



Control Number: 47161



Item Number: 62

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**PUC DOCKET NO. 47161
SOAH DOCKET NO. 473-18-1228.WS**



**APPLICATION OF KERR COUNTY
WATER SYSTEMS, LLC FOR
AUTHORITY TO CHANGE RATES**

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

**SECOND AMENDED UNANIMOUS STIPULATION AND
SETTLEMENT AGREEMENT**

This Second Amended Unanimous Stipulation and Settlement Agreement (Agreement) is entered into by the parties in this case, who are Commission Staff (Staff) of the Public Utility Commission of Texas (Commission) and Kerr County Water Systems, LLC (Kerr County WS), through their duly authorized representatives (collectively, Signatories).

I. BACKGROUND

On July 3, 2017, Kerr County WS filed an application with the Commission for a water rate change. Kerr County WS seeks a rate increase for customers served by its Public Water System (PWS) No. 1330092 in Kerr County, Texas. On December 4, 2017, this docket was referred to the State Office of Administrative Hearings (SOAH) for a hearing on the merits. On December 7, 2017, SOAH Order No. 1 granted an abatement of the proceeding for settlement discussions. On April 6, 2018, Staff filed a joint request for interim rates and waiver of statutory deadline. On April 13, 2018, SOAH Order No. 3 continued the abatement of the docket, approved the requested interim rates, and recognized the waiver of the statutory deadline, suspending the effective date of the final proposed rates until the Commission enters an order in this case.

On December 14, 2018, the Signatories filed a unanimous stipulation and settlement agreement after engaging in settlement discussions. The Signatories subsequently filed a modified stipulation and settlement agreement on January 16, 2019 to correct inconsistencies within the December 14, 2018 filing. SOAH Order No. 4, issued January 17, 2019, admitted Kerr County WS's application; the January 16, 2019 agreement; and Staff's memoranda in support of the January 16, 2019 agreement into evidence and remanded this proceeding to the Commission.

On August 13, 2020, the Signatories filed an amended unanimous stipulation and settlement agreement in an attempt to resolve issues with the evidentiary record in this

proceeding. In Order No. 7 issued on September 9, 2020, the Commission administrative law judge (ALJ) denied the motion requesting to admit the August 13, 2020 agreement into the record for this proceeding.

The Signatories have prepared this Agreement and supporting attachments to replace all other stipulation and settlement agreements previously filed in this docket. The Signatories believe that a resolution of this docket pursuant to the terms stated below is reasonable and in the public interest. Settlement will also conserve the resources of the parties and the Commission. The Signatories jointly request Commission approval of this Agreement and entry of findings of fact, and conclusions of law consistent with the approval. By this Agreement, the Signatories resolve all issues among them related to Kerr County WS's application, and agree as follows:

II. STIPULATION AND AGREEMENT

1. Retail Water Rates

The Signatories agree that Kerr County WS should be allowed to implement the retail water rates contained in the tariff included as **Attachment A** to this Agreement for the ratepayers served by the water system included in Kerr County WS's application. The Signatories agree that the attached rates are just and reasonable and are consistent with the public interest.

2. Revenue Requirement

The Signatories agree that the stipulated rates are consistent with a revenue requirement of \$72,942, which is \$73,882 less other revenues of \$940. The Signatories agree that approval of the stipulated rates is reasonable and in the public interest and further agree to the calculations of accounts and the revenue requirement included as **Attachment B**. Also included in Attachment B are the memoranda of Heidi Graham and Jolie Mathis supporting the original cost, accumulated depreciation, and net plant agreed to by the Signatories.

3. Tariff Provisions

The Signatories agree that Kerr County WS should be allowed to implement the other tariff provisions included in **Attachment A** to this Agreement. The Signatories agree that the tariff should govern the water utility rates, terms, treatments, and conditions for Kerr County WS ratepayers.

III. IMPLEMENTATION OF AGREEMENT

1. Obligation to Support this Agreement

The Signatories will support this Agreement before the Commission and will take reasonable steps to support expeditious entry of orders fully consistent with this Agreement. This provision shall not preclude any party from taking action that is mandatory and nondiscretionary pursuant to a law enacted after the date this Agreement is filed at the Commission.

2. Effect of Agreement

- a. The Agreement does not adopt any particular methodology underlying the settlement rates or rate design reflected in the Agreement.
- b. The failure to litigate any specific issue in this docket does not waive any Signatory's rights to contest that issue in any other current or future proceeding. The failure to litigate an issue cannot be asserted as a defense or estoppel, or any similar argument, by or against any Signatory in any other proceeding.
- c. The terms of this Agreement may not be used either as an admission or concession of any sort or as evidence in any proceeding except to enforce the terms of this Agreement. Oral or written statements made during the course of the settlement negotiations may not be used for any purposes other than as necessary to support the entry by the Commission of an order implementing this Agreement. All oral or written statements made during the course of the settlement negotiations are governed by Tex. R. Evid. 408.
- d. The Signatories arrived at this Agreement through extensive negotiation and compromise. This Agreement reflects a compromise, settlement, and accommodation among the Signatories, and the Signatories agree that the terms and conditions herein are interdependent. The Signatories agree that this Agreement is in the public interest. All actions by the Signatories contemplated or required by this Agreement are conditioned upon entry by the Commission of a final order fully consistent with this Agreement. If the Commission does not accept this Agreement as presented or enters an order inconsistent with any term of this Agreement, any Signatory shall be released from all commitments and

obligations, and shall have the right to seek hearing on all issues, present evidence, and advance any positions it desires, as if it had not been a Signatory.

- e. This Agreement is binding on each of the Signatories only for the purpose of settling the issues as set forth herein and for no other purposes. It is acknowledged that a Signatory's support of the matters contained in this Agreement may differ from the position taken or testimony presented by it in this proceeding or other proceedings. To the extent that there is a difference, a Signatory does not waive its position in any other proceedings. Because this is a stipulated resolution, no Signatory is under any obligation to take the same positions as set out in this Agreement in other proceedings, whether those proceedings present the same or a different set of circumstances, except as may otherwise be explicitly provided in this Agreement.
- f. There are no third-party beneficiaries of this Agreement. Although this Agreement represents a settlement among the Signatories with respect to the issues presented in this docket, this Agreement is merely a settlement proposal submitted to the Commission, which has the authority to enter an order resolving these issues.
- g. This Agreement supersedes any prior written or oral agreement in this docket regarding the subject matter of this Agreement.
- h. Except as stated in the Agreement, the final resolution of this docket does not impose any conditions, obligations, or limitations on Kerr County WS's right to file a future rate application and obtain rate relief in accordance with the Texas Water Code.
- i. This Agreement shall not be binding or precedential upon a Signatory outside this docket and Signatories retain their rights to pursue relief to which they may be entitled in other proceedings.

