

SPRINGS HILL WATER SUPPLY CORP.

P.W.S. ID. NO.

0940022

P.O. BOX 29
5510 S. 123 BYPASS
SEGUIN, TX 78156-0029

May 16, 2023

City of Seguin
Attn: Steve Parker, City Manager
205 N. River Street
Seguin, Texas 78155

Re: Letter Agreement Regarding Water Service within the City of Seguin's Corporate Limits, Interim Water, and Inspection Standards

Dear Steve,

Springs Hill Water Supply Corporation ("**SHWSC**") appreciates the City of Seguin's ("**City**") cooperation and assistance to meet the growing demands for water service within SHWSC's certificate of convenience and necessity ("**CCN**") No. 10666 and the City's corporate limits. In particular, I found our March 10th meeting to be very productive, where we discussed how the parties could potentially accelerate the process of transferring customers and/or whether the City could provide SHWSC with an additional water supply on a short-term basis.

As we discussed on the 10th, now that SHWSC and the City have negotiated and executed the Water Service Area Transfer Agreement and the amendment thereto (collectively, the "**Transfer Agreement**"), SHWSC is looking to ways that it can free-up/create capacity in its water system for new growth, before the Public Utility Commission ("**PUC**") authorizes the parties to close on the system conveyance transaction. Specifically, we discussed whether the City would consider allowing SHWSC to transfer some of its active connections that are within the area contemplated by the Transfer Agreement to the City in the immediate future (so long as the PUC does not object) and/or providing SHWSC with an interim water supply, limited to 1 year with a maximum of 2 renewals for a term of no more than 3 years. That meeting, along with other subsequent conversations amongst the parties, show that there is a mutual desire and willingness to sell water to Springs Hill on an interim basis.

It was also my understanding from our meeting with respect to the portion of the SHWSC water CCN service area that will be transferred to the City's CCN under the Transfer Agreement, the City would like for SHWSC to review and approve utility service acknowledgement forms, construction plans, and plats for real property; to conduct inspections according to the City's standards; and to acknowledge water service availability, all in accordance with City standards. That is a request that SHWSC can likely accommodate.

So, in light of the City's requests and the City's response to SHWSC's requests, I have prepared a letter agreement for your consideration that addresses both parties' desired terms

regarding these matters. If you agree with these terms, then please counter-sign the letter agreement, where marked.

NOW, THEREFORE, for and in consideration of the mutual covenants of the parties as set forth in this Agreement, and for other good and valuable consideration, the receipt and adequacy of which are acknowledged and agreed by the City and SHWSC, the parties agree as follows:

AGREEMENT

1. The City will cooperate with SHWSC to immediately transfer the active SHWSC customers located within the areas depicted in Attachment A to the City's water system, so that such SHWSC customers become City customers. The parties will endeavor to transfer these customers within 30 days of the effective date of this Letter Agreement.
2. The City will sell up to 250 acre feet of potable water to SHWSC per year, on an interim basis, until the later of (A) one (1) year, which begins on the date that SHWSC can accept such water supply and such water supply is actually delivered to and accepted by SHWSC, or (B) until the PUC authorizes the parties to close on the transaction contemplated by the Transfer Agreement and Seguin begins serving such transferred customers. SHWSC has the unilateral right to decide where and how to use and allocate this water supply, so long as it is provided by SHWSC's on a retail basis.
3. The City desires that SHWSC cooperate in provision of service to potential new development of the "New Quest" tract, with the interest of advancing the common goal of economic development and attracting significant employers to the Seguin area. The City and SHWSC will work together to accommodate the service needs of proposed new uses for the New Quest tract, including that the City may designate up to the entire 250 acre feet of potable water described below in Section 4 for service to this New Quest property. SHWSC will plan for and support service to the property, subject to its tariff, and applicable federal, state, and local rules, policies, and regulations. SHWSC agrees that, if it is unable to commit to service sufficient to provide a proposed project within the New Quest property with certainty regarding water service, then it will support and facilitate provision of service to the tract by the City, including transfer of CCN necessary to do so.
4. The City will sell an amount of up to 250 acre feet of potable water to SHWSC per year, on an interim basis, until the later of (A) one (1) year, which begins on the date that SHWSC can accept such water supply and such water supply is actually delivered to and accepted by SHWSC, or (B) until the PUC authorizes the parties to close on the transaction contemplated by the Transfer Agreement and Seguin begins serving such transferred customers. For this amount of water, the City has the unilateral right to direct allocation of this water supply, , provided that such allocation does not cause SHWSC either to violate the terms of any agreement, its tariff, or any federal, state, or local regulation, rule, or policy. The City shall notify SHWSC in writing of the projects to be served with such water supply. For clarity, applications for water service for such projects will continue to follow SHWSC's Tariff, policies, and procedures for establishment of service agreements and actual water service.

