

Control Number: 42864



Item Number: 65

Addendum StartPage: 0

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APPLICATION OF A RATE/TARRIF § PUBLIC UTILITY COMMISSION
CHANGE OF ENCHANTED HARBOR §
UTILITY, CERTIFICATE OF § OF TEXAS
CONVENIENVE AND NECESSITY §
NO.12683, IN CALHOUN COUNTY, §
TEXAS §

JOINT MOTION TO ADMIT EVIDENCE AND REMAND

COMES NOW the Staff (Staff) of the Public Utility Commission of Texas (Commission) representing the public interest and Enchanted Harbor Utility (Enchanted Harbor) (collectively Signatories), and files this Joint Motion to Admit Evidence and Remand.

I. Background

On September 18, 2013, Enchanted Harbor filed with the Texas Commission on Environmental Quality (TCEQ) an Application for a Water Rate/Tariff Change (Application) for Certificate of Convenience and Necessity No. 12683 in Calhoun County, Texas pursuant to Title 16, Tex. Admin. Code §§ 24.21 and 24.22 (TAC). Enchanted Harbor's ratepayers filed protests to the Application seeking review of the proposed increased water rates. TCEQ recommended this case be referred to the State Office of Administrative Hearings (SOAH) because 10% or more of the affected ratepayers petitioned the Application.

On July 29, 2014, the SOAH Administrative Law Judge (ALJ) held a prehearing conference to establish jurisdiction over the case and took appearances of the parties. Enchanted Harbor, Keith L. Smith, Anne Clark, Evelyn Saucier and Staff were admitted as parties, and the ALJ allowed the parties to begin settlement discussions. The parties commenced mediation that lasted throughout the month of August 2014. Pursuant to House Bill 1600 and Senate Bill 567, 83'd Legislature, this matter was transferred to the Public Utility Commission as of September 1, 2014. In the final days of TCEQ's jurisdiction over water utility matters, the parties reached and signed a settlement agreement. However, the TCEQ was unable to issue a final order memorializing the settlement of the parties before this matter was referred to the Commission. Since the transfer of this matter to the Commission, the Signatories have renewed settlement discussions to finalize the parties' settlement pursuant to Commission rules and practices. On

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October 2016, the Enchanted Harbor and Staff entered into the attached Unopposed Stipulation and Settlement Agreement (Stipulation).

On April 14, 2017, Enchanted Harbor filed a Motion to Remove Parties, requesting the removal of Keith L Smith, Anne Clark, and Evelyn Saucier (the Intervenors) as parties, citing their lack of standing to participate in the case. Enchanted Harbor's Motion to Remove Parties contained an affidavit asserting that the Intervenors no longer have standing to participate because they have since requested disconnection of their water service and are no longer connected to the water system of the Utility. To the knowledge of Staff and Enchanted Harbor, no ruling was ever made on Enchanted Harbor's Motion to Remove Parties.

Due to the unique circumstances surrounding the Intervenors in this case and its protracted nature, Enchanted Harbor and Staff respectfully request that a deadline be set for the Intervenors to object to the Stipulation and that, absent any objections, it be remanded to the Commission to allow for review of the Unopposed Stipulation and approval of the draft Joint Proposed Order.

II. Motion to Admit Evidence

The attached Stipulation resolves all of the issues in this proceeding. The Signatories request that the following be admitted into evidence for the limited purpose of supporting the Stipulation and seeking approval of the Stipulation:

1. Application for a Water Rate/ Tariff Change of Enchanted Harbor Aviation, Inc. for Certificate of Convenience and Necessity No. 12864 in Calhoun County, filed September 18, 2013 (on file with the Commission as Item No. 12 under Control No. 42864);
2. Affidavit of Notice of the Application (on file with the Commission within Item No. 12 under Control No. 42864);
3. Notice of the prehearing conference (on file with the Commission as Item No. 6 under Control No. 42864);
4. Enchanted Harbor's Sworn Testimony, which will be filed separately by Enchanted Harbor;
5. The stipulation and settlement agreement with attachments (Stipulation) (attached hereto);
6. Testimony of Heidi Graham of the Water Utilities Division, in support of stipulation and settlement agreement (attached hereto);

7. Tariff (current approved tariff on file with the Commission as Item No. 21 under Control No. 42864); and
8. Affidavit of Jesse Wood (attached hereto).

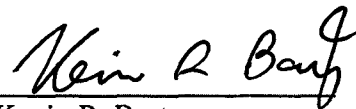
III. Motion to Remand

As evidenced by the Stipulation, the Signatories have fully and finally resolved all issues in this proceeding and no hearing is necessary. Therefore, the Signatories request that a reasonable deadline be set for the Intervenors to object to the Stipulation and that, upon the passage of that deadline, this docket be remanded to the Commission to allow for review of the Stipulation and approval of the attached Joint Proposed Final Order.

Respectfully Submitted,

Margaret Uhlig-Pemberton
Division Director
Legal Division

Stephen Mack
Managing Attorney
Legal Division



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Attorney-Legal Division
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Attorneys for Enchanted Harbor Utility

SOAH DOCKET NO. 473-14-5146.WS

PUC DOCKET NO. 42864

CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on February 28, 2018 in accordance with 16 TAC § 22.74.

Kevin R Bartz
Kevin R. Bartz

**SOAH DOCKET NO. 473-14-5146.WS
PUC DOCKET NO. 42864**

| | | |
|--------------------------------------|----------|----------------------------------|
| WATER RATE/TARIFF CHANGE | § | PUBLIC UTILITY COMMISSION |
| APPLICATION OF ENCHANTED | § | |
| HARBOR UTILITY, CERTIFICATE | § | OF TEXAS |
| OF CONVENIENCE AND NECESSITY | § | |
| NO. 12683, IN CALHOUN COUNTY, | | |
| TEXAS | | |

STIPULATION AND SETTLEMENT AGREEMENT

This Stipulation and Settlement Agreement (Stipulation) is entered into by Enchanted Harbor Utility (Enchanted Harbor) and the Staff (Staff) of the Public Utility Commission of Texas (Commission), through their duly authorized representatives (collectively, Signatories).

I. Background

On September 18, 2013, Enchanted Harbor filed with the Texas Commission on Environmental Quality (TCEQ) an Application for a Water Rate/Tariff Change (Application) for Certificate of Convenience and Necessity No. 12683 in Calhoun County, Texas pursuant to Title 16, Tex. Admin. Code §§ 24.21 and 24.22 (TAC). Enchanted Harbor's ratepayers filed protests to the Application seeking review of the proposed increased water rates. TCEQ recommended this case be referred to the State Office of Administrative Hearings (SOAH) because 10% or more of the affected ratepayers petitioned the Application.

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The Signatories believe that a resolution of this proceeding pursuant to the terms stated below is reasonable and in the public interest. The settlement will also conserve the resources of the parties and the Commission.

The Signatories jointly request Commission approval of this Stipulation and entry of orders, findings of fact and conclusions of law. By this Stipulation, the Signatories resolve all issues among them related to the Company's application, and agree as follows:

II. Stipulation and Agreement

1. Agreements as to Rate/Tariff Changes

- a. Retail Water Utility Rates.** The Signatories agree that Enchanted Harbor should be allowed to implement the retail water utility rates contained in Section 1.0 of the tariff included as **Attachment A** to this Stipulation according to the schedule contained in Section 1.0.
- b. Tariff Provisions.** The Signatories agree that Enchanted Harbor should be allowed to implement the other tariff provisions included in **Attachment A** to this Stipulation. The Signatories agree that **Attachment A** to this Stipulation should be the governing water utility rates, terms, treatments, and conditions for Enchanted Harbor ratepayers of the public water systems and service areas specified in **Attachment A**.

2. Agreements Regarding Additional Rate Matters

- a. Rate Case Expenses.** The Signatories agree that Enchanted Harbor shall not seek to recover and shall not collect any rate case expenses that it has incurred or will incur in relation to this Docket, SOAH Docket No. 473-14-5146.WS, PUC Docket No. 42864.
- b. Refunds/Credits.** The Signatories agree that Enchanted Harbor will not surcharge or otherwise seek to recover from the ratepayers any rate case expenses that relate to Enchanted Harbor's current rate case under SOAH Docket No. 473-14-0366 or P.U.C. Docket No. 42864. Each party will bear its own expenses.
- c. Capital Improvement Surcharge.** The Signatories agree that noticed capital improvement surcharge of \$47.73 shall be reduced to to \$42.78 per month per customer. Collected amounts are to be escrowed and withdrawals from the escrow

account will be supervised by the Commission. Collected surcharged amounts are only to be used for the capital improvement projects listed below. Any amounts collected which exceed what is necessary to complete these projects shall be refunded to the customers. The following table shows the estimated costs to complete the Enchanted Harbor upgrade at the time the settlement agreement between the parties was signed:

| Item Description | Qty | Total Amount |
|-----------------------------------|------------------|--------------|
| 4" Water Main | 5900 linear feet | \$17,700 |
| 4" Taps | 100 units | \$3,000 |
| Curb Stops | 100 units | \$2,500 |
| Meter Cutoff Valves | 100 units | \$2,500 |
| Meter Boxes | 100 units | \$2,500 |
| 3/4" Waterline | 30 linear feet | \$1,500 |
| 4" Gate Valve | 20 units | \$200 |
| Blow Off Assembly | 1 unit | \$450 |
| New 10 hp Well Pump & Controls | 1 unit | \$8,500 |
| Motor Control & Storage Bldg. | 1 unit | \$25,000 |
| 20,000 gallon Ground Storage Tank | 1 unit | \$19,040 |
| 5,000 gallon Ground Storage Tank | 1 unit | \$18,551 |

| | | |
|-------------|----------------------|--------------|
| Labor | 6,077 hours | \$226,400 |
| | Total | \$331,641 |
| Contingency | 10% | \$33,164.10 |
| Engineering | 10% | \$33,164.10 |
| | Total w/ Contingency | \$397,969.20 |

