

Control Number: 43976



Item Number: 12

Addendum StartPage: 0

House Bill (HB) 1600 and Senate Bill (SB) 567 83rd
Legislature, Regular Session, transferred the functions
relating to the economic regulation of water and sewer
utilities from the TCEQ to the PUC effective
September 1, 2014

Kathleen Hartnett White, *Chairman*
Larry R. Soward, *Commissioner*
H. S. Buddy Garcia, *Commissioner*
Glenn Shankle, *Executive Director*



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TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
PUBLIC UTILITY COMMISSION
FILING CLERK

Protecting Texas by Reducing and Preventing Pollution

May 8, 2007

CERTIFIED MAIL

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

FINAL 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. An administrative review of the application was conducted and a Notice of Deficiency letter was sent to you on April 5, 2007. We stated in our letter that the requirements are due on April 30, 2007, but todate, we have not received any response from you.

The application package contains incomplete and/or inaccurate information, and the following information must be provided before your application can be accepted for filing.

1. Your notice of the proposed rate change is incomplete. The calculation for the **Proposed Billing Comparison** is incorrect.
2. The **Date Customer Notice Mailed** and the **Date Meters Typically Read** on the notice were left blank. These must be completed.
3. List of subdivisions included in this sewer rate/tariff application with their corresponding Water Quality permit number

These information must be received by **May 21, 2007**. If we do not receive the requested information by this date, your application will be returned for failure to prosecute.

If you have any further questions, please contact Ms. Leila Guerrero-Gantioqui at (512) 239-2286, or if by correspondence, include MC 153 in the letterhead address.

Sincerely,

A handwritten signature in cursive script that reads "Tammy Benter".

Tammy Benter, Team Leader
Utilities & Districts Section
Water Supply Division

TB/LG/fg

cc: Ms. Elsie Pascua, MC-153
Mr. Kha Mach, MC-153
Mr. Malcolm D. Bailey, President

12

LAW OFFICES OF MARK H. ZEPPA, P.C.

4833 Spicewood Springs Road, Suite 202
Austin, Texas 78759-8436
(512) 346-4011 Fax (512) 346-6847
mark@zeppalaw.com or IWSCOT@austin.rr.com

May 21, 2007

via regular USPS mail and email: tholguin@tceq.state.tx.us

Ms. Tammy Holguin-Benter, Team Leader
Utilities & Districts Section
Water Supply Division
Texas Commission on Environmental Quality
P O Box 13087, MC 153
Austin, Texas 78711-3087

RECEIVED
MAY 22 2007
TEXAS COMMISSION
ON
ENVIRONMENTAL QUALITY

Re: Sewer Rate/Tariff Change Application of South Central Water Company
(SCWC), CCN No. 20964; Application No. 35617-R

Dear Ms. Benter:

I am replying to your 'Final Notice of Deficiency' dated May 8, 2007 over your signature. I am afraid you have been had by someone who was so caught up in filling application boxes that they forgot the statutes that apply to the application filed February 8, 2007. I am not sure who preformed this dirty trick on you but I am sure that you can easily find out. With the exception of an obvious typographic error in an unnecessary information box, there were no errors or deficiencies in the application notice as filed.

Your May 8th letter is even more disturbing because Ms. Leila Guerrero-Gantioqui called me about these alleged "deficiencies" while the application was undergoing administrative completeness review. I carefully explained several times that deficiencies did not exist and why. While obviously frustrated by my refusal to accept her blanket assertion of deficiencies, Ms. Guerrero-Gantioqui patiently explained that the application was deficient because it did not match the check list she had been given by "management in the technical section." Having never seen this "check list", I had no reason to disbelieve what Ms. Guerrero-Gantioqui was saying. However, this does not make her statements correct. Rate change applications are governed only by Water Code Chapter 13, Subchapter F, 30 TAC Chapter 291, Subchapter B and the official TCEQ rate/tariff change application – Form 10423. Application of internal staff "check lists" not approved by the TCEQ Commissioners violates Water Code §§5.103 and 13.003 and the Texas Administrative Procedures Act, Govt. Code Chapter 2001.

Your May 8th letter identifies three alleged deficiencies in the SCWC sewer rate change application. They were:

1. "The calculation of the Proposed Billing Comparison is incorrect."
2. "The Date Customer Notice Mailed and Date Meters Typically Read on the notice were left blank. This must be completed."
3. "List of subdivisions included in the sewer rate/tariff application with their corresponding Water Quality permit number."

Each allegation of a "deficiencies" is incorrect. Here is why:

1. Proposed Billing Comparison error: When Jeff Goebel prepared the notice, he attempted in good faith to fill in all of the blanks on Form 10423 notice. He made an obvious typographic error when he stated the cost of service at 10,000 gallons. However, Mr. Goebel was not required to provide any billing comparisons on this notice. Water Code §13.187(a)(3) states that billing comparisons are not required when the utility proposes flat sewer rates. I fail to see how a typo in a number not required by statute is a deficiency. There are no customers to be confused by this typo. Your staff is more than qualified to determine the nature of the application without relying on this typo.

2. Date Customer Notice Mailed and Date Meters Typically Read Blanks: As I explained to Ms. Guerrero-Gantioqui, these blanks were left empty because they do not apply to this flat rate sewer rate application. SCWC has properly reported under oath that there are no affected customers to whom to mail a notice. [Water Code §13.187(a)] The entire application, including notice, was properly filed with the TCEQ as evidenced by you May 8th letter and the "TCEQ Water Supply" filed stamped copy sitting on my desk.

The meter reading date was left blank for the same reason. There are no customers in these new subdivision sewer systems so water meters are not being read for billing purposes.

The application proposes flat sewer rates; therefore, water meter readings are irrelevant. Meter reading does not trigger any statutory time line in this sewer rate case.

Finally, had Mr. Goebel or I arbitrarily plug in dates as suggested by Ms. Guerrero-Gantioqui, we would have knowingly presented falsified information in a sworn government document. This is a crime in the State of Texas. [Texas Penal Code §§37.02, 37.03, 37.04 and 37.10] While Ms. Guerrero-Gantioqui may have been very well meaning so the SCWC

application could be forwarded for technical review, her suggestion that any information be plugged into these blanks skates very close to the line of violating Texas Penal Code §39.03. I do not believe that that this was her intent, but I mention it to show how careful your staff must be in giving out information. Absolutely no one at the TCEQ has the legal authority to direct another person to commit a crime for any reason.

