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PUC DOCKET NO. 54683
SOAH DOCKET NO. 473-24-00831

APPLICATION OF ENVIRO-	§	BEFORE THE PUBLIC UTILITY
MANAGEMENT FOR AUTHORITY	§	
TO CHANGE RATES	§	COMMISSION OF TEXAS

STIPULATION AND SETTLEMENT AGREEMENT

This Stipulation and Settlement Agreement (Stipulation) is entered into by Enviro-Management and Staff (Staff) of the Public Utility Commission of Texas (Commission), through their duly authorized representatives (singularly “Signatory,” and collectively, “Signatories”) and represents the agreement reached during a mediation held on March 18, 2024.¹ Staff notes that both John Franklin² and Rhonda Bynum³ have requested to withdraw as intervenors.

I. BACKGROUND

On February 24, 2023, Enviro-Management filed its application for authority to change water rates (Application). On September 12, 2023, the Commission referred the Application to the State Office of Administrative Hearings (SOAH).⁴ On September 14, 2023, the Commission issued a Preliminary Order setting forth issues to be addressed in this matter.⁵

On March 18, 2024, Enviro-Management, Staff, John Franklin, and Rhonda Bynum participated in mediation led by SOAH Alternative Dispute Resolution mediators where parties reached an agreement in principle. Upon their request, John Franklin and Rhonda Davis were subsequently dismissed as intervenors on May 23, 2024.⁶ The Signatories nevertheless

¹ SOAH Mediation Report (Mar. 26, 2024).

² I. John Franklin withdrawal as an intervenor on PUC Docket # 54683 (Apr. 9, 2024).

³ I. Rhonda Bynum, withdrawal as an intervener on PUC Docket # 54683 (Apr. 10, 2024).

⁴ Order of Referral (Sept. 12, 2023).

⁵ Preliminary Order (Sept. 14, 2023).

⁶ SOAH Order No. 4 (May 23, 2024).

memorialized the agreement reached during mediation and executed this stipulation and settlement agreement wherein all issues in dispute in this rate case are settled.

The Signatories believe that a resolution of this docket pursuant to the terms stated below is just, reasonable, and in the public interest. Settlement will also conserve judicial resources, the Signatories' resources, and mitigate controversy. The Signatories jointly request Commission approval of this Stipulation and the entry of the Joint Proposed Order, including findings of fact and conclusions of law, attached hereto as Exhibit A. By this Stipulation, the Signatories resolve all issues related to the Application, and stipulate and agree as follows.

II. STIPULATION AND AGREEMENT

The Signatories have agreed to the settlement schedules attached hereto as Exhibit B and the following settlement terms, some of which are reflected in those schedules:

1. **Revenue Requirement to Set Rates.** The Signatories agree to a revenue requirement used to set rates of \$126,470 are reasonable and are made of the following elements:

a.	Operations and Maintenance Expenses:	\$114,210
b.	Depreciation Expense:	\$7,471
c.	Taxes Other than Income:	\$6,260
d.	Federal Income Tax:	\$643
e.	Return on Invested Capital:	\$3,847
f.	Other Revenue Offset:	(\$5,961)
2. **Rate of Return.** The Signatories agree that the agreed upon revenue requirement amounts are reasonable and incorporate an after-tax overall rate of return of 6.76%.
3. **Cost of Debt.** The Signatories agree that the agreed upon revenue requirement amounts incorporate a cost of debt of 5.03%.

4. **Return on Equity.** The Signatories agree that the agreed upon revenue requirement amounts incorporate a return on equity of 8.5%.
5. **Capital Structure.** The Signatories agree that the agreed upon revenue requirement amounts incorporate a capital structure of 50% cost of debt and 50% return on equity.
6. **Monthly Flat Rate.** The Signatories agree that the agreed upon monthly flat rate is reasonable and will be \$51.54.
7. **Volumetric Rate.** The Signatories agree that the agreed upon monthly volumetric charge is reasonable and will be \$6.05 per 1,000 gallons.
8. **Rate Case Expenses.** The Signatories agree that the agreed upon rate case expense total is \$368.29 to be recovered over 6 months at a rate of \$.45 per month.
9. **Rhonda Bynum Meter.** Enviro-Management agrees to replace the meter at Rhonda Bynum's home at no cost to Ms. Bynum.
10. **John Franklin Water Isolation Valve.** Enviro-Management agrees that it will call John Franklin before accessing the water isolation valve located on Mr. Franklin's property.