The Enchanted Harbor pending rate increase led to many customers drilling water wells. The original estimate was based upon the utility's customer base of near 100, but as of February 6, 2017, the customer base was down to 57. Several upgrade items were not completed due to this customer base decrease, such as the 10 hp well pump, the well controls and the 20,000-gallon storage tank. The 5,000-gallon pressure tank was substituted by two 900-gallon tanks. The actual costs of the Enchanted Harbor upgrade as of December 31, 2016 are as follows:

| Item Description | Total Amount |
|---|----------------------------|
| <u>Utility Upgrade Construction Costs:</u> | |
| 4" Water Mains and Fittings | \$24,071.93 |
| Complete Meter Tap Parts | \$25,897.99 |
| Pressure Storage and Pad | \$13,517.53 |
| Boring/Trenching | \$94,800.00 |
| Consulting/Equipment Rental | \$6,453.04 |
| Labor – Install 4" Valves | \$4,000.00 |
| Labor – Install 4" Taps | \$24,500.00 |
| Connections to Main | \$3,342.19 |
| Engineering | \$35,640.00 |
| Driveway Repair | \$1,191.96 |
| Main Line Chlorine Testing | \$185.69 |
| <u>Total:</u> | <u>\$233,600.33</u> |

| | |
|--|----------------------------|
| <u>Utility Upgrade Expenses:</u> | |
| Bank Charges | \$216.00 |
| | |
| Checks Ordered from Bank | \$28.00 |
| Tire Repair on Rented Equipment | \$155.18 |
| <u>Total:</u> | <u>\$399.18</u> |
| <u>Engineering Invoice for 2016 Work Performed – Billed in January 2017:</u> | <u>\$2,490.00</u> |
| <u>Total Expenditures:</u> | <u>\$236,489.51</u> |
| | |
| Interest at 5% for 11 Years – Surcharge Is Collected to Pay This Amount Plus Total Expenditures: | \$75,798.58 |
| | |
| Total Surcharge Collected as of 5/10/17: | \$114,346.14 |
| Remaining Surcharge Amount to Be Collected as of 5/10/17: | \$197,941.95 |

The continued collection of the surcharge is contingent upon Enchanted Harbor securing 3rd party financing at a rate equal to or lower than 10% per annum, and Enchanted Harbor was unable to secure bank financing but secured 3rd party financing with a 10% interest rate. By agreement, the recovery of interest has been reduced to a 5% per annum rate. Enchanted Harbor agreed to a December 31, 2016 deadline for completion of capital improvement projects funded by the surcharge, and the utility met the deadline. The Commission has agreed to review how Enchanted Harbor allocated the surcharge amounts collected in 2014 prior to the settlement agreement and provide an opinion as to whether the collected amounts were properly directed toward funding the specific list of capital improvement projects listed in the utility's application. Should the Commission determine that surcharge collections have exceeded that which was properly spent on the

capital improvement projects, the dollar amount of that differential shall be deposited by the utility into its escrow account.

3. **Proposed Order.** The Signatories jointly propose the Commission issue a final order in the form attached as **Attachment B**. The Signatories submit the stipulated and agreed-upon Findings of Fact and Conclusions of Law included in the proposed order in **Attachment B** for the Commission's adoption of and inclusion in a final order in this case implementing the terms of this Stipulation.

III. Implementation of Agreement

1. **Obligation to Support this Stipulation.** The Signatories will support this Stipulation before the Commission and will take reasonable steps to support expeditious entry of orders fully consistent with this Stipulation. This provision shall not preclude any party from taking action that is mandatory and nondiscretionary pursuant to a law enacted after the date of this Stipulation is filed at the Commission
2. **Effect of Stipulation.**
 - a. The Stipulation does not adopt any particular methodology underlying the settlement rates or rate design reflected in the Stipulation.
 - b. The failure to litigate any specific issue in this docket does not waive any Signatory's rights to contest that issue in any other current or future proceeding. The failure to litigate an issue cannot be asserted as a defense or estoppel, or any similar argument, by or against any Signatory in any other proceeding.
 - c. The terms of this Stipulation may not be used either as an admission or concession of any sort or as evidence in any proceeding except to enforce the terms of this Stipulation. Oral or written statements made during the course of the settlement negotiations may not be used for any purposes other than as necessary to support the entry by the Commission of an order implementing this Stipulation. All oral or written statements made during the course of the settlement negotiations are governed by Tex. R. Civ. Evid. 408.
 - d. The Signatories arrived at this Stipulation through extensive negotiation and compromise. This Stipulation reflects a compromise, settlement and accommodation among the Signatories, and the Signatories agree that the terms and conditions herein are interdependent. The Signatories agree that this

Stipulation is in the public interest. All actions by the Signatories contemplated or required by this Stipulation are conditioned upon entry by the Commission of a final order fully consistent with this Stipulation. If the Commission does not accept this Stipulation as presented or enters an order inconsistent with any term of this Stipulation, any Signatory shall be released from all commitments and obligations, and shall have the right to seek hearing on all issues, present evidence, and advance any positions it desires, as if it had not been a Signatory.

- e. This Stipulation is binding on each of the Signatories only for the purpose of settling the issues as set forth herein and for no other purposes. It is acknowledged that a Signatory's support of the matters contained in this Stipulation may differ from the position taken or testimony presented by it in this proceeding or other proceedings. To the extent that there is a difference, a Signatory does not waive its position in any other proceedings. Because this is a stipulated resolution, no Signatory is under any obligation to take the same positions as set out in this Stipulation in other proceedings, whether those proceedings present the same or a different set of circumstances, except as may otherwise be explicitly provided in this Stipulation.
- f. There are no third party beneficiaries of this Stipulation. Although this Stipulation represents a settlement among the Signatories with respect to the issues presented in this docket, this Stipulation is merely a settlement proposal submitted to the Commission, which has the authority to enter an order resolving these issues.
- g. This Stipulation supersedes any prior written or oral agreement in this docket regarding the subject matter of this Stipulation.
- h. The final resolution of this docket does not impose any conditions, obligations or limitations on Enchanted Harbor's right to file a rate application and obtain rate relief in accordance with the Texas Water Code except as specifically provided in this Stipulation.
- i. Except to the extent that the Stipulation expressly governs a Signatory's rights and obligations for future periods, this Stipulation shall not be binding or

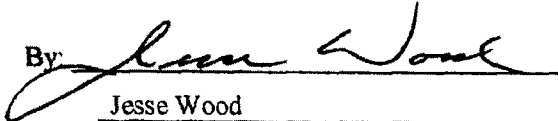
precedential upon a Signatory outside this docket, and Signatories retain their rights to pursue relief to which they may be entitled in other proceedings

- 3. Execution.** The Signatories agree that this Stipulation may be executed in multiple counterparts and filed with facsimile or computer image signatures

Executed as shown below:

Dated this 15 day of FEBRUARY, 2018

Enchanted Harbor Utilities

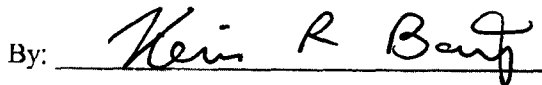
By: 

Jesse Wood

President, Farmers Transport Inc. DBA Enchanted Harbor Utility.

Date: 2/16/18

Staff of the Public Utility Commission

By: 

Kevin R. Bartz

Attorney, Public Utility Commission

Date: 2-28-2018

ATTACHMENT A



WATER UTILITY TARIFF

Docket Number 42864

Farmers Transport, Inc. dba Enchanted Harbor Utility
(Utility Name)

Lot 30, Marshal Johnson South
(Business Address)

Port Alto, Texas 77979
(City, State, Zip Code)

(979) 637-0010
(Area Code/Telephone)

This tariff is effective for utility operations under the following Certificate of Convenience and Necessity:

12683

This tariff is effective in the following county:

Calhoun

This tariff is effective in the following cities or unincorporated towns (if any):

N/A

This tariff is effective in the following subdivisions or systems:

Enchanted Harbor, Koop Subdivision: PWS #0290050

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The above utility lists the following sections of its tariff (if additional pages are needed for a section, all pages should be numbered consecutively):

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| SECTION 2.0 -- SERVICE RULES AND POLICIES | 6 |
| SECTION 3.0 -- EXTENSION POLICY | 13 |

APPENDIX A -- DROUGHT CONTINGENCY PLAN

APPENDIX B -- APPLICATION FOR SERVICE

NOTE: Appendix A – Drought Contingency Plan (DCP) is approved by the Texas Commission on Environmental Quality (TCEQ); however the DCP is included as part of your approved tariff pursuant to PUC rules. If you are establishing a tariff for the first time, please contact the TCEQ to complete and submit a DCP for approval.

SECTION 1.0 -- RATE SCHEDULE**Section 1.01 - Rates**

| <u>Meter Size</u> | <u>Monthly Minimum Charge</u> (Includes <u>3,000</u> gallons all meters) | <u>Gallonge Charge</u> |
|-------------------|---|--|
| 5/8" | <u>\$59.00</u> | <u>\$6.00</u> per 1,000 gallons over 3,000 gallons |

CAPITAL IMPROVEMENT SURCHARGE.....\$42.78 per ratepayer, per month

The capital improvement surcharge will be charged until the total amount of \$312,288.09 (\$114,346.14 of which was collected as of May 10, 2017) has been collected.

FORM OF PAYMENT: The utility will accept the following forms of payment:

Cash X, Check X_, Money Order X_, MasterCard , Visa , Electronic Fund Transfer

THE UTILITY MAY REQUIRE EXACT CHANGE FOR PAYMENTS AND MAY REFUSE TO ACCEPT PAYMENTS MADE USING MORE THAN \$1.00 IN SMALL COINS. A WRITTEN RECEIPT WILL BE GIVEN FOR CASH PAYMENTS. AT THE CUSTOMER'S OPTION, ANY BILLING TRANSACTION OR COMMUNICATION MAY BE PERFORMED ON THE INTERNET. THIS INCLUDES THE UTILITY SENDING PAPERLESS BILLS BY EMAIL.

REGULATORY ASSESSMENT..... 1.0%

PUC RULES REQUIRE THE UTILITY TO COLLECT A FEE OF ONE PERCENT OF THE RETAIL MONTHLY BILL AND TO REMIT FEE TO THE TCEQ.

Section 1.02 – Miscellaneous Fees

TAP FEE \$200.00

TAP FEE IS BASED ON THE AVERAGE OF THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR STANDARD RESIDENTIAL CONNECTION OF 5/8" METER PLUS UNIQUE COSTS AS PERMITTED BY PUC RULE AT COST.

TAP FEE (Unique costs) Actual Cost

FOR EXAMPLE, A ROAD BORE FOR CUSTOMERS OUTSIDE OF SUBDIVISIONS OR RESIDENTIAL AREAS.

LARGE METER TAP FEE..... Actual Cost

TAP FEE IS BASED ON THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR METERS LARGER THAN STANDARD 5/8" METERS.

