



## **Filing Receipt**

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**Control Number - 53660**

**Item Number - 96**

**DOCKET NO. 53660**

**APPLICATION OF CLEARWATER  
OPERATING SERVICES, LLC AND  
KNOB HILL WATER SYSTEM FOR  
SALE, TRANSFER, OR MERGER OF  
FACILITIES AND CERTIFICATE  
RIGHTS IN DENTON COUNTY**

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**PUBLIC UTILITY COMMISSION  
  
OF TEXAS**

**NOTICE OF APPROVAL**

This Notice of Approval addresses the application of Clearwater Operating Services, LLC and Knob Hill Water System for approval of the sale, transfer, or merger of facilities and certificate rights in Denton County. The Commission approves the following: (1) the sale and transfer of Knob Hill's certificate of convenience and necessity (CCN) number 11414 and all associated facilities and service area to Clearwater; and (2) the amendment of CCN number 11414 to reflect that it is held by Clearwater. The Commission approves sale and transfer of all facilities and service area under Knob Hill's CCN number 11414 to Clearwater and the transfer of CCN number 11414 from Knob Hill to Clearwater.

**I. Findings of Fact**

The Commission makes the following findings of fact.

**Applicants**

1. Knob Hill is an investor-owned utility.
2. Knob Hill holds CCN number 11414 which obligates it to provide retail water service in its certificated service area in Denton County.
3. Knob Hill owns a public water system that is registered with the Texas Commission on Environmental Quality (TCEQ) under the name Knob Hill Water System, identification number TX0610068.
4. Clearwater is a Texas limited liability company registered with the Texas secretary of state under file number 803563376.

5. Clearwater seeks to become a retail public utility that provides retail water service in Texas, under existing CCN number 11414.

**Application**

6. On May 26, 2022, Clearwater and Knob Hill filed an application in this proceeding.
7. In Order No. 7 issued on December 8, 2022, the administrative law judge (ALJ) rescinded Order Nos. 2 and 3, found the application administratively incomplete and notice deficient, restyled the docket to reflect the correct name of the purchaser, and provided an opportunity for the applicants to cure the deficiencies in the application.
8. On January 27, 2023, Clearwater and Knob Hill filed the amended application, with corrections and updates, that is at issue in this docket.
9. In the amended application, the applicants seek approval of the following:
  - a. the sale and transfer of Knob Hill's CCN number 11414 and all associated facilities and service area to Clearwater; and
  - b. the amendment of CCN number 11414 to reflect that it is held by Clearwater.
10. The total requested area includes approximately 78 acres, with 76 customer connections.
11. The requested area is located approximately 1.3 miles northwest of downtown Little Elm, Texas and is generally bounded on the north by Lake Lewisville; on the east by Lake Lewisville; on the south by Carter Drive; and on the west by Wild Valley Drive.
12. The applicants filed a supplement to the amended application on January 22, 2024.
13. In Order No. 10 filed on February 16, 2023, the ALJ deemed the amended application, as supplemented, administratively complete.

**Notice**

14. On February 26, 2023, Clearwater filed the affidavit of Mark Vargus, representative of Knob Hill and managing member of Clearwater, attesting that notice was mailed to all current customers of Knob Hill, neighboring utilities, and affected parties on February 23, 2023.

15. On July 14, 2023, Clearwater filed the affidavit of Karen Long DeSmit, owner of Knob Hill, attesting that there are no landowners of tracts of land that are at least 25 acres that are wholly or partially located within the requested area.
16. On August 4, 2023, Clearwater re-submitted the affidavit of notice filed on February 26, 2023, providing correct maps that were not provided with proof of notice on February 26, 2023, and confirming that correct maps were provided with mailed customer notice on February 23, 2023.
17. In Order No. 15 filed on September 8, 2023, the ALJ found notice sufficient.