3. List of subdivisions with their corresponding Water Quality permit number: I must admit that this allegation is a mystery to me. There is no requirement to list sewer subdivisions with their corresponding TPDES/TLAP number in Water Code Chapter 13, 30 TAC Chapter 291, or in TCEQ Form 10423. I can only assume the source of this requirement is the "check list." Form 10243, Section IB(F) requires a listing of wastewater treatment plants with corresponding permit numbers. As you know, not every subdivision in Texas has its own WWTP. The purportedly deficient notice form says to list, "Subdivisions or Systems Affected by Rate Change" without any linkage to TDPS/TLAP numbers. Mr. Goebel listed the affected SCWC subdivisions existing at that time. My attached notice is an update in the form now requested.

To get this matter settled, I have attached a revised Form 10423 notice. It contains only truthful and necessary information as required by the controlling legal authorities. If you feel that this revised notice misleads or confuses the TCEQ staff in any way, please let me know. I will be happy to come to the TCEQ and explain the notice and/or the remainder of rate change application. If I do not hear from you, I will assume that the technical processing of this application will continue without unsupported threats of suspension or return.

Sincerely yours,

Mark Zeppa

Mark H. Zeppa

Encl. (1)

cc: Ms. Leila Guerrero-Gantioqui
Ms. Elsie Pascua
Mr. Kha Mach
Mr. Doug Holcomb
Mr. Malcolm Bailey
Mr. Jeff Goebel

NOTICE OF PROPOSED RATE CHANGE

There are currently no sewer customers* affected by this application; therefore, under Water Code §13.187(a), notice must only be served on the regulatory authority having original jurisdiction over these rate – the Texas Commission on Environmental Quality.

**** source TCEQ Water Utilities Database and SCWC records***

South Central Water Company

20964

Company Name

CCN Number

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:

Sugartree - WQ14163-001; Steamboat Springs - WQ12344-001; Colony at Pinehurst - WQ14529-001; Quail Run - WQ14672-001; Two Rivers - WQ14649-001; Twelve Oaks - WQ14517-001; Ranch 359 - WQ14230-001; Schertz - WQ14667-001; Grand Isle - WQ14743-001; Martin Ranch - WQ14710-001

Subdivisions or Systems Affected by Rate Change

PO BOX 570177	HOUSTON, TX	TX	77257	(713) 783-6611
Company Address	City	State	Zip	Telephone
<i>N/A – No customers; therefore no increase in rate revenues because no rates have been collected. Revenues will increase at rate of (\$70.11 x 12mo.) x (# active customers).</i>		<i>N/A – No customers; therefore, no notice required except to TCEQ Water Code §13.187(a)</i>		
Annual Revenue Increase		Date Customer Notice Mailed		
1 st service rate change since CCN issued in Docket # 34566C (10/06/04). Only “rate” change was Docket # 35041G, only changed non-service fees. (10/27/06)		<i>N/A – No customers; therefore, no meter readings, which would be irrelevant because flat sewer rates are requested</i>		
Date of Last Rate Change		Date Meters Typically Read		

EFFECTIVE DATE OF PROPOSED INCREASE: May 1, 2007

BILLING COMPARISON - *Billing comparison is not required under Water Code §13.187(a) because rate change is limited to flat sewer rates.*

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.

Existing Rates:

<u>Meter Size</u>	<u>Monthly Minimum Charge</u>	<u>Gallonge Charge</u>
Residential	\$25.00 (incl. 0 gal.)	\$2.00 per 1000 gal.
Commercial and Other	(based upon water meter size):	
5/8"x3/4"	\$25.00 (incl. 0 gal.)	\$2.00 per 1000 gal.
3/4"	\$37.50	same for all meter sizes
1"	\$62.50	
1 1/2"	\$125.00	
2"	\$200.00	
3"	\$375.00	
4"	\$750.00	
6"	\$1562.50	

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.

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

Proposed Rates: \$70.11 per month for all customers

Regulatory Assessment of 1% is added to base rate

Existing Miscellaneous Fees and Service Rules
NO CHANGE REQUESTED

Proposed Miscellaneous Fees and Service Rules
NO CHANGE REQUESTED

CCN 20964

	CCN - AMENDMENT	10339	MONTGOMERY	11/
	CCN - CANCEL	12564	MONTGOMERY	11/
	CCN - TRANSFER	12564	MONTGOMERY	11/
	CCN - AMENDMENT	12564	MONTGOMERY	11/
DOBBIN PLANTERSVILLE WSC	CCN - AMENDMENT	35372-C	GRIMES	11/
	CCN - AMENDMENT	35372-C	MONTGOMERY	11/
	CCN - AMENDMENT	11052	GRIMES	11/
	CCN - AMENDMENT	11052	MONTGOMERY	11/
GRAY UTILITY SERVICE LLC	CCN - AMENDMENT	35273-C	CHAMBERS	11/
	CCN - AMENDMENT	35274-C	CHAMBERS	11/
	CCN - AMENDMENT	12994	CHAMBERS	11/
	CCN - AMENDMENT	20909	CHAMBERS	11/
	CCN - AMENDMENT	A1659	CHAMBERS	11/
NORTHRIDGE WSC	ORDER - PETITION	35263-A	TRAVIS	11/
	ORDER - PETITION	12493	TRAVIS	11/
TAPATIO SPRINGS SERVICE COMPANY	ORDER - RATE/TARIF	33397-G	KENDALL	11/
	ORDER - RATE/TARIF	33398-G	KENDALL	11/
	ORDER - RATE/TARIF	20698	KENDALL	11/
	ORDER - RATE/TARIF	12122	KENDALL	11/
CENTEX REAL ESTATE CORPORATION	CCN - NEW	35063-C	TRAVIS	11/
	CCN - NEW	20976	TRAVIS	11/
SOUTH-CENTRAL WATER COMPANY	CCN - AMENDMENT	34904-C	MONTGOMERY	11/
	CCN - AMENDMENT	34905-C	MONTGOMERY	11/
	CCN - AMENDMENT	13061	MONTGOMERY	11/
	CCN - AMENDMENT	20964	MONTGOMERY	11/

