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DOCKET NO. 52445

APPLICATION OF HYDROTEX, LLC	§	PUBLIC UTILITY COMMISSION
FOR A CERTIFICATE OF	§	
CONVENIENCE AND NECESSITY AND	§	OF TEXAS
FOR DECERTIFICATION OF A	§	
PORTION OF SOUTHERN HORIZONS	§	
DEVELOPMENT'S CERTIFICATE OF	§	
CONVENIENCE AND NECESSITY IN	§	
LIBERTY COUNTY	§	

NOTICE OF APPROVAL

This Notice of Approval addresses the application of HydroTex, LLC to obtain a water certificate of convenience and necessity (CCN) and to decertify a portion of Southern Horizons Development, Inc.'s CCN number 12863 in Liberty County. The Commission issues CCN number 13309 to HydroTex and amends Southern Horizons' CCN number 12863 to decertify the requested area in Liberty County, to the extent provided in this Notice of Approval.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicant and Affected Entity

1. HydroTex is a Texas corporation registered with the Texas secretary of state under file number 803832324.
2. HydroTex has received conditional approval from the Texas Commission on Environmental Quality (TCEQ) to construct a public water system, The Landing II Subdivision, under identification number 1460200.
3. Southern Horizons is a Texas corporation registered with the Texas secretary of state under file number 0144217300.
4. Southern Horizons holds CCN number 12863 which obligates it to provide retail water service in its certificated service area in Liberty and Montgomery counties.

Application

5. On August 18, 2021, HydroTex filed the application at issue in this proceeding.

6. HydroTex supplemented the application June 23 and November 28, 2022; January 9, February 9 and 13, June 26 and 28, and October 11, 2023; and January 29 and February 4, 2024.
7. In the application, as supplemented, HydroTex seeks the following:
 - a. to obtain a water CCN consisting of approximately 88 acres, zero current connections, and 120 projected future connections; and
 - b. to decertify a portion of Southern Horizons' CCN number 12863.
8. The requested area is located approximately 1.6 miles south and southeast of downtown Cleveland, Texas, and is generally bounded on the north by Midline Road; on the east by County Road 3737; on the south by County Road 373; and on the west by King Oak Drive (County Road 3740).
9. In Order No. 10 filed on July 27, 2022, the administrative law judge (ALJ) found the application, as supplemented, administratively complete.

Notice

10. On August 22, 2022, HydroTex filed the affidavit of Roy Rodriguez, utilities director of HydroTex, attesting that notice was mailed to cities, districts, neighboring retail public utilities, and the Liberty County judge on August 1, 2022.
11. On August 22, 2022, HydroTex filed a publisher's affidavit attesting that notice was published in the *Liberty Vindicator*, a newspaper of general circulation in Liberty County, on August 4 and 11, 2022.
12. On June 8, 2023, HydroTex filed the affidavit of Kevin Browder, operations manager of HydroTex, attesting that there are no owners of a tract of land that is at least 25 acres and is wholly or partially included in the requested area.
13. In Order No. 17 filed on July 26, 2023, the ALJ found the notice, as supplemented, sufficient.

Referral to the State Office of Administrative Hearings

14. On December 13, 2022, the Commission referred this matter to the State Office of Administrative Hearings (SOAH).

15. On December 15, 2022, the Commission filed a preliminary order in this docket.
16. On January 30, 2023, Commission Staff filed, on behalf of itself, and HydroTex, a joint motion to remand the matter to the Commission.
17. In SOAH Order No. 2 filed on February 7, 2023, the SOAH ALJ granted the joint motion and remanded the case to the Commission for continued processing.

Proceeding Following Remand

18. In Order No. 11 filed on February 8, 2023, the ALJ required Commission Staff to file a supplemental recommendation regarding the administrative completeness of the application and sufficiency of the notice, along with a proposed procedural schedule.
19. On March 10, 2023, Commission Staff filed a supplemental recommendation regarding administrative completeness, sufficiency of notice, and a proposed procedural schedule.
20. In Order No. 12 filed on March 13, 2023, the ALJ found the application, as supplemented, administratively complete.

