

Control Number: 43371



Item Number: 25

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APPLICATION OF WILDERNESS §
SOUND AND HDU SERVICES, LLC FOR §
SALE, TRANSFER, OR MERGER OF §
FACILITIES AND CERTIFICATE OF §
CONVENIENCE AND NECESSITY IN §
BURLESON COUNTY (37990-S) §

PUBLIC UTILITY COMMISSION
OF TEXAS

COMMISSION STAFF'S RESPONSE TO ORDER NO. 8 – RECOMMENDATION ON FINAL DISPOSITION

COMES NOW the Staff of the Public Utility Commission of Texas (Staff), representing the public interest, and files this Response to Order No. 8 – Recommendation on Final Disposition, and would show the following:

I. Background

On July 20, 2014, Wilderness Sound and HDU Services, LLC filed an application with the Texas Commission on Environmental Quality (TCEQ) for the sale, transfer, or merger of the facilities and service area of Wilderness Sound, Certificate of Convenience and Necessity (CCN) No. 11699 and to obtain a CCN, pursuant to TEX. WATER CODE ANN. §§ 13.246(c), 13.254, 13.301 (TWC) and 30 TEX. ADMIN. CODE Section 291.109 (TAC).

On September 1, 2014, the Public Utility Commission of Texas (Commission or PUC) began the economic regulation of water and sewer utilities and this case was transferred from the TCEQ to the Commission for further review. On October 1, 2014, the Administrative Law Judge (ALJ) issued Order No. 2, which required Staff to file comments on the status of the application by October 26, 2014, including a recommendation on the application and if appropriate a proposed procedural schedule. Subsequently on October 23, 2014, January 9, 2015, and March 11, 2015, Staff found the application, including supplements, to not be administratively complete. On October 27, 2014, January 9, 2015, and March 13, 2015, Order Nos. 3, 4, and 5, respectively deemed the application incomplete and deficient, and therefore not administratively complete or ready for further review. Order No. 5 required the Applicants to amend their application to cure the deficiencies noted by Staff by March 27, 2015 and requires Staff to file a supplemental recommendation regarding administrative completeness of the amended application and notice, along with a proposed procedural schedule, on or before April 16, 2015. On April 7, 2015, Staff recommended that the application and notice be deemed

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sufficient and complete. On April 8, 2015, Order No. 6 found the application and notice sufficient. Thereafter, on July 15, Commission Staff found that the documents submitted by HDU Services, LLC on July 3, 2015, provided sufficient proof that the sale in this proceeding has been consummated and that sufficient proof existed that customer deposits have been properly transferred or refunded. Order No. 8 was issued on July 20, 2015 finding sufficient proof has been provided that the sale in this docket has been consummated and customer deposits have been properly transferred or refunded. Order No. 8 also set July 28, 2015 as the deadline for Applicants to sign and return the consent forms provided by Commission Staff and set August 6, 2015 as the deadline for Commission Staff to make a final recommendation. Therefore, this response is timely filed.

II. Recommendation

Pursuant to 16 TAC § 24.109(g), the utility or water supply or sewer service corporation, within 30 days of the actual effective date of the transaction, must provide the Commission “a signed contract, bill of sale, or other appropriate documents as evidence that the transaction has been made final and documentation that customer deposits have been transferred or refunded to the customer with interest as required by these rules.” On July 3, 2015, HDU Services, LLC filed a Bill of Sale, which was executed on June 22, 2015. The Bill of Sale specifically states that the seller (Wilderness Sound), for the consideration of ten dollars and other good and valuable consideration will transfer all properties held, including “[a]ll improvements, including but not limited to all water wells, water lines, equipment and easements formerly owned by the Yeagua Water System, Yeagua Water, Inc. and Wilderness Sound, Ltd” to the buyer (HDU Services, LLC. After finding the Applicants provided sufficient proof the transaction had been finalized and customer deposits transferred or refunded, Staff sent consent forms to the Applicants. On July 21, 2015, Applicants consented to the map and certificates Staff sent to them on July 13, 2015, representing the final transaction.

