

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 10/01, 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 30th day of September, 20 11, to certify which witness my hand and seal of office.



SEAL

[Signature]
NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

Kenneth M Rendon
PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES Sept 2, 2014

NOTICE OF RATE/TARIFF CHANGE
TO BE PROVIDED TO CUSTOMERS

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 testing, chemicals, etc. we regret that it is necessary to file for an increase of \$10.00 to the basic water bill. In other words the first 3000 gallons of usage cost \$24.00 in the past; effective January 1, 2012 the first 3000 gallons will now cost \$34.00. Nothing else will change except for the tap fee for anyone who is not connected to our system at present. Existing customers will not be affected by the change in the tap fee.

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 HIGH MEADOW Little Elm TX 75068 972-294-2553
Company Address City State Zip Telephone

22114.00
Annual Revenue Increase

1999
Date of Last Rate Change

Date Customer Notice Mailed

27th of month
Date Meters Typically Read

EFFECTIVE DATE OF PROPOSED INCREASE: 1/1/12

BILLING COMPARISON

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

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.)

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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	
Miscellaneous Fees		Miscellaneous Fees	
Tap fee	\$ <u>500.00</u>	Tap fee	\$ <u>2000.00</u>
Reconnect fee: Non-payment (Maximum - \$25.00)	\$ <u>25.00</u>	Reconnect fee" 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>25.00</u>	Transfer fee	\$ <u>25.00</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>—</u>	Meter test fee	\$ 25.00

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

WATER & SEWER
TARIFF PAGES

SECTION 1.0 - RATE SCHEDULE

Section 1.01 - Rates

Monthly base rate including 3000 gallons

Meter Size:

Residential

5/8" or 3/4" \$ 34.00

1" \$ _____

1 1/2" \$ _____

2" \$ _____

3" \$ _____

Other: _____" \$ _____

Gallage Charge: \$ 4.00 for each additional 1000 gallons over the minimum

Regulatory Assessment Fee 1%

A REGULATORY ASSESSMENT, EQUAL TO ONE PERCENT OF THE CHARGE FOR RETAIL WATER SERVICE ONLY, SHALL BE COLLECTED FROM EACH RETAIL CUSTOMER

Section 1.02 - Miscellaneous Fees

TAP FEE \$ 2000.00

TAP FEE IS BASED ON THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR STANDARD RESIDENTIAL CONNECTION OF 5/8" X 3/4" METER.

RECONNECTION FEE

THE RECONNECT FEE WILL BE CHARGED BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS BEEN DISCONNECTED FOR THE FOLLOWING REASONS:

a) Non payment of bill (Maximum \$25.00) \$ 25.00

b) Customer's request..... \$ 25.00

Or other reasons listed under Section 20CF of this tariff

TRANSFER FEE \$ _____

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

LATE CHARGE (Not more than \$5.00 or 10%)(Indicate one)..... \$ 5.00

A ONE TIME PENALTY MADE ON DELINQUENT BILLS BUT MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE PENALTY WAS APPLIED IN A PREVIOUS BILLING.

RETURNED CHECK CHARGE..... \$ 25.00

CUSTOMER DEPOSIT (Maximum \$50) \$ 50.00

METER TEST FEE (actual cost of testing the meter up to)..... \$ 25.00

THIS FEE 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.

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

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

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

June 24, 2011

ESIGNATURE CONFIRMATION # 91 3408 2133 3931 6201 1130

Ms. Karen Long-Desmit, Co-Owner
Knob Hill Water Company
2861 High Meadow Drive
Little Elm, Texas 75068

Re: Notice of Violation for the Comprehensive Compliance Investigation at:
Knob Hill Water Company, Little Elm, Denton County
RN102672433, TCEQ ID No.: 0610068, Inv. No. 932815

Dear Ms. Long-Desmit:

On May 26, 2011, Mr. Robert E. Ferry of the Texas Commission on Environmental Quality (TCEQ) Dallas / Fort Worth (DFW) Region Office conducted an investigation of the above-referenced regulated entity to evaluate compliance with applicable requirements for public water supply. Enclosed is a summary which lists the investigation findings. During the investigation, certain outstanding alleged violations were identified for which compliance documentation is required. Please submit to this office by September 22, 2011, a written description of corrective action taken and the required documentation demonstrating that compliance has been achieved for each of the outstanding alleged violations. Please note the Additional Issues also described.

In the listing of the alleged violations, we have cited applicable requirements, including TCEQ rules. Please note that both the rules themselves and the agency brochure entitled *Obtaining TCEQ Rules* (GI 032) are located on our agency website at <http://www.tceq.state.tx.us> for your reference. If you would like a hard copy of this brochure mailed to you, you may call and request one from either the DFW Region Office at 817 / 588-5800 or the Central Office Publications Ordering Team at 512-239-0028.