III. IMPLEMENTATION OF AGREEMENT

1. **Obligation to Support this Stipulation.** The Signatories will support this Stipulation before the Commission and will take reasonable steps to support expeditious entry of orders fully consistent with this Stipulation. This provision shall not preclude any Signatory from taking action that is mandatory and nondiscretionary pursuant to any law enacted after the date this Stipulation is filed at the Commission.

2. **Effect of Stipulation.**

- a. The Stipulation does not deliberately adopt any particular methodology underlying the rates or rate design reflected in the Stipulation.
- b. The failure to litigate any specific issue in this docket does not waive any Signatory's rights to contest that issue in any other current or future proceeding. The failure to litigate an issue cannot be asserted as a defense or estoppel, or any similar argument, by or against any Signatory in any other proceeding.
- c. The terms of this Stipulation may not be used either as an admission or concession of any sort except to enforce the terms of this Stipulation. Oral or written statements made during the course of the settlement negotiations may not be used for any purposes other than as necessary to support the entry by the Commission of an order implementing this Stipulation. All oral or written statements made during the course of the settlement negotiations are governed by TEX. R. EVID. 408.
- d. The Signatories arrived at this Stipulation through extensive negotiation and compromise. The settlement discussions were open, transparent, and inclusive of all Signatories. This Stipulation reflects a compromise, settlement and accommodation among the Signatories, and the Signatories agree that the terms and conditions herein are interdependent. The Signatories agree that this Stipulation is in the public interest. All actions by the Signatories contemplated or required by this Stipulation are conditioned upon entry by the Commission of a final order fully consistent with this Stipulation. The Signatories agree to present a final order to the Commission to implement the Stipulation. If the Commission does not accept this Stipulation as presented or enters an order inconsistent with any term of this

Stipulation, any Signatory shall be released from all commitments and obligations and shall have the right to seek hearing on all or some issues, present evidence, and advance any positions it desires, as if it had not been a Signatory.

- e. This Stipulation is binding on each of the Signatories only for the purpose of settling the issues as set forth herein and for no other purposes. It is acknowledged that a Signatory's support of the matters contained in this Stipulation may differ from the position taken or testimony presented by it in this proceeding or other proceedings. To the extent that there is a difference, a Signatory does not waive its position in any other proceedings. Because this is a stipulated resolution, no Signatory is under any obligation to take the same positions as set out in this Stipulation in other proceedings, whether those proceedings present the same or a different set of circumstances, except as otherwise stated in this Stipulation.
- f. There are no third-party beneficiaries of this Stipulation. Although this Stipulation represents a settlement among the Signatories with respect to the issues presented in this docket, this Stipulation is merely a settlement proposal submitted to the Commission, which has the authority to enter an order resolving these issues.
- g. This Stipulation supersedes any prior written or oral agreement in this docket regarding the subject matter of this Stipulation.

- 3. **Execution.** The Signatories agree that this Stipulation may be executed in multiple counterparts and filed with facsimile or computer image signatures. Each person whose signature appears below is fully authorized and empowered to execute this Stipulation and Settlement Agreement. Each Signatory has been represented by competent legal counsel

and understands all of the terms of this Stipulation and has had an opportunity to participate in the drafting of this Stipulation and fully review this Stipulation before signing.

