



Filing Receipt

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Application for Sale, Transfer, or Merger of a Retail Public Utility

Pursuant to Texas Water Code § 13.301 and 16 Texas Administrative Code § 24.239

Sale, Transfer, or Merger (STM) Application Instructions

- I. **COMPLETE:** In order for the Commission to find the application sufficient for filing, the Applicant should:
- Provide an answer to every question and submit any required attachment applicable to the STM request (i.e., agreements or contracts).
 - Use attachments or additional pages to answer questions as necessary. If you use attachments or additional pages, reference their inclusion in the form.
 - Provide all mapping information as detailed in Part G: Mapping & Affidavits.
- II. **FILE:** Seven (7) copies of the completed application with numbered attachments. One copy should be filed with no permanent binding, staples, tabs, or separators; and 7 copies of the portable electronic storage medium containing the digital mapping data.
- SEND TO:** Public Utility Commission of Texas, Attention: Filing Clerk, 1701 N. Congress Avenue, P.O. Box 13326, Austin, Texas 78711-3326 (NOTE: Electronic documents may be sent in advance of the paper copy, however they will not be processed and added to the Commission's on-line Interchange until the paper copy is received and file-stamped in Central Records).
- III. The application will be assigned a docket number, and an administrative law judge (ALJ) will issue an order requiring Commission Staff to file a recommendation on whether the application is sufficient. The ALJ will issue an order after Staff's recommendation has been filed:
- DEFICIENT (Administratively Incomplete):** Applicants will be ordered to provide information to cure the deficiencies by a certain date, usually 30 days from ALJ's order. *Application is not accepted for filing.*
 - SUFFICIENT (Administratively Complete):** Applicants will be ordered by the ALJ to give appropriate notice of the application using the notice prepared by Commission Staff. *Application is accepted for filing.*
- IV. Once the Applicants issue notice, a copy of the actual notice sent and an affidavit attesting to notice should be filed in the docket assigned to the application. Recipients of notice may request a hearing on the merits.
- HEARING ON THE MERITS:** An affected party may request a hearing within 30 days of notice. In this event, the application may be referred to the State Office of Administrative Hearings (SOAH) to complete this request.
- V. **TRANSACTION TO PROCEED:** at any time following the provision of notice, or prior to 120 days from the last date that proper notice was given, Commission Staff will file a recommendation for the transaction to proceed as proposed or recommend that the STM be referred to SOAH for further investigation. The Applicants will be required to file an update in the docket to the ALJ every 30 days following the approval of the transaction. The transaction must be completed within six (6) months from the ALJ's order (Note: The Applicants may request an extension to the 6 month provision for good cause).
- VI. **FILE:** Seven (7) copies of completed transaction documents and documentation addressing the transfer or disposition of any outstanding deposits. After receiving all required documents from the Applicants, the application will be granted a procedural schedule for final processing. The Applicants are requested to consent in writing to the proposed maps and certificates, or tariff if applicable.
- VII. **FINAL ORDER:** The ALJ will issue a final order issuing or amending the applicable CCNs.

FAQ:

Who can use this form?

Any retail public utility that provides water or wastewater service in Texas.

Who is required to use this form?

A retail public utility that is an investor owned utility (IOU) or a water supply corporation (WSC) prior to any STM of a water or sewer system, or utility, or prior to the transfer of a portion of a certificated service area.

Terms

Transferor: Seller

Transferee: Purchaser

CCN: Certificate of Convenience and Necessity

STM: Sale, Transfer, or Merger

IOU: Investor Owned Utility

Application Summary

Transferor: Knob Hill Water System

(selling entity)

CCN No.s: 11414

☒ Sale
 ☐ Transfer
 ☐ Merger
 ☐ Consolidation
 ☐ Lease/Rental

Transferee: Clearwater Investments LLC

(acquiring entity)

CCN No.s:

☐ Water
 ☐ Sewer
 ☒ All CCN
 ☐ Portion CCN
 ☐ Facilities transfer

County(ies): Denton

Table of Contents

| | |
|---|-----------|
| Sale, Transfer, or Merger (STM) Application Instructions | 1 |
| Part A: General Information | 3 |
| Part B: Transferor Information | 3 |
| Part C: Transferee Information | 4 |
| Part D: Proposed Transaction Details | 6 |
| Part E: CCN Obtain or Amend Criteria Considerations | 8 |
| Part F: TCEQ Public Water System or Sewer (Wastewater) Information | 9 |
| Part G: Mapping & Affidavits | 10 |
| Part H: Notice Information | 12 |
| Appendix A: Historical Financial Information (Balance Sheet and Income Schedule) | 15 |
| Appendix B: Projected Information | 18 |

Please mark the items included in this filing

| | |
|--|-----------------------------------|
| <input checked="" type="checkbox"/> Contract, Lease, Purchase, or Sale Agreement | Part A: Question 1 |
| <input checked="" type="checkbox"/> Tariff including Rate Schedule | Part B: Question 4 |
| <input checked="" type="checkbox"/> List of Customer Deposits | Part B: Question 5 |
| <input type="checkbox"/> Partnership Agreement | Part C: Question 7 |
| <input type="checkbox"/> Articles of Incorporation and By-Laws (WSC) | Part C: Question 7 |
| <input checked="" type="checkbox"/> Certificate of Account Status | Part C: Question 7 |
| <input type="checkbox"/> Financial Audit | Part C: Question 10 |
| <input checked="" type="checkbox"/> Application Attachment A & B | Part C: Question 10 |
| <input type="checkbox"/> Disclosure of Affiliated Interests | Part C: Question 10 |
| <input type="checkbox"/> Capital Improvement Plan | Part C: Question 10 |
| <input type="checkbox"/> List of Assets to be Transferred | Part D: 11.B |
| <input type="checkbox"/> Developer Contribution Contracts or Agreements | Part D: 11.D |
| <input type="checkbox"/> Enforcement Action Correspondence | Part E: Question 18 (Part D: Q12) |
| <input checked="" type="checkbox"/> TCEQ Compliance Correspondence | Part F: Question 22 |
| <input type="checkbox"/> TCEQ Engineering Approvals | Part F: Question 24 |
| <input type="checkbox"/> Purchased Water Supply or Treatment Agreement | Part F: Question 26 |
| <input checked="" type="checkbox"/> Detailed (large scale) Map | Part G: Question 29 |
| <input checked="" type="checkbox"/> General Location (small scale) Map | Part G: Question 29 |
| <input type="checkbox"/> Digital Mapping Data | Part G: Question 29 |
| <input checked="" type="checkbox"/> Signed & Notarized Oath | Page 13-14 |

Part A: General Information

1. Describe the proposed transaction, including the effect on all CCNs involved, and provide details on the existing or expected land use in the area affected by the proposed transaction. Attach all supporting documentation, such as a contract, a lease, or proposed purchase agreements:

Purchase of facilities and CCN. Current and future use is single family residential homes.

2. The proposed transaction will require (check all applicable):

For **Transferee** (Purchaser) CCN:

- ☐ Obtaining a NEW CCN for Purchaser
☐ Transfer all CCN into Purchaser's CCN (Merger)
☐ Transfer Portion of CCN into Purchaser's CCN
☒ Transfer all CCN to Purchaser and retain Seller CCN
☒ Uncertificated area added to Purchaser's CCN

For **Transferor** (Seller) CCN:

- ☐ Cancellation of Seller's CCN
☐ Transfer of a Portion of Seller's CCN to Purchaser
☐ Only Transfer of Facilities, No CCN or Customers
☐ Only Transfer of Customers, No CCN or Facilities
☐ Only Transfer CCN Area, No Customers or Facilities

Part B: Transferor Information

Questions 3 through 5 apply only to the *transferor* (current service provider or seller)

3. A. Name: Knob Hill Water System
(individual, corporation, or other legal entity)
☐ Individual ☐ Corporation ☐ WSC ☐ Other:

B. Mailing Address: 2861 High Meadow Drive, Little Elm TX, 75068

Phone: (214) 536-7942

Email: kdesmit@sbcglobal.net

- C. Contact Person. Please provide information about the person to be contacted regarding this application. Indicate if this person is the owner, operator, engineer, attorney, accountant, or other title.

Name: Karen DeSmit

Title: Owner

Mailing Address: 2861 High Meadow Drive, Little Elm TX, 75068

Phone: (214) 536-7942

Email: kdesmit@sbcglobal.net

4. If the utility to be transferred is an Investor Owned Utility (IOU), for the most recent rate change, attach a copy of the current tariff and complete A through B:

A. Effective date for most recent rates: February 27, 2012

B. Was notice of this increase provided to the Public Utility Commission of Texas (Commission) or a predecessor regulatory authority?

☐ No ☒ Yes Application or Docket Number: 37152-R

If the transferor is a Water Supply or Sewer Service Corporation, provide a copy of the current tariff.

5. For the customers that will be transferred following the approval of the proposed transaction, check all that apply:

☐ There are no customers that will be transferred

☒ # of customers without deposits held by the transferor 76

☐ # of customers with deposits held by the transferor*

*Attach a list of all customers affected by the proposed transaction that have deposits held, and include a customer indicator (name or account number), date of each deposit, amount of each deposit, and any unpaid interest on each deposit.

Part C: Transferee Information

Questions 6 through 10 apply only to the transferee (purchaser or proposed service provider)

6. A. Name: Clearwater Investments LLC
(individual, corporation, or other legal entity)
☐ Individual ☐ Corporation ☐ WSC ☐ Other:

B. Mailing Address: 831 Carrie Lane, Lakewood Village, TX 75068

Phone: (214) 558-6847 Email: mvargus47@yahoo.com

C. **Contact Person.** Provide information about the person to be contacted regarding this application. Indicate if this person is the owner, operator, engineer, attorney, accountant, or other title.

Name: Phillip Givens Title: Consultant

Address: PO Box 130308, Spring, TX. 77393-0308

Phone: (713) 557-0808 Email: phillipgivens@superiormanagementtexas.com

D. If the transferee is someone other than a municipality, is the transferee current on the Regulatory Assessment Fees (RAF) with the Texas Commission on Environmental Quality (TCEQ)?

☐ No ☐ Yes ☒ N/A

E. If the transferee is an IOU, is the transferee current on the Annual Report filings with the Commission?

☐ No ☐ Yes ☒ N/A

7. The legal status of the transferee is:

☐ Individual or sole proprietorship

☐ Partnership or limited partnership (*attach* Partnership agreement)

☒ Corporation |
Charter number (as recorded with the Texas Secretary of State): 803563376

☐ Non-profit, member-owned, member controlled Cooperative Corporation [Article 1434(a) Water Supply or Sewer Service Corporation, incorporated under TWC Chapter 67]
Charter number (as recorded with the Texas Secretary of State):
☐ Articles of Incorporation and By-Laws established (*attach*)

☐ Municipally-owned utility

☐ District (MUD, SUD, WCID, FWSD, etc.)

- ☐ County
- ☐ Affected County (a county to which Subchapter B, Chapter 232, Local Government Code, applies)
- ☐ Other (please explain): _____

8. If the transferee operates under any d/b/a, provide the name below:

Name: Clearwater Investments

9. If the transferee's legal status is anything other than an individual, provide the following information regarding the officers, members, or partners of the legal entity applying for the transfer:

Name: Dr. Mark E. Vargus

Position: CEO/Founder

Ownership % (if applicable): 100.00%

Address: 831 Carrie Lane, Lakewood Village TX 75068

Phone: (214) 558-6847

Email: mvargus47@yahoo.com

Name: _____

Position: _____

Ownership % (if applicable): 0.00%

Address: _____

Phone: _____

Email: _____

Name: _____

Position: _____

Ownership % (if applicable): 0.00%

Address: _____

Phone: _____

Email: _____

Name: _____

Position: _____

Ownership % (if applicable): 0.00%

Address: _____

Phone: _____

Email: _____

10. **Financial Information**

The transferee Applicant must provide accounting information typically included within a balance sheet, income statement, and statement of cash flows. If the Applicant is an existing retail public utility, this must include historical financial information and projected financial information. However, projected financial information is only required if the Applicant proposes new service connections and new investment in plant, or if requested by Staff. If the Applicant is a new market entrant and does not have its own historical balance sheet, income statement, and statement of cash flows information, then the Applicant should establish a five-year projection taking the historical information of the transferor Applicant into consideration when establishing the projections.

Historical Financial Information may be shown by providing any combination of the following that includes necessary information found in a balance sheet, income statement, and statement of cash flows:

1. Completed Appendix A;
2. Documentation that includes all of the information required in Appendix A in a concise format; or
3. Audited financial statements issued within 18 months of the application filing date. This may be provided electronically by providing a uniform resource locator (URL) or a link to a website portal.

Projected Financial Information may be shown by providing any of the following:

1. Completed Appendix B;
2. Documentation that includes all of the information required in Appendix B in a concise format;
3. A detailed budget or capital improvement plan, which indicates sources and uses of funds required, including improvements to the system being transferred; or
4. A recent budget and capital improvements plan that includes information needed for analysis of the operations test (16 Tex. Admin. Code § 24.11(e)(3)) for the system being transferred and any operations combined with the system. This may be provided electronically by providing a uniform resource locator (URL) or a link to a website portal.

Part D: Proposed Transaction Details

11. A. Proposed Purchase Price: \$ 60,000.00

If the transferee Applicant is an investor owned utility (IOU) provide answers to B through D.

B. Transferee has a copy of an inventory list of assets to be transferred (*attach*):

☐ No ☒ Yes ☐ N/A

Total Original Cost of Plant in Service: \$ 120,000.00

Accumulated Depreciation: \$ 60,000.00

Net Book Value: \$ 60,000.00

C. **Customer contributions in aid of construction (CIAC):** Have the customers been billed for any surcharges approved by the Commission or TCEQ to fund any assets currently used and useful in providing utility service? Identify which assets were funded, or are being funded, by surcharges on the list of assets.

☒ No ☐ Yes

Total Customer CIAC: \$

Accumulated Amortization: \$

D. **Developer CIAC:** Did the transferor receive any developer contributions to pay for the assets proposed to be transferred in this application? If so, identify which assets were funded by developer contributions on the list of assets and provide any applicable developer agreements.

☒ No ☐ Yes

Total developer CIAC: \$

Accumulated Amortization: \$

12. A. Are any improvements or construction required to meet the minimum requirements of the TCEQ or Commission and to ensure continuous and adequate service to the requested area to be transferred plus any area currently certificated to the transferee Applicant? Attach supporting documentation and any necessary TCEQ approvals, if applicable.

☒ No ☐ Yes

B. If yes, describe the source and availability of funds and provide an estimated timeline for the construction of any planned or required improvements:

N/A

13. Provide any other information concerning the nature of the transaction you believe should be given consideration:

N/A

14. Complete the following proposed entries (listed below) as shown in the books of the Transferee (purchaser) after the acquisition. Debits (positive numbers) should equal credits (negative numbers) so that all line items added together equal zero. Additional entries may be made; the following are suggested only, and not intended to pose descriptive limitations:

| | | |
|-------------------------------------|----|------------|
| Utility Plant in Service: | \$ | 120,000.00 |
| Accumulated Depreciation of Plant: | \$ | 60,000.00 |
| Cash: | \$ | 60,000.00 |
| Notes Payable: | \$ | |
| Mortgage Payable: | \$ | |
| (Proposed) Acquisition Adjustment*: | \$ | |
| Other (NARUC account name & No.): | | |
| Other (NARUC account name & No.): | | |

* Acquisition Adjustments will be subject to review under 16 TAC § 24.41(d) and (e)

15. A. Explain any proposed billing change (NOTE: If the acquiring entity is an IOU, the IOU may not change the rates charged to the customers through this STM application. Rates can only be changed through the approval of a rate change application.)

Electronic Billing system will be implemented. Customers will have the ability to receive bills via email, internet access to their account or paper. In addition, customers will have the ability to pay electronically (not currently allowed) via credit card or eft automatic withdrawals.

B. If transferee is an IOU, state whether or not the transferee intends to file with the Commission, or an applicable municipal regulatory authority, an application to change rates for some or all of its customers as a result of the transaction within the next twelve months. If so, provide details below:

No rate filing is planned to change rates as a result of this transaction within the next twelve months.

Part E: CCN Obtain or Amend Criteria Considerations

16. Describe, in detail, the anticipated impact or changes in the quality of retail public utility service in the requested area as a result of the proposed transaction:

Improved internet access to billing and electronic read meters. Monitoring of meters will allow for faster leak detection or unusual consumption. New payment options allowing for more flexibility to the customer.

17. Describe the transferee's experience and qualifications in providing continuous and adequate service. This should include, but is not limited to: other CCN numbers, water and wastewater systems details, and any corresponding compliance history for all operations.

Mayor Pro-tem, Mayor since 2007 Town of Lakewood Village. Chief Financial Officer since 2007. In charge of rate setting, infrastructure improvements and oversight of water and sewer plant expansions. Long-term relationship with current system's maintenance company - same as used by the Town. Experience with TCEQ compliance requirements.

18. Has the transferee been under an enforcement action by the Commission, TCEQ, Texas Department of Health (TDH), the Office of the Attorney General (OAG), or the Environmental Protection Agency (EPA) in the past five (5) years for non-compliance with rules, orders, or state statutes? Attach copies of any correspondence with the applicable regulatory agency(ies)

☒ No ☐ Yes

19. Explain how the environmental integrity or the land will be impacted or disrupted as a result of the proposed transaction:

No Impact.

20. How will the proposed transaction serve the public interest?

Improved efficiency via remote read meters, ability to spot unusual consumption. Financial expertise and operational experience of oversight of much larger municipal system for 13 years. Ownership with a greater level of financial assets to maintain capital improvements and replacement of assets.

21. List all neighboring water or sewer utilities, cities, districts (including ground water conservation districts), counties, or other political subdivisions (including river authorities) providing the same service within two (2) miles from the outer boundary of the requested area affected by the proposed transaction:

Terra Southwest, Mustang SUD, Town of Little Elm,
PG Note: Requires confirmation

Part F: TCEQ Public Water System or Sewer (Wastewater) Information

Complete Part F for EACH Public Water or Sewer system to be transferred subject to approval of the transaction.
Attach a separate sheet with this information if you need more space for additional systems being transferred.

22. A. For Public Water System (PWS):

TCEQ PWS Identification Number: PWS#0610068 (7 digit ID)

Name of PWS: Knob Hill Water System

Date of last TCEQ compliance inspection: _____ (attach TCEQ letter)

Subdivisions served: Knob Hill, Carter Addition

B. For Sewer service:

TCEQ Water Quality (WQ) Discharge Permit Number: WQ - (8 digit ID)

Name of Wastewater Facility: _____

Name of Permittee: _____

Date of last TCEQ compliance inspection: _____ (attach TCEQ letter)

Subdivisions served: _____

Date of application to transfer permit submitted to TCEQ: _____

23. List the number of existing connections, by meter/connection type, to be affected by the proposed transaction:

| Water | | | | Sewer | |
|--------------------------|--------------|--|-------|--------------------------|-------------|
| | Non-metered | | 2" | | Residential |
| 76 | 5/8" or 3/4" | | 3" | | Commercial |
| | 1" | | 4" | | Industrial |
| | 1 1/2" | | Other | | Other |
| Total Water Connections: | | | 76 | Total Sewer Connections: | |

24. A. Are any improvements required to meet TCEQ or Commission standards?

☒ No ☐ Yes

B. Provide details on each required major capital improvement necessary to correct deficiencies to meet the TCEQ or Commission standards (attach any engineering reports or TCEQ approval letters):

| Description of the Capital Improvement: | Estimated Completion Date: | Estimated Cost: |
|---|----------------------------|-----------------|
| | | |
| | | |
| | | |

C. Is there a moratorium on new connections?

☒ No ☐ Yes:

25. Does the system being transferred operate within the corporate boundaries of a municipality?

☒ No ☐ Yes: _____ (name of municipality)

If yes, indicate the number of customers within the municipal boundary.

Water: _____ Sewer: _____

26. A. Does the system being transferred purchase water or sewer treatment capacity from another source?

☒ No ☐ Yes: If yes, attach a copy of purchase agreement or contract.

