

Control Number: 48203



Item Number: 15

Addendum StartPage: 0

DOCKET NO. 48203

**APPLICATION OF AQUA TEXAS,
INC. TO AMEND ITS CERTIFICATE
OF CONVENIENCE AND
NECESSITY IN FORT BEND
COUNTY**

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§
§

**PUBLIC UTILITY COMMISSION
OF TEXAS**

2018 SEP 12 PM 12:57

PUBLIC UTILITY COMMISSION
CLERK

COMMISSION STAFF'S FINAL RECOMMENDATION

COMES NOW the Staff of the Public Utility Commission of Texas (Staff), representing the public interest and files this Final Recommendation.

I. BACKGROUND

On March 23, 2018, Aqua Texas, Inc., (Aqua Texas or Applicant) filed with the Public Utility Commission of Texas (Commission) an application to amend its water Certificate of Convenience and Necessity (CCN) No. 13203 in Fort Bend County, Texas pursuant to Texas Water Code §§ 13.241-13.250 and 16 Texas Administrative Code §§ 24.101-24.107.

On September 5, 2018, Order No. 4 was issued granting Staff's request for an amended procedural schedule and requiring Staff to file a final recommendation on or before September 14, 2018. Therefore, this pleading is timely filed.

II. STAFF'S FINAL RECOMMENDATION

Staff has reviewed the application and recommends that this application for a CCN amendment be approved. As supported by the memorandum of Jolie Mathis of the Water Utility Regulation Division at Attachment A, Staff recommends that the application be found to comply with the criteria outlined for CCN amendments in the Texas Water Code §§ 13.241-250 (TWC) and 16 Texas Administrative Code §§ 24.101-107 and that it be approved. . In accordance with this recommendation, the corresponding map (Attachment B), certificate (Attachment C) and tariff (Attachment D) that were consented by Aqua Texas on September 7, 2018 are attached. On or before September 21, 2018, the parties will jointly proposed findings of fact, including findings that address the factors in TWC § 13.246(c), and conclusions of law. Staff further recommends that Aqua Texas file certified copies of the CCN map along with a written description of the CCN service area in the county clerk's office pursuant to TWC §§ 13.257(r)-(s).

III. CONCLUSION

Staff respectfully requests that the ALJ issue an order consistent with the above recommendations.

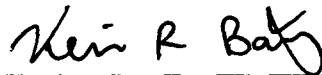
Date: September 12, 2018

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF
TEXAS LEGAL DIVISION**

Margaret Uhlig Pemberton
Division Director

Karen S. Hubbard
Managing Attorney

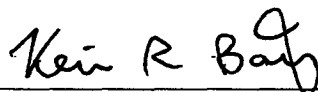


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DOCKET NO. 48203

CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on the September 12, 2018 in accordance with 16 TAC § 22.74.



Kevin R. Bartz

ATTACHMENT A

PUC Interoffice Memorandum

To: Kevin Bartz, Attorney
Legal Division

Thru: Tammy Benter, Director
Heidi Graham, Manager
Water Utility Regulation Division

From: Jolie Mathis, Engineering Specialist
Water Utility Regulation Division

Date: September 12, 2018

Subject: **Docket 48203**, *Application of Aqua Texas, Inc. to Amend its Certificate of Convenience and Necessity (CCN) in Fort Bend County*

On March 23, 2018, Aqua Texas, Inc., (Aqua Texas or Applicant) filed with the Public Utility Commission of Texas (Commission) an application to amend its water Certificate of Convenience and Necessity (CCN) No. 13203 in Fort Bend County, Texas pursuant to Texas Water Code Ann. (TWC) §§ 13.241 to 13.250 and the 16 Tex. Admin Code (TAC) §§ 24.101 to 24.107.

Background

The Applicant is seeking to amend a water CCN for the service area containing approximately 66 acres and 0 existing customers.

Notice

The comment period ended June 13, 2018, and no protests or opt-out requests were received.

Criteria Considered

TWC § 13.246(c) requires the Commission to consider nine criteria when granting or amending a CCN. Therefore, the following criteria were considered:

TWC § 13.246(c)(1) requires the commission to consider the adequacy of service currently provided to the requested area.

There is no service currently provided to the requested area.

TWC § 13.246(c)(2) requires the commission to consider the need for service in the requested area.

KB Home Lone Star Inc., FBCMUD 200, and Aqua Texas entered into a utility agreement for Aqua Texas, Inc. to be the retail water and wastewater utility service for a residential development project called Deer Run Meadows.

TWC § 13.246(c)(3) requires the commission to consider the effect of granting an amendment on the recipient and on any other retail public utility servicing the proximate area.

There will be no effect on any retail public utility servicing the proximate area as there are no other water providers in the area.

TWC § 13.246(c)(4) requires the commission to consider the ability of the Applicant to provide adequate service.

The Applicant has a Texas Commission on Environmental Quality (TCEQ) registered under Public Water System (PWS) Identification No. 0790423. The Applicant does not have any violations listed in the TCEQ database.

On May 11, 2018, TCEQ approved Proposed Water Plant No. 2 for construction to serve the new residential development project, Deer Run Meadows. On May 23, 2018, TCEQ approved a proposed distribution system for construction for Deer Run Meadows, Section 1.

TWC § 13.246(c)(5) requires the commission to consider the feasibility of obtaining service from an adjacent retail public utility.

Currently, there are no other water providers in the area.

TWC § 13.246(c)(6) requires the commission to consider the financial ability of the Applicant to pay for facilities necessary to provide continuous and adequate service.

16 TAC § 24.11 establishes criteria to demonstrate that an owner or operator of a retail public utility has the financial resources to operate and manage the utility and to provide continuous and adequate service to the current and proposed utility service area. 16 TAC § 24.11(e) lists the financial tests. The Applicant must meet one of the leverage tests and the operations test. The below information is taken from a copy of audited financial statements for the fiscal year ending December 31, 2015 and December 31, 2016. The following discussion shows that the Applicant meets the required criteria:

- 1) 16 TAC § 24.11(e)(2) refers to the leverage test.
 - a. The Applicant meets the leverage test based on:
 - i. $\text{Ratio} = \$1,759,962,000 / \$1,850,068,000 = 0.95$
 - ii. Net Position = \$1,850,068,000
 - iii. Long-term Notes payable 2016 = \$1,759,962,000
 - b. 16 TAC § 24.11(e)(2)(B) states the owner or operator must have a debt service coverage ratio of more than 1.25 using annual net operating income before depreciation and non-cash expenses divided by annual combined long term debt payments. The Applicant meets the leverage test based on:
 - i. Annual Net Operating Income before depreciation and non-cash expenses = \$514,978,000
 - ii. Annual Long-term debt payments = \$150,671,000
 - iii. $\text{Ratio} = \$514,978,000 / \$150,671,000 = 3.42$
- 2) 16 TAC § 24.11(e)(3) refers to the operations test. This states that the owner or operator must demonstrate that sufficient cash is available to cover any projected operations and maintenance shortages in the first five years of operations.

