

**Application for a Rate/Tariff Change - Hornsby Bend Utility Company Water**

**Alternative Section IX and X - Rate Design Calculations and Rate Design - Phase II**

**Table Alt X. A. - Phase II Revenue Requirement**

		Test Year (a)	Revenue Requirement (b)
Annualized Water Revenue	[A]	\$ 1,784,098	\$ 5,522,065
Less: Revenue held in Abeyance	[B]		\$ 3,472,810
Revenue to be Recovered	[C]		\$ 2,049,255

**Table Alt X. B. - Phase II Commodity Sales Revenue**

Usage Tier		Sales (gal x 1,000) (a)	Requested Rates (\$/kgal) (b)	Gallage Revenues (c)
0 to 6,000 Gallons	[A]	129,885	\$ 7.18	\$ 932,574
Total:	[C]	129,885		\$ 932,574

Note: Includes 85% of wholesale volumes sold to Kennedy Ridge. Kennedy Ridge wholesale rate is 85% of retail rate.

**Table Alt X. C. - Phase II Base Rates Revenue**

Meter Size		Test Year Bills (a)	Requested Rates (per bill) (b)	Base Rate Revenues (c)
5/8"	[A]	22,743	\$ 47.03	\$ 1,069,603
3/4"	[B]	-	\$ 70.55	\$ -
1"	[C]	46	\$ 117.58	\$ 5,409
1 1/2"	[D]	16	\$ 235.15	\$ 3,762
2"	[E]	37	\$ 376.24	\$ 13,921
3"	[F]	22	\$ 705.45	\$ 15,520
4"	[G]	-	\$ 1,175.75	\$ -
6"	[H]	-	\$ 2,351.50	\$ -
8"	[I]	-	\$ 3,762.40	\$ -
10"	[J]	-	\$ 5,408.45	\$ -
12"	[K]	-	\$ 11,757.50	\$ -
Wholesale	[L]	12	\$ 705.45	\$ 8,465
Total:	[M]	22,876		\$ 1,116,681

**Table Alt X. D. - Phase II Total Revenue**

Requested Commodity Revenues - Table Alt X. B. [C] (c)	[A]	\$ 932,574
Requested Base Rate Revenues - Table Alt X. C. [M] (c)	[B]	\$ 1,116,681
Total Requested Revenues - [A] + [B]	[C]	\$ 2,049,255
Test Year Annualized Revenues - Table Appendix 14.I.A	[D]	\$ 1,784,098
Requested Revenue Increase - [C] - [D]	[E]	\$ 265,157

Information Required  
for a  
Sewer Rate / Tariff Change

**Hornsby Bend Utility Company**

**Application for a Rate/Tariff Change - Hornsby Bend Utility Company Sewer**

**Section III - Sewer Plant & Equipment Information**

**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				
<b>Total:</b>				① \$ -

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

**Application for a Rate/Tariff Change - Hornsby Bend Utility Company Sewer**

**Section III - Sewer Plant & Equipment Information (Cont.)**

**Table III.B.**

Item [A]	Date Installed [B]	Service Life (Yrs)		Original Cost when Installed (\$) [D]	Yrs in Service Y M D [E]			Depreciation [E] = [D]/[C]		Net Book Value (\$) [H]
		a	b		Annual (\$) [F]	Accumulated (\$) [G]				
		[C]								
Land										
Collection Sewers		50								
Gravity										
Force										
Pumping Equipment		5								
Treatment and Disposal Equipment		10								
Structures:										
Wood		5								
Plant Outfa	<b>See Next Page for Table III.B. Supplemental for Cost &amp; Depreciation Summary</b>									
Office Equipment		10								
Vehicles		5								
Shop Tools		15								
Heavy Equipment		10								
Fencing		20								
Other: (please list)										
Adj. for Early Retirements							①	②	③	

a - TCEQ Suggested Life    b - Other Service Life

- ① Enter this number in Table VI. A., Line [O], Column C
- ② If [F] is greater than [D], enter total for [D]
- ③ Enter this number in Table IV. E., Line [A]

Application for a Rate/Tariff Change - Hornsby Bend Utility Company Sewer

Section III - Sewer Plant & Equipment Information (Cont.)

Table III.B. Supplemental - See Appendix 9.I.

Hornsby Bend Utility Company Sewer							
SWWC Account	Account Description	Gross Plant	Book Depreciation	Net Plant	Life in Years	Annual Depreciation	Effective Depr. Rat
353.00	Land and Land Rights	\$ 76,085	\$ -	\$ 76,085		\$ -	0.00%
354.00	Structures and Improvements	\$ 20,750	\$ 2,681	\$ 18,069		\$ 678	3.27%
355.20	Power Generation Equipment	\$ 381,891	\$ 23,451	\$ 358,440		\$ 15,276	4.00%
360.20	Collecting Sewers - Force	\$ 4,264,643	\$ 1,061,328	\$ 3,203,315		\$ 93,887	2.20%
360.24	Collecting Sewers - Lift Station	\$ -	\$ -	\$ -		\$ -	0.00%
361.20	Collecting Sewers - Gravity	\$ 1,771,941	\$ 245,364	\$ 1,526,577		\$ 35,439	2.00%
363.20	Services to Customers	\$ 686,227	\$ 308,265	\$ 377,963		\$ 28,657	4.18%
364.20	Flow Meters	\$ -	\$ -	\$ -		\$ -	0.00%
367.60	Sewer Service Taps	\$ -	\$ -	\$ -		\$ -	0.00%
370.30	Manholes and Sewer Lines	\$ 4,346,971	\$ 766,563	\$ 3,580,407		\$ 86,939	2.00%
371.20	Pumping Equipment - Services	\$ -	\$ -	\$ -		\$ -	0.00%
371.30	Pumping Equipment - Lift Stations	\$ 1,781,209	\$ 416,962	\$ 1,364,246	Various - See Appendix 9.I.I.C	\$ 71,938	4.04%
371.32	Lift Station Pumps	\$ -	\$ -	\$ -		\$ -	0.00%
380.40	Treatment & Disposal Equipment	\$ -	\$ -	\$ -		\$ -	0.00%
389.10	Other Plant and Misc. Equipment	\$ 117,281	\$ 15,638	\$ 101,644		\$ 11,728	10.00%
389.40	Other Plant and Misc. Equipment (Appendix 9.I.C&D.)	\$ 5,449	\$ 707	\$ 4,742		\$ 1,231	22.59%
389.41	Other Plant and Misc. Equipment - Media	\$ -	\$ -	\$ -		\$ -	0.00%
390.10	Office Furniture & Equipment	\$ 3,581	\$ 3,581	\$ -		\$ -	0.00%
390.70	Furniture and Fixtures	\$ -	\$ -	\$ -		\$ -	0.00%
395.70	Power Operated Equipment	\$ -	\$ -	\$ -		\$ -	0.00%
396.70	Communication Equipment	\$ -	\$ -	\$ -		\$ -	0.00%
397.70	Misc. Wastewater Equipment	\$ -	\$ -	\$ -		\$ -	0.00%
	<b>Hornsby Bend Utility Company Sewer Total</b>	<b>\$ 13,509,766</b>	<b>\$ 2,852,384</b>	<b>\$ 10,657,402</b>		<b>\$ 948,569</b>	<b>2.58%</b>

**Application for a Rate/Tariff Change - Hornsby Bend Utility Company Sewer**

*Section III - Sewer Plant & Equipment Information*

**C. Developer Contributions**

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

**Table III.C**

Item (A)	Date of Installation (B)	Total Cost (C)	Amount of Developer Contribution (D)	Net Book Value (E) = (C) - (D)
See Appendix 8.1.B for Calculation of Net Book Value of Developer Contributions				
<b>Total:</b>				① \$ 4,365,405

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

**Application for a Rate/Tariff Change - Hornsby Bend Utility Company Sewer**

**Section IV - Long Term Debt & Equity Information**

**A. Equity**

How much equity of total capital does the company have in the utility? \$ 24,466,695  
 Enter also in Table IV. D. Below

**B. Rate of Return**

What rate of return (profit) on investment in plant (equity) is expected? 11.25%  
 (See Appendix 2 for discussion of return on equity analysis)

**C. Bankruptcy**

Has the utility or utility owner filed for bankruptcy within the last seven years? No  
 If yes, explain the status of the applicant at this time: N/A

**D. Notes Payable**

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

**Table IV. D.**

Name of Bank/Lender	Date of Issue	Date of Maturity	Original Amount of Loan	Outstanding Balance	Interest Rate	Weighted Average
<b>Part 1 - Debt</b>						
<b>Total</b>				\$ -		0.00%
<b>Part 2 - Investment (Equity)</b>				\$ 24,466,695	11.25%	11.25%
<b>Total Debt &amp; Equity</b>				\$ 24,466,695		
					<b>Rate of Return:</b>	11.25%

Equity in utility from Section IV. A.  
 Total weighted average of debt - to Table V Line C

Return on Equity from Section IV. B.  
 Rate of return - to Table IV.E [G]

**E. Invested Capital & Return**

**Table IV. E.**

Net Book Value (Table III. B.) Box ③	[A]	\$	10,657,402
Working Cash Allowance (Table VI. A. Line L, Column a, Box ⑦ / 8)	[B]	\$	121,495
Prepaid & Materials & Supplies Inventory - See Appendix 13	[C]	\$	2,209
<b>Subtotal - Sum [A] thru [C]</b>	[D]	\$	10,781,106
Developer Contributions - From Table III.C, Box ①	[E]	\$	4,365,405
<b>Total Invested Capital [E] - [F]</b>	[F]	\$	6,415,701
Rate of Return (Table IV.D.)	[G]		11.25%
Return/Interest ( [F] * [G] ) Enter in Table V. and Table VI. A.	[H]	\$	721,766

**Application for a Rate/Tariff Change - Hornsby Bend Utility Company Sewer**

**Section V - Income Tax Calculation**

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.	[A]	\$	721,766
<b>Interest Calculation</b>			
Total Invested Capital	[B]	\$	6,415,701
Weighted Cost of Debt Capital - Percentage from Table IV.D.	[C]		0.00%
Interest Expense [B] * [C]	[D]	\$	-
Taxable Income [A] - [D]	[E]	\$	721,766
<b>Gross Up Factor Calculation*</b>			
Federal Income Tax Rate	[F]		0.3500
Federal Income Tax Divided by 1-Federal Income Tax (.35/(1-.35))	[G]		0.5385
Gross Up Factor 1 + [G]	[H]		1.5385
Income Tax	[J]	\$	388,643

\* Reflects the statutory tax rate of 35% in accordance with TWC § 13.185(f). Federal Income Tax reflects Taxable Income [E] x 35% Incremental Rate x Gross Up Factor.



