



Control Number: 42948



Item Number: 5

Addendum StartPage: 0

House Bill (HB) 1600 and Senate Bill (SB) 567 83rd
Legislature, Regular Session, transferred the functions
relating to the economic regulation of water and sewer
utilities from the TCEQ to the PUC effective
September 1, 2014.

TCEQ Interoffice Memorandum

RECEIVED

To: Sheresia Perryman
Utilities Financial Review

2014 SEP 15 PM 12: 27

From:  Debi Loockerman, CPA
Utilities Financial Review

PUBLIC UTILITY COMMISSION
FILING CLERK

Date: July 17, 2013

Subject: Application from Quadvest LP, Certificate of Convenience and Necessity (CCN) No. 11612, to Acquire Facilities and to Transfer CCN No. 12281 held by Bayer Water System, Inc., in Harris County; Application No. 37530-S

CN: 602944746; RN: 101272250 (Quadvest)
CN: 602171670; RN: 101206324 (Bayer Water System)

In my opinion, Quadvest LP has demonstrated adequate financial and managerial capability to provide service to the area subject to this application. These conclusions are based on information provided by the applicant prior to this date and may not reflect any changes in the applicant's status subsequent to this review.

The application proposes the acquisition of facilities from Bayer Water System, Inc. (Bayer) by Quadvest LP for \$75,000. Bayer's service area includes 1,096 acres and 348 connections. The subject plant is located approximately 20 miles north of downtown Houston and 0.5 miles east of IH 45. The application, including projections and annual report, indicated that Bayer experienced an \$11,889 operating loss (before depreciation) in 2012 and expects to experience an operating loss of \$54,802 (before depreciation) in 2013. The forecast indicates a reversal in 2014 due to increased connections or a rate increase such that the system is profitable at an income of \$13,620 (after depreciation).

Quadvest LP provided internally prepared balance sheets for 2012 and 2011 and the annual report reflecting income was available as filed with the TCEQ. The applicant's overall debt to equity ratio for 2012 was 0.45 to 1, using short term and long term debt. TCEQ staff prefers to see a ratio of less than 1.0 to 1.0 when reviewing for financial capability. Typically, short term debt is not used the calculation because it is either not material, or not relevant to long term debt usually utilized to pay for plant and equipment. Due to the low rates in recent history for short term debt, several entities have utilized short term debt to temporarily fund plant improvements. Quadvest indicated that improvements required on the Bayer system will cost approximately \$750,000. Quadvest provided an adequate calculation of debt service coverage ratio producing 1.83 to 1.00. A ratio of at least 1 to 1 is preferred when analyzing the financial/managerial capability of a retail public utility.

5

**Quadvest LP And Subsidiary
2012 Ratio Review**

	Ref	2012
Cash		1,746,915
Current Assets		1,206,470
Other Assets		1,899,856
PPE, net		17,193,224
Total Assets		22,046,465
Current Liabilities		1,713,897
Line of Credit (Renewable)	A	580,000
Current Portion Of Note Payables	A	768,058
Long Term Liabilities		7,121,864 <i>CIA C</i>
Long Term Note Payables	C	4,545,710
Equity	B	7,316,936
Total Liabilities & Equity		22,046,465
ST & LT Debt	= Sum A&C / (Sum A&C + B)	5,893,768
Equity	= B	7,316,936
Debt To Equity	= Sum A&C / (Sum A&C + B)	0.45
Net Income		1,062,725
Interest Expense		278,319
Depreciation & Amortization		574,930
Total Cash Flow Available To Service Debt	D	<u>1,915,974</u>
Current Portion Of Note Payables		768,058
Interest Expense		278,319
Total Debt Service	E	<u>1,046,377</u>
Debt Service Ratio	= D / E	1.83 **

** Excludes Line Of Credit As Renewable Each Year

Debi Loockerman

From: Debi Loockerman
Sent: Friday, July 12, 2013 1:35 PM
To: 'Jeff Goebel'
Subject: RE: Application 37530-S

Hello Jeff,

Could you call me concerning the financial information? Quadvest is not meeting the normal debt service coverage ratio or debt to equity ratio that causes the financial capability to be an automatic. We may have to put a few more financial pieces in the mix to make the determination. I would be glad to discuss it with you. I know Quadvest currently has a rate case and you can probably get me some other information that will be sufficient. Alternatively, you could have Quadvest's finance personnel call me and discuss future cash flows.

