



Control Number: 43918



Item Number: 2

Addendum StartPage: 0

1/5/12  
**TCEQ Review - Joe C. DeSno** **ba Knob Hill Water System**

**INTERIM RATE ANALYSIS**

**WATER RATES**

Application No. 37152-R

Staff Accountant:  
Staff Engineer:

Flores  
Adhikari

**CURRENT WATER RATES:**

<u>MINIMUM</u>	<u># GALLONS</u>
\$24.00	3,000

GALLONAGE  
ABOVE MIN  
\$4.00

**AVERAGE USAGE:**

TOTAL TEST  
YEAR GALLONS

AVE  
CUST #

GALLONS  
PER MNTH

5,337,650

74

6,011

CURRENT  
AVERAGE  
WATER  
BILL

\$36.04

**PROPOSED RATES:**

<u>MINIMUM</u>	<u># GALLONS</u>
\$34.00	3000

GALLONAGE  
ABOVE MIN  
\$4.00

**AVERAGE USAGE:**

TOTAL TEST  
YEAR GALLONS

AVE  
CUST #

GALLONS  
PER MNTH

5,337,650

74

6,011

PROPOSED  
AVERAGE  
BILL

\$46.04

**CHANGE IN AVE MONTHLY BILL:**

**\$10.00**

**27.74%**

**Considerations:**

1. Are the rates justified on preliminary review of the cost of service? Yes
2. Is the increase greater than \$15 or 50%? No
3. What is the effective date of this rate increase? 2/27/2012
4. Will the utility put the proposed rates into effect before a hearing? Yes
5. Will rates place an undue financial hardship/burden on the customers? No
6. Is it possible that the utility will refuse to or be unable to make refunds? No
7. Is the utility in receivership or bankruptcy? No
8. Will there be a positive cash flow with the proposed interim rate? Yes
9. When was the Utility's last rate increase? 5/27/1999
10. Why is the rate increase necessary? Applicant letter included w/the notice indicates that due to the rising costs of testing and chemicals it is necessary to apply for a rate a increase.
11. What improvements have been made to the system since the last rate increase? Booster pump (2000 & 2005), two chlorinators (2010)
12. Does the utility have any compliance issues? The inspection report from the region shows deficiencies, however they have been corrected and noted by TCEQ letter dated Sept. 26, 2011.
13. Is the utility providing good customer service? One complaint rec'd in 2011 per iWUD for meter issue.
14. Is the quality of water good? See #12 above.

**Conclusion:**

No protests received as of 1/5/12 for this application.

## Utilities & Districts Section

Utility Name: Joe C. DeSmit dba Knob Hills Water System  
 Appl. Number (s): 37152-R  
 TCEQ Rec. Date: October 10, 2011      Date Received From Admin: October 10, 2011  
 BTR Letter Date: December 21, 2011      Flores/Adhikari  
 Effective Date: February 27, 2012

### Rate Application Processing Timeline

Days after Effective Date	Days after Acceptance Date For Filing		Actual Date
	72	21-Dec-11 Case assigned to Staff (Accountant Keeps Official File)	
	82	31-Dec-11 Staff Accountant and Engineer review application for verification of numbers	
	92	10-Jan-12 Accountant Reviews Financial Data	<u>1/5/2012</u>
		1. Enter Expenses In Spreadsheet under O & M <u>1/5/12</u>	
		2. Completes Interim Rate Analysis Worksheet <u>1/5/12</u>	
		3. Completes Revenue Requirement Worksheet <u>1/5/12</u>	
		4. Complete Labor Analysis <u>1/5/12</u>	
		Engineer Reviews	
		1. Water pumped and billed and calculates percentage lost. <u>12/21/2011</u>	
		2. Develops Depreciation Schedule <u>12/21/2011</u>	
		3. Most Recent PWS Inspection Reports for deficiencies	
		4. Prior Dockets for Existing Depreciation Schedule and notes differences.	
		Accountant and Engineer consider audit/inspection of facilities.	
		May be a necessity if case is protested. Mandatory if sent to evidentiary hearing.	
	96	14-Jan-12 Staff Accountant and Engineer meet to discuss findings	
	101	19-Jan-12 First letter to utility requesting additional information prepared, if necessary Accountant and Engineer coordinate questions to be sent in one letter	
0	60	27-Feb-12 Effective Date	
	131	18-Feb-12 First reponse from utility due	
	136	23-Feb-12 Accountant provides Engineer with location to Cost of Service Spreadsheet	
		Engineer enters Depreciation Schedule, including net plant, annual depreciation and accumulated depreciation.	
	146	4-Mar-12 Accountant determines if interim rates are necessary/makes written recommendations to Team Leader.	
	151	9-Mar-12 Team Leader reviews Accountant's recommendations for interim rates Recommendation forwarded to Section Manager for final approval and processing	
	161	19-Mar-12 Accountant and Engineer review file for complaints	
90	230	27-May-12 Deadline for complaints, checked by Accountant If protested (by 10% of the customers), Accountant prepares recommendation for hearing.	
	230	27-May-12 If NOT protested by customers and/or staff	
		1. Accountant prepares memo and recommendations for administrative approval	
		2. Engineer prepares tariff and memo(or modifies existing tariff) for tariff coordinator	

Stamped 5/31/12

5/31/12  
5/25/12

**WATER UTILITY TARIFF  
FOR**

Joe C. DeSmit dba  
Knob Hill Water System  
(Utility Name)

2861 High Meadow  
(Business Address)

Little Elm, Texas 75068  
(City, State, Zip Code)

(972) 294-2553  
(Area Code/Telephone)

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

11414

This tariff is effective in the following county:

Denton

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

None

This tariff is effective in the following subdivisions or systems:

Knob Hill Water System (PWS#0610068)

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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 -- SAMPLE SERVICE AGREEMENT	
ATTACHMENT -- APPLICATION FOR SERVICE	

SECTION 1.0 -- RATE SCHEDULE

Section 1.01 - Rates

<u>Meter Size</u>	<u>Monthly Minimum Charge</u>	<u>Gallonage Charge</u>
5/8" or 3/4"	<u>\$34.00</u> (Includes 3,000 gallons)	<u>\$4.00</u> per 1000 gallons over the minimum

FORM OF PAYMENT: The utility will accept the following form(s) 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%  
TCEQ RULES REQUIRE THE UTILITY TO COLLECT A FEE OF ONE PERCENT OF THE RETAIL MONTHLY  
BILL.

Section 1.02 - Miscellaneous Fees

TAP FEE ..... \$1,000.00  
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.

RATES LISTED ARE EFFECTIVE ONLY  
IF THIS PAGE HAS TCEQ APPROVAL STAMP

SECTION 1.0 -- RATE SCHEDULE (Continued)

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.

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.....\$15.00

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

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

RETURNED CHECK CHARGE .....\$25.00

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

CUSTOMER DEPOSIT RESIDENTIAL (Maximum \$50) ..... \$50.00

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

GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE .....N/A

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 291.21(K)(2)]

LINE EXTENSION AND CONSTRUCTION CHARGES:

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

RATES LISTED ARE EFFECTIVE ONLY  
IF THIS PAGE HAS TCEQ APPROVAL STAMP

Joe C. DeSmit dba Knob Hill Water System

Application Number:

37152-R

## (A) Recompute Test Year and Adjusted Revenues:

	WATER	
	Proposed	Current
Gallage included in min	3,000	3,000
Base rate	\$34.00	\$24.00
Gallage rate per 1,000	\$4.00	\$4.00
No. of customers X base	74	
Multiply by 12 months	12	12
Annual Revenue-base	<u>\$30,192</u>	<u>\$21,312</u>
Minimum gallons	3,000	3,000
Multiply by no. of customers	74	74
	222,000	222,000
Multiply by 12 months	12	12
Gallage included in min	<u>2,664,000</u>	<u>2,664,000</u>
Gallons pumped + purchased	5,374,990	5,374,990
Gallons inc in min	-2,664,000	-2,664,000
	2,710,990	2,710,990
Divided by	1,000	1,000
	2,711	2,711
Gallage charge per 1,000	\$4.00	\$4.00
	<u>10,844</u>	<u>10,844</u>
Adjusted revenue	<u>\$41,036</u>	<u>\$32,156</u> <u>\$8,880</u>