**Application for a Rate/Tariff Change - Hornsby Bend Utility Company Sewer**

**Section VI - Utility Income and Expense Information**

**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".

**Table VI. A.**

Test Year 12/30/2012	Line	12 Month "Test Year" per books	K&M Changes	Revenue Requirement for Next Yr		Fixed Expenses	Variable Expenses
Item		a	b	c		d	e
Salaries and Wages	[A]	\$ 65,736	\$ 8,192	\$ 73,928	50	\$ 36,964	\$ 36,964
Contract Labor	[B]	\$ 12,370	\$ -	\$ 12,370	90	\$ 11,133	\$ 1,237
Purchased Water	[C]	\$ -	\$ -	\$ -	0	\$ -	\$ -
Chemicals and Treatment	[D]	\$ 33,414	\$ -	\$ 33,414	0	\$ -	\$ 33,414
Utilities	[E]	\$ 73,358	\$ -	\$ 73,358	0	\$ -	\$ 73,358
Repairs/Maintenance/Supplies	[F]	\$ 145,377	\$ -	\$ 145,377	50	\$ 72,689	\$ 72,689
Office Expenses	[G]	\$ 7	\$ -	\$ 7	50	\$ 4	\$ 4
Accounting and Legal Fees	[H]	\$ 68,619	\$ (67,949)	\$ 670	100	\$ 670	\$ -
Insurance	[I]	\$ 620	\$ -	\$ 620	100	\$ 620	\$ -
Rate Case Expense	[J]	\$ -	\$ 31,766	\$ 31,766	100	\$ 31,766	\$ -
Miscellaneous	[K]	\$ 572,460	\$ (177,300)	\$ 395,160	50	\$ 197,580	\$ 197,580
<b>Subtotal - [A] thru [K]</b>	<b>[L]</b>	<b>\$ 971,961</b>	<b>\$ (205,292)</b>	<b>\$ 766,669</b>		<b>\$ 351,425</b>	<b>\$ 415,245</b>
Payroll Taxes	[M]	\$ -	\$ 2,783	\$ 2,783	50	\$ 1,391	\$ 1,391
Property and Other Taxes	[N]	\$ 57,160	\$ 16,085	\$ 73,245	100	\$ 73,245	\$ -
Annual Dep & Amort from Table III	[O]	\$ 277,222	\$ 71,347	\$ 348,569	100	\$ 348,569	\$ -
Income Taxes from Table V	[P]		\$ 388,643	\$ 388,643	100	\$ 388,643	\$ -
Return from Table IV.E	[Q]		\$ 721,766	\$ 721,766	100	\$ 721,766	\$ -
<b>Subtotal - [L] thru [Q]</b>	<b>[R]</b>	<b>\$ 1,306,343</b>	<b>\$ 995,333</b>	<b>\$ 2,301,676</b>		<b>\$ 1,885,040</b>	<b>\$ 416,636</b>
Other Revenues	[S]	\$ 60,711	\$ -	\$ 60,711	100	\$ 60,711	\$ -
Revenue Held in Abeyance	[T]			\$ 354,971			
<b>Total Cost = [R] - [S] - [T] *</b>	<b>[U]</b>	<b>\$ 1,245,633</b>	<b>\$ 640,362</b>	<b>\$ 1,885,995</b>		<b>\$ 1,535,355</b>	<b>\$ 350,641</b>

\* The revenue requirement presented on line [U] will be collected through two phase-in rate increases. Please refer to Section AIX & X for details of the proposed Phase I and Phase II rate increases.

See Appendix 10 for Calculation of Revenue Requirement  
and  
Known and Measurable Changes

**Application for a Rate/Tariff Change - Hornsby Bend Utility Company Sewer**

**Section VI - Utility Income and Expense Information (Cont.)**

**B. Known and Measurable Changes**

If you listed anything in Table IV. A. above as a 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

Category	Pro Forma Adjustments	Workpaper Reference	Explanation
<b>Payroll</b>	\$ 8,192	Appendix 10.II.A	Reflects adjustments for known and measurable increases in payroll and benefits.
<b>Accounting and Legal Fees</b>	\$ (67,949)	Appendix 10.II.A	Adjust to reflect Accounting and Legal Fees.
<b>Rate Case Expenses</b>	\$ 31,766	Appendix 10.VI.	Expenses for preparing the rate increase application.
<b>Miscellaneous</b>			
Loss/Gain - Operatin	\$ (10,010)	Appendix 10.II.A	Remove loss/gains for asset sales to normalize expenses for rate making.
Bad Debt Expense	\$ 7,514	Appendix 10.I.	To Normalize Test Year Bad Debt Expense.
Corporate Allocations	\$ (136,551)	Appendix 11.I.	Normalize Corporate allocations.
Texas Utilities Group Allocations	\$ (48,760)	Appendix 11.I.	Normalize Texas Utilities allocations.
Other Professional Fees	\$ 10,506	Appendix 10.II.A	Normalize professional fees.
<b>Payroll Taxes</b>	\$ 2,783	Appendix 10.VII.	Adjust to reflect payroll taxes normalization
<b>Property and Other Taxes</b>	\$ 16,085	Appendix 10.I.	Reflects adjustments for known and measurable increases.
<b>Depreciation</b>	\$ 71,347	Appendix 9.I.	Annualize depreciation expense to reflect test year plant balances
<b>Total Pro Forma Adjustments</b>	<u>\$ (115,077)</u>		

**Application for a Rate/Tariff Change - Hornsby Bend Utility Company Sewer**

**Section VII - Customer Information**

**A. 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 (a)	End of Period (b)	Equivalency Factor (c)	Meter Equivalents (d) = (b) * (c)
<b>Non-Metered Connections:</b>					
Residential	[A]	-	-	1.0	-
Commercial	[B]	-	-	1.0	-
Standby	[C]	-	-	1.0	-
<b>Metered Connections:</b>					
5/8"	[D]	1,877	1,891	1.0	1,891
3/4"	[E]	-	-	1.5	-
1"	[F]	2	2	2.5	5
1 1/2"	[G]	-	-	5.0	-
2"	[H]	1	1	8.0	8
3"	[I]	1	2	15.0	30
4"	[J]	-	-	25.0	-
6"	[K]	-	-	50.0	-
8"	[L]	-	-	80.0	-
10"	[M]	-	-	115.0	-
12"	[N]	-	-	250.0	-
<b>Total</b>	<b>[O]</b>	<b>1,881</b>	<b>1,896</b>		<b>① 1,934</b>

① To Table IX. B. and Table X.A

**Application for a Rate/Tariff Change - Hornsby Bend Utility Company Sewer**

**Section VIII - Treatment Information - Sewer**

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

**Table VIII**

Total number of gallons treated (total master meter reading for the year)	[A]	*	gallons
Total number of gallons treated by another source for sale to customers	[B]	*	gallons
Total number of gallons treated [C] = [A] + [B]	[C]	114,975,000	gallons
Sources of Purchased Treatment:			

\* See Appendix 12 for Treated Details

**Application for a Rate/Tariff Change - Hornsby Bend Utility Company Sewer**

**Alternative Section IX and X - Rate Design Calculations and Rate Design - Phase I**

**Table Alt X. A. - Phase I Revenue Requirement**

		Test Year (a)	Revenue Requirement (b)
Annualized Sewer Revenue	[A]	\$ 1,642,312	\$ 2,240,966
Less: Revenue held in Abeyance	[B]		\$ 436,042
Revenue to be Recovered	[C]		\$ 1,804,924

**Table Alt X. B. - Phase I Commodity Sales Revenue**

Usage Tier		Sales (gal x 1,000) (a)	Requested Rates (\$/kgal) (b)	Gallongage Revenues (c)
All Gallons*	[A]	114,190	\$ 6.89	\$ 786,769
Total:	[B]	114,190		\$ 786,769

\*Includes Wholesale Gallons at 85%

**Table Alt X. C. - Phase I Base Rates Revenue**

Meter Size		Test Year Bills (a)	Requested Rates (per bill) (b)	Base Rate Revenues (c)
5/8"	[A]	22,906	\$ 43.47	\$ 995,724
3/4"	[B]	-	\$ 65.21	\$ -
1"	[C]	24	\$ 108.68	\$ 2,608
1 1/2"	[D]	-	\$ 217.35	\$ -
2"	[E]	12	\$ 347.76	\$ 4,173
3"	[F]	12	\$ 652.05	\$ 7,825
4"	[G]	-	\$ 1,086.75	\$ -
6"	[H]	-	\$ 2,173.50	\$ -
8"	[I]	-	\$ 3,477.60	\$ -
10"	[J]	-	\$ 4,999.05	\$ -
12"	[K]	-	\$ 10,867.50	\$ -
Wholesale	[L]	12	\$ 652.05	\$ 7,825
Total:	[M]	22,966		\$ 1,018,154

**Table Alt X. D. - Phase I Total Revenue**

Requested Commodity Revenues - Table Alt X. B. [D] (c)	[A]	\$ 786,769
Requested Base Rate Revenues - Table Alt X. C. [M] (c)	[B]	\$ 1,018,154
Total Requested Revenues - [A] + [B]	[C]	\$ 1,804,924
Test Year Annualized Revenues - Table Appendix 14.I.A	[D]	\$ 1,642,312
Requested Revenue Increase - [C] - [D]	[E]	\$ 162,612

**Application for a Rate/Tariff Change - Hornsby Bend Utility Company Sewer**

**Alternative Section IX and X - Rate Design Calculations and Rate Design - Phase II**

**Table Alt X. A. - Phase II Revenue Requirement**

		Test Year (a)	Revenue Requirement (b)
Annualized Sewer Revenue	[A]	\$ 1,642,312	\$ 2,240,966
Less: Revenue held in Abeyance	[B]		\$ 354,971
Revenue to be Recovered	[C]		\$ 1,885,995

**Table Alt X. B. - Phase II Commodity Sales Revenue**

Usage Tier		Sales (gal x 1,000) (a)	Requested Rates (\$/kgal) (b)	Gallorage Revenues (c)
All Gallons*	[A]	114,190	\$ 7.20	\$ 822,168
Total:	[B]	114,190		\$ 822,168

\*Includes Wholesale Gallons at 85%

**Table Alt X. C. - Phase II Base Rates Revenue**

Meter Size		Test Year Bills (a)	Requested Rates (per bill) (b)	Base Rate Revenues (c)
5/8"	[A]	22,906	\$ 45.42	\$ 1,040,391
3/4"	[B]	-	\$ 68.13	\$ -
1"	[C]	24	\$ 113.55	\$ 2,725
1 1/2"	[D]	-	\$ 227.10	\$ -
2"	[E]	12	\$ 363.36	\$ 4,360
3"	[F]	12	\$ 681.30	\$ 8,176
4"	[G]	-	\$ 1,135.50	\$ -
6"	[H]	-	\$ 2,271.00	\$ -
8"	[I]	-	\$ 3,633.60	\$ -
10"	[J]	-	\$ 5,223.30	\$ -
12"	[K]	-	\$ 11,355.00	\$ -
Wholesale	[L]	12	\$ 681.30	\$ 8,176
Total:	[M]	22,966		\$ 1,063,827

**Table Alt X. D. - Phase II Total Revenue**

Requested Commodity Revenues - Table Alt X. B. [D] (c)	[A]	\$ 822,168
Requested Base Rate Revenues - Table Alt X. C. [M] (c)	[B]	\$ 1,063,827
Total Requested Revenues - [A] + [B]	[C]	\$ 1,885,995
Test Year Annualized Revenues - Table Appendix 14.I.A	[D]	\$ 1,642,312
Requested Revenue Increase - [C] - [D]	[E]	\$ 243,684

**AFFIDAVIT**

STATE OF TEXAS

COUNTY OF FORT BEND

I, Charles W. Profilet, Jr., being duly sworn, file this NOTICE OF PROPOSED RATE CHANGE as Vice President of SWWC Utilities, Inc.; 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.

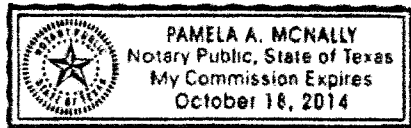
I further represent that a copy of the attached notice was provided by mail to each customer or other affected party on or about September 3, 2013.

Charles W. Profilet, Jr.  
Charles W. Profilet, Jr., Affiant

Subscribed and sworn to before me this the 3<sup>RD</sup> th day of September, 2013, to certify which witness my hand and seal of office.