**Evidentiary Record**

18. In Order No. 23 filed on March 20, 2024, the ALJ admitted the following evidence into the record:
  - a. the amended application, including all attachments, filed on January 27, 2023;
  - b. Commission Staff's supplemental recommendation on administrative completeness and notice and proposed procedural schedule filed on February 15, 2023;
  - c. Clearwater's proof of notice filed on February 26, 2023;
  - d. Commission Staff's recommendation on the sufficiency of notice and proposed procedural schedule filed on March 27, 2023;
  - e. Clearwater's affidavit of notice to landowners filed on July 14, 2023;
  - f. the applicants' resubmission of proof of notice filed on August 4, 2022;
  - g. Commission Staff's supplemental recommendation on the sufficiency of notice, request for a good cause exception and proposed procedural schedule filed on September 6, 2023;
  - h. Commission Staff's recommendation on the transaction filed on October 6, 2023; and
  - i. Clearwater's acquiring entity affidavit filed on January 14, 2024.
19. In Order No. 30, filed on August 23, 2024, the ALJ admitted the following supplemental evidence into the record of this proceeding:

- a. proof of notice to current customers, neighboring utilities, and affected parties, filed on December 21, 2023;
- b. clarification filed on January 11, 2024;
- c. tax clearance filed on March 12, 2024;
- d. deposit and executed sale filed on May 21, 2024;
- e. new deposit filed on June 15, 2024;
- f. Commission Staff's supplemental recommendation on the sufficiency of the closing documents and proposed procedural schedule filed on June 17, 2024;
- g. consent forms filed on July 30, 2024; and
- h. the proposed final map, certificate, and tariff attached to the joint motion to admit evidence filed on August 14, 2024.

### **Sale**

20. In Order No. 24 filed on March 20, 2024, the Commission approved the sale and transfer to proceed and required the applicants to file proof that the transactions had closed and that customer deposits had been addressed.
21. In Order No. 28 filed on June 27, 2024, the ALJ found the closing documents sufficient.

### **Clearwater's Compliance History**

22. Clearwater does not have a compliance history with the TCEQ, the Commission, or the Texas Department of State Health Services as it is a new utility service provider.
23. Clearwater does not have a history of continuing mismanagement or misuse of revenues as it is a new utility service provider.

### **Adequacy of Existing Service**

24. There are currently 76 existing customers in the requested area that are receiving service from Knob Hill and have an ongoing need for service.
25. The last TCEQ compliance investigation of the Knob Hill system was on January 15, 2020.
26. Knob Hill has a TCEQ registered public water system registered under identification number 0610068.

27. Knob Hill has violations listed in the TCEQ database that have since been returned to compliance.
28. The Commission's complaint records, which date back five years, show one complaint against Knob Hill.
29. All complaints have been reviewed and closed by the Commission's customer protection division.
30. No capital improvements are necessary for Clearwater to provide continuous and adequate service to the requested area.
31. There is no evidence Knob Hill has failed to comply with any Commission or TCEQ order.

**Need for Additional Service**

32. There is a continuing need for service because Knob Hill is currently providing service to 76 customer connections.
33. This application is to transfer existing facilities, customers, and all of the water service area held under CCN number 11414 from Knob Hill to Clearwater.
34. There is no evidence of specific requests for additional service within the requested area.

**Effect of Approving the Transaction and Granting the Amendments**

35. Clearwater will be the sole certificated water utility for the requested area.
36. Clearwater will be required to provide continuous and adequate water service to current and future customers in the requested area.
37. All retail public utilities in the proximate area were provided notice of the transaction taking place in this application and none filed a protest or motion to intervene.
38. There will be no effect on landowners as the requested area is currently certificated.
39. Because this is an application to transfer only existing facilities, customers, and service area, there will be no effect on any other retail public utility providing service in the proximate area.

**Ability to Serve: Managerial and Technical**

40. Clearwater employs or contracts with TCEQ-licensed operators who will operate the water system being transferred.

41. No additional construction is necessary for Clearwater to provide service to the requested area.
42. Clearwater has the managerial and technical ability to provide continuous and adequate service to the requested area.