| 1 - 10 |
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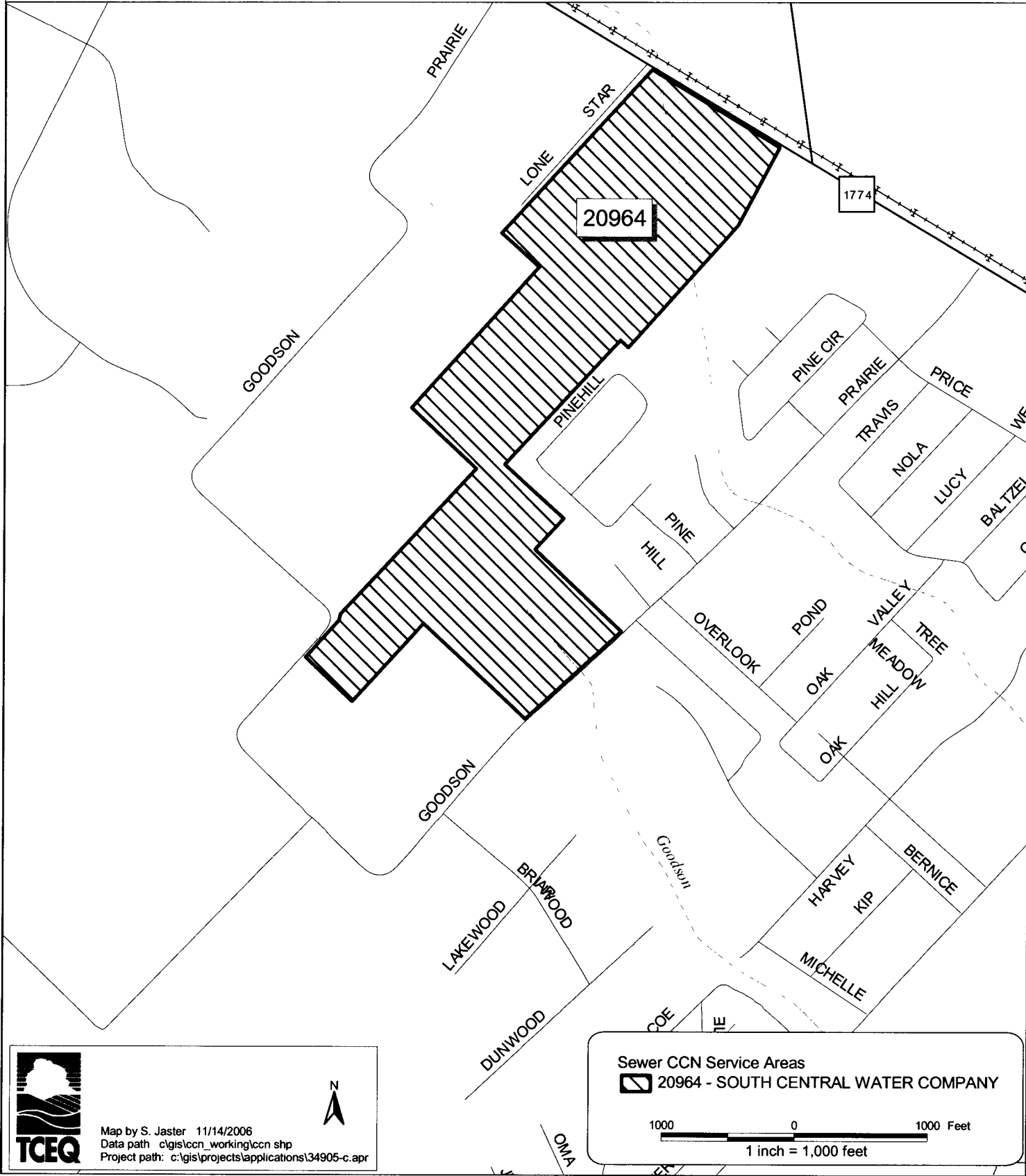
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South Central Water Company
Portion of Sewer Service Area
CCN No. 20964
Application No. 34905-C
Montgomery County



Texas Commission on Environmental Quality

To: Glenn Shankle, Executive Director
Texas Commission on Environmental Quality

Date: November 16, 2006

Thru: Doug Holcomb, P.E. Section Manger
Utilities & Districts Section
Water Supply Division

Tammy Benter, Team Leader
Utilities & Districts Section
Water Supply Division

From: Debbie Reyes Tamayo
Utilities & Districts Section
Water Supply Division

Subject: Executive Summary and Staff Recommendation for Executive Director Approval
of Application Nos. 34904-C and 34905-C

CN: 602602179 RN: 104730353 (water) and 104220645 (sewer)

South Central Water Company, a Texas Corporation, has applied to amend water and sewer Certificates of Convenience and Necessity Nos 13061 and 20964 in Montgomery County, Texas. These applications add the Colony of Pinehurst Subdivision to the existing CCN areas.

South Central Water Company received protests from Mr Greg A Parker, P E , representing HMW Special Utility District and from Mr. W.A. Callegari, Jr., representing Pinehurst-Decker Prairie Water Supply Corporation. These protests were subsequently withdrawn by letters dated September 28, 2005, and October 28, 2005, respectively.

The applicant meets all of the statutory requirements of Texas Water Code Chapter 13 and the Commission's Chapter 291 rules and regulations. Approving the applications and amending CCN Nos. 13061 and 20964 is necessary for the service, accommodation, convenience and safety of the public.

The applicant is capable of providing continuous and adequate service

Staff recommends approval of the order.

