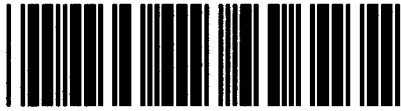




Control Number: 44212



Item Number: 7

Addendum StartPage: 0

House Bill (HB) 1600 and Senate Bill (SB) 567 83<sup>rd</sup>  
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

44212

# FM Checklist

RECEIVED

Applicant: City of Ovilla, Certificate of Convenience and Necessity (CCN) No. 11459, to Decertify a Portion of CCN No. 11059 from the City of Glenn Heights, to Amend CCN No. 11459, to Obtain a Sewer CCN, and Decertify a Portion of CCN No. 20427 from the City of Glenn Heights, in Dallas and Ellis Counties

2015 JAN 12 AM 10:17

Application No.: 35087-C and 35088-C, respectively

The City of Ovilla applies to amend water and obtain sewer CCNs, and decertify a portion of existing water and sewer CCNs of the City of Glenn Heights. The area is represented by Ovilla to be within their city limits. The area contains a total of 500 acres and 89 current customers. Their water system has 1,223 connections.

I have reviewed the system's audit for the fiscal year ended September 30, 2004. It shows business-type activities (utility) total assets of \$10,218,401, non-current liabilities of \$1,184,952, and net assets of \$8,662,285, for a debt-to-equity ratio of just .14:1. The debt-service-coverage-ratio was 1.38:1. Required annual principal and interest payments for business-type activities for 2005 are \$118,214 and for 2006 are \$115,583. No additional projections were required.

In my opinion, this applicant has demonstrated adequate financial and managerial capability to provide service to the requested area. 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: Don Smith Date: December 30, 2005

| A. PROJECTED # OF CONNECTIONS   |                |
|---|----------------|
| 1. The customer classes and meter sizes are appropriate for the type of development and the predicted consumption patterns.                       | Date: 12/30/05 |
| Comments: Projections were not required.  |                |
| 2. The growth projections are verifiable and make sense.<br>Note: A growth rate greater than 10% per year will require significant documentation. | Date:          |
| Comments:   |                |

# FM Checklist

**Applicant:** City of Ovilla, Certificate of Convenience and Necessity (CCN) No. 11459, to Decertify a Portion of CCN No. 11059 from the City of Glenn Heights, to Amend CCN No. 11459, to Obtain a Sewer CCN, and Decertify a Portion of CCN No. 20427 from the City of Glenn Heights, in Dallas and Ellis Counties

**Application No.:** 35087-C and 35088-C, respectively

| <b>B. FEASIBILITY OF OBTAINING SERVICE FROM ALTERNATE SOURCES OF SUPPLY WITHIN A 2-MILE RADIUS</b>   |                   |
|--|-------------------|
| 1. There are no alternate sources within a 2-mile radius. Go to section C.   | Date:<br>12/30/05 |
| Comments: This city likely can provide service the most efficiently and at the least cost to proposed new customers in the requested area. |                   |
| 2. Application for service was denied. Go to section C.  | Date:             |
| Comments:  |                   |
| 3. Applicant is asserting that interconnection is infeasible.  | Date:             |
| Comments:  |                   |
| 4. Documentation of the cost of interconnection is verifiable.   | Date:             |
| Comments:  |                   |
| 5. Cost information includes the cost of initiating service.   | Date:             |
| Comments:  |                   |
| 6. Cost information includes the cost of any facilities that may be need to be constructed to obtain service                               | Date:             |
| Comments:  |                   |
| 7. Cost information includes costs of receiving and maintaining service for 5 years  | Date:             |
| Comments:  |                   |

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|   |       |
|---|-------|
| 8. Assumptions about the cost of receiving and maintaining service are based on valid information | Date: |
| Comments:   |       |

|  |                   |
|--|-------------------|
| <b>C. FEE FOR SERVICE</b>  |                   |
| 1. Projected number of connections agrees with assumptions listed.   | Date:<br>12/30/05 |
| Comments: Projections were not required.   |                   |
| 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:             |
| Comments:  |                   |
| 3. Proposed rates reflect cost of service and are affordable. [Could consider the percentage of Median Household Income]   | Date:             |
| Comments:  |                   |

|   |       |
|---|-------|
| <b>D. DOCUMENTATION RELATED TO PROVIDING SERVICE USING APPLICANT'S FACILITIES</b>                                     |       |
| <i>Note: This section applies to NEW CCNs and substantial amendments.</i>   |       |
| 1. Cost of construction is based on engineering estimates.  | Date: |
| Comments:   |       |
| 2. Cost of maintaining and operating the system includes <b>reasonable</b> amounts for a contract operations company. | Date: |
| Comments:   |       |

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Application No.: 35087-C and 35088-C, respectively

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

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|   |                   |
|---|-------------------|
| <b>E. FINANCING</b>   |                   |
| 1. Applicant has identified sources for funding construction and capital improvements.  | Date:<br>12/30/05 |
| Comments: Yes, the city has proven ability to secure additional bond funding on desirable terms.  |                   |
| 2. Sources of revenue for construction and capital improvements are verifiable and documented.  | Date:<br>12/30/05 |
| Comments: Yes   |                   |
| 3. Sources of revenue for construction and capital improvements are guaranteed or reasonably assured.   | Date:<br>12/30/05 |
| Comments: Reasonably assured  |                   |
| 4. Sources of revenue for shortfalls, other than from rates, are guaranteed, or reasonably assured.   | Date:<br>12/30/05 |
| Comments: Reasonably assured  |                   |
| 5. Applicant has contingency financing plan to fund any unforeseen repairs or equipment replacements, e.g. Reserves equal to depreciation or 1/8 O & M. | Date:<br>12/30/05 |
| Comments: Yes   |                   |

|  |                   |
|--|-------------------|
| <b>F. OWNERSHIP</b>  |                   |
| 1. Applicant has identified current and any future potential owners. | Date:<br>12/30/05 |
| Comments: Yes  |                   |

## FM Checklist

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Application No.: 35087-C and 35088-C, respectively

|  |                   |
|--|-------------------|
| 2. Applicant has identified all other affiliated businesses.   | Date:<br>12/30/05 |
| Comments: Yes  |                   |
| 3. Applicant has documented qualifications of all organizations and persons who will be involved in the operation of the system. | Date:<br>12/30/05 |
| Comments: Yes  |                   |

|  |                   |
|--|-------------------|
| <b>G. CONCLUSIONS</b>  |                   |
| 1. The source to be used is identified and documentation supports the application.   | Date:<br>12/30/05 |
| Comments: Yes  |                   |
| 2. Applicant is capable/of financing and operating the system for at least the 1 <sup>st</sup> 5 years of operation if the applicant provides financial assurance in the amount of \$ _____ 0 _____. | Date:<br>12/30/05 |
| Comments: Yes  |                   |
| 3. Applicant is capable of managing the system for the long term.  | Date:<br>12/30/05 |
| Comments: Yes  |                   |
| 4. Applicant has the technical capacity to operate the system for the long term.   | Date:<br>12/30/05 |
| Comments: Yes  |                   |