

RESOLUTION NO. 217

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BULVERDE, TEXAS APPROVING AGREEMENT WITH SJWTX, INC. D/B/A CANYON LAKE WATER SERVICE COMPANY.

WHEREAS, SJWTX, Inc. d/b/a Canyon Lake Water Service Company (“CLWSC”) filed an application with the City of Bulverde for approval of a proposed increase in rates; and

WHEREAS, representatives of the City of Bulverde, with the concurrence and assistance of representatives of customers affected by the rate change, negotiated a settlement agreement with representatives of CLWSC, a copy of which is attached to this resolution.

WHEREAS, the City Council determines that it is in the best interest of the City of Bulverde to approve the settlement agreement and to approve the rate schedule set forth in the agreement and the miscellaneous charges set forth in the application pursuant to the agreement;

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF BULVERDE, TEXAS, THAT:

Section 1. The City of Bulverde, Texas, approves a settlement agreement with SJWTX, Inc. d/b/a Canyon Lake Water Service Company (“CLWSC”) in the form and substance of the agreement attached to this resolution and authorizes the Mayor and City Secretary to sign the agreement on behalf of the City.

Section 2. The City of Bulverde, Texas approves the rate schedule, miscellaneous charges, and other provisions included in the CLWSC water utility tariff applicable within the City of Bulverde attached to the settlement agreement as Exhibit A.

Section 3. This Resolution shall become effective upon adoption.

Passed and Approved this 26th day of February, 2014.


Bill Krawietz, Mayor

Attest:


Danny Batts, City Secretary



SETTLEMENT AGREEMENT

This Settlement Agreement (the "Agreement") is by and between the City of Bulverde, Texas ("Bulverde" or "City") and SJWTX, Inc. d/b/a Canyon Lake Water Service Company ("CLWSC").

WHEREAS, Bulverde is a type A general law city and a municipal corporation organized and operating in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, CLWSC is an investor-owned, retail public water and sewer utility operating under state issued certificates of convenience and necessity; and

WHEREAS, under Texas Water Code § 13.187, Bulverde is the local regulatory authority with original jurisdiction over the water rates of CLWSC within the corporate limits of Bulverde; and

WHEREAS, on October 3, 2013, CLWSC filed a water rate/tariff change application with Bulverde regarding retail water utility service inside Bulverde's corporate limits ("Rate Application"); and

WHEREAS, CLWSC simultaneously filed the Rate Application with TCEQ, which assigned it Application No. 37746-R ("TCEQ Rate Case");

WHEREAS, Bulverde has accepted and reviewed the Rate Application ("Bulverde Rate Case");

WHEREAS, the Rate Application proposed December 2, 2013 as the effective date for the water rate/tariff change requested in the Rate Application;

WHEREAS, on November 13, 2013, Bulverde notified CLWSC that the effective date of its proposed rate increase was suspended until January 2, 2014;

WHEREAS, on December 20, 2013, Bulverde notified CLWSC that the effective date of its proposed rate increase was suspended until March 2, 2014;

WHEREAS, Bulverde and CLWSC mutually desire to resolve the Bulverde Rate Case; and

WHEREAS, Bulverde and CLWSC mutually desire to enter into this Agreement setting forth the terms and conditions pursuant to which Bulverde will authorize certain new water rates for CLWSC, and to which Bulverde and CLWSC will agree to undertake certain other obligations as described herein, subject to approval by the Bulverde City Council.

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

ARTICLE I **SETTLEMENT RATES AND TARIFF PROVISIONS**

1.1 Bulverde agrees to treat CLWSC's October 3, 2013 Rate Application as administratively complete, waive any additional rate application filing requirements that may be present in the City of Bulverde Code of Ordinances, and enter into this Agreement to resolve the Bulverde Rate Case subject to approval by Bulverde City Council.

1.2 Bulverde and CLWSC agree to the water rates (“Settlement Rates”) and other tariff provisions as set forth in **Exhibit A** hereto that will apply to CLWSC’s retail water utility service within Bulverde’s corporate limits. The Settlement Rates include a Transition Adjustment Credit for existing CLWSC in-City customers within the Bulverde Hills and Oakland Estates Subdivisions (areas formerly served by Bexar Metropolitan Water District) with 5/8” x 3/4” or 3/4” meters as set forth in **Exhibit A**. The Transition Adjustment Credit will be administered from 3/1/2014 through 6/30/2016 with reductions applied according to the schedule in **Exhibit A**. The Settlement Rates also include the addition of a \$2.00 credit card transaction convenience fee for each payment made by credit card.

