

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

Existing customers shall be required to comply with such rules, including modification of their plumbing and/or consumption patterns, after notice.

Customers must make meters accessible to the Utility and its personnel. If they do not, the Utility may require the removal of the meter to another location according to Section 291.89(c) of the TCEQ's rules. The Utility will give the customer the option of converting to a remote radio read meter at the customer's expense in lieu of bearing the cost of relocating the meter and any Utility water lines necessitated by the customer's actions. If the customer does not accept this option, the customer will be charged for all incurred meter relocation costs. Before relocating the meter, the utility must provide the customer with written notice of its intent to do so. This notice must include information on the estimated cost of relocating the meter, an explanation of the condition hindering access and what the customer can do to correct that condition, and information on how to contact the utility. The notice must give the customer a reasonable length of time to arrange for utility access so the customer may avoid incurring the relocation cost. A copy of the notice given to the customer shall be filed with the utility's records on the customer's account.

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

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

Damaged meter and appurtenances fee - This fee shall be assessed to the account holder of any delinquent account that has been terminated for non-payment by locking the meter and meter or appurtenances such as the curb stop have been damaged requiring repair and/or replacement in an attempt to restore water service to the point of serve that was disconnected. The account holder shall be charged the full cost of repairing and/or replacing all damaged parts, including labor and vehicles. This will include replacement of meters that have had their locking eyes broken off the flanges. In addition, a \$10.00 penalty will be levied to deter future tampering.

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

SECTION 3.0 - EXTENSION POLICY

Section 3.01 - Standard Extension Requirements

LINE EXTENSION AND CONSTRUCTION CHARGES. No contribution in aid of construction may be required of any customer except as provided for in this approved extension policy.

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

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

COST UTILITY SHALL BEAR. Within its certificate area, the utility will pay the cost of the first 200 feet of any water main or distribution line necessary to extend service to an individual residential customer within a platted subdivision. However, if the residential customer requesting service purchased the property after the developer was notified of the need to provide facilities to the utility, the utility may charge for the first 200 feet. The utility must also be able to document that the developer of the subdivision refused to provide facilities compatible with the utility's facilities in accordance with the utility's approved extension policy after receiving a written request from the utility.

Developers may be required to provide contributions in aid of construction in amounts to furnish the system with all facilities necessary to comply with the TCEQ's Rules.



SECTION 3.20 - SPECIFIC UTILITY EXTENSION POLICY

This section contains the utility's specific extension policy that complies with the requirements already stated under Section 3.01. It must be reviewed and approved by the Commission and in compliance with TCEQ Rules to be effective.

Residential customers not covered under Section 3.01 will be charged the equivalent of the costs of extending service to their property from the nearest transmission or distribution line even if that line does not have adequate capacity to serve the customer. However, if the customer places unique, non-standard service demands upon the system, the customer may be charged the full cost of extending service to and throughout their property, including the cost of all necessary transmission and storage facilities necessary to meet the service demands anticipated to be created by that property.

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

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

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

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

Any service extension to a subdivision (recorded or unrecorded) may be subject to the provisions and restrictions of 30 TAC 291.86(d) and this tariff. When a developer wishes to extend the system to prepare to service multiple new connections, the charge shall be the cost of such extension, plus a pro-rata charge based upon the capacities of production, transmission, storage, pumping and treatment facilities, compliant with the TCEQ minimum design criteria, which

SECTION 3.20 - SPECIFIC UTILITY EXTENSION POLICY (Continued)

must be committed to such extension. As provided by 30 TAC 291.86(d)(4), for purposes of this section, commercial, industrial, and wholesale customers shall be treated as developers.

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

Unless expressly exempted by TCEQ rule or order, each point of use (as defined by 30 TAC 291.3) must be individually metered.

The imposition of additional extension costs or charges as provided by Sections 2.20 and 3.20 of this tariff shall be subject to appeal as provided in this tariff, TCEQ rules, or the rules of such other regulatory authority as may have jurisdiction over the utility's rates and services. Any applicant required to pay for any costs not specifically set forth in the rate schedule pages of this tariff shall be entitled to a written explanation of such costs prior to payment and/or commencement of construction. If the applicant does not believe that these costs are reasonable or necessary, the applicant shall have the right to appeal such costs to the TCEQ or such other regulatory authority having jurisdiction over the utility's rates in that portion of the utility's service area in which the applicant's property(ies) is located. Unless the TCEQ or other regulatory authority enters interlocutory orders to the contrary, service to the applicant may be delayed until such appeal is resolved.

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

The utility shall serve each qualified service applicant within its certificated service area as soon as practical after receiving a completed service application. All service requests will be fulfilled within the time limits prescribed by TCEQ 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 TCEQ service dates shall not become applicable until the service applicant has met all conditions precedent to becoming a "qualified service applicant" as defined herein or by TCEQ rules.

SECTION 3.20 - SPECIFIC UTILITY EXTENSION POLICY (Continued)

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

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

Where a new tap or service connection is required, the service applicant shall be required to submit a written service application and request that a tap be made. The tap request must be accompanied with a plat, map, diagram or written metes and bounds description of precisely where the applicant desires each tap or service connection is to be made and, if necessary, where the meter is to be installed, along the applicant's property line. The actual point of connection and meter installation must be readily accessible to utility personnel for inspection, servicing and meter reading while being reasonably secure from damage by vehicles and mowers. If the utility has more than one main adjacent to the service applicant's property, the tap or service connection will be made to the utility's near service main with adequate capacity to service the applicant's full potential service demand. If the tap or service connection cannot be made at the applicant's desired location, it will be made at another location mutually acceptable to the applicant and the utility.

If no agreement on location can be made, applicant may refer the matter to the TCEQ for resolution. Unless otherwise ordered by the TCEQ, the tap or service connection will not be made until the location dispute is resolved.

The utility shall require a developer (as defined by TCEQ rule) to provide permanent recorded public utility easements as a condition of service to any location within the developer's property. The Developer shall be required to obtain all necessary easements and rights-of-way required to extend the utility's existing service facilities from their nearest point with adequate service capacity (as prescribed by TCEQ rules and local service conditions) to and throughout the Developer's property. The easements shall be sufficient to allow the construction, installation, repair, maintenance, testing, and replacement of any and all utility plant necessary to provide continuous and adequate service to each and every potential service location within the property at full occupancy. Unless otherwise restricted by law, well plant sites shall convey with unrestricted rights to produce water for public drinking water supply.

SECTION 3.20 - SPECIFIC UTILITY EXTENSION POLICY (Continued)

Developers shall be required to provide sanitary control easements acceptable to the TCEQ for each water well site to be located within their property or otherwise being obtained to serve their property. Unless otherwise agreed to by the utility, pipe line right-of-way easements must be at least 15 feet wide to allow adequate room to facilitate backhoe and other heavy equipment operation and meters. Easements must be provided for all production, storage, treatment, pressurization and disposal sites which are sufficient to construct and maintain all weather roads as prescribed by TCEQ rules. All easements shall be evidenced, at Developer's expense, by recorded county-approved subdivision plat or by specific assignment supported by metes and bounds survey from a surveyor licensed by the State of Texas.

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

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

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

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

(d) The utility shall be provided with three (3) certified copies of the final plat(s) approved by the County Commissioners Court. At this time, the utility will begin engineering the facilities necessary to serve the property. Plans and specifications will be prepared and submitted to the TCEQ by the utility if required by law. If further plat or plans changes are necessary to accommodate the specific service needs of the property and the anticipated customer demands, the Developer will be so notified.

SECTION 3.20 - SPECIFIC UTILITY EXTENSION POLICY (Continued)

Plat amendments must be obtained by the Developer. The Developer shall be notified when all required TCEQ or other governmental approvals or permits have been received. No construction of utility plant which requires prior TCEQ plans approval shall be commenced until that approval has been received by the utility and any conditions imposed by the TCEQ in association with its approvals have been satisfied.

(e) The Developer shall be required to post bond or escrow the funds necessary to construct all required utility plant, except individual taps, meters and sewer connections, required to serve the property. Construction shall not commence until funds are available. If the construction is to be done in coordination with the phased development of the property, funds must be provided in advance which are sufficient to complete each phase. No phase or facilities for any phase shall be constructed prior to the bonding or escrowing of all funds associated with that phase.

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

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

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

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

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

SECTION 3.20 - SPECIFIC UTILITY EXTENSION POLICY (Continued)

- (a) that the developer of the subdivision refused to provide facilities compatible with the utility's facilities in accordance with the utility's approved extension policy after receiving a written request from the utility; or,
- (b) that the Developer defaulted on the terms and conditions of a written agreement or contract existing between the utility and the developer or the terms of this tariff regarding payment for services, extensions, or other requirements; or in the event the Developer declared bankruptcy and was therefore unable to meet obligations; and,
- (c) that the residential service applicant purchased the property from the Developer after the Developer was notified of the need to provide facilities to the utility. A residential service applicant may be charged the remaining costs of extending service to his property; provided, however, that the residential service applicant may only be required to pay the cost equivalent to the cost of extending the nearest water main, whether or not that line has adequate capacity to serve that residential service applicant. The following criteria shall be considered to determine the residential service applicant's cost for extending service:

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

(2) Exceptions may be granted by the TCEQ Executive Director if:

(A) 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;

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

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

For purposes of determining the costs that service applicants shall pay, commercial customers with service demands greater than residential customer demands in the certificated area, industrial, and wholesale customers shall be treated as developers.

A service applicant requesting a one inch meter for a lawn sprinkler system to service a residential lot is not considered nonstandard service.

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



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

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

SEWER UTILITY TARIFF  
FOR

Champ's Water Company, Inc.  
(Utility Name)

13217-A Chrisman  
(Business Address)

Houston, Texas 77039  
(City, State, Zip Code)

(281)590-7317  
(Area Code/Telephone)

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

20385

This tariff is effective in the following county:

Harris

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

Houston

This tariff is effective in the following subdivisions or systems:

See attached list.

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):

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APPENDIX A -- SERVICE AGREEMENTS

LIST OF SUBDIVISIONS

SUBDIVISION	WQ ID NUMBER	COUNTY
Aldine Forest	11739-001	Harris
Garden City Apartments	11005-001	Harris
Garden City Park	11005-001	Harris
North Belt Forest	12571-001	Harris
Parkland Estates	11158-001	Harris
Western Homes	10436-001	Harris
Whisper Meadows	12730-001	Harris

SECTION 1.0 - RATE SCHEDULE

Residential Rates		Commercial Rates	
Meter Size	Monthly Minimum Charge	Meter Size	Monthly Minimum Charge
5/8" or 3/4" or unmetered	(Includes 0 gallons) \$11.88	5/8" or 3/4" or unmetered	(Includes 0 gallons) \$11.88
3/4"	\$17.82	3/4"	\$17.82
1"	\$29.70	1"	\$29.70
1 1/2"	\$59.30	1 1/2"	\$59.30
		2"	\$95.03
		3"	\$178.18
		4"	\$296.96
		6"	\$593.92

**Gallage Charge:** (all customer classes).....\$3.70 per 1000 gallons of water  
 RESIDENTIAL CUSTOMERS' GALLONAGE CHARGE SHALL BE BASED ON THE WINTER AVERAGE OF THEIR WATER CONSUMPTION DURING THE MONTHS OF DECEMBER, JANUARY AND FEBRUARY. WINTER AVERAGES SHALL BE RECOMPUTED EACH MARCH BASED ON THE PRECEDING DECEMBER - FEBRUARY WATER METER READINGS. RESIDENTIAL CUSTOMERS WHO DO NOT HAVE A WINTER CONSUMPTION HISTORY SHALL BE IMPUTED THE WINTER CONSUMPTION AVERAGE FOR THE SYSTEM IN WHICH THEY RESIDE UNTIL THEY ESTABLISH THEIR OWN HISTORY. COMMERCIAL CUSTOMERS SHALL NOT BE SUBJECT TO WINTER AVERAGING. THEIR BILLS SHALL BE CALCULATED ON THEIR ACTUAL WATER CONSUMPTION EACH MONTH YEAR ROUND.

**FORM OF PAYMENT:** The utility will accept the following forms of payment:  
 Cash     , Check X, Money Order X, Credit Card     , Other (specify)       
 THE UTILITY MAY REQUIRE EXACT CHANGE FOR PAYMENTS AND MAY REFUSE TO ACCEPT PAYMENTS MADE USING MORE THAN \$1.00 IN SMALL COINS. A WRITTEN RECEIPT WILL BE GIVEN FOR CASH PAYMENTS.

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

Section 1.02 - Miscellaneous Fees

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

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

METER RELOCATION .....Actual cost to relocate that meter  
 THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS RELOCATION OF AN EXISTING SERVICE CONNECTION

RETURNED CHECK CHARGE .....\$20.00  
 RETURNED CHECK CHARGES MUST BE BASED ON THE UTILITY'S DOCUMENTABLE COST.

RATES LISTED ARE EFFECTIVE ONLY  
 IF THIS PAGE HAS TCEQ APPROVAL STAMP

TEXAS COMM. ON ENVIRONMENTAL QUALITY  
 34603-R, CCN 20385, JUNE 22, 2004  
 APPROVED TARIFF BY      / THB

SECTION 1.0 - RATE SCHEDULE

TAP FEE (Gravity Sewer).....\$600.00
TAP FEE COVERS THE UTILITY'S COSTS FOR MATERIALS AND LABOR TO INSTALL A STANDARD RESIDENTIAL CONNECTION. AN ADDITIONAL FEE TO COVER UNIQUE COSTS IS PERMITTED IF LISTED ON THIS TARIFF.

TAP FEE (Large Connection Tap, Gravity Sewer).....Actual Cost
TAP FEE IS THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR TAP SIZE INSTALLED.

TAP FEE (Pressure Sewer) any water meter size.....Actual Cost
CUSTOMER SHALL OWN AND MAINTAIN ALL REQUIRED GRINDER PUMPS AND APPURTENANCES.

RECONNECTION FEE

THE RECONNECT FEE MUST BE PAID BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS BEEN DISCONNECTED FOR THE FOLLOWING REASONS (OR OTHER REASONS LISTED UNDER SECTION 2.0 OF THIS TARIFF):

- a) Non payment of bill (Maximum \$25.00).....\$25.00
b) Customer's request that service be disconnected.....\$40.00

TRANSFER FEE.....\$40.00
THE TRANSFER FEE WILL BE CHARGED FOR CHANGING AN ACCOUNT NAME AT THE SAME SERVICE LOCATION WHEN THE SERVICE IS NOT DISCONNECTED

SEASONAL RECONNECTION FEE

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

LATE CHARGE (EITHER \$5.00 OR 10% OF THE BILL).....10%
TCEQ RULES ALLOW A ONE-TIME PENALTY TO BE CHARGED ON DELINQUENT BILLS. A LATE CHARGE MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE PENALTY WAS APPLIED IN A PREVIOUS BILLING.

GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE:

WHEN AUTHORIZED IN WRITING BY TCEQ AND AFTER NOTICE TO CUSTOMERS, THE UTILITY MAY INCREASE RATES TO RECOVER INCREASED COSTS FOR INSPECTION FEES AND WATER TESTING. [30 TAC 291.21(K)(2)]

LINE EXTENSION AND CONSTRUCTION CHARGES:

REFER TO SECTION 2.20 SPECIFIC UTILITY SERVICE RULES AND SECTION 3.20 UTILITY SPECIFIC EXTENSION POLICY FOR TERMS, CONDITIONS, AND CHARGES.

REPAIRS AND MAINTENANCE OF CUSTOMERS PLUMBING INCURRED COST:

IF A CUSTOMER REPORTS A BLOCKAGE OR OTHER SERVICE PROBLEM AND THE FAULT IS FOUND TO BE WITH THE CUSTOMER'S PRIVATE PLUMBING, I.E., A BLOCKAGE IN THE CUSTOMER'S SERVICE LINE UPSTREAM FROM THE POINT OF CONNECTION TO THE UTILITY'S COLLECTION LINE, AND IF THE CUSTOMER REQUESTS THE UTILITY TO PERFORM THE REPAIRS, THEY WILL BE CHARGED THE SAME HOURLY LABOR AND EQUIPMENT CHARGES THE UTILITY'S AFFILIATE COMPANY CHARGES THIRD PARTY CUSTOMERS.

RATES LISTED ARE EFFECTIVE ONLY
IF THIS PAGE HAS TCEQ APPROVAL STAMP

SECTION 2.0--SERVICE RULES AND REGULATIONS

Section 2.01--Texas Commission on Environmental Quality Rules

The utility will have the most current Texas Commission on Environmental Quality (TCEQ) Rules, Chapter 291, Water Rates, available at its office for reference purposes. The Rules and this tariff shall be available for public inspection and reproduction at a reasonable cost. The latest Rules or Commission approved changes to the Rules supersede any rules or requirements in this tariff.

Section 2.02--Application for and Provision of Sewer Service

All applications for service will be made on the utility's standard application or contract form (attached in the Appendix to this tariff) and will be signed by the applicant before sewer service is provided by the utility. A separate application or contract will be made for each service at each separate location.

After the applicant has met all the requirements, conditions and regulations for service, the utility will install service connections, which may include a 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.

Where service has previously been provided, the utility will reconnect the service within one working day after the applicant has met the requirements for reconnection.

The customer will be responsible for furnishing and laying the necessary customer service pipe from the connection location to the place of use.

Section 2.03--Refusal of Service

The utility may decline to serve an applicant until the applicant has complied with the regulations of the regulatory agencies (state and municipal regulations) and for the reasons outlined in the TCEQ Rules. In the event that the utility refuses to serve an applicant, the utility will inform the applicant in writing of the basis of its refusal. The utility is also required to inform the applicant that a complaint may be filed with the Commission.

Section 2.04--Customer Deposits

If a residential applicant cannot establish credit to the satisfaction of the utility, the applicant will be required to pay a deposit as provided for in Section 1.02 of this tariff. The utility will keep records of the deposit and credit interest in accordance with TCEQ Rules.



SECTION 2.0--SERVICE RULES AND REGULATIONS (Continued)

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 customer who has paid 18 consecutive billings without being delinquent.

Section 2.05--Meter Requirements, Readings, and Testing

It is not a requirement that the utility use meters to measure the quantity of sewage disposed of by individual customers. One connection is required for each residential, commercial or industrial facility in accordance with the TCEQ Rules.

Section 2.06--Billing

Bills from the utility will be mailed monthly unless otherwise authorized by the Commission. The due date of the bills for utility service will be at least twenty (20) 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. If the due date falls on a holiday or weekend, the due date for payment purposes will be the next work day after the due date.

A late penalty of \$5.00 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.

Each bill will provide all information required by the TCEQ Rules. For each of the systems it operates, the utility will maintain and note on the monthly billing a telephone number (or numbers) which may be reached by a local call by customers. At the utility's option, a toll-free telephone number or the equivalent may be provided.

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

SECTION 2.0--SERVICE RULES AND REGULATIONS (Continued)

Section 2.07--Service Disconnection

Utility service may be disconnected if the bill has not been paid in full by the date listed on the termination notice. The termination date must be at least 10 days after the notice is mailed or hand delivered.

