



Control Number: 42958



Item Number: 61

Addendum StartPage: 0

RECEIVED

APPLICATION OF AQUA UTILITIES, §
 INC. AND AQUA TEXAS, INC. D/B/A §
 AQUA TEXAS FOR SALE, TRANSFER, §
 OR MERGER OF FACILITIES AND TO §
 AMEND CERTIFICATES OF §
 CONVENIENCE AND NECESSITY IN §
 CHAMBERS, JEFFERSON, AND §
 LIBERTY COUNTIES (GRAY UTILITY §
 SERVICE WATER SYSTEM; 37943-S) §

PUBLIC UTILITY COMMISSION: 18

2017 MAR 10 PM 1:18
PUBLIC UTILITY COMMISSION
FILING CLERK

OF TEXAS

COMMISSION STAFF'S RECOMMENDATION ON FINAL DISPOSITION

COMES NOW the Staff (Staff) of the Public Utility Commission of Texas (Commission), representing the public interest, and files this Recommendation on Final Disposition. In support thereof, Staff shows the following:

I. BACKGROUND

On June 4, 2014, Aqua Utilities, Inc. dba Aqua Texas (Seller or Aqua Utilities) and Aqua Texas dba Aqua Texas Inc. (Buyer or Aqua Texas) (collectively, Applicants) submitted an application with the Texas Commission on Environmental Quality (TCEQ) to transfer portions of water service areas and water system assets held by Aqua Utilities CCN No. 11157 to Aqua Texas CCN No. 13203 in Chambers, Jefferson and Liberty Counties pursuant to Tex. Water Code Ann. § 13.301 and Title 16, Tex. Admin. Code (16 TAC) §§ 24.109 and 24.112.

On February 6, 2017, the Administrative Law Judge issued Order No. 18 requiring Staff to file a final recommendation on the application by March 11, 2017.¹ Accordingly, this pleading is timely filed.

II. STAFF'S RECOMMENDATION

As supported by the attached memorandum from Debbie Reyes Tamayo, Program Specialist with the Water Utility Regulation Division, Staff recommends the Commission find that the transaction will serve the public interest and the application should be approved. Specifically, Staff recommends that the Commission find that Aqua Texas demonstrates adequate financial, managerial and technical (FMT) capability to provide service to its existing service area plus the area subject to this application.

¹ March 11, 2017 is a Saturday.

On January 3, 2017, the Applicants filed the sales documents to complete the sale transaction. There were no outstanding customer deposits held by the Seller. The attached memorandum details how the STM application satisfies Tex. Water Code §§ 13.241, 13.246, and 13.301, and 16 TAC § 24.102, 24.109, and 24.112. Approving this application and transferring the requested service areas, facilities and customers from Aqua Utilities to Aqua Texas and is necessary for the service, accommodation, convenience and safety of the public. Aqua Texas consented to the attached tariff, maps, and certificate on March 7, 2017. Staff recommends that the attached water tariff and maps be provided to Aqua Texas. Staff further recommends that Aqua Texas file certified copies of the CCN maps along with a written description of the CCN service area in the county clerk's office pursuant to TWC §§ 13.257 (r)-(s).


Dated: March 10, 2017

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

Margaret Uhlig Pemberton
Division Director

Karen S. Hubbard
Managing Attorney

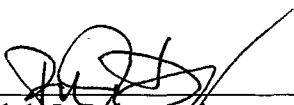


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DOCKET NO. 42958

CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on March 10, 2017, in accordance with 16 TAC § 22.74.



Ralph J. Daigneault

PUC Interoffice Memorandum

To: Ralph Daigneault, Attorney
Legal Division

Thru: Tammy Benter, Director
Lisa Fuentes, Manager
Water Utilities Division

From: Debbie Reyes Tamayo, Program Specialist
Water Utilities Division

Date: March 8, 2017

Subject: **Docket No. 42958;** *Application of Aqua Utilities, Inc. and Aqua Texas, Inc. d/b/a Aqua Texas for Sale, Transfer and Merger of Facilities and to Amend Certificates of Convenience and Necessity (CCN) in Chambers, Jefferson and Liberty Counties (37943-S)*

On June 4, 2014, Aqua Utilities, Inc. dba Aqua Texas (Seller) and Aqua Texas, Inc. dba Aqua Texas (Buyer) (collectively, Applicants) submitted an application with the Texas Commission on Environmental Quality (TCEQ) to transfer portions of water service areas and water system assets held by Aqua Utilities, Inc., CCN No. 11157 to Aqua Texas, Inc., CCN No. 13203 in Chambers, Jefferson and Liberty Counties. As a result of the transaction, both the Buyer's and Seller's water CCNs will be amended to reflect the transfer. The application was filed pursuant to the criteria in the Tex. Water Code §§ 13.241, 13.246, and 13.301 (TWC). On September 1, 2014, the rates and CCN programs were transferred from the TCEQ to the Public Utility Commission (PUC or Commission). This application was part of the transfer and is now under the PUC's purview. The application is now being reviewed under 16 Tex. Admin. Code §§ 24.102, 24.109 and 24.112 (TAC) and TWC §§ 13.241, 13.246 and 13.301.

The application was accepted for filing by the Commission on September 4, 2015. Proper public notice was provided on September 25, 2015, to neighboring systems, landowners, cities and affected parties in accordance with 16 TAC § 24.112(c). The affidavit was received by the Commission on October 2, 2015. The comment period ended October 25, 2015, and no protests or requests to opt out were received.

Pursuant to TWC §13.301 (e), before the expiration of the 120-day notification period, the Commission is required to notify all known parties to the transaction whether the Commission will hold a hearing to determine if transaction will serve the public interest. For this case, I do not believe a hearing is necessary because the transaction will serve the public interest based on my review of the information in the application and the criteria listed below. Aqua Texas, Inc. demonstrates adequate financial, managerial and technical (FMT) capability to provide service to its existing service area plus the area subject to this application. In my review of the public interest factors and the FMT capability of the Buyer, Staff reviewed the requested amendment pursuant to TWC § 13.246(c). Under this statute, the Commission shall consider the following nine criteria when amending a CCN:

- TWC § 13.4246(c)(1) requires the Commission to consider the adequacy of service currently provided to the requested area. The Buyer has experienced operators on staff with thorough knowledge about water operations to provide continuous and adequate service to the area subject to this application. The terms of the agreement include the transfer of facilities and service area included in the application to the Buyer in addition to any liabilities associated with the transferred facilities and area. The transaction will serve the public interest by facilitating efficient operation and regulation of the hundreds of Aqua Texas water systems and customers currently operated and served in Texas by consolidating them under a single corporate entity, Aqua Texas. The requested transaction includes the water utility services from the following:
 - Gray Utility Service, Public Water System (PWS) No. 0360005: The total area being requested is approximately 600 acres and has 989 current customers.
 - Leaning Oaks Water Association and Towering Oaks I, PWS No. 0360081: The total area being requested includes approximately 176 acres and 74 current customers.
 - Trinity Cove Subdivision, PWS No. 0360084: The total area being requested includes approximately 22 acres and 32 current customers.
 - Carriage Trail Subdivision, PWS No. 0360093: The total area being requested includes approximately 26 acres and 33 current customers.
 - Hackberry Creek Subdivision, PWS No. 0360100: The total area being requested includes approximately 71 acres and 58 current customers.
 - Barrow Ranch, PWS No. 0360122: The total area being requested includes approximately 308 acres and has 195 current customers.
 - Oak Meadows II and Oak Meadows III Subdivisions, PWS Nos. 1050100 and 1460096, respectively: The total area being requested includes approximately 152 acres and has 83 current customers.
 - Webb Way Subdivision, PWS No. 1460137: The total area being requested includes approximately 50 acres and has 16 current customers.
 - Sun chase Subdivision, PWS No. 1230083: The total area being requested includes approximately 217 acres and has 50 current customers.
 - Icet Cove is an area that has no customers and no physical facilities in it and, thus, no PWS number and is part of this transfer.
- TWC §13.246(c)(2) requires the Commission to consider the need for service in the requested area. The fact that there are existing customers in the requested area demonstrates the need for service.
- TWC §13.246(c)(3) requires the Commission to consider the effect of granting an amendment on the recipient and on any other retail water utility servicing the proximate area. Only the Applicants and the current customers will be affected by this transaction. The Buyer, in conjunction with the Seller, presents the application as part of a consolidation effort to bring all Aqua America, Inc.'s (Aqua America) Texas subsidiary under a single corporation, Aqua Texas, and make it consistent with the boundaries of the Aqua Texas' North Region operations.
- TWC §13.246(c)(4) requires the Commission to consider the ability of the applicant to provide adequate service. The Buyer is an existing water utility and will provide water service using the existing systems, pending the closure and approval of the transaction.