Capacity is purchased from: _____

Water: _____

Sewer: _____

B. Is the PWS required to purchase water to meet capacity requirements or drinking water standards?

☒ No ☐ Yes

C. What is the amount of water supply or sewer treatment purchased, per the agreement or contract? What is the percent of overall demand supplied by purchased water or sewer treatment (if any)?

| | Amount in Gallons | Percent of demand |
|--------|-------------------|-------------------|
| Water: | | 0.00% |
| Sewer: | | 0.00% |

D. Will the purchase agreement or contract be transferred to the Transferee?

☐ No ☐ Yes:

27. Does the PWS or sewer treatment plant have adequate capacity to meet the current and projected demands in the requested area?

☐ No ☒ Yes:

28. List the name, class, and TCEQ license number of the operator that will be responsible for the operations of the water or sewer utility service:

| Name (as it appears on license) | Class | License No. | Water or Sewer |
|---------------------------------|-------|-------------|----------------|
| Mark Patterson | B | WGO008889 | Water |
| | | | |
| | | | |
| | | | |

Part G: Mapping & Affidavits

ALL applications require mapping information to be filed in conjunction with the STM application.

Read question 29 A and B to determine what information is required for your application.

29. A. For applications requesting to transfer an entire CCN, without a CCN boundary adjustment, provide the following mapping information with each of the seven (7) copies of the application:

1. A general location (small scale) map identifying the requested area in reference to the nearest county boundary, city, or town. The following guidance should be adhered to:
 - i. If the application requests to transfer certificated service areas for both water and sewer, separate maps must be provided for each.
 - ii. A hand drawn map, graphic, or diagram of the requested area is not considered an acceptable mapping document.

- iii. To maintain the integrity of the scale and quality of the map, copies must be exact duplicates of the original map. Therefore, copies of maps cannot be reduced or enlarged from the original map, or in black and white if the original map is in color.

- 2. A detailed (large scale) map identifying the requested area in reference to verifiable man-made and natural landmarks such as roads, rivers, and railroads. The Applicant should adhere to the following guidance:
 - i. The map must be clearly labeled and the outer boundary of the requested area should be marked in reference to the verifiable man-made or natural landmarks. These verifiable man-made or natural landmarks must be labeled and marked on the map as well.
 - ii. If the application requests an amendment for both water and sewer certificated service area, separate maps need to be provided for each.
 - iii. To maintain the integrity of the scale and quality of the map, copies must be exact duplicates of the original map. Therefore, copies of maps cannot be reduced or enlarged from the original map, or in black and white if the original map is in color.
 - iv. The outer boundary of the requested area should not be covered by any labels, roads, city limits or extraterritorial jurisdiction (ETJ) boundaries.

- B. For applications that are requesting to include area not currently within a CCN, or for applications that require a CCN amendment (any change in a CCN boundary), such as the transfer of only a portion of a certificated service area, provide the following mapping information with each of the seven (7) copies of the application:
 - 1. A general location (small scale) map identifying the requested area with enough detail to locate the requested area in reference to the nearest county boundary, city, or town. Please refer to the mapping guidance in part A 1 (above).
 - 2. A detailed (large scale) map identifying the requested area with enough detail to accurately locate the requested area in reference to verifiable man-made or natural landmarks such as roads, rivers, or railroads. Please refer to the mapping guidance in part A 2 (above).
 - 3. One of the following identifying the requested area:
 - i. A metes and bounds survey sealed or embossed by either a licensed state land surveyor or a registered professional land surveyor. Please refer to the mapping guidance in part A 2 (above);
 - ii. A recorded plat. If the plat does not provide sufficient detail, Staff may request additional mapping information. Please refer to the mapping guidance in part A 2 (above); or
 - iii. Digital mapping data in a shapefile (SHP) format georeferenced in either NAD 83 Texas State Plane Coordinate System (US Feet) or in NAD 83 Texas Statewide Mapping System (Meters). The digital mapping data shall include a single, continuous polygon record. The following guidance should be adhered to:
 - a. The digital mapping data must correspond to the same requested area as shown on the general location and detailed maps. The requested area must be clearly labeled as either the water or sewer requested area.
 - b. A shapefile should include six files (.dbf, .shp, .shx, .sbx, .sbn, and the projection (.prj) file).
 - c. The digital mapping data shall be filed on a data disk (CD or USB drive), clearly labeled, and filed with Central Records. Seven (7) copies of the digital mapping data is also required.

Part H: Notice Information

The following information will be used to generate the proposed notice for the application.

DO NOT provide notice of the application until it is found sufficient and the Applicants are ordered to provide notice.

30. Complete the following using verifiable man-made or natural landmarks such as roads, rivers, or railroads to describe the requested area (to be stated in the notice documents). Measurements should be approximated from the outermost boundary of the requested area:

The total acreage of the requested area is approximately: 200.00

Number of customer connections in the requested area: 76

Affected subdivision : Knob Hill

The closest city or town: Oak Point

Approximate mileage to closest city or town center: 2

Direction to closest city or town: WNW

The requested area is generally bounded on the North by: Oak Point

on the East by: Lewisville Lake

on the South by: Lewisville Lake

on the West by: Oak Point

31. A copy of the proposed map will be available at: _____

32. What effect will the proposed transaction have on an average bill to be charged to the affected customers? Take into consideration the average consumption of the requested area, as well as any other factors that would increase or decrease a customer's monthly bill.

☒ All of the customers will be charged the same rates they were charged before the transaction.

☐ All of the customers will be charged different rates than they were charged before the transaction.

☐ higher monthly bill ☐ lower monthly bill

☐ Some customers will be charged different rates than they were charged before
(i.e. inside city limit customers)

☐ higher monthly bill ☐ lower monthly bill

Oath for Transferor (Transferring Entity)

STATE OF TEXAS

COUNTY OF DENTON

I, Joseph C. DeSmit being duly sworn, file this application for sale,
transfer,

merger, consolidation, acquisition, lease, or
rental, as

OWNER
(owner, member of partnership, title as officer of corporation, or authorized representative)

I attest that, in such capacity, I am qualified and authorized to file and verify such application, am personally familiar with the documents filed with this application, and have complied with all the requirements contained in the application; and, that all such statements made and matters set forth therein with respect to Applicant are true and correct. Statements about other parties are made on information and belief. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Commission.

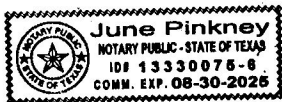
I further state that I have been provided with a copy of the 16 TAC § 24.239 Commission rules. I am also authorized to agree and do agree to be bound by and comply with any outstanding enforcement orders of the Texas Commission on Environmental Quality, the Public Utility Commission of Texas or the Attorney General which have been issued to the system or facilities being acquired and recognize that I will be subject to administrative penalties or other enforcement actions if I do not comply.

Joseph C. DeSmit
AFFIANT
(Utility's Authorized Representative)

If the Affiant to this form is any person other than the sole owner, partner, officer of the Applicant, or its attorney, a properly verified Power of Attorney must be enclosed.

SUBSCRIBED AND SWORN BEFORE ME, a Notary Public in and for the State of Texas
this day the 24 of MAY, 20 22

SEAL



June Pinkney
**NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS**
June Pinkney
PRINT OR TYPE NAME OF NOTARY

My commission expires: _____

Oath for Transferee (Acquiring Entity)

STATE OF TEXAS

COUNTY OF DENTON

I, DR. MARK E. VARGUS being duly sworn, file this application for sale, transfer, merger, consolidation, acquisition, lease, or rental, as OWNER
(owner, member of partnership, title as officer of corporation, or authorized representative)

I attest that, in such capacity, I am qualified and authorized to file and verify such application, am personally familiar with the documents filed with this application, and have complied with all the requirements contained in the application; and, that all such statements made and matters set forth therein with respect to Applicant are true and correct. Statements about other parties are made on information and belief. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Commission.

I further state that I have been provided with a copy of the 16 TAC § 24.239 Commission rules. I am also authorized to agree and do agree to be bound by and comply with any outstanding enforcement orders of the Texas Commission on Environmental Quality, the Public Utility Commission of Texas or the Attorney General which have been issued to the system or facilities being acquired and recognize that I will be subject to administrative penalties or other enforcement actions if I do not comply.

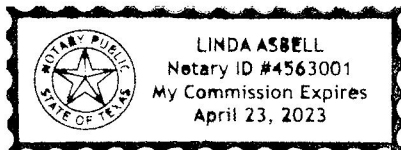


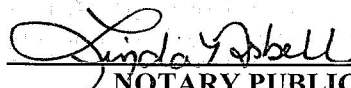
AFFIANT
(Utility's Authorized Representative)

If the Affiant to this form is any person other than the sole owner, partner, officer of the Applicant, or its attorney, a properly verified Power of Attorney must be enclosed.

SUBSCRIBED AND SWORN BEFORE ME, a Notary Public in and for the State of Texas
this day the 18th of May, 2022

SEAL




**NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS**

Linda Asbell
PRINT OR TYPE NAME OF NOTARY

My commission expires: 4/23/2023

Appendix A: Historical Financial Information (Balance Sheet and Income Schedule)

(Audited financial statements may be substituted for this schedule – see Item 17 of the instructions)

| HISTORICAL BALANCE SHEETS (ENTER DATE OF YEAR END) | CURRENT(A) (12.31.20) | A-1 YEAR (12.31.19) | A-2 YEAR (12.31.18) | A-3 YEAR (12.31.17) | A-4 YEAR (12.31.16) | A-5 YEAR (12.31.15) |
|---|----------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| CURRENT ASSETS | | | | | | |
| Cash | \$ 8,700.00 | \$ 9,250.00 | \$ 10,193.00 | \$ 8,500.00 | \$ 2,818.00 | \$ 3,675.00 |
| Accounts Receivable | 412.00 | 550.00 | 418.00 | 912.00 | 2,492.00 | 2,811.00 |
| Inventories | 950.00 | 750.00 | 1,023.00 | | 752.00 | 948.00 |
| Other | | | | | | |
| A. Total Current Assets | \$ 10,062.00 | \$ 10,550.00 | \$ 11,634.00 | \$ 9,412.00 | \$ 6,062.00 | \$ 7,434.00 |
| FIXED ASSETS | | | | | | |
| Land | \$ 65,000.00 | \$ 64,000.00 | \$ 63,000.00 | \$ 63,000.00 | \$ 60,000.00 | \$ 60,000.00 |
| Collection/Distribution System | 4,400.00 | 4,500.00 | 4,800.00 | 5,000.00 | 6,000.00 | 6,500.00 |
| Buildings | 9,200.00 | 9,500.00 | 9,800.00 | 10,000.00 | 11,500.00 | 12,500.00 |
| Equipment | 7,300.00 | 7,550.00 | 7,500.00 | 8,000.00 | 9,000.00 | 10,000.00 |
| Other | 20,000.00 | 20,000.00 | 20,000.00 | 20,000.00 | 20,000.00 | 20,000.00 |
| Less: Accum. Depreciation or Reserves | | | 36,309.00 | 39,495.00 | 36,995.00 | 34,495.00 |
| B. Total Fixed Assets | \$ 105,900.00 | \$ 105,550.00 | \$ 105,200.00 | \$ 106,000.00 | \$ 106,500.00 | \$ 109,000.00 |
| C. TOTAL Assets (A + B) | \$ 115,962.00 | \$ 116,100.00 | \$ 116,834.00 | \$ 115,412.00 | \$ 112,562.00 | \$ 116,434.00 |
| CURRENT LIABILITIES | | | | | | |
| Accounts Payable | \$ 2,850.00 | \$ 3,100.00 | \$ 2,050.00 | \$ 1,600.00 | \$ 1,231.00 | \$ 1,918.00 |
| Notes Payable, Current | | | | | | |
| Accrued Expenses | 3,812.00 | 4,950.00 | 5,350.00 | 5,500.00 | 4,721.00 | 5,107.00 |
| Other | | | | | | |
| D. Total Current Liabilities | \$ 6,662.00 | \$ 8,050.00 | \$ 7,400.00 | \$ 7,100.00 | \$ 5,952.00 | \$ 7,025.00 |
| LONG TERM LIABILITIES | | | | | | |
| Notes Payable, Long-term | | | | | | |
| Other | | | | | | |
| E. Total Long Term Liabilities | | | | | | |
| F. TOTAL LIABILITIES (D + E) | \$ 6,662.00 | \$ 8,050.00 | \$ 7,400.00 | \$ 7,100.00 | \$ 5,952.00 | \$ 7,025.00 |
| OWNER'S EQUITY | | | | | | |
| Paid in Capital | \$ 59,500.00 | \$ 59,500.00 | \$ 59,500.00 | \$ 59,500.00 | \$ 59,500.00 | \$ 59,500.00 |
| Retained Equity | | | | | | |
| Other | 42,405.00 | 46,432.00 | 41,911.00 | 38,654.00 | | |
| Current Period Profit or Loss | 7,395.00 | 2,118.00 | 8,023.00 | 10,158.00 | | |
| G. TOTAL OWNER'S EQUITY | \$ 109,300.00 | \$ 108,050.00 | \$ 109,434.00 | \$ 108,312.00 | | |
| TOTAL LIABILITIES+EQUITY (F + G) = C | \$ 115,962.00 | \$ 116,100.00 | \$ 116,834.00 | \$ 115,412.00 | | |
| WORKING CAPITAL (A – D) | \$ 3,400.00 | \$ 2,500.00 | \$ 4,234.00 | \$ 2,312.00 | \$ 110.00 | \$ 409.00 |
| CURRENT RATIO (A / D) | 1.5100 | 1.3100 | 1.5700 | 1.3300 | 1.0200 | 1.0600 |
| DEBT TO EQUITY RATIO (E / G) | | | | | | |

DO NOT INCLUDE ATTACHMENTS A OR B IN FILED APPLICATION IF LEFT BLANK

HISTORICAL NET INCOME INFORMATION

| (ENTER DATE OF YEAR END) | CURRENT(A) (12-31-20) | A-1 YEAR (12-31-19) | A-2 YEAR (12-31-18) | A-3 YEAR (12-31-17) | A-4 YEAR (12-31-16) | A-5 YEAR (12-31-15) |
|--|--------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| METER NUMBER | | | | | | |
| Existing Number of Taps | 76 | 76 | 76 | 76 | 76 | 76 |
| New Taps Per Year | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Meters at Year End | 76 | 76 | 76 | 76 | 76 | 76 |
| METER REVENUE | | | | | | |
| Revenue per Meter (use for projections) | | | | | | |
| Expense per Meter (use for projections) | | | | | | |
| Operating Revenue Per Meter | | | | | | |
| GROSS WATER REVENUE | | | | | | |
| Revenues- Base Rate & Gallonage Fees | \$ 35,550.00 | \$ 35,500.00 | \$ 35,500.00 | \$ 35,000.00 | \$ 35,858.00 | \$ 38,380.00 |
| Other (Tap, reconnect, transfer fees, etc) | 500.00 | 550.00 | 600.00 | 450.00 | 2,085.00 | 955.00 |
| Gross Income | \$ 36,050.00 | \$ 36,050.00 | \$ 36,100.00 | \$ 35,450.00 | \$ 37,943.00 | \$ 38,079.00 |
| EXPENSES | | | | | | |
| General & Administrative (see schedule) | \$ 28,655.00 | \$ 33,932.00 | \$ 28,077.00 | \$ 25,292.00 | \$ 14,816.00 | \$ 14,951.00 |
| Operating (see schedule) | | | | | 12,953.00 | 12,387.00 |
| Interest | | | | | | |
| Other (list) | | | | | | |
| NET INCOME | \$ 7,395.00 | \$ 2,118.00 | \$ 8,023.00 | \$ 10,158.00 | \$ 10,174.00 | \$ 10,741.00 |

| HISTORICAL EXPENSE INFORMATION (ENTER DATE OF YEAR END) | CURRENT(A) 12/31/20 | A-1 YEAR 12/31/19 | A-2 YEAR (- -) | A-3 YEAR (- -) | A-4 YEAR (- -) | A-5 YEAR (- -) |
|--|--------------------------------|------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| GENERAL/ADMINISTRATIVE EXPENSES | | | | | | |
| Salaries & Benefits–Office/Management | | | | | | |
| Office (services, rentals, supplies, electricity) | | | | | | |
| Contract Labor | | | | | | |
| Transportation | | | | | | |
| Insurance | | | | | | |
| Telephone | | | | | | |
| Utilities | | | | | | |
| Property Taxes | | | | | | |
| Professional Services/Fees (recurring) | | | | | | |
| Regulatory - other | | | | | | |
| Other (describe) | | | | | | |
| Interest | | | | | | |
| | | | | | | |
| Other | | | | | | |
| Total General Admin. Expenses (G&A) | | | | | | |
| % Increase Per Year | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| OPERATIONS & MAINTENANCE EXPENSES | | | | | | |
| Salaries & Benefits (Employee, Management) | | | | | | |
| Materials & Supplies | | | | | | |
| Utilities Expense-office | | | | | | |
| Contract Labor | | | | | | |
| Transportation Expense | | | | | | |
| Depreciation Expense | | | | | | |
| Other(describe) | | | | | | |
| Total Operational Expenses (O&M) | | | | | | |
| Total Expense (Total G&A + O&M) | \$ 28,655.00 | \$ 33,932.00 | \$ 28,077.00 | \$ 25,292.00 | | |
| Historical % Increase Per Year | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| ASSUMPTIONS | | | | | | |
| Interest Rate/Terms | | | | | | |
| Depreciation Schedule (attach) | | | | | | |
| Other assumptions/information (List all) | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |

Appendix B: Projected Information

| HISTORICAL BALANCE SHEETS (ENTER DATE OF YEAR END) | CURRENT(A) 12 -31 -20) | A-1 YEAR 12 -31 - 21) | A-2 YEAR (12 -31- 22) | A-3 YEAR (12 -31 - 23) | A-4 YEAR (12 -31 - 24) | A-5 YEAR (12 -31 - 25) |
|--|-----------------------------------|----------------------------------|----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| CURRENT ASSETS | | | | | | |
| Cash | \$ 8,700.00 | \$ 8,700.00 | \$ 8,700.00 | \$ 8,700.00 | \$ 8,700.00 | \$ 8,700.00 |
| Accounts Receivable | 412.00 | 412.00 | 412.00 | 412.00 | 412.00 | 412.00 |
| Inventories | 950.00 | 950.00 | 950.00 | 950.00 | 950.00 | 950.00 |
| Income Tax Receivable | | | | | | |
| Other | | | | | | |
| A. Total Current Assets | \$ 10,062.00 | \$ 10,062.00 | \$ 10,062.00 | \$ 10,062.00 | \$ 10,062.00 | \$ 10,062.00 |
| FIXED ASSETS | | | | | | |
| Land | \$ 65,000.00 | \$ 65,000.00 | \$ 65,000.00 | \$ 65,000.00 | \$ 65,000.00 | \$ 65,000.00 |
| Collection/Distribution System | 4,400.00 | 4,400.00 | 4,400.00 | 4,400.00 | 4,400.00 | 4,400.00 |
| Buildings | 9,200.00 | 9,200.00 | 9,200.00 | 9,200.00 | 9,200.00 | 9,200.00 |
| Equipment | 7,300.00 | 7,300.00 | 7,300.00 | 7,300.00 | 7,300.00 | 7,300.00 |
| Other | 20,000.00 | 20,000.00 | 20,000.00 | 20,000.00 | 20,000.00 | 20,000.00 |
| Less: Accum. Depreciation or Reserves | | | | | | |
| B. Total Fixed Assets | \$ 105,900.00 | \$ 105,900.00 | \$ 105,900.00 | \$ 105,900.00 | \$ 105,900.00 | \$ 105,900.00 |
| C. TOTAL Assets (A + B) | \$ 115,962.00 | \$ 115,962.00 | \$ 115,962.00 | \$ 115,962.00 | \$ 115,962.00 | \$ 115,962.00 |
| CURRENT LIABILITIES | | | | | | |
| Accounts Payable | \$ 2,850.00 | \$ 2,850.00 | \$ 2,850.00 | \$ 2,850.00 | \$ 2,850.00 | \$ 2,850.00 |
| Notes Payable, Current | | | | | | |
| Accrued Expenses | 3,812.00 | 3,812.00 | 3,812.00 | 3,812.00 | 3,812.00 | 3,812.00 |
| Other | | | | | | |
| D. Total Current Liabilities | \$ 6,662.00 | \$ 6,662.00 | \$ 6,662.00 | \$ 6,662.00 | \$ 6,662.00 | \$ 6,662.00 |
| LONG TERM LIABILITIES | | | | | | |
| Notes Payable, Long-term | | | | | | |
| Other | | | | | | |
| E. Total Long Term Liabilities | | | | | | |
| F. TOTAL LIABILITIES (D + E) | \$ 6,662.00 | \$ 6,662.00 | \$ 6,662.00 | \$ 6,662.00 | \$ 6,662.00 | \$ 6,662.00 |
| OWNER'S EQUITY | | | | | | |
| Paid in Capital | \$ 59,500.00 | \$ 59,500.00 | \$ 59,500.00 | \$ 59,500.00 | \$ 59,500.00 | \$ 59,500.00 |
| Retained Equity | | | | | | |
| Other | 42,405.00 | 42,405.00 | 42,405.00 | 42,405.00 | 42,405.00 | 42,405.00 |
| Current Period Profit or Loss | 7,395.00 | 7,395.00 | 7,395.00 | 7,395.00 | 7,395.00 | 7,395.00 |
| G. TOTAL OWNER'S EQUITY | \$ 109,300.00 | \$ 109,300.00 | \$ 109,300.00 | \$ 109,300.00 | \$ 109,300.00 | \$ 109,300.00 |
| TOTAL LIABILITIES+EQUITY (F + G) = C | \$ 115,962.00 | \$ 115,962.00 | \$ 115,962.00 | \$ 115,962.00 | \$ 115,962.00 | \$ 115,962.00 |
| WORKING CAPITAL (A – D) | \$ 3,400.00 | \$ 3,400.00 | \$ 3,400.00 | \$ 3,400.00 | \$ 3,400.00 | \$ 3,400.00 |
| CURRENT RATIO (A / D) | 1.5100 | 1.5100 | 1.5100 | 1.5100 | 1.5100 | 1.5100 |
| DEBT TO EQUITY RATIO (F / G) | | | | | | |