PAMELA A. MCNALLY  
NOTARY PUBLIC IN AND FOR THE  
STATE OF TEXAS

SEAL



Pamela A. McNally  
NOTARY

MY COMMISSION EXPIRES 10/18/14







**SWWC  
Utilities, Inc.**

A SouthWest Water Company

12535 Reed Road  
Sugar Land, TX 77478  
www.swwc.com

Customer Service  
Phone 866.654.SWWC (7992)

September 3, 2013

Dear Valued Customer:

On September 3, 2013, SWWC Utilities, Inc. (SWWC) filed a request with the Texas Commission on Environmental Quality (TCEQ) and the city in which we serve customers for a rate increase.

You are receiving notice of this rate application because you are a customer of Hornsby Bend Utility Company or Water Services, Inc. Below please find tables that summarize the request and its impact on bills for customers served by Hornsby Bend and Water Services (with a 5/8" meter).

**Hornsby Bend Utility Company\***

For Hornsby Bend, the company is applying for a two-phase rate increase, with a 9.9% increase on January 1, 2014, and a 4.5% increase on July 1, 2014.

	Gallons Used	Monthly Bill at Current Rates	Phase One			Phase Two		
			Percent Increase	Dollar Impact	Monthly Bill on Jan. 1, 2014	Percent Increase on July 1, 2014	Dollar Impact	Monthly Bill on July 1, 2014
Water	2,000	\$53.45	9.9%	\$5.29	\$58.74	4.5%	\$2.65	\$61.39
Water	5,000	\$72.20	9.9%	\$7.15	\$79.35	4.5%	\$3.58	\$82.93
Sewer	5,000	\$70.90	9.9%	\$7.02	\$77.92	4.5%	\$3.50	\$81.42

\*Totals do not include the 1% TCEQ Regulatory Assessment.

**Water Services, Inc.\***

For Water Services, the rate increase is effective January 1, 2014, and the percentage increase depends on the amount of water used each month.

	Gallons Used	Monthly Bill at Current Rates	Monthly Bill at Proposed Rates	Percentage Increase	Dollar Impact
Water	2,000	\$44.95	\$45.95	2.22%	\$1.00
Water	5,000	\$51.85	\$58.40	12.63%	\$6.55

*\*Totals do not include the 1% TCEQ Regulatory Assessment.*

When preparing this rate application, the team at SWWC carefully considered a number of factors:

- SWWC invested \$6.6 million in 2012 to make critical plant and equipment improvements.
- SWWC purchases water wholesale from entities that have raised rates.
- SWWC's costs for other items necessary to doing business have increased.
- SWWC's cost of service remains greater than income from customer rates.

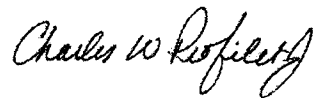
Taking these factors into account, SWWC's cost-of-service study supports a rate increase of approximately 99%, but the company is not seeking the full increase. We are committed to providing clean, safe, reliable water and sewer services in Texas for the long term, and we understand the circumstances facing many of our customers. With this in mind, we are seeking a substantially lower rate increase.

Attached is a copy of the Notice of Proposed Rate Change as required by the TCEQ. Please review this notice carefully, as it provides additional information about SWWC's request and the processing of this application by the TCEQ.

SWWC will continue to maintain and improve your water and sewer system to deliver to you and the environment the best possible water quality while remaining mindful of the cost under our control.

Thank you for the opportunity to be your water and sewer services provider.

Sincerely,



Charles W. Profilet, Jr., P.E.  
 Vice President  
 SWWC Utilities, Inc.  
 Enc: Notice of Proposed Rate Change

3146/13/4073964.1

# NOTICE OF PROPOSED RATE CHANGE

SWWC Utilities, Inc.  
d/b/a  
Hornsby Bend Utility Company  
Water Services, Inc.  
12535 Reed Road  
Sugar Land, Texas 77478  
(866) 654-7992

11978 and 20650  
11106

CCNs

has submitted a rate change application to the Texas Commission on Environmental Quality Commission and the City of Bulverde. The proposed rates listed on the next pages will apply to service received after the effective date provided below. Water only customers will only be charged the noticed water rates. Sewer only customers will only be charged the noticed sewer rates. Customers receiving water and sewer service will be charged both sets of rates. If the Commission receives protests to the proposed increase from 10 percent of the ratepayers located outside city limits before the 91st day after the proposed effective date, a public hearing will be scheduled to determine if the proposed rates are reasonable. If you receive service in the environs, 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

If you are located within the City of Bulverde, protests should be mailed to the city secretary. If the City receives protests to the proposed increase from 10 percent of the ratepayers located inside city limits before the 91st day after the proposed effective date, a public hearing will be scheduled to determine if the proposed rates are reasonable.

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

## SEE ATTACHMENT A FOR LIST OF AFFECTED SYSTEMS OR SUBDIVISIONS

12535 Reed Road, Sugar Land, Texas 77478  
Company Address

\$ 4,936,313 or 99.38% – SWWC Utilities, Inc. Combined  
\$ 4,337,658 or 130.47% – SWWC Utilities, Inc. Water  
\$ 598,654 or 36.45% – SWWC Utilities, Inc. Wastewater

on or before September 3, 2013

Annual Revenue Increase<sup>1</sup>

Date Customer Notice Mailed

September 1, 2012

Cycle reading throughout month

Date of Last Rate Change

Date Meters Typically Read

**EFFECTIVE DATE OF PROPOSED INCREASE:** January 1, 2014

### Reason for proposed Rate Change:

SWWC is proposing this rate change to recognize new capital investments in rates and to recover increasing operating costs and taxes while providing an opportunity to earn a reasonable return on invested capital.

The proposed rates would apply to all service rendered after the effective date and would 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, the city secretary's office, or 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.

<sup>1</sup> The proposed rates in the application produce annual revenues less than that shown above for the annual revenue increase shown by the cost of service study. SWWC Utilities, Inc. is voluntarily forgoing the recovery of a significant portion of the revenue increase shown in the cost of service study. The proposed rates produce the revenue increase shown below:

\$ 694,508 or 13.98% – SWWC Utilities, Inc. Combined  
\$ 450,824 or 13.56% – SWWC Utilities, Inc. Water  
\$ 243,684 or 14.84% – SWWC Utilities, Inc. Wastewater

**Notice of proposed water/sewer rate change (cont'd)**

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

The final rates to any customer or class of customers approved in this application may be greater or less than these noticed rates, but they will not recover a larger total revenue requirement. The utility may amend the rate change application where permitted by law. There may be monthly customer surcharges for rate case expenses, capital improvements, collection of lost revenues during the pendency of the case or other purpose approved in the final order. The utility may propose and have approved pass through clauses permitted by the Water Code and/or TCEQ rules. The utility may propose or receive changes to its tariff that may affect terms and conditions under which any present or future customer receives service. The utility may seek or receive invested capital findings and a rate base bench mark for future rate cases. The utility may propose or receive changes to its extension policies. The utility may propose or receive changes to its Drought Management and Water Conservation Plan that may affect present or future customers. **For these reasons, all affected current or future customers are encouraged to review the rate change application and tariff(s) and take such action as that customer deems appropriate.**

A Regulatory Assessment of 1% is added to base rate and gallonage charge for the following current and proposed rates for both water and sewer.

**SWWC UTILITIES, INC. - WATER RATES**

**HORNSBY BEND UTILITY COMPANY**

**CURRENT WATER RATES**

Meter Size	Monthly Minimum Charge (Includes 0 gallons)	Gallonage Charge (per 1,000 gallons)
5/8"	\$40.95	All gallons \$6.25
3/4"	\$40.95	
1"	\$102.38	
1 1/2"	\$204.75	
2"	\$327.60	
3"	\$614.25	
4"	\$1,023.75	
6"	\$2,047.50	
8"	\$3,276.00	
10"	\$4,709.25	
12"	\$10,237.50	

**COMPARISON OF CURRENT AND PROPOSED BILLS AT 10,000 AND 30,000 GALLONS**

Meter Size	Charges at 10,000 Gallons			Charges at 30,000 Gallons		
	Existing	Proposed Phase I Effective January 1, 2014	Proposed Phase II Effective July 1, 2014	Existing	Proposed Phase I Effective January 1, 2014	Proposed Phase II Effective July 1, 2014
5/8"	\$103.45	\$113.70	\$118.83	\$228.45	\$251.10	\$262.43
3/4"	\$103.45	\$136.20	\$142.35	\$228.45	\$273.60	\$285.95
1"	\$164.88	\$181.20	\$189.38	\$289.88	\$318.60	\$332.98
1 1/2"	\$267.25	\$293.70	\$306.95	\$392.25	\$431.10	\$450.55
2"	\$390.10	\$428.70	\$448.04	\$515.10	\$566.10	\$591.64
3"	\$676.75	\$743.70	\$777.25	\$801.75	\$881.10	\$920.85
4"	\$1,086.25	\$1,193.70	\$1,247.55	\$1,211.25	\$1,331.10	\$1,391.15
6"	\$2,110.00	\$2,318.70	\$2,423.30	\$2,235.00	\$2,456.10	\$2,566.90
8"	\$3,338.50	\$3,668.70	\$3,834.20	\$3,463.50	\$3,806.10	\$3,977.80
10"	\$4,771.75	\$5,243.70	\$5,480.25	\$4,896.75	\$5,381.10	\$5,623.85
12"	\$10,300.00	\$11,318.70	\$11,829.30	\$10,425.00	\$11,456.10	\$11,972.90

**WATER SERVICES, INC.**

**CURRENT WATER RATES**

Meter Size	Monthly Minimum Charge (Includes 0 gallons)	Gallage Charge (per 1,000 gallons)
5/8"	\$40.95	\$2.00 from 0 – 2,000 gallons \$2.30 from 2,001 - 10,000 gallons \$5.00 from 10,001 – 20,000 gallons \$8.00 over 20,000 gallons
3/4"	\$40.95	
1"	\$102.38	
1 1/2"	\$204.75	
2"	\$327.60	
3"	\$614.25	
4"	\$1,023.75	
6"	\$2,047.50	
8"	\$3,276.00	

**COMPARISON OF CURRENT AND PROPOSED BILLS AT  
10,000 AND 30,000 GALLONS - WATER  
No Phase In - Effective January 1, 2014**

Meter Size	Charges at 10,000 Gallons		Charges at 30,000 Gallons	
	Existing	Proposed	Existing	Proposed
5/8"	\$63.35	\$79.15	\$193.35	\$209.15
3/4"	\$63.35	\$99.63	\$193.35	\$229.63
1"	\$124.78	\$140.58	\$254.78	\$270.58
1 1/2"	\$227.15	\$242.95	\$357.15	\$372.95
2"	\$350.00	\$365.80	\$480.00	\$495.80
3"	\$636.65	\$652.45	\$766.65	\$782.45
4"	\$1,046.15	\$1,061.95	\$1,176.15	\$1,191.95
6"	\$2,069.90	\$2,085.70	\$2,199.90	\$2,215.70
8"	\$3,298.40	\$3,314.20	\$3,428.40	\$3,444.20

**CURRENT MISCELLANEOUS FEES AND CHARGES-TO ALL CUSTOMERS**

TAP FEE (5/8" or 3/4" meter)	\$700.00
TAP FEE (unique costs)	Actual Cost
LARGE METER TAP FEE	Actual Cost
RECONNECTION FEE	
a) Non payment of bill	\$25.00
b) Customer's request	\$50.00
TRANSFER FEE	\$45.00
LATE CHARGE	10% of the delinquent bill
RETURNED CHECK CHARGE	\$25.00
CUSTOMER DEPOSIT – RESIDENTIAL	\$50.00
CUSTOMER DEPOSIT – NON-RESIDENTIAL	1/6 <sup>th</sup> Est. Annual Bill
METER TEST FEE	\$25.00
SEASONAL RECONNECTION FEE	Base rate times number of months off the system not to exceed six months when leave and return within a twelve month period.
METER RELOCATION FEE	Actual cost to relocate that meter
METER CONVERSION FEE	Actual cost to convert that meter

**LINE EXTENSION AND CONSTRUCTION CHARGES:**

Refer to Tariff Section 2.12 Specific Utility Service Rules and Section 3.02 Specific Utility Extension Policy for terms, conditions, and charges.

