



Control Number: 42919



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Addendum StartPage: 0

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SOAH DOCKET NO. 473-15-0372.WS

PUC DOCKET NO. 42919

2017 APR -7 PM 1:17

PUBLIC UTILITY COMMISSION  
FILING CLERK

**APPLICATIONS OF DOUBLE § BEFORE THE STATE OFFICE**  
**DIAMOND UTILITIES CO. FOR A §**  
**WATER AND SEWER RATE/TARIFF § OF**  
**CHANGE (37752-R AND 37753-R) §**  
**§ ADMINISTRATIVE HEARINGS**

**JOINT NOTICE OF UNANIMOUS STIPULATION AND SETTLEMENT  
 AGREEMENT AND JOINT MOTION TO ADMIT EVIDENCE AND TO REMAND  
 THE PROCEEDING TO THE COMMISSION**

NOW COMES, Double Diamond Utilities Company (Applicant) and Staff of the Public Utility Commission (Staff), (collectively, Joint Parties), and file this Joint Notice of Unanimous Stipulation and Joint Motion to Admit Evidence and to Remand the Proceeding to the Commission (Joint Notice and Motion). Staff represents that it is authorized to file this Joint Notice and Motion on behalf of the Joint Parties. In support of the Joint Notice and Motion, the Joint Parties would show as follows:

**I. BACKGROUND**

On October 13, 2013, Applicant filed an application requesting to increase its water and sewer rates and change its water and sewer tariffs. The Texas Commission on Environmental Quality (TCEQ) accepted the application for filing on December 3, 2013, and designated it application Nos. 37752-R and 37753-R. The proposed rate increase had an effective date of January 1, 2014. The Application was assigned TCEQ Docket No. 2014-0619-UCR. The deadline for customer protests was April 1, 2014. Out of Applicant's 86 customers, more than 10% of the customers (protestants or hearing requesters) timely filed protests to the Application. Because at least ten percent of the affected ratepayers protested the proposed rate in accordance with 16 Tex. Admin. Code § 24.27(c), TCEQ staff referred this case to the State Office of Administrative Hearings (SOAH) on May 22, 2014. A prehearing conference was never held pursuant to TCEQ's referral.

On September 1, 2014, the Commission began the economic regulation of water and sewer utilities, and this case was transferred to the Commission. On September 24, 2014, the Commission issued an order of referral to SOAH requesting the assignment of a SOAH Administrative Law Judge (ALJ) to conduct a hearing. In the same order, the Commission requested that parties submit a list of issues to help develop a preliminary order to issue to SOAH.

On October 2, 2014, Staff filed a list of issues. On September 26, 2014, Applicant filed a notice of settlement and petition for withdrawal of protests and motion for remand. Applicant's motion revealed that in June 2014, all but five of the customers who initially protested Applicant's rates withdrew their protests and settled with the utility. Therefore, Applicant's proposed rates were no longer protested by ten percent or more of its affected ratepayers.

On October 2, 2014, the Applicant filed a joint motion to abate and remand with a settlement agreement and withdrawal letters attached. Staff was not a party to the settlement agreement or the motion to remand. On October 6, 2014, SOAH Order No. 2 dismissed and remanded the case to the Commission. On October 6, 2014, Staff filed a motion for reconsideration of SOAH Order No. 2, requesting that the case be abated and not remanded to the Commission to allow Staff time to review the settlement agreement before SOAH relinquished its jurisdiction. SOAH Order No. 3 granted Staff's request. On October 9, 2014, the Commission notified the parties that it would not consider a preliminary order for this matter at the October 17, 2014 Open Meeting, but said that it would consider a preliminary order in the future if one was needed. Subsequent to SOAH Order No. 3, Staff communicated with the Applicant to determine whether it could develop a final order.

On April 2, 2015, the Applicant filed a request for additional time to allow it and Staff time to resolve this matter. Staff communicated with the Applicant and encouraged it to identify and locate the few protestants who had not withdrawn and inquire whether they still had an interest in pursuing this case.

Staff filed a request for a hearing with SOAH on May 15, 2015 to determine whether any of the protestants who had not yet withdrawn were still interested in contesting this matter. SOAH scheduled a prehearing conference for June 16, 2015. On May 29, 2015, the Applicant filed with the Commission hearing request withdraw letters for each individual in the record who originally requested a hearing. Staff reviewed the letters and was satisfied that no protestants of record continued to contest this matter. Staff and the Applicant requested that the June 16, 2015 prehearing conference be canceled. On June 8, 2015, SOAH issued Order No. 6 cancelling the prehearing conference.

## **II. NOTICE OF UNANIMOUS STIPULATION AND SETTLEMENT AGREEMENT**

Parties are filing a Unanimous Stipulation and Settlement Agreement, with the agreed proposed tariffs and proposed final order attached, recommending a full and final resolution of all issues in this Docket.

## **III. MOTION TO ADMIT EVIDENCE**

The Joint Parties request that the following evidence be admitted into the record for the purpose of supporting the Commission's final order in this proceeding:

- a. Application for a Water and Sewer Rate/Tariff Change of Double Diamond Utilities Company, Application Nos. 37752-R and 37753-R, PUC Docket No. 42919.
- b. Notice Documents
- c. Unanimous Stipulation and Settlement Agreement with Agreed Tariffs and Joint Proposed Final Order;
- d. Testimony in Support of Unanimous Stipulation and Settlement Agreement of Chris Ekrut on behalf of Applicant; and
- e. Direct Testimony in Support of Stipulation of Heidi Graham, Water Utilities Division on behalf of Staff.
- f. Revised Tariffs

## **IV. MOTION TO REMAND PROCEEDING TO THE COMMISSION**

As evidenced by the Unanimous Stipulation and Settlement Agreement, the Joint Parties have fully and finally resolved all issues among them in this proceeding and no hearing is necessary. Therefore, the Joint Parties request this Docket be remanded to the Commission to review and consider the Unanimous Stipulation and Settlement Agreement along with the agreed tariffs and Joint Proposed Final Order.

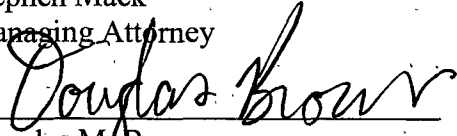
Executed as shown below:

Dated this 7<sup>th</sup> day of April, 2017.

**PUBLIC UTILITY COMMISSION OF TEXAS  
LEGAL DIVISION**

Margaret Uhlig Pemberton  
Division Director

Stephen Mack  
Managing Attorney

  
\_\_\_\_\_  
Douglas M. Brown  
State Bar No. 24048366  
(512) 936-7203  
(512) 936-7368 (facsimile)  
Public Utility Commission of Texas  
1701 N. Congress Avenue  
P.O. Box 13326  
Austin, Texas 78711-3326

**DOUBLE DIAMOND UTILITIES COMPANY**

\_\_\_\_\_  
**JOHN J. CARLTON**  
State Bar No. 03817600  
The Carlton Law Firm, P.L.L.C.  
2705 Bee Cave Road, Suite 200  
Austin, Texas 78746  
Telephone: (512) 614-0901  
Fax: (512) 900-2855  
Attorney for Double Diamond Utilities Company

Executed as shown below:

Dated this 24<sup>th</sup> day of February, 2017.

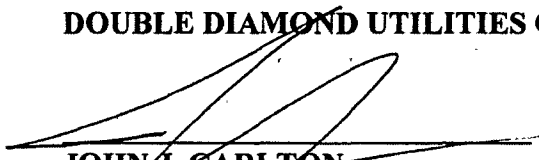
**PUBLIC UTILITY COMMISSION OF TEXAS**  
**LEGAL DIVISION:**  
Margaret Uhlig Pemberton  
Division Director

Stephen Mack  
Managing Attorney

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**DOUBLE DIAMOND UTILITIES COMPANY**



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2705 Bee Cave Road, Suite 200  
Austin, Texas 78746  
Telephone: (512) 614-0901  
Fax: (512) 900-2855  
Attorney for Double Diamond Utilities Company



# WATER UTILITY TARIFF

**Docket Number: 42919**

Double Diamond Utilities Company, Inc.  
(Utility Name)

10100 N. Central Expressway, Suite 400  
(Business Address)

Dallas, Texas 75231  
(City, State, Zip Code)

(214) 706-9801  
(Area Code/Telephone)

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

12087

This tariff is effective in the following counties:

Hill, Palo Pinto, and Johnson

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

None

This tariff is effective in the following subdivisions and public water systems:

The Cliffs (PWS #1820061), The Retreat Water Supply (PWS #1260127), and White Bluff (PWS #1090073).

