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DOCKET NO. 51003

APPLICATION OF OAK HILLS RANCH ESTATES WATER COMPANY AND CSWR-TEXAS UTILITY OPERATING COMPANY, LLC FOR SALE, TRANSFER, OR MERGER OF FACILITIES AND CERTIFICATE RIGHTS IN GUADALUPE AND WILSON COUNTIES § **PUBLIC UTILITY COMMISSION OF TEXAS**

NOTICE OF APPROVAL

This Notice of Approval addresses the application of Oak Hills Ranch Estates Water Company and CSWR-Texas Utility Operating Company, LLC for the sale, transfer, or merger of facilities and certificate rights in Guadalupe and Wilson counties. The Commission approves the sale and transfer of all facilities and service areas held under Oak Hills Ranch’s certificate of convenience and necessity (CCN) number 12051, the cancellation of Oak Hills Ranch’s water CCN number 12051, the amendment of CSWR Texas’ water CCN number 13290 to include the area previously included in Oak Hills Ranch’s water CCN number 12051 and add previously uncertificated water service area, and the decertification of a portion of the certificated area transferred from Oak Hills Ranch.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicants

1. Richard Billings is an individual doing business as Oak Hills Ranch.
2. Oak Hills Ranch operates, maintains, and controls facilities for providing retail water service in Guadalupe and Wilson counties under CCN number 12051.
3. Oak Hills Ranch owns and operates a public water system registered with the Texas Commission on Environmental Quality (TCEQ) under identification 0940085.
4. CSWR-Texas is a Texas limited liability company registered with the Texas secretary of state under file number 803367893.

5. CSWR-Texas is an investor-owned utility that operates, maintains, and controls facilities for providing water service in Aransas, Austin, Burleson, Burnet, Harris, Hood, Parker, Victoria, and Wilson counties under CCN number 13290.

Application

6. On July 1 and 8, 2020, Oak Hills Ranch and CSWR-Texas filed the application at issue in this proceeding.
7. On July 10 and 14, and August 24, 2020, the applicants supplemented the application.
8. In the application, the applicants seek approval of the following transaction:
(a) CSWR-Texas will acquire all of Oak Hills Ranch's facilities and water service area under CCN number 12051; (b) Oak Hills Ranch's CCN number 12051 will be cancelled; (c) a portion of the certificated area transferred from Oak Hills Ranch will be decertified; and (d) CSWR-Texas's water CCN number 13290 will be amended to include the area previously included in Oak Hills Ranch's water CCN number 12051 and add previously uncertificated water service area.
9. The total requested area includes approximately 1,857 acres and 196 current connections, including approximately 991 acres to be transferred from Oak Hills Ranch and 866 acres of newly certificated area (transferred requested area). After removing the 88-acre area to be decertified from the transferred requested area, the total requested area certificated to CSWR-Texas will be approximately 1,769 acres (final requested area).
10. The transferred requested area is located approximately eight miles east of downtown La Vernia, Texas and is generally bounded on the north by a line approximately 1.5 miles north of and parallel to the Guadalupe County and Wilson County line; on the east by South State Highway 123; on the south by Longhorn Road; and on the west by a line approximately two miles west of and parallel to State Highway 123.
11. In Order No. 7 filed on November 6, 2020, the administrative law judge (ALJ) found the application administratively complete.

Notice

12. On December 18, 2020, CSWR-Texas filed the affidavit of Josiah Cox, president of CSWR-Texas, attesting that notice was provided to all current customers of Oak Hills Ranch, neighboring utilities, and affected parties on December 3, 2020.
13. On December 18, 2020, CSWR-Texas filed publishers' affidavits attesting to the publication of notice as follows: (a) in the *Seguin Gazette*, a newspaper of general circulation in Guadalupe County, on December 6 and 13, 2020; and (b) in the *Wilson County News*, a newspaper of general circulation in Wilson County, on December 2 and 9, 2020.
14. In Order No. 8 filed on January 4, 2021, the ALJ found the notice sufficient.