Aqua has not projected any losses and Staff believes that Aqua has enough liquid cash to offset any losses should they occur.

TWC §§ 13.246(7) and (9) require the commission to consider the environmental integrity and the effect on the land to be included in the certificate.

Serving the property with a centralized water system will reduce the need for individual wells, which represents an environmental benefit to the land.

TWC § 13.246(8) requires the commission to consider the probable improvement in service or lowering of cost to consumers.

This is a new system so an improvement in service or lowering of cost is not applicable.

Staff recommends that the Applicant meets all of the statutory requirements of TWC Chapter 13 and the Commission's Chapter 24 rules and regulations, is capable of providing continuous and adequate service and approving this application to amend a water CCN No. 13203 is necessary for the service, accommodation, convenience and safety of the public.

The Applicant consented to the attached map, tariff and certificate on September 7, 2018.

Based on the above information, Staff recommends the application be approved, an order issued, and the attached map, tariff and certificate be provided to Aqua Texas, Inc. Staff further recommends that the Applicant file certified copies of the CCN maps along with a written description of the CCN service area in the county clerk's office pursuant to TWC §§ 13.257 (r)-(s).

ATTACHMENT B

Aqua Texas, Inc.
Portion of CCN No. 13203
PUC Docket No. 48203
Amended CCN No. 13203 in Fort Bend County



Public Utility Commission of Texas
1701 N. Congress Ave
Austin, TX 78701

Water CCN



13203 - Aqua Texas Inc

0 500 1,000
Feet



Map by: Komal Patel
Date created: August 3, 2018
Project Path: n:\finalmapping\
48203AquaTexas.mxd

ATTACHMENT C



Public Utility Commission of Texas

By These Presents Be It Known To All That

Aqua Texas, Inc.

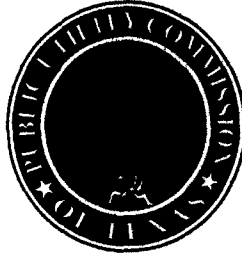
having obtained certification to provide water utility service for the convenience and necessity of the public, and it having been determined by this Commission that the public convenience and necessity would in fact be advanced by the provision of such service, Aqua Texas, Inc., is entitled to this

Certificate of Convenience and Necessity No. 13203

to provide continuous and adequate water utility service to that service area or those service areas in Brazoria, Chambers, Fort Bend, Grimes, Harris, Jefferson, Liberty, Montgomery, Polk, San Jacinto, Trinity, and Wharton Counties as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 48203 are on file at the Commission offices in Austin, Texas; and are a matter of official record available for public inspection; and be it known further that these presents do evidence the authority and the duty of Aqua Texas, Inc., to provide such utility service in accordance with the laws of this State and Rules of this Commission, subject only to any power and responsibility of this Commission to revoke or amend this Certificate in whole or in part upon a subsequent showing that the public convenience and necessity would be better served thereby.

Issued at Austin, Texas, the _____ day of _____ 2018.

ATTACHMENT D



WATER UTILITY TARIFF
Southeast Region
Docket Number: 48203

Aqua Texas, Inc. d/b/a Aqua Texas
(Utility Name)

1106 Clayton Lane, Suite 400W
(Business Address)

Austin, TX 78723
(City, State, Zip Code)

(512) 990-4400
(Area Code/Telephone)

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

13203

This tariff is effective in the following counties:

Brazoria, Chambers, Fort Bend, Grimes, Harris, Jefferson, Liberty, Montgomery, Polk, San Jacinto, Trinity, Wharton

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

City of Cut and Shoot, City of Dayton, City of Houston, City of Pearland, City of Port Arthur, City of Weston Lakes

The rates set or approved by the city for the systems entirely within its corporate boundary are not presented in this tariff. Those rates are not under the original jurisdiction of the PUC and will have to be obtained from the city or utility. The rates charged within the City of Houston were established through a settlement agreement. Those rates will have to be obtained from the city or the utility.

This tariff is effective in the following subdivisions or systems:

See attached Table

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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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This tariff is effective for the following systems, subdivisions and areas

0200024	Wagon Wheel Estates Water System	Cas Con Acres Richland Hills Subdivision Wagon Wheel Estates	Brazoria	SE Region
0200617	Palm Crest	Palm Crest	Brazoria	SE Region
0360096	Plantation on Cotton Bayou	Plantation on Cotton Bayou	Chambers	SE Region
0790261	Niagra Public Water Supply	Niagra Subdivision Astro Service Area	Fort Bend	SE Region
0790385	Fulbrook Subdivision Water Plant	Fulbrook Subdivision	Fort Bend	SE Region
0790389	Shadow Grove Estates	Shadow Grove Estates	Fort Bend	SE Region
0790396	Rosemeadows III	Rosemeadows III	Fort Bend	SE Region
0790405	Riverwood Forest	Riverwood Forest	Fort Bend	SE Region
0790423	Lake of Mission Grove	Lake of Mission Grove Deer Run Meadows	Fort Bend	SE Region
0930042	West Magnolia Forest	West Magnolia Forest	Grimes	SE Region
1010068	Industrial Utilities	Jacintoport Industrial Park	Harris	SE Region
1010129	Glen Forest Estates	Glen Forest Estates	Harris	SE Region
1010254	Cypress Place	Cypress Place	Harris	SE Region
1010288	Mobile Home Estates	Mobile Home Estates	Harris	SE Region
1010307	Redwood Estates Mobile Home Park	Green River Estates Redwood Estates Mobile Home Park	Harris	SE Region
1010532	Candlelight Hills Subdivision	Candlelight Hills Subdivision	Harris	SE Region
1010535	Pine Trails Utility	Pine Trails Subdivision	Harris	SE Region
1010622	Westgate Subdivision	Westgate Subdivision	Harris	SE Region
1010809	Bammel Oaks Estates I	Bammel Oaks Estates Section 1	Harris	SE Region
1010810	Bammel Oaks Estates II	Bammel Oaks Estates Section 2	Harris	SE Region
1010915	North Wood Estates	North Wood Estates	Harris	SE Region
1010947	Cricket Hill Estates	Cricket Hill Estates	Harris	SE Region
1011014	Brittmoore Utility	Blazer Business Park Tanner Business Park Hahls Suburban Farms Harcourt Farms Hilltop Acres Independence Farms Jersey Acres Perimeter Park PetroPark & PAR	Harris	SE Region
1011084	Boudreaux Gardens	Boudreaux Gardens	Harris	SE Region
1011510	Marks Glen Subdivision	Marks Glen Subdivision	Harris	SE Region
1011536	Kitzwood Subdivision	Kitzwood Subdivision	Harris	SE Region
1011633	Oak Manor	Oak Manor J & W	Harris	SE Region
1011647	Creeside Estates South	Creeside Estates South North Pines MHP	Harris	SE Region