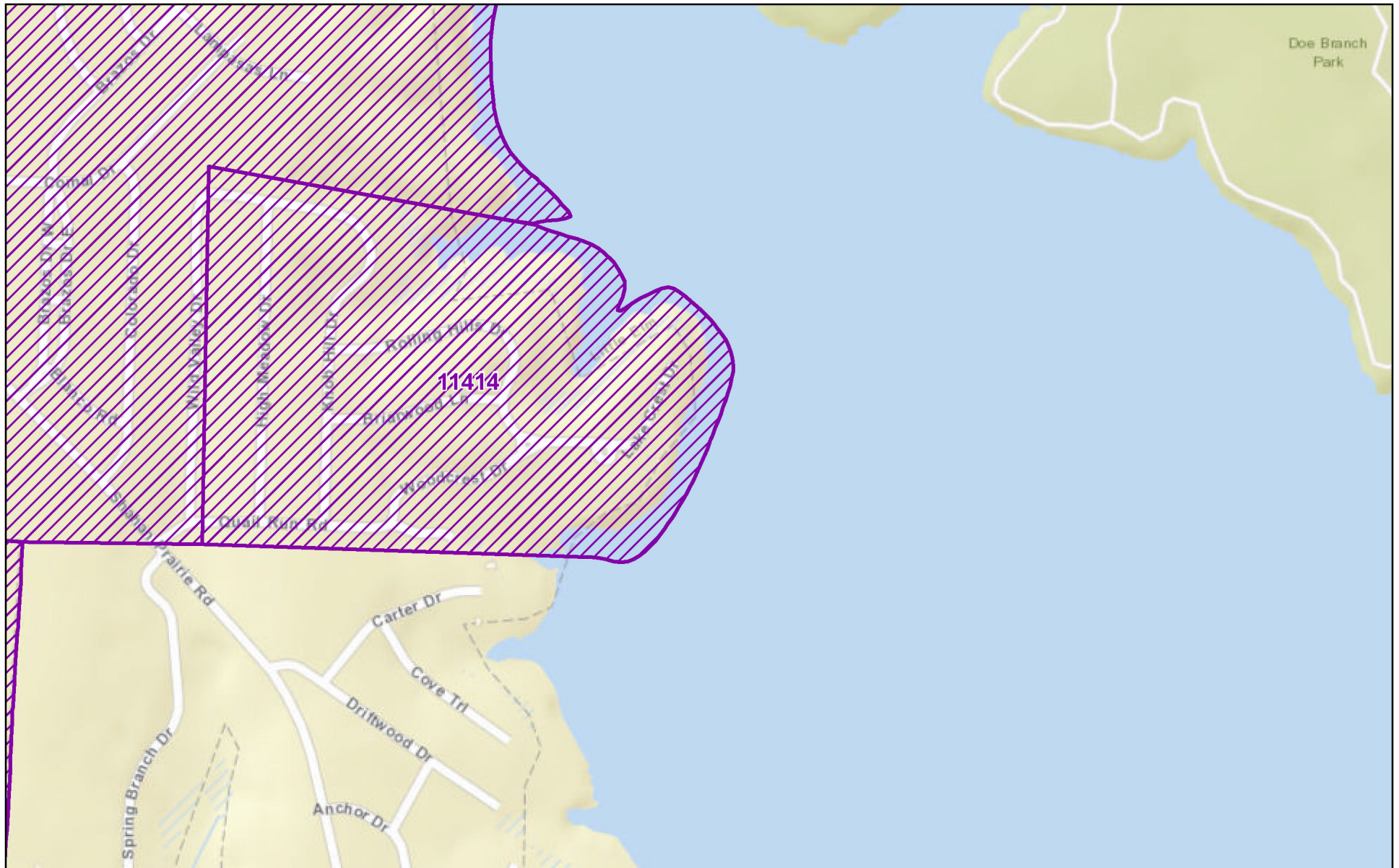
PROJECTED NET INCOME INFORMATION

| (ENTER DATE OF YEAR END) | CURRENT(A) 12-31-20 | A-1 YEAR 12-31-21 | A-2 YEAR 12-31-22 | A-3 YEAR 12-31-23 | A-4 YEAR 12-31-24 | A-5 YEAR 12-31-25 |
|--|------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| METER NUMBER | | | | | | |
| Existing Number of Taps | 76 | 76 | 76 | 76 | 76 | 76 |
| New Taps Per Year | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Meters at Year End | 76 | 76 | 76 | 76 | 76 | 76 |
| METER REVENUE | | | | | | |
| Revenue per Meter (use for projections) | | | | | | |
| Expense per Meter (use for projections) | | | | | | |
| Operating Revenue Per Meter | | | | | | |
| GROSS WATER REVENUE | | | | | | |
| Revenues- Base Rate & Gallonage Fees | \$ 40,094.61 | \$ 40,094.61 | \$ 40,094.61 | \$ 40,094.61 | \$ 40,094.61 | \$ 40,094.61 |
| Other (Tap, reconnect, transfer fees, etc) | 1,352.01 | 1,352.01 | 1,352.01 | 1,352.01 | 1,352.01 | 1,352.01 |
| Gross Income | \$ 41,446.62 | \$ 41,446.62 | \$ 41,446.62 | \$ 41,446.62 | \$ 41,446.62 | \$ 41,446.62 |
| EXPENSES | | | | | | |
| General & Administrative (see schedule) | \$ 17,786.33 | \$ 17,786.33 | \$ 17,786.33 | \$ 17,786.33 | \$ 17,786.33 | \$ 17,786.33 |
| Operating (see schedule) | 12,235.61 | 12,235.61 | 12,235.61 | 12,235.61 | 12,235.61 | 12,235.61 |
| Interest | | | | | | |
| Other (list) | | | | | | |
| NET INCOME | \$ 11,424.68 | \$ 11,424.68 | \$ 11,424.68 | \$ 11,424.68 | \$ 11,424.68 | \$ 11,424.68 |

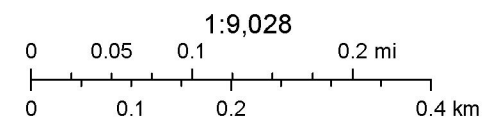
| PROJECTED EXPENSE DETAIL | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | TOTALS |
|--|----------|----------|----------|----------|----------|-----------|
| GENERAL/ADMINISTRATIVE EXPENSES | | | | | | |
| Salaries | | | | | | |
| Office | 9,511.71 | 9,511.71 | 9,511.71 | 9,511.71 | 9,511.72 | 47,558.55 |
| Computer | | | | | | |
| Auto | | | | | | |
| Insurance | 742.00 | 742.00 | 742.00 | 742.00 | 742.00 | 3,710.00 |
| Telephone | 3,417.28 | 3,417.28 | 3,417.28 | 3,417.28 | 3,417.28 | 17,086.40 |
| Utilities | | | | | | |
| Depreciation | | | | | | |
| Property Taxes | 856.59 | 856.59 | 856.59 | 856.59 | 856.59 | 4,282.95 |
| Professional Fees | 1,170.00 | 1,170.00 | 1,170.00 | 1,170.00 | 1,170.00 | 5,850.00 |
| Interest | | | | | | |
| Other | 1,911.20 | 1,911.20 | 1,911.20 | 1,911.20 | 1,911.20 | 9,556.00 |
| Total | | | | | | |
| % Increase Per projected Year | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| OPERATIONAL EXPENSES | | | | | | |
| Salaries | | | | | | |
| Auto | 76.25 | 76.25 | 76.25 | 76.25 | 76.25 | 381.25 |
| Utilities | 2,718.53 | 2,718.53 | 2,718.53 | 2,718.53 | 2,718.53 | 13,592.65 |
| Depreciation | | | | | | |
| Repair & Maintenance | | | | | | |
| Supplies | 7,224.78 | 7,224.78 | 7,224.78 | 7,224.78 | 7,224.78 | 36,123.90 |
| Interest | | | | | | |
| Other | 2,216.05 | 2,216.05 | 2,216.05 | 2,216.05 | 2,216.05 | 11,080.25 |
| Total | | | | | | |

| PROJECTED SOURCES AND USES OF CASH STATEMENTS | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | TOTALS |
|--|--------|--------|--------|--------|--------|--------|
| SOURCES OF CASH | | | | | | |
| Net Income | | | | | | |
| Depreciation (If funded by revenues of system) | | | | | | |
| Loan Proceeds | | | | | | |
| Other | | | | | | |
| Total Sources | | | | | | |
| USES OF CASH | | | | | | |
| Net Loss | | | | | | |
| Principle Portion of Pmts. | | | | | | |
| Fixed Asset Purchase | | | | | | |
| Reserve | | | | | | |
| Other | | | | | | |
| Total Uses | | | | | | |
| NET CASH FLOW | | | | | | |
| DEBT SERVICE COVERAGE | | | | | | |
| Cash Available for Debt Service (CADS) | | | | | | |
| A: Net Income (Loss) | | | | | | |
| B: Depreciation, or Reserve Interest | | | | | | |
| C: Total CADS (A + B = C) | | | | | | |
| D: DEBT SERVICE (DS) | | | | | | |
| Principle Plus Interest | | | | | | |
| E: DEBT SERVICE COVERAGE RATIO | | | | | | |
| CADS Divided by DS (E = C / D) | | | | | | |

Requested Area- Retain CCN 11414

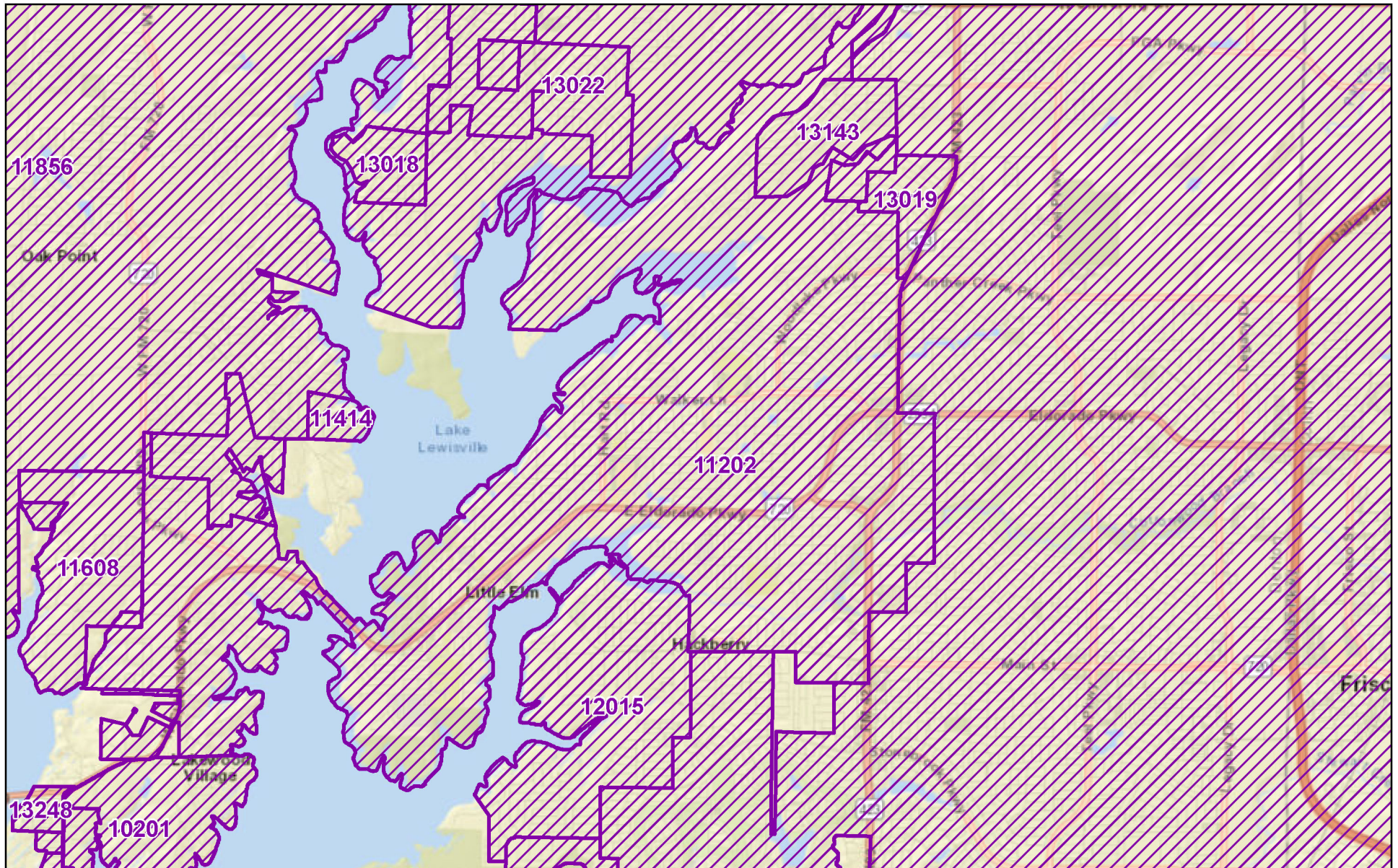


May 24, 2022

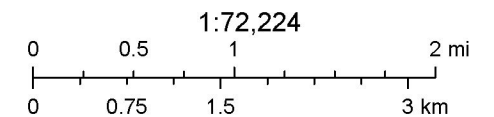


Sources: Esri, HERE, Garmin, USGS, Intermap, INCREMENT P, NRCan, Esri Japan, METI, Esri China (Hong Kong), Esri Korea, Esri (Thailand),

Requested Area- Retain CCN 11414



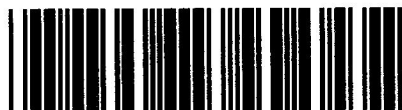
May 24, 2022



Sources: Esri, HERE, Garmin, USGS, Intermap, INCREMENT P, NRCan, Esri Japan, METI, Esri China (Hong Kong), Esri Korea, Esri (Thailand),



Control Number: 43918



Item Number: 2

Addendum StartPage: 0

1/5/12
TCEQ Review - Joe C. DeSno
INTERIM RATE ANALYSIS
WATER RATES
Application No. 37152-R

Staff Accountant:
Staff Engineer:

Flores
Adhikari

CURRENT WATER RATES:

| <u>MINIMUM</u> | <u># GALLONS</u> |
|----------------|------------------|
| \$24.00 | 3,000 |

GALLONAGE
ABOVE MIN
\$4.00

AVERAGE USAGE:

TOTAL TEST
YEAR GALLONS

AVE
CUST #

GALLONS
PER MNTH

5,337,650

74

6,011

CURRENT
AVERAGE
WATER
BILL

\$36.04

PROPOSED RATES:

| <u>MINIMUM</u> | <u># GALLONS</u> |
|----------------|------------------|
| \$34.00 | 3000 |

GALLONAGE
ABOVE MIN
\$4.00

AVERAGE USAGE:

TOTAL TEST
YEAR GALLONS

AVE
CUST #

GALLONS
PER MNTH

5,337,650

74

6,011

PROPOSED
AVERAGE
BILL

\$46.04

CHANGE IN AVE MONTHLY BILL:

\$10.00

27.74%

Considerations:

1. Are the rates justified on preliminary review of the cost of service? Yes
2. Is the increase greater than \$15 or 50%? No
3. What is the effective date of this rate increase? 2/27/2012
4. Will the utility put the proposed rates into effect before a hearing? Yes
5. Will rates place an undue financial hardship/burden on the customers? No
6. Is it possible that the utility will refuse to or be unable to make refunds? No
7. Is the utility in receivership or bankruptcy? No
8. Will there be a positive cash flow with the proposed interim rate? Yes
9. When was the Utility's last rate increase? 5/27/1999
10. Why is the rate increase necessary? Applicant letter included w/the notice indicates that due to the rising costs of testing and chemicals it is necessary to apply for a rate a increase.
11. What improvements have been made to the system since the last rate increase? Booster pump (2000 & 2005), two chlorinators (2010)
12. Does the utility have any compliance issues? The inspection report from the region shows deficiencies, however they have been corrected and noted by TCEQ letter dated Sept. 26, 2011.
13. Is the utility providing good customer service? One complaint rec'd in 2011 per iWUD for meter issue.
14. Is the quality of water good? See #12 above.

Conclusion:

No protests received as of 1/5/12 for this application.

