



Control Number: 51843



Item Number: 14

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DOCKET NO. 51843

2021 MAY -7 PM 2:58

APPLICATION OF CSWR-TEXAS §
UTILITY OPERATING COMPANY, LLC §
FOR TEMPORARY RATES FOR A §
NONFUNCTIONING UTILITY §

PUBLIC UTILITY COMMISSION
OF TEXAS

COMMISSION STAFF'S RECOMMENDATION FINAL DISPOSITION

On February 3, 2021, the Commission appointed CSWR-Texas Utility Operating Company, LLC (CSWR-Texas) as the temporary manager for Farrar Water Supply Corporation in Limestone County.¹ On February 26, 2021, CSWR-Texas filed an application requesting a temporary rate under Texas Water Code § 13.046 and 16 Texas Administrative Code (TAC) § 24.363.

On April 8, 2021, the administrative law judge filed Order No. 2, setting a deadline of May 7, 2021 for the Staff of the Public Utility Commission of Texas (Staff) to file a recommendation on final disposition. Therefore, this pleading is timely filed.

I. FINAL RECOMMENDATION

Staff has reviewed the application, and as supported by the attached memoranda of Patricia Garcia of the Infrastructure Division, Frederick Quijano of the Rate Regulation Division, and David Hoard of the Rate Regulation Division, Staff recommends the following:

- 1) The approval of the annual operating expense of approximately \$14,734 in order to properly operate the water system. This revenue requirement does not include the annual amount CSWR-Texas will collect in temporary manager fees.
- 2) The approval of a temporary base rate of \$48.69 per connection, per month, along with the temporary gallonage rate specified below. Staff calculated the rates below using the updated connection count of 22 connections provided by CSWR-Texas.

Customer Meter Size	Monthly Base Charge per Customer (Includes usage of the first 2,000 gallons)
5/8" x 3/4"	\$48.69
Gallonage Charge	Monthly Charge per 1,000 gallons
All Usage	\$1.80

¹ *Petition for an Order Appointing a Temporary Manager for Farrar Water Supply Corporation*, Docket No. 51551, Order Appointing a Temporary Manager (Feb. 3, 2021).

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- 3) The approval of a surcharge in the amount of \$23.42 per connection per month, to be collected for a period of six months, to recover the \$3,091.29 needed to reimburse Donna Jones for expenses she covered with personal funds.
- 4) A requirement that CSWR-Texas provide notice of the \$23.42 per month surcharge to customers at least one billing cycle prior to the billing cycle in which it begins collecting the surcharge
- 5) A requirement that CSWR-Texas continue to provide the following documentation on a monthly basis, by the last day of the month following the operational month in question, until the temporary manager's term is completed:
 - a) Summary of monthly revenues and expenses with a detailed list of actual costs for operating the system, such as repairs, chlorine, billing, operator costs, electricity, laboratory fees, sampling costs, etc.;
 - b) Summary of monthly operations, maintenance, administrative, and general expenses with a detailed list of actual expenses;
 - c) Copies of invoices and receipts to support the actual cost of service; and
 - d) The actual number of connections at the beginning and at the end of the month.

II. CONCLUSION

For the reasons stated above, Staff respectfully requests the entry of an order approving the temporary rates as modified by Staff to reflect the updated and slightly increased connection count.

Dated: May 7, 2021

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

Rachelle Nicolette Robles
Division Director

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Managing Attorney

/s/ Daniel Moore

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DOCKET NO. 51843

CERTIFICATE OF SERVICE

I certify that, unless otherwise ordered by the presiding officer, notice of the filing of this document was provided to all parties of record via electronic mail on May 7, 2021, in accordance with the Order Suspending Rules, issued in Project No. 50664.

/s/ Daniel Moore
Daniel Moore

Public Utility Commission of Texas

Memorandum

TO: Daniel Moore, Attorney
Legal Division

FROM: Frederick Quijano, Financial Analyst
Rate Regulation Division

DATE: May 7, 2021

RE: Docket No. 51843 – *Application of CSWR-Texas Utility Operating Company, LLC for Temporary Rates for a Nonfunctioning Utility*

On February 26, 2021, CSWR-Texas Utility Operating Company, LLC (CSWR-Texas), temporary manager of Farrar Water Supply Corporation (Farrar), filed with the Public Utility Commission of Texas (Commission) a request for a temporary rate increase under 16 Texas Administrative Code (TAC) §§ 24.363 and 24.43(b).

Under 16 TAC § 24.363:

A retail public utility that takes over the provision of services for a nonfunctioning retail public water utility may immediately begin charging customers of the nonfunctioning system a temporary rate to recover the reasonable costs incurred for interconnection or other costs incurred in making services available and any other reasonable costs incurred to bring the nonfunctioning system into compliance with Commission rules.