1011651	Cypress Fields Subdivision	Cypress Fields Subdivision	Harris	SE Region
1011687	Atascocita Acres Subdivision	Atascocita Acres Subdivision	Harris	SE Region
1011803	Oakwood Village Mobile Home Subdivision	Oakwood Village Mobile Home Subdivision	Harris	SE Region
1011860	Berry Hill Estates	Berry Hill Estates	Harris	SE Region
1011861	Rolling Oaks	Rolling Oaks	Harris	SE Region
1011865	Tasfield	Tasfield	Harris	SE Region
1011955	Peek Road Utilities	Peek Road Mobile Home Park (f/k/a Katy Estates)	Harris	SE Region
1012806	Alton Theiss Subdivision	Alton Theiss Subdivision	Harris	SE Region
1013041	Park Forest Subdivision	Park Forest Subdivision Secret Forest Subdivision	Harris	SE Region
1013050	Lakes of Rosehill Water System	Lakes of Rosehill Mills Tract	Harris	SE Region
1013089	Heron Lakes Estates	Heron Lakes Estates Windfern Windfern Trace	Harris	SE Region
1013103	Stable Gates	Stable Gates	Harris	SE Region
1013127	Fairway Crossing	Fairway Crossing	Harris	SE Region
1013144	Classic Pines Subdivision	Classic Pines Subdivision (f/k/a Northbelt Forest II)	Harris	SE Region
1013153	Imperial Valley MHS	Imperial Valley MHS	Harris	SE Region
1013159	Hunters Village Subdivision	Hunters Village Subdivision	Harris	SE Region
1013187	Summer Lakes Ranch	Summer Lakes Ranch	Harris	SE Region
1013189	Country Club Green	Country Club Green	Harris	SE Region
1013195	Walraven Subdivision	Walraven Subdivision	Harris	SE Region
1013262	Estates of Willow Creek	Estates of Willow Creek	Harris	SE Region
1013296	Cypress Creek Ranch	Cypress Creek Ranch	Harris	SE Region
1230037	Country Side Estates	Beauxart Gardens Cloverdale Addition Country Side Estates Shamrock Acres	Jefferson	SE Region
1460102	Cedar Estates	Cedar Estates Subdivision	Liberty	SE Region
1460115	South Dayton Oaks	South Dayton Oaks (former Champion Water Service Area)	Liberty	SE Region
1460136	Dayton Oaks Estates	Dayton Oaks Estates (former Champion Water Service Area)	Liberty	SE Region
1460141	Dayton Creek Water System	Dayton Creek (former Champion Water Service Area)	Liberty	SE Region

1700096	Crystal Forest Subdivision	Crystal Forest Subdivision	Montgomery	SE Region
1700128	Walnut Springs	Fawnwood Walnut Springs	Montgomery	SE Region
1700129	Dogwood Hills	Dogwood Hills	Montgomery	SE Region
1700134	Lake Conroe Forest Subdivision	Forest Water & Sewer Service Area Lake Conroe Forest Subdivision Lake Conroe Development Tejas Creek	Montgomery	SE Region
1700201	Westwood I & II	Westwood I & II	Montgomery	SE Region
1700216	Oakwood Acres	Oakwood Acres	Montgomery	SE Region
1700264	Deerwood Subdivision	Deerwood Subdivision	Montgomery	SE Region
1700279	Carriage Hills	Carriage Hills	Montgomery	SE Region
1700287	Turtle Creek	Turtle Creek Subdivision	Montgomery	SE Region
1700321	Wilshire Subdivision	Wilshire Subdivision	Montgomery	SE Region
1700324	Huntington Estates	Huntington Estates	Montgomery	SE Region
1700330	Decker Woods Subdivision	Decker Woods Subdivision	Montgomery	SE Region
1700356	Bear Branch Estates	Bear Branch Estates	Montgomery	SE Region
1700393	Shadow Bay Subdivision	Shadow Bay Subdivision	Montgomery	SE Region
1700437	Clear Creek Forest Section 12	Clear Creek Forest Section 12	Montgomery	SE Region
1700529	Lake Creek Forest	Lake Creek Forest	Montgomery	SE Region
1700543	Lake Conroe Village	Lake Conroe Village	Montgomery	SE Region
1700555	Cimarron Country	Cimarron Country	Montgomery	SE Region
1700601	Brushy Creek	Brushy Creek	Montgomery	SE Region
1700641	Timberloch Estates	Timberloch Estates	Montgomery	SE Region
1700651	Indigo Ranch	Indigo Ranch	Montgomery	SE Region
1700657	Woodland Ranch	Woodland Ranch	Montgomery	SE Region
1700665	Greenfield Forest	Greenfield Forest	Montgomery	SE Region
1700666	Old Egypt Subdivision	Old Egypt Subdivision	Montgomery	SE Region
1700670	White Oak Ranch Section One	White Oak Ranch	Montgomery	SE Region
1700702	Estates of Legends Ranch	Estates of Legends Ranch Elan Tract	Montgomery	SE Region
1700851	Black Oak Water System	Black Oak	Montgomery	SE Region
1700857	Enclave at Dobbin Water System	Enclave at Dobbin	Montgomery	SE Region
1870155	Cedar Point	Cedar Point	Polk	SE Region
1870156	Lake Livingston Village Water Utility	Lake Livingston Village	Polk	SE Region
2040038	Camilla Twin Harbor	Camilla Twin Harbor	San Jacinto	SE Region
2280031	Port Adventure	Port Adventure	Trinity	SE Region
2410010	Pyssens Live Oak Estates Subdivision	Pyssens Live Oak Estates Subdivision	Wharton	SE Region

SECTION 1.0 -- RATE SCHEDULE

Section 1.01 - Rates

<u>Meter Size</u>	<u>Monthly Minimum Charge</u> (Includes 0 gallons)	<u>Gallage Charge</u> \$3.70 per 1,000 gallons used
5/8" or 3/4"	<u>\$31.00</u>	
1"	<u>\$87.50</u>	
1½"	<u>\$175.00</u>	
2"	<u>\$280.00</u>	
3"	<u>\$560.00</u>	
4"	<u>\$875.00</u>	
6"	<u>\$1750.00</u>	
8"	<u>\$2800.00</u>	
10"	<u>\$4025.00</u>	
12"	<u>\$8750.00</u>	

Monthly minimum charge for any water meter size larger than 12" meter will be calculated using American Water Works Association approved meter equivalency factors.

