

Control Number: 46104



Item Number: 51

Addendum StartPage: 0

**PUC DOCKET NO. 46104
SOAH DOCKET NO. 473-17-3798.WS**

RECEIVED
2017 AUG 18 AM 11:28
PUBLIC UTILITY COMMISSION
FILING CLERK

**APPLICATION OF SHORE TECH, INC. §
DBA L&M WATER DEVELOPMENT §
COMPANY FOR A RATE/TARIFF §
CHANGE §**

**PUBLIC UTILITY COMMISSION
OF TEXAS**

ORDER

This Order addresses the application of Shore-Tech, Inc. d/b/a L&M Water Development Company (Shore-Tech) for an increase in water rates. A unanimous stipulation and settlement agreement (agreement) was executed that resolves all issues in this proceeding. Consistent with the agreement, Shore-Tech's application is approved.

The Commission adopts the following findings of fact and conclusions of law:

I. Findings of Fact

Procedural History

1. On June 28, 2016, Shore-Tech filed an application for authority to change water rates and proposed an effective date of September 29, 2016. The original application proposed to increase the monthly base rate of \$11.25 to \$42.38, change the gallonage charge of \$5.00 per 1,000 gallons to a tiered system of \$6.60 per 1,000 gallons for the first 5,000 gallons, \$13.20 per 1,000 gallons for 5,001 to 10,000 gallons, and \$39.60 per 1,000 gallons for 10,001 to 30,000 gallons, and revise certain miscellaneous fees.
2. Shore-Tech seeks a rate increase for public water system (PWS) No. 0840229 under water certificate of convenience and necessity (CCN) 12779 in Galveston County.
3. On June 30, 2016, the Commission issued Order No. 1, requiring comments on administrative completeness and addressing other procedural matters.
4. On July 19, 2016, Shore-Tech filed proof of notice.
5. On July 25, 2016, Brad Taylor, Gordon Douglas, Brandi Reddin, and Polly Reddin filed ratepayer protests.
6. On July 26, 2016, Barry Alexander and Jacob Flores filed ratepayer protests.

7. On July 28, 2016, Commission Staff filed its first administrative completeness recommendation that Shore-Tech's application be found deficient.
8. On August 2, 2016, the Commission issued Order No. 2, deeming the application deficient and incomplete and suspending the effective date.
9. On October 12, 2016, Shore-Tech filed amendments to the application.
10. On October 12, 2016, Commission Staff requested additional time to file a supplemental recommendation regarding administrative completeness.
11. On October 14, 2016, the Commission issued Order No. 3, granting Commission Staff's request for extension.
12. On November 3, 2016, Shore-Tech filed a letter affirming that payments to the Texas Commission on Environmental Quality (TCEQ) for regulatory assessment fees were up to date.
13. On November 4, 2016, Commission Staff filed its second administrative completeness recommendation that Shore-Tech's revised application be found deficient.
14. On November 10, 2016, the Commission issued Order No. 4, requiring additional information from Shore-Tech and establishing deadlines for continued processing.
15. On November 28, 2016, Shore-Tech filed additional proof of notice and an affidavit in support of the revised application. Shore-Tech's notice proposed a revised monthly base rate of \$36.10, a revised gallonage charge of \$1.86 per 1,000 gallons, an effective date of January 1, 2017, and a surcharge of \$8.87 per connection per month for 36 months for system upgrades.
16. On December 5, 2016, Shore-Tech filed supplemental proof of notice.
17. On December 7, 2016, Brandi Reddin, Polly Reddin, Douglas Gordon, and Jacob Flores withdrew their protests to Shore-Tech's application.
18. On December 8, 2016, Commission Staff filed its third administrative completeness recommendation that the application and notice be found administratively complete.