The TCEQ appreciates your assistance in this matter. Please note that the Legislature has granted TCEQ enforcement powers which we may exercise to ensure compliance with environmental regulatory requirements. We anticipate that you will resolve the alleged violations as required in order to protect the State's environment. If you have additional information that we are unaware of, you have the opportunity to contest the violation(s) documented in this notice. Should you choose to do so, you must notify the DFW Region Office within 10 days from the date of this letter. At that time, Mr. Charles Marshall – Team Leader will schedule a violation review meeting to be conducted within 21 days from the date of this letter. However, please be advised that if you decide to participate in the violation review process, the TCEQ may still require you to adhere to the compliance schedule included in the attached Summary of Investigation Findings until an official decision is made regarding the

Ms. Karen Long-Desmit

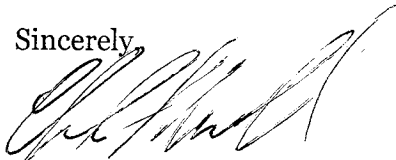
June 24, 2011

Page 2

status of any or all of the contested violations.

If you or members of your staff have any questions regarding these matters, please feel free to contact Mr. Ferry in the DFW Metroplex Region Office at (817) 588-5814.

Sincerely,

A handwritten signature in black ink, appearing to read 'Charles Marshall', written over a horizontal line.

Charles Marshall

Team Leader, Public Water Supply Section

DFW Regional Office

CM / ref

Enclosures: Summary of Investigation Findings

Summary of Investigation Findings

KNOB HILL WATER SYSTEM DENTON
2861 HIGH MEADOW DR
LITTLE ELM, DENTON COUNTY, TX 75068

Investigation # 932815

Investigation Date: 05/26/2011

Additional ID(s): 0610068

OUTSTANDING ALLEGED VIOLATION(S) ASSOCIATED TO A NOTICE OF VIOLATION

Track No: 437545 Compliance Due Date: 09/22/2011

30 TAC Chapter 290.43(a)

Alleged Violation:

Investigation: 932815

Comment Date: 6/13/2011

Failure to have a tightly fitting cover on the overflow pipe. The flap on the overflow pipe for the ground storage tank at pump station #1 had a gap greater than 1/16th of an inch.

Recommended Corrective Action: Repair the overflow pipe and submit documentation to this office by the compliance due date that this violation has been resolved.

Track No: 437548 Compliance Due Date: 09/22/2011

30 TAC Chapter 290.46

Alleged Violation:

Investigation: 932815

Comment Date: 6/13/2011

Failure to calibrate the well meters at least once every three years. One meter has been replaced within the last three years, but the other is past due for calibration or replacement.

Recommended Corrective Action: Replace or calibrate the meter. Submit documentation to this office by the compliance due date that this violation has been resolved

ADDITIONAL ISSUES

Description

Item 1

Additional Comments

According to 290.38(34), fences must be in good repair to prevent intruder passage. Several sections of the fences have become overgrown with vegetation which could result in damage to the fence.

Item 2

Chlorine usage is being recorded based on purchases. However, weekly readings of amounts of chlorine being used are not being kept. Begin measuring chlorine usage weekly and record these amounts.

September 2, 2011

Charles Marshall, Team Leader

Public Water Supply Section

DFW Regional Office

2309 Gravel Road

Ft. Worth, Tx 76118-6951

Mr. Marshall:

I am writing my response to the violations identified in the Compliance Investigation completed on May 26, 2011 by Robert Ferry. I would like to say that Mr. Ferry was very nice to work with and helpful also. We always try to do our best to provide quality services to our customers.

1. We have repaired the overflow pipe on the ground storage tank at well # 1. I am enclosing a photo of the flap.

2. We had one well meter that was only two years old and one older that needed calibration. I have enclosed the calibration report from Great Southwest Meters, Inc. I had both meters done even though one was not due yet. I think it will be easier to keep records if both are due at the same time.

Additional Issues

1. We have removed the vines and overgrowth from the fences. Also the repairs were completed on the damaged fence at well #1. I have enclosed a photo of the fence.

2. I have enclosed a copy of the weekly chlorine usage for the system.

I hope this meets your requirements. Please let me know if I need to do anything further.