**Ability to Serve: Financial Ability and Stability**

43. Clearwater's financial statements ending on December 31, 2020 contain five years of projections and three years of historical data.
44. Clearwater has a debt-to-equity ratio of less than one, satisfying the leverage test.
45. Clearwater's financial projections show that there is no projected cash shortage to cover and there are no capital improvements to be made; therefore, Clearwater satisfies the operations test.
46. Clearwater demonstrated the financial ability and financial stability to provide continuous and adequate service to the requested area.

**Financial Assurance**

47. There is no need to require Clearwater to provide a bond or other financial assurance to ensure continuous and adequate service.

**Regionalization or Consolidation**

48. The construction of a physically separate water system is not necessary for Clearwater to serve the requested area; therefore, concerns about regionalization and consolidation do not apply.

**Feasibility of Obtaining Service from an Adjacent Retail Public Utility**

49. Obtaining service from an adjacent retail public utility would likely increase costs to customers because new facilities would need to be constructed; at a minimum, an interconnect would need to be installed.
50. It is not feasible to obtain service from another adjacent retail public utility.

**Environmental Integrity and Effect on the Land**

51. There will be no effect on environmental integrity or the land because no additional construction is needed to provide service to the requested area.

**Improvement of Service or Lowering Cost to Consumers**

- 52. Customers rates will not change from the current rates.
- 53. Reliability and quality of water service are expected to improve under Clearwater.

**Tariff, Map, and Certificate**

- 54. On July 24, 2024, Commission Staff emailed the final proposed map and certificates to the applicants.
- 55. On July 30, 2024, the applicants filed their consent forms concurring with the proposed final map and certificates.
- 56. On August 14, 2024, the final map, tariff, and certificate were included as attachments to the joint motion to admit evidence.

**Informal Disposition**

- 57. More than 15 days have passed since the completion of notice provided in this docket.
- 58. No person filed a protest or motion to intervene.
- 59. Knob Hill, Clearwater, and Commission Staff are the only parties to this proceeding.
- 60. No party requested a hearing, and no hearing is needed.
- 61. Commission Staff recommended approval of the sale.
- 62. This decision is not adverse to any party.

**II. Conclusions of Law**

The Commission makes the following conclusions of law.

- 1. The Commission has authority over this proceeding under Texas Water Code (TWC) §§ 13.041, 13.241, 13.242, 13.244, 13.246, 13.250, 13.251, and 13.301.
- 2. Knob Hill is a retail public utility as defined in TWC § 13.002(19) and 16 Texas Administrative Code (TAC) § 24.3(31).
- 3. In this proceeding, Clearwater seeks to become a retail public utility as defined in TWC § 13.002(19) and 16 TAC § 24.3(31).
- 4. The application meets the requirements of TWC § 13.301 and 16 TAC § 24.239.



5. The Commission processed the application as required by the TWC, the Administrative Procedure Act,<sup>1</sup> and Commission rules.
6. Notice of the application was provided in compliance with TWC §§ 13.246 and 13.301(a)(2), and 16 TAC § 24.239(e).
7. The Applicants have complied with the requirements of 16 TAC § 24.239(k) and (l) with respect to customer deposits.
8. The Applicants completed the sale within the time frame required by 16 TAC § 24.239(m).
9. After consideration of the factors in TWC § 13.246(c), Clearwater demonstrated that it is capable of rendering continuous and adequate service to every customer within the requested area, as required by TWC § 13.251.
10. Clearwater demonstrated adequate financial, managerial, and technical capability for providing continuous and adequate service in the requested area, as required by TWC § 13.241(a) and 13.301(b).
11. Regionalization and consolidation concerns under TWC § 13.241(d) do not apply in this proceeding because construction of a physically separate water system is not required.
12. It is not necessary for Clearwater to provide a bond or other financial assurance under TWC §§ 13.246(d) and 13.301(c).
13. The applicants demonstrated that the sale and transfer of all facilities and service area held under Knob Hill's CCN number 11414 to Clearwater and the transfer of CCN number 11414 to Clearwater will serve the public interest and is necessary for the continued service, accommodation, convenience, or safety of the public, as required by TWC §§ 13.246(b) and 13.301(d) and (e).
14. Under TWC § 13.257(r) and (s), Clearwater must record a certified copy of the certificate and the map approved by this Notice of Approval, along with a boundary description of the service area, in the real property records of Denton County within 31 days of receiving this Notice of Approval and submit to the Commission evidence of the recording.