TB/DRT/ac



Texas Commission On Environmental Quality

By These Presents Be It Known To All That

South Central Water Company

having duly applied for certification to provide water utility service for the convenience and necessity of the public, and it having been determined by this commission that the public convenience and necessity would in fact be advanced by the provision of such service by this Applicant, is entitled to and is hereby granted this

Certificate of Convenience and Necessity No. 13061

to provide continuous and adequate water utility service as a Texas Corporation to those service areas in Harris, Liberty and Montgomery Counties as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Application No. 34904-C are on file at the Commission offices in Austin, Texas; and are matters of official record available for public inspection; and be it known further that these presents do evidence the authority and the duty of South Central Water Company dba Colony of Pinehurst to provide such utility service in accordance with the laws of this State and Rules of this Commission, subject only to any power and responsibility of this Commission to revoke or amend this Certificate in whole or in part upon a subsequent showing that the public convenience and necessity would be better served thereby

Issued at Austin, Texas, this _____

For the Commission



Texas Commission On Environmental Quality

By These Presents Be It Known To All That

South Central Water Company

having duly applied for certification to provide sewer utility service for the convenience and necessity of the public, and it having been determined by this commission that the public convenience and necessity would in fact be advanced by the provision of such service by this Applicant, is entitled to and is hereby granted this

Certificate of Convenience and Necessity No. 20964

to provide continuous and adequate sewer utility service as a Texas Corporation, to those service areas in Harris, Liberty and Montgomery Counties as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Application No 34905-C is on file at the Commission offices in Austin, Texas; and is a matter of official record available for public inspection; and be it known further that these presents do evidence the authority and the duty of South Central Water Company dba Colony of Pinehurst to provide such utility service in accordance with the laws of this State and Rules of this Commission, subject only to any power and responsibility of this Commission to revoke or amend this Certificate in whole or in part upon a subsequent showing that the public convenience and necessity would be better served thereby.

Issued at Austin, Texas, this _____

For the Commission

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



APPLICATION NOS. 34904-C and 34905-C

IN THE MATTER OF THE
APPLICATIONS OF SOUTH CENTRAL
WATER COMPANY, A TEXAS
CORPORATION TO AMEND WATER
AND SEWER CERTIFICATES OF
CONVENIENCE AND NECESSITY
NOS. 13061 AND 20964 IN
MONTGOMERY, TEXAS.

BEFORE THE
TEXAS COMMISSION ON
ENVIRONMENTAL QUALITY

§
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On _____, the Executive Director of the Texas Commission on Environmental Quality pursuant to Chapters 5 and 13 of the Texas Water Code considered the applications of South Central Water Company, a Texas Corporation, to amend water and sewer Certificates of Convenience and Necessity Nos. 13061 and 20964 in Montgomery, Texas.

HMW Special Utility District and Pinehurst-Decker Prairie Water Supply Corporation submitted protests, but subsequently withdrew their protests by letters dated September 28, 2005 and October 28, 2006, respectively.

Notice of the applications was given to all affected and interested parties,

The criteria set forth in *Texas Water Code* Sections 13.246 (c) and 13.254 have been considered; and

The certificate amendments requested in these applications are necessary for the service, accommodation, convenience, and safety of the public.

Now, therefore, be it ordered by the Texas Commission on Environmental Quality that the applications are granted and Certificates of Convenience and Necessity Nos. 13061 and 20964 be issued in accordance with the terms and conditions set forth herein and in the certificates.

IT IS FURTHER ORDERED that South Central Water Company, a Texas Corporation shall serve every customer and applicant for service within the area certified under Certificate of Convenience and Necessity Nos. 13091 and 20964 and that such service shall be continuous and adequate

Texas Commission on Environmental Quality

Issued date:

For the Commission

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



TEXAS COMMISSION ON

Protecting Texas by Reducing

Mr. Malcolm Bailey, President
South Central Water Company
P.O. Box 570177
Houston, Texas 77257-0177

Re: Application Nos. 34904-C and 34905-C
Texas Corporation, to Amend Water and
Nos. 13061 and 20964 in Montgomery

Order Amending CCN Nos. 13061 and 20964

CN: 602602179 RN: 104220637 (water)

Dear Mr. Bailey:

Enclosed is a certified copy of an order and copy
issued by the Executive Director in the above
authority delegated by the Executive Director of

You are now authorized to provide utility service
Commission.

If you have any questions, please contact Ms. D
fax at 512/239-0030, by email at dreyesta@tceq
in the letterhead address.

Sincerely,

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

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

DH/DRT

Enclosures

cc: mailing list

P.O. Box 13087 • Austin, Texas 78711-3087 •

MAILING LIST FOR APPLICATION NOS 34904-C and 34905-C

Mr. Malcolm Bailey, President
P.O. Box 570177
Houston, Texas 77257-0177

Mr. W.A. Callegari, Jr. "Set of copies of maps only"
Pinehurst-Decker Prairie Water Supply Corporation
15040 Fairfield Village Drive, Suite 200
Cypress, Texas 77433

Mr. Greg A Parker, P.E. "Set of copies of maps only"
HMW Special Utility District
P.O. Box 91036-310
Houston, Texas 77291-1036

TCEQ:

Region 12 Houston Office

Maria Rosalez, Teri Cisneros, Data Entry Team, MC 155,
Utilities & District Section, Water Supply Division, MC 153

Please send a copy of the signed order to Central Records to be included in the following
Certificates of Convenience and Necessity (CCN) permanent files:

South Central Water Company, CCN Nos. 13061 and 20964

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 and Parker

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: WQ0014592-001
Ober 212: WQ 1463300100
Pine Trace: WQ0014606001 (TX0127795)
Steamboat Springs: WQ12344001
Sugar Tree: WQ0014163001 (TX0122271)
Twelve Oaks: WQ0014517001

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
34905-C, CCN 20964, JUNE 27, 2006
APPROVED TARIFF BY LM/DR

ENDER: COMPLETE THIS SECTION

Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits.

Article Addressed to:

Mr. Mark Zeppa, Attorney
4833 Spicewood Springs Rd.,
Suite 202
Austin, TX 78759
Application No. 35617-R LGG/fg

COMPLETE THIS SECTION ON DELIVERY

A. Signature *Mark Zeppa* ☒ Agent
B. Received by (Printed Name) *Mark Zeppa* ☐ Addressee
C. Date of Delivery *5-11-07*

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below ☐ No



3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☒ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.
4. Restricted Delivery? (Extra Fee) ☐ Yes

Article Number 7003 0500 0002 9933 1077
(Transfer from service label)

S Form 3811, August 2001 Domestic Return Receipt *Smith, David L.H.* 102595-02-M-1540

Kathleen Hartnett White, *Chairman*
Larry R. Soward, *Commissioner*
H. S. Buddy Garcia, *Commissioner*
Glenn Shankle, *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

June 25, 2007

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

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:

Thank you for providing the additional information we requested regarding the application referenced above. Your response was received on May 22, 2007, and your application has been accepted for filing. It has been assigned Application No. 35617-R. Please refer to this number in future correspondence.