Attachment A



**WATER UTILITY TARIFF
Docket No. 47161**

Kerr County Water Systems, LLC
(Utility Name)

1270 Highway 39
(Business Address)

Hunt, Texas 78024
(City, State, Zip Code)

(830) 238-3619
(AreaCode/Telephone)

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

13166

This tariff is effective in the following counties:

Kerr

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

None

This tariff is effective in the following subdivisions or systems:

Bumblebee Hills (PWS #1330092) and Stablewood Springs Resort

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

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APPENDIX A – DROUGHT CONTINGENCY PLAN
APPENDIX B – APPLICATION FOR SERVICE

SECTION 1.0 -- RATE SCHEDULE

Section 1.01 – Rates

<u>Meter Size</u>	<u>Monthly Minimum Charge</u>	<u>Gallonge Charge</u>
5/8" or 3/4"	<u>\$23.82</u> (Includes 0 gallons)	<u>\$3.02</u> per 1000 gallons for all additional gallons
3/4"	<u>\$35.73</u>	
1"	<u>\$59.55</u>	
1½"	<u>\$119.10</u>	
2"	<u>\$190.56</u>	
3"	<u>\$357.30</u>	
4"	<u>\$595.50</u>	

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

Cash X, Check X, Money Order X, Credit Card , Other (specify)

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

REGULATORY ASSESSMENT.....1.0%

PUC RULES REQUIRE THE UTILITY TO COLLECT A FEE OF ONE PERCENT OF THE RETAIL MONTHLY BILL AND TO REMIT THE FEES TO THE TCEQ.

Section 1.02 - Miscellaneous Fees

TAP FEE.....\$500.00

TAP FEE COVERS THE UTILITY'S COSTS FOR MATERIALS AND LABOR TO INSTALL A STANDARD RESIDENTIAL 5/8" or 3/4" METER. AN ADDITIONAL FEE TO COVER UNIQUE COSTS IS PERMITTED IF LISTED ON THIS TARIFF.

TAP FEE (Unique costs).....Actual Cost

FOR EXAMPLE, A ROAD BORE FOR CUSTOMERS OUTSIDE OF SUBDIVISIONS OR RESIDENTIAL AREAS.

TAP FEE (Large meter).....Actual Cost

TAP FEE IS THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR METER SIZE INSTALLED.

METER RELOCATION FEE.....Actual Relocation Cost, Not to Exceed Tap Fee

THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS THAT AN EXISTING METER BE RELOCATED.

METER TEST FEE.....\$25.00

THIS FEE WHICH SHOULD REFLECT THE UTILITY'S COST 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. THE FEE MAY NOT EXCEED \$25.

SECTION 1.0 -- RATE SCHEDULE (Continued)

RECONNECTION FEE

THE RECONNECT FEE MUST BE PAID BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS BEEN DISCONNECTED FOR THE FOLLOWING REASONS (OR OTHER REASONS LISTED UNDER SECTION 2.0 OF THIS TARIFF):

- a) Nonpayment of bill (Maximum \$25.00).....\$25.00
- b) Customer's request that service be disconnected.....\$25.00

TRANSFER FEE.....\$25.00

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

LATE CHARGE (EITHER \$5.00 OR 10% OF THE BILL).....\$5.00

PUC RULES ALLOW A ONE-TIME PENALTY TO BE CHARGED ON DELINQUENT BILLS. A LATE CHARGE MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE PENALTY WAS APPLIED IN A PREVIOUS BILLING.

RETURNED CHECK CHARGE.....\$25.00

RETURNED CHECK CHARGES MUST BE BASED ON THE UTILITY'S DOCUMENTABLE COST.

CUSTOMER DEPOSIT RESIDENTIAL (Maximum \$50).....\$0.00

COMMERCIAL & NON-RESIDENTIAL DEPOSIT.....1/6TH OF ESTIMATED ANNUAL BILL

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 § 24.25(b)(2)(G)]

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 POLICIES

The utility will have the most current Public Utility Commission of Texas (Commission or PUC) 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 2.01 - Application for 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), will be signed by the applicant, any required fees (deposits, reconnect, tap, extension fees, etc. as applicable) will be paid and easements, if required, will be granted before service is provided by the utility. A separate application or contract will be made for each service location.

Section 2.02 - 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 2.03 - Fees and Charges & Easements Required Before Service Can Be Connected

(A) 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 - Miscellaneous Fees 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 which accrued within the last two years.

Nonresidential 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.

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.

(B) Tap or Reconnect Fees

A new customer requesting service at a location where service has not previously been provided must pay a tap fee as provided in Section 1. A customer requesting service where service has previously been provided must pay a reconnect fee as provided in Section 1.

SECTION 2.0 – SERVICE RULES AND POLICIES (Continued)

Any applicant or existing customer required to pay for any costs not specifically set forth in the rate schedule pages of this tariff shall be given a written explanation of such costs prior to request for payment and/or commencement of construction. If the applicant or existing customer does not believe that these costs are reasonable or necessary, the applicant or existing customer shall be informed of their right to appeal such costs to the PUC or such other regulatory authority having jurisdiction over the utility's rates in that portion of the utility's service area in which the applicant's or existing customer's property(ies) is located.

Fees in addition to the regular tap fee may be charged if listed specifically in Section 1 to cover unique costs not normally incurred as permitted by 16 TAC § 24.163(a)(1)(C). For example, a road bore for customers outside a subdivision or residential area could be considered a unique cost.

(C) Easement Requirement

Where recorded public utility easements on the service applicant's property do not exist or public road right-of-way easements are not available to access the applicant's property, the Utility may require the applicant to provide it with a permanent recorded public utility easement on and across the applicant's real property sufficient to provide service to that applicant. Such easement(s) shall not be used for the construction of production, storage, transmission or pressure facilities unless they are needed for adequate service to that applicant.

Section 2.04 - Utility Response to Applications for Service

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.

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

Section 2.05 - Customer Responsibility

The customer will be responsible for furnishing and laying the necessary customer service pipe from the meter location to the place of consumption. Customers will not be allowed to use the utility's cutoff valve on the utility's side of the meter. Existing customers may install cutoff valves on their side of the meter and are encouraged to do so. All new customers may be required to install and maintain a cutoff valve on their side of the meter.