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<sup>1</sup> Tex. Gov't Code §§ 2001.001–.903.

15. The requirements for informal disposition under 16 TAC § 22.35 have been met in this proceeding.

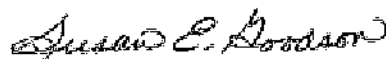
### III. Ordering Paragraphs

In accordance with these findings of fact and conclusions of law, the Commission issues the following orders.

1. The Commission approves the sale and transfer of facilities and service area held under Knob Hill's water CCN number 11414 to Clearwater, to the extent provided in this Notice of Approval and as shown on the attached map.
2. The Commission approves the transfer of CCN number 11414 from Knob Hill to Clearwater.
3. The Commission approves the map and tariff attached to the Notice of Approval.
4. The Commission issues the certificate attached to this Notice of Approval.
5. Clearwater must provide service to every customer or qualified applicant for service within the approved area under CCN number 11414 that requests service and meets the terms of Clearwater's water service policies, and such service must be continuous and adequate.
6. Clearwater must comply with the recording requirements in TWC § 13.257(r) and (s) for the area in Denton County affected by the application and must submit to the Commission evidence of the recording no later than 45 days after receipt of the Notice of Approval.
7. Within ten days of the date of this Notice of Approval, Commission Staff must provide the Commission with a clean copy of the tariff approved by this Notice of Approval, to be stamped *Approved* and retained by Central Records
8. The Commission denies all other motions and any other requests for general or specific relief that have not been expressly granted.

**Signed at Austin, Texas the 5th day of September 2024.**

**PUBLIC UTILITY COMMISSION OF TEXAS**



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**SUSAN E. GOODSON**

**ADMINISTRATIVE LAW JUDGE**



# **Public Utility Commission of Texas**

**By These Presents Be It Known To All That**

## **Clearwater Operating Services LLC**

having obtained certification to provide water utility service for the convenience and necessity of the public, and it having been determined by this Commission that the public convenience and necessity would in fact be advanced by the provision of such service, Clearwater Operating Services LLC is entitled to this

### **Certificate of Convenience and Necessity No. 11414**

to provide continuous and adequate water utility service to that service area or those service areas in Denton County as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 53660 are on file at the Commission offices in Austin, Texas; and are matters of official record available for public inspection; and be it known further that these presents do evidence the authority and the duty of the Clearwater Operating Services LLC to provide such utility service in accordance with the laws of this State and Rules of this Commission, subject only to any power and responsibility of this Commission to revoke or amend this Certificate in whole or in part upon a subsequent showing that the public convenience and necessity would be better served thereby.



## WATER UTILITY TARIFF

### Docket No: 53660

Clearwater Operating Services LLC  
(Utility Name)

831 Carrie Lane  
(Business Address)

Lakewood Village, TX 75068  
(City, State, Zip Code)

(214) 558-6847  
(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 ..... **Error! Bookmark not defined.**  
SECTION 2.0 -- SERVICE RULES AND POLICIES ..... **Error! Bookmark not defined.**  
SECTION 3.0 -- EXTENSION POLICY ..... **Error! Bookmark not defined.**

APPENDIX A – DROUGHT CONTINGENCY PLAN  
APPENDIX B – SERVICE AGREEMENT  
APPENDIX C – APPLICATION FOR SERVICE

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

to complete and submit a DCP for approval.

SECTION 1.0 -- RATE SCHEDULE

Section 1.01 – Rates

<u>Meter Size</u>	<u>Monthly Minimum Charge</u>	<u>Gallonge 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%

ICEQ 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.

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 SURCHARGE ..... N/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. [16 TEXAS ADMINISTRATIVE CODE (TAC) § 24.25(b)(2)(G)].

