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Greg Abbott
Governor

Thomas J. Gleeson
Executive Director

Public Utility Commission of Texas

TO: Stephen Journeay
Commission Counsel

All Parties of Record

FROM: Isaac Ta *I. T.*
Administrative Law Judge

RE: **Docket No. 51407** – *Application of Dos Aguas, LLC for a Water Certificate of Convenience and Necessity in Walker, Montgomery, and San Jacinto Counties*

DATE: September 10, 2021

Enclosed is the Proposed Order in the above-referenced case. By copy of this memo, the parties to this proceeding are being served with the Proposed Order.

Please place this docket on an open meeting agenda for the Commissioners' consideration. Please notify me and the parties of the open meeting date. The parties must file corrections or exceptions to the Proposed Order on or before September 27, 2021.

If a party proposes a correction or exception, the party must fully explain the correction or exception and must provide a citation to the record to support the correction or exception.

If there are no corrections or exceptions, no response is necessary.

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DOCKET NO. 51407

APPLICATION OF DOS AGUAS, LLC	§	PUBLIC UTILITY COMMISSION
FOR A WATER CERTIFICATE OF	§	
CONVENIENCE AND NECESSITY IN	§	OF TEXAS
WALKER, MONTGOMERY, AND SAN	§	
JACINTO COUNTIES	§	

PROPOSED ORDER

This Order addresses the application of Dos Aguas, LLC for a certificate of convenience and necessity (CCN) in Walker, Montgomery, and San Jacinto counties. The Commission issues CCN number 13295 to Dos Aguas for the requested area, to the extent provided in this Order.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicant

1. Dos Aguas is a Texas limited liability company registered with the Texas secretary of state under file number 803354857.
2. Dos Aguas has received conditional approval from the Texas Commission on Environmental Quality (TCEQ) to construct a public water system and water facilities under public water system registration identification number 1700917.

Application

3. On October 9, 2020, Dos Aguas filed the application at issue in this proceeding.
4. On October 21 and 29, November 10 and 19, and December 1 and 3, 2020, Dos Aguas filed supplements to the application.
5. Dos Aguas' application, as supplemented, requests a service area that is 5,387 acres and 2,200 potential future connections.
6. The requested area is owned by two developers: Deer Forest LLC and Republic Grand Ranch LLC.

7. The requested area will be developed as follows: (1) a subdivision consisting of 292 one-acre lots called Deer Forest; and (2) a subdivision consisting of 1,800 to 1,900 one and one-half to two acre-lots in Montgomery County.¹
8. The requested area is located approximately six miles northeast of downtown Willis, Texas, and is generally bounded on the north by State Highway 150; on the east by Peach Creek; on the south by Tanyard Road; and on the west by Farm-to-Market Road 1097.
9. The requested area overlaps the district boundaries of the San Jacinto River Authority.
10. In Order No. 3 filed on January 19, 2021, the administrative law judge (ALJ) found the application administratively complete.

Notice

11. On March 1, 2021, Dos Aguas filed the affidavit of Scott Rohe, Dos Aguas' president, attesting that notice was mailed to neighboring utilities, county authorities, municipalities, and affected parties on January 28, 2021.
12. On March 1, 2021, Dos Aguas filed publishers' affidavits attesting to the publication of notice of the application as follows:
 - i. In the *Huntsville Item*, a newspaper of general circulation in Walker County, on February 4 and 11, 2021;
 - ii. In the *Montgomery County News*, a newspaper of general circulation in Montgomery County, on February 3 and 10, 2021; and
 - iii. In the *San Jacinto News Times*, a newspaper of general circulation in San Jacinto County, on February 4 and 11, 2021.
13. On March 23, 2021, Dos Aguas filed the supplemental affidavit of Mr. Rohe, attesting that supplemental notice, including corrected maps, was mailed to neighboring utilities, county authorities, municipalities, and affected parties on March 22, 2021.
14. On March 23, 2021, Dos Aguas filed copies of the tear sheets for the published notices.

¹ The requested area is bounded on the east by Peach Creek, which is located on the border between and including land from Montgomery and San Jacinto counties. Because the only portion of San Jacinto County included in the requested area is the Peach Creek waterway, this portion of the requested area will not be developed into lots.