The utility is encouraged to offer a deferred payment plan to a customer who cannot pay an outstanding bill in full and is willing to pay the balance in reasonable installments. However, a customer's utility service may be disconnected if a bill has not been paid or a deferred payment agreement entered into within 30 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 TCEQ Rules.

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

Utility personnel must be available to collect payments and to reconnect service on the day of and the day after any disconnection of service unless service was disconnected at the customer's request or due to a hazardous condition.

Section 2.08--Reconnection of Service

Service will be reconnected within 24 hours after the past due bill and any other outstanding charges are paid or correction of the conditions which caused service to be disconnected.

Section 2.09--Service Interruptions

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

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

SECTION 2.0--SERVICE RULES AND REGULATIONS (Continued)

Section 2.10--Quality of Service

The utility will plan, furnish, and maintain and operate a treatment and collection facility of sufficient size and capacity to provide a continuous and adequate service for all reasonable consumer uses and to treat sewage and discharge the effluent at the quality required by its discharge permit issued by the Commission. Unless otherwise authorized by the Commission, the utility will maintain facilities as described in the TCEQ Rules.

Section 2.11--Customer Complaints and Disputes

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

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

SECTION 2.20--SPECIFIC UTILITY SERVICE RULES AND REGULATIONS

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

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

All payments for utility service shall be delivered or mailed to the 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.

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

Limitation on Product/Service Liability. - The utility will not accept liability for any injury or damage to individuals or their property occurring on the customer's premises. The utility makes no representations or warranties (expressed or implied) that customer's appliances will not be damaged by disruptions of or fluctuations in sewer service whatever the cause. The utility will not accept liability for injuries or damages to persons or property due to disruption of sewer service caused by: (1) acts of God, (2) acts of third parties not subject to the control of the utility if the utility has undertaken such preventive measures as are required by TCEQ rules, (3) electrical power failures in sewer systems not required by TCEQ rule to have auxiliary power supplies, or (4) termination of sewer service pursuant to the utility's tariff and the TCEQ's rules.

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

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

If an applicant requires service other than the standard service provided by the utility, such applicant will be required to pay all expenses incurred by the utility in excess of the expenses that would be incurred in providing the standard service and connection. Any applicant who places unique or non-standard service demands on the system may be required to provide contributions in aid of construction (as may be allowed by TCEQ rule) for the actual costs of any additional facilities required to maintain compliance with the TCEQ minimum design criteria for sewer collection, treatment, pumping and discharge.

Any applicant or existing customer required to pay for any costs not specifically set forth in the rate schedule pages of this tariff shall be entitled to a written explanation of such costs prior to payment and/or commencement of construction. If the applicant or existing customer does not believe that these costs are reasonable or necessary, the applicant or existing customer shall have the right to appeal such costs to the TCEQ or such other regulatory authority having jurisdiction over the utility's rates in that portion of the utility's service area in which the applicant's or existing customer's property(ies) is located.

Tap fees may be increased by unique costs not normally incurred as may be permitted by 30 T.A.C. 291.86(b)(1)(C).

The Utility adopts the Uniform Plumbing Code pursuant to TCEQ Rule 290.46(i). The piping and other equipment on the premises furnished by the customer will be maintained by the customer at all times in conformity with the requirements of the TCEQ, the Uniform Plumbing Code and with the service rules and regulations of the Utility. The customer will bring out his service line to his property line at the point on the customer's property mutually acceptable to the customer and the Utility subject to such requirements as may exist by TCEQ rule.

The utility will have the right of access to the customer's premises at all times reasonable for the purpose of installing, testing, inspecting or repairing sewer mains or other equipment used in connection with its provision of sewer 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 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. The customer may require any utility representative, employee, contractor, or agent seeking to make such entry identify themselves, their affiliation with the utility, and the purpose of their entry.

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

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

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

No application, agreement or contract for service may be assigned or transferred without the written consent of the utility.

It is agreed and understood that any and all sewer lines and other equipment furnished by the utility (excepting the customer's individual service lines from the point of connection to customer's structures on customer's premises) are and shall remain the sole property of the utility, and nothing contained herein or in a contract/application for service shall be construed to reflect a sale or transfer of any such lines or equipment to any customer. All tap and extension charges shall be for the privilege of connecting to said sewer lines and for installation, not purchase, of said lines.

The service lines from the house to the point of connection to the utility's riser from the sewer main located at or about the property line is the customer's property. It is the customer's responsibility to install and maintain this line in good repair at all times. This line MUST be maintained free of blockages and leakage of storm waters. Failure to comply with these requirements is grounds to seek authorization to disconnect service under TCEQ rules.

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

The disposal into the utility's sewer collection system of bulk quantities of food or food scraps not previously processed by a grinder or similar garbage disposal unit and grease and oils, except as incidental waste in process or wash water, used in or resulting from food preparation by sewer utility customers engaged in the preparation and/or processing of food for other than domestic consumption for sale to the public shall be prohibited. Specifically included in this prohibition are grease and oils from grease traps to other grease and/or oil storage containers. These substances are defined as "garbage" under Section 361.003 (12) of the Solid Waste Disposal Act, Texas Health and Safety Code, and are not "sewage" as defined by Section 26.001 (7) of the Texas Water Code. The utility only provides "sewage" collection and disposal service to the public. This service is limited to the collection, treatment and disposal of waterborne human waste and waste from domestic activities such as washing, bathing, and food preparation. This service does not include the collection, treatment or disposal of waste of such high BOD or TSS

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

characteristics that it cannot reasonably be processed by the utility's state-approved waste water treatment plant within the parameters of the utility's state and federal waste water discharge permits. **THIS SERVICE DOES NOT INCLUDE THE COLLECTION AND DISPOSAL OF STORM WATERS OR RUN OFF WATERS, WHICH MAY NOT BE DIVERTED INTO OR DRAINED INTO THE UTILITY'S COLLECTION SYSTEM.**

Pursuant to TCEQ Rule 291.87(n), the utility may charge for all labor, material, equipment, and other costs necessary to repair or replace all equipment damaged due to service diversion or the discharge of wastes which the system cannot properly treat. This shall include all repair and clean up costs associated with discharges of grease and oils, except as incidental waste in process or wash water, used in or resulting from food preparation by sewer utility customers engaged in the preparation and/or processing of food for other than domestic consumption or for sale to the public discharged from grease traps or other grease and/or oil storage containers. The utility may charge for all costs necessary to correct service diversion or unauthorized taps where there is no equipment damage, including incidents where service is reconnected without authority. The utility may not charge any additional penalty or charge other than actual costs unless such penalty has been expressly approved by the regulatory authority having rate/tariff jurisdiction and filed in the utility's tariff.

Pursuant to TCEQ Rule 291.86(b)(3)(A) and (B), the customer's service line and appurtenances shall be construed in accordance with the laws and regulations of the State of Texas, local plumbing codes, or, in the absence of such local codes, the Uniform Plumbing Code. It shall be the customer's responsibility to maintain the service line and appurtenances in good operating condition, i.e., clear of obstruction, defects, or blockage. If the utility can provide evidence of excessive infiltration or inflow or failure to provide proper pretreatment, the utility may, with the written approval of the TCEQ's executive director, require the customer to repair the line or eliminate the infiltration or inflow or take such actions necessary to correct the problem. If the customer fails to correct the problem within a reasonable time, the utility may disconnect service after proper notice.

In accordance with the requirements of Utility's wastewater discharge permit, any and all repairs and maintenance of Utility's lines, tanks, pumps and equipment located on Customer's premises shall be performed exclusively by the Utility.

Copies of the utility's state and federal waste water discharge permits shall be available for public inspection and copying in the utility's business office during normal business hours.

Non-residential customers electing the pretreatment option for sewage with non-standard characteristics may be charged those costs set forth in the utility's extension policy if such pretreatment fails or otherwise causes the utility's facilities to violate their waste-water discharge permits.



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

RESIDENTIAL SINGLE FAMILY GRINDER / SEWAGE STATIONS

Prior to the installation of a grinder / sewage station, the utility must be given a complete listing of all materials and equipment that will be used.

In order to prevent inflow and infiltration, the materials must comply with standard specifications, approved by the TCEQ and the utility.

After the utility has approved the proposed grinder / sewage station, the construction may begin. Once the work has been completed, the utility will do an inspection of the grinder / sewage station to ensure the complete installation was as specified.

The customer will retain ownership of receiving tanks or lift stations on the customer's property, and all maintenance, repairs and replacement are the customer's responsibility. The customer shall own and maintain the grinder pump and appurtenances. The repairs may be performed by anyone selected by the customer, who is competent to perform such repairs. The utility requires that parts and equipment meet the minimum standards approved by the TCEQ, to insure proper and efficient operation of the sewer system.

MULTI-FAMILY AND COMMERCIAL RECEIVING TANK / LIFT STATIONS

Prior to the installation of a grinder / sewage station, the utility must be given a complete listing of all materials and equipment that will be used, along with the storage for that development.

In order to minimize inflow and infiltration into the collection system, the installation and materials must comply with standard specifications approved by the TCEQ.

After the utility has approved the proposed grinder / sewage station, the construction may begin. Once the work has been completed, the utility will do an inspection of the grinder / sewage station to ensure the complete installation was as specified.

Prior to acceptance of an existing receiving tank or lift station that is being used as an interceptor tank for primary treatment, waste water storage or pump tanks prior to discharge into an alternative or conventional sewage system must be cleaned, inspected, repaired, modified, or replaced if necessary to minimize inflow and infiltration into the collection system.

Existing pumps and tanks must be of adequate size to insure proper pumpage in the event of high flow or if one pump is out of service. If the existing pumps and receiving tanks or lift stations are of inadequate size the utility will not accept liability for backups due to: high flows, one pump out of service, rainfall causing inflow or infiltration, power outages, lack of proper storage capacity, etc.

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

If the collection system that discharges into the receiving tank / lift station has an inflow or infiltration problem and collects rainfall discharge, the owner or P.O.A. will correct it within 90 days of written notice from the utility. If no action is taken to correct the problem within 90 days, the utility may take the responsibility to make corrections at the owner's / P.O.A.'s expense. The utility is not responsible for the collection system that discharges into the receiving tank / lift station.

The owner / P.O.A. shall be responsible for the monthly electric bill.

An adequate easement must encompass the receiving tank / lift station by a 15 foot radius and also a 15 foot access easement to the receiving tank / lift station site. If this easement does not exist, one must be created and filed of record.

SECTION 3.0--EXTENSION POLICY

Section 3.01--Standard Extension Requirements

LINE EXTENSION AND CONSTRUCTION CHARGES. No contribution in aid of construction may be required of any customer except as provided for in this approved extension policy.

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

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

COST UTILITIES SHALL BEAR. Within its certificate area, the utility will pay the cost of the first 200 feet of any sewer collection line necessary to extend service to an individual residential customer within a platted subdivision. However, if the residential customer requesting service purchased the property after the developer was notified of the need to provide facilities to the utility, the utility may charge for the first 200 feet. The utility must also be able to document that the developer of the subdivision refused to provide facilities compatible with the utility's facilities in accordance with the utility's approved extension policy after receiving a written request from the utility.

Developers may be required to provide contributions in aid of construction in amounts to furnish the system with all facilities necessary to comply with the TCEQ's Rules.

SECTION 3.20--SPECIFIC UTILITY EXTENSION POLICY

This section contains the utility's specific extension policy which complies with the requirements already stated under Section 3.01. It must be reviewed and approved by the Commission and in compliance with TCEQ Rules to be effective.

Residential customers not covered under Section 3.01 will be charged the equivalent of the costs of extending service to their property from the nearest collection line even if that line does not have adequate capacity to serve the customer. However, if the customer places unique, non-standard service demands upon the system, the customer may be charged the full cost of extending service to and throughout their property, including the cost of all necessary treatment capacity necessary to meet the service demands anticipated to be created by that property.

Developers will 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's minimum design criteria for facilities used in collecting, treating, transmitting, and discharging of wastewater effluent. For purposes of this subsection, a developer is one who subdivides or requests more than two connections on a piece of property. Commercial, industrial, and wholesale customers will be treated as developers.

The utility adopts the administrative rules of the TCEQ, as amended from time to time, as its company specific extension policy. These rules will be kept on file at the company's business office for customer inspection during normal business hours.

Non-residential customers generating sewage creating unique or non-standard treatment demands which might reasonably be expected to cause the utility's treatment facilities to operate outside their current waste-water discharge permit parameters may be charged the cost of all studies, engineering plans, permit costs, and collection treatment or discharge facilities construction or modification costs necessary to enable the utility to treat said sewage within permit limits acceptable to the TCEQ, EPA and other regulatory agencies. In the alternative, the customer may have the option of pre-treating said sewage in such a manner to that it may not reasonably be expected to cause the utility's facilities to operate outside their permit parameters. In such case, the customer shall be required to pay the utility's costs of evaluating such pretreatment processes and cost of obtaining regulatory approval of such pretreatment processes. In the event of the pretreatment facilities of a customer making this election fail and cause the utility's facilities to operate outside their permit parameters, the customer shall indemnify the utility for all costs incurred for clean ups or environmental remediation and all fines, penalties, and costs imposed by regulatory or judicial enforcement actions relating to such permit violations.

Non-residential sewer customers producing water borne waste significantly different from waste generated by residential customers may be required to provide a suitable sampling point at the property line for testing the customer's waste for chemicals or substances, e.g., grease, oils, solvents, pesticides, etc., which can reasonably be believed to have an injurious effect on the

SECTION 3.20--SPECIFIC UTILITY EXTENSION POLICY (Continued)

Utility's plant and/or its ability to treat and dispose of such wastes within the parameters of the Utility's permit. Utility shall have reasonable access to the sampling point at all times.

Any service extension to a subdivision (recorded or unrecorded) may be subject to the provisions and restrictions of 30 TAC 291.86(d) and this tariff. When a developer wishes to extend the system to prepare to service multiple new connections, the charge shall be the cost of such extension, plus a pro-rata charge based upon the capacities of collection, transmission, storage, treatment and discharge facilities, compliant with the TCEQ minimum design criteria, which must be committed to such extension. As provided by 30 TAC 291.86(d)(4), for purposes of this section, commercial, industrial, and wholesale customers shall be treated as developers.

The imposition of additional extension costs or charges as provided by Sections 2.20 and 3.20 of this tariff shall be subject to appeal as provided in this tariff, TCEQ rules, or the rules of such other regulatory authority as may have jurisdiction over the utility's rates and services. Any applicant required to pay for any costs not specifically set forth in the rate schedule pages of this tariff shall be entitled to a written explanation of such costs prior to payment and/or commencement of construction. If the applicant does not believe that these costs are reasonable or necessary, the applicant shall have the right to appeal such costs to the TCEQ or such other regulatory authority having jurisdiction over the utility's rates in that portion of the utility's service area in which the applicant's property(ies) is located. Unless the TCEQ or other regulatory authority enters interlocutory orders to the contrary, service to the applicant may be delayed until such appeal is resolved.

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

The Utility shall serve each qualified service applicant within its certificated service area as soon as practical after receiving a completed service application. All service requests will be fulfilled within the time limits prescribed by TCEQ 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 TCEQ service dates shall not become applicable until the service applicant has met all conditions precedent to becoming a "qualified service applicant" as defined herein or by TCEQ rules.

SECTION 3.20--SPECIFIC UTILITY EXTENSION POLICY (Continued)

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

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

Where a new tap or service connection is required, the service applicant shall be required to submit a written service application and request that a tap be made. The tap request must be accompanied with a plat, map, diagram or written metes and bounds description of precisely where the applicant desires each tap or service connection is to be made and, if necessary, where the connection is to be installed, along the applicant's property line. The actual point of connection must be readily accessible to Utility personnel for inspection, servicing and testing while being reasonably secure from damage by vehicles and mowers. If the Utility has more than one main adjacent to the service applicant's property, the tap or service connection will be made to the Utility's near service main with adequate capacity to service the applicant's full potential service demand. If the tap or service connection cannot be made at the applicant's desired location, it will be made at another location mutually acceptable to the applicant and the Utility. If no agreement on location can be made, applicant may refer the matter to the TCEQ for resolution. Unless otherwise ordered by the TCEQ, the tap or service connection will not be made until the location dispute is resolved.

The Utility shall require a developer (as defined by TCEQ rule) to provide permanent recorded public utility easements as a condition of service to any location within the developer's property. The Developer shall be required to obtain all necessary easements and rights-of-way required to extend the Utility's existing service facilities from their nearest point with adequate service capacity (as prescribed by TCEQ rules and local service conditions) to and throughout the Developer's property. The easements shall be sufficient to allow the construction, installation, repair, maintenance, testing, and replacement of any and all utility plant necessary to provide continuous and adequate service to each and every potential service location within the property at full occupancy. Unless otherwise restricted by law, sewage treatment, holding tank sites, lift station sites shall convey with all permanent easements and buffers required by TCEQ rules. Unless otherwise agreed to by the Utility, pipe line right-of-way easements must be at least 1.5 feet wide to allow adequate room to facilitate backhoe and other heavy equipment operation and meters. Easements must be provided for all storage, treatment, pressurization and disposal sites

SECTION 3.20--SPECIFIC UTILITY EXTENSION POLICY (Continued)

which are sufficient to construct and maintain all weather roads as prescribed by TCEQ rules. All easements shall be evidenced, at Developer's expense, by recorded county-approved subdivision plat or by specific assignment supported by metes and bounds survey from a surveyor licensed by the State of Texas.

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

- (a) The Developer shall make a written request for service to property that is to be subdivided and developed. The Developer shall submit to the Utility a proposed plat on a scale of one inch (1") to two hundred feet (200') for review and determination of required easements, utility plant, and plant location. If sewer service is requested, the plat must contain elevation data. A reconcilable deposit in an amount set by the Utility may be required to cover preliminary engineering, legal and copy cost to be incurred by the Utility in reviewing and planning to meet this service request. The plat and/or accompanying information shall identify the type, location and number of houses and other planned structures that will be requiring utility service. If other than residential structures are to be located on the property, all other types of anticipated businesses and their service demands shall be identified with specificity. All areas requiring special irrigation and/or other unique water demands must be identified. To the extent reasonably possible, this information must be precise so that adequate facilities can be designed and constructed to meet all future service demands without hazard to the public, other utility customers and/or the environment.
- (b) After the requirements of easements and rights-of-way have been determined, a red line copy will be returned by the Utility to the Developer for final plat preparation.
- (c) Copies of all proposed plats and plans must be submitted to the Utility prior to their submission to the county for approval to insure that they are compatible with the adequate long-term utility needs of potential service customers. Copies will be returned after review by the Utility so that necessary changes may be incorporated into the Developer's final submitted plat(s) and plans.
- (d) The Utility shall be provided with three (3) certified copies of the final plat(s) approved by the County Commissioners Court. At this time, the Utility will begin engineering the facilities necessary to serve the property. Plans and specifications will be prepared and submitted to the TCEQ by the Utility if required by law. If further plat or plans changes are necessary to accommodate the specific service needs of the property and the anticipated customer demands, the Developer will be so notified. Plat amendments must be obtained by the Developer. The Developer shall be notified when



SECTION 3.20--SPECIFIC UTILITY EXTENSION POLICY (Continued)

all required TCEQ or other governmental approvals or permits have been received. No construction of utility plant which requires prior TCEQ plans approval shall be commenced until that approval has been received by the Utility and any conditions imposed by the TCEQ in association with its approvals have been satisfied.