19. On December 14, 2016, the Commission issued Order No. 5, finding the application administratively complete, the notice sufficient, suspending the effective date until the earlier of September 23, 2017, or the date that an order setting interim or final rates is issued, and adopting a procedural schedule.
20. On January 10, 2017, Steven Walstrom filed a ratepayer protest.
21. On February 16, 2017, Shore-Tech confidentially filed a tax return and certain invoices.
22. On April 12, 2017, Commission Staff requested additional time to file a request for hearing or a recommendation on final disposition.
23. On April 13, 2017, the Commission issued Order No. 6, granting Commission Staff's request for extension.
24. On April 20, 2017, Commission Staff filed a request for a hearing to ensure compliance with the statutory deadline.
25. On April 26, 2017, the Commission referred this proceeding to the State Office of Administrative Hearings (SOAH).
26. On April 28, 2017, SOAH issued Order No. 1, describing the proceeding, noticing a prehearing conference, and establishing other general procedural requirements.
27. On May 8, 2017, SOAH issued Order No. 2, rescheduling the prehearing conference.
28. On May 11, 2017, the Commission issued a draft preliminary order.
29. On May 16, 2017, SOAH conducted a telephonic prehearing conference.
30. No parties other than Commission Staff and Shore-Tech were admitted as parties to this proceeding.
31. On May 17, 2017, SOAH issued Order No. 3, memorializing the prehearing conference and abating the case so that the parties could prepare settlement documents.
32. On May 19, 2017, the Commission issued a preliminary order.
33. On June 26, 2017, Shore-Tech and Commission Staff (collectively, signatories) filed a joint motion to admit evidence and remand the proceeding to the Commission, including the

agreement, agreed proposed tariff, and proposed order. Commission Staff also filed the memorandum of Leila Guerrero in support of the agreement.

34. On June 30, 2017, the SOAH ALJ issued Order No. 5, admitting evidence, remanding the proceeding to the Commission, and dismissing the SOAH docket.

Description of the Agreement

35. The signatories believe that a resolution of this docket, consistent with the agreement is reasonable and in the public interest.
36. Consistent with the agreement, Shore-Tech will be allowed to implement the retail water utility rates contained in the revised tariff attached to this Order as Attachment 1, which reflects a monthly base rate of \$29.37, a gallonage charge of \$1.86, and a monthly surcharge of \$8.87.
37. The agreed rates are consistent with an overall revenue requirement of \$16,512 and an overall rate of return of 6.85%.
38. Consistent with the agreement, Shore-Tech will be allowed to charge a monthly capital improvement surcharge of \$8.87 for 36 months or until a total of \$11,490.64 is recovered, whichever occurs first. The surcharge is intended to cover the purchase and installation of a new pressure tank and well pump.
39. The effective date of Shore-Tech's proposed rate increase was suspended until the earlier of September 23, 2017, or the date that an order setting interim or final rates is issued in this proceeding. Accordingly, consistent with the agreement, the effective date will be the first day of the month following the date this Order is signed.
40. The agreement acknowledges that although Order No. 5 suspended the proposed January 1, 2017 effective date of the proposed rate increase due to a clerical error, Shore-Tech began charging its proposed rates beginning on January 1, 2017. Consistent with the agreement, Shore-Tech agrees to refund the difference paid by each Shore-Tech customer between the current rates and the originally-proposed rates in a single payment and the amount shall be refunded to each customer that was incorrectly charged within 60 days of the date the Commission signs this Order. Shore-Tech will file a separate

compliance proceeding, which provides proof that such refunds were issued within 30 days of the refund.

41. The signatories agree that the rates contained in the revised tariff are just and reasonable and consistent with the public interest.
42. Consistent with the agreement, the revised tariff will govern the water utility rates, terms, treatments, and conditions for Shore-Tech ratepayers.
43. Consistent with the agreement, Shore-Tech will file a compliance proceeding under a new docket following the purchase and installation of facilities for which the capital improvement monthly surcharge is to be charged. Commission Staff will evaluate the compliance filing and make a recommendation to the Commission regarding whether decreasing the monthly surcharge or abbreviating the number of months over which the surcharge is charged is appropriate.
44. The signatories agree that the capital improvement surcharge will not be increased or extended if the cost of the contemplated facilities exceeds the amount to be recovered from the surcharge.
45. The signatories agree that Shore-Tech will not seek rate-case expenses for the processing of this docket.

Consistency of the Stipulation with the Texas Water Code and Commission Requirements

46. Considered in light of Shore-Tech's application, responses to discovery requests and information exchanged through confidential privileged settlement negotiations, the agreement is the result of compromise from each party and these efforts as well as the overall result of the agreement support the reasonableness and benefits of the terms of the agreement.
47. The rates, terms, and conditions of the tariff resulting from the agreement are just and reasonable when the benefits of avoiding an expensive contested case hearing are considered.