Additionally, under 16 TAC § 24.363, the Commission must issue an order regarding the reasonableness of the temporary rates. In making the reasonableness determination, the Commission must consider information submitted by the retail public utility taking over the provision of service, the customers of the nonfunctioning system, or any other affected person.

In response to Staff's First Request for Documentation, CSWR-Texas submitted information supporting the reasonableness of its requested temporary rates. The discovery responses include additional documentation to support out-of-pocket expenditures.

CSWR-Texas requested a total yearly expense of \$14,734 for the temporary rates, including \$570 in billing expenses. Patricia Garcia in the Infrastructure Division provides an analysis in her memo covering the reasonableness of the yearly expenses. My review covers the reasonableness of the billing expense included in the temporary rates.

In the Response to Staff's First Request for Documentation, CSWR-Texas states that they pay Nitor Billing Services, LLC for monthly billing services provided to multiple systems owned and operated by CSWR-Texas.¹ The portion of the monthly billing expense allocated to Farrar is \$42.75.² The total annual expense for billing of Farrar water system is \$513 (\$42.75 x 12 months). Therefore, an adjustment to reduce the annual billing amount by \$57 is needed to correctly reflect the actual billing expense. Ms. Garcia discusses whether this adjustment should be incorporated into the overall amount of annual expenses to be recovered by the temporary rates approved in this proceeding.

Additionally, I recommend that the Commission order CSWR-Texas to provide a summary of its monthly operations, maintenance, administrative, and general expenses with a detailed list of actual expenses. I recommend that the filing of the monthly summary occur no later than the last business day of the month following the operational month in which the expenses were incurred. Further, I recommend that the monthly filings continue until completion of CSWR-Texas's term as temporary manager. Monthly filings must include copies of invoices or receipts to support the actual costs.

¹ CSWR-Texas Utility Operating Company, LLC's Response to Staff's First Request for Documentation, Staff Question 1-31 at 14 (Apr. 21, 2021).

² *Id*

Public Utility Commission of Texas

Memorandum

TO: Daniel Moore, Attorney
Legal Division

FROM: Patricia Garcia, Senior Engineering Specialist
Infrastructure Division

DATE: May 7, 2021

RE: Docket No. 51843 – *Application of CSWR-Texas Utility Operating Company, LLC for Temporary Rates for a Nonfunctioning Utility*

Background:

On February 26, 2021, CSWR-Texas Utility Operating Company, LLC (CSWR-Texas), temporary manager of Farrar Water Supply Corporation (Farrar), filed with the Public Utility Commission of Texas (Commission) an application for a temporary rate in Limestone County, Texas, under Texas Water Code (TWC) § 13.046 and 16 Texas Administrative Code (TAC) § 24.363.

Analysis

Under 16 TAC § 24.363(a), an applicant may charge temporary rates “to recover the reasonable costs incurred for interconnection or other costs incurred in making services available and any other reasonable costs incurred to bring the nonfunctioning system into compliance with commission rules.”

CSWR-Texas requested a total yearly expense of \$14,734 for the temporary rates, including \$570 in billing, which is being reviewed by Frederick Quijano in the Commission’s the Rate Regulation Division.

Items that were reviewed in support of this temporary rate include a contract with the operating company for a monthly fee applicable to this system and another public water system (provided confidentially) and invoices provided by the temporary manager for repairs, electricity bills, and chlorine. Based on the invoices and contract provided by CSWR-Texas, I calculated that CSWR-Texas will need approximately \$3,346 per month or \$40,150 per year to properly operate the system. Therefore, I recommend that CSWR-Texas’s full request of \$14,734 per year be approved despite the small adjustment to the \$570 for billing identified by Mr. Quijano.

The cover letter provided by CSWR-Texas includes a statement about payments made by a customer, Donna Jones, for system repairs from her own personal funds. In the documentation

provided on April 21, 2021 and April 22, 2021 CSWR-Texas submitted invoices providing proof that Ms. Jones paid \$3,091.29. CSWR-Texas stated this amount should be repaid to Ms. Jones through a 6-month surcharge; however, this surcharge was not provided in the notice to the customers. I recommend that the Rate Regulation Division calculate what this surcharge would be per connection for 6 months. I further recommend that CSWR-Texas provide an additional customer notice indicating the amount of the surcharge to be collected from the customers prior to including the surcharge in the customer bills.

CSWR-Texas requests several miscellaneous fees as follows:

1. New Tap Fee: actual cost of materials and labor to install a standard residential 5/8" or 3/4" Meter.
2. Turn-On/Turn-Off Requested by the Customer: \$27.50, 8 am to 5 pm Monday through Friday, when scheduled at least 24 hours in advance; \$164.00, before 8 am and after 5 pm and on Saturday & Sunday, or when scheduled with less than 24 hours' notice.
3. Reconnection Fee Associated with Non-Payment: \$25.00.
4. On-site Collection Charge: \$25.00.
5. Meter Test Fee: \$120.00.
6. Late Charge: 10% of the bill.
7. Returned Check Charge: \$25.00.