Intervention

15. On December 21, 2020, Kenneth Aplon filed a motion to intervene stating that the water supplier has an easement across his property and he would like to intervene to know the effects the sale and transfer would have on his property.
16. In Order No. 9 filed on January 4, 2021, the ALJ granted Mr. Aplon's intervention.
17. In its March 10, 2021 joint motion to admit evidence, CSWR-Texas stated that it attempted to contact Mr. Aplon multiple times via telephone and left multiple voicemails; however, to date, Mr. Aplon has not responded to CSWR-Texas.
18. Mr. Aplon has not filed anything in this proceeding since his December 21, 2020 motion to intervene.

Evidentiary Record

19. On March 10, 2021, Oak Hills Ranch, CSWR-Texas, and Commission Staff filed a joint motion to admit evidence.
20. In Order No. 10 filed on March 22, 2021, the ALJ admitted the following evidence into the record of this proceeding: (a) the application and confidential attachments filed on July 1 and 8, 2020; (b) CSWR-Texas's first and second supplements to the application filed on July 10 and 14, and August 24, 2020; (c) CSWR-Texas's responses to Commission Staff's first request for information and confidential attachments filed on September 8, 10, and 21, 2020; (d) CSWR-Texas's supplemental response to Commission Staff's first request for

information and confidential attachments filed on December 7 and 8, 2020; (e) CSWR-Texas's second supplemental response to Commission Staff's first request for information and confidential attachments filed on December 16, 2020; (f) CSWR-Texas's third supplemental response to Commission Staff's first request for information and confidential attachments filed on January 8 and 11, 2021; (g) CSWR-Texas's affidavit of notice to current customers, neighboring utilities, and affected parties, including confidential exhibit B, filed on December 16 and 18, 2020; (h) Commission Staff's recommendation on sufficiency of notice filed on December 31, 2020; and (i) Commission Staff's recommendation on the transaction filed on February 11, 2021.

21. On August 18, 2021, Oak Hills Ranch, CSWR-Texas, and Commission Staff filed a supplemental joint motion to admit evidence.
22. In Order No. 14 filed on September 1, 2021, the ALJ admitted the following additional evidence into the record: (a) the applicants' bill of sale filed on May 12, 2021; (b) Commission Staff's recommendation on sufficiency of the closing documents filed on June 4, 2021; (c) CSWR-Texas's consent forms filed on July 23, 2021; (d) Oak Hills Ranch's consent forms filed on August 17, 2021; and (e) the map, certificate, and tariff attached to the supplemental joint motion to admit evidence and joint proposed notice of approval filed on August 18, 2021.

Sale

23. In Order No. 11 filed on March 25, 2021, the ALJ approved the sale and transaction to proceed and required the applicants to file proof that the transaction had closed and that customer deposits had been addressed.
24. On May 12, 2021, the applicants filed notice that the sale had closed on April 21, 2021, and confirmed that there were no outstanding customer deposits that needed to be addressed.
25. In Order No. 12 filed on June 8, 2021, the ALJ found the closing documents sufficient.

Cumulative Recommendation

26. In Order No. 3 filed on August 20, 2020, the ALJ directed Commission Staff to cumulatively consider all CSWR-Texas related dockets involving the sale, transfer, or

merger of public water systems. When formulating its recommendation, the ALJ specifically required Commission Staff to consider whether CSWR-Texas had adequate financial, managerial, and technical capability for providing continuous and adequate service to the systems being transferred as a whole rather than on an individual basis.