Consistent with the attached memorandum of Debbie Reyes Tamayo, Program Specialist in the Commission’s Water Utilities Division, Staff recommends the transaction be approved. Staff continues to find that the transaction serves the public interest and that HDU Services LLC is financially sound to provide continuous and adequate service; Staff found that HDU has the financial capability to pay for facilities necessary to provide continuous and adequate service as demonstrated by the debt service coverage ratio, which was calculated to be \$95,000 to \$68,200

or 1.39 to 1.00. It was found that with respect to the Applicant's technical capability, Mr. Lozano, owner and operator of HDU Services LLC, has 20 years of experience in implementing, maintaining, and operating public water systems, and currently holds a Class C operator license. In addition, Staff has found that the Applicant has experienced operators with thorough knowledge about water operations and the requirement for continuous and adequate service.

Staff will work with the parties to prepare and file a proposed notice of approval, including findings of facts, conclusions of law, and ordering paragraphs by August 13, 2015.

III. Conclusion

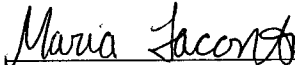
Staff respectfully requests that the ALJ issue an order consistent with this recommendation. In addition, Staff will work with the parties to prepare and file a proposed notice of approval, including findings of facts, conclusions of law, and ordering paragraphs by August 13, 2015.

DATED: July 30, 2015

Respectfully Submitted,

Margaret Uhlig Pemberton
Division Director-Legal Division

Shelah J. Cisneros
Managing Attorney-Legal Division



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

DOCKET NO. 43371
CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on this the 30th of July, 2015, in accordance with 16 TAC § 22.74.

Maria Faconti
Maria Faconti

PUC Interoffice Memorandum

To: Maria Faconti, Attorney
Legal Division

Through: Tammy Benter, Director
Water Utility Division

From: *DC 7-30-15*
Debbie Reyes Tamayo, Program Specialist
Water Utility Division

Date: July 30, 2015

Subject: **Docket No. 43371** – *Application of Wilderness Sound and HDU Services, LLC for Sale, Transfer, or Merger of Facilities and Certificate of Convenience and Necessity in Burlason County (Application 37990-S)*

On July 20, 2014, HDU d/b/a Yegua Water System (“HDU” or “Purchaser”) and Wilderness Sound d/b/a Birch Creek (“Wilderness Sound” or “Seller”) filed an application to transfer all the facilities, service area, and customers from Certificate of Convenience and Necessity (CCN) No. 11699, held by Wilderness Sound in Brazos County, to HDU. As a result of the proposed transaction, HDU will acquire CCN No. 11699 from Wilderness Sound and Wilderness Sound will no longer be authorized to provide retail water service. The application was filed pursuant to the criteria in the Texas Water Code (TWC) §§ 13.241, 13.246, and 13.301. On September 1, 2014, the rates and CCN programs were transferred from the Texas Commission on Environmental Quality (TCEQ) to the Public Utility Commission (PUC or Commission). This application was part of the transfer and is now under the PUC’s purview. Therefore, 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 transferred to the commission on September 1, 2014. Thereafter, on April 7, Staff recommended the application be accepted for filing by the Commission. Order No. 6, issued April 8, 2015, found the application and notice sufficient. Proper public notice was provided on May 4, 2015, to neighboring systems, landowners, cities, and affected parties in Brazos County in accordance with 16 TAC § 24.112(c). The affidavit attesting to notice was received by the Commission on May 7, 2015. The comment period ended June 5, 2015, and no

Docket No. 43371

protests or requests for hearing were received by the Commission. 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. The 120-day period for this application was triggered by the date of notice and expired on June 5, 2015.

Based on a review of this application, I find HDU demonstrates adequate financial, managerial, and technical capability to provide service to the area subject to this application, as required by TWC § 13.301(b). In my review of the public interest factors and the financial, managerial, and technical capability of the Applicant, I reviewed the requested transaction pursuant to TWC § 13.246(c). Under this statute, the Commission shall consider the following nine criteria when granting a CCN:

- TWC § 13.246(c)(1) requires the Commission to consider the adequacy of service currently provided to the requested area. The requested transaction includes the water utility service from the Yegua Water System (Yegua), Public Water System (PWS) No. 0260039, and Birch Creek Village Water (Birch Creek), PWS No. 0260042, consisting of 650 acres and 132 current connections and facilities. There are no outstanding violations for either system; however, both systems, on their own, are operating at 85% of their capacity based on TCEQ's minimum requirements in 30 TAC § 290, Subchapter D. In the application, HDU stated that after the transaction is complete, HDU will acquire an approved loan from Citizen Bank to upgrade and interconnect the systems to bring them into compliance with a shared water source. The proposed transaction will allow the utility to provide a more reliable source of water by making system improvements after the 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. In the application, HDU stated that after the transaction is

complete HDU will acquire an approved loan from Citizen Bank that will allow it to upgrade the systems and to interconnect the systems and bring them into compliance with a shared water source. The transfer will allow the system to provide more reliable source of water and to ultimately improve the quality of utility service.