**Notice of proposed water/sewer rate change (cont'd)**

**GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE CLAUSE:**

Increases in inspection fees and water 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 of 30 T.A.C. 291.21(k)(2) after notice to customers and upon written approval by the TCEQ.

**SUPPLEMENTAL EMERGENCY SERVICE FEE:**

Applicable to nonresidential water service customers that require supplemental service over and above their existing water service from time to time. Usage to be determined by customer. The minimum diameter for supplemental service meter shall be 2 inches.

**MONTHLY SUPPLEMENTAL SERVICE RATE:**

\$13.43 per inch diameter of service connection meter.

**PURCHASED WATER AND/OR DISTRICT FEE PASS THROUGH CLAUSE – ALL WATER SUPPLY SUBJECT TO FEE:**

Changes in fees imposed by any non-affiliated third party water supplier or underground water district having jurisdiction over the Utility shall be passed through as an adjustment to the water gallonage charge according to the following formula:

AG = G + B/(1-L), where  
AG = adjusted gallonage charge, rounded to the nearest one cent;  
G = approved gallonage charge (per 1,000 gallons);  
B = change (per 1,000 gallons) due to purchased water/district gallonage changes; and  
L = system average line loss for preceding 12 months not to exceed 0.15.

**PURCHASED WATER AND/OR DISTRICT FEE PASS THROUGH CLAUSE – PORTION OF WATER SUPPLY SUBJECT TO FEE:**

Upon notice from a water supplier of either an increase or decrease in the cost of purchased water, the utility shall provide notice to customers and the Commission of its intent to implement rates imposed by any non-affiliated third party water supplier or underground water district having jurisdiction over the Utility shall be passed through as an adjustment to the water gallonage charge according to the following formula:

Adjustment to the gallonage rate = AG = (CP/GB) x 1,000  
Adjustment to the minimum bill = AMB = GMB x AG

CP = CP1 – CP0 = change in cost of purchased water;  
CP1 = Cost of purchased water during the most recent 12 month period at the new rate;  
CP0 = Cost of purchased water during the most recent 12 month period at the previous rates;  
GMB = Number of gallons in the minimum bill, divided by 1,000; and  
GB = Number of gallons billed to customers in excess of the amount included in the monthly minimum bill for the 12 month period used above.

**TEMPORARY WATER RATE:**

Unless otherwise superseded by TCEQ order or rule, if the Utility is ordered by a court or governmental body of competent jurisdiction to reduce its pumpage, production, or water sales, the Utility shall be authorized to increase its approved gallonage charge according to the formula:

$$TGC = \frac{cgc + (pr)(cgc)(r)}{(1.0-r)}$$

Where:

TGC = temporary gallonage charge;  
cgc = current gallonage charge;  
r = water use reduction expressed as a decimal fraction (the pumping restriction); and  
pr = percentage of revenues to be recovered expressed as a decimal fraction. For this tariff pr shall equal 0.5.

To implement the Temporary Water Rate, the Utility must comply with all notice and other requirements of 30 T.A.C. 291.21(l).

**METER TAMPERING, DAMAGE OR SERVICE DIVERSION PENALTY:**

One time penalty for tampering with or damaging a water meter or any appurtenance thereto including locks and meter boxes or service diversion of one hundred dollars (\$100.00).

**FRANCHISE FEE PASS THROUGH CLAUSE:**

Charges a municipality makes for use of streets and alleys pursuant to Tax Code §182.025 or other applicable state law shall be passed through as an adjustment to the water gallonage charge according to the following formula:

AG = G + B, where  
AG = adjusted gallonage charge, rounded to the nearest one cent;  
G = approved gallonage charge (per 1,000 gallons) and  
B = projected franchise fees payable (per 1,000 gallons).

Notice of proposed water/sewer rate change (cont'd)

**ALL AFFECTED SYSTEMS SUBJECT TO TCEQ OR CITY OF BULVERDE JURISDICTION.**

**HORNSBY BEND UTILITY COMPANY PROPOSED WATER RATES**

**Phase I - Effective January 1, 2014**

Meter Size	Monthly Minimum Charge (Includes 0 gallons)	Gallage Charge (per 1,000 gallons)
5/8"	\$45.00	All Gallons \$6.87
3/4"	\$67.50	
1"	\$112.50	
1 1/2"	\$225.00	
2"	\$360.00	
3"	\$675.00	
4"	\$1,125.00	
6"	\$2,250.00	
8"	\$3,600.00	
10"	\$5,175.00	
12"	\$11,250.00	

**Phase II - Effective July 1, 2014**

Meter Size	Monthly Minimum Charge (Includes 0 gallons)	Gallage Charge (per 1,000 gallons)
5/8"	\$47.03	All Gallons \$7.18
3/4"	\$70.55	
1"	\$117.58	
1 1/2"	\$235.15	
2"	\$376.24	
3"	\$705.45	
4"	\$1,175.75	
6"	\$2,351.50	
8"	\$3,762.40	
10"	\$5,408.45	
12"	\$11,757.50	

**WATER SERVICES, INC. PROPOSED WATER RATES**

**No Phase In - Effective January 1, 2014**

Meter Size	Monthly Minimum Charge (Includes 0 gallons)	Gallage Charge (per 1,000 gallons)
5/8"	\$40.95	\$2.50 from 0-2,000 gallons \$4.15 from 2,001-10,000 gallons \$5.00 from 10,001 to 20,000 gallons \$8.00 over 20,000 gallons
3/4"	\$61.43	
1"	\$102.38	
1 1/2"	\$204.75	
2"	\$327.60	
3"	\$614.25	
4"	\$1,023.75	
6"	\$2,047.50	
8"	\$3,276.00	

**MISCELLANEOUS FEES AND CHARGES-TO ALL CUSTOMERS OF SWWC UTILITIES, INC. d/b/a HORNSBY BEND UTILITY COMPANY AND WATER SERVICES INC. RECEIVING WATER SERVICE**

TAP FEE (5/8" meter)	\$700.00
TAP FEE (unique costs)	Actual Cost
LARGE METER TAP FEE	Actual Cost
RECONNECTION FEE	
a) Non payment of bill	\$25.00
b) Customer's request	\$50.00
TRANSFER FEE	\$45.00
LATE CHARGE	10% of the delinquent bill
RETURNED CHECK CHARGE	\$25.00
CUSTOMER DEPOSIT - RESIDENTIAL	\$50.00
CUSTOMER DEPOSIT - NON-RESIDENTIAL	1/6 <sup>th</sup> Est. Annual Bill
METER TEST FEE	\$25.00
SEASONAL RECONNECTION FEE	
METER RELOCATION FEE	Base rate times number of months off the system not to exceed six months when leave and return within a twelve month period.
METER CONVERSION FEE	Actual cost to relocate that meter Actual cost to convert that meter

**Notice of proposed water/sewer rate change (cont'd)**

**LINE EXTENSION AND CONSTRUCTION CHARGES:**

Refer to Tariff Section 2.12 Specific Utility Service Rules and Section 3.02 Specific Utility Extension Policy for terms, conditions, and charges.

**GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE CLAUSE:**

Increases in inspection fees and water 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 of 30 T.A.C. 291.21(k)(2) after notice to customers and upon written approval by the TCEQ.

**SUPPLEMENTAL EMERGENCY SERVICE FEE:**

Applicable to nonresidential water service customers that require supplemental service over and above their existing water service from time to time. Usage to be determined by customer. The minimum diameter for supplemental service meter shall be 2 inches.

**MONTHLY SUPPLEMENTAL SERVICE RATE:**

\$13.43 per inch diameter of service connection meter.

**PURCHASED WATER AND/OR DISTRICT FEE PASS THROUGH CLAUSE – ALL WATER SUPPLY SUBJECT TO FEE:**

Changes in fees imposed by any non-affiliated third party water supplier or underground water district having jurisdiction over the Utility shall be passed through as an adjustment to the water gallonage charge according to the following formula:

AG = G + B/(1-L), where  
AG = adjusted gallonage charge, rounded to the nearest one cent;  
G = approved gallonage charge (per 1,000 gallons);  
B = change (per 1,000 gallons) due to purchased water/district gallonage changes; and  
L = system average line loss for preceding 12 months not to exceed 0.15.

**PURCHASED WATER AND/OR DISTRICT FEE PASS THROUGH CLAUSE – PORTION OF WATER SUPPLY SUBJECT TO FEE:**

Upon notice from a water supplier of either an increase or decrease in the cost of purchased water, the utility shall provide notice to customers and the Commission of its intent to implement rates imposed by any non-affiliated third party water supplier or underground water district having jurisdiction over the Utility shall be passed through as an adjustment to the water gallonage charge according to the following formula:

Adjustment to the gallonage rate = AG = (CP/GB) x 1,000  
Adjustment to the minimum bill = AMB = GMB x AG

CP = CP1 – CP0 = change in cost of purchased water;  
CP1 = Cost of purchased water during the most recent 12 month period at the new rate;  
CP0 = Cost of purchased water during the most recent 12 month period at the previous rates;  
GMB = Number of gallons in the minimum bill, divided by 1,000; and  
GB = Number of gallons billed to customers in excess of the amount included in the monthly minimum bill for the 12 month period used above.

**TEMPORARY WATER RATE:**

Unless otherwise superseded by TCEQ order or rule, if the Utility is ordered by a court or governmental body of competent jurisdiction to reduce its pumpage, production, or water sales, the Utility shall be authorized to increase its approved gallonage charge according to the formula:

TGC =  $\frac{cgc + (pr)(cgc)(r)}{(1.0-r)}$

Where:

TGC = temporary gallonage charge;  
cgc = current gallonage charge;  
r = water use reduction expressed as a decimal fraction (the pumping restriction); and  
pr = percentage of revenues to be recovered expressed as a decimal fraction. For this tariff pr shall equal 0.5.

To implement the Temporary Water Rate, the Utility must comply with all notice and other requirements of 30 T.A.C. 291.21(i).

**METER TAMPERING, DAMAGE OR SERVICE DIVERSION PENALTY:**

One time penalty for tampering with or damaging a water meter or any appurtenance thereto including locks and meter boxes or service diversion of one hundred dollars (\$100.00).

**FRANCHISE FEE PASS THROUGH CLAUSE:**

Charges a municipality makes for use of streets and alleys pursuant to Tax Code §182.025 or other applicable state law shall be passed through as an adjustment to the water gallonage charge according to the following formula:

AG = G + B, where  
AG = adjusted gallonage charge, rounded to the nearest one cent;  
G = approved gallonage charge (per 1,000 gallons); and  
B = projected franchise fees payable (per 1,000 gallons).

**Bill payment assistance programs for low income Ratepayers:**

"Help2Others (H2O)" is a program that offers bill-payment assistance to water and sewer customers whose combined household incomes fall at or below 125% of the current Federal Poverty Guideline. With H2O, eligible water customers will receive a \$20 pledge each month toward their bill; customers receiving both water and sewer will receive a \$40 pledge. To qualify for H2O, an applicant must meet the following criteria.



**Notice of proposed water/sewer rate change (cont'd)**

- The applicant's combined household income must be at or below 125 percent of the current Federal Poverty Guideline.
- The applicant must be current and remain current on water/sewer bill statements to receive monthly benefits.