## TABLE OF CONTENTS

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 1.0 - RATE SCHEDULE

Section 1.01 - Rates

Monthly base rate including 0 gallons

<u>Meter Size:</u>	<u>Monthly Minimum Charge</u>	<u>Gallonage Charge (Over Minimum)</u>
5/8" or 3/4"	\$36.14	\$2.60 per 1,000 gallons for 0-3,000 gallons
1"	\$90.36	\$3.00 per 1,000 gallons for 3,001-10,000 gallons
1½"	\$180.72	\$5.07 per 1,000 gallons for 10,001-15,000 gallons
2"	\$289.15	\$8.56 per 1,000 gallons for 15,001-20,000 gallons
3"	\$542.16	\$14.45 per 1,000 gallons for 20,001 and over

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

Cash , Check , Money Order , Credit Card , Other (specify) \_\_\_\_\_

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.

REGULATORY ASSESSMENT ..... 1.0%

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

Section 1.02 - Miscellaneous Fees

TAP FEE ..... \$675.00

TAP FEE COVERS THE UTILITY'S COSTS FOR MATERIALS AND LABOR TO INSTALL A STANDARD RESIDENTIAL 5/8" or 3/4" METER. AN ADDITIONAL FEE TO COVER UNIQUE COSTS IS PERMITTED IF LISTED ON THIS TARIFF.

TAP FEE (Large meter) ..... Actual Cost

TAP FEE IS THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR METER SIZE INSTALLED.

METER RELOCATION FEE ..... Actual Relocation Cost, Not to Exceed Tap Fee

THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS THAT AN EXISTING METER BE RELOCATED.

METER TEST FEE ..... \$25.00

THIS FEE WHICH SHOULD REFLECT THE UTILITY'S COST 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. THE FEE MAY NOT EXCEED \$25.



SECTION 1.0 - RATE SCHEDULE (CONT.)

RECONNECTION FEE

THE RECONNECT FEE MUST BE PAID BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS BEEN DISCONNECTED FOR THE FOLLOWING REASONS (OR OTHER REASONS LISTED UNDER SECTION 2.0 OF THIS TARIFF):

- a) Non payment of bill (Maximum \$25.00).....\$25.00
- b) Customer's request that service be disconnected .....\$25.00

TRANSFER FEE.....\$25.00

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

LATE CHARGE (EITHER \$5.00 OR 10% OF THE BILL)..... 10%

PUC RULES ALLOW A ONE-TIME PENALTY TO BE CHARGED ON DELINQUENT BILLS. A LATE CHARGE MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE PENALTY WAS APPLIED IN A PREVIOUS BILLING.

RETURNED CHECK CHARGE .....\$30.00

RETURNED CHECK CHARGES MUST BE BASED ON THE UTILITY'S DOCUMENTABLE COST.

CUSTOMER DEPOSIT RESIDENTIAL (Maximum \$50)..... None

COMMERCIAL & NON-RESIDENTIAL DEPOSIT.....1/6TH OF ESTIMATED ANNUAL BILL

GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE

WHEN AUTHORIZED IN WRITING BY PUC AND AFTER NOTICE TO CUSTOMERS, THE UTILITY MAY INCREASE RATES TO RECOVER INCREASED COSTS FOR INSPECTION FEES AND WATER TESTING PUC Subst. R. §24.21(K)(2).

LINE EXTENSION AND CONSTRUCTION CHARGES:

REFER TO SECTION 3.0--EXTENSION POLICY FOR TERMS, CONDITIONS, AND CHARGES WHEN NEW CONSTRUCTION IS NECESSARY TO PROVIDE SERVICE.

**SECTION 1.0 - RATE SCHEDULE**

**Section 1.01 - Rates**

Monthly base rate including 0 gallons

<u>Meter Size:</u>	<u>Monthly Minimum Charge</u>	<u>Gallonage Charge (Over Minimum)</u>
5/8" or 3/4"	<u>\$49.60</u>	<u>\$2.54</u> per 1,000 gallons 0-3,000 gallons
1"	<u>\$124.01</u>	<u>\$3.50</u> per 1,000 gallons 3,001-10,000 gallons
1½"	<u>\$248.02</u>	<u>\$4.83</u> per 1,000 gallons 10,001-15,000 gallons
2"	<u>\$396.84</u>	<u>\$6.68</u> per 1,000 gallons 15,001-20,000 gallons
3"	<u>\$744.07</u>	<u>\$9.22</u> per 1,000 gallons 20,001 and over gallons

***Additional Gallonage Charge- Effective June 1, 2012:***

***\$0.20 / 1,000 gallons for the Prairielands Groundwater Conservation District (PGCD) Water Production Fee, for The Retreat and White Bluff customers only.***

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

Cash X, Check X, Money Order X, Credit Card X, Other (specify) \_\_\_\_\_

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.

REGULATORY ASSESSMENT..... 1.0%  
 PUC RULES REQUIRE THE UTILITY TO COLLECT A FEE OF ONE PERCENT OF THE RETAIL MONTHLY BILL.

**Section 1.02 - Miscellaneous Fees**

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SECTION 1.0 - RATE SCHEDULE (CONT.)

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SECTION 1.0 - RATE SCHEDULE

Section 1.01 - Rates

Monthly base rate including 0 gallons

<u>Meter Size:</u>	<u>Monthly Minimum Charge</u>	<u>Gallage Charge (Over Minimum)</u>
5/8" or 3/4"	\$31.01	\$1.59 per 1,000 gallons for 0-3,000 gallons
1"	\$77.51	\$2.19 per 1,000 gallons for 3,001-10,000 gallons
1½ "	\$155.03	\$3.02 per 1,000 gallons for 10,001-15,000 gallons
2"	\$248.04	\$4.17 per 1,000 gallons for 15,001-20,000 gallons
3"	\$465.08	\$5.76 per 1,000 gallons for 20,001 and over

**Additional Gallage Charge - Effective June 1, 2012:**  
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FORM OF PAYMENT: The utility will accept the following forms of payment:

Cash -X-, Check -X-, Money Order -X-, Credit Card -X-, Other (specify) \_\_\_\_\_

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SECTION 1.0 - RATE SCHEDULE (CONT.)

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SECTION 1.0 - RATE SCHEDULE (CONT.)

**NOTE:**

Pursuant to PUC Substantive Rule §24.21(b)(2)(A)(viii)

*“Minor Tariff Change to allow the addition of a production fee charged by a groundwater conservation district as a separate item calculated by multiplying the customer’s total consumption, including the number of gallons in the base bill, if any, by the actual production fee per thousand gallons”.*

## SECTION 2.0 -- SERVICE RULES AND POLICIES

The utility will have the most current Public Utility Commission of Texas (PUC or Commission) Rules, Chapter 24, 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 customer who has paid 18 consecutive billings without being delinquent.

SECTION 2.0 -- SERVICE RULES AND POLICIES (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 §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 2.05 - 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.



SECTION 2.0 -- SERVICE RULES AND POLICIES (Continued)

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 Environment 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 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 Section 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.

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.

SECTION 2.0 -- SERVICE RULES AND POLICIES (Continued)

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.

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.

SECTION 2.0 -- SERVICE RULES AND POLICIES (Continued)

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 2.11 - 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.

SECTION 2.0 -- SERVICE RULES AND POLICIES (Continued)

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 POLICIES (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 Commission, 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 PUC complaint process. 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 Contributions in Aid of Construction may be required of any customer except as provided for in the 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.

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 PUC, 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.

Exceptions may be granted by the PUC 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.