Regional Pass through Gallage Charge.....\$1.3111

The calculation for the regional pass through gallage charge must comply with the formula set out in Exhibit A of the settlement agreement entered into by all parties.

Federal Tax Change Credit Rider: (6.38%) of the monthly retail bill
(Effective May 1, 2018; *Tariff Control No. 48197*)

Federal Tax Change Credit Rider: (4.58%) of the monthly retail bill
(Effective January 1, 2019; *Tariff Control No. 48197*)

REGULATORY ASSESSMENT1.0%

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).

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

Cash X (if in person), 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.

Section 1.02 – Miscellaneous Fees

TAP FEE\$750.00

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

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

FOR EXAMPLE, A ROAD BORE FOR CUSTOMERS OUTSIDE OF A SUBDIVISION IS A UNIQUE COST. UNIQUE COSTS WILL BE DETERMINED ON A CASE-BY-CASE BASIS.

SECTION 1.0 -- RATE SCHEDULE (Continued)

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

THIS TAP FEE IS BASED ON THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR METERS LARGER THAN STANDARD 5/8" x 3/4" METERS. UNIQUE COSTS, SUCH AS ROAD BORES WILL BE CHARGED IN ADDITION TO THIS TAP FEE AT THEIR ACTUAL COST OF INSTALLATION.

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) Non-payment of bill (Maximum \$25.00)..... \$25.00
- b) Customer's request \$75.00

TRANSFER FEE \$50.00

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%

PUC RULES ALLOW A ONE-TIME PENALTY MAY BE MADE 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 \$50.00

CUSTOMER DEPOSITS - COMMERCIAL OR NON-RESIDENTIAL . 1/6TH OF ESTIMATED ANNUAL BILL

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.

METER SERVICE RELOCATION FEE (Customer's Request) Actual Cost

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

STANDARD METER INSTALLATION FEE \$150.00

TO BE CHARGED WITH UNMETERED SERVICE EXISTS ON THE SYSTEM THAT SHOULD BE METERED TO BE IN COMPLIANCE WITH THE UTILITY'S TARIFF BUT THE CONVERSION OF THE SERVICE WOULD NOT REQUIRE A FULL TAP AND ALL OF ITS COSTS. THIS FEE WILL BE A SHARING OF COSTS BETWEEN THE CUSTOMER AND THE UTILITY. THE CUSTOMER MAY HAVE THE OPTION OF PAYING THE FEE OVER NO MORE THAN THREE (3) MONTHS.

SECTION 1.0 -- RATE SCHEDULE (Continued)

CUSTOMER SERVICE INSPECTION FEE \$100.00

SERVICE APPLICANTS MAY CHOOSE TO HAVE CUSTOMER SERVICE INSPECTIONS REQUIRED BY TCEQ RULE 290.46(J) PERFORMED BY ANY STATE-LICENSED INSPECTOR OF THEIR CHOICE. UNLESS THE SERVICE APPLICANT CHOOSES TO ARRANGE FOR AND PAY FOR THE INSPECTION INDEPENDENTLY, THE UTILITY MAY CHARGE SERVICE APPLICANTS THE CUSTOMER SERVICE INSPECTION FEE AT THE TIME THEY APPLY FOR SERVICE. THE UTILITY MAY HAVE THE INSPECTION PERFORMED BY A LICENSED THIRD PARTY CONTRACTOR.

ILLEGAL RECONNECTION, LOCK REMOVAL OR DAMAGE FEE \$85.00

IN ORDER TO REIMBURSE THE UTILITY WITHOUT BURDENING OTHER CUSTOMERS WITH HIGHER RATES FOR THE ADDITIONAL COST OF SERVICE TRIPS TO DISCONNECT A CUSTOMER/ACCOUNT HOLDER WHO HAS BEEN DISCONNECTED FOR NONPAYMENT AND TO PAY FOR THE COST OF BROKEN OR CUT LOCKS AND SERVICE TIME, THIS FEE SHALL BE ASSESSED TO THE ACCOUNT HOLDER OF ANY DELINQUENT ACCOUNT THAT HAS BEEN DISCONNECTED FOR NONPAYMENT BY VALVING OFF, LOCKING OR REMOVING THE METER WHEN SERVICE TO THE PREMISES IS SUBSEQUENTLY RECONNECTED BY NON-UTILITY PERSONNEL BY CUTTING OR REMOVING THE LOCK, REOPENING THE VALVE, OR REMOVING OR BYPASSING THE METER WITHOUT AUTHORIZATION BY THE UTILITY. THIS FEE MAY BE CHARGED EACH TIME AN EVENT OCCURS AND SERVICE WILL NOT BE RECONNECTED UNTIL THIS FEE IS PAID IN ADDITION TO ANY OTHER BALANCES AND RECONNECT FEES. THIS FEE SHALL NOT BE CHARGED IF A FEE FOR DAMAGED METER IS CHARGED OR IF THE ACCOUNT HOLDER OR HIS/HER REPRESENTATIVE INFORMS THE UTILITY WITHIN 24 HOURS AFTER DISCOVERING THAT SERVICE HAS BEEN RESTORED WITHOUT AUTHORIZATION OF THE UTILITY: (1) THAT SERVICE WAS RECONNECTED WITHOUT THE ACCOUNT HOLDER'S PERMISSION; AND (2) THE ACCOUNT HOLDER AGREES TO PAY FOR ALL WATER USED.

DAMAGED METER AND APPURTENANCES FEE Actual Cost

THIS FEE SHALL BE ASSESSED TO THE ACCOUNT HOLDER OF ANY DELINQUENT ACCOUNT THAT HAS BEEN DISCONNECTED FOR NON-PAYMENT BY VALVING OFF OR LOCKING THE METER WHEN THE METER AND/OR METER APPURTENANCES SUCH AS AN AMR UNIT OR THE CURB STOP ARE DAMAGED IN ORDER TO RESTORE WATER SERVICE TO THE ACCOUNT HOLDER'S ORIGINAL PLACE OF SERVICE REQUIRING THE UTILITY TO REPAIR OR REPLACE THEM. THE ACCOUNT HOLDER SHALL BE CHARGED THE FULL COST OF REPAIRING AND/OR REPLACING ALL DAMAGED PARTS AS THE UTILITY DEEMS NECESSARY, INCLUDING LABOR AND VEHICLE COSTS. THIS WILL INCLUDE REPLACEMENT OF METERS THAT HAVE HAD THEIR LOCKING EYES BROKEN OFF THE FLANGES.

GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE CLAUSE:

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(b)(2)(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 1.0 -- RATE SCHEDULE (Continued)

REGIONAL TEMPORARY WATER RATE:

UNLESS OTHERWISE SUPERSEDED BY PUC ORDER OR RULE, IF THE UTILITY IS ORDERED BY A COURT OR GOVERNMENTAL BODY OF COMPETENT JURISDICTION TO REDUCE ITS PUMPAGE, PRODUCTION OR WATER SALES, AQUA TEXAS SHALL BE AUTHORIZED TO INCREASE ITS APPROVED LINE ITEM CHARGES PER 1,000 GALLONS USED (GALLONAGE CHARGE & REGIONAL PASS-THROUGH GALLONAGE CHARGE) BY THE AMOUNT OF THE REGIONAL TEMPORARY RATE INCREASE ("RTWR") CALCULATED ACCORDING TO THE FORMULA:

$$RTWR = (((PRR)(CGC)(R))/(1.0-R))*((APV)/(RPV))$$

Where:

RTWR = Regional Temporary Water Rate increase per 1,000 gallons

CGC = current total volume charge per 1,000 gallons used (Gallorage Charge + Regional Pass-Through gallorage charge)

R = water use reduction expressed as a decimal fraction (the pumping restriction)

PRR = percentage of revenues to be recovered expressed as a decimal fraction, for this tariff PRR shall equal 0.5.

APV = Annual pumped and/or purchased volume from the most recent rate application for the system or systems where the temporary restrictions are imposed; or the most recent 12 months if more than 3 years have passed since the most recent rate application was filed; and

RPV = Annual pumped and purchased volume for Region from the most recent rate application; or the most recent 12 months if more than 3 years have passed since the most recent rate application was filed.

To implement the Regional Temporary Water Rate, Aqua Texas must comply with all notice and other requirements of 16 TAC § 24.21(l).

FEDERAL TAX CHANGE CREDIT RIDER (FTCCR):

The Federal Tax Change Credit Rider gives effect to the Tax Cuts and Jobs Act of 2017, which changed the federal corporate tax rate from 35% to 21%, by reducing the cost of service paid by customers taking service under this rate tariff. The FTCCR will provide credits to customers taking service under this rate tariff.

SECTION 1.0 -- RATE SCHEDULE (Continued)

REGIONAL PASS-THROUGH GALLONAGE CHARGE ADJUSTMENT:

INCREASES OR DECREASES IN COSTS, FEES, RATES AND CHARGES IMPOSED BY GOVERNMENTAL ENTITIES, WATER AUTHORITIES OR DISTRICTS HAVING JURISDICTION OVER AQUA TEXAS OR ITS OPERATIONS OR BY NON-AFFILIATED THIRD PARTY WATER SUPPLIERS OR WATER RIGHTS HOLDERS SELLING WATER OR WATER RIGHTS TO AQUA TEXAS SHALL BE PASSED THROUGH ON A REGIONAL BASIS AS A LINE ITEM REGIONAL PASS-THROUGH GALLONAGE CHARGE OR AN ADJUSTMENT TO THE EXISTING REGIONAL PASS-THROUGH GALLONAGE CHARGE USING THE FOLLOWING FORMULA:

$$\text{NRPTGC} = \text{ORPTGC} (+/-) \text{CRPTGC}$$

Where:

NRPTGC = New Regional Pass-Through Gallonage Charge;

ORPTGC = Original Regional Pass-Through Gallonage Charge;

CRPTGC = Change in Regional Pass-Through Gallonage Charge; and

$\text{CRPTGC} = ((\text{NVC} + (\text{VC} * \text{APV})) / (\text{RPV})) / (1 - \text{WL})$ Sum of all changes (all increases or decreases) since the last adjustment in costs, fees, rates and charges divided by the Regional Pumped and Purchases Volume divided by one minus water loss;

APV = Annual Pumped and/or Purchased Volume from the most recent rate application for the system or systems where the changes in costs, fees, rates and charges occurred; or the most recent 12 months if more than 3 years have passed since the most recent rate application was filed;

RPV = Annual Pumped and/or Purchased Volume for Region from the most recent rate application; or the most recent 12 months if more than 3 years have passed since the most recent rate application was filed;

WL = Annual water loss average for Region in most recent rate application not to exceed 0.15; or water loss, not to exceed 0.15, for the most recent 12 months if more than 3 years have passed since the most recent application was filed;

NVC = Annual non-volumetric cost change = annual increases or decreases in costs, fees, rates and charges that are not based on water purchased, pumped and/or billed;

VC = Volumetric Cost change = volumetric cost increases or decreases from costs, fees, rates and charges based on water purchased, pumped and/or billed.

SECTION 1.0 -- RATE SCHEDULE (Continued)

To implement a new Regional Pass-Through Gallonage Charge, Aqua Texas shall take the following actions:

1. Prior to the beginning of the billing period in which the revision takes place, submit written notice to the PUC with documentation supporting the line item Regional Pass-Through Gallonage Charge adjustment; and
2. Mail notice to affected customers separately at the beginning of the billing period or include written notice to affected customers with the billing sent out at the beginning of the billing period in which the new Regional Pass-Through Gallonage Charge becomes effective. The notice must contain: (a) the effective date of the change, (b) the then-present calculation of the line item Regional Pass-Through Gallonage Charge, (c) the new calculation of the line item Regional Pass-Through Gallonage Charge, and (d) the change in costs, fees, rates or charges to Aqua Texas prompting the adjustment to the line item Regional Pass-Through Gallonage Charge.

The notice will include the following language:

“This tariff change is being implemented in accordance with Aqua Texas’ approved Regional Pass-Through Gallonage Charge Adjustment provision to recognize (increases)(decreases) in the (costs), (fees), (rates) and (charges) imposed by (governmental entities), (water authorities) or (districts) (having jurisdiction over Aqua Texas or its operations) or (by non-affiliated third-party) (water suppliers) or (water rights holders) (selling water) or (water rights) to Aqua Texas. The cost of these charges to customers will not exceed the (increased)(decreased) cost of the (costs), (fees), (rates) and (charges) to Aqua Texas.”

The process of implementing the Regional Pass-Through Gallonage Charge Adjustment provision and the Executive Director’s review of a proposed revision to Aqua Texas’ line item Regional Pass-Through Gallonage Charge is an informal proceeding and not a contested case hearing. Only the Commission or Aqua Texas may request a hearing on the proposed revision. It shall not be considered a rate case under the Texas Water Code or PUC rules, and Texas Water Code § 13.187 shall not apply.