(e) The Developer shall be required to post bond or escrow the funds necessary to construct all required utility plant, except individual sewer connections, required to serve the property. Construction shall not commence until funds are available. If the construction is to be done in coordination with the phased development of the property, funds must be provided in advance which are sufficient to complete each phase. No phase or facilities for any phase shall be constructed prior to the bonding or escrowing of all funds associated with that phase.

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

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

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

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

a) that the developer of the subdivision refused to provide facilities compatible with the utility's facilities in accordance with the Utility's approved extension policy after receiving a written request from the Utility; or,

SECTION 3.20--SPECIFIC UTILITY EXTENSION POLICY (Continued)

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

(c) that the residential service applicant purchased the property from the Developer after the Developer was notified of the need to provide facilities to the utility. A residential service applicant may be charged the remaining costs of extending service to his property; provided, however, that the residential service applicant may only be required to pay the cost equivalent to the cost of extending the nearest water main or wastewater collection line, whether or not that line has adequate capacity to serve that residential service applicant. The following criteria shall be considered to determine the residential service applicant's cost for extending service:

(1) The residential service applicant shall not be required to pay for costs of main extensions greater than 2" in diameter for pressure wastewater collection lines and 6" in diameter for gravity wastewater lines.

(2) Exceptions may be granted by the TCEQ Executive Director if:

(A) 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;

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

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

For purposes of determining the costs that service applicants shall pay, commercial customers with service demands greater than residential customer demands in the certificated area, industrial, and wholesale customers shall be treated as developers.

RECEIVED

City of Houston Ordinance No. 93-269 - 8 1996

DISTRICT ADMINISTRATION  
NATURAL ENVIRONMENTAL  
PROTECTION DEPARTMENT

**AN ORDINANCE PRESCRIBING, ESTABLISHING AND AUTHORIZING INCREASED RATES TO BE CHARGED BY CHAMP'S WATER COMPANY, INC. FOR WATER AND SEWER UTILITY SERVICE FOR ITS WEST MONTGOMERY UTILITIES SYSTEM WITHIN THE CORPORATE LIMITS OF THE CITY OF HOUSTON, TEXAS; PROVIDING EFFECTIVE DATES FOR SUCH RATES; CONTAINING FINDINGS AND OTHER PROVISIONS RELATED TO THE SUBJECT; PROVIDING FOR A REPEALER; PROVIDING FOR SEVERABILITY; AND DECLARING AN EMERGENCY.**

\* \* \* \* \*

**WHEREAS**, on or about April 21, 1993, Champ's Water Company, Inc. (the "Company"), filed with the City of Houston a request for an increase in rates to be charged for water and sewer utility service for its West Montgomery Utilities system, and proper notice thereof was duly given; and

**WHEREAS**, on May 26, 1993, the City Council of the City of Houston adopted Ordinance No. 93-625, which authorized the Company to implement its proposed rate increase on an interim basis pursuant to state law, with the incremental revenues to be held in escrow; and

**WHEREAS**, the Company deposited all the incremental revenues associated with the rate increase request into an approved escrow account, pursuant to City of Houston Ordinance No. 93-625; and

**WHEREAS**, the City Council, having considered the Company's request for a rate increase at a public hearing held on October 6, 1993, for which proper notice was duly given, is of the opinion that such request is excessive; and

**WHEREAS**, the City Council is of the opinion that it has jurisdiction over the matter and that a lesser increase in rates should be prescribed for the Company; **NOW, THEREFORE,**

**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF HOUSTON, TEXAS:**

**Section 1.** That the findings contained in the preamble of this Ordinance are determined to be true and correct and are hereby adopted as a part of this Ordinance.

**Section 2.** The City Council of the City of Houston hereby finds the requested rates of the Company to be excessive and unreasonable.

**Section 3.** The City Council hereby approves and adopts the recommendations of the Department of Finance and Administration, attached hereto as Appendix A and incorporated herein for all purposes, and determines the following:

**I. Findings**

**A. Water System**

**1. Cost of Service**

The Total Cost of Service of the Company is \$127,003. Adjustments were made to Operations and Maintenance, Salaries and Wages, Office Expenses, Accounting and Legal fees, Insurance, Regulatory Expense, Miscellaneous Expense, Other Taxes, Federal Income Tax, State Franchise Tax, Amortization and

the Return component.

2. The rate of return on equity is 11.95%. The overall rate of return is 10.82%.
3. Invested capital of the Water System is determined to be \$117,210.

**B. Sewer System**

1. Cost of Service

The Total Cost of Service of the Company is \$130,811. Adjustments were made to Operations and Maintenance, Salaries and Wages, Contract Labor, Chemicals and Treatment, Repairs and Maintenance, Office Expenses, Accounting and Legal fees, Insurance, Regulatory Expense, Miscellaneous Expense, Other Taxes, Federal Income Tax, State Franchise Tax and the Return component.

2. The rate of return on equity is 11.95%. The overall rate of return is 10.82%.
3. Invested capital of the Sewer System is determined to be \$83,345.

**C. Rates for Water and Sewer System**

1. The rates for the water and sewer system as recommended by the

City's Department of Finance and Administration that appear in Schedule "5" of Appendix A of this Ordinance are reasonable and appropriate.

RECEIVED

OCT - 8 1996

NATURAL GAS  
REGULATORY COMMISSION  
CITY OF HOUSTON  
CITY ADMINISTRATION

**ii. Conclusions**

1. The City has original jurisdiction over this case pursuant to TEX. WATER CODE ANN. § 13.042 (Vernon Supp. 1993).
2. The Company has the burden of showing that their proposed changes in water and sewer rates are just and reasonable pursuant to TEX. WATER CODE ANN. § 13.184(c) (Vernon 1988).
3. The Company has not shown that the changes in water and sewer rates proposed in its application for an increase in rates filed with the City on April 21, 1993, are just and reasonable pursuant to TEX. WATER CODE ANN. § 13.184(c) (Vernon 1988).
4. The rates of Champ's Water Company, Inc. as set forth in Schedule "5" of Appendix A of this Ordinance provide just and reasonable rates and are not unreasonably preferential, prejudicial, or discriminatory rates, as provided by TEX. WATER CODE ANN. § 13.182 (Vernon 1988).
5. The rates set forth in Schedule "5" of Appendix A of this Ordinance will allow the Company to recover its operating

expenses together with a reasonable return on its invested capital, pursuant to provisions of TEX. WATER CODE ANN. § 13.183 (Vernon Supp. 1993).

6. The rates set forth in Schedule "5" of Appendix A of this Ordinance will yield no more than a fair return upon the adjusted value of the invested capital used and useful by the Company in rendering service to the public as provided by TEX. WATER CODE ANN. § 13.184(a) (Vernon 1988).

**Section 4.** The City Council hereby determines, prescribes, establishes and authorizes increased rates for sale or supply of water and sewer service by the Company within the corporate limits of the City of Houston. The increased rates are hereby fixed as set out in Schedule "5" of Appendix A, which is attached hereto, incorporated herein by this reference and made a part hereof for all purposes. The increased rates shall be authorized for utility service on the day after the effective date of this Ordinance. The Company shall be authorized to collect these rates until such time as they may be changed, modified, amended or withdrawn in accordance with applicable statutes and ordinances.

**Section 5.** The City Council hereby directs that the Company comply with all applicable rules adopted by the Texas Natural Resources Conservation Commission.

**Section 6.** The City Council hereby authorizes and directs the City Secretary



to serve the Company with a certified copy of this Ordinance which is the final determination and order of the City.

**Section 7.** The City Council hereby orders that the monies collected from the Company's customers and escrowed pursuant to Ordinance No. 93-625 be released from escrow. The amounts collected in excess of the rates authorized by this Ordinance shall be refunded by implementing a credit on the next monthly bill that is sent to each customer following the effective date of this Ordinance. The refund shall include the actual interest accrued to the escrowed funds collected in excess of the rates authorized by this Ordinance. The Company's calculation of refunds made shall be reviewed and approved by the Director of Finance & Administration.

**Section 8.** The Company shall, within ten days following the final passage and approval of this Ordinance and thereafter whenever required by the Director of Finance and Administration, file a complete schedule of rates and tariffs with the Director setting forth all of the Company's rates and charges for water and sewer utility service then in effect.

**Section 9.** Nothing contained in this Ordinance shall be construed now or hereafter as limiting or modifying, in any manner, the right and power of the City under the law to regulate the rates of the Company.

**Section 10.** All ordinances or parts of ordinances in conflict herewith are repealed to the extent of the conflict only.

**Section 11.** If any provision, section, subsection, sentence, clause, or phrase of this Ordinance, or the application of same to any person or set or circumstances is for any reason held to be unconstitutional, void or invalid, the validity of the remaining portions of this Ordinance or their application to other persons or sets of circumstances shall not be affected thereby, it being the intent of the City Council in adopting this Ordinance that no portion hereof or provision or regulation contained herein shall become inoperative or fail by reason of any unconstitutionality, voidness or invalidity of any other portion hereof, and all provisions of this Ordinance are declared to be severable for that purpose.

**Section 12.** The City Council officially finds, determines, recites and declares that a sufficient written notice of the date, hour, place and subject of this meeting of the City Council was posted at a place convenient to the public at the City Hall of the City for the time required by law preceding this meeting, as required by the Open Meetings Law, Article 6252-17, Texas Revised Civil Statutes Annotated; and that this meeting has been open to the public as required by law at all times during which this Ordinance and the subject matter thereof has been discussed, considered and formally acted upon. The City Council further ratifies, approves and confirms such written notice and the contents and posting thereof.

**Section 13.** There exists a public emergency requiring that this Ordinance be passed finally on the date of its introduction as requested in writing by the Mayor;

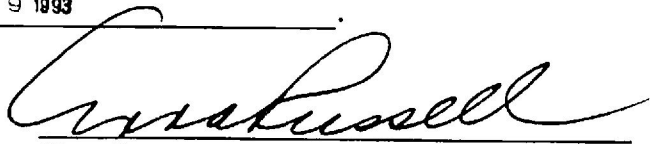
therefore, this Ordinance shall be passed finally on such date and shall take effect immediately upon its passage and approval by the Mayor; however, in the event the Mayor fails to sign this Ordinance within five days after its passage and adoption, it shall take effect in accordance with Article VI, Section 6, Houston City Charter.

PASSED AND ADOPTED this 13<sup>th</sup> day of October, 1993.

APPROVED this \_\_\_\_\_ day of \_\_\_\_\_, A.D. 1993.

\_\_\_\_\_  
Mayor of the City of Houston

Pursuant to Article VI, Section 6, Houston City Charter, the effective date of the foregoing Ordinance is OCT 19 1993.

  
\_\_\_\_\_  
City Secretary

(Prepared by Legal Department)  
(JNQ:lms, 10/07/93)  
(Requested by Richard Lewis, Director, Department of Finance and Administration)  
(L.D. File No. 34-93121-01)

  
\_\_\_\_\_  
Assistant City Attorney

**FINANCE & ADMINISTRATION DEPARTMENT  
RECOMMENDATION  
RATE INCREASE REQUEST OF  
CHAMP'S WATER COMPANY, INC.  
WEST MONTGOMERY UTILITIES SYSTEM**

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**I. INTRODUCTION**

Pursuant to Section 13.042 of the Texas Water Code, the City of Houston maintains original jurisdiction over the rates of private water and sewer companies serving customers within the city limits. This report constitutes the recommendations of the Finance & Administration Department on the rate change application filed on April 21, 1993 by Champ's Water Company, Inc. (Champ's) with the City of Houston for its West Montgomery Utilities system (WMU).

**II. BACKGROUND**

WMU's requested rates went into effect on May 22, 1993 as allowed by the Texas Water Code. On May 26, 1993 Council took action (Ordinance 93-625) which required Champ's to deposit all increased revenues collected in an escrow account to ensure monies would be available to make refunds, if necessary, after Council's decision on the requested rate increase.

A petition was filed on May 25, 1993 by the Garden City Civic Club protesting the requested increase. The petition opposed the proposed rate hike, stated that services received did not justify the proposed rate increase and requested denial of the rate increase request. A public meeting was held on July 7, 1993 to obtain additional citizen comments on the rate increase request. Approximately 85 citizens attended the meeting which was held at the City's Acres Homes Multi-Service Center. All citizens present opposed the requested increase. A transcript of the public meeting is available for review in the offices of the Regulatory Affairs Division of F&A. Parties to this proceeding include the Garden City Civic Club, all residents that signed the petition, all residents present at the public meeting, City staff and the company.

The last rate increase for WMU was granted by Council in June 1988 and represented a 43% increase in revenues. WMU has requested a 62% increase in revenues. Approximately 300 residential customers located within the city limits in the Garden City Park subdivision are affected by the rate increase request. WMU residential customers are responsible for approximately 44% of system usage. One commercial customer, the Garden City Apartments, is also affected and is responsible for approximately 56% of system usage. Because this apartment complex is a Housing Authority project with rent based on income, it is unlikely that apartment residents will be impacted significantly by a change in water and sewer rates.

A comparison of total monthly water and sewer bills at current rates and at requested rates is shown on Schedule 1.

### **III. RECOMMENDATION**

It is recommended that Council authorize rates which will produce a 37% increase in revenues rather than the requested 62% increase. It is further recommended that Council release the funds held in escrow from the collection of incremental revenues during the pendency of this case and that those monies be refunded with interest to customers. This refund should be reflected as a credit to each customer's bill.

As shown on Schedule 1, WMU's requested rates result in increases in monthly bills ranging from 30% to 76% depending on usage for residential customers compared to the monthly bills calculated from the last approved rates. F&A's recommended rates result in no change or decreased bills for 21% of the residential customers when compared to the last approved rates, an increase of less than 10% for 58% of the residential customers, and an increase of 11% - 19% for the remaining 21% of the residential customers. Schedule 1 also compares the monthly bills based on this recommendation with current City of Houston rates. The recommendation of F&A is set forth in greater detail below.

#### **A. COST OF SERVICE**

Expenses totalling \$9,364 were disallowed because they were non-recurring items, were not supported by invoices, could not be traced to Champ's general ledger, or were not related to WMU operations.

Requested amortization of the acquisition adjustment was reduced by \$3,050 because under the Hooks test used by the Texas Water Commission, an acquisition adjustment is recoverable if customers derive offsetting benefits from the acquisition of the system subsequent to the acquisition. Based on Texas Water Commission tests and reports Champ's has improved the operation of the WMU system, specifically the sewer system. However, in consideration of the petition received, the numerous complaints heard at the public meeting held July 7, 1993 and the lack of documentation provided by the company to support inclusion of the full amount requested, recovery has been limited to approximately 26% of the requested amount.

Expenses totalling \$20,148 were disallowed because of adjustments to Champ's allocation of joint costs to WMU. Champ's requested that joint costs be allocated to WMU generally on the basis of percent of WMU water or sewer production to total company production. A review of each account was performed and adjustments were made to salaries and wages, contract labor, office, regulatory, accounting, legal and miscellaneous expenses which are not related to the percent of production. Additionally, for expense items which

relate to sewer production, the percentage allocable to WMU was adjusted from 56.84% to 53.51% to correct an error in computation of the percentage.

Return and related taxes were reduced by \$10,843 due to the adjustments to rate base, capital structure and return on equity as discussed in Sections B and C below.

The total recommended cost of service is shown on Schedule 2.

## **B. RETURN**

Champ's requested a 15% return on equity and a 13.88% weighted average cost of capital to be applied to invested capital. The request was adjusted to a 11.95% return on equity and a 10.82% weighted average cost of capital. Adjustments were made to the rate of return on equity as well as the capital structure used to derive the weighted average cost of capital.

An 11.95% return on equity is approximately 4% over the average yield on Baa corporate utility bonds as reported by Moody's, a standard adopted by the Texas Water Commission. Additionally, Champ's requested that the total company capital structure be used in determining the weighted average cost of capital. However, it is inappropriate to use total Champ's Water Company capital structure for the recently acquired WMU system. The company could not provide information for WMU only, so a capital structure was imputed. In establishing an imputed capital structure, we assumed that the company incurred notes payable to affiliates to make debt payments and finance plant additions.

The requested and recommended capital structures are shown on Schedule 4.

## **C. RATE BASE (Invested Capital)**

Champ's requested a total WMU rate base of \$217,981. Developer contributed plant of \$42,667 was removed from the requested rate base and was considered separately from other plant in service because no debt or equity was assumed with the acquisition of this plant. Therefore, to consider the risk-free nature of contributed plant, a risk-free capital rate of 3.8% was applied to this portion of the rate base.

Additionally, the requested working capital allowance was reduced \$3,435 to be consistent with adjustments made to operations and maintenance expenses. Allowance for working capital is commonly computed as one-eighth of operation and maintenance expenses.

The total recommended rate base is shown on Schedule 3.

**D. RATE DESIGN**

WMU's requested rate design was modified to reflect the impact of Garden City Apartments as a customer. Although Garden City Apartments is responsible for approximately half of WMU's costs, in the past the apartment complex has not been required to bear half those costs. The recommended rate design allocates costs to the commercial customer class (the Garden City Apartments) and to the residential customer class based on percent of annual volumes to ensure that each class bears its share of costs on the system.

The monthly minimum charge for water and sewer was developed by dividing fixed costs by the number of customers and then by twelve. This is consistent with WMU's requested rate design and standard industry practice.

The monthly water usage rate was developed by dividing water variable costs by annual volumes for each customer class. The monthly sewer usage rate was also developed by dividing sewer variable costs by the annual volumes. This method is different from WMU's requested rate design based on average annualized winter usage. Using actual usage as the basis for sewer rate design eliminates the incentive for some customers to shift their consumption away from winter months. Miscellaneous fees were verified with current tariffs approved by the Texas Water Commission.

Schedule 5 shows the rates developed from the recommendations in this Report.

**E. QUALITY OF SERVICE**

Many residents commented about the poor quality of the water and sewer service received in view of the large increase requested. We reviewed the results of the last inspection performed by the Texas Water Commission, which found WMU to be substantially in compliance with applicable quality standards. However, we did take into consideration citizen comments such as those relating to meter reading problems in recommending a reduction in the requested amounts and in recommending that more of Champ's revenues be placed at risk in the variable portion of rates.