15. In Order No. 4 filed on April 1, 2021, the ALJ found notice sufficient.

Evidentiary Record

16. On July 8, 2021, the parties filed an agreed motion to admit evidence and proposed notice of approval.

17. On September 9, 2021, the parties filed a joint motion to admit supplemental evidence.

18. In Order No. 8 filed on September 10, 2021, the ALJ admitted the following evidence into the record of this proceeding: (a) Dos Aguas' application and all attachments filed on October 9, 2020; (b) Dos Aguas' supplemental attachments and information filed on October 21 and 29, November 10 and 19, and December 1 and 3, 2020; (c) Dos Aguas' proposed tariff, in response to Commission Staff's first request for information, filed on February 10, 2021; (d) Dos Aguas' proof of direct and published notice filed on March 1 and 23, 2021; (e) Dos Aguas' responses to Commission Staff's second requests for information filed on April 23 and 26, 2021; (f) Dos Aguas' executed consent form filed on May 24, 2021; (g) Dos Aguas' supplemental letters from the TCEQ, authorizing the construction of Dos Aguas' proposed water system, filed on June 3 and 7, 2021; (h) Dos Aguas' executed consent form concurring with Commission Staff's revised proposed tariff filed on June 8, 2021; (i) Commission Staff's recommendation on final disposition of the application and all attachments filed on June 14, 2021; (j) the final map, certificate, and tariff, attached to the parties' joint motion to admit evidence and proposed notice of approval, filed on July 8, 2021; (k) Dos Aguas' response to Order No. 6 filed on July 29, 2021; (l) Dos Aguas' response to Commission Staff's third request for information filed on August 18, 2021; and (m) Commission Staff's response to Order No. 6, including all attachments, filed on September 7, 2021.

Adequacy of Existing Service

19. There are no existing customers in the requested area.

20. Water service is not currently being provided to the requested area.

Need for Service

21. The requested area is currently being developed into two subdivisions with a projected total of 2,200 customer connections.

22. The developers of the requested area requested water service from Dos Aguas.

Effect of Approving the Application and Issuing the Certificate

23. Issuing the CCN will obligate Dos Aguas to provide water service to future customers in the requested area.
24. No protests, adverse comments, or motions to intervene were filed in this docket by any adjacent retail public utility or landowner in the requested area.
25. There will be no effect on any retail public utility serving the proximate area.
26. Future customers in the requested area will benefit from a centralized public water system and will not need to install and operate individual water wells.

Ability to Serve: Technical and Managerial

27. Dos Aguas has received conditional approval from the TCEQ to construct the public water system and facilities that will provide service to the requested area.
28. Dos Aguas has employed a licensed and experienced water operator to operate the public water system.
29. Dos Aguas will have access to an adequate supply of water and will be capable of providing drinking water that meets the requirements of chapter 341 of the Texas Health and Safety Code, chapter 13 of the Texas Water Code (TWC), and the TCEQ's rules.
30. Dos Aguas has the managerial and technical capability to provide continuous and adequate service to the requested area.

Feasibility of Obtaining Service from an Adjacent Retail Public Utility

31. The developers of the requested area requested water service from Dos Aguas.
32. Dos Aguas' application included letters requesting service from retail public utilities within one half mile of the boundary of the requested area; no affirmative responses were received.
33. Dos Aguas properly noticed all retail public utilities within two miles of the boundary of the requested area; no protests, adverse comments, or motions to intervene were filed in this docket by any adjacent retail public utility.
34. It is not feasible to obtain service from an adjacent retail public utility.

Regionalization or Consolidation

35. Dos Aguas' application included copies of letters requesting service from the two retail public utilities within one half mile of the boundary of the requested area.
36. One retail public utility did not respond, and the other retail public utility declined to provide service.
37. Dos Aguas demonstrated that regionalization or consolidation with an adjacent retail public utility is not economically feasible.

Ability to Serve: Financial Ability and Stability

38. Dos Aguas provided financial documentation demonstrating it has affiliates that are capable, available, and willing to cover temporary cash shortages and have sufficient unrestricted cash available as a cushion for two years of debt service, satisfying the leverage test.
39. Dos Aguas provided financial documentation demonstrating it has affiliates that will cover any temporary cash shortages and that they have sufficient cash available to cover any projected operations and maintenance shortages in the first five years of operations following issuance of the CCN, satisfying the operations test.
40. Dos Aguas demonstrated the financial capability and stability to pay for the facilities necessary to provide continuous and adequate service to the requested area.