Utilities & Districts Section

Utility Name: Joe C. DeSmit dba Knob Hills Water System
 Appl. Number (s): 37152-R
 TCEQ Rec. Date: October 10, 2011 Date Received From Admin: October 10, 2011
 BTR Letter Date: December 21, 2011 Flores/Adhikari
 Effective Date: February 27, 2012

Rate Application Processing Timeline

| Days after Effective Date | Days after Acceptance Date For Filing | | Actual Date |
|---------------------------------|---|---|-------------|
| | 72 | 21-Dec-11 Case assigned to Staff (Accountant Keeps Official File) | |
| | 82 | 31-Dec-11 Staff Accountant and Engineer review application for verification of numbers | |
| | 92 | 10-Jan-12 Accountant Reviews Financial Data | 1/5/2012 |
| | | 1. Enter Expenses In Spreadsheet under O & M <u>1/5/12</u> | |
| | | 2. Completes Interim Rate Analysis Worksheet <u>1/5/12</u> | |
| | | 3. Completes Revenue Requirement Worksheet <u>1/5/12</u> | |
| | | 4. Complete Labor Analysis <u>1/5/12</u> | |
| | | Engineer Reviews | |
| | | 1. Water pumped and billed and calculates percentage lost. <u>12/21/2011</u> | |
| | | 2. Develops Depreciation Schedule <u>12/21/2011</u> | |
| | | 3. Most Recent PWS Inspection Reports for deficiencies | |
| | | 4. Prior Dockets for Existing Depreciation Schedule and notes differences. | |
| | | Accountant and Engineer consider audit/inspection of facilities. | |
| | | May be a necessity if case is protested. Mandatory if sent to evidentiary hearing. | |
| | 96 | 14-Jan-12 Staff Accountant and Engineer meet to discuss findings | |
| | 101 | 19-Jan-12 First letter to utility requesting additional information prepared, if necessary Accountant and Engineer coordinate questions to be sent in one letter | |
| 0 | 60 | 27-Feb-12 Effective Date | |
| | 131 | 18-Feb-12 First reponse from utility due | |
| | 136 | 23-Feb-12 Accountant provides Engineer with location to Cost of Service Spreadsheet | |
| | | Engineer enters Depreciation Schedule, including net plant, annual depreciation and accumulated depreciation. | |
| | 146 | 4-Mar-12 Accountant determines if interim rates are necessary/makes written recommendations to Team Leader. | |
| | 151 | 9-Mar-12 Team Leader reviews Accountant's recommendations for interim rates Recommendation forwarded to Section Manager for final approval and processing | |
| | 161 | 19-Mar-12 Accountant and Engineer review file for complaints | |
| 90 | 230 | 27-May-12 Deadline for complaints, checked by Accountant If protested (by 10% of the customers), Accountant prepares recommendation for hearing. | |
| | 230 | 27-May-12 If NOT protested by customers and/or staff | |
| | | 1. Accountant prepares memo and recommendations for administrative approval | |
| | | 2. Engineer prepares tariff and memo(or modifies existing tariff) for tariff coordinator | |

Stamped 5/31/12

5/31/12
5/25/12

**WATER UTILITY TARIFF
FOR**

Joe C. DeSmit dba
Knob Hill Water System
(Utility Name)

2861 High Meadow
(Business Address)

Little Elm, Texas 75068
(City, State, Zip Code)

(972) 294-2553
(Area Code/Telephone)

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

11414

This tariff is effective in the following county:

Denton

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

None

This tariff is effective in the following subdivisions or systems:

Knob Hill Water System (PWS#0610068)

TABLE OF CONTENTS

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

| | |
|---|----|
| SECTION 1.0 -- RATE SCHEDULE | 2 |
| SECTION 2.0 -- SERVICE RULES AND POLICIES | 4 |
| SECTION 3.0 -- EXTENSION POLICY | 11 |
| SECTION 4.0 -- EXTENSION POLICY..... | 15 |
| APPENDIX A -- SAMPLE SERVICE AGREEMENT | |
| ATTACHMENT -- APPLICATION FOR SERVICE | |

SECTION 1.0 -- RATE SCHEDULE

Section 1.01 - Rates

| <u>Meter Size</u> | <u>Monthly Minimum Charge</u> | <u>Gallonage Charge</u> |
|-------------------|---|--|
| 5/8" or 3/4" | <u>\$34.00</u> (Includes 3,000 gallons) | <u>\$4.00</u> per 1000 gallons over the minimum |

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

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

Section 1.02 - Miscellaneous Fees

TAP FEE \$1,000.00
TAP FEE COVERS THE UTILITY'S COSTS FOR MATERIALS AND LABOR TO INSTALL A STANDARD
RESIDENTIAL 5/8" or 3/4" METER. AN ADDITIONAL FEE TO COVER UNIQUE COSTS IS PERMITTED
IF LISTED ON THIS TARIFF.

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

TAP FEE (Large meter) Actual Cost
TAP FEE IS THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR METER SIZE
INSTALLED.

METER RELOCATION FEE Actual Relocation Cost, Not to Exceed Tap Fee
THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS THAT AN EXISTING METER BE
RELOCATED.

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

SECTION 1.0 -- RATE SCHEDULE (Continued)

METER TEST FEE \$25.00

THIS FEE WHICH SHOULD REFLECT THE UTILITY'S COST 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. THE FEE MAY NOT EXCEED \$25.

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..... \$25.00

TRANSFER FEE.....\$15.00

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

LATE CHARGE (EITHER \$5.00 OR 10% OF THE BILL)..... \$5.00

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.

RETURNED CHECK CHARGE\$25.00

RETURNED CHECK CHARGES MUST BE BASED ON THE UTILITY'S DOCUMENTABLE COST.

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

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

GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGEN/A

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

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

Joe C. DeSmit dba Knob Hill Water System

Application Number:

37152-R

(A) Recompute Test Year and Adjusted Revenues:

| | WATER | |
|------------------------------|------------------|--------------------------------|
| | Proposed | Current |
| Gallage included in min | 3,000 | 3,000 |
| Base rate | \$34.00 | \$24.00 |
| Gallage rate per 1,000 | \$4.00 | \$4.00 |
| No. of customers X base | 74 | |
| Multiply by 12 months | 12 | 12 |
| Annual Revenue-base | <u>\$30,192</u> | <u>\$21,312</u> |
| Minimum gallons | 3,000 | 3,000 |
| Multiply by no. of customers | 74 | 74 |
| | 222,000 | 222,000 |
| Multiply by 12 months | 12 | 12 |
| Gallage included in min | <u>2,664,000</u> | <u>2,664,000</u> |
| Gallons pumped + purchased | 5,374,990 | 5,374,990 |
| Gallons inc in min | -2,664,000 | -2,664,000 |
| | 2,710,990 | 2,710,990 |
| Divided by | 1,000 | 1,000 |
| | 2,711 | 2,711 |
| Gallage charge per 1,000 | \$4.00 | \$4.00 |
| | <u>10,844</u> | <u>10,844</u> |
| Adjusted revenue | <u>\$41,036</u> | <u>\$32,156</u> <u>\$8,880</u> |

(B) Annual Revenue Increase:

| | Proposed | Current |
|---|-----------|-----------|
| | \$34.00 | \$24.00 |
| | \$4.00 | \$4.00 |
| Gallons pumped | 5,374,990 | 5,374,990 |
| Divide by 12 mos. | 12 | 12 |
| = Gallons pumped per month | 447,916 | 447,916 |
| Divide by no. of customers | 74 | 74 |
| = average usage/month/customer | 6,053 | 6,053 |
| Less: minimum gal incl. | -3,000 | -3,000 |
| Gallons charge at gallage rate | 3,053 | 3,053 |
| Divided by 1,000 gallons | 1,000 | 1,000 |
| = average mo usage/customer above the min | 3.05 | 3.05 |
| Multiply by rate/gallon | \$4.00 | \$4.00 |
| = gallage revenue per mo per customer above the min | \$12.21 | \$12.21 |
| Multiply by 12 months | 12 | 12 |
| = gallage revenue per year per customer above the min | \$146.54 | \$146.54 |
| Multiply by no of customers | 74 | 74 |
| Gallage annual revenue increase | \$10,844 | \$10,844 |
| Plus base rate Proposed | 30,192 | |
| Current rate | | 21,312 |

8/15/12
Joe C. DeSmit dba Knob Hill Water System

Application Number:

37152-R**Reasonable Test**

Annual Salary w/ known and meas chng
 Divide by number of customers
 Annual per customer
 Divide by 12 months
 Salary per customer per mo.

WATER

| <u>No. Cust.</u> | <u>Salary</u> | <u>Per connection</u> |
|------------------|----------------|-----------------------|
| | \$26,000 | |
| 74 | 74 | |
| | \$351 | |
| | 12 | |
| | \$29.28 | 29.28 |

Contract Labor
 Divide by number of customers
 Divide by 12 months

| | | |
|----|----------------|------|
| | \$0 | |
| 74 | 74 | |
| | \$0 | |
| | 12 | |
| | \$0.00 | 0.00 |
| | \$29.28 | |

Adj Labor Costs and Payroll Taxes:

Annual Salary
 Annual contract services

| <u>Labor Cost Adjustment</u> | <u>Adjusted Sal</u> |
|------------------------------|---------------------|
| \$26,000 | 0 \$26,000 |
| \$0 | \$0 \$0 |

Payroll taxes:

SS
 Futa (\$9,000)
 State Unemp (\$7,000)
 Payroll taxes

Limitation

| | | |
|--------|-------|----------------|
| 26,000 | 7.65% | \$1,989 |
| 15,000 | 0.80% | 120 |
| 13,000 | 2.70% | 351 |
| | | \$2,460 |

AFFIDAVIT

STATE OF TEXAS

COUNTY OF Denton

I, KAREN LONG-DESUIT, being duly sworn, file this NOTICE OF PROPOSED RATE CHANGE as owner (indicate relationship to Utility, that is, owner, member of partnership, title as officer of corporation, or other authorized representative of Utility); that, in such capacity, I am qualified and authorized to file and verify such NOTICE; and that all statements made and matters set forth herein are true and correct.

I further represent that a copy of the attached notice was provided by mail to each customer or other affected party on or about Dec 3, 20 11.
(mail or hand delivery)

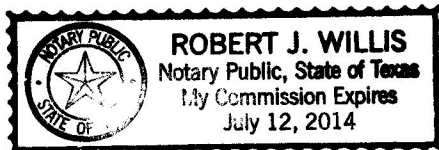
Karen Long-Desuit
Affiant (Utility's Authorized Representative)

If the Affiant to this form is any person other than the sole owner, partner, officer of the Utility, or its attorney, a properly verified Power of Attorney must be enclosed.

Subscribed and sworn to before me this the 2nd day of December, 20 11, to certify which witness my hand and seal of office.

Robert Willis
NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

SEAL



Robert Willis
PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES 7/12/14

December 3, 2011

To all water customers:

Please disregard the previous letter re the rate increase. Due to an error on my part in submitting paperwork to TCEQ the rate increase will not be effective until February 27, 2012. Enclosed find the Notice of Proposed Rate Change. Please call if you have any questions.

Karen LongDesmit

214536-7942

NOTICE OF PROPOSED RATE CHANGE

Company Name

KNOB HILL WATER SYSTEM CCN Number 11414

has submitted a rate change application to the Texas Commission on Environmental Quality (Commission). The proposed rates listed on the next page will apply to service received after the effective date provided below. If the Commission receives protests to the proposed increase from 10 percent of the ratepayers or from any affected municipality before the 91st day after the proposed effective 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 Commission staff requests a hearing, no hearing will be held and rates will be effective as proposed. Please read the following information carefully:

KNOB HILL ESTATES

Subdivisions or Systems Affected by Rate Change

2861 HIGHMEADOW LITTLE ELM TX 75068 972-294-2583
Company Address City State Zip Telephone

9,120.00
Annual Revenue Increase

12/03/11
Date Customer Notice Mailed

1999
Date of Last Rate Change

27th of month
Date Meters Typically Read

EFFECTIVE DATE OF PROPOSED INCREASE:

2/27/12

BILLING COMPARISON

| | | | | | | |
|--------|----------|-----------------|-------------------|----------|-----------------|--------------------|
| Water: | Existing | 10,000 gallons: | \$ <u>5.2</u> /mo | Existing | 30,000 gallons: | \$ <u>13.2</u> /mo |
| | Proposed | 10,000 gallons: | \$ <u>6.2</u> /mo | Proposed | 30,000 gallons: | \$ <u>14.2</u> /mo |
| Sewer: | Existing | 10,000 gallons: | \$ <u>N/A</u> /mo | Proposed | 10,000 gallons: | \$ <u> </u> /mo |

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 Commission. If the Commission 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 Commission's office at Park 35 - Building F, 12015 Park 35 Circle, Suite 3101, Austin, Texas, west side of IH-35, south of Yager Lane. Additional information about the application can be obtained by contacting the Utilities and Districts Section at 512/239-4691. Information about how you can participate in the rate setting process can be obtained by contacting the Public Interest Counsel at 512/239-6363.

Si desea informacion en Espanol, puede llamar al 512-239-0200

NOTICE OF PROPOSED RATE CHANGE -WATER (Cont.)

Page 2

| CURRENT RATES | | PROPOSED RATES | |
|--|-------------------|--|-------------------|
| Monthly base rate including <u>3000</u> gallons | | Monthly base rate including <u>3000</u> gallons | |
| Meter Size: | | Meter Size: | |
| Residential | | Residential | |
| 5/8" or 3/4" | \$ <u>24.00</u> | 5/8" or 3/4" | \$ <u>34.00</u> |
| 1" | \$ | 1" | \$ |
| 1 1/2" | \$ | 1 1/2" | \$ |
| 2" | \$ | 2" | \$ |
| 3" | \$ | 3" | \$ |
| Other: _____ | \$ | Other: _____ | \$ |
| Gallage Charge: | | Gallage Charge: | |
| \$ <u>4.00</u> for each additional 1000 gallons over the minimum | | \$ <u>4.00</u> for each additional 1000 gallons over the minimum | |
| <u>Miscellaneous Fees</u> | | <u>Miscellaneous Fees</u> | |
| Tap fee | \$ <u>1000.00</u> | Tap fee | \$ <u>1000.00</u> |
| Reconnect fee: | | Reconnect fee" | |
| Non-payment (Maximum - \$25.00) | \$ <u>25.00</u> | Non-payment (Maximum - \$25.00) | \$ <u>25.00</u> |
| Customer's request | \$ <u>25.00</u> | Customer's request | \$ <u>25.00</u> |
| Transfer fee | \$ <u>15.00</u> | Transfer fee | \$ <u>15.00</u> |
| Late charge | \$ <u>5.00</u> | Late charge (Indicate either \$5.00 or 10%) | \$ <u>5.00</u> |
| Returned check charge | \$ <u>25.00</u> | Returned check charge | \$ <u>25.00</u> |
| Deposit | \$ <u>50.00</u> | Deposit (Maximum \$50.00) | \$ <u>50.00</u> |
| Meter test fee | \$ <u>25.00</u> | Meter test fee | \$ 25.00 |

Regulatory Assessment of 1% is added to base rate and gallage charges

Checklist for Rate/Tariff Change Application

Review Number: R - 080 - 11 Effective date 1/1/12

Application # (s) 37152-R

Date Application Received: 10/7/11

Date Application Sent to Program Area: 10/10/11

CCN Number(s): Water 11414 Sewer _____

Utility Name: Knob Hill Water System

County(s) Denton

- ☒ Account Fees Due
- ☒ Regulatory Assessment Fees
- ☒ Original and Four Copies of Application Received (Page 20 of General Information)
- ☒ Applicant Name
- ☒ Utility Name and Address: (a Texas address)
- ☒ Contact Person and Address

Attached is a copy of CN & RN's: from WUD

☒ Not on file with Central Registry. Core Data Form needed.

Number of Connections: (W) (S)

J:\UDS\Utilities Forms and Checklists Admin Review\RateTariff Checklist.wpd

[IWUD Main](#)[Districts](#)[Utilities](#)[PWS](#)[Reports](#)[Documents](#)[Maps](#)

? Utility details for KNOB HILL WATER SYSTEM (11414)


Affiliations
Documents
Site Visits
Schedules

Properties

CR Regulated Entity Number: **RN101197127**CCEDS Status: **NO ACTIVE NOE EXISTS**Utility Type: **WATER UTILITY**Ownership Type: **INVESTOR**Primary County: **DENTON**County Code: **61**

Customers

| Reference Number | Name | Role |
|------------------|------------------------|-------------------|
| CN601356991 | DESMIT, JOSEPH C | RESPONSIBLE PARTY |
| CN600642532 | KNOB HILL WATER SYSTEM | RESPONSIBLE PARTY |

Responsible Party

Individual: **JOE DESMIT**Organization: **KNOB HILL WATER SYSTEM**Mailing Address: **2861 HIGH MEADOW****LITTLE ELM, TEXAS 75068-4222**Business telephone: **(972) 294-2553**

Extension:

Official Address / Phone

Address: **2861 HIGH MEADOW****LITTLE ELM, TEXAS 75068-2865**Telephone: **(972) 294-2553**

PWS for this Utility

| PWS Name | PWS ID | Status | District(Number) |
|-------------------------------|---------|--------|------------------|
| <u>KNOB HILL WATER SYSTEM</u> | 0610068 | A | |

Water System occurrences retrieved.

** Transmit Conf. Report **

P.1

Nov 7 2011 9:51

| Fax/Phone Number | Mode | Start | Time | Page | Result | Note |
|------------------|--------|---------|-------|------|--------|------|
| 919722942553 | NORMAL | 7, 9:51 | 0'44" | 3 | # O K | |

WATER UTILITY TARIFF FOR

Joe C. DeSmit dba Knob Hills Water System
(Utility Name)

2739 High Meadow
(Business Address)

Little Elm, Texas 75068
(City, State, Zip Code)

(972) 294-2553
(Area Code/Telephone)

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

11414

This tariff is effective in the following counties:

Denton

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

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This tariff is effective in the following subdivisions or systems:

Knob Hill Lake Estates (PWS #0610068)

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| SECTION 4.0 -- DROUGHT CONTINGENCY PLAN | 15 |
| APPENDIX A -- SAMPLE SERVICE AGREEMENT | |
| APPENDIX B -- APPLICATION FOR SERVICE | |

TEXAS COMM. ON ENVIRONMENTAL QUALITY

CCN 11 14 20 '05
APPROVED TARIFF BY SP/SP

SECTION 1.0 - RATE SCHEDULE

Section 1.01 - Rates

| <u>Meter Size</u> | <u>Monthly Minimum Charge</u> | <u>Gallage Charge</u> |
|-------------------|---|--|
| 5/8" or 3/4" | \$ <u>24.00</u> (Includes <u>3,000</u> gallons) | \$ <u>4.00</u> per 1000 gallons, same for all gallons |

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

Cash____, Check____, Money Order____, 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.)

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THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS THAT AN EXISTING METER BE RELOCATED.

METER TEST FEE \$ 25.00
THIS FEE WHICH SHOULD REFLECT THE UTILITY'S COST 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. THE FEE MAY NOT EXCEED \$25.

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

326296 CUN 11414 MAY 27'99
APPROVED BY *Am/EP*

SECTION 1.0 - RATE SCHEDULE (CONT.)

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):

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

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WHEN AUTHORIZED IN WRITING BY TNRCC 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 3.0 Extension Policy for terms, conditions, and charges when new construction is necessary to provide service.

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

APPROVAL STAMP: TNRCC APPROVAL

52629 G CUN 11414 NW 27'90

APPROVAL STAMP: *Amper*

[illegible]

10/10/2011
5:30:16PM**Texas Commission on Environmental Quality**
Utility Cases List for KNOB HILL WATER SYSTEM (11414)

ERPT0014

| Received Date | App No. Type | Comments | Con- tested? | Date Filed | To Legal | Informal Hearing | Hearing | Final Action Status |
|---------------|-----------------------|---|--------------|------------|------------|------------------|---------|-------------------------|
| 11/02/2000 | 01689 - C CCN | | NO | | | | | Completed |
| 03/05/1987 | 07194 - S CCN-SALE | REVIEW COMPLETE TO SB FOR REVIEW | NO | 03/05/1987 | | | | 01/05/1988 Completed |
| 03/05/1990 | 08400 - G RATE | REQUESTED MORE INFO FROM UTILITY SENT TO LEGAL 7/13/90 HRG SET 8/24/90 SETTLED 8/24, AWAITING PFD TARIFF APPROVED; SET FOR AGENDA 9/26 APPROVED @ 10/2 AGENDA MUST FILE REVISED TARIFF OK MUST INSTALL MASTER METER ON WELL #2 OK MUST PRVD COPY OF TDH PHOSPHATE TEST OK RESULTS TO THE CUST AND HOA OK | YES | 03/07/1990 | 07/19/1990 | | | 10/03/1990 Completed |
| 07/29/1993 | 30151 - S CCN-SALE | 2 B/T 11414-KNOB HILL FROM LARRY JOHNSON SALE APPROVAL LTR SENT LTR RE: SALE DOCUMENTS & IMPROVEMENTS (12/29) 14-DAY LETTER SENT OUT ON AGENDA 2/9/94 | NO | 08/19/1993 | | | | 02/09/1994 Completed |
| 04/30/1999 | 32629 - G RATE | KNOB HILL WATER SYSTEM CCN 11414 FOR RATE/TARIFF CHANGE DENTON COUNTY ADMIN APP. 8/12/99 ADMIN APPV'D | NO | 06/17/1999 | | | | 08/23/1999 Completed |
| 10/07/2011 | 37152 - R RATE | 37152-R Knob Hill Water System requests rate increase | NO | 10/10/2011 | | | | Pending |

- End of Report -

At the time of your query this data was the most current information available from our database, which is in real time. Every effort was made to retrieve it according to your query. Thank-you for using WUD.