CHAMP'S WATER COMPANY, INC.  
 WEST MONTGOMERY UTILITIES SYSTEM  
 RATE INCREASE REQUEST  
 RESIDENTIAL MONTHLY BILL COMPARISON

Usage	# of Customers @ 9/30/92	WMU Current	COH Rates	COH Increase over Current	WMU Requested	Requested Increase over Current	Staff Recommended	Recommended Increase over Current
0	11	\$18.60	\$8.50	-54.30%	\$27.86	49.78%	\$12.75	-31.45%
1,000	20	18.60	8.50	-54.30%	30.31	62.96%	15.50	-16.67%
2,000	32	18.60	8.50	-54.30%	32.76	76.13%	18.25	-1.88%
3,000	38	20.77	8.50	-59.08%	35.21	69.52%	21.00	1.11%
4,000	38	22.94	24.62	7.32%	37.66	64.17%	23.75	3.53%
5,000	33	25.11	29.88	19.00%	40.11	59.74%	26.50	5.54%
6,000	22	27.28	36.53	33.91%	42.56	56.01%	29.25	7.22%
7,000	26	29.45	41.96	42.48%	45.01	52.84%	32.00	8.66%
8,000	18	31.62	47.39	49.87%	47.46	50.09%	34.75	9.90%
9,000	11	33.79	52.82	56.32%	49.91	47.71%	37.50	10.98%
10,000	13	35.96	58.25	61.99%	52.36	45.61%	40.25	11.93%
11,000	10	38.13	63.68	67.01%	54.81	43.75%	43.00	12.77%
12,000	9	40.30	69.11	71.49%	57.26	42.08%	45.75	13.52%
13,000	6	42.47	76.48	80.08%	59.71	40.59%	48.50	14.20%
14,000	3	44.64	83.85	87.84%	62.16	39.25%	51.25	14.81%
15,000	3	46.81	91.22	94.87%	64.61	38.03%	54.00	15.36%
16,000	0	48.98	98.59	101.29%	67.06	36.91%	56.75	15.86%
17,000	1	51.15	105.96	107.16%	69.51	35.89%	59.50	16.32%
18,000	1	53.32	113.33	112.55%	71.96	34.96%	62.25	16.75%
19,000	1	55.49	120.70	117.52%	74.41	34.10%	65.00	17.14%
20,000	1	57.66	128.07	122.11%	76.86	33.30%	67.75	17.50%
21,000	1	59.83	135.44	126.37%	79.31	32.56%	70.50	17.83%
22,000	0	62.00	142.81	130.34%	81.76	31.87%	73.25	18.15%
23,000	2	64.17	150.18	134.03%	84.21	31.23%	76.00	18.44%
24,000	1	66.34	157.55	137.49%	86.66	30.63%	78.75	18.71%



## CITY OF HOUSTON

CHAMP'S WATER COMPANY, INC.  
 WEST MONTGOMERY UTILITIES SYSTEM  
 RATE INCREASE REQUEST  
 COST OF SERVICE – TOTAL  
 12 MONTHS ENDED SEPTEMBER 30, 1992

	<u>WMU</u> <u>Requested</u>	<u>F&amp;A</u> <u>Adjustments</u>	<u>F&amp;A</u> <u>Recommended</u>
Operations & Maintenance			
Salaries & Wages	\$81,711	(\$7,160)	\$74,551
Contract Labor	4,580	(2,657)	1,923
Chemicals & Treatment	10,108	(3,034)	7,074
Utilities	27,633	0	27,633
Repairs & Maintenance	17,124	(341)	16,783
Office Expenses	5,687	(911)	4,776
Accounting & Legal fees	11,165	(5,803)	5,362
Insurance	25,039	(3,229)	21,810
Regulatory Expense	14,768	(1,026)	13,742
Miscellaneous Expenses	<u>31,632</u>	<u>(3,354)</u>	<u>28,278</u>
Total O&M Expenses	229,447	(27,515)	201,932
Other Taxes	19,670	(1,997)	17,673
Depreciation	14,726	0	14,726
Amortization	4,140	(3,050)	1,090
Federal Income Tax	1,273	851	2,124
State Franchise Tax	1,317	(775)	542
Return	34,234	(10,919)	23,315
Less: Credits to COS	<u>(3,588)</u>	<u>0</u>	<u>(3,588)</u>
Total Cost of Service	<u>\$301,219</u>	<u>(\$43,405)</u>	<u>\$257,814</u>

CITY OF HOUSTON

CHAMP'S WATER COMPANY, INC.  
WEST MONTGOMERY UTILITIES SYSTEM  
RATE INCREASE REQUEST  
COST OF SERVICE – WATER  
12 MONTHS ENDED SEPTEMBER 30, 1992

	<u>WMU</u> <u>Requested</u>	<u>F&amp;A</u> <u>Adjustments</u>	<u>F&amp;A</u> <u>Recommended</u>
Operations & Maintenance			
Salaries & Wages	\$41,572	(\$3,396)	\$38,176
Contract Labor	2,325	(1,364)	961
Chemicals & Treatment	823		823
Utilities	14,483		14,483
Repairs & Maintenance	5,575		5,575
Office Expenses	2,887	(499)	2,388
Accounting & Legal fees	5,662	(2,776)	2,886
Insurance	12,709	(1,448)	11,261
Regulatory Expense	7,864	(537)	7,327
Miscellaneous Expenses	<u>13,622</u>	<u>(1,192)</u>	<u>12,430</u>
Total O&M Expenses	107,522	(11,212)	96,310
Other Taxes	10,390	(1,024)	9,366
Depreciation	7,303		7,303
Amortization	4,140	(3,050)	1,090
Federal Income Tax	319	931	1,250
State Franchise Tax	1,017	(698)	319
Return	18,218	(5,059)	13,159
Less: Credits to COS	<u>(1,794)</u>	_____	<u>(1,794)</u>
Total Cost of Service	<u>\$147,115</u>	<u>(\$20,112)</u>	<u>\$127,003</u>

CITY OF HOUSTON

CHAMP'S WATER COMPANY, INC.  
WEST MONTGOMERY UTILITIES SYSTEM  
RATE INCREASE REQUEST  
COST OF SERVICE – SEWER  
12 MONTHS ENDED SEPTEMBER 30, 1992

	<u>WMU Requested</u>	<u>F&amp;A Adjustments</u>	<u>F&amp;A Recommended</u>
Operations & Maintenance			
Salaries & Wages	\$40,139	(3,764)	36,375
Contract Labor	2,255	(1,293)	962
Chemicals & Treatment	9,285	(3,034)	6,251
Utilities	13,150		13,150
Repairs & Maintenance	11,549	(341)	11,208
Office Expenses	2,800	(412)	2,388
Accounting & Legal fees	5,503	(3,027)	2,476
Insurance	12,330	(1,781)	10,549
Regulatory Expense	6,904	(489)	6,415
Miscellaneous Expenses	<u>18,010</u>	<u>(2,162)</u>	<u>15,848</u>
Total O&M Expenses	121,925		105,622
Other Taxes	9,280	(973)	8,307
Depreciation	7,423		7,423
Amortization	0		0
Federal Income Tax	954	(80)	874
State Franchise Tax	300	(77)	223
Return	16,016	(5,860)	10,156
Less: Credits to COS	<u>(1,794)</u>	_____	<u>(1,794)</u>
Total Cost of Service	<u>\$154,104</u>	<u>(\$6,990)</u>	<u>\$130,811</u>

CITY OF HOUSTON

CHAMP'S WATER COMPANY, INC.  
WEST MONTGOMERY UTILITIES SYSTEM  
RATE INCREASE REQUEST  
RATE BASE - TOTAL  
12 MONTHS ENDED SEPTEMBER 30, 1992

	<u>WMU Requested</u>	<u>F&amp;A Adjustments</u>	<u>F&amp;A Recommended</u>
Plant in Service	\$444,942	(\$128,000)	\$316,942
Accumulated Depreciation	<u>(226,961)</u>	<u>85,333</u>	<u>(141,628)</u>
Net Plant	217,981	(42,667)	175,314
Working Capital	<u>28,676</u>	<u>(3,435)</u>	<u>175,314</u>
Total Rate Base	<u>\$246,657</u>	<u>(\$46,102)</u>	<u>\$350,628</u>

Computation of Return:

Rate Base	\$246,657		\$350,628
Rate of Return	<u>13.88%</u>		<u>10.82%</u>
Return	\$34,234	(\$12,540)	<u>\$21,694</u>
Rate Base - Developer Contributed			\$42,667
Rate of Return			<u>3.80%</u>
Return		1,621	<u>\$1,621</u>
Total Return	<u>\$34,234</u>	<u>(\$10,919)</u>	<u>\$23,315</u>

## CITY OF HOUSTON

CHAMP'S WATER COMPANY, INC.  
 WEST MONTGOMERY UTILITIES SYSTEM  
 RATE INCREASE REQUEST  
 RATE BASE - WATER  
 12 MONTHS ENDED SEPTEMBER 30, 1992

	<u>WMU Requested</u>	<u>F&amp;A Adjustments</u>	<u>F&amp;A Recommended</u>
Plant in Service	\$208,241	(\$37,961)	\$170,280
Accumulated Depreciation	<u>(90,415)</u>	<u>25,307</u>	<u>(65,108)</u>
Net Plant	117,826	(12,654)	105,172
Working Capital	<u>13,448</u>	<u>(1,410)</u>	<u>12,038</u>
Total Rate Base	<u>\$131,274</u>	<u>(\$14,064)</u>	<u>\$117,210</u>

## Computation of Return:

Rate Base	\$131,274		\$117,210
Rate of Return	<u>13.88%</u>		<u>10.82%</u>
Return	18,218	(\$5,540)	<u>\$12,678</u>
Rate Base - Developer Contributed			\$12,654
Rate of Return			<u>3.80%</u>
Return		481	<u>\$481</u>
Total Return	<u>\$18,218</u>	<u>(\$5,059)</u>	<u>\$13,159</u>

CITY OF HOUSTON

CHAMP'S WATER COMPANY, INC.  
WEST MONTGOMERY UTILITIES SYSTEM  
RATE INCREASE REQUEST  
RATE BASE – SEWER  
12 MONTHS ENDED SEPTEMBER 30, 1992

	<u>WMU Requested</u>	<u>F&amp;A Adjustments</u>	<u>F&amp;A Recommended</u>
Plant in Service	\$236,701	(\$90,039)	\$146,662
Accumulated Depreciation	<u>(136,546)</u>	<u>60,026</u>	<u>(76,520)</u>
Net Plant	100,155	(30,013)	70,142
Working Capital	<u>15,228</u>	<u>(2,025)</u>	<u>13,203</u>
Total Rate Base	<u>\$115,383</u>	<u>(\$32,038)</u>	<u>\$83,345</u>

Computation of Return:

Rate Base	\$115,383		\$83,345
Rate of Return	<u>13.88%</u>		<u>10.82%</u>
Return	16,016	(\$7,000)	<u>\$9,016</u>
Rate Base – Developer Contributed			\$30,013
Rate of Return			<u>3.80%</u>
Return		1,140	<u>\$1,140</u>
Total Return	<u>\$16,016</u>	<u>(\$5,860)</u>	<u>\$10,156</u>

CHAMP'S WATER COMPANY, INC.  
 WEST MONTGOMERY UTILITIES SYSTEM  
 RATE INCREASE REQUEST  
 RATE OF RETURN  
 12 MONTHS ENDED SEPTEMBER 30, 1992

<b>RATE OF RETURN – REQUESTED</b>	<b>Cost of Capital</b>	<b>Percent of Total</b>	<b>Rate</b>	<b>Weighted Average</b>
Notes Payable	\$277,518	33.91%	11.69%	3.96%
Payable to Affiliates & Shareholders	239,247	29.24%	15.00%	4.39%
Common Stock & Addl Pd In Capital	1,000	0.12%	15.00%	0.02%
Retained Earnings	<u>300,581</u>	<u>36.73%</u>	15.00%	<u>5.51%</u>
	<u>\$818,346</u>	<u>100.00%</u>		<u>13.88%</u>

**RATE OF RETURN – RECOMMENDED**

Notes Payable	\$125,346	38.42%	9.00%	3.46%
Payable to Affiliates & Shareholders	200,904	61.58%	11.95%	7.36%
Common Stock & Addl Pd In Capital	0	0.00%	11.95%	0.00%
Retained Earnings	<u>0</u>	<u>0.00%</u>	11.95%	<u>0.00%</u>
	<u>\$326,250</u>	<u>100.00%</u>		<u>10.82%</u>

**CHAMP'S WATER COMPANY, INC.  
WEST MONTGOMERY UTILITIES SYSTEM  
RATE INCREASE REQUEST**

**RATES**

WATER	
Fixed	Variable*

SEWER	
Fixed	Variable*

\* per 1000 gallons

**Residential**

5/8" & 3/4" meter	\$6.25	\$1.35
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\$6.50	\$1.40
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**Multi-family/Commercial**

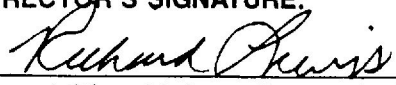
1" meter	53.74	1.35
1-1/2" meter	107.47	1.35
2" meter	171.95	1.35

62.50	1.40
124.99	1.40
199.99	1.40

**Miscellaneous Fees**

Tap Fee - Residential	\$350.00
Tap Fee - Larger	Actual Cost
Reconnection Fee	\$35.00
Reconnection Fee for non-payment	\$25.00
Returned Check Fee	\$20.00
Deposit - Residential	\$50.00
Deposit - Other	1/6 estimated annual bill
Late Payment Fee	Greater of \$2.00 or 5%
Meter Test Fee	\$25.00
Transfer Fee	\$25.00 for new customer at metered location
Meter Installation Fee	\$75.00 for tap existing without meter at new customer location
Seasonal Reconnection Fee	Monthly minimum rate for that meter size for each month of disconnection not to exceed 6 months when service has been voluntarily terminated and restored within a 12 month period



<b>SUBJECT:</b> APPROVE RECOMMENDATION OF F&A CONCERNING CHAMP'S WATER COMPANY INC. RATE INCREASE REQUEST FOR ITS WEST MONTGOMERY UTILITIES SYSTEM		<b>Category #</b> 9	<b>Page</b> 1 of 1	<b>Agenda Item #</b> 74
<b>FROM (Department or other point of origin):</b> Finance & Administration Department		<b>Origination Date</b> 09/10/93	<b>Agenda Date</b> OCT 13 1993	
<b>DIRECTOR'S SIGNATURE:</b> 		<b>Council District affected:</b> B, H		
<b>For additional information contact:</b> <b>Phone:</b> Katherine Mosley 247-1814		<b>Date and identification of prior authorizing Council action:</b>		
<b>RECOMMENDATION: (Summary)</b> Approve recommendation of Finance & Administration Department concerning Champ's Water Company Inc.'s request for an increase in water and sewer rates for its West Montgomery Utilities System and require that refunds be made as credits to customer bills.				
<b>Amount and Source of Funding:</b> N/A				
<b>SPECIFIC EXPLANATION:</b> <p>On April 21, 1993 Champ's Water Company, Inc. (Champ's) filed with the City a rate increase request representing an increase in revenues of approximately 62% for its West Montgomery Utilities (WMU) system. The last rate increase for WMU was granted by Council in June 1988 and represented a 43% increase in revenues.</p> <p>It is recommended that Council adopt the attached recommendation of the Finance &amp; Administration Department which reflects an approximate 37% increase in revenues. If Council adopts this recommendation, it will be necessary for Champ's to refund amounts collected in excess of the rates set by Council since May 22, 1993. It is further recommended that refunds be made to customers as credits on their monthly bills.</p> <p>Schedule 1 of the attached recommendation shows the impact on monthly water and sewer bills. Residential customers who use less than 3000 gallons per month will see a <u>decrease</u> in their monthly water and sewer bill of 1% to 31% from the rates previously approved by Council. Higher volume users will see an increase of 1% to 19% depending on usage level.</p> <p>The Garden City Apartments and approximately 300 residential customers located within the city limits in the Garden City Park subdivision are affected by the rate increase request.</p> <p>cc: City Attorney          Agenda Director</p>				
<small>ws-101.jc</small>				
<b>REQUIRED AUTHORIZATION</b>				
<b>F&amp;A Budget:</b>		<b>Chief Administrative Officer:</b>		<b>Other Authorization:</b>

**FINANCE & ADMINISTRATION DEPARTMENT  
RECOMMENDATION  
RATE INCREASE REQUEST OF  
CHAMP'S WATER COMPANY, INC.  
WEST MONTGOMERY UTILITIES SYSTEM**

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**I. INTRODUCTION**

Pursuant to Section 13.042 of the Texas Water Code, the City of Houston maintains original jurisdiction over the rates of private water and sewer companies serving customers within the city limits. This report constitutes the recommendations of the Finance & Administration Department on the rate change application filed on April 21, 1993 by Champ's Water Company, Inc. (Champ's) with the City of Houston for its West Montgomery Utilities system (WMU).

**II. BACKGROUND**

WMU's requested rates went into effect on May 22, 1993 as allowed by the Texas Water Code. On May 26, 1993 Council took action (Ordinance 93-625) which required Champ's to deposit all increased revenues collected in an escrow account to ensure monies would be available to make refunds, if necessary, after Council's decision on the requested rate increase.

A petition was filed on May 25, 1993 by the Garden City Civic Club protesting the requested increase. The petition opposed the proposed rate hike, stated that services received did not justify the proposed rate increase and requested denial of the rate increase request. A public meeting was held on July 7, 1993 to obtain additional citizen comments on the rate increase request. Approximately 85 citizens attended the meeting which was held at the City's Acres Homes Multi-Service Center. All citizens present opposed the requested increase. A transcript of the public meeting is available for review in the offices of the Regulatory Affairs Division of F&A. Parties to this proceeding include the Garden City Civic Club, all residents that signed the petition, all residents present at the public meeting, City staff and the company.

The last rate increase for WMU was granted by Council in June 1988 and represented a 43% increase in revenues. WMU has requested a 62% increase in revenues. Approximately 300 residential customers located within the city limits in the Garden City Park subdivision are affected by the rate increase request. WMU residential customers are responsible for approximately 44% of system usage. One commercial customer, the Garden City Apartments, is also affected and is responsible for approximately 56% of system usage. Because this apartment complex is a Housing Authority project with rent based on income, it is unlikely that apartment residents will be impacted significantly by a change in water and sewer rates.

A comparison of total monthly water and sewer bills at current rates and at requested rates is shown on Schedule 1.

### III. RECOMMENDATION

It is recommended that Council authorize rates which will produce a 37% increase in revenues rather than the requested 62% increase. It is further recommended that Council release the funds held in escrow from the collection of incremental revenues during the pendency of this case and that those monies be refunded with interest to customers. This refund should be reflected as a credit to each customer's bill.

As shown on Schedule 1, WMU's requested rates result in increases in monthly bills ranging from 30% to 76% depending on usage for residential customers compared to the monthly bills calculated from the last approved rates. F&A's recommended rates result in no change or decreased bills for 21% of the residential customers when compared to the last approved rates, an increase of less than 10% for 58% of the residential customers, and an increase of 11% - 19% for the remaining 21% of the residential customers. Schedule 1 also compares the monthly bills based on this recommendation with current City of Houston rates. The recommendation of F&A is set forth in greater detail below.

#### A. COST OF SERVICE

Expenses totalling \$9,364 were disallowed because they were non-recurring items, were not supported by invoices, could not be traced to Champ's general ledger, or were not related to WMU operations.

Requested amortization of the acquisition adjustment was reduced by \$3,050 because under the Hooks test used by the Texas Water Commission, an acquisition adjustment is recoverable if customers derive offsetting benefits from the acquisition of the system subsequent to the acquisition. Based on Texas Water Commission tests and reports Champ's has improved the operation of the WMU system, specifically the sewer system. However, in consideration of the petition received, the numerous complaints heard at the public meeting held July 7, 1993 and the lack of documentation provided by the company to support inclusion of the full amount requested, recovery has been limited to approximately 26% of the requested amount.

