

Buddy Garcia, *Chairman*
Larry R. Soward, *Commissioner*
Glenn Shankle, *Executive Director*



Texas Commission on Environmental Quality

Protecting Texas by Reducing and Preventing Pollution

October 3, 2007

Mr. Mark Zeppa, Attorney
4833 Spicewood Springs Rd., Ste. 202
Austin, Texas 78759

Re: Sewer Rate/Tariff Change Application of Fran South Central Water Company, Certificate of Convenience and Necessity No. 20964 in Harris, Liberty and Parker Counties; Application No. 35617-R

CN: 602602179; RN: 104220645

Dear Mr. Zeppa:

The Texas Commission on Environmental Quality (TCEQ) did not receive protests to your rate change from ten percent of your customers during the statutory comment period. However, staff of the TCEQ protested the application on its own motion. After a meeting with you, and the utility on September 19, 2007, a settlement was reached and a public hearing on your rate change request will not be scheduled.

The settled rates were effective on September 19, 2007. Please mail a copy of the attached notice to each of your customers with your next billing.

Enclosed are copies of the approved rate schedule pages for your tariff. You should retain a complete copy of your utility's approved tariff at each of the utility's business offices or designated sales offices.

Pursuant to the Texas Water Code, Section 13.187(d), you may not file a statement of intent to increase your rates more than once in a twelve month period except to implement an approved purchased water pass through adjustment or to adjust the rates of a newly acquired utility system; or unless a financial hardship exists as determined by the TCEQ.

You are required by TCEQ rules to assist anyone seeking information on your approved rates or service policies and to make copies of your tariff available upon request at reasonable reproduction costs. You are also required to maintain copies of the current TCEQ Permanent Rules, 30 Texas Administrative Code, Chapter 290 and Chapter 291. I have enclosed a pamphlet explaining how to obtain copies of TCEQ rules.

SOUTH CENTRAL WATER COMPANY
 NOTICE TO CUSTOMERS OF RATES
 EFFECTIVE SEPTEMBER 19, 2007

SECTION 1.0 -- RATE SCHEDULE WATER

Section 1.01 - Rates

<u>Meter Size</u>	<u>Monthly Minimum Charge</u>	<u>Gallonge Charge</u>
Residential (Flat Rate)	<u>\$60.00</u>	
Commercial and Other (based upon water meter size):		
5/8" x 3/4"	<u>\$25.00</u> (Including -0- Gallons)	<u>\$2.00</u> per 1000 gal
3/4"	<u>\$37.50</u>	same for all meter sizes
1"	<u>\$62.50</u>	
1 1/2"	<u>\$125.00</u>	
2"	<u>\$200.00</u>	
3"	<u>\$375.00</u>	
4"	<u>\$750.00</u>	
6"	<u>\$1562.50</u>	

Gallonge charges for individual residential customers shall be calculated based upon their average metered water consumption for the winter months of December, January, and February. Where an individual residential customer requests service at a location that does not have a winter consumption history, that customer shall be imputed with a monthly gallonge rate of 8,000 gallons until a winter usage average is established. Gallonge charges for non-residential customers, including associations of residential customers, shall be calculated using their actual monthly-metered water consumption without winter averaging.

DEVELOPER OPERATING CHARGE: A developer requesting the construction of a new utility system who does not pay all of the cost of plant constructed to serve that development shall be billed each month for the incremental difference between the revenues collected for utility services rendered and \$2,500 or other amount mutually agreed to. This charge shall cease when utility service revenues collected from consumers in that new development exceed \$1,500 for three consecutive months excluding July through September or five consecutive months including July through September. This charge shall be implemented only where the developer voluntarily agrees to pay it in a service, construction or extension contract.

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

Cash X, Check X, Money Order X, Discover __, MasterCard __, Visa

(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 FEE 1%

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

G = approved per 1,000 gallon gallonage charge

B = change in district fee (per 1,000 gallons)

L = system average line loss for preceding 12 months, not to exceed 0.15

To implement or modify the Purchased Sewer Treatment Fee, the utility must comply with all notice and other requirements of 30 TAC 291.21(h).