27. On February 11, 2021, Commission Staff filed its recommendation on the transaction in this docket recommending that CSWR-Texas has the financial, managerial, and technical capability to provide continuous and adequate service tall areas included in this docket and in Docket Nos. 50251,¹ 50276,² 50311,³ 50989,⁴ 51026,⁵ 51065,⁶ 51118,⁷ 51031,⁸ 51047,⁹

¹ *Application of JRM Water LLC and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Victoria County, Docket No. 50251, Notice of Approval (Mar. 12, 2021).*

² *Application of North Victoria Utilities, Inc. and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Victoria County, Docket No. 50276, Notice of Approval (Mar. 11, 2021).*

³ *Application of Copano Heights Water Company and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Aransas County, Docket No. 50311, Notice of Approval (Mar. 17, 2021).*

⁴ *Application of Ranch Country of Texas Water Systems, Inc. and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Austin County, Docket No. 50989, Notice of Approval (Apr. 23, 2021).*

⁵ *Application of Tall Pines Utility, Inc. and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Harris County, Docket No. 51026, Notice of Approval (Apr. 23, 2021).*

⁶ *Application of Treetop Utilities, Inc. and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Parker County, Docket No. 51065, Corrected Notice of Approval (Mar. 10, 2021).*

⁷ *Application of Shady Oaks Water Supply Company, LLC and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Wilson County, Docket No. 51118, Notice of Approval (Mar. 18, 2021).*

⁸ *Application of Council Creek Village, Inc. dba Council Creek Village dba South Council Creek 2 and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Burnet County, Docket No. 51031, Notice of Approval (Apr. 14, 2021).*

⁹ *Application of Jones-Owen Company dba South Silver Creek I, II, and III and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Burnet County, Docket No. 51047, Notice of Approval (Apr. 19, 2021).*

51130,¹⁰ 51146,¹¹ and 51089.¹²

System Compliance

28. Oak Hills Ranch's public water system number 0940085 is not currently in compliance with the drinking water rules of the TCEQ.
29. CSWR-Texas intends to invest the capital required to make the upgrades, renovations, and repairs necessary to bring the water system into compliance with TCEQ regulations and to ensure customers receive safe and reliable service within a reasonable time upon consummation of the transaction. CSWR-Texas provided a copy of its correspondence with the TCEQ indicating that it has agreed to work with the TCEQ to address the outstanding compliance issues upon consummation of the transaction.
30. CSWR-Texas has not been subject to any unresolved enforcement action by the Commission, the TCEQ, the Texas Department of Health and Human Services, The Office of the Attorney General of Texas, or the United States Environmental Protection Agency in the past five years for non-compliance with rules, orders, or state statutes.
31. CSWR-Texas demonstrated a compliance history adequate for approval of the proposed sale and transfer.

Adequacy of Existing Service

32. There are currently 196 connections in the final requested area that are being served by Oak Hills Ranch through public water system number 0940085, and such service has been continuous.
33. Public water system number 0940085 has several violations listed in the TCEQ database, which means the service currently provided to the requested area is inadequate. CSWR-Texas stated they intend to invest the capital required to make the upgrades,

¹⁰ *Application of Laguna Vista Limited and Laguna Tres, Inc. and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Hood County, Docket No. 51130, Notice of Approval (Apr. 20, 2021).*

¹¹ *Application of Abraxas Corporation and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Parker County, Docket No. 51146, Notice of Approval (Apr. 23, 2021).*

¹² *Application of Donald E. Wilson dba Quiet Village II dba QV Utility and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Hidalgo County, Docket No. 51089 (pending).*

renovations, and repairs necessary to bring the water systems into compliance with TCEQ regulations and to ensure customers receive safe and reliable service.

Need for Additional Service

34. There is a continuing need for service because Oak Hills Ranch is currently serving 196 existing customers in the final requested area.
35. There have been no specific requests for additional service within the final requested area.

Effect of Approving the Transaction and Granting the Amendment

36. Existing and future customers will be better served through CSWR-Texas's ownership and operation of public water system number 0940085 due to improvements in the utility service, operations, maintenance, and customer service.
37. Approving the sale and transfer to proceed and granting the CCN amendments will obligate CSWR-Texas to provide service to current and future customers in the final requested area.
38. All retail water public utilities in the proximate area were provided notice of the application and no retail public utility filed a protest or motion to intervene. Therefore, there will be no effect on any retail public utility in the proximate area.
39. There will be no effect on landowners in the areas that are currently certificated and landowners in the uncertificated area will benefit because they are currently being served by the Oak Hills Ranch water system.
40. CSWR-Texas will adopt Oak Hills Ranch's current rates upon the consummation of the transaction.