Expenses totalling \$20,148 were disallowed because of adjustments to Champ's allocation of joint costs to WMU. Champ's requested that joint costs be allocated to WMU generally on the basis of percent of WMU water or sewer production to total company production. A review of each account was performed and adjustments were made to salaries and wages, contract labor, office, regulatory, accounting, legal and miscellaneous expenses which are not related to the percent of production. Additionally, for expense items which

relate to sewer production, the percentage allocable to WMU was adjusted from 56.84% to 53.51% to correct an error in computation of the percentage.

Return and related taxes were reduced by \$10,843 due to the adjustments to rate base, capital structure and return on equity as discussed in Sections B and C below.

The total recommended cost of service is shown on Schedule 2.

## **B. RETURN**

Champ's requested a 15% return on equity and a 13.88% weighted average cost of capital to be applied to invested capital. The request was adjusted to a 11.95% return on equity and a 10.82% weighted average cost of capital. Adjustments were made to the rate of return on equity as well as the capital structure used to derive the weighted average cost of capital.

An 11.95% return on equity is approximately 4% over the average yield on Baa corporate utility bonds as reported by Moody's, a standard adopted by the Texas Water Commission. Additionally, Champ's requested that the total company capital structure be used in determining the weighted average cost of capital. However, it is inappropriate to use total Champ's Water Company capital structure for the recently acquired WMU system. The company could not provide information for WMU only, so a capital structure was imputed. In establishing an imputed capital structure, we assumed that the company incurred notes payable to affiliates to make debt payments and finance plant additions.

The requested and recommended capital structures are shown on Schedule 4.

## **C. RATE BASE (Invested Capital)**

Champ's requested a total WMU rate base of \$217,981. Developer contributed plant of \$42,667 was removed from the requested rate base and was considered separately from other plant in service because no debt or equity was assumed with the acquisition of this plant. Therefore, to consider the risk-free nature of contributed plant, a risk-free capital rate of 3.8% was applied to this portion of the rate base.

Additionally, the requested working capital allowance was reduced \$3,435 to be consistent with adjustments made to operations and maintenance expenses. Allowance for working capital is commonly computed as one-eighth of operation and maintenance expenses.

The total recommended rate base is shown on Schedule 3.

**D. RATE DESIGN**

WMU's requested rate design was modified to reflect the impact of Garden City Apartments as a customer. Although Garden City Apartments is responsible for approximately half of WMU's costs, in the past the apartment complex has not been required to bear half those costs. The recommended rate design allocates costs to the commercial customer class (the Garden City Apartments) and to the residential customer class based on percent of annual volumes to ensure that each class bears its share of costs on the system.

The monthly minimum charge for water and sewer was developed by dividing fixed costs by the number of customers and then by twelve. This is consistent with WMU's requested rate design and standard industry practice.

The monthly water usage rate was developed by dividing water variable costs by annual volumes for each customer class. The monthly sewer usage rate was also developed by dividing sewer variable costs by the annual volumes. This method is different from WMU's requested rate design based on average annualized winter usage. Using actual usage as the basis for sewer rate design eliminates the incentive for some customers to shift their consumption away from winter months. Miscellaneous fees were verified with current tariffs approved by the Texas Water Commission.

Schedule 5 shows the rates developed from the recommendations in this Report.

**E. QUALITY OF SERVICE**

Many residents commented about the poor quality of the water and sewer service received in view of the large increase requested. We reviewed the results of the last inspection performed by the Texas Water Commission, which found WMU to be substantially in compliance with applicable quality standards. However, we did take into consideration citizen comments such as those relating to meter reading problems in recommending a reduction in the requested amounts and in recommending that more of Champ's revenues be placed at risk in the variable portion of rates.

CHAMP'S WATER COMPANY, INC.  
 WEST MONTGOMERY UTILITIES SYSTEM  
 RATE INCREASE REQUEST  
 RESIDENTIAL MONTHLY BILL COMPARISON

Usage	# of Customers @ 9/30/92	WMU Current	COH Rates	COH Increase over Current	WMU Requested	Requested Increase over Current	Staff Recommended	Recommended Increase over Current
0	11	\$18.60	\$8.50	-54.30%	\$27.86	49.78%	\$12.75	-31.45%
1,000	20	18.60	8.50	-54.30%	30.31	62.96%	15.50	-16.67%
2,000	32	18.60	8.50	-54.30%	32.76	76.13%	18.25	-1.88%
3,000	38	20.77	8.50	-59.08%	35.21	69.52%	21.00	1.11%
4,000	38	22.94	24.62	7.32%	37.66	64.17%	23.75	3.53%
5,000	33	25.11	29.88	19.00%	40.11	59.74%	26.50	5.54%
6,000	22	27.28	36.53	33.91%	42.56	56.01%	29.25	7.22%
7,000	26	29.45	41.96	42.48%	45.01	52.84%	32.00	8.66%
8,000	18	31.62	47.39	49.87%	47.46	50.09%	34.75	9.90%
9,000	11	33.79	52.82	56.32%	49.91	47.71%	37.50	10.98%
10,000	13	35.96	58.25	61.99%	52.36	45.61%	40.25	11.93%
11,000	10	38.13	63.68	67.01%	54.81	43.75%	43.00	12.77%
12,000	9	40.30	69.11	71.49%	57.26	42.08%	45.75	13.52%
13,000	6	42.47	76.48	80.08%	59.71	40.59%	48.50	14.20%
14,000	3	44.64	83.85	87.84%	62.16	39.25%	51.25	14.81%
15,000	3	46.81	91.22	94.87%	64.61	38.03%	54.00	15.36%
16,000	0	48.98	98.59	101.29%	67.06	36.91%	56.75	15.86%
17,000	1	51.15	105.96	107.16%	69.51	35.89%	59.50	16.32%
18,000	1	53.32	113.33	112.55%	71.96	34.96%	62.25	16.75%
19,000	1	55.49	120.70	117.52%	74.41	34.10%	65.00	17.14%
20,000	1	57.66	128.07	122.11%	76.86	33.30%	67.75	17.50%
21,000	1	59.83	135.44	126.37%	79.31	32.56%	70.50	17.83%
22,000	0	62.00	142.81	130.34%	81.76	31.87%	73.25	18.15%
23,000	2	64.17	150.18	134.03%	84.21	31.23%	76.00	18.44%
24,000	1	66.34	157.55	137.49%	86.66	30.63%	78.75	18.71%

CITY OF HOUSTON

CHAMP'S WATER COMPANY, INC.  
WEST MONTGOMERY UTILITIES SYSTEM  
RATE INCREASE REQUEST  
COST OF SERVICE – TOTAL  
12 MONTHS ENDED SEPTEMBER 30, 1992

	<u>WMU</u> <u>Requested</u>	<u>F&amp;A</u> <u>Adjustments</u>	<u>F&amp;A</u> <u>Recommended</u>
Operations & Maintenance			
Salaries & Wages	\$81,711	(\$7,160)	\$74,551
Contract Labor	4,580	(2,657)	1,923
Chemicals & Treatment	10,108	(3,034)	7,074
Utilities	27,633	0	27,633
Repairs & Maintenance	17,124	(341)	16,783
Office Expenses	5,687	(911)	4,776
Accounting & Legal fees	11,165	(5,803)	5,362
Insurance	25,039	(3,229)	21,810
Regulatory Expense	14,768	(1,026)	13,742
Miscellaneous Expenses	<u>31,632</u>	<u>(3,354)</u>	<u>28,278</u>
Total O&M Expenses	229,447	(27,515)	201,932
Other Taxes	19,670	(1,997)	17,673
Depreciation	14,726	0	14,726
Amortization	4,140	(3,050)	1,090
Federal Income Tax	1,273	851	2,124
State Franchise Tax	1,317	(775)	542
Return	34,234	(10,919)	23,315
Less: Credits to COS	<u>(3,588)</u>	<u>0</u>	<u>(3,588)</u>
Total Cost of Service	<u>\$301,219</u>	<u>(\$43,405)</u>	<u>\$257,814</u>

CITY OF HOUSTON

CHAMP'S WATER COMPANY, INC.  
WEST MONTGOMERY UTILITIES SYSTEM  
RATE INCREASE REQUEST  
COST OF SERVICE – WATER  
12 MONTHS ENDED SEPTEMBER 30, 1992

	<u>WMU</u> <u>Requested</u>	<u>F&amp;A</u> <u>Adjustments</u>	<u>F&amp;A</u> <u>Recommended</u>
Operations & Maintenance			
Salaries & Wages	\$41,572	(\$3,396)	\$38,176
Contract Labor	2,325	(1,364)	961
Chemicals & Treatment	823		823
Utilities	14,483		14,483
Repairs & Maintenance	5,575		5,575
Office Expenses	2,887	(499)	2,388
Accounting & Legal fees	5,662	(2,776)	2,886
Insurance	12,709	(1,448)	11,261
Regulatory Expense	7,864	(537)	7,327
Miscellaneous Expenses	<u>13,622</u>	<u>(1,192)</u>	<u>12,430</u>
Total O&M Expenses	107,522	(11,212)	96,310
Other Taxes	10,390	(1,024)	9,366
Depreciation	7,303		7,303
Amortization	4,140	(3,050)	1,090
Federal Income Tax	319	931	1,250
State Franchise Tax	1,017	(698)	319
Return	18,218	(5,059)	13,159
Less: Credits to COS	<u>(1,794)</u>	_____	<u>(1,794)</u>
Total Cost of Service	<u>\$147,115</u>	<u>(\$20,112)</u>	<u>\$127,003</u>



CITY OF HOUSTON

CHAMP'S WATER COMPANY, INC.  
WEST MONTGOMERY UTILITIES SYSTEM  
RATE INCREASE REQUEST  
COST OF SERVICE – SEWER  
12 MONTHS ENDED SEPTEMBER 30, 1992

	<u>WMU</u> <u>Requested</u>	<u>F&amp;A</u> <u>Adjustments</u>	<u>F&amp;A</u> <u>Recommended</u>
Operations & Maintenance			
Salaries & Wages	\$40,139	(3,764)	36,375
Contract Labor	2,255	(1,293)	962
Chemicals & Treatment	9,285	(3,034)	6,251
Utilities	13,150		13,150
Repairs & Maintenance	11,549	(341)	11,208
Office Expenses	2,800	(412)	2,388
Accounting & Legal fees	5,503	(3,027)	2,476
Insurance	12,330	(1,781)	10,549
Regulatory Expense	6,904	(489)	6,415
Miscellaneous Expenses	<u>18,010</u>	<u>(2,162)</u>	<u>15,848</u>
Total O&M Expenses	121,925		105,622
Other Taxes	9,280	(973)	8,307
Depreciation	7,423		7,423
Amortization	0		0
Federal Income Tax	954	(80)	874
State Franchise Tax	300	(77)	223
Return	16,016	(5,860)	10,156
Less: Credits to COS	<u>(1,794)</u>	_____	<u>(1,794)</u>
Total Cost of Service	<u>\$154,104</u>	<u>(\$6,990)</u>	<u>\$130,811</u>

CITY OF HOUSTON

CHAMP'S WATER COMPANY, INC.  
WEST MONTGOMERY UTILITIES SYSTEM  
RATE INCREASE REQUEST  
RATE BASE - TOTAL  
12 MONTHS ENDED SEPTEMBER 30, 1992

	<u>WMU Requested</u>	<u>F&amp;A Adjustments</u>	<u>F&amp;A Recommended</u>
Plant in Service	\$444,942	(\$128,000)	\$316,942
Accumulated Depreciation	<u>(226,961)</u>	<u>85,333</u>	<u>(141,628)</u>
Net Plant	217,981	(42,667)	175,314
Working Capital	<u>28,676</u>	<u>(3,435)</u>	<u>175,314</u>
Total Rate Base	<u>\$246,657</u>	<u>(\$46,102)</u>	<u>\$350,628</u>

Computation of Return:

Rate Base	\$246,657		\$350,628
Rate of Return	<u>13.88%</u>		<u>10.82%</u>
Return	\$34,234	(\$12,540)	<u>\$21,694</u>
Rate Base - Developer Contributed			\$42,667
Rate of Return			<u>3.80%</u>
Return		1,621	<u>\$1,621</u>
Total Return	<u>\$34,234</u>	<u>(\$10,919)</u>	<u>\$23,315</u>

CITY OF HOUSTON

CHAMP'S WATER COMPANY, INC.  
WEST MONTGOMERY UTILITIES SYSTEM  
RATE INCREASE REQUEST  
RATE BASE – WATER  
12 MONTHS ENDED SEPTEMBER 30, 1992

	<u>WMU Requested</u>	<u>F&amp;A Adjustments</u>	<u>F&amp;A Recommended</u>
Plant in Service	\$208,241	(\$37,961)	\$170,280
Accumulated Depreciation	<u>(90,415)</u>	<u>25,307</u>	<u>(65,108)</u>
Net Plant	117,826	(12,654)	105,172
Working Capital	<u>13,448</u>	<u>(1,410)</u>	<u>12,038</u>
Total Rate Base	<u>\$131,274</u>	<u>(\$14,064)</u>	<u>\$117,210</u>

Computation of Return:

Rate Base	\$131,274		\$117,210
Rate of Return	<u>13.88%</u>		<u>10.82%</u>
Return	18,218	(\$5,540)	<u>\$12,678</u>
Rate Base – Developer Contributed			\$12,654
Rate of Return			<u>3.80%</u>
Return		481	<u>\$481</u>
Total Return	<u>\$18,218</u>	<u>(\$5,059)</u>	<u>\$13,159</u>

CITY OF HOUSTON

CHAMP'S WATER COMPANY, INC.  
WEST MONTGOMERY UTILITIES SYSTEM  
RATE INCREASE REQUEST  
RATE BASE – SEWER  
12 MONTHS ENDED SEPTEMBER 30, 1992

	<u>WMU Requested</u>	<u>F&amp;A Adjustments</u>	<u>F&amp;A Recommended</u>
Plant in Service	\$236,701	(\$90,039)	\$146,662
Accumulated Depreciation	<u>(136,546)</u>	<u>60,026</u>	<u>(76,520)</u>
Net Plant	100,155	(30,013)	70,142
Working Capital	<u>15,228</u>	<u>(2,025)</u>	<u>13,203</u>
Total Rate Base	<u>\$115,383</u>	<u>(\$32,038)</u>	<u>\$83,345</u>

Computation of Return:

Rate Base	\$115,383		\$83,345
Rate of Return	<u>13.88%</u>		<u>10.82%</u>
Return	16,016	(\$7,000)	<u>\$9,016</u>
Rate Base – Developer Contributed			\$30,013
Rate of Return			<u>3.80%</u>
Return		1,140	<u>\$1,140</u>
Total Return	<u>\$16,016</u>	<u>(\$5,860)</u>	<u>\$10,156</u>

## CITY OF HOUSTON

## SCHEDULE 4

CHAMP'S WATER COMPANY, INC.  
 WEST MONTGOMERY UTILITIES SYSTEM  
 RATE INCREASE REQUEST  
 RATE OF RETURN  
 12 MONTHS ENDED SEPTEMBER 30, 1992

RATE OF RETURN – REQUESTED	Cost of <u>Capital</u>	Percent of <u>Total</u>	<u>Rate</u>	<u>Weighted Average</u>
Notes Payable	\$277,518	33.91%	11.69%	3.96%
Payable to Affiliates & Shareholders	239,247	29.24%	15.00%	4.39%
Common Stock & Addl Pd In Capital	1,000	0.12%	15.00%	0.02%
Retained Earnings	<u>300,581</u>	<u>36.73%</u>	15.00%	<u>5.51%</u>
	<u>\$818,346</u>	<u>100.00%</u>		<u>13.88%</u>

## RATE OF RETURN – RECOMMENDED

Notes Payable	\$125,346	38.42%	9.00%	3.46%
Payable to Affiliates & Shareholders	200,904	61.58%	11.95%	7.36%
Common Stock & Addl Pd In Capital	0	0.00%	11.95%	0.00%
Retained Earnings	<u>0</u>	<u>0.00%</u>	11.95%	<u>0.00%</u>
	<u>\$326,250</u>	<u>100.00%</u>		<u>10.82%</u>

CHAMP'S WATER COMPANY, INC.  
WEST MONTGOMERY UTILITIES SYSTEM  
RATE INCREASE REQUEST

RATES

\* per 1000 gallons

WATER	
Fixed	Variable*

SEWER	
Fixed	Variable*

Residential

5/8" & 3/4" meter	\$6.25	\$1.35
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\$6.50	\$1.40
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Multi-family/Commercial

1" meter	53.74	1.35
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Miscellaneous Fees

Tap Fee - Residential	\$350.00
Tap Fee - Larger	Actual Cost
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Reconnection Fee for non-payment	\$25.00
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Deposit - Other	1/6 estimated annual bill
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Transfer Fee	\$25.00 for new customer at metered location
Meter Installation Fee	\$75.00 for tap existing without meter at new customer location
Seasonal Reconnection Fee	Monthly minimum rate for that meter size for each month of disconnection not to exceed 6 months when service has been voluntarily terminated and restored within a 12 month period

# CITY OF HOUSTON

INTER OFFICE CORRESPONDENCE

To Mayor and Council

FROM Richard Lewis, Director  
Finance & Administration

DATE September 23, 1993

SUBJECT Recommendation on Champ's Water  
Company Rate Increase Request

Attached is the recommendation of F&A concerning the water and sewer rate increase request filed with the City by Champ's Water Company Inc. for its West Montgomery Utilities System. This system serves the Garden City Apartments and approximately 300 residential customers in the Garden City Park subdivision.

Schedule 1 of the attached recommendation shows the impact on monthly water and sewer bills. Residential customers who use less than 3000 gallons per month will see a decrease in their monthly water and sewer bills of 1% to 31% from the rates previously approved by Council. Higher volume users will see an increase of 1% to 19% depending on usage level.

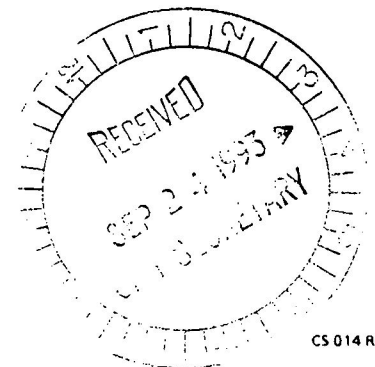
A public hearing before Council on this item will be held on Wednesday, October 6, 1993 at 8:30 a.m. We anticipate that the recommendation will come before Council the following week.

Please call Kathy Mosley at 7-1814 if you have any questions.



Richard Lewis  
Director  
Finance & Administration

ws-103.jc



I, ANNA RUSSELL, City Secretary of the City of Houston, Texas, do hereby certify that the within and foregoing is a true and correct copy of Ordinance No. 93-1269 with attachments, passed and approved by the City Council of said City on the 13th day of October, 1993, as the same appears in the records in my office.

WITNESS my hand and the Seal of said City this 3rd day of September, 1996.

A handwritten signature in cursive script, appearing to read "Anna Russell".