1.3 CLWSC is authorized to charge the Settlement Rates effective March 1, 2014 and will begin billing the Settlement Rates with bills based on consumption during all or part of the month of March 2014. Customers who are eligible for the Transition Adjustment Credit and receive a bill for a partial month of service will receive only a partial Transition Adjustment Credit prorated based on the bill’s actual service period. Provisions within the tariff included as **Exhibit A** hereto that are not included within “Section 1.0 – Rate Schedule” shall apply immediately upon the effective date of the Bulverde City Council ordinance approving this Agreement.

1.4 CLWSC agrees that it will not file a new application to increase in-City water rates for existing CLWSC in-City customers with a requested effective date prior to 3/1/2017. However, during this time period, CLWSC may seek in-City adjustments to its water pass-through gallonage charge or implement a temporary water rate in accordance with its in-City water tariff provisions. If a new rate application is filed prior to 3/1/2017, the obligation to make the effective date 3/1/2017 or later shall survive termination of this Agreement.

1.5 CLWSC will not assess an in-City lost revenue surcharge for the period between 12/2/2013 and 3/2/2014.

1.6 Bulverde and CLWSC agree to mutually coordinate to identify CLWSC systems that may be located within Bulverde's corporate limits in the future so as to minimize rate/tariff disputes related to jurisdictional issues.

1.7 CLWSC and the City of Bulverde agree that, except for the rate/tariff changes reflected in **Exhibit A**, all other rates, terms, treatments and conditions in the Rate Application and requested Water Utility Tariff are accepted, approved, and, except as provided herein, will be the governing water utility tariff rates, terms, treatments, and conditions for CLWSC within the City of Bulverde’s corporate limits.

ARTICLE II **SPECIAL PROVISIONS**

2.1 Existing CLWSC customers with 3/4” size metered connections located within Bulverde’s existing corporate limits may request that CLWSC replace their meter with a 5/8” x 3/4” size meter without cost or charge at any time before 1/1/2015.

2.2 CLWSC will direct its contractor to review and comply with Section 3.10.031 of the City’s Code of Ordinances regarding “Street Cuts” and the applicable “Standards for work”. CLWSC will further direct its contractor to review all Cougar Bend, Panther Drive, Wildcat Drive, Deerfield Terrace, Buck Lane, Bulverde Hills Drive, and Bulverde Road street cuts made during the past 24 months for in-City CLWSC utility lines for compliance with the City’s standards. If remedial work is needed in order to comply with Section 3.10.031, CLWSC will direct its contractor to complete such work to both CLWSC and the City’s satisfaction within 60 days of the effective date of the Settlement Rates. If CLWSC’s

contractor fails to complete this task, CLWSC will either perform the work or have another contractor perform it.

ARTICLE III
RATE CASE EXPENSES

3.1 Bulverde acknowledges that CLWSC has hired attorneys to represent CLWSC in the Bulverde Rate Case and that CLWSC has incurred legal fees in connection with the Bulverde Rate Case that CLWSC could possibly recover pursuant to TEX. WATER CODE Ch. 13. CLWSC acknowledges that Bulverde has also hired attorneys to represent Bulverde in the Bulverde Rate Case. However, each party shall bear its own legal expenses.

3.2 CLWSC will not surcharge or otherwise seek to recover from ratepayers within the Bulverde corporate limits any rate case expenses, including CLWSC's expenses, Bulverde's expenses, or any other party's rate case expenses, relating to CLWSC's the Rate Application. However, CLWSC can still seek rate case expense reimbursement in the TCEQ Rate Case, but only from environs customers.

3.3 Bulverde agrees it will not seek to recover any rate case expenses from CLWSC associated with CLWSC's the Rate Application.

ARTICLE IV
EFFECT OF APPEALS

4.1 Neither CLWSC nor Bulverde shall file any appeal or other legal challenge, or intervene in any appeal or other legal challenge, that may be filed with TCEQ, PUC, or any other court of competent jurisdiction based on the Rate Application, this Agreement, the Bulverde Rate Case, Bulverde's decision to approve this Agreement in a rate ordinance, the TCEQ Rate Case, the Settlement Rates, or any other tariff provision contained in **Exhibit A**.

4.2 If a third party files any appeal or legal challenge as described in paragraph 4.1, then: (1) CLWSC and Bulverde shall support the integrity of the agreement as a proper exercise of the City's regulatory authority; (2) Bulverde shall not take any action that contravenes this Agreement; and (3) Bulverde shall not assist, directly or indirectly, any party that files such an appeal or legal challenge.

4.3 In the event of a successful appeal or other legal challenge as described in paragraph 4.1, this Agreement shall be null and void.