Executed as shown below:

May 29, 2024

ENVIRO-MANAGEMENT

By: /s/ Sheila Agnew

Date: May 29, 2024
Sheila Agnew

STAFF OF THE PUBLIC UTILITY COMMISSION OF TEXAS

By: /s/ Ian Groetsch

Date: May 29, 2024
Ian Groetsch
Attorney for Staff of the Public Utility Commission of Texas

EXHIBIT A

**SOAH DOCKET NO. 473-24-00831
PUC DOCKET NO. 54683**

APPLICATION OF ENVIRO- MANAGEMENT FOR AUTHORITY TO CHANGE RATES	§ § §	BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS
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JOINT PROPOSED ORDER

This Order addresses the application of Enviro-Management for authority to change its water rates and tariff under water certificate of convenience and necessity (CCN) number 12625 in Montgomery County. Public Utility Commission of Texas (Commission) Staff (Staff) and Enviro-Management (collectively, the Parties) filed a Stipulation and Settlement Agreement (Agreement) resolving all issues in this docket. The Commission approves the agreed rates and associated tariff to the extent provided in this Order.

I. FINDINGS OF FACT

Applicant

1. Sheila Agnew dba Enviro-Management operates a sewer utility in Montgomery County.
2. Enviro-Management is a class D water utility that provides retail sewer service to customers under water CCN number 12625 in Montgomery County.
3. Enviro-Management serves approximately 110 customer connections under water CCN number 12625 as of December 31, 2022.
4. Enviro-Management owns and operates a public water system in Montgomery County licensed by the Texas Commission on Environmental Quality under public water system number 1700121.

Existing Rates

5. Enviro-Management's rates have not changed since October 25, 2013.
6. Enviro-Management's existing rate for all meters is a flat rate of \$38.53 per month and a flat gallonage charge of \$3.32 per 1,000 gallons.

Application

7. On February 24, 2023, Enviro-Management filed a class D application for authority to increase water rates and revise the associated tariff for its service area in Montgomery County.
8. On March 10 and April 11, 2023, Enviro-Management filed supplements to the application.

9. On June 7, 2023, Enviro-Management filed a public, non-confidential version of its application, as supplemented.
10. The application is based on an historic test year that ended on December 31, 2022.
11. In its application, as supplemented, Enviro-Management requested a revenue requirement of \$49,834, which represents a 38% increase.
12. In Order No. 5, filed on June 2, 2023, the Commission administrative law judge (ALJ) found the application administratively complete.

Notice

13. On June 2, 2023, Enviro-Management filed the affidavit of Sheila D. Agnew, owner of Enviro-Management, attesting that notice of the proposed rate change was mailed to all customers, each affected municipality, and OPUC on May 15, 2023.
14. In Order No. 8, filed on June 26, 2023, the Commission ALJ found Enviro-Management's notice sufficient and suspended the proposed effective date.

Interventions and Protests

15. More than 10% of the ratepayers affected by the proposed rate increase filed protests in this docket.
16. In Order No. 6, filed on June 13, 2023, the Commission ALJ granted intervenor status to Mark Newton.
17. In SOAH Order No. 2, filed on January 17, 2024, the SOAH ALJ granted intervenor status to Rhonda Bynum, Deborah Davis, John Franklin, Louis Goss, and Yvonne Weaver.
18. On April 9, 2024, John Franklin filed a request to withdraw as an intervenor.
19. On April 10, 2024, Rhonda Bynum and Debbie Davis each filed requests to withdraw as intervenors.
20. In SOAH Order No. 4, filed on May 23, 2024, John Franklin, Rhonda Bynum, and Deborah Davis were dismissed as intervenors.
21. In Order No. ___, filed on ___, John Franklin, Louis Goss, and Yvonne Weaver were dismissed as intervenors.

Referral to SOAH for Hearing

22. On September 12, 2023, the Commission referred this proceeding to the State Office of Administrative Hearings (SOAH).
23. On September 14, 2023, the Commission filed a preliminary order.

24. In SOAH Order No. 1, filed on October 17, 2023, the SOAH ALJ directed Enviro-Management to provide notice of the prehearing conference scheduled for November 29, 2023, to the governing body of each affected municipality and county and to each ratepayer at least 20 days before the prehearing conference.
25. On November 14, 2023, Enviro-Management filed the affidavit of Sheila D. Agnew, attesting to the provision of notice of the prehearing conference to each customer or affected party on or about October 31, 2023.
26. In SOAH Order No. 2, filed on January 17, 2024, the SOAH ALJ memorialized the prehearing conference, referring the case to mediation and established a hearing date of March 27, 2024.