Anna Russell  
City Secretary of the City of Houston



# LAW OFFICES OF MARK H. ZEPPA, P.C.

4833 Spicewood Springs Road, Suite 202  
Austin, Texas 78759-8436  
(512) 346-4011 Fax (512) 346-6847  
[mark@zeppalaw.com](mailto:mark@zeppalaw.com)

August 21, 2007

Texas Commission on Environmental Quality  
Districts Section  
PO Box 13087  
Austin TX 78711-3087

Re: Champ's Water Company – Rate Tariff Change

Ladies and Gentlemen:

Enclosed is a copy of a City of Houston Ordinance relating to the Retail Water and Sewer Rates of Champs Water Company, Inc. This Ordinance is being filed with you as an administrative tariff change to reflect municipal rates.

Should you have any questions, please do not hesitate to contact me.

Very truly yours,

  
Mark H. Zeppa

MHZ/jjs  
Enclosure

COPY

City of Houston, Texas; Ordinance No. 2004-633

AN ORDINANCE RELATING TO THE RETAIL WATER AND SEWER RATES OF CHAMPS WATER COMPANY, INC. WITHIN THE CITY OF HOUSTON, TEXAS; APPROVING A SETTLEMENT AGREEMENT RELATING TO AN INCREASE IN THE RATES OF CHAMPS WATER COMPANY, INC.; MAKING FINDINGS AND CONTAINING OTHER PROVISIONS RELATING TO THE FOREGOING SUBJECT; PROVIDING FOR SEVERABILITY; AND DECLARING AN EMERGENCY.

\* \* \* \* \*

**WHEREAS**, on April 22, 2004, Champs Water Company, Inc. ("Champs"), filed a Rate/Tariff Change Application ("New Rates") with the City of Houston ("City"); and

**WHEREAS**, the City commenced a rate case (the "2004 Champs Rate Case") to address the issues in the New Rates on an informal basis as allowed by the applicable provisions of the Texas Water Code and Texas Administrative Code ("Water Code and Rules"); and

**WHEREAS**, the City retained consultants who worked with City staff to analyze the New Rates for the purpose of implementing just and reasonable rates as permitted by applicable law; and

**WHEREAS**, on May 12 and 13, 2004, the City provided an opportunity for public comment on the subject of the New Rates as well as customer service concerns ("May Rate Hearings"); and

**WHEREAS**, the City wishes to resolve the controversies raised by the New Rates in accordance with the provisions of the Stipulation and Agreement Regarding 2004 Rate/Tariff Change Application of Champs Water Company, Inc. Within the City of

Houston, Texas (the "Settlement") attached hereto as Exhibit "A"; and

**WHEREAS**, the public interest will be served by the adoption of an ordinance approving the Settlement because the Settlement provides for just and reasonable rates to be observed and in force within the City and promotes the adequate and efficient provision of service; and

**WHEREAS**, the public interest will be served by resolution on a stipulated basis of all matters set forth in the Settlement because the rates provided for in the Settlement are just, reasonable, non-discriminatory and in compliance with all applicable law; and

**WHEREAS**, the public interest will be served by resolution on a stipulated basis of all matters set forth in the Settlement because the Settlement will conserve resources and avoid the uncertainties and expense inherent in litigation regarding the New Rates;

**NOW, THEREFORE;**

**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF HOUSTON, TEXAS:**

**Section 1.** That the facts contained in the preamble of this Ordinance are determined to be true and correct and are hereby adopted as part of this Ordinance.

**Section 2.** That the City Council hereby approves and authorizes the Stipulation and Agreement Regarding 2004 Rate/Tariff Change Application of Champs Water Company, Inc. Within the City of Houston, Texas (the "Settlement") attached hereto and incorporated herein as Exhibit "A". All terms and conditions specified and agreed to by the City and Champs in the Settlement are hereby incorporated by reference as though set forth verbatim herein and are hereby approved and ratified. The Settlement agreed to by

the City and Champs relating to the rates, operations and services of Champs is hereby approved and ordered implemented effective for bills rendered on and after June 22, 2004. The Mayor, or in the absence of the Mayor, the Mayor Pro Tem, is hereby authorized to execute all related documents on behalf of the City, and to take all necessary actions to effectuate the City's intent and objectives in approving the Settlement. The City Secretary, or in the absence of the City Secretary, the Assistant City Secretary, is hereby authorized to attest to all such signatures and to affix the seal of the City to all such documents. The City Attorney is hereby authorized to take all action necessary to enforce all legal obligations under the Settlement without further authorization from the City Council.

**Section 3.** It is hereby ordered that prior to June 22, 2004, Champs shall file tariffs reflecting the New Rates adopted herein with the City Secretary and submit a copy of the tariffs to the Director of the Finance and Administration Department of the City. The rates currently in effect as of April 22, 2004 shall remain in effect for all bills rendered through June 21, 2004.

**Section 4.** All prior Ordinances of the City inconsistent with the terms and conditions hereof are hereby repealed to the extent of the inconsistency and are of no further effect.

**Section 5.** If any provision, section, subsection, sentence, clause or phrase of this ordinance, or the application of same to any person or set of circumstances is for any reason held to be invalid, the validity of the remaining portions of this ordinance or their application to other persons or sets of circumstances shall not be affected thereby, it being

the intent of the City Council in adopting this ordinance that no portion hereof or provision or regulation contained herein shall become inoperative or fail by reason of any unconstitutionality, voidness or invalidity of any other portion hereof, and all provisions of this ordinance are declared to be severable for that purpose.

**Section 6.** The City Council officially finds, determines, recites and declares that a sufficient written notice of the date, hour, place and subject of this meeting of the City Council was posted at a place convenient to the public at the City Hall of the City for the time required by law preceding this meeting, as required by the Open Meetings Law, Chapter 551, Texas Government Code; and that this meeting has been open to the public as required by law at all times during which this ordinance and the subject matter thereof have been discussed, considered and formally acted upon. The City Council further ratifies, approves and confirms such written notice and the contents and posting thereof. As of the intervention deadline set for this matter, the City Secretary received no petitions for intervention.

**Section 7.** There exists a public emergency requiring that this ordinance be passed finally on the date of its introduction as requested in writing by the Mayor; therefore, this Ordinance shall be passed finally on that date and shall take effect immediately upon its passage and approval by the Mayor; however, in the event that the Mayor fails to sign this Ordinance within five days after its passage and adoption, it shall take effect in accordance with Article VI, Section 6, Houston City Charter.

PASSED AND ADOPTED this 16th day of June, 2004.

APPROVED this \_\_\_\_ day of \_\_\_\_\_, 2004.

\_\_\_\_\_  
Mayor of the City of Houston

Pursuant to Article VI, Section 6, Houston City Charter, the effective date of the foregoing Ordinance is JUN 22 2004

  
City Secretary

Prepared by Legal Dept. M.T. Benteau <sup>DA</sup>

MTP June 10, 2004

Senior Assistant City Attorney <sup>ST</sup>

Requested by Judy Gray Johnson, Director, Finance and Administration Department

L.D. File No. 0340200308002

AYE	NO	2004-633
✓		MAYOR WHITE
....	....	COUNCIL MEMBERS
✓		LAWRENCE
✓		GALLOWAY
✓		GOLDBERG
✓		EDWARDS
✓		WISEMAN
✓		KHAN
✓		HOLM
✓		GARCIA
✓		ALVARADO
✓		ELLIS
✓		QUAN
✓		SEKULA-GIBBS
✓		GREEN
✓		BERRY
CAPTION	ADOPTED	

H:\CHAMPS\RATEORD.WPD6/10/04

5

FOR PUBLICATION IN DAILY COURT

REVIEW  
DATE:

JUN 22 2004

**2004 Champs-City of Houston  
Retail Water/Sewer Rate Case Settlement  
Signature Page**

IN WITNESS WHEREOF, this Settlement has been executed, approved, and agreed to by the Signatories hereto in multiple counterparts, each of which shall be deemed an original, on the date indicated below by the Signatories hereto, by and through their undersigned duly authorized representatives. This Settlement shall be effective and binding, as to each Signatory, as of the Date of Execution.

**Champs Water Company, Inc.**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**City of Houston**

By: \_\_\_\_\_

**Mayor**

Date: \_\_\_\_\_

**Attest:**

By: \_\_\_\_\_

**City Secretary**

**Approved:**

By: \_\_\_\_\_

**City Attorney**

2004 CHAMPS WATER COMPANY-CITY OF HOUSTON RETAIL WATER AND SEWER RATE CASE

RATE/TARIFF CHANGE APPLICATION OF CHAMPS WATER COMPANY, INC.

§  
§  
§  
§  
§  
§  
§

BEFORE THE CITY OF HOUSTON, TEXAS

WITHIN THE

AS

CITY OF HOUSTON, TEXAS

REGULATORY AUTHORITY

STIPULATION AND AGREEMENT REGARDING 2004 RATE/TARIFF CHANGE APPLICATION OF CHAMPS WATER COMPANY, INC. WITHIN THE CITY OF HOUSTON, TEXAS

This Stipulation And Agreement Regarding 2004 Rate/Tariff Change Application Of Champs Water Company, Inc. Within The City Of Houston, Texas, is made and entered into by and between Champs Water Company, Inc., ("Champs") and the City of Houston, Texas (the "City"), as parties to the 2004 Champs-City of Houston Retail Water and Sewer Rate Case (the "2004 Champs Rate Case"). Champs and the City are hereinafter sometimes referred to jointly as the "Signatories".

**WHEREAS**, on April 22, 2004, Champs filed a Rate/Tariff Change Application (the "New Rates") with the City as regulatory authority; and

**WHEREAS**, Champs provided adequate notice of the filing of the New Rates as reflected on **Exhibit A** to all affected customers pursuant to the applicable provisions of the Texas Water Code and Texas Administrative Code (the "Water Code and Rules"); and

**WHEREAS**, the City commenced the 2004 Champs Rate Case to address the issues in the New Rates on an informal basis as allowed by the applicable provisions of the Water Code and Rules; and

**WHEREAS**, consistent with all applicable provisions of the Water Code and Rules, the City conducted public hearings, after giving timely published notice thereof, on May 12 and 13, 2004 ("May hearings") to receive public comment on the New Rates and customer service issues; and

**WHEREAS**, pursuant to published notice for the May Hearings, the deadline for intervention in the 2004 Champs Rate Case was 5:00 p.m. on May 12, 2004; and

**WHEREAS**, as of the intervention deadline the City Secretary received no petitions for intervention in the 2004 Champs Rate Case; and





**WHEREAS**, except as otherwise specified herein, the Signatories desire to resolve all issues in the 2004 Champs Rate Case through compromise and settlement pursuant to the Settlement; and

**WHEREAS**, the public interest will be served by the adoption of an ordinance approving the Settlement because it provides expeditious implementation of just and reasonable rates; promotes the adequate and efficient provision of service; and is in accordance with applicable law; and

**WHEREAS**, resolution on a stipulated basis of all the matters set forth herein will conserve resources, avoid the uncertainties inherent in further litigation and minimize rate case expenses both in this proceeding and in the future;

**NOW THEREFORE**, the Signatories, through their undersigned representatives, stipulate, agree to and recommend for approval by the City Council of the City of Houston, Texas, as a means of resolving the issues in the 2004 Champs Rate Case, the following provisions of this Settlement:

**ARTICLE I.**  
**Definitions**

A. **City Council.** The term "City Council" means the governing body of the City of Houston, Texas, as currently constituted or as it may hereafter be constituted.

B. **Date of Execution.** The term "Date of Execution" means the last date on which the Settlement is signed by a Signatory but no later than June 21, 2004.

C. **Champs.** "Champs" refers to Champs Water Company, Inc. and its successors in interest hereto.

D. **Settlement.** The term "Settlement" refers to this Stipulation and Agreement, including all Exhibits hereto.

E. **Settlement Rates.** The term "Settlement Rates" means the Champs Retail Water and Sewer rates for customers taking retail water or sewer service within the City of Houston, Texas, as set forth in the Settlement, including the Exhibits to the Settlement.

**ARTICLE II.**  
**Retail Base Rates – Water**

A. **Residential Customers.** Effective with bills rendered on or after June 22, 2004, customers taking Residential Service within the City shall be charged the rates contained on **Exhibit B.**

B. **Light Commercial Customers.** Effective with bills rendered on or after June 22, 2004, customers taking Light Commercial Service within the City shall be charged the rates contained on **Exhibit C.**

C. **Large Commercial and Industrial Customers.** Effective with bills rendered on or after June 22, 2004, customers taking Large Commercial or Industrial Service within the City shall be charged the rates contained on **Exhibit D.**

**ARTICLE III.**  
**Retail Base Rates – Sewer**

A. **Residential Customers.** Effective with bills rendered on or after June 22, 2004, customers taking Residential Service within the City shall be charged the rates contained on **Exhibit E.**

B. **Light Commercial Customers.** Effective with bills rendered on or after June 22, 2004, customers taking Light Commercial Service within the City shall be charged the rates contained on **Exhibit F.**

C. **Large Commercial and Industrial Customers.** Effective with bills rendered on or after June 22, 2004, customers taking Large Commercial or Industrial Service within the City shall be charged the rates contained on **Exhibit G.**

**ARTICLE IV.**  
**Miscellaneous Provisions**

A. **Miscellaneous Service Charges.** Effective with services rendered on or after June 22, 2004, Champs shall adjust its Rate Schedule – Miscellaneous to conform to **Exhibit H.** The Signatories agree that the costs reflected on **Exhibit H** will be recovered only from those customers directly responsible for the costs incurred and specifically not as a component of customer base rates. Champs is allowed to assess and collect a Conservation Gallonage surcharge of \$2.00 per 1,000 gallons for every

1,000 gallon billing unit metered after the first 10,000 gallons each billing cycle. The revenues collected from the conservation block surcharge shall be escrowed into an interest bearing account and only spent on water capacity-related projects benefiting the customers of Champs or on conservation projects that will defer the need to add water service capacity to the system to serve those same customers. For commercial customers having more than one consuming facility behind a master meter, the surcharge will not go into effect until their consumption has reached the number of consuming facilities times 10,000. Each point of water usage is deemed to be a point of water consumption that would normally have its own individual water meter under Rules 290.44(d)(4) and 291.89(a)(4). This could be a building, an irrigation water meter or swimming pool. The average annualized consumption of the customers of Champs is below 10,000 gallons per month. This surcharge is to encourage that average to remain at a level considered sufficient for ordinary domestic potable water needs and allowing a reasonable amount for necessary outside water usage.

**B. Rate of Return.** Rate of return on investment shall be deemed to be 11%.

**C. Rate Case Expenses.** The Signatories agree that Champs will neither pay to the City nor recover through rates the amount equal to the City's rate case expenses incurred to the Date of Execution in the 2004 Champs Rate Case. The Signatories agree and stipulate to the reasonableness and necessity of the rate case expenses incurred in the 2004 Champs Rate Case to the extent of \$5,000 for the City and \$10,000 ("Champs rate case expenses") for Champs. The \$10,000 limitation on Champs rate case expenses shall apply only with regard to the 2004 Champs Rate Case, and such limitation shall not apply to the rate proceedings to establish similar rates for (I) the customers served by Champs within its Houston Environs before the Texas Commission on Environmental Quality. It is the intent of the Signatories that Champs recovery of rate case expenses under this Settlement will have no rate impact on any future rate proceeding. The Signatories further agree that the Champs rate case expenses will be collected as a surcharge to the customer gallonage charge only until the \$10,000 allowed amount is recovered.

D. **Accounting Provisions** Champs shall be allowed to amortize rate case expenses over a three-year period, subject to the provisions of this Settlement.

**Article V**  
**General Provisions**

A. **No Res Judicata.** This Settlement is binding on each Signatory only for the purposes of resolving the issues involved in the 2004 Champs Rate Case and for no other purpose. The Signatories acknowledge and agree that a Signatory's support of the matters contained in the Settlement may differ from its position or testimony in other proceedings not referenced in the Settlement. Agreement in this Settlement does not waive a Signatory's inconsistent position in any other proceeding. A Signatory is under no obligation to affirmatively support adoption of the same resolution set out in this Settlement in another proceeding.

B. **No Principles Established.** The Signatories agree that the positions supported for purposes of the Settlement do not establish any principle or theorem of ratemaking or other law.

C. **Integrated Settlement.** This Settlement represents a compromise, settlement and accommodation between the Signatories, and the Signatories agree that the terms and conditions herein are inter-dependent and no Signatory shall be bound by any portion of this Stipulation outside the context of the Settlement as a whole. If the City Council does not accept this Settlement as presented, or adopts an Ordinance approving resolution of the 2004 Champs Rate Case on terms inconsistent with this Settlement in any material respect, the Signatories agree that any Signatory adversely affected by that material modification or inconsistency has the right to withdraw its consent from this Settlement, and the Settlement will become null and void.

D. **Prohibition Against Use.** The Signatories agree that neither oral nor written statements made during the course of negotiations toward the Settlement, nor the terms of the Settlement itself, may be used as evidence of an admission or concession for any purpose in the 2004 Champs Rate Case. The Signatories agree that this prohibition against use survives the termination of the Settlement.

E. Enforcement of Settlement. All legal rights and obligations under the Settlement are enforceable in contract. Nothing contained in the Settlement may be construed to impair the rights of the City or Champs to enforce the Settlement under applicable law.

F. Authorized Representative. Each representative who executes this Settlement warrants that s/he is duly authorized to sign this Settlement on behalf of the Signatory s/he represents.

**2004 Champs-City of Houston  
Retail Water/Sewer Rate Case Settlement  
Signature Page**

IN WITNESS WHEREOF, this Settlement has been executed, approved, and agreed to by the Signatories hereto in multiple counterparts, each of which shall be deemed an original, on the date indicated below by the Signatories hereto, by and through their undersigned duly authorized representatives. This Settlement shall be effective and binding, as to each Signatory, as of the Date of Execution.

**Champs Water Company, Inc.**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**City of Houston**

By: \_\_\_\_\_

**Mayor**

Date: \_\_\_\_\_

**Attest:**

By: \_\_\_\_\_

**City Secretary**

**Approved:**

By: \_\_\_\_\_

**City Attorney**

EXHIBIT "A"

NOTICE OF PROPOSED RATE CHANGE

CHAMP'S WATER COMPANY, INC.  
Company Name

10972 - water and 20385 - sewer  
CCN Numbers

has submitted a rate change application with the Texas Commission on Environmental Quality (TCEQ). The application is identical to the water rate/tariff change application filed with each municipality in which the utility provides water utility service. **The proposed rates, fees, charges and tariff provisions listed on the following pages will apply to service received after the effective date provided below.** If the TCEQ receives protests to the proposed increase from 10 percent of the ratepayers outside municipalities served by Champ's Water Company, Inc. or from any affected municipality before the 91st day after the affected date, a public hearing will be scheduled to determine if the proposed rates are reasonable. Protests should be mailed to:

Texas Commission on Environmental Quality  
Water Supply Division,  
Utilities & Districts Section, MC 153  
P. O. Box 13087  
Austin, Texas 78711-3087

Unless protests are received from 10 percent of the ratepayers or the TCEQ Staff requests a hearing, no hearing will be held. Please read the following information carefully:

Aldine Forest, Mading Lane, Whisper Meadows, West Montgomery, Parkland Estates, Rolling Forest, Western Homes, North Belt Forest in Harris and Montgomery Counties  
Subdivisions or Systems Affected by Rate Change

13217-A Chrisman, Houston, Texas 77039      (281) 590-7317  
Company Address      Telephone

\$ 167,017 (29%) water  
\$ 123,827 (20%) sewer  
Annual Revenue Increase

April 22, 2004  
Date Customer Notices Mailed

February 22, 1995  
Date of Last Rate Change

22nd of the month  
Date Meters Typically Read

**EFFECTIVE DATE OF PROPOSED INCREASE: June 22, 2004.**

The proposed rates will apply to all service rendered after the effective date and will be reflected on the bill you receive approximately 30 to 45 days after the effective date.

