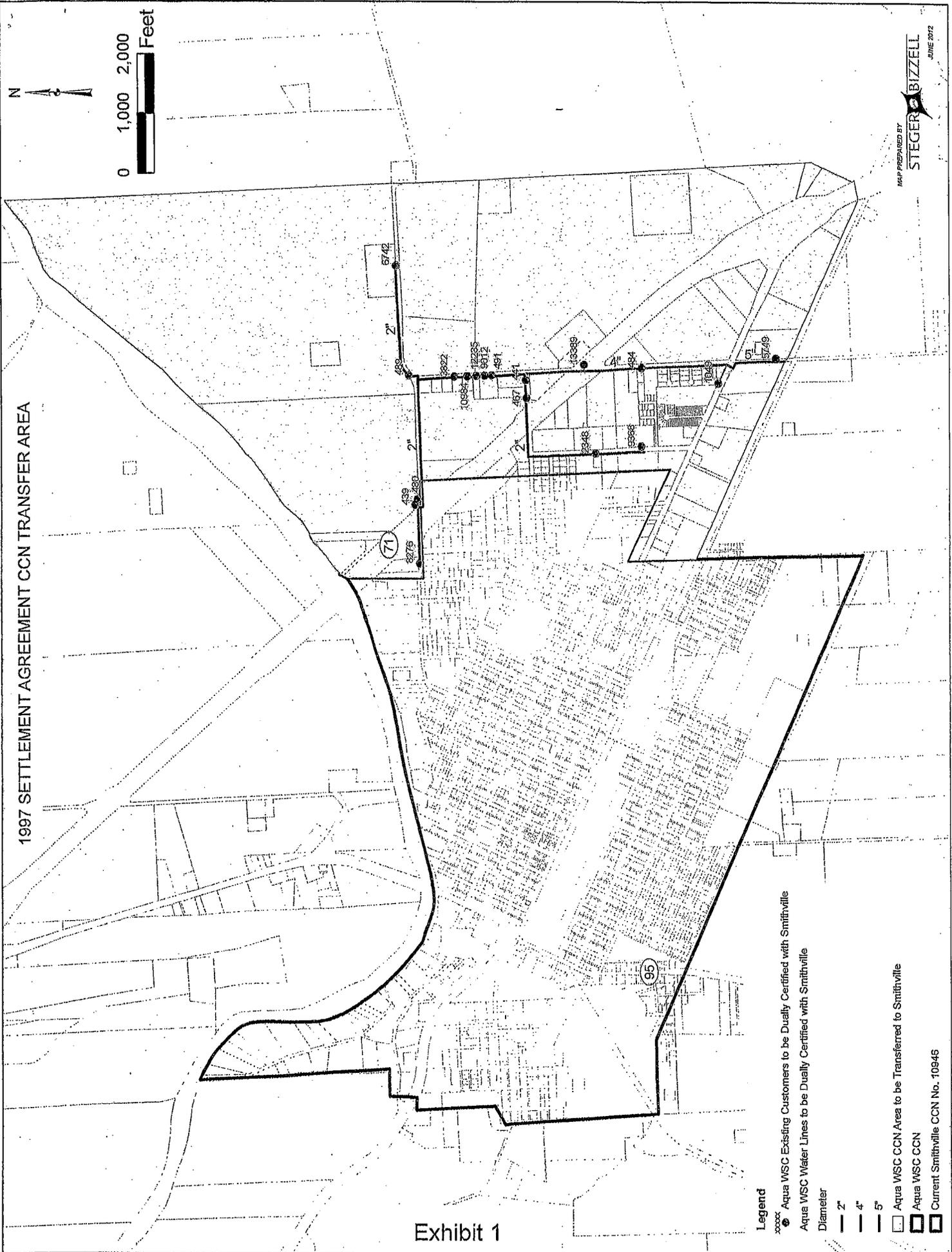
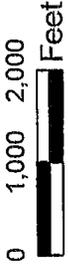
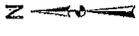


Exhibit 1

- Legend**
- xxxxx Aqua WSC Existing Customers to be Dually Certified with Smithville
 - ⊙ Aqua WSC Water Lines to be Dually Certified with Smithville
 - Diameter
 - 2"
 - 4"
 - 5"
 - Aqua WSC CCN Area to be Transferred to Smithville
 - Aqua WSC CCN
 - Current Smithville CCN No. 10946

STATE OF TEXAS

COUNTY OF BASTROP

Being approximately 1400 acres of land, a part of the B. Barton Survey, Abstract 8, and the Lewis Lomas Survey, Abstract 46, Bastrop County, Texas. Said 1400 acres being more particularly described by bounds as follows:

BEGINNING at a point for the Northeast corner of said Barton Survey, the Northwest corner of the Thomas H. Mays Survey, Abstract 48, same being at the gradient boundary of the Southeast side of the Colorado River and for the Northeast corner hereof; said point having the approximate NAD 27 values of: Latitude 30 deg. 01 min. 53 sec. North and Longitude 97 deg. 07 min. 30 sec. West;

THENCE with the East line of said Barton Survey, the West line of said Mays Survey, the West line of the Richard Lawrence Survey, Abstract 43, and the West line of the Samuel Sawyer Survey, Abstract 57, to the Southeast corner of said Barton Survey, the Southerly Northwest corner of said Lomas Survey and for the Southeast corner hereof; said point having the approximate NAD 27 values of: Latitude 29 deg. 59 min. 30 sec. North and Longitude 97 deg. 07 min. 27 sec. West;

THENCE with the South line of said Barton Survey, the Easterly North line of said Lomas Survey, to the point of intersection with the Southwest margin of the Union Pacific Railroad Right of Way (Missouri Kansas Texas Railroad) and for the Southerly Southwest corner hereof; said point having the approximate NAD 27 values of: Latitude 29 deg. 59 min. 30 sec. North and Longitude 97 deg. 07 min. 36 sec. West;

THENCE with the Southwest margin of said Union Pacific Railroad Right of Way to the point of intersection with the East line of the Original City of Smithville boundary according to Map recorded in Slide 24A of the Plat Records of Bastrop County, Texas; said point having the approximate NAD 27 values of: Latitude 29 deg. 59 min. 57 sec. North and Longitude 97 deg. 08 min. 41 sec. West;

THENCE with said East line of said City of Smithville (Slide 24A) to the point of intersection with the North margin of Loop 230 (Third Street) for the Southerly Northwest corner hereof; said point having the approximate NAD 27 values of: Latitude 30 deg. 00 min. 08 sec. North and Longitude 97 deg. 08 min. 41 sec. West;

THENCE with the North margin of said Loop 230 to the point of intersection with the West margin of Faulkner Road, for an interior corner hereof; said point having the approximate NAD 27 values of: Latitude 29 deg. 59 min. 59 sec. North and Longitude 97 deg. 08 min. 20 sec. West;