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

## SECTION 2.0 - SERVICE RULES AND POLICIES

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

### Section 2.01 - Application for Water Service

All applications for service will be made on the utility's standard application or contract form (attached in the Appendix to this tariff), will be signed by the applicant, any required fees (deposits, reconnect, tap, extension fees, etc. as applicable) will be paid and easements, if required, will be granted before service is provided by the utility. A separate application or contract will be made for each service location.

### Section 2.02 - Refusal of Service

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

### Section 2.03 - Fees and Charges & Easements Required Before Service Can Be Connected

#### (A) Customer Deposits

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

Residential applicants 65 years of age or older may not be required to pay deposits unless the applicant has an outstanding account balance with the utility or another water or sewer utility which accrued within the last two years.

Nonresidential applicants who cannot establish credit to the satisfaction of the utility may be required to make a deposit that does not exceed an amount equivalent to one-sixth of the estimated annual billings.

Refund of deposit - If service is not connected, or after disconnection of service, the utility will promptly refund the customer's deposit plus accrued interest or the balance, if any, in excess of the unpaid bills for service furnished. The utility may refund the deposit at any time prior to termination of utility service but must refund the deposit plus interest for any customer who has paid 18 consecutive billings without being delinquent.



## SECTION 2.0 - SERVICE RULES AND POLICIES (Continued)

### (B) Tap or Reconnect Fees

A new customer requesting service at a location where service has not previously been provided must pay a tap fee as provided in Section 1. A customer requesting service where service has previously been provided must pay a reconnect fee as provided in Section 1. Any applicant or existing customer required to pay for any costs not specifically set forth in the rate schedule pages of this tariff shall be given a written explanation of such costs prior to request for payment and/or commencement of construction. If the applicant or existing customer does not believe that these costs are reasonable or necessary, the applicant or existing customer shall be informed of their right to appeal such costs to the PUCT or such other regulatory authority having jurisdiction over the utility's rates in that portion of the utility's service area in which the applicant's or existing customer's property(ies) is located.

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

### (C) Easement Requirement

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

### Section 2.04 - Utility Response to Applications for Service

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

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

### Section 2.05 - Customer Responsibility

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

## SECTION 2.0 - SERVICE RULES AND POLICIES (Continued)

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

### Section 2.06 - Customer Service Inspections

Applicants for new service connections or facilities which have undergone extensive plumbing modifications are required to furnish the utility a completed customer service inspection certificate. The inspection certificate shall certify that the establishment is in compliance with the Texas Commission on Environmental Quality (TCEQ) Rules and Regulations for Public Water Systems, Title 30 TAC § 290.46(j). The Utility is not required to perform these inspections for the applicant/customer, but will assist the applicant/customer in locating and obtaining the services of a certified inspector.

### Section 2.07 - Back Flow Prevention Devices

All non-residential customers requiring a greater than 1" meter or any customer with irrigation or fire fighting systems, must install back flow prevention devices which have been approved by the utility or its consulting engineers on each of their customer service lines.

The back flow assembly shall be tested upon installation by a recognized prevention assembly tester and certified to be operating within specifications. Back flow prevention assemblies which are installed to provide protection against high health hazards must be tested and certified to be operating within specifications at least annually by a recognized back flow prevention device tester. The maintenance and testing of the back flow assembly shall occur at the customer's expense.

No water connection shall be made to any establishment where an actual or potential contamination or system hazard exists without an approved air gap or mechanical backflow prevention assembly. The air gap or backflow prevention assembly shall be installed in accordance with the American Water Works Association (AWWA) standards C510, C511 and AWWA Manual M14 or the University of Southern California Manual of Cross-Connection Control, current edition. The backflow assembly installation by a licensed plumber shall occur at the customer's expense.

### Section 2.08 - Access to Customer's Premises

The utility will have the right of access to the customer's premises at all reasonable times for the purpose of installing, testing, inspecting or repairing water mains or other equipment used in connection with its provision of water service, or for the purpose of removing its property and disconnecting lines, and for all other purposes necessary to the operation of the utility system including inspecting the customer's plumbing for code, plumbing or tariff violations.