Abatement and Agreement

27. On January 25, 2024, Staff and Enviro-Management filed a Joint Request for Abatement to pursue mediation and settlement.
28. In SOAH Order No. 3, filed on January 29, 2024, the SOAH ALJ abated the proceedings.
29. On March 25, 2024, Staff, Enviro-Management, and two participating intervenors—John Franklin and Rhonda Bynum—filed a Joint Status Report requesting additional time to finalize settlement.
30. On February 9, 2024, the Parties filed a Joint Status Report reporting a settlement in principle that resolves all issues in the proceeding.
31. On May 31, 2024, the Parties filed the Agreement with exhibits, including a proposed order and a joint motion to remand the proceeding to the Commission.
32. In SOAH Order No. __, filed on _____, 2024, the SOAH ALJ dismissed this case from the SOAH docket and remanded the case to the Commission.

Testimony

33. On May __, 2024, Commission Staff filed the memorandum of James Onyeneke and Gayatri Bitracanti in support of the Agreement.

Evidentiary Record

34. In SOAH Order No. __, filed on _____, 2024, the SOAH ALJ admitted the following evidence into the record:
 - a. Application of Enviro-Management for Authority to Change Rates, filed on February 24, 2023;

- b. Supplements to the application, filed on March 10, 2023;
- c. Enviro-Management's Supplemental Response to Order No. 2, filed on April 11, 2023;
- d. Commission Staff's Recommendation on Administrative Completeness, Notice, and Procedural Schedule, filed on May 15, 2023;
- e. Commission Staff's Clarification, filed on May 31, 2023;
- f. Enviro-Management's "Errata Notice letter for Proposed Rate Change, Notice to Customer's Notice of Proposed Rate Change," filed on June 2, 2023;
- g. Enviro-Management's Responst to Order No. 5 June 8, 2023 Deadline, filed on June 7, 2023;
- h. Commission Staff's Recommendation on Sufficiency of Notice, filed on June 23, 2023;
- i. Enviro-Management's Response to Commission Staff's First Request for Information Question Nos. Staff 1-1 through Staff 1-9, filed on October 13, 2023;
- j. Enviro-Management's Proof of Notice of Prehearing Conference, filed on November 14, 2023;
- k. Statement of Intent to Change Rates, filed on January 12, 2024;
- l. Enviro-Management's Response to Staff's 2nd RFI, Staff 2-1 through Staff 2-9, filed on February 9, 2024;
- m. Enviro-Management's Response to Commission Staff's Request for Information to Question No. Staff 3-2, W-2s, filed on February 14, 2024;
- n. Enviro-Management's Response to Commission Staff's Third Request for Information to Question Nos. Staff 3-1 through Staff 3-5, filed on February 15, 2024;
- o. Supporting Documentation for Schedule II-3 Operating Expenses, filed on February 28, 2024;
- p. Enviro-Management's Supplemental Response to Commission Staff's RFI Question 1-9, filed on March 13, 2024;
- q. I, John Franklin withdrawal as an intervenor on PUC Docket # 54683, filed on April 9, 2024;

- r. I, Rhonda Bynum, withdrawal as an intervenor on PUC Docket # 54683, filed on April 10, 2024;
- s. I, Debbie Davis, withdrawal as an intervenor on PUC Docket # 54683, filed on April 10, 2024;
- t. Stipulation and Settlement Agreement, including Exhibits A through C, filed on May 31, 2024; and
- u. Staff's Memorandum in Support of Settlement, filed on May 31, 2024.

