



What is a reasonable moratorium before applying for a rate increase:

TAWP feels that the current one year moratorium between rate increases is acceptable. If a utility has higher than normal expenditures or has to expand or replace major plant components, being able to apply to increase rates within a year of that expenditure would keep the utility from experiencing any more hardship than is necessary. Additionally, rate making is based on historical expenditures rather than a forward looking budget, so utilities are already dealing financially with "catching up". Any longer timeframe to recoup higher than normal or unexpected expenditures could be financially devastating to small utilities.

Use of dual certification:

It is the opinion of TAWP members that dual certification, where it applies to being dually certified with cities or water supply corporations, is not usually beneficial to small IOU's. The threat of having a system taken away or acquired for less than it is worth appears to be a risky business decision for utilities that do not have the backing of large investors.

Anything else you think is of importance:

TAWP is aware that this Senate Subcommittee was formed to address rapidly escalating water and sewer utility rates for Texans who live in unincorporated and rural areas of the state. While there are some smaller IOU's that do not always appear to be "good actors" or have applied for large increases in rates, most small IOU's work diligently to provide quality service and keep rates as low as possible. All this while still attempting to make some return on investment. Please see the attached spreadsheet which shows the rate structures for several of the TAWP members. TCEQ allows IOU's to make a return on investment that is intended to encourage the IOU to reinvest in the utility to keep it in good operational condition. Most small IOU's do just that.

TAWP feels that many of the issues that prompted much of the proposed utility legislation in the last legislative session and the formation of this Senate Subcommittee have been the result of actions taken by the larger IOU's operating in Texas (those utilities have tens of thousands of connections). TAWP members have connection counts that range from less than 100 to just under 7,000. Many TAWP members live or work in their service areas and have a vested interest in customer happiness and satisfaction, rather than the bottom line of the balance sheet presented to a Board of Directors.

TAWP members respectfully request that this Senate Subcommittee consider the differences between large and small IOU's when making recommendations and writing new legislation to regulate.



Duration and expenses of contested rate cases:

Very few TAWP members have had to endure the full contested rate case hearing process. We have attempted to structure our applications to raise rates in smaller increments and we have worked to negotiate a settlement when protests have been received. Small IOU's do practically everything possible to avoid an actual hearing because the attorneys fee, the accountant fees, the expert witness fees and the time necessary to devote to the process are cost prohibitive. It is for this reason that TAWP members vigorously oppose having IOU rate making shifted to the PUC. It is our understanding that all cases go to hearing, and have to be prefiled at the time of application, whether they are protested or not. This expense would be unbearable to a small utility, basically forcing it to not file for rate increases as needed. The long term effect would be for the small utility to fall into disrepair, become insolvent or seek to be bought by a larger utility.

Use of interim rates:

Chapter 291, Subchapter B, Rule 291.29 of the Texas Administrative Code gives the TCEQ the opportunity and the right to impose interim rates "where the proposed increase in rates could result in an unreasonable economic hardship on the utility's customers, unjust or unreasonable rates, or failure to set interim rates could result in an unreasonable economic hardship on the utility." The members of TAWP feel as though interim rates are a very satisfactory option when proposed rates meet the standard set in the Chapter 291 rule. TAWP finds it curious that, given the great amount of debate over rates in the last several years, interim rates are not used more often.

Consolidated tariffs:

The members of TAWP do not generally disagree with the concept of consolidation of systems under one rate structure. Often times, smaller IOU's have only one system, so the consolidation concept does not apply. Many times, smaller IOU's that do have multiple systems, have started those systems and do not have to deal with acquiring a system that has a different tariff. In instances where smaller IOU's do acquire existing systems with separate tariffs, the opportunity to consolidate for simplification of billing and customer service would be viewed positively.

Sales, Transfer and Merger of Systems:

TCEQ allows itself 365 days to process a Sale, Transfer and Merger application. Other than the process seeming to take longer than it should, TAWP has no opinion or comment.