Ability to Serve: Managerial and Technical

41. Oak Hills Ranch's public water system number 0940085 is currently providing service to 196 connections in the final requested area with adequate capacity to meet the demands in the final requested area.
42. CSWR-Texas employs or contracts with TCEQ-licensed water operators who will operate the public water system.
43. CSWR-Texas has access to an adequate supply of water and, after completing the planned upgrades, renovations, and repairs, will be capable of providing water that meets the

requirements of chapter 341 of the Texas Health and Safety Code, chapter 13 of the TWC, and the TCEQ's rules.

44. CSWR-Texas has the managerial and technical capability to provide adequate and continuous service to the final requested area.

Ability to Serve: Financial Ability and Stability

45. CSWR, LLC, the immediate parent company of CSWR-Texas, is capable, available, and willing to cover temporary cash shortages, and has a debt-to-equity ratio of less than one, satisfying the leverage test.
46. CSWR, LLC provided a written guarantee of coverage of temporary cash shortages and demonstrated it has sufficient cash available to cover any projected operations and maintenance shortages in the first year five years of operations after completion of the transaction and possesses the cash and leverage ability to pay for capital improvements and necessary equity investments, satisfying the operations test.
47. CSWR-Texas demonstrated the financial ability and stability to provide continuous and adequate water service to the final requested area.

Financial Assurance

48. There is no need to require CSWR-Texas to provide a bond or other financial assurance to ensure continuous and adequate service.

Feasibility of Obtaining Service

49. The final requested area is currently being served by Oak Hills Ranch and there will be no changes to land uses. The changes to existing CCN boundaries are to reflect the areas currently being served by Oak Hills Ranch. Therefore, it is not feasible to obtain service from another utility.

Environmental Integrity and Effect on the Land

50. The final requested area will continue to be served with existing infrastructure.
51. There will be minimal effects on environmental integrity and on the land as a result of CSWR-Texas's planned upgrades, renovations, and repairs to the water system.

Improvement of Service or Lowering Cost to Consumers

52. Service to the final requested area will improve because CSWR-Texas intends to address and resolve regulatory compliance issues and improve the safety and reliability of service.
53. CSWR-Texas will adopt Oak Hills Ranch's current rates upon the consummation of the transaction and the rates charged to customers will not change as a result of the proposed transaction.

Regionalization or Consolidation

54. CSWR-Texas will not need to construct a physically separate water system to continue serving the final requested area; therefore, concerns of regionalization or consolidation do not apply.

Tariff, Map, and Certificate

55. On July 9, 2021, Commission Staff emailed to the applicants the final proposed map, certificate, and tariff related to this docket.
56. On July 23 and August 17, 2021, the applicants filed consent forms concurring with the proposed final map, certificate, and tariff.
57. On August 18, 2021, the final map, certificate, and tariff were filed as attachments to the joint supplemental motion to admit evidence and proposed notice of approval.

Informal Disposition

58. More than 15 days have passed since the completion of notice provided in this docket.
59. No person filed a protest and only Mr. Aplon intervened. Mr. Aplon has not participated in this docket since he filed a motion to intervene.
60. Oak Hills Ranch, CSWR-Texas, Kenneth Aplon, and Commission Staff are the only parties to this proceeding.
61. No party requested a hearing and no hearing is needed.
62. Commission Staff recommended approval of the application.
63. The decision is not adverse to any party.

II. Conclusions of Law

The Commission makes the following conclusions of law.