Revenue Requirement, Rates, Rate of Return and Capital Structure, and Tariff Provisions

- 35. In its application, Enviro-Management requested an overall increase of \$49,834 over its adjusted test-year revenue for water service.
- 36. In its application, Enviro-Management requested an annual revenue requirement of \$130,620, consisting of the following:

Description	Revenue Requirement
Operating Expenses	\$116,247
Depreciation	\$7,967
Taxes Other than Income Tax	\$6,772
Federal Income Tax	\$70
Return on Invested Capital	\$5,524
Other Revenues	(\$5,960)
Total Revenue Requirement	\$130,620

- 37. In its application, Enviro-Management requested a total original cost of plant in service of \$132,474, annual depreciation of \$7,967, accumulated depreciation of \$65,506, and net plant in service of \$41,968.
- 38. The Parties agreed to a total original cost of plant in service of \$108,291, annual depreciation of \$7,471, an accumulated depreciation balance of \$7,471 producing a total net plant of \$42,625 and total Invested Capital (Rate Base) of \$56,901.
- 39. Enviro-Management requested an overall rate of return of 7.00%.
- 40. The Parties agreed that Enviro-Management will have a ratio of 50% debt to 50% equity for Enviro-Management's capital structure, and for Enviro-Management to have a 5.03%

cost of debt and an 8.50% return on equity. These ratios and percentages result in an overall Rate of Return of 6.76%.

41. A 6.76% rate of return will allow Enviro-Management a reasonable opportunity to earn a reasonable return on its invested capital used and useful in rendering service to the public over and above its reasonable and necessary operating expenses.
42. The Parties agreed that Enviro-Management's actual total revenue requirement is \$130,620.
43. The Agreement's treatment of Enviro-Management's rate base, capital structure, and rate of return is reasonable.
44. The Parties agreed that Enviro-Management is authorized to charge the rates shown in the tariff included as Exhibit B to the Agreement.
45. In its proposed notice to ratepayers filed on February 24, 2023, Enviro-Management requested a retail water flat rate of \$59.48 per month and a flat gallonage charge of \$6.25 per 1,000 gallons.
46. The rates requested in Enviro-Management's application are designed to recover its requested revenue requirement.
47. In the proposed tariff attached as Attachment B, parties agreed to the retail water flat rate of \$51.54 and a flat gallonage charge of \$6.05 per 1,000 gallons.
48. The agreed flat rates are just and reasonable.
49. The Parties agreed for the rates shown in Exhibit B to the Agreement to be effective for usage on and after the date of this Order.
50. The agreed revenue requirement is appropriate.

Tariff

51. The Parties agreed on the tariff provisions set forth in Exhibit B to the Agreement.
52. The terms and conditions of the agreed tariff are just and reasonable.
53. The Parties agreed for the rates shown in Exhibit B to the Agreement to be effective for usage on and after the date of this Order.

Rate Base

54. The Parties agreed that the components of Enviro-Management's invested capital in rate base as of December 31, 2022, as set forth in Exhibit C to the Agreement, are reasonable and necessary.

55. The Parties agreed that Enviro-Management's net rate base is \$56,901 as of December 31, 2022.
56. The agreed net rate base is appropriate.

Rate Case Expenses

57. The Parties agreed that Enviro-Management will recover \$368.29 in rate case expenses related to this docket through a rate case expense surcharge of \$0.45 per month to be recovered over 6 months.
58. The Parties agreed that \$368.29 represents all rate-case expenses incurred in connection with this docket and that Enviro-Management may not seek to recover any rate-case expenses incurred in connection with this docket in any future proceeding.
59. It is appropriate for Enviro-Management to recover \$368.29 of rate-case expenses related to this docket through a rate case expense surcharge.

Informal Disposition

60. More than 15 days have passed since completion of notice provided in this docket.
61. Enviro-Management and Commission Staff are the only active parties to this proceeding.
62. The only other parties to the proceeding—Mark Newton, Louis Goss, and Yvonne Weaver—were notified of the prehearing conference but did not participate.
63. Mark Newton, Louis Goss, and Yvonne Weaver were included in settlement correspondence but did not engage.
64. No hearing is necessary.
65. All participating parties to this proceeding are signatories to the Agreement.
66. The decision is not adverse to any party in this proceeding.

II. CONCLUSIONS OF LAW

The Commission makes the following conclusions of law.