Evidentiary Record

21. In Order No. 23 filed on January 12, 2024, the ALJ admitted the following evidence into the record:
 - a. HydroTex's application and all attachments filed on August 18, 2021;
 - b. HydroTex's supplement to the application filed on June 23, 2022;
 - c. HydroTex's proof of notice filed on August 22, 2022;
 - d. Commission Staff's first request for information to HydroTex filed on August 29, 2022;
 - e. HydroTex's response to Commission Staff's first request for information filed on September 16, 2022;
 - f. HydroTex's supplemental response to Commission Staff's first request for information filed on September 20, 2022;
 - g. HydroTex's revised water utility tariff filed on November 28, 2022;

- h. Commission Staff's second request for information to HydroTex filed on December 20, 2022;
- i. HydroTex's response to Commission Staff's second request for information filed on January 9, 2023;
- j. HydroTex's supplemental financial information filed on February 9 and 13, 2023;
- k. HydroTex's response to Commission Staff's request for information, Patricia Garcia, filed March 31, 2023;
- l. Commission Staff's third request for information to HydroTex filed on May 18, 2023;
- m. HydroTex's response to Corrected Order No. 15 filed on June 8, 2023;
- n. HydroTex's response to Commission Staff's third request for information filed on June 9, 2023;
- o. Southern Horizons' consent form filed on June 9, 2023;
- p. HydroTex's supplemental responses to Commission Staff's request for additional documents filed on June 26 and 28, 2023;
- q. HydroTex's consent form filed on July 10, 2023;
- r. Commission Staff's clarification, recommendation on notice, and final recommendation, including confidential attachment FB-1, filed on July 12, 2023;
- s. The proposed map and tariff, and certificates attached to the joint motion to admit supplemental evidence filed on August 22, 2023;
- t. HydroTex's response to Order No. 19 filed on October 11, 2023;
- u. Commission Staff's response to Order No. 19, including confidential attachment FB1.1, filed on October 12, 2023;
- v. Commission Staff's response to Order No. 20, including revised certificate, filed on October 31, 2023; and
- w. Commission Staff's response to Order No. 21 and attachment filed on November 14, 2023.

22. In Order No. 26 filed on March 19, 2024, the ALJ admitted the following evidence into the record:
- a. Commission Staff's response to Order No. 22 filed on November 17, 2023;
 - b. HydroTex's response to Order No. 24 filed on January 29, 2024;
 - c. HydroTex's supplemental response to Order No. 24 filed on February 4, 2024; and
 - d. Commission Staff's response and attachments to Order No. 24 filed on March 14, 2024.

HydroTex's Application for a CCN

Adequacy of Existing Service

23. There are no customers in the requested area, so water service is not currently being provided in the requested area.
24. HydroTex has received conditional approval from the TCEQ to construct The Landing II Subdivision public water system, identification number 1460200.
25. All water plant and distribution system infrastructure has been installed, except water meters.

Need for Service

26. The Landing II, LLC is the developer of the Landing II subdivision, which is an affiliate entity of HydroTex.
27. The Landing II is developing the Landing II subdivision, a 120-home community for future residents in the requested area, and requested service from HydroTex.
28. There is a need for service to serve future customers in the requested area.

Effect of Issuing the Certificate

29. HydroTex will be the certificated water utility for the requested area and will be required to provide continuous and adequate water service to the requested area.
30. Landowners in the requested area will have a water provider available when they need to request water service.
31. All retail public utilities in the proximate area were provided notice of the application.

32. None of the retail public utilities in the proximate area are able to provide water service to the requested area, protested the application, or requested to intervene.
33. There will be no effect on any retail public utility serving the proximate area, except Southern Horizons who consented to decertification of a portion of its CCN.

Ability to Serve: Managerial and Technical

34. HydroTex received conditional approval from the TCEQ to construct the Landing II Subdivision public water system, identification number 1460200, to serve the requested area.
35. The application included a TCEQ approval letter for the public water system and distribution system to serve the requested area.
36. HydroTex employs or contracts with a TCEQ-licensed water operator who will be responsible for the operation of the public water system.
37. HydroTex has the managerial and technical capability to provide continuous and adequate service to the requested area.