- TWC §13.246(c)(5) requires the Commission to consider the feasibility of obtaining service from an adjacent retail public utility. In this case, the area is already receiving service and no additional service is needed. Therefore, it is not necessary to consider the feasibility of obtaining service from another entity since the area is already being served.
- TWC §13.246(c)(6) requires the Commission to consider the financial ability of the applicant to pay for facilities necessary to provide continuous and adequate service. Aqua Texas, Inc. is committed to continuing the work of Aqua Utilities, Inc. and will correct any additional compliance issues that may be identified in the future.
- TWC §§13.246(7) and (9) require the Commission to consider the environmental integrity and the effect on the land to be included in the certificate. In this situation, there will be no impact on the environment and the land as the system is already in place and does not need any repairs or improvements at this time.
- TWC § 13.246(8) required the Commission to consider the probable improvement in service or lowering of cost to consumers. The customers' rates will not be affected by this transaction as they will remain the same. While the transaction will have no impact on the quality of service or lower cost to consumers, Staff believes it will add clarity to the customers regarding their service provider and its affiliates.

With respect to the Applicant's financial and managerial capability, the audited financial statements of the Applicants' parent company, Aqua America, were provided as of December 31, 2013. These statements received an unqualified opinion by Price Waterhouse Coopers, LLP, on March 03, 2013. As of December 31, 2013, total equity of Aqua America, Inc., was \$1.54 billion. Aqua America's debt to equity ratio at December 31, 2013, was \$1.47 to \$1.54 billion, or 0.95 to 1.00. A ratio of less than 1 to 1 is preferred for analysis of financial and managerial capabilities because it signals that creditors and stockholders equally contribute to the assets of the business. A less than 1 ratio indicates that the portion of assets provided by stockholders is greater than the portion of assets provided by creditors and a greater than 1 ratio indicates that the portion of assets provided by creditors is greater than the portion of assets provided by stockholders. Creditors usually like a low debt to equity ratio because a low ratio (less than 1) is an indicator of greater protection to their money. Operating income was \$305 million and depreciation and amortization expense was \$124.8 million. Cash flows from principle and interest payments on debt for Fiscal Year (FY) 13 were \$300.3 million. Therefore, the debt service coverage ratio calculates to be \$429.8 million to \$300.3 million or 1.43 to 1.00. A ratio of at least 1.25:1 is preferred when reviewing financial capability to ensure that reserve funds for debt payment and repairs and maintenance are built up and maintained.

On January 3, 2017, the Applicant and Seller filed with the Commission the sales documents to complete the sale transaction. There were no outstanding customer deposits held by the Seller.

Approving this application and transferring the requested service areas, facilities and customers from Aqua Utilities to Aqua Texas and is necessary for the service, accommodation, convenience and safety of the public.

Attached are the maps, certificates, and tariff form that, if adopted, would effectuate the requested transaction.

The Applicants consented to the attached tariff, maps, and certificate on March 7, 2017.

Based on the above information, Staff recommends that:

- The transaction be approved;
- The attached water tariff be provided to the Applicant; and
- The attached maps be provided to the Applicant.

Staff further recommends that the Applicant file certified copies of the CCN maps along with a written description of the CCN service area in the county clerk's office pursuant to TWC §§ 13.257 (r)-(s).



Public Utility Commission of Texas

By These Presents Be It Known To All That

Aqua Utilities, Inc.

having obtained certification to provide water utility service for the convenience and necessity of the public, and it having been determined by this Commission that the public convenience and necessity would in fact be advanced by the provision of such service, Aqua Utilities, Inc., is entitled to this

Certificate of Convenience and Necessity No. 11157

to provide continuous and adequate water utility service to that service area or those service areas in Bandera, Bexar, Blanco, Brazoria, Burnet, Chambers, Comal, Galveston, Gillespie, Harris, Hays, Jefferson, Kendall, Kerr, Kimble, Liberty, Live Oak, Llano, Matagorda, McLennan, Medina, Montgomery, Nueces, Travis, Victoria, Williamson, and Wilson Counties as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 42958 are on file at the Commission offices in Austin, Texas; and are a matter of official record available for public inspection; and be it known further that these presents do evidence the authority and the duty of Aqua Utilities, Inc., to provide such utility service in accordance with the laws of this State and Rules of this Commission, subject only to any power and responsibility of this Commission to revoke or amend this Certificate in whole or in part upon a subsequent showing that the public convenience and necessity would be better served thereby.

Issued at Austin, Texas, the _____ day of _____ 2017.



Public Utility Commission of Texas

By These Presents Be It Known To All That

Aqua Texas, Inc.

having obtained certification to provide water utility service for the convenience and necessity of the public, and it having been determined by this Commission that the public convenience and necessity would in fact be advanced by the provision of such service, Aqua Texas, Inc., is entitled to this

Certificate of Convenience and Necessity No. 13203

to provide continuous and adequate water utility service to that service area or those service areas in Brazoria, Chambers, Fort Bend, Grimes, Harris, Jefferson, Liberty, Montgomery, Polk, San Jacinto Trinity, and Wharton Counties as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 42958 are on file at the Commission offices in Austin, Texas; and are a matter of official record available for public inspection; and be it known further that these presents do evidence the authority and the duty Aqua Texas, Inc., to provide such utility service in accordance with the laws of this State and Rules of this Commission, subject only to any power and responsibility of this Commission to revoke or amend this Certificate in whole or in part upon a subsequent showing that the public convenience and necessity would be better served thereby.

Issued at Austin, Texas, the _____ day of _____ 2017.



**WATER UTILITY TARIFF FOR
Southeast Region – Gray
Docket Number 42958**

Aqua Texas, Inc
(Utility Name)

1106 Clayton Lane, Suite 400W
(Business Address)

Austin, Texas 78723
(City, State, Zip Code)

(512) 990-4400
(Area Code/Telephone)

This tariff is effective for utility operations under the following Certificate of Convenience and Necessity:
13203

This tariff is effective in the following counties:
Chambers, Liberty and Jefferson

The following is a list of cities where Aqua Texas – Southeast Region Gray water systems provide service:
City of Old-River Winfree, City of Beach City, and City of Cove

The rates set or approved by the city for the systems entirely within its corporate boundary are not presented in this tariff. Those rates are not under the original jurisdiction of the Public Utility Commission of Texas and will have to be obtained from the city or utility. This tariff applies to outside city customers of systems that provide service inside and outside of a city's corporate boundary.

This tariff is effective in the following subdivisions/service areas and for the following public water systems:

See attached Table for Southeast Region – Gray

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

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APPENDIX A -- DROUGHT CONTINGENCY PLAN

This tariff is effective for the following systems, subdivisions, and areas:

PWS #	TCEQ System Name	SUBDIVISION/ AREA SERVED	COUNTY	RATE REGION
0360005	Gray Utility Service	Cove at Cotton Creek Creeside at Cotton Creek Cotton Creek Gas Station Icet Cove Joseph's Cove Lanai Maley Woods Strip Center Commercial Development The Veranda Travel Park	Chambers	SE/Gray
0360081	Leaning Oaks Water Association	Leaning Oaks Water Association	Chambers, Liberty	SE/Gray
0360084	Trinity Cove Subdivision	Trinity Cove	Chambers	SE/Gray
0360093	Carriage Trail Subdivision	Carriage Trail	Chambers	SE/Gray
0360100	Hackberry Creek Subdivision	Hackberry Creek	Chambers	SE/Gray
***0360122	Barrow Ranch	Barrow Ranch Barrow Ranch Estates Legends Bay Southwind	Chambers	SE/Gray
1230083	Sunchase Subdivision	South Fork Sunchase Estates	Jefferson	SE/Gray
1460096	Oak Meadows II Subdivision	Oak Meadows II	Liberty	SE/Gray
1460100	Oak Meadows III Subdivision	Oak Meadows III	Liberty	SE/Gray
1460137	Webb Way Subdivision	Webb Way	Liberty	SE/Gray
1460145	Towering Oaks I	Towering Oaks I Towering Oaks II Cedar Lane	Liberty	SE/Gray

*****Note:** All the customers served by the Barrow Ranch water system (PWS ID 0360122) are currently located entirely within the corporate limits of the City of Beach City. Therefore, these rates are not applicable to these current customers within the city limits. If Aqua Texas has any Barrow Ranch water system customer connections in the future that are located outside the city limits of the City of Beach City, the rates shown in this tariff will apply to those connections.

SECTION 1.0 -- RATE SCHEDULE

Section 1.01 - Rates

<u>Meter Size</u>	<u>Monthly Minimum Charge</u>
5/8" x 3/4"	<u>\$31.00</u> (Includes 0 gallons)
3/4"	<u>\$46.50</u>
1"	<u>\$87.50</u>
1½"	<u>\$175.00</u>
2"	<u>\$280.00</u>
3"	<u>\$560.00</u>
4"	<u>\$875.00</u>
6"	<u>\$1,750.00</u>
8"	<u>\$2,800.00</u>
10"	<u>\$4,025.00</u>
12"	<u>\$8,750.00</u>

Monthly minimum charge for any water meter size larger than 12" meter will be calculated using American Water Works Association approved meter equivalency factors.