Bryan W. Shaw, Ph.D., *Chairman*
Buddy Garcia, *Commissioner*
Carlos Rubinstein, *Commissioner*
Mark R. Vickery, P.G., *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

December 21, 2011

Ms. Karen Long-DeSmit, Co-Owner
Knob Hills Water System
2861 High Meadow
Little Elm, Texas 75068

Re: Water Rate Change Application of Joe C. DeSmit dba Knob Hills Water System ("Utility"), Certificate of Convenience and Necessity No. 11414 in Denton County; Application No. 37152-R

CN: 600642532; RN: 101197127

Dear Ms. Long-DeSmit:

Thank you for your responses received on November 15, November 28, and December 12, 2011, regarding the above referenced application. Your application has been accepted for filing and assigned Application No. 37152-R. Please refer to this number in future correspondence.

Your new rates may go into effect on February 27, 2012. Your new effective date must be at least 60 days following the date your completed applications were mailed to us and correct notice is mailed or delivered to the customers. The effective date of the new rates must be the first day of the billing period, and the new rates may not apply to service provided before the effective date of the new rates.

The application will be scheduled for a hearing if:

- the Texas Commission on Environmental Quality (TCEQ) receives complaints from at least 10% of the ratepayers within 90 days of the effective date of the rate increase, or
- TCEQ staff protests the application on its own motion.

You will be notified if a hearing is scheduled. If, during the course of a hearing, rates are set which are different from the rates charged by the Utility, you may be required to refund or credit future bills. The refund or credit will include all sums collected during the pendency of the rate proceeding in excess of the rate finally ordered, plus interest, as determined by the TCEQ.

AFFIDAVIT

STATE OF TEXAS

COUNTY OF

Denton

I, KAREN LONG-DeSmit, being duly sworn, file this NOTICE OF PROPOSED RATE CHANGE as co-owner (indicate relationship to Utility, that is, owner, member of partnership, title as officer of corporation, or other authorized representative of Utility); that, in such capacity, I am qualified and authorized to file and verify such NOTICE; and that all statements made and matters set forth herein are true and correct.

I further represent that a copy of the attached notice was provided by mail to each customer or other affected party on or about Nov. 20, 2011 (mail or hand delivery)

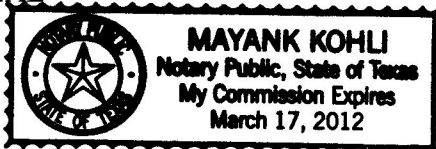
Karen Long-DeSmit
Affiant (Utility's Authorized Representative)

If the Affiant to this form is any person other than the sole owner, partner, officer of the Utility, or its attorney, a properly verified Power of Attorney must be enclosed.

Subscribed and sworn to before me this the 19TH day of NOVEMBER, 20 11, to certify which witness my hand and seal of office.

Mayank Kohli
NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

SEAL



MAYANK KOHLI
PRINT OR TYPE NAME OF NOTARY
MY COMMISSION EXPIRES 03/17/2012

November 19, 2011

TO ALL KNOB HILL WATER SYSTEM CUSTOMERS: Attached to this notice you will find the **NOTICE OF PROPOSED RATE CHANGE**. We have not had an increase in water rates since 1999. With the rising cost of chemicals, testing, fees, etc. we regret that it is necessary to file for an increase of \$10.00 to the base water bill. In other words the first 3000 gallons of usage now cost \$24.00; effective January 27, 2012 the first 3000 gallons will cost \$34.00.

Karen and Joe De Smit, owners/operators

Knob Hill Water System

RECEIVED
NOV 28 PM 2 47

NOTICE OF PROPOSED RATE CHANGE

Company Name

KNOB HILL WATER SYSTEM CCN Number 11414

has submitted a rate change application to the Texas Commission on Environmental Quality (Commission). The proposed rates listed on the next page will apply to service received after the effective date provided below. If the Commission receives protests to the proposed increase from 10 percent of the ratepayers or from any affected municipality before the 91st day after the proposed effective 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 Commission staff requests a hearing, no hearing will be held and rates will be effective as proposed. Please read the following information carefully:

KNOB HILL ESTATES

Subdivisions or Systems Affected by Rate Change

2861 HICKMEADOW LITTLE ELM TX 75068 972-294-2553
Company Address City State Zip Telephone

9,120.00
Annual Revenue Increase

11/30/11
Date Customer Notice Mailed

1999
Date of Last Rate Change

27th of month
Date Meters Typically Read

EFFECTIVE DATE OF PROPOSED INCREASE: _____

BILLING COMPARISON

| | | | | | | |
|--------|----------|-----------------|-------------------|----------|-----------------|-------------------|
| Water: | Existing | 10,000 gallons: | \$ <u>52</u> /mo | Existing | 30,000 gallons: | \$ <u>132</u> /mo |
| | Proposed | 10,000 gallons: | \$ <u>62</u> /mo | Proposed | 30,000 gallons: | \$ <u>142</u> /mo |
| Sewer: | Existing | 10,000 gallons: | \$ <u>N/A</u> /mo | Proposed | 10,000 gallons: | \$ _____ /mo |

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 Commission. If the Commission 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 Commission's office at Park 35 - Building F, 12015 Park 35 Circle, Suite 3101, Austin, Texas, west side of IH-35, south of Yager Lane. Additional information about the application can be obtained by contacting the Utilities and Districts Section at 512/239-4691. Information about how you can participate in the rate setting process can be obtained by contacting the Public Interest Counsel at 512/239-6363.

Si desea informacion en Espanol, puede llamar al 512-239-0200

Nov. 10., 2011

Here is the requested paperwork
for application # 37152-R. Please
note we decided to keep the
top fee at \$1000.00
Thanks

Karen S. Loh

67 E WJ ST NEW TEL

77 77 77 77

CELESTIAL

RECEIVED

VAL. 11 11 PM

NOV 15 PM 3 19

AFFIDAVIT

STATE OF TEXAS

COUNTY OF Denton

I, KAREN LONG-DeSmit, being duly sworn, file this NOTICE OF PROPOSED RATE CHANGE as co-owner (indicate relationship to Utility, that is, owner, member of partnership, title as officer of corporation, or other authorized representative of Utility); that, in such capacity, I am qualified and authorized to file and verify such NOTICE; and that all statements made and matters set forth herein are true and correct.

I further represent that a copy of the attached notice was provided by mail (mail or hand delivery) to each customer or other affected party on or about Nov. 10, 20 11.

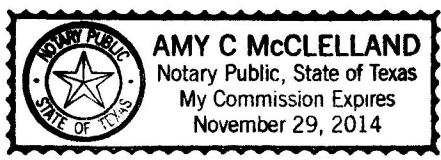
Karen Long-DeSmit
Affiant (Utility's Authorized Representative)

If the Affiant to this form is any person other than the sole owner, partner, officer of the Utility, or its attorney, a properly verified Power of Attorney must be enclosed.

Subscribed and sworn to before me this the 8th day of November, 20 11, to certify which witness my hand and seal of office.

Amy C McClelland
NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

SEAL



Amy McClelland
PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES November 29, 2014

November 10, 2011

TO ALL KNOB HILL WATER SYSTEM CUSTOMERS: Attached to this notice you will find the NOTICE OF PROPOSED RATE CHANGE. We have not had an increase in water rates since 1999. With the rising cost of chemicals, testing, fees, etc. we regret that it is necessary to fill for an increase of \$10.00 to the base water bill. In other words the first 3000 gallons of usage now cost \$24.00; effective January 27, 2012 the first 3000 gallons will cost \$34.00.

Karen and Joe De Smit, owners/operators

Knob Hill Water System

NOTICE OF PROPOSED RATE CHANGE

Company Name KNOB HILL WATER SYSTEM CCN Number 11414

has submitted a rate change application to the Texas Commission on Environmental Quality (Commission). The proposed rates listed on the next page will apply to service received after the effective date provided below. If the Commission receives protests to the proposed increase from 10 percent of the ratepayers or from any affected municipality before the 91st day after the proposed effective 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 Commission staff requests a hearing, no hearing will be held and rates will be effective as proposed. Please read the following information carefully:

KNOB HILL ESTATES

Subdivisions or Systems Affected by Rate Change

2861 HIGHMEADOW LITTLE ELM TX 75068 972
Company Address City State Zip Telephone 294-2553

9,120.00
Annual Revenue Increase

1999
Date of Last Rate Change

11/10/11
Date Customer Notice Mailed

27th of month
Date Meters Typically Read

EFFECTIVE DATE OF PROPOSED INCREASE: _____

BILLING COMPARISON

| | | | | | | |
|--------|----------|-----------------|-------------------|----------|-----------------|-------------------|
| Water: | Existing | 10,000 gallons: | \$ <u>52</u> /mo | Existing | 30,000 gallons: | \$ <u>132</u> /mo |
| | Proposed | 10,000 gallons: | \$ <u>62</u> /mo | Proposed | 30,000 gallons: | \$ <u>142</u> /mo |
| Sewer: | Existing | 10,000 gallons: | \$ <u>N/A</u> /mo | Proposed | 10,000 gallons: | \$ _____ /mo |

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 Commission. If the Commission 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 Commission's office at Park 35 - Building F, 12015 Park 35 Circle, Suite 3101, Austin, Texas, west side of IH-35, south of Yager Lane. Additional information about the application can be obtained by contacting the Utilities and Districts Section at 512/239-4691. Information about how you can participate in the rate setting process can be obtained by contacting the Public Interest Counsel at 512/239-6363.

Si desea informacion en Espanol, puede llamar al 512-239-0200

NOTICE OF PROPOSED RATE CHANGE -WATER (Cont.)

Page 2

| CURRENT RATES | | PROPOSED RATES | |
|--|-------------------|--|-------------------|
| Monthly base rate including <u>3000</u> gallons | | Monthly base rate including <u>3000</u> gallons | |
| Meter Size: | | Meter Size: | |
| Residential | | Residential | |
| 5/8" or 3/4" | \$ <u>24.00</u> | 5/8" or 3/4" | \$ <u>34.00</u> |
| 1" | \$ | 1" | \$ |
| 1 1/2" | \$ | 1 1/2" | \$ |
| 2" | \$ | 2" | \$ |
| 3" | \$ | 3" | \$ |
| Other: _____ | \$ | Other: _____ | \$ |
| Gallonage Charge: | | Gallonage Charge: | |
| \$ <u>4.00</u> for each additional 1000 gallons over the minimum | | \$ <u>4.00</u> for each additional 1000 gallons over the minimum | |
| Miscellaneous Fees | | Miscellaneous Fees | |
| Tap fee | \$ <u>1000.00</u> | Tap fee | \$ <u>1000.00</u> |
| Reconnect fee: | | Reconnect fee" | |
| Non-payment (Maximum - \$25.00) | \$ <u>25.00</u> | Non-payment (Maximum - \$25.00) | \$ <u>25.00</u> |
| Customer's request | \$ <u>25.00</u> | Customer's request | \$ <u>25.00</u> |
| Transfer fee | \$ <u>15.00</u> | Transfer fee | \$ <u>15.00</u> |
| Late charge | \$ <u>5.00</u> | Late charge (Indicate either \$5.00 or 10%) | \$ <u>5.00</u> |
| Returned check charge | \$ <u>25.00</u> | Returned check charge | \$ <u>25.00</u> |
| Deposit | \$ <u>50.00</u> | Deposit (Maximum \$50.00) | \$ <u>50.00</u> |
| Meter test fee | \$ <u>25.00</u> | Meter test fee | \$ 25.00 |

Regulatory Assessment of 1% is added to base rate and gallonage charges

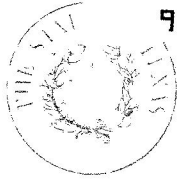
NOTICE OF PROPOSED RATE CHANGE -WATER (Cont.)

Page 2

| CURRENT RATES | | PROPOSED RATES | |
|--|-------------------|--|-------------------|
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| 1" | \$ | 1" | \$ |
| 1 1/2" | \$ | 1 1/2" | \$ |
| 2" | \$ | 2" | \$ |
| 3" | \$ | 3" | \$ |
| Other: _____ | \$ | Other: _____ | \$ |
| Gallage Charge: | | Gallage Charge: | |
| \$ <u>4.00</u> for each additional 1000 gallons over the minimum | | \$ <u>4.00</u> for each additional 1000 gallons over the minimum | |
| Miscellaneous Fees | | Miscellaneous Fees | |
| Tap fee | \$ <u>1000.00</u> | Tap fee | \$ <u>1000.00</u> |
| Reconnect fee: | | Reconnect fee: | |
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Regulatory Assessment of 1% is added to base rate and gallage charges

Bryan W. Shaw, Ph.D., *Chairman*
Buddy Garcia, *Commissioner*
Carlos Rubinstein, *Commissioner*
Mark R. Vickery, P.G., *Executive Director*



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TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

November 3, 2011

TRANSMITTED BY:
FAX: (972)294-2553 and
CERTIFIED MAIL

Ms. Karen Long-DeSmit, Co-Owner
Knob Hills Water System
2861 High Meadow
Little Elm, Texas 75068

RECEIVED
2011 DEC -8 AM 8:25
PUBLIC UTILITY COMMISSION
FILING CLERK

NOTICE OF DEFICIENCY

Re: Water Rate Change Application of Joe C. DeSmit dba Knob Hills Water System, Certificate of Convenience and Necessity No. 11414 in Denton County; Application No. 37152-R

CN: 600642532; RN: 101197127

Dear Ms. Long-DeSmit:

Your rate application received on October 10, 2011, has been assigned Application No. 37152-R, but has not been accepted for filing. Please refer to this number in future correspondence.

Based on an administrative review of your application, it appears the notice to customers contains deficiencies. To continue processing the application, you must complete and revise the following portions of the notice:

1. The "Date Customer Notice Mailed" was not indicated on the notice to customers. Please indicate on the revised notice the date you are sending the notice to the customers
2. The TCEQ approved tariff shows that the Transfer Fee is \$15.00 not \$25.00; Meter Test Fee is \$25.00 not \$0.00; and Tap Fee is \$1,000.00 not \$500.00. Please indicate the correct fees in your revised notice to customers under the current rates column.
3. In addition, please provide documentation to support your proposed rate increase for Tap Fee to \$2,000.00.

Not Ding

TRANSMITTED BY:
FAX: (972)294-2553 and
CERTIFIED MAIL

Ms. Karen Long-DeSmit, Co-Owner
 Knob Hills Water System
 2861 High Meadow
 Little Elm, Texas 75068

NOTICE OF DEFICIENCY

Re: Water Rate Change Application of Joe C. DeSmit dba Knob Hills Water System, Certificate of Convenience and Necessity No. 11414 in Denton County; Application No. 37152-R

CN: 600642532; RN: 101197127

Dear Ms. Long-DeSmit:

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3. In addition, please provide documentation to support your proposed rate increase for Tap Fee to \$2,000.00.

P.O. Box 13087 • Austin, Texas 78711-3087 • 512-239-1000 • www.tceq.texas.gov

How is our customer service? www.tceq.texas.gov/goto/customersurvey

printed on recycled paper using soy-based ink

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|------------------|--------|---------|-------|------|--------|
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| Fax/Phone Number | Mode | Start | Time | Page | Result |
| Note | | | | | |

Nov 3 2011 14:39

P.1

** Transmit Conf. Report **

APPLICATION FOR A RATE/TARIFF CHANGE

SECTION IA - GENERAL INFORMATION

Applicant: Joseph DeSmit / Karen Long-DeSmit
(Individual, Corporation, or Other Legal Entity)

Utility Name: Knob Hill Water System
(If different than above)

Legal form of Application:

☒ Individual
☐ Partnership
☐ Corporation Provide Charter Number _____
☐ Sub Chapter-S Corporation
☐ Other: _____

Utility Address: 2861 HIGH MEADOW Little Elm, TX 75068
Street Address or Location City State Zip Code

County(ies) where services are provided: DENTON

CCN Number(s): 11414

Contact Person: Karen Long-DeSmit Telephone Number: 972-294-2553

Position: Co-owner Fax Number: 972-294-2553

Address: 2861 HIGH MEADOW Little Elm, TX 75068
Street Address or Location City State Zip Code

If the applicant is a corporation, please provide a copy of the corporation's "Certificate of Account Status" (regarding the payment of franchise taxes) from the State Comptroller's Office. This "Certificate of Account Status" can be obtained from the website at:

Comptroller of Public Accounts, Office Management
P. O. Box 13528
Austin, Texas 78711
1-800-252-5555

2011 OCT 2 10 11 AM

MAILED 02 OCT 2011

1000

RECEIVED

SECTION IB - MISCELLANEOUS INFORMATION

A. How often and on what dates are water meters typically read? monthly - 26th or 27th day

B. When are bills typically sent out? 1st of Month

C. Do you serve customers within the corporate limits of a municipality? If No, Go to D.
☐ Yes ☒ No

If yes, which municipalities? _____

Have you filed a request to change rates with the municipality? ☐ Yes ☐ No.

If no, please explain: _____

D. Are you currently collecting the Regulatory Assessment Fee from your customers? ☒ Yes ☐ No

If yes, are you current in your payment of the Regulatory Assessment Fee to the Texas Commission on Environmental Quality or the predecessor agency, Texas Water Commission, for assessments payable beginning January 1, 1992? ☒ Yes ☐ No

E. *Water Utilities:* Please indicate the Public Water System Identification numbers for each of your systems:

| System Name | TCEQ PWS ID # | County | Rate Increase Applicable? |
|------------------------|------------------|--------|------------------------------|
| KNOB HILL WATER SYSTEM | 0610068 | Denton | yes |
| | | | |
| | | | |
| | | | |

For each of the systems, please provide a copy of the most recent public water system annual inspection report letter from the Texas Commission on Environmental Quality and a written explanation detailing how and when you will comply with all noted deficiencies.

F. *Sewer Utilities:* Please indicate the discharge permit number for each Wastewater Treatment Plant you operate:

| Wastewater Treatment Plant Name | TCEQ Discharge Permit Number | County | Rate Increase Applicable? |
|---------------------------------|---------------------------------|--------|------------------------------|
| N/A | | | |
| | | | |
| | | | |
| | | | |

For each of the plants, please provide a copy of the most recent inspection report letter from the Texas Commission on Environmental Quality and a written explanation detailing how and when you will comply with all noted deficiencies.

INFORMATION REQUIRED
FOR A
WATER RATE/TARIFF CHANGE

SECTION II: OPERATION INFORMATION - WATER

Manager (or owner if services are routinely provided to the utility)

Name: KAREN LONG - DeSmit Relationship to Owner: co-owner

Short job description: manage day-to-day operations, billing, accounts, phone calls etc.

Approximate number of hours per week this person works for the company:

Salary: \$500⁰⁰ Hourly Weekly Monthly ☒ Annual

Employees

Name: Joseph DeSmit Relationship to Owner: co-owner

Short job description: owner / operator - on call 24/7

Approximate number of hours per week this person works for the company:

Salary: \$20000 Hourly Weekly Monthly Annual ☒ on call 24/7

Name: Relationship to Owner:

Short job description:

Approximate number of hours per week this person works for the company:

Salary: Hourly Weekly Monthly Annual

Contract Services (attach additional sheets if necessary)

Name: Relationship to Owner:

Short job description:

Approximate number of hours per week this person works for the company:

Amount paid for services: Hourly Weekly Monthly Annual

Please provide the names and classification of the utility's certified operators:

| Certified Operator's Name/ Classification | Certified Operator's Name/Classification |
|---|--|
| <u>Joseph DeSmit - CLASSD</u> | <u>KAREN LONG - DeSmit - CLASSD</u> |
| | |
| | |
| | |
| | |
| | |

-Attach additional sheet(s) if necessary-

SECTION III. PLANT & EQUIPMENT INFORMATION – WATER

A. CUSTOMER CONTRIBUTIONS

If any of the items included in your plant and equipment were 100% financed with customer contributions, assessments, surcharges, extension fees, etc., you may not include depreciation or return on those items in your cost of service. However, if those customer contributions did not cover the entire cost of the asset, you may include the amount that the utility paid for. Please list below all items that were funded either all or in part by customer contributions and indicate amount that the customers contributed for each item.