ARTICLE V
EFFECT OF TCEQ OR PUC DECISION ON SETTLEMENT RATES

5.1 Bulverde agrees on behalf of its employees, agents, and representatives that, on or after the effective date this Agreement, Bulverde will not assist, directly, indirectly or in any other fashion, any ratepayer or other person in the TCEQ Rate Case.

5.2 If the TCEQ or the Public Utility Commission of Texas ("PUC") sets water rates that are different than the Settlement Rates for CLWSC's environs customers outside the City, the City shall have the option of issuing an ordinance that approves a revised CLWSC in-City water tariff that includes those rates in place of the Settlement Rates and CLWSC agrees not to oppose or appeal such ordinance. If applicable, the revised rates shall be effective for service rendered on or after the first of the month following issuance of the City's tariff revision ordinance with the following conditions: (1) the City shall notify CLWSC of the ordinance immediately upon issuance; (2) the City shall provide a copy of the

ordinance and revised tariff within one week after issuance; (3) the City's ordinance must be issued at least thirty (30) days before the end of the month preceding the revised rates effective date; and (4) CLWSC will not be required to issue refunds for any difference that may exist between the Settlement Rates and revised rates for the period between 3/1/2014 and the effective date of same.

ARTICLE VI **RELEASE**

6.1 Bulverde and CLWSC, their administrators, agents, consultants, employees, and representatives do hereby release, acquit, and forever discharge one another and any of their officers, directors, employees, predecessors, successors, insurers, investigators, attorneys, agents, and representatives, of and from any and all claims, demands, damages, costs, losses, expenses, loss of income, loss of business, property damage, interest, attorneys' fees, actions, causes of action, of whatever nature, at common law, statutory or otherwise, whether known or unknown, which Bulverde or CLWSC now have or which may hereafter accrue in connection with, arising, or to by reason of any matters asserted in or which relate in indirectly, to the subject matter of this Settlement Agreement, the Rate Application, or the Bulverde Rate Case.

6.2 This release shall survive termination of this Agreement.

ARTICLE VII **TERMINATION**

7.1 This Agreement shall automatically terminate effective with the filing of CLWSC's next City of Bulverde water rate/tariff change application that seeks to change the Settlement Rates charged to in-City water ratepayers according to the tariff set forth in **Exhibit A**.

7.2 Each Party's respective obligations under this Agreement shall not continue past this Agreement's termination except where specifically stated.

ARTICLE VIII **MISCELLANEOUS**

8.1 No agreements other than this Agreement now exist between Bulverde and CLWSC concerning the subject matter of this Agreement.

8.2 Bulverde acknowledges that it has retained an attorney to represent it in connection with the Bulverde Rate Case, that Bulverde has had this Agreement reviewed by an attorney of its own selection or had the opportunity to do so prior to executing this Agreement, and that this Agreement is binding on Bulverde.

8.3 This Agreement shall be binding on the City of Bulverde and CLWSC, and it shall be binding on and inure to the benefit of the successors and assigns of the respective Parties to this Agreement.

8.4 This Agreement is the entire agreement between the Parties hereto with respect to the subject matter hereof. No material modifications of this Agreement shall be of any force or effect whatsoever, except by subsequent modification in writing signed by the Parties and approved by Bulverde City Council.

8.5 The provisions of this Agreement shall be governed by and construed and entered in accordance with the substantive laws of the State of Texas. This Agreement is performable in Comal County, Texas. Any action at law or in equity brought to enforce any provision of this Agreement shall be brought in a court of competent jurisdiction with venue in Comal County, Texas.

8.6 In the event of a default hereunder by any Party, any other Party shall be entitled to seek damages, specific performance, injunctive relief, or any other remedy to which it might be entitled in law or equity.

8.7 If any provision in this Agreement shall for any reason be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision hereof and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been continued herein and in lieu thereof shall be substituted a new provision that is as near to the intent of the Parties without being invalid, illegal or unenforceable.

8.8 The Parties hereto covenant and agree that they shall execute and deliver such other and further instruments and documents as are or may have become necessary or convenient to effectuate and carry out the interest of the Agreement.

