



Control Number: 43078



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FREMONT WATER Co.
P.O. Box 291937
Kerrville, Texas 78029-1937

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PUBLIC UTILITY COMMISSION
FILING CLERK

December 10, 2014

Filing Clerk
Public Utility Commission of Texas
1701 North Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326

Re: **PUC DOCKET NO. 43078** CCN 12821

This letter is in response to Phil Masi's letter, dated August 24, 2014 protesting the proposed water rate increase by Fremont Water Co.

To determine what a Public Water System, in Texas, can charge its customers TCEQ/PUC requires the Public Water System (PWS, Fremont Water Co.) to complete an "Application for a Rate/Tariff Change". We, Fremont Water Co., completed this Application using the year 2013 records under the direction of a TCEQ Consultant. The total annual revenue requirement for Fremont Water Co., determined by this, "TCEQ/PUC required process" was \$62,846 per year. The last rate increase was 1/25/97 and needless to say, costs required to operate a public water system have increased substantially.

The actual pumping cost of water from a well and delivering it to a service connection (meter) is not expensive. This can be performed for less than \$1.00 for 1,000 gallons of water. Fixed costs, as in capital investments, such as tanks, equipment, distribution system and the labor involved in maintenance of equipment, record keeping, monthly billing, insuring the water is potable and available (24/7/365 days per year) are by far the most expensive part of operating and maintaining a water system.

The existing three tier system, created in 1997 (with a low base rate that included 2000 gallons,) was not working in producing adequate revenue for the system. The formation of the rate structure, at that time, did not include and did not anticipate customers/residents drilling their private wells after the Certificate of Convenience and Necessity was issued to Crystal Land Water LLC. Since that time customers have used their private wells for irrigation and, at the same time, taking advantage of the water systems low base rate for household use. This resulted in the community water system losing a major portion of its planned revenue from the gallon charge. It is estimated the 8 private wells located in Homestead Subdivision (CCN 12821), and within 2600 feet of Fremont's well, are drawing over an estimated 4,000,000 gallons per year. The 5 customers with private wells presently only pay the lowest tier rate (\$2.25) on water for household use and nothing on an estimated 500,000 gallons per year from their private wells.

Headwaters Groundwater Conservation District issues well permits in our area and has recognized the financial impact private wells have on public water systems. HGCD will no longer permit private wells

on less than 10 acres where a CCN is in effect. Fremont water Co. or HGCD has no control over existing private wells.

There is considerable animosity, in the community, between customers of the water system who are required to pay substantial, gallon rates to maintain the water system and those customers who have private wells. The private wells are pumping water from the same aquifer at very little cost, with no incentive to conserve and no incentive to produce potable water. All 8 wells, with the exception of one, are located on small lots less than 2 acres. Irrigation and sewage systems are, also, installed on these lots, which raises the question, are the wells and aquifer adequately protected from backflow contamination?

As a result of the above conditions Fremont's proposed rate change distributes costs of operating the water system as equally, as possible, through a combination base rate and gallonage charge among all customers and over use will be managed by water restrictions.

Regards,



Fred Gregory
Owner & Operator Fremont Water Co.

Copy: Phil Masi

PUC DOCKET NO. 43078
Freemont Water Co.