No direct connection between a public water supply system and any potential source of contamination or between a public water supply system and a private water source (ex. private well) will be allowed. A customer shall not connect, or allow any other person or party to connect, onto any water lines on his premises.

SECTION 2.0 – SERVICE RULES AND POLICIES (Continued)

Section 2.06 - Customer Service Inspections

Applicants for new service connections or facilities which have undergone extensive plumbing modifications are required to furnish the utility a completed customer service inspection certificate. The inspection certificate shall certify that the establishment is in compliance with the Texas Commission on Environmental Quality (TCEQ) Rules and Regulations for Public Water Systems, 16 TAC § 290.46(j). The Utility is not required to perform these inspections for the applicant/customer, but will assist the applicant/customer in locating and obtaining the services of a certified inspector.

Section 2.07 - Back Flow Prevention Devices

No water connection shall be allowed to any residence or establishment where an actual or potential contamination hazard exists unless the public water facilities are protected from contamination by either an approved air gap, backflow prevention assembly, or other approved device. The type of device or backflow prevention assembly required shall be determined by the specific potential hazard identified in 30 TAC § 290.47(f) Appendix F, Assessment of Hazards and Selection of Assemblies of the TCEQ Rules and Regulations for Public Water Systems.

The use of a backflow prevention assembly at the service connection shall be considered as additional backflow protection and shall not negate the use of backflow protection on internal hazards as outlined and enforced by local plumbing codes. When a customer service inspection certificate indicates that an adequate internal cross-connection control program is in effect, backflow protection at the water service entrance or meter is not required.

At any residence or establishment where it has been determined by a customer service inspection, that there is no actual or potential contamination hazard, as referenced in 30 TAC § 290.47(f) Appendix F, Assessment of Hazards and Selection of Assemblies of the TCEQ Rules and Regulations for Public Water Systems, then a backflow prevention assembly or device is not required. Outside hose bibs do require, at a minimum, the installation and maintenance of a working atmospheric vacuum breaker.

All backflow prevention assemblies or devices shall be tested upon installation by a TCEQ certified backflow prevention assembly tester and certified to be operating within specifications. Backflow prevention assemblies which are installed to provide protection against health hazards must also be tested and certified to be operating within specifications at least annually by a certified backflow prevention assembly tester.

If the utility determines that a backflow prevention assembly or device is required, the utility will provide the customer or applicant with a list of TCEQ certified backflow prevention assembly testers. The customer will be responsible for the cost of installation and testing, if any, of backflow prevention assembly or device. The customer should contact several qualified installers to compare prices before installation. The customer must pay for any required maintenance and annual testing and must furnish a copy of the test results demonstrating that the assembly is functioning properly to the utility within 30 days after the anniversary date of the installation unless a different date is agreed upon.

SECTION 2.0 – SERVICE RULES AND POLICIES (Continued)

Section 2.08 - Access to Customer's Premises

The utility will have the right of access to the customer's premises at all reasonable times for the purpose of installing, testing, inspecting or repairing water mains or other equipment used in connection with its provision of water service, or for the purpose of removing its property and disconnecting lines, and for all other purposes necessary to the operation of the utility system including inspecting the customer's plumbing for code, plumbing or tariff violations. The customer shall allow the utility and its personnel access to the customer's property to conduct any water quality tests or inspections required by law. Unless necessary to respond to equipment failure, leak or other condition creating an immediate threat to public health and safety or the continued provision of adequate utility service to others, such entry upon the customer's property shall be during normal business hours and the utility personnel will attempt to notify the customer that they will be working on the customer's property. The customer may require any utility representative, employee, contractor, or agent seeking to make such entry identify themselves, their affiliation with the utility, and the purpose of their entry.

All customers or service applicants shall provide access to meters and utility cutoff valves at all times reasonably necessary to conduct ordinary utility business and after normal business hours as needed to protect and preserve the integrity of the public drinking water supply.

Section 2.09 - Meter Requirements, Readings, and Testing

One meter is required for each residential, commercial, or industrial connection. 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.

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 which 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 2.0 – SERVICE RULES AND POLICIES (Continued)

Section 2.10 - Billing

(A) Regular Billing

Bills from the utility will be mailed monthly unless otherwise authorized by the Commission. The due date of 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. 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 agency 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.

(B) Late Fees

A late penalty of either \$5.00 or 10.0% 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.

(C) Information on Bill

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 local or toll-free telephone number (or numbers) to which customers can direct questions about their utility service.

(D) 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 2.11-Payments

All payments for utility service shall be delivered or mailed to the utility's business office. If the business office fails to receive payment prior to the time of noticed disconnection for non-payment of a delinquent account, service will be terminated as scheduled. Utility service crews shall not be allowed to collect payments on customer accounts in the field.

Payment of an account by any means that has been dishonored and returned by the payor or payee's bank, shall be deemed to be delinquent. All returned payments must be redeemed with cash or valid money order. If a customer has two returned payments within a twelve month period, the customer shall be required to pay a deposit if one has not already been paid.

Section 2.12 - Service Disconnection

(A) With Notice

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.

SECTION 2.0 – SERVICE RULES AND POLICIES (Continued)

The utility is encouraged to 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 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.

B) Without Notice

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

Section 2.13 - Reconnection of Service

Utility personnel must be available during normal business hours to accept payments on the day service is disconnected and the following day unless service was disconnected at the customer's request or due to a hazardous condition.

Service will be reconnected within 36 hours after the past due bill, reconnect fees and any other outstanding charges are paid or the conditions which caused service to be disconnected are corrected.

Section 2.14 - 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.

Section 2.15 - 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 2.16 - 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.

SECTION 2.0 – SERVICE RULES AND POLICIES (Continued)

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.

In the event of a dispute between a customer and a 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 2.17 - Customer Liability

Customer shall be liable for any damage or injury to utility-owned property shown to be caused by the customer.

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 Utility is not required to extend service to any applicant outside of its certified service area and will only do so under terms and conditions mutually agreeable to the Utility and the applicant, in compliance with PUC rules and policies, and upon extension of the Utility's certified service area boundaries by the PUC.

The applicant for service 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 prior to beginning construction.

The Utility is not required to extend service to any applicant outside of its certificated service area and will only do so under terms and conditions mutually agreeable to the Utility and the applicant, in compliance with PUC rules and policies, and upon extension of the Utility's certificated service area boundaries by the PUC.

Section 3.02 - Costs Utilities and Service Applicants Shall Bear

Within its certified 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 in writing 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.

Residential customers 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 additional 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.