## (B) Annual Revenue Increase:

	Proposed	Current
	\$34.00	\$24.00
	\$4.00	\$4.00
Gallons pumped	5,374,990	5,374,990
Divide by 12 mos.	12	12
= Gallons pumped per month	447,916	447,916
Divide by no. of customers	74	74
= average usage/month/customer	6,053	6,053
Less: minimum gal incl.	-3,000	-3,000
Gallons charge at gallage rate	3,053	3,053
Divided by 1,000 gallons	1,000	1,000
= average mo usage/customer above the min	3.05	3.05
Multiply by rate/gallon	\$4.00	\$4.00
= gallage revenue per mo per customer above the min	\$12.21	\$12.21
Multiply by 12 months	12	12
= gallage revenue per year per customer above the min	\$146.54	\$146.54
Multiply by no of customers	74	74
Gallage annual revenue increase	\$10,844	\$10,844
Plus base rate Proposed	30,192	
Current rate		21,312

8/15/12  
**Joe C. DeSmit dba Knob Hill Water System**

Application Number:

**37152-R****Reasonable Test**

Annual Salary w/ known and meas chng  
 Divide by number of customers  
 Annual per customer  
 Divide by 12 months  
 Salary per customer per mo.

**WATER**

<u>No. Cust.</u>	<u>Salary</u>	<u>Per connection</u>
	\$26,000	
74	74	
	\$351	
	12	
	<b>\$29.28</b>	29.28

Contract Labor  
 Divide by number of customers  
 Divide by 12 months

	\$0	
74	74	
	\$0	
	12	
	<b>\$0.00</b>	0.00
	<b>\$29.28</b>	

**Adj Labor Costs and Payroll Taxes:**

Annual Salary  
 Annual contract services

<u>Labor Cost Adjustment</u>	<u>Adjusted Sal</u>
\$26,000	0 \$26,000
\$0	\$0 \$0

Payroll taxes:

SS  
 Futa (\$9,000)  
 State Unemp (\$7,000)  
 Payroll taxes

**Limitation**

26,000	7.65%	\$1,989
15,000	0.80%	120
13,000	2.70%	351
		<b>\$2,460</b>



# **AFFIDAVIT**

STATE OF TEXAS

COUNTY OF Denton

I, KAREN LONG-DESUIT, being duly sworn, file this NOTICE OF PROPOSED RATE CHANGE as owner (indicate relationship to Utility, that is, owner, member of partnership, title as officer of corporation, or other authorized representative of Utility); that, in such capacity, I am qualified and authorized to file and verify such NOTICE; and that all statements made and matters set forth herein are true and correct.

I further represent that a copy of the attached notice was provided by mail to each customer or other affected party on or about Dec 3, 20 11.  
(mail or hand delivery)

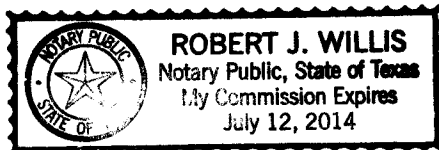
Karen Long-Desuit  
Affiant (Utility's Authorized Representative)

If the Affiant to this form is any person other than the sole owner, partner, officer of the Utility, or its attorney, a properly verified Power of Attorney must be enclosed.

Subscribed and sworn to before me this the 2nd day of December, 20 11, to certify which witness my hand and seal of office.

Robert Willis  
NOTARY PUBLIC IN AND FOR THE  
STATE OF TEXAS

SEAL



Robert Willis  
PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES 7/12/14

DEC 12 PM 3:20  
TCEQ  
CLERK

**December 3, 2011**

**To all water customers:**

**Please disregard the previous letter re the rate increase. Due to an error on my part in submitting paperwork to TCEQ the rate increase will not be effective until February 27, 2012. Enclosed find the Notice of Proposed Rate Change. Please call if you have any questions.**

**Karen LongDesmit**

**214536-7942**

# NOTICE OF PROPOSED RATE CHANGE

Company Name

KNOB HILL WATER SYSTEM CCN Number 11414

has submitted a rate change application to the Texas Commission on Environmental Quality (Commission). The proposed rates listed on the next page will apply to service received after the effective date provided below. If the Commission receives protests to the proposed increase from 10 percent of the ratepayers or from any affected municipality before the 91st day after the proposed effective date, a public hearing will be scheduled to determine if the proposed rates are reasonable. Protests should be mailed to:

**Texas Commission on Environmental Quality  
Water Supply Division  
Utilities & Districts Section, MC 153  
P. O. Box 13087  
Austin, Texas 78711-3087**

Unless protests are received from 10 percent of the ratepayers or the Commission staff requests a hearing, no hearing will be held and rates will be effective as proposed. Please read the following information carefully:

KNOB HILL ESTATES

Subdivisions or Systems Affected by Rate Change

2861 HIGHMEADOW LITTLE ELM TX 75068 972-294-2583  
Company Address City State Zip Telephone

9,120.00  
Annual Revenue Increase

12/03/11  
Date Customer Notice Mailed

1999  
Date of Last Rate Change

27th of month  
Date Meters Typically Read

EFFECTIVE DATE OF PROPOSED INCREASE:

2/27/12

## BILLING COMPARISON

Water:	Existing	10,000 gallons:	\$ <u>5.2</u> /mo	Existing	30,000 gallons:	\$ <u>13.2</u> /mo
	Proposed	10,000 gallons:	\$ <u>6.2</u> /mo	Proposed	30,000 gallons:	\$ <u>14.2</u> /mo
Sewer:	Existing	10,000 gallons:	\$ <u>N/A</u> /mo	Proposed	10,000 gallons:	\$ <u>    </u> /mo

The proposed rates will apply to all service rendered after the effective date and will be reflected on the bill you receive approximately 30 to 45 days after the effective date.

In the event that the application is set for hearing, the specific rates requested by the utility may be decreased or increased by order of the Commission. If the Commission orders a lower rate to be set, the utility may be ordered to refund or credit against future bills all sums collected during the pendency of the rate proceeding in excess of the rate finally ordered plus interest. You may inspect a copy of the rate change application at your utility's office or at the Commission's office at Park 35 - Building F, 12015 Park 35 Circle, Suite 3101, Austin, Texas, west side of IH-35, south of Yager Lane. Additional information about the application can be obtained by contacting the Utilities and Districts Section at 512/239-4691. Information about how you can participate in the rate setting process can be obtained by contacting the Public Interest Counsel at 512/239-6363.

**Si desea informacion en Espanol, puede llamar al 512-239-0200**

# NOTICE OF PROPOSED RATE CHANGE -WATER (Cont.)

Page 2

CURRENT RATES		PROPOSED RATES	
Monthly base rate including <u>3000</u> gallons		Monthly base rate including <u>3000</u> gallons	
Meter Size:		Meter Size:	
Residential		Residential	
5/8" or 3/4"	\$ <u>24.00</u>	5/8" or 3/4"	\$ <u>34.00</u>
1"	\$	1"	\$
1 1/2"	\$	1 1/2"	\$
2"	\$	2"	\$
3"	\$	3"	\$
Other: _____	\$	Other: _____	\$
Gallage Charge:		Gallage Charge:	
\$ <u>4.00</u> for each additional 1000 gallons over the minimum		\$ <u>4.00</u> for each additional 1000 gallons over the minimum	
<u>Miscellaneous Fees</u>		<u>Miscellaneous Fees</u>	
Tap fee	\$ <u>1000.00</u>	Tap fee	\$ <u>1000.00</u>
Reconnect fee:		Reconnect fee"	
Non-payment (Maximum - \$25.00)	\$ <u>25.00</u>	Non-payment (Maximum - \$25.00)	\$ <u>25.00</u>
Customer's request	\$ <u>25.00</u>	Customer's request	\$ <u>25.00</u>
Transfer fee	\$ <u>15.00</u>	Transfer fee	\$ <u>15.00</u>
Late charge	\$ <u>5.00</u>	Late charge (Indicate either \$5.00 or 10%)	\$ <u>5.00</u>
Returned check charge	\$ <u>25.00</u>	Returned check charge	\$ <u>25.00</u>
Deposit	\$ <u>50.00</u>	Deposit (Maximum \$50.00)	\$ <u>50.00</u>
Meter test fee	\$ <u>25.00</u>	Meter test fee	\$ 25.00