II. Conclusions of Law

1. Shore-Tech is a retail public utility as defined in TWC § 13.002(19)¹ and 16 Texas Administrative Code § 24.3(59) (TAC).
2. The Commission has jurisdiction to consider Shore-Tech's application under TWC §§ 13.041, 13.181-.185, and 13.1871 and using the procedures set forth in 16 TAC §§ 24.12-.36.
3. Shore-Tech provided notice of the application in accordance with the requirements of TWC § 13.1871 and 16 TAC §§ 24.22 and 24.28.
4. This docket was processed in accordance with the requirements of the TWC, the Administrative Procedure Act,² and Commission rules.
5. This docket contains no remaining contested issues of fact or law.
6. The agreement, taken as a whole, is a just and reasonable resolution of all the issues it addresses, results in just and reasonable rates, terms, and conditions, is consistent with the relevant provisions of TWC chapter 13, and should be approved.
7. Consistent with the agreement, the rates are just and reasonable, comply with the ratemaking provisions of TWC chapter 13, and are not unreasonably discriminatory, preferential, or prejudicial.
8. This application does not constitute a major rate proceeding, as defined by 16 TAC § 22.2(27).
9. The requirements for informal disposition under 16 TAC § 22.35 have been met in this proceeding.

III. Ordering Paragraphs

In accordance with these findings of fact and conclusions of law, the Commission issues the following order:

1. Consistent with the agreement, Shore-Tech's application is approved.

¹ Tex. Water Code Ann. § 13.002(19) (West 2008 and Supp. 2016) (TWC).


² Tex. Gov't Code Ann. §§ 2001.001-.902 (West 2008 & Supp. 2016) (APA).

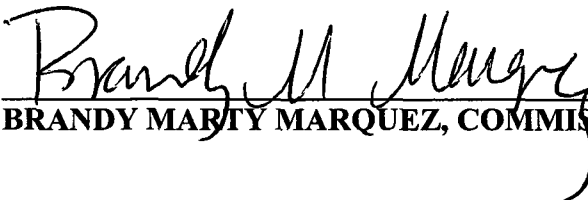
2. Within 60 days of the date of this Order, Shore-Tech shall issue a refund of the proposed rates incorrectly charged beginning January 1, 2017. Shore-Tech shall refund the difference between the current rate at the time and the proposed rates, which were incorrectly charged to each of its customers. The difference shall be refunded in a single payment. Within 30 days of the issuance of the refund, Shore-Tech shall make a compliance filing to include an affidavit attesting to the amount of refunds that were issued to customers. The filing shall be made in a docket styled *Compliance Filing Related to Refunds from Docket No. 46104*.
3. Within 20 days of Shore-Tech's filing, Commission Staff shall provide a recommendation for consideration and approval by the presiding officer regarding Shore-Tech's compliance with the refund provision of this Order.
4. Consistent with the agreement, Shore-Tech shall make a compliance filing following the purchase and installation of the facilities associated with the monthly capital improvements surcharge. The filing shall be made within 30 days of the final installation of the facilities in a docket styled *Compliance Filing Related to Capital Improvements from Docket No. 46104*. The compliance filing shall include receipts and invoices to account for the total cost of the new pressure tank and well pump.
5. If the total cost of the capital improvements is lower than the estimates provided in the instant docket, then within 20 days of the filing, Commission Staff shall file a recommendation for consideration and approval by the presiding officer on whether to decrease the monthly surcharge amount or reduce the surcharge collection period.
6. The tariff attached to this Order as Attachment 1 is approved, effective the first day of the month following the date of this Order.
7. Shore-Tech will not seek rate-case expenses for the processing of this docket.
8. Entry of this Order does not indicate the Commission's endorsement or approval of any principle or methodology that may underlie the agreement. Entry of this Order shall not be regarded as binding holding or precedent as to the appropriateness of any principle or methodology underlying the agreement.

9. All other motions, requests for entry of specific findings of fact or conclusions of law, and any other requests for general or specific relief, if not expressly granted, are denied.

Signed at Austin, Texas the 17th day of August 2017.

PUBLIC UTILITY COMMISSION OF TEXAS


KENNETH W. ANDERSON, JR., COMMISSIONER


BRANDY MARTY MARQUEZ, COMMISSIONER



WATER UTILITY TARIFF
Docket Number 46104

Shore-Tech Inc. d/b/a L&M Water Development Company
(Utility Name)

P.O. Box 395
(Business Address)

Sante Fe, Texas 77510
(City, State, Zip Code)

(409) 925-5211
(Area Code/Telephone)

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

12779

This tariff is effective in the following counties:

Galveston

This tariff is effective in the following subdivisions or systems:

Lone Pine (PWS ID No. 0840229)