Thank you,

Debi

Debi Loockerman
Certified Public Accountant
Utilities Financial Review
Texas Commission on Environmental Quality
(512) 239-4714

From: Jeff Goebel [<mailto:jeff@quadvest.com>]
Sent: Thursday, July 11, 2013 4:21 PM
To: Debi Loockerman; Sheresia Perryman
Subject: RE: Application 37530-S

Could either of you give me an update on this STM?

From: Jeff Goebel
Sent: Monday, June 17, 2013 11:12 AM
To: 'Debi Loockerman'; Sheresia Perryman
Subject: RE: Application 37530-S

Will this work?

From: Debi Loockerman [<mailto:debi.loockerman@tceq.texas.gov>]
Sent: Monday, June 17, 2013 10:31 AM
To: Jeff Goebel; Sheresia Perryman
Subject: Application 37530-S

Good morning Jeff,

Debi Loockerman

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Good morning Jeff,

Please provide a .pdf copy of Quadvest's income statement, balance sheet and statement of cash flows for the year ending 12/31/2012 as soon as possible. The statements are required to show financial, managerial capability of Quadvest to provide the service to the requested area as determined by Texas Water Code §13.301(b). Please provide the statements this week (by June 21, 2013).

Thank you in advance for your prompt response to this request.

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Debi Loockerman
Certified Public Accountant
Utilities Financial Review
Texas Commission on Environmental Quality
(512) 239-4714

Debi Loockerman

June 18, 2013

To: jeff@quadvest.com; Sheresia Perryman
Subject: Application 37530-S

Good morning Jeff,

Please provide a .pdf copy of Quadvest's income statement, balance sheet and statement of cash flows for the year ending 12/31/2012 as soon as possible. The statements are required to show financial, managerial capability of Quadvest to provide the service to the requested area as determined by Texas Water Code §13.301(b). Please provide the statements this week (by June 21, 2013).

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Debi Loockerman
Certified Public Accountant
Utilities Financial Review
Texas Commission on Environmental Quality
(512) 239-4714



Quadvest, L.P.
26926 FM 2978
Magnolia, TX 77354

Main: 281-356-5347
Fax: 281-356-5382
Quadvest.com

June 17, 2013

To whom it may concern,

I, Simon Sequeira, confirm that the attached Quadvest LP balance sheets are true and correct to the best of my knowledge.

Respectfully,

A handwritten signature in black ink, appearing to be 'Simon Sequeira', written over a horizontal line.

Simon Sequeira
President
Quadvest, L.P.

Attachment: Quadvest LP 2012 and 2011 Consolidated Balance Sheets



**Quadvest LP And Subsidiary
Consolidated Balance Sheets**

	December 31,	2012	2011
Cash		1,746,915	2,862,471
Current Assets		1,206,470	866,817
Other Assets		1,899,856	740,718
PPE, net		17,193,224	16,385,770
Total Assets		22,046,465	20,855,776
Current Liabilities		3,061,955	1,529,938
Long Term Liabilities	<i>per C-1A-C</i>	7,121,864	6,540,351
Long Term Note Payables		4,545,710	5,280,373
Equity		7,316,936	7,505,114
Total Liabilities & Equity		22,046,465	20,855,776

Quadrant Questions 37530-S

① Interest rate on notes payable?

② How to pay for →
Improvements to Bayer Utility
Est. Cost \$750,000
- required Fence only,
Rate Increase for Bayer?

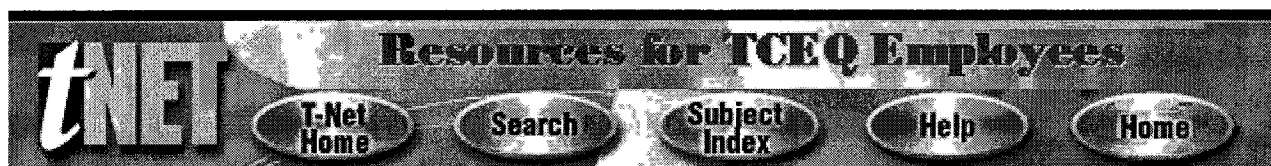
③ Answer?

③ Status of 85% Capacity on
Colony M H Subd. PWS 1011806?