Financial Assurance

41. There is no need to require Dos Aguas to provide a bond or other financial assurance to ensure continuous and adequate service to the requested area.

Environmental Integrity and Effect on the Land

42. Future construction will be necessary for Dos Aguas to serve the requested area as growth and development occurs.
43. All of Dos Aguas' plans for construction will be reviewed by the respective counties and all flood plain and drainage requirements will be met.
44. Dos Aguas has received conditional approval from the TCEQ for the construction of the public water system and facilities.

45. The effects on the land and on environmental integrity are not to such a degree that the CCN should not be issued.

Improvement in Service or Lowering Cost to Consumers

46. Water service to the requested area will improve because Dos Aguas will be obligated to serve future customers in the requested area.
47. No lowering of cost to customers in the requested area will result from issuance of the CCN because there are no existing customers in the requested area.

Rate Study and Pro Forma Financial Statements

48. Dos Aguas submitted a rate study and pro forma financial statements in support of its proposed rates.

Calculations Supporting Proposed Rates

49. Dos Aguas provided all calculations supporting its proposed rates.

Assumptions for Projections Included in Rate Study

50. Dos Aguas provided all assumptions for projections included in its rate study.

Estimated Completion Date for Physical Plant and Date Service Will Begin

51. Dos Aguas provided an estimated completion date for its public water system.

Map, Tariff, and Certificate

52. On May 21, 2021, Commission Staff emailed the proposed map, certificate, and tariff to Dos Aguas.
53. On May 24, 2021, Dos Aguas filed its consent to the proposed map, certificate, and tariff.
54. On June 8, 2021, Commission Staff emailed Dos Aguas a corrected proposed tariff.
55. On June 8, 2021, Dos Aguas filed its consent to the corrected proposed tariff.
56. The map, certificate, and corrected proposed tariff were included as attachments to the parties' July 8, 2021 joint motion to admit evidence and proposed notice of approval.

Informal Disposition

57. More than 15 days have passed since the completion of notice provided in this docket.
58. No person filed a protest or motion to intervene.

59. Dos Aguas and Commission Staff are the only parties to this proceeding.
60. No party requested a hearing and no hearing is needed.
61. Commission Staff recommended approval of the application.
62. This 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, and 13.246.
2. Dos Aguas is a retail public utility as defined by TWC § 13.002(19) and 16 Texas Administrative Code (TAC) § 24.3(31).
3. Dos Aguas's application meets the requirements of TWC § 13.244 and 16 TAC §§ 24.25(b)(1) and 24.233.
4. Dos Aguas provided notice of the application that complies with TWC § 13.246 and 16 TAC § 24.235.
5. The Commission processed the application in accordance with the requirements of the Administrative Procedure Act,² the TWC, and Commission rules.
6. After consideration of the factors in TWC §§ 13.241(a) and 13.246(c) and 16 TAC §§ 24.11(e) and 24.227(e), Dos Aguas demonstrated adequate financial, managerial, and technical capability for providing continuous and adequate service in the requested service area in Walker, Montgomery, and San Jacinto counties, as required by TWC § 13.241(a) and 16 TAC § 24.227.
7. Dos Aguas meets the requirements of TWC § 13.241(b) to provide water utility service.
8. Dos Aguas demonstrated that regionalization or consolidation with another retail public utility is not economically feasible, as required by TWC § 13.241(d) and 16 TAC § 24.227(b).

² Tex. Gov't Code §§ 2001.001–.903.