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 ten (10) 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. Notwithstanding any statement in this tariff to the contrary, the utility will serve each qualified applicant for service within the time limits prescribed in 16 TAC Chapter 24.85 (a) – (b) as that rule may be amended by the PUC.

Where service has previously been provided, service will be reconnected within three (3) working days 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 (2) years.

SECTION 2.0 - SERVICE RULES AND REGULATIONS (Continued)

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 (1/6) 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 customer who has paid 18 consecutive billings without being delinquent.

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 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 2.06 - 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 21 days from the date of issuance. If 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.

A late penalty of 10% will be charged on bills received after the due date. Customer payments post marked by the due date will not incur a late penalty. 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 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 2.07 - 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 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 has not been entered into within 31 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.

Section 2.08 - Reconnection of Service

Service will be reconnected within 36 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 2.10 - 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 2.0 - SERVICE RULES AND REGULATIONS (Continued)

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 2.20 - SPECIFIC UTILITY SERVICE RULES AND REGULATIONS

This section contains specific utility service rules in addition to the rules previously listed under Section 2.0. It must be reviewed and approved by the Commission and in compliance with PUC Rules to be effective.

The Utility adopts the administrative rules of the PUC, as the same may be amended from time to time, as its Company specific service rules and regulations. These rules will be kept on file at the Utility's offices for customer inspection during regular business hours. In the event of a conflict between the PUC's amended rules and the provisions of this tariff, the amended rules shall prevail. Where necessary, any conflicting provision of this tariff shall be deemed to have been superseded by the PUC rule in question to the degree that the Utility may conduct its lawful business in conformance with all requirements of said rule.

All payments for utility service shall be delivered or mailed to the remittance address on the Utility's bill received or paid using any method described on the Utility bill received. Cash payments are only accepted in person at designated payment locations as described in the Utility bill received. If the Utility or its authorized agent 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 a 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.

Customers shall 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 must install customer-owned and maintained cutoff valves on their side of the meter.

No water connection from any public drinking water supply system shall be made to any establishment where an actual or potential contamination or system hazard exists without an air gap separation between the drinking water supply and the source of potential contamination. The containment air gap is sometimes impractical and, instead, reliance must be placed on individual "internal" air gaps or mechanical backflow prevention devices.

Under these conditions, additional protection shall be required at the meter in the form of a backflow prevention device (in accordance with AWWA Standards C510 and C511, and AWWA Manual M14) on those establishments handling substances deleterious or hazardous to the public health. The water purveyor need not require backflow protection at the water service entrance if an adequate cross-connection control program is in effect that includes an annual inspection and testing by a certified backflow prevention device tester. It will be the responsibility of the water purveyor to ensure that these requirements are met.

Customer shall be liable for any damage or injury to utility-owned property or personnel shown to be caused by the customer, his invitees, his agents, his employees, or others directly under his control.

Limitation on Product/Service Liability. Public water utilities are required to deliver water to the customer's side of the meter or service connection that meets the potability and pressure standards of the TCEQ. The Utility will not accept liability for any injury or damage to individuals or their property occurring on the customer's side of the meter when the water delivered meets these state standards. The Utility makes no representations or warranties (expressed or implied) that customer's appliances will not be damaged by disruptions of or fluctuations in water service whatever the cause.

SECTION 2.20 - SPECIFIC UTILITY SERVICE RULES AND REGULATIONS (Continued)

The Utility will not accept liability for injuries or damages to persons or property due to disruption of water service caused by: (1) acts of God, (2) acts of third parties not subject to the control of the Utility if the Utility has undertaken such preventive measures as are required by PUC and TCEQ rules, (3) electrical power failures in water systems not required by TCEQ rule to have auxiliary power supplies, or (4) termination of water service pursuant to the Utility's tariff and the PUC's rules. The Utility is not required by law and does not provide fire prevention, fire flow, or firefighting services. The Utility therefore does not accept liability for fire-related injuries or damages to persons or property caused or aggravated by the availability (or lack thereof) of water or water pressure (or lack thereof) during fire emergencies. The Utility will accept liability for any injury or damage to individuals or their property directly caused by defective utility plant (leaking water lines or meters) or the repairs to or construction of the utility's facilities.

If the services of a registered professional engineer are required as a result of an application for service received by the Utility for service to that applicant's service extension only, the Utility and the applicant will select such engineer, and the applicant shall bear all expenses incurred therein.

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. Any applicant who places unique or non-standard service demands on the system may be required to provide contributions in aid of construction (as may be allowed by PUC rule) 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.

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 entitled to a written explanation of such costs prior to 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 have 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 or existing customer's property(ies) is located.

Tap fees may be increased by unique costs not normally incurred as may be permitted by 16 TAC 24.86(a)(1)(C).

The Utility adopts the Uniform Plumbing Code pursuant to TCEQ Rule 290.46(i). The piping and other equipment on the premises furnished by the customer will be maintained by the customer at all times in conformity with the requirements of the TCEQ, the Uniform Plumbing Code and with the service rules and regulations of the Utility. The customer will bring out his service line to his property line at the point on the customer's property mutually acceptable to the customer and the Utility subject to such requirements as may exist by PUC rule. No water service smaller than 5/8" will be connected. No pipe or pipe fitting which contains more than 8.0% lead can be used for the installation or repair of plumbing at any connection, which provides water for human use. No solder or flux, which contains more than 0.2% lead, can be used at any connection that provides water for human use.

The Utility will have the right of access to the customer's premises at all times reasonable 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.

SECTION 2.20 - SPECIFIC UTILITY SERVICE RULES AND REGULATIONS (Continued)

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. 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.

Threats to or assaults upon Utility personnel shall result in criminal prosecution.

Except in cases where the customer has a contract with the Utility for reserve or auxiliary service, no other water service will be used by the customer on the same installation in conjunction with the Utility's service, either by means of a crossover valve or any other connection. Customer shall not connect, or allow any other person or party to connect, onto any water lines on his premises. Two places shall not be permitted to be supplied with one service pipe where there is a water main abutting the premises.

No connection shall be allowed which allows water to be returned to the public drinking water supply. No backflow prevention device shall be permitted to be installed in the customer's plumbing without notice to and written permission from the Utility. Any backflow prevention devices so installed shall be inspected annually by a licensed backflow prevention device inspector or appropriately licensed plumber and a written report of such inspection delivered to the Utility.

No application, agreement, or contract for service may be assigned or transferred without the written consent of the Utility. It is agreed and understood that any and all meters, water lines, and other equipment furnished by the Utility (excepting the customer's individual service lines from the point of connection to customer's structures on customer's premises) are and shall remain the sole property of the Utility, and nothing contained herein or in a contract/application for service shall be construed to reflect a sale or transfer of any such meters, lines, or equipment to any customer. All tap and extension charges shall be for the privilege of connecting to said water lines and for installation, not purchase, of said meters and lines.