Regulatory Assessment of 1% is added to base rate and gallage charges

## Checklist for Rate/Tariff Change Application

Review Number: R - 080 - 11 Effective date 1/1/12

Application # (s) 37152-R

Date Application Received: 10/7/11

Date Application Sent to Program Area: 10/10/11

CCN Number(s): Water 11414 Sewer \_\_\_\_\_

Utility Name: Knob Hill Water System

County(s) Denton

- ☒ Account Fees Due
- ☒ Regulatory Assessment Fees
- ☒ Original and Four Copies of Application Received (Page 20 of General Information)
- ☒ Applicant Name
- ☒ Utility Name and Address: (a Texas address)
- ☒ Contact Person and Address

Attached is a copy of CN & RN's: from WUD

☒ Not on file with Central Registry. Core Data Form needed.

Number of Connections: (W) (S)

J:\UDS\Utilities Forms and Checklists Admin Review\RateTariff Checklist.wpd



## ? Utility details for KNOB HILL WATER SYSTEM (11414)

 **Affiliations**    **Documents**    **Site Visits**    **Schedules**

### Properties

CR Regulated Entity Number: **RN101197127**

CCEDS Status: **NO ACTIVE NOE EXISTS**

Utility Type: **WATER UTILITY**

Ownership Type: **INVESTOR**

Primary County: **DENTON**

County Code: **61**

### Customers

Reference Number	Name	Role
CN601356991	DESMIT, JOSEPH C	RESPONSIBLE PARTY
CN600642532	KNOB HILL WATER SYSTEM	RESPONSIBLE PARTY

### Responsible Party

Individual: **JOE DESMIT**

Organization: **KNOB HILL WATER SYSTEM**

Mailing Address: **2861 HIGH MEADOW**

**LITTLE ELM, TEXAS 75068-4222**

Business telephone: **(972) 294-2553**

Extension:

### Official Address / Phone

Address: **2861 HIGH MEADOW**

**LITTLE ELM, TEXAS 75068-2865**

Telephone: **(972) 294-2553**

### PWS for this Utility

PWS Name	PWS ID	Status	District(Number)
<u>KNOB HILL WATER SYSTEM</u>	0610068	A	

Water System occurrences retrieved.

\*\* Transmit Conf. Report \*\*

P.1

Nov 7 2011 9:51

Fax/Phone Number	Mode	Start	Time	Page	Result	Note
919722942553	NORMAL	7, 9:51	0'44"	3	# O K	

### WATER UTILITY TARIFF FOR

Joe C. DeSmit dba Knob Hills Water System  
(Utility Name)

2739 High Meadow  
(Business Address)

Little Elm, Texas 75068  
(City, State, Zip Code)

(972) 294-2553  
(Area Code/Telephone)

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

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This tariff is effective in the following counties:

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

None

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Knob Hill Lake Estates (PWS #0610068)

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SECTION 3.0 -- EXTENSION POLICY .....	11

**WATER UTILITY TARIFF  
FOR**

Joe C. DeSmit dba Knob Hills Water System  
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2739 High Meadow  
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TEXAS COMM. ON ENVIRONMENTAL QUALITY

CCN 11 1+ 20 '05  
APPROVED TARIFF BY SP/SP



## SECTION 1.0 - RATE SCHEDULE

Section 1.01 - Rates

<u>Meter Size</u>	<u>Monthly Minimum Charge</u>	<u>Gallonge Charge</u>
5/8" or 3/4"	\$ 24.00_ (Includes 3,000_ gallons)	\$ 4.00_ per 1000 gallons, same for all gallons

FORM OF PAYMENT: THE UTILITY WILL ACCEPT THE FOLLOWING FORM(S) OF PAYMENT

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

(THE UTILITY MAY REQUIRE EXACT CHANGE FOR PAYMENTS AND MAY REFUSE TO ACCEPT PAYMENTS  
MADE USING MORE THAN \$1.00 IN SMALL COINS. A WRITTEN RECEIPT WILL BE GIVEN FOR CASH PAYMENTS.)REGULATORY ASSESSMENT ..... 1.0%  
(TNRCC RULES REQUIRE THE UTILITY TO COLLECT A FEE OF ONE PERCENT OF THE RETAIL MONTHLY BILL.)Section 1.02 - Miscellaneous FeesTAP FEE\_\_\_\_\_ \$1,000.00\_  
TAP FEE COVERS THE UTILITY'S COSTS FOR MATERIALS AND LABOR TO INSTALL A STANDARD RESIDENTIAL  
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TAP FEE IS THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR METER SIZE INSTALLED.METER RELOCATION FEE ..... (ACTUAL COST TO RELOCATE METER 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.RATES LISTED ARE EFFECTIVE ONLY  
IF THIS PAGE HAS TNRCC APPROVAL STAMPTNRCC RECORDS SECTION  
325296 CUN 11414 MAY 27 '99  
APPROVED BY *Am/EP*

## SECTION 1.0 - RATE SCHEDULE (CONT.)

## RECONNECTION FEE

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

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b) Customer's request that service be disconnected ..... \$ 25.00

TRANSFER FEE ..... \$ 15.00

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

TNRCC 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 (Maximum \$50) ..... \$ 50.00

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

## GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE

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

## LINE EXTENSION AND CONSTRUCTION CHARGES:

Refer to Section 3.0 Extension Policy for terms, conditions, and charges when new construction is necessary to provide service.

RATES LISTED ARE EFFECTIVE ONLY  
IF THIS PAGE HAS TNRCC APPROVAL STAMP

APPROVAL STAMP: TNRCC APPROVAL

52629 G CUN 11414 NW 27'90

APPROVED BY: *Amper*

[illegible]

10/10/2011  
5:30:16PM**Texas Commission on Environmental Quality**  
Utility Cases List for KNOB HILL WATER SYSTEM (11414)

ERPT0014

Received Date	App No. Type	Comments	Con- tested?	Date Filed	To Legal	Informal Hearing	Hearing	Final Action Status
11/02/2000	01689 - C CCN		NO					Completed
03/05/1987	07194 - S CCN-SALE	REVIEW COMPLETE TO SB FOR REVIEW	NO	03/05/1987				01/05/1988 Completed
03/05/1990	08400 - G RATE	REQUESTED MORE INFO FROM UTILITY SENT TO LEGAL 7/13/90 HRG SET 8/24/90 SETTLED 8/24, AWAITING PFD TARIFF APPROVED; SET FOR AGENDA 9/26 APPROVED @ 10/2 AGENDA MUST FILE REVISED TARIFF OK MUST INSTALL MASTER METER ON WELL #2 OK MUST PRVD COPY OF TDH PHOSPHATE TEST OK RESULTS TO THE CUST AND HOA OK	YES	03/07/1990	07/19/1990			10/03/1990 Completed
07/29/1993	30151 - S CCN-SALE	2 B/T 11414-KNOB HILL FROM LARRY JOHNSON SALE APPROVAL LTR SENT LTR RE: SALE DOCUMENTS & IMPROVEMENTS (12/29) 14-DAY LETTER SENT OUT ON AGENDA 2/9/94	NO	08/19/1993				02/09/1994 Completed
04/30/1999	32629 - G RATE	KNOB HILL WATER SYSTEM CCN 11414 FOR RATE/TARIFF CHANGE DENTON COUNTY ADMIN APP. 8/12/99 ADMIN APPV'D	NO	06/17/1999				08/23/1999 Completed
10/07/2011	37152 - R RATE	37152-R Knob Hill Water System requests rate increase	NO	10/10/2011				Pending

- End of Report -

At the time of your query this data was the most current information available from our database, which is in real time. Every effort was made to retrieve it according to your query. Thank-you for using WUD.