Customers that are not eligible for H2O or otherwise need other assistance should contact "2-1-1 Texas." This program of the Texas Health and Human Services Commission is committed to helping Texas citizens connect with the services they need by referring them to local assistance centers.

**SWWC UTILITIES, INC. SEWER RATES**

**HORNSBY BEND UTILITY COMPANY**

**CURRENT SEWER RATES**

Meter Size	Monthly Minimum Charge (includes 0 gallons)	Gallage Charge (per 1,000 gallons)
5/8" or 3/4"	\$39.55	All gallons \$6.27
1"	\$98.88	
1 1/2"	\$197.75	
2"	\$316.40	
3"	\$593.25	
4"	\$988.75	
6"	\$1,977.50	
8"	\$3,164.00	
10"	\$4,548.25	
12"	\$9,887.50	

Residential sewer service will be billed year round using that service connection's average winter water consumption during December, January and February. Single family residential service connections without an historic winter average will have an imputed average of 5,000 gallons until they have established an average. Multi-family residential service connections without an historic winter average will have an imputed average of 5,000 gallons per residential unit until they have established an average.

Non-residential service connections will be billed on actual monthly water consumption without the use of winter averaging.

**CURRENT MISCELLANEOUS FEES AND CHARGES-TO ALL CUSTOMERS**

TAP FEE (gravity sewer, street or easement installation)	\$700.00
TAP FEE (pressure sewer, non-rock installation)	\$1,525.00
TAP FEE (pressure sewer, rock installation)	\$3,776.00
LARGE METER TAP FEE	Actual cost
ACCOUNT SET UP FEE (sewer only customers)	\$25.00
RECONNECTION FEE	
a) Non payment of bill	\$25.00
b) Customer's request	\$50.00
SEASONAL RECONNECTION FEE	
Base rate times number of months off the system not to exceed six months when leave and return within a twelve month period.	
TRANSFER FEE	\$45.00
LATE CHARGE	10% of the delinquent bill
RETURNED CHECK CHARGE	\$25.00
CUSTOMER DEPOSIT – RESIDENTIAL	\$50.00
CUSTOMER DEPOSIT – NON-RESIDENTIAL	1/6 <sup>th</sup> Est. Annual Bill
SERVICE RELOCATION FEE	Actual cost to relocate that connection
LINE EXTENSION AND CONSTRUCTION CHARGES:	
Refer to Section 2.12 Specific Utility Service Rules and Section 3.02 Utility Specific Extension Policy for terms, conditions, and charges.	
GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE CLAUSE:	
Increases in inspection fees and water 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 of 30 T.A.C. 291.21(k)(2) after notice to customers and upon written approval by the TCEQ.	
DAMAGE OR SERVICE DIVERSION PENALTY:	
One time penalty for tampering with or damaging a sewer service connection or any appurtenance thereto including pumps or service diversion of one hundred dollars (\$100.00).	
FRANCHISE FEE PASS THROUGH CLAUSE:	
Charges a municipality makes for use of streets and alleys pursuant to Tax Code §182.025 or other applicable state law shall be passed through as an adjustment to the sewer gallonage charge according to the following formula:	

**Notice of proposed water/sewer rate change (cont'd)**

AG = G + B, where  
 AG = adjusted gallonage charge, rounded to the nearest one cent;  
 G = approved gallonage charge (per 1,000 gallons); and  
 B = projected franchise fees payable (per 1,000 gallons).

**PURCHASED SEWER PASS THROUGH CLAUSE:**

Changes in fees imposed by any non-affiliated third party wholesale sewer service provider shall be passed through as an adjustment to the sewer gallonage charge according to the following formula:

AG = G + B, where  
 AG = adjusted gallonage charge, rounded to the nearest one cent;  
 G = approved gallonage charge (per 1,000 gallons); and  
 B = change in purchased sewer service gallonage charge (per 1,000 gallons).

**COMPARISON OF CURRENT AND PROPOSED BILLS AT 10,000 GALLONS - SEWER**

Meter Size	Charges at 10,000 Gallons		
	Existing	Proposed Phase I Effective January 1, 2014	Proposed Phase II Effective July 1, 2014
5/8"	\$102.25	\$112.37	\$117.42
3/4"	\$102.25	\$134.11	\$140.13
1"	\$161.58	\$177.58	\$185.55
1 1/2"	\$260.45	\$286.25	\$299.10
2"	\$379.10	\$416.66	\$435.36
3"	\$655.95	\$720.95	\$753.30
4"	\$1,051.45	\$1,155.65	\$1,207.50
6"	\$2,040.20	\$2,242.40	\$2,343.00
8"	\$3,226.70	\$3,546.50	\$3,705.60
10"	\$4,610.95	\$5,067.95	\$5,295.30
12"	\$9,950.20	\$10,936.40	\$11,427.00

**HORNSBY UTILITY COMPANY PROPOSED SEWER RATES**

**Phase I - Effective January 1, 2014**

Meter Size	Monthly Minimum Charge (Includes 0 gallons)	Gallonage Charge (per 1,000 gallons)
5/8"	\$43.47	All gallons \$6.89
3/4"	\$65.21	
1"	\$108.68	
1 1/2"	\$217.35	
2"	\$347.76	
3"	\$652.05	
4"	\$1,086.75	
6"	\$2,173.50	
8"	\$3,477.60	
10"	\$4,999.05	
12"	\$10,867.50	

**Phase II - Effective July 1, 2014**

Meter Size	Monthly Minimum Charge (Includes 0 gallons)	Gallonage Charge (per 1,000 gallons)
5/8"	\$45.42	All gallons \$7.20
3/4"	\$68.13	
1"	\$113.55	
1 1/2"	\$227.10	
2"	\$363.36	
3"	\$681.30	
4"	\$1,135.50	
6"	\$2,271.00	
8"	\$3,633.60	
10"	\$5,223.30	
12"	\$11,355.00	

Residential sewer service will be billed year round using that service connection's average winter water consumption during December, January and February. Single family residential service connections without an historic winter average will have an imputed average of 5,000 gallons until they have established an average. Multi-family residential service connections without an historic winter average will have an imputed average of 5,000 gallons per residential unit until they have established an average.

Non-residential service connections will be billed on actual monthly water consumption without the use of winter averaging.

**THE FOLLOWING FEES AND CHARGES ARE APPLICABLE TO ALL CUSTOMERS OF SWWC UTILITIES, INC.  
d/b/a HORNSBY BEND UTILITY COMPANY RECEIVING SEWER SERVICE**

**MISCELLANEOUS FEES AND CHARGES-TO ALL CUSTOMERS**

TAP FEE (gravity sewer, street or easement installation)	\$700.00
TAP FEE (pressure sewer, non-rock installation)	\$1,525.00
TAP FEE (pressure sewer, rock installation)	\$3,776.00
LARGE METER TAP FEE	Actual cost
ACCOUNT SET UP FEE (sewer only customers)	\$25.00
RECONNECTION FEE	
a) Non payment of bill	\$25.00
b) Customer's request	\$50.00
SEASONAL RECONNECTION FEE:	
Base rate times number of months off the system not to exceed six months when leave and return within a twelve month period.	
TRANSFER FEE	\$45.00
LATE CHARGE	10% of the delinquent bill
RETURNED CHECK CHARGE	\$25.00
CUSTOMER DEPOSIT – RESIDENTIAL	\$50.00
CUSTOMER DEPOSIT – NON-RESIDENTIAL	1/6 <sup>th</sup> Est. Annual Bill
SERVICE RELOCATION FEE	Actual cost to relocate that connection
LINE EXTENSION AND CONSTRUCTION CHARGES:	
Refer to Section 2.12 Specific Utility Service Rules and Section 3.02 Utility Specific Extension Policy for terms, conditions, and charges.	
GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE CLAUSE:	
Increases in inspection fees and water 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 of 30 T.A.C. 291.21(k)(2) after notice to customers and upon written approval by the TCEQ.	
DAMAGE OR SERVICE DIVERSION PENALTY:	
One time penalty for tampering with or damaging a sewer service connection or any appurtenance thereto including pumps or service diversion of one hundred dollars (\$100.00).	
FRANCHISE FEE PASS THROUGH CLAUSE:	
Charges a municipality makes for use of streets and alleys pursuant to Tax Code §182.025 or other applicable state law shall be passed through as an adjustment to the sewer gallonage charge according to the following formula:	
AG	= G + B, where
AG	= adjusted gallonage charge, rounded to the nearest one cent:
G	= approved gallonage charge (per 1,000 gallons) and
B	= projected franchise fees payable (per 1,000 gallons).
PURCHASED SEWER PASS THROUGH CLAUSE:	
Changes in fees imposed by any non-affiliated third party wholesale sewer service provider shall be passed through as an adjustment to the sewer gallonage charge according to the following formula:	
AG	= G + B, where
AG	= adjusted gallonage charge, rounded to the nearest one cent:
G	= approved gallonage charge (per 1,000 gallons) and
B	= change in purchased sewer service gallonage charge (per 1,000 gallons).

Bill payment assistance programs for low income Ratepayers:

"Help2Others (H2O)" is a program that offers bill-payment assistance to water and sewer customers whose combined household incomes fall at or below 125% of the current Federal Poverty Guideline. With H2O, eligible water customers will receive a \$20 pledge each month toward their bill; customers receiving both water and sewer will receive a \$40 pledge. To qualify for H2O, an applicant must meet the following criteria.

- The applicant's combined household income must be at or below 125 percent of the current Federal Poverty Guideline.
- The applicant must be current and remain current on water/sewer bill statements to receive monthly benefits.

Customers that are not eligible for H2O or otherwise need other assistance should contact "2-1-1 Texas." This program of the Texas Health and Human Services Commission is committed to helping Texas citizens connect with the services they need by referring them to local assistance centers.

## ATTACHMENT A

LIST OF AFFECTED SUBDIVISIONS OR UTILITY SYSTEMS BY COUNTY			
County	Systems	Subdivisions	ID Number WQ Number
Bexar	Bavarian Hills (Water Services) Coolcrest (Water Services) Stage Coach (Water Services) Oaks North (Water Services) Country Springs (Country Bend) (Water Services)	Bavarian Hills Coolcrest Stage Coach Hills Oaks North Mobile Home Estates Country Bend (Country Springs)	0150235 0150046 0150096 0150135 0150421
Comal	Oak Village North (Water Services)	Oak Village North	0460037
Guadalupe	Garden Oaks (Water Services)	Garden Oaks	0940030
Kendall	Cascade (Water Services)	Cascade Mobile Home Park	1300005
Travis	Austin's Colony (Hornsby Bend W) (Hornsby Bend WW)	Austin's Colony, Forest Bluff, Tecolote Farms, Birch Addition, Bountiful Harvest, Mission of Santa Barbara, Twin Creek Meadows, Plain View Estates, Betty Francis Addition, Rod Stewart Addition, Francis Subdivision, Decker Creek Estates, Hornsby Bend, The Tommy Reaux Subdivision, Trinity Hill	2270255 WQ 13138-001

# WATER UTILITY TARIFF

For

**SWWC Utilities, Inc. d/b/a  
Diamond Water Company, Hornsby Bend Utility Company, Huntington Utility  
Company, Mid-Tex Utilities, Inc., SW Utility Company, and Water Services, Inc.**

12535 Reed Road, Sugar Land, Texas 77478 (866) 654-7992

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

12865, 11978, 11971, 12914, 12284, 11106

This tariff is effective in the following county(ies):

Bandera, Bexar, Comal, Gillespie, Guadalupe, Harris, Hays, Kendall, and Travis

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

This tariff is effective in the following subdivisions or systems: See list on page 2

This tariff is effective for the following public water system number(s): See list on page 2