1. The Commission has authority over this proceeding under TWC §§ 13.041, 13.241, 13.242, 13.244, 13.246, 13.251, and 13.301.
2. Oak Hills Ranch and CSWR-Texas are retail public utilities as defined by TWC § 13.002(19) and 16 Texas Administrative Code (TAC) § 24.3(31).
3. The applicants' application meets the requirements of TWC § 13.244 and 16 TAC § 24.25(b)(1) and 24.233.
4. Oak Hills Ranch and CSWR-Texas provided notice of the application that complies with TWC § 13.301(a) and 16 TAC § 24.239(a)–(c).
5. The Commission processed the application as required by the TWC, the Administrative Procedure Act,¹³ and Commission Rules.
6. Oak Hills Ranch and CSWR-Texas completed the sale within the time required by 16 TAC § 24.239(m).
7. Oak Hills Ranch and CSWR-Texas complied with the requirements of 16 TAC § 24.239(k) with respect to customer deposits.
8. After consideration of the factors in TWC § 13.246(c) and 16 TAC §§ 24.227(e) and 24.239(h)(5), CSWR-Texas demonstrated adequate financial, managerial, and technical capability to provide adequate and continuous service to the requested area as required by TWC § 13.301(b) and 16 TAC § 24.239(e).
9. It is not necessary for CSWR-Texas to provide a bond or other financial assurance under TWC §§ 13.246(d) and 13.301(c).
10. Oak Hills Ranch and CSWR-Texas demonstrated that the sale of Oak Hills Ranch's water facilities and the transfer of the water service area held under water CCN number 12051 from Oak Hills Ranch to CSWR-Texas and the amendment of CSWR-Texas's water CCN number 13290 to include the area previously included in Oak Hill Ranch's water CCN number and previously uncertificated water service area, and the decertification of a portion of the certificated area transferred from Oak Hills Ranch will serve the public

¹³ Tex. Gov't Code §§ 2001.001-.903.

interest and is necessary for the for the service, accommodation, convenience, and safety of the public as required by TWC § 13.301(d) and (e).

11. Under TWC § 13.257(r) and (s), CSWR-Texas must record a certified copy of its certificate granted and map approved by this Notice of Approval, along with a boundary description of the service area, in the real property records of Guadalupe and Wilson counties within 31 days of receiving this Notice of Approval and submit evidence of the recording to the Commission.
12. The requirements for informal disposition under 16 TAC § 22.35 have been met in this proceeding.

III. Ordering Paragraphs

In accordance with these findings of fact and conclusions of law, the Commission issues the following orders.

1. The Commission approves the sale of Oak Hills Ranch's water facilities, the transfer of the water service area held under CCN number 12051 from Oak Hills Ranch to CSWR Texas, the amendment of CSWR Texas's water CCN number 13290 to include the area previously included in Oak Hill Ranch's water CCN number 12051 and previously uncertificated water service area, and the decertification of a portion of the certificated area transferred from Oak Hills Ranch, to the extent provided in this Notice of Approval.
2. The Commission issues the certificate attached to this Notice of Approval.
3. The Commission approves the map and tariff attached to this Notice of Approval.
4. CSWR-Texas must provide service to every customer or applicant for service within the approved area under water CCN number 13290 that requests water service and meets the terms of CSWR-Texas's water service, and such service must be continuous and adequate.
5. CSWR-Texas must comply with the recording requirements in TWC § 13.257(r) and (s) for the areas in Guadalupe and Wilson counties affected by the application and must file proof of the recording no later than 45 days after the date of this Notice of Approval.

6. Within ten days of the date of this Notice of Approval, Commission Staff must provide a clean copy of the tariff approved by this Notice of Approval to central records to be marked *Approved* and filed in the Commission's tariff books.
7. The Commission denies all other motions and any other requests for general or specific relief, if not expressly granted.

Signed at Austin, Texas the 9 day of August 2021.