RECONNECTION FEE

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

- a) Non-payment of bill (Maximum \$25.00) \$25.00
- b) Customer's request \$375.00

or other reasons listed under Section 2.0 of this tariff

TRANSFER FEE..... \$10.00

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

SECTION 1.0 -- RATE SCHEDULE (CONTINUED)

| | |
|--|-------------------------------|
| LATE CHARGE | <u>\$5.00</u> |
| A ONE-TIME PENALTY MAY BE MADE ON DELINQUENT BILLS BUT MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE PENALTY WAS APPLIED IN A PREVIOUS BILLING. | |
| RETURNED CHECK CHARGE..... | <u>\$25.00</u> |
| CUSTOMER DEPOSIT RESIDENTIAL (Maximum \$50)..... | <u>\$50.00</u> |
| COMMERCIAL AND NON-RESIDENTIAL DEPOSIT | 1/6TH EST. ANNUAL BILL |
| METER TEST FEE (actual cost of testing the meter up to) | <u>\$25.00</u> |
| THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS A SECOND METER TEST WITHIN A TWO-YEAR PERIOD AND THE TEST INDICATES THAT THE METER IS RECORDING ACCURATELY. | |
| METER RELOCATION FEE..... | <u>Actual Relocation Cost</u> |
| THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS RELOCATION OF AN EXISTING METER. | |
| LINE EXTENSION AND CONSTRUCTION CHARGES: | |
| REFER TO SECTION 2.12 SPECIFIC UTILITY SERVICE RULES AND SECTION 3.02 UTILITY SPECIFIC EXTENSION POLICY FOR TERMS, CONDITIONS, AND CHARGES. | |
| GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE CLAUSE: | |
| INCREASES IN INSPECTION FEES AND WATER TESTING COSTS IMPOSED BY STATE OR FEDERAL LAW MAY BE PASSED THROUGH AS AN ADJUSTMENT TO THE MONTHLY BASE RATE CHARGE UNDER THE TERMS AND CONDITIONS OF 16 TAC 24.21(k)(2) AFTER NOTICE TO CUSTOMERS AND UPON WRITTEN APPROVAL BY THE PUC. | |
| METER TAMPERING, DAMAGE OR DIVERSION FEE: | |
| ONE TIME PENALTY PER OCCURRENCE FOR TAMPERING WITH OR DAMAGING A WATER METER OR ANY APPURTENANCE THERETO INCLUDING LOCKS AND METER BOXES OR SERVICE DIVERSION OF ONE HUNDRED DOLLARS (\$100.00). | |

SECTION 1.0 -- RATE SCHEDULE (CONTINUED)**Section 1.02 – Miscellaneous Fees (Continued)****TEMPORARY WATER RATE:**

Unless otherwise superseded by PUC order or rule, if the Utility is ordered by a court or governmental body of competent jurisdiction to reduce its pumpage, production or water sales, the Utility shall be authorized to increase its approved gallonage charge according to the formula:

$$TGC = cgc + \frac{(pr)(cgc)(r)}{(1.0-r)}$$

Where:

TGC = temporary gallonage charge
cgc = current gallonage charge
r = water use reduction expressed as a decimal fraction (the pumping restriction)
pr = percentage of revenues to be recovered expressed as a decimal fraction, for this tariff prr shall equal 0.5.

To implement the Temporary Water Rate, the utility must comply with all notice and other requirements of 16 TAC 24.21(l).

PURCHASED WATER AND/OR DISTRICT FEE PASS THROUGH CLAUSE - ALL WATER SUBJECT TO FEE:

Changes in fees imposed by any non-affiliated third party water supplier or underground water district having jurisdiction over the Utility shall be passed through as an adjustment to the water gallonage charge according to the following formula:

$$AG = G + B/(1-L),$$

Where:

AG = adjusted gallonage charge, rounded to the nearest one cent;
G = approved gallonage charge (per 1,000 gallons);
B = change in purchased water/district gallonage charge (per 1,000 gallons);
L = system average line loss for preceding 12 months not to exceed 0.15

SECTION 1.0 -- RATE SCHEDULE (CONTINUED)

Section 1.02 – Miscellaneous Fees (Continued)

PURCHASED WATER AND/OR DISTRICT FEE PASS THROUGH CLAUSE – PORTION OF WATER SUBJECT TO FEE:

Upon notice from a water supplier of either an increase or a decrease in the cost of purchased water, the utility shall provide notice to customers and the Commission of its intent to implement rates imposed by any non-affiliated third party water supplier or underground water district having jurisdiction over the Utility shall be passed through as an adjustment to the water gallonage charge according to the following formula:

Adjustment to the gallonage rate: $AG = (CP/GB) \times 1,000$

Adjustment to the minimum bill: $AMB = GMB \times AG$

Where:

CP: $CP1 - CP0$ = Change in cost of purchased water

CP1: Cost of purchased water during the most recent 12 month period at the new rates;

CP0: Cost of purchased water during the most recent 12 month period at the previous rates;

GMB: Number of gallons in the minimum bill, divided by 1,000; and

GB: Number of gallons billed to customers in excess of the amount included in the monthly minimum bill for the 12 Month period used above.

FRANCHISE FEE PASS THROUGH CLAUSE:

Charges a municipality makes for use of streets and alleys pursuant to Tax Code §182.025 or other applicable state law shall be passed through as an adjustment to the water gallonage charge according to the following formula:

$AG = G + B$

Where:

AG = adjusted gallonage charge, rounded to the nearest one cent:

G = approved gallonage charge (per 1,000 gallons) and

B = projected franchise fees payable (per 1,000 gallons).

SECTION 2.0 - SERVICE RULES AND REGULATIONS

The utility will have the most current Public Utility Commission of Texas (PUC or commission) rules relating to Water and Wastewater Utility regulations, available at its office for reference purposes. The Rules and this tariff shall be available for public inspection and reproduction at a reasonable cost. The latest Rules or commission approved changes to the Rules supersede any rules or requirements in this tariff.

Section 2.01 - Application for Water Service

All applications for service will be made on the utility's standard application or contract form (attached in the Appendix to this tariff), will be signed by the applicant, any required fees (deposits, reconnect, tap, extension fees, etc. as applicable) will be paid and easements, if required, will be granted before service is provided by the utility. A separate application or contract will be made for each service location.

Section 2.02 - Refusal of Service

The utility may decline to serve an applicant until the applicant has complied with the regulations of the regulatory agencies (state and municipal regulations) and for the reasons outlined in the PUC Rules. In the event that the utility refuses to serve an applicant, the utility will inform the applicant in writing of the basis of its refusal. The utility is also required to inform the applicant that a complaint may be filed with the commission.

Section 2.03 - Fees and Charges & Easements Required Before Service Can Be Connected

(A) Customer Deposits

If a residential applicant cannot establish credit to the satisfaction of the utility, the applicant may be required to pay a deposit as provided for in Section 1.02 - Miscellaneous Fees of this tariff. The utility will keep records of the deposit and credit interest in accordance with PUC Rules.

Residential applicants 65 years of age or older may not be required to pay deposits unless the applicant has an outstanding account balance with the utility or another water or sewer utility which accrued within the last two years.

Nonresidential applicants who cannot establish credit to the satisfaction of the utility may be required to make a deposit that does not exceed an amount equivalent to one-sixth of the estimated annual billings.

Refund of deposit - If service is not connected, or after disconnection of service, the Utility will promptly refund the customer's deposit plus accrued interest or the balance, if any, in excess of the unpaid bills for service furnished. The Utility may refund the deposit at any time prior to termination of utility service but must refund the deposit plus interest for any residential customer who has paid 18 consecutive billings without being delinquent. Deposits from non-residential customers may be held as long as that customer takes service.

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONTINUED)**Section 2.03 - Fees and Charges & Easements Required Before Service Can Be Connected (Continued)****(B) Tap or Reconnect Fees**

A new customer requesting service at a location where service has not previously been provided must pay a tap fee as provided in Section 1. A customer requesting service where service has previously been provided must pay a reconnect fee as provided in Section 1. Any applicant or existing customer required to pay for any costs not specifically set forth in the rate schedule pages of this tariff shall be given a written explanation of such costs prior to request for payment and/or commencement of construction. If the applicant or existing customer does not believe that these costs are reasonable or necessary, the applicant or existing customer shall be informed of their right to appeal such costs to the PUC or such other regulatory authority having jurisdiction over the utility's rates in that portion of the utility's service area in which the applicant's or existing customer's property(ies) is located.

Fees in addition to the regular tap fee may be charged if listed specifically in Section 1 to cover unique costs not normally incurred as permitted by P.U.C. SUBST. R. 24.86(a)(1)(C). For example, a road bore for customers outside a subdivision or residential area could be considered a unique cost.

(C) Easement Requirement

Where recorded public utility easements on the service applicant's property do not exist or public road right-of-way easements are not available to access the applicant's property, the utility may require the applicant to provide it with a permanent recorded public utility easement on and across the applicant's real property sufficient to provide service to that applicant. Such easement(s) shall not be used for the construction of production, storage, transmission or pressure facilities unless they are needed for adequate service to that applicant.

Section 2.04 - Utility Response to Applications for Service

After the applicant has met all the requirements, conditions and regulations for service, the utility will install tap, meter and utility cut-off valve and/or take all necessary actions to initiate service. The utility will serve each qualified applicant for service within 5 working days unless line extensions or new facilities are required. If construction is required to fill the order and if it cannot be completed within 30 days, the utility will provide the applicant with a written explanation of the construction required and an expected date of service.

Except for good cause where service has previously been provided, service will be reconnected within one working day after the applicant has met the requirements for reconnection.

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONTINUED)

Section 2.05 - Customer Responsibility

The customer will be responsible for furnishing and laying the necessary customer service pipe from the meter location to the place of consumption. Customers will not be allowed to use the utility's cutoff valve on the utility's side of the meter. Existing customers may install cutoff valves on their side of the meter and are encouraged to do so. All new customers may be required to install and maintain a cutoff valve on their side of the meter.

No direct connection between a public water supply system and any potential source of contamination or between a public water supply system and a private water source (ex. private well) will be allowed. A customer shall not connect, or allow any other person or party to connect, onto any water lines on his premises.

Section 2.06 - Customer Service Inspections

Applicants for new service connections or facilities which have undergone extensive plumbing modifications are required to furnish the utility a completed customer service inspection certificate. The inspection certificate shall certify that the establishment is in compliance with the Texas Commission on Environmental Quality (TCEQ) Rules and Regulations for Public Water Systems, Section 290.46(j). The utility is not required to perform these inspections for the applicant/customer, but will assist the applicant/customer in locating and obtaining the services of a certified inspector.

Section 2.07 - Back Flow Prevention Devices

No water connection shall be allowed to any residence or establishment where an actual or potential contamination hazard exists unless the public water facilities are protected from contamination by either an approved air gap, backflow prevention assembly, or other approved device. The type of device or backflow prevention assembly required shall be determined by the specific potential hazard identified in Title 30 Texas Administrative Code (TAC) §290.47(i) Appendix I, Assessment of Hazards and Selection of Assemblies of the TCEQ Rules and Regulations for Public Water Systems.

The use of a backflow prevention assembly at the service connection shall be considered as additional backflow protection and shall not negate the use of backflow protection on internal hazards as outlined and enforced by local plumbing codes. When a customer service inspection certificate indicates that an adequate internal cross-connection control program is in effect, backflow protection at the water service entrance or meter is not required.

At any residence or establishment where it has been determined by a customer service inspection, that there is no actual or potential contamination hazard, as referenced in 30 TAC §290.47(i) Appendix I, Assessment of Hazards and Selection of Assemblies of the TCEQ Rules and Regulations for Public Water Systems, then a backflow prevention assembly or device is not required. Outside hose bibs do require, at a minimum, the installation and maintenance of a working atmospheric vacuum breaker.