## 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 1.0 – RATE SCHEDULE	3
SECTION 2.0 – SERVICE RULES AND POLICIES	9
SECTION 3.0 – EXTENSION POLICY	17
SECTION 4.0 – WATER RATIONING/DROUGHT MANAGEMENT PLAN	24
APPENDIX A – CONTRACT/APPLICATION FOR UTILITY SERVICE	39
APPENDIX B – AGREEMENT FOR TEMPORARY WATER SERVICE	43

## List of Systems or Subdivisions

LIST OF AFFECTED SUBDIVISIONS OR UTILITY SYSTEMS BY COUNTY			
County	Systems	Subdivisions	ID Number WQ Number
Bandera	Enchanted River (Diamond) River Bend (Diamond)	Enchanted River Estates River Bend Estates	0100039 0100042
Bexar	Bavarian Hills (Water Services) Coolcrest (Water Services) Stage Coach (Water Services) Oaks North (Water Services) Country Bend (Country Springs) (Water Services)	Bavarian Hills Coolcrest Stage Coach Hills Oaks North Mobile Home Estates Country Springs (Country Bend)	0150235 0150046 0150096 0150135 0150421
Comal	Oak Village North (Water Services) Rim Rock (Diamond) Windmill/Kestrel (Diamond)	Oak Village North Rim Rock Ranch Kestrel Air Park, Windmill Ranch Subdivison	0460037 0460211 0460221
Gillespie	Oakview (Diamond)	Oakview	0860107
Guadalupe	Garden Oaks (Water Services)	Garden Oaks	0940030
Harris	Western Trails (SW Utility Co.)	Western Trails Subdivision	1010230
Hays	Huntington (Huntington) Avana (Mid-Tex)	Huntington Estates, Avana Phase 1 Sections 1,2, and 3	1050124 1050157
Kendall	Cascade (Water Services)	Cascade Mobile Home Park	1300005
Travis	Austin's Colony (Hornsby Bend W) (Hornsby Bend WW)  Avana (Mid-Tex)	Austin's Colony, Forest Bluff, Tecolote Farms, Birch Addition, Bountiful Harvest, Mission of Santa Barbara, Twin Creek Meadows, Plain View Estates, Betty Francis Addition, Rod Stewart Addition, Francis Subdivision, Decker Creek Estates, Hornsby Bend, The Tommy Reaux Subdivision, Trinity Hill,  Avana Phase I Sections 1, 2, and 3	2270255 WQ 13138-001  1050157

**SECTION 1.0 - RATE SCHEDULE**

**Section 1.01 – Rates**

**Section 1.01(a) RATES APPLICABLE TO CUSTOMERS IN THE ENVIRONS**

**Diamond Water Company  
Rates Effective September 1, 2012**

Meter Size	Monthly Minimum Charge (Includes 0 gallons)	Gallonge Charge (per 1,000 gallons)
5/8" or 3/4"	\$40.95	\$2.50 from 0 - 2,000 gallons \$4.15 from 2,001 - 10,000 gallons \$5.00 from 10,001 - 20,000 gallons \$8.00 over 20,000 gallons
1"	\$102.38	
1 1/2"	\$204.75	
2"	\$327.60	
3"	\$614.25	
4"	\$1,023.75	
6"	\$2,047.50	
8"	\$3,276.00	

\*The TCEQ notified SWWC Utilities, Inc. that the purchase water pass through for the wholesale treated water purchase from Canyon Lake Water Service Company was accepted for filing and assigned Application No. 37627-R. The TCEQ indicated that the pass through fee in the amount of \$1.49 per 1,000 gallons (all use) would go into effect on June 15, 2013 for Diamond Water Company customers.

**Hornsby Bend Utility Company**

**Phase I - Effective January 1, 2014**

Meter Size	Monthly Minimum Charge (Includes 0 gallons)	Gallonge Charge (per 1,000 gallons)
5/8"	\$45.00	All Gallons \$6.87
3/4"	\$67.50	
1"	\$112.50	
1 1/2"	\$225.00	
2"	\$360.00	
3"	\$675.00	
4"	\$1,125.00	
6"	\$2,250.00	
8"	\$3,600.00	
10"	\$5,175.00	
12"	\$11,250.00	

**Phase II - Effective July 1, 2014**

Meter Size	Monthly Minimum Charge (Includes 0 gallons)	Gallonge Charge (per 1,000 gallons)
5/8"	\$47.03	All Gallons \$7.18
3/4"	\$70.55	
1"	\$117.58	
1 1/2"	\$235.15	
2"	\$376.24	
3"	\$705.45	
4"	\$1,175.75	
6"	\$2,351.50	
8"	\$3,762.40	
10"	\$5,408.45	
12"	\$11,757.50	

**Huntington Utility Company**  
Rates Effective September 1, 2012

Meter Size	Monthly Minimum Charge (Includes 0 gallons)	Gallonage Charge (per 1,000 gallons)
5/8" or 3/4"	\$40.95	All Gallons \$5.10
1"	\$102.38	
1 1/2"	\$204.75	
2"	\$327.60	
3"	\$614.25	

**Mid-Tex Utilities, Inc.**  
Rates Effective September 1, 2012

Meter Size	Monthly Minimum Charge (Includes 0 gallons)	Gallonage Charge (per 1,000 gallons)
5/8" or 3/4"	\$39.95	\$6.05 from 0 - 2,000 gallons \$7.45 from 2,001 - 10,000 gallons \$8.45 10,001 - 20,000 gallons \$9.00 Over 20,000
1"	\$99.88	
1 1/2"	\$199.75	
2"	\$319.60	
3"	\$599.25	
4"	\$998.75	
6"	\$1,997.50	
8"	\$3,196.00	
10"	\$4,594.25	
12"	\$9,987.50	

**SW Utility Company**  
Rates Effective September 1, 2012

Meter Size	Monthly Minimum Charge (Includes 0 gallons)	Gallonage Charge (per 1,000 gallons)
5/8" or 3/4"	\$24.62	All gallons \$2.86
1"	\$61.55	
1 1/2"	\$123.10	
2"	\$196.96	
3"	\$369.30	

**Water Services, Inc.**  
Rates Effective January 1, 2014

Meter Size	Monthly Minimum Charge (Includes 0 gallons)	Gallonage Charge (per 1,000 gallons)
5/8"	\$40.95	\$2.50 from 0 - 2,000 gallons
3/4"	\$61.43	
1"	\$102.38	



1 1/2"	\$204.75	\$4.15 from 2,001 - 10,000 gallons \$5.00 from 10,001 - 20,000 gallons \$8.00 over 20,000 gallons
2"	\$327.60	
3"	\$614.25	
4"	\$1,023.75	
6"	\$2,047.50	
8"	\$3,276.00	

**Section 1.01(b) RATES APPLICABLE TO CUSTOMERS INSIDE THE CITY OF BULVERDE**

**Diamond Water Company  
Rates Effective September 1, 2012**

Meter Size	Monthly Minimum Charge (Includes 0 gallons)	Gallonge Charge (per 1,000 gallons)
5/8" or 3/4"	\$40.95	Residential and Irrigation Accounts: \$2.50 from 0 - 2,000 gallons \$4.15 from 2,001 - 10,000 gallons \$5.00 from 10,001 - 20,000 gallons \$8.00 over 20,000 gallons  Commercial Accounts: \$5.50 for all usage
1"	\$102.38	
1 1/2"	\$204.75	
2"	\$327.60	
3"	\$614.25	
4"	\$1,023.75	
6"	\$2,047.50	
8"	\$3,276.00	

\*The TCEQ notified SWWC Utilities, Inc. that the purchase water pass through for the wholesale treated water purchase from Canyon Lake Water Service Company was accepted for filing and assigned Application No. 37627-R. The TCEQ indicated that the pass through fee in the amount of \$1.49 per 1,000 gallons (all use) would go into effect on June 15, 2013 for Diamond Water Company customers.

**Water Services, Inc.  
Rates Effective January 1, 2014**

Meter Size	Monthly Minimum Charge (Includes 0 gallons)	Gallonge Charge (per 1,000 gallons)
5/8"	\$40.95	\$2.50 from 0 - 2,000 gallons \$4.15 from 2,001 - 10,000 gallons \$5.00 from 10,001 - 20,000 gallons \$8.00 over 20,000 gallons
3/4"	\$61.43	
1"	\$102.38	
1 1/2"	\$204.75	
2"	\$327.60	
3"	\$614.25	
4"	\$1,023.75	
6"	\$2,047.50	
8"	\$3,276.00	

**REGULATORY ASSESSMENT** ..... 1.0%  
 A REGULATORY ASSESSMENT, EQUAL TO ONE PERCENT OF THE CHARGE FOR RETAIL WATER SERVICE ONLY, SHALL BE COLLECTED FROM EACH RETAIL CUSTOMER

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

**Check x, Money Order x, MasterCard x, Visa x, and Electronic Fund Transfer x**  
 AT THE CUSTOMER'S OPTION, ANY BILLING TRANSACTION OR COMMUNICATION MAY BE PERFORMED ON THE INTERNET. THIS INCLUDES THE UTILITY SENDING PAPERLESS BILLS BY EMAIL.

**Section 1.02 - Miscellaneous Fees**

**TAP FEE**..... \$700.00  
 TAP FEE IS BASED ON THE AVERAGE OF THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR STANDARD RESIDENTIAL CONNECTION OF 5/8" METER PLUS UNIQUE COSTS, INCLUDING ALL ROAD BORES WHERE REQUIRED BY TEXDOT OR COUNTY.

**TAP FEE (unique costs permitted by TCEQ rule)** ..... **Actual Cost**

**LARGE METER TAP FEE** ..... **Actual Cost**  
 TAP FEE IS BASED ON THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR METERS LARGER THAN STANDARD 5/8" METERS.

**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** ..... \$25.00
  - b) **Customer's request** ..... \$50.00
- 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 WHEN THE SERVICE IS NOT DISCONNECTED

**LATE CHARGE** ..... 10% of the delinquent bill  
 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

**CUSTOMER DEPOSIT – RESIDENTIAL** ..... \$50.00  
**CUSTOMER DEPOSIT – NON-RESIDENTIAL** ..... 1/6TH EST. ANNUAL BILL

**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.

**SEASONAL RECONNECTION FEE**      Base rate for meter size times number of months off the system not to exceed six months when leave and return within a twelve-month period

**METER RELOCATION FEE** ..... **Actual cost to relocate that meter**  
 THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS RELOCATION OF AN EXISTING METER

**METER CONVERSION FEE** ..... **Actual cost to convert that meter**

THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS CHANGE OF SIZE OF AN EXISTING METER OR CHANGE IS REQUIRED BY MATERIAL CHANGE IN CUSTOMER'S SERVICE DEMAND

**LINE EXTENSION AND CONSTRUCTION CHARGES:**

Refer to Section 2.12 Specific Utility Service Rules and Section 3.02 Utility Specific Extension Policy for terms, conditions, and charges.

**GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE CLAUSE:**

Increases in inspection fees and water 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 of 30 TAC 291.21(k)(2) after notice to customers and upon written approval by the Texas Commission on Environmental Quality ("TCEQ" or "Commission").

**SUPPLEMENTAL EMERGENCY SERVICE FEE**

Applicable to nonresidential water service customers that require supplemental service over and above their existing water service from time to time. Usage to be determined by customer. The minimum diameter for supplemental service meter shall be 2 inches.

**MONTHLY SUPPLEMENTAL SERVICE RATE**

\$13.43 per inch diameter of service connection meter.