SEWER UTILITY TARIFF

FOR

South Central Water Company
(Utility Name)

P. O. Box 570177
(Business Address)

Houston, Texas 77257-0177
(City, State, Zip Code)

(713) 783-6611
(Area Code/Telephone)

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

20964

This tariff is effective in the following counties:

Harris, Liberty, Montgomery, Parker and Wilson

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

None

This tariff is effective for the following subdivisions and Water Quality permit number:

Colony of Pinehurst: WQ 0014592001 (TX0127663)

Ober 212: WQ 1463300100 (TX01280616)

Pine Trace: WQ0014606001 (TX0127795)

Quail Run: WQ0014672001 (TX0128449)

Steamboat Springs: WQ12344001 (TX0086096)

Sugar Tree: WQ0014163001 (TX0122271)

Twelve Oaks: WQ0014517001 (TX0125547)

TABLE OF CONTENTS

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

SECTION		PAGE
1.0	RATE SCHEDULE.....	2
2.0	SERVICE RULES	3
3.0	EXTENSION POLICY ...	13

APPENDIX A SERVICE AGREEMENT

TEXAS COMM ON ENVIRONMENTAL QUALITY
35617-R, CCN 20964, SEPT 19, 2007
APPROVED TARIFF BY g/ef

SECTION 1.0--RATE SCHEDULE

Section 1.01--Rates

<u>Meter Size</u>	<u>Monthly Minimum Charge</u>	<u>Gallage Charge</u>
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4"	<u>\$750.00</u>	
6"	<u>\$1562.50</u>	

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DEVELOPER OPERATING CHARGE: A developer requesting the construction of a new utility system who does not pay all of the cost of plant constructed to serve that development shall be billed each month for the incremental difference between the revenues collected for utility services rendered and \$2,500 or other amount mutually agreed to. This charge shall cease when utility service revenues collected from consumers in that new development exceed \$1,500 for three consecutive months excluding July through September or five consecutive months including July through September. This charge shall be implemented only where the developer voluntarily agrees to pay it in a service, construction or extension contract.

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

TEXAS COMM. ON ENVIRONMENTAL QUALITY
35617-R, CCN 20964, SEPT. 19, 2007
APPROVED TARIFF BY JIEF

SECTION 1.0--RATE SCHEDULE (Continued)

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

Cash X, Check X, Money Order X, Discover __, MasterCard __, Visa __

(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 FEE 1%
A REGULATORY ASSESSMENT, EQUAL TO ONE PERCENT OF THE CHARGE FOR RETAIL SEWER SERVICE ONLY, SHALL BE COLLECTED FROM EACH RETAIL CUSTOMER.

Section 1.02--Miscellaneous Fees

RESIDENTIAL TAP FEE\$1,300.00
THE TAP FEE IS BASED ON THE AVERAGE OF THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR STANDARD RESIDENTIAL CONNECTION PLUS ROAD BORES AND OTHER EXTRAORDINARY COST PERMITTED BY 30 TAC291.86(a)(1)(A)-(C).

COMMERCIAL TAP FEEActual Cost

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\$45.00
- OR OTHER REASONS LISTED UNDER SECTION 2.0 OF THIS TARIFF

TRANSFER FEE\$45.00
THE TRANSFER FEE WILL BE CHARGED FOR CHANGING AN ACCOUNT NAME AT THE SAME SERVICE LOCATION WHERE THE SERVICE IS NOT DISCONNECTED.

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

TEXAS COMM. ON ENVIRONMENTAL QUALITY
35617-R, CCN 20964, SEPT. 19, 2007
APPROVED TARIFF BY g JEF

SECTION 1.0--RATE SCHEDULE (Continued)

LATE CHARGE\$5.00
A ONE TIME PENALTY MAY BE 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
RETURNED CHECK CHARGES MUST BE BASED ON THE UTILITY'S DOCUMENTABLE COST.

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

NON-RESIDENTIAL DEPOSIT 1/6th est. annual bill

SEASONAL RECONNECT FEE: Monthly minimum bill for meter size for each month of disconnection not to exceed six months for voluntary disconnection and reconnection within 12 months or involuntary disconnection over 45 days.

LINE EXTENSION AND CONSTRUCTION CHARGES: Refer to Section 2.20 Specific Utility Service Rules.

GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE CLAUSE:
Increases in inspection fees and testing costs imposed by state or federal law may be passed through as an adjustment to the monthly base rate charge under the terms and conditions on 30 T.A.C. 291.21(k)(2) after notice to the public and the TCEQ.

PURCHASED SEWAGE TREATMENT PASS THROUGH:
Changes in fees imposed by any non-affiliate wholesale sewer treatment supplier shall be passed through as an adjustment to the gallonage charge according to the formula:

AG = G+B/(1-L), Where:
AG = adjusted gallonage charge, rounded to nearest one cent
G = approved per 1,000 gallon gallonage charge
B = change in district fee (per 1,000 gallons)
L = system average line loss for preceding 12 months, not to exceed 0.15

To implement or modify the Purchased Sewer Treatment Fee, the utility must comply with all notice and other requirements of 30 TAC 291.21(h).