In the event that the application is set for hearing, the specific rates requested by the utility may be decreased or increased by order of the TCEQ. If the TCEQ orders a lower rate to be set, the utility may be ordered to refund or credit against future bills all sums collected during the pendency of the rate proceeding in excess of the rate finally ordered plus interest. You may inspect a copy of the rate change application at your utility's office or at the Texas Commission on Environmental Quality's office at Park 35 - Building F, 12015 Park 35 Circle, Suite 31044, Austin, Texas, west side of IH-35, south of Yager Lane. Additional information about the application can be obtained by contacting the TCEQ at 512/239-6960. Information about how you can participate in the rate setting process can be obtained by contacting the Public Interest Counsel at 512/239-6363.

**WEST MONTGOMERY CUSTOMERS INSIDE THE CITY OF HOUSTON.**

Please note that the City of Houston City Council has original ratemaking jurisdiction over your rates. An identical rate change application has been filed with the Houston City Secretary. All protests and hearing requests from customers inside the City of Houston must be filed with Ms.

Anna Russell, City Secretary, City of Houston, P O Box 1562, Houston, Texas 77251 or 900 Bagby, Houston, Texas 77002. The City switchboard is (713) 837-1940. The application is public record at the City. Unless protests are received from 10 percent of the affected ratepayers or the City Staff requests a hearing, no hearing may be held. The same statements above concerning TCEQ action of the rate change application filed with that agency also apply to the Houston City Council regarding the in-city rate change application filed with the City Secretary.

— EXISTING RATES BY SYSTEMS —

WHISPERING MEADOWS:

WATER:

Meter size:	
5/8 x 3/4 inch (include 3,000 gallons)	\$20.00
Gallonage charge	\$1.25 / 1000 gal.

REGULATORY ASSESSMENT

Tap Fee 5/8 x 3/4-inch meter (standard residential) -	1.0%
Meter Test Fee	\$300.00
Reconnect Fee	Actual Cost not to exceed \$25.00
	Delinquent Account \$25.00
	Customer Request \$25.00
Late Fee	\$2.00 or 5%
Return Check Charge	\$15.00
Residential Customer Deposit	\$40.00

SEWER:

Meter size:	
5/8 x 3/4 inch (include 3,000 gallons)	\$20.00
Gallonage charge	\$1.25 / 1000 gal.
Volume charge based on winter average consumption during December, January and February	

REGULATORY ASSESSMENT

Tap Fee 5/8 x 3/4-inch meter (standard residential) -	1.0%
Reconnect Fee	\$300.00
	Delinquent Account \$25.00
	Customer Request \$25.00
Late Fee	\$2.00 or 5%
Return Check Charge	\$15.00
Residential Customer Deposit	\$40.00
Line Extension and construction Charges	Per Tariff

WEST MONTGOMERY

WATER: outside Houston

Meter size:	
5/8 x 3/4 inch (include 2,000 gallons)	\$10.22
1 1/2 inch	\$ 33.73
2 inch	\$ 54.18
Gallonage charge	\$0.87 / 1000 gal.

REGULATORY ASSESSMENT

Tap Fee 5/8 x 3/4-inch meter	\$350.00
Meter Test Fee	Actual Cost not to exceed \$25.00
Reconnect Fee	Delinquent Account \$12.00
	Customer Request \$12.00
Late Fee	\$2.00 or 5%
Return Check Charge	\$12.00
Residential Customer Deposit	\$50.00

Water: inside Houston

Meter size:

45-111-111111  
 1111-1111-1111  
 1111-1111-1111



5/8 x 3/4 inch (include 0 gallons)	\$6.25
1 1/2 inch	\$ 107.47
2 inch	\$ 171.95
Gallonage charge	\$1.35 / 1000 gal.
<b>REGULATORY ASSESSMENT</b>	1.0%
Tap Fee 5/8 x 3/4-inch meter	\$350.00
Meter Test Fee	Actual Cost not to exceed \$25.00
Reconnect Fee	Delinquent Account \$25.00
	Customer Request \$35.00
Late Fee	\$2.00 or 5%
Return Check Charge	\$20.00
Residential Customer Deposit	\$50.00
Deposit Other	1/6 <sup>th</sup> est. ann. bill
Transfer Fee	\$25.00
Meter Installation Fee	\$75.00
Seasonable Reconnect Charge	Minimum rate for that meter size times the number of months off the system, not to exceed 6 months, when voluntarily terminated and restored within 12 months.

<b>SEWER: outside Houston</b>	
Meter size:	
5/8 x 3/4 inch (include 2,000 gallons)	\$8.38
1 1/2 inch	\$ 27.65
2 inch	\$ 44.41
Gallonage charge	\$1.30 / 1000 gal.
<b>REGULATORY ASSESSMENT</b>	1.0%
Tap Fee 5/8 x 3/4-inch meter	\$350.00
Meter Test Fee	Actual Cost not to exceed \$25.00
Reconnect Fee	Delinquent Account \$12.00
	Customer Request \$12.00
Late Fee	\$2.00 or 5%
Return Check Charge	\$12.00
Residential Customer Deposit	\$50.00

<b>SEWER: inside Houston</b>	
Meter size:	
5/8 x 3/4 inch (include 0 gallons)	\$6.50
1 1/2 inch	\$ 124.99
2 inch	\$ 199.99
Gallonage charge	\$1.40 / 1000 gal.
<b>REGULATORY ASSESSMENT</b>	1.0%
Tap Fee 5/8 x 3/4-inch meter	\$350.00
Meter Test Fee	Actual Cost not to exceed \$25.00
Reconnect Fee	Delinquent Account \$25.00
	Customer Request \$35.00
Late Fee	\$2.00 or 5%
Return Check Charge	\$20.00
Residential Customer Deposit	\$50.00
Deposit Other	1/6 <sup>th</sup> est. ann. bill
Transfer Fee	\$25.00
Seasonable Reconnect Charge	Minimum rate for that meter size times the number of months off the system, not to exceed 6 months, when voluntarily terminated and restored within 12 months.

**ALDINE FOREST, WESTERN HOMES & MADING LANE**

<b>WATER:</b>	
Meter size:	
5/8 x 3/4 inch (include 1000 gallons)	\$17.70
1 inch	\$31.00
1 1/2 inch	\$ 66.00
2 inch	\$ 117.00

Gallonage charge	\$1.05 / 1000 gal.
REGULATORY ASSESSMENT	1.0%
Tap Fee 5/8 x 3/4-inch meter	\$300.00
Meter Test Fee	Actual Cost not to exceed \$25.00
Reconnect Fee	Delinquent Account \$25.00
	Customer Request \$33.00
Late Fee	\$2.00 or 5%
Return Check Charge	\$10.00
Residential Customer Deposit	\$50.00
Deposit - Other	1/6 <sup>th</sup> est. ann. bill

**ALDINE FOREST & WESTERN HOMES**

SEWER:

Residential Customers - 3/4-inch meter  
 \$5.30 / 1000 gallons x individual customer's average water usage for December, January and February with the winter average recomputed annually

New Residential Customer Charge - \$37.60 per month

Commercial Customers - 1 inch, 1 1/2, and 2 inch meters

\$5.30 / 1000 gallons x individual customer's average water usage per month year round

REGULATORY ASSESSMENT	1.0%
Tap Fee 5/8 x 3/4-inch meter	\$300.00
Meter Test Fee	Actual Cost not to exceed \$25.00
Reconnect Fee	Delinquent Account \$25.00
	Customer Request \$33.00
Late Fee	\$2.00 or 5%
Return Check Charge	\$10.00

**PARKLAND ESTATES**

WATER:

Meter size:	
5/8 x 3/4 inch (include 0 gallons)	
1 inch	\$17.70
1 1/2 inch	\$31.00
2 inch	\$66.00
Gallonage charge	\$117.00

REGULATORY ASSESSMENT	\$1.05 / 1000 gal.
Tap Fee 5/8 x 3/4-inch meter	1.0%
Meter Test Fee	\$300.00
Reconnect Fee	Actual Cost not to exceed \$25.00
	Delinquent Account \$25.00
	Customer Request \$33.00
Late Fee	\$2.00 or 5%
Return Check Charge	\$10.00
Residential Customer Deposit	\$50.00

SEWER:

Residential Customers - 3/4-inch meter  
 \$5.30 / 1000 gallons x individual customer's average water usage for December, January and February with the winter average recomputed annually

New Residential Customer Charge - \$37.60 per month

Commercial Customers - 1 inch, 1 1/2, and 2 inch meters

\$5.30 / 1000 gallons x individual customer's average water usage per month year round

REGULATORY ASSESSMENT	1.0%
Tap Fee 5/8 x 3/4-inch meter	\$150.00
Late Fee	\$200 or 5%

ALL INFORMATION CONTAINED  
 HEREIN IS UNCLASSIFIED

Return Check Charge

\$10.00

**ROLLING FOREST**

**WATER:**

Meter size:

5/8 x 3/4 inch (include 1000 gallons)

\$30.00

1 inch

\$60.00

Gallonage charge

\$1.30 / 1000 gal.

**REGULATORY ASSESSMENT**

Tap Fee 5/8 x 3/4-inch meter

1.0%

\$400.00

Meter Test Fee

Actual Cost not to exceed \$25.00

Reconnect Fee

Delinquent Account

\$25.00

Late Fee

\$2.00 or 5%

Return Check Charge

\$20.00

Residential Customer Deposit

\$50.00

**NORTH BELT FOREST**

**WATER:**

Meter size:

5/8 x 3/4 inch (include 0 gallons)

\$12.00

1 inch

\$20.04

1 1/2 inch

\$ 39.96

2 inch

\$ 63.96

Gallonage charge

\$1.75 / 1000 gal.

**REGULATORY ASSESSMENT**

Tap Fee 5/8 x 3/4-inch meter

1.0%

\$300.00

Meter Test Fee

Actual Cost not to exceed \$25.00

Reconnect Fee

Delinquent Account

\$25.00

Customer Request

\$40.00

Late Fee

\$2.00 or 5%

Return Check Charge

\$20.00

Residential Customer Deposit

\$50.00

Underground Water District Pass Through Clause

per TCEQ rules

CHANGES IN FEES CHARGED BY UNDERGROUND WATER DISTRICTS MAY BE PASSED ON TO CUSTOMER PER TCEQ RULES ACCORDING TO THE FORMULA  $AG=(G=B) + L(G=B)$ , WHERE AG= ADJUSTED GALLONAGE CHARGE, G = APPROVED GALLONAGE CHARGE, B = CHANGE IN DISTRICT FEE AND L = SYSTEM AVER LINE LOSS FOR PRECEEDING 12 MONTHS, NOT TO EXCEED 15%.

**SEWER:**

Meter size:

5/8 x 3/4 inch (include 0 gallons)

\$20.00

1 inch

\$33.40

1 1/2 inch

\$ 66.60

2 inch

\$ 106.60

Gallonage charge

\$1.00 / 1000 gal.

Residential customers shall be charged on their winter average water consumption for December, January and February, recomputed annually. Large meter water customers will be charged the base rate for their meter size plus the gallonage charge for 5,000 gallons.

**REGULATORY ASSESSMENT**

Tap Fee 5/8 x 3/4-inch meter

1.0%

Tap Fee 5/8 x 3/4-inch meter

short tap

\$300.00

Reconnect Fee

long tap

\$400.00

Delinquent Account

\$25.00

Customer Request

\$40.00

Late Fee

\$2.00 or 5%

Return Check Charge

\$20.00

Transfer Fee

\$40.00

## PROPOSED WATER AND SEWER RATES:

### THESE RATES APPLY TO ALL CUSTOMERS SERVED BY CHAMP'S WATER COMPANY

Champ's Water Company, Inc. is also proposing to make substantial modifications to its water and sewer utility tariffs. These are the schedules of terms and conditions under which utility services are provided to the public and will govern all future relations between the utility and its customers. All affected customers are encouraged to review these proposed tariffs and the other portions of the rate filing application in the utility's business office during normal business hours or at the TCEQ's Austin headquarters complex and the Houston City Hall.

### — WATER RATES AND CHARGES —

<u>Meter Size</u>	<u>Monthly Minimum Rate</u> <u>(includes -0- gallons all meters)</u>	<u>Gallonage Charge</u>
5/8 x 3/4"	\$ 14.44	\$2.25 per 1000 gallons for the first 10,000 gallons <b>plus</b> \$2.00 per 1000 gallons thereafter conservation surcharge
3/4"	21.65	
1"	36.09	
1 1/2"	72.18	
2"	115.49	
3"	216.55	
4"	360.91	
6"	721.83	

**CONSERVATION GALLONAGE SURCHARGE** - There will be a surcharge of \$2.00 per 1,000 gallons for every 1,000-gallon billing unit metered after the first 10,000 gallons each billing cycle. The revenues collected from conservation block surcharge shall be escrowed into an interest bearing account and only spent on water capacity-related projects benefiting the customers of Champ's Water Company or on conservation projects that will defer the need to add additional water service capacities on the system to serve those same customers. For commercial customers having more than one consuming facility behind a master meter, the surcharge will not go into effect until their consumption has reached the number of consuming facilities times 10 000 gallons.

REGULATORY ASSESSMENT	1.0%
TAP FEE 5/8 x 3/4" meter	\$600.00
Plus unique costs at actual cost where permitted by TCEQ rule	
LARGE METER TAP FEE	Actual Cost
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	\$40.00
TRANSFER FEE	\$40.00
LATE CHARGE	10%
RETURNED CHECK CHARGE	\$20.00
CUSTOMER DEPOSIT RESIDENTIAL	\$50.00
COMMERCIAL AND NON-RESIDENTIAL DEPOSIT	1/6TH EST. ANNUAL BILL
METER TEST FEE (actual cost of testing the meter up to)	\$25.00
SEASONAL RECONNECTION FEE	Base rate for meter size times number of months off the system not to exceed six months when leave and return within a twelve-month period
METER RELOCATION FEE	Actual cost to relocate that meter
THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS RELOCATION OF AN EXISTING METER	
METER CONVERSION FEE	Actual cost to convert that meter
THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS CHANGE OF SIZE OF AN EXISTING METER OR CHANGE IS REQUIRED BY MATERIAL CHANGE IN CUSTOMER'S SERVICE DEMAND	
AMR METER CONVERSION FEE	Actual cost to convert that meter
THIS FEE MAY BE CHARGED IF A CUSTOMER THE CUSTOMER REFUSES TO MAKE ACCESS TO THE METER AVAILABLE AND THE MOST COST EFFECTIVE SOLUTION FOR THE CUSTOMER AND THE UTILITY IS TO CONVERT THE SERVICE TO A REMOTE READ RADIO METER TO AVOID THE CONSTRUCTION AND RELOCATION OF THE UTILITY'S MAIN AND FACILITIES AND THE CUSTOMER'S METER TO ANOTHER LOCATION	

**TEMPORARY WATER RATE:**

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

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

Where:

TGC = temporary gallonage charge

cgc = current gallonage charge

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

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

To implement the Temporary Water Rate, the utility must comply with all notice and other requirements of 30 T.A.C. 291.21(l).

**LINE EXTENSION AND CONSTRUCTION CHARGES:**

Refer to Section 2.20 Specific Utility Service Rules and Section 3.20 Utility Specific Extension Policy for terms, conditions, and charges.

**GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE CLAUSE:**

Increases in inspection fees and water testing costs imposed by state or federal law may be passed through as an adjustment to the monthly base rate charge under the terms and conditions of 30 T.A.C. 291.21(k)(2) after notice to customers and upon written approval by the TCEQ.

**PURCHASED WATER AND/OR DISTRICT FEE PASS THROUGH CLAUSE**

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

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

**LOCK REMOVAL OR DAMMAGE FEE**

\$10.00

THIS FEE SHALL BE ACCESSED TO THE ACCOUNT HOLDER OF ANY DELINQUENT ACCOUNT THAT HAS BEEN TERMINATED FOR NON-PAYMENT BY LOCKING THE METER AND THE LOCK HAS SUBSEQUENTLY BEEN REMOVED OR DAMAGED WITHOUT AUTHORIZATION BY THE UTILITY IN ORDER TO RESTORE WATER SERVICE TO THE ACCOUNT HOLDER'S ORIGINAL PLACE OF SERVICE. THIS FEE SHALL NOT BE CHARGED IF THE DAMAGED METER FEE IS CHARGED.

**DAMAGED METER AND APPURTENANCES FEE**

Actual cost plus \$10.00

THIS FEE SHALL BE ACCESSED TO THE ACCOUNT HOLDER OF ANY DELINQUENT ACCOUNT THAT HAS BEEN TERMINATED FOR NON-PAYMENT BY LOCKING THE METER AND METER OR APPURTENANCES SUCH AS THE CURB STOP HAVE BEEN DAMAGED REQUIRING REPAIR AND/OR REPLACEMENT IN AN ATTEMPT TO RESTORE WATER SERVICE TO THE POINT OF SERVE THAT WAS DISCONNECTED. THE ACCOUNT HOLDER SHALL BE CHARGED THE FULL COST OF REPAIRING AND/OR REPLACING ALL DAMAGED PARTS, INCLUDING LABOR AND VEHICLES. THIS WILL INCLUDE REPLACEMENT OF METERS THAT HAVE HAD THEIR LOCKING EYES BROKEN OFF THE FLANGES. IN ADDITION, A \$10.00 PENALTY WILL BE LEVIED TO DETER FUTURE TAMPERING.

**CUSTOMER SERVICE INSPECTION FEES**

\$75.00

SERVICE APPLICANTS ARE FREE TO HAVE CUSTOMER SERVICE INSPECTIONS REQUIRED BY TCEQ RULE 290.46(j) BY ANY STATE-LICENSED INSPECTOR OF THEIR CHOICE. THEY ARE ENCOURAGED TO USE A THIRD PARTY INSPECTOR AND NOT AN EMPLOYEE OF THE UTILITY. HOWEVER, IF THEY REQUEST THE UTILITY TO PERFORM THE INSPECTION, IT WILL BE DONE AT A MARKET PRICE. SINCE THIS IS NOT A FUNCTION OF PUBLIC WATER UTILITY SERVICE, PERFORMING CUSTOMER SERVICE INSPECTIONS MUST TAKE LOWER PRIORITY TO FULFILLING UTILITY SERVICE RESPONSIBILITIES UNDER THE TCEQ'S CHAPTER 290 AND 291 RULES.