Bryan W. Shaw, Ph.D., *Chairman*  
Buddy Garcia, *Commissioner*  
Carlos Rubinstein, *Commissioner*  
Mark R. Vickery, P.G., *Executive Director*



## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

December 21, 2011

Ms. Karen Long-DeSmit, Co-Owner  
Knob Hills Water System  
2861 High Meadow  
Little Elm, Texas 75068

Re: Water Rate Change Application of Joe C. DeSmit dba Knob Hills Water System ("Utility"), Certificate of Convenience and Necessity No. 11414 in Denton County; Application No. 37152-R

CN: 600642532; RN: 101197127

Dear Ms. Long-DeSmit:

Thank you for your responses received on November 15, November 28, and December 12, 2011, regarding the above referenced application. Your application has been accepted for filing and assigned Application No. 37152-R. Please refer to this number in future correspondence.

**Your new rates may go into effect on February 27, 2012.** Your new effective date must be at least 60 days following the date your completed applications were mailed to us and correct notice is mailed or delivered to the customers. The effective date of the new rates must be the first day of the billing period, and the new rates may not apply to service provided before the effective date of the new rates.

The application will be scheduled for a hearing if:

- the Texas Commission on Environmental Quality (TCEQ) receives complaints from at least 10% of the ratepayers within 90 days of the effective date of the rate increase, or
- TCEQ staff protests the application on its own motion.

You will be notified if a hearing is scheduled. If, during the course of a hearing, rates are set which are different from the rates charged by the Utility, you may be required to refund or credit future bills. The refund or credit will include all sums collected during the pendency of the rate proceeding in excess of the rate finally ordered, plus interest, as determined by the TCEQ.

**AFFIDAVIT**

STATE OF TEXAS

COUNTY OF Denton

I, KAREN LONG-DeSmit, being duly sworn, file this NOTICE OF PROPOSED RATE CHANGE as co-owner (indicate relationship to Utility, that is, owner, member of partnership, title as officer of corporation, or other authorized representative of Utility); that, in such capacity, I am qualified and authorized to file and verify such NOTICE; and that all statements made and matters set forth herein are true and correct.

I further represent that a copy of the attached notice was provided by mail to each customer or other affected party on or about Nov. 20, 2011 (mail or hand delivery)

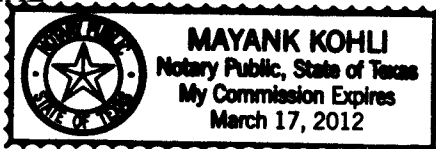
Karen Long-DeSmit  
Affiant (Utility's Authorized Representative)

If the Affiant to this form is any person other than the sole owner, partner, officer of the Utility, or its attorney, a properly verified Power of Attorney must be enclosed.

Subscribed and sworn to before me this the 19<sup>TH</sup> day of NOVEMBER, 20 11, to certify which witness my hand and seal of office.

Mayank Kohli  
NOTARY PUBLIC IN AND FOR THE  
STATE OF TEXAS

SEAL



MAYANK KOHLI  
PRINT OR TYPE NAME OF NOTARY  
MY COMMISSION EXPIRES 03/17/2012

November 19, 2011

**TO ALL KNOB HILL WATER SYSTEM CUSTOMERS:** Attached to this notice you will find the **NOTICE OF PROPOSED RATE CHANGE**. We have not had an increase in water rates since 1999. With the rising cost of chemicals, testing, fees, etc. we regret that it is necessary to file for an increase of \$10.00 to the base water bill. In other words the first 3000 gallons of usage now cost \$24.00; effective January 27, 2012 the first 3000 gallons will cost \$34.00.

**Karen and Joe De Smit, owners/operators**

**Knob Hill Water System**

RECEIVED  
NOV 28 PM 2 47

# NOTICE OF PROPOSED RATE CHANGE

Company Name

KNOB HILL WATER SYSTEM CCN Number 11414

has submitted a rate change application to the Texas Commission on Environmental Quality (Commission). The proposed rates listed on the next page will apply to service received after the effective date provided below. If the Commission receives protests to the proposed increase from 10 percent of the ratepayers or from any affected municipality before the 91st day after the proposed effective date, a public hearing will be scheduled to determine if the proposed rates are reasonable. Protests should be mailed to:

**Texas Commission on Environmental Quality**

**Water Supply Division**

**Utilities & Districts Section, MC 153**

**P. O. Box 13087**

**Austin, Texas 78711-3087**

Unless protests are received from 10 percent of the ratepayers or the Commission staff requests a hearing, no hearing will be held and rates will be effective as proposed. Please read the following information carefully:

KNOB HILL ESTATES

Subdivisions or Systems Affected by Rate Change

2861 HICKMEADOW LITTLE ELM TX 75068 972-294-2553  
Company Address City State Zip Telephone

9,120.00  
Annual Revenue Increase

11/30/11  
Date Customer Notice Mailed

1999  
Date of Last Rate Change

27th of month  
Date Meters Typically Read

**EFFECTIVE DATE OF PROPOSED INCREASE:** \_\_\_\_\_

## **BILLING COMPARISON**

Water:	Existing	10,000 gallons:	\$ <u>52</u> /mo	Existing	30,000 gallons:	\$ <u>132</u> /mo
	Proposed	10,000 gallons:	\$ <u>62</u> /mo	Proposed	30,000 gallons:	\$ <u>142</u> /mo
Sewer:	Existing	10,000 gallons:	\$ <u>N/A</u> /mo	Proposed	10,000 gallons:	\$ _____ /mo

The proposed rates will apply to all service rendered after the effective date and will be reflected on the bill you receive approximately 30 to 45 days after the effective date.

In the event that the application is set for hearing, the specific rates requested by the utility may be decreased or increased by order of the Commission. If the Commission orders a lower rate to be set, the utility may be ordered to refund or credit against future bills all sums collected during the pendency of the rate proceeding in excess of the rate finally ordered plus interest. You may inspect a copy of the rate change application at your utility's office or at the Commission's office at Park 35 - Building F, 12015 Park 35 Circle, Suite 3101, Austin, Texas, west side of IH-35, south of Yager Lane. Additional information about the application can be obtained by contacting the Utilities and Districts Section at 512/239-4691. Information about how you can participate in the rate setting process can be obtained by contacting the Public Interest Counsel at 512/239-6363.

**Si desea informacion en Espanol, puede llamar al 512-239-0200**



Nov. 10., 2011

Here is the requested paperwork  
for application # 37152-R. Please  
note we decided to keep the  
top fee at \$1000.00  
Thanks

Karen Dahl

67 8 00 91 10 11

11 10 11

000000

RECEIVED  
12/11  
VALLEY VIEW, TEXAS

**AFFIDAVIT**

2011 NOV 15 PM 3 19

STATE OF TEXAS

COUNTY OF Denton

I, KAREN LONG-DESMIT, being duly sworn, file this NOTICE OF PROPOSED RATE CHANGE as co-owner (indicate relationship to Utility, that is, owner, member of partnership, title as officer of corporation, or other authorized representative of Utility); that, in such capacity, I am qualified and authorized to file and verify such NOTICE; and that all statements made and matters set forth herein are true and correct.

I further represent that a copy of the attached notice was provided by mail to each customer or other affected party on or about Nov. 10, 20 11 (mail or hand delivery)

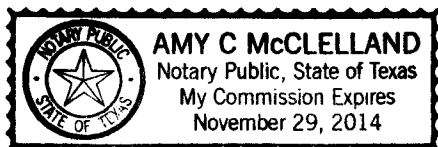
Karen Long-Desmit  
Affiant (Utility's Authorized Representative)

If the Affiant to this form is any person other than the sole owner, partner, officer of the Utility, or its attorney, a properly verified Power of Attorney must be enclosed.