THENCE with the West margin of said Faulkner Road and a projection of same thereof, to the point of intersection with the South margin of Bastrop County Road 319 (Colorado Street) for an interior corner hereof; said point having the approximate NAD 27 values of: Latitude 30 deg. 00 min. 44 sec. North and Longitude 97 deg. 08 min. 21 sec. West;

THENCE with the South margin of said Bastrop County Road 319, to the point of intersection with East line of said City of Smithville (Slide 24A), for a Southwest corner hereof; said point having the approximate NAD 27 values of: Latitude 30 deg. 00 min. 44 sec. North and Longitude 97 deg. 08 min. 42 sec. West;

THENCE with the East line of said City of Smithville (Slide 24A), to the point of intersection with the Southeast gradient boundary of said Colorado River for the Northerly Northwest corner hereof; said point having the approximate NAD 27 values of: Latitude 30 deg. 00 min. 58 sec. North and Longitude 97 deg. 08 min. 42 sec. West;

THENCE with the Southeast gradient boundary of said Colorado River to the PLACE OF BEGINNING and containing approximately 1400 acres of land.

**AGREEMENT BETWEEN THE CITY OF SMITHVILLE, TEXAS
AND AQUA WATER SUPPLY CORPORATION DESIGNATING RETAIL WATER
SERVICE AREA BOUNDARIES**

This Agreement is executed between the City of Smithville, Texas ("Smithville" or the "City") and Aqua Water Supply Corporation ("Aqua") for the purposes and consideration set forth herein.

RECITALS

WHEREAS, Smithville is a general law municipality organized in accordance with the laws of the State of Texas; and

WHEREAS, Aqua is a non-profit corporation organized under the laws of the State of Texas and is authorized to exercise all powers, privileges and rights conferred on a non-profit corporation empowered by or using the laws of the State of Texas and all powers and rights incidental to carrying out the purposes for which the Aqua non-profit corporation is formed; and

WHEREAS, Aqua was issued a certificate of incorporation by the Secretary of State of the State of Texas on April 11, 1969; and

WHEREAS, both Smithville and Aqua are "retail public utilities" as defined in §13.002 of the Texas Water Code operating respectively under Certificates of Convenience and Necessity ("CCN") 10946 and 10294; and

WHEREAS, these CCN rights and obligations were granted to Aqua and Smithville by the State of Texas by and through the Public Utility Commission, the Texas Water Commission and/or the Texas Commission on Environmental Quality ("TCEQ") (previously known as the Texas Natural Resource Conservation Commission) (hereinafter referred to as the "Commission,"), such areas referred to herein as "Aqua Water Service Area" and "Smithville Water Service Area," respectively; and

WHEREAS, without the prior agreement by Aqua, Smithville has extended its water utility facilities into areas within Aqua's water CCN and is currently providing retail water utility service to customers within these areas; and

WHEREAS, Aqua is currently indebted to the United States Department of Agriculture - Rural Development (hereinafter referred to as "USDA-RD") and CoBank on promissory notes used to finance improvements to Aqua's water utility system pursuant to 7 U.S.C. 1926(a); and

WHEREAS, USDA-RD and CoBank hold security interests in Aqua's CCN pursuant to the real estate deeds of trust executed in connection with the afore-mentioned promissory notes; and

WHEREAS, Smithville and Aqua, subject to approval by USDA-RD and the Commission, through good faith negotiations, have resolved issues concerning the transfer of a portion of Aqua's water utility CCN to Smithville for the recently served areas; and

WHEREAS, Smithville and Aqua have entered into this Agreement to allocate the area and customers to be served with retail water service by each party pursuant to Texas Water Code §§ 13.248 and 13.255, and the Interlocal Cooperation Act; and

WHEREAS, the Smithville City Council and the Aqua Board of Directors have each determined that they have the power to enter into this Agreement, have each approved this Agreement, and have each authorized its execution.

NOW THEREFORE, Smithville and Aqua enter into the following Agreement (hereinafter referred to as the "Agreement") for the purposes and consideration set forth herein as follows:

I.
PARTIES

1.1 This Agreement is entered into by and between the City of Smithville, Texas ("Smithville" or the "City") a general law city of the State of Texas and Aqua Water Supply Corporation, a non-profit, tax exempt corporation organized and existing under the laws of the State of Texas (hereinafter referred to as "Aqua").

II.
TERM OF AGREEMENT

2.1 TERM: This Agreement shall terminate on July 14, 2032.

III.
EFFECTIVE DATE

3.1 EFFECTIVE DATE: This Agreement shall be effective on the date that this Agreement is executed by authorized representatives of both Parties, with the Effective Date being the latter of such dates if execution takes place on different days.

IV.
SALE AND TRANSFER OF WATER UTILITY
CCN SERVICE AREA

4.1 TERMS OF SALE: For and in consideration of the compensation specified in paragraphs 4.4.1 and 4.4.2 and the other terms and conditions of this Agreement, Aqua agrees to sell, assign, convey, and transfer to Smithville all rights, privileges, and responsibilities of Aqua under Aqua's water utility CCN within the area described in paragraph 4.3 below ("Transfer Area"), save and except for the retention by Aqua of a "Facilities Only" CCN as described herein. Final consummation of this sale is contingent on approval of this Agreement by the TCEQ pursuant to the Texas Water Code §§ 13.248 and 13.255, and on the release of Aqua's CCN for the transfer area from the security interests held by the USDA-RD and CoBank.

4.2 ACTIONS TO SECURE FINAL CONSUMMATION OF THE SALE: Within ten (10) business days after the Effective Date, Aqua shall file appropriate documentation with the USDA-RD and CoBank requesting release of their security interests in Aqua's water utility CCN

for the area described under paragraph 4.3. Upon receipt by Aqua of written confirmation from USDA-RD and CoBank of such releases, Aqua will inform Smithville of such receipt. Thereafter, as soon as practicable, Smithville and Aqua shall cooperatively and jointly submit this Agreement to the Commission and request that the terms of the Agreement be incorporated into the respective CCNs of the parties.

4.3 DESCRIPTION OF TRANSFER AREA: The Transfer Area consists of approximately 171.86 acres of land, more or less, generally described herein as:

- Tract 1: Baseball Field (approximately 11.4 acres);
- Tract 2: Smithville High School (approximately 100 acres);
- Tract 3: North Street Area (approximately 28.2 acres);
- Tract 4: FM 535 Area (approximately 11.8 acres); and
- Tract 5: SE 2nd Street Area (approximately 2.9 acres).

The Transfer Area is shown on the map attached hereto as Exhibit A.

Aqua shall retain a "Facilities Only" CCN within Tract 4 (the FM 535 Area) to accommodate the continued location of Aqua's four inch (4") water main that traverses the FM 535 Area for approximately one thousand five hundred eighty-eight feet (1,588'). The location of Aqua's Facilities Only CCN is depicted in Exhibit A.