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONTINUED)

Section 2.07 - Back Flow Prevention Devices (continued)

All backflow prevention assemblies or devices shall be tested upon installation by a TCEQ certified backflow prevention assembly tester and certified to be operating within specifications. Backflow prevention assemblies which are installed to provide protection against health hazards must also be tested and certified to be operating within specifications at least annually by a certified backflow prevention assembly tester.

If the utility determines that a backflow prevention assembly or device is required, the utility will provide the customer or applicant with a list of TCEQ certified backflow prevention assembly testers. The customer will be responsible for the cost of installation and testing, if any, of backflow prevention assembly or device. The customer should contact several qualified installers to compare prices before installation. The customer must pay for any required maintenance and annual testing and must furnish a copy of the test results demonstrating that the assembly is functioning properly to the utility within 30 days after the anniversary date of the installation unless a different date is agreed upon.

Section 2.08 - Access to Customer's Premises

The utility will have the right of access to the customer's premises at all reasonable times for the purpose of installing, testing, inspecting or repairing water mains or other equipment used in connection with its provision of water service, or for the purpose of removing its property and disconnecting lines, and for all other purposes necessary to the operation of the utility system including inspecting the customer's plumbing for code, plumbing or tariff violations. The customer shall allow the utility and its personnel access to the customer's property to conduct any water quality tests or inspections required by law. Unless necessary to respond to equipment failure, leak or other condition creating an immediate threat to public health and safety or the continued provision of adequate utility service to others, such entry upon the customer's property shall be during normal business hours and the utility personnel will attempt to notify the customer that they will be working on the customer's property. The customer may require any utility representative, employee, contractor, or agent seeking to make such entry identify themselves, their affiliation with the utility, and the purpose of their entry.

All customers or service applicants shall provide access to meters and utility cutoff valves at all times reasonably necessary to conduct ordinary utility business and after normal business hours as needed to protect and preserve the integrity of the public drinking water supply.

Section 2.09 - Meter Requirements, Readings, and Testing

One meter is required for each residential, commercial, or industrial connection. All water sold by the utility will be billed based on meter measurements. The utility will provide, install, own and maintain meters to measure amounts of water consumed by its customers.

Meters will be read at monthly intervals and as nearly as possible on the corresponding day of each monthly meter reading period unless otherwise authorized by the Commission.

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONTINUED)

Section 2.09 - Meter Requirements, Readings, and Testing (continued)

Meter tests. The utility will, upon the request of a customer, and, if the customer so desires, in his or her presence or in that of his or her authorized representative, make without charge a test of the accuracy of the customer's meter. If the customer asks to observe the test, the test will be made during the utility's normal working hours at a time convenient to the customer. Whenever possible, the test will be made on the customer's premises, but may, at the utility's discretion, be made at the utility's testing facility. If within a period of two years the customer requests a new test, the utility will make the test, but if the meter is found to be within the accuracy standards established by the American Water Works Association, the utility will charge the customer a fee which reflects the cost to test the meter up to a maximum \$25 for a residential customer. Following the completion of any requested test, the utility will promptly advise the customer of the date of removal of the meter, the date of the test, the result of the test, and who made the test.

Section 2.10 - Billing

(A) Regular Billing

Bills from the utility will be mailed monthly unless otherwise authorized by the Commission. The due date of bills for utility service will be at least sixteen (16) days from the date of issuance. The postmark on the bill or, if there is no postmark on the bill, the recorded date of mailing by the utility will constitute proof of the date of issuance. Payment for utility service is delinquent if full payment, including late fees and the regulatory assessment, is not received at the utility or the utility's authorized payment agency by 5:00 p.m. on the due date. If the due date falls on a holiday or weekend, the due date for payment purposes will be the next workday after the due date.

(B) Late Fees

A late penalty of either \$5.00 or 10.0% will be charged on bills received after the due date. The penalty on delinquent bills will not be applied to any balance to which the penalty was applied in a previous billing. The utility must maintain a record of the date of mailing to charge the late penalty.

(C) Information on Bill

Each bill will provide all information required by the PUC Rules. For each of the systems it operates, the utility will maintain and note on the monthly bill a local or toll-free telephone number (or numbers) to which customers can direct questions about their utility service.

(D) Prorated Bills

If service is interrupted or seriously impaired for 24 consecutive hours or more, the utility will prorate the monthly base bill in proportion to the time service was not available to reflect this loss of service.

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONTINUED)

Section 2.11- Payments

All payments for utility service shall be delivered or mailed to the utility's business office. If the business office fails to receive payment prior to the time of noticed disconnection for non-payment of a delinquent account, service will be terminated as scheduled. Utility service crews shall not be allowed to collect payments on customer accounts in the field.

Payment of an account by any means that has been dishonored and returned by the payor or payee's bank, shall be deemed to be delinquent. All returned payments must be redeemed with cash or valid money order. If a customer has two returned payments within a twelve month period, the customer shall be required to pay a deposit if one has not already been paid.

Section 2.12 - Service Disconnection

(A) With Notice

Utility service may be disconnected if the bill has not been paid in full by the date listed on the termination notice. The termination date must be at least 10 days after the notice is mailed or hand delivered.

The utility is encouraged to offer a deferred payment plan to a customer who cannot pay an outstanding bill in full and is willing to pay the balance in reasonable installments. However, a customer's utility service may be disconnected if a bill has not been paid or a deferred payment agreement entered into within 26 days from the date of issuance of a bill and if proper notice of termination has been given.

Notice of termination must be a separate mailing or hand delivery in accordance with the PUC Rules.

B) Without Notice

Utility service may also be disconnected without notice for reasons as described in the PUC Rules.

Section 2.13 - Reconnection of Service

Utility personnel must be available during normal business hours to accept payments on the day service is disconnected and the following day unless service was disconnected at the customer's request or due to a hazardous condition.

Service will be reconnected within 36 hours after the past due bill, reconnect fees and any other outstanding charges are paid or the conditions which caused service to be disconnected are corrected.

Section 2.14 - Service Interruptions

The utility will make all reasonable efforts to prevent interruptions of service. If interruptions occur, the utility will re-establish service within the shortest possible time. Except for momentary interruptions due to automatic equipment operations, the utility will keep a complete record of all interruptions, both emergency and scheduled and will notify the commission in writing of any service interruptions affecting the entire system or any major division of the system lasting more than four hours. The notice will explain the cause of the interruptions.

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONTINUED)

Section 2.15 - Quality of Service

The utility will plan, furnish, and maintain production, treatment, storage, transmission, and distribution facilities of sufficient size and capacity to provide a continuous and adequate supply of water for all reasonable consumer uses. Unless otherwise authorized by the TCEQ, the utility will maintain facilities as described in the TCEQ Rules and Regulations for Public Water Systems.

Section 2.16 - Customer Complaints and Disputes

If a customer or applicant for service lodges a complaint, the utility will promptly make a suitable investigation and advise the complainant of the results. Service will not be disconnected pending completion of the investigation. If the complainant is dissatisfied with the utility's response, the utility must advise the complainant that he has recourse through either the TCEQ or PUC complaint process, depending on the nature of the complaint. Pending resolution of a complaint, the commission may require continuation or restoration of service.

The utility will maintain a record of all complaints which shows the name and address of the complainant, the date and nature of the complaint and the adjustment or disposition thereof, for a period of two years after the final settlement of the complaint.

In the event of a dispute between a customer and a utility regarding any bill for utility service, the utility will conduct an investigation and report the results to the customer. If the dispute is not resolved, the utility will inform the customer that a complaint may be filed with the commission.

Section 2.17 - Customer Liability

Customer shall be liable for any damage or injury to utility-owned property shown to be caused by the customer.

SECTION 3.0--EXTENSION POLICY

Section 3.01 - Standard Extension Requirements

LINE EXTENSION AND CONSTRUCTION CHARGES: NO CONTRIBUTION IN AID OF CONSTRUCTION MAY BE REQUIRED OF ANY CUSTOMER EXCEPT AS PROVIDED FOR IN THIS APPROVED EXTENSION POLICY.

The utility is not required to extend service to any applicant outside of its certified service area and will only do so under terms and conditions mutually agreeable to the utility and the applicant, in compliance with PUC rules and policies, and upon extension of the utility's certified service area boundaries by the PUC.

The applicant for service will be given an itemized statement of the costs, options such as rebates to the customer, sharing of construction costs between the utility and the customer, or sharing of costs between the customer and other applicants prior to beginning construction.

The utility is not required to extend service to any applicant outside of its certificated service area and will only do so under terms and conditions mutually agreeable to the utility and the applicant, in compliance with PUC rules and policies, and upon extension of the utility's certificated service area boundaries by the PUC.

Section 3.02 - Costs Utilities and Service Applicants Shall Bear

Within its certified area, the utility will pay the cost of the first 200 feet of any water main or distribution line necessary to extend service to an individual residential customer within a platted subdivision.

However, if the residential customer requesting service purchased the property after the developer was notified in writing of the need to provide facilities to the utility, the utility may charge for the first 200 feet. The utility must also be able to document that the developer of the subdivision refused to provide facilities compatible with the utility's facilities in accordance with the utility's approved extension policy after receiving a written request from the utility.

Residential customers will be charged the equivalent of the costs of extending service to their property from the nearest transmission or distribution line even if that line does not have adequate capacity to serve the customer. However, if the customer places unique, non-standard service demands upon the system, the customer may be charged the additional cost of extending service to and throughout their property, including the cost of all necessary transmission and storage facilities necessary to meet the service demands anticipated to be created by that property.

Unless an exception is granted by the TCEQ, the residential service applicant shall not be required to pay for costs of main extensions greater than 2" in diameter for water distribution and pressure wastewater collection lines and 6" in diameter for gravity wastewater lines.

SECTION 3.0--EXTENSION POLICY (CONTINUED)

Section 3.02 - Costs Utilities and Service Applicants Shall Bear (continued)

Exceptions may be granted by the TCEQ if:

- adequate service cannot be provided to the applicant using the maximum line sizes listed due to distance or elevation, in which case, it shall be the utility's burden to justify that a larger diameter pipe is required for adequate service;
- or larger minimum line sizes are required under subdivision platting requirements or building codes of municipalities within whose corporate limits or extraterritorial jurisdiction the point of use is located; or the residential service applicant is located outside the CCN service area.

If an exception is granted by the TCEQ, the utility shall establish a proportional cost plan for the specific extension or a rebate plan which may be limited to seven years to return the portion of the applicant's costs for oversizing as new customers are added to ensure that future applicants for service on the line pay at least as much as the initial service applicant.

For purposes of determining the costs that service applicants shall pay, commercial customers with service demands greater than residential customer demands in the certified area, industrial, and wholesale customers shall be treated as developers. A service applicant requesting a one inch meter for a lawn sprinkler system to service a residential lot is not considered nonstandard service.

If an applicant requires service other than the standard service provided by the utility, such applicant will be required to pay all expenses incurred by the utility in excess of the expenses that would be incurred in providing the standard service and connection beyond 200 feet and throughout his property including the cost of all necessary transmission facilities.