Feasibility of Obtaining Service from Adjacent Retail Utilities

38. HydroTex requested service from adjacent retail public utilities in the proximate area.
39. None of the retail public utilities in the proximate area offered to provide service to the requested area.
40. It is not feasible to obtain service from an adjacent retail public utility.

Regionalization or Consolidation

41. HydroTex must construct a physically separate public water system to provide service to the requested area.
42. HydroTex's application included copies of letters requesting service from adjacent retail public utilities in the proximate area.
43. None of the retail public utilities in the proximate area offered to provide service to the requested area.
44. HydroTex demonstrated that regionalization or consolidation with an adjacent retail public utility is not economically feasible.

Ability to Serve: Financial Ability and Stability

45. SVAG Investments, LLC, owner of 98% of the membership interest of HydroTex, is capable, available, and willing to cover temporary cash shortages, and has a debt-to-equity ratio that is less than one. Therefore, HydroTex satisfies the leverage test.
46. Even though HydroTex does not project any shortages in the first five years of operation, SVAG provided a written guarantee of coverage of temporary cash shortages and demonstrated that it has sufficient cash available, and also secured a line of credit, to cover projected operations and maintenance shortages in the first five years of operations after issuance of the CCN. Therefore, HydroTex satisfies the operations test.
47. HydroTex's application supplements included invoices, payment information, and photos indicating the water well, plant, and system infrastructure needed to provide water service to the requested area has been purchased, installed, and already paid for.
48. The capital improvements yet to be purchased and installed are water meters. The total cost of the water meters will not exceed \$100,000. The water meter purchase and installation costs will be paid for with future tap fees charged by HydroTex.
49. HydroTex demonstrated the financial capability and stability to pay for the facilities necessary to provide continuous and adequate water service to the requested area.

Financial Assurance

50. There is no need to require HydroTex 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

51. The environmental integrity of the land will be minimally affected as facilities are constructed to provide service to the requested area.
52. The land and environmental integrity of the requested area will not be affected to such a degree that the application should not be granted.

Improvement of Service or Lowering Cost to Consumers

53. Landowners within the requested area will have water service available which was previously unavailable.

54. No lowering of cost to consumers will result from issuance of the CCN because there are no current customers.

Proposed Tariff, Rate Study, Supporting Documentation, and Timelines

55. HydroTex filed a proposed tariff with its application supplement.
56. HydroTex filed a rate study and pro forma financial statements in support of its proposed rates.
57. HydroTex provided all calculations supporting its proposed rates.
58. HydroTex provided all assumptions for projections included in its rate study.
59. HydroTex's application included an estimated date for completion of its public water system facilities. The public water system has been constructed.
60. Service and billing will commence upon issuance of the CCN by the Commission and installation of water meters.

Partial Decertification of Southern Horizons' CCN

Circumstances of Decertification

61. Southern Horizons has never provided retail water service to any customers in the requested area.
62. Southern Horizons has not received any requests for service in the requested area.
63. Southern Horizons consented in writing to decertification of the requested area.

Effect on Customers and Landowners in the Requested Area

64. Southern Horizons has no customers and owns no facilities in the requested area.
65. There are no customers that Southern Horizons serves in the requested area.
66. After decertification, Southern Horizons will not be obligated to provide continuous and adequate service to the requested area.
67. The landowner in the requested area was provided notice of the decertification.
68. Decertification will have no adverse effect on the landowner in the requested area.

Continuous and Adequate Service to Customers and Landowners

69. Southern Horizons' remaining customers are served by a separate public water system outside the requested area.
70. Decertification of the requested area will not impact Southern Horizons' ability to serve its remaining customers in the certificated areas under CCN number 12863.

Adverse Impact on the Requested Area in the Present or Future

71. Southern Horizons has no customers and owns no facilities in the requested area so service to the requested area will not be discontinued, reduced, or impaired.
72. HydroTex constructed a new public water system and water facilities to provide service in the requested area.
73. Decertification will not adversely affect the requested area in the present or future.

Compensation from a Prospective Retail Public Utility

74. Southern Horizons entered into an agreement with HydroTex to decertify the requested area and there is no evidence in the record showing compensation for the decertification.

