

AQUA PROPOSAL TO PROVIDE WASTEWATER
TREATMENT SERVICE TO THE
WIMBERLEY DOWNTOWN BUSINESS AREA

This Proposal represents the basic terms and conditions pursuant to which Aqua Utilities, Inc. dba Aqua Texas, Inc. (“Aqua”) and the City of Wimberley (“City”) agree to Aqua extending its wastewater treatment service across Cypress Creek to serve the business and residential owners in the Wimberley downtown business area as hereinafter defined.

Objective and Scope: The objective and scope of this Proposal is the result of a series of meetings with representatives of the City of Wimberley (“City”), including the City Manager, Place Three Council Member Sally Trapp, Place Four Council Member Gary Barchfeld and City Wastewater Ad Hoc Committee Member John Urban, and provides the framework for further negotiations with the intent to formalize a Proposed Agreement between Aqua and City to provide wastewater services to the designated service area with little or no cost to the City and reasonable and fair fees to future customers.

Certificate of Convenience and Necessity (“CCN”): The City of Wimberley holds a wastewater CCN which includes, but is not limited to, the area generally recognized as the downtown business district bounded by Cypress Creek and Blanco River, and more specifically defined by the Citizens Ad Hoc Committee report. For purposes of this Proposal the service area will be the area defined in that report. With respect to the CCN, it will be necessary for the City to transfer the City’s entire CCN to Aqua as follows:

1. Aqua will assume the responsibility and the cost for filing all necessary documents to secure the transfer of the CCN with PUC or any other entity necessary to complete the transfer.
2. City will cooperate with Aqua in completing the transfer and execute any documents necessary for the transfer.
3. City and Aqua would each be responsible for its own legal fees in securing the CCN transfer, and would include any cost related to any protest filed against the transfer of the CCN. City, however, would not encourage any such protests and would show its support for the transfer.
4. Aqua would remove the Blue Hole Regional Park and Deer Creek of Wimberley from the boundaries of the CCN to be transferred to Aqua.
5. Aqua would not pay the City for the CCN as its assumed value is directly proportional to the savings by the City of annually subsidizing its own treatment plant over a 30 year period.

Collection System: The Collection System would be completed as follows:

1. Given the need to commence this project as soon as possible to relieve any seepage of effluent from outdated septic systems into Cypress Creek, the City would commence construction of the collection system prior to the transfer of the CCN.
2. The collection system would include two phases.
 - a. Phase One would involve the construction of a sewer line across Cypress Creek along with construction of a collection system to serve properties on the Wimberley Square ("Square"), properties on Old Kyle Road between FM 3237 and the Square, properties on Ranch Road 12 between Blue Heron and the Square, properties on Oak Drive between the Square and the City owned parking lot, and properties on Henson Road through the Square.
 - b. Phase Two would include the remainder of the service area and would be completed at one time within three years following the transfer of the CCN.
3. Customers within Phase One would be required to connect to the collection system at the time of construction.
4. Customers within Phase Two would be required to connect to the collection system at the time of construction with the exception of those customers who have recently permitted and installed septic systems. Such customers would not be required to hook up until the expiration of ten (10) years following construction of the collection system.
5. The cost of the collection system for Phase One would be paid for by the City and reimbursed by Aqua as follows:
 - a. Aqua will provide through its sister company the funds in the form of a loan or the City may utilize other alternative competitive financial vehicles necessary to fund the cost of constructing the collection system for Phase One.
 - b. City will oversee the construction of the collection system and will provide necessary easements, inspections, coordination, bidding and other matters related to the construction of the collection system.
 - c. City will obtain any necessary easements for Phase Two of the collection system in order to have those in place prior to the transfer of the CCN.

- d. Upon transfer of the CCN, Aqua would reimburse the City for the cost of the collection system constructed during Phase One and the financing would be paid in full. The interest accrued during the construction of the collection system would also be included as a part of the reimbursement to the City.
- e. Aqua agrees to work with the City on a plan that could result in the reimbursement to the City of planning and design costs related to the collection system, but not the treatment plant, provided such costs do not negatively impact the ability of Aqua to maintain current rates. Aqua would be extended the right to use the plans and designs for the collection system.
- f. Aqua would be responsible for funding the collection system for Phase Two as the system is expanded to take in the remainder of the service area.
- g. If the phase development of the collection system is not agreeable to all parties, Aqua is open to the City constructing the entire proposed collection system prior to the transfer of the CCN, with Aqua reimbursing the City for the construction costs plus accrued interest upon the transfer of the CCN to Aqua. Upon completion of the collection system, Aqua will provide retail wastewater service to the service area.
- h. The City will provide Aqua a final certified construction cost estimates for both the phased or entire collection system prior to final execution of an agreement between the parties.

Customer Costs:

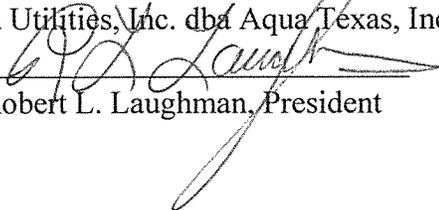
1. Rates in the service area will be the same as those charged to Aqua customers on the north side of Cypress Creek inside of the city. Aqua agrees not to seek an increase in rates for Aqua customers inside the city for a period of five (5) years.
2. Aqua will waive all CIAC fees for all customers who have a mandatory hook up. This provision is subject to final negotiation. This will not apply to customers who choose to delay their hookup because of a recently permitted septic system unless they hook up within one year after the completion of the Phase Two collection system. All customers within Phase One will have a mandatory hook up and will be required to hook up if they are within the Phase One.
3. Private property owners will be responsible for the cost of any service line from the private property owner's structure to the point of connection to the sewer main.

MISCELLANEOUS:

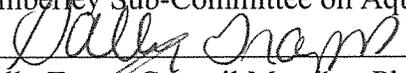
1. This Proposal is for the sole purpose of establishing a framework within which to allow for formal negotiations to take place between Aqua and City. The terms set forth in this proposal are not binding on either party and are subject to further negotiation.
2. This Proposal is intended to be a clear and fair representation of what Aqua and the City are willing to do to provide wastewater services to the service area.
3. Aqua is open to working with the City to further define the scope of the project and to provide an opportunity for the City to complete this project with minimal cost while simultaneously freeing up an annual subsidy that would greatly benefit the City as it seeks to develop the park.

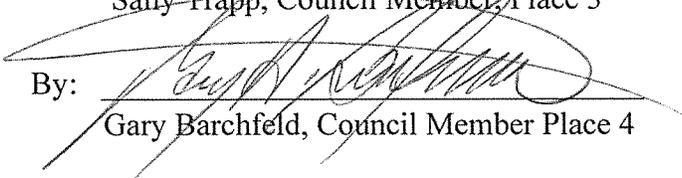
Executed this 1 day of December, 2016.

Aqua Utilities, Inc. dba Aqua Texas, Inc.

By: 
Robert L. Laughman, President

City of Wimberley Sub-Committee on Aqua Texas

By: 
Sally Trapp, Council Member, Place 3

By: 
Gary Barchfeld, Council Member Place 4