Unless an exception is granted by the PUC, the residential service applicant shall not be required to pay for costs of main extensions greater than 2" in diameter for water distribution and pressure wastewater collection lines and 6" in diameter for gravity wastewater lines.

SECTION 3.0 -- EXTENSION POLICY (Continued)

Exceptions may be granted by the PUC if:

- adequate service cannot be provided to the applicant using the maximum line sizes listed due to distance or elevation, in which case, it shall be the utility's burden to justify that a larger diameter pipe is required for adequate service;
- or larger minimum line sizes are required under subdivision platting requirements or building codes of municipalities within whose corporate limits or extraterritorial jurisdiction the point of use is located; or the residential service applicant is located outside the CCN service area.

If an exception is granted, the Utility shall establish a proportional cost plan for the specific extension or a rebate plan which may be limited to seven years to return the portion of the applicant's costs for oversizing as new customers are added to ensure that future applicants for service on the line pay at least as much as the initial service applicant.

For purposes of determining the costs that service applicants shall pay, commercial customers with service demands greater than residential customer demands in the certified area, industrial, and wholesale customers shall be treated as developers. A service applicant requesting a one inch meter for a lawn sprinkler system to service a residential lot is not considered nonstandard service.

If an applicant requires service other than the standard service provided by the utility, such applicant will be required to pay all expenses incurred by the utility in excess of the expenses that would be incurred in providing the standard service and connection beyond 200 feet and throughout his property including the cost of all necessary transmission facilities.

The utility will bear the full cost of any over-sizing 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.

Section 3.03 - Contributions in Aid of Construction

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.

Any applicant who places unique or non-standard service demands on the system may be required to provide contributions in aid of construction for the actual costs of any additional facilities required to maintain compliance with the TCEQ minimum design criteria for water production, treatment, pumping, storage and transmission.

SECTION 3.0 -- EXTENSION POLICY (Continued)

Any service extension to a subdivision (recorded or unrecorded) may be subject to the provisions and restrictions of 16 TAC § 24.163(d). When a developer wishes to extend the system to prepare to service multiple new connections, the charge shall be the cost of such extension, plus a pro-rata charge for facilities which must be committed to such extension compliant with the TCEQ minimum design criteria. As provided by 16 TAC § 24.163(d)(4), for purposes of this section, commercial, industrial, and wholesale customers shall be treated as developers.

A utility may only charge a developer standby fees for unrecovered costs of facilities committed to a developer's property under the following circumstances:

- Under a contract and only in accordance with the terms of the contract; or
- if service is not being provided to a lot or lots within two years after installation of facilities necessary to provide service to the lots has been completed and if the standby fees are included on the utility's approved tariff after a rate change application has been filed. The fees cannot be billed to the developer or collected until the standby fees have been approved by the commission or executive director.
- For purposes of this section, a manufactured housing rental community can only be charged standby fees under a contract or if the utility installs the facilities necessary to provide individually metered service to each of the rental lots or spaces in the community.

Section 3.04 - Appealing Connection Costs

The imposition of additional extension costs or charges as provided by Sections 3.0 - Extension Policy of this tariff shall be subject to appeal as provided in this tariff, PUC rules, or the rules of such other regulatory authority as may have jurisdiction over the utility's rates and services. Any applicant required to pay for any costs not specifically set forth in the rate schedule pages of this tariff shall be given a written explanation of such costs prior to payment and/or commencement of construction. If the applicant does not believe that these costs are reasonable or necessary, the applicant shall be informed of the right to appeal such costs to the PUC or such other regulatory authority having jurisdiction over the utility's rates in that portion of the utility's service area in which the applicant's property(ies) is located.

Section 3.05 - Applying for Service

The Utility will provide a written service application form to the applicant for each request for service received by the Utility's business offices. A separate application shall be required for each potential service location if more than one service connection is desired by any individual applicant. Service application forms will be available at the Utility's business office during normal weekday business hours. Service applications will be sent by prepaid first class United

States mail to the address provided by the applicant upon request. Completed applications should be returned by hand delivery in case there are questions which might delay fulfilling the service request. Completed service applications may be submitted by mail if hand delivery is not possible.

SECTION 3.0 -- EXTENSION POLICY (Continued)

Where a new tap or service connection is required, the service applicant shall be required to submit a written service application and request that a tap be made. A diagram, map, plat, or written metes and bounds description of precisely where the applicant desires each tap or service connection is to be made and, if necessary, where the meter is to be installed, along the applicant's property line may also be required with the tap request. The actual point of connection and meter installation must be readily accessible to Utility personnel for inspection, servicing, and meter reading while being reasonably secure from damage by vehicles and mowers. If the Utility has more than one main adjacent to the service applicant's property, the tap or service connection will be made to the Utility's nearest service main with adequate capacity to service the applicant's full potential service demand. Beyond the initial 200 feet, the customer shall bear only the equivalent cost of extending from the nearest main. If the tap or service connection cannot be made at the applicant's desired location, it will be made at another location mutually acceptable to the applicant and the Utility. If no agreement on location can be made, the applicant may refer the matter to the PUC for resolution.

Section 3.06 - Qualified Service Applicant

A "qualified service applicant" is an applicant who has: (1) met all of the Utility's requirements for service contained in this tariff, PUC rules and/or PUC order, (2) has made payment or made arrangement for payment of tap fees, (3) has provided all easements and rights-of-way required to provide service to the requested location, (4) delivered an executed customer service inspection certificate to the Utility, if applicable, and (5) has executed a customer service application for each location to which service is being requested.

The Utility shall serve each qualified service applicant within its certified service area as soon as practical after receiving a completed service application. All service requests will be fulfilled within the time limits prescribed by PUC rules once the applicant has met all conditions precedent to achieving "qualified service applicant" status. If a service request cannot be fulfilled within the required period, the applicant shall be notified in writing of the delay, its cause and the anticipated date that service will be available. The PUC service dates shall not become applicable until the service applicant has met all conditions precedent to becoming a qualified service applicant as defined by PUC rules.

Section 3.07 - Developer Requirements

As a condition of service to a new subdivision, the Utility shall require a developer (as defined by PUC rule) to provide permanent recorded public utility easements as a condition of service to any location within the developer's property.