The metes and bounds description(s) of the Transfer Area are attached hereto as Exhibit B. Both Exhibits are incorporated and adopted into this Agreement for all purposes. In the event of a conflict between the metes and bounds description in Exhibit B and the map in Exhibit A, the metes and bounds description in Exhibit B shall control.

4.4. COMPENSATION: As compensation for the release by Aqua of the Aqua Water Service Area to Smithville, Smithville shall pay Aqua the compensation as set forth herein and at the times specified herein.

~~4.4.1 LEGAL EXPENSES AND PROFESSIONAL FEES: Within ten (10) business days following the Effective Date of this Agreement, Smithville shall pay to Aqua the amount of Ten Thousand and no/100-Dollars (\$10,000.00) to reimburse Aqua for its necessary and reasonable legal expenses and professional fees associated with the negotiation and execution of this Agreement through the date of its approval by the parties. Following approval of this Agreement by the parties, Smithville shall reimburse Aqua within thirty (30) days of receipt of invoice for all reasonable administrative costs and legal and professional fees incurred by Aqua relating to the final consummation of this Agreement.~~

4.4.2. COMPENSATION FORMULA FOR TRANSFER: Pending receipt of all required approvals from the TCEQ, USDA-RD, and CoBank, Smithville has provided payment to Aqua the sum of Two Thousand Eight Hundred Seventy and 67/100 Dollars (\$2,870.67) as payment for seventeen (17) existing connections made by Smithville within the Transfer Area.

Subsequent to the above payment by Smithville to Aqua, two (2) additional connections within the Transfer Area have been identified. Within ten (10) business days of the Effective Date, Smithville shall pay Aqua the additional amount of One Hundred Ninety-Seven and 37/100 Dollars (\$197.37) as payment in full for the two (2) additional connections. Thereafter, and until the expiration of this Agreement, Smithville shall pay Aqua for each meter set to provide retail water utility service within the Transfer Area according to the following formula and schedule:

Meter equivalents x Dollars

A *meter equivalent* shall be defined as the equivalent of a standard 5/8" water meter capable of a flow rate of 15 gallons of water per minute. A water meter other than the standard 5/8" water meter shall be converted to meter equivalents by dividing the quantity of water capable of being delivered through the meter, under normal usage, by 15 gallons per minute. The meter equivalents that shall be used for this Agreement are as shown on Exhibit D, attached hereto. In the event that the flow rate of a meter is not shown on Exhibit D and cannot be determined from publications of the American Water Works Association, Aqua and Smithville shall determine the flow rate based on generally accepted engineering practices.

Dollars, for the initial year of this Agreement, shall be Seventy and no/100 Dollars (\$70.00). This element of this formula shall be adjusted annually as specified in paragraph 4.4.6.

4.4.3 CURRENT SMITHVILLE METERS IN TRANSFER AREA: Smithville currently has nineteen (19) meters, corresponding to thirty-seven (37) meter equivalents, providing water utility service within the Transfer Area. The locations of these current Smithville meters are shown on Exhibit C.

4.4.4 ADDITION OF SMITHVILLE METERS PENDING RECEIPT OF REQUIRED APPROVALS: Smithville may add additional meter equivalents within the Transfer Area pending receipt by Aqua of the required approvals only under the following conditions: (a) Smithville provides written notice to Aqua of the location and meter size of the new connection to be made by Smithville; and (b) Smithville provides written notice to Aqua of the date of installation, within three (3) working days of such installation. If additional meter equivalents are added within the Transfer Area by Smithville pending receipt of the required approvals, the payment due from Smithville to Aqua as provided in this section shall be revised to reflect the total number of meter equivalents in place as of the date of payment.

4.4.5. ADDITION OF SMITHVILLE METERS FOR TERM OF AGREEMENT: During the Term of this Agreement, Smithville's payment of compensation to Aqua under this paragraph for additional meters set by Smithville within the Transfer Area shall be made within thirty (30) calendar days following the setting of a meter. By January 31 of each year following the Effective Date of this Agreement, Smithville shall provide to Aqua an inventory of all meters in the Transfer Area and a list of the meters that were set during the preceding calendar year.

Aqua shall have the right during normal business hours to inspect the water utility accounts of Smithville.

4.4.6 ESCALATOR CLAUSE: On the first day of each year after the Effective Date of this Agreement the *dollars* in the compensation formula set forth in paragraph 4.4.2 shall be adjusted as set forth in this paragraph to reflect increases in the Consumer Price Index of the Bureau of Labor Statistics of the United States Department of Labor for the Southern United States using 1997 as the base year. The index numbers referred to in subsection (a) below will be taken from this Consumer Price Index, except as set forth in subsection (b) below.

- a. The adjustments in the *dollars* in the compensation formula set forth in paragraph 4.4.2 shall be determined by multiplying \$70.00 by a fraction, the numerator of which is the index number for the last month of the last year prior to adjustment and the denominator of which is the index number for the first month of the first year of this Agreement.
- b. If the CPI for the Southern United States is discontinued during the term of this Agreement, the remaining adjustments called for in this paragraph shall be made using the formula set forth in (a) above, but substituting the index numbers for the Consumer Price Index – Seasonally Adjusted U.S. City Average For All Items For All Urban Customers (“CPI-U”) for the index for the CPI-Southern. If both the CPI-U and CPI-Southern are discontinued during the term of this Agreement, the remaining adjustments for impact on future revenues and expenses called for in this paragraph shall be made using the statistics of the Bureau of Labor Statistics of the U.S. Department of Labor that are most nearly comparable to the CPI-U. If the Bureau of Labor Statistics of the U.S. Department of Labor ceases to exist or ceases to publish statistics concerning the purchasing power of the consumer dollar during the term of this Agreement, the remaining adjustments for impact on future revenues and expenses shall be made using the most nearly comparable statistics published by a recognized financial authority.

4.5 CUSTOMERS: Aqua has no current customers within the Transfer Area. All new customers in the transfer area will be served by Smithville only.

V. MISCELLANEOUS

5.1 SUCCESSORS AND ASSIGNS: This Agreement shall be binding on Smithville and Aqua and their successors and assigns.

5.2 EMINENT DOMAIN AND CONDEMNATION: During the term of this Agreement Smithville will not use its eminent domain or condemnation authority under Texas law to condemn any of Aqua’s water production facilities or water lines.

5.3 GOOD FAITH EFFORTS FOR APPROVAL: Smithville and Aqua will each use good faith diligent efforts to obtain the review and approval of USDA-RD, CoBank, and the Commission of the provisions of this Agreement.