Map, Certificate, and Tariff

75. On June 9, 2023, Commission Staff emailed its proposed final map, tariff, and certificates to HydroTex and Southern Horizons.
76. On June 9, 2023, Southern Horizons filed its consent to the proposed final map, tariff, and certificates.
77. On July 10, 2023, HydroTex filed its consent to the proposed final map, tariff, and certificates.
78. On August 22, 2023, the parties filed the proposed final map, tariff, and certificates as attachments to the joint motion to admit supplemental evidence.

Informal Disposition

79. More than 15 days have passed since completion of the notice provided in this docket.
80. No person filed a protest or motion to intervene.
81. HydroTex and Commission Staff are the only parties to this proceeding.

82. No party requested a hearing and no hearing is needed.
83. Commission Staff recommended approval of the application, as supplemented.
84. 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 application under Texas Water Code (TWC) §§ 13.041, 13.241, 13.244, 13.246, and 13.254.
2. HydroTex and Southern Horizons are retail public utilities as defined by TWC § 13.002(19) and 16 TAC § 24.3(31).
3. HydroTex provided notice of the application that complies with TWC § 13.246 and 16 TAC § 24.235.
4. Notice of the decertification was provided at the time the application was filed to the landowner in the requested area in compliance with 16 TAC § 24.245(d)(2)(A).
5. HydroTex's application meets the requirements of TWC § 13.244 and 16 TAC § 24.227.
6. The Commission processed the application in accordance with the requirements of the Administrative Procedure Act,¹ the TWC, and Commission rules.
7. The Commission considered the factors in TWC § 13.246(c) and 16 TAC § 24.227(e) when evaluating HydroTex's application.
8. HydroTex possesses the financial, managerial, and technical capability to provide continuous and adequate water service to the requested area, as required by TWC § 13.241 and 16 TAC § 24.227.
9. It is not necessary for HydroTex to provide a bond or other financial assurance under TWC § 13.246(d) or 16 TAC § 24.227(f).

¹ Tex. Gov't Code §§ 2001.001–.903.

10. HydroTex demonstrated that regionalization or consolidation with an adjacent retail public utility is not economically feasible, as required by TWC § 13.241(d) and 16 TAC § 24.227(b).
11. The irrevocable standby letter of credit and affidavit of SVAG filed by HydroTex constitute a sufficient firm capital commitment under 16 TAC § 24.11(e)(5)(B).
12. HydroTex included, with its supplemented application, a proposed tariff and rate study that comply with 16 TAC § 24.25(b).
13. HydroTex demonstrated that issuing a CCN to HydroTex for the requested area 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).
14. Under TWC § 13.250, HydroTex is required to provide service to every consumer within its certificated service area and to render continuous and adequate service within its service area.
15. Southern Horizons met the requirements of TWC § 13.254 and 16 TAC § 24.245 for decertification of the requested area.
16. Southern Horizons consented to decertification of the requested area in writing in accordance with TWC § 13.254(a), 16 TAC § 24.245(d)(1)(E) and (d)(2).
17. After consideration of the factors in 16 TAC § 24.245(d)(2), Southern Horizons demonstrated that existing customers and landowners will not be adversely affected by decertification of the requested area.
18. Under TWC § 13.254(h), after decertification of the requested area, Southern Horizons will no longer be obligated to provide service to the requested area.
19. Under TWC § 13.257(r) and (s), HydroTex and Southern Horizons must each record a certified copy of the final map and certificates, along with a boundary description of the service area, in the real property records of Liberty County within 31 days of this Notice of Approval and must submit evidence of the recording to the Commission.
20. Under 16 TAC § 24.25(b)(1)(B)(vi), HydroTex must file notice with the Commission once billing for water service begins.