9. It is not necessary for Dos Aguas to provide a bond or other financial assurance under TWC § 13.246(d) or 16 TAC § 24.227(f).
10. Dos Aguas has access to an adequate supply of water to serve the requested area, and its public water system is capable of providing drinking water that meets the requirements of chapter 341 of the Texas Health and Safety Code, the TWC, and the rules of the TCEQ, as required by TWC § 13.241(b) and 16 TAC § 24.227(a)(1).
11. Dos Aguas demonstrated that issuance of water CCN number 13295 is necessary for the service, accommodation, convenience, or safety of the public as required by TWC § 13.246(b) and 16 TAC § 24.227(d).
12. Under TWC § 13.257(r) and (s), Dos Aguas must record a certified copy of the approved map and certificate, along with a boundary description of its service area, in the real property records of Walker, Montgomery, and San Jacinto counties within 31 days of this Order and must submit evidence of the recording to the Commission.
13. Under 16 TAC § 24.25(b)(1)(C), Dos Aguas must file a rate application with the Commission within 18 months from the date service begins.
14. The requirements for informal disposition in 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 issues CCN number 13295 to Dos Aguas, attached to this Order, for the requested area described in this Order and shown on the attached map.
2. The Commission approves the map and tariff attached to this Order.
3. Dos Aguas must provide service to every customer and applicant for service within the approved area under CCN number 13295 who requests water service and meets the terms of Dos Aguas' water service, and such service must be continuous and adequate.

4. Dos Aguas must comply with the recording requirements in TWC § 13.257(r) and (s) for the areas in Walker, Montgomery, and San Jacinto counties affected by this application and file proof of the recording no later than 45 days after the date of this Order.
5. Dos Aguas must comply with 16 TAC § 24.25(b)(1)(B)(vi) and file notice to the Commission once billing for water service begins in Docket No. 52441, *Compliance Filing for Docket No. 51407 (Dos Aguas, LLC's Application for a Water Certificate of Convenience and Necessity in Walker, Montgomery, and San Jacinto Counties)*.
6. Dos Aguas must comply with the requirements in 16 TAC § 24.25(b)(1)(C) and file a rate application with the Commission within 18 months from the date water service begins.
7. Within 10 days of the date of this Order, Commission Staff must provide a clean copy of the tariff approved by this Order to Central Records to be marked *Approved* and filed in the Commission's tariff book.
8. This docket is restyled as reflected in this Order.
9. The Commission denies all other motions and any other requests for general or specific relief that have not been expressly granted.

Signed at Austin, Texas the _____ day of _____ 2021.