APPENDIX A -- DROUGHT CONTINGENCY PLAN
(Utility must attach a copy of TCEQ approved Drought Contingency Plan)

APPENDIX B -- SAMPLE SERVICE AGREEMENT
From 30 TAC § 290.47(b), Appendix B
SERVICE AGREEMENT

- I. **PURPOS.** Kerr County Water Systems, LLC is responsible for protecting the drinking water supply from contamination or pollution which could result from improper private water distribution system construction or configuration. The purpose of this service agreement is to notify each customer of the restrictions which are in place to provide this protection. The utility enforces these restrictions to ensure the public health and welfare. Each customer must sign this agreement before Kerr County Water Systems, LLC will begin service. In addition, when service to an existing connection has been suspended or terminated, the water system will not re-establish service unless it has a signed copy of this agreement.
- II. **RESTRICTIONS.** The following unacceptable practices are prohibited by State regulations.
 - A. No direct connection between the public drinking water supply and a potential source of contamination is permitted. Potential sources of contamination shall be isolated from the public water system by an air-gap or an appropriate backflow prevention device.
 - B. No cross-connection between the public drinking water supply and a private water system is permitted. These potential threats to the public drinking water supply shall be eliminated at the service connection by the installation of an air-gap or a reduced pressure-zone backflow prevention device.
 - C. No connection which allows water to be returned to the public drinking water supply is permitted.
 - D. No pipe or pipe fitting which contains more than 8.0% lead may be used for the installation or repair of plumbing at any connection which provides water for human use.
 - E. No solder or flux which contains more than 0.2% lead can be used for the installation or repair of plumbing at any connection which provides water for human use.
- III. **SERVICE AGREEMENT.** The following are the terms of the service agreement between Kerr County Water Systems, LLC (the Water System) and NAME OF CUSTOMER (the Customer).
 - A. The Water System will maintain a copy of this agreement as long as the Customer and/or the premises is connected to the Water System.
 - B. The Customer shall allow his property to be inspected for possible cross-connections and other potential contamination hazards. These inspections shall be conducted by the Water System or its designated agent prior to initiating new water service; when there is reason to believe that cross-connections or other potential contamination hazards exist; or after any major changes to the private water distribution facilities. The inspections shall be conducted during the Water System's normal business hours.
 - C. The Water System shall notify the Customer in writing of any cross-connection or other potential contamination hazard which has been identified during the initial inspection or the periodic reinspection.
 - D. The Customer shall immediately remove or adequately isolate any potential cross-connections or other potential contamination hazards on his premises.
 - E. The Customer shall, at his expense, properly install, test, and maintain any backflow prevention device required by Kerr County Water Systems, LLC. Copies of all testing and maintenance records shall be provided to the Water System.
- IV. **ENFORCEMENT.** If the Customer fails to comply with the terms of the Service Agreement, the Water System shall, at its option, either terminate service or properly install, test, and maintain an appropriate backflow prevention device at the service connection. Any expenses associated with the enforcement of this agreement shall be billed to the Customer.

CUSTOMER'S SIGNATURE: _____
DATE: _____

APPENDIX C -- APPLICATION FOR SERVICE
(Utility Must Attach Blank Copy)

SOAH DOCKET NO. 473-18-1228.WS
PUC DOCKET NO. 47161
COMPANY NAME Kerr County WS
TEST YEAR END 31-Dec-16

Staff Schedule I
Revenue Requirement

	Test Year Total	Company Adjustments To Test Year	Company Requested Test Year Total	Staff Adjustments To Company Request	Staff Adjusted Total
REVENUE REQUIREMENT	(a)	(b)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
Operations and Maintenance	\$ 57,181	\$ -	\$ 57,181	\$ 2,239	\$ 59,420
Depreciation and Amortization Expense	\$ 5,896	\$ -	\$ 5,896	\$ 1,215	\$ 7,111
Taxes Other Than Income	\$ 5,269	\$ (5,269)	\$ -	\$ -	\$ -
Federal Income Taxes	\$ 24,690	\$ 1	\$ 24,691	\$ (23,523)	\$ 1,168
Return on Invested Capital	\$ -	\$ 3,518	\$ 3,518	\$ 2,666	\$ 6,183
TOTAL	\$ 93,036	\$ (1,750)	\$ 91,286	\$ (17,404)	\$ 73,882
Other Revenues - Taps, Recon, late fee, Etc.		\$ (940)	\$ (940)		\$ (940)
Revenue Requirement Used to Set Rates	\$ 93,036	\$ (2,690)	\$ 90,346	\$ (17,404)	\$ 72,942

SOAH DOCKET NO. 473-18-1228 WS
PUC DOCKET NO. 47161
COMPANY NAME Kerr County WS
TEST YEAR END 31-Dec-16

Staff Schedule II
O&M Expense

OPERATIONS AND MAINTENANCE EXPENSE		Test Year	Company	Company	Staff	Staff
		Total	Adjustments	Requested	Adjustments	Adjusted
		(a)	To Test Year	Total	To Company	Total
Acct. No.	ACCOUNT	(a)	(b)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
610	PURCHASED WATER			\$ -		\$ -
615	POWER EXPENSE-PRODUCTION ONLY	\$ 5,315.00		\$ 5,315.00	\$ 1,418.00	\$ 6,733.00
618	OTHER VOLUME RELATED EXPENSES			\$ -		\$ -
601-1	EMPLOYEE LABOR			\$ -		\$ -
620	MATERIALS	\$ 7,645.00		\$ 7,645.00		\$ 7,645.00
631-636	CONTRACT WORK	\$ 29,827.00		\$ 29,827.00	\$ 6,860.00	\$ 36,687.00
650	TRANSPORTATION EXPENSES	\$ -		\$ -		\$ -
664	OTHER PLANT MAINTENANCE			\$ -		\$ -
601-2	OFFICE SALARIES			\$ -		\$ -
601-3	MANAGEMENT SALARIES			\$ -		\$ -
604	EMPLOYEE PENSIONS & BENEFITS			\$ -		\$ -
615	PURCHASED POWER-OFFICE ONLY			\$ -		\$ -
670	BAD DEBT EXPENSE	\$ -		\$ -		\$ -
676	OFFICE SERVICES & RENTALS	\$ -		\$ -		\$ -
677	OFFICE SUPPLIES & EXPENSES	\$ 2,488.00		\$ 2,488.00		\$ 2,488.00
678	PROFESSIONAL SERVICES	\$ -		\$ -		\$ -
684	INSURANCE	\$ 8,990.00		\$ 8,990.00	\$ (6,039.00)	\$ 2,951.00
666	REGULATORY EXPENSE (RATE CASE)			\$ -		\$ -
667	REGULATORY EXPENSE (OTHER)			\$ -		\$ -
675	MISCELLANEOUS	\$ 2,916.00		\$ 2,916.00		\$ 2,916.00
TOTAL		\$ 57,181.00	\$ -	\$ 57,181.00	\$ 2,239.00	\$ 59,420.00