SECTION 3.0 -- EXTENSION POLICY (Continued)

If an exception is granted, 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 Texas Commission on Environment Quality minimum design criteria for facilities used in the production, transmission, pumping, or treatment of water or Texas Commission on Environment Quality 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.

Any service extension to a subdivision (recorded or unrecorded) may be subject to the provisions and restrictions of § 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 §24.85(e)(3), for purposes of this section, commercial, industrial, and wholesale customers shall be treated as developers.

SECTION 3.0 -- EXTENSION POLICY (Continued)

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 utility's 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.

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.



SECTION 3.0 -- EXTENSION POLICY (Continued)

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.

**APPENDIX A - DROUGHT CONTINGENCY PLAN**

**(This page incorporates by reference the utility's Drought Contingency Plan, as approved and periodically amended by the Texas Commission on Environmental Quality.)**

## APPENDIX A -- SAMPLE SERVICE AGREEMENT

From 30 TAC Chapter 290.47(b), Appendix B

### SERVICE AGREEMENT

I. **PURPOSE.** The NAME OF WATER SYSTEM is responsible for protecting the drinking water supply from contamination or pollution which could result from improper private water distribution system construction or configuration. The purpose of this service agreement is to notify each customer of the restrictions which are in place to provide this protection. The utility enforces these restrictions to ensure the public health and welfare. Each customer must sign this agreement before the NAME OF WATER SYSTEM will begin service. In addition, when service to an existing connection has been suspended or terminated, the water system will not re-establish service unless it has a signed copy of this agreement.

II. **RESTRICTIONS.** The following unacceptable practices are prohibited by State regulations.

A. No direct connection between the public drinking water supply and a potential source of contamination is permitted. Potential sources of contamination shall be isolated from the public water system by an air-gap or an appropriate backflow prevention device.

B. No cross-connection between the public drinking water supply and a private water system is permitted. These potential threats to the public drinking water supply shall be eliminated at the service connection by the installation of an air-gap or a reduced pressure-zone backflow prevention device.

C. No connection which allows water to be returned to the public drinking water supply is permitted.

D. No pipe or pipe fitting which contains more than 8.0% lead may be used for the installation or repair of plumbing at any connection which provides water for human use.

E. No solder or flux which contains more than 0.2% lead can be used for the installation or repair of plumbing at any connection which provides water for human use.

III. **SERVICE AGREEMENT.** The following are the terms of the service agreement between the NAME OF WATER SYSTEM (the Water System) and NAME OF CUSTOMER (the Customer).

A. The Water System will maintain a copy of this agreement as long as the Customer and/or the premises is connected to the Water System.

B. The Customer shall allow his property to be inspected for possible cross-connections and other potential contamination hazards. These inspections shall be conducted by the Water System or its designated agent prior to initiating new water service; when there is reason to believe that cross-connections or other potential contamination hazards exist; or after any major changes to the private water distribution facilities. The inspections shall be conducted during the Water System's normal business hours.

C. The Water System shall notify the Customer in writing of any cross-connection or other potential contamination hazard which has been identified during the initial inspection or the

periodic reinspection.

D. The Customer shall immediately remove or adequately isolate any potential cross-connections or other potential contamination hazards on his premises.

E. The Customer shall, at his expense, properly install, test, and maintain any backflow prevention device required by the Water System. Copies of all testing and maintenance records shall be provided to the Water System.

IV. ENFORCEMENT. If the Customer fails to comply with the terms of the Service Agreement, the Water System shall, at its option, either terminate service or properly install, test, and maintain an appropriate backflow prevention device at the service connection. Any expenses associated with the enforcement of this agreement shall be billed to the Customer.

CUSTOMER'S SIGNATURE: \_\_\_\_\_

DATE: \_\_\_\_\_

**APPENDIX B -- APPLICATION FOR SERVICE  
(Utility Must Attach Blank Copy)**



# SEWER UTILITY TARIFF

**Docket Number: 42919**

Double Diamond Utilities Company, Inc.  
(Utility Name)

10100 N. Central Expressway, Suite 400  
(Business Address)

Dallas, Texas 75231  
(City, State, Zip Code)

(214) 706-9801  
(Area Code/Telephone)

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

20705

This tariff is effective in the following counties:

Grayson, Hill, Palo Pinto, and Johnson

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

None

This tariff is effective in the following subdivisions and public water systems:

The Cliffs: WQ0002789-000  
The Retreat: WQ0014373-001  
Rock Creek: WQ0014783-001  
White Bluff: WQ0013786-002

## TABLE OF CONTENTS

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

SECTION 1.0 -- RATE SCHEDULE.....	2
SECTION 2.0 -- SERVICE RULES AND POLICIES .....	6
SECTION 3.0 -- EXTENSION POLICY .....	11

APPENDIX A -- SAMPLE SERVICE AGREEMENT  
APPENDIX B -- APPLICATION FOR SERVICE

SECTION 1.0 - RATE SCHEDULE

Section 1.01 - Rates

<u>Meter Size:</u>	<u>Monthly Minimum Charge</u>	<u>Gallonage Charge</u>
5/8" or 3/4"	<u>\$49.37</u> (3,000 gallons included)	<u>\$8.25</u> per 1,000 gallons
1"	<u>\$86.29</u>	
1½"	<u>\$147.83</u>	
2"	<u>\$221.67</u>	
3"	<u>\$393.98</u>	

Gallonage charges are determined based on average consumption for the winter months which are December, January, and February.

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

Cash X, Check X, Money Order X, Credit Card X, Other (specify) \_\_\_\_\_

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.

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.....\$3,100.00

TAP FEE COVERS THE UTILITY'S COSTS FOR MATERIALS AND LABOR TO INSTALL A STANDARD RESIDENTIAL CONNECTION. AN ADDITIONAL FEE TO COVER UNIQUE COSTS IS PERMITTED IF LISTED ON THIS TARIFF.

TAP FEE (Large Connection Tap) ..... Actual Cost

TAP FEE IS THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR TAP SIZE INSTALLED.

RECONNECTION FEE

THE RECONNECT FEE MUST BE PAID BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS BEEN DISCONNECTED FOR THE FOLLOWING REASONS (OR OTHER REASONS LISTED UNDER SECTION 2.0 OF THIS TARIFF):

- a) Non payment of bill (Maximum \$25.00)..... \$25.00
- b) Customer's request that service be disconnected ..... \$40.00

LATE CHARGE (EITHER \$5.00 OR 10% OF THE BILL) ..... 10%

PUC RULES ALLOW A ONE-TIME PENALTY TO BE CHARGED ON DELINQUENT BILLS. A LATE CHARGE MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE PENALTY WAS APPLIED IN A PREVIOUS BILLING.

**The Cliffs**

SECTION 1.0 - RATE SCHEDULE (Continued)

TRANSFER FEE.....\$40.00

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

RETURNED CHECK CHARGE ..... \$20.00

RETURNED CHECK CHARGES MUST BE BASED ON THE UTILITY'S DOCUMENTABLE COST.

CUSTOMER DEPOSIT RESIDENTIAL (Maximum \$50)..... None

COMMERCIAL & NON-RESIDENTIAL DEPOSIT .... 1/6TH OF ESTIMATED ANNUAL BILL

GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE

WHEN AUTHORIZED IN WRITING BY TCEQ AND AFTER NOTICE TO CUSTOMERS, THE UTILITY MAY INCREASE RATES TO RECOVER INCREASED COSTS FOR INSPECTION FEES AND TESTING 30 TAC 291.21(K)(2).

LINE EXTENSION AND CONSTRUCTION CHARGES:

REFER TO SECTION 3.0--EXTENSION POLICY FOR TERMS, CONDITIONS, AND CHARGES WHEN NEW CONSTRUCTION IS NECESSARY TO PROVIDE SERVICE.