Charges per 1,000 gallons used:

Gallage Charge:\$3.70

Regional Pass through Gallage Charge: \$0.00

The calculation for the regional pass through gallage charge must comply with the formula set out in Section 1.02 of this tariff.

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

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

Cash X (If in person at designated locations), Check X , Money Order X , Credit Card X,

Other (specify) Electronic Billing & Payment (See Section 2.06 – Billing)

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. UNAFFILIATED THIRD PARTIES WHO ACCEPT AND PROCESS CASH, CREDIT CARD, OR ELECTRONIC PAYMENTS FOR UTILITY BILLS MAY REQUIRE PAYMENT OF AN ADDITIONAL CONVENIENCE CHARGE FOR THIS SERVICE.

SECTION 1.0 -- RATE SCHEDULE (Continued)

Section 1.02 - Miscellaneous Fees

TAP FEE.....\$750.00

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

TAP FEE (Unique costs)Actual Cost

FOR EXAMPLE, A ROAD BORE FOR CUSTOMERS OUTSIDE A SUBDIVISION IS A UNIQUE COST. UNIQUE COSTS WILL BE DETERMINED ON A CASE-BY-CASE BASIS.

TAP FEE (Large meter)Actual Cost

THIS TAP FEE IS BASED ON THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR METERS LARGER THAN STANDARD 5/8" x 3/4" METERS. UNIQUE COSTS, SUCH AS ROAD BORES, WILL BE CHARGED IN ADDITION TO THIS TAP FEE AT THEIR ACTUAL COST OF INSTALLATION.

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.....\$75.00

TRANSFER FEE\$50.00

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

LATE CHARGE10% of bill

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.....\$25.00

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

CUSTOMER DEPOSIT - RESIDENTIAL\$50.00

CUSTOMER DEPOSIT1/6th of estimated annual bill
COMMERCIAL AND NON-RESIDENTIAL

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 (Continued)

METER/SERVICE RELOCATION FEE (Customer's Request)Actual Cost

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

STANDARD METER INSTALLATION FEE\$150.00

TO BE CHARGED WHEN UNMETERED SERVICE EXISTS ON THE SYSTEM THAT SHOULD BE METERED TO BE IN COMPLIANCE WITH THE UTILITY'S TARIFF BUT THE CONVERSION OF THE SERVICE WOULD NOT REQUIRE A FULL TAP AND ALL OF ITS COSTS. THIS FEE WILL BE A SHARING OF COSTS BETWEEN THE CUSTOMER AND THE UTILITY. THE CUSTOMER MAY HAVE THE OPTION OF PAYING THE FEE OVER NO MORE THAN THREE (3) MONTHS.

CUSTOMER SERVICE INSPECTION FEE – RESIDENTIAL.....\$100.00CUSTOMER SERVICE INSPECTION FEE – Actual cost not to exceed \$150.00

COMMERCIAL AND NON-RESIDENTIAL

SERVICE APPLICANTS MAY CHOOSE TO HAVE CUSTOMER SERVICE INSPECTIONS REQUIRED BY TCEQ RULE 290.46(J) PERFORMED BY ANY STATE-LICENSED INSPECTOR OF THEIR CHOICE. UNLESS THE SERVICE APPLICANT CHOOSES TO ARRANGE FOR AND PAY FOR THE INSPECTION INDEPENDENTLY, THE UTILITY MAY CHARGE SERVICE APPLICANTS THE CUSTOMER SERVICE INSPECTION FEE AT THE TIME THEY APPLY FOR SERVICE. IF A RE-INSPECTION IS REQUIRED TO BRING THE PLUMBING INTO COMPLIANCE WITH APPLICABLE REQUIREMENTS OR IF AN EXTRA INSPECTION APPOINTMENT IS REQUIRED BECAUSE A CUSTOMER DOES NOT PERMIT PERFORMANCE OF AN INSPECTION AT A PREVIOUSLY AGREED UPON APPOINTMENT TIME, THE CUSTOMER MAY CHOOSE TO HAVE ANY STATE-LICENSED INSPECTOR OF THEIR CHOICE PERFORM THE INSPECTION. IF THE CUSTOMER CHOOSES TO HAVE THE UTILITY PERFORM THE INSPECTION OR RE-INSPECTION, THE CUSTOMER WILL BE CHARGED \$100.00 FOR EACH REQUIRED INSPECTION, RE-INSPECTION OR AGREED UPON INSPECTION APPOINTMENT AND WILL PAY THE UTILITY THE TOTAL AMOUNT OWED AT THE TIME AN INSPECTION OR RE-INSPECTION IS PERFORMED. THE UTILITY MAY, AT ITS OPTION, INCLUDE THE ADDITIONAL CHARGE OR CHARGES ON THE NEXT MONTH'S UTILITY BILL RATHER THAN REQUIRING PAYMENT AT THE TIME OF THE INSPECTION OR RE-INSPECTION. THE UTILITY MAY USE UTILITY EMPLOYEES OR MAY HAVE THE INSPECTION PERFORMED BY A LICENSED THIRD PARTY CONTRACTOR.

ILLEGAL RECONNECTION, LOCK REMOVAL OR DAMAGE FEE.....\$85.00

IN ORDER TO REIMBURSE THE UTILITY WITHOUT BURDENING OTHER CUSTOMERS WITH HIGHER RATES FOR THE ADDITIONAL COST OF SERVICE TRIPS TO DISCONNECT A CUSTOMER/ACCOUNT HOLDER WHO HAS BEEN DISCONNECTED FOR NONPAYMENT AND TO PAY FOR THE COST OF BROKEN OR CUT LOCKS AND SERVICE TIME, THIS FEE SHALL BE ASSESSED TO THE ACCOUNT HOLDER OF ANY DELINQUENT ACCOUNT THAT HAS BEEN DISCONNECTED FOR NONPAYMENT BY VALVING OFF, LOCKING OR REMOVING THE METER WHEN SERVICE TO THE PREMISES IS SUBSEQUENTLY RECONNECTED BY NON-UTILITY PERSONNEL BY CUTTING OR REMOVING THE LOCK, REOPENING THE VALVE, OR REMOVING OR BYPASSING THE METER WITHOUT AUTHORIZATION BY THE UTILITY. THIS FEE MAY BE CHARGED EACH TIME AN EVENT OCCURS AND SERVICE WILL NOT BE RECONNECTED UNTIL THIS FEE IS PAID IN ADDITION TO ANY OTHER BALANCES AND RECONNECT FEES. THIS FEE SHALL NOT BE CHARGED IF A FEE FOR A DAMAGED METER IS CHARGED OR IF THE ACCOUNT HOLDER OR HIS/HER REPRESENTATIVE INFORMS THE UTILITY WITHIN 24 HOURS AFTER DISCOVERING THAT SERVICE HAS BEEN RESTORED WITHOUT AUTHORIZATION OF THE UTILITY: (1) THAT SERVICE WAS RECONNECTED WITHOUT THE ACCOUNT HOLDER'S PERMISSION; AND (2) THE ACCOUNT HOLDER AGREES TO PAY FOR ALL WATER USED.

SECTION 1.0 -- RATE SCHEDULE (Continued)

DAMAGED METER AND APPURTENANCES FEE.....Actual cost

THIS FEE SHALL BE ASSESSED TO THE ACCOUNT HOLDER OF ANY DELINQUENT ACCOUNT THAT HAS BEEN DISCONNECTED FOR NONPAYMENT BY VALVING OFF OR LOCKING THE METER WHEN THE METER AND/OR METER APPURTENANCES SUCH AS AN AMR UNIT OR CURB STOP ARE DAMAGED IN ORDER TO RESTORE WATER SERVICE TO THE ACCOUNT HOLDER'S ORIGINAL PLACE OF SERVICE REQUIRING THE UTILITY TO REPAIR OR REPLACE THEM. THE ACCOUNT HOLDER SHALL BE CHARGED THE FULL COST OF REPAIRING AND/OR REPLACING ALL DAMAGED PARTS AS THE UTILITY DEEMS NECESSARY, INCLUDING LABOR AND VEHICLE COSTS. THIS WILL INCLUDE REPLACEMENT OF VALVES OR CURB STOPS THAT HAVE HAD THEIR LOCKING EYES BROKEN OFF THE FLANGES.

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 WATER TESTING. [30 TAC 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.