I recommend the miscellaneous fees be approved as listed below:

1. Tap Fee.....	<u>Actual Cost</u>
2. Reconnection Fee at the Customer's request..... DISCONNECT FEES NOT ALLOWED PER 16 TAC § 24.165(p)	<u>\$27.50</u>
3. Reconnection Fee Associated with Non-Payment.....	<u>\$25.00</u>
4. On-site Collection Charge..... FIELD COLLECTION FEES NOT ALLOWED PER 16 TAC § 24.165(p)	<u>\$0.00</u>
5. Meter Test Fee (Actual cost of testing the meter up to) PER 16 TAC § 24.169(d)(3), 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.	<u>\$25.00</u>
6. Late Charge.....	<u>10%</u>
7. Returned Check Charge	<u>\$25.00</u>

Attached is a tariff for Farrar WSC with CSWR-Texas as Temporary Manager that reflects the temporary rate requested by CSWR-Texas, as recalculated by the Rate Regulation Division using the updated connection count provided on April 22, 2021, and the approved miscellaneous fees. The tariff is based on the pro forma tariff approved by the Commission for many utilities.

Recommendation:

I recommend the following:

- 1) The requested expenses of \$14,734 to be recovered through a temporary rate are reasonable;
- 2) Approval of the attached tariff; and
- 3) That CSWR-Texas provide the following documentation by the last day of the month following the month in question, for each month until the term as temporary manager for CSWR-Texas is completed:
 - a) Summary of monthly revenues and expenses with a detailed list of actual costs for operating the system, such as repairs, chlorine, billing, operator costs, electricity, laboratory fees, sampling costs, etc.;
 - b) Copies of invoices and receipts to support the actual cost of service; and
 - c) The actual number of connections at the beginning and at the end of the month.

Public Utility Commission of Texas

Memorandum

To: Daniel Moore, Attorney
Legal Division

From: David Hoard, Tariff & Rate Analysis
Rate Regulation Division

Date: May 7, 2021

Re: **Docket No. 51843** – *Application of CSWR-Texas Utility Operating Company, LLC for Temporary Rates for a Nonfunctioning Utility*

Procedural Background

On February 26, 2021, CSWR-Texas Utility Operating Company, LLC (CSWR-Texas), temporary manager of Farrar Water Supply Corporation (Farrar), filed with the Public Utility Commission of Texas (Commission) an application for a temporary rate for Farrar WSC in Limestone County, Texas, under Texas Water Code § 13.046 and 16 Texas Administrative Code (TAC) § 24.363. In the application, CSWR-Texas requested a base monthly rate of \$48.69 per customer as well as a usage charge of \$2.58 per 1,000 gallons that were calculated using 19 connections.

On April 8, 2021, the Staff of the Public Utility Commission of Texas (Staff) filed comments regarding administrative completeness and sufficiency of notice (Staff Completeness Filing), requiring CSWR-Texas to provide additional information. On April 21, 2020, CSWR-Texas filed a response to the Staff Completeness Filing (CSWR-Texas' Response). On May 3, 2021, CSWR-Texas filed a supplemental response to Staff Completeness Filing (CSWR-Texas' Supplemental Response).

Discussion

My review includes an analysis of the proper functional allocation of costs between fixed and variable rates, as well as an analysis of the proposed billing determinants used to calculate rates. Given the state of the system, and the likeliness of ongoing reassessments of costs to operate the system, I recommend approval of the rates requested by CSWR-Texas with a modification to the rate per 1,000 gallons to reflect the increase in connections from 19 to 22.

CSWR-Texas requested a yearly revenue requirement of \$14,734. Based on Staff's recommended approval of this revenue requirement, my functional split between fixed and variable costs (roughly 80% fixed and 20% variable), and the updated number of connections and billing determinants provided in CSWR-Texas's Supplemental Response to Staff Completeness Filing, I recommend approval of the following rates:

Customer Meter Size	Monthly Base Charge per Customer
5/8" x 3/4"	\$48.69
Gallorage Charge	Monthly Charge per 1,000 gallons
All Usage	\$1.80

In its application, CSWR-Texas also stated that Donna Jones, a customer of Farrar, is currently expending her own funds on behalf of the system. CSWR-Texas stated that Ms. Jones had, at the time of the filing of the application, expended \$3,091.29. CSWR-Texas proposes repaying Ms. Jones and recovering the cost of the repayment through a six-month surcharge in addition to the temporary rate. In its application, CSWR-Texas stated that there are currently 19 metered connections. CSWR-Texas' Supplemental Response updated the connection count to 22. Given this updated figure, a surcharge of \$23.42 would be required to recover this amount over a six-month period. However, the monthly surcharge amount was not included in the notice to customers so CSWR-Texas would need to notice this amount before the charge may be applied.