Sincerely,

Karen Long-DeSmit, co-owner, Knob Hill Water System

Brvan 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
September 26, 2011

Ms. Karen Long-Desmit, Co-Owner
Knob Hill Water Company
2861 High Meadow Drive
Little Elm, Texas 75068

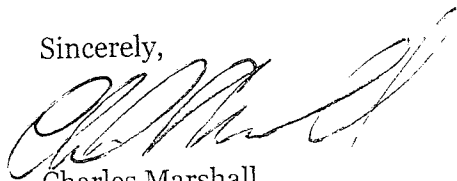
Re: Notice of Compliance with Notice of Violation (NOV) dated June 24, 2011:
Knob Hill Water Company, Little Elm, Denton County
RN102672433, TCEQ ID No.: 0610068, Inv. No. 932815

Dear Ms. Long-Desmit:

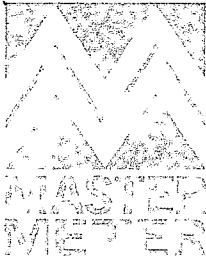
This letter is to inform you that Texas Commission on Environmental Quality (TCEQ) Dallas / Fort Worth (DFW) Region Office has received adequate compliance documentation on September 8, 2011, to resolve the alleged violations documented during the investigation of the above-referenced regulated entity conducted on May 26, 2011. Based on the information submitted, no further action is required concerning this investigation.

The Texas Commission on Environmental Quality appreciates your assistance in this matter and your compliance efforts to ensure protection of the State's environment. If you or members of your staff have any questions, please feel free to contact Mr. Robert E. Ferry in the DFW Region Office at (817) 588-5814.

Sincerely,



Charles Marshall
Team Leader
DFW Region Office



Formerly Known as Greentree Applied Systems, Inc.

961 Beasley Street, Suite 170
Lexington, Kentucky 40509
Toll Free: 800.928.6388
Local: 859.263.2959
Fax: 859.263.9824

Quote for Knob Hill Water System:

Karen Desmit
2861 High Meadow
Little Elm, TX 75068

Billing Software Upgrade:

- UMSWIN32bit (Utility Management Software for Windows) upgrade from UMSWIN16bit Software
- Retail for New Customers \$3,500.00 750.00
- Includes Data conversion from older software to current for all your customers

Support Renewal:

- One year of Unlimited Support with newest Features and Upgrades to current software 600.00

Phone Train:

- To get you up to speed with the ease of use of the software to its fullest functionality 500.00

Grand Total: \$ 1,850.00

- Optional Onsite Training \$1,800.00
Includes one day of onsite training with all travel expenses

Sign: _____

Date: _____ PO# _____

Sincerely,

Jason Graves

Jason Graves
Software Sales Engineer
Greentree Applied Systems, Inc.

2011 Notice of Appraised Value

DENTON CENTRAL APPRAISAL DISTRICT
3911 MORSE STREET
PO BOX 50747
DENTON, TX 76206

Phone: (940) 349-3800 Fax: (940) 349-3801

Date of Notice: May 4, 2011

Property ID: 152192
 Ownership %: 100.00

DBA:

Legal:
 KNOB HILL LAKE ESTATES BLK A LOT 28

Property ID: 152192
 DESMIT, JOSEPH C
 2861 HIGH MEADOW DR
 LITTLE ELM, TX 75068-2865

000273

Legal Acres: 0.1619
 Situs: KNOB HILL DR 75068



Land that well is on

Dear Property Owner:

We have appraised the property listed above for the tax year 2011. As of January 1, our appraisal is outlined below.

Appraisal Information				Last Year's - 2010		Proposed - 2011	
Structure & Improvement Market Value				0		0	
Market Value of Non Ag/Timber Land				6,769		8,743	
Market Value of Ag/Timber Land				0		0	
Market Value of Personal Property/Minerals				0		0	
Total Market Value				6,769		8,743	
Productivity Value of Ag/Timber Land				0		0	
Assessed Value * (Possible Homestead Limitations, see asterisk below)				6,769		8,743	
Homestead Cap Value excluding Non-Homesite Value (i.e. Ag, Commercial)				0		0	
Exemptions							
2010 Taxable Value	Taxing Unit	2011 Proposed Appraised Value	2011 Exemption Amount	2011 Taxable Value	2010 Tax Rate	2011 Estimated Taxes	2011 Freeze Year and Tax Ceiling**
6,769	DENTON COUNTY	8,743	0	8,743	0.273900	23.95	
6,769	LITTLE ELM ISD	8,743	0	8,743	1.540000	134.65	

Do NOT Pay From This Notice Total Estimated Tax: \$158.60

The difference between the 2006 appraised value and the proposed 2011 appraised value is 29.16%. This percentage information is required by Tax Code section 25.19(b-1).

The Texas Legislature does not set the amount of your local taxes. Your property tax burden is decided by your locally elected officials, and all inquiries concerning your taxes should be directed to those officials.

The above tax estimates use last year's tax rates for the taxing units shown. The governing body of each unit (school board, county commissioners, and so forth) decides whether property taxes increase. The appraisal district only determines your property value. The taxing units will set tax rates later this year.

* Your residence homestead is protected from future appraisal value increases in excess of 10% per year from the date of the last appraisal PLUS the value of any new improvements.