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

TEXAS COMM. ON ENVIRONMENTAL QUALITY
35617-R, CCN 20964, SEPT. 19, 2007
APPROVED TARIFF BY 7/EF

Utilities & Districts Section

Utility Name: South Central Water Company
 Appl. Number (s): 35617-R
 TCEQ Rec. Date: 02/09/07 Date Received From Admin: 02/09/07
 BTR Letter Date: 06/25/07 Elizabeth Flores/Kha Mach
 Effective Date: 05/01/07

Rate Application Processing Timeline

<u>Days after Effective Date</u>	<u>Days after Acceptance For Filing</u>	<u>Date</u>	
	136	25-Jun-07	Case assigned to Staff (Accountant Keeps Official File)
	146	05-Jul-07	Staff Accountant and Engineer review application for verification of numbers
	156	15-Jul-07	Accountant Reviews Financial Data 1. Enter Expenses In Spreadsheet under O & M <u>8/17/07</u> 2. Completes Interim Rate Analysis Worksheet 3. Completes Revenue Requirement Worksheet 4. Complete Labor Analysis <u>↓</u>
			Engineer Reviews 1. Water pumped and billed and calculates percentage lost. <u>8/17/07</u> 2. Develops Depreciation Schedule 3. Most Recent PWS Inspection Reports for deficiencies <u>↓</u> 4. Prior Dockets for Existing Depreciation Schedule and notes differences. <u>8/17</u>
			Accountant and Engineer consider audit/inspection of facilities. May be a necessity if case is protested. Mandatory if sent to evidentiary hearing.
	160	19-Jul-07	Staff Accountant and Engineer meet to discuss findings
	165	24-Jul-07	First letter to utility requesting additional information prepared, if necessary Accountant and Engineer coordinate questions to be sent in one letter
0	60	01-May-07	Effective Date
	195	23-Aug-07	First reponse from utility due
	200	28-Aug-07	Accountant provides Engineer with location to Cost of Service Spreadsheet Engineer enters Depreciation Schedule, including net plant, annual depreciation and accumulated depreciation.
	210	07-Sep-07	Accountant determines if interim rates are necessary/makes written recommendations to Team Leader.
	215	12-Sep-07	Team Leader reviews Accountant's recommendations for interim rates Recommendation forwarded to Section Manager for final approval and processing
	225	22-Sep-07	Accountant and Engineer review file for complaints
90	171	30-Jul-07	Deadline for complaints, checked by Accountant If protested (by 10% of the customers), Accountant prepares recommendation for hearing.

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

INTEROFFICE MEMORANDUM

TO: LaDonna Castanuela, Chief Clerk

THRU: Doug Holcomb, P.E., Section Manager
Utilities and Districts Section
Water Supply Division

DATE: September 7, 2007

SP
8/30/07
Tammy Benter, Team Leader
Utilities Financial Review Team
Water Supply Division

DM
9/20/07
David Laughlin, P.E., Team Leader
Utilities Technical Review Team
Water Supply Division

FROM: *EF*
9/4/07 Elizabeth Flores
Utilities Financial Review Team
Water Supply Division

KM
8/30/07 Kha Mach
Utilities Technical Review Team
Water Supply Division

SUBJECT: Docket No. 2007-1377-UCR; Sewer Rate/Tariff Change of South Central Water Company, Certificate of Convenience and Necessity (CCN) No. 20964, in Harris, Liberty and Parker Counties; Application No. 35617-R

CN: 602602179; RN: 104220645

We hereby transfer the official file for the above referenced application to the Chief Clerk's Office. Please refer this application to the State Office of Administrative Hearings and request that a hearing be scheduled.

We received this rate change application on February 9, 2007. The effective date of the rate increase was May 1, 2007, and the deadline for customer protests was July 30, 2007. No protests were received for this case since there are no customers. However, staff is protesting the application on its own motion because the applicant is requesting a rate of return of 12% (twelve) yet there is no "actual" test year data. South Central Water Company's systems are in the construction phase, and the numbers used in the application are projections (reference letter dated February 7, 2007, from Mr. Mark H. Zeppa). Based on the information provided, staff is unable to support the requested rate. Staff estimates 10 people to attend this hearing. Attached is a mailing list for this application.

The staff assigned to this case are:

Technical - Kha Mach

Kathleen Hartnett White, *Chairman*
R. B. "Ralph" Marquez, *Commissioner*
Larry R. Soward, *Commissioner*
Glenn Shankle, *Executive Director*



TEXAS COMMISSION ON ENVIRONMENT

Protecting Texas by Reducing and Reusing

September 7, 2007

CERTIFIED MAIL

Mr. Mark Zeppa, Attorney
4833 Spicewood Springs Rd., Suite 202
Austin, Texas 78759

Re: Docket No. 2007-1377-UCR; Sewer Rate/Tariff Change
Convenience and Necessity (CCN) No. 20964, in Hearing
35617-R

CN: 602602179; RN: 104220645

Dear Mr. Zeppa:

On May 1, 2007, we received your notice of a sewer rate
protesting the application on its own motion. Your application
Any further communications should refer to this docket number

This matter has been referred to the State Office of Administration
been scheduled, you will receive a notice of hearing which explains

In order to review this rate change request, the staff of the TCEQ
your utility's cost of providing service. You may be receiving
few weeks. We would appreciate your cooperation in providing

If you have questions about this process or what material you
contact Ms. Elizabeth Flores at (512) 239-6846, or Mr. Kha M. M.