Recommendation

I have reviewed CSWR-Texas's application as well as its responses to Staff's request for information, and I recommend the following:

1. The Commission approve CSWR-Texas's requested temporary rates as modified by Staff to reflect a connection count of 22.
2. The Commission approve a six-month surcharge of \$23.42 per connection to recover \$3,091.29.
3. The Commission require CSWR-Texas to file a copy of its approved tariff consistent with the Commission's final order in this docket.
4. The Commission require CSWR-Texas to file proof of notice of the surcharge before the charge is applied.
5. The approved tariff be stamped "Approved" by the Commission's Central Records Division and retained for future reference.



**WATER UTILITY TARIFF
Docket Number 51843
Temporary Rate**

Farrar WSC
(Utility Name)

CSWR-Texas Utility Operating Company, LLC
(Temporary Manager Name)

1011 W. 31st Street
(Temporary Manager Address)

Austin, TX 78705
(City, State, Zip Code)

(866) 301-7725
(Area Code/Telephone)

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

12429 – CCN Cancelled

This tariff is effective in the following counties:

Limestone

This tariff is effective in the following subdivisions or systems:

Farrar WSC – PWS ID: 1470007

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

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APPENDIX A -- SAMPLE SERVICE AGREEMENT	
APPENDIX B -- APPLICATION FOR SERVICE	

SECTION 1.0 -- RATE SCHEDULE

The temporary rates and temporary miscellaneous fees will remain in effect until the Commission orders otherwise.

Temporary Rates (Effective February 3, 2021)

<u>Meter Size</u>	<u>Monthly Minimum Charge</u>	<u>Gallonage Charge</u>
All	<u>\$48.69</u> (Includes 0 gallons)	<u>\$1.80</u> per 1000 gallons

Temporary Manager’s Fee and Surcharge to be charged in addition to the “Monthly Minimum Charge”

Temporary Manager/Receiver’s Fee\$15.00 per connection per month

Surcharge.....\$23.42 per connection per month for 6 months

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

Check X, Money Order X

THE UTILITY MAY REQUIRE EXACT CHANGE FOR PAYMENTS AND MAY REFUSE TO ACCEPT PAYMENTS MADE USING MORE THAN \$1.00 IN SMALL COINS.

REGULATORY ASSESSMENT..... 1.0%

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

SECTION 1.0 -- RATE SCHEDULE (Continued)

Section 1.02 – Temporary Miscellaneous Fees (EFFECTIVE February 3, 2021)

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

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

LARGE METER TAP FEE Actual Cost
TAP FEE IS BASED ON THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR METERS LARGER THAN STANDARD 5/8" METERS.

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.

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 \$27.50
or other reasons listed under Section 2.0 of this tariff

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

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

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 TAC § 24.25(b)(2)(G)].

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

SECTION 2.0 -- SERVICE RULES AND POLICIES

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

Section 2.01 - 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 16 TAC § 24.163(a)(1)(C). For example, a road bore for customers outside a subdivision or residential area could be considered a unique cost.

(C) Easement Requirement

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

Section 2.04 - Utility Response to Applications for Service

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

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

Section 2.05 - Customer Responsibility

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

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

Section 2.06 - 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, 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 2.0 – 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 30 TAC § 290.47(f) Appendix F, Assessment of Hazards and Selection of Assemblies of the TCEQ Rules and Regulations for Public Water Systems.

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

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

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

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

Section 2.08 - 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 2.14 - 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 POLICIES (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 Commission, the utility will maintain facilities as described in the TCEQ Rules and Regulations for Public Water Systems.

Section 2.16 - Customer Complaints and Disputes

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

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

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

Section 2.17 - Customer Liability

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

SECTION 3.0 -- EXTENSION POLICY

Section 3.01 - Standard Extension Requirements

Line Extension and Construction Charges: No Contribution in Aid of Construction may be required of any customer except as provided for in this approved extension policy.

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

The applicant for service will be given an itemized statement of the costs, options such as rebates to the customer, sharing of construction costs between the utility and the customer, or sharing of costs between the customer and other applicants prior to beginning construction.

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 Commission if:

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

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

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 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 3.0 -- 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 3.06 - 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.

SECTION 3.0 -- EXTENSION POLICY (Continued)

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.

SECTION 4.0 – DROUGHT CONTINGENCY PLAN
(Utility must attach copy of TCEQ approved Drought Contingency Plan)