** If you are 65 years of age or older and received the \$10,000 school tax exemption on your home last year from the school listed above, your school taxes for this year will not be higher than when you first received the exemption on this home. If you are disabled and received the \$10,000 school tax exemption on your home last year from the school listed above, your school taxes for this year will not be higher than the 2003 taxes or the first year you received the exemption, whichever is later. If your county or city has approved a limitation on your taxes in the preceding year, your county or city taxes will not be higher than the first year your county or city approved the limitation or the first year you qualified for the limitation. If you improved your property (by adding rooms or buildings), your school, county or city ceiling may increase for these improvements. If you are a surviving spouse, age 55 or older with the above referenced exemption, you may retain the school, county or city tax ceiling.

Contact the appraisal office if you disagree with this year's proposed value for your property or if you have any questions concerning the property description or address information. **For an informal review with a reduced wait time call 940-349-3850.** If the issue cannot be resolved, you have the right to appeal to the appraisal review board (ARB).

To appeal, you must file a written protest with the ARB before the deadline date.

Deadline for filing a protest: June 3, 2011

Location of Hearing: 3911 Morse Street, Denton, TX 76208

ARB will begin Hearings: May 9, 2011

Enclosed is a protest form to send to the appraisal district if you intend to appear and present evidence before the ARB. The ARB will notify you of the date, time, and place of your scheduled hearing. Enclosed, also, is information to help you in preparing your protest. You do not need to use enclosed form to file your protest. You may protest by letter, if it includes your name, your property's description, and your reason for protesting.

If you have any questions or need more information, please contact the appraisal district office at 940-349-3800 or at the address shown above.

Sincerely, Chief Appraiser

K00000

2011 Notice of Appraised Value

DENTON CENTRAL APPRAISAL DISTRICT
3911 MORSE STREET
PO BOX 50747
DENTON, TX 76206

Property ID: 138178
Ownership %: 100.00

DBA:

Legal:
KNOB HILL LAKE ESTATES BLK A LOT
25(N67.19')

Phone: (940) 349-3800 Fax: (940) 349-3801

Date of Notice: May 4, 2011

Property ID: 138178

000273

DESMIT, JOSEPH C
2861 HIGH MEADOW DR
LITTLE ELM, TX 75068-2865

Legal Acres. 0.0644
Situs: 4598 WILD VALLEY DR 75068-2853



Dear Property Owner:

We have appraised the property listed above for the tax year 2011. As of January 1, our appraisal is outlined below.

Appraisal Information				Last Year's - 2010		Proposed - 2011	
Structure & Improvement Market Value				0		0	
Market Value of Non Ag/Timber Land				3,368		3,481	
Market Value of Ag/Timber Land				0		0	
Market Value of Personal Property/Minerals				0		0	
Total Market Value				3,368		3,481	
Productivity Value of Ag/Timber Land				0		0	
Assessed Value * (Possible Homestead Limitations, see asterisk below)				3,368		3,481	
Homestead Cap Value excluding Non-Homesite Value (i.e. Ag, Commercial)				0		0	
Exemptions							
2010 Taxable Value	Taxing Unit	2011 Proposed Appraised Value	2011 Exemption Amount	2011 Taxable Value	2010 Tax Rate	2011 Estimated Taxes	2011 Freeze Year and Tax Ceiling**
3,368	DENTON COUNTY	3,481	0	3,481	0.273900	9.54	
3,368	LITTLE ELM ISD	3,481	0	3,481	1.540000	53.61	

Do NOT Pay From This Notice Total Estimated Tax: \$63.15

The difference between the 2006 appraised value and the proposed 2011 appraised value is 3.36%. This percentage information is required by Tax Code section 25.19(b-1).

The Texas Legislature does not set the amount of your local taxes. Your property tax burden is decided by your locally elected officials, and all inquiries concerning your taxes should be directed to those officials.

The above tax estimates use last year's tax rates for the taxing units shown. The governing body of each unit (school board, county commissioners, and so forth) decides whether property taxes increase. The appraisal district only determines your property value. The taxing units will set tax rates later this year.

* Your residence homestead is protected from future appraisal value increases in excess of 10% per year from the date of the last appraisal PLUS the value of any new improvements.

** If you are 65 years of age or older and received the \$10,000 school tax exemption on your home last year from the school listed above, your school taxes for this year will not be higher than when you first received the exemption on this home. If you are disabled and received the \$10,000 school tax exemption on your home last year from the school listed above, your school taxes for this year will not be higher than the 2003 taxes or the first year you received the exemption, whichever is later. If your county or city has approved a limitation on your taxes in the preceding year, your county or city taxes will not be higher than the first year your county or city approved the limitation or the first year you qualified for the limitation. If you improved your property (by adding rooms or buildings), your school, county or city ceiling may increase for these improvements. If you are a surviving spouse, age 55 or older with the above referenced exemption, you may retain the school, county or city tax ceiling.

Contact the appraisal office if you disagree with this year's proposed value for your property or if you have any questions concerning the property description or address information. **For an informal review with a reduced wait time call 940-349-3850.** If the issue cannot be resolved, you have the right to appeal to the appraisal review board (ARB).