Table III. A.

| Item [A] | Date of installation [B] | Total Cost [C] | Amount of Customer Contribution [D] | Difference [E]= [C] - [D] |
|-------------|--------------------------------|-------------------|--|------------------------------|
| <i>None</i> | | | | ① |
| | | | | ① |
| | | | | ① |
| | | | | ① |
| | | | | ① |

- Attach additional sheet(s) if necessary -

- ① If any amount in this column is greater than zero, enter that item in the appropriate category in Table III. B

B. ORIGINAL COST & DEPRECIATION SCHEDULE - WATER

Please provide the following history of the water utility plant being used to provide water service at the end of the test year. You will be responsible for supporting this information with invoices or other documentation. Round your figures to the nearest dollar. Amounts should be computed as of the end of the "test year."

Table III. B.

| [A] Item | [B] Date of Installation | [C] Service Life (yrs) | | [D] Original Cost when installed (\$) | Years in Service | | | Depreciation | | [G] = [D]-[F] Net Book Value (\$) |
|--|------------------------------------|------------------------------|----|---|---------------------|-----------|-------------|---------------------------------|----------------------------|---|
| | | * | ** | | Yrs ① | Mos ②② | Days ③③③ | [E] = [D]/[C] Annual (\$) | [F] Accumulated (\$) | |
| | | | | | | | | | | |
| Land | 1970 | n/a | | 5000 ⁰⁰ | | | | | | 5000 ⁰⁰ |
| Wells | 1970 1980 | 50 | | 2000 ⁰⁰ 2000 ⁰⁰ | | | | 40 80 | 1600 2400 | 400 1600 |
| Well Pumps: | | | | | | | | | | |
| 5 hp or less | 1992 | 5 | | 2200 | 18 | | | 440 | 2200 | 0 |
| greater than ^{or less} 5 hp | 1995 | 5 10 | | 2200 | 15 | | | 440 | 2200 | 0 |
| Booster Pumps: | | | | | | | | | | |
| 5 hp or less | 2000 | 5 | | 2000 | 10 | | | 400 | 2000 | 0 |
| greater than ^{less} 5 hp ^{or} | 2005 | 5 10 | | 1000 | | | | 200 | 1000 | 0 |
| Chlorinators (2) | 1994 | | | 500 | 17 | | | 50 | 500 | 0 |
| (2) | 2010 | 10 | | 1000 | 1 | | | 100 | 100 | 900 |
| Structures: | | | | | | | | | | |
| Wood | 1997 | 15 | | 10000 | 13 | | | 667 | 8667 | 1333 |
| Masonry | | 30 | | | | | | | | |
| Storage Tanks | 1990 2000 | 50 | | UNKNOWN 14000 | 31 11 | | | 250 | 3080 | 10920 |
| Pressure Tanks | 1990 1997 | 50 | | 500 ⁰⁰ 6600 | | | | 10 132 | 310 1848 | 190 4752 |
| Distribution System (mains and lines) | 1970 | 50 | | 5000 | 41 | | | 100 | 4100 | 900 |
| Meters and Service (taps not covered by fees) | 1970 | 20 | | 2000 | 41 | | | 100 | 2000 | 0 |
| Office Equipment | 1994 | 5 10 | | 2000 | 15 | | | 400 | 2000 | 0 |
| Vehicles | | 5 | | | | | | | | |
| Shop Tools | 1994 | 15 | | 1000 | 15 | | | 67 | 1000 | 0 |
| Heavy Equipment | N/A | 10 | | | | | | | | |
| Fencing | 1996 | 20 | | 4685 | 14 | | | 234 | 3280 | 1405 |
| Other: (Please list) | | | | | | | | | | |
| | | | | | | | | | | |
| Total | | | | 1,5685 | | | | 3740 ① | 34285② | 27400 ③ |

* TCEQ Suggested Service Life ** Other Service Life

① Enter this number in Table VI. A., Line [O], Column ① ② If [F] is greater than [D], enter the total for [D]

③ Enter this number in Table IV. E., Line [A]

-Attach additional sheet(s) if necessary-

C. DEVELOPER CONTRIBUTIONS - WATER

If any of the Items listed in the Depreciation Schedule were contributed by a developer, please list those items and the associated cost below.

Table III. C.

| Item | Date of installation or Contribution | Total Cost | Amount of Developer Contribution | Net Book Value (from Table III.B.) |
|-------|--------------------------------------|------------|----------------------------------|------------------------------------|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| Total | | | | ① |

① Insert this amount in Table IV. E., Line [E]

- Attach additional sheet(s) if necessary -

SECTION IV - LONG TERM DEBT & EQUITY INFORMATION - WATER

A. EQUITY

How much equity or total capital does the company have in the utility? 27400
Enter also in Table IV. D., Box ③ below

B. RATE OF RETURN

What rate of return (profit) on investment in plant (equity) is expected? 11.96%
Enter also in Table IV. D., Box ④ below

NOTE: You may choose

- an average equity return established by the staff each year and included with the Annual Report Instructions OR
- an interest rate that you think is fair that is less than the rate established by the staff OR
- to use the **Rate of Return Worksheet** which is attached to the **Instructions**.

C. BANKRUPTCY

Has the utility or utility owner filed bankruptcy within the last seven years? _____ YES ☒ NO

If YES, explain status of applicant at this time. _____

D. NOTES PAYABLE - WATER

List the following information concerning debt and equity of the utility. Attach copies of notes payable:

Round all percentages to two (2) decimal places.

Table IV. D.

| [A] Name of Bank/Lender | [B] Date of Issue | [C] Date of Maturity | [D] Original Amount of Loan | [E] Outstanding or Unpaid Balance- End of Test Year | [F] Interest Rate | [G] Weighted Average [E] ÷ ⑤ * [F] |
|----------------------------|----------------------|-------------------------|--------------------------------|--|----------------------|--|
| Part 1 - Debt | | | | | | |
| Chase - Line of Credit | | N/A | \$ 14000 | \$ 9348 | 4.5 % | 1.14 % |
| | | | \$ | \$ | % | % |
| | | | \$ | \$ | % | % |
| | | | \$ | \$ | % | % |
| | | | \$ | \$ | % | % |
| Total | | | \$ 14000 ① | \$ 9348 ② | | 1.14 % ⑥ |
| Part 2 - Investment/Equity | | | | \$ 27400 ③ | 11.90 % ④ | 8.92 % ⑦ |
| Total Debt & Equity | | | | \$ 36748 ⑤ | | |
| | | | | | Rate of Return | 10.06 % ⑧ |

- ① Total amount of original loans
- ② Total amount of the outstanding balance on the loans
- ③ Equity in the utility - From Section IV. A.
- ④ Return on Equity - From Section IV. B.
- ⑤ Total of ② + ③
- ⑥ Total weighted average of debt - To Table V, Line [C]
- ⑦ Weighted average of Investment/Equity ③ ÷ ⑤ * ④
- ⑧ Sum of ⑥ + ⑦ - To Table IV. E., Line [G]

E. INVESTED CAPITAL RETURN - WATER**Table IV. E.**

| | | |
|--|-----|----------|
| Net Book Value - From Table III. B., Box ③ | [A] | \$ 27400 |
| Working cash allowance - (Amount From Table VI. A., Line [L] Column ③, Box ⑦ (÷ 8) | [B] | \$ 1656 |
| Materials and supplies | [C] | \$ 1000 |
| Subtotal - Sum of [A] thru [C] | [D] | \$ 30056 |
| Developer Contributions - From Table III. C., Box ① | [E] | \$ 0 |
| Total invested capital [D] - [E] | [F] | \$ 30056 |
| Rate of return - From Table IV. D., Box ⑧ | [G] | 10.06 % |
| Return/Interest - If [F] is greater than -0-, then enter [F] * [G]. If [F] is less than -0-, enter -0-. Enter this amount in Table V., Line [A] and Table VI. A., Line [Q], Column ② | [H] | \$ 3024 |

SECTION V - INCOME TAX CALCULATION - WATER

Use the following table to determine the amount of income tax that can be included in your revenue requirement.

Table V.

| | | |
|---|-----|---------------------|
| Return - From Table IV. E., Line [H] | [A] | \$ 3024 |
| Interest Calculation | | |
| Total Invested Capital - From Table IV. E., Line [F] | [B] | \$ 30056 |
| Weighted Cost of Debt Capital - Percentage From Table IV. D., Box ⑥ | [C] | 1.14 % |
| Interest [B]*[C] | [D] | \$ 343 |
| Taxable Income [A] - [D] | [E] | \$ 2681 |
| Enter Income Tax from Tax Table (Appendix A) | [F] | \$ 529 ^① |

①To Table VI. A., Line [P], Column ②

SECTION VI - UTILITY INCOME & EXPENSE INFORMATION - WATER

A REVENUE REQUIREMENT

Please provide the following information regarding the cost to the utility of providing water utility service over your selected twelve month "test year".

Note 1 - Instead of using the percentages listed, you may take the Total Cost and multiply it by 67% to determine the fixed portion and 33% for the variable portion.

TABLE VI. A.

| Test Year <u>11/1/00 to 12/31/00</u> | Line | 12 Month "test year" per books | Known and Measurable Changes | Revenue Requirement for next yr | % of Δ that is fixed (Note 1) | | Fixed Expenses (Note 1) | Variable Expenses (Note 1) |
|---|------|--------------------------------------|------------------------------------|---------------------------------------|---|------|---|--|
| | | | | | Rec. | Act. | | |
| | | ϵ | $\$$ | $\Delta = \epsilon + \$$ | ∇ | | $\textcircled{B} = (\Delta \nabla) / 100$ | $\textcircled{C} = \Delta - \textcircled{B}$ |
| Salaries and Wages | [A] | 0 | 26000 | 26000 | 50 | | | |
| Contract Labor | [B] | 0 | 0 | 0 | 90 | | | |
| Purchased water | [C] | 0 | 0 | 0 | 0 | | | |
| Chemicals for treatment | [D] | 1195 | 0 | 1195 | 0 | | | |
| Utilities (electricity) | [E] | 3208 | 0 | 3208 | 0 | | | |
| Repairs/maintenance/supplies | [F] | 7443 | 0 | 7443 | 50 | | | |
| Office expenses | [G] | 1614 | 2600 | 4214 | 50 | | | |
| Accounting & Legal fees | [H] | 500 | 0 | 500 | 100 | | | |
| Insurance | [I] | 727 | 0 | 727 | 100 | | | |
| Rate case expense | [J] | 0 | 0 | 0 | 100 | | | |
| Miscellaneous (test fees, licenses, training) | [K] | 3413 | 0 | 3413 | 50 | | | |
| Subtotal - Sum of Line [A] thru Line [K] | [L] | 18100 | 28600 | 46700 | | | | |
| Payroll Taxes (self employment tax) | [M] | 987 | 0 | 987 | 50 | | | |
| Property and other taxes | [N] | 1633 | 194 | 1827 | 100 | | | |
| Annual Depreciation and Amortization - From Table III. B. | [O] | 3740 | 0 | 3740 | 100 | | | |
| Income Taxes - From Table V, Line [F] | [P] | | 529 | 529 | 100 | | | |
| Return - From Table IV. E., Line [H] | [Q] | | 3024 | 3024 | 100 | | | |
| Subtotal - Sum of Line [L] thru Line [Q] | [R] | 6360 | 28794 | 56807 | | | | |
| Other Revenues | [S] | 545 | 0 | 545 | 100 | | | |
| Total Cost = Line [R] - Line [S] | [T] | 5815 | 28794 | 56262 | | | | |
| Alternative Allocation between Fixed and Variable | [U] | | | 56262 | 67 | | 37695 | 18567 |

B. ~~X~~ KNOWN & MEASURABLE

If you listed anything in TABLE VI. A. above as an increase/decrease expected in the next 12 months, please provide a short explanation by item why there will be a change and how you projected the cost. Changes in cost must be known and measurable and supported by invoices or other documentation.

property tax - 2011 - 1827 (2010 - 1633)
 OFFICE EXPENSES - 1000⁰⁰ for new laptop computer
 1100⁰⁰ to upgrade software for billing

-Attach additional sheet(s) or a separate listing for sewer service if necessary-

SECTION VII - CUSTOMER INFORMATION - WATER

NUMBER OF CUSTOMERS

How many customers (active connections) did you have at the beginning and at the end of the twelve month test year?

TABLE VII

| Connection Type | Line | Beginning of period ① | End of period ② | Equivalency Factor ③ | Meter Equivalents ④=②*③ |
|--------------------------|---------|--------------------------|--------------------|-------------------------|----------------------------|
| Non-Metered Connections: | | | | | |
| Residential | N/A [A] | 74 | 74 | 1 | 74 |
| Commercial | [B] | X | X | 1 | X |
| Standby | [C] | X | X | 1 | X |
| Metered Connections: | | | | | |
| 5/8" x 3/4" | [D] | 74 | 74 | 1 | 74 |
| 3/4" | [E] | | | 1.5 | |
| 1" | [F] | | | 2.5 | |
| 1 1/2" | [G] | | | 5 | |
| 2" | [H] | | | 8 | |
| 3" | [I] | | | 15 | |
| Other: | [J] | | | | |
| Total | [K] | 74 | 74 | | 74 ⑤ |

⑤ To Table IX. B., Line [B] AND Table X. A., Line [F]

SECTION VIII - PRODUCTION & CONSUMPTION INFORMATION - WATER

Please provide the following information regarding water utility operations over your selected twelve month "test year".

Table VIII

| | | | |
|---|-----|---------|---------|
| Total number of gallons pumped (total master meter reading for the year) | [A] | 5374990 | gallons |
| Total number of gallons purchased from another source for sale to customers (if any) | [B] | | gallons |
| Total number of gallons provided to customers $[C]=[A]+[B]$ | [C] | 5374990 | gallons |
| Total number of gallons billed to your customers (total customer consumption) | [D] | 5337650 | gallons |
| System losses: $\frac{([C] - [D])}{[C]} \times 100\% = [E]$ | [E] | 0.007 | % |
| Source of Purchased water | | | |

① To Table IX. A., Line [B] and Table X. A., Line [B]

SECTION IX - RATE DESIGN - WATER

A. VARIABLE RATE CALCULATIONS

Table IX. A.

| | Line | | Instructions |
|--|------|----------|---|
| Total Variable Costs | [A] | \$ 18567 | From Table VI. A., Line [T], Box ⑩ or Line [U], Box ⑩ |
| Total # of Gallons Billed to Customers | [B] | 5337650 | From Table VIII, Line [B] |
| Total # of 1,000 Gallons billed | [C] | 5338 | Divide Line [B] by 1,000 |
| Variable Cost per 1,000 gallons | [D] | \$ 3.48 | Divide Line [A] by Line [C] Transfer to Table IX. B., Lines [E] through [J], Box ⑥ |

B. BASE RATE CALCULATIONS

Table IX. B.

| | Line | | # of 1000 gallons in base bill | Variable cost per 1,000 gals | Variable cost to be added to base rate | Total base rate per meter size |
|--|----------------------|----------|--------------------------------|------------------------------|--|--------------------------------|
| | | ① | ② | ③ | ④=②*③ | ⑤=①+④ |
| Total fixed costs - From Table VI. A., Line [T], Box ⑨ or Line [U], Box ⑩ | [A] | \$ 37695 | | | | |
| Total meter equivalents at end of test year - From Table VII, Line [K], Box ⑤ | [B] | 74 | | | | |
| Base charge per meter equivalent or for each unmetered connection [A] ÷ [B] and then divide by 12 | [C] | \$ 661.2 | | | | |
| Base charge per meter size | | | | | | |
| 5/8" x 3/4" or unmetered | Multiply [C] by 1 | [D] | 661.2 | 3 | 3.48 ^⑥ | 10.44 |
| 3/4" | Multiply [C] by 1.5 | [E] | | | ⑥ | 71.56 |
| 1" | Multiply [C] by 2.5 | [F] | | | ⑥ | |
| 1 1/2" | Multiply [C] by 5.0 | [G] | | | ⑥ | |
| 2" | Multiply [C] by 8.0 | [H] | | | ⑥ | |
| 3" | Multiply [C] by 15.0 | [I] | | | ⑥ | |
| Other: | | [J] | | | ⑥ | |

⑥ From Table IX. A., Line [D]

SECTION X - ALTERNATE METHOD OF RATE DESIGN - WATER

After you have performed the calculations in SECTION IX, you may find that the cost per 1,000 gallons is not what you think your customers will approve. If that is the case, then the following will allow you to calculate a rate structure that still recovers your revenue requirement, but with rates that you think may be more appropriate for your customers.

Table X. A.

| | Line | | |
|--|------|----------|--|
| Cost per 1,000 gallons | [A] | \$ 4.00 | This is the rate that you think is appropriate Enter in Table X. B., Column ③, Lines [B] through [H] |
| Total # of 1,000 Gallons billed | [B] | 5338 | From Table IX. A., Line [C] |
| Total Cost to be recovered through gallonage charge | [C] | \$ 21352 | Multiply Line [A] times Line [B] |
| Total Revenue Requirement | [D] | \$ 56262 | From Table VI. A., Line [T] Box ③ |
| Total to be recovered through base rate | [E] | \$ 34910 | Subtract Line [C] from Line [D] |
| Total number of meter equivalents | [F] | 74 | From Table VII, Line [K], Box ⑤ |
| Base rate per meter equivalent | [G] | \$ 39.31 | Divide Line [E] by Line [F] & then divide by 12months Enter this in Table X. B., Line [A] Column ① |

Table X. B.

| | Line | | # of 1000 gallons in base bill | Variable cost per 1,000 gals | Variable cost added to base | Total base bill per meter size |
|---|------------------------|----------|--------------------------------------|------------------------------------|-----------------------------------|-----------------------------------|
| | | ① | ② | ③ | ④=②*③ | ⑤=①+④ |
| Base charge per meter equivalent or for each unmetered connection From Table X. A, Line [G] | [A] | \$ 39.31 | | | | |
| Base rate per meter size | | | | | | |
| 5/8" x 3/4" or unmetered | Multiply [A] ① by 1 | [B] | 39.31 | 3000 | 4 ⑥ | 12 |
| 3/4" | Multiply [A] ① by 1.5 | [C] | | | ⑥ | |
| 1" | Multiply [A] ① by 2.5 | [D] | | | ⑥ | |
| 1 1/2" | Multiply [A] ① by 5.0 | [E] | | | ⑥ | |
| 2" | Multiply [A] ① by 8.0 | [F] | | | ⑥ | |
| 3" | Multiply [A] ① by 15.0 | [G] | | | ⑥ | |
| Other: | | [H] | | | ⑥ | |

⑥ From Table X. A., Line [A]

Appendix A

Rate of Return Worksheet

Rate of Return Worksheet

| Step | | | % |
|------|---|--|------|
| A | Most current Baa Public Utility Bond average. (Call TCEQ staff at 512/239-4691 to get this number.) | | 5.96 |
| B | Add 2% - for utilities with 200 or less customers | | 2 |
| C | Add 1% if the utility can demonstrate that it has both: | | 1 |
| | 1 | Debt/equity ratio is greater than 60% (Table IV. D. - Box ② ÷ Box ③) AND | ✓ |
| | 2 | No affiliated companies with access to revenues or other funds to support utility operations | ✓ |
| D | Add 1% if the utility can demonstrate that it has at least 2 of the following 4 conditions: | | 1 |
| | 1 | unstable population - Weekender/seasonal population: a. >25% of total customers; OR b. >10% of total customers and do not use seasonal reconnect fee; | X |
| | 2 | commercial customers account for more than 15% of revenues | X |
| | 3 | low growth a. less than 5% customer growth over the last three years; OR b. documentation of potential customer growth of less than 5% over the next three years; declining population | ✓ |
| | 4 | aging system a. more than 50% depreciated; OR b. low rate base (<\$500/customer) | ✓ |
| E | Add 1% if the utility is a stand alone sewer system with no agreement for either billing and collection or discontinuance for nonpayment with the water supplier. | | 0 |
| F | Add 1% if the utility can demonstrate that it has at least 3 of the 4 following conditions: | | 1 |
| | 1 | Number of complaints 2 complaints or less per year to TCEQ for less than 200 customer system | ✓ |
| | 2 | No major deficiencies in the most recent PWS inspection report | ✓ |
| | 3 | No current or prior enforcement actions under current management within the last 3 years | ✓ |
| | 4 | Good faith efforts to solve any current problems | ✓ |
| G | Add 1% if the utility can demonstrate that it has at least 4 of the following 5 conditions: | | 1 |
| | 1 | well-maintained, up-to-date books and records | ✓ |
| | 2 | effective communications and good customer relations | ✓ |
| | 3 | consistently timely in meeting reporting requirements (ex. annual reports for last 3 years) and payment of fees | ✓ |
| | 4 | exhibit fiscal responsibility with respect to rate filings, including completeness, accuracy and frequency | ✓ |
| | 5 | Less than 12% unaccounted for water - (Section VIII of the Application - Page 16 of 41) | ✓ |

| | | | | |
|---|---|---|---|-------|
| H | Add 1% if the utility can demonstrate that it has at least 4 of the following 5 conditions: | | | 0 |
| | 1 | rate structure - any two of the following a. zero gallons included in minimum bill b. gallonage rate set high enough to encourage conservation (> \$2.00/1000 gal.) c. use of inclining blocks, i.e. higher use pays higher cost | X | |
| | 2 | drought contingency plan included in tariff and enforced (if applicable) | ✓ | |
| | 3 | conservation plan including encouragement of the use of water conserving devices, efficient lawn watering, or xeriscaping | ✓ | |
| | 4 | program to educate the customers about the nature of the system, its production and distribution ability, PWS standards, and the need for water conservation | X | |
| | 5 | unaccounted for water a. greater than or equal to 10% and or b. successful program to reduce losses (ex. leak detection & repair) (within last 3 years 25% reduction since program implemented) | ✓ | |
| I | Total Rate of Return % | | | 11.96 |

AFFIDAVIT
WATER &/OR SEWER
RATE/TARIFF CHANGE

Jon Niermann, *Chairman*
Emily Lindley, *Commissioner*
Bobby Janecka, *Commissioner*
Toby Baker, *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

January 15, 2020

E-CERTIFIED MAIL # 9171 9690 0935 0222 2934 16

Mr. Joseph Desmit, Owner
Knob Hill Water System (WS)
2861 High Meadow Drive
Little Elm, Texas 75068-2865

Re: Notice of Violation for Public Water Supply Comprehensive Compliance Investigation at:
Knob Hill WS, 2861 High Meadow Drive, Little Elm, Denton County, Texas
RN 102672433, PWS ID No. 0610068, Investigation No. 1617949

Dear Mr. Desmit:

On December 18, 2019, Ms. Daniela Hill of the Texas Commission on Environmental Quality (TCEQ) Dallas/Fort Worth (D/FW) Regional Office conducted an investigation of the above-referenced regulated entity to evaluate compliance with applicable requirements for public water supply. Enclosed is a summary which lists the investigation findings. During the investigation, certain outstanding alleged violations were identified for which compliance documentation is required. Please submit to this office by **February 14, 2020**, a written description of corrective action taken and the required documentation demonstrating that compliance has been achieved for the outstanding alleged violations.