REGIONAL TEMPORARY WATER RATE:

UNLESS OTHERWISE SUPERSEDED BY PUC ORDER OR RULE, IF THE UTILITY IS ORDERED BY A COURT OR GOVERNMENTAL BODY OF COMPETENT JURISDICTION TO REDUCE ITS PUMPAGE, PRODUCTION OR WATER SALES, AQUA TEXAS SHALL BE AUTHORIZED TO INCREASE ITS APPROVED LINE ITEM CHARGES PER 1,000 GALLONS USED (GALLONAGE CHARGE & REGIONAL PASS-THROUGH GALLONAGE CHARGE) BY THE AMOUNT OF THE REGIONAL TEMPORARY WATER RATE INCREASE ("RTWR") CALCULATED ACCORDING TO THE FORMULA:

$$RTWR = (((PRR)(CGC)(R))/(1-R))*((APV)/(RPV))$$

Where:

RTWR = Regional Temporary Water Rate increase per 1,000 gallons

CGC = current total volume charge per 1,000 gallons used (Gallonage Charge + Regional Pass-Through Gallonage Charge)

R = water use reduction expressed as a decimal fraction (the pumping restriction)

PRR = percentage of revenues to be recovered expressed as a decimal fraction; for this tariff PRR shall equal 0.5.

APV = Annual Pumped and Purchased volume from the most recent 12 months; and

RPV = Annual Pumped and Purchased volume for Region from the most recent 12 months

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

SECTION 1.0 -- RATE SCHEDULE (Continued)

REGIONAL PASS-THROUGH GALLONAGE CHARGE ADJUSTMENT:

INCREASES OR DECREASES IN COSTS, FEES, RATES AND CHARGES IMPOSED BY GOVERNMENTAL ENTITIES, WATER AUTHORITIES OR DISTRICTS HAVING JURISDICTION OVER AQUA TEXAS OR ITS OPERATIONS OR BY NON-AFFILIATED THIRD PARTY WATER SUPPLIERS OR WATER RIGHTS HOLDERS SELLING WATER OR WATER RIGHTS TO AQUA TEXAS SHALL BE PASSED THROUGH ON A REGIONAL BASIS AS A LINE ITEM REGIONAL PASS-THROUGH GALLONAGE CHARGE OR AN ADJUSTMENT TO THE EXISTING REGIONAL PASS-THROUGH GALLONAGE CHARGE USING THE FOLLOWING FORMULA:

$$\text{NRPTGC} = \text{ORPTGC} (+/-) \text{CRPTGC}$$

Where:

NRPTGC = New Regional Pass-Through Gallonage Charge;
 ORPTGC = Original Regional Pass-Through Gallonage Charge from last rate application or pass-through adjustment application;
 CRPTGC = Change in Regional Pass-Through Gallonage Charge; and,

$$\text{CRPTGC} = ((\text{NVC} + (\text{VC} * \text{APV})) / (\text{RPV})) / (1 - \text{WL})$$

Sum of all changes (all increases or decreases) since last adjustment in costs, fees, rates and charges divided by the Regional Pumped and Purchased Volume divided by one minus water loss;

APV = Annual Pumped and/or Purchased Volume from the most recent rate application for the system or systems where the changes in costs, fees, rates and charges occurred; or the most recent 12 months if more than 3 years have passed since the most recent rate application was filed;

RPV = Annual Pumped and/or Purchased Volume for Region from the most recent rate application; or the most recent 12 months if more than 3 years have passed since the most recent rate application was filed;

WL = Annual water loss average for Region in most recent rate application not to exceed 0.15; or water loss, not to exceed 0.15, for the most recent 12 months if more than 3 years have passed since the most recent application was filed;

NVC = Annual non-volumetric cost change = annual increases or decreases in costs, fees, rates and charges that are not based on water purchased, pumped and/or billed;

VC = Volumetric cost change = volumetric cost increases or decreases from costs, fees, rates and charges based on water purchased, pumped and/or billed.

SECTION 1.0 -- RATE SCHEDULE (Continued)

To implement a new Regional Pass-Through Gallonage Charge, Aqua Texas Inc. shall take the following actions:

1. Prior to the beginning of the billing period in which the revision takes place, submit written notice to the Public Utility Commission of Texas with documentation supporting the line item Regional Pass-Through Gallonage Charge adjustment; and
2. Mail notice to affected customers separately at the beginning of the billing period or include written notice to affected customers with the billing sent out at the beginning of the billing period in which the new Regional Pass-Through Gallonage Charge becomes effective. The notice must contain: (a) the effective date of the change, (b) the then-present calculation of the line item Regional Pass-Through Gallonage Charge, (c) the new calculation of the line item Regional Pass-Through Gallonage Charge, and (d) the change in costs, fees, rates or charges to Aqua Texas prompting the adjustment to the line item Regional Pass-Through Gallonage Charge.
3. The notice will include the following language:
“This tariff change is being implemented in accordance with Aqua Texas’ approved Regional Pass-Through Gallonage Charge Adjustment provision to recognize (increases)(decreases) in the (costs), (fees), (rates) and (charges) imposed by (governmental entities), (water authorities) or (districts) (having jurisdiction over Aqua Texas or its operations) or (by non-affiliated third-party) (water suppliers) or (water rights holders) (selling water) or (water rights) to Aqua Texas. The cost of these charges to customers will not exceed the (increased) (decreased) cost of the (costs), (fees), (rates) and (charges) to Aqua Texas.”

The process of implementing the Regional Pass-Through Gallonage Charge Adjustment provision and the Commission’s review of a proposed revision to Aqua Texas Inc.’s line item Regional Pass-Through Gallonage Charge is an informal proceeding and not a contested case hearing. Only the Commission or Aqua Texas, Inc. may request a hearing on the proposed revision. It shall not be considered a rate case under the Texas Water Code or PUC rules, and Texas Water Code § 13.187 shall not apply.

SECTION 2.0 - SERVICE RULES AND REGULATIONS

Section 2.01 – Public Utility Commission of Texas Rules

The utility will have the most current Public Utility Commission of Texas (Commission or PUC) 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 2.02 - Application for and provision of Water Service

All applications for standard residential service will be made on the utility's standard application (attached in the Appendix to this tariff) and will be signed by the applicant before water service is provided by the utility. A separate application or contract will be made for each service at each separate location. The application process for non-standard or non-residential water service will require completion of other forms and agreements to be provided by the utility.

After the applicant has met all the requirements, conditions and regulations for service, the utility will install a 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 ten 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. Notwithstanding any statement in this tariff to the contrary, the utility will serve each qualified applicant for service within the time limits prescribed in 30 TAC 24.85 (a)-(b) as that rule may be amended by the PUC.

Where service has previously been provided, service will be reconnected within three working days after the applicant has met the requirements for reconnection.

The customer/applicant will be responsible for furnishing and laying the necessary customer service pipe from the meter location to the place of consumption. Customers/applicants may be required to install a customer owned cut-off valve on the customer's side of the meter or connection.

Section 2.03 - 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 a complaint may be filed with the Commission.

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONT.)

Section 2.04 - 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 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.

Non-residential 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 2.05 - Meter Requirements, Readings, and Testing

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. One meter is required for each residential, commercial, industrial, or other non-residential facility in accordance with the PUC Rules.

Service 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. 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 2.0 - SERVICE RULES AND REGULATIONS (CONT.)**Section 2.06 - Billing**

Bills from the Utility will be mailed monthly unless otherwise authorized by the Commission or the customer voluntarily elects to be billed through a paperless electronic billing system which uses the standard forms, protocols and conformation processes established and maintained by the Utility or unaffiliated third parties providing online billing and payment services that are approved by the Utility. The due date of bills for utility service will be at least 21 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 or electronic mailing by the Utility or the Utility's billing service 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 work day after the due date.

A late penalty of 10% will be charged on bills received after the due date. Customer payments post marked by the due date will not incur a late penalty. 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.

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 telephone number (or numbers) which may be reached by a local call by customers. At the utility's option, a toll-free telephone number or the equivalent may be provided.

Cash Payments at Non-utility Payment Locations or Credit Card Payments – The Utility may use unaffiliated third parties to accept and process utility bill cash payments at non-utility payment locations or to accept and process utility bill credit card payments. Any charges required by the third party to accept and process such utility bill payments are the responsibility of the customer and are in addition to utility bill amounts.

Electronic Billing and Payment – A customer may voluntarily elect to be billed through a paperless electronic billing system which uses standard forms, protocols and conformation processes established and maintained by the Utility or unaffiliated third parties providing online billing and payment services that are approved by the Utility. Any charges required by the third party to process the electronic bill or payment are the responsibility of the customer and are in addition to utility bill amounts. In administering this electronic billing option, the Utility does not send the customer paper bills. Customers may sign up for electronic billing at www.aquaamerica.com. Required information that otherwise accompanies a paper bill is transmitted to the customer electronically, or an Internet link access to such information is transmitted electronically to the customer. Any applicable disconnection notice continues to be sent to the customer via United States mail. The Utility may utilize unaffiliated third parties to electronically transmit bills to the customer. The Utility is not responsible for any loss resulting from the customer's election to receive bills electronically, including but not limited to, any loss associated with damage to the customer's computer equipment or facilities and any loss associated with a third party's unauthorized use of the customer's information.