5.4 NOTICE: Any notice required or permitted to be given under this Agreement by one party to the other shall be in writing and the same shall be deemed to have been served and given if: (i) delivered in person to the address set forth below for the party to whom the notice is given; (ii) placed in the United States mail by certified mail, return receipt requested, addressed to such party at the address set forth below; or (iii) deposited in the custody of Federal Express Corporation to be sent by Federal Express overnight delivery, addressed to such party at the address set forth below. Any notice mailed in the manner provided above shall be effective upon its deposit into the custody of the United States Postal Service or Federal Express Corporation as applicable; all of the notices shall be effective upon receipt.

The address of Smithville for all purposes under this Agreement and for all notices herein shall be:

Smithville City Manager
P.O. Box 449
137 Main Street
Smithville, Texas 78957

The address of Aqua for all purposes under this Agreement and for all notices herein shall be:

General Manager
Aqua Water Supply Corporation
P.O. Drawer P
415 Old Bastrop Highway
Bastrop, Texas 78602

From time to time either party may designate another address within the United States of America for all purposes of this contract by giving the other party not less than ten (10) days advance written notice of such a change of address in accordance with the provisions hereof.

5.5 CAPTIONS: Captions are included solely for convenience of reference and if there is any conflict between captions and the text of the Agreement, the text shall control.

5.6 CONSTRUCTION: Whenever the context requires, the gender of all words herein shall include the masculine, feminine and neuter, and the number of all words shall include the singular and the plural.

5.7 INCORPORATION BY REFERENCE: The exhibits, and maps, if any, attached hereto are incorporated herein by reference for all purposes.

5.8 REFERENCES: Unless otherwise specified and adopted, references in this Agreement to "paragraphs," or "subparagraphs," refers to the paragraphs or subparagraphs in this Agreement.

5.9 REMEDY FOR PARTIAL INVALIDITY: If any provision of this contract is determined by a court or administrative agency of competent jurisdiction to be invalid or unenforceable after Aqua's CCN for the transfer area has been transferred and conveyed to

Smithville, Smithville, at the request of Aqua, shall file documents necessary for the Commission to return to Aqua the CCN for the transfer area under this Agreement. Provided, however, that Aqua shall pay to Smithville an amount that is adequate and just to compensate the City for any real or personal property, other than the CCN itself, that is transferred under this section.

5.10 APPLICABLE LAW: This Agreement shall be construed under and in accordance with the laws of the State of Texas.

5.11 VENUE: Any action at law or in equity brought to enforce or interpret any provision of this Agreement shall be brought in a court of competent jurisdiction with venue in Bastrop County, Texas.

5.12 OTHER INSTRUMENTS: The parties hereto covenant and agree that they shall execute and deliver such other and further instruments and documents as are or may become necessary or convenient to effectuate and carry out the intent of this Agreement.

5.13 COUNTERPARTS: This Agreement may be executed in multiple originals, either copy of which shall be considered to be an original, by the Mayor of Smithville, and by the President of Aqua Water Supply Corporation.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

EXECUTED AND AGREED TO by the parties hereto.

DATE: 3-25-13

CITY OF SMITHVILLE, TEXAS

By: [Signature]
Tex. Middlebrook, Mayor-City Manager

(Seal)

ATTEST:

By: [Signature]
Brenda C. Page, City Secretary

DATE: March 7, 2013

AQUA WATER SUPPLY CORPORATION

By: [Signature]
Cliff Kessler, President

(Seal)

ATTEST:

By: [Signature]
William F. Tomsu Corporate Secretary

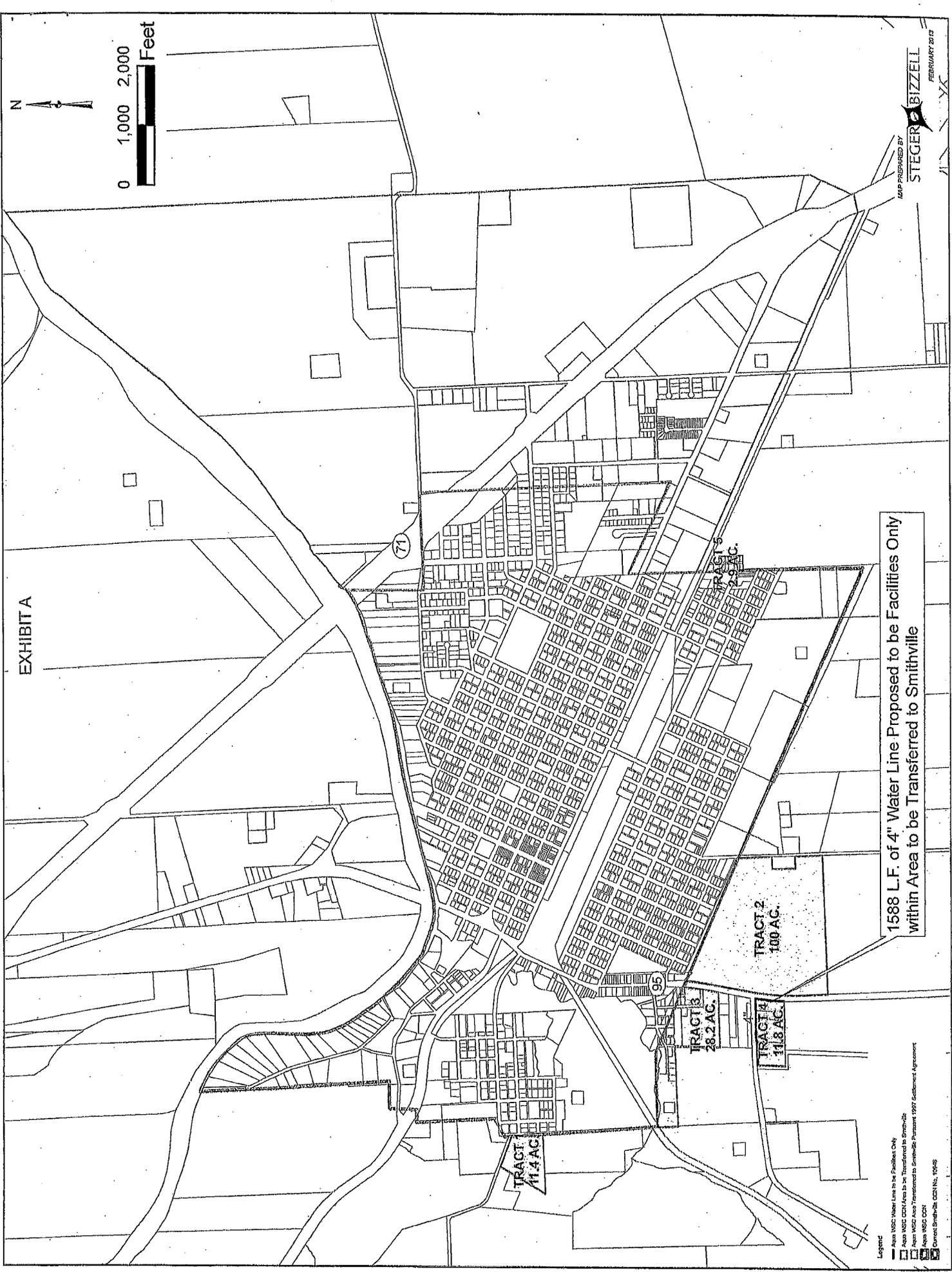
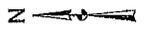