To appeal, you must file a written protest with the ARB before the deadline date:

Deadline for filing a protest: June 3, 2011
Location of Hearing: 3911 Morse Street, Denton, TX 76208
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Enclosed is a protest form to send to the appraisal district if you intend to appear and present evidence before the ARB. The ARB will notify you of the date, time, and place of your scheduled hearing. Enclosed, also, is information to help you in preparing your protest. You do not need to use enclosed form to file your protest. You may protest by letter, if it includes your name, your property's description, and your reason for protesting.

If you have any questions or need more information, please contact the appraisal district office at 940-349-3800 or at the address shown above.

Sincerely, Chief Appraiser

2011 Notice of Appraised Value

DENTON CENTRAL APPRAISAL DISTRICT
3911 MORSE STREET
PO BOX 50747
DENTON, TX 76206

Phone: (940) 349-3800 Fax: (940) 349-3801

Date of Notice: May 4, 2011

Property ID: 45718
 Ownership %: 100.00

DBA:

Legal:
 KNOB HILL LAKE ESTATES BLK A LOT 26

Property ID: 45718
 DESMIT, JOSEPH C
 2861 HIGH MEADOW DR
 LITTLE ELM, TX 75068-2865

000273

Legal Acres: 0.1745
 Situs: WILD VALLEY DR TX



P04000

Dear Property Owner:

We have appraised the property listed above for the tax year 2011. As of January 1, our appraisal is outlined below.

Appraisal Information				Last Year's - 2010		Proposed - 2011	
Structure & Improvement Market Value				0		0	
Market Value of Non Ag/Timber Land				8,056		9,424	
Market Value of Ag/Timber Land				0		0	
Market Value of Personal Property/Minerals				0		0	
Total Market Value				8,056		9,424	
Productivity Value of Ag/Timber Land				0		0	
Assessed Value * (Possible Homestead Limitations, see asterisk below)				8,056		9,424	
Homestead Cap Value excluding Non-Homesite Value (i.e. Ag, Commercial)				0		0	
Exemptions							
2010 Taxable Value	Taxing Unit	2011 Proposed Appraised Value	2011 Exemption Amount	2011 Taxable Value	2010 Tax Rate	2011 Estimated Taxes	2011 Freeze Year and Tax Ceiling**
8,056	DENTON COUNTY	9,424	0	9,424	0.273900	25.81	
8,056	LITTLE ELM ISD	9,424	0	9,424	1.540000	145.13	

Do NOT Pay From This Notice Total Estimated Tax: \$170.94

The difference between the 2006 appraised value and the proposed 2011 appraised value is 16.98%. This percentage information is required by Tax Code section 25.19(b-1).

The Texas Legislature does not set the amount of your local taxes. Your property tax burden is decided by your locally elected officials, and all inquiries concerning your taxes should be directed to those officials.

The above tax estimates use last year's tax rates for the taxing units shown. The governing body of each unit (school board, county commissioners, and so forth) decides whether property taxes increase. The appraisal district only determines your property value. The taxing units will set tax rates later this year.

* Your residence homestead is protected from future appraisal value increases in excess of 10% per year from the date of the last appraisal PLUS the value of any new improvements.

** If you are 65 years of age or older and received the \$10,000 school tax exemption on your home last year from the school listed above, your school taxes for this year will not be higher than when you first received the exemption on this home. If you are disabled and received the \$10,000 school tax exemption on your home last year from the school listed above, your school taxes for this year will not be higher than the 2003 taxes or the first year you received the exemption, whichever is later. If your county or city has approved a limitation on your taxes in the preceding year, your county or city taxes will not be higher than the first year your county or city approved the limitation or the first year you qualified for the limitation. If you improved your property (by adding rooms or buildings), your school, county or city ceiling may increase for these improvements. If you are a surviving spouse, age 55 or older with the above referenced exemption, you may retain the school, county or city tax ceiling.

Contact the appraisal office if you disagree with this year's proposed value for your property or if you have any questions concerning the property description or address information. **For an informal review with a reduced wait time call 940-349-3850.** If the issue cannot be resolved, you have the right to appeal to the appraisal review board (ARB).

To appeal, you must file a written protest with the ARB before the deadline date:

Deadline for filing a protest: June 3, 2011
Location of Hearing: 3911 Morse Street, Denton, TX 76208
ARB will begin Hearings: May 9, 2011

Enclosed is a protest form to send to the appraisal district if you intend to appear and present evidence before the ARB. The ARB will notify you of the date, time, and place of your scheduled hearing. Enclosed, also, is information to help you in preparing your protest. You do not need to use enclosed form to file your protest. You may protest by letter, if it includes your name, your property's description, and your reason for protesting.

If you have any questions or need more information, please contact the appraisal district office at 940-349-3800 or at the address shown above.