- TWC § 13.246(c)(4) requires the Commission to consider the ability of the Applicant to provide adequate service. The Applicant is an existing water utility and will provide water service using the existing systems, pending the closure and approval of the transaction. Under current ownership, the systems are operating at 85% of their capacity based on TCEQ's minimum requirements in 30 TAC § 290, Subchapter D. In the application, HDU stated that after the transaction is complete HDU will upgrade the systems and interconnect them to bring them into compliance with a shared water source. The transfer will improve the adequacy of water for the requested area.
- 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. HDU noted that the transfer of the system will allow HUD to obtain a pre-approved loan from Citizen State Bank to upgrade and interconnect the systems to provide safe water with uninterrupted service. To demonstrate that HDU has the financial capability, HDU provided a historical balance sheet for years 2009 through 2013 and income tax returns for Fiscal Year (FY) 2013 and FY 2012. For the accounting year 2013, HDU reported total equity in the amount of \$424,000. HDU's total long term debt to equity ratio for 2013 was \$310,000 to \$424,000, or 0.73 to 1.00. A ratio of less than 1 to 1 is preferred for analysis of financial/managerial capabilities because lower ratios means that the utility has less debt and this reduces risk. For Tax Year 2013, net operating income was \$19,100

and depreciation was \$76,000. Cash payments for principle and interest payments on long term debt for FY 2013 were \$68,200. Therefore, the debt service coverage ratio calculates to be \$95,000 to \$68,200 or 1.39 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. Additionally working capital and cash for 2013 were reported for a total balance of \$67,100. Because of the healthy ratios exhibited by the acquiring entity in this transaction, I believe HDU has the financial capability to pay for facilities necessary to provide continuous and adequate service.

- 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, because the infrastructure is mostly in place, there will be a minimal impact on the environment and the land during the time frame that the lines between the two systems are being interconnected.
- 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 through this transaction as they will remain the same; however, HDU plans to increase the rates in the future to offset costs of future system improvements. With regard to the improvement in service, once the transaction is complete, HDU plans to make improvements by interconnecting the systems. By doing so, it will provide a more stable water supply between the two systems and thus, it will improve service to the proposed area.

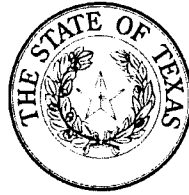
With respect to the Applicant's technical capability, Mr. Lozano, owner and operator of HDU Services LLC, has 20 years of experience in implementing, maintaining, and operating public water systems, and currently holds a Class C operator license. The Applicant is an experienced operator with thorough knowledge about water operations and is able to provide continuous and adequate service to the area subject to this application.

The Applicant meets all of the statutory requirements of TWC Chapter 13 and the 16 TAC Chapter 24. Approving this application to transfer CCN No. 11699's facilities, customers, and service area from Wilderness Sound to HDU is necessary for the service, accommodation,

convenience, and safety of the public.

The Applicant is capable of providing continuous and adequate service. Staff recommends approval of the order. The Applicant consented to the attached map, certificates, and tariff on July 21, 2015. Staff also 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) and (s).

TB/DRT



Public Utility Commission Of Texas

By These Presents Be It Known To All That

HDU Services, LLC

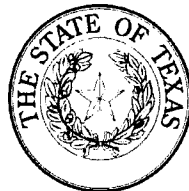
d/b/a Yegua Water System

having duly applied for 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 by this Applicant, is entitled to and is hereby granted this

Certificate of Convenience and Necessity No. 11699

to provide continuous and adequate water utility service to that service area or those service areas in Burleson County as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 43371 are on file at the Commission offices in Austin, Texas; and are matters of official record available for public inspection; and be it known further that these presents do evidence the authority and the duty of the HDU Services, LLC d/b/a Yegua Water System, 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, this _____ day of _____ 2015



Public Utility Commission Of Texas

By These Presents Be It Known To All That

Wilderness Sound d/b/a Birch Creek

CANCELATION OF CERTIFICATE OF CONVENIENCE AND NECESSITY

To Provide Sewer Service Under V.T.C.A., Water Code
and Public Utility Commission of Texas Substantive Rules

Certificate No. 11699

Certificate No. 11699 was canceled and transferred by Order of the Commission in Docket No. 43371. Wilderness Sound d/b/a Birch Creek's facilities were transferred to HDU Services, LLC, CCN No. 11699, in Burleson County.