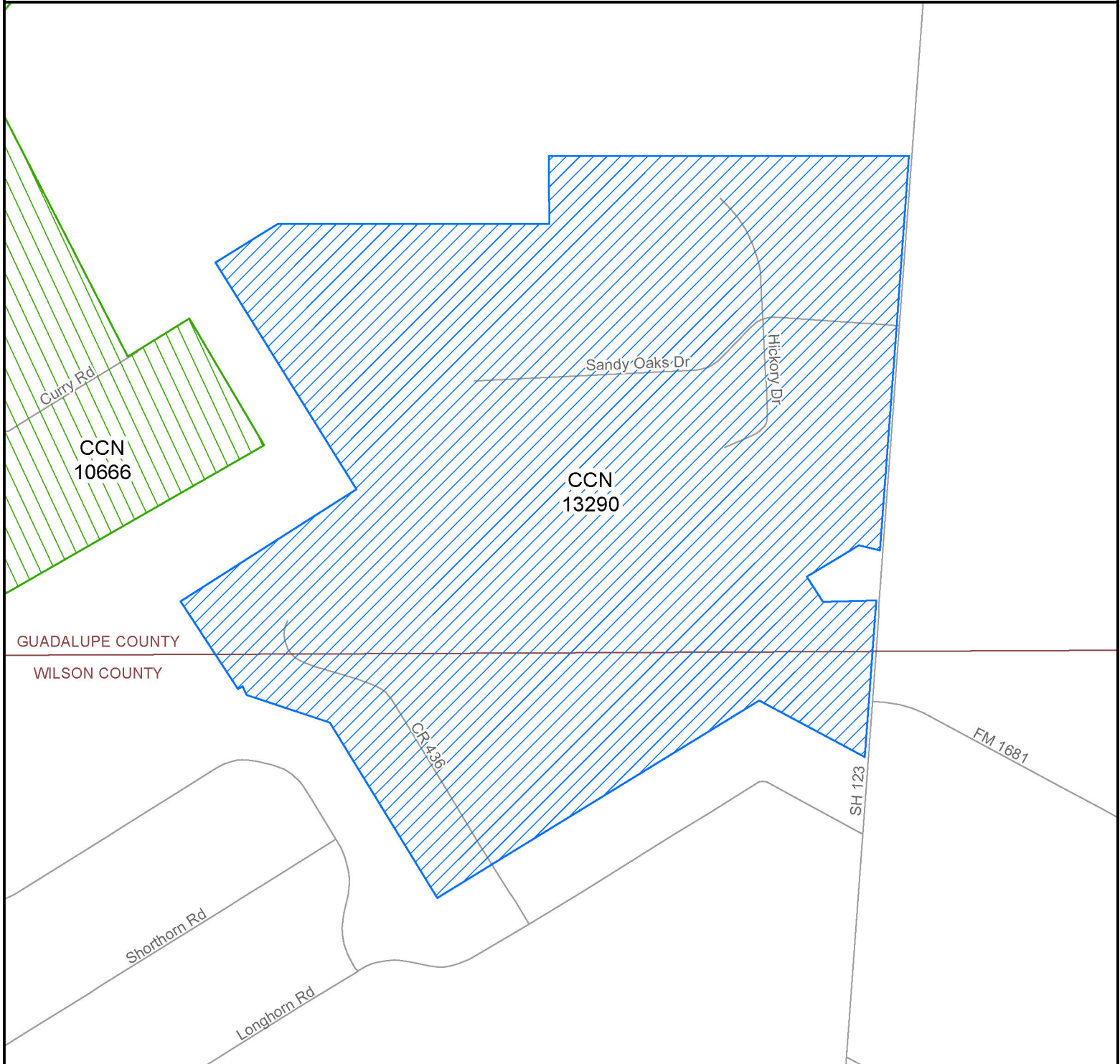
PUBLIC UTILITY COMMISSION OF TEXAS



**KATIE MOORE MARX
ADMINISTRATIVE LAW JUDGE**



CSWR-Texas Utility Operating Company, LLC
Portion of Water CCN No. 13290
PUC Docket No. 51003

Transferred all of Oak Hills Ranch Estates Water Company, CCN No. 12051 and Amended CCN No. 13290
in Guadalupe and Wilson Counties