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 2

SECTION 2.0 -- SERVICE RULES AND POLICIES..... 4

SECTION 3.0 -- EXTENSION POLICY 8

SECTION 3.20 -- SPECIFIC EXTENSION POLICY 9

APPENDIX A -- DROUGHT CONTINGENCY PLAN

SECTION 1.0 -- RATE SCHEDULE

Section 1.01 - Rates

<u>Meter Size</u>	<u>Monthly Minimum Charge</u> (Includes 0 gallons all meters)	<u>Gallonge Charge</u>
5/8" or 3/4"	<u>\$29.37</u>	<u>\$1.86</u> per 1,000 gallons same for all meter sizes

A surcharge of \$8.87 per system connection for 36 months or a total of \$11,490.64, whichever occurs first. This surcharge will pay for the cost of installing a new pressure tank and a new well pump, including installation costs.

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

Cash X, Check X, Money Order X, Credit Card X

THE UTILITY MAY REQUIRE EXACT CHANGE FOR PAYMENTS AND MAY REFUSE TO ACCEPT PAYMENTS MADE USING MORE THAN \$1.00 IN SMALL COINS. A WRITTEN RECEIPT WILL BE GIVEN FOR CASH PAYMENTS. 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.

REGULATORY ASSESSMENT 1.0%
PUC RULES REQUIRE THE UTILITY TO COLLECT A FEE OF ONE PERCENT OF THE RETAIL MONTHLY BILL AND TO REMIT FEE TO THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY (TCEQ).

Section 1.02 – Miscellaneous Fees

TAP FEE \$250.00
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 AS PERMITTED BY PUC RULE AT COST.

TAP FEE (Unique costs)..... Actual Cost
FOR EXAMPLE, A ROAD BORE FOR CUSTOMERS OUTSIDE OF SUBDIVISIONS OR RESIDENTIAL AREAS.

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.

SECTION 1.0 -- RATE SCHEDULE (Continued)

RECONNECTION FEE

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

- a) Non-payment of bill (Maximum \$25.00)..... \$25.00
 - b) Customer's request \$5.00
- or other reasons listed under Section 2.0 of this tariff

TRANSFER FEE \$0.00

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%

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..... \$20.00

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

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

THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS A SECOND METER TEST WITHIN A TWO-YEAR PERIOD AND THE TEST INDICATES THAT THE METER IS RECORDING ACCURATELY.

METER RELOCATION FEE..... Actual Relocation Cost

THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS RELOCATION OF AN EXISTING METER.

METER CONVERSION FEE Actual Cost to Convert 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 CUSTOMERS SERVICE DEMAND.

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.

GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE:

WHEN AUTHORIZED IN WRITING BY PUC AND AFTER NOTICE TO CUSTOMERS, THE UTILITY MAY INCREASE RATES TO RECOVER INCREASED COSTS FOR INSPECTION FEES AND WATER TESTING. [16 TAC § 24.21(f)]

LINE EXTENSION AND CONSTRUCTION CHARGES:

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

SECTION 2.0 - SERVICE RULES AND REGULATIONS

Section 2.01 – Rules

The Utility will have the most current Public Utility Commission of Texas (PUC or Commission) Rules, Chapter 24, available at its office for reference purposes. The Rules and this tariff shall be available for public inspection and reproduction at a reasonable cost. The latest Rules or Commission approved changes to the Rules supersede any rules or requirements in this tariff.

Section 2.02 - Application for and Provision of Water Service

All applications for service will be made on the Utility's standard application or contract form (attached in the Appendix to this tariff) and will be signed by the applicant before water service is provided by the Utility. A separate application or contract will be made for each service location.

After the applicant has met all the requirements, conditions, and regulations for service, the Utility will install tap, meter, and utility cut-off valve and/or take all necessary actions to initiate service. The Utility will serve each qualified applicant for service within 5 working days unless line extensions or new facilities are required. If construction is required to fill the order and if it cannot be completed within 30 days, the Utility will provide the applicant with a written explanation of the construction required and an expected date of service.

Where service has previously been provided, service will be reconnected within one working day after the applicant has met the requirements for reconnection.

The customer will be responsible for furnishing and laying the necessary customer service pipe from the meter location to the place of consumption. Customers may be required to install a customer owned cut-off valve on the customer's side of the meter or connection.

Section 2.03 - Refusal of Service

The Utility may decline to serve an applicant until the applicant has complied with the regulations of the regulatory agencies (state and municipal regulations) and for the reasons outlined in the PUC Rules. In the event that the Utility refuses to serve an applicant, the Utility will inform the applicant in writing of the basis of its refusal. The Utility is also required to inform the applicant that a complaint may be filed with the Commission.