**PURCHASED WATER AND/OR DISTRICT FEE PASS THROUGH CLAUSE – ALL WATER SUPPLY SUBJECT TO FEE:**

Changes in fees imposed by any non-affiliated third party water supplier or underground water district having jurisdiction over the Utility shall be passed through as an adjustment to the water gallonage charge according to the following formula:

- AG =  $G + B/(1-L)$ , where
- AG = adjusted gallonage charge, rounded to the nearest one cent;
- G = approved gallonage charge (per 1,000 gallons);
- B = change (per 1,000 gallons) due to purchased water/district gallonage changes; and
- L = system average line loss for preceding 12 months not to exceed 0.15.

**PURCHASED WATER AND/OR DISTRICT FEE PASS THROUGH CLAUSE – PORTION OF WATER SUPPLY SUBJECT TO FEE:**

Upon notice from a water supplier of either an increase or decrease in the cost of purchased water, the Utility shall provide notice to customers and the Commission of its intent to implement rates imposed by any non-affiliated third party water supplier or underground water district having jurisdiction over the Utility shall be passed through as an adjustment to the water gallonage charge according to the following formula:

$$\begin{aligned} \text{Adjustment to the gallonage rate} &= AG = (CP/GB) \times 1,000 \\ \text{Adjustment to the minimum bill} &= AMB = GMB \times AG \end{aligned}$$

- CP = CP1 – CP0 = change in cost of purchased water;
- CP1 = Cost of purchased water during the most recent 12 month period at the new rate;
- CP0 = Cost of purchased water during the most recent 12 month period at the previous rate;
- GMB = Number of gallons in the minimum bill, divided by 1,000; and
- GB = Number of gallons billed to customers in excess of the amount included in the monthly minimum bill for the 12 month period used above.

**TEMPORARY WATER RATE:**

Unless otherwise superseded by TCEQ order or rule, if the Utility is ordered by a court or governmental body of competent jurisdiction to reduce its pumpage, production or water sales, the Utility shall be authorized to increase its approved gallonage charge according to the formula:

$$TGC = cgc + \frac{(pr)(cgc)(r)}{(1.0-r)}$$

Where:

- TGC = temporary gallonage charge;
- cgc = current gallonage charge;
- r = water use reduction expressed as a decimal fraction (the pumping restriction); and
- pr = percentage of revenues to be recovered expressed as a decimal fraction. For this tariff, pr shall equal 0.5.

To implement the Temporary Water Rate, the Utility must comply with all notice and other requirements of 30 TAC 291.21(l).

**METER TAMPERING, DAMAGE OR SERVICE DIVERSION PENALTY:**

One time penalty per occurrence for tampering with or damaging a water meter or any appurtenance thereto including locks and meter boxes or service diversion of one hundred dollars (\$100.00).

**FRANCHISE FEE PASS THROUGH CLAUSE:**

Charges a municipality makes for use of streets and alleys pursuant to Tax Code §182.025 or other applicable state law shall be passed through as an adjustment to the water gallonage charge according to the following formula:

- AG = G + B, where
- AG = adjusted gallonage charge, rounded to the nearest one cent;
- G = approved gallonage charge (per 1,000 gallons) and
- B = projected franchise fees payable (per 1,000 gallons).

**SEWER UTILITY TARIFF**  
**For**  
**SWWC Utilities, Inc. d/b/a**  
**Hornsby Bend Utility Company and Mid-Tex Utilities, Inc.**

12535 Reed Road, Sugar Land, Texas 77478 (866) 654-7992

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

20650 and 20865

This tariff is effective in the following county(ies):

Hays and Travis

This tariff is effective in the following cities or unincorporated towns (if any): None

This tariff is effective in the following subdivisions or systems and the following water quality permit number(s):

County	System	Subdivision	WQ Permit
Hays	Avana (Mid-Tex)	Avana Phase 1 Sections 1,2, and 3	N/A
Travis	Austin's Colony (Hornsby Bend WW)	Austin's Colony, Forest Bluff, Tecolote Farms, Birch Addition, Bountiful Harvest, Mission of Santa Barbara, Twin Creek Meadows, Plain View Estates, Betty Francis Addition, Rod Stewart Addition, Francis Subdivision, Decker Creek Estates, Hornsby Bend, The Tommy Reaux Subdivision, Trinity Hill,	WQ 13138-001
	Avana (Mid-Tex)	Avana Phase I Sections 1, 2, and 3	N/A

**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):

	PAGE
SECTION 1.0 RATE SCHEDULE	2
SECTION 2.0 SERVICE RULES	5
SECTION 3.0 EXTENSION POLICY	14
APPENDIX A      CONTRACT/APPLICATION FOR UTILITY SERVICE	21

**SECTION 1.0 - RATE SCHEDULE**

**Section 1.01 – Rates (based on metered water consumption)**

**Hornsby Bend Utility Company**

**Phase I - Effective January 1, 2014**

Meter Size	Monthly Minimum Charge (Includes 0 gallons)	Gallage Charge (per 1,000 gallons)
5/8"	\$43.47	All gallons \$6.89
3/4"	\$65.21	
1"	\$108.68	
1 1/2"	\$217.35	
2"	\$347.76	
3"	\$652.05	
4"	\$1,086.75	
6"	\$2,173.50	
8"	\$3,477.60	
10"	\$4,999.05	
12"	\$10,867.50	

**Phase II - Effective July 1, 2014**

Meter Size	Monthly Minimum Charge (Includes 0 gallons)	Gallage Charge (per 1,000 gallons)
5/8"	\$45.42	All gallons \$7.20
3/4"	\$68.13	
1"	\$113.55	
1 1/2"	\$227.10	
2"	\$363.36	
3"	\$681.30	
4"	\$1,135.50	
6"	\$2,271.00	
8"	\$3,633.60	
10"	\$5,223.30	
12"	\$11,355.00	

**Mid-Tex Utilities, Inc.**

**Rates Effective September 1, 2012**

Meter Size	Monthly Minimum Charge (Includes 0 gallons)	Gallage Charge (per 1,000 gallons)
5/8" or 3/4"	\$59.90	All gallons \$2.10
1"	\$149.75	
1-1/2"	\$299.50	
2"	\$479.20	
3"	\$898.50	
4"	\$1,497.50	
6"	\$2,995.00	
8"	\$4,792.00	
10"	\$6,888.50	
12"	\$14,975.00	

Residential sewer service will be billed year round using that service connection's average winter water consumption during December, January, and February. Single family residential service connections without an historic winter average will have an imputed average of 5,000 gallons until they have established an average. Multi-family residential service connections without an historic winter average will have an imputed average of 5,000 gallons per residential unit until they have established an average.

Non-residential service connections will be billed on actual monthly water consumption without the use of winter averaging.

**REGULATORY ASSESSMENT** 1.0%  
 A REGULATORY ASSESSMENT, EQUAL TO ONE PERCENT OF THE CHARGE FOR RETAIL SEWER SERVICE ONLY, SHALL BE COLLECTED FROM EACH RETAIL CUSTOMER

**FORM OF PAYMENT:** THE UTILITY WILL ACCEPT THE FOLLOWING FORM(S) OF PAYMENT :  
 Check x, Money Order x, MasterCard x, Visa x, and Electronic Fund Transfer x  
 At the customer's option, any billing transaction or communication may be performed on the Internet. This includes the utility sending paperless bills by email.

Section 1.02 – Miscellaneous Fees

**TAP FEE (gravity sewer, street or easement installation)** \$700.00  
 For service connections having a 5/8 inch water meter or service demand of 10 gpm or less

**TAP FEE (pressure sewer, non-rock installation)** \$1,525.00  
 For service connections having a 5/8 inch water meter or service demand of 10 gpm or less that are installed in dirt and do not require the use of a rock saw or other special excavation. This fee will include the initial installation cost of grinder pumps, storage tanks, and electric controls, all of which will remain the customer's responsibility to maintain.

**TAP FEE (pressure sewer, rock installation)** \$3,776.00  
 For service connections having a 5/8 inch water meter or service demand of 10 gpm or less that are installed in rock or hard soils requiring the use of a rock saw or other special excavation. This fee will include the initial installation cost of grinder pumps, storage tanks, and electric controls, all of which will remain the customer's responsibility to maintain.

**LARGE METER TAP FEE** Actual cost  
 For service connections having a ¾ inch or larger water meter or service demand of greater than 10 gpm.

**ACCOUNT SET UP FEE** \$25.00  
 Fee to set up account for new customer applying for sewer service only.

**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) Nonpayment of bill \$25.00
  - b) Customer's request \$50.00
- OR OTHER REASONS LISTED UNDER SECTION 2.0 OF THIS TARIFF

**SEASONAL RECONNECTION FEE** Base rate times number of months off the system not to exceed six months when leave and return within a twelve month period.

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

**LATE CHARGE** 10% of the delinquent bill  
 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

CUSTOMER DEPOSIT – RESIDENTIAL	\$50.00
CUSTOMER DEPOSIT – NON-RESIDENTIAL	1/6th est. annual bill

**SERVICE RELOCATION FEE** Actual cost to relocate that connection  
 THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS RELOCATION OF AN EXISTING SERVICE CONNECTION

**LINE EXTENSION AND CONSTRUCTION CHARGES:**

Refer to Section 2.12 Specific Utility Service Rules and Section 3.02 Specific Utility Extension Policy for terms, conditions, and charges.

**GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE CLAUSE:**

Increases in inspection fees and water 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 of 30 TAC 291.21(k)(2) after notice to customers and upon written approval by the TCEQ.

**DAMAGE OR SERVICE DIVERSION PENALTY:**

One time penalty per occurrence for tampering with or damaging a sewer service connection or any appurtenance thereto including pumps or service diversion of one hundred dollars (\$100.00).

**FRANCHISE FEE PASS THROUGH CLAUSE:**

Charges a municipality makes for use of streets and alleys pursuant to Tax Code §182.025 or other applicable state law shall be passed through as an adjustment to the water gallonage charge according to the following formula:

AG = G + B, where  
 AG = adjusted gallonage charge, rounded to the nearest one cent:  
 G = approved gallonage charge (per 1,000 gallons); and  
 B = projected franchise fees payable (per 1,000 gallons).

**PURCHASED SEWER PASS THROUGH CLAUSE:**

Changes in fees imposed by any non-affiliated third party wholesale sewer service provider shall be passed through as an adjustment to the sewer gallonage charge according to the following formula:

AG = G + B  
 AG = adjusted gallonage charge, rounded to the nearest one cent:  
 G = approved gallonage charge (per 1,000 gallons); and  
 B = change in purchased sewer service gallonage charge (per 1,000 gallons).



**SWWC Utilities, Inc.****Rate Application Overview****Introduction**

SWWC Utilities, Inc. ("SWWC" or "Company") doing business as Hornsby Bend Utility Company and Water Services, Inc. (the "DBAs") filed this Application for a Water and Sewer Rate/Tariff Change with the Texas Commission on Environmental Quality ("TCEQ"). An identical application is being filed with the City of Bulverde, Texas to cover those customers of Water Services, Inc. located inside that municipality. SWWC does not provide sewer service inside Bulverde.

This application supports an increase in the revenue requirement for the test year ending December 31, 2012 for Water Services water service in the amount of \$599,692 or 38.93% and Hornsby Bend for water service in the amount of \$3,737,966 or 209.52% and for sewer service in the amount of \$598,654 or 36.45%. However, to moderate the impact of this rate increase on customers, SWWC is voluntarily reducing its request for an increase in recovery of Water Services water revenue by \$414,024 to \$185,668 (12.05% increase) and Hornsby Bend water revenue by \$3,472,810 to \$265,157 (14.86% increase) and sewer revenue by \$354,971 to \$243,684 (14.84% increase).