1. The Commission has authority over Enviro-Management's application to change rates under TWC §§ 13.041, 13.181, 13.1871, and 13.1872(c)(2).
2. Enviro-Management is a utility and public utility as defined in TWC § 13.002(23) and 16 Texas Administrative Code (TAC) § 24.3(38).
3. Enviro-Management is a retail public utility defined by TWC § 13.002(19) and 16 TAC § 24.3(31).

4. Enviro-Management is a class D utility as defined by TWC § 13.002(4-d) and 16 TAC § 24.3(8).
5. Enviro-Management gave notice of the application in accordance with the requirements of TWC § 13.1871 and 16 TAC § 24.27(d)(1).
6. Under TWC § 13.184(c) and 16 TAC § 24.12, Enviro-Management met its burden of proof to establish that the rates approved by this Order are just and reasonable.
7. The Commission processed this docket in accordance with the requirements of the TWC, Texas Administrative Procedure Act,¹ and Commission Rules.
8. The rates approved by this Order are just and reasonable as required by TWC § 13.182(a).
9. The rates approved by this Order are not unreasonably preferential, prejudicial, or discriminatory, and are sufficient, equitable, and consistent in application to each class of customers as required by TWC § 13.182(b).
10. Enviro-Management's operating expenses are reasonable and necessary under 16 TAC § 24.41(b).
11. As required by TWC § 13.183(a), the rates approved by this Order will preserve the financial integrity of Enviro-Management and will permit Enviro-Management a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public over and above its reasonable and necessary operating expenses.
12. An overall rate of return of 6.76% will not yield Enviro-Management more than a fair return on the invested capital used and useful in rendering service to the public in accordance with TWC § 13.184(a) and 16 TAC § 24.41(c)(1).
13. As required by TWC § 13.185(h), the rates approved by this Order do not include legislative advocacy expenses, the costs of processing a refund or credit, or any expenditure that is unreasonable, unnecessary, or not in the public interest.
14. In accordance with TWC § 13.185 and 16 TAC § 24.41(c)(2)(B), the rates approved by this Order are based on original cost, less depreciation, of property used and useful in Enviro-Management's provision of service.
15. The rates approved by this Order comply with 16 TAC § 24.43(b)(1) regarding conservation.

¹ Administrative Procedure Act, Tex. Gov't Code §§ 2001.001-.902.

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

III. ORDERING PARAGRAPHS

In accordance with the Findings of Fact and Conclusions of Law, the Commission issues the following orders:

1. The Commission approves the rates, terms, and conditions of the agreement to the extent provided in this Order.
2. The Commission approves Enviro-Management's tariff attached to the Agreement as Exhibit B, effective the date that this Order is signed.
3. The Commission authorizes Enviro-Management to collect rate-case expenses related to this docket in the amount of \$368.29 through a surcharge of \$0.45 per month for six months after the date this Order is signed.
4. Enviro-Management must not seek to recover any additional rate-case expenses incurred in connection with this application in a future proceeding.
5. Enviro-Management must comply with its commitments set forth in the Agreement and incorporated in this Order.
6. Entry of this Order does not indicate the Commission's endorsement or approval of any principle or methodology that may underlie the Agreement and shall not be regarded as precedential as to the appropriateness of any principle or methodology underlying the Agreement.
7. Within ten days of this Order, Commission Staff must file a clean copy of Enviro-Management's tariff with Central Records to be marked *Approved* and kept in the Commission's tariff book.
8. The Commission denies all other motions and any other requests for general or specific relief, if not expressly granted in this Order.

SIGNED AT AUSTIN, TEXAS the ____ day of _____, 2024.