21. Under 16 TAC § 24.25(b)(1)(C), HydroTex must file a rate application with actual financial information with the Commission within 18 months from the date service begins.
22. 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 HydroTex CCN number 13309, as described in this Notice of Approval and as shown on the attached map.
2. The Commission amends Southern Horizons' CCN number 12863 to decertify the requested area, as described in this Notice of Approval and shown on the attached maps.
3. The Commission approves the map and tariff attached to this Notice of Approval.
4. The Commission issues the certificates attached to this Notice of Approval.
5. HydroTex must provide service to every customer and applicant for service within the approved area under CCN number 13309 who requests water service and meets the terms of HydroTex's water service policies, and such service must be continuous and adequate.
6. HydroTex and Southern Horizons must each comply with the recording requirements in TWC § 13.257(r) and (s) for the area in Liberty County affected by this application and must file in this docket proof of the recording no later than 45 days after the date of this Notice of Approval.
7. A copy of this Notice of Approval will be provided to Southern Horizons.
8. Within ten days of the date this Notice is filed, Commission Staff must provide the Commission with a clean copy of HydroTex's water tariff approved in this Notice of Approval to be stamped *Approved* and retain by Central Records.
9. HydroTex 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. 56307, *Compliance Filing for Docket No. 52445 (Application of HydroTex, LLC for a Certificate of Convenience and*

Necessity and for Decertification of a Portion of Southern Horizons Development's Certificate of Convenience and Necessity in Liberty County).

10. HydroTex must comply with the requirements in 16 TAC § 24.25(b)(1)(C) and file, under a new docket number, a rate change application with the Commission within 18 months from the date water service begins.
11. The Commission denies all other motions and any other requests for general or specific relief, if not expressly granted.

Signed at Austin, Texas the 22nd day of March 2024.

