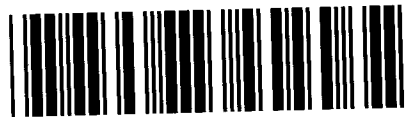


Control Number: 43241



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

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To: Leila Guererro

2014 SEP 22 PM 3: 54

PUBLIC UTILITY COMMISSION
FILING CLERK

From:  Debi Loockerman, C.P.A.
Utilities Financial Review

Date: December 31, 2013

Re: Application from Orbit Systems Inc. to Amend Water Certificate of Convenience and Necessity (CCN) No. 11982, in Brazoria County; Application No. 37755-C

CN: 600678379; RN: 101249282

In my opinion, Orbit Systems Inc. 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 date.

Review

Orbit Systems Inc. (Orbit) executed an agreement on May 29th, 2013 with D & V Development, LLC to install a 49 connection water system for the developer using funds provided by the developer up to \$69,100. The agreement indicates that there will be no additional charge to the water utility customers for installation of taps and meters within the Bayou Colony Subdivision. The area subject to this application includes 35 acres including the planned Bayou Colony Subdivision which is located approximately 3 miles southwest of downtown Manvel, on County Road 786. The built out subdivision is expected to contain 35 residences.

The application contains 38 water and 3 sewer system notices of violation and/or compliance investigations for PWS's. For the water system, 26 out of 38 compliance investigation correspondences from the TCEQ indicated either no violations or resolved violations. Five TCEQ notice of violation letters had been responded to by Orbit and appear to be in the process of resolution. Seven of the notices of violation were for the 85% capacity requirement, for which Orbit has requested a waiver due to no projected growth at the system. The TCEQ notice letters for sewer systems include 1 no violation letter and two letters to which Orbit has responded. TCEQ acknowledged that one of the violations had been resolved and the other violation has been responded to, pending TCEQ review.

TCEQ Interoffice Memorandum

Orbit's annual report indicate total revenues of \$1.3 million and 1850 water connections and 275 sewer connections as of December 2012. Because the plant needed to serve the new connections is to be paid for by the developer, no significant capital investment will be needed. The relative size of the subdivision (35 connections) to the total number of connections currently served (1,850) The annual report indicates sufficient revenues to cover new operations during the time build out is occurring.

TCEQ staff did not deem a balance sheet necessary because of previous reviews in 2011 and 2012. The annual report reflects a net income from operations excluding depreciation of for the period ending 10/31/2011, but the financial statements do not separately identify the current portion of long term debt in order to calculate the debt service coverage ratio. A ratio in excess of 1.25 to 1 is preferred so that the utility has ample opportunity to set up a reserve fund, but we were unable to tell if OSI meets this criteria. Given that Orbit Systems Inc. currently owns and operates 32 public water systems in 3 counties, and serves approximately 1,270 connections over 3,700 acres per the TCEQ Water Utilities Database, this transaction represents just over a 4% increase in service area and capacity of Orbit, and can be considered immaterial and unlikely to have a material effect on the operations and /or financial ability of Orbit Systems Inc. No additional financial review is considered necessary.

**WATER UTILITY TARIFF
FOR**

Orbit Systems, Inc.
(Utility Name)

1302 Airline North
(Business Address)

Rosharon, Texas 77583
(City, State, Zip Code)

(281) 369-2041
(Area Code/Telephone)

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

11982

This tariff is effective in the following counties:

Brazoria, Fort Bend and Matagorda

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

City of Manvel (Brandi Estates)

“The rates set or approved by the city for the systems within its corporate boundary are not presented in this tariff. Those rates are not under the original jurisdiction of the TCEQ and will have to be obtained from the city or utility.”

This tariff is effective in the following subdivisions or systems:

See attached list

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.....	4
SECTION 3.0 – EXTENSION POLICY	11
APPENDIX A – SAMPLE SERVICE AGREEMENT	
APPENDIX B – APPLICATION FOR SERVICE	

This tariff is effective in the following subdivisions or systems:

PWS #	Subdivision/Facility Name	County
0790425	723 Utility	Fort Bend
0200244	Angle Acres Mobile Home Park	Brazoria
0200245	Beechwood	Brazoria
0200358	Bayou Colony Subdivision	Brazoria
0200338	Bernard Oaks	Brazoria
0200323	Blue Sage Gardens	Brazoria
0200325	Brandi Estates *	Brazoria
0200639	Brazos Oaks Subdivision	Brazoria
0200410	Briar Meadows	Brazoria
0200324	Colony Cove	Brazoria
0200604	Colony Trails	Brazoria
0200275	Coronado Country	Brazoria
0200274	Country Acres Estates	Brazoria
0200273	Country Meadows	Brazoria
0790510	Crystal Lake Estates	Fort Bend
0200185	Demi-John Place	Brazoria
0200234	Demi-John Island	Brazoria
0200360	Grasslands (Airline Road Est)	Brazoria
0200339	Larkspur	Brazoria
0200506	Lee Ridge	Brazoria
0200432	Mark V Subdivision	Brazoria
0200094	Mooreland	Brazoria
0200566	Oak Meadows	Brazoria
0200597	Paloma Acres Subdivision	Brazoria
0200592	Quail Valley Ranches Sec. IV	Brazoria
0200058	Riverside Estates	Brazoria
0200346	Rosharon Road Estates	Brazoria
0200036	Rosharon Township	Brazoria
0200108	Ryan Long II	Brazoria
0200460	San Bernard River Estates	Brazoria
0200335	Sandy Meadows	Brazoria
0200053	Snug Harbor	Brazoria
1610102	Spanish Bit Plantation	Matagorda
0200624	Stoneridge Lakes Subdivision	Brazoria
0790504	Tejas Lakes	Fort Bend
0790013	Televue	Fort Bend
0200638	Village Lakes	Brazoria
0200083	Wilco Water/Holiday Beach	Brazoria
0200370	Wolf Glen	Brazoria