SECTION 1.0 - RATE SCHEDULE

Section 1.01 - Rates

<u>Meter Size:</u>	<u>Monthly Minimum Charge</u>	<u>Gallage Charge (Over Minimum)</u>
5/8" or 3/4"	\$67.12 (3,000 gallons included)	\$0.00 per 1,000 gallons for 0-3,000 gallons
1"	\$167.80	\$11.19 per 1,000 gallons for 3,001-12,000 gallons
1½"	\$335.59	\$0.00 per 1,000 gallons for 12,001+ gallons
2"	\$536.95	
3"	\$1,006.78	

Gallage charges are determined based on average consumption for the winter months which are December, January, and February. The total billed sewer volume amount is capped at 12,000 gallons.

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

Cash X, Check X, Money Order X, Credit Card X, Other (specify) \_\_\_\_\_

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.

REGULATORY ASSESSMENT..... 1.0%

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

Section 1.02 - Miscellaneous Fees

TAP FEE.....\$675.00

TAP FEE COVERS THE UTILITY'S COSTS FOR MATERIALS AND LABOR TO INSTALL A STANDARD RESIDENTIAL 5/8" or 3/4" METER. AN ADDITIONAL FEE TO COVER UNIQUE COSTS IS PERMITTED IF LISTED ON THIS TARIFF.

TAP FEE (Large meter).....Actual Cost

TAP FEE IS THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR METER SIZE INSTALLED.

METER RELOCATION FEE ..... Actual Relocation Cost, Not to Exceed Tap Fee

THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS THAT AN EXISTING METER BE RELOCATED.

METER TEST FEE .....\$25.00

THIS FEE WHICH SHOULD REFLECT THE UTILITY'S COST 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. THE FEE MAY NOT EXCEED \$25.

SECTION 1.0 - RATE SCHEDULE (CONT.)

RECONNECTION FEE

THE RECONNECT FEE MUST BE PAID BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS BEEN DISCONNECTED FOR THE FOLLOWING REASONS (OR OTHER REASONS LISTED UNDER SECTION 2.0 OF THIS TARIFF):

- a) Non payment of bill (Maximum \$25.00).....\$25.00
- b) Customer's request that service be disconnected.....\$25.00

TRANSFER FEE.....\$25.00

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

LATE CHARGE (EITHER \$5.00 OR 10% OF THE BILL) ..... 10%

PUC RULES ALLOW A ONE-TIME PENALTY TO BE CHARGED ON DELINQUENT BILLS. A LATE CHARGE MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE PENALTY WAS APPLIED IN A PREVIOUS BILLING.

RETURNED CHECK CHARGE .....\$30.00

RETURNED CHECK CHARGES MUST BE BASED ON THE UTILITY'S DOCUMENTABLE COST.

CUSTOMER DEPOSIT RESIDENTIAL (Maximum \$50)..... None

COMMERCIAL & NON-RESIDENTIAL DEPOSIT ..... 1/6TH OF ESTIMATED ANNUAL BILL

GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE

WHEN AUTHORIZED IN WRITING BY PUC AND AFTER NOTICE TO CUSTOMERS, THE UTILITY MAY INCREASE RATES TO RECOVER INCREASED COSTS FOR INSPECTION FEES AND WATER TESTING PUC Subst. R. §24.21(K)(2).

LINE EXTENSION AND CONSTRUCTION CHARGES:

REFER TO SECTION 3.0--EXTENSION POLICY FOR TERMS, CONDITIONS, AND CHARGES WHEN NEW CONSTRUCTION IS NECESSARY TO PROVIDE SERVICE.

Rock Creek only

SECTION 1.0 - RATE SCHEDULE

Section 1.01 - Rates

<u>Meter Size:</u>	<u>Monthly Minimum Charge</u>
5/8" or 3/4"	\$87.00
1"	\$217.50
1½"	\$435.00
2"	\$696.00
3"	\$1,035.00

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

Cash X, Check X, Money Order X, Credit Card X, Other (specify) \_\_\_\_\_

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.

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

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TAP FEE (Large Connection Tap).....Actual Cost  
TAP FEE IS THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR TAP SIZE INSTALLED.

RECONNECTION FEE

THE RECONNECT FEE MUST BE PAID BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS BEEN DISCONNECTED FOR THE FOLLOWING REASONS (OR OTHER REASONS LISTED UNDER SECTION 2.0 OF THIS TARIFF):

- a) Non payment of bill (Maximum \$25.00).....\$25.00
- b) Customer's request that service be disconnected.....\$40.00

Rock Creek only

SECTION 1.0 - RATE SCHEDULE (CONT.)

LATE CHARGE (EITHER \$5.00 OR 10% OF THE BILL) ..... 10%  
 TCEQ RULES ALLOW A ONE-TIME PENALTY TO BE CHARGED ON DELINQUENT  
 BILLS. A LATE CHARGE MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE  
 PENALTY WAS APPLIED IN A PREVIOUS BILLING.

TRANSFER FEE.....\$40.00  
 THE TRANSFER FEE WILL BE CHARGED FOR CHANGING AN ACCOUNT NAME AT  
 THE SAME SERVICE LOCATION WHEN THE SERVICE IS NOT DISCONNECTED.

RETURNED CHECK CHARGE .....\$20.00  
 RETURNED CHECK CHARGES MUST BE BASED ON THE UTILITY'S  
 DOCUMENTABLE COST.

CUSTOMER DEPOSIT RESIDENTIAL (Maximum \$50)..... None

COMMERCIAL & NON-RESIDENTIAL DEPOSIT .....1/6TH OF ESTIMATED ANNUAL BILL

GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE  
 WHEN AUTHORIZED IN WRITING BY TCEQ AND AFTER NOTICE TO CUSTOMERS, THE  
 UTILITY MAY INCREASE RATES TO RECOVER INCREASED COSTS FOR INSPECTION FEES  
 AND TESTING 30 TAC 291.21(K)(2).

LINE EXTENSION AND CONSTRUCTION CHARGES:  
 REFER TO SECTION 3.0--EXTENSION POLICY FOR TERMS, CONDITIONS, AND CHARGES  
 WHEN NEW CONSTRUCTION IS NECESSARY TO PROVIDE SERVICE.

SECTION 1.0 - RATE SCHEDULE

Section 1.01 - Rates

<u>Meter Size:</u>	<u>Monthly Minimum Charge</u>	<u>Gallonage Charge</u>
5/8" or 3/4"	\$41.00 (3,000 gallons included)	\$8.00 per 1,000 gallons
1"	\$102.50	
1½ "	\$205.00	
2"	\$328.00	
3"	\$615.00	

Gallonage charges are determined based on average consumption for the winter months which are December, January, and February.

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

Cash X, Check X, Money Order X, Credit Card X, Other (specify) \_\_\_\_\_  
 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.

REGULATORY ASSESSMENT ..... 1.0%  
 TCEQ RULES REQUIRE THE UTILITY TO COLLECT A FEE OF ONE PERCENT OF THE RETAIL MONTHLY BILL.

Section 1.02 - Miscellaneous Fees

TAP FEE.....\$3,100  
 TAP FEE COVERS THE UTILITY'S COSTS FOR MATERIALS AND LABOR TO INSTALL A STANDARD RESIDENTIAL CONNECTION. AN ADDITIONAL FEE TO COVER UNIQUE COSTS IS PERMITTED IF LISTED ON THIS TARIFF.

TAP FEE (Large Connection Tap).....Actual Cost  
 TAP FEE IS THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR TAP SIZE INSTALLED.

RECONNECTION FEE

THE RECONNECT FEE MUST BE PAID BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS BEEN DISCONNECTED FOR THE FOLLOWING REASONS (OR OTHER REASONS LISTED UNDER SECTION 2.0 OF THIS TARIFF):

- a) Non payment of bill (Maximum \$25.00).....\$25.00
- b) Customer's request that service be disconnected .....\$40.00

SECTION 1.0 - RATE SCHEDULE (CONT.)

LATE CHARGE (EITHER \$5.00 OR 10% OF THE BILL) ..... 10%  
PUC RULES ALLOW A ONE-TIME PENALTY TO BE CHARGED ON DELINQUENT BILLS. A  
LATE CHARGE MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE PENALTY WAS  
APPLIED IN A PREVIOUS BILLING.