Sincerely, Chief Appraiser

2011 Notice of Appraised Value

DENTON CENTRAL APPRAISAL DISTRICT
 3911 MORSE STREET
 PO BOX 50747
 DENTON, TX 76206

Phone: (940) 349-3800 Fax: (940) 349-3801

Date of Notice: May 4, 2011

Property ID: 45719
 Ownership %: 100.00

DBA:

Legal:
 KNOB HILL LAKE ESTATES BLK A LOT 27

Property ID: 45719

000273

DESMIT, JOSEPH C
 2861 HIGH MEADOW DR
 LITTLE ELM, TX 75068-2865

Legal Acres: 0.1528
 Situs: KNOB HILL DR 75068



H00000

Dear Property Owner:

We have appraised the property listed above for the tax year 2011. As of January 1, our appraisal is outlined below.

Appraisal Information				Last Year's - 2010		Proposed - 2011	
Structure & Improvement Market Value				0		0	
Market Value of Non Ag/Timber Land				6,388		8,251	
Market Value of Ag/Timber Land				0		0	
Market Value of Personal Property/Minerals				0		0	
Total Market Value				6,388		8,251	
Productivity Value of Ag/Timber Land				0		0	
Assessed Value * (Possible Homestead Limitations, see asterisk below)				6,388		8,251	
Homestead Cap Value excluding Non-Homesite Value (i.e. Ag, Commercial)				0		0	
Exemptions							
2010 Taxable Value	Taxing Unit	2011 Proposed Appraised Value	2011 Exemption Amount	2011 Taxable Value	2010 Tax Rate	2011 Estimated Taxes	2011 Freeze Year and Tax Ceiling**
6,388	DENTON COUNTY	8,251	0	8,251	0.273900	22.60	
6,388	LITTLE ELM ISD	8,251	0	8,251	1.540000	127.07	

Do NOT Pay From This Notice Total Estimated Tax: \$149.67

The difference between the 2006 appraised value and the proposed 2011 appraised value is 29.16%. This percentage information is required by Tax Code section 25.19(b-1).

The Texas Legislature does not set the amount of your local taxes. Your property tax burden is decided by your locally elected officials, and all inquiries concerning your taxes should be directed to those officials.

The above tax estimates use last year's tax rates for the taxing units shown. The governing body of each unit (school board, county commissioners, and so forth) decides whether property taxes increase. The appraisal district only determines your property value. The taxing units will set tax rates later this year.

* Your residence homestead is protected from future appraisal value increases in excess of 10% per year from the date of the last appraisal PLUS the value of any new improvements.

** If you are 65 years of age or older and received the \$10,000 school tax exemption on your home last year from the school listed above, your school taxes for this year will not be higher than when you first received the exemption on this home. If you are disabled and received the \$10,000 school tax exemption on your home last year from the school listed above, your school taxes for this year will not be higher than the 2003 taxes or the first year you received the exemption, whichever is later. If your county or city has approved a limitation on your taxes in the preceding year, your county or city taxes will not be higher than the first year your county or city approved the limitation or the first year you qualified for the limitation. If you improved your property (by adding rooms or buildings), your school, county or city ceiling may increase for these improvements. If you are a surviving spouse, age 55 or older with the above referenced exemption, you may retain the school, county or city tax ceiling.

Contact the appraisal office if you disagree with this year's proposed value for your property or if you have any questions concerning the property description or address information. **For an informal review with a reduced wait time call 940-349-3850.** If the issue cannot be resolved, you have the right to appeal to the appraisal review board (ARB).

To appeal, you must file a written protest with the ARB before the deadline date:

Deadline for filing a protest: June 3, 2011

Location of Hearing: 3911 Morse Street, Denton, TX 76208

ARB will begin Hearings: May 9, 2011

Enclosed is a protest form to send to the appraisal district if you intend to appear and present evidence before the ARB. The ARB will notify you of the date, time, and place of your scheduled hearing. Enclosed, also, is information to help you in preparing your protest. You do not need to use enclosed form to file your protest. You may protest by letter, if it includes your name, your property's description, and your reason for protesting.

If you have any questions or need more information, please contact the appraisal district office at 940-349-3800 or at the address shown above.

Sincerely, Chief Appraiser

11 Notice of Appraised Value

DENTON CENTRAL APPRAISAL DISTRICT
3911 MORSE STREET
PO BOX 50747
DENTON, TX 76206

Phone: (940) 349-3800 Fax: (940) 349-3801

Date of Notice: May 4, 2011

Property ID: 152193
Ownership %: 100.00

DBA:

Legal:
KNOB HILL LAKE ESTATES BLK A LOT 29

Property ID: 152193

000273

DESMIT, JOSEPH C
2861 HIGH MEADOW DR
LITTLE ELM, TX 75068-2865

Legal Acres: 0.1722
Situs: KNOB HILL DR 75068



000000

Dear Property Owner:

We have appraised the property listed above for the tax year 2011. As of January 1, our appraisal is outlined below.