If the Texas Commission on Environmental Quality (TCEQ) receives complaints from at least 10% of the ratepayers within 90 days of the effective date of the rate increase, or if TCEQ staff protests the actual service rates, then the application will be scheduled for a hearing. You will be notified if a hearing is scheduled. If, during the course of a hearing, rates are set which are different from the rates charged by South Central Water Company, you may be required 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 as determined by the Commission.

Your new rates for Sugartree, Colony at Pinehurst, and Quail Run Subdivisions may go into effect on May 1, 2007. Your new effective date must be at least 60 days following the date your completed application is mailed to us and correct notice is mailed or delivered to the customers. The effective date of the new rates must be the first day of the billing period, and the new rates may not apply to service rendered before the effective date of the new rates. If TCEQ does not receive the required number of complaints within 90 days of the effective date, and the staff does not require a hearing, then you will receive another letter from TCEQ so informing you along with your approved tariff.

If you have any further questions, please contact Ms. Elizabeth Flores at (512) 239-6846, or Mr. Kha Mach at (512) 239-0855. If by correspondence, include MC 153 in the address.

Sincerely,

A handwritten signature in cursive script that reads "Tammy Benter".

Tammy Benter, Team Leader
Utilities & Districts Section
Water Supply Division

TB/LG/av

cc: Mr. Malcolm D. Bailey, President

LAW OFFICES OF MARK H. ZEPPA, P.C.

4833 Spicewood Springs Road, Suite 202

Austin, Texas 78759-8436

(512) 346-4011 Fax (512) 346-6847

mark@zeppalaw.com

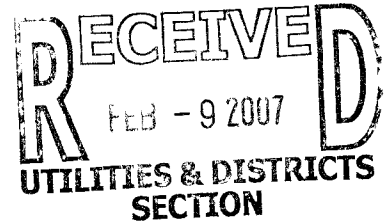
glenelewis@austin.rr.com

Mark H. Zeppa
c-(512) 289-4599

Glen E. Lewis
c-(512) 461-9832

February 7, 2007

Mr. Doug Holcomb, PE
Utilities & Districts Section
TCEQ
P O Box 13087, MC 153
Austin, TX 78711-3087



Re: Sewer Rate Change Application for South Central Water Company, CCN 20964

Dear Mr. Holcomb:

Enclosed please find a sewer rate change application for South Central Water Company (SCWC), Malcolm Bailey, President. Mr. Bailey is not asking to change his water rates so a waiver of all water-related information in the application package is requested.

Mr. Bailey is filing this application primarily to change from gallonage-based rates to flat rates. This does not adversely impact customers because SCWC currently does not have any. All of SCWC's permitted and/or certificated systems are in the construction phase. For this reason, the numbers used in this application are projections based upon Mr. Bailey's operation contracts and over 30 years in building, operating and owning sewer systems in Texas. Mr. Bailey permitted and built all of the original AquaSource Development Company treatment plants and sewer systems. This application should be treated like a first tariff submitted in the CCN application of a new utility. Nevertheless, we have attached documentation Mr. Bailey relied upon in developing his numbers.

SCWC is proposing uniform utility-wide rates. Mr. Bailey believes that such rates are justified because all affected sewer systems will utilize the same technology, all are new, and all will serve a residential customer base. SCWC's current tariff is utility-wide and no changes to anything but rates and fees are being proposed.

Mr. Bailey and I will be the designated contacts for this application. The ED's staff, including attorneys, may contact Mr. Bailey directly without prior notice to me.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Mark H. Zeppa", written over the typed name.

Mark H. Zeppa

Encl. (original + 4 copies)

Cc: Malcolm D. Bailey

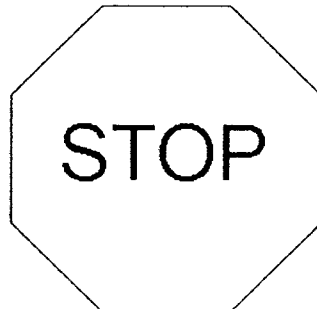


**APPLICATION FOR
A RATE/TARIFF
CHANGE**

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

South Central Water Company respectfully requests a waiver of all water utility related data in this portion of the application. South Central Water Company is not requesting a rate change for water rates at this time.





When you are filling out this application, you cannot go from one line to the next, and fill it out correctly. You will need to complete some tables partially and come back to them later in the process.

Therefore, it is important that you follow the instructions that accompany this application. They are designed to give you a step-by-step process for completing the application.

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APPLICATION FOR A RATE/TARIFF CHANGE

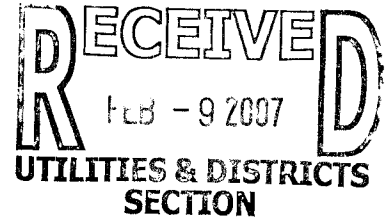
SECTION IA - GENERAL INFORMATION

Applicant: South Central Water Company
(Individual, Corporation, or Other Legal Entity)

Utility Name: _____
(If different than above)

Legal form of Applicant:

<input type="checkbox"/>	Individual
<input type="checkbox"/>	Partnership
<input checked="" type="checkbox"/>	Corporation. Provide Charter Number: 0161296200
<input type="checkbox"/>	Sub Chapter-S Corporation
<input type="checkbox"/>	Other:



*DN 602600179
RN 104220645*

Utility Address:

Street Address or Location	City	State	Zip Code
PO Box 570177	Houston	Texas	77257
County(ies) where services are provided:	Harris, Liberty, Parker	CCN Number(s):	13061, 20964

Harris, Montgomery,

Contact Person:	Malcolm Bailey	Telephone Number:	713-783-6611
	Mark Zeppa		512-346-4011
Position:	President - attorney	Fax Number:	713-783-6321 - 512-346-6847

Address:	PO Box 570177	Houston	Texas	77257
	4833 Spicewood Springs Rd, Suite 202	Austin	Texas	78759
	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:

Comptroller of Public Accounts, Office Management
P. O. Box 13528
Austin, Texas 78711
1-800-252-5555
or
<http://ecpa.cpa.state.tx.us/coa/coaStart.html>

SECTION IB - MISCELLANEOUS INFORMATION

A.