PUBLIC UTILITY COMMISSION OF TEXAS

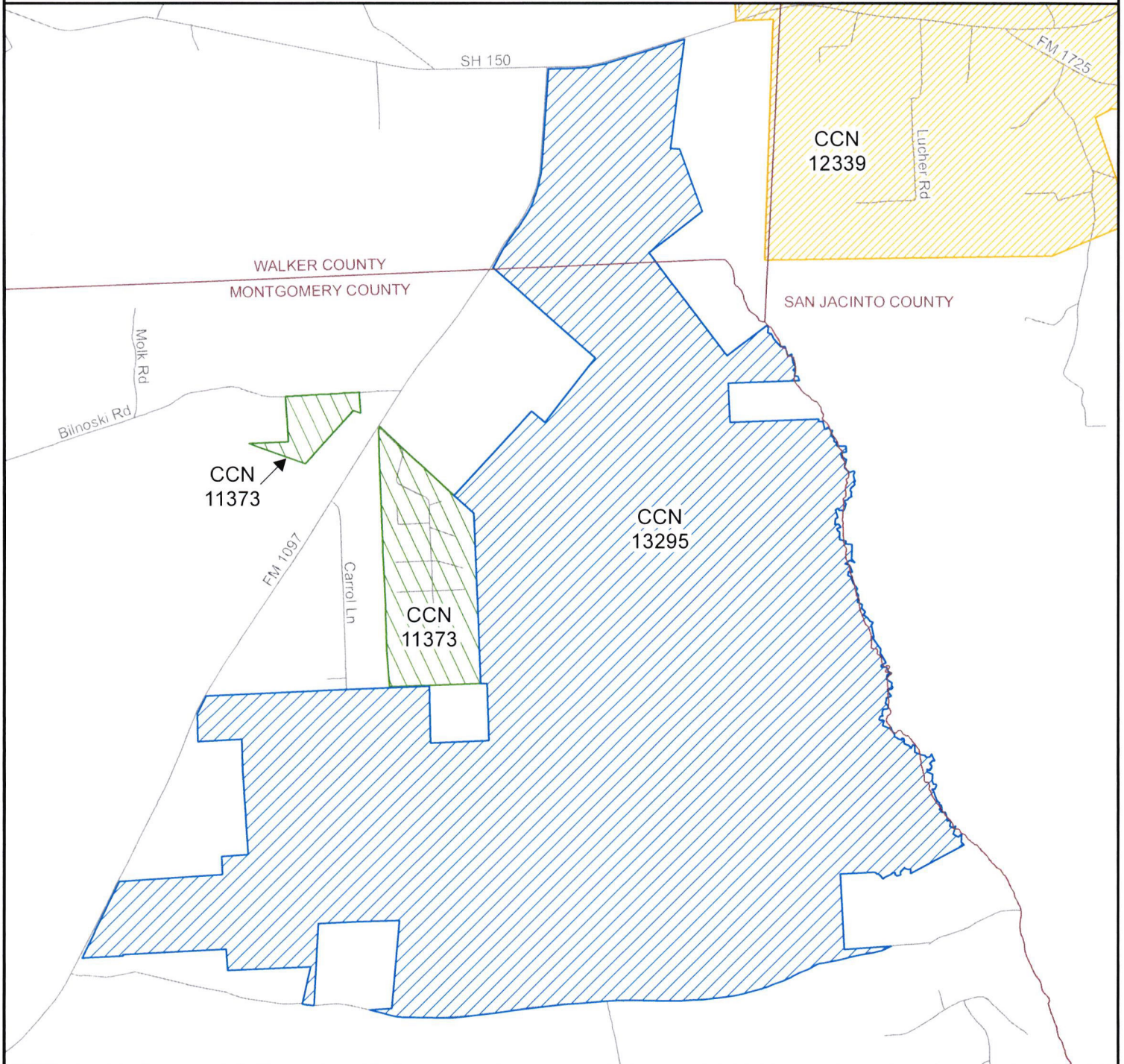
PETER LAKE, CHAIRMAN

WILL MCADAMS, COMMISSIONER

LORI COBOS, COMMISSIONER




JIMMY GLOTFELTY, COMMISSIONER

Dos Aguas, LLC
Water CCN No. 13295
PUC Docket No. 51407
Obtained New CCN in Montgomery, San Jacinto and Walker Counties



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

Water CCN

-  13295 - Dos Aguas LLC
-  11373 - Crystal Springs Water Co Inc
-  12339 - One Five O WSC

0 1,750 3,500
Feet



Map by: Komal Patel
Date created: May 10, 2021
Project Name: 51407DosAguas.mxd
0000031



Public Utility Commission of Texas

By These Presents Be It Known To All That

Dos Aguas 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, Dos Aguas LLC is entitled to this

Certificate of Convenience and Necessity No. 13295

to provide continuous and adequate water utility service to that service area or those service areas in Montgomery, San Jacinto, and Walker Counties as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 51407 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 Dos Aguas 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.

Issued at Austin, Texas the ____ day of _____ 2021.



WATER UTILITY TARIFF

Docket Number 51407

Dos Aguas LLC
(Utility Name)

455 FM 2296
(Business Address)

Huntsville, Texas 77340
(City, State, Zip Code)

(936) 295-4809
(Area Code/Telephone)

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

13295

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

Walker and Montgomery

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

None

This tariff is effective in the following subdivisions or systems:

Dos Aguas (PWS ID: 1700917)

Deer Forest	Walker County
Republic Grand Ranch	Montgomery County

TABLE OF CONTENTS

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

SECTION 1.0 -- RATE SCHEDULE	2
SECTION 2.0 -- SERVICE RULES AND POLICIES	5
SECTION 3.0 -- EXTENSION POLICY	12

APPENDIX A -- DROUGHT CONTINGENCY PLAN

APPENDIX B -- MISCELLANEOUS TRANSACTION FORMS

NOTE: Drought Contingency Plan (DCP) is approved by the Texas Commission on Environmental Quality (TCEQ); however, the DCP is included as part of your approved tariff pursuant to PUCT rules. If you are establishing a tariff for the first time, please contact the TCEQ to complete and submit a DCP for approval.