TRANSFER FEE ..... \$40.00  
THE TRANSFER FEE WILL BE CHARGED FOR CHANGING AN ACCOUNT NAME AT THE SAME  
SERVICE LOCATION WHEN THE SERVICE IS NOT DISCONNECTED.

RETURNED CHECK CHARGE ..... \$20.00  
RETURNED CHECK CHARGES MUST BE BASED ON THE UTILITY'S DOCUMENTABLE COST.

CUSTOMER DEPOSIT RESIDENTIAL (Maximum \$50) ..... None

COMMERCIAL & NON-RESIDENTIAL DEPOSIT ..... 1/6TH OF ESTIMATED ANNUAL BILL

GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE  
WHEN AUTHORIZED IN WRITING BY TCEQ AND AFTER NOTICE TO CUSTOMERS, THE  
UTILITY MAY INCREASE RATES TO RECOVER INCREASED COSTS FOR INSPECTION FEES  
AND TESTING 30 TAC 291.21(K)(2).

LINE EXTENSION AND CONSTRUCTION CHARGES:  
REFER TO SECTION 3.0--EXTENSION POLICY FOR TERMS, CONDITIONS, AND CHARGES,  
WHEN NEW CONSTRUCTION IS NECESSARY TO PROVIDE SERVICE.

## SECTION 2.0 -- SERVICE RULES AND POLICIES

The utility will have the most current Public Utility Commission (PUC or Commission) Rules, Chapter 24, 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 Sewer 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 TCEQ 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 customer who has paid 18 consecutive billings without being delinquent.

SECTION 2.0 -- SERVICE RULES AND POLICIES (Continued)

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 to cover unique costs not normally incurred as permitted by 16 TAC §24.86(a)(1)(C) if they are listed on this approved tariff. For example, a road bore for customers outside a subdivision or residential area could be considered a unique cost.

(B) 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 and utility cut-off 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 2.05 - Customer Responsibility

The customer will be responsible for furnishing and laying the necessary customer service pipe from the tap location to the place of consumption. Customers will not be allowed to use the utility's cutoff.



SECTION 2.0 -- SERVICE RULES AND POLICIES (Continued)

2.06 Access to Customer's Premises

All customers or service applicants shall provide access to utility cutoffs 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 2.07 - Back Flow Prevention Devices

No water connection shall be made to any establishment where an actual or potential contamination or system hazard exists without an approved air gap or mechanical backflow prevention assembly. The air gap or backflow prevention assembly shall be installed in accordance with the American Water Works Association (AWWA) standards C510, C511 and AWWA Manual M14 or the University of Southern California Manual of Cross-Connection Control, current edition. The backflow assembly installation by a licensed plumber shall occur at the customer's expense.

The back flow assembly shall be tested upon installation by a recognized prevention assembly tester and certified to be operating within specifications. Back flow prevention assemblies which are installed to provide protection against high health hazards must be tested and certified to be operating within specifications at least annually by a recognized back flow prevention device tester. The maintenance and testing of the back flow assembly shall occur at the customer's expense.

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.

SECTION 2.0 -- SERVICE RULES AND POLICIES (Continued)

(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 2.11- 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 24 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 2.0 -- SERVICE RULES AND POLICIES (Continued)

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 2.15 - Quality of Service

The utility will plan, furnish, and maintain and operate production, treatment, storage, transmission, and collection facilities of sufficient size and capacity to provide continuous and adequate service for all reasonable consumer uses and to treat sewage and discharge effluent of the quality required by its discharge permit issued by the Commission. Unless otherwise authorized by the Commission, the utility will maintain facilities as described in the PUC Rules.

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 the PUC complaint process. 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.

Section 2.17 - Customer Liability

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.

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 collection 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 maybe 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 PUC, the residential service applicant shall not be required to pay for costs of main extensions greater than 6" in diameter for wastewater lines.

SECTION 3.0 -- EXTENSION POLICY (Continued)

Exceptions may be granted by the PUC 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, 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.

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 sewer mains necessary to serve other customers in the immediate area. The individual residential customer shall not be charged for any additional treatment facilities. Contributions in aid of construction of individual residential customers for production, storage, treatment or transmission facilities unless otherwise approved by the Commission under this specific extension policy.

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 Texas Commission on Environmental Quality (TCEQ) minimum design criteria for facilities used in the production, collection, transmission, pumping, or treatment of sewage 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)

Any service extension to a subdivision (recorded or unrecorded) may be subject to the provisions and restrictions of 16 TAC § 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 16 TAC § 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 utility's 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)

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, TCEQ rules and/or TCEQ 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 TCEQ 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 TCEQ service dates shall not become applicable until the service applicant has met all conditions precedent to becoming a qualified service applicant as defined by TCEQ 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.

APPENDIX A -- SAMPLE SERVICE AGREEMENT  
SERVICE AGREEMENT

- I. **PURPOSE.** The NAME OF SEWER SYSTEM is responsible for protecting the drinking water supply from contamination or pollution which could result from improper private water distribution system construction or configuration. The purpose of this service agreement is to notify each customer of the restrictions which are in place to provide this protection. The utility enforces these restrictions to ensure the public health and welfare. Each customer must sign this agreement before the NAME OF SEWER SYSTEM will begin service. In addition, when service to an existing connection has been suspended or terminated, the sewer system will not re-establish service unless it has a signed copy of this agreement.
- II. **RESTRICTIONS.** The following unacceptable practices are prohibited by State regulations.
- A. No direct connection between the public drinking water supply and a potential source of contamination is permitted. Potential sources of contamination shall be isolated from the public water system by an air-gap or an appropriate backflow prevention device.
  - B. No cross-connection between the public drinking water supply and a private water system is permitted. These potential threats to the public drinking water supply shall be eliminated at the service connection by the installation of an air-gap or a reduced pressure-zone backflow prevention device.
  - C. No connection which allows water to be returned to the public drinking water supply is permitted.
  - D. No pipe or pipe fitting which contains more than 8.0% lead may be used for the installation or repair of plumbing at any connection which provides water for human use.
  - E. No solder or flux which contains more than 0.2% lead can be used for the installation or repair of plumbing at any connection which provides water for human use.
- III. **SERVICE AGREEMENT.** The following are the terms of the service agreement between the NAME OF SEWER SYSTEM (the Sewer System) and NAME OF CUSTOMER (the Customer).
- A. The Sewer System will maintain a copy of this agreement as long as the Customer and/or the premises is connected to the Sewer System.
  - B. The Customer shall allow his property to be inspected for possible cross-connections and other potential contamination hazards. These inspections shall be conducted by the Sewer System or its designated agent prior to initiating new water service; when there is reason to believe that cross-connections or other potential contamination hazards exist; or after any major changes to the private water distribution facilities. The inspections shall be conducted during the Sewer System's normal business hours.



- C. The Sewer System shall notify the Customer in writing of any cross-connection or other potential contamination hazard which has been identified during the initial inspection or the periodic reinspection.
- D. The Customer shall immediately remove or adequately isolate any potential cross-connections or other potential contamination hazards on his premises.
- E. The Customer shall, at his expense, properly install, test, and maintain any backflow prevention device required by the Sewer System. Copies of all testing and maintenance records shall be provided to the Sewer System.

IV. ENFORCEMENT. If the Customer fails to comply with the terms of the Service Agreement, the Sewer System shall, at its option, either terminate service or properly install, test, and maintain an appropriate backflow prevention device at the service connection. Any expenses associated with the enforcement of this agreement shall be billed to the Customer.

