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DOCKET NO. 56608

APPLICATION OF THE ESTATE OF	§	PUBLIC UTILITY COMMISSION
HENRY M. GARZA DBA CIELO AZUL	§	
RANCH AND CIELO AZUL AGUA LLC	§	OF TEXAS
FOR SALE, TRANSFER, OR MERGER	§	
OF FACILITIES AND CERTIFICATE	§	
RIGHTS IN HAYS COUNTY	§	

NOTICE OF APPROVAL

This Notice of Approval addresses the application of the Estate of Henry M. Garza dba Cielo Azul Ranch (Cielo Azul Ranch) and Cielo Azul Agua LLC for approval of the sale, transfer, or merger of facilities and certificate rights in Hays County. The Commission approves the following: (1) the sale and transfer to Cielo Azul Agua of all facilities and service area held by Cielo Azul Ranch under certificate of convenience and necessity (CCN) number 12702; and (2) the transfer of Cielo Azul Ranch's CCN number 12702 to Cielo Azul Agua, to the extent provided in this Notice of Approval.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicants

1. Henry M. Garza was an individual doing business under the name Cielo Azul Ranch.
2. Henry M. Garza is deceased.
3. Daniel L. Garza is the executor of the estate of Henry M. Garza.
4. Cielo Azul Ranch operates, maintains, and controls facilities for providing potable water service for compensation in its certificated service area in Hays County under CCN number 12702.
5. Cielo Azul Ranch owns and operates a public water system registered with the Texas Commission on Environmental Quality (TCEQ) as Cielo Azul Ranch, under identification number TX1050034.

6. Cielo Azul Agua is a Texas limited liability company registered with the Texas secretary of state under filing number 805477743.

Application

7. On May 13, 2024, the applicants filed the application at issue in this proceeding.
8. On June 27, August 8, and October 15, 2024, the applicants supplemented the application.
9. In the application, as supplemented, the applicants seek approval of the following:
 - a. the sale and transfer to Cielo Azul Agua of all facilities and service area held by Cielo Azul Ranch under CCN number 12702; and
 - b. the transfer of Cielo Azul Ranch's CCN number 12702 to Cielo Azul Agua.
10. The total requested area includes approximately 45 acres and 11 customer connections.
11. The requested area is located approximately 3.9 miles southwest of downtown Wimberley, Texas and is generally bounded on the north by Benito Lane; on the east by Backbone Ridge; on the south by Farm-to-Market Road 32; and on the west by Dara Lane.
12. In Order No. 6 filed on November 4, 2024, the administrative law judge (ALJ) found the application, as supplemented, administratively complete.

Notice

13. On November 8, 2024, Cielo Azul Ranch filed the affidavits of Allison Chambers, office manager for The Garza Management Trust of 1994, attesting that:
 - a. notice of the application was provided to all current customers of Cielo Azul Ranch, neighboring utilities, and affected parties on November 6, 2024; and
 - b. there are no landowners owning tracts of land over 25 acres wholly or partly inside the requested area to be transferred.
14. In Order No. 7 filed on December 12, 2024, the ALJ found the notice sufficient.
15. The notice of the application listed a phone number for the hearing- and speech-impaired that does not match the one listed in 16 Texas Administrative Code (TAC) §§ 24.235(a)(3) and 24.239(e)(1)(C).

16. The following facts constitute good cause to grant an exception to the requirements of 16 TAC §§ 24.235(a)(3) and 24.239(e)(1)(C) with respect to the phone number for the hearing- and speech-impaired: The notice form was provided by Commission Staff, and there is no evidence that potential harm to the public arose from the noncompliant notice.