8.9 This Agreement may be executed in multiple originals, either copy of which shall be considered an original.

8.10 This Agreement shall be effective on the date of execution below.

8.11 The Signatories hereto represent and affirm that they have the authority to execute and bind the Party for whom they sign below. The person signing on behalf of the City of Bulverde further represents that: (1) the signatory has the authority to execute this Agreement and bind the City to its terms; (2) authority for the City to enter this Agreement has been approved or the Agreement has been ratified in a Resolution or Ordinance, as appropriate under the City's governing procedures, passed during a meeting of Bulverde' City Council duly noticed in compliance with the Texas Open Meetings Act and all other applicable laws; and (3) Settlement Rates may be placed into effect for CLWSC ratepayers within the City of Bulverde's corporate limits effective March 1, 2014 in accordance with this Agreement. The City of Bulverde agrees that if the Open Meetings Act notice for the Bulverde City Council meeting at which authority to enter this Agreement was approved or the Agreement was ratified in a Resolution or Ordinance, as appropriate under the City's governing procedures, is challenged in an administrative proceeding or judicial proceeding as inadequate, the Bulverde City Council will provide adequate notice and ratify this Agreement at a subsequent meeting.

8.12 The Parties agree that nothing in this Agreement shall create any third party beneficiary rights for any persons.

8.13 In the event of any suit between Bulverde and CLWSC to enforce or interpret the terms of this Agreement, the prevailing Party shall recover its reasonable attorneys' fees and costs incurred in resolving the suit from the non-prevailing Party.

8.14 Nothing in this Agreement may be used as an admission in any litigation or other contested matter, except to enforce the terms of this Agreement.

8.15 No Party will be penalized for alleged authorship of a particular provision on judicial construction of this Agreement.

8.16 No Party to this Agreement shall initiate any litigation or arbitration challenging the validity or enforceability of any provision of this Agreement once it has been signed. The Parties reserve only their right to enforce the terms of this Agreement to the extent they are not fully performed by any other party.

EXECUTED AND AGREED TO by the Parties below,

CITY OF BULVERDE, TEXAS

By: *Bill Krawietz*

Mayor: Bill Krawietz

Date: Feb. 26, 2014

City Secretary: *Dany S. B...*



SJWTX, INC. d/b/a CANYON LAKE WATER SERVICE COMPANY

By: *Thomas Hodges*

Printed Name: Thomas Hodges

Title: Chief Operating Officer

EXHIBIT 'A' TARIFF

**WATER UTILITY TARIFF – CITY OF BULVERDE ONLY
FOR**

SJWTX, Inc. dba Canyon Lake Water Service Company
(Utility Name)

P.O Box 1742
1399 Sattler Road
(Business Address)

Canyon Lake, Texas 78133
(City, State, Zip Code)

(830) 964-2166
(Area Code/Telephone)

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

10692

This tariff is effective in the following county:

Comal

This tariff is effective in the following city:

City of Bulverde

The rates set or approved by the TCEQ for systems entirely outside the City of Bulverde’s corporate boundary are not presented in this tariff. Those rates are not under the original jurisdiction of the City and will have to be obtained from the TCEQ or utility. This tariff applies to inside-city customers of systems that provide service inside and outside of the City of Bulverde’s corporate boundary, if any.

This tariff is effective in the following subdivisions or systems:

PWS	SUBDIVISION/SERVICE AREA	COUNTY
0460019 (Canyon Lake Shores)	Bulverde Crossing, Bulverde Hills, HEB Bulverde Shopping Center, Oakland Estates, and all other areas within the City of Bulverde	Comal

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..... 7
SECTION 2.20 SPECIFIC UTILITY SERVICE RULES AND POLICIES..... 10
SECTION 3.0 EXTENSION POLICY..... 14
SECTION 3.20 SPECIFIC EXTENSION POLICY..... 15
SECTION 4.0 DROUGHT CONTINGENCY PLAN..... 21

APPENDIX A APPLICATION FOR SERVICE

SECTION 1.0 – Rate Schedule

Section 1.01 - Rates

Meter Size	Monthly Base Rate	Meter Size	Monthly Base Rate
5/8" x 3/4"	\$42.00 (Includes 0 Gallons)	3/4"	\$64.00 (Includes 0 Gallons)
GALLONAGE CHARGE PER 1000 GALLONS		GALLONAGE CHARGE PER 1000 GALLONS	
\$3.00	0 to 2,000 Gallons	\$3.00	0 to 4,000 Gallons
\$4.50	2,001 -10,000 Gallons	\$4.50	4,001 -20,000 Gallons
\$6.35	10,001 – 17,000 Gallons	\$6.35	20,001 – 34,000 Gallons
\$8.00	Over 17,000 Gallons	\$8.00	Over 34,000 Gallons

In-City customers in Bulverde Hills and Oakland Estates (areas formerly served by Bexar Metropolitan Water District) existing on 3/1/2014 with a 5/8"x 3/4" or 3/4" meter will receive a Transition Adjustment Credit applied to customer bills as follows:

03/01/2014 through 06/30/2014	\$20.00 per month
07/01/2014 through 12/31/2014	\$16.00 per month
01/01/2015 through 06/30/2015	\$12.00 per month
07/01/2015 through 12/31/2015	\$8.00 per month
01/01/2016 through 6/30/2016	\$4.00 per month
07/01/2016	End of Transition Adjustment Credit

The Transition Adjustment Credit will be prorated on bills for service periods that are less than one month or as otherwise appropriate under this schedule.