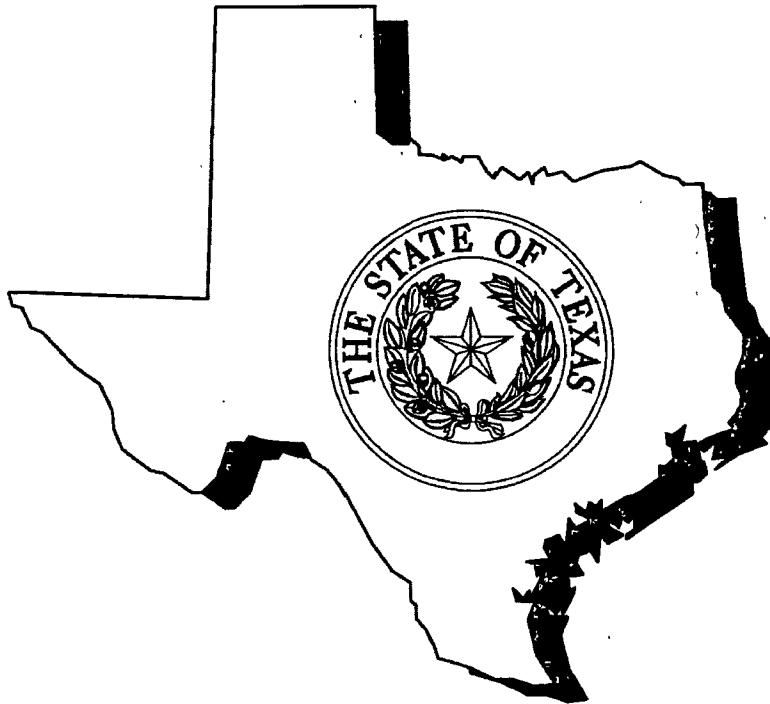
CUSTOMER'S SIGNATURE: \_\_\_\_\_

DATE: \_\_\_\_\_

**SOAH DOCKET NO. 473-15-0372  
PUC DOCKET NO. 42919**

**APPLICATION OF DOUBLE DIAMOND §  
UTILITIES COMPANY FOR WATER §  
AND SEWER RATE INCREASE; §  
CERTIFICATE OF CONVENIENCE §  
AND NECESSITY NO. 12087 AND 20705 §  
IN GRAYSON, HILL, JOHNSON AND §  
PALO PINTO COUNTIES §**

**BEFORE THE STATE OFFICE  
OF  
ADMINISTRATIVE  
HEARINGS**



**DIRECT TESTIMONY IN SUPPORT OF STIPULATION  
HEIDI GRAHAM  
WATER UTILITY DIVISION  
PUBLIC UTILITY COMMISSION OF TEXAS  
April 7, 2017**

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**ATTACHMENTS**

Attachment HG-1 List of Testimonies by Heidi Graham

Attachment HG-2 Resume of Heidi Graham

1 **I. PROFESSIONAL QUALIFICATIONS**

2 **Q. Please state your name and business address.**

3 A. Heidi Graham, Public Utility Commission, 1701 N. Congress Avenue, Austin, Texas 78711-  
4 3326.

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

6 A. I have been employed by the Public Utility Commission of Texas (PUC or Commission)  
7 since September 1, 2014, as an Engineering Specialist V in the Water Utilities Division. I  
8 was promoted to Program Specialist VII in May of 2016 and I have been the technical team  
9 leader since then.

10 **Q. What are your principal responsibilities at the Commission?**

11 A. My responsibilities include managing the technical team, reviewing and processing  
12 applications to obtain or amend certificates of convenience and necessity (CCNs); reviewing  
13 rate filings and participating in negotiating settlements; preparing testimony and exhibits for  
14 contested case matters involving investor-owned, non-profit and governmental water and  
15 sewer utilities; and conducting rate-related inspections of water or sewer utility systems  
16 within the state. I also make recommendations on policy with regard to water and wastewater  
17 depreciation and rate design and review and recommend changes to proposed forms and  
18 rules.

19 **Q. Please state your educational background and professional experience.**

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

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

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

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

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

3 A. The purpose of my testimony is to support the Unanimous Stipulation and Settlement  
4 Agreement that Double Diamond Water Utilities Company (“Double Diamond” or “Utility”)  
5 and Staff have reached in this proceeding for the rate application filed for the Retreat Water  
6 Supply.

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

8 A. My recommendation is based on a review of Double Diamond’s rate filing package for this  
9 docket, the rate filing for their last case and accompanying work papers, and the utility’s  
10 responses to requests for information (RFIs). I verified that the total revenue increases  
11 generated by settled rates do not exceed the water and sewer annual revenue increases as  
12 stated in Double diamond’s application and the utility’s notice of proposed rate change.

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

15 A. The standards I am using are:

16 16 TAC § 24.28(6) which states, “If the commission conducts a hearing, it may establish  
17 rates different from those currently being charged or proposed to be charged by the utility,  
18 but the total annual revenue increase resulting from the Commission’s rates may not exceed  
19 the greater of the annual revenue increase provided in the customer notice or revenue increase  
20 that would have been produced by the proposed rates except for the inclusion of reasonable  
21 rate case expenses.”; and 16 TAC § 24.31 (a-c) which states:

22 “Rates are based upon a utility’s cost of rendering service. The two components of cost of  
23 service are allowable expenses and return on invested capital. Only those expenses that are

1 reasonable and necessary to provide service to the ratepayers may be included in allowable  
2 expenses. The commission shall allow each utility a reasonable opportunity to earn a  
3 reasonable rate of return, which is expressed as a percentage of invested capital and shall fix  
4 the rate of return in accordance with the principles included in the substantive rules.”

5 **III DISCUSSION OF THE STIPULATION**

6 **Q. What are some benefits of the stipulation?**

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

- 8 • Saves additional rate case expenses for continued litigation of the case for parties and the  
9 Commission;
- 10 • Double Diamond agreed to not file a new rate application to increase water or sewer rates  
11 for The Retreat Subdivision with a requested effective date prior to January 1, 2017; and
- 12 • Settled rates generate revenue less than the noticed rates and annual revenue increases.

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

14 A. Regarding rates for the Retreat Water Supply, the stipulation includes the following terms:

- 15 • Establishment of the following base rates:

Water		Sewer	
Meter	Base Rate	Meter	Base Rate
	0 gal incl.		3,000 gal incl.
3/4" or less	\$49.60	3/4" or less	\$67.12
1"	\$124.01	1"	\$167.80
1½"	\$248.02	1½"	\$335.59
2"	\$396.84	2"	\$536.95
3"	\$744.07	3"	\$1,006.78

- 16 • Establishment of the following volumetric rates per 1,000 gallons:

Water		Sewer	
Gallons Used	Volumetric Rate	Gallons Used	Volumetric Rate
0-3,000	\$2.54	0-3,000	\$0.00
3,001-10,000	\$3.50	3,001-12,000	\$11.19
10,001-15,000	\$4.83	12,001+	\$0.00
15,001-20,000	\$6.68		
20,001+	\$9.22		

- 1       • The total revenue generated by the settled rates compared to Double Diamond’s  
2       requested revenue is as follows:

	Water	Sewer	Total
Requested Annual Revenue	\$214,607	\$165,000	\$397,607
Annual Revenue Generated by Settled Rates	\$159,554	\$86,733	\$246,287

- 3       • Sewer will continue to be billed based on a winter month average and the total billed  
4       sewer volume amount will be capped at 12,000 gallons.
- 5       • Double Diamond agrees to not file a new rate application to increase water or sewer rates  
6       for The Retreat Subdivision with a requested effective date prior to January 1, 2017.
- 7       • Double Diamond will not surcharge or otherwise seek to recover from the ratepayers any  
8       rate case expenses that relate to Double Diamond’s current rate case under SOAH Docket  
9       No. 473-15-0372 or Commission Docket No. 42919. Each party will bear its own  
10      expenses.
- 11      • Double Diamond shall not be required to issue refunds/credits for the difference between  
12      its noticed rates in effect between December 2, 2013, and December 31, 2014, or for the  
13      difference between its noticed rates and any of the settled rates. Double Diamond will

1 also be allowed to keep all revenue collected under the rate schedule in effect for this  
2 time period.

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

4 A. Yes, in my opinion, the implementation of the terms in the Stipulation will result in a fair  
5 and reasonable outcome for the parties. Based upon my review, the Stipulation contains a  
6 revenue requirement that is within a reasonable range of likely results produced from  
7 continued litigation. It is also my opinion that a fully litigated docket could potentially  
8 produce an outcome, including rate case expense, which would be less favorable to the  
9 parties.

10 **IV. RECOMMENDATION**

11 **Q. What is your recommendation as to the Stipulation?**

12 A. I recommend that the Commission find that terms of the Stipulation are in the public interest  
13 and adopt the Stipulation in its entirety.