Evidentiary Record

17. In Order No. 8 filed on March 3, 2025, the ALJ admitted the following evidence into the record of this proceeding:
- a. the application filed on May 13, 2024;
 - b. Commission Staff's recommendation on administrative completeness, notice, proposed procedural schedule and request to restate filed on June 13, 2024;
 - c. the applicants' response to request for clarification filed on June 27, 2024;
 - d. Commission Staff's supplemental comment on the correct name of the applicants, sufficiency of the applicants' oaths, and request to restate filed on July 3, 2024;
 - e. the applicants' supplement to the application, and all attachments, filed on August 8, 2024;
 - f. the applicants' supplement to the application, and all attachments, filed on October 15, 2024;
 - g. Commission Staff's recommendation on administrative completeness, notice, and proposed procedural schedule filed on October 31, 2024;
 - h. the applicants' proof of notice, and all attachments, filed on November 8, 2024;
 - i. Commission Staff's recommendation on notice and proposed procedural schedule filed on December 10, 2024; and
 - j. Commission Staff's recommendation on approval of the transaction, and all attachments, filed on January 7, 2025.
18. In Order No. 11 filed on June 12, 2025, the ALJ admitted the following additional evidence into the record:
- a. the applicants' evidence of completed transaction filed on March 26, 2025;

- b. Commission Staff's recommendation on the sufficiency of the closing documents and proposed procedural schedule filed on April 9, 2025;
- c. the applicants' consent forms filed on May 12, 2025; and
- d. the final map, certificate, and tariff attached to the joint motion to admit evidence and proposed notice of approval filed on May 27, 2025.

Sale

- 19. In Order No. 9 filed on March 6, 2025, the ALJ approved the sale and allowed the transaction to proceed and required the applicants to file proof that the transaction had been completed and customer deposits, if any, had been addressed.
- 20. On March 26, 2025, the applicants filed notice that the sale had closed on March 19, 2025, and confirmed that there were no outstanding customer deposits that needed to be addressed.
- 21. In Order No. 10 filed on April 11, 2025, the ALJ found the closing documents sufficient.

Purchaser's Compliance History

- 22. Cielo Azul Agua is a new entity and has no compliance history.
- 23. Cielo Azul Agua does not have a history of continuing mismanagement or misuse of revenues as a utility service provider.
- 24. Cielo Azul Agua demonstrated a compliance history that is adequate for approval of the transaction.

Adequacy of Existing Service

- 25. There are currently 11 existing customer connections in the requested area that are being served by Cielo Azul Ranch through its public water system number TX1050034, and such service has been continuous and adequate.
- 26. The last TCEQ compliance investigation of the Cielo Azul Ranch water system was on January 19, 2023. Cielo Azul Ranch does not have any active violations listed in the TCEQ database.
- 27. The Commission's complaint records, which date back five years, show no complaints against Cielo Azul Ranch.

28. No additional construction is necessary for Cielo Azul Agua to serve the requested area held by Cielo Azul Ranch.
29. There is no evidence in the record that Cielo Azul Ranch has failed to comply with any Commission or TCEQ order.

Need for Additional Service

30. There are 11 existing customer connections in the requested area that are currently receiving service from Cielo Azul Ranch and have a continuing need for service.
31. This is an application to transfer only existing facilities, customers, and service area.
32. There is no evidence in the record indicating a need for additional service within the requested area.

Effect of Approving the Transaction and Granting the Amendment

33. Cielo Azul Agua will be the sole certificated water utility for the requested area.
34. Cielo Azul Agua will be required to provide continuous and adequate water service to current and future customers in the requested area.
35. There will be no effect on landowners as the requested area is currently certificated.
36. All retail public utilities in the proximate area were provided notice of the application and none filed protests or adverse comments in this proceeding.
37. There will be no effect on any retail public utility providing service in the proximate area.

Ability to Serve: Managerial and Technical Capability

38. Cielo Azul Agua will employ or contract with TCEQ-licensed water operators who will operate the public water system.
39. Cielo Azul Agua has the technical and managerial capability to provide adequate and continuous service to the requested area.

Feasibility of Obtaining Service from Adjacent Retail Public Utility

40. Cielo Azul Ranch is currently serving customers in the requested area, and such service has been continuous and adequate.

41. 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 to connect to a neighboring retail public utility.
42. It is not feasible to obtain service from an adjacent retail public utility.