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONT.)

Either the Utility or customer may, upon thirty (30) days notice to the other party, terminate electronic transmission of bills without any liability to the terminating party resulting from such termination, and without affecting the customer's obligation to pay all amounts due to the Utility. In such event, the Utility will begin to issue paper bills via United States mail to the customer as soon as reasonably practical. The Utility reserves the right to determine whether or not a customer is eligible to be billed through its paperless electronic billing system. A customer that elects electronic billing, who is a combination water and sewer service customer of the Utility, will receive electronic billing for both services.

Third Party Charges for Processing Utility Bill Payments – Any charges required by a third party to accept or process a cash utility bill payment at a non-utility payment location, a credit card utility bill payment, or an electronic utility bill or payment are the responsibility of the customer and are in addition to utility bill amounts.

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 2.07 - Service Disconnection

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

The utility may, but is not required, 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 31 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.

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

Utility personnel must be available to collect payments and to reconnect service on the day of and the day after any disconnection of service unless service was disconnected at the customer's request or due to a hazardous condition.

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONT.)

Section 2.08 - Reconnection of Service

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

Section 2.09 - 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.

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

Section 2.10 - 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 Texas Commission on Environmental Quality (TCEQ) Rules or in the TCEQ's "Rules and Regulations for Public Water Systems." The utility will not provide supply for fire prevention, fire flow, or firefighting services as part of standard retail water utility service.

Section 2.11 - 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 2.20 - SPECIFIC UTILITY SERVICE RULES AND REGULATIONS

This section contains specific utility service rules in addition to the rules previously listed under Section 2.0. It must be reviewed and approved by the Commission and in compliance with PUC Rules to be effective.

The utility adopts the administrative rules of the PUC, as the same may be amended from time to time, as its company specific service rules and regulations. These rules will be kept on file at the company's offices for customer inspection during regular business hours. In the event of a conflict between the PUC's amended rules and the provisions of this tariff, the amended rules shall prevail. Where necessary, any conflicting provision of this tariff shall be deemed to have been superseded by the PUC rule in question to the degree that the utility may conduct its lawful business in conformance with all requirements of said rule.

All payments for utility service shall be delivered or mailed to the remittance address on the utility bill received or paid using any method described on the utility bill received. Cash payments are only accepted in person at designated payment locations as described in the utility bill received. If the utility or its authorized agent 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.

Customers shall 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 must install customer-owned and maintained cutoff valves on their side of the meter.

No water connection from any public drinking water supply system shall be made to any establishment where an actual or potential contamination or system hazard exists without an air gap separation between the drinking water supply and the source of potential contamination. The containment air gap is sometimes impractical and, instead, reliance must be placed on individual internal air gaps or mechanical backflow prevention devices.

Under these conditions, additional protection shall be required at the meter in the form of a backflow prevention device (in accordance with AWWA Standards C510 and C511, and AWWA Manual M14) on those establishments handling substances deleterious or hazardous to the public health. The water purveyor need not require backflow protection at the water service entrance if an adequate cross-connection control program is in effect that includes an annual inspection and testing by a certified backflow prevention device tester. It will be the responsibility of the water purveyor to ensure that these requirements are met.

SECTION 2.20 - SPECIFIC UTILITY SERVICE RULES AND REGULATIONS (CONT.)

Customer shall be liable for any damage or injury to utility-owned property or personnel shown to be caused by the customer, his invitees, his agents, his employees, or others directly under his control.

Limitation on Product/Service Liability - Public water utilities are required to deliver water to the customer's side of the meter or service connection that meets the potability and pressure standards of the TCEQ. The utility will not accept liability for any injury or damage to individuals or their property occurring on the customer's side of the meter when the water delivered meets these state standards. The utility makes no representations or warranties (expressed or implied) that customer's appliances will not be damaged by disruptions of or fluctuations in water service whatever the cause. The utility will not accept liability for injuries or damages to persons or property due to disruption of water service caused by: (1) acts of God, (2) acts of third parties not subject to the control of the utility if the utility has undertaken such preventive measures as are required by TCEQ rules, (3) electrical power failures in water systems not required by TCEQ rule to have auxiliary power supplies, or (4) termination of water service pursuant to the utility's tariff and the PUC's rules. The utility is not required by law and does not provide fire prevention, fire flow, or firefighting services. The utility therefore does not accept liability for fire-related injuries or damages to persons or property caused or aggravated by the availability (or lack thereof) of water or water pressure (or lack thereof) during fire emergencies. The utility will accept liability for any injury or damage to individuals or their property directly caused by defective utility plant facilities (e.g., leaking water lines or meters) or the repairs to or construction of the utility's facilities.

If the services of a registered professional engineer are required as a result of an application for service received by the utility for service to that applicant's service extension only, such engineer will be selected by the utility and the applicant, and the applicant shall bear all expenses incurred therein.

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. Any applicant who places unique or non-standard service demands on the system may be required to provide contributions in aid of construction (as may be allowed by PUC rule) 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 applicant or existing customer required to pay for any costs not specifically set forth in the rate schedule pages of this tariff shall be entitled to a written explanation of such costs prior to 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 have 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 or existing customer's property(ies) is located.

SECTION 2.20 - SPECIFIC UTILITY SERVICE RULES AND REGULATIONS (CONT.)

Tap fees may be increased by unique costs not normally incurred as may be permitted by 16 TAC 24.86(a)(1)(C).

The utility adopts the Uniform Plumbing Code pursuant to TCEQ Rule 290.46(i). The piping and other equipment on the premises furnished by the customer will be maintained by the customer at all times in conformity with the requirements of the TCEQ, the Uniform Plumbing Code and with the service rules and regulations of the utility. The customer will bring out his service line to his property line at the point on the customer's property mutually acceptable to the customer and the utility subject to such requirements as may exist by PUC rule. No meters smaller than those identified in Section 1.0 of this tariff will be connected. No pipe or pipe fitting which contains more than 8.0% lead can be used for the installation or repair of plumbing at any connection which provides water for human use. No solder or flux which contains more than 0.2% lead can be used at any connection which provides water for human use.

The utility will have the right of access to the customer's premises at all times reasonable 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. The customer may require any utility representative, employee, contractor, or agent seeking to make such entry to identify themselves, their affiliation with the utility, and the purpose of their entry.

Threats to or assaults upon utility personnel shall result in criminal prosecution.

Except in cases where the customer has a contract with the utility for reserve or auxiliary service, no other water service will be used by the customer on the same installation in conjunction with the utility's service, either by means of a cross-over valve or any other connection. Customer shall not connect, or allow any other person or party to connect, onto any water lines on his premises. Two places shall not be permitted to be supplied with one service pipe where there is a water main abutting the premises.

No connection shall be allowed which allows water to be returned to the public drinking water supply. No backflow prevention device shall be permitted to be installed in the customer's plumbing without notice to and written permission from the utility. Any backflow prevention devices so installed shall be inspected annually by a licensed backflow prevention device inspector or appropriately licensed plumber and a written report of such inspection delivered to the utility.

SECTION 2.20 - SPECIFIC UTILITY SERVICE RULES AND REGULATIONS (CONT.)

No application, agreement or contract for service may be assigned or transferred without the written consent of the utility.

It is agreed and understood that any and all meters, water lines and other equipment furnished by the utility (excepting the customer's individual service lines from the point of connection to customer's structures on customer's premises) are and shall remain the sole property of the utility, and nothing contained herein or in a contract/application for service shall be construed to reflect a sale or transfer of any such meters, lines or equipment to any customer. All tap and extension charges shall be for the privilege of connecting to said water lines and for installation, not purchase, of said meters and lines.

Applicants for service at new consuming facilities or facilities which have undergone extensive plumbing modifications are required to deliver to the utility a certificate that their facilities have been inspected by a state-licensed inspector and that they are in compliance with all applicable plumbing codes and are free of potential hazards to public health and safety. Service may be denied until the certificate is received or any identified violations or hazards are remedied. The utility is not required to perform these inspections for the applicant/customer, but will assist the applicant/customer to locate and obtain the services of a licensed inspector in a timely manner. When potential sources of contamination are identified which, in the opinion of the inspector or the utility, require the installation of a state-approved backflow prevention device, such backflow prevention device shall be installed on the customer's service line or other necessary plumbing facilities by an appropriately licensed plumber/backflow prevention device specialist at the customer's expense. The backflow prevention device shall be maintained by the customer at the customer's expense and inspected annually by a licensed inspector. Copies of the annual inspection report must be provided to the utility. Failure to comply with this requirement may constitute grounds for termination of water service with notice.

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. Access to meters and cutoff valves shall be controlled by the provisions of 16 TAC 24.89(c).

Where necessary to serve an applicant's property, the utility may require the applicant to provide it a permanent recorded public utility easement on and across the applicant's real property sufficient to provide service to that applicant.