The utility will bear the full cost of any over-sizing of water mains necessary to serve other customers in the immediate area. The individual residential customer shall not be charged for any additional production, storage, or treatment facilities. Contributions in aid of construction may not be required of individual residential customers for production, storage, treatment or transmission facilities unless otherwise approved by the Commission under this specific extension policy.

Section 3.03 - Contributions in Aid of Construction

Developers may be required to provide contributions in aid of construction in amounts sufficient to furnish the development with all facilities necessary to provide for reasonable local demand requirements and to comply with TCEQ minimum design criteria for facilities used in the production, transmission, pumping, or treatment of water or TCEQ minimum requirements. For purposes of this subsection, a developer is one who subdivides or requests more than two meters on a piece of property. Commercial, industrial, and wholesale customers will be treated as developers.

Any applicant who places unique or non-standard service demands on the system may be required to provide contributions in aid of construction for the actual costs of any additional facilities required to maintain compliance with the TCEQ minimum design criteria for water production, treatment, pumping, storage and transmission.

SECTION 3.0--EXTENSION POLICY (CONTINUED)

Section 3.03 - Contributions in Aid of Construction (continued)

Any service extension to a subdivision (recorded or unrecorded) may be subject to the provisions and restrictions of P.U.C. SUBST. R. 24.86(d). When a developer wishes to extend the system to prepare to service multiple new connections, the charge shall be the cost of such extension, plus a pro-rata charge for facilities which must be committed to such extension compliant with the TCEQ minimum design criteria. As provided by P.U.C. SUBST. R. 24.85(e)(3), for purposes of this section, commercial, industrial, and wholesale customers shall be treated as developers.

A utility may only charge a developer standby fees for unrecovered costs of facilities committed to a developer's property under the following circumstances:

- Under a contract and only in accordance with the terms of the contract; or
- if service is not being provided to a lot or lots within two years after installation of facilities necessary to provide service to the lots has been completed and if the standby fees are included on the utilities approved tariff after a rate change application has been filed. The fees cannot be billed to the developer or collected until the standby fees have been approved by the commission or executive director.

for purposes of this section, a manufactured housing rental community can only be charged standby fees under a contract or if the utility installs the facilities necessary to provide individually metered service to each of the rental lots or spaces in the community.

Section 3.04 - Appealing Connection Costs

The imposition of additional extension costs or charges as provided by Sections 3.0 - Extension Policy of this tariff shall be subject to appeal as provided in this tariff, PUC rules, or the rules of such other regulatory authority as may have jurisdiction over the utility's rates and services. Any applicant required to pay for any costs not specifically set forth in the rate schedule pages of this tariff shall be given a written explanation of such costs prior to payment and/or commencement of construction. If the applicant does not believe that these costs are reasonable or necessary, the applicant shall be informed of the right to appeal such costs to the PUC or such other regulatory authority having jurisdiction over the utility's rates in that portion of the utility's service area in which the applicant's property(ies) is located.

Section 3.05 - Applying for Service

The utility will provide a written service application form to the applicant for each request for service received by the utility's business offices. A separate application shall be required for each potential service location if more than one service connection is desired by any individual applicant. Service application forms will be available at the utility's business office during normal weekday business hours. Service applications will be sent by prepaid first class United States mail to the address provided by the applicant upon request. Completed applications should be returned by hand delivery in case there are questions which might delay fulfilling the service request. Completed service applications may be submitted by mail if hand delivery is not possible.

SECTION 3.0--EXTENSION POLICY (CONTINUED)**Section 3.05 - Applying for Service (continued)**

Where a new tap or service connection is required, the service applicant shall be required to submit a written service application and request that a tap be made. A diagram, map, plat, or written metes and bounds description of precisely where the applicant desires each tap or service connection is to be made and, if necessary, where the meter is to be installed, along the applicant's property line may also be required with the tap request. The actual point of connection and meter installation must be readily accessible to utility personnel for inspection, servicing, and meter reading while being reasonably secure from damage by vehicles and mowers. If the utility has more than one main adjacent to the service applicant's property, the tap or service connection will be made to the utility's nearest service main with adequate capacity to service the applicant's full potential service demand. Beyond the initial 200 feet, the customer shall bear only the equivalent cost of extending from the nearest main. If the tap or service connection cannot be made at the applicant's desired location, it will be made at another location mutually acceptable to the applicant and the utility. If no agreement on location can be made, the applicant may refer the matter to the PUC for resolution.

Section 3.06 - Qualified Service Applicant

A "qualified service applicant" is an applicant who has: (1) met all of the utility's requirements for service contained in this tariff, PUC rules and/or PUC order, (2) has made payment or made arrangement for payment of tap fees, (3) has provided all easements and rights-of-way required to provide service to the requested location, (4) delivered an executed customer service inspection certificate to the utility, if applicable, and (5) has executed a customer service application for each location to which service is being requested.

The utility shall serve each qualified service applicant within its certified service area as soon as practical after receiving a completed service application. All service requests will be fulfilled within the time limits prescribed by PUC rules once the applicant has met all conditions precedent to achieving "qualified service applicant" status. If a service request cannot be fulfilled within the required period, the applicant shall be notified in writing of the delay, its cause and the anticipated date that service will be available. The PUC service dates shall not become applicable until the service applicant has met all conditions precedent to becoming a qualified service applicant as defined by PUC rules.

Section 3.07 - Developer Requirements

As a condition of service to a new subdivision, the utility shall require a developer (as defined by PUC rule) to provide permanent recorded public utility easements as a condition of service to any location within the developer's property.

SECTION 4.0 – DROUGHT CONTINGENCY PLAN

(Utility must attach a copy of the TCEQ approved Drought Contingency Plan)

ATTACHMENT B

**SOAH DOCKET NO. 473-14-5146.WS
PUC DOCKET NO. 42864**

| | | |
|---|--|--|
| APPLICATION OF A RATE/TARRIF CHANGE OF ENCHANTED HARBOR UTILITY, CERTIFICATE OF CONVENIENVE AND NECESSITY NO.12683, IN CALHOUN COUNTY, TEXAS | § § § § § § | PUBLIC UTILITY COMMISSION OF TEXAS |
|---|--|--|

PROPOSED FINAL ORDER

This Order addresses the application (Application) of Enchanted Harbor Utility (Enchanted Harbor or Applicant) for an increase in water rates in Calhoun County, Texas. Enchanted Harbor and Staff (Staff) of the Public Utility Commission (Commission), entered into a Stipulation and Settlement Agreement (Stipulation) that resolves all issues in this proceeding. Enchanted Harbor's Application is approved solely to the extent consistent with the Stipulation.

The Commission adopts the following findings of fact and conclusions of law:

I. Findings of Fact

Procedural History

1. On September 18, 2013, Enchanted Harbor filed an Application for a Water Rate/Tariff Change for Certificate of Convenience and Necessity No. 12683 in Calhoun County, Texas pursuant to Tex. Water Code § 13.187 (TWC) with the Texas Commission on Environmental Quality (TCEQ). In the Application, Enchanted Harbor requested an overall increase in its revenue requirement of \$43,820 per year for a total revenue requirement of approximately \$97,441 per year.
2. The 12-month test year employed in Enchanted Harbor's Application ended on December 31, 2013.
3. Enchanted Harbor mailed notice of the proposed rate change to all of its customers on or about September 12, 2013.
4. The Texas Commission on Environment Quality (TCEQ) referred the matter to the State Office of Administrative Hearings (SOAH).
5. A prehearing conference was held at SOAH on July 29, 2014.

6. At the Prehearing conference, Enchanted Harbor, Staff, and protestors/ratepayers, Keith L. Smith, Anne Clark, and Evelyn Saucier were names as parties and agreed to engage settlement discussions.
7. On July 29, 2014, a SOAH Administrative Law Judge (ALJ) issued Order No.1 memorializing the prehearing conference and abating the matter for the purposes of settlement discussions.
8. On August 26, 2014, Enchanted Harbor filed a motion to remand with an attached settlement agreement, stating that the parties had reached a settlement and all protests had been withdrawn.
9. On September 1, 2014, this matter was transferred to the Commission pursuant to House Bill 1600 and Senate Bill 567, 83rd Legislature.
10. On September 10, 2014, Staff filed a Status update with SOAH, requesting that the SOAH ALJ not remand the matter to the Commission until such time that Staff could review the matter and the parties could develop a settlement package if appropriate.
11. On January 20, 2017, the SOAH ALJ issued Order No. 3 abating the case and requiring a status report by February 17, 2017.
12. On February 17, 2017, Staff filed a Status update with SOAH, requesting that the SOAH ALJ not remand the matter to the Commission until such time that Staff could review the matter and the parties could develop a settlement package if appropriate.
13. On February 22, 2017, the SOAH ALJ issued Order No. 4 abating the case and requiring a status report by March 17, 2017.
14. On March 17, 2017, Staff filed a Status update with SOAH, requesting that the SOAH ALJ not remand the matter to the Commission until such time that Staff could review the matter and the parties could develop a settlement package if appropriate.
15. On March 22, 2017, the SOAH ALJ issued Order No. 5 abating the case and requiring a status report by April 17, 2017.
16. On April 14, 2017, Enchanted Harbor filed a Motion to Remove Parties requesting the ALJ remove protestants Keith L. Smith, Anne Clark and Evelyn Saucier as parties to the proceeding due to the fact that the three individuals are no longer connected to Enchanted Harbor's system and therefore no longer have standing to participate.

17. On April 17, 2017, Staff filed a Status update with SOAH, requesting that the SOAH ALJ not remand the matter to the Commission until such time that Staff could review the matter and the parties could develop a settlement package if appropriate.
18. On April 27, 2017, the SOAH ALJ issued Order No. 6 abating the case and requiring a status report by May 17, 2017.
19. On May 17, 2017, Staff filed a Status update with SOAH, requesting that the SOAH ALJ not remand the matter to the Commission until such time that Staff could review the matter and the parties could develop a settlement package if appropriate.
20. On May 19, 2017, the SOAH ALJ issued Order No. 7 abating the case and requiring a status report by June 17, 2017.
21. On June 19, 2017, Staff filed a Status update with SOAH, requesting that the SOAH ALJ not remand the matter to the Commission until such time that Staff could review the matter and the parties could develop a settlement package if appropriate.
22. On June 21, 2017, the SOAH ALJ issued Order No. 8 abating the case and requiring a status report by July 17, 2017.
23. On July 17, 2017, Staff filed a Status update with SOAH, requesting that the SOAH ALJ not remand the matter to the Commission until such time that Staff could review the matter and the parties could develop a settlement package if appropriate.
24. On July 19, 2017, the SOAH ALJ issued Order No. 9 abating the case and requiring a status report by August 17, 2017.
25. On August 17, 2017, Staff filed a Status update with SOAH, requesting that the SOAH ALJ not remand the matter to the Commission until such time that Staff could review the matter and the parties could develop a settlement package if appropriate.
26. On August 22, 2017, the SOAH ALJ issued Order No. 10 abating the case and requiring a status report by September 18, 2017.
27. On September 18, 2017, Staff filed a Status update with SOAH, requesting that the SOAH ALJ not remand the matter to the Commission until such time that Staff could review the matter and the parties could develop a settlement package if appropriate.
28. On September 20, 2017, the SOAH ALJ issued Order No. 11 abating the case and requiring a status report by October 17, 2017.