5. The point(s) of delivery where the City will furnish to SHWSC and SHWSC will accept any and all water supplies under this Agreement shall be at the interconnection location between the two parties' water systems at Tor Drive, where SHWSC has an 8-inch water line. The average delivery rate for water sold by the City to SHWSC under this Agreement is 310 gallons per minute. If such water supplies cannot be received by SHWSC at such location at Tor Drive, then the Parties will promptly determine another location where such water supplies can be provided and received or design / construct an adequate interconnect at Tor Drive to comply with the terms of this Agreement. Cost for design / construction will be shared equally by the City and SHWSC. Such water will be purchased on a take or pay basis, payable monthly, at the City's water rate for Commercial, Industrial, Governmental & Multifamily effective October 1, 2022. The Parties may extend the term of this letter agreement by mutual agreement up to a maximum of three (3) years.
6. The Parties recognize that additional water beyond the 500 acre feet per year/310 gallons per minute provided in Sections 2 and 4 above will need to be conveyed from the City to SHWSC to satisfy the terms of other agreements, specifically that Regional Water Supply Contract between the City and New Braunfels Utilities (NBU) and Temporary Water Swap Contract between SHWSC and NBU, which provides for the sale of water by the City to NBU, using the SHWSC system as a part of the conveyance. Since the existing point of delivery by which water is provided by the City to NBU through SHWSC will become part of the City system and no longer serve this function, the point of delivery where the City will furnish to SHWSC water sold under this Agreement may be used to provide the necessary conveyance of water for the purpose of delivering water to NBU in addition to the aforementioned 500 acre feet per year/310 gallons per minute, but not to the detriment of SHWSC's ability to receive the 500 acre-feet per year/310 gallons per minute water supply.
7. For any landowner of real property that is (A) within the portion of the SHWSC water CCN service area that will be transferred to the City's CCN under the Transfer Agreement and (B) seeking new water service from SHWSC prior to the PUC approving the transfer of such CCN area from SHWSC to the City ("Future Transfer Customer"), the parties agree that:
 - i. SHWSC's review and approval of the construction design plans and plats for such property will apply the design standards provided in the City's Code of Ordinances;
 - ii. SHWSC will provide the City with a reasonable amount of time to provide its comments as to whether the construction design plans and plats for such property will meet the City's Code of Ordinances;
 - iii. The City will provide SHWSC with written comments within a reasonable amount of time as to whether the construction design plans and plats for such property will meet the City's Code of Ordinances;
 - iv. SHWSC, with the City, will inspect the facilities for such properties in accordance with the standards provided in the City's Code of Ordinances; and
 - v. SHWSC will be solely responsible for authorizing developers to tie-in to SHWSC's system.

Provided, however, that the City acknowledges that SHWSC has already executed non-standard service agreements, and addendums thereto, with certain developers within this area (such agreements are attached as exhibits to the Transfer Agreement), which may impact SHWSC's ability to require a developer to design and construct facilities according to the City's standards. The City acknowledges that if SHWSC has already approved construction plans for a facility, then SHWSC is unable to require the developer to modify the design or construction of the facilities to meet the City's standards. Nonetheless, SHWSC will ask developers to voluntarily revise their construction plans to follow the standards provided in the City's Code of Ordinances.

8. The City will provide SHWSC with a "Water Utility Service Acknowledgement" form that contains an option "E" that SHWSC may select for its customers that would receive water from the supplies contemplated by this Letter Agreement, stating, "Adequate service is currently available to the subject property, subject to water supply provided under the Letter Agreement arrangement between SHWSC and the City, dated May ____, 2023".

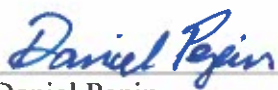
SHWSC and the City will work together diligently toward establishment of the facilities required to provide the water supply under this Agreement at the earliest possible opportunity.


9. If the PUC does not authorize the Parties to close on the transaction contemplated by the Transfer Agreement within 1 year of the Texas Water Code § 13.301 application being deemed administratively complete by the PUC, then (A) SHWSC will not deny water service to the landowner of a new connection that would have been transferred to the City under the Transfer Agreement based upon how the water infrastructure to serve such connection was designed to the City's standards and (B) SHWSC will not require the landowner of a new connection to pay for a redesign of the water infrastructure necessary to receive water service from SHWSC.

If the City agrees with the terms of this Letter Agreement, then please have its duly authorized representative countersign this letter at the signature block below, indicating the City's acceptance of the terms and conditions proposed herein.