How often and on what dates are water meters typically read?__NA – no meters at this time

B.

When are bills typically sent out? No service or bills at this time. Bills will be sent out the first week of each month

C.

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

Yes

X

No.

If yes, which municipalities?

How many customers are within limits of the municipality?

Have you filed a request to change rates with the municipality?

Yes.

x

No. If no, please explain:

D.

Are you currently collecting the Regulatory Assessment Fee from your customers?

Yes__X__No No revenue stream yet from monthly utility service

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 N/A No revenue stream yet from monthly utility service so no payments are due

E.

Water Utilities: Please indicate the Public Water System Identification numbers for each of your systems: **None in Operation as of the submittal date of this tariff**

System Name	TCEQ PWS ID #	County	Rate Increase Applicable?
None at this time			

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?
See Attached List			

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.
No inspection has been completed by the TCEQ as of the submittal of this rate change

© From Table X. A., Line [A]
**INFORMATION REQUIRED
FOR A
SEWER RATE/TARIFF CHANGE**

SECTION II: OPERATIONAL INFORMATION - SEWER

MANAGER (or owner if services are routinely provided to the utility)	
Name:	Malcolm Bailey
Relationship to owner:	President
Short job description:	President
Approximate number of hours per week this person works for the company:	
Salary:	() Hourly - () Weekly - () Monthly - () Annual
EMPLOYEES	
Name:	Debbie Davis
Relationship to owner:	Admin Assistant
Short job description:	
Approximate number of hours per week this person works for the company:	
Salary:	() 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) Please see attached contract.	
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 classifications of the utility's certified operators:	
Certified Operator's Name / Classification	Certified Operator's Name / Classification

-Attach additional sheet(s) if necessary-

SECTION III. PLANT & EQUIPMENT INFORMATION - SEWER

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]
No Customer Contributions				€
				€
				€
				€
				€

- Attach additional sheet(s) if necessary -

€ 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 - SEWER

Please provide the following inventory of the water utility plant being used to provide water service at the end of the test year (for sewer attach a similar list). You will be responsible for supporting this information with invoices or other documentation. Round your figures to the nearest dollar. Figures should be computed as of the end of the "test year."

Table III. B.

[A] Item	[B] Date of Installation	[C]		[D] Original Cost when installed (\$)	Depreciation					[G] = [D]-[F] Net Book Value (\$)
		Service Life (yrs)			Years in Service			[E] = [D]/[C] Annual (\$)	[F] Accumulated (\$)	
		*	**		Yrs ≡	Mos ≡≡	Days ≡≡≡			
Land		n/a		(put in some reasonable number not to exceed \$5,000 per plant site. Record as Developer CIAC0	1					
Collection Sewers										
Gravity		50		625,000				12,500	0	625,000
Force		50		0				0	0	0
Pumping Equipment		5		20,000				4000	0	20000
Treatment & Disposal Equipment		25		345600				13824	0	345600
Structures:									0	
Wood		15		0				0	0	0
Masonry		30		0				0	0	0
Plant Sewers		50		0				0	0	0
Outfall sewer lines		50		2000				40	0	2,000
Laboratory Equipment		10		0				0	0	0
Meters and Service (taps not covered by fees)		20		0				0	0	0
Office Equipment		10		0				0	0	0
Vehicles		5		0				0	0	0
Shop Tools		15		0				0	0	0
Heavy Equipment		10		0				0	0	0
Fencing		20		7500				375	0	7,500
Other: (Please list)									0	
Total								23,827€	0 €	1,000,100/

* TNRCC Suggested Service Life ** Other Service Life

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

-Attach additional sheet(s) if necessary-

C. DEVELOPER CONTRIBUTIONS - SEWER

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.)
WWTP		\$345,600	\$70,000	345,000
Collection System		\$625,000	\$325,000	625000
Fence		7500		7500
Lift Stations		20000		20000
Effluent Line		2000		2000
Total		\$1,000,100	\$395,000	\$1,000,100.

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

- Attach additional sheet(s) if necessary -

SECTION IV - LONG TERM DEBT & EQUITY INFORMATION - SEWER

A. EQUITY

How much equity or total capital does the company have in the utility?

Enter also in Table IV. D., Box ∠ below 100%

\$395,000

B. RATE OF RETURN

What rate of return (profit) on investment in plant (equity) is expected? __12____%

Enter also in Table IV. D., Box ∇ below

Request presumptive rate of return reported to IWSCOT by Doug Holcomb, PE

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 __X__ NO

If YES, explain status of applicant at this time.

D. DEBT & EQUITYList the following information concerning debt and equity of the utility and attach copies of notes payable:

Round all percentages to two (2) decimal

Table IV. D. - SEWER

[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) ®*[F]
Part 1 - Debt						
None			\$	\$	%	%
			\$	\$	%	%
			\$	\$	%	%
			\$	\$	%	%
			\$	\$	%	%
Total			\$ €	\$ €		%©
Part 2 - Investment/Equity						
Part 2 - Investment/Equity				\$605,100 ∠	12%∇	12%™
Total Debt & Equity				\$605,100 ®		
					Rate of Return:	12%[]

- € Total amount of original loans
- € Total amount of the outstanding balance on the loans
- ∠ Equity in the utility - From Section IV. A.
- ∇ Return on Equity - From Section IV. B.
- ® Total of € + ∠
- © Total weighted average of debt - To Table V, Line [C]
- ™ Weighted average of Investment/Equity ∠) ®*∇
- [] Sum of © + ™ - To Table IV. E., Line [G]

E. INVESTED CAPITAL & RETURN - SEWER

Table IV. E.