**TEXAS ALLIANCE OF WATER PROVIDER MEMBERS
VS. LARGE INVESTOR OWNED UTILITY
RATE COMPARISON**

TAWP MEMBERS				LARGE INVESTOR OWNED UTILITY			
Quadvest, LP				Southwest Water Company/Monarch Utilities, LP			
Conn. Count				Conn. Count			
6638				>160,000			
Water				Water			
Base Rate	5/8" x 3/4"	\$28.75		Base Rate	5/8" or 3/4"	\$53.47	
	1"	\$71.88			1"	\$133.68	
	1-1/2"	\$143.75			1-1/2"	\$267.35	
	2"	\$230.00			2"	\$427.76	
	3"	\$460.00			3"	\$802.05	
	4"	\$718.75			4"	\$1,336.75	
	6"	\$1,437.50			6"	\$2,673.50	
	0 to 10,999 gallons	\$1.75/1,000 gallons			8"	\$4,277.60	
	11,000 to 20,999 gallons	\$2.00/1,000 gallons			0 to 20,000 gallons	\$7.00/1,000 gallons	
	21,000 to 30,999 gallons	\$2.25/1,000 gallons			over 20,000 gallons	\$9.00/1,000 gallons	
	31,000 gallons and over	\$3.00/1,000 gallons					
	SJRA GRP Pass Through	\$0.75/1,000 gallons					
Sewer				Sewer			
	Residential Flat Rate	\$59.00		Base Rate	5/8" or 3/4"	\$46.59	
					1"	\$116.48	
					1-1/2"	\$232.96	
					2"	\$372.74	
					3"	\$698.88	
					4"	\$1,164.80	
					6"	\$2,329.60	
					8"	\$3,727.35	
					Based on winter averaging	\$5.64/1,000 gallons	
Nitsch & Son Utility Company, Inc.				Aqua Texas Southeast Region			
716				Plus "Ike"			
Water				Water			
Base Rate	5/8" or 5/8" x 3/4"	\$18.35		Base Rate	5/8" or 3/4"	\$35.00	\$0.51
	3/4"	\$27.52			1"	\$87.50	\$1.28
	1"	\$45.87			1-1/2"	\$175.00	\$2.56
	1-1/2"	\$91.74			2"	\$280.00	\$4.09
	2"	\$146.78			3"	\$560.00	\$8.19
	3"	\$275.22			4"	\$875.00	\$12.79
	4"	\$458.70			6"	\$1,750.00	\$25.58
	All usage	\$2.00/1,000 gallons			8"	\$2,800.00	\$40.93
	City of Houston GRP Pass Through	\$0.82/1,000 gallons			10"	\$4,025.00	\$58.84
					12"	\$8,750.00	\$127.92
					All usage	\$3.20542.00/1,000 gallons	
Sewer				Regional Pass Through			
	Base Rate	All meter sizes	\$26.00			\$1.3111/1,000 gallons	
		All usage	\$3.40/1,000 gallons				
Royal Valley Utilities, Inc.							
509							
Water							
Base Rate	5/8" or 3/4"	\$20.00					
	1"	\$35.00					
	1-1/2"	\$50.00					
	2"	\$65.00					
	All usage	\$2.00/1,000 gallons					
	City of Sugarland GRP Pass Through	\$0.84/1,000 gallons					
	NFBWA GRP Pass Through	\$1.20					
Sewer							
	Residential Flat Rate	\$30.00					
Rosehill Utilities, Inc.							
77							
Water							
Base Rate	5/8" or 5/8" x 3/4"	\$33.50					
	3/4"	\$50.25					
	1"	\$83.75					
	1-1/2"	\$167.50					
	2"	\$268.00					
	3"	\$502.50					
	0 to 12,000 gallons	\$2.00/1,000 gallons					
	12,000 gallons and over	\$2.50/1,000 gallons					
	Bluebonnet GCD Pass Through	\$0.045/1,000 gallons					
Woodland Oaks Utility Company, Inc.							
950							
Water							
Base Rate	5/8" or 5/8" x 3/4"	\$30.64					
	3/4"	\$39.71					
	1"	\$82.85					
	1-1/2"	\$165.70					
	2"	\$245.12					
	3"	\$422.10					
	4"	\$769.20					
	0 to 10,000 gallons	\$2.00/1,000 gallons					
	12,000 gallons and over	\$2.75/1,000 gallons					
	SJRA GRP Pass Through	\$0.75/1,000 gallons					
Crystal Springs Water Company, Inc.							
2764							
Water							
Base Rate	5/8" or 5/8" x 3/4"	\$37.00					
	3/4"	\$37.00					
	1"	\$92.50					
	1-1/2"	\$185.00					
	2"	\$296.00					
	3"	\$555.00					
	All usage	\$3.05/1,000 gallons					