Regionalization or Consolidation

43. It is not necessary for Cielo Azul Agua to construct a physically separate water system to serve the requested area.
44. Because the requested area will not require construction of a physically separate water system, consideration of regionalization or consolidation with another retail public utility is not required.

Ability to Serve: Financial Capability and Stability

45. Cielo Azul Agua provided an affidavit stating that its affiliate and sole owner, The Garza Management Trust of 1994, is capable, available, and willing to cover any temporary cash shortages and operating expense shortfalls. The Garza Management Trust of 1994's financial statements, ending December 31, 2023, demonstrate a debt-to-equity ratio of less than one, satisfying the leverage test.
46. The Garza Management Trust of 1994 provided a written guarantee of coverage of temporary cash shortages and operating expense shortfalls and demonstrated it has sufficient cash available to cover any projected operations and maintenance shortages in the first five years of operations after completion of the transaction, satisfying the operations test. Cielo Azul Agua also projects no operating shortages.
47. No capital improvements are required to provide continuous and adequate service to customers in the requested area.
48. Cielo Azul Agua demonstrated the financial capability and stability to provide continuous and adequate service to the requested area.

Financial Assurance

49. There is no need to require Cielo Azul Agua to provide a bond or other financial assurance to ensure continuous and adequate service.

Environmental Integrity and Effect on the Land

- 50. The requested area will continue to be served with existing infrastructure.
- 51. The environmental integrity of the land will not be affected as no additional construction is needed to provide service to the requested area.

Improvement of Service or Lowering Cost to Consumers

- 52. Cielo Azul Agua will continue to provide water service to existing customers in the requested area.
- 53. The rates charged to customers in the requested area will not change as a result of the proposed transaction because Cielo Azul Agua will adopt Cielo Azul Ranch's current tariff upon approval of the transaction.

Map, Certificate, and Tariff

- 54. On April 28, 2025, Commission Staff emailed to the applicants the final proposed map, certificate, and tariff related to this docket.
- 55. On May 5, 2025, Commission Staff revised the final proposed map.
- 56. On May 12, 2025, the applicants filed their consent forms concurring with the proposed revised final map, certificate, and tariff.
- 57. The final map, certificate, and tariff were included as attachments to the joint supplemental motion to admit evidence and proposed notice of approval filed on May 27, 2025.

Informal Disposition

- 58. More than 15 days have passed since the completion of notice provided in this docket.
- 59. No person filed a protest or motion to intervene.
- 60. Cielo Azul Ranch, Cielo Azul Agua, and Commission Staff are the only parties to this proceeding.
- 61. No party requested a hearing, and no hearing is needed.
- 62. Commission Staff recommended approval of the application.
- 63. 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, 13.251, and 13.301.
2. Cielo Azul Ranch and Cielo Azul Agua are retail public utilities as defined by TWC § 13.002(19) and 16 TAC § 24.3(31).
3. The Commission processed the application as required by the TWC, the Administrative Procedure Act,¹ and Commission Rules.
4. The application meets the requirements of TWC § 13.244 and 16 TAC §§ 24.227 and 24.233.
5. Good cause exists under 16 TAC § 24.2(b) to grant an exception to the requirements of 16 TAC §§ 24.235(a)(3) and 24.239(e)(1)(C) with respect to the phone number for the hearing- and speech-impaired.
6. Cielo Azul Ranch and Cielo Azul Agua provided notice that complies with TWC §§ 13.246 and 13.301(a)(2) and 16 TAC §§ 24.235 and 24.239(b).
7. Cielo Azul Ranch and Cielo Azul Agua have complied with the requirements of 16 TAC § 24.239(k) and (l) with respect to customer deposits.
8. Cielo Azul Ranch and Cielo Azul Agua 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), Cielo Azul Agua demonstrated that it is capable of rendering continuous and adequate water service to every customer in the requested area, as required by TWC §§ 13.241(a) and 13.301(b).
10. Cielo Azul Agua demonstrated adequate financial, managerial, and technical capability for providing adequate and continuous water service to the requested area as required by TWC § 13.251.