Meter Size	Monthly Base Rate
1"	\$108.00 (Includes 0 Gallons)
GALLONAGE CHARGE PER 1000 GALLONS	
\$3.00	0 to 6,000 Gallons
\$4.50	6,001 -30,000 Gallons
\$6.35	30,001 – 51,000 Gallons
\$8.00	Over 51,000 Gallons

Section 1.01 - Rates (cont'd)

Meter Size	Monthly Base Rate
1 1/2"	\$220.00 (Includes 0 Gallons)
2"	\$352.00 (Includes 0 Gallons)
3"	\$660.00 (Includes 0 Gallons)
4"	\$1,100.00 (Includes 0 Gallons)
6"	\$2,200.00 (Includes 0 Gallons)
Bulk Water	\$352.00 (Includes 0 Gallons)
GALLONAGE CHARGE PER 1000 GALLONS	
\$6.35	Per 1,000 Gallons

WATER PASS-THROUGH GALLONAGE CHARGE \$1.25 per thousand gallons used
 (all meter sizes)

SUPPLEMENTAL EMERGENCY SERVICE FEE:

APPLICABLE TO NONRESIDENTIAL WATER SERVICE CUSTOMERS THAT REQUIRE SUPPLEMENT SERVICE OVER AN ABOVE THEIR EXISTING WATER SERVICE FROM TIME TO TIME. USAGE TO BE DETERMINED BY CUSTOMER. THE MINIMUM DIAMETER FOR SUPPLEMENTAL SERVICE SHALL BE TWO INCHES.

<u>Meter Size</u>	<u>Monthly Minimum Charge</u>
2"	\$50.51
3"	\$75.76
4"	\$84.18
6"	\$143.11
8"	\$252.54
10"	\$336.72
12"	\$404.06

FORM OF PAYMENT: The utility will accept the following forms of payment:
 Cash X , Check X , Money Order X , Credit Card X , Other (specify) Online

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

THE UTILITY WILL CHARGE AND COLLECT A \$2.00 CREDIT CARD TRANSACTION CONVENIENCE FEE FOR EACH PAYMENT MADE BY CREDIT CARD.

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

FRANCHISE FEE ASSESSMENT only customers within the Bulverde City Limits 2.0%
 FRANCHISE AGREEMENT WITH THE CITY OF BULVERDE REQUIRES THE UTILITY TO COLLECT A FEE OF TWO PERCENT OF THE RETAIL MONTHLY BILL FROM THOSE CUSTOMERS LOCATED WITHIN THE CORPORATE LIMITS OF THE CITY.

Section 1.02 - Miscellaneous Fees

TAP FEE \$900.00
TAP FEE COVERS THE UTILITY'S COSTS FOR MATERIALS AND LABOR TO INSTALL A STANDARD RESIDENTIAL 5/8" or 3/4" METER. AN ADDITIONAL FEE TO COVER UNIQUE COSTS IS PERMITTED IF LISTED ON THIS TARIFF.

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

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

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

METER TEST FEE..... \$25.00
THIS FEE WHICH SHOULD REFLECT THE UTILITY'S COST MAY BE CHARGED IF A CUSTOMER REQUESTS A SECOND METER TEST WITHIN A TWO-YEAR PERIOD AND THE TEST INDICATES THAT THE METER IS RECORDING ACCURATELY. THE FEE MAY NOT EXCEED \$25.

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

- a) Non-payment of bill (Maximum \$25.00)..... \$25.00
- b) Customer's request that service be disconnected \$45.00

SEASONAL RECONNECTION FEE:
BASE RATE TIMES NUMBER OF MONTHS OFF THE SYSTEM NOT TO EXCEED SIX MONTHS WHENLEAVE AND RETURN WITHIN A TWELVE MONTH PERIOD.

TRANSFER FEE..... \$5.00
THE TRANSFER FEE WILL BE CHARGED FOR CHANGING AN ACCOUNT NAME AT THE SAME SERVICE LOCATION WHEN THE SERVICE IS NOT DISCONNECTED.

SECTION 1.0 – RATE SCHEDULE (Continued)

CUSTOMER SERVICE INSPECTION FEE \$50.00
ASSESSED TO AN APPLICANT FOR SERVICE BEFORE PERMANENT, CONTINUOUS SERVICE IS PROVIDED TO NEW CONSTRUCTION. THE CUSTOMER HAS THE OPTION TO HAVE THE INSPECTION COMPLETED BY ANOTHER PROVIDER.