SOAH DOCKET NO 473-18-1228.WS
PUC DOCKET NO 47161
COMPANY NAME Kerr County WS
TEST YEAR END 31-Dec-16

Staff Schedule III
Invested Capital

	Test Year Total	Company Adjustments To Test Year	Company Requested Test Year Total	Staff Adjustments To Company Request	Staff Adjusted Total
INVESTED CAPITAL	(a)	(b)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
Plant in Service	\$ 38,815	\$ -	\$ 38,815	\$ 243,077	\$ 281,892
Accumulated Depreciation	\$ (15,585)		\$ (15,585)	\$ (185,150)	\$ (200,735)
Net Plant in Service	\$ 23,230	\$ -	\$ 23,230	\$ 57,927	\$ 81,157
Working Cash Allowance	\$ 7,148		\$ 7,148	\$ 280	\$ 7,428
Materials and Supplies			\$ -		
Prepayments			\$ -		
Customer Advances Construction			\$ -		
Contribution in Aid of Construction			\$ -		
Customer Deposits			\$ -		
Regulatory Assets			\$ -		
Accumulated DFIT			\$ -		
Regulatory Liabilities			\$ -		
			\$ -		
TOTAL INVESTED CAPITAL (RATE BASE)	\$ 30,377	\$ -	\$ 30,377	\$ 58,207	\$ 88,585
RATE OF RETURN			11.58%		6.98%
RETURN ON INVESTED CAPITAL		\$ 3,518	\$ 3,518	\$ 2,666	\$ 6,183

SOAH DOCKET NO 473-18-1228 WS
 PUC DOCKET NO 47161
 COMPANY NAME Kerr County WS
 TEST YEAR END 31-Dec-16

Staff Schedule IIIA
 Water Plant In Service
 (Original Cost to Install or Construct)

Acct No.	ACCOUNT	Test Year Total	Company Adjustments To Test Year	Company	Staff	Staff
				Requested Test Year Total	Adjustments To Company Request	Adjusted Total
WATER PLANT IN SERVICE						
(Original Cost to Install or Construct)						
		(a)	(b)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
303	LAND AND LAND RIGHTS			\$ -		\$ -
307	WELLS			\$ -	\$ 8,088.00	\$ 8,088.00
	WELL PUMPS:					
311	5 HP OR LESS			\$ -	\$ 10,171.00	\$ 10,171.00
311	GREATER THAN 5 HP	\$ 10,171.00		\$ 10,171.00	\$ (10,171.00)	\$ -
311	GREATER THAN 5 HP	\$ 4,000.00		\$ 4,000.00		\$ 4,000.00
	BOOSTER PUMPS					
311	5 HP OR LESS	\$ 1,594.00		\$ 1,594.00		\$ 1,594.00
311	GREATER THAN 5 HP	\$ 1,318.00		\$ 1,318.00		\$ 1,318.00
320	CHLORINATORS			\$ -		\$ -
	STRUCTURES					
304	WOOD			\$ -		\$ -
304	MASONRY			\$ -		\$ -
305	STORAGE	\$ 2,659.00		\$ 2,659.00		\$ 2,659.00
305	STORAGE TANKS	\$ 4,000.00		\$ 4,000.00		\$ 4,000.00
311	PRESSURE TANKS	\$ 12,414.00		\$ 12,414.00		\$ 12,414.00
311	WATER PUMP	\$ 2,659.00		\$ 2,659.00		\$ 2,659.00
331	DISTRIBUTION SYSTEM			\$ -	\$ 234,614.00	\$ 234,614.00
334	METERS AND SERVICE			\$ -		\$ -
340	OFFICE EQUIPMENT			\$ -		\$ -
341	VEHICLES			\$ -		\$ -
343	SHOP TOOLS			\$ -		\$ -
345	HEAVY EQUIPMENT			\$ -		\$ -
348	FENCING			\$ -		\$ -
	PWS LOCKDOWN LIDS			\$ -	\$ 375.00	\$ 375.00
TOTAL		\$ 38,815.00	\$ -	\$ 38,815.00	\$ 243,077.00	\$ 281,892.00

SOAH DOCKET NO 473-18-1228 WS
PUC DOCKET NO 47161
COMPANY NAME Kerr County WS
TEST YEAR END 31-Dec-16

Staff Schedule IIIB
Depreciation Expense

Acct No	ACCOUNT	Company	Company	Staff	Staff
		Test Year	Requested	Adjustments	Adjusted
		Total	Test Year	To Company	Total
		(a)	To Test Year	Request	(e)=(c)+(d)
			(b)	(d)	
			(c)=(a)+(b)		
303	LAND AND LAND RIGHTS				\$ -
307	WELLS			\$ 162 00	\$ 162 00
	WELL PUMPS				
311	5 HP OR LESS			\$ 1,017 00	\$ 1,017 00
311	GREATER THAN 5 HP	\$ 1,017 10	\$ 1,017.10	\$ (1,017 10)	\$ -
311	GREATER THAN 5 HP	\$ 400.00	\$ 400 00		\$ 400 00
	BOOSTER PUMPS				
311	5 HP OR LESS	\$ 318 80	\$ 318 80	\$ 0 20	\$ 319 00
311	GREATER THAN 5 HP	\$ 263 60	\$ 263 60	\$ (131 60)	\$ 132 00
320	CHLORINATORS				\$ -
	STRUCTURES				
304	WOOD				\$ -
304	MASONRY				\$ -
305	STORAGE	\$ 88 63	\$ 88 63	\$ (35 63)	\$ 53 00
305	STORAGE TANKS	\$ 80.00	\$ 80 00		\$ 80 00
311	PRESSURE TANKS	\$ 248 28	\$ 248.28	\$ -	\$ 248 28
311	WATER PUMP	\$ 531 80	\$ 531 80	\$ (531.80)	\$ -
331	DISTRIBUTION SYSTEM	\$ 2,948 11	\$ 2,948 11	\$ 1,743 89	\$ 4,692 00
334	METERS AND SERVICE				\$ -
340	OFFICE EQUIPMENT				\$ -
341	VEHICLES				\$ -
343	SHOP TOOLS				\$ -
345	HEAVY EQUIPMENT				\$ -
348	FENCING				\$ -
	PWS LOCKDOWN LIDS			\$ 8.00	\$ 8.00
	TOTAL	\$ 5,896 32	\$ -	\$ 1,214 96	\$ 7,111 28