**METER INSTALLATION FEE**

\$90.00

**SEWER RATES AND CHARGES**

**RESIDENTIAL RATES: (includes -0- gallons)**

**BY WATER METER SIZE**

5/8 X 3/4 inch or unmetered	\$11.88
3/4 inch	\$17.82
1 inch	\$29.70
1 1/2 inch	\$59.30

**COMMERCIAL RATES: (includes -0- gallons)**

**BY WATER METER SIZE**

5/8 X 3/4 inch or unmetered	\$11.88
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3/4 inch	\$17.82
1 inch	\$29.70
1 1/2 inch	\$59.30
2" inch	\$95.03
3 inch	\$178.18
4 inch	\$296.96
6 inch	\$593.92

**GALLONAGE CHARGE:** (all customer classes)

\$3.70 per 1000 gallons of water

Residential customers' gallonage charge shall be based on the winter average of their water consumption during the months of December, January and February. Winter averages shall be recomputed each March based on the preceding December - February water meter readings. Residential customers who do not have a winter consumption history shall be imputed the winter consumption average for the system in which they reside until they establish their own history. Commercial customers shall not be subject to winter averaging. Their bills shall be calculated on their actual water consumption each month year round.

**REGULATORY ASSESSMENT**

TAP FEE (Gravity Sewer) for 5/8 x 3/4-inch water meter plus any unique costs permitted by TCEQ rules	1.0%
TAP FEE LARGER METER (Gravity Sewer)	\$600.00
TAP FEE (Pressure Sewer) any water meter size	ACTUAL COST
(Customer shall own and maintain all required grinder pumps and appurtenances)	ACTUAL COST

**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 \$40.00

**TRANSFER FEE**

LATE CHARGE \$40.00

RETURNED CHECK CHARGE 10%

CUSTOMER DEPOSIT RESIDENTIAL \$20.00

COMMERCIAL AND OTHER NON-RESIDENTIAL DEPOSIT \$50.00

SERVICE RELOCATION FEE 1/6TH EST. ANNUAL BILL

SEASONAL RECONNECTION FEE Base rate times number of months off the system not to exceed six months when leave and return within a twelve-month period. Actual cost to relocate that service connection

LINE EXTENSION AND CONSTRUCTION CHARGES: Per Section 2.20 Specific Utility Service Rules and Section 3.20 Utility Specific Extension Policy of Tariff And TCEQ Rules

**GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE CLAUSE:**

Increases in inspection fees and water testing costs imposed by state or federal law may be passed through as an adjustment to the monthly base rate charge under the terms and conditions of 30 T.A.C. 291.21(k)(2) after notice to customers and upon written approval by the TCEQ.

**REPAIRS OR MAINTENANCE OF CUSTOMER PLUMBING**

INCURRED COST

If a customer reports a blockage or other service problem and the fault is found to be with the customer's private plumbing, i.e., a blockage in the customer's service line upstream from the point of connection to the utility's collection line, if the customer requests the utility to perform the repairs they will be charged the same hourly labor and equipment charges the utility's affiliate company charges third party customers.

— TEXAS WATER CODE §13.187(a)(2) BILLING COMPARISON —

**Existing Rates**

SYSTEM	Meter Size	Water 10,000 gallons	Water 30,000 gallons	Sewer 10,000 gallons
WHISPERING MEADOWS		\$41.25	\$66.25	\$41.25
WEST MONTGOMERY outside Houston	5/8 x 3/4 inch	\$17.18	\$34.58	\$18.78
	1 1/2 inch	\$40.69	\$58.09	\$38.05
	2 inch	\$61.14	\$78.54	\$54.81

inside Houston

5/8 x 3/4 inch	\$19.75	\$46.75	\$20.50
1 1/2 inch	\$120.97	\$147.97	\$138.99
2 inch	\$185.45	\$212.45	\$213.99

ALDINE FOREST  
WESTERN HOMES  
& MADING LANE

5/8 x 3/4 inch	\$27.15	\$48.15	residential
1 inch	\$40.45	\$61.45	\$53.00
1 1/2 inch	\$75.45	\$96.45	commercial
2 inch	\$126.45	\$147.45	\$53.00

PARKLAND  
ESTATES

5/8 x 3/4 inch	\$27.15	\$48.15	residential
1 inch	\$40.45	\$61.45	\$53.00
1 1/2 inch	\$75.45	\$96.45	commercial
2 inch	\$126.45	\$147.45	\$53.00

ROLLING  
FOREST

5/8 x 3/4 inch	\$41.70	\$67.70	N/A
1 inch	\$71.70	\$97.70	N/A

NORTH BELT  
FOREST

5/8 x 3/4 inch	\$29.50	\$54.50	\$30.00
1 inch	\$37.54	\$72.54	\$43.40
1 1/2 inch	\$57.46	\$92.46	\$76.60
2 inch	\$81.46	\$116.46	\$116.60

**Proposed Rates  
Same For All Systems Served**

<u>Meter Size</u>	<u>Water 10,000 gallons</u>	<u>Water 30,000 gallons</u>	<u>Sewer 10,000 gallons</u>
5/8 x 3/4"	\$36.94	\$121.94	\$48.88
3/4"	\$44.15	\$129.15	\$54.82
1"	\$58.59	\$143.59	\$66.70
1 1/2"	\$94.68	\$179.68	\$96.30
2"	\$137.99	\$222.99	\$132.03
3"	\$239.05	\$324.05	\$215.18
4"	\$383.41	\$468.41	\$333.96
6"	\$744.33	\$829.33	\$630.92

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**EXHIBIT "B"**

**RESIDENTIAL WATER RATES**

<u>Meter Size</u>	<u>Monthly Minimum Rate</u> <small>(includes -0- gallons all meters)</small>	<u>Gallonage Charge</u>
5/8 x 3/4"	\$ 11.25	\$1.90 / 1000 gal. for the 1 <sup>st</sup> 10,000 gal.
1"	28.13	<b>plus</b> \$2.00 /
1 1/2"	107.47	1000 gal.
2"	171.95	thereafter

**CONSERVATION GALLONAGE SURCHARGE** - There will be a surcharge of \$2.00 per 1,000 gallons for every 1,000 gallon billing unit metered after the first 10,000 gallons each billing cycle. The revenues collected from conservation block surcharge shall be escrowed into an interest bearing account and only spent on water capacity-related projects benefiting the customers of Champ's Water Company or on conservation projects that will defer the need to add additional water service capacities on the system to serve those same customers. The average annualized consumption of the customers of Champ's Water Company is below 10,000 gallons per month. This surcharge is to encourage that average to remain at a level considered sufficient for ordinary domestic potable water needs and a reasonable amounts for necessary outside water usage.

**REGULATORY ASSESSMENT**..... 1.0%  
A REGULATORY ASSESSMENT, EQUAL TO ONE PERCENT OF THE CHARGE FOR RETAIL WATER SERVICE ONLY, SHALL BE COLLECTED FROM EACH RETAIL CUSTOMER

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**EXHIBIT "C"**

**LIGHT COMMERCIAL WATER RATES**

<u>Meter Size</u>	<u>Monthly Minimum Rate</u> <small>(includes -0- gallons all meters)</small>	<u>Gallonge Charge</u>
5/8 x 3/4"	\$ 11.25	\$1.90 per 1000 gallons for the first 10,000 gallons 1" 28.13 <b>plus</b> \$2.00 per 1000 gallons thereafter <b>plus</b> \$2.00 / 1000 gal thereafter
1 1/2"	107.47	
2"	171.95	

**CONSERVATION GALLONAGE SURCHARGE** - There will be a surcharge of \$2.00 per 1,000 gallons for every 1,000 gallon billing unit metered after the first 10,000 gallons each billing cycle. The revenues collected from conservation block surcharge shall be escrowed into an interest bearing account and only spent on water capacity-related projects benefiting the customers of Champ's Water Company or on conservation projects that will defer the need to add additional water service capacities on the system to serve those same customers. For commercial customers having more than one consuming facility behind a master meter, the surcharge will not go into effect until their consumption has reached the number of consuming facilities times 10,000 gallons. Each point of water usage is deemed to be a point of water consumption that would normally have its own individual water meter under Rules 290.44(d)(4) and 291.89(a)(4). This could be a building, an irrigation water meter, or a swimming pool meter. The average annualized consumption of the customers of Champ's Water Company is below 10,000 gallons per month. This surcharge is to encourage that average to remain at a level considered sufficient for ordinary domestic potable water needs and a reasonable amounts for necessary outside water usage.

**REGULATORY ASSESSMENT** ..... 1.0%  
 A REGULATORY ASSESSMENT, EQUAL TO ONE PERCENT OF THE CHARGE FOR RETAIL WATER SERVICE ONLY, SHALL BE COLLECTED FROM EACH RETAIL CUSTOMER

05:11:50  
 TYPED  
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**EXHIBIT "D"**

**LARGE COMMERCIAL AND INDUSTRIAL RATES**

<u>Meter Size</u>	<u>Monthly Minimum Rate</u> <small>(includes -0- gallons all meters)</small>	<u>Gallage Charge</u>
5/8 x 3/4"	\$ 11.25	\$1.90 per 1000 gallons for the first 10,000 gallons 1" 28.13 <b>plus</b> \$2.00 per 1000 gallons thereafter <b>plus</b> \$2.00 / 1000 gal thereafter
1 1/2"	107.47	
2"	171.95	

**CONSERVATION GALLONAGE SURCHARGE** - There will be a surcharge of \$2.00 per 1,000 gallons for every 1,000 gallon billing unit metered after the first 10,000 gallons each billing cycle. The revenues collected from conservation block surcharge shall be escrowed into an interest bearing account and only spent on water capacity-related projects benefiting the customers of Champ's Water Company or on conservation projects that will defer the need to add additional water service capacities on the system to serve those same customers. For commercial customers having more than one consuming facility behind a master meter, the surcharge will not go into effect until their consumption has reached the number of consuming facilities times 10,000 gallons. Each point of water usage is deemed to be a point of water consumption that would normally have its own individual water meter under Rules 290.44(d)(4) and 291.89(a)(4). This could be a building, an irrigation water meter, or a swimming pool meter. The average annualized consumption of the customers of Champ's Water Company is below 10,000 gallons per month. This surcharge is to encourage that average to remain at a level considered sufficient for ordinary domestic potable water needs and a reasonable amounts for necessary outside water usage.

**REGULATORY ASSESSMENT** ..... 1.0%  
A REGULATORY ASSESSMENT, EQUAL TO ONE PERCENT OF THE CHARGE FOR RETAIL WATER SERVICE ONLY, SHALL BE COLLECTED FROM EACH RETAIL CUSTOMER

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EXHIBIT "E"

**RESIDENTIAL SEWER RATES:**

**BY WATER METER SIZE**

5/8 X 3/4 inch or unmetered	\$11.50
1 inch	\$28.75
1 1/2 inch	\$124.99

**GALLONAGE CHARGE:** (all customer classes) \$2.75 per 1000 gallons of water  
Residential customers' gallonage charge shall be based on the winter average of their water consumption during the months of December, January and February. Winter averages shall be recomputed each March based on the preceding December - February water meter readings. Residential customers who do not have a winter consumption history shall be imputed the winter consumption average for the system in which they reside until they establish their own history.

REGULATORY ASSESSMENT 1.0%

EXHIBIT "F"

LIGHT COMMERCIAL SEWER RATES:

BY WATER METER SIZE

5/8 X 3/4 inch or unmetered	\$11.50
1 inch	\$28.75
1 1/2 inch	\$124.99
2" inch	\$199.99

GALLONAGE CHARGE: (all customer classes) \$2.75 per 1000 gallons of water

Commercial customers shall not be subject to winter averaging. Their bills shall be calculated on their actual water consumption each month year round.

REGULATORY ASSESSMENT

1.0%

A REGULATORY ASSESSMENT, EQUAL TO ONE PERCENT OF THE CHARGE FOR RETAIL SEWER SERVICE ONLY, SHALL BE COLLECTED FROM EACH RETAIL CUSTOMER

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EXHIBIT "G"

**LARGE COMMERCIAL AND INDUSTRIAL SEWER RATES:**

**BY WATER METER SIZE**

5/8 X 3/4 inch or unmetered

\$11.50

1 inch

\$28.75

1 1/2 inch

\$124.99

2" inch

\$199.99

**GALLONAGE CHARGE:** (all customer classes)

\$2.75 per 1000 gallons of water

Commercial and industrial customers shall not be subject to winter averaging. Their bills shall be calculated on their actual water consumption each month year round.

**REGULATORY ASSESSMENT**

1.0%

A REGULATORY ASSESSMENT, EQUAL TO ONE PERCENT OF THE CHARGE FOR RETAIL SEWER SERVICE ONLY, SHALL BE COLLECTED FROM EACH RETAIL CUSTOMER

EXHIBIT "H"

MISCELLANEOUS PROVISIONS- WATER

FORM OF PAYMENT: THE UTILITY WILL ACCEPT THE FOLLOWING FORM(S) OF PAYMENT :

Cash \_\_, Check x, Money Order x, Discovery \_\_, MasterCard \_\_, Visa \_\_

(THE UTILITY MAY REQUIRE EXACT CHANGE FOR PAYMENTS AND MAY REFUSE TO ACCEPT PAYMENTS MADE USING MORE THAN \$1.00 IN SMALL COINS. A WRITTEN RECEIPT WILL BE GIVEN FOR CASH PAYMENTS.)

Section 1.02 - Miscellaneous Fees

TAP FEE 5/8 x 3/4" meter \$600.00  
Plus unique costs at actual cost where permitted by TCEQ rule

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 1" METER.

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 \$40.00
- OR OTHER REASONS LISTED UNDER SECTION 2.0 OF THIS TARIFF

TRANSFER FEE \$40.00  
THE TRANSFER FEE WILL BE CHARGED FOR CHANGING AN ACCOUNT NAME AT THE SAME SERVICE LOCATION WHEN THE SERVICE IS NOT DISCONNECTED

LATE CHARGE 10%  
A ONE-TIME PENALTY MAY BE MADE ON DELINQUENT BILLS BUT MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE PENALTY WAS APPLIED IN A PREVIOUS BILLING.

RETURNED CHECK CHARGE \$20.00

CUSTOMER DEPOSIT RESIDENTIAL \$50.00

COMMERCIAL AND NON-RESIDENTIAL DEPOSIT 1/6TH EST. 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.

SEASONAL RECONNECTION FEE Base rate for meter size times number of months off the system not to exceed six months when leave and return within a twelve month period

METER RELOCATION FEE Actual cost to relocate that meter  
THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS RELOCATION OF AN EXISTING METER

METER CONVERSION FEE Actual cost to convert that meter

## PURCHASED WATER AND/OR DISTRICT FEE PASS THROUGH CLAUSE

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

$$\begin{aligned} AG &= G + B/(1-L), \text{ where} \\ AG &= \text{adjusted gallowage charge, rounded to the nearest one cent;} \\ G &= \text{approved gallowage charge (per 1,000 gallons);} \\ B &= \text{change in purchased water/district gallowage charge (per 1,000 gallons);} \\ L &= \text{system average line loss for preceding 12 months not to exceed 0.15} \end{aligned}$$

### LOCK REMOVAL OR DAMAGE FEE

\$10.00

THIS FEE SHALL BE ACCESSED TO THE ACCOUNT HOLDER OF ANY DELINQUENT ACCOUNT THAT HAS BEEN TERMINATED FOR NON-PAYMENT BY LOCKING THE METER AND THE LOCK HAS SUBSEQUENTLY BEEN REMOVED OR DAMAGED WITHOUT AUTHORIZATION BY THE UTILITY IN ORDER TO RESTORE WATER SERVICE TO THE ACCOUNT HOLDER'S ORIGINAL PLACE OF SERVICE. THIS FEE SHALL NOT BE CHARGED IF THE DAMAGED METER FEE IS CHARGED.

### DAMAGED METER AND APPURTENANCES FEE

Actual cost plus \$10.00

THIS FEE SHALL BE ACCESSED TO THE ACCOUNT HOLDER OF ANY DELINQUENT ACCOUNT THAT HAS BEEN TERMINATED FOR NON-PAYMENT BY LOCKING THE METER AND METER OR APPURTENANCES SUCH AS THE CURB STOP HAVE BEEN DAMAGED REQUIRING REPAIR AND/OR REPLACEMENT IN AN ATTEMPT TO RESTORE WATER SERVICE TO THE POINT OF SERVE THAT WAS DISCONNECTED. THE ACCOUNT HOLDER SHALL BE CHARGED THE FULL COST OF REPAIRING AND/OR REPLACING ALL DAMAGED PARTS, INCLUDING LABOR AND VEHICLES. THIS WILL INCLUDE REPLACEMENT OF METERS THAT HAVE HAD THEIR LOCKING EYES BROKEN OFF THE FLANGES. IN ADDITION, A \$10.00 PENALTY WILL BE LEVIED TO DETER FUTURE TAMPERING.

### CUSTOMER SERVICE INSPECTION FEES

\$75.00

SERVICE APPLICANTS ARE FREE TO HAVE CUSTOMER SERVICE INSPECTIONS REQUIRED BY TCEQ RULE 290.46(j) BY ANY STATE-LICENSED INSPECTOR OF THEIR CHOICE. THEY ARE ENCOURAGED TO USE A THIRD PARTY INSPECTOR AND NOT AN EMPLOYEE OF THE UTILITY. HOWEVER, IF THEY REQUEST THE UTILITY TO PERFORM THE INSPECTION, IT WILL BE DONE AT A MARKET PRICE. SINCE THIS IS NOT A FUNCTION OF PUBLIC WATER UTILITY SERVICE, PERFORMING CUSTOMER SERVICE INSPECTIONS MUST TAKE LOWER PRIORITY TO FULFILLING UTILITY SERVICE RESPONSIBILITIES UNDER THE TCEQ'S CHAPTER 290 AND 291 RULES.

### METER INSTALLATION FEE

\$90.00

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

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UTILITY

EXHIBIT "H"

MISCELLANEOUS PROVISIONS - SEWER

FORM OF PAYMENT: THE UTILITY WILL ACCEPT THE FOLLOWING FORM(S) OF PAYMENT :

Cash\_\_\_, Check\_x\_, Money Order\_x\_, Discovery\_\_\_, MasterCard\_\_\_, Visa\_\_\_  
(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.)

TAP FEE (Gravity Sewer) for 5/8 x 3/4-inch water meter \$600.00  
plus any unique costs permitted by TCEQ rules

TAP FEE LARGER METER (Gravity Sewer) ACTUAL COST

TAP FEE (Pressure Sewer) any water meter size ACTUAL COST  
(Customer shall own and maintain all required grinder pumps and appurtenances)

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 \$40.00
- OR OTHER REASONS LISTED UNDER SECTION 2.0 OF THIS TARIFF

TRANSFER FEE \$40.00

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

LATE CHARGE 10%

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

RETURNED CHECK CHARGE \$20.00

CUSTOMER DEPOSIT RESIDENTIAL \$50.00

COMMERCIAL AND OTHER NON-RESIDENTIAL DEPOSIT 1/6TH EST. ANNUAL BILL

SERVICE RELOCATION FEE Actual cost to relocate that service connection  
THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS RELOCATION OF AN EXISTING SERVICE CONNECTION

SEASONAL RECONNECTION FEE Base rate times number of months off the system not to exceed six months when leave and return within a twelve-month period.

LINE EXTENSION AND CONSTRUCTION CHARGES:

Refer to Section 2.20 Specific Utility Service Rules and Section 3.20 Utility Specific Extension Policy for terms, conditions, and charges.

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