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

RETURNED CHECK CHARGE \$25.00
RETURNED CHECK CHARGES MUST BE BASED ON THE UTILITY'S DOCUMENTABLE COST.

METER TAMPERING DAMAGE FEE..... \$50.00
THE UTILITY MAY CHARGE THIS FEE FOR METER TAMPERING, BYPASSING THE METER OR SERVICE DIVERSION.

EQUIPMENT DAMAGE FEE. Actual Cost
THE UTILITY MAY CHARGE FOR ALL LABOR, MATERIAL, EQUIPMENT AND ALL OTHER ACTUAL COSTS NECESSARY TO REPAIR OR REPLACE ALL EQUIPMENT DAMAGED DUE TO NEGLIGENCE, METER TAMPERING OR BYPASSING, OR SERVICE DIVERSION. THE UTILITY MAY CHARGE FOR ALL ACTUAL COSTS NECESSARY TO CORRECT SERVICE DIVERSION OR UNAUTHORIZED TAPS WHERE THERE IS NO EQUIPMENT DAMAGE, INCLUDING INCIDENTS WHERE SERVICE IS RECONNECTED WITHOUT AUTHORITY. AN ITEMIZED BILL WILL BE PROVIDED TO THE CUSTOMERS.

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

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

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

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

TEMPORARY WATER RATE:
UNLESS OTHERWISE SUPERSEDED BY TCEQ OR PUC ORDER OR RULE, IF THE UTILITY IS ORDERED BY A COURT OR GOVERNMENT BODY OF COMPLETER JURISDICTION TO REDUCE ITS PUMPAGE, PRODUCTION OR WATER SALES, THE UTILITY SHALL BE AUTHORIZED TO INCREASE ITS APPROVED GALLONAGE CHARGE ACCORDING TO THE FORMULA:

SECTION 1.0 – RATE SCHEDULE (Continued)

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

Where:

TGC = temporary gallonage charge

cgc = current gallonage charge

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

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

To implement the Temporary Water Rate, the Utility must comply with all notice and other requirements of 30 TAC 291.210(l)

WATER PASS-THROUGH GALLONAGE CHARGE ADJUSTMENT:

CHANGES IN FEES IMPOSED BY ANY NON-AFFILIATED THIRD PARTY WATER SUPPLIER OR UNDERGROUND WATER DISTRICTS HAVING JURISDICTION OVER THE UTILITY SHALL BE CHARGED THROUGH THE WATER PASS-THROUGH GALLONAGE CHARGE ADJUSTED ANNUALLY ACCORDING TO THE FOLLOWING FORMULA:

$$\text{WPC} = \frac{\text{E} + (\text{AP} - \text{AC})}{(\text{ME} \times \text{AU})}$$

Where:

WPC = Water Pass-Through Gallonage Charge, rounded to the nearest cent

E = Estimated sum of upcoming 12 months of Purchase Water and Groundwater Conservation District Costs

AP = Actual Payments for E Costs up to 12 months

AC = Actual Collections Up to 12 months for Est Water and GCD Costs

ME = Year End Meter Equivalents

AU = Average Annual Usage per connection from most recent rate case

Water pass-through gallonage charge adjustments may be processed according to TCEQ or PUC regulatory requirements and procedures, as applicable, and no separate City of Bulverde filings, procedures, or approvals are required for the utility to apply such water pass-through gallonage charge adjustments. If the TCEQ or PUC require the Utility to use a different pass-through adjustment formula, that same formula shall apply in the City of Bulverde.

SECTION 2.0- SERVICE RULES AND REGULATIONS

The utility will have the most current Texas Commission on Environmental Quality (TCEQ) Rules, Chapter 291, Water Utility Regulation, 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 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) and 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 2.02 -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 TCEQ Rules. In the event that the utility refuses to serve an applicant, the utility will inform the applicant in writing of the basis of its refusal. The utility is also required to inform the applicant a complaint may be filed with the Commission.

Section 2.03- 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 TCEQ 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.

SECTION 2.0 -SERVICE RULES AND REGULATIONS (Continued)

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

Section 2.04- 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 the TCEQ 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 2.05- 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.

A late penalty of 10% 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.

SECTION 2.0- SERVICE RULES AND REGULATIONS (Continued)

Each bill will provide all information required by the TCEQ Rules. For each of the systems it operates, the utility will maintain and note on the monthly 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.