SOAH DOCKET NO 473-18-1228 WS
PUC DOCKET NO 47161
COMPANY NAME Kerr County WS
TEST YEAR END 31-Dec-16

Staff Schedule IV
Taxes Other Than FIT

	Test Year Total	Company Adjustments To Test Year	Company Requested Test Year Total	Staff Adjustments To Company Request	Staff Adjusted Total
	(a)	(b)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
TAXES OTHER THAN FIT					
Non-Revenue Related					
Ad Valorem Taxes	\$ 5,269	\$ (5,269)	\$ -		\$ -
Total Property	\$ 5,269	\$ (5,269)	\$ -		\$ -
Payroll Taxes					
FICA				\$ -	\$ -
MEDICARE				\$ -	\$ -
MEDICARE-Affordable Care Act				\$ -	\$ -
FUTA				\$ -	\$ -
SUTA				\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -	\$ -
LESS Capitalized					
Total Payroll			\$ -	\$ -	\$ -
Other Taxes					
Other taxes and Licenses			\$ -		\$ -
Total Other Taxes	\$ -		\$ -	\$ -	\$ -
TOTAL TAXES OTHER THAN INCOME	\$ 5,269	\$ (5,269)	\$ -	\$ -	\$ -

SOAH DOCKET NO. 473-18-1228 WS
PUC DOCKET NO. 47161
COMPANY NAME Kerr County WS
TEST YEAR END 31-Dec-16

Staff Schedule V
Federal Income Taxes

	Test Year Total	Company Requested Test Year Total	Staff Adjustments To Company Request	Staff Adjusted Total
	(a)	(c)=(a)+(b)	(d)	(e)=(c)+(d)
FEDERAL INCOME TAXES				
Return	Total	\$ 3,517.68	\$ 2,665.52	\$ 6,183.20
Less				
Interest Included in Return		\$ -		\$ 1,789.41
Plus				
Other Adjustments				
TAXABLE COMPONENT OF RETURN		\$ 3,517.68	\$ 876.12	\$ 4,393.79
TAX RATE		87.530%		21%
TAX FACTOR $(1/(1-TR))*(TR)$		7.019246190858E+00		0.265822785
FEDERAL INCOME TAX BEFORE ADJUSTMENTS		\$ 24,691.43	\$ (23,523.46)	\$ 1,167.97
LESS				
Adjustments		\$ -		
TOTAL FEDERAL INCOME TAXES		\$ 24,691.43	\$ (23,523.46)	\$ 1,167.97

Public Utility Commission of Texas

Memorandum in Support of Plant in Service

TO: John Harrison, Attorney
Legal Division

FROM: Jolie Mathis, Engineering Specialist
Infrastructure Division

DATE: September 30, 2020

SUBJECT: **Docket No. 47161**; *Application of Kerr County Water Systems, LLC for Authority to Change Rates*

Background

On July 3, 2017, Kerr County Water Systems, LLC (Kerr County WS), Certificate of Convenience and Necessity (CCN) No. 13166, filed an application with the Public Utility Commission of Texas (Commission) for a water rate change with an effective date of August 1, 2017, in Kerr County, Texas. The increase affects approximately 88 connections served by the Bumblebee Hills Water Systems public water system (PWS) No. 1330092.

On September 30, 2020, the parties filed a second amended unanimous stipulation and settlement agreement. The Staff Schedules¹ supporting the revenue requirement and rates agreed to by the parties include an increase in the original cost of plant in service from \$38,815 to \$281,892. Staff presents this memorandum to provide further evidence in support of this increase.

Plant in Service

The stipulation includes an adjustment to the Kerr County WS's original cost of plant in service from \$38,815 to \$281,892. The original cost for Kerr County WS's well and distribution system were derived from a trending study because Kerr County WS did not have records available for these two assets and claimed zero original cost in the application. The trending cost study will be addressed in the memorandum of Heidi Graham, which indicates a trended original cost of \$8,088 for the well and \$234,614 for the distribution system. These figures were added to the original cost of the other plant in service requested in Kerr County WS's application as reflected in Table 1 below. Based on the revised original cost of \$281,892, Staff adjusted the accumulated depreciation requested in the application from \$15,585 to \$200,735 reflected in Table 1 below. With Staff's adjustments to the original cost of plant in service and accumulated depreciation, the net plant increased from \$23,230 to \$81,157. Table 2 below reflects the summary of Staff changes to the original cost and accumulated depreciation requested in the application.

¹ The Staff Schedules are included in Attachment B to the settlement agreement.

Table 1

Utility Name: Kerr County Water Systems
 Docket Number: 47161
 SOAH Docket Number: 473-18-1228.WS
 Date Referenced: 31-Dec-16

Description	Acquired Date	Claimed Economic Life, yrs	Claimed Original Cost	% Used & Useful	Ver./Est. Original Cost	Economic Life, yrs	Actual Deprec. Life	Annual Deprec.	Accum Deprec	Net Plant*
Land	1-Jan-08	n/a		100%	0	n/a	n/a	n/a	n/a	0
Well	20-Apr-79		8088	100%	8,088	50	37.70	\$162	6,098	1,990
Pumps:										
Booster,<SHP	4-Apr-13	5	1594	100%	1,594	5	3.74	\$319	1,193	401
Booster,>SHP	18-Oct-13	10	1318	100%	1,318	10	3.20	\$132	422	896
Well,<SHP	26-Sep-11	10	10171	100%	10,171	10	5.26	\$1,017	5,355	4,816
Well,>SHP	12-Aug-10	10	4000	100%	4,000	10	6.39	\$400	2,555	1,445
Tanks										
Storage	20-Apr-79	50	2659	100%	2,659	50	37.70	\$53	2,005	654
Storage Tanks	20-Apr-79	50	4000	100%	4,000	50	37.70	\$80	3,016	984
PWS Lock down lids	20-Apr-79	50	375	100%	375	50	37.70	\$8	283	92
Pressure Tanks	31-Dec-15	50	12414	100%	12,414	50	1.00	\$248	249	12,165
Water Pump	1-Jan-09	5	2659	100%	2,659	5	8.00	--	2,659	0
Distribution	20-Apr-79	50	234614	100%	234,614	50	37.70	\$4,692	176,900	57,714
			\$281,892		\$281,892			\$7,111	\$200,735	\$81,157

Table 2

ACCOUNT TITLES	COMPANY AMOUNT (a)	STAFF ADJUST (b)=(c)-(a)	STAFF AMOUNT (c)
PLANT IN SERVICE/ORIGINAL COST	\$38,815	\$243,077	\$281,892
LESS: ACCUMULATED DEPRECIATION	\$15,585	\$185,150	\$200,735
	0		0
NET PLANT	\$23,230	\$57,487	\$81,157

Public Utility Commission of Texas

Memorandum in Support of Trending Study

TO: John Harrison, Attorney
Legal Division

FROM: Heidi Graham
Infrastructure Division

DATE: September 30, 2020

SUBJECT: **Docket No. 47161**; *Application of Kerr County Water Systems, LLC for Authority to Change Rates*

Background

On July 3, 2017, Kerr County Water Systems, LLC (Kerr County WS) Certificate of Convenience and Necessity (CCN) No. 13166, filed an application with the Public Utility Commission of Texas (Commission) for a water rate change with an effective date of August 1, 2017, in Kerr County, Texas. The increase affects approximately 88 connections served by the Bumblebee Hills Water Systems public water system (PWS) No. 1330092.