SECTION 1.0 -- RATE SCHEDULE

Section 1.01 - Rates

<u>Meter Size</u>	<u>Monthly Minimum Charge</u> (Includes <u>0</u> gallons all meters)	<u>Gallage Charge</u>
5/8"	<u>\$55.00</u>	<u>\$3.00</u> per 1,000 gallons from 0 to 10,000 gallons
3/4"	<u>\$55.00</u>	<u>\$4.50</u> per 1,000 gallons from 10,001 and up
1"	<u>\$88.00</u>	

Lone Star Groundwater Conservation District

Pass Through Fee Applied to Gallage Charge \$0.085 per 1,000 gallons
will be added for fees imposed by the Lone Star Groundwater Conservation District, having jurisdiction over the utility. SEE PURCHASED WATER AND/OR DISTRICT FEE PASS THROUGH CLAUSE.

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

Cash X, Check X, Money Order X, Credit Card X, 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. AT THE CUSTOMER'S OPTION, ANY BILLING TRANSACTION OR COMMUNICATION MAY BE PERFORMED ON THE INTERNET. THIS INCLUDES THE UTILITY SENDING PAPERLESS BILLS BY EMAIL.

REGULATORY ASSESSMENT..... 1.0%
PUCT RULES REQUIRE THE UTILITY TO COLLECT A FEE OF ONE PERCENT OF THE RETAIL MONTHLY BILL AND TO REMIT FEE TO THE TCEQ.

SECTION 1.0 -- RATE SCHEDULE (CONTINUED)

Section 1.02 – Miscellaneous Fees

TAP FEE \$1,250.00

TAP FEE IS BASED ON THE AVERAGE OF THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR STANDARD RESIDENTIAL CONNECTION OF 5/8" x 3/4" METER PLUS UNIQUE COSTS AS PERMITTED BY PUCT RULE AT COST.

TAP FEE \$1,450.00

TAP FEE IS BASED ON THE AVERAGE OF THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR STANDARD 1" METER PLUS UNIQUE COSTS AS PERMITTED BY PUCT RULE AT COST.

TAP FEE \$2,850.00

TAP FEE IS BASED ON THE AVERAGE OF THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR STANDARD 2" METER PLUS UNIQUE COSTS AS PERMITTED BY PUCT RULE AT COST.

TAP FEE (Unique costs) Actual Cost

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

CUSTOMER SERVICE INSPECTION \$75.00

CUSTOMER SERVICE INSPECTION ON NEW CONSTRUCTION AS REQUIRED BY THE STATE OR IN CASE OF POSSIBLE HEALTH HAZARD

RECONNECTION FEE

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

- a) Non-payment of bill (Maximum \$25.00) \$25.00
 - b) Customer's request \$50.00
- or other reasons listed under Section 2.0 of this tariff

SEASONAL RECONNECTION FEE:

BASE RATE FOR METER SIZE TIMES NUMBER OF MONTHS OFF THE SYSTEM NOT TO EXCEED SIX MONTHS WHEN LEAVE AND RETURN WITHIN A TWELVE MONTH PERIOD.

TRANSFER FEE \$25.00

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

LATE CHARGE 10%

A ONE-TIME PENALTY MAY BE MADE ON DELINQUENT BILLS BUT MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE PENALTY WAS APPLIED IN A PREVIOUS BILLING.

RETURNED CHECK CHARGE \$25.00

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

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

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

METER RELOCATION FEE Actual Relocation Cost

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

SECTION 1.0 -- RATE SCHEDULE (CONTINUED)

Section 1.02 – Miscellaneous Fees (Continued)

METER CONVERSION FEE..... Actual Cost to Convert Meter
 THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS CHANGE OF SIZE OF AN EXISTING METER OR CHANGE IS REQUIRED BY MATERIAL CHANGE IN CUSTOMERS SERVICE DEMAND.

GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE CLAUSE:

WHEN AUTHORIZED IN WRITING BY PUCT AND AFTER NOTICE TO CUSTOMERS, THE UTILITY MAY INCREASE RATES TO RECOVER INCREASED COSTS FOR INSPECTION FEES AND WATER TESTING [16 TEXAS ADMINISTRATIVE CODE (TAC) § 24.25(b)(2)(G)].

LINE EXTENSION AND CONSTRUCTION CHARGES:

REFER TO SECTION 3.02 POLICY FOR TERMS, CONDITIONS, AND CHARGES.