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

15 A. Yes.



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**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, TX

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

**Engineering Specialist V**

12/2006 – 8/2014

Texas Commission on Environmental Quality, Austin, TX

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, design rates for rate applications and testify in hearings.

**Project Manager**

6/2006 - 12/2006

Gunze Electronics USA, Austin, TX

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, TX

Accountable for managing all aspects of retail clothing store.

**Assistant Store Manager**

8/2003 - 5/2005

McDonalds, Elgin, TX

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, TX

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, NM

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**

5/1988

University of Missouri, Rolla, MO

Bachelor's Degree in Mechanical Engineering

**Heidi Graham, EIT**  
**Public Utility Commission of Texas (PUC)**  
**List of Previous Testimony**

Testimonies for TCEQ Staff

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	Sale, Transfer, Merger - 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 - Water and Sewer
SOAH 582-13-4616	M.E.N. WSC	Cost of Service Appeal - Water

Testimonies for PUC Staff

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 – Water and Sewer
42860	473-14-5140	Douglas Utility Company	Rate Settlement – Water and Sewer
43554	473-15-1230.WS	Mansions of Turkey Creek	Rate Appeal – Water and Sewer
44657	473-16-0927.WS	Interim-La Ventana	Sale Transfer Merger
43076	473-16-2049.WS	Consumers Water, Inc.	Rate Application - Water
44046	473-15-4390.WS	Laguna Vista/Laguna Tres	STM - Water

SOAH DOCKET NO. 473-15-0372  
PUC DOCKET NO. 42919

APPLICATIONS OF DOUBLE  
DIAMOND UTILITIES CO. FOR A  
WATER AND SEWER RATE/TARIFF  
CHANGE (37752-R AND 37753-R)

§  
§  
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§  
§  
§

BEFORE THE STATE OFFICE  
  
OF  
  
ADMINISTRATIVE HEARINGS

TESTIMONY AND ATTACHMENTS IN SUPPORT OF THE SETTLEMENT  
AGREEMENT BETWEEN DOUBLE DIAMOND UTILITIES COMPANY, INC. AND  
THE RETREAT HOMEOWNERS GROUP

OF

CHRIS EKRUT

ON BEHALF OF

DOUBLE DIAMOND UTILITIES COMPANY, INC.

FEBRUARY 2015

SOAH DOCKET NO. 473-15-0372  
PUC DOCKET NO. 42919

APPLICATIONS OF DOUBLE § BEFORE THE STATE OFFICE  
DIAMOND UTILITIES CO. FOR A §  
WATER AND SEWER RATE/TARIFF § OF  
CHANGE (37752-R AND 37753-R) §  
§ ADMINISTRATIVE HEARINGS  
§

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ATTACHMENTS

CDE-1 PROFESSIONAL RESUME OF CHRIS EKRUT

APPLICATIONS OF DOUBLE  
DIAMOND UTILITIES CO. FOR A  
WATER AND SEWER RATE/TARIFF  
CHANGE (37752-R AND 37753-R)

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BEFORE THE STATE OFFICE  
OF  
ADMINISTRATIVE HEARINGS

**TESTIMONY OF  
CHRIS EKRUT**

I. INTRODUCTION AND QUALIFICATIONS

1 Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.

2 A. My name is Chris Ekrut. I am a Director with NewGen Strategies & Solutions, LLC.  
3 My business address is 1300 E. Lookout Dr., Ste. 100, Richardson, Texas 75082.

4 Q. PLEASE OUTLINE YOUR EDUCATIONAL AND PROFESSIONAL  
5 BACKGROUND.

6 A. I received my undergraduate degree, a Bachelor of Arts with a major in Public  
7 Administration, from West Texas A&M University in 2003, graduating with honors.  
8 I then received a Master's in Public Administration from the University of North  
9 Texas in 2005, again graduating with honors. While pursuing my Master's Degree, I  
10 served as an intern with R.W. Beck, Inc. ("R.W. Beck"), and officially joined the  
11 Company in 2005 as a Consulting Analyst upon completion of my degree. I left R.W.  
12 Beck in April 2008 to join J. Stowe & Co., LLC. ("J. Stowe & Co.") as a Senior  
13 Consultant, and was promoted to Manager in December 2009. In September 2012, J.  
14 Stowe & Co. reorganized as NewGen Strategies & Solutions ("NewGen") and I was  
15

1 appointed a Director with the Firm. My professional resume is herein included as  
2 Attachment CDE-1.

3 Q. GENERALLY, WHAT DOES YOUR WORK WITH NEWGEN ENTAIL?

4 A. I have provided a broad range of consulting services to the utility industry, including,  
5 but not limited to:

- 6 • Cost of service and rate design studies
- 7 • Litigation support
- 8 • System valuations
- 9 • Operational and organization studies
- 10 • Socioeconomic impact analysis
- 11 • Business Plan development
- 12 • Program / Project Management

13 Q. ON WHOSE BEHALF ARE YOU PRESENTING TESTIMONY IN THIS  
14 PROCEEDING?

15 A. I am presenting testimony on behalf of Double Diamond Utilities Company, Inc.,  
16 referred to herein as "Double Diamond," "DDU," and/or "the Utility."

17 Q. CAN YOU PLEASE DEFINE THE SYSTEMS THAT ARE THE SUBJECT OF  
18 THIS PROCEEDING?

19 A. The systems which are the subject of this proceeding include the water and  
20 wastewater systems at The Retreat, PWS 1260127 and WQ0014373001, located in  
21 Johnson County.

1 II. PURPOSE OF TESTIMONY

2 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

3 A. I am testifying in support of the Settlement Agreement between DDU and the  
4 Commission Staff. My testimony (1) outlines the history of the proceeding and the  
5 process that led to the Settlement Agreement, (2) discusses the Settlement  
6 Agreement and, (3) explains why the Agreement is reasonable, in the public  
7 interest, and should be approved by the Commission.

8 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION ON  
9 COST OF SERVICE AND/OR RATE MATTERS?

10 A. I have not testified previously before this Commission. I have filed written, direct  
11 testimony before the Texas Commission on Environmental Quality in SOAH Docket  
12 No. 582-09-4288 and Docket No. 582-09-6112, prior water and sewer  
13 rate applications for DDU.

14 Q. ARE YOU THE ONLY PERSON PROVIDING TESTIMONY REGARDING  
15 THE SETTLEMENT AGREEMENT?

16 A. No. It is my understanding that PUC staff will also be filing testimony regarding  
17 the Agreement between the parties.

18 III. OVERVIEW OF THE SETTLEMENT AGREEMENT

19 Q. PLEASE DISCUSS THE DEVELOPMENT OF THE SETTLEMENT  
20 AGREEMENT AND YOUR PARTICIPATION IN THE PROCESS.

21 A. NewGen was engaged in May 2013 to assist DDU in filing a rate application specific  
22 to the water and sewer systems at The Retreat. I served as the Project Director and  
23 Manager for this engagement. This application was ultimately filed with the TCEQ



1 on October 13, 2013. On October 18, 2013, TCEQ notified DDU of deficiencies in  
2 the application, resulting in a filing on November 1, 2013 which corrected TCEQ  
3 Staff's concerns. The applications were then accepted for filing on December 3,  
4 2013, assigning them application numbers 37752-R and 37753-R for water and  
5 sewer, respectively. After receiving a sufficient number of protest letters from  
6 customers, TCEQ referred the filing to the State Office of Administrative Hearings  
7 ("SOAH") on May 22, 2014.

8 In an effort to avoid costly litigation on the application, representatives of  
9 DDU, including myself, met with TRHG at The Retreat on February 25, 2014. This  
10 meeting entailed a general question and answer session regarding the application and  
11 the need for the requested rate increase. As a result of this meeting, representatives of  
12 the TRHG, led by Mr. Jack McCartney, President of TRHG, agreed to work with  
13 DDU on a framework for settling the dispute and achieving rates to which both  
14 parties could agree. Through a number of e-mail and phone conversations from  
15 February 2014 through June 2014, a Settlement Agreement was developed and the  
16 parties signed on June 30, 2014. Further, as a result of reaching this Settlement, 34 of  
17 the 39 individuals who originally filed protest letters withdrew their protest letters,  
18 resulting in only five protest letters remaining on file.