Subscribed and sworn to before me this the 8<sup>th</sup> day of November, 20 11, to certify which witness my hand and seal of office.

Amy McClelland  
NOTARY PUBLIC IN AND FOR THE  
STATE OF TEXAS

SEAL



Amy McClelland  
PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES November 29, 2014

**November 10, 2011**

**TO ALL KNOB HILL WATER SYSTEM CUSTOMERS: Attached to this notice you will find the NOTICE OF PROPOSED RATE CHANGE. We have not had an increase in water rates since 1999. With the rising cost of chemicals, testing, fees, etc. we regret that it is necessary to fill for an increase of \$10.00 to the base water bill. In other words the first 3000 gallons of usage now cost \$24.00; effective January 27, 2012 the first 3000 gallons will cost \$34.00.**

**Karen and Joe De Smit, owners/operators**

**Knob Hill Water System**

## NOTICE OF PROPOSED RATE CHANGE

Company Name KNOB HILL WATER SYSTEM CCN Number 11414

has submitted a rate change application to the Texas Commission on Environmental Quality (Commission). The proposed rates listed on the next page will apply to service received after the effective date provided below. If the Commission receives protests to the proposed increase from 10 percent of the ratepayers or from any affected municipality before the 91st day after the proposed effective date, a public hearing will be scheduled to determine if the proposed rates are reasonable. Protests should be mailed to:

**Texas Commission on Environmental Quality**  
**Water Supply Division**  
**Utilities & Districts Section, MC 153**  
**P. O. Box 13087**  
**Austin, Texas 78711-3087**

Unless protests are received from 10 percent of the ratepayers or the Commission staff requests a hearing, no hearing will be held and rates will be effective as proposed. Please read the following information carefully:

KNOB HILL ESTATES

Subdivisions or Systems Affected by Rate Change

2861 HIGHMEADOW LITTLE ELM TX 75068 972  
Company Address City State Zip Telephone 294-2553

9,120.00  
Annual Revenue Increase

11/10/11  
Date Customer Notice Mailed

1999  
Date of Last Rate Change

27th of month  
Date Meters Typically Read

EFFECTIVE DATE OF PROPOSED INCREASE: \_\_\_\_\_

### BILLING COMPARISON

Water:	Existing	10,000 gallons:	\$ <u>52</u> /mo	Existing	30,000 gallons:	\$ <u>132</u> /mo
	Proposed	10,000 gallons:	\$ <u>62</u> /mo	Proposed	30,000 gallons:	\$ <u>142</u> /mo
Sewer:	Existing	10,000 gallons:	\$ <u>N/A</u> /mo	Proposed	10,000 gallons:	\$ _____ /mo

The proposed rates will apply to all service rendered after the effective date and will be reflected on the bill you receive approximately 30 to 45 days after the effective date.

In the event that the application is set for hearing, the specific rates requested by the utility may be decreased or increased by order of the Commission. If the Commission orders a lower rate to be set, the utility may be ordered to refund or credit against future bills all sums collected during the pendency of the rate proceeding in excess of the rate finally ordered plus interest. You may inspect a copy of the rate change application at your utility's office or at the Commission's office at Park 35 - Building F, 12015 Park 35 Circle, Suite 3101, Austin, Texas, west side of IH-35, south of Yager Lane. Additional information about the application can be obtained by contacting the Utilities and Districts Section at 512/239-4691. Information about how you can participate in the rate setting process can be obtained by contacting the Public Interest Counsel at 512/239-6363.

**Si desea informacion en Espanol, puede llamar al 512-239-0200**

# NOTICE OF PROPOSED RATE CHANGE -WATER (Cont.)

Page 2

CURRENT RATES		PROPOSED RATES	
Monthly base rate including <u>3000</u> gallons		Monthly base rate including <u>3000</u> gallons	
Meter Size:		Meter Size:	
Residential		Residential	
5/8" or 3/4"	\$ <u>24.00</u>	5/8" or 3/4"	\$ <u>34.00</u>
1"	\$	1"	\$
1 1/2"	\$	1 1/2"	\$
2"	\$	2"	\$
3"	\$	3"	\$
Other: _____	\$	Other: _____	\$
Gallonage Charge:		Gallonage Charge:	
\$ <u>4.00</u> for each additional 1000 gallons over the minimum		\$ <u>4.00</u> for each additional 1000 gallons over the minimum	
<u>Miscellaneous Fees</u>		<u>Miscellaneous Fees</u>	
Tap fee	\$ <u>1000.00</u>	Tap fee	\$ <u>1000.00</u>
Reconnect fee:		Reconnect fee"	
Non-payment (Maximum - \$25.00)	\$ <u>25.00</u>	Non-payment (Maximum - \$25.00)	\$ <u>25.00</u>
Customer's request	\$ <u>25.00</u>	Customer's request	\$ <u>25.00</u>
Transfer fee	\$ <u>15.00</u>	Transfer fee	\$ <u>15.00</u>
Late charge	\$ <u>5.00</u>	Late charge (Indicate either \$5.00 or 10%)	\$ <u>5.00</u>
Returned check charge	\$ <u>25.00</u>	Returned check charge	\$ <u>25.00</u>
Deposit	\$ <u>50.00</u>	Deposit (Maximum \$50.00)	\$ <u>50.00</u>
Meter test fee	\$ <u>25.00</u>	Meter test fee	\$ 25.00

Regulatory Assessment of 1% is added to base rate and gallonage charges

# NOTICE OF PROPOSED RATE CHANGE -WATER (Cont.)

Page 2

CURRENT RATES		PROPOSED RATES	
Monthly base rate including <u>3000</u> gallons		Monthly base rate including <u>3000</u> gallons	
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Regulatory Assessment of 1% is added to base rate and gallage charges

Bryan W. Shaw, Ph.D., *Chairman*  
Buddy Garcia, *Commissioner*  
Carlos Rubinstein, *Commissioner*  
Mark R. Vickery, P.G., *Executive Director*



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## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

November 3, 2011

**TRANSMITTED BY:**  
**FAX: (972)294-2553 and**  
**CERTIFIED MAIL**

Ms. Karen Long-DeSmit, Co-Owner  
Knob Hills Water System  
2861 High Meadow  
Little Elm, Texas 75068

RECEIVED  
2011 DEC -8 AM 8:25  
PUBLIC UTILITY COMMISSION  
FILING CLERK

### **NOTICE OF DEFICIENCY**

Re: Water Rate Change Application of Joe C. DeSmit dba Knob Hills Water System, Certificate of Convenience and Necessity No. 11414 in Denton County; Application No. 37152-R

CN: 600642532; RN: 101197127

Dear Ms. Long-DeSmit:

Your rate application received on October 10, 2011, has been assigned Application No. 37152-R, but has not been accepted for filing. Please refer to this number in future correspondence.

Based on an administrative review of your application, it appears the notice to customers contains deficiencies. To continue processing the application, you must complete and revise the following portions of the notice:

1. The "Date Customer Notice Mailed" was not indicated on the notice to customers. Please indicate on the revised notice the date you are sending the notice to the customers
2. The TCEQ approved tariff shows that the Transfer Fee is \$15.00 not \$25.00; Meter Test Fee is \$25.00 not \$0.00; and Tap Fee is \$1,000.00 not \$500.00. Please indicate the correct fees in your revised notice to customers under the current rates column.
3. In addition, please provide documentation to support your proposed rate increase for Tap Fee to \$2,000.00.