EXHIBIT A



1588 L.F. of 4" Water Line Proposed to be Facilities Only
within Area to be Transferred to Smithville

- Legend
- Area NSDC Water Lines to be Facilities Only
 - - - Area NSDC CCR Area to be Transferred to Smithville
 - ▨ Area NSDC Area Transferred to Smithville Pursuant 1997 Settlement Agreement
 - ▩ Area NSDC CCR
 - ▧ Consent Smithville CCR No. 1095

MAP PREPARED BY
STEGER BIZZELL
FEBRUARY 2013

EXHIBIT B

The following five tracts of land are located in/or near the city limits of Smithville, Bastrop County, Texas:

TRACT 1: Beginning at a point at the intersection of the south Right-of-Way line of County Road No. 325 (Mt. Pleasant Ave.) and the west Right-of-Way line of Maple Street, said point being the Northeast corner of that certain approximately 10 acre tract of land owned by the City of Smithville, Texas (also called Keilberg Park), for the Northeast corner hereof and the Place of BEGINNING;

THENCE, following the west Right-of-Way line of the said Maple Street in a Southerly direction, approximately 500 feet, more or less, to a point marking the Southeast corner of the said 10 acre City of Smithville tract, for the southeast corner hereof;

THENCE, in a Westerly direction, approximately 1,000 feet, more or less, to a point marking the Southwest corner of the said City of Smithville 10 acre tract, for the Southwest corner hereof;

THENCE, in a Northeasterly direction, approximately 900 feet, more or less, to a point on the south Right-of-Way line of said County Road No. 325 (Mt. Pleasant Ave.), marking the Northwest corner of the said City of Smithville 10 acre tract, for the Northwest corner hereof; and

THENCE, following the south Right-of-Way line of said County Road No. 325 (Mt. Pleasant Ave.) in a Southeasterly direction, approximately 600 feet, more or less, to the Place of BEGINNING and containing approximately 11.4 acres of land, more or less.

TRACT 2: Being all of that certain tract of land called 100.00 acres, more or less, as described in a Special Warranty Deed to Smithville Independent School District as recorded in Volume 1104, Page 323 of the Deed Records of Bastrop County, Texas.

TRACT 3: Beginning at the Northwest corner of that certain 100.00 acre tract of land as described in a Special Warranty Deed to Smithville Independent School District as recorded in Volume 1104, Page 323 of the Deed Records of Bastrop County, Texas; Thence projecting a line in a Northwesterly direction being the continuation of the North boundary line of the said Smithville Independent School District 100.00 acre tract, crossing State Highway No. 95 and continuing in the same projected Northwesterly direction approximately 50 feet, more or less, to a point on the west Right-of-Way line of said State Highway No. 95 for the Northeast corner herein and the Place of BEGINNING;

THENCE, continuing in a Northwesterly direction along the said projection of the North line of the Smithville Independent School District 100.00 acre tract approximately 1,250 feet, more or less, to a point on the centerline of Gazley Creek;

THENCE, in a Westerly direction, approximately 1,250 feet, more or less, to a point on the East Right-of-Way line of the Missouri-Kansas and Texas Rail Road at which point said line intersects said Gazley Creek, said point also being the Northwest corner of that certain 6.00 acre tract of land described in a Special Warranty Deed to Jimmie Lee Powell, Sr. and wife, Janie Mae Powell recorded in Volume 664, Page 587 of the Deed Records of Bastrop County, Texas for the most Northwesterly corner hereof;

THENCE, following the said East Right-of-Way line of the Missouri-Kansas and Texas Rail Road in a Southwesterly direction approximately 50 feet, more or less, to a point being the most westerly Northwest corner of the said Jimmie Lee Powell, Sr. and wife, Janie Mae Powell tract;

THENCE, leaving the said East Right-of-Way line of the Missouri-Kansas and Texas Rail Road, in a Southerly direction following the West line of the said Jimmie Lee Powell, Sr. and wife, Janie Mae Powell tract, approximately 330 feet, more or less, to a point being the Southwest corner of the said Jimmie Lee Powell, Sr. and wife, Janie Mae Powell tract, and said point also being the Northwest corner of that certain 39.346 acre Tract 2 as described in an Executor's Deed to Janne B. Penn in Volume 2095, Page 359 of the Deed Records of Bastrop County, Texas, for the most northerly Southwest corner hereof;

THENCE, in an Easterly direction, following the South line of the said Jimmie Lee Powell, Sr. and wife, Janie Mae Powell tract, said line also being the north line of said Janne B. Penn Tract 2, at approximately 695 feet, more or less, passing the most Southerly Southeast corner of the said Jimmie Lee Powell, Sr. and wife, Janie Mae Powell tract and continuing on for a total distance of approximately 1,342 feet, more or less, in all, to a point being the Northeast corner of said Janne B. Penn Tract 2, said point also being the Northwest corner of that certain 2.038 acre tract of land as described in an Executor's Deed With Vendor's Lien to Michael F. Stilp and Judy S. Stilp recorded in Volume 1377, Page 249 of the Deed Records of Bastrop County, Texas, said point being an interior corner herein;

THENCE, in a Southerly direction following the East line of said Janne B. Penn Tract 2 and the West line of said Michael F. Stilp and Judy S. Stilp tract, at approximately 134 feet, more or less, pass the Southwest corner of the said Michael F. Stilp and Judy S. Stilp tract, said point also being the Northwest corner of that certain 13.5 acre tract of land as conveyed to Johnnie Ray Thomas in Volume 277, Page 390 of the Deed Records of Bastrop County, Texas and continuing along the East line of the said Janne B. Penn Tract 2 and the West line of the said Johnnie Ray Thomas tract for a total distance of approximately 758 feet, more or less, in all, to a point, said point being the Southwest corner of the said Johnnie Ray Thomas tract for the most southerly Southwest corner hereof;

THENCE, in an Easterly direction, following the southern line of the said Johnnie Ray Thomas tract, approximately 920 feet, more or less, to a point on the West Right-of-Way line of the said State Highway No. 95, said point also being the Southeast corner of the said Johnnie Ray Thomas tract for the Southeast corner hereof;

THENCE, following the said West line of State Highway No. 95 in a Northerly direction, approximately 650 feet, more or less, to the Place of BEGINNING and containing approximately 28.2 acres of land, more or less.