29. On October 17, 2017, Staff filed a Status update with SOAH, requesting that the SOAH ALJ not remand the matter to the Commission until such time that Staff could review the matter and the parties could develop a settlement package if appropriate.
30. On October 18, 2017, the SOAH ALJ issued Order No. 12 abating the case and requiring a status report by November 14, 2017.
31. On November 21, 2017, Staff filed a Status update with SOAH, requesting that the SOAH ALJ not remand the matter to the Commission until such time that Staff could review the matter and the parties could develop a settlement package if appropriate.
32. On November 28, 2017, the SOAH ALJ issued Order No. 13 abating the case and requiring a status report by January 3, 2018.
33. On January 3, 2018, Staff filed a Status update with SOAH, requesting that the SOAH ALJ not remand the matter to the Commission until such time that Staff could review the matter and the parties could develop a settlement package if appropriate.
34. On January 8, 2018, the SOAH ALJ issued Order No. 14 abating the case and requiring Enchanted Harbor and Staff to file a status report by February 2, 2018.
35. On February 6, 2018, Staff filed a Status update with SOAH, requesting that the SOAH ALJ not remand the matter to the Commission until such time that Staff could review the matter and the parties could develop a settlement package if appropriate.
36. On February 7, 2018, the SOAH ALJ issued Order No. 15 requiring Enchanted Harbor and Staff to file a status report by February 16, 2018.
37. On February 16, 2018, Staff filed a Status update with SOAH, requesting that the SOAH ALJ not remand the matter to the Commission until such time that Staff could review the matter and the parties could finalize a settlement package if appropriate.
38. On February 20, 2018, the SOAH ALJ issued Order No. 16, requiring Enchanted Harbor and Staff to file a status report or settlement package by March 2, 2018. On _____, 2018, Enchanted Harbor and Staff filed a joint motion to admit evidence and remand proceeding to the Commission, with attachments consisting of the Stipulation, agreed proposed tariff, proposed final order, and testimony of Staff in support of the stipulation.
39. On _____, 2018, Enchanted Harbor filed its testimony in support of the stipulation.

40. On _____, 2018, the SOAH ALJ set a deadline of _____, 2018 for Intervenor to oppose the Stipulation.
41. On _____, 2018, the SOAH ALJ issued Order No. 14, which dismissed the SOAH docket, returned the matter to the Commission, and admitted the following evidence into the record in support of the settlement:
- a. Application for a Water Rate/ Tariff Change of Enchanted Harbor Aviation, Inc. for Certificate of Convenience and Necessity No. 12864 in Calhoun County, filed September 18, 2013;
 - b. Affidavit of Notice of the Application;
 - c. Notice of the prehearing conference;
 - d. Enchanted Harbor's Sworn Testimony;
 - e. Stipulation;
 - f. Testimony of Heidi Graham of the Water Utilities Division, in support of stipulation and settlement agreement; and
 - g. Tariff.

Description of the Stipulation

42. The signatories stipulated that Enchanted Harbor should be allowed to implement the retail water utility rates contained in Section 1.0 of the agreed proposed tariff included in Attachment A to the Stipulation
43. The signatories stipulated that Enchanted Harbor should be allowed to implement retail water utility rates effective according to the schedule contained in Section 1.0 of the proposed tariff included in Attachment A to the Stipulation.
44. The signatories stipulated that Enchanted Harbor should be allowed to implement the other tariff provisions included in the agreed proposed tariff in Attachment A to the stipulation.
45. The signatories stipulated that the proposed tariff included with the stipulation as Attachment A should be the governing water utility rates, terms, treatments, and conditions for Enchanted Harbor ratepayer of the public water systems and service areas specified in the tariff.
46. The signatories stipulated that Enchanted Harbor shall not seek to recover and shall not collect any rate case expenses incurred or will incur in relation to this application.

47. The signatories stipulated that Enchanted Harbor shall not be required to issue refunds or credits for rates collected between the effective date and the approval of this order.

Consistency of the Stipulation with the Texas Water Code and Commission Requirements

48. Considered in light of Enchanted Harbor's application, responses to discovery requests, and information exchanged through confidential privileged settlement negotiations, the Stipulation is the result of compromise from each party, and these efforts, as well as the overall result of the stipulation, support the reasonableness and benefits of the terms of the Stipulation.

49. The rates, terms, and conditions of the tariff resulting from the stipulation are just and reasonable and consistent with the public interest when the benefits of avoiding an expensive contested case hearing are considered.

II. Conclusions of Law

1. Enchanted Harbor is a public utility as defined in TWC § 13.002(23)
2. The Commission has jurisdiction over Enchanted Harbor's Application for a rate increase pursuant to TWC §§ 13.041, 13.181, and 13.187 and 16 TAC Chapter 24, Subchapter B.
3. This docket was processed in accordance with the requirements of the Texas Water Code, Texas Administrative Procedure Act, and Commission rules.
4. Proper notice of the application was given by Enchanted Harbor as required by TWC § 13.187 and 16 TAC § 24.22.
5. This docket contains no remaining contested issues of fact or law.
6. The Stipulation, taken as a whole is a just and reasonable resolution of all issues it addresses, results in just and reasonable rates, terms and conditions, is consistent with the relevant provisions of TWC, Chapter 13, is consistent with the public interest, and should be approved.
7. The rates agreed to in the Stipulation are just and reasonable, comply with the ratemaking provisions in TWC, Chapter 13, and are not unreasonably discriminatory, preferential, or prejudicial.

III. Ordering Paragraphs

In accordance with these findings of fact and conclusions of law, the Commission issues the following order:

1. Enchanted Harbor's Application seeking authority to (a) change its rates and tariff, and (b) for other related relief is approved consistent with the above Findings of Fact and Conclusions of Law and the Stipulation.
2. Enchanted Harbor's rates, terms, and conditions consistent with the Stipulation are approved.
3. Enchanted Harbor's tariff submitted with the Stipulation as Attachment A and provided with this Order is approved.
4. Enchanted Harbor shall reduce the capital improvement surcharge of \$47.73 to \$42.78 per month per customer. Collected amounts are to be escrowed and withdrawals from the escrow account will be supervised by the Commission. Collected surcharged amounts are only to be used for the capital improvement projects listed below. Any amounts collected which exceed what is necessary to complete these projects shall be refunded to the customers. The following table shows the estimated costs to complete the Enchanted Harbor upgrade at the time the settlement agreement between the parties was signed:

| Item Description | Qty | Total Amount |
|--------------------------------|------------------|--------------|
| 4" Water Main | 5900 linear feet | \$17,700 |
| 4" Taps | 100 units | \$3,000 |
| Curb Stops | 100 units | \$2,500 |
| Meter Cutoff Valves | 100 units | \$2,500 |
| Meter Boxes | 100 units | \$2,500 |
| 3/4" Waterline | 30 linear feet | \$1,500 |
| 4" Gate Valve | 20 units | \$200 |
| Blow Off Assembly | 1 unit | \$450 |
| New 10 hp Well Pump & Controls | 1 unit | \$8,500 |

| | | |
|-----------------------------------|----------------------|--------------|
| Motor Control & Storage Bldg. | 1 unit | \$25,000 |
| 20,000 gallon Ground Storage Tank | 1 unit | \$19,040 |
| 5,000 gallon Ground Storage Tank | 1 unit | \$18,551 |
| Labor | 6,077 hours | \$226,400 |
| | Total | \$331,641 |
| Contingency | 10% | \$33,164.10 |
| Engineering | 10% | \$33,164.10 |
| | Total w/ Contingency | \$397,969.20 |

The Enchanted Harbor pending rate increase led to many customers drilling water wells. The original estimate was based upon the utility's customer base of near 100, but as of February 6, 2017, the customer base was down to 57. Several upgrade items were not completed due to this customer base decrease, such as the 10 hp well pump, the well controls and the 20,000-gallon storage tank. The 5,000-gallon pressure tank was substituted by two 900-gallon tanks. The actual costs of the Enchanted Harbor upgrade as of December 31, 2016 are as follows:

| Item Description | Total Amount |
|--|--------------|
| <u>Utility Upgrade Construction Costs:</u> | |
| 4" Water Mains and Fittings | \$24,071.93 |
| Complete Meter Tap Parts | \$25,897.99 |
| Pressure Storage and Pad | \$13,517.53 |
| Boring/Trenching | \$94,800.00 |
| Consulting/Equipment Rental | \$6,453.04 |
| Labor – Install 4" Valves | \$4,000.00 |

| | |
|--|----------------------------|
| Labor – Install 4” Taps | \$24,500.00 |
| Connections to Main | \$3,342.19 |
| Engineering | \$35,640.00 |
| Driveway Repair | \$1,191.96 |
| Main Line Chlorine Testing | \$185.69 |
| <u>Total:</u> | <u>\$233,600.33</u> |
| <u>Utility Upgrade Expenses:</u> | |
| Bank Charges | \$216.00 |
| | |
| Checks Ordered from Bank | \$28.00 |
| Tire Repair on Rented Equipment | \$155.18 |
| <u>Total:</u> | <u>\$399.18</u> |
| <u>Engineering Invoice for 2016 Work Performed – Billed in January 2017:</u> | <u>\$2,490.00</u> |
| <u>Total Expenditures:</u> | <u>\$236,489.51</u> |
| | |
| Interest at 5% for 11 Years – Surcharge Is Collected to Pay This Amount Plus Total Expenditures: | \$75,798.58 |
| | |
| Total Surcharge Collected as of 5/10/17: | \$114,346.14 |
| Remaining Surcharge Amount to Be Collected as of 5/10/17: | \$197,941.95 |

The continued collection of the surcharge is contingent upon Enchanted Harbor securing 3rd party financing at a rate equal to or lower than 10% per annum, and Enchanted Harbor was unable to secure bank financing but secured 3rd party financing with a 10% interest rate. By agreement, the recovery of interest has been reduced to a 5% per annum rate. Enchanted Harbor agreed to a December 31, 2016 deadline for completion of capital improvement projects funded by the surcharge, and the utility met the deadline. The

Commission has agreed to review how Enchanted Harbor allocated the surcharge amounts collected in 2014 prior to the settlement agreement and provide an opinion as to whether the collected amounts were properly directed toward funding the specific list of capital improvement projects listed in the utility's application. Should the Commission determine that surcharge collections have exceeded that which was properly spent on the capital improvement projects, the dollar amount of that differential shall be deposited by the utility into its escrow account.