Not Ding

**TRANSMITTED BY:**  
**FAX: (972)294-2553 and**  
**CERTIFIED MAIL**

Ms. Karen Long-DeSmit, Co-Owner  
 Knob Hills Water System  
 2861 High Meadow  
 Little Elm, Texas 75068

**NOTICE OF DEFICIENCY**

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P.O. Box 13087 • Austin, Texas 78711-3087 • 512-239-1000 • [www.tceq.texas.gov](http://www.tceq.texas.gov)

How is our customer service? [www.tceq.texas.gov/goto/customersurvey](http://www.tceq.texas.gov/goto/customersurvey)

printed on recycled paper using soy-based ink

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Note					

Nov 3 2011 14:39

P.1

\*\* Transmit Conf. Report \*\*



# APPLICATION FOR A RATE/TARIFF CHANGE

## SECTION IA - GENERAL INFORMATION

Applicant: Joseph DeSmit / Karen Long-DeSmit  
(Individual, Corporation, or Other Legal Entity)

Utility Name: Knob Hill Water System  
(If different than above)

Legal form of Application:

☒ Individual  
☐ Partnership  
☐ Corporation Provide Charter Number \_\_\_\_\_  
☐ Sub Chapter-S Corporation  
☐ Other: \_\_\_\_\_

Utility Address: 2861 HIGH MEADOW Little Elm, TX 75068  
Street Address or Location City State Zip Code

County(ies) where services are provided: DENTON

CCN Number(s): 11414

Contact Person: Karen Long-DeSmit Telephone Number: 972-294-2553

Position: Co-owner Fax Number: 972-294-2553

Address: 2861 HIGH MEADOW Little Elm, TX 75068  
Street Address or Location City State Zip Code

If the applicant is a corporation, please provide a copy of the corporation's "Certificate of Account Status" (regarding the payment of franchise taxes) from the State Comptroller's Office. This "Certificate of Account Status" can be obtained from the website at:

Comptroller of Public Accounts, Office Management  
P. O. Box 13528  
Austin, Texas 78711  
1-800-252-5555

2011 OCT 2 10 11 AM

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## SECTION IB - MISCELLANEOUS INFORMATION

A. How often and on what dates are water meters typically read? monthly - 26th or 27th day

B. When are bills typically sent out? 1st of Month

C. Do you serve customers within the corporate limits of a municipality? If No, Go to D.  
☐ Yes ☒ No

If yes, which municipalities? \_\_\_\_\_

Have you filed a request to change rates with the municipality? ☐ Yes ☐ No.

If no, please explain: \_\_\_\_\_

D. Are you currently collecting the Regulatory Assessment Fee from your customers? ☒ Yes ☐ No

If yes, are you current in your payment of the Regulatory Assessment Fee to the Texas Commission on Environmental Quality or the predecessor agency, Texas Water Commission, for assessments payable beginning January 1, 1992? ☒ Yes ☐ No

E. *Water Utilities*: Please indicate the Public Water System Identification numbers for each of your systems:

System Name	TCEQ PWS ID #	County	Rate Increase Applicable?
KNOB HILL WATER SYSTEM	0610068	Denton	yes

For each of the systems, please provide a copy of the most recent public water system annual inspection report letter from the Texas Commission on Environmental Quality and a written explanation detailing how and when you will comply with all noted deficiencies.

F. *Sewer Utilities*: Please indicate the discharge permit number for each Wastewater Treatment Plant you operate:

Wastewater Treatment Plant Name	TCEQ Discharge Permit Number	County	Rate Increase Applicable?
N/A			

For each of the plants, please provide a copy of the most recent inspection report letter from the Texas Commission on Environmental Quality and a written explanation detailing how and when you will comply with all noted deficiencies.

**INFORMATION REQUIRED**  
**FOR A**  
**WATER RATE/TARIFF CHANGE**

## SECTION II: OPERATION INFORMATION - WATER

Manager (or owner if services are routinely provided to the utility)

Name: KAREN LONG - DeSmit Relationship to Owner: co-owner

Short job description: manage day-to-day operations, billing, accounts, phone calls etc.

Approximate number of hours per week this person works for the company:

Salary: \$500<sup>00</sup> Hourly        Weekly        Monthly ☒ Annual

### Employees

Name: Joseph DeSmit Relationship to Owner: co-owner

Short job description: owner / operator - on call 24/7

Approximate number of hours per week this person works for the company:

Salary: \$20000 Hourly        Weekly        Monthly        Annual ☒ on call 24/7

Name:        Relationship to Owner:       

Short job description:       

Approximate number of hours per week this person works for the company:

Salary:        Hourly        Weekly        Monthly        Annual

### Contract Services (attach additional sheets if necessary)

Name:        Relationship to Owner:       

Short job description:       

Approximate number of hours per week this person works for the company:

Amount paid for services:        Hourly        Weekly        Monthly        Annual

Please provide the names and classification of the utility's certified operators:

Certified Operator's Name/ Classification	Certified Operator's Name/Classification
<u>Joseph DeSmit - CLASS D</u>	<u>KAREN LONG - DeSmit - CLASS D</u>

-Attach additional sheet(s) if necessary-

## SECTION III. PLANT & EQUIPMENT INFORMATION – WATER

### A. CUSTOMER CONTRIBUTIONS

If any of the items included in your plant and equipment were 100% financed with customer contributions, assessments, surcharges, extension fees, etc., you may not include depreciation or return on those items in your cost of service. However, if those customer contributions did not cover the entire cost of the asset, you may include the amount that the utility paid for. Please list below all items that were funded either all or in part by customer contributions and indicate amount that the customers contributed for each item.

**Table III. A.**

Item [A]	Date of installation [B]	Total Cost [C]	Amount of Customer Contribution [D]	Difference [E]= [C] - [D]
<i>None</i>				①
				①
				①
				①
				①

- Attach additional sheet(s) if necessary -

- ① If any amount in this column is greater than zero, enter that item in the appropriate category in **Table III. B**

**B. ORIGINAL COST & DEPRECIATION SCHEDULE - WATER**

Please provide the following history of the water utility plant being used to provide water service at the end of the test year. You will be responsible for supporting this information with invoices or other documentation. Round your figures to the nearest dollar. Amounts should be computed as of the end of the "test year."

**Table III. B.**

[A]  Item	[B]  Date of Installation	[C] Service Life (yrs)		[D] Original Cost when installed (\$)	Years in Service			Depreciation		[G] = [D]-[F] Net Book Value (\$)
		*	**		Yrs ①	Mos ②②	Days ③③③	[E] = [D]/[C] Annual (\$)	[F] Accumulated (\$)	
Land	1970	n/a		5000 <sup>00</sup>						5000 <sup>00</sup>
Wells	1970 1980	50		2000 <sup>00</sup> 2000 <sup>00</sup>				40 80	1600 2400	400 1600
Well Pumps:										
5 hp or less	1992	5		2200	18			440	2200	0
<del>greater than</del> <sup>or less</sup> 5 hp	1995	<del>5</del> 10		2200	15			440	2200	0
Booster Pumps:										
5 hp or less	2000	5		2000	10			400	2000	0
<del>greater than</del> <sup>less</sup> 5 hp <sup>or</sup>	2005	<del>5</del> 10		1000				200	1000	0
Chlorinators (2)	1994			500	17			50	500	0
(2)	2010	10		1000	1			100	100	900
Structures:										
Wood	1997	15		10000	13			667	8667	1333
Masonry		30								
Storage Tanks	1990 2000	50		UNKNOWN 14000	31 11			250	3080	10920
Pressure Tanks	1990 1997	50		500 <sup>00</sup> 6600				10 132	310 1848	190 4752
Distribution System (mains and lines)	1970	50		5000	41			100	4100	900
Meters and Service (taps not covered by fees)	1970	20		2000	41			100	2000	0
Office Equipment	1994	<del>5</del> 10		2000	15			400	2000	0
Vehicles		5								
Shop Tools	1994	15		1000	15			67	1000	0
Heavy Equipment	N/A	10								
Fencing	1996	20		4685	14			234	3280	1405
Other: (Please list)										
Total				1,5685				3740 ①	34285②	27400 ③

\* TCEQ Suggested Service Life \*\* Other Service Life

① Enter this number in Table VI. A., Line [O], Column ① ② If [F] is greater than [D], enter the total for [D]

③ Enter this number in Table IV. E., Line [A]

-Attach additional sheet(s) if necessary-

### C. DEVELOPER CONTRIBUTIONS - WATER

If any of the Items listed in the Depreciation Schedule were contributed by a developer, please list those items and the associated cost below.