④ Status of 85% Capacity on
Red Oak Ranch WS.

⑤ Cap improvement 5 year plan? / Budget?

⑥ Quadrant 5 yr Budget?

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? Document for QUADVEST LP (11612)



Document Type

Name: **ANNUAL REPORTS**Description: **Annual Report**Document Status: **Closed**

Values

PROVIDE YEAR OF ANNUAL REPORT	2012
REVENUES WATER-UTILITY SERVICE/SALES	5414755
REVENUES WATER-FEES (TAP, RECONNECTION)	\$408,634.00
OTHER REVENUES: PLEASE IDENTIFY	
OTHER REVENUES: WATER	\$0.00
TOTAL REVENUES WATER	\$5,823,389.00
REVENUES SEWER-UTILITY SERVICE/SALES	\$1,607,907.00
REVENUES SEWER-FEES (TAP, RECONNECTION)	\$112,396.00
OTHER REVENUES: SEWER	\$0.00
TOTAL REVENUES SEWER	\$1,720,303.00
TOTAL WATER & SEWER-UTILITY SERVICE/SALE	\$7,022,662.00
TOTAL WATER & SEWER: FEES (TAPS, RECON)	\$521,030.00
TOTAL WATER & SEWER: OTHER REVENUES	\$0.00
TOTAL WATER & SEWER: TOTAL REVENUES	\$7,543,691.00
WATER-SALARIES & WAGES	\$0.00
WATER-CONTRACT LABOR	\$1,817,026.00
WATER-PURCHASED WATER	\$12,120.00
WATER-CHEMICALS FOR TREATMENT	\$125,336.00
WATER-UTILITIES (ELECTRICITY)	\$373,611.00
WATER-REPAIRS/MAINTENANCE/SUPPLIES	\$363,922.00
WATER-OFFICE EXPENSES	\$269,388.00
WATER-PROFESSIONAL FEES (ACCOUNTING,LEG)	\$167,755.00
WATER-INSURANCE	\$79,485.00
WATER-DEPRECIATION & AMORTIZATION	\$459,944.00
WATER-MISCELLANEOUS	\$862,820.00
WATER-FEDERAL INCOME TAXES	\$0.00
WATER-PROPERTY AND OTHER TAXES (PAYROLL)	\$80,713.00
WATER-REGULATORY EXPENSES (RATE CASE)	\$117,564.00
WATER-OTHER	\$136,597.00
WATER-TOTAL EXPENSES	\$4,866,282.00
WASTEWATER-SALARIES & WAGES	\$0.00
WASTEWATER-CONTRACT LABOR	\$563,574.00
WASTEWATER-PURCHASED WATER	\$0.00

WASTEWATER-CHEMICALS FOR TREATMENT	\$126,280.00
WASTEWATER-UTILITIES (ELECTRICITY)	\$102,575.00
WASTEWATER-REPAIRS/MAINTENANCE/SUPPLIES	\$166,969.00
WASTEWATER-OFFICE EXPENSES	\$67,347.00
WASTEWATER-PROFESSIONAL FEES (ACCOUNTIN)	\$41,939.00
WASTEWATER-INSURANCE	\$19,871.00
WASTEWATER-DEPRECIATION & AMORTIZATION	\$114,986.00
WASTEWATER-MISCELLANEOUS	\$215,705.00
WASTEWATER-FEDERAL INCOME TAXES	\$0.00
WASTEWATER-PROPERTY & OTHER TAXES (PAYR)	\$20,178.00
WASTEWATER-REGULATORY EXPENSES (RATE CA)	\$37.00
WASTEWATER-OTHER	\$34,149.00
WASTEWATER-TOTAL EXPENSES	\$1,473,610.00
TOTAL WATER & WASTEWATER-TOTAL EXPENSES	\$6,339,892.00
ANNUAL INTEREST EXPENSE ON DEBT?	\$269,634.50
ANNUAL PRINCIPAL PAYMENT ON DEBT?	\$844,162.73
ANNUAL INTEREST RATE ON DEBT?	0.00000000

\$ 1.1M DS



Document

ID: 326749

Received Date: 04/08/2013

Final Action Date: 05/15/2013

Document Creation Date: 05/16/2013

Document Affiliation

Type:

Individual:

Organization:

No occurrences retrieved

\$ 7.5 mill Rev
6.3 mill EX
1.2 mill PI.