PUBLIC UTILITY COMMISSION OF TEXAS,

THOMAS GLEESON, CHAIRMAN

KATHLEEN JACKSON, COMMISSIONER

JIMMY GLOFELTY, COMMISSIONER

LORI COBOS, COMMISSIONER

EXHIBIT B



**WATER UTILITY TARIFF
Docket Number 54683**

Enviro-Management
(Utility Name)

2424 Sciaaca Road
(Business Address)

Spring, TX 77373
(City, State, Zip Code)

(281) 353-9479
(Area Code/Telephone)

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

12625

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

Montgomery

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

Porter, Texas (unincorporated town)

This tariff is effective in the following subdivisions or systems:

Heritage Oaks Subdivision (PWS #1700121)

TABLE OF CONTENTS

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

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APPENDIX A – DROUGHT CONTINGENCY PLAN

SECTION 1.0 -- RATE SCHEDULESection 1.01 - Rates

<u>Meter Size</u>	<u>Monthly Minimum Charge</u> (Includes 0 gallons all meters)	<u>Gallage Charge</u>
5/8" or 3/4"	<u>\$51.54</u>	<u>\$6.05</u> per 1,000 gallons

FORM OF PAYMENT: The utility will accept the following forms 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. AT THE CUSTOMER'S OPTION, ANY BILLING TRANSACTION OR COMMUNICATION MAY BE PERFORMED ON THE INTERNET. THIS INCLUDES THE UTILITY SENDING PAPERLESS BILLS BY EMAIL.

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

SECTION 1.0 -- RATE SCHEDULE (CONTINUED)**Section 1.02 – Miscellaneous Fees**

TAP FEE\$1,200

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

TAP FEE (Unique costs).....Actual Cost

FOR EXAMPLE, A ROAD BORE FOR CUSTOMERS OUTSIDE OF SUBDIVISIONS OR RESIDENTIAL AREAS.

LARGE METER TAP FEEActual Cost

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

RECONNECTION FEE

THE RECONNECT FEE WILL BE CHARGED BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS BEEN DISCONNECTED FOR THE FOLLOWING REASONS:

a) Non-payment of bill (Maximum \$25.00).....\$25.00

b) Customer's request\$20.00

or other reasons listed under Section 2.0 of this tariff

TRANSFER FEE\$50.00

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

LATE CHARGE\$5.00

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

RETURNED CHECK CHARGE\$25.00

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

COMMERCIAL AND NON-RESIDENTIAL DEPOSIT1/6TH ESTIMATED ANNUAL BILL

METER TEST FEE (actual cost of testing the meter up to).....\$25.00

THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS A SECOND METER TEST WITHIN A TWO-YEAR PERIOD AND THE TEST INDICATES THAT THE METER IS RECORDING ACCURATELY.

METER RELOCATION FEEActual Relocation Cost

THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS RELOCATION OF AN EXISTING METER.

METER CONVERSION FEE.....Actual Cost to Convert Meter

THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS CHANGE OF SIZE OF AN EXISTING METER OR CHANGE IS REQUIRED BY MATERIAL CHANGE IN CUSTOMERS SERVICE DEMAND.

SEASONAL RECONNECTION FEE:

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

SECTION 1.0 -- RATE SCHEDULE (CONTINUED)**Section 1.02 – Miscellaneous Fees (Continued)****PURCHASED WATER AND/OR DISTRICT FEE PASS THROUGH CLAUSE - ALL WATER SUBJECT TO FEE:**

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

$$AG = G + B/(1-L),$$

Where:

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

SECTION 2.0 - SERVICE RULES AND REGULATIONS

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

Section 2.01 - Application for Water Service

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

Section 2.02 - Refusal of Service

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

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

(A) Customer Deposits

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

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

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

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

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONTINUED)**Section 2.03 - Fees and Charges & Easements Required Before Service Can Be Connected (Continued)****(B) Tap or Reconnect Fees**

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

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

(C) Easement Requirement

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

Section 2.04 - Utility Response to Applications for Service

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

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

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONTINUED)**Section 2.05 - Customer Responsibility**

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

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

Section 2.06 - Customer Service Inspections

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

Section 2.07 - Back Flow Prevention Devices

No water connection shall be allowed to any residence or establishment where an actual or potential contamination hazard exists unless the public water facilities are protected from contamination by either an approved air gap, backflow prevention assembly, or other approved device. The type of device or backflow prevention assembly required shall be determined by the specific potential hazard identified in 30 TAC § 290.47(f) Appendix F, Assessment of Hazards and Selection of Assemblies of the TCEQ Rules and Regulations for Public Water Systems.