Applicants for service at new consuming facilities or facilities which have undergone extensive plumbing modifications are required to deliver to the Utility a certificate that their facilities have been inspected by a state-licensed inspector and that they are in compliance with all applicable plumbing codes and are free of potential hazards to public health and safety. Service may be denied until the certificate is received or any identified violations or hazards are remedied. The Utility is not required to perform these inspections for the applicant/customer, but will assist the applicant/customer to locate and obtain the services of a licensed inspector in a timely manner. When potential sources of contamination are identified which, in the opinion of the inspector or the Utility, require the installation of a state-approved backflow prevention device, such backflow prevention device shall be installed on the customer's service line or other necessary plumbing facilities by an appropriately licensed plumber/backflow prevention device specialist at the customer's expense. The backflow prevention device shall be maintained by the customer at his expense and inspected annually by a licensed inspector. Copies of the annual inspection report must be provided to the Utility. Failure to comply with this requirement may constitute grounds for termination of water service with notice.

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. Access to meters and cutoff valves shall be controlled by the provisions of 16 TAC 24.89(c).

SECTION 2.20 - SPECIFIC UTILITY SERVICE RULES AND REGULATIONS (Continued)

Where necessary to serve an applicant's property, the Utility may require the applicant to provide it a permanent recorded public utility easement on and across the applicant's real property sufficient to provide service to that applicant.

Service applicants may be required to comply with any pre-condition to receiving service not printed herein as may exist under PUC rule, TCEQ rule (customer service, health and safety, water conservation, or environmental), USEPA rule, TWDB rule, local water or conservation district rule or health department rule. Existing customers shall be required to comply with such rules, including modification of their plumbing and/or consumption patterns, after notice.

Customers must make meters accessible to the Utility and its personnel. If they do not, the Utility may require the removal of the meter to another location according to 16 TAC 24.89(c) of the PUC's rules. The Utility will give the customer the option of converting to a remote radio read meter at the customer's expense in lieu of bearing the cost of relocating the meter and any Utility water lines necessitated by the customer's actions. If the customer does not accept this option, the customer will be charged for all incurred meter relocation costs. Before relocating the meter, the Utility must provide the customer with written notice of its intent to do so.

This notice must include information on the estimated cost of relocating the meter, an explanation of the condition hindering access and what the customer can do to correct that condition, and information on how to contact the utility. The notice must give the customer a reasonable length of time to arrange for utility access so the customer may avoid incurring the relocation cost. A copy of the notice given to the customer shall be filed with the Utility's records on the customer's account.

Customers shall not enclose meters with fences or other artificial barriers. If there is a fence in front of a meter, the customer shall install a gate or stile with 300 pound-load bearing capacity to enable meter readers and service crews to obtain ready access to the Utility's property.

Lock removal or damage fee - This fee shall be assessed to the account holder of any delinquent account that has been terminated for non-payment by locking the meter and the lock has subsequently been removed or damaged without authorization by the utility in order to restore water service to the account holder's original place of service. This fee shall not be charged if the damaged meter fee is charged.

Damaged meter and appurtenances fee - This fee shall be assessed to the account holder of any delinquent account that has been terminated for non-payment by locking the meter and meter or appurtenances such as the curb stop have been damaged requiring repair and/or replacement in an attempt to restore water service to the point of serve that was disconnected. The account holder shall be charged the full cost of repairing and/or replacing all damaged parts, including labor and vehicles. This will include replacement of meters that have had their locking eyes broken off the flanges.

Service applicants are free to have customer service inspections required by TCEQ 30 TAC 290.46(j) by any state-licensed inspector of their choice. They are encouraged to use a third party inspector and not an employee of the Utility. However, if they request the Utility to perform the inspection, it will be done at market prices. Since this is not a function of public water utility service, performing customer service inspections must take lower priority to fulfilling utility service responsibilities under the TCEQ's 30 TAC 290 and 291 rules.

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 of Convenience and Necessity ("CCN") service 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 3.0 – SPECIFIC UTILITY EXTENSION POLICY (Continued)

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.

The Utility adopts the administrative rules of the the PUC and the TCEQ, as amended from time to time, as its company specific extension policy. These rules will be kept on file at the company's business office for customer inspection during normal business hours. In the event of a conflict between the PUC's amended rules and the provisions of this tariff, the amended rules shall prevail. Where necessary, any conflicting provision of this tariff shall be deemed to have been superseded by the PUC rule in question to the degree that the Utility may conduct its lawful business in conformance with all requirements of said rule.

When an individual residential applicant requires an extension of a main line beyond 200 feet, the charge to that applicant shall be the actual cost of such extension in excess of 200 feet, plus the applicable tap fee plus such other approved costs as may be provided in this tariff and/or PUC rules.

Residential tap fees may be increased by other unique costs not normally incurred as permitted by PUC rule. Larger meter taps shall be made at actual cost associated with that tap which shall include such extraordinary expenses.

Any service extension to a subdivision (recorded or unrecorded) may be subject to the provisions and restrictions of 16 TAC 24.86(d) and this tariff. 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 based upon the capacities of production, transmission, storage, pumping and treatment facilities, compliant with the TCEQ minimum design criteria, which must be committed to such extension. As provided by 16 TAC 24.86(d)(4), for purposes of this section, commercial, industrial, and wholesale customers shall 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.

Unless expressly exempted by PUC rule or order, each point of use (as defined by 16 TAC 24.3) must be individually metered.

SECTION 3.20 – SPECIFIC EXTENSION POLICY (Continued)

The imposition of additional extension costs or charges as provided by Sections 2.12 and 3.02 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 entitled to a written explanation of such costs before payment and/or commencement of construction. If the applicant does not believe that these costs are reasonable or necessary, the applicant shall have 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. Unless the PUC or other regulatory authority enters interlocutory orders to the contrary, service to the applicant may be delayed until such appeal is resolved.

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 for applicant pick up 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 that might delay fulfilling the service request. Completed service applications may be submitted by mail if hand delivery is not possible.

The Utility shall serve each qualified service applicant within its CCN 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 herein or by PUC rules.

The Utility is not required to extend service to any applicant outside of its CCN service area and will only do so, at the Utility's sole option, under terms and conditions mutually agreeable to the Utility and the applicant and upon extension of the Utility's certificated service area boundaries by the PUC. Service applicants may be required to bear the cost of the service area amendment.