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 2.06- Service Disconnection

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

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

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

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

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

Section 2.07- Reconnection of Service

Service will be reconnected within 36 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 2.08 - 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)

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 2.09- 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 Commission, the utility will maintain facilities as described in the TCEQ Rules and Regulations for Public Water Systems. The utility will not provide supply for fire prevention, fire flow, or fire fighting services as part of standard retail water utility service.

Section 2.10 - Customer Complaints and Disputes

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

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

SECTION 2.20 – SPECIFIC UTILITY SERVICE RULES AND REGULATIONS

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

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

All references in Utility's tariff, service contracts or TCEQ rule shall mean the Utility's offices at 1399 Sattler Road, Canyon Lake, Texas 78133.

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

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.

Customers shall not be allowed to use the utility's cutoff valve on the utility's side of the meter. Existing customers may install cutoff valves on their side of the meter and are encouraged to do so. All new customers must install customer-owned and -maintained cutoff valves on their side of the meter.

No water connection from any public drinking water supply system shall be made to any establishment where an actual or potential contamination or system hazard exists without an air gap separation between the drinking water supply and the source of potential contamination. The containment air gap is sometimes impractical and, instead, reliance must be placed on individual "internal" air gaps or mechanical backflow prevention devices.

Under these conditions, additional protection shall be required at the meter in the form of a backflow prevention device (in accordance with AWWA Standards C510 and C511, and AWWA Manual M14) on those establishments handling substances deleterious or hazardous to the public health. The water purveyor need not require backflow protection at the water service entrance if an adequate cross-connection control program is in effect that includes an annual inspection and testing by a certified backflow prevention device tester. It will be the responsibility of the water purveyor to ensure that these requirements are met.

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

Limitation on Product/Service Liability - Public water utilities are required to deliver water to the customer's side of the meter or service connection that meets the potability and pressure standards of the TCEQ. The utility will not accept liability for any injury or damage to individuals or their property occurring on the customer's side of the meter when the water delivered meets these state standards. The utility makes no representations or warranties (expressed or implied) that customer's appliances will not be damaged by disruptions of or fluctuations in water service whatever the cause. The utility will not accept liability for injuries or damages to persons or property due to disruption of water service caused by: (1) acts of God, (2) acts of third parties not subject to the control of the utility if the utility has undertaken such preventive measures as are required by TCEQ rules, (3) electrical power failures in water systems not required by TCEQ rule to have auxiliary power supplies, or (4) termination of water service pursuant to the utility's tariff and the TCEQ's rules. The utility is not required by law and does not provide fire prevention or fire fighting services. The utility therefore does not accept liability for fire-related injuries or damages to persons or property caused or aggravated by the availability (or lack thereof) of water or water pressure (or lack thereof) during fire emergencies,

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

The utility will accept liability for any injury or damage to individuals or their property directly caused by defective utility plant (leaking water lines or meters) or the repairs to or construction of the utility's facilities.

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

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

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

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

The Utility adopts the Uniform Plumbing Code pursuant to TCEQ Rule 290-46(i). The piping and other equipment on the premises furnished by the customer will be maintained by the customer at all times in conformity with the requirements of the TCEQ, the Uniform Plumbing Code and with the service rules and regulations of the Utility. The customer will bring out his service line to his property line at the point on the customer's property mutually acceptable to the customer and the Utility subject to such requirements as may exist by TCEQ rule. No water service smaller than 5/8 x 3/4" will be connected. No pipe or pipe fitting which contains more than 8.0% lead can be used for the installation or repair of plumbing at any connection which provides water for human use. No solder or flux which contains more than 0.2% lead can be used at any connection which provides water for human use.

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

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

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

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

No connection shall be allowed which allows water to be returned to the public drinking water supply. No backflow prevention device shall be permitted to be installed in the customer's plumbing without notice to and written permission from the utility. Any backflow prevention devices so installed shall be inspected annually by a licensed backflow prevention device inspector or appropriately licensed plumber and a written report of such inspection delivered to the utility.

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

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

Applicants for service at new consuming facilities or facilities which have undergone extensive plumbing modifications are required to deliver to the Utility a certificate that their facilities have been inspected by a state-licensed inspector and that they are in compliance with all applicable plumbing codes and are free of potential hazards to public health and safety. Service may be denied until the certificate is received or any identified violations or hazards are remedied. The Utility is not required to perform these inspections for the applicant/customer, but will assist the applicant/ customer to locate and obtain the services of a licensed inspector in a timely manner.

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

When potential sources of contamination are identified which, in the opinion of the inspector or the Utility, require the installation of a state-approved backflow prevention device, such back flow prevention device shall be installed on the customer's service line or other necessary plumbing facilities by an appropriately licensed plumber/back flow prevention device specialist at the customer's expense. The backflow prevention device shall be maintained by the customer at his expense and inspected annually by a licensed inspector. Copies of the annual inspection report must be provided to the Utility. Failure to comply with this requirement may constitute grounds for termination of water service with notice.