Net Book Value - From Table III. B., Box TM	[A]	\$1,000,100
Working cash allowance - (Amount From Table VI. A., Line [L] Column \angle , Box TM () 8)	[B]	\$10374
Materials and supplies	[C]	\$0
Subtotal - Sum of [A] thru [C]	[D]	\$1,010,374
Developer Contributions - From Table III. C., Box ϵ	[E]	\$395,000
Total invested capital [D] - [E]	[F]	\$615,374
Rate of return - From Table IV. D., Box []	[G]	1
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 ϵ	[H]	\$73,844

SECTION V - INCOME TAX CALCULATION - SEWER

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]	\$73,8
Interest Calculation		
Total Invested Capital - From Table IV. E., Line [F]	[B]	\$0
Weighted Cost of Debt Capital - Percentage From Table IV. D., Box ©	[C]	
Interest [B]*[C]	[D]	\$0
Taxable Income [A] - [D]	[E]	\$73,8
Enter Income Tax from Tax Table (Appendix A)	[F]	\$ ϵ

ϵ To Table VI. A., Line [P], Column ϵ

SECTION VI - UTILITY INCOME & EXPENSE INFORMATION - SEWER
A. REVENUE REQUIREMENT

Please provide the following information regarding the cost to the utility of providing sewer 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 ____/____/____ to ____/____/____	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	Variable Expenses
					Rec.	Act.		
Item		€	£	$\angle = € + £$	∇		$\textcircled{9} = (\angle^* \nabla) / 10$	$\textcircled{10} = \angle - \textcircled{9}$
Salaries and Wages	[A]	0	0	0	50	0	0	0
Contract Labor	[B]		0	22,500	90	0	0	22,500
Purchased Sewer Service	[C]	0	0	0	0	0	0	0
Chemicals for treatment	[D]		0	7,200	0	0	0	7,200
Utilities (electricity)	[E]		0	12,600	0	0	0	12,600
Repairs/maintenance/supplies	[F]		0	6,200	50	0	0	6,200
Office expenses	[G]	0	0	0	50	0	0	0
Accounting & Legal fees	[H]		0	19,500	100	0	0	19,500
Insurance	[I]		0	7,493.	100	0	0	7,493.43
Rate case expense	[J]		0	5000	100	0	0	5000
Miscellaneous	[K]	0	0	0	50	0	0	0
Subtotal - Sum of Line [A] thru Line [K]	[L]		0	80493 TM				80493
Payroll Taxes	[M]	0	0	0	50	0	0	0
Property and other taxes	[N]		0	5,000	100	0	0	5,000
Annual Depreciation and Amortization - From Table III. B., Box	[O]		0	30,699	100	0	0	30,699
Income Taxes - From Table V, Line [F]	[P]			70,318	100	0	0	70,318
Return - From Table IV. E., Line [H]	[Q]			73,844	100	0	0	73,844
Subtotal - Sum of Line [L] thru Line [Q]	[R]							212,854
Other Revenues	[S]				100		0	0
Total Cost = Line [L] + Line [R] - Line [S]	[T]						0 ∇	210,354
Alternative Allocation between Fixed and Variable [Note 1]	[U]					67	0 ∇	

TM Divide this amount by 8 and enter the result in Table IV. E., Line [B] \square To Table X. A., Line [D] \checkmark To Table IX. B., Line [A] To Table IX. A., Line [A]

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.

SCWC has not yet begun to operate any sewer plants even though it holds the CCN and WQ permits for several. The projected K&M figures are all based upon Malcolm D. Bailey's experience in operating numerous TCEQ-licensed sewer systems statewide under the names TEC Enterprises, AquaSource Development Company, Britmore Utilities, Buffalo Creek, MD Interests, and others Attached to this application is supporting information developed by SCWC to show that the projected costs above are reasonable and necessary and do not violate the public interest.

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

SECTION VII - CUSTOMER INFORMATION - SEWER

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		Beginning of period	End of period	Equivalency Factor	Meter Equivalents
Non-Metered Connections:					
Residential	[A]	0	250	1	250
Commercial	[B]	0	0	1	0
Standby	[C]	0	0	1	0
Metered Water Connection:					
e" x ¾"	[D]		250	1	250
¾"	[E]		0	1.5	0
1"	[F]		0	2.5	0
1½"	[G]		0	5	0
2"	[H]		0	8	0
3"	[I]		0	15	0
Other:	[J]		0		0
Total	[K]		250		250

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

SECTION VIII - TREATMENT INFORMATION - SEWER

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

Table VIII

Total number of gallons treated (total master meter reading for the year)	[A]	0	Gallons
Total number of gallons treated by another source for sale to customers (if any)	[B]	0	Gallons
Total number of gallons treated [C] = [A] + [B]	[C]	0	€ Gallons
Source of Purchased Treatment	NA		

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

N/A - Facilities not in Commercial Operation

A. VARIABLE RATE CALCULATIONS

Table IX. A.

	Line	Instructions
Total Variable Costs	[A] \$	From Table VI. A., Line [T], Box √ of Line [U], Box √.
Total # of Gallons Treated	[B]	From Table VIII, Line [B]
Total # of 1,000 Gallons treated	[C]	Divide Line [B] by 1,000
Variable Cost per 1,000 gallons	[D] \$	Divide Line [A] by Line [C] Transfer to Table IX. B., Lines [E] through [J], Box ©

A. BASE RATE CALCULATIONS

Table IX. B.

	Line	€	# of 1,000	Variable cost to be added to	Variable cost to be added to	Total base rate
			€	€	$V = € \times Z$	$R = € + V$
Total fixed costs - From Table VI. A., Line [T], Box √	[A] \$					
Total meter equivalents at end of test year - From Table VII, Line [K], Box ©	[B]					
Base charge per meter equivalent or for each unmetered connection [A][B] and then divide by 12	[C] \$					
Base charge per meter size						
e" x 3/4" or unmetered	[D]			©		
3/4"	[E]			©		
1"	[F]			©		
1 1/2"	[G]			©		
2"	[H]			©		
3"	[I]			©		
Other.	[J]			©		

SECTION X - ALTERNATE METHOD OF RATE DESIGN – SEWER - NA – Rate Calculations on Attachment

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

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
		€	¢	¢	∇=¢*∠	®=€+∇
Base charge per meter equivalent or for each unmetered connection From Table X. A, Line [G]	[A]	\$				
Base rate per meter size						
e" x ¾" or unmeter ed	[B]			©		
¾"	[C]			©		
1"	[D]			©		
1½"	[E]			©		
2"	[F]			©		
3"	[G]			©		
Other:	[H]			©		

© From Table X. A., Line [A]

AFFIDAVIT
WATER &/OR SEWER
RATE/TARIFF CHANGE

AFFIDAVIT

STATE OF TEXAS

COUNTY OF HARRIS

I, Malcolm Bailey, being duly sworn, file this NOTICE OF PROPOSED RATE CHANGE as President (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.