Service applicants may be required to comply with any pre-condition to receiving service not printed herein as may exist under PUC and or TCEQ rule (customer service, health and safety, water conservation, or environmental), USEPA rule, TWDB rule, local water or conservation district rule, or health department rule. Existing customers shall be required to comply with such rules, including modification of their plumbing and/or consumption patterns, after notice.

SECTION 2.20 - SPECIFIC UTILITY SERVICE RULES AND REGULATIONS (CONT.)

Customers must make meters accessible to the Utility and its personnel. If they do not, the Utility may require the removal of the meter to another location according to Section 24.89(c) of the PUC's rules. The Utility will give the customer the option of converting to a remote radio read meter at the customer's expense in lieu of bearing the cost of relocating the meter and any Utility water lines necessitated by the customer's actions. If the customer does not accept this option, the customer will be charged for all incurred meter relocation costs. Before relocating the meter, the utility must provide the customer with written notice of its intent to do so.

This notice must include information on the estimated cost of relocating the meter, an explanation of the condition hindering access and what the customer can do to correct that condition, and information on how to contact the utility. The notice must give the customer a reasonable length of time to arrange for utility access so the customer may avoid incurring the relocation cost. A copy of the notice given to the customer shall be filed with the utility's records on the customer's account.

Customers shall not enclose meters with fences or other artificial barriers. If there is a fence in front of a meter, the customer shall install a gate or stile with 300 pound-load bearing capacity to enable meter readers and service crews to obtain ready access to the utility's property.

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 customer 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 will bear the full cost of any oversizing 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.

COST UTILITY SHALL BEAR. Within its Certificate of Convenience and Necessity ("CCN") service 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 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.

Developers may be required to provide contributions in aid of construction in amounts to furnish the system with all facilities necessary to comply with PUC and TCEQ Rules.

SECTION 3.20 - SPECIFIC UTILITY EXTENSION POLICY

This section contains the utility's specific extension policy that complies with the requirements already stated under Section 3.01. It must be reviewed and approved by the Commission and in compliance with PUC Rules to be effective.

Residential customers not covered under Section 3.01 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 full 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.

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

The utility adopts the administrative rules of the PUC, as amended from time to time, as its company specific extension policy. These rules will be kept on file at the company's business office for customer inspection during normal business hours. In the event of a conflict between the PUC's amended rules and the provisions of this tariff, the amended rules shall prevail. Where necessary, any conflicting provision of this tariff shall be deemed to have been superseded by the PUC rule in question to the degree that the utility may conduct its lawful business in conformance with all requirements of said rule.

When an individual residential applicant requires an extension of a main line beyond 200 feet, the charge to that applicant shall be the actual cost of such extension in excess of 200 feet, plus the applicable tap fee plus such other approved costs as may be provided in this tariff and/or PUC rules.

Residential tap fees may be increased by other unique costs not normally incurred as permitted by PUC rule. Larger meter taps shall be made at actual cost associated with that tap which shall include such extraordinary expenses.

Any service extension to a subdivision (recorded or unrecorded) may be subject to the provisions and restrictions of 16 TAC 24.86(d) and this tariff. 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 based upon the capacities of production, transmission, storage, pumping and treatment facilities, compliant with the TCEQ minimum design criteria, which must be committed to such extension. As provided by 16 TAC §24.86(d)(4), for purposes of this tariff, commercial, industrial, other non-residential, and wholesale customers shall be treated as developers.

SECTION 3.20 - SPECIFIC UTILITY EXTENSION POLICY (CONT.)

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.

Unless expressly exempted by PUC rule or order, each point of use (as defined by 16 TAC §24.3) must be individually metered.

The imposition of additional extension costs or charges as provided by Sections 2.20 and 3.20 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 entitled to 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 have 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. Unless the PUC or other regulatory authority enters interlocutory orders to the contrary, service to the applicant may be delayed until such appeal is resolved.

The utility will provide a written service application form to the applicant for each request for standard 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. The application process for non-standard or non-residential water service will require completion of other forms and agreements to be provided by the utility in addition to the standard service application form. Standard service application forms will be available for applicant pick up at the utility's business office during normal weekday business hours or for download from the utility's web site. Forms and agreements for non-standard or non-residential water service will be provided by the utility upon request. Service applications will be sent by prepaid first class United States mail to the address provided by the applicant upon request. Completed applications may be submitted by hand delivery or by mail to one of the utility's business offices.

The utility shall serve each qualified service applicant within its CCN service area as soon as practical after receiving a completed service application and all required agreements. 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 herein or by PUC rules.

The utility is not required to extend service to any applicant outside of its CCN service area and will only do so, at the utility's sole option, under terms and conditions mutually agreeable to the utility and the applicant and upon extension of the utility's certificated service area boundaries by the PUC. Service applicants may be required to bear the cost of the service area amendment.

SECTION 3.20 - SPECIFIC UTILITY EXTENSION POLICY (CONT.)

A “qualified service applicant” is an applicant who has: (1) met all of the utility’s requirements of service contained in this tariff, PUC rules and/or PUC order, (2) has made all payments for tap fees and extension charges, (3) has provided all necessary easements and rights-of-way necessary to provide service to the requested location, including staking said easements or rights-of-way where necessary, (4) delivered an executed customer service inspection certificate to the utility, and (5) has executed a customer service application for each location to which service is being requested.

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. The tap request must be accompanied with a plat, map, diagram or written metes and bounds description of precisely where the applicant desires each tap or service connection to be made, and, if necessary, where the meter is to be installed, along the applicant’s property line. 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. 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, applicant may refer the matter to the PUC for resolution. Unless otherwise ordered by the PUC, the tap or service connection will not be made until the location dispute is resolved.

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. The developer shall be required to obtain all necessary easements and rights-of-way required to extend the utility’s existing service facilities from their nearest point with adequate service capacity (as prescribed by PUC rules and local service conditions) to and throughout the developer’s property. The easements shall be sufficient to allow the construction, installation, repair, maintenance, testing, and replacement of any and all utility plant necessary to provide continuous and adequate service to each and every potential service location within the property at full occupancy. Unless otherwise restricted by law, well plant sites shall convey with unrestricted rights to produce water for public drinking water supply. The developer shall be required to provide the utility with a minimum of a 160-foot radius sanitary control easement or fee simple real property conveyance around the proposed well site acceptable to the TCEQ for each water well site to be located within the developer's property or otherwise being obtained to serve the developer's property. Unless otherwise agreed to by the utility, pipeline right-of-way easements must be at least 15 feet wide to allow adequate room to facilitate backhoe and other heavy equipment operation and meters. Easements must be provided for all production, storage, treatment, pressurization and disposal sites which are sufficient to construct and maintain all weather roads as prescribed by TCEQ rules. All easements shall be evidenced, at developer’s expense, by recorded county-approved subdivision plat or by specific assignment supported by metes and bounds survey from a surveyor licensed by the State of Texas.

SECTION 3.20 - SPECIFIC UTILITY EXTENSION POLICY (CONT.)

Prior to the extension of utility service to developers (as defined by PUC rules) or new subdivisions, the developer shall comply with the following:

(a) The developer shall make a written request for service to property that is to be subdivided and developed. The developer shall submit to the utility a proposed plat on a scale of one inch (1") to two hundred feet (200') for review and determination of required easements, utility plant, and plant location. If sewer service is requested, the plat must contain elevation data. A reconcilable deposit in an amount set by the utility may be required to cover preliminary engineering, legal and copy cost to be incurred by the utility in reviewing and planning to meet this service request. The plat and/or accompanying information shall identify the type, location and number of houses and other planned structures that will be requiring utility service. If other than residential structures are to be located on the property, all other types of anticipated businesses and their service demands shall be identified with specificity. All areas requiring special irrigation and/or other unique water demands must be identified. To the extent reasonably possible, this information must be precise so that adequate facilities can be designed and constructed to meet all future service demands without hazard to the public, other utility customers, and/or the environment.

(b) After the requirements of easements and rights-of-way have been determined, a red line copy will be returned by the utility to the developer for final plat preparation.

(c) Copies of all proposed plats and plans must be submitted to the utility prior to their submission to the county for approval to insure that they are compatible with the adequate long-term utility needs of potential service customers. Copies will be returned after review by the utility so that necessary changes may be incorporated into the developer's final submitted plat(s) and plans.

(d) The utility shall be provided with three (3) certified copies of the final plat(s) approved by the County Commissioners Court. At this time, the utility will begin engineering the facilities necessary to serve the property. Plans and specifications will be prepared and submitted to the TCEQ by the utility if required by law. If further plat or plans changes are necessary to accommodate the specific service needs of the property and the anticipated customer demands, the developer will be so notified. Plat amendments must be obtained by the developer. The developer shall be notified when all required TCEQ or other governmental approvals or permits have been received. No construction of utility plant which requires prior TCEQ plans approval shall be commenced until that approval has been received by the utility and any conditions imposed by the TCEQ in association with its approvals have been satisfied.