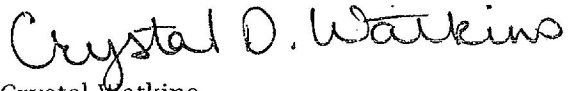
In the listing of the alleged violations, we have cited applicable requirements, including TCEQ rules. Please note that both the rules themselves and the agency brochure entitled *Obtaining TCEQ Rules* (GI 032) are located on our agency website at <http://www.tceq.texas.gov> for your reference. If you would like a hard copy of this brochure mailed to you, you may call and request one from either the D/FW Regional Office at (817) 588-5800 or the Central Office Publications Ordering Team at (512) 239-0028.

The TCEQ appreciates your assistance in this matter. Please note that the Legislature has granted TCEQ enforcement powers which we may exercise to ensure compliance with environmental regulatory requirements. We anticipate that you will resolve the alleged violations as required in order to protect the State's environment. If you have additional information that we are unaware of, you have the opportunity to contest the violation documented in this notice. Should you choose to do so, you must notify the D/FW Regional Office within 10 days from the date of this letter. At that time, Mr. Brent Candler, Water Section Manager, will schedule a violation review meeting to be conducted within 21 days from the date of this letter. However, please be advised that if you decide to participate in the violation review process, the TCEQ may still require you to adhere to the compliance schedule included in the attached Summary of Investigation Findings until an official decision is made regarding the status of any or all of the contested violations.

Mr. Joseph Desmit, Owner
Page 2
January 15, 2020

If you or members of your staff have any questions, please feel free to contact Ms. Hill in the D/FW Regional Office at (817) 588-5810.

Sincerely,

A handwritten signature in cursive script that reads "Crystal D. Watkins".

Crystal Watkins
Work Leader, Public Water Supply Program
D/FW Regional Office

CW/dh

Enclosure: Summary of Investigation Findings

| | |
|---|---|
| KNOB HILL WATER SYSTEM DENTON 2861 HIGH MEADOW DR LITTLE ELM, DENTON COUNTY, TX 75068 Additional ID(s): 0610068 | Investigation # 1617949 Investigation Date: 12/18/2019 |
|---|---|

OUTSTANDING ALLEGED VIOLATION(S) ASSOCIATED TO A NOTICE OF VIOLATION

Track No: 737495 **Compliance Due Date:** 02/14/2020
30 TAC Chapter 290.46(f)(3)(A)(i)(III)

Alleged Violation:

Investigation: 1617949

Comment Date: 12/23/2019

Failure to record the amount of poly phosphate used each week.

During the Comprehensive Compliance Investigation on December 18, 2019, it was noted that the water system did not record the amount of poly phosphate used each week.

30 TAC 290.46(f)(3)(A)(i)(III) states systems that serve fewer than 250 connections, serve fewer than 750 people, and use only groundwater or purchased treated water shall maintain a record of the amount of each chemical used each week.

Recommended Corrective Action: Submit at least one month of records showing the amount of poly phosphate used each week is being documented. Submit a letter with a description of the actions taken to the TCEQ D/FW Region Office to document that the alleged violation has been corrected.

Track No: 737496 **Compliance Due Date:** 02/14/2020
30 TAC Chapter 290.41(c)(3)(K)

Alleged Violation:

Investigation: 1617949

Comment Date: 01/06/2020

Failure to provide proper well casing vents and properly seal the wellheads for Well #1 (G0610068A) and Well #2 (G0610068B).

During the Comprehensive Compliance Investigation on December 18, 2019, it was noted that the well casing vent for Well #1 (G0610068A) was covered with a 16-mesh or finer corrosion-resistant screen, but the well casing vent was not facing downward and the well casing vent for Well #2 (G0610068B) was not covered with a 16-mesh or finer corrosion-resistant screen and was not facing downward. It was also noted that the electrical wiring on the wellheads for Well #1 and Well #2 were not properly sealed.

30 TAC 290.41(c)(3)(K) states wellheads and pump bases shall be sealed by a gasket or sealing compound and properly vented to prevent the possibility of contaminating the well water. A well casing vent shall be provided with an opening that is covered with 16-mesh or finer corrosion-resistant screen, facing downward, elevated and located so as to minimize the drawing of contaminants into the well. Wellheads and well vents shall be at least two feet above the highest known watermark or 100-year flood elevation, if available or adequately protected from possible flood damage by levees.

Recommended Corrective Action: Install proper well casing vents and properly seal the electrical wiring on the well heads for Well #1 (G0610068A) and Well #2 (G0610068B) to ensure compliance with 30 TAC 290.41(c)(3)(K). Submit a letter, description, and photographs of the actions taken to the TCEQ D/FW Region Office to document that the alleged violation has been corrected.

PWS_0610068_CP_20191218_INVESTIGATION
Texas Commission on Environmental Quality
Investigation Report

The TCEQ is committed to accessibility. If you need assistance in accessing this document, please contact oce@tceq.texas.gov

Customer: DESMIT, JOSEPH C
Customer Number: CN601356991

Regulated Entity Name: KNOB HILL WATER SYSTEM DENTON

Regulated Entity Number: RN102672433

Investigation # 1617949

Incident Numbers

Investigator: DANIELA HILL

Site Classification GW 51-250 CONNECTION

Conducted: 12/18/2019 -- 12/18/2019

SIC Code: 4941

Program(s): PUBLIC WATER SYSTEM/SUPPLY

Investigation Type: Compliance Investigation

Location:

Additional ID(s): 0610068

Address: 2861 HIGH MEADOW DR,
LITTLE ELM, TX , 75068

Local Unit: REGION 04 - DFW METROPLEX

Activity Type(s): PWSCCIGWCM - CCI GW PURCHASE
- COMMUNITY MANDATORY

Principal(s):

Role

Name

RESPONDENT

JOSEPH C DESMIT

Contact(s):

Role

Title

Name

Phone

REGULATED
ENTITY MAIL
CONTACT

OWNER

MR JOSEPH C DESMIT

Work (214) 536-7942

REGULATED
ENTITY
CONTACT

OPERATOR

MRS KAREN
LONG-DESMIT

Work (214) 536-7942

NOTIFIED

OPERATOR

MRS KAREN
LONG-DESMIT

Work (214) 536-7942

PARTICIPATED
IN

OPERATOR

MRS KAREN
LONG-DESMIT

Work (214) 536-7942

Other Staff Member(s):

Role

Name

QA Reviewer
Supervisor

STEVE ZAWROTNY
CRYSTAL WATKINS

Associated Check List

Checklist Name
PWS STANDARD FIELD
WATER EQUIPMENT

Unit Name
CCI 0610068
EMS 0610068

Investigation Comments:**INTRODUCTION**

On December 18, 2019, Ms. Daniela Hill, Texas Commission on Environmental Quality (TCEQ) Environmental Investigator, conducted a Comprehensive Compliance Investigation (CCI) at Knob Hill Water System. The purpose of the investigation was to determine compliance with applicable Public Water System (PWS) regulations.

Ms. Hill contacted Ms. Karen Long-Desmit, Operator, on December 6, 2019, to schedule the investigation. In addition, a records request form was sent by email to the water system on that date, which listed the documents to be reviewed during the investigation.

On December 18, 2019, Ms. Hill arrived at the water system office and met with Ms. Long-Desmit to begin the record review portion of the investigation. At the conclusion of the investigation, an exit interview was conducted, and an Exit Interview Form, Customer Satisfaction Survey, and Texas Water Development Board Financial Assistance Program Information Sheet were provided to Ms. Long-Desmit. The Area of Concern policy was discussed with the water system official at this time.

Two alleged violations were noted during the CCI and a Notice of Violation (NOV) letter was mailed to the water system as a result of the investigation.

GENERAL FACILITY AND PROCESS INFORMATION

Knob Hill Water System is a community groundwater system that serves a total of 72 connections and an approximate population of 216 individuals, based on three persons per connection. The water system facilities consist of two groundwater wells, two water treatment plants, and one pressure plane.

Water Treatment Plant 1 is located at 4598 Wild Valley in Little Elm, Texas. Water pumped from Well #1 (Go610068A) is disinfected with sodium hypochlorite solution prior to entering one ground storage tank. Two service pumps pump water from the ground storage tank to the distribution system. One hydropneumatic tank provides pressure maintenance for the distribution system.

Water Treatment Plant 2 is located at 3048 Turtle Pond Circle in Little Elm, Texas. Water pumped from Well #2 (Go610068B) is sequestered with polyphosphate and then disinfected with sodium hypochlorite solution prior to entering one ground storage tank. Two service pumps pump water from the ground storage tank to the distribution system. Two hydropneumatic tanks provide pressure maintenance for the distribution system.

Specific facility information such as tank volumes, pump capacities, etc; can be found in the Water System Diagram, Water System Summary Sheet, and Capacity Evaluation included in the investigation attachments.

Exception/Alternative Capacity Requirement

N/A

BACKGROUND

The previous CCI, Investigation Number 1409810, was conducted on May 16, 2017. Two Areas of Concern were noted as a result of the investigation.

No complaints have been filed against Knob Hill Water System during the last five years.

ADDITIONAL INFORMATION

Record Review

During the investigation, the following records were requested for review: well completion data, sanitary control easements, plant operations manual, drought contingency plan, monitoring plan, distribution map, customer service agreements, backflow prevention assembly test and maintenance reports, complaint records, customer service inspection forms, monthly operating reports, flushing records, NSF certifications for all chemicals used, tank inspection forms, disinfectant residual monitoring records, bacteriological sampling records, disinfectant level quarterly operating reports, and equipment calibration records for the previous twelve months.

During the investigation, it was noted that the water system did not record the amount of poly phosphate used each week. This was noted as an alleged violation. All other documents and records appeared to be compliant with applicable regulations.

Operation and Maintenance

Based on the number of connections, the water system is required to employ at least one water works operator who holds a Class "D" or higher water license. The water system employs the following licensed individual:

Karen J. Long-Desmit – Class D Water Operator – WO0028220

Joseph C. Desmit – Class D Water Operator – WO0000596

Charles H. Elders – Class D Water Operator – WO0042107

The number and type of licensed operators employed by the water system was reviewed and found to be adequate.

An evaluation of the water production and distribution facilities was conducted next. At this time, it was noted that the water system did not provide: (a) a proper seal on the wellheads for Well #1 (Go610068A) and Well #2 (Go610068B), and (b) a proper well casing vent for Well #1 and Well #2. These were noted as alleged violations. All other areas of operation and maintenance appeared to be in compliance.

Capacity

During the investigation, the water system capacities were evaluated.

All capacities were found to be in compliance.

See the investigation attachments for a copy of the Water System Diagram, Water System Summary Sheet, and Capacity Evaluation for further information.

Field Monitoring Activities

During the investigation, the disinfectant residuals concentration and distribution pressures were monitored at the following locations with the following results:

2861 High Meadow Drive – 0.4 milligrams per liter free chlorine and a pressure of 48 pounds per square inch.

Attachments

- 1) Water System Diagram, Water System Summary Sheet, and Capacity Evaluation
- 2) Exit Interview Form

NOV Date 01/15/2020 **Method** WRITTEN

OUTSTANDING ALLEGED VIOLATION(S)
ASSOCIATED TO A NOTICE OF VIOLATION

Track Number: 737495

Compliance Due Date: 02/14/2020

Violation Start Date: 12/18/2019

30 TAC Chapter 290.46(f)(3)(A)(i)(III)

Alleged Violation:

Investigation: 1617949

Comment Date: 12/23/2019

Failure to record the amount of poly phosphate used each week.

During the Comprehensive Compliance Investigation on December 18, 2019, it was noted that the water system did not record the amount of poly phosphate used each week.

30 TAC 290.46(f)(3)(A)(i)(III) states systems that serve fewer than 250 connections, serve fewer than 750 people, and use only groundwater or purchased treated water shall maintain a record of the amount of each chemical used each week.

Recommended Corrective Action: Submit at least one month of records showing the amount of poly phosphate used each week is being documented. Submit a letter with a description of the actions taken to the TCEQ D/FW Region Office to document that the alleged violation has been corrected.

Track Number: 737496

Compliance Due Date: 02/14/2020

Violation Start Date: 12/18/2019

30 TAC Chapter 290.41(c)(3)(K)

Alleged Violation:

Investigation: 1617949

Comment Date: 01/06/2020

Failure to provide proper well casing vents and properly seal the wellheads for Well #1 (Go610068A) and Well #2 (Go610068B).

During the Comprehensive Compliance Investigation on December 18, 2019, it was noted that the well casing vent for Well #1 (Go610068A) was covered with a 16-mesh or finer corrosion-resistant screen, but the well casing vent was not facing downward and the well casing vent for Well #2 (Go610068B) was not covered with a 16-mesh or finer corrosion-resistant screen and was not facing downward. It was also noted that the electrical wiring on the wellheads for Well #1 and Well #2 were not properly sealed.

30 TAC 290.41(c)(3)(K) states wellheads and pump bases shall be sealed by a gasket or sealing compound and properly vented to prevent the possibility of contaminating the well water. A well casing vent shall be provided with an opening that is covered with 16-mesh or finer corrosion-resistant screen, facing downward, elevated and located so as to minimize the drawing of contaminants into the well. Wellheads and well vents shall be at least two feet above the highest known watermark or 100-year flood elevation, if available or adequately protected from possible flood damage by levees.

Recommended Corrective Action: Install proper well casing vents and properly seal the electrical wiring on the well heads for Well #1 (Go610068A) and Well #2 (Go610068B) to ensure compliance with 30 TAC 290.41(c)(3)(K). Submit a letter, description, and photographs of the actions taken to the TCEQ D/FW Region Office to document that the alleged violation has been corrected.

Signed

Daniela Hill

Environmental Investigator

Date 01-06-20

Signed

Crystal D. Watkins

Supervisor

Date 1-7-2020**Attachments: (in order of final report submittal)**☐ Enforcement Action Request (EAR)☒ Letter to Facility (specify type) : NOV

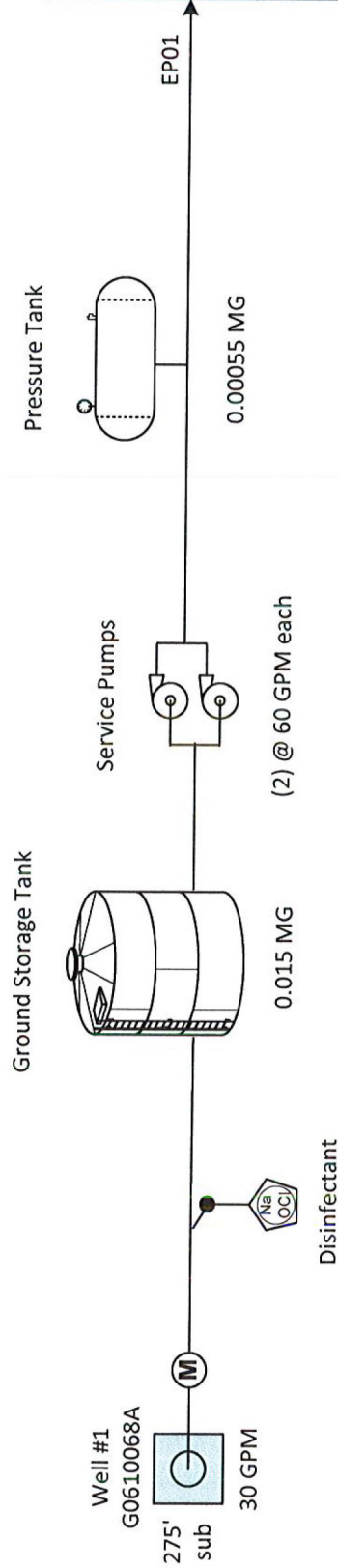
Investigation Report

☐ Sample Analysis Results☐ Manifests☐ Notice of Registration☒ Maps, Plans, Sketches , SCHEMATIC☐ Photographs☐ Correspondence from the facility☒ Other (specify) :WATER SYSTEM SUMMARY SHEETCAPACITY EVALUATIONEXIT INTERVIEW FORM

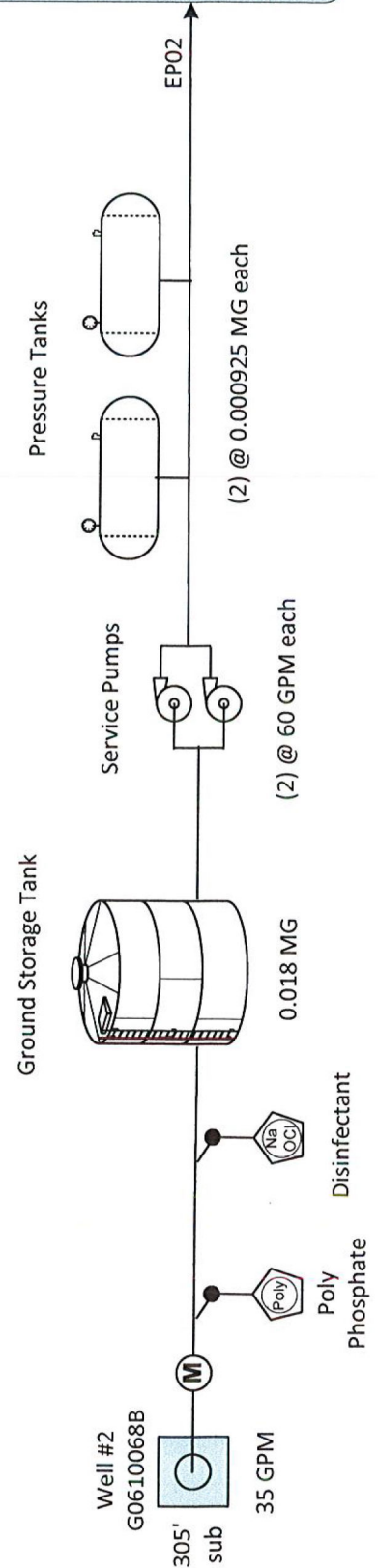
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY PUBLIC WATER SYSTEM DIAGRAM