TRACT 4: Beginning at a point on the intersection of the South line of Farm to Market Road No. 535 and the west line of State Highway No. 95, said point being the Northeast corner of that certain 2.458 acre tract of land as described in a Warranty Deed to Chad A. Tomlin and wife, Neala Rae Tomlin recorded in Volume 1769, Page 550 of the Deed Records of Bastrop County, Texas, for the Northeast corner hereof and the Place of BEGINNING;

THENCE, following the West line of the said State Highway No. 95 and the East line of the said 2.458 acre Tomlin tract in a Southerly direction, approximately 482 feet, more or less, to a point, said point marking the Southeast corner of the said 2.458 acre Tomlin tract and the Northeast corner of that certain 69.5 acre tract of land as described in a Special Warranty Deed With Vendor's Lien to Robert M. Smith, Jr. and wife, Carolyn B. Smith recorded in Volume 508, Page 235 of the Deed Records of Bastrop County, Texas, for the Southeast corner hereof;

THENCE, in a Westerly direction, following the North line of said Robert Smith tract and the South line of the said 2.458 acre Tomlin tract, at approximately 307 feet, more or less, pass the Southwest corner of the said 2.458 acre Tomlin tract, said point also being the Southeast corner of that certain 4.172 acre tract called Tract 2 as described in a Gift Deed to Chad Allan Tomlin and wife, Neala Rae Tomlin recorded in Volume 957, Page 843 of the Deed Records of Bastrop County, Texas; and continuing in a Westerly direction along the north line of the said Smith tract and the South line of the said Tomlin Tract 2 tract, at approximately 688 feet, more or less, pass the Southwest corner of the said Tomlin Tract 2 tract, said point also being the Southeast corner of that certain 4.172 acre tract called Tract 1 as described in a Gift Deed to Jay Lester Dawson and wife, Gena Frances Dawson recorded in Volume 957, Page 831 of the Deed Records of Bastrop County, Texas, and continuing in a Westerly direction along the North line of said Smith tract and the South line of the said Dawson Tract 1, at approximately 795 feet, more or less, pass the Northwest corner of the said Smith tract, and continuing for a total distance, in all, of approximately 1,070 feet, more or less, to a point for the Southwest corner of the said Dawson Tract 1 and the Southwest corner hereof;

THENCE, in a Northerly direction following the West line of the said Dawson Tract 1, approximately 476 feet, more or less, to a point on the South line of the said Farm-to-Market Road No. 535, said point being the Northwest corner of the said Dawson Tract 1 and the Northwest corner hereof;

THENCE, in an Easterly direction following the South line of the said Farm-to-Market Road No. 535 and the North line of the said Dawson Tract 1, at approximately 381 feet, more or less, pass the Northeast corner of the said Dawson Tract 1, said point also being the Northwest corner of the said Tomlin Tract 2 tract, and continuing in an Easterly direction along the South line of the said Farm-to-Market Road No. 535 and the North line of the said Tomlin Tract 2 tract, at approximately 762 feet, more or less, pass the Northeast corner of the said Tomlin Tract 2 tract and continuing along the South line of said Farm-to-Market Road No. 535 for a total distance of approximately 1,090 feet, more or less, in all, to the Place of BEGINNING (Said TRACT 4 shall EXCLUDE approximately 1,588 Linear Feet of water line owned by Aqua Water Supply Corporation which may currently exist within the boundary of this Tract. Said water line is designated as "Facility Only" within this boundary) and containing approximately 11.8 acres of land more or less.

TRACT 5: Being all of that land described as Lots 1 through 20 and including a 30 foot wide Right-of-Way as shown by exhibit in a document recorded in Volume 135, Page 433-434 of the Deed Records of Bastrop County, Texas, and also referred to as a re-newed sub-division of part of a 200 acre tract originally owned by George S. Woodress in the L. Loomis League, Bastrop County, Texas. Said Tract 5 contains approximately 2.9 acres of land, more or less.

This document was prepared under 22 TAC 663.21, does not reflect the results of an on the ground survey, and is not to be used to convey or establish interests in real property except those rights and interests implied or established by the creation or reconfiguration of the boundary of the political subdivision for which it was prepared.

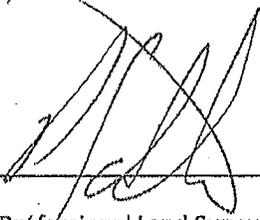
STATE OF TEXAS }

KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF WILLIAMSON }

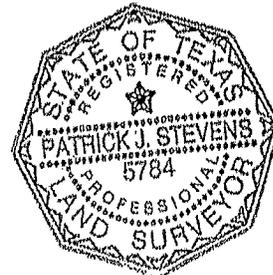
I, Patrick J. Stevens, Registered Professional Land Surveyor, do hereby certify that this field note description was prepared under my personal supervision from sources including GIS maps, Appraisal District property ownership records and other public records and is intended to describe the boundaries of the area adequate for location by interested parties.

To certify which, witness my hand and seal at Georgetown, Williamson County, Texas, this the 16 day of February, 2013, A.D.



Registered Professional Land Surveyor, No. 5784
State of Texas

Patrick J. Stevens



Project #20935

EXHIBIT C

SMITHVILLE METERS CURRENTLY WITHIN TRANSFER AREA

ADDRESS	METER SIZE	METER EQUIVALENTS
500 Maple Street	1.5"	5
285 S. State Highway 95	3"	15
505 North Street	5/8"	1
409 North Street	5/8"	1
408 North Street	5/8"	1
407 North Street	5/8"	1
406 North Street	5/8"	1
405 North Street	5/8"	1
806 Harper Street	5/8"	1
807 Harper Street	5/8"	1
1802 Woodress Lane	5/8"	1
1912 SE 2 nd Street	5/8"	1
1910 SE 2 nd Street	5/8"	1
1908 SE 2 nd Street	5/8"	1
1906 SE 2 nd Street	5/8"	1
1902 SE 2 nd Street	5/8"	1
113 FM 535	5/8"	1
123 FM 535	5/8"	1
137 FM 535	5/8"	1

EXHIBIT D

Meter Equivalencies
As Per AWWA "Principles of Water Rates, Fees, and Charges"
Manual of Water Supply Practices M1
Sixth Edition, 2012

Meter Size/Type	Factor Based on Standard 5/8" X 3/4" Meter
5/8" Displacement	1.0
3/4" Displacement	1.5
1" Displacement	2.5
1 1/2" Displacement	5.0
2" Displacement	8.0
3" Singlejet	16.0
3" Compound, Class I	16.0
3" Turbine, Class I	17.5
4" Singlejet	25.0
4" Compound, Class I	25.0
4" Turbine Class I	31.5
6" Singlejet	50.0
6" Compound, Class I	50.0
6" Turbine Class I	65.0
8" Compound, Class I	80.0
8" Turbine Class II	140.0
10" Turbine Class II	210.0
12" Turbine Class II	265.0

Ms. Crump's Direct Line: (512) 322-5832
Email: gcrump@lglawfirm.com

March 31, 2014

VIA EMAIL AND U.S. MAIL

Ms. Jessica Rogers Gray
Staff Attorney
Environmental Law Division
Texas Commission on Environmental Quality
P.O. Box 13087
Austin, TX 78711-3087

Re: Contract Service Agreement Pursuant to Texas Water Code § 13.248, from Aqua Water Supply Corporation (WSC), Certificate of Convenience and Necessity (CCN) No. 10294, and the City of Smithville, CCN No. 10946, in Bastrop County; Application No. 37679-C

Dear Ms. Gray:

Please accept this letter on behalf of Aqua WSC and the City of Smithville as a correction to the Agreement Between the City of Smithville, Texas and Aqua Water Supply Corporation Designating Retail Water Service Area Boundaries ("Agreement"), dated March 2013.