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## SECTION 2.0 - SERVICE RULES AND POLICIES (Continued)

The customer shall allow the utility and its personnel access to the customer's property to conduct any water quality tests or inspections required by law. Unless necessary to respond to equipment failure, leak or other condition creating an immediate threat to public health and safety or the continued provision of adequate utility service to others, such entry upon the customer's property shall be during normal business hours and the utility personnel will attempt to notify the customer that they will be working on the customer's property. The customer may require any utility representative, employee, contractor, or agent seeking to make such entry identify themselves, their affiliation with the utility, and the purpose of their entry.

All customers or service applicants shall provide access to meters and utility cutoff valves at all times reasonably necessary to conduct ordinary utility business and after normal business hours as needed to protect and preserve the integrity of the public drinking water supply.

### Section 2.09 - Meter Requirements, Readings, and Testing

One meter is required for each residential, commercial, or industrial connection. All water sold by the utility will be billed based on meter measurements. The utility will provide, install, own and maintain meters to measure amounts of water consumed by its customers.

Meters will be read at monthly intervals and as nearly as possible on the corresponding day of each monthly meter reading period unless otherwise authorized by the Commission.

Meter tests. The utility will, upon the request of a customer, and, if the customer so desires, in his or her presence or in that of his or her authorized representative, make without charge a test of the accuracy of the customer's meter. If the customer asks to observe the test, the test will be made during the utility's normal working hours at a time convenient to the customer. Whenever possible, the test will be made on the customer's premises, but may, at the utility's discretion, be made at the utility's testing facility. If within a period of two years the customer requests a new test, the utility will make the test, but if the meter is found to be within the accuracy standards established by the American Water Works Association, the utility will charge the customer a fee which reflects the cost to test the meter up to a maximum \$25 for a residential customer. Following the completion of any requested test, the utility will promptly advise the customer of the date of removal of the meter, the date of the test, the result of the test, and who made the test.

### Section 2.10 - Billing

#### (A) Regular Billing

Bills from the utility will be mailed monthly unless otherwise authorized by the Commission. The due date of bills for utility service will be at least sixteen (16) days from the date of issuance. The postmark on the bill or, if there is no postmark on the bill, the recorded date of mailing by the utility will constitute proof of the date of issuance. Payment for utility service is delinquent if full payment, including late fees and the regulatory assessment, is not received at the utility or the utility's authorized payment agency by 5:00 p.m. on the due date. If the due date falls on a holiday or weekend, the due date for payment purposes will be the next workday after the due date.

## SECTION 2.0 - SERVICE RULES AND POLICIES (Continued)

### (B) Late Fees

A late penalty of either \$5.00 or 10.0% will be charged on bills received after the due date. The penalty on delinquent bills will not be applied to any balance to which the penalty was applied in a previous billing. The utility must maintain a record of the date of mailing to charge the late penalty.

### (C) Information on Bill

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

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

### Section 2.11- Payments

All payments for utility service shall be delivered or mailed to the utility's business office. If the business office fails to receive payment prior to the time of noticed disconnection for non-payment of a delinquent account, service will be terminated as scheduled. Utility service crews shall not be allowed to collect payments on customer accounts in the field.

Payment of an account by any means that has been dishonored and returned by the payor or payee's bank, shall be deemed to be delinquent. All returned payments must be redeemed with cash or valid money order. If a customer has two returned payments within a twelve month period, the customer shall be required to pay a deposit if one has not already been paid.

### Section 2.12 - Service Disconnection

#### (A) With Notice

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

The utility is encouraged to offer a deferred payment plan to a customer who cannot pay an outstanding bill in full and is willing to pay the balance in reasonable installments. However, a customer's utility service may be disconnected if a bill has not been paid or a deferred payment agreement entered into within 26 days from the date of issuance of a bill and if proper notice of termination has been given.

Notice of termination must be a separate mailing or hand delivery in accordance with the PUCT Rules.