Section 2.04 - Customer Deposits

If a residential applicant cannot establish credit to the satisfaction of the Utility, the applicant may be required to pay a deposit as provided for in Section 1.02 of this tariff. The Utility will keep records of the deposit and credit interest in accordance with PUC Rules.

Residential applicants 65 years of age or older may not be required to pay deposits unless the applicant has an outstanding account balance with the Utility or another water or sewer utility that accrued within the last two years.

Non-residential applicants who cannot establish credit to the satisfaction of the Utility may be required to make a deposit that does not exceed an amount equivalent to one-sixth of the estimated annual billings.

SECTION 2.0 - SERVICE RULES AND REGULATIONS (Continued)

Refund of deposit. If service is not connected, or after disconnection of service, the Utility will promptly refund the customer's deposit plus accrued interest or the balance, if any, in excess of the unpaid bills for service furnished. The Utility may refund the deposit at any time prior to termination of utility service but must refund the deposit plus interest for any residential customer who has paid 18 consecutive billings without being delinquent. Deposits from non-residential customers may be held as long as that customer takes service.

Section 2.05 - Meter Requirements, Readings, and Testing

All water sold by the Utility will be billed based on meter measurements. The Utility will provide, install, own, and maintain meters to measure amounts of water consumed by its customers. One meter is required for each residential, commercial, or industrial facility in accordance with the PUC Rules.

Service meters will be read at monthly intervals and as nearly as possible on the corresponding day of each monthly meter reading period unless otherwise authorized by the Commission.

Meter tests. The Utility will, upon the request of a customer, and, if the customer so desires, in his or her presence or in that of his or her authorized representative, make without charge a test of the accuracy of the customer's meter. If the customer asks to observe the test, the test will be made during the Utility's normal working hours at a time convenient to the customer. Whenever possible, the test will be made on the customer's premises, but may, at the Utility's discretion, be made at the Utility's testing facility. If within a period of two years the customer requests a new test, the Utility will make the test, but if the meter is found to be within the accuracy standards established by the American Water Works Association, the Utility will charge the customer a fee that reflects the cost to test the meter up to a maximum \$25 for a residential customer. Following the completion of any requested test, the Utility will promptly advise the customer of the date of removal of the meter, the date of the test, the result of the test, and who made the test.

Section 2.06 - Billing

Bills from the Utility will be mailed monthly unless otherwise authorized by the Commission. The due date of the bills for utility service will be at least sixteen (16) days from the date of issuance. The postmark on the bill or, if there is no postmark on the bill, the recorded date of mailing by the Utility will constitute proof of the date of issuance. At the customer's option, bills may be sent in a paperless, electronic form by email. The date of the email will constitute the date of issuance. Payment for utility service is delinquent if full payment, including late fees and the regulatory assessment, is not received at the Utility or the Utility's authorized payment agent by 5:00 p.m. on the due date. If the due date falls on a holiday or weekend, the due date for payment purposes will be the next workday after the due date.

A late penalty of \$5.00 will be charged on bills received after the due date. The penalty on delinquent bills will not be applied to any balance to which the penalty was applied in a previous billing. The Utility must maintain a record of the date of mailing to charge the late penalty.

SECTION 2.0 - SERVICE RULES AND REGULATIONS (Continued)

Each bill will provide all information required by the PUC Rules. For each of the systems it operates, the Utility will maintain and note on the monthly bill a telephone number (or numbers) which may be reached by a local call by customers. At the Utility's option, a toll-free telephone number or the equivalent may be provided.

In the event of a dispute between a customer and the Utility regarding any bill for utility service, the Utility will conduct an investigation and report the results to the customer. If the dispute is not resolved, the Utility will inform the customer that a complaint may be filed with the Commission.

Section 2.07 - Service Disconnection

Utility service may be disconnected if the bill has not been paid in full by the date listed on the termination notice. The termination date must be at least 10 days after the notice is mailed or hand delivered.

The Utility may offer a deferred payment plan to a customer who cannot pay an outstanding bill in full and is willing to pay the balance in reasonable installments. However, a customer's utility service may be disconnected if a bill has not been paid or a deferred payment agreement has not been entered into within 26 days from the date of issuance of a bill and if proper notice of termination has been given.

Notice of termination must be a separate mailing or hand delivery in accordance with the PUC Rules.

Utility service may also be disconnected without notice for reasons as described in the PUC Rules.