¹ Texas Gov't Code §§ 2001.001–.903.

11. It is not necessary for Cielo Azul Agua to provide bond or other financial assurance under TWC §§ 13.246(d) and 13.301(c).
12. 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.
13. Cielo Azul Ranch and Cielo Azul Agua demonstrated that the sale of Cielo Azul Ranch's water facilities and the transfer of the water areas held by Cielo Azul Ranch to Cielo Azul Agua under water CCN number 12702 will serve the public interest and is necessary for the service, accommodation, convenience, or safety of the public under TWC § 13.301(d) and (e).
14. Under TWC § 13.257(r) and (s), Cielo Azul Agua 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 Hays County within 31 days of receiving this Notice of Approval and submit to the Commission evidence of the recording.
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 all facilities and certificated service area held by Cielo Azul Ranch under CCN 12702 to Cielo Azul Agua to the extent provided in this Notice of Approval and as shown on the attached maps.
2. The Commission transfers to Cielo Azul Aqua CCN number 12702.
3. The Commission grants Cielo Azul Agua a good-cause exception to the requirements of 16 TAC §§ 24.235(a)(3) and 24.239(e)(1)(C) with respect to the phone number for the hearing-and speech-impaired.
4. The Commission approves the map and tariff attached to this Notice of Approval.
5. The Commission issues the certificate attached to this Notice of Approval.

6. Cielo Azul Agua must provide service to every customer or applicant for service within the approved area under CCN number 12702 that requests service and meets the terms of Cielo Azul Agua's water service policies, and such service must be continuous and adequate.
7. Cielo Azul Agua must file in this docket proof of the recording required by TWC § 13.257(r) and (s) within 45 days of the date of this Notice of Approval.
8. Within ten days of the date of this Notice of Approval, Commission Staff must provide the Commission a clean copy of Cielo Azul Agua's tariff to be stamped *Approved* and retained by Central Records.
9. The Commission denies all other motions and any other requests for general or specific relief, if not expressly granted.

Signed at Austin, Texas on the 12th day of June 2025.