#### (B) Without Notice

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

## SECTION 2.0 - SERVICE RULES AND POLICIES (Continued)

### Section 2.13 - Reconnection of Service

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

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

### Section 2.14 - Service Interruptions

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

### Section 2.15 - Quality of Service

The utility will plan, furnish, and maintain production, treatment, storage, transmission, and distribution facilities of sufficient size and capacity to provide a continuous and adequate supply of water for all reasonable consumer uses. Unless otherwise authorized by the TCEQ, the utility will maintain facilities as described in the TCEQ Rules and Regulations for Public Water Systems.

### Section 2.16 - Customer Complaints and Disputes

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

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

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

### Section 2.17 - Customer Liability

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

## SECTION 3.0 - EXTENSION POLICY

### Section 3.01 - Standard Extension Requirements

LINE EXTENSION AND CONSTRUCTION CHARGES. NO CONTRIBUTION IN AID OF CONSTRUCTION MAY BE REQUIRED OF ANY CUSTOMER EXCEPT AS PROVIDED FOR IN THIS APPROVED EXTENSION POLICY.

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

Unless an exception is granted by the PUCT, the residential service applicant shall not be required to pay for costs of main extensions greater than 2" in diameter for water distribution and pressure wastewater collection lines and 6" in diameter for gravity wastewater lines.

Exceptions may be granted by the PUCT if:

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

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

The utility shall bear the cost of any over-sizing of water distribution lines or wastewater collection lines necessary to serve other potential service applicants for customers in the immediate area.

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

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

### SECTION 3.0 - EXTENSION POLICY (Continued)

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

#### Section 3.02 - Costs Utilities Shall Bear

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

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

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

#### Section 3.03 - Contributions in Aid of Construction

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

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

### SECTION 3.0 - EXTENSION POLICY (Continued)

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

#### Section 3.04 - Appealing Connection Costs

The imposition of additional extension costs or charges as provided by Sections 3.0 - Extension Policy of this tariff shall be subject to appeal as provided in this tariff, PUCT rules, or the rules of such other regulatory authority as may have jurisdiction over the utility's rates and services. Any applicant required to pay for any costs not specifically set forth in the rate schedule pages of this tariff shall be given a written explanation of such costs prior to payment and/or commencement of construction. If the applicant does not believe that these costs are reasonable or necessary, the applicant shall be informed of the right to appeal such costs to the PUCT or such other regulatory authority having jurisdiction over the utility's rates in that portion of the utility's service area in which the applicant's property(ies) is located.

#### Section 3.05 - Applying for Service

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

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



### SECTION 3.0 - EXTENSION POLICY (Continued)

#### Section 3.06 - Qualified Service Applicant

A "qualified service applicant" is an applicant who has: (1) met all of the Utility's requirements for service contained in this tariff, PUCT rules and/or PUCT order, (2) has made payment or made arrangement for payment of tap fees, (3) has provided all necessary easements and rights-of-way necessary to provide service to the requested location, (4) delivered an executed customer service inspection certificate to the Utility, if applicable, and (5) has executed a customer service application for each location to which service is being requested.

The Utility shall serve each qualified service applicant within its certificated service area as soon as practical after receiving a completed service application. All service requests will be fulfilled within the time limits prescribed by PUCT rules once the applicant has met all conditions precedent to achieving "qualified service applicant" status. If a service request cannot be fulfilled within the required period, the applicant shall be notified in writing of the delay, its cause and the anticipated date that service will be available. The PUCT service dates shall not become applicable until the service applicant has met all conditions precedent to becoming a qualified service applicant as defined by PUCT rules.

#### Section 3.07 - Developer Requirements

As a condition of service to a new subdivision, the Utility shall require a developer (as defined by PUCT rule) to provide permanent recorded public utility easements as a condition of service to any location within the developer's property.