19 Complicating the process of formally completing the settlement was the  
20 transfer of the application from the TCEQ to the jurisdiction of the PUC which was  
21 completed by Order No. 1 filed in PUC Docket 42919 on September 23, 2014. The  
22 Joint Notice of Settlement, Withdrawal of Protest, and Motion to Remand was then  
23 filed by DDU on September 26, 2014. SOAH Order No. 2, signed on October 3,

1 2014 remanded the case back to the PUC and dismissed the SOAH Docket; however,  
2 PUC staff did not support the Motion to Remand and asked for the ALJ to reconsider  
3 in order to give PUC staff more time to review and consider the proposed settlement.  
4 SOAH Order No. 3, signed on October 8, 2014 ultimately set aside the remand and  
5 requested Staff provide updates on its review of the proposed settlement.

6 Q. WHAT ARE SOME SIGNIFICANT ASPECTS OF DDU'S RATE/TARIFF  
7 CHANGE REQUESTED IN THE CURRENT RATE CASE APPLICATION?

8 A. Utilizing a Test Year of January 1, 2012 to December 31, 2012, Table 1 below  
9 illustrates DDU's Test Year Revenues as compared to the Test Year Revenue  
10 Requirement as contained in the application. As illustrated, DDU's application  
11 requests an overall revenue increase for water and sewer of \$84,926 and \$90,410,  
12 respectively. This needed revenue increase is driven not only by cost recovery of  
13 additional investment in the water and sewer systems since DDU's prior rate  
14 applications which were based on a 2007 and 2008 Test Year for water and sewer,  
15 respectively, but also recovery of increased operation and maintenance cost since that  
16 time.

17 **Table 1 – Comparison of Test Year Revenues to Test Year Revenue Requirement**

	Water	Sewer	Total
Test Year Revenues	\$129,680	\$74,590	\$204,271
Test Year Revenue Requirement	214,607	165,000	379,607
Variance (\$)	\$ 84,926	\$ 90,410	\$ 175,336
Variance (%)	65.49%	121.21%	85.84%

18  
19 Recognizing the significant impact this requested increase would have on customers,  
20 DDU requested to implement rates using a phase-in approach to recover this  
21 increased revenue requirement over a three-year period. Based on the rates requested

1 in the application, Table 2 below outlines the projected incremental revenues  
2 anticipated to be generated above the Test Year revenues.

3 **Table 2 – Incremental Annual Revenues Generated in Each Year of Phase-in**

	Water	Sewer	Total
Year 1 Revenue Increase Above Test Year	\$ 11,809	\$ 16,391	\$ 28,200
Year 2 Revenue Increase Above Test Year	44,346	47,790	92,137
Year 3 Revenue Increase Above Test Year	84,926	90,410	175,337

4  
5 By phasing in the requested increase, the application results in overall savings and  
6 more affordable rates to customers. For example, in Year 1 of the proposed increase,  
7 DDU's proposed water rates only generate \$11,809 in incremental water revenues as  
8 opposed to the increased water revenue needed of \$84,926, resulting in savings to  
9 customers of \$73,117. In Year 2 of the proposed increase, DDU's proposed water  
10 rates only generate \$44,346 in incremental water revenues as opposed to the  
11 increased water revenue needed of \$44,346, resulting in savings to customers of  
12 \$40,580. In total, by phasing in the requested rates, DDU is foregoing water revenues  
13 of \$113,697 and sewer revenues of \$191,229, resulting in total savings to customers  
14 of \$304,926.

15 Q. WHAT ARE THE KEY ELEMENTS OF THE SETTLEMENT AGREEMENT  
16 BETWEEN THE PARTIES?

17 A. As part of the Settlement Agreement, the parties have agreed to the following:

- 18 1. Instead of a phase-in approach to the requested rates, the parties have agreed  
19 on a single, one-time rate increase as outlined in the Settlement Agreement  
20 effective from July 1, 2014 through December 31, 2016.

1           2. While continuing to utilize a winter average for sewer billing, the total billed  
2           sewer volume amount will be capped at 12,000 gallons.

3           3. DDU has agreed to not file for an additional water and sewer rate increase at  
4           The Retreat before an effective date of January 1, 2017.

5           IV. REASONABLENESS OF THE SETTLEMENT AGREEMENT

6           Q. WHAT IS DDU'S POSITION REGARDING COMMISSION ADOPTION OF  
7           THE SETTLEMENT AGREEMENT?

8           A. The Settlement Agreement achieved by the parties is the result of much discussion  
9           and analysis and represents an overall reasonable outcome which results in reasonable  
10          rates for customers, a reasonable level of revenue for DDU, and avoids timely and  
11          costly litigation which would only result in additional cost to the parties. It is DDU's  
12          position that the Settlement Agreement should be adopted by the Commission  
13          resulting in the implementation of the agreed on rates.

14                 Specifically for customers, it is DDU's opinion that the Agreement results  
15          in reasonable water and sewer rates. As summarized in Table 3 below, the agreed  
16          on rates will generate substantial savings to customers.

17  
18  
19          **Table 3 – Comparison of Revenue Requirement over Settlement Rate Revenues**

	Water	Sewer	Total
DDU Requested Revenue Requirement	\$ 214,607	\$ 165,000	\$ 379,607
Revenues under Settlement Rates	159,554	86,733	246,287
Overall Annual Savings to Customers	\$ 55,053	\$ 78,267	\$ 133,320

1           The Agreement also results in a much needed overall revenue increase for  
2 DDU. While DDU contends that it would be able to support the requested increase if  
3 this litigation were to continue, DDU understands that the process of fully litigating  
4 the dispute may result in extensive legal and consulting fees and may not generate the  
5 desired outcome.

6           Finally, by working together to reach the Settlement Agreement, the parties  
7 have avoided potentially extensive litigation which would result in both parties  
8 incurring possibly significant legal and consulting fees associated with the  
9 preparation of extensive testimony and participation in hearings before SOAH, which  
10 if found reasonable would be recoverable from ratepayers. By reaching this  
11 Settlement, the parties have collectively eliminated these related litigation expenses  
12 which would only result in further impacts to DDU's customers.

13           Overall, the Agreement represents extensive work and compromise by both  
14 DDU and its customers, resulting in a reasonable outcome which is in the public  
15 interest and agreeable to all parties.

16 Q. IN YOUR OPINION, WERE THE COMMISSION TO APPROVE THE  
17 SETTLEMENT AGREEMENT AS PROPOSED, DO THESE RATES  
18 CONFORM TO THE REQUIREMENT OF TEXAS WATER CODE,  
19 CHAPTER 13?

20 A. Yes, it is my opinion that the rates as proposed do conform to the requirements of  
21 Texas Water Code Chapter 13.

22 Q. PLEASE EXPLAIN YOUR OPINION.

1 A. Texas Water Code § 13.182 requires that rates set by the Commission be “just and  
2 reasonable” and that rates not be “unreasonably preferential, prejudicial, or  
3 discriminatory but shall be sufficient, equitable, and consistent in application to each  
4 class of consumer.” Further, TWC § 13.183 requires that rates set by the  
5 Commission “(1) permit the utility a reasonable opportunity to earn a reasonable  
6 return on its invested capital . . . over and above its reasonable and necessary  
7 operating expenses; and (2) preserve the financial integrity of the utility.”

8 It is my opinion that the parties have agreed on just and reasonable rates. As  
9 these rates apply to all customers at The Retreat, they are not preferential, prejudicial,  
10 or discriminatory and they are sufficient, equitable, and consistent in their application.

11 Further, DDU has analyzed the revenues to be generated under the proposed rates and  
12 has agreed that these levels of revenue will preserve its financial integrity and allow  
13 the utility an opportunity to earn a reasonable return as well as to recover necessary  
14 operating expenses.

15 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

16 A. Yes, it does.