1.08 DSC

For questions or comments regarding information on this page, contact the
TCEQ iWUD Web Manager

Version V2.5.2

ST Debt \$ 768,000
renewable revenue

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? Utility details for QUADVEST LP (11612)

[Affiliations](#)
[Documents](#)
[Site Visits](#)
[Schedules](#)

Properties

CR Regulated Entity Number:

CCEDS Status: **NO ACTIVE NOE EXISTS**

Utility Type: **WATER UTILITY**

Ownership Type: **INVESTOR**

Primary County: **MONTGOMERY**

County Code: **170**

Comments

Comment Date	Text	Staff Name
12/28/2011	ACQUIRED FACILITIES, TRANSFERED SERVICE AREA, AND CANCELLED CCN 12841 FROM HHJ, INC., DBA DECKER UTILITIES (APP 36924-S); ORDER SIGNED 12/20/2011	
04/29/2011	PURCHASED AND TRANSFERED ALL OF CCN 11612 FROM QUADVEST INC; APP NO. 36654-S; ORDER SIGNED 04/13/2011	
07/12/2010	36762-R Quadvest LP, CCN 11612, requests pass through rate.	MELISSA SIERRA

Occurrences retrieved.

Official Address / Phone

Address: **PO BOX 409**

TOMBALL, TEXAS 77377-0409

Telephone: **(281) 305-1110**

PWS for this Utility

PWS Name	PWS ID	Status	District(Number)
<u>BENDERS LANDING WATER PLANT 1 & 2</u>	1700678	A	
<u>BRAZOS LAKES WATER SUPPLY</u>	0790363	A	
<u>BRIDLEWOOD ESTATES WATER SYSTEM</u>	0790350	A	
<u>CHENANGO RANCH</u>	0200656	A	
<u>COLONY M H SUBDIVISION WS</u>	1011806	A	
<u>CREEKSIDE VILLAGE</u>	1700742	A	
<u>DECKER OAKS</u>	1700605	A	
<u>INDIGO LAKES WATER SYSTEM</u>	1700576	A	
<u>LAKE WINDCREST WATER SYSTEM</u>	1700624	A	
<u>LAKES OF MAGNOLIA</u>	1700736	A	

<u>LIVE OAK LANDING SUBDIVISION</u>	1610129	P
<u>LONE STAR PUBLIC WATER SYSTEM</u>	1700655	A
<u>MOSTYN MANOR</u>	1700669	A
<u>NORTHCREST RANCH WATER SYSTEM</u>	1700623	A
<u>RED OAK RANCH WATER SYSTEM</u>	1700609	A
<u>ROCKY CREEK ESTATES</u>	1013393	P
<u>SENDERA RANCH</u>	1700577	A
<u>SHAW ACRES</u>	1013468	A
<u>SONOMA RIDGE-MCCALL SOUND</u>	1700763	A
<u>SUNRISE BAY SUBDIVISION</u>	1200037	P
<u>TELGE TERRACE MOBILE HOME SUBDIVISION</u>	1011805	A
<u>TIMBERDALE MOBILE HOME SUBDIVISION</u>	1011810	A
<u>WATERSTONE ESTATES</u>	1013389	A
<u>WESTWOOD SUBDIVISION</u>	2370042	A

Water System occurrences retrieved.

Counties

Code	County Name	Primary
4	ARANSAS	N
20	BRAZORIA	N
79	FORT BEND	N
101	HARRIS	N
120	JACKSON	N
170	MONTGOMERY	Y
237	WALLER	N

Activity

Activity Status: **ACTIVE**

Start Date: **03/08/2010**

End Date: **12/31/3000**

Activity Date: **05/17/2011**

Activity Reason: **CHANGE**

[Run Utility Cases Report](#)
[Run Utility Summary Report](#)
[Show Map](#)

Utility successfully retrieved.

For questions or comments regarding information on this page, contact the
[TCEQ IWUD Web Manager](#)

Version V2.5.2

Debi Loockerman

From: Debi Loockerman
Sent: Wednesday, June 19, 2013 8:23 AM
To: Elaine Jackson
Cc: Sheresia Perryman
Subject: PWS Number 1010212_request for copy of latest investigation report

Good Morning Ms. Jackson,

I am processing a transfer application for Bayer Water System. After review of our files in Austin, it is apparent that we don't yet have a copy of the most recent inspection for the water system yet. Could you please send a .pdf copy via email to me?