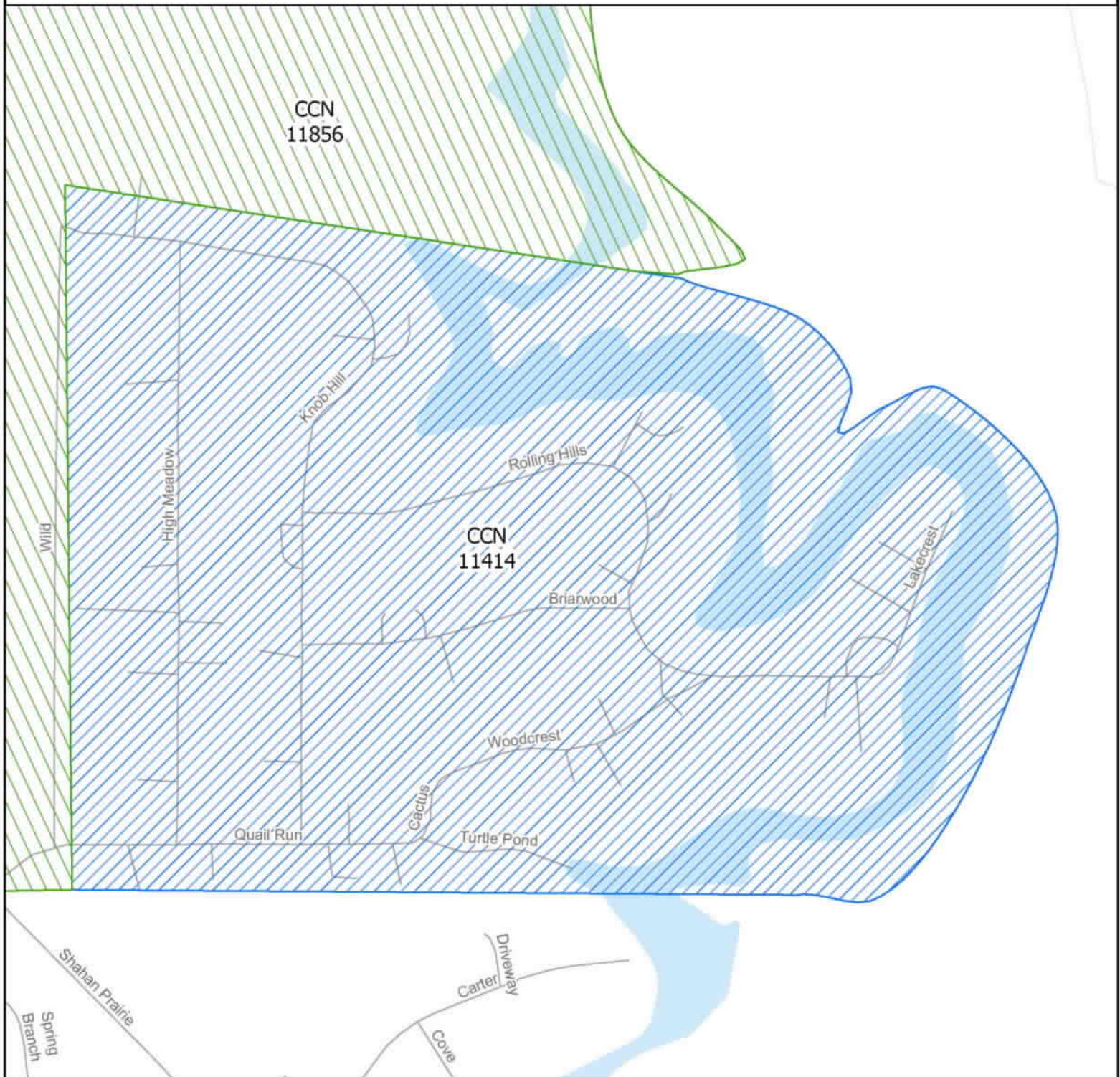
## APPENDIX A - DROUGHT CONTINGENCY PLAN

(This page incorporates by reference the utility's Drought Contingency Plan, as approved and periodically amended by the Texas Commission on Environmental Quality.



**APPENDIX B -- SERVICE AGREEMENT**  
**(Utility Must Attach a Copy)**

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

PUCT Docket No. 53660  
Clearwater Operating Services LLC  
Water CCN No. 11414  
Transferred all of Knob Hill Water System, CCN No. 11414 in Denton County



Water CCN

-  11414 - Clearwater Operating Services LLC
-  11856 - Mustang SUD