Membership 2010-2011

Number of Connections

Crystal Springs	Tom Martin	2,764
Danny Signorelli	Danny Signorelli	850
Johnston Utilities	Kerry Johnston	724
Nitsch & Son Utility Co	Glenn Nitsch	717
Quadvest, LP	Simon Sequeira	6,249
Rosehill Utilities	Shelley & Ray Young	76
Royal Valley Utilities	Mark Millis	480
Southern Water Corp	Stephen Rachac	1,256
T & W Water Service	Ron Payne	2,190
Utilities Investment	Shannon Marsh	1,480
Woodland Oaks Utility	Mike Stoecker	1,000

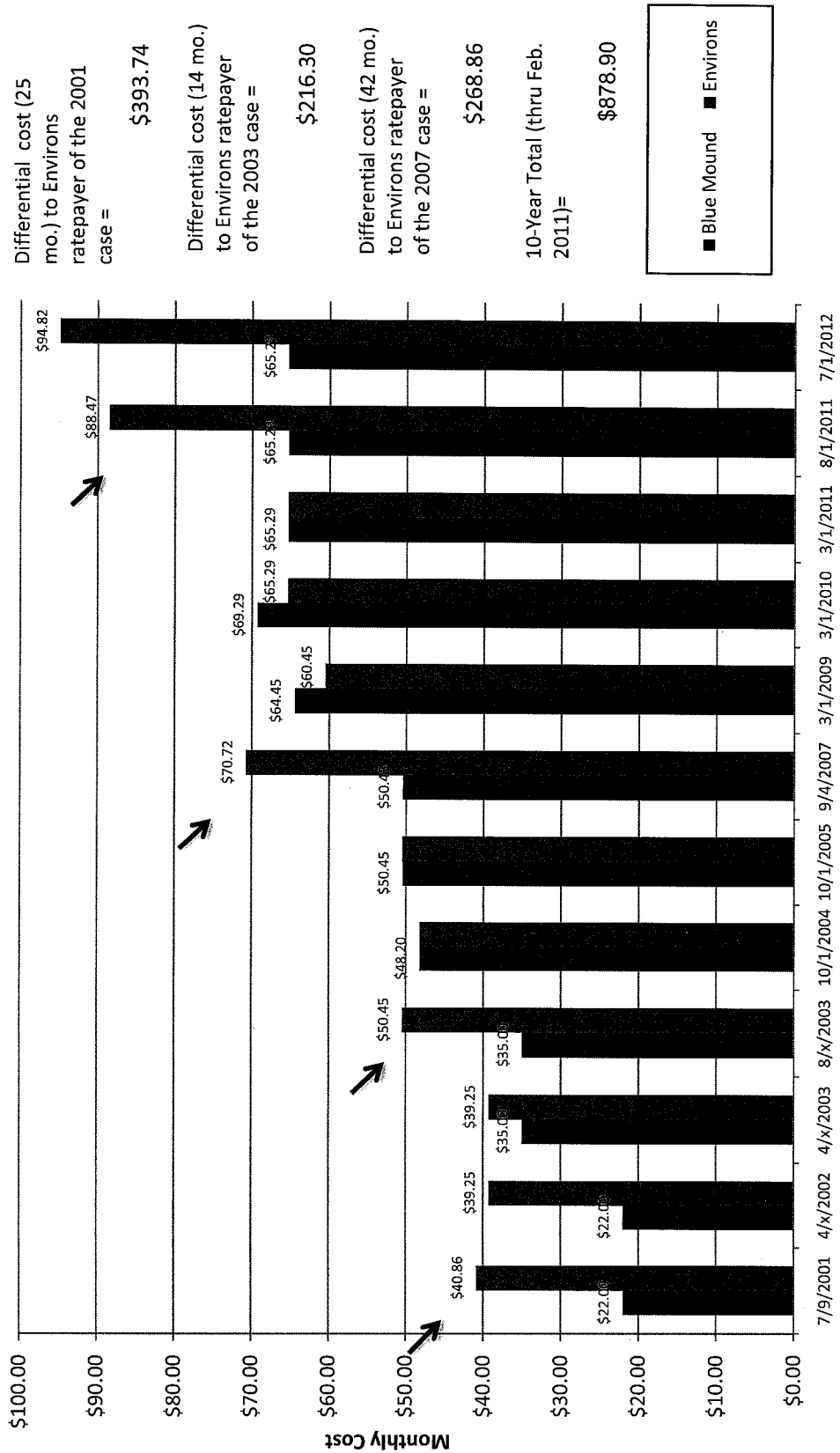
Board of Directors 2010-2011

Ron Payne
 Stephen Rachac
 Mike Stoecker
 Kerry Johnston
 Simon Sequeira, Chairman
 Shelley Young, Vice Chair
 Kandice Cabets, Secretary & Treasurer

	7/9/2001	4/x/2002	4/x/2003	8/x/2003	10/1/2004	10/1/2005	9/4/2007	3/1/2009	3/1/2010	3/1/2011	8/1/2011	7/1/2012
Base	Blue Mound \$12.00	Blue Mound \$12.00	Blue Mound \$22.00	Blue Mound \$22.00	Blue Mound \$30.45	Blue Mound \$31.45	Blue Mound \$31.45	Blue Mound \$31.45	Blue Mound \$43.47	Blue Mound \$43.47	Blue Mound \$43.47	Blue Mound \$43.47
Rate/1000 gal -- 1st	\$2.00	\$2.00	\$2.60	\$2.60	\$3.55	\$3.80	\$3.80	\$3.35	\$3.62	\$3.62	\$3.62	\$3.62
Rate/1000 gal -- next	\$2.00	\$2.00	\$2.60	\$2.60	\$3.55	\$3.80	\$3.80	\$4.50	\$4.86	\$4.86	\$4.86	\$4.86
Gallons (1000)	5	5	5	5	5	5	5	5	5	5	5	5
Use Cost	\$10.00	\$10.00	\$13.00	\$13.00	\$17.75	\$19.00	\$19.00	\$20.20	\$21.82	\$21.82	\$21.82	\$21.82