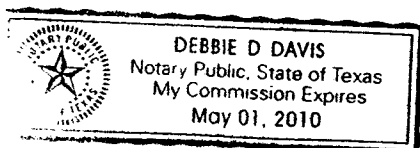
I further represent that a copy of the attached notice ^{will be} ~~was~~ provided by mail to each customer or other affected party on or ^{before} ~~about~~ Feb 28, 2007 (mail or hand delivery)

Malcolm Bailey
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 23rd day of January, 2007, to certify which witness my hand and seal of office.

SEAL



Debbie D Davis
NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

DEBBIE D DAVIS
PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES 5-1-10

**NOTICE OF RATE/TARIFF CHANGE
TO BE PROVIDED TO CUSTOMERS**

NOTICE OF PROPOSED RATE CHANGE

South Central Water Company

20964

Company Name

CCN Number

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:

Sugartree, Colony at Pinehurst, Quail Run,

Subdivisions or Systems Affected by Rate Change				
PO Box 570177	Houston	TX	77257	713-783 6611
Company Address	City	State	Zip	Telephone
Annual Revenue Increase	210,354		Date Customer Notice Mailed	
Date of Last Rate Change	N/A – first rate case		Date Meters Typically Read	

N/A – flat rates

EFFECTIVE DATE OF PROPOSED INCREASE: May 1, 2007 (first day of the billing month 60-days following mailing of customer notice)

BILLING COMPARISON

Water:	Existing	10,000 gallons:	\$ /mo	Existing	30,000 gallons:	\$ /mo
	Proposed	10,000 gallons:	\$ /mo	Proposed	30,000 gallons:	\$ /mo
Sewer:	Existing	10,000 gallons:	\$ 45.00 /mo	Proposed	10,000 gallons:	\$ 7.12 /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

CURRENT RATES		PROPOSED RATES	
Monthly base rate including _____ gallons		Monthly base rate including _____ gallons	
Meter Size:		Meter Size:	
Residential		Residential	
e" or ¾"	\$	e" or ¾"	\$
1"	\$	1"	\$
1½"	\$	1½"	\$
2"	\$	2"	\$
3"	\$	3"	\$
Other: _____"	\$	Other: _____"	\$
Gallonge Charge:		Gallonge Charge:	
\$ _____ for each additional 1000 gallons over the minimum		\$ _____ for each additional 1000 gallons over the minimum	
<u>Miscellaneous Fees</u>		<u>Miscellaneous Fees</u>	
Tap fee	\$	Tap fee	\$
Reconnect Fee:		Reconnect Fee:	
Non-payment		Non-payment	
(Maximum - \$25.00)	\$	(Maximum - \$25.00)	\$
Customer's request	\$	Customer's request	\$
Transfer fee	\$	Transfer fee	\$
Late charge	\$	Late charge (Indicate either \$5.00 or 10%)	
Returned check charge	\$	Returned check charge	\$
Deposit	\$	Deposit	\$
		(Maximum \$50.00)	
Meter test fee	\$	Meter test fee	\$ 25.00

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

(Fill in rates and fees from existing sewer tariff. Mirror all fees. Show the new sewer service rates.)

CURRENT RATES		PROPOSED RATES	
Monthly base rate including <u>0</u> gallons		Monthly base rate including <u>7017</u> gallons	
Meter Size:		Meter Size:	<u>Flat Rate \$ 70.11</u>
Residential		Residential	
e" or ¾"	\$ <u>25.00</u>	e" or ¾"	\$
1"	\$ <u>62.50</u>	1"	\$
1½"	\$ <u>125.00</u>	1½"	\$
2"	\$ <u>200.00</u>	2"	\$
3"	\$ <u>375.00</u>	3"	\$
Other: <u>6"</u>	\$ <u>1562.50</u>	Other: _____	\$
Gallonge Charge:		Gallonge Charge:	
\$ <u>2.00</u> for each additional 1000 gallons over the minimum		\$ <u>0</u> for each additional 1000 gallons over the minimum	

Gallonge charges are determined based on average consumption for winter period which includes the following months: Flat Rate

Miscellaneous Fees		Miscellaneous Fees	
Tap fee	\$1,300	Tap fee	\$1,300
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>45.00</u>	Customer's request	\$ <u>45.00</u>
Non-payment (Maximum - \$25.00)	\$	Non-payment (Maximum - \$25.00)	\$25.00
Customer's request	\$	Customer's request	\$
Transfer fee	\$	Transfer fee	\$
Late charge	\$ <u>5.00</u>	Late charge (Indicate either \$5.00 or 10%)	5.00
Returned check charge	\$ <u>25.00</u>	Returned check charge	\$25.00
Deposit	\$ <u>50.00</u>	Deposit (Maximum \$50.00)	\$50.00

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

WATER & SEWER TARIFF PAGES

(Water Utility Name) _____
SECTION 1.0 - RATE SCHEDULE

Section 1.01 - Rates

Monthly base rate including _____ gallons

Meter Size:

Residential

e" or ¾"	\$ _____
1"	\$ _____
1½"	\$ _____
2"	\$ _____
3"	\$ _____
Other: _____"	\$ _____

NA

Gallorage Charge: \$ _____ for each additional 1000 gallons over the minimum

Regulatory Assessment Fee1%

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 \$ _____

TAP FEE IS BASED ON THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR STANDARD RESIDENTIAL CONNECTION OF e" X ¾" METER.

RECONNECTION FEE

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

- a) Non payment of bill (Maximum \$25.00) .. . \$ _____
 - b) Customer's request \$ _____
- 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). \$ _____

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 \$ _____

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

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

SECTION 1.0--RATE SCHEDULE

Section 1.01--Rates

<u>Meter Size</u>	<u>Monthly Minimum Charge</u>	<u>Gallonge Charge</u>
Flat Rate	\$ 70.11	

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
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TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
35041-G, CCN 20964, SEPT 1, 2005
APPROVED TARIFF BY *SLP*

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:

$$AG = G + B / (1 - L), \text{ Where:}$$

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
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TEXAS COMM ON ENVIRONMENTAL QUALITY
35041-G. CCN 20964. SEPT 1, 2005
APPROVED TARIFF BY 