Table III. C.

Item	Date of installation or Contribution	Total Cost	Amount of Developer Contribution	Net Book Value (from Table III.B.)
<i>None</i>				
Total				①

① Insert this amount in Table IV. E., Line [E]

- Attach additional sheet(s) if necessary -

## SECTION IV - LONG TERM DEBT & EQUITY INFORMATION - WATER

### A. EQUITY

How much equity or total capital does the company have in the utility? 27400  
Enter also in Table IV. D., Box ③ below

### B. RATE OF RETURN

What rate of return (profit) on investment in plant (equity) is expected? 11.96%  
Enter also in Table IV. D., Box ④ below

### NOTE: You may choose

- an average equity return established by the staff each year and included with the Annual Report Instructions OR
- an interest rate that you think is fair that is less than the rate established by the staff OR
- to use the **Rate of Return Worksheet** which is attached to the **Instructions**.

### C. BANKRUPTCY

Has the utility or utility owner filed bankruptcy within the last seven years? \_\_\_\_\_ YES ☒ NO

If YES, explain status of applicant at this time. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**D. NOTES PAYABLE - WATER**

List the following information concerning debt and equity of the utility. Attach copies of notes payable:

Round all percentages to two (2) decimal places.

**Table IV. D.**

[A] Name of Bank/Lender	[B] Date of Issue	[C] Date of Maturity	[D] Original Amount of Loan	[E] Outstanding or Unpaid Balance- End of Test Year	[F] Interest Rate	[G] Weighted Average [E] ÷ ⑤ * [F]
Part 1 - Debt						
Chase - Line of Credit		N/A	\$ 14000	\$ 9348	4.5 %	1.14 %
			\$	\$	%	%
			\$	\$	%	%
			\$	\$	%	%
			\$	\$	%	%
Total			\$ 14000 ①	\$ 9348 ②		1.14 % ⑥
Part 2 - Investment/Equity				\$ 27400 ③	11.90 % ④	8.92 % ⑦
Total Debt & Equity				\$ 36748 ⑤		
					Rate of Return	10.06 % ⑧

- ① Total amount of original loans
- ② Total amount of the outstanding balance on the loans
- ③ Equity in the utility - From Section IV. A.
- ④ Return on Equity - From Section IV. B.
- ⑤ Total of ② + ③
- ⑥ Total weighted average of debt - To Table V, Line [C]
- ⑦ Weighted average of Investment/Equity ③ ÷ ⑤ \* ④
- ⑧ Sum of ⑥ + ⑦ - To Table IV. E., Line [G]



**E. INVESTED CAPITAL RETURN - WATER****Table IV. E.**

Net Book Value - From Table III. B., Box ③	[A]	\$ 27400
Working cash allowance - (Amount From Table VI. A., Line [L] Column ③, Box ⑦ (÷ 8)	[B]	\$ 1656
Materials and supplies	[C]	\$ 1000
Subtotal - Sum of [A] thru [C]	[D]	\$ 30056
Developer Contributions - From Table III. C., Box ①	[E]	\$ 0
Total invested capital [D] - [E]	[F]	\$ 30056
Rate of return - From Table IV. D., Box ⑧	[G]	10.06 %
Return/Interest - If [F] is greater than -0-, then enter [F] * [G]. If [F] is less than -0-, enter -0-. Enter this amount in Table V., Line [A] and Table VI. A., Line [Q], Column ②	[H]	\$ 3024

**SECTION V - INCOME TAX CALCULATION - WATER**

Use the following table to determine the amount of income tax that can be included in your revenue requirement.

**Table V.**

Return - From Table IV. E., Line [H]	[A]	\$ 3024
Interest Calculation		
Total Invested Capital - From Table IV. E., Line [F]	[B]	\$ 30056
Weighted Cost of Debt Capital - Percentage From Table IV. D., Box ⑥	[C]	1.14 %
Interest [B]*[C]	[D]	\$ 343
Taxable Income [A] - [D]	[E]	\$ 2681
Enter Income Tax from Tax Table (Appendix A)	[F]	\$ 529 <sup>①</sup>

①To Table VI. A., Line [P], Column ②

# SECTION VI - UTILITY INCOME & EXPENSE INFORMATION - WATER

## A REVENUE REQUIREMENT

Please provide the following information regarding the cost to the utility of providing water utility service over your selected twelve month "test year".

Note 1 - Instead of using the percentages listed, you may take the Total Cost and multiply it by 67% to determine the fixed portion and 33% for the variable portion.

TABLE VI. A.

Test Year <u>11/1/10 to 12/31/10</u>	Line	12 Month "test year" per books	Known and Measurable Changes	Revenue Requirement for next yr	% of $\Delta$ that is fixed (Note 1)		Fixed Expenses (Note 1)	Variable Expenses (Note 1)
					Rec.	Act.		
		$\epsilon$	$\$$	$\Delta = \epsilon + \$$	$\nabla$		$\textcircled{B} = (\Delta \nabla) / 100$	$\textcircled{C} = \Delta - \textcircled{B}$
Salaries and Wages	[A]	0	26000	26000	50			
Contract Labor	[B]	0	0	0	90			
Purchased water	[C]	0	0	0	0			
Chemicals for treatment	[D]	1195	0	1195	0			
Utilities (electricity)	[E]	3208	0	3208	0			
Repairs/maintenance/supplies	[F]	7443	0	7443	50			
Office expenses	[G]	1614	2600	4214	50			
Accounting & Legal fees	[H]	500	0	500	100			
Insurance	[I]	727	0	727	100			
Rate case expense	[J]	0	0	0	100			
Miscellaneous (test fees, licenses, training)	[K]	3413	0	3413	50			
<b>Subtotal - Sum of Line [A] thru Line [K]</b>	[L]	18100	28600	46700				
Payroll Taxes (self employment tax)	[M]	987	0	987	50			
Property and other taxes	[N]	1633	194	1827	100			
Annual Depreciation and Amortization - From Table III. B.	[O]	3740	0	3740	100			
Income Taxes - From Table V, Line [F]	[P]		529	529	100			
Return - From Table IV. E., Line [H]	[Q]		3024	3024	100			
<b>Subtotal - Sum of Line [L] thru Line [Q]</b>	[R]	6360	28794	56807				
Other Revenues	[S]	545	0	545	100			
<b>Total Cost = Line [R] - Line [S]</b>	[T]	5815	28794	56262				
<b>Alternative Allocation between Fixed and Variable</b>	[U]			56262	67		37695	18567

## B. KNOWN & MEASURABLE

If you listed anything in TABLE VI. A. above as an increase/decrease expected in the next 12 months, please provide a short explanation by item why there will be a change and how you projected the cost. Changes in cost must be known and measurable and supported by invoices or other documentation.

property tax - 2011 - 1837 (2010 - 1633)  
 OFFICE EXPENSES - 1000<sup>00</sup> for new laptop computer  
 1100<sup>00</sup> to upgrade software for billing

-Attach additional sheet(s) or a separate listing for sewer service if necessary-

## SECTION VII - CUSTOMER INFORMATION - WATER

### NUMBER OF CUSTOMERS

How many customers (active connections) did you have at the beginning and at the end of the twelve month test year?