PUBLIC UTILITY COMMISSION OF TEXAS



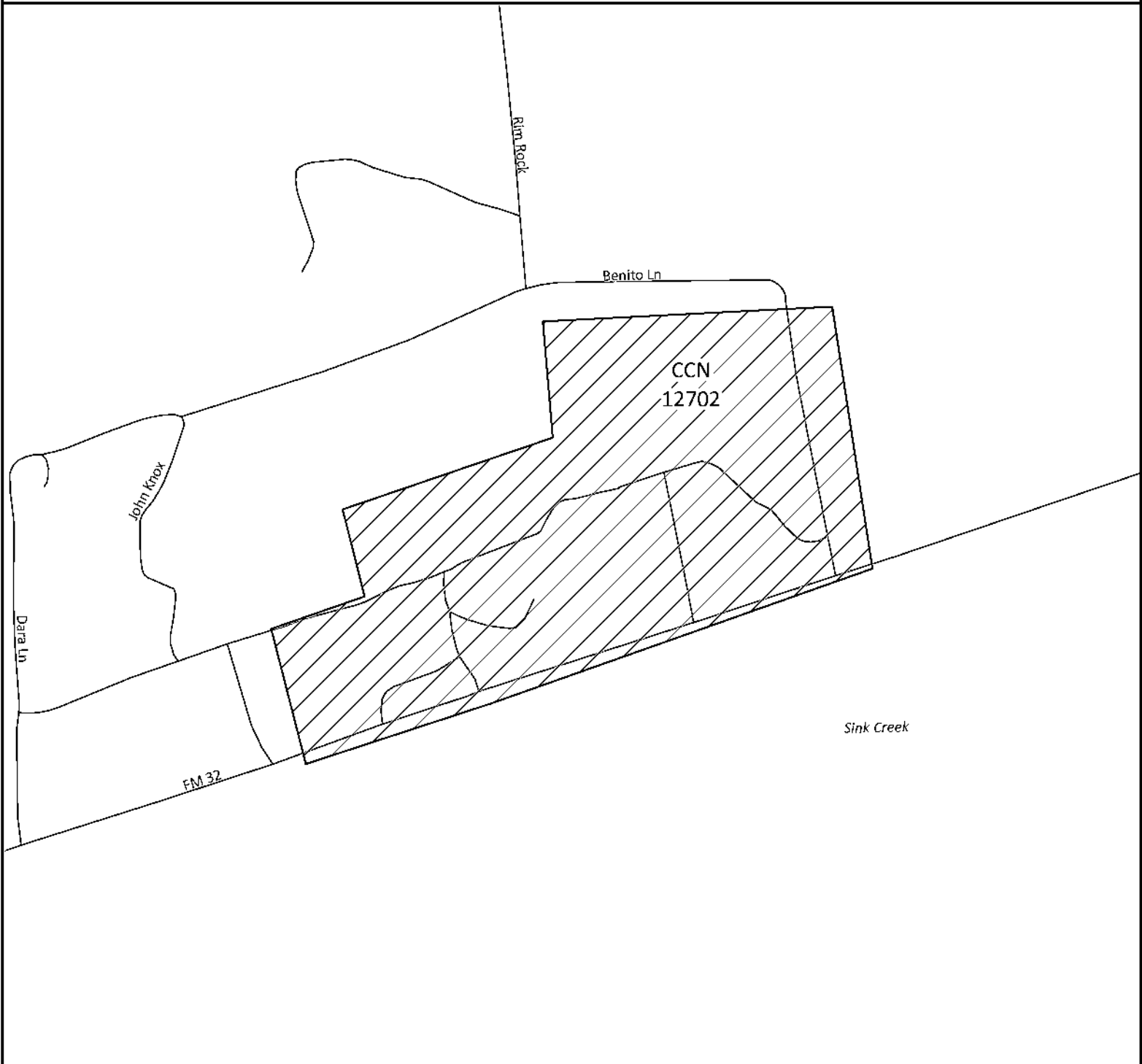
BRENNAN FOLEY
ADMINISTRATIVE LAW JUDGE

PUCT Docket No. 56608

Cielo Azul Agua LLC

Water CCN No. 12702

Transfer all of Estate of Henry M. Garza dba Cielo Azul Ranch, CCN No. 12702 and Obtain CCN No. 12702
in Hays County



ft 0 250 500

Water CCN



12702 - Cielo Azul Agua LLC

Mapping Section
Infrastructure Division

Date: April 21, 2025
Project: 56608.aprx





Public Utility Commission of Texas

By These Presents Be It Known To All That

Cielo Azul Agua 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, Cielo Azul Agua LLC is entitled to this

Certificate of Convenience and Necessity No. 12702

to provide continuous and adequate water utility service to that service area or those service areas in Hays County as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 56608 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 Cielo Azul Agua 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 Number 56608

Cielo Azul Agua LLC

(Utility Name)

PO Box 1898

(Business Address)

San Marcos, TX. 78667

(City, State, Zip Code)

(512) 847-2130

(Area Code/Telephone)

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

12702

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

Hays

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

None

This tariff is effective in the following subdivisions or systems:

Cielo Azul Ranch (PWS #1050034)

TABLE OF CONTENTS

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

SECTION 1.0 -- RATE SCHEDULE	2
SECTION 2.0 -- SERVICE RULES AND POLICIES	3
SECTION 3.0 -- EXTENSION POLICY	8

APPENDIX A – DROUGHT CONTINGENCY PLAN

SECTION 1.0 – RATE SCHEDULE**Section 1.01 - Rates****Meter Size** **Monthly Minimum Charge**

Full time use	<u>\$25.00</u>
Part time use	<u>\$10.00</u>

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

Cash , Check , Money Order , Credit Card , Other (specify)

THE UTILITY MAY REQUIRE EXACT CHANGE FOR PAYMENTS AND MAY REFUSE TO ACCEPT PAYMENTS MADE USING MORE THAN \$1.00 IN SMALL COINS. A WRITTEN RECEIPT WILL BE GIVEN FOR CASH PAYMENTS. AT THE CUSTOMER'S OPTION, ANY BILLING TRANSACTION OR COMMUNICATION MAY BE PERFORMED ON THE INTERNET. THIS INCLUDES THE UTILITY SENDING PAPERLESS BILLS BY EMAIL.