5. Entry of this Order does not indicate the Commission's endorsement or approval of any principle or methodology that may underlie the stipulation. Entry of this Order shall not be regarded as binding, holding or precedential as to the appropriateness of any principle or methodology underlying the stipulation.
6. All other motions, requests for entry of specific findings of fact, conclusions of law, and ordering paragraphs, and any other requests for general or specific relief, if not expressly granted are denied.

SIGNED AT AUSTIN, TEXAS the ____ day of _____ 2018.

PUBLIC UTILITY COMMISSION OF TEXAS

DEANN T. WALKER, CHAIRMAN

ARTHUR C. D'ANDREA, COMMISSIONER

BRANDY MARTY MARQUEZ, COMMISSIONER

ATTACHMENT C

**SOAH DOCKET NO. 473-14-5146
PUC DOCKET NO. 42864**

**WATER RATE / TARIFF CHANGE
APPLICATION OF ENCHANTED
HARBOR UTILITY, (CNN) NO. 12683,
IN CALHOUN COUNTY**

§
§
§
§
§
§
§

**BEFORE THE STATE OFFICE
OF
ADMINISTRATIVE
HEARINGS**



**DIRECT TESTIMONY IN SUPPORT OF STIPULATION
HEIDI GRAHAM
WATER UTILITY DIVISION
PUBLIC UTILITY COMMISSION OF TEXAS
FEBRUARY 28, 2018**

**DIRECT TESTIMONY OF HEIDI GRAHAM
IN SUPPORT OF STIPULATION**

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| IV. | RECOMMENDATION..... | 12 |

ATTACHMENTS

| | |
|-----------------|-------------------------------------|
| Attachment HG-1 | List of Testimonies by Heidi Graham |
| Attachment HG-2 | Resume of Heidi Graham |

I. PROFESSIONAL QUALIFICATIONS

Q. Please state your name and business address.

A. Heidi Graham, Public Utility Commission, 1701 N. Congress Avenue, Austin, Texas
78711-3326.

Q. By whom are you currently employed and in what capacity?

A. I have been employed by the Public Utility Commission ("PUC" or "Commission") since
September 1, 2014, as a staff engineer in the Water Utilities Regulation Division. I was
previously employed by the Texas Commission on Environmental Quality from December
1, 2006 to August 31, 2014, in a similar capacity.

Q. What are your principal responsibilities at the Commission?

A. My responsibilities include: reviewing and processing applications to obtain, or amend
certificates of convenience and necessity ("CCN"); reviewing rate filings and participating
in negotiating settlements; preparing testimony and exhibits for contested case matters
involving investor-owned, non-profit and governmental water and sewer utilities; and
conducting rate-related inspections of water or sewer utility systems within the state. I also
lead the technical team of experts who analyze and provide recommendations for
depreciation studies, quality of service evaluations and rate design for rate applications and
provide technical recommendations for Certificate of Convenience and Necessity (CCN)
applications.

Q. Please state your educational background and professional experience.

A. I have provided a summary of my educational background and professional regulatory
experience in Attachment HG-2 to my direct testimony.

**Q. Have you previously testified before the Commission or the State Office of
Administrative Hearings (SOAH)?**

1 A. Yes. Attachment HG-1 provides a summary of the dockets in which I have filed direct
2 testimony or memoranda in lieu of testimony.

3 **Q. On whose behalf are you testifying?**

4 A. I am testifying on behalf of the Staff of the Public Utility Commission (Staff).

5 **II. PURPOSE AND SCOPE OF TESTIMONY**

6 **Q. What is the purpose of your testimony in this proceeding?**

7 A. The purpose of my testimony is to support the Unanimous Stipulation and Settlement
8 Agreement (“Stipulation”) that Enchanted Harbor Utility (“Enchanted Harbor” or
9 “Utility”) and all parties have reached in this proceeding.

10 **Q. What is the basis of your recommendation?**

11 A. My recommendation is based on a review of Enchanted Harbor’s rate filing package for
12 this docket, the rate filing for their last case and accompanying work papers, the utility’s
13 responses to requests for information (RFIs) and the settlement agreement dated August
14 27, 2014. I verified that the settlement rates generate the revenue requirement that was
15 agreed upon in the stipulation. I also verified that the total revenue increase generated by
16 the settled rates does not exceed the annual revenue increase of \$53,621 over the revenue
17 requirement of \$43,820 in the utility’s previous rate case, as stated in Enchanted Harbor’s
18 application and the utility’s notice of proposed rate change. In addition, I reviewed the
19 additional information filed subsequent to the construction of the capital improvements
20 agreed to in the settlement agreement dated August 27, 2014.

21 **Q. What is the standard that you are using to make your determination concerning the**
22 **overall reasonableness of the Stipulation?**

23 A. The standards I am using are:

24 16 Tex. Admin. Code § 24.28(d) (TAC) which states, “If, after hearing, the regulatory
25 authority finds the rates currently being charged or those proposed to be charged are

unreasonable or in violation of the law, the regulatory authority shall determine the rates to be charged by the utility and shall fix the rates by order served on the utility.”;

16 TAC § 24.31 (a-c) which states:

“Rates are based upon a utility’s cost of rendering service. The two components of cost of service are allowable expenses and return on invested capital. Only those expenses that are reasonable and necessary to provide service to the ratepayers may be included in allowable expenses. The commission shall allow each utility a reasonable opportunity to earn a reasonable rate of return, which is expressed as a percentage of invested capital and shall fix the rate of return in accordance with the principles included in the substantive rules”; and

16 TAC § 24.22 (f) which states:

“In a rate proceeding pursuant to TWC §13.187 or TWC §13.1871, the commission may authorize collection of surcharges from the customers to provide funds for capital improvements necessary to provide facilities capable of providing adequate and continuous utility service, and for the preparation of design and planning documents; or

In a rate proceeding, the commission may authorize collection of surcharges from customers to provide funds for debt repayments and associated costs, including funds necessary to establish contingency funds and reserve funds.”

III DISCUSSION OF THE STIPULATION

Q. What are some benefits of the stipulation?

A. The Stipulation includes, among its major benefits, the following benefits:

- Saves additional rate case expenses for continued litigation of the case for parties and the Commission;
- Settled rates generate revenue of \$79,233 which is less than the noticed annual revenue increase of \$85,123; and

- 1 • Allows for an appropriate capital improvement surcharge which pays for infrastructure
2 needed to provide continuous and adequate service.

3 **Q. What are the primary terms of the Stipulation?**

4 **A. The Stipulation includes the following terms:**

- 5 • Establishment of a base rate for a 5/8" x 3/4" meter of \$59.00 including 3,000 gallons.
6 • Establishment of a volumetric rate of \$6.00 per 1,000 gallons.
7 • Establishment of a tap fee of \$200 and a reconnect fee of \$375.
8 • The settled water rates were proposed to be effective August 1, 2014 and would have
9 been based on consumption beginning after August 1, 2014.
10 • Reduction of the noticed capital improvement surcharge of \$47.73 to \$42.78 per month
11 per customer. Originally, it was agreed that collected amounts were to be escrowed and
12 withdrawals from the escrow account were to be supervised by the Commission.
13 Additionally, collected surcharged amounts were only to be used for the capital
14 improvement projects listed below. Any amounts collected which exceeded what was
15 necessary to complete these projects would be refunded to the customers:

1

| Item Description | Qty | Total Amount |
|-----------------------------------|----------------------|--------------|
| 4" Water Main | 5900 linear feet | \$17,700 |
| 4" Taps | 100 units | \$3,000 |
| Curb Stops | 100 units | \$2,500 |
| Meter Cutoff Valves | 100 units | \$2,500 |
| Meter Boxes | 100 units | \$2,500 |
| 3/4 " Waterline | 30 linear feet | \$1,500 |
| 4" Gate Valve | 20 units | \$200 |
| Blow Off Assembly | 1 unit | \$450 |
| New 10 hp Well Pump & Controls | 1 unit | \$8,500 |
| Motor Control & Storage Bldg. | 1 unit | \$25,000 |
| 20,000 gallon Ground Storage Tank | 1 unit | \$19,040 |
| 5,000 gallon Ground Storage Tank | 1 unit | \$18,551 |
| Labor | 6,077 hours | \$226,400 |
| | Total | \$331,641 |
| Contingency | 10% | \$33,164.10 |
| Engineering | 10% | \$33,164.10 |
| | Total w/ Contingency | \$397,969.20 |

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- It was also agreed that the continued collection of the surcharge would be contingent upon Enchanted Harbor securing 3rd party financing at a rate equal to or lower than 10% per annum. Enchanted Harbor agreed to a December 31, 2016 deadline for completion of capital improvement projects funded by the surcharge and if the utility failed to meet the deadline, the collection of the surcharge would cease. Should the Applicant be unable to secure 3rd party financing at a rate equal to or lower than 10% per annum, the Applicant agreed that collected surcharges would be spent on the capital improvement projects as accrued, and there would be no deadline for completion of the improvements.

- 1 • The Commission agreed to review how Enchanted Harbor allocated the surcharge
2 amounts collected in 2014 prior to the settlement agreement and provide an opinion as
3 to whether the collected amounts were properly directed toward funding the specific
4 list of capital improvement projects listed in the utility's application. In addition, it was
5 agreed that should the Commission determine that surcharge collections exceeded that
6 which was properly spent on the capital improvement projects, the dollar amount of
7 that differential would be deposited by the utility into its escrow account.
- 8 • Enchanted Harbor agreed to not surcharge or otherwise seek to recovery from the
9 ratepayers, any rate case expenses that relate to Enchanted Harbor's current rate case
10 under SOAH Docket No. 473-14-0366 or PUC Docket No. 42864. Each party will bear
11 its own expenses.
- 12 • The ratepayers agreed that Enchanted Harbor would not be required to issue
13 refunds/credits for the difference between its noticed rates in effect between January 1,
14 2014, and July 31, 2014, and the settled rates.

15 **Q. What has occurred since the settlement agreement was signed on August 22, 2014?**

16 A. Originally, it was agreed that collected amounts were to be escrowed and withdrawals from
17 the escrow account were to be supervised by the Commission. Staff is not aware if the
18 collected surcharges were escrowed. In addition, Staff did not have the opportunity to
19 supervise withdrawals of any surcharge amounts made by Enchanted Harbor.

20 According to Enchanted Harbor's filing, they were unable to secure third party financing for
21 the completion of the agreed capital improvement projects. Enchanted Harbor instead
22 personally financed the capital improvements for the amount of \$150,000 at 10% interest per
23 annum. By agreement, the recovery of interest has been reduced to a 5% per annum rate. In
24 addition, due to several of the original 100 ratepayers constructing their own wells,
25 Enchanted Harbor's current number of ratepayers has decreased to 57. As a result, Enchanted

Harbor was able to forego some of the capital improvements, agreed upon in the settlement agreement, since the additional capacity was not needed.