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. Access to meters and cutoff valves shall be controlled by the provisions of 30 TAC 291.89(c).

Where necessary to serve an applicant's property, the Utility may require the applicant to provide it a permanent recorded public utility easement on and across the applicant's real property sufficient to provide service to that applicant.

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

SECTION 3.0- EXTENSION POLICY

Section 3.01- Standard Extension Requirements

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

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

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

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

SECTION 3.0- EXTENSION POLICY (Continued)

the utility's facilities in accordance with the utility's approved extension policy after receiving a written request from the utility.

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

SECTION 3.20 -SPECIFIC UTILITY EXTENSION POLICY

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

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

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

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

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

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

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

SECTION 3.20 -SPECIFIC UTILITY EXTENSION POLICY (Continued)

storage, pumping and treatment facilities, compliant with the TCEQ minimum design criteria, which must be committed to such extension. As provided by 30 TAC 291.86(d)(4), for purposes of this section, commercial, industrial, and wholesale customers shall be treated as developers.

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

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

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

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

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

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

SECTION 3.20 -SPECIFIC UTILITY EXTENSION POLICY (Continued)

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

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

The Utility shall require a developer (as defined by TCEQ rule) to provide permanent recorded public utility easements as a condition of service to any location within the developer's property. The Developer shall be required to obtain all necessary easements and rights-of-way required to extend the Utility's existing service facilities from their nearest point with adequate service capacity (as prescribed by TCEQ rules and local service conditions) to and throughout the Developer's property. The easements shall be sufficient to allow the construction, installation, repair, maintenance, testing, and replacement of any and all utility plant necessary to provide continuous and adequate service to each and every potential service location within the property at full occupancy. Unless otherwise restricted by law, well plant sites shall convey with unrestricted rights to produce water for public drinking water supply. Developers shall be required to provide sanitary control easements acceptable to the TCEQ for each water well site to be located within their property or otherwise being obtained to serve their property. Unless otherwise agreed to by the Utility, pipe line right-of-way easements must be at least 15feet wide to allow adequate room to facilitate backhoe and other heavy equipment operation and meters. Easements must be provided for all production, storage, treatment, pressurization and disposal sites which are sufficient to construct and maintain all weather roads as prescribed by TCEQ rules. All easements shall be evidenced, at Developer's expense, by recorded county-approved subdivision plat or by specific assignment supported by metes and bounds survey from a surveyor licensed by the State of Texas.

SECTION 3.20 -SPECIFIC UTILITY EXTENSION POLICY (Continued)

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

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

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

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

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

(e) The Developer shall be required to post bond or escrow the funds necessary to construct all required utility plant, except individual taps, meters and sewer connections, required to serve the property, Construction shall not commence until funds are available. If the construction is to be done in coordination with the phased development of the property, funds must be provided in advance which are sufficient to complete each phase.

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

SECTION 3.20 -SPECIFIC UTILITY EXTENSION POLICY (Continued)

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

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

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

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

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

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

SECTION 3.20 -SPECIFIC UTILITY EXTENSION POLICY (Continued)

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

- (1) The residential service applicant shall not be required to pay for costs of main extensions greater than 2" in diameter for water distribution.
- (2) Exceptions may be granted by the TCEQ Executive Director if:
 - (A) adequate service cannot be provided to the applicant using the maximum line sizes listed due to distance or elevation, in which case, it shall be the utility's burden to justify that a larger diameter pipe is required for adequate service;
 - (B) larger minimum line sizes are required under subdivision platting requirements or applicable building codes.
- (3) If an exception is granted, the Utility shall establish a proportional cost plan for the specific extension or a rebate plan which may be limited to seven years to return the portion of the applicant's costs for oversizing as new customers are added to ensure that future applicants for service on the line pay at least as much as the initial service applicant.

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

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

Residential applicants for new service in Whispering Hills Subdivision, Inland Estates Subdivision and the Cypress Springs on the Guadalupe Subdivision, in addition to the applicable tap fees, will be required to pay a prorated, average extension fee. In this subdivision, in order to achieve economic and construction efficiencies, the company has extended service to the entire area in one project. The individual extension fee has been calculated based on the equivalent of the average costs of extending service to individual customers. The computation of the extension fee has taken into consideration the extension of the first 200 feet of the main at the company's expense and the design sizing to meet only a typical individual applicant's demand. A detailed breakdown of the extension project costs and computation of the individual extension fee can be reviewed at the company's office.

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