REGULATORY ASSESSMENT..... 1.0%

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

Section 1.02 – Miscellaneous Fees

TAP FEE None

TAP FEE IS BASED ON THE AVERAGE OF THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR STANDARD RESIDENTIAL CONNECTION OF 5/8" OR 3/4" METER.

RECONNECTION FEE

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

- a) Non-payment of bill (Maximum \$25.00) \$25.00
- b) Customer's request None

or other reasons listed under Section 2.0 of this tariff

TRANSFER FEE..... None

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

LATE CHARGE \$2.00 or 5%

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..... None

CUSTOMER DEPOSIT (Maximum \$50)..... None

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.

SECTION 2.0 - SERVICE RULES AND REGULATIONS

Section 2.01 – Public Utility Commission Rules

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 2.02 - Application for and Provision of 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 before water service is provided by the utility. A separate application or contract will be made for each service location.

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.

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

The customer will be responsible for furnishing and laying the necessary customer service pipe from the meter location to the place of consumption. Customers may be required to install a customer owned cut-off valve on the customer's side of the meter or connection.

Section 2.03 - Refusal of Service

The utility may decline to serve an applicant until the applicant has complied with the regulations of the regulatory agencies (state and municipal regulations) and for the reasons outlined in the 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 2.04 - 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 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

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONTINUED)

of utility service but must refund the deposit plus interest for any residential customer who has paid 18 consecutive billings without being delinquent.

Section 2.05 - Meter Requirements, Readings, and Testing

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. One meter is required for each residential, commercial, or industrial facility in accordance with PUCT Rules.

Service 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 2.06 - 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 \$2.00 or 5.0% 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 telephone number (or numbers) which may be reached by a local call by customers. At the utility's option, a toll-free telephone number or the equivalent may be provided.

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONTINUED)**(D) Disputed Bills**

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 2.07 - 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.

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

Section 2.08 - Reconnection of Service

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

Section 2.09 - Service Interruptions

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

Prorated Bills

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

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONTINUED)

Section 2.10 - Quality of Service

The utility will plan, furnish, and maintain 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 2.11 - Customer Complaints and Disputes

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

SECTION 2.20 – SPECIFIC UTILITY SERVICE RULES AND REGULATIONS

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

SECTION 3.0 – EXTENSION POLICY

Section 3.01 - Standard Extension Requirements

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

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

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

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 of the need to provide facilities to the utility, the utility may charge for the first 200 feet. The utility must also be able to document that the developer of the subdivision refused to provide facilities compatible with the utility's facilities in accordance with the utility's approved extension policy after receiving a written request from the utility.

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

SECTION 3.20 – SPECIFIC UTILITY EXTENSION POLICY

This section contains specific utility service rules in addition to the rules previously listed under Section 3.0. It must be reviewed and approved by the Commission and in compliance with PUCT Rules to be effective.

Residential customers not covered under Section 3.0 will be charged the equivalent of the costs of extending service to their property from the nearest transmission and distribution line even if that line does not have adequate capacity to serve the customer. However, if the customer places unique, non-standard service demands upon the system, the customer may be charged the full cost of extending service to and throughout their property, including the cost of all necessary transmission and storage facilities necessary to meet the service demands anticipated to be created by the property. Developers may be required to provide contributions in aid of construction in amounts sufficient to furnish the development with all facilities necessary to provide for reasonable local demand requirements and to comply with TCEQ minimum design criteria for facilities used in the production, transmission, pumping, or treatment of water or TCEQ minimum requirements. For purposes of this subsection, a developer is one who subdivides or requests more than two meters on a piece of property. Commercial, industrial, and wholesale customers will be treated as developers.

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.)