Appraisal Information				Last Year's - 2010		Proposed - 2011	
Structure & Improvement Market Value				0		0	
Market Value of Non Ag/Timber Land				7,950		9,300	
Market Value of Ag/Timber Land				0		0	
Market Value of Personal Property/Minerals				0		0	
Total Market Value				7,950		9,300	
Productivity Value of Ag/Timber Land				0		0	
Assessed Value * (Possible Homestead Limitations, see asterisk below)				7,950		9,300	
Homestead Cap Value excluding Non-Homesite Value (i.e. Ag, Commercial)				0		0	
Exemptions							
2010 Taxable Value	Taxing Unit	2011 Proposed Appraised Value	2011 Exemption Amount	2011 Taxable Value	2010 Tax Rate	2011 Estimated Taxes	2011 Freeze Year and Tax Ceiling**
7,950	DENTON COUNTY	9,300	0	9,300	0.273900	25.47	
7,950	LITTLE ELM ISD	9,300	0	9,300	1.540000	143.22	

Do NOT Pay From This Notice Total Estimated Tax: \$168.69

The difference between the 2006 appraised value and the proposed 2011 appraised value is 16.98%. This percentage information is required by Tax Code section 25.19(b-1).

The Texas Legislature does not set the amount of your local taxes. Your property tax burden is decided by your locally elected officials, and all inquiries concerning your taxes should be directed to those officials.

The above tax estimates use last year's tax rates for the taxing units shown. The governing body of each unit (school board, county commissioners, and so forth) decides whether property taxes increase. The appraisal district only determines your property value. The taxing units will set tax rates later this year.

* Your residence homestead is protected from future appraisal value increases in excess of 10% per year from the date of the last appraisal PLUS the value of any new improvements.

** If you are 65 years of age or older and received the \$10,000 school tax exemption on your home last year from the school listed above, your school taxes for this year will not be higher than when you first received the exemption on this home. If you are disabled and received the \$10,000 school tax exemption on your home last year from the school listed above, your school taxes for this year will not be higher than the 2003 taxes or the first year you received the exemption, whichever is later. If your county or city has approved a limitation on your taxes in the preceding year, your county or city taxes will not be higher than the first year your county or city approved the limitation or the first year you qualified for the limitation. If you improved your property (by adding rooms or buildings), your school, county or city ceiling may increase for these improvements. If you are a surviving spouse, age 55 or older with the above referenced exemption, you may retain the school, county or city tax ceiling.

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To appeal, you must file a written protest with the ARB before the deadline date:

Deadline for filing a protest: June 3, 2011

Location of Hearing: 3911 Morse Street, Denton, TX 76208

ARB will begin Hearings: May 9, 2011

Enclosed is a protest form to send to the appraisal district if you intend to appear and present evidence before the ARB. The ARB will notify you of the date, time, and place of your scheduled hearing. Enclosed, also, is information to help you in preparing your protest. You do not need to use enclosed form to file your protest. You may protest by letter, if it includes your name, your property's description, and your reason for protesting.

If you have any questions or need more information, please contact the appraisal district office at 940-349-3800 or at the address shown above.

Sincerely, Chief Appraiser

12/12/11

AFFIDAVIT

STATE OF TEXAS

COUNTY OF Denton

I, DAREN LONG-DESNIER, 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)

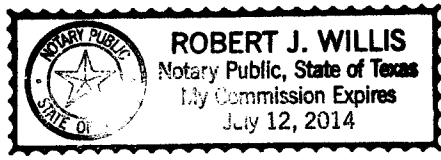
Karen D. Leber
Affiant (Utility's Authorized Representative)

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
Robert Willis
PRINT OR TYPE NAME OF NOTARY
MY COMMISSION EXPIRES 7/12/14

SEAL



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>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:	\$ <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>2000</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: _____	\$
Gallonge Charge:		Gallonge 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		Non-payment	
(Maximum - \$25.00)	\$ <u>25.00</u>	(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

11/28/11

AFFIDAVIT

STATE OF TEXAS

COUNTY OF Denton

I, KAREN LONG-DESIR, 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-Desir
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 19th day of NOVEMBER, 20 11, to certify which witness my hand and seal of office.