(e) The developer shall be required to post bond or escrow the funds necessary to construct all required utility plant, except individual taps, meters and sewer connections, required to serve the property. Construction shall not commence until funds are available. If the construction is to be done in coordination with the phased development of the property, funds must be provided in advance which are sufficient to complete each phase. No phase or facilities for any phase shall be constructed prior to the bonding or escrowing of all funds associated with that phase.

SECTION 3.20 - SPECIFIC UTILITY EXTENSION POLICY (CONT.)

(f) At the sole option of the utility, the developer may be required to execute a Developer Extension Contract setting forth all terms and conditions of extending service to the developer's property including all contributions-in-aid-of-construction and developer reimbursements, if any.

(g) The utility may require the developer to commence construction of subdivision improvements within three (3) months of utility plans approval or the utility may abate its construction activities until full development construction begins. If the developer stops construction of subdivision improvements for any purpose, the utility may abate its construction for a similar period.

(h) As soon as the roads are rough cut and prior to paving, extension lines will need to be constructed at each road crossing. The developer must notify the utility sufficiently in advance of this development stage to allow for the necessary utility construction without disruption to other service operations of the utility. Failure to provide adequate advance notice and cooperation in the construction of necessary utility plant may result in additional delays in obtaining service to the property. The developer shall be required to pay for all additional costs of road boring or other remedial construction necessary to install adequate utility plant throughout the affected property.

(i) The developer, not the utility, shall insure that developer's employees, agents, contractors and others under its control coordinate their work or construction throughout the property with the utility to insure the orderly and timely construction of all utility plant necessary to serve the public.

Within its CCN service area, the utility shall bear the cost of the first 200 feet of any water main line necessary to extend service to an individual residential service applicant within a platted subdivision unless the utility can document:

(a) 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; or

(b) that the developer defaulted on the terms and conditions of a written agreement or contract existing between the utility and the developer or the terms of this tariff regarding payment for services, extensions, or other requirements; or in the event the developer declared bankruptcy and was therefore unable to meet obligations; and

(c) that the residential service applicant purchased the property from the developer after the developer was notified of the need to provide facilities to the utility.

SECTION 3.20 - SPECIFIC UTILITY EXTENSION POLICY (CONT.)

A residential service applicant may be charged the remaining costs of extending service to his property; provided, however, that the residential service applicant may only be required to pay the cost equivalent to the cost of extending the nearest water main line, whether or not that line has adequate capacity to serve that residential service applicant. The following criteria shall be considered to determine the residential service applicant's cost for extending service:

(a) The residential service applicant shall not be required to pay for costs of main extensions greater than 24" in diameter for water distribution.

(b) Exceptions may be granted by the PUC if:

(1) 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

(2) larger minimum line sizes are required under subdivision platting requirements or applicable building codes.

(c) 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 over-sizing 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 CCN area, industrial, other non-residential and wholesale customers shall be treated as developers.

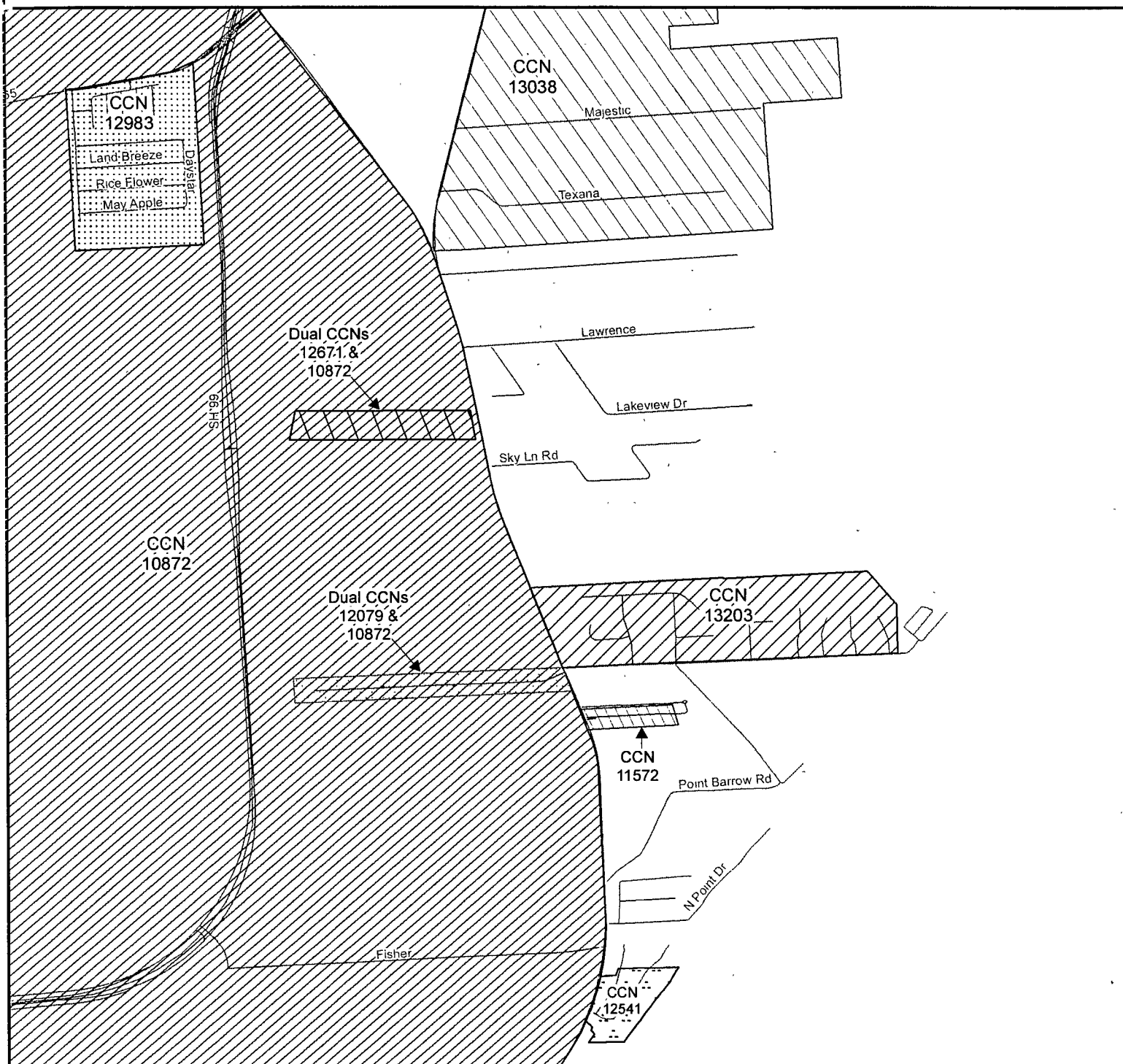
A service applicant requesting a one inch meter for a lawn sprinkler system to service a residential lot is not considered nonstandard service. Any applicant for non-residential service is considered a request for nonstandard service.

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.”)

Aqua Texas, Inc.
Portion of Water CCN No. 13203
PUC Docket No. 42958

Transferred a Portion of Aqua Utilities, Inc., CCN No. 11157 in Chambers and County



