



Control Number: 43975



Item Number: 29

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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

FM Checklist

Applicant: Eagle Falls Water Supply, LLC, to Obtain Dual Certification with a Portion of Certificate of Convenience and Necessity (CCN) No. 10147 of Lake Livingston Water Supply & Sewer Service Corporation (LLWSSSC) and to Obtain a CCN in Trinity County

Application No.: 36501-C

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 PUBLIC UTILITY COMMISSION
 FILING CLERK

CONSIDERATION:

The financial and managerial capability of the applicant to provide continuous and adequate water and wastewater service to the area requested for CCN approval.

CONCLUSION:

In my opinion, this applicant has demonstrated adequate financial and managerial capability to provide service to the requested areas. 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.

Signed: Dan Smith Date: March 9, 2010

SUPPORT:

Eagle Falls Water Supply, LLC, applies to obtain a water CCN for 348 acres, a portion of which is/may be within LLWSSSC's area. The notice indicates there are no customers. This analysis will be concerned only with the financial and managerial evidence of ability of the principals of Eagle Falls to handle a CCN of 348 acres. It will not be concerned with whether they currently have a reliable source of water, whether the area overlaps LLWSSSC's area, or whether their negotiations with any other entity are ongoing or concluded.

The application included comprehensive cost estimates, along with detailed five-year projections of income and expense statements, and balance sheets for the utility, all prepared by the applicant's engineers, Water Engineers, Inc. The cost estimate for two phases totals \$826,067. The projected balance sheet shows it financed by equity from the two couples who are principals, Thomas and Carol Aikin, and Ryan and Kelli Aikin.

The application also included copies of personal balance sheets for the principals. The balance sheet for Thomas and Carol is dated August 20, 2009, and shows total

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determine the costs to connect to them. The results were estimated in four scenarios ranging from \$3.3 million to \$4.1 million, significantly higher than the estimated costs by the applicant's engineers to construct a standalone groundwater system. A later communication from TWSC decreased the estimated cost to \$2.6 million, still more than three times the cost estimate by the applicant's engineers. That figure does not include \$875/lot in "parity fee," required on each new lot, representing an "equalizing," of capital investment by new members with existing members, or another \$416,500. This option is not economically feasible for the applicant.

LLWSSC has requested a hearing concerning some portions of the requested area which apparently overlap LLWSSSC's area, which they declare would be dual-certification of that area which is presently LLWSSSC exclusive certification. The applicant contends they do not want any of LLWSSSC's area, and that LLWSSSC's map was incorrectly outlined, to which, of course, LLWSSSC does not agree. Negotiation and attempted settlement continues.

A. PROJECTED # OF CONNECTIONS	
1. The customer classes and meter sizes are appropriate for the type of development and the predicted consumption patterns.	Date: 03/09/10
Comments: Yes.	
2. The growth projections are verifiable and make sense. Note: A growth rate greater than 10% per year will require significant documentation.	Date: 03/09/10
Comments: Yes.	

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7. Cost information includes costs of receiving and maintaining service for 5 years	Date: 03/09/10
Comments: Yes.	
8. Assumptions about the cost of receiving and maintaining service are based on valid information	Date: 03/09/10
Comments: Yes.	

C. FEE FOR SERVICE	
1. Projected number of connections agrees with assumptions listed.	Date: 03/09/10
Comments: The applicant intends to provide all service in the costs of operation.	
2. Consumption assumptions are reasonable in light of the types of consumers expected to be on the system, e.g., large homes on large lots versus mobile home parks, or residential versus commercial.	Date: 03/09/10
Comments: Not applicable.	
3. Proposed rates reflect cost of service and are affordable. [Could consider the percentage of Median Household Income]	Date: 03/09/10
Comments: Not applicable	

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3. Cost of maintaining and operating the system includes reasonable amounts for the following:(☆ - Insert Comment # in this column)					
Expense Item	Yes	☆	Expense Item	Yes	☆
Wholesale water or sewer			Insurance - office equipment	X	
Salaries - O & M Staff	X		Legal fees	X	
Salaries – Admin staff	X		Engineering fees	X	
Salaries – Owner			Employee training	X	
Power for operating all facilities	X		Office supplies/postage	X	
Treatment Chemicals	X		Telephone/other office utilities	X	
Monitoring/Testing	X		Office rent		
M & R materials & labor	X		Accounting	X	
Vehicle maintenance expenses			Income taxes		
Contract Labor			Property taxes	X	
Equipment rental			Employment taxes	X	
Insurance – vehicle	X		Debt service		
Insurance – liability	X		Bad debt expense		
Insurance – Workmen’s comp	X		Lease payments		
Includes cost of operating system for 5 years:				Date: 03/09/10	
Comments (Number comments to correspond with numbers above:					

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F. OWNERSHIP	
1. Applicant has identified current and any future potential owners.	Date: 03/09/10
Comments: Yes.	
2. Applicant has identified all other affiliated businesses.	Date: 03/09/10
Comments: Yes.	
3. Applicant has documented qualifications of all organizations and persons who will be involved in the operation of the system.	Date: 03/09/10
Comments: Yes.	

G.CONCLUSIONS	
1. The source to be used is identified and documentation supports the application.	Date: 03/09/10
Comments: Yes.	
2. Applicant is capable/of financing and operating the system for at least the 1 st 5 years of operation if the applicant provides financial assurance in the amount of \$_____0_____.	Date: 03/09/10
Comments: Yes.	