Knob Hill Water System
PWS ID# 0610068
Investigator: Daniela Hill
Investigation Date: 12/18/19

Water Plant 1 – 4598 Wild Valley



Water Plant 2 – 3048 Turtle Pond Circle



DISTRIBUTION
72
CONNECTIONS

Capacity Evaluation

| Production (Wells + Surface) | |
|-------------------------------------|-------|
| Required Production Capacity in MGD | 0.062 |
| Provided Production Capacity in MGD | 0.094 |
| Deficient? | No |
| Percent Deficiency | N/A |
| Met 85% Min Capacity? | No |

| Raw Water (SW only) | |
|---|---------|
| Required Raw Water Pump Capacity | 0 |
| Provided Raw Water Pump Capacity w/ largest pump out of service | 0 |
| Deficient? | No |
| Percent Deficiency | N/A |
| Met 85% Min Capacity? | #DIV/0! |

| Transfer Pumps (if applicable) | |
|--|---------|
| Required Transfer Pump Capacity | 0 |
| Provided Transfer Pump Capacity w/ largest pump out of service | 0 |
| Deficient? | No |
| Percent Deficiency | N/A |
| Met 85% Min Capacity? | #DIV/0! |

| Total Storage | |
|---------------------------------------|-------|
| Required Storage Capacity in MG | 0.014 |
| Total Storage Capacity Provided in MG | 0.033 |
| Deficient? | No |
| Percent Deficiency | N/A |
| Met 85% Min Capacity? | No |

Elevated / Pressure

| Elevated Storage | |
|--|---------|
| Required Elevated Storage Capacity in MG | 0.007 |
| Total Elevated Storage Capacity Provided in MG | 0.000 |
| Deficient? | |
| Percent Deficiency | 100 |
| Met 85% Min Capacity? | #DIV/0! |

| Pressure Tank | |
|---|-------|
| Required Pressure Tank Capacity in MG | 0.001 |
| Total Pressure Tank Capacity Provided in MG | 0.001 |
| Deficient? | No |
| Percent Deficiency | N/A |
| Met 85% Min Capacity? | Yes |

Service Pumps

| Service Pumps - 2 GPM Option | |
|---------------------------------------|-----|
| Required Service Pump Capacity in GPM | 144 |
| Provided Service Pump Capacity in GPM | 240 |
| Deficient? | No |
| Percent Deficiency | N/A |
| Met 85% Min Capacity? | No |

| Service Pump - Peaking Option | |
|---|---------|
| Peak Hourly Demand in GPM | 0 |
| Provided Service Pump Capacity in GPM with Largest Pump Out of Service? | 0 |
| Deficient? | No |
| Percent Deficiency | N/A |
| Met 85% Min Capacity? | #DIV/0! |

| Service Pumps - EST Option | |
|--|-----|
| Does Facility Meet 200 Gallons Elevated Storage? | |
| Required Service Pump Capacity in GPM | 43 |
| Provided Service Pump Capacity in GPM | 240 |
| Deficient? | No |
| Percent Deficiency | N/A |
| Met 85% Min Capacity? | No |

*** Note that the PWS normally only has one or the other***

*** Note that the PWS can comply with any of the three options above ***

| | | |
|--------------------------------|------------------------|-----------------------|
| <u>PWS ID</u> | <u>PWS Name</u> | <u>Central Reg RN</u> |
| TX0610068 | KNOB HILL WATER SYSTEM | RN102672433 |
| <u>Organization / Customer</u> | | <u>Central Reg CN</u> |
| DESMIT, JOSEPH, C | | CN601356991 |

TX0610068

All Water System Contacts

| | | | | | |
|-----------------------------|--------------|----------------------------------|---------------------|------------|------------|
| <u>DESMIT, JOSEPH, C</u> | | <u>ADDR1</u> 2861 HIGH MEADOW DR | | | |
| <u>JOBTITLE</u> | <u>OWNER</u> | | LITTLE ELM | TX | 75068-2865 |
| <u>POCTYPE</u> | | <u>PURPOSE CODE</u> | <u>PHONE NUMBER</u> | <u>EXT</u> | |
| OW | | BUS | 972-294-2553 | | |
| OW | | BUS | 214-536-7942 | | |
| OW | | MOB | 214-797-0532 | | |
| <u>DESMIT, JOSEPH, C</u> | | <u>ADDR1</u> 2861 HIGH MEADOW DR | | | |
| <u>JOBTITLE</u> | <u>OWNER</u> | | LITTLE ELM | TX | 75068-2865 |
| <u>POCTYPE</u> | | <u>PURPOSE CODE</u> | <u>PHONE NUMBER</u> | <u>EXT</u> | |
| AC | | MOB | 214-797-0532 | | |
| AC | | BUS | 214-536-7942 | | |
| AC | | BUS | 972-294-2553 | | |
| <u>LONG-DESMIT, KAREN J</u> | | <u>ADDR1</u> 2861 HIGH MEADOW | | | |
| <u>JOBTITLE</u> | | | LITTLE ELM | TX | 75068-2865 |
| <u>POCTYPE</u> | | <u>PURPOSE CODE</u> | <u>PHONE NUMBER</u> | <u>EXT</u> | |
| PWS | | FAX | 972-294-2553 | | |
| PWS | | MOB | 214-536-7942 | | |
| PWS | | BUS | 972-294-2553 | | |
| <u>DESMIT, JOSEPH, C</u> | | <u>ADDR1</u> 2861 HIGH MEADOW DR | | | |
| <u>JOBTITLE</u> | <u>OWNER</u> | | LITTLE ELM | TX | 75068-2865 |
| <u>POCTYPE</u> | | <u>PURPOSE CODE</u> | <u>PHONE NUMBER</u> | <u>EXT</u> | |
| ECS | | MOB | 214-797-0532 | | |
| ECS | | BUS | 972-294-2553 | | |
| ECS | | BUS | 214-536-7942 | | |
| <u>LONG-DESMIT, KAREN J</u> | | <u>ADDR1</u> 2861 HIGH MEADOW | | | |
| <u>JOBTITLE</u> | | | LITTLE ELM | TX | 75068-2865 |
| <u>POCTYPE</u> | | <u>PURPOSE CODE</u> | <u>PHONE NUMBER</u> | <u>EXT</u> | |
| EC | | FAX | 972-294-2553 | | |
| EC | | BUS | 972-294-2553 | | |
| EC | | MOB | 214-536-7942 | | |

OWNER TYPE Investor Owned

TX0610068

| <u>Population Type</u> | <u>Population Served</u> | <u># of Connections</u> |
|------------------------|--------------------------|-------------------------|
| Residential | 216 | 72 |
| TOTAL | 216 | 72 |

TX0610068

Purchases (Buys From)Wholesales (Sells To)

WATERTYPE

GW

PURCHASE AGSYSTEM TYPE

COMMUNITY

ACTIVITY STATUS ATOTAL PRODUCTAVG DAILY USGMAX DAILY DMDTOT STORG MSR

0.094

0.013

0.033

UNITSUNITSUNITSUNITS

MGD

MGD

MG

TOTL ELEV STORGSERV PUMP CAPMAX PURCH CAP FLOW
RATETOTAL PRES TANK CAP

0.346

0.002

UNITSUNITSUNITSUNITS

MGD

MG

ACTIVE SOURCES

| <u>Source Number</u> | <u>SOURCE NAME</u> | <u>Activity Status</u> | <u>Oprtnl Status</u> | <u>SOURCE TYPE</u> | <u>WELL DEPTH</u> | <u>TESTED FLOW RATE</u> | <u>RATED FLOW RATE</u> |
|----------------------|-----------------------------|------------------------|----------------------|--------------------|-------------------|-------------------------|------------------------|
| G0610068A | 1 - KNOB HILL / WILD VALLEY | A | P | G | 275 | 30 GPM | N/A |
| <u>Drill Date</u> | <u>SOURCE SUMMATION</u> | | | | | <u>Plant Num</u> | <u>TYPE CODE</u> |
| 01/03/1980 | WOODBINE | | | | | TP3026 | WL |
| <u>GPS Latitude</u> | <u>GPS Longitude</u> | <u>GPS ELEVATION</u> | | <u>GPS DATE</u> | | <u>SELLER PWS ID</u> | |
| 33.180375 | -96.957701 | 573 | | 07/07/2006 | | Not Purchasing | |

TREATMENT PLANT

| | | | |
|--------------------------|--------------------------------|--------------------------------|----------------------------------|
| <u>ENTRY PNT</u> | <u>EP Name, Source, Status</u> | <u>Plant Name & Status</u> | <u>Plant Num</u> |
| EP001 | TRT-TAP / Ground Water / A | PLANT - BIG WELL (A) | TP3026 |
| <u>Chemical Mon Type</u> | <u>Chemical Sample Point</u> | <u>Distribution Mon Type</u> | <u>Distribution Sample Point</u> |
| | NO | | NO |

TREATMENTS

| <u>TRAIN</u> | | Unnamed | | <u>PLANT NUM</u> | TP3026 |
|--------------------------|---------------------------|---------------|------------------|------------------|-----------------------|
| <u>Disinfection Zone</u> | <u>Treatment Sequence</u> | <u>OBJ CD</u> | <u>OBJECTIVE</u> | <u>Process</u> | <u>Treatment</u> |
| null | null | D | DISINFECTION | 423 | HYPOCHLORINATION, PRE |

ACTIVE SOURCES

| <u>Source Number</u> | <u>SOURCE NAME</u> | <u>Activity Status</u> | <u>Oprtnl Status</u> | <u>SOURCE TYPE</u> | <u>WELL DEPTH</u> | <u>TESTED FLOW RATE</u> | <u>RATED FLOW RATE</u> |
|----------------------|-------------------------|------------------------|----------------------|--------------------|-------------------|-------------------------|------------------------|
| G0610068B | 2 - QUAIL RUN | A | P | G | 305 | 35 GPM | 28 GPM |
| <u>Drill Date</u> | <u>SOURCE SUMMATION</u> | | | | | <u>Plant Num</u> | <u>TYPE CODE</u> |
| 05/29/1970 | WOODBINE | | | | | TP3028 | WL |
| <u>GPS Latitude</u> | <u>GPS Longitude</u> | <u>GPS ELEVATION</u> | | <u>GPS DATE</u> | | <u>SELLER PWS ID</u> | |
| 33.175696 | -96.954776 | 558 | | 07/07/2006 | | Not Purchasing | |

TREATMENT PLANT

| | | | |
|--------------------------|--------------------------------|--------------------------------|----------------------------------|
| <u>ENTRY PNT</u> | <u>EP Name, Source, Status</u> | <u>Plant Name & Status</u> | <u>Plant Num</u> |
| EP002 | TRT-TAP / Ground Water / A | PLANT - LITTLE WELL (A) | TP3028 |
| <u>Chemical Mon Type</u> | <u>Chemical Sample Point</u> | <u>Distribution Mon Type</u> | <u>Distribution Sample Point</u> |
| | NO | | NO |

TREATMENTS

| <u>TRAIN</u> | | Unnamed | | <u>PLANT NUM</u> | TP3028 |
|--------------------------|---------------------------|---------------|------------------|------------------|-----------------------|
| <u>Disinfection Zone</u> | <u>Treatment Sequence</u> | <u>OBJ CD</u> | <u>OBJECTIVE</u> | <u>Process</u> | <u>Treatment</u> |
| null | null | D | DISINFECTION | 423 | HYPOCHLORINATION, PRE |
| null | null | F | IRON REMOVAL | 680 | SEQUESTRATION |

INACTIVE / OFFLINE SOURCES

| <u>SOURCE ID</u> | <u>SOURCE NAME</u> | <u>TYPE</u> | <u>STATUS</u> | <u>AVAIL - ABILITY</u> | <u>FACID</u> | <u>WATER TYPE</u> |
|------------------|--------------------|-------------|---------------|----------------------------|--------------|-----------------------|
| G0610068C | 3 - PLUGGED | WL | I | P | | GW |

PUMPS

| <u>PUMP ID</u> | <u>PUMP NAME</u> | <u>FACILITY TYPE</u> | <u>ACTIVITY STATUS</u> | <u>AVAIL ABILITY</u> | <u>FLOW RATE NAME</u> | <u>TESTED FLOW</u> | <u>TESTED UOM</u> |
|----------------|---------------------------------------|--------------------------|----------------------------|--------------------------|-------------------------------|------------------------|-----------------------|
| PF3975 | QUAIL RUN & TURTLE POND - 60 GPM - SP | PF | A | P | SPCP | 60 GPM | |
| PF3976 | QUAIL RUN & TURTLE POND - 60 GPM - SP | PF | A | P | SPCP | 60 GPM | |
| PF3977 | KNOB HILL & WILD VALLEY - 60 GPM - SP | PF | A | P | SPCP | 60 GPM | |
| PF3978 | KNOB HILL & WILD VALLEY - 60 GPM - SP | PF | A | P | SPCP | 60 GPM | |

STORAGE TANKS

| <u>TANK ID</u> | <u>TANK NAME</u> | <u>TANK TYPE</u> | <u>ACTIVITY STATUS</u> | <u>AVAIL ABILITY CODE</u> | <u>STOR AGE TYPE</u> | <u>CON STR MATRL TP</u> | <u>MEASURE QUANTITY</u> | <u>UOM</u> | <u>MEASURE NAME</u> |
|----------------|---|----------------------|----------------------------|-----------------------------------|------------------------------|---------------------------------|-----------------------------|------------|-------------------------|
| ST4078 | KNOB HILL & WILD VALLEY -0.000925 MG-HD | ST | A | P | HD | ST | 925.000 | GAL | CAP |
| ST4079 | KNOB HILL & WILD VALLEY -0.000925 MG-HD | ST | A | P | HD | ST | 925.000 | GAL | CAP |
| ST4080 | KNOB HILL / WILD VALLEY - 0.018 MG - GR | ST | A | P | GR | ST | 0.018 | MG | STC |
| ST4081 | QUAIL RUN & TURTLE POND -0.00055 MG -HD | ST | A | P | HD | ST | 550.000 | GAL | CAP |
| ST4082 | QUAIL RUN & TURTLE POND - 0.015 MG - GR | ST | A | P | GR | FG | 0.015 | MG | STC |

END OF REPORT

TCEQ EXIT INTERVIEW FORM: Potential Violations and/or Records Requested

| | | |
|----------------------------|---------------------------------------|--------------------------|
| Regulated Entity/Site Name | TCEQ Add. ID No. RN No. (optional) | |
| Investigation Type | Contact Made In-House (Y/N) | Purpose of Investigation |
| Regulated Entity Contact | Telephone No. | Date Contacted |
| Title | Fax No. | Date Faxed |

NOTICE: The information provided in this form is intended to provide clarity to issues that have arisen during the investigation process between the TCEQ and the regulated entity named above and does not represent final TCEQ findings related to violations. Any potential or alleged violations discovered after the date on this form will be communicated by telephone to the regulated entity representative prior to the issuance of a notice of violation or enforcement. Conclusions drawn from this investigation, including additional violations or potential violations discovered (if any) during the course of this investigation, will be documented in a final investigation report.

| Issue | | Description of Issue |
|-------|-------------------|----------------------|
| No. | Type ¹ | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

¹Issue Type Can Be One or More of: AV (Alleged Violation), PV (Potential Violation), O (Other), or RR (Records Request)

| | |
|---|---|
| Did the TCEQ document the regulated entity named above operating without proper authorization? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| Did the investigator advise the regulated entity representative that continued operation is not authorized? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |

Document Acknowledgment. Signature on this document establishes only that the regulated entity (company) representative received a copy of this document and associated continuation pages on the date noted. If contact was made by telephone, document will be faxed to regulated entity, therefore, signature not required.

| | | | |
|--------------------------------------|------|---|------|
| Investigator Name (Signed & Printed) | Date | Regulated Entity Representative Name (Signed & Printed) | Date |
|--------------------------------------|------|---|------|

If you have questions about any information on this form, please contact your local TCEQ Regional Office.

Individuals are entitled to request and review their personal information that the agency gathers on its forms. They may also have any errors in their information corrected. To review such information, call 512-239-3282.

BUSINESS PURCHASE AGREEMENT TO PURCHASE BUSINESS

This is a legally binding contract between all parties herein.

BUSINESS NAME Kappa Hill Water System

BUSINESS ADDRESS 2861 High Meadow, Little Elm, TX

BUSINESS OWNER/SELLER Joseph Desmit / Kappa Hill Water System

For the purposes of this contract the PURCHASER shall be known as

PURCHASER NAME Mark Vargas

PURCHASER ADDRESS 831 Carite Lane, Lakewood Village, TX

PURCHASER TYPE (CHECK ONE): ☒ Individual or ☐ CORPORATION

PURCHASER HEREBY AGREES TO PURCHASE BUSINESS AND ALL ITS TANGIBLE AND INTANGIBLE ASSETS AS FOLLOWS:

AS FOLLOWS:

\$40,000 TOTAL PURCHASE PRICE FROM PURCHASER BROKEN DOWN AS FOLLOWS:

\$500.00 DOWN PAYMENT AT SIGNING OF CONTRACT

\$39,500 ~~AT CLOSING~~ AT CLOSING WHEN PUC APPROVES SALE

Any additional terms or contingencies regarding purchase price shall be attached by an addendum hereto.

All down payments shall be returned to PURCHASER if BUSINESS does not close for any reason that is not the buyer's fault.

1. Purchaser is able to complete a thorough review of BUSINESS financial records.
2. BUSINESS owner agrees to remain involved with BUSINESS for 8 weeks after closing to ease in the transition of BUSINESS to PURCHASER.
3. PURCHASER will review inventory list and BUSINESS agrees to maintain said inventory until closing.
4. PURCHASER will review the equipment list and BUSINESS agrees to maintain said equipment until closing.
5. BUSINESS agrees to maintain their day to day business operations and cash flow.

Closing date will be on As soon as approved by PUC

BUSINESS acknowledges and agrees to all of the terms herein and warrants those signing this agreement are the sole owners of BUSINESS and are authorized to sign this agreement on behalf of BUSINESS.

DATE 8/17 TIME 2:25

BUSINESS SELLER Joseph Desmit

print full name

BUSINESS SELLER Joseph Desmit

sign

5 m. 17

1) Knob Hill Estate Blk A Lot 36
 2) Knob Hill Estate Blk A Lot 37
 3) Knob Hill Estate Blk D Lot 12
 4) Knob Hill Estate Blk D Lot 13

Property Descriptions
 1) Knob Hill Estate Blk A Lot 36 (N7.19')
 2) Knob Hill Estate Blk A Lot 37
 3) Knob Hill Estate Blk D Lot 12
 4) Knob Hill Estate Blk D Lot 13

BUSINESS SELLER Raven J. Doe sign
 print full name
 PURCHASER Dr. Mark E. Jacobs sign
 print full name
 PURCHASER Mark E. Jacobs sign



Franchise Tax Account Status

As of : 05/24/2022 14:00:31

This page is valid for most business transactions but is not sufficient for filings with the Secretary of State

CLEARWATER OPERATING SERVICES LLC.

Texas Taxpayer Number 32073604640

Mailing Address 831 CARRIE LN LAKEWOOD VLG, TX 75068-4334

Right to Transact Business in Texas ACTIVE

State of Formation TX

Effective SOS Registration Date 02/25/2020

Texas SOS File Number 0803563376

Registered Agent Name MARK E. VARGAS

Registered Office Street Address 831 CARRIE LANE LAKEWOOD VILLAGE, TX 75068