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

Water CCN

-  13290 - CSWR-Texas Utility Operating Company LLC
-  10666 - Springs Hill WSC

0 1,000 2,000
Feet



Map by: Komal Patel
Date created: February 23, 2021
Project Name: 51003CSWR.mxd



Public Utility Commission of Texas

By These Presents Be It Known To All That

CSWR-Texas Utility Operating Company, LLC

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, CSWR-Texas Utility Operating Company, LLC is entitled to this

Certificate of Convenience and Necessity No. 13290

to provide continuous and adequate water utility service to that service area or those service areas in Aransas, Austin, Bureson, Burnet, Guadalupe, Harris, Hood, Parker, Victoria, and Wilson Counties as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 51003 are on file at the Commission offices in Austin, Texas; and are matters of official record available for public inspection; and be it known further that these presents do evidence the authority and the duty of the CSWR-Texas Utility Operating Company, LLC 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.



WATER UTILITY TARIFF
Docket Numbers: 46019

Richard Billings dba
Oak Hill Ranch Estates Water Company
(Utility Name)

P.O. Box 1866
(Business Address)

Seguin, Texas 78155
(City, State, Zip Code)

(830) 379-0910
(Area Code/Telephone)

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

12051

This tariff is effective in the following county:

Guadalupe

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

None

This tariff is effective in the following subdivisions or systems:

Oak Hill Ranch Estates
Oak Hill Ranchettes
Forest Oak Unit 1 and 2

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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SECTION 1.0 -- RATE SCHEDULE

Section 1.01 - Rates

<u>Meter Size</u>	<u>Monthly Minimum Charge</u>	<u>Gallonage Charge</u>
5/8"	\$18.28 (Includes 2000 gallons)	\$1.52 per 1000 gallons, Residential
3/4"	\$18.28	
1"	\$32.50	
1½"	\$72.11	
2"	\$123.92	
3"	\$279.32	
4"	\$486.52	
6"	\$1108.13	

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.....\$400.00

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.

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

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) Non-payment of bill (Maximum \$25.00)\$25.00
- b) Customer's request \$0.00

LATE CHARGE (EITHER \$1.00 OR 5% OF THE BILL)..... 5%
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\$10.00
RETURNED CHECK CHARGES MUST BE BASED ON THE UTILITY'S DOCUMENTABLE COST.

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

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

CAPITAL CONTRIBUTION FEE.

A CONTRIBUTION IN AID OF CONSTRUCTION MAY BE CHARGED TO DEVELOPERS OF SUBDIVISION OR LAND DEVELOPMENTS OR TO COMMERCIAL, INDUSTRIAL, OR WHOLESALE, CUSTOMERS FOR PROVIDING THE DEVELOPMENT WITH FACILITIES FOR STORAGE, TREATMENT OR TRANSMISSION FACILITIES.

GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE

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

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 (PUC or Commission) Chapter 24 Rules, 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. 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.

SECTION 2.0 – SERVICE RULES AND POLICIES (Continued)

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 P.U.C. SUBST. R. 24.86(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 2.06 - 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, Section 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 2.0 – SERVICE RULES AND POLICIES (Continued)

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 §290.47(i) Appendix I, 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 Section 290.47(i) Appendix I, 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 2.08 - 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.

SECTION 2.0 -- SERVICE RULES AND POLICIES (Continued)

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 2.10 - 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.

SECTION 2.0 -- SERVICE RULES AND POLICIES (Continued)

(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.

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 2.0 -- SERVICE RULES AND POLICIES (Continued)

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 PUC or TCEQ, 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.

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 Contributions in Aid of Construction may be required of any customer except as provided for in the 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.

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.

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, by the PUC, 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.

SECTION 3.0 -- EXTENSION POLICY (Continued)

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.

Any service extension to a subdivision (recorded or unrecorded) may be subject to the provisions and restrictions of P.U.C. Subst. R. 24.86(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 P.U.C. Subst. R. 24.85(e)(3), 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 utilities 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 3.0 -- EXTENSION POLICY (Continued)

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.

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 3.0 -- EXTENSION POLICY Continued)

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

(“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 -- APPLICATION FOR SERVICE
(Utility Must Attach Blank Copy)