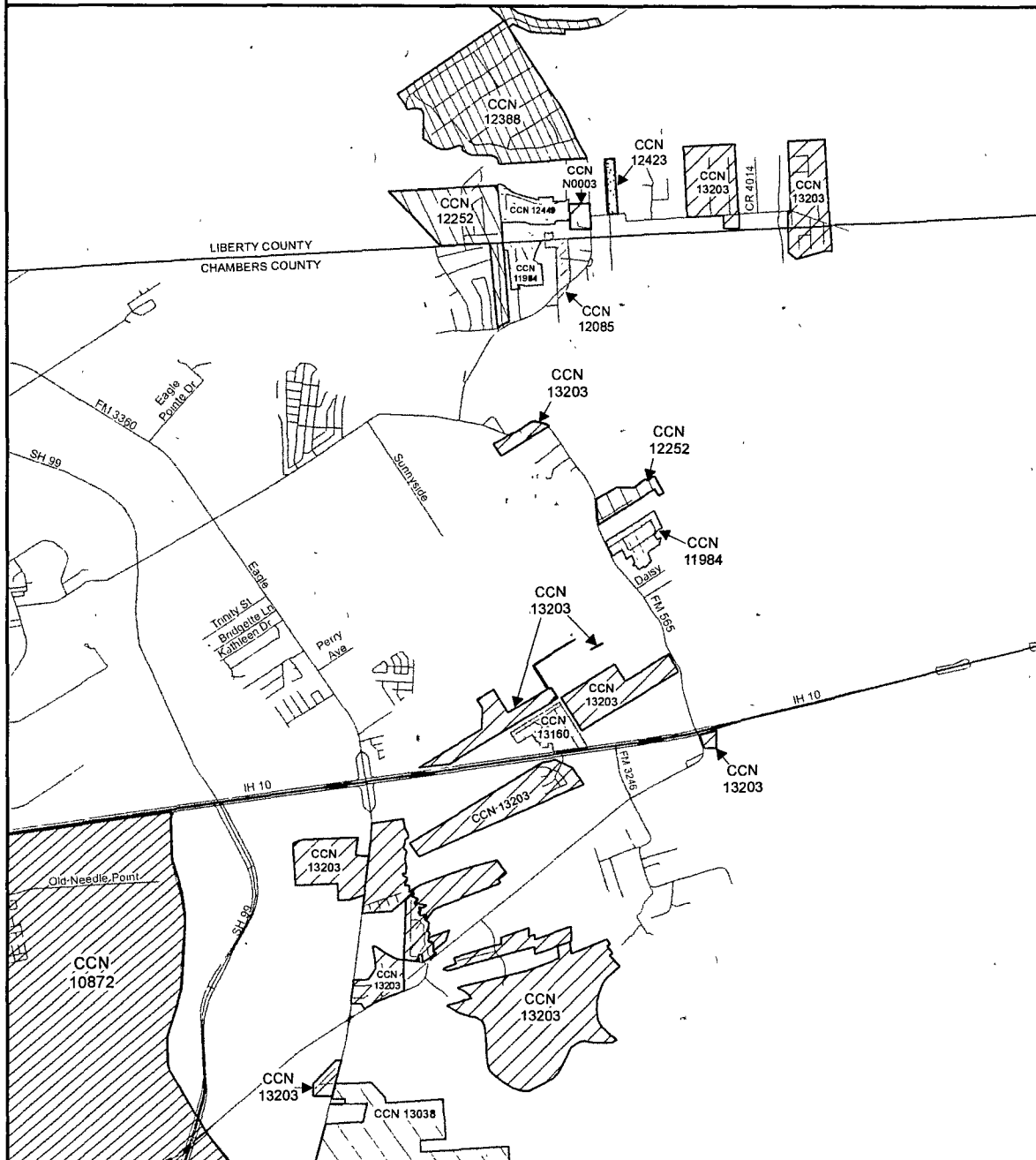
Water CCN

-  13203 - Aqua Texas Inc
-  10872 - Baytown Area Water Authority
-  13038 - CC Water Works Inc
-  11572 - C & H Water Production












-  12541 - The Bay Place POA Inc
-  12079 - Villa Utilities
-  12671 - Orchard Crossing
-  12983 - Monarch Utilities I LP



Aqua Texas, Inc.
 Portion of Water CCN No. 13203
 PUC Docket No. 42958
 Transferred a Portion of Aqua Utilities, Inc., CCN No. 11157 in Chambers and Liberty Counties



Water CCN

- | | |
|--|--|
|  13203 - Aqua Texas Inc |  N0003 - Wildwood Subdivision |
|  13160 - Olsen Estates POA |  12423 - Hunters Cove Section 1 WSC |
|  12252 - Nerro Supply LLC |  12388 - Woodland Hills Water LLC |
|  11984 - Krebs Utilities Inc | |
|  13038 - CC Water Works Inc | |
|  10872 - Baytown Area Water Authority | |
|  12449 - Woodcreek Water of Liberty | |
|  12085 - J & S Water Co LLC | |



Public Utility Commission of Texas
 1701 N. Congress Ave
 Austin, TX 78701

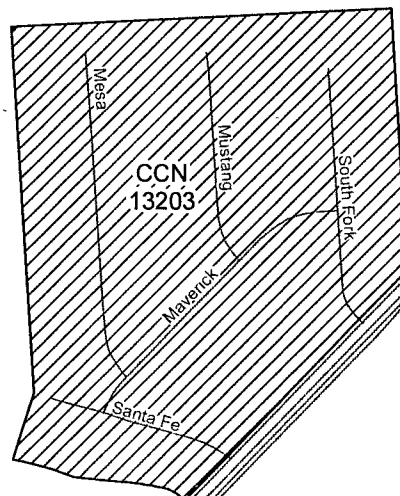
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 Miles



Map by Komal Patel
 Date created February 17, 2017
 Project Path n:\finalmapping\42958AquaTexasChambers.mxd

0000000036

Aqua Texas, Inc.
Portion of Water CCN No. 13203
PUC Docket No. 42958
Transferred a Portion of Aqua Utilities, Inc., CCN No. 11157 in Jefferson County



Water CCN



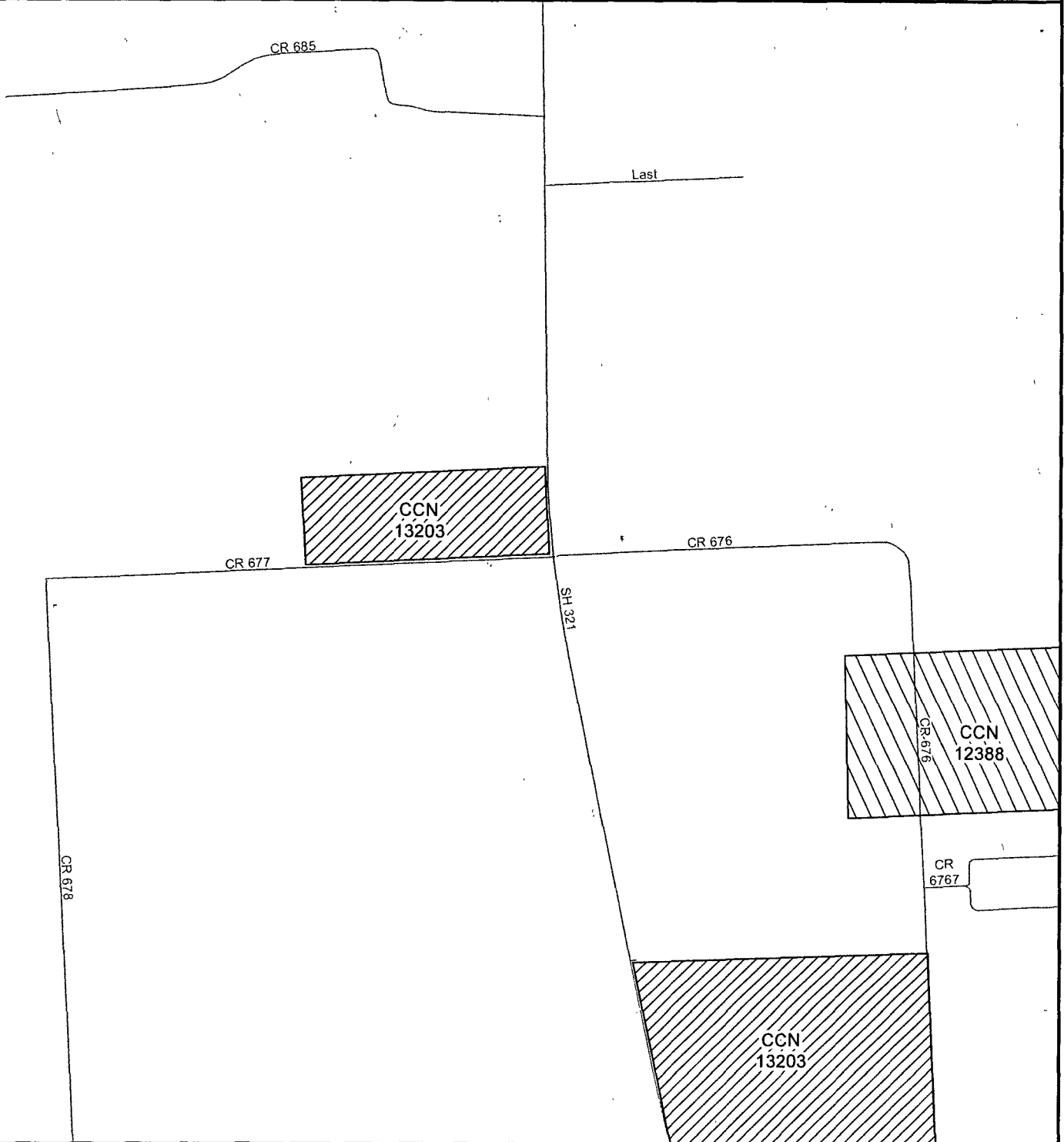
13203 - Aqua Texas Inc

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Aqua Texas, Inc.
Portion of Water CCN No. 13203
PUC Docket No. 42958

Transferred a Portion of Aqua Utilities, Inc., CCN No. 11157 in Liberty County



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Feet



Water CCN



13203 - Aqua Texas Inc.



12388 - Woodland Hills Water LLC

Map by: Komal Patel

Date created: February 17, 2017

Project Path: n \finalmapping\42958AquaTexasLiberty.mxd

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