Sincerely,

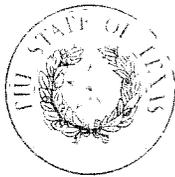
A handwritten signature in cursive script that reads "Doug Holcomb".

Doug Holcomb, P.E., Section Manager
Utilities & Districts Section
Water Supply Division

DH/TB/EF/KM/

cc: TCEQ Region No. 12 Office

Kathleen Hartnett White, *Chairman*
Larry R. Soward, *Commissioner*
Glenn Shankle, *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

April 5, 2007

Mr. Mark Zeppa, Attorney
4833 Spicewood Springs Rd., Suite 202
Austin, TX 78759

NOTICE OF DEFICIENCY

Re: Sewer Rate/Tariff Change Application of South Central Water Company, Certificate of Convenience and Necessity No. 20964 in Harris, Liberty and Parker Counties; Application No. 35617-R

CN: 602602179; RN:104220645

Dear Mr. Zeppa:

The Texas Commission on Environmental Quality (TCEQ) received the above referenced application on February 9, 2007. The application has not been accepted for filing, but has been assigned Application No. 35617-R. Please refer to this number in future correspondence.

Based on an administrative review of your application package, it appears that your notice to customers contain some errors and deficiencies. To continue with the processing of your application you must complete or revise the following portions of the notice.

1. The calculations of the **Existing and Proposed Billing Comparison** amounts are incorrect.
2. The **Date Customer Notice Mailed** and the **Date Meters Typically Read** on the notice were left blank. These must be completed

In addition, please submit a list of subdivisions included in this sewer rate/tariff application with their corresponding Water Quality permit number.

We are aware that you do not have any sewer customers for this utility, so the effective date of your rate change will still be May 1, 2007.

Please complete the enclosed blank forms. You must submit an original and three (3) copies of the affidavit as well as the new customer notice to our office by **April 30, 2007**. If you are unable to do so, your application will be returned for failure to prosecute.

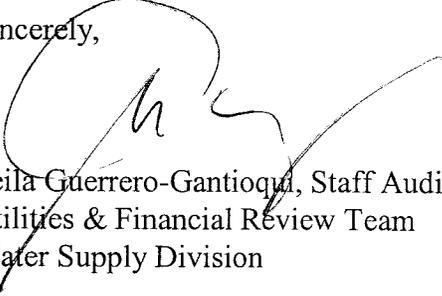
Mr. Mark Zeppa, Attorney

Page 2

April 5, 2007

If you have any further questions, please contact me at (512) 239-2286, by fax at (512) 239-0030, or if by correspondence, include MC 153 in the address.

Sincerely,



Leila Guerrero-Gantioqui, Staff Auditor
Utilities & Financial Review Team
Water Supply Division

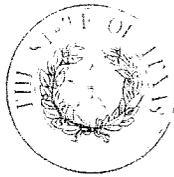
TB/LG/fg

Enclosures

cc: Ms.Elizabeth Flores, Staff Auditor MC-153
Mr.Kamal Adhikari, Staff Engineer, MC-153

Mr. Malcolm D. Bailey, President

Kathleen Hartnett White, *Chairman*
Larry R. Soward, *Commissioner*
Glenn Shankle, *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

April 5, 2007

Mr. Mark Zeppa, Attorney
4833 Spicewood Springs Rd., Suite 202
Austin, TX 78759

NOTICE OF DEFICIENCY

Re: Sewer Rate/Tariff Change Application of South Central Water Company, Certificate of Convenience and Necessity No. 20964 in Harris, Liberty and Parker Counties, Application No. 35617-R

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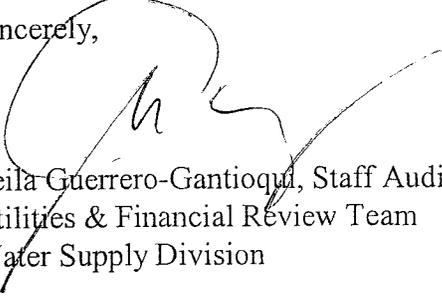
Mr. Mark Zeppa, Attorney

Page 2

April 5, 2007

If you have any further questions, please contact me
or if by correspondence, include MC 153 in the subject line.

Sincerely,



Leila Guerrero-Gantioqui, Staff Auditor
Utilities & Financial Review Team
Water Supply Division

TB/LG/fg

Enclosures

cc: Ms.Elizabeth Flores, Staff Auditor M
Mr.Kamal Adhikari, Staff Engineer,

Mr. Malcolm D. Bailey, President