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

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 is made. The tap request must be accompanied with a plat, map, diagram, 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. 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 near service main with adequate capacity to service the applicant's full potential service demand.

SECTION 3.20 – SPECIFIC EXTENSION POLICY (Continued)

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, applicant may refer the matter to the PUC for resolution. Unless otherwise ordered by the PUC, the tap or service connection will not be made until the location dispute is resolved.

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. The Developer shall be required to obtain all necessary easements and rights-of-way required to extend the Utility's existing service facilities from their nearest point with adequate service capacity (as prescribed by PUC rules and local service conditions) to and throughout the Developer's property. The easements shall be sufficient to allow the construction, installation, repair, maintenance, testing, and replacement of any and all utility plant necessary to provide continuous and adequate service to each and every potential service location within the property at full occupancy. Unless otherwise restricted by law, well plant sites shall convey with unrestricted rights to produce water for public drinking water supply. Developers shall be required to provide the utility with a minimum of a 160-foot radius sanitary control easement or fee simple real property conveyance around the proposed well site acceptable to the TCEQ for each water well site to be located within the developer's property or otherwise being obtained to serve the developer's property. Unless otherwise agreed to by the Utility, pipe line right-of-way easements must be at least 15 feet wide to allow adequate room to facilitate backhoe and other heavy equipment operation and meters. Easements must be provided for all production, storage, treatment, pressurization, and disposal sites that are sufficient to construct and maintain all weather roads as prescribed by TCEQ rules. All easements shall be evidenced, at Developer's expense, by recorded county-approved subdivision plat or by specific assignment supported by metes and bounds survey from a surveyor licensed by the State of Texas.

Before the extension of utility service to developers (as defined by PUC rules) or new subdivisions, the Developer shall comply with the following:

(a) The Developer shall make a written request for service to property that is to be subdivided and developed. The Developer shall submit to the Utility a proposed plat on a scale of one inch (1") to two hundred feet (200') for review and determination of required easements, utility plant, and plant location. If sewer service is requested, the plat must contain elevation data. A reconcilable deposit in an amount set by the Utility may be required to cover preliminary engineering, legal, and copy cost to be incurred by the Utility in reviewing and planning to meet this service request. The plat and/or accompanying information shall identify the type, location, and number of houses and other planned structures that will be requiring utility service. If other than residential structures are to be located on the property, all other types of anticipated businesses and their service demands shall be identified with specificity. All areas requiring special irrigation and/or other unique water demands must be identified. To the extent reasonably possible, this information must be precise so that adequate facilities can be designed and constructed to meet all future service demands without hazard to the public, other utility customers, and/or the environment.

(b) After the requirements of easements and rights-of-way have been determined, a red line copy will be returned by the Utility to the Developer for final plat preparation.

(c) Copies of all proposed plats and plans must be submitted to the Utility before their submission to the County for approval to insure that they are compatible with the adequate long-term utility needs of potential service customers. Copies will be returned after review by the Utility so that necessary changes may be incorporated into the Developer's final submitted plat(s) and plans.

SECTION 3.20 – SPECIFIC EXTENSION POLICY (Continued)

(d) The Utility shall be provided with three (3) certified copies of the final plat(s) approved by the County Commissioners Court. At this time, the Utility will begin engineering the facilities necessary to serve the property. Plans and specifications will be prepared and submitted to the TCEQ by the Utility if required by law. If further plat or plans changes are necessary to accommodate the specific service needs of the property and the anticipated customer demands, the Developer will be so notified. Plat amendments must be obtained by the Developer. The Developer shall be notified when all required PUC, TCEQ or other governmental approvals or permits have been received. No construction of utility plant that requires prior TCEQ plans approval shall be commenced until that approval has been received by the Utility and any conditions imposed by the PUC or TCEQ in association with its approvals have been satisfied.

(e) The Developer shall be required to post bond or escrow the funds necessary to construct all required utility plant, except individual taps, meters, and sewer connections, required to serve the property. Construction shall not commence until funds are available. If the construction is to be done in coordination with the phased development of the property, funds must be provided in advance which are sufficient to complete each phase.

No phase or facilities for any phase shall be constructed before the bonding or escrowing of all funds associated with that phase.

(f) At the sole option of the Utility, the Developer may be required to execute a Developer Extension Contract setting forth all terms and conditions of extending service to their property including all contributions-in-aid of construction and developer reimbursements, if any.

(g) The Utility may require the Developer to commence construction of subdivision improvements within three (3) months of utility plans approval or the Utility may abate its construction activities until full development construction begins. If the Developer stops construction of subdivision improvements for any purpose, the Utility may abate its construction for a similar period.

(h) As soon as the roads are rough cut and before paving, extension lines will need to be constructed at each road crossing. The Developer must notify the Utility sufficiently in advance of this development stage to allow for the necessary utility construction without disruption to other service operations of the Utility. Failure to provide adequate advance notice and cooperation in the construction of necessary utility plant may result in additional delays in obtaining service to the property. The Developer shall be required to pay for all additional costs of road boring or other remedial construction necessary to install adequate utility plant throughout the affected property.

(i) The Developer, not the Utility, shall insure that Developer's employees, agents, contractors, and others under its control coordinate their work or construction throughout the property with the Utility to insure the orderly and timely construction of all utility plant necessary to serve the public.

SECTION 3.20 – SPECIFIC EXTENSION POLICY (Continued)

Within its CCN area, the Utility shall bear the cost of the first 200 feet of any water main or sewer collection line necessary to extend service to an individual residential service applicant within a platted subdivision unless the Utility can document:

(a) 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; or,

(b) That the Developer defaulted on the terms and conditions of a written agreement or contract existing between the Utility and the developer or the terms of this tariff regarding payment for services, extensions, or other requirements; or in the event the Developer declared bankruptcy and was therefore unable to meet obligations; and

(c) That the residential service applicant purchased the property from the Developer after the Developer was notified of the need to provide facilities to the Utility. A residential service applicant may be charged the remaining costs of extending service to his property; provided, however, that the residential service applicant may only be required to pay the cost equivalent to the cost of extending the nearest water main, whether or not that line has adequate capacity to serve that residential service applicant.

The following criteria shall be considered to determine the residential service applicant's cost for extending service:

(a) The residential service applicant shall not be required to pay for costs of main extensions greater than 2" in diameter for water distribution.

(b) Exceptions may be granted by the PUC if:

(1) 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;

(2) larger minimum line sizes are required under subdivision platting requirements or applicable building codes.

(c) 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 certificated 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.

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.”)

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

- I. **PURPOSE:** The NAME OF WATER SYSTEM 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 the NAME OF WATER SYSTEM 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 the NAME OF WATER SYSTEM (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 the Water System. 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)