Thank you,

Debi

Debi Loockerman
Certified Public Accountant
Utilities Financial Review
Texas Commission on Environmental Quality
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Buyer -
appears to be dropped
enforcement case
per IWUB - No history
in CR.

3/2012 inspection per Town
w/9 violations
No ~~to~~ in TCEQ side floor file

6/19/13 - Emailed request
for latest inspection
report to Elaine
in Regan office.

Debi Loockerman

From: Debi Loockerman
Sent: Tuesday, July 16, 2013 8:11 AM
To: jeff@quadvest.com
Cc: Sheresia Perryman
Subject: RE: Application 37530-S

Good morning Jeff,

Please let me know if you have the following items available for Quadvest, LLC:

1. Amortization schedules for notes payable, including the lender's name and relationship to Quadvest, LLC;
2. A five year capital improvement plan for the system purchased (Bayer) and other systems Quadvest owns with needed improvements;
3. A Status on improvements for the Colony MH Subdivision (PWS 1011806) and Red Oak Ranch WS (PWS 1700609) which have, or will, take care of the 85% well capacity issue listed in the last available TCEQ inspection report;
4. Quadvest's five year budget and/or operations/improvements plan.

These items will allow me to complete the financial/managerial review on Application 37530-S. If you have any questions, or if you have alternative documents which could show financial capability, please contact me as soon as possible. Please respond by 7/19/2103 and let me know if Quadvest will be able to provide the information. Thank you for your prompt attention to this matter.

Regards,

Debi

7/16/13 - TCW / Jeff Goebel &
Jeff

Debi Loockerman
Certified Public Accountant
Utilities Financial Review
Texas Commission on Environmental Quality
(512) 239-4714

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07/12/2013
8 25 49AM**Texas Commission on Environmental Quality**
Utility Cases List for VACATION VILLAGE WATER COMPANY (11524)

ERPT0014

Received Date	App No. Type	Comments	Con-tested?	Date Filed	To Legal	Informal Hearing	Hearing	Final Action Status
12/05/1989	00000 OTHER	11524 & 20566 RATE INCREASE FILE SENT TO CENTRAL RECORDS	NO					07/30/1990 Dismissed
11/02/2000	02302 - C CCN		NO					Completed
11/02/2000	03756 - R RATE		NO					Completed
11/02/2000	04489 - C CCN		NO					Completed
11/02/2000	05039 - R RATE		NO					Completed
11/13/1992	09894 - R RATE	46% PROTESTS REC'D 2/16/93 PROTEST PERIOD UP 4/1/93 REASSIGNED FROM MJH TO MC SETTLED 6/14, AWAITING PFD REMANED BACK TO OHE, CUST'S GROUP W/DREW AGREEMNT & STATE REP WANTS TO REVIEW REASSIGNED STAFF FROM MM TO BF PFD ISSUED, ON AGENDA 12/1/93 MUST EIGHT ADDITIONAL CUT-OFF VALVES BF MUST PAY CUSTOMER REFUNDS BF	YES	01/08/1993	02/19/1993	04/30/1993	10/19/1993	02/04/1994 Completed
10/06/2010	36846 - R RATE	36846-R, Vacation Village Water Supply System Inc., Request to amend CCN, CCN 11524	NO	10/06/2010				10/26/2011 Completed

- End of Report -

At the time of your query this data was the most current information available from our database, which is in real time Every effort was made to retrieve it according to your query. Thank-you for using WUD.

07/12/2013
8 25 49AM**Texas Commission on Environmental Quality**
Utility Cases List for VACATION VILLAGE WATER COMPANY (11524)

ERPT0014

Received Date	App No. Type	Comments	Con- tested?	Date Filed	To Legal	Informal Hearing	Hearing	Final Action Status
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11/02/2000	02302 - C CCN		NO					Completed
11/02/2000	03756 - R RATE		NO					Completed
11/02/2000	04489 - C CCN		NO					Completed
11/02/2000	05039 - R RATE		NO					Completed
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10/06/2010	36846 - R RATE	36846-R, Vacation Village Water Supply System Inc., Request to amend CCN, CCN 11524	NO	10/06/2010				10/26/2011 Completed

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