On September 30, 2020, the parties filed a second amended unanimous stipulation and settlement agreement. The Staff Schedules¹ supporting the revenue requirement and rates agreed to by the parties include an increase in the total original cost of plant in service from \$38,815 to \$281,892. Staff presents this memorandum to provide further evidence in support of this increase.

Original Cost of Plant in Service

Under 16 Texas Administrative Code § 24.41(c)(2)(C)(i), plant and equipment for which the original cost has been estimated by a trending study may be included in the cost of service when there are no historical records of original cost available for verification purposes. Staff prepared a trending study to estimate the original cost of Kerr County WS's well and distribution system using the Handy Whitman Index, Water Utility Construction Cost Trend Tables. Kerr County WS provided the original well driller's log to establish the installation date of the well. Staff assumed that the distribution system was constructed soon after the well was completed, and therefore, used the same date to establish the installation date of the distribution system. Kerr County WS also provided estimates for the current cost of drilling the well and construction of the distribution system from Vlasek Pump Company to be used as the current replacement costs in the trending study. The results of the trending study are in the table below. The trended original cost of the well is \$8,088 and the trended original cost of the distribution system is \$234,614.

¹ The Staff Schedules are included in Attachment B to the settlement agreement.

Docket 47161
Kerr County Water Systems, LLC
Trending Study using Handy Whitman Index
Bumblebee Hills Subdivision

Asset Type	Date of Estimate	Current Replacement Cost	Date Installed	Staff's Install Trending Value from Handy Whitman Index	Staff's Current Date Value per Date of Replacement Cost from Handy Whitman Index	Staff's Calculation of Multiplier	Staff's Trended Original Asset Cost
Wells	2/27/2018	\$20,699	4/20/1979	177	453	0.391	\$8,088
Distribution System	2/27/2018	\$413,018	4/20/1979	192	338	0.568	\$234,614
		\$433,717					\$242,702

BB Wells Well

original copy by
mailed mail to the
Department of Water Resources
Box 13087
Austin, Texas 78711

State of Texas
WATER WELL REPORT

For TDWR use only
Well No. _____
Located on map _____
Received: _____

OWNER Bill Vlasek Address P. O. Box 444, Hunt, TX 78024
(Name) (Street or RFD) (City) (State) (Zip)

LOCATION OF WELL: County Kerr 6 miles in West direction from Ingram
(N.E., S.W., etc.) (Town)

(F-M 39 West)

Driller must complete the legal description to the right
distance and direction from two intersecting sec-
tion or survey lines, or he must locate and identify the
well on an official Quarter- or Half-Scale Texas County
General Highway Map and attach the map to this form.

Legal description:
Section No. _____ Block No. _____ Township _____
Abstract No. _____ Survey Name _____
Distance and direction from two intersecting section or survey lines _____
 See attached map.

TYPE OF WORK (Check): New Well Deepening Reconditioning Plugging
4) PROPOSED USE (Check): Domestic Industrial Public Supply Irrigation Test Well Other _____
5) DRILLING METHOD (Check): Mud Rotary Air Hammer Driven Bored Air Rotary Cable Tool Jetted Other _____

WELL LOG:
Date drilled 4/20/79
DIAMETER OF HOLE
Dia. (in.) From (ft.) To (ft.)
6 1/4 Surface 550

7) BOREHOLE COMPLETION:
 Open Hole Straight Wall Underreamed
 Gravel Packed Other _____
If Gravel Packed give interval ... from _____ ft. to _____ ft.

From (ft.)	To (ft.)	Description and color of formation material
0	30	Caliche brown limestone w/yellow clay
30	45	Brown limestone w/yellow clay
45	180	Med. grey shale
180	205	Brown limestone
205	255	Firm med. grey shale
255	280	Med. grey shale w/grey limestone ledges
280	330	Med. grey shale w/grey limestone ledges & gyp
330	355	Med. grey shale w/limestone ledges
355	380	Grey limestone, streaks grey shale, brown limestone
380	405	Grey sandstone
405	430	Grey limestone, red limestone, streaks red clay
430	455	Brown limestone, red limestone, fine red sand
455	480	Brown & red limestone w/fine red sand & red clay
480	490	Coarse red sand
490	550	Coarse red sand w/red limestone ledges

Casing or Screen (in.)	Material	Setting (ft.)	Gage Casing Screen
7	N Steel	492	above ground 40

CEMENTING DATA
Cemented from 492 ft. to surface ft.
Method used Pressure
Cemented by Texas Acidizers
(Company or Individual)

9) WATER LEVEL:
Static level 300 ft. below land surface Date 4/26/79
Artesian flow _____ gpm. Date _____

10) PACKERS: Type _____ Depth _____

11) TYPE PUMP:
 Turbin Jet Submersible Cylinder
 Other _____
Depth to pump bowls, cylinder, jet, etc., _____ ft.

WATER QUALITY:
Did you knowingly penetrate any strata which contained undesirable water? Yes No
If yes, submit "REPORT OF UNDESIRABLE WATER"
Type of water good Depth of strata 160'
Was a chemical analysis made? Yes No

12) WELL TESTS:
 Type Test: Pump Bailer Jetted Estimated
Yield: 200 gpm with _____ ft. drawdown after _____ hrs.

I hereby certify that this well was drilled by me (or under my supervision) and that each and all of the statements herein are true to the best of my knowledge and belief.

ME Charlie A. Kuhn Water Well Drillers Registration No. 1430
(Type or Print)

DRESS P. O. Box 21, Bulverde, TX. 78163
(Street or RFD) (City) (State) (Zip)

Drilled by HILL COUNTRY WATER, INC.
(Water Well Driller) (Company Name)

Use attach electric log, chemical analysis, and other pertinent information, if available.

Docket No. 47161