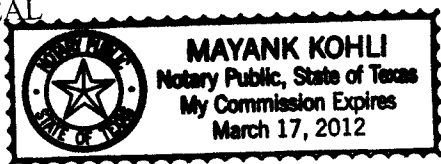
Mayank Kohli
NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

MAYANK KOHLI

PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES 03/17/2012

SEAL



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

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 972-294-2553
Company Address City State Zip Telephone

9,120.00
Annual Revenue Increase

1999
Date of Last Rate Change

11/30/11
Date Customer Notice Mailed

27th of month
Date Meters Typically Read

EFFECTIVE DATE OF PROPOSED INCREASE: _____

BILLING COMPARISON

Water:	Existing	10,000 gallons:	\$ <u>5.2</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>2000</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 gallonage charges

RECEIVED

NOV 15 PM 3 19

AFFIDAVIT

STATE OF TEXAS

COUNTY OF Denton

I, KAREN LEUG-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)

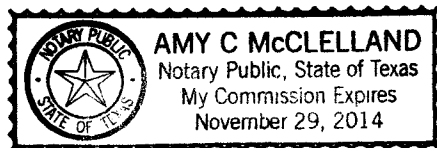
Karen Leug-Desmit
Affiant (Utility's Authorized Representative)

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 8th 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.} 294-2553
Company Address City State Zip Telephone

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>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:	\$ _____/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

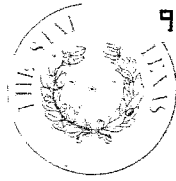
NOTICE OF PROPOSED RATE CHANGE -WATER (Cont.)

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	
Miscellaneous Fees		Miscellaneous Fees	
Tap fee	\$ <u>1000.00</u>	Tap fee	\$ <u>1000.00</u>
Reconnect fee:		Reconnect fee"	
Non-payment		Non-payment	
(Maximum - \$25.00)	\$ <u>25.00</u>	(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

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



91 7108 21 3935 2036 1830

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

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.

APPLICATION FOR A RATE/TARIFF CHANGE

SECTION IA - GENERAL INFORMATION

Applicant: Joseph DeSmit / Karen Long-DeSmit

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 7 AM 11 36

RECEIVED
TCEQ
DIVISION OF
WATER & WASTE
MATERIALS

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?
KOOB 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: 500.00 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: on call 24/7-

Salary: 20000 Hourly _____ Weekly _____ Monthly ☒ Annual _____

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 - CLASSD</u>	<u>KAREN LONG-DeSmit - CLASSD</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 (\$)	Depreciation							[G] = [D]-[F] Net Book Value (\$)
		*	**		Years in Service			[E] = [D]/[C] Annual (\$)	[F] Accumulated (\$)			
					Yrs ⓪	Mos ⓪⓪	Days ⓪⓪⓪					
Land	1970	n/a		5000 ⁰⁰							5000 ⁰⁰	
Wells	1970 1980	50		2000 ⁰⁰ 4000 ⁰⁰				40 80	1600 2400	400 1600		
Well Pumps:												
5 hp or less	1992	5		2200	18			440	2200	0		
greater than 5 hp ^{or less}	1995	5 10		2200	15			440	2200	0		
Booster Pumps:												
5 hp or less	2000	5		2000	10			400	2000	0		
greater than 5 hp ^{or less}	2005	5 10		1000				200	1000	0		
Chlorinators	(2) 1994 (2) 2010	10		500 1000	17 1			50 100	500 100	0 900		
Structures:												
Wood	1997	15		10000	13			667	8667	1333		
Masonry		30										
Storage Tanks	1990 2000	50		UNKNOWN 14000	31 11							
Pressure Tanks	1990 1997	50		500 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	5 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						
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 ^①

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 \angle that is fixed (Note 1)		Fixed Expenses (Note 1)	Variable Expenses (Note 1)
					Rec.	Act.		
		€	€	$\angle = e + f$	V		$\textcircled{D} = (\angle * V) / 100$	$\textcircled{D} = \angle - \textcircled{D}$
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, membership, utility tax)	[K]	3413	0	3413	50			
Subtotal - Sum of Line [A] thru Line [K]	[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			
Subtotal - Sum of Line [L] thru Line [Q]	[R]	6360	28794	57687				
Other Revenues	[S]	545	0	545	100			
Total Cost = Line [R] - Line [S]	[T]	5815	28794	57262				
Alternative Allocation between Fixed and Variable	[U]			57262	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 - 1827 (2010 - 1633)	
OFFICE EXPENSES - 1000 ⁰⁰ for new laptop computer	
1100 ⁰⁰ 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]	74	74	1	74
Commercial	[B]	X	X	1	X
Standby	[C]	X	X	1	X
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: $([C] - [D]) \times 100\% = [E]$ [C]	[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]	\$ 61.12				
Base charge per meter size						
5/8" x 3/4" or unmetered	Multiply [C] by 1	[D]	61.12	3	3.48 ^⑥	10.44
3/4"	Multiply [C] by 1.5	[E]			⑥	
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 ⑧
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 %		11.9%

AFFIDAVIT
WATER &/OR SEWER
RATE/TARIFF CHANGE

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 Israel to each customer or other affected party on or about 10/01, 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 30th day of September, 20 11, to certify which witness my hand and seal of office.



SEAL

[Signature]
NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

Kenneth M Rendon
PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES Sept 2, 2014