Utility personnel must be available to collect payments and to reconnect service on the day of and the day after any disconnection of service unless service was disconnected at the customer's request or due to a hazardous condition.

Section 2.08 - Reconnection of Service

Service will be reconnected within 24 hours after the past due bill and any other outstanding charges are paid or correction of the conditions which caused service to be disconnected.

Section 2.09 - Service Interruptions

The Utility will make all reasonable efforts to prevent interruptions of service. If interruptions occur, the Utility will re-establish service within the shortest possible time. Except for momentary interruptions due to automatic equipment operations, the Utility will keep a complete record of all interruptions, both emergency and scheduled and will notify the Commission in writing of any service interruptions affecting the entire system or any major division of the system lasting more than four hours. The notice will explain the cause of the interruptions.

Prorated Bills. If service is interrupted or seriously impaired for 24 consecutive hours or more, the Utility will prorate the monthly base bill in proportion to the time service was not available to reflect this loss of service.

SECTION 2.0 - SERVICE RULES AND REGULATIONS (Continued)

Section 2.10 - Quality of Service

The Utility will plan, furnish, and maintain production, treatment, storage, transmission, and distribution facilities of sufficient size and capacity to provide a continuous and adequate supply of water for all reasonable consumer uses. Unless otherwise authorized by the Commission, the Utility will maintain facilities as described in the TCEQ Rules and Regulations for Public Water Systems.

Section 2.11 - Customer Complaints and Disputes

If a customer or applicant for service lodges a complaint, the Utility will promptly make a suitable investigation and advise the complainant of the results. Service will not be disconnected pending completion of the investigation. If the complainant is dissatisfied with the Utility's response, the Utility must advise the complainant that he has recourse through the PUC complaint process. Pending resolution of a complaint, the Commission may require continuation or restoration of service.

The Utility will maintain a record of all complaints which shows the name and address of the complainant, the date and nature of the complaint and the adjustment or disposition thereof, for a period of two years after the final settlement of the complaint.

SECTION 3.0 - EXTENSION POLICY

Section 3.01 - Standard Extension Requirements

Line Extension and Construction Charges. No contribution in aid of construction may be required of any customer except as provided for in this approved extension policy.

The customer will be given an itemized statement of the costs, options such as rebates to the customer, sharing of construction costs between the Utility and the customer, or sharing of costs between the customer and other applicants before beginning construction.

The Utility will bear the full cost of any oversizing of water mains necessary to serve other customers in the immediate area. The individual residential customer shall not be charged for any additional production, storage, or treatment facilities. Contributions in aid of construction may not be required of individual residential customers for production, storage, treatment or transmission facilities unless otherwise approved by the Commission under this specific extension policy.

Cost Utilities Shall Bear. Within its certificate area, the Utility will pay the cost of the first 200 feet of any water main or distribution line necessary to extend service to an individual residential customer within a platted subdivision. However, if the residential customer requesting service purchased the property after the developer was notified of the need to provide facilities to the Utility, the Utility may charge for the first 200 feet. The Utility must also be able to document that the developer of the subdivision refused to provide facilities compatible with the Utility's facilities in accordance with the Utility's approved extension policy after receiving a written request from the Utility.

Developers may be required to provide contributions in aid of construction in amounts to furnish the system with all facilities necessary to comply with the PUC's Rules.

SECTION 3.20 - SPECIFIC UTILITY EXTENSION POLICY

This section contains the Utility's specific extension policy that complies with the requirements already stated under Section 3.01. It must be reviewed and approved by the Commission and in compliance with PUC Rules to be effective.

Residential customers not covered under Section 3.01 will be charged the equivalent of the costs of extending service to their property from the nearest transmission or distribution line even if that line does not have adequate capacity to serve the customer. However, if the customer places unique, non-standard service demands upon the system, the customer may be charged the full cost of extending service to and throughout their property, including the cost of all necessary transmission and storage facilities necessary to meet the service demands anticipated to be created by that property.

Developers may be required to provide contributions in aid of construction in amounts sufficient to furnish the development with all facilities necessary to provide for reasonable local demand requirements and to comply with TCEQ minimum design criteria for facilities used in the production, transmission, pumping, or treatment of water or TCEQ minimum requirements. For purposes of this subsection, a developer is one who subdivides or requests more than two meters on a piece of property. Commercial, industrial, and wholesale customers will be treated as developers.

APPENDIX A – DROUGHT CONTINGENCY PLAN

“This page incorporates by reference the utility’s Drought Contingency Plan, as approved and periodically amended by the Texas Commission on Environmental Quality.”