You have informed me that the TCEQ has determined that the acreage specified in the Agreement for two of the tracts being transferred does not match with the TCEQ's records for these tracts. In addition, you have identified an error in the statement in Section 4.3 of the Agreement of the total acreage being transferred.

Aqua WSC and the City of Smithville are in agreement that the acreage counts performed by the TCEQ Staff may be used in the transfer of the CCN areas from Aqua WSC to Smithville. Therefore, the correct acreage counts for each of the five (5) tracts being transferred are as follows:

Tract 1: 11.4 acres
Tract 2: 96.9 acres (changed from 100 acres)
Tract 3: 28.1 acres (changed from 28.2 acres)
Tract 4: 11.8 acres
Tract 5: 2.9 acres

TCEQ, Water Supply Division
March 31, 2014
Page 2

In accordance with the acreage counts set out above, and in order to correct a scrivener's error in Section 4.3 of the Agreement, the correct total acreage to be transferred to the City of Smithville, is **151.1 acres**, which is the amount obtained when the acreages of the five (5) separately-identified tracts are summed.

I am authorized by counsel for the City of Smithville to represent the City's agreement with the contents of this letter. Thank you for your assistance.

Sincerely,

A handwritten signature in cursive script, appearing to read "Georgia N. Crump". The signature is written in black ink and is positioned above the printed name.

Georgia N. Crump
Attorney for Aqua Water Supply Corporation

GNC:jmc
707/53/4385692.1

cc: David McMurry, Aqua Water Supply Corporation
Charlie Crossfield, City Attorney, City of Smithville

TEXAS WATER COMMISSION



CERTIFICATE OF CONVENIENCE AND NECESSITY

To Provide Water Service Under V.T.C.A., Water Code
and Texas Water Commission Substantive Rules

Certificate No. 10946

I. Certificate Holder:

Name: City of Smithville

Address: 317 Main Street

Smithville, Texas 78957

II. General Description and Location of Service Area:

The area covered by this certificate is located approximately 10 miles east of the City of Bastrop, Texas on State Highway 71. The service area for the City of Smithville is generally bounded on the north by the Colorado River, on the east by State Highway 71, and on the south by Willow Creek in Bastrop County, Texas.

III. Certificate Maps:

The certificate holder is authorized to provide water service in the area identified on the Commission's official service area map, WRS-11, maintained in the offices of the Texas Water Commission, 1700 North Congress, Austin, Texas with all attendant privileges and obligations.

This certificate is issued subject to the rules and orders of the Commission, the laws of the State of Texas, conditions contained herein and may be revoked for violations thereof. The certificate is valid until amended or revoked by the Commission.

ISSUED this 1st day of December, 19 87.

ATTEST:

Karen Antkiewicz Gene Hopkins
For the Commission



Texas Commission On Environmental Quality

By These Presents Be It Known To All That

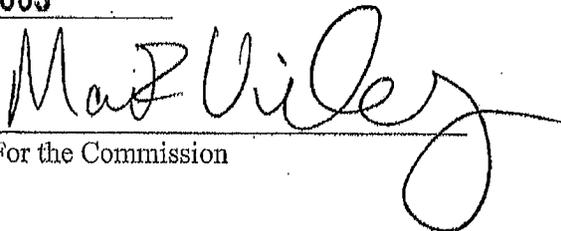
Aqua Water Supply Corporation

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. 10294

to provide continuous and adequate water utility service to that service area or those service areas in Bastrop, Caldwell, Lee and Travis Counties as by final as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Application No. 36222-C 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 Aqua 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.

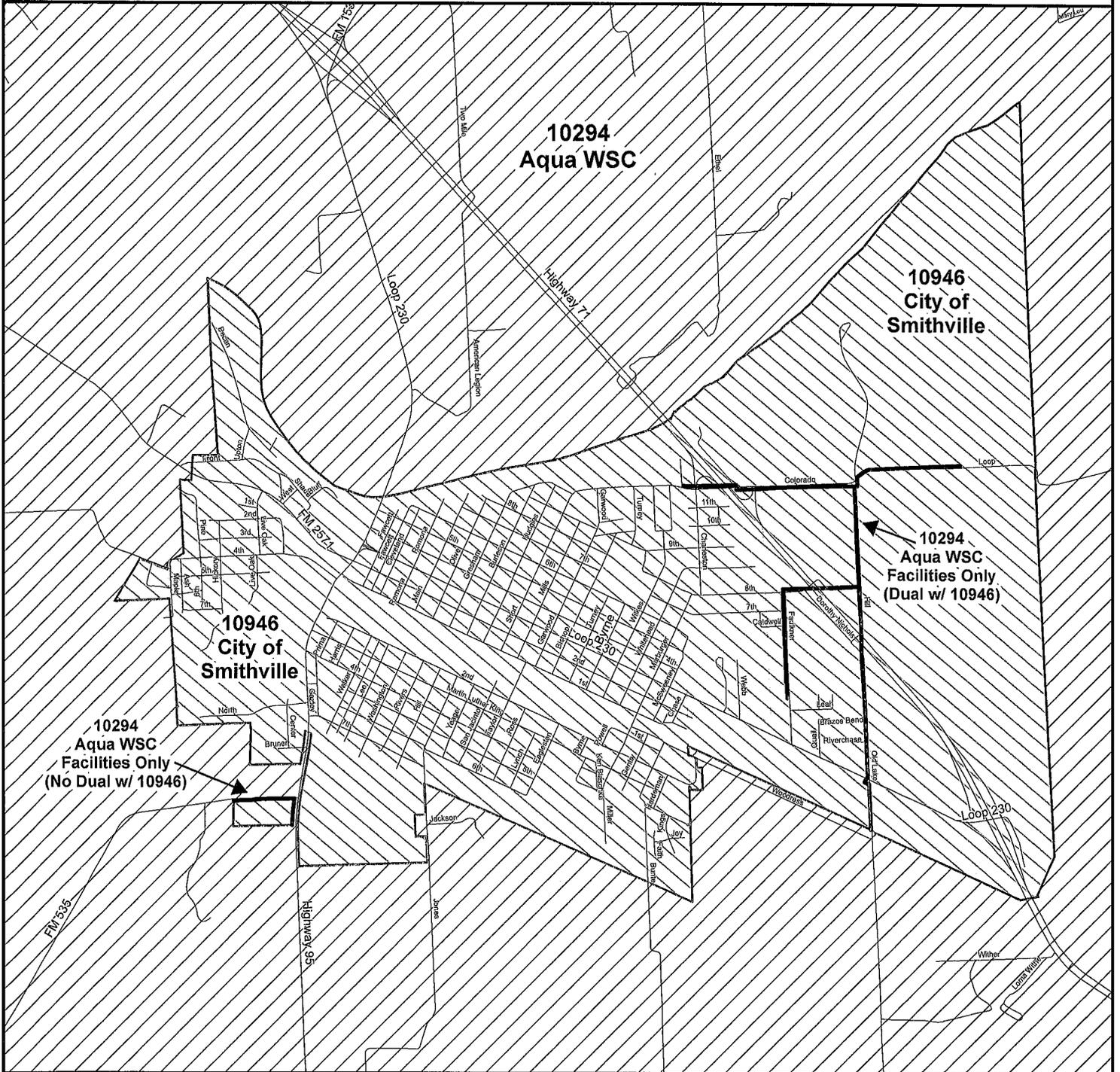
Issued at Austin, Texas, this FEB 23 2009