Surcharge								\$4.00	\$4.00	\$0.00	\$0.00	\$0.00
Total Monthly Expense -												
- City	\$22.00	\$22.00	\$35.00	\$35.00	\$48.20	\$50.45	\$50.45	\$64.45	\$69.29	\$65.29	\$65.29	\$65.29
Base	\$27.86	\$26.25	\$26.25	\$31.45	\$30.45	\$31.45	\$44.37	\$40.25	\$43.47	\$43.47	\$53.47	\$59.82
Rate/1000 gal -- 1st												
2000 gal	\$2.60	\$2.60	\$2.60	\$3.80	\$3.55	\$3.80	\$5.27	\$3.35	\$3.62	\$3.62	\$7.00	\$7.00
Rate/1000 gal -- next												
18000 gal	\$2.60	\$2.60	\$2.60	\$3.80	\$3.55	\$3.80	\$5.27	\$4.50	\$4.86	\$4.86	\$7.00	\$7.00
Gallons (1000)	5	5	5	5	5	5	5	5	5	5	5	5
Use Cost	\$13.00	\$13.00	\$13.00	\$19.00	\$17.75	\$19.00	\$26.35	\$20.20	\$21.82	\$21.82	\$35.00	\$35.00
Total Monthly Expense -												
- Environs	\$40.86	\$39.25	\$39.25	\$50.45	\$48.20	\$50.45	\$70.72	\$60.45	\$65.29	\$65.29	\$88.47	\$94.82
Differential cost to Environs (25 mos. 2001 case)	\$ 393.74											
Differential cost to Environs (14 mos. 2003 case)	\$ 216.30											
Differential cost to Environs (42 mos. 2007 case)	\$ 268.86											
10-Year Total=	\$ 878.90											

Sen. Subcom. on Water Resources
 Lowrey, Frederick, et al.
 July 28, 2011

Comparative Cost Increases to Customers in Blue Mound and Environs at a use of 5,000 gallons of water per month



Sen. Subcom. on Water Utilities
Lowerre, Frederick, et al.
July 28, 2011