TABLE VII

Connection Type	Line	Beginning of period ①	End of period ②	Equivalency Factor ③	Meter Equivalents ④=②*③
Non-Metered Connections:					
Residential	N/A [A]	<del>74</del>	<del>74</del>	1	<del>74</del>
Commercial	[B]	<del>X</del>	<del>X</del>	1	<del>X</del>
Standby	[C]	<del>X</del>	<del>X</del>	1	<del>X</del>
Metered Connections:					
5/8" x 3/4"	[D]	74	74	1	74
3/4"	[E]			1.5	
1"	[F]			2.5	
1 1/2"	[G]			5	
2"	[H]			8	
3"	[I]			15	
Other:	[J]				
Total	[K]	74	74		74 ⑤

⑤ To Table IX. B., Line [B] AND Table X. A., Line [F]

## SECTION VIII - PRODUCTION & CONSUMPTION INFORMATION - WATER

Please provide the following information regarding water utility operations over your selected twelve month "test year".

**Table VIII**

Total number of gallons pumped (total master meter reading for the year)	[A]	5374990	gallons
Total number of gallons purchased from another source for sale to customers (if any)	[B]		gallons
Total number of gallons provided to customers $[C]=[A]+[B]$	[C]	5374990	gallons
Total number of gallons billed to your customers (total customer consumption)	[D]	5337650	gallons
System losses: $\frac{([C] - [D])}{[C]} \times 100\% = [E]$	[E]	0.007	%
Source of Purchased water			

① To Table IX. A., Line [B] and Table X. A., Line [B]

# SECTION IX - RATE DESIGN - WATER

## A. VARIABLE RATE CALCULATIONS

Table IX. A.

	Line		Instructions
Total Variable Costs	[A]	\$ 18567	From Table VI. A., Line [T], Box ⑩ or Line [U], Box ⑩
Total # of Gallons Billed to Customers	[B]	5337650	From Table VIII, Line [B]
Total # of 1,000 Gallons billed	[C]	5338	Divide Line [B] by 1,000
Variable Cost per 1,000 gallons	[D]	\$ 3.48	Divide Line [A] by Line [C] Transfer to Table IX. B., Lines [E] through [J], Box ⑥

## B. BASE RATE CALCULATIONS

Table IX. B.

	Line		# of 1000 gallons in base bill	Variable cost per 1,000 gals	Variable cost to be added to base rate	Total base rate per meter size
		①	②	③	④=②*③	⑤=①+④
Total fixed costs - From Table VI. A., Line [T], Box ⑨ or Line [U], Box ⑩	[A]	\$ 37695				
Total meter equivalents at end of test year - From Table VII, Line [K], Box ⑤	[B]	74				
Base charge per meter equivalent or for each unmetered connection [A] ÷ [B] and then divide by 12	[C]	\$ 661.2				
Base charge per meter size						
5/8" x 3/4" or unmetered	Multiply [C] by 1	[D]	661.2	3	3.48 <sup>⑥</sup>	10.44
3/4"	Multiply [C] by 1.5	[E]			⑥	71.56
1"	Multiply [C] by 2.5	[F]			⑥	
1 1/2"	Multiply [C] by 5.0	[G]			⑥	
2"	Multiply [C] by 8.0	[H]			⑥	
3"	Multiply [C] by 15.0	[I]			⑥	
Other:		[J]			⑥	

⑥ From Table IX. A., Line [D]

## SECTION X - ALTERNATE METHOD OF RATE DESIGN - WATER

After you have performed the calculations in SECTION IX, you may find that the cost per 1,000 gallons is not what you think your customers will approve. If that is the case, then the following will allow you to calculate a rate structure that still recovers your revenue requirement, but with rates that you think may be more appropriate for your customers.

**Table X. A.**

	Line		
Cost per 1,000 gallons	[A]	\$ 4.00	This is the rate that you think is appropriate Enter in Table X. B., Column ③, Lines [B] through [H]
Total # of 1,000 Gallons billed	[B]	5338	From Table IX. A., Line [C]
Total Cost to be recovered through gallonage charge	[C]	\$ 21352	Multiply Line [A] times Line [B]
Total Revenue Requirement	[D]	\$ 56262	From Table VI. A., Line [T] Box ③
Total to be recovered through base rate	[E]	\$ 34910	Subtract Line [C] from Line [D]
Total number of meter equivalents	[F]	74	From Table VII, Line [K], Box ⑤
Base rate per meter equivalent	[G]	\$ 39.31	Divide Line [E] by Line [F] & then divide by 12months Enter this in Table X. B., Line [A] Column ①

**Table X. B.**

	Line		# of 1000 gallons in base bill	Variable cost per 1,000 gals	Variable cost added to base	Total base bill per meter size
		①	②	③	④=②*③	⑤=①+④
Base charge per meter equivalent or for each unmetered connection From Table X. A, Line [G]	[A]	\$ 39.31				
Base rate per meter size						
5/8" x 3/4" or unmetered	Multiply [A] ① by 1	[B]	39.31	3000	4 ⑥	12
3/4"	Multiply [A] ① by 1.5	[C]			⑥	
1"	Multiply [A] ① by 2.5	[D]			⑥	
1 1/2"	Multiply [A] ① by 5.0	[E]			⑥	
2"	Multiply [A] ① by 8.0	[F]			⑥	
3"	Multiply [A] ① by 15.0	[G]			⑥	
Other:		[H]			⑥	

⑥ From Table X. A., Line [A]

# **Appendix A**

## **Rate of Return Worksheet**

## Rate of Return Worksheet

Step			%
A	Most current Baa Public Utility Bond average. (Call TCEQ staff at 512/239-4691 to get this number.)		5.96
B	Add 2% - for utilities with 200 or less customers		2
C	Add 1% if the utility can demonstrate that it has both:		1
	1	Debt/equity ratio is greater than 60% (Table IV. D. – Box ② ÷ Box ③) AND	✓
	2	No affiliated companies with access to revenues or other funds to support utility operations	✓
D	Add 1% if the utility can demonstrate that it has at least 2 of the following 4 conditions:		1
	1	unstable population - Weekender/seasonal population: a. >25% of total customers; OR b. >10% of total customers and do not use seasonal reconnect fee;	X
	2	commercial customers account for more than 15% of revenues	X
	3	low growth a. less than 5% customer growth over the last three years; OR b. documentation of potential customer growth of less than 5% over the next three years; declining population	✓
	4	aging system a. more than 50% depreciated; OR b. low rate base (<\$500/customer)	✓
E	Add 1% if the utility is a stand alone sewer system with no agreement for either billing and collection or discontinuance for nonpayment with the water supplier.		0
F	Add 1% if the utility can demonstrate that it has at least 3 of the 4 following conditions:		1
	1	Number of complaints 2 complaints or less per year to TCEQ for less than 200 customer system	✓
	2	No major deficiencies in the most recent PWS inspection report	✓
	3	No current or prior enforcement actions under current management within the last 3 years	✓
	4	Good faith efforts to solve any current problems	✓
G	Add 1% if the utility can demonstrate that it has at least 4 of the following 5 conditions:		1
	1	well-maintained, up-to-date books and records	✓
	2	effective communications and good customer relations	✓
	3	consistently timely in meeting reporting requirements (ex. annual reports for last 3 years) and payment of fees	✓
	4	exhibit fiscal responsibility with respect to rate filings, including completeness, accuracy and frequency	✓
	5	Less than 12% unaccounted for water - (Section VIII of the Application - Page 16 of 41)	✓



H	Add 1% if the utility can demonstrate that it has at least 4 of the following 5 conditions:			0
	1	rate structure - any two of the following a. zero gallons included in minimum bill b. gallonage rate set high enough to encourage conservation (> \$2.00/1000 gal.) c. use of inclining blocks, i.e. higher use pays higher cost	X	
	2	drought contingency plan included in tariff and enforced (if applicable)	✓	
	3	conservation plan including encouragement of the use of water conserving devices, efficient lawn watering, or xeriscaping	✓	
	4	program to educate the customers about the nature of the system, its production and distribution ability, PWS standards, and the need for water conservation	X	
	5	unaccounted for water a. greater than or equal to 10% and or b. successful program to reduce losses (ex. leak detection & repair) (within last 3 years 25% reduction since program implemented)	✓	
I	Total Rate of Return %			11.96

**AFFIDAVIT**  
**WATER &/OR SEWER**  
**RATE/TARIFF CHANGE**