To further moderate the impact on its customers, SWWC is proposing to implement the rate increase in two phases for the Hornsby Bend customers. The effective dates for Hornsby Bend water and wastewater rates are January 1, 2014 for Phase I and July 1, 2014 for Phase II. As a result, the Hornsby Bend revenue requirement will increase by 9.9% in Phase I and an additional 4.5% in Phase II.

The Company calls this voluntary reduction in its requested revenue "cost of service held in abeyance" or "revenue held in abeyance." The Company is forgoing this revenue at this time and is not creating a regulatory asset on its balance sheet. The Company will not attempt to recover this foregone revenue from its customers in the future. However, the Company reserves the right to increase its rates in the future as allowed by law based upon its cost of service at the time of such future application.

**Rate Design and Bill Impacts****Hornsby Bend Utility Company**

The cost of service study for this system demonstrates a revenue requirement to be recovered through rates of \$5,522,065 for water and \$2,240,966 for sewer. However, the Company is voluntarily holding \$3,472,810 in abeyance for water and \$354,971 for sewer. The Company is proposing rates to recover \$2,049,255 of its water revenue requirement and \$1,885,995 of its sewer revenue requirement.

The proposed base rate for a residential water meter is \$45.00 per month in Phase I and \$47.03 per month in Phase II. The proposed rate for usage is \$6.87 per thousand gallons in Phase I and \$7.18 per thousand gallons in Phase II.

In the Hornsby Bend Utility Company system, the average water usage is 6,000 gallons per month. The current bill for that average usage is \$78.45 and will increase by \$7.77 to \$86.22, (9.90%) in Phase I and increase an additional \$3.89 to \$90.11 (4.5%) in Phase II. At 10,000 gallons per month, the current bill of \$103.45 will increase by \$10.25 to \$113.70 (9.91%) in Phase I and increase an additional \$5.13 to \$118.83 (4.5%) in Phase II.

The proposed base rate for a residential wastewater connection is \$43.47 per month in Phase I and \$45.42 in Phase II. The proposed rate for usage is \$6.89 per thousand gallons in Phase I and \$7.20 in Phase II, based on the average water use for the three winter months.

At the Hornsby Bend Utility Company wastewater average usage of 5,000 gallons per month, the current bill of \$70.90 will increase by \$7.02 to \$77.92 (9.9%) in Phase I and increase an additional \$3.50 to \$81.42 (4.5%) in Phase II.

### **Water Services, Inc.**

The effective date for the Water Services rates is January 1, 2014. The cost of service study for this system demonstrates a revenue requirement of \$2,140,255 to be recovered through rates. However, the Company is voluntarily holding \$414,024 in abeyance. The Company is proposing rates to recover \$1,726,230 of its revenue requirement.

The proposed base rate for a residential meter is remaining the same as Water Services' current rate at \$40.95 per month. The proposed rate for usage in the 0 to 2,000 gallon tier is \$2.50 per thousand gallons and the 2,001 to 10,000 tier is \$4.15 per thousand gallons. The usage rates for the 10,001 to 20,000 tier at \$5.00 per thousand gallons and above 20,000 tier at \$8.00 per thousand gallons are remaining the same as Water Services current rates.

In the Water Services, Inc. system, the average usage is 8,000 gallons per month. The current bill for that average usage is \$58.75 and will increase by \$12.10 to \$70.85, or 20.6% under the proposed rates. At 10,000 gallons per month, the current bill of \$63.35 will increase by \$15.80 to \$79.15, or 24.9%.

### **Revisions to Current Tariff Service Provisions**

The Company does not seek to change any of the current tariff service provisions in the existing tariffs. The Company is only seeking to change the tariff pages in Section 1 containing the rates.

### **Rate of Return**

SWWC engaged the services of a financial consultant, Financial Concepts and Applications, Inc. ("FINCAP"), to study the appropriate return on equity for the Company. After a thorough analysis, FINCAP recommends a return on equity of 11.25%. The requested rate of return on invested capital is 11.25%. However, the Company will not earn a return of 11.25% because of the revenue being held in abeyance.

**Request for Rate Base Determination**

SWWC is seeking to have the TCEQ determine its rate base amount during the review of this application. The appropriate determination of rate base is important as it plays a considerable part in the determination of revenue for the Company in the future.

3146/13/3906111.3

**SWWC UTILITIES, Inc.**

**REPORT OF  
BRUCE H. FAIRCHILD**

**FAIR RATE OF RETURN ON EQUITY**

**July 9, 2013**

TABLE OF CONTENTS

I. INTRODUCTION .....1  
A. Qualifications.....1  
B. Overview.....2  
C. Summary of Conclusions.....3  
II. FUNDAMENTAL ANALYSES .....3  
A. SWWC Utilities, Inc. ....4  
B. Water and Sewer Utility Industry .....4  
C. Capital Markets.....6  
III. RATE OF RETURN ON EQUITY .....9  
A. Cost of Equity Concept.....9  
B. Discounted Cash Flow Model.....13  
C. Capital Asset Pricing Model .....21  
D. Comparable Earnings Method .....24  
E. Cost of Equity Range .....25  
IV. RETURN ON EQUITY RECOMMENDATION .....25

APPENDIX A — RESUME

APPENDIX B — PRIOR REGULATORY TESTIMONY

APPENDIX C — PRIOR WATER/SEWER EXPERIENCE

## REPORT OF BRUCE H. FAIRCHILD

### I. INTRODUCTION

The purpose of this report is to recommend a fair rate of return on equity ("ROE") for SWWC Utilities, Inc. ("SWWC Utilities") in connection with its application to the Texas Commission on Environmental Quality ("Commission") to change water and sewer rates.

#### A. Qualifications

This report was prepared by Bruce H. Fairchild, a principal in Financial Concepts and Applications, Inc. ("FINCAP"), which is a firm engaged in financial, economic, and policy consulting to business and government located at 3907 Red River, Austin, Texas 78751. Dr. Fairchild holds a BBA degree from Southern Methodist University and MBA and PhD degrees from the University of Texas at Austin. He is also a Certified Public Accountant. His previous employment includes working in the Controller's Department at Sears, Roebuck and Company and serving as Assistant Director of Economic Research at the Public Utility Commission ("PUC") of Texas. He has also been on the business school faculties at the University of Colorado at Boulder and the University of Texas at Austin, where he taught undergraduate and graduate courses in finance and accounting.

While at the Texas PUC, Dr. Fairchild assisted in managing a division comprised of approximately twenty-five professionals responsible for financial analysis, cost allocation and rate design, economic and financial research, and data processing systems. He testified on behalf of the PUC staff in numerous cases involving most major investor-owned and cooperative electric, telephone, and wa-

ter/sewer utilities in the state regarding a variety of financial, accounting, and economic issues. Since forming FINCAP in 1979, he has participated in a wide range of analytical assignments involving utility-related matters on behalf of utilities, industrial consumers, municipalities, and regulatory commissions. He has also prepared and presented expert testimony before a number of regulatory authorities addressing revenue requirements, cost allocation, and rate design issues for gas, electric, telephone, and water/sewer utilities. He has been a frequent speaker at regulatory conferences and seminars and has published research concerning various regulatory issues. A resume that contains the details of Dr. Fairchild's experience and qualifications is attached as Appendix A, with Appendices B and C listing his prior testimony before regulatory agencies since leaving the Texas PUC and his experience in water and sewer utility matters, respectively.

#### **B. Overview**

The ROE included in a utility's allowed rate of return serves to compensate its shareholders for the use of their capital to finance the plant and equipment necessary to provide service to customers. Investors only commit money in anticipation of earning a return on their investment commensurate with that from other investment alternatives having comparable risks. Consistent with both sound regulatory economics and the standards specified in the U.S Supreme Court cases of *Bluefield Water Works & Improvement Co.* (1923) and *Hope Natural Gas Co.* (1944), rates should provide the utility a reasonable opportunity to earn a rate of return sufficient to: 1) fairly compensate capital presently invested in the utility,

2) enable the utility to offer a return adequate to attract new capital on reasonable terms, and 3) maintain the utility's financial integrity.

This report begins with a brief review of the operations and finances of SWWC Utilities and general conditions in the water/sewer utility industry and capital markets. With this background, it then presents various analyses to determine an appropriate ROE for SWWC Utilities. These analyses include applications of the discounted cash flow ("DCF") model, capital asset pricing model ("CAPM"), and comparable earnings method to develop a cost of equity range. From this range, a specific ROE for SWWC Utilities is selected giving consideration to the outlook for capital costs. This ROE is then checked for reasonableness by comparing it to the ROEs the Commission has authorized other water and sewer utilities.

### **C. Summary of Conclusions**

This report concludes that a fair and reasonable ROE for SWWC Utilities is 11.25%, which is selected from the top of a 10.25% to 11.25% cost of equity range to account for the clear consensus that the cost of capital will be substantially higher in the 2014-2017 timeframe than it is today. If SWWC Utilities is to be able to offer investors a competitive return, attract capital on reasonable terms, and maintain its financial integrity, its ROE needs to reflect the higher capital market requirements when the rates being established in this case will be in effect.

## **II. FUNDAMENTAL ANALYSES**

As a predicate to subsequent quantitative analyses, this section briefly reviews the operations and finances of SWWC Utilities. It also examines the wa-



ter/sewer utility industry along with conditions in the capital markets and U.S. economy.

**A. SWWC Utilities, Inc.**

SWWC Utilities provides water and sewer service to approximately 9,800 and 7,400 customers, respectively, in Bandera, Bexar, Comal, Gillespie, Guadalupe, Harris, Hays, Kendall, Travis, and Williamson counties in Texas. SWWC Utilities is ultimately owned by SouthWest Water Company ("SWWC"), which provides a broad range of operation, maintenance, construction, and management services for its water and wastewater utilities. SWWC serves customers in Alabama, California, Oklahoma, and Texas. Previously a publicly traded company, SWWC was taken private in 2010 by an infrastructure equity investment fund. Debt issued by SWWC is rated BBB by Standard and Poors which places it near the bottom of the investment grade scale.

**B. Water and Sewer Utility Industry**

Although most water and sewer systems in the U.S. are government-owned, a significant number, including SWWC Utilities, are investor-owned utilities ("IOU"). Water and sewer utilities normally treat, deliver, and sell water to and collect and treat wastewater from households and businesses. IOU water/sewer systems usually have an exclusive right to operate in a specified geographic area, with their rates and operations being subject to the jurisdiction of federal, state, and local regulatory authorities.

Water/sewer IOUs face a variety of operating, capital-related, and regulatory risks. Operating risks relate not only to the ongoing operations of an IOU's

water and sewer systems, but also to major, unexpected risks and hazards. Fluctuations in customer demand for water due to seasonality, restrictions on use, weather, conservation, and lifestyle affect and IOU's revenues, while inflation and other cost increases adversely impact its ability to control expenses. More generally, the availability of water supplies, climate variability, drought conditions, competing uses and economic conditions could adversely affect access to and the ability to supply water to customers, while environmental risks associated with the collection, treatment and disposal of wastewater could impose significant costs increases with providing sewer service. Strikes, natural disasters, security breaches, and terrorist activities could interrupt or shut down operations, and contamination of water supply or the failure of a water and sewer treatment plant would cause a disruption of service, which would result in losses and damages that would affect a water/sewer IOU's reputation, business, financial condition, and operating results.

Regarding capital-related risks, the water and sewer infrastructure in the U.S. is in constant need of modernization and replacement, and is largely driven by increased regulations intended to improve water quality and management of discharges. Significant amounts of capital are required by water/sewer IOUs to add, replace, and maintain property, plant, and equipment necessary to serve growing customer bases, provide water and sewer treatment services to community water systems, and to acquire smaller and often substandard water and sewer systems. Because of this need for capital, water/sewer IOUs are dependent on an ability to secure funding both internally and externally, with disruptions in the