TEMPORARY WATER RATE:

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

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

Where:

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

To implement the Temporary Water Rate, the utility must comply with all notice and other requirements of 16 TAC 24.25(j).

PURCHASED WATER AND/OR DISTRICT FEE PASS THROUGH CLAUSE - ALL WATER SUBJECT TO FEE:

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

$$AG = G + B/(1-L),$$

Where:

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

SECTION 2.0 - SERVICE RULES AND REGULATIONS

The utility will have the most current Public Utility Commission of Texas (PUCT or commission) rules relating to Water and Wastewater Utility regulations, 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 PUCT 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 PUCT 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. Deposits from non-residential customers may be held as long as that customer takes service.

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONTINUED)**Section 2.03 - Fees and Charges & Easements Required Before Service Can Be Connected (Continued)****(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. 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 PUCT or such other regulatory authority having jurisdiction over the utility's rates in that portion of the utility's service area in which the applicant's or existing customer's property(ies) is located.

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

(C) Easement Requirement

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

Section 2.04 - Utility Response to Applications for Service

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

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

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONTINUED)

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, Title 30 TAC § 290.46(j). The utility is not required to perform these inspections for the applicant/customer, but will assist the applicant/customer in locating and obtaining the services of a certified inspector.

Section 2.07 - Back Flow Prevention Devices

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

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

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

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONTINUED)**Section 2.07 - Back Flow Prevention Devices (continued)**

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.

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.

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONTINUED)Section 2.09 - Meter Requirements, Readings, and Testing (continued)

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 PUCT Rules. For each of the systems it operates, the utility will maintain and note on the monthly bill a local or toll-free telephone number (or numbers) to which customers can direct questions about their utility service.

(D) Prorated Bills

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

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONTINUED)

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 PUCT Rules.

B) Without Notice

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

Section 2.13 - Reconnection of Service

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

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

Section 2.14 - Service Interruptions

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

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONTINUED)

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 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 either the TCEQ or PUCT complaint process, depending on the nature of the complaint. 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 CONTRIBUTION IN AID OF CONSTRUCTION MAY BE REQUIRED OF ANY CUSTOMER EXCEPT AS PROVIDED FOR IN THIS APPROVED EXTENSION POLICY.

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

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 PUCT, 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 PUCT 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.

SECTION 3.0--EXTENSION POLICY (CONTINUED)

Section 3.02 - Costs Utilities and Service Applicants Shall Bear (continued)

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

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

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

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

Section 3.03 - Contributions in Aid of Construction

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

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

SECTION 3.0--EXTENSION POLICY (CONTINUED)**Section 3.03 - Contributions in Aid of Construction (continued)**

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

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

- Under a contract and only in accordance with the terms of the contract; or
- if service is not being provided to a lot or lots within two years after installation of facilities necessary to provide service to the lots has been completed and if the standby fees are included on the 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 3.04 - 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, PUCT 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 PUCT or such other regulatory authority having jurisdiction over the utility's rates in that portion of the utility's service area in which the applicant's property(ies) is located.

Section 3.05 - Applying for Service

The utility will provide a written service application form to the applicant for each request for service received by the utility's business offices. A separate application shall be required for each potential service location if more than one service connection is desired by any individual applicant. Service application forms will be available at the utility's business office during normal weekday business hours. Service applications will be sent by prepaid first class United States mail to the address provided by the applicant upon request. Completed applications should be returned by hand delivery in case there are questions which might delay fulfilling the service request. Completed service applications may be submitted by mail if hand delivery is not possible.

SECTION 3.0--EXTENSION POLICY (CONTINUED)**Section 3.05 - Applying for Service (continued)**

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

Section 3.06 - Qualified Service Applicant

A "qualified service applicant" is an applicant who has: (1) met all of the utility's requirements for service contained in this tariff, PUCT rules and/or PUCT 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 PUCT 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 PUCT service dates shall not become applicable until the service applicant has met all conditions precedent to becoming a qualified service applicant as defined by PUCT rules.

Section 3.07 - Developer Requirements

As a condition of service to a new subdivision, the utility shall require a developer (as defined by PUCT 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 -- MISCELLANEOUS TRANSACTION FORMS
(Utility Must Attach)