The following is a summary provided by Enchanted Harbor of the capital improvements that were constructed and related expenses using collected surcharge funds in the amount of \$114,346.14 as of May 10, 2017, and the personal loan in the amount of \$150,000. Additional expenses related to the financing of the capital improvements are also included in the summary.

| Item Description | Total Amount |
|---|--|
| 4" Water Mains & Fittings | \$24,071.93 |
| 4" Complete Meter Tap Parts | \$25,897.99 |
| Boring/Trenching | \$94,800.00 |
| Consulting/Equipment Rental | \$19,073.18 – \$12,620.14 = \$6,453.04 |
| Labor to Install 4-inch Valves & Taps | \$28,500.00 |
| Connections to Main | \$3,342.19 |
| Driveway Repair | \$1,191.96 |
| Main Line Chlorine Testing | \$185.69 |
| Two 900 gallon Pressure Tanks and Pad | \$13,517.53 |
| Engineering (Includes Invoice #1016 for \$2,490.00) | \$38,130.00 |
| Tire Repair on Rented Equipment | \$155.18 |
| Total of Capital Improvements | \$236,245.51 |
| Additional Expenses | |
| Bank Charges | \$216.00 |
| Checks Ordered from Bank | \$28.00 |
| Interest @ 5% for 11 Years | \$75,798.58 |
| Total of Capital Improvements and Additional Expenses | \$312,288.09 |

Q. Did Staff review invoices and receipts and other related documentation for the completed capital improvements?

A. Yes. Staff reviewed invoice and receipts as well as the personal loan documents for the constructed capital improvements.

1 **Q. Did Staff make any adjustments to the claimed expenses of Enchanted Harbor as a**
2 **result of their review?**

3 A. Yes. Staff made the following adjustment (decrease):

| Item Description | Total Amount |
|-----------------------------|---------------|
| Consulting/Equipment Rental | (\$12,620.14) |

4 Enchanted Harbor claimed expenses for acting as a consultant between the utility and the
5 vendors and the engineer. Staff did not consider these expenses to be reasonable and
6 necessary. Staff reduced the Consulting/Equipment Rental category by \$12,620.14.

7 **Q. After Staff's adjustments, what is the total amount to be recovered by the surcharge**
8 **for capital improvements, related expenses and the personal loan?**

9 The total amount to be recovered after Staff's adjustment is \$312,288.09.

10 **Q. What amount as of May 10, 2017 has been recovered from the surcharge?**

11 A. \$114,346.14.

12 **Q. What remaining amount is Enchanted Harbor requesting to be recovered from the**
13 **continuation of the surcharge and how long will collection need to be continue?**

14 A.

| | |
|--|--------------|
| At \$42.78 per customer per month and 57 current customers: | |
| Total amount to be recovered | \$312,288.09 |
| Amount of surcharge collected as of May 10, 2017 | \$114,346.14 |
| Remaining amount to be recovered from continued surcharge collection | \$197,941.95 |

15 **Q. Are the terms of the Stipulation fair and reasonable?**

16 A. Yes, in my opinion, the implementation of the terms in the Stipulation will result in a fair
17 and reasonable outcome for the parties. Based upon my review, the Stipulation contains a
18 revenue requirement and return that are within a reasonable range of likely results produced
19 from continued litigation. It is also my opinion that a fully litigated docket could potentially

1 produce an outcome, including rate case expense, which would be less favorable to the
2 parties.

3 **IV. RECOMMENDATION**

4 **Q. What is your recommendation as to the Stipulation and a continuation of the**
5 **collection of the surcharge to recover \$197,941.95?**

6 A. Staff recommends that the Commission find that terms of the Stipulation are in the public
7 interest and adopt the Stipulation in its entirety. Staff also recommends continuation of the
8 collection of the surcharge in the amount of \$42.78 per month per customer until the
9 amount of \$197,941.95 is collected.

10 **Q. Does this complete your testimony?**

11 A. Yes.

Heidi Graham, EIT
Public Utility Commission of Texas (PUC)
List of Previous Testimony and application preparation

Testimonies for TCEQ

| Docket | Company | Application Type |
|------------------|---------------------------------|--------------------------------|
| SOAH 582-08-4354 | James Maib dba H2O Systems Plus | Rate application - Water |
| SOAH 582-08-2863 | Lower Colorado River Authority | Rate Appeal - Water |
| SOAH 582-08-4353 | Interim-La Ventana | STM - Water |
| SOAH 582-09-0660 | North San Saba WSC | Rate Appeal - Water |
| SOAH 582-09-0592 | City of Nixon | CCN Amendment - Water |
| SOAH 582-10-3422 | Denton Co. WCID No. 1 | Rate Appeal - Water |
| SOAH 582-10-5999 | City of Kerrville | CCN Amendment - Water |
| SOAH 582-13-4616 | HHJ dba Decker Utilities | Rate application - W&S |
| SOAH 582-13-4616 | M.E.N. WSC | Cost of Service Appeal - Water |

Testimonies for PUC

| PUC Docket | SOAH Docket | Company | Application Type |
|------------|----------------|--|--------------------------|
| 42858 | 473-14-0366 | SJWTX, Inc. dba Canyon Lake Water Service Co. | Rate Application - Water |
| 42942 | 473-15-0623.WS | Castle Water, Inc. dba Horseshoe Bend Water System | Rate Application - Water |
| 42857 | 473-14-5138 | City of Austin | Wholesale Appeal |
| 42866 | 473-14-5144.WS | West Travis County PUA | Wholesale Appeal |
| 42924 | 473-15-0371 | Crystal Springs Water Co. Inc. | CCN Amendment - Water |
| 42862 | 473-14-5139 | Town of Woodloch | Rate Appeal – W&S |
| 42860 | 473-14-5140 | Douglas Utility Company | Rate Settlement – W&S |
| 43554 | 473-15-1230.WS | Mansions of Turkey Creek | Rate Appeal – W&S |
| 44657 | 473-16-0927.WS | Interim-La Ventana | Sale Transfer Merger |
| 43076 | 473-16-2049.WS | Consumers Water, Inc. | Rate Application - Water |
| 45570 | 473-16-2873.WS | Monarch Utilities I, LP | Rate Application – W&S |
| 46256 | 473-17-1641.WS | Liberty Utilities | Rate Application - Sewer |

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Ave.
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Austin, Texas 78711-
3326
512-936-7139
heidi.graham@puc.tex
as.gov

Work Experience

Program Specialist VII

5/2016 – Present Public Utility Commission, Austin, Texas

Perform senior-level work on a broad range of water and sewer utility issues. Lead the technical team of experts who analyze and provide recommendations for depreciation studies, quality of service evaluations and rate design for rate applications and provide technical recommendations for Certificate of Convenience and Necessity (CCN) applications. Testify in hearings.

Engineering Specialist V

9/2014 - Present Public Utility Commission, Austin, Texas

Process Convenience and Necessity (CCN) applications. Perform depreciation studies, quality of service evaluations and design rates for utility rate applications and testify in hearings.

Engineering Specialist V

12/2006 – 8/2014 Texas Commission on Environmental Quality, Austin, Texas

Review plans, specifications and engineering reports for new or modified public water systems to ensure compliance with Federal and State standards. Process Convenience and Necessity (CCN) applications. Perform depreciation studies, quality of service evaluations and design rates for utility rate applications and testify in hearings.

Project Manager

6/2006 - 12/2006 Gunze Electronics USA, Austin, Texas

Developed schedules establishing sequence and time frame of manufacturing operations in order to meet production requirements for Electroluminescent Lamps and External Gasket production lines. Reviewed orders, shipping needs, plant capacity and inventory before drawing up schedules. Review engineering drawings and bill of materials (BOM) for accuracy before releasing to production. Responsible for materials database implementation.

Shift Manager

8/2005 - 4/2006 Bealls, Bastrop, Texas

Accountable for managing all aspects of retail clothing store.

Assistant Store Manager

8/2003 - 5/2005 McDonalds, Elgin, Texas

Accountable for managing all aspects of fast food restaurant, including inventory, cash management and scheduling.

Inventory Control/Production Control Planner

4/1994 - 4/2003 Applied Materials, Austin, Texas

Created and maintained documents in the Quality Management System. Provided inventory and production forecast and scheduling using Oracle materials database. Built, developed and tested Thin Film Technology (TFT) prototypes.

Aircraft Maintenance Officer

12/1988 - 12/1992 U.S. Air Force, Holloman Air Force Base, New Mexico

Led, trained and equipped 75 to 250 maintenance personnel at home base and deployed locations. Managed maintenance and modification of 25 fighter aircraft and associated equipment. Maintained workforce discipline and responded to personnel issues while balancing workforce availability and skill levels with operational requirements. Ensured adherence to technical data, policy, procedures and safe maintenance practices. Maintained aircraft configuration: daily aircraft servicing, weapons loading, launch recovery and repair, periodic aircraft maintenance inspections and requirements.

Education

8/1983 - 5/1988 University of Missouri, Rolla, Missouri

Bachelor's Degree in Mechanical Engineering

ATTACHMENT D

SOAH DOCKET NO. 473-14-5146.WS
PUC DOCKET NO. 42864

WATER RATE/TARIFF CHANGE § PUBLIC UTILITY COMMISSION
APPLICATION OF ENCHANTED §
HARBOR UTILITY, CERTIFICATE § OF TEXAS
OF CONVENIENCE AND NECESSITY §
NO. 12683, IN CALHOUN COUNTY,
TEXAS

AFFIDAVIT

Before me, the undersigned authority, personally appeared Jesse Wood, who upon oath deposed and stated.

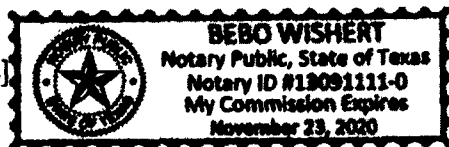
1. My name is Jesse Wood, and I am the Manager of Enchanted Harbor Utility
2. I am over 18 years of age and competent to make this Affidavit and have authority to do so on behalf of the Utility.
3. I have personal knowledge of the previous attempts to obtain a bank loan for the Utility in the amount of \$165,000 to cover the costs of the capital improvements. The Utility contacted NewFirst National Bank and Prosperity Bank. NewFirst National Bank denied the loan request based on inadequate collateral value as the bank could not assign any value to underground pipes and/or water tanks. NewFirst National Bank indicated that even an unsecured loan would be unlikely and, if considered, would be a maximum term of 3 years at around 8%. The Utility could not pay off such a loan in 3 years. Prosperity Bank responded that it could not help with the loan request due to no actual collateral. Prosperity Bank indicated an unsecured loan would be for 2 years at 9.5%. The Utility could not pay off such a loan in 2 years.

By: Jesse Wood

Jesse Wood, Manager
Enchanted Harbor Utility

SUBSCRIBED AND SWORN TO BEFORE ME this 3rd day of January,
2018.

[SEAL]



Bebo Wishert

Notary Public, Texas of State

Printed Name: Bebo Wishert

My Commission Expires: Nov 23, 2020