*Brandi Estates subject to City of Manvel Approval

SECTION 1.0 -- RATE SCHEDULE

Section 1.01 - Rates

<u>Meter Size</u>	<u>Monthly Base Rate</u>	<u>Gallonge Charge</u>
5/8" or 3/4"	\$35.00 (Includes 0 gallons)	\$3.00 per 1000 gallons
1"	\$70.00	
1 1/2"	\$175.00	
2"	\$280.00	
3"	\$480.00	
4" & larger	\$800.00	

***Brazoria County Groundwater Conservation District Production Fee. \$0.03 per 1,000 gallons of water usage**

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

Check X, Money Order X, Other (specify) Online Payment or Automatic Bank Draft

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

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

Section 1.02 - Miscellaneous Fees

TAP FEE..... \$600.00
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 SUBDIVISIONS 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 MAY BE CHARGED IF A CUSTOMER REQUESTS THAT AN EXISTING METER BE RELOCATED.

RATES LISTED ARE EFFECTIVE ONLY
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TEXAS COMM. ON ENVIRONMENTAL QUALITY
37755-C, CCN 11982, JULY 16, 2014
APPROVED TARIFF BY gg/LG

SECTION 1.0 -- RATE SCHEDULE (Continued)

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 FOR THE 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 \$50.00

TRANSFER FEE.....\$25.00
THE TRANSFER FEE WILL BE CHARGED FOR CHANGING AN ACCOUNT NAME AT THE SAME SERVICE LOCATION WHEN THE SERVICE IS NOT DISCONNECTED.

LATE CHARGE (EITHER \$5.00 OR 10% OF THE BILL).....\$5.00
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.

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.

RATES LISTED ARE EFFECTIVE ONLY
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TEXAS COMM. ON ENVIRONMENTAL QUALITY
37755-C, CCN 11982, JULY 16, 2014
APPROVED TARIFF BY gg/UG

PURCHASED WATER AND/OR DISTRICT FEE PASS THROUGH CLAUSE:

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

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

AG= adjusted gallonage charge, rounded to the nearest one cent:

G= approved gallonage charge (per 1,000 gallons);

B=change in purchased water/district gallonage charge (per 1,000 gallons);

L=system average line loss for preceding 12 months not to exceed 0.15

RATES LISTED ARE EFFECTIVE ONLY
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TEXAS COMM. ON ENVIRONMENTAL QUALITY
37755-C, CCN 11982, JULY 16, 2014
APPROVED TARIFF BY gg / LG



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Regulated Entity Detail					
Regulated Entity Name:	ORBIT SYSTEMS		RN:	RN101249282	
Status:	Active	Status Comment:		Stand Alone:	Y
Physical Address:	No physical or street address on file.			County:	BRAZORIA
Physical Location:	BRAZORIA, FORT BEND, MATAGORDA COUNTIES				
Nearest City:		State:	TX	Zip Code:	
Latitude:		Longitude:			

1-1 of 1 Records

Affiliated Customers					List All
CN Number	Customer ▲	Role	Begin Date	End Date	RE Comp Hist
CN600678379	ORBIT SYSTEMS INC	RESPONSIBLE PARTY	12/15/2010	12/31/3000	N/A

1-3 of 3 Records

Program Interests								
Program	RE Type	ID Type	Addn ID	Addn ID Status	Alt RE Name	Role	Customer Name (CN)	Begin Date - End Date
UTILITIES	SITE	REGISTRATION	11982	ACTIVE	ORBIT SYSTEMS	RESPONSIBLE PARTY	ORBIT SYSTEMS INC (CN600625198)	01/01/1800 - 12/15/2010
UTILITIES	SITE	REGISTRATION	12074	CANCELLED		RESPONSIBLE PARTY	WANG, CHRISTINE (CN603632563)	01/01/1800 - 01/01/1800
UTILITIES	SITE	REGISTRATION	11982	ACTIVE	ORBIT SYSTEMS	RESPONSIBLE PARTY	ORBIT SYSTEMS INC (CN600678379)	12/15/2010 - 12/31/3000

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Customer Detail			Prior Names	
Customer Name:	ORBIT SYSTEMS INC	CN:	CN600678379	
Customer Legal Name:	ORBIT SYSTEMS, INC.	Customer Type:	CORPORATION	
Customer Status:	ACTIVE	Status Comment:		
Federal Tax Id:		State Franchise Tax Id:	30008692557	
DUNS Number:		SOS Filing No:	72981900	
Compliance Class:		Compliance Rating:		Publication Date:
Independently Owned:		Number Employees:		

1-3 of 3 Records

Affiliated Regulated Entities		List All
RN Number	Regulated Entity Name	Role
RN101241024	D & J WATER SUPPLY	RESPONSIBLE PARTY
RN101454379	ORBIT SYSTEMS	RESPONSIBLE PARTY
RN101249282	ORBIT SYSTEMS	RESPONSIBLE PARTY

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