For the Commission

Aqua Water Supply Corporation (WSC) / City of Smithville
Water Service Areas

Application No. 37679-C

13.248 Contract Service Agreement to Transfer a Portion of CCN No. 10294 from Aqua WSC
to the City of Smithville, CCN No. 10946
in Bastrop County



Agreement Areas

Water CCN Service Areas

 10946 - City of Smithville

 10294 Aqua WSC

"Facilities Only" Water CCN

 10294 - Aqua WSC



Map by: Suzanne Jaster
Date Created: September 23, 2013
Project Path: c:\gis\projects\applications\37679-c.mxd

0 625 1,250 2,500 Feet

CONSENT FORM

Applicant's Name: TWC Sec. 13.248 Aqua WSC & City of Smithville
Application Nos.: 37679-C

- I concur with the maps and certificate transmitted by letter dated October 11, 2013.
- I do not concur with and intend to respond to the maps and certificate transmitted by letter dated October 11, 2013.

I understand that I have 10 days from the date of this letter to provide my response.

I am authorized by the City of Smithville to sign this form.

Signature: Tex Middlebrook

Printed Name: Tex Middlebrook

Relationship to Applicant: City Manager

Date signed: October 29, 2013

Mall or Fax to:
Leila Guerrero
Utilities & Districts Section, MC 153
Water Supply Division
Texas Commission on Environmental Quality
P.O. Box 13087
Austin, TX 78711-3087
Fax: (512) 239-0030

RECEIVED
OCT 30 2013
UTILITIES & DISTRICTS
SECTION

CONSENT FORM

Applicant's Name: TWC Sec. 13.248 Aqua WSC & City of Smithville
Application Nos.: 37679-C

- I concur with the maps and certificate transmitted by letter dated October 11, 2013.
- I do not concur with and intend to respond to the maps and certificate transmitted by letter dated October 11, 2013.
- I understand that I have 10 days from the date of this letter to provide my response.

I am authorized by the Aqua WSC to sign this form.

Signature: *Stacy A. N. Crump*

Printed Name: Stacy A. N. Crump

Relationship to Applicant: Attorney

Date signed: Oct. 28, 2013

Mail or Fax to:
Lella Guerrero
Utilities & Districts Section, MC 153
Water Supply Division
Texas Commission on Environmental Quality
P.O. Box 13087
Austin, TX 78711-3087
Fax: (512) 239-0030

Bryan W. Shaw, Ph.D., P.E., *Chairman*
Toby Baker, *Commissioner*
Zak Covar, *Commissioner*
Richard A. Hyde, P.E., *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

May 30, 2014

Ms. Georgia Crump
Lloyd Gosselink Rochelle & Townsend, PC
816 Congress Ave., Ste. 1900
Austin, Texas 78701

Re: TCEQ Docket No. 2014-0383-UCR; Consideration of a request for a Commission Order approving two contracts designating service areas between the City of Smithville and Aqua WSC. Application No. 37679-C.

Dear Ms. Crump:

This letter is to inform you that the above-referenced application has been set on the Agenda for consideration by the Texas Commission on Environmental Quality (TCEQ). This Agenda will occur on June 18, 2014, beginning at 9:30 a.m. in Building E, Room 201S, 12100 Park 35 Circle, Austin, Texas. Please attend the Agenda, or send a representative, to explain the agreement and to answer any questions the Commissioners may have. Included with this letter are the Agenda backup materials to be considered by the Commission.

Persons with disabilities who plan to attend this hearing and who need special accommodations at the Agenda should call the TCEQ Office of Public Assistance at 1-800-687-4040 or 1-800-RELAY-TX (TDD) at least one week prior to the hearing. If you have any procedural questions, you may contact the TCEQ Office of Public Interest Counsel at 512-239-6363. If you have any other questions about this matter, you may contact Leila Guerrero from the Water Supply Division at (512) 239-2286 or me at (512) 239-0627.

Sincerely,

A handwritten signature in cursive script that reads "Jessica Gray".

Jessica Gray
Staff Attorney
Environmental Law Division

Enclosure

Bryan W. Shaw, Ph.D., P.E., *Chairman*
Toby Baker, *Commissioner*
Zak Covar, *Commissioner*
Richard A. Hyde, P.E., *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

May 30, 2014

Mr. Charlie Crossfield
Sheets & Crossfield, P.C.
309 E. Main Street
Round Rock, Texas 78664

Re: TCEQ Docket No. 2014-0383-UCR; Consideration of a request for a Commission Order approving two contracts designating service areas between the City of Smithville and Aqua WSC. Application No. 37679-C.

Dear Mr. Crossfield:

This letter is to inform you that the above-referenced application has been set on the Agenda for consideration by the Texas Commission on Environmental Quality (TCEQ). This Agenda will occur on June 18, 2014, beginning at 9:30 a.m. in Building E, Room 201S, 12100 Park 35 Circle, Austin, Texas. Please attend the Agenda, or send a representative, to explain the agreement and to answer any questions the Commissioners may have. Included with this letter are the Agenda backup materials to be considered by the Commission.

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Sincerely,

A handwritten signature in cursive script that reads "Jessica Gray".

Jessica Gray
Staff Attorney
Environmental Law Division

Enclosure