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

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

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONTINUED)**Section 2.07 - Back Flow Prevention Devices (continued)**

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

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

Section 2.08 - Access to Customer's Premises

The utility will have the right of access to the customer's premises at all reasonable times for the purpose of installing, testing, inspecting or repairing water mains or other equipment used in connection with its provision of water service, or for the purpose of removing its property and disconnecting lines, and for all other purposes necessary to the operation of the utility system including inspecting the customer's plumbing for code, plumbing or tariff violations. The customer shall allow the utility and its personnel access to the customer's property to conduct any water quality tests or inspections required by law. Unless necessary to respond to equipment failure, leak or other condition creating an immediate threat to public health and safety or the continued provision of adequate utility service to others, such entry upon the customer's property shall be during normal business hours and the utility personnel will attempt to notify the customer that they will be working on the customer's property. The customer may require any utility representative, employee, contractor, or agent seeking to make such entry identify themselves, their affiliation with the utility, and the purpose of their entry.

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

Section 2.09 - Meter Requirements, Readings, and Testing

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

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

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONTINUED)Section 2.09 - Meter Requirements, Readings, and Testing (continued)

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

Section 2.10 - Billing(A) Regular Billing

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

(B) Late Fees

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

(C) Information on Bill

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

(D) Prorated Bills

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

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONTINUED)Section 2.11- Payments

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

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

Section 2.12 - Service Disconnection(A) With Notice

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

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

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

B) Without Notice

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

Section 2.13 - Reconnection of Service

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

Service will be reconnected within 36 hours after the past due bill, reconnect fees and any other outstanding charges are paid or the conditions which caused service to be disconnected are corrected.

Section 2.14 - Service Interruptions

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

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONTINUED)

Section 2.15 - Quality of Service

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

Section 2.16 - Customer Complaints and Disputes

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

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

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

Section 2.17 - Customer Liability

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

SECTION 3.0--EXTENSION POLICYSection 3.01 - Standard Extension Requirements

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

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

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

Section 3.02 - Costs Utilities and Service Applicants Shall Bear

Within its certified area, the utility will pay the cost of the first 200 feet of any water main or distribution line necessary to extend service to an individual residential customer within a platted subdivision.

However, if the residential customer requesting service purchased the property after the developer was notified in writing of the need to provide facilities to the utility, the utility may charge for the first 200 feet. The utility must also be able to document that the developer of the subdivision refused to provide facilities compatible with the utility's facilities in accordance with the utility's approved extension policy after receiving a written request from the utility.

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

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

Exceptions may be granted by the PUCT if:

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

SECTION 3.0--EXTENSION POLICY (CONTINUED)**Section 3.02 - Costs Utilities and Service Applicants Shall Bear (continued)**

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

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

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

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

Section 3.03 - Contributions in Aid of Construction

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

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

SECTION 3.0--EXTENSION POLICY (CONTINUED)**Section 3.03 - Contributions in Aid of Construction (continued)**

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

A utility may only charge a developer standby fees for unrecovered costs of facilities committed to a developer's property under the following circumstances:

- Under a contract and only in accordance with the terms of the contract; or
- if service is not being provided to a lot or lots within two years after installation of facilities necessary to provide service to the lots has been completed and if the standby fees are included on the utilities approved tariff after a rate change application has been filed. The fees cannot be billed to the developer or collected until the standby fees have been approved by the commission or executive director.

for purposes of this section, a manufactured housing rental community can only be charged standby fees under a contract or if the utility installs the facilities necessary to provide individually metered service to each of the rental lots or spaces in the community.

Section 3.04 - Appealing Connection Costs

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

Section 3.05 - Applying for Service

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

SECTION 3.0--EXTENSION POLICY (CONTINUED)Section 3.05 - Applying for Service (continued)

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

Section 3.06 - Qualified Service Applicant

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

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

Section 3.07 - Developer Requirements

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

APPENDIX A - DROUGHT CONTINGENCY PLAN

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

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