Sincerely,

Springs Hill Water Supply Corporation

By: 
Daniel Pepin
General Manager, SHWSC

Date: 

Mr. Steve Parker

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AGREED AND ACCEPTED:

City of Seguin

By: _____

Name: _____

Title: _____

Date: _____

Attachment A

Areas to be Served by the City in the Immediate Future

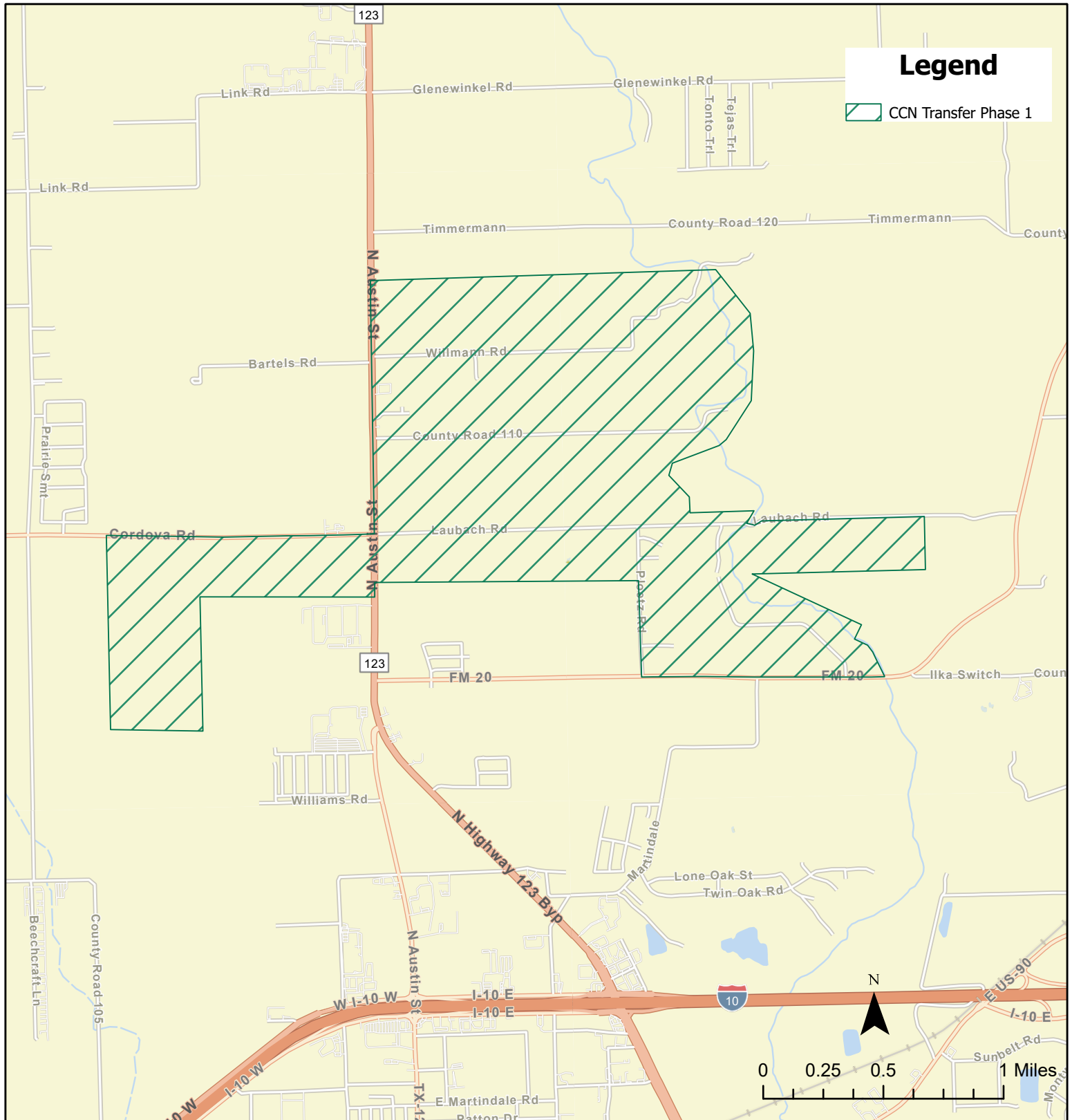


Exhibit A

Letter Agreement Regarding Water Service



CIVIL ENGINEERING ★ DEVELOPMENT CONSULTING ★ PROJECT MANAGEMENT

5113 Southwest Pkwy., Suite 260
Austin, Texas 78735
(512) 899-0601
Firm Registration No. F-786