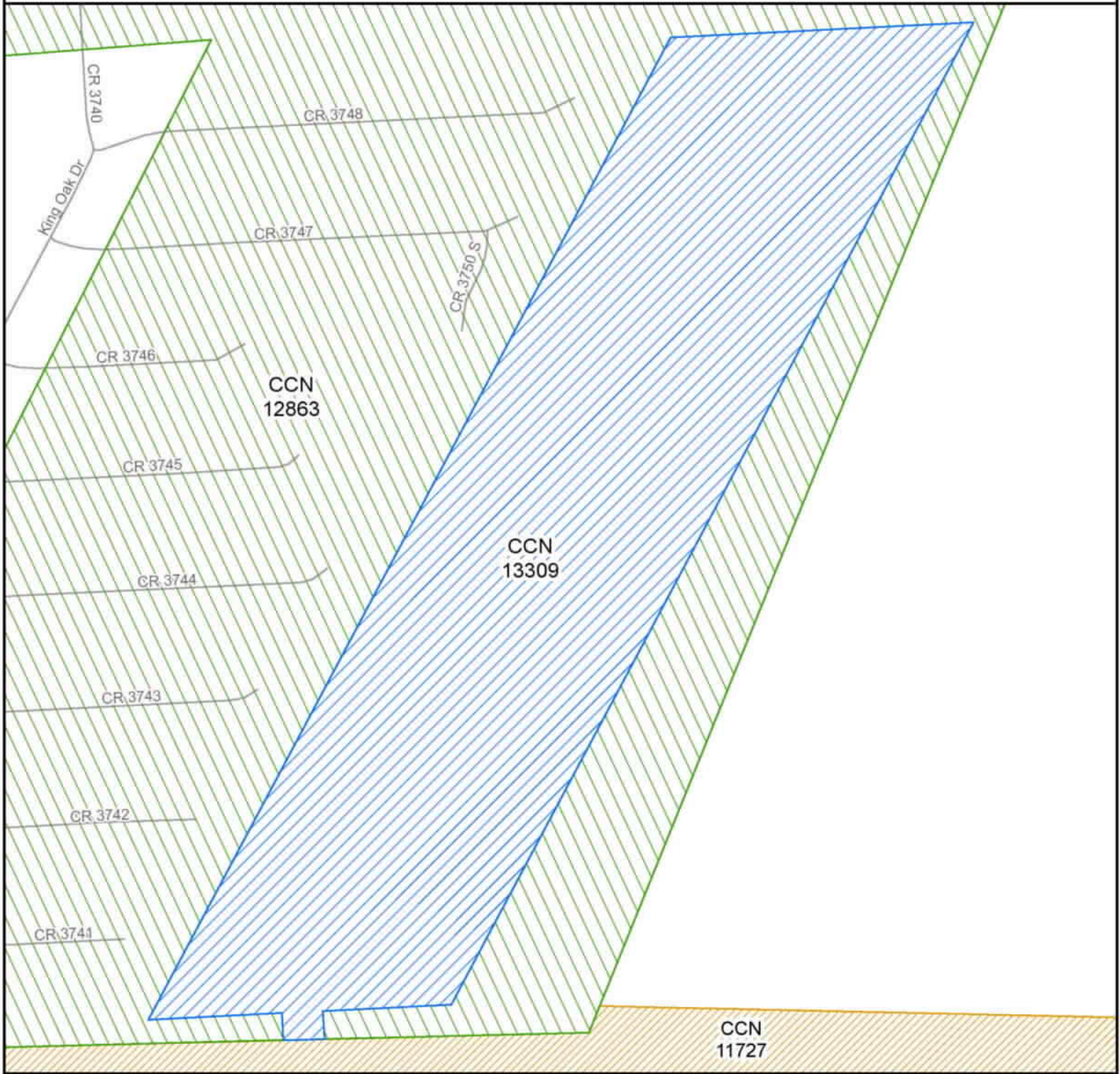
PUBLIC UTILITY COMMISSION OF TEXAS






**CHRISTINA DENMARK
ADMINISTRATIVE LAW JUDGE**

HydroTex, LLC
Water CCN No. 13309
PUC Docket No. 52445

Obtained New Water CCN and Decertified a portion of Southern Horizons, CCN No. 12863 in Liberty County



Water CCN

-  13309 - HydroTex LLC
-  12863 - Southern Horizons
-  11727 - City of Splendora





**WATER UTILITY TARIFF
Docket Number 52445**

HydroTex, LLC
(Utility Name)

101 Parklane Blvd., Ste 102
(Business Address)

Sugar Land, Texas 77478
(City, State, Zip Code)

(713) 562-5084
(Area Code/Telephone)

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

13309

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

Liberty

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

N/A

This tariff is effective in the following subdivisions or systems:

The Landing II Subdivision - PWS ID: 1460200

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

NOTE: Appendix A – 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 0 gallons all meters)	<u>Gallonge Charge</u>
5/8"	<u>\$45.00</u>	<u>\$5.95</u> per 1,000 gallons
3/4"	<u>\$45.00</u>	
1"	<u>\$78.75</u>	
1½"	<u>\$146.25</u>	
2"	<u>\$225.00</u>	
3"	<u>\$495.00</u>	
4"	<u>\$945.00</u>	

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

Cash , Check , Money Order , Credit Card , Other (specify) N/A

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 1.02 – Miscellaneous Fees

TAP FEE Standard Tap \$1600.00/ Smart Tap \$1,800.00

TAP FEE IS BASED ON THE AVERAGE OF THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR STANDARD RESIDENTIAL CONNECTION OF 5/8" 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.

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.

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

SECTION 1.0 -- RATE SCHEDULE (CONTINUED)

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 Greater of \$5 or 10% of outstanding bill
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.....\$30.00

CUSTOMER SERVICE INSPECTION.....\$85.00

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

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

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, Not to Exceed Tap Fee
THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS RELOCATION OF AN EXISTING METER.

LINE EXTENSION AND CONSTRUCTION CHARGES:
REFER TO SECTION 3.02 POLICY FOR TERMS, CONDITIONS, AND CHARGES.

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)].

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)

(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)

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)

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)

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)

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)

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



Public Utility Commission of Texas

By These Presents Be It Known To All That

HydroTex, 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, HydroTex, LLC is entitled to this

Certificate of Convenience and Necessity No. 13309

to provide continuous and adequate water utility service to that service area or those service areas in Liberty County as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 52445 are on file at the Commission offices in Austin, Texas; and are matters of official record available for public inspection; and be it known further that these presents do evidence the authority and the duty of the HydroTex, 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.



Public Utility Commission of Texas

By These Presents Be It Known To All That

Southern Horizons

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, Southern Horizons is entitled to this

Certificate of Convenience and Necessity No. 12863

to provide continuous and adequate water utility service to that service area or those service areas in Liberty and Montgomery counties as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 52445 are on file at the Commission offices in Austin, Texas; and are matters of official record available for public inspection; and be it known further that these presents do evidence the authority and the duty of the Southern Horizons 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.