Please reference Certificate No. 11699 for the location of maps and other information related to the service area transferred.





Certificate of Convenience and Necessity No. 11699 is hereby CANCELED and TRANSFEREED by Order of the Public Utility Commission of Texas.

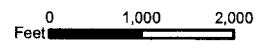
Issued at Austin, Texas, this _____ day of _____ 2015

HDU Services, LLC dba Yegua Water System
Water Service Area
CCN No. 11699
PUC Docket No. 43371
Transferred Wilderness Sound dba Birch Creek, CCN No. 11699
in Burleson County



Water CCN Serice Areas

-  11699 - HDU Services LLC
-  12686 - Post Oak Hill WSC
-  12254 - Curtis J Shupak
-  12252 Nerro Supply
-  13144 - Burleson County MUD 1
-  10177 - Deanville WSC



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

Map by: Komal Patel
 Date created: July 13, 2015
 Project Path: n:/finalmapping/43371HDUServicesLLC.mxd



WATER UTILITY TARIFF
Docket Number: 43371

HDU Services, LLC
(Utility Name)

13193 C.R. 424
(Business Address)

Somerville, Texas 77879
(City, State, Zip Code)

(979) 739-1706
(Area Code/Telephone)

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

11699

This tariff is effective in the following county:

Burleson

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

N/A

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

Yegua Water System: PWS # 0260039

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

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| SECTION 3.0 -- EXTENSION POLICY | 9 |
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| 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>Gallage Charge</u> |
|-------------------|--|---|
| 5/8" or 3/4" | <u>\$31.04</u> (Includes 5000 gallons) | <u>\$3.00</u> per 1000 gallons thereafter |

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

Cash X, Check X, Money Order X, 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 REMIT FEE TO THE TCEQ.

Section 1.02 - Miscellaneous Fees

TAP FEE.....\$700.00

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 (Unique costs).....Actual Cost

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

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.

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SECTION 1.0 -- RATE SCHEDULE (Continued)

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).....\$5.00

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.....\$35.00

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

CUSTOMER DEPOSIT RESIDENTIAL (Maximum \$50).....\$0.00

COMMERCIAL & NON-RESIDENTIAL DEPOSIT1/6TH 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 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.

SECTION 2.0 - SERVICE RULES AND REGULATIONS

Section 2.01 – Public Utility Commission of Texas (PUC or Commission) Rules

The utility will have the most current 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 service will be made on the utility's standard application or contract form (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 location.

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.

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

The customer will be responsible for furnishing and laying the necessary customer service pipe from the meter location to the place of consumption. Customers 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 2.04 - 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.

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.

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SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONT.)

Section 2.04 - Customer Deposits (cont.)

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 or industrial 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 2.06 - 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 work day after the due date.

A late penalty of either \$5.00 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.

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.

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SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONT.)

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. 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.

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 2.08 - Reconnection of Service

Service will be reconnected within 24 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, 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 PUC Rules or in the Texas Commission on Environmental Quality (TCEQ) "Rules and Regulations for Public Water Systems."

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SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONT.)

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 Commission's 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.

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 UTILITIES SHALL BEAR. Within its certificate 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 the TCEQ's "Rules and Regulations for Public Water Systems."

This section contains the utility's specific extension policy which 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 will 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's minimum design criteria for facilities used in the production, transmission, pumping, or treatment of water or TCEQ minimum requirements. For purposes of this subsection, a developer is one who subdivides or requests more than two meters on a piece of property. Commercial, industrial, and wholesale customers will be treated as developers.

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SECTION 4.0 -- DROUGHT CONTINGENCY PLAN
(Utility must attach copy of TCEQ approved Drought Contingency Plan)

APPENDIX A -- SAMPLE SERVICE AGREEMENT **Error! Bookmark not defined.**

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** **Error! Bookmark not defined.** 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** **Error! Bookmark not defined.** 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 re-inspection.
- 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****Error! Bookmark not defined.** 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)