



Control Number: 44534



Item Number: 14

Addendum StartPage: 0



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PUBLIC UTILITY COMMISSION
FILING CLERK

July 10, 2015

Fred Bednarski
Public Utility Commission of Texas
Water Utilities Division
1701 N Congress PO Box 13326
Austin, Texas 78711-3326

Re: PUC DOCKET NO. 44534; Application of Aqua Texas, Inc. d/b/a Aqua Texas
to Amend its Certificates of Convenience and Necessity in Harris County

Dear Fred:

Commission Staff has requested that the Applicant provide "a business plan and analysis regarding how much the new systems [contemplated in the above-referenced application] will cost and how they will be paid for, as well as financial projections for the new systems." See Staff's Response to Order No. 1, p. 4 (May 29, 2015). This letter is Aqua Texas' effort to present that information.

Aqua Texas is an investor owned utility that serves thousands of customers throughout Texas. It is a subsidiary of a publicly traded New York Stock Exchange company called Aqua America, Inc. with subsidiaries in several other jurisdictions. Combined, Aqua America, Inc. and its subsidiary companies serve an estimated three million people. The Aqua America, Inc. 2013 Annual Report, which included financial statements incorporating Aqua Texas data, was filed with the pending CCN application and Aqua Texas understands Staff has also located the Aqua America, Inc. 2014 Annual Report online. These documents include information that evidence the Applicant's long term strength and stability.

This CCN Application is for a new project in Northwest Harris County within land that presently does not have water or wastewater service. If the requested area is added into Aqua Texas' CCN, Aqua Texas will utilize its existing Southeast Region water and sewer rates/tariffs for the customers in this new development. Aqua Texas has the financial ability through customer collections and infusions of capital from lenders, as well as capital contributions from its parent, Aqua America, Inc., to meet operations and maintenance expense needs and make any required improvements necessary to meet TCEQ and PUC service requirements.

To provide water utility service for this development, Aqua Texas intends to drill a new water well and build a new public drinking water plant which is capable of serving up to 249 living unit equivalents (LUEs) per day. It is estimated that the cost for this plant will be approximately \$400,000; the funds for this facility will come from Aqua Texas' general capital sources and Aqua America, Inc. The water line infrastructure cost is estimated at \$2500 per LUE. The land developer for the project ("Developer") estimates that lines to serve customers representing 90 LUEs will be needed in year one, making the capital outlay for those lines approximately \$500,000. During years two and three, the Developer estimates that lines to serve

12

Mr. Bednarski
July 10, 2015
Page 2

customers representing an additional 160 LUEs will be needed, making the capital outlay for those lines approximately \$400,000. Accordingly, Aqua Texas expects the total cost to construct the water system which will serve up to 250 LUEs will be approximately \$1,025,000. Any additional costs incurred in the construction of water line infrastructure will be paid for by the Developer pursuant to contractual arrangements between Aqua Texas and the developer.

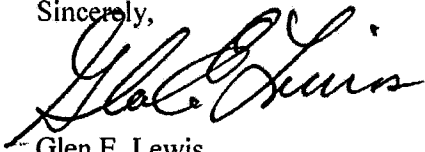
In providing wastewater services, Aqua Texas will initially serve the area using available capacity by hauling the sewage to other Aqua Texas wastewater treatment plants. However, shortly after the development is up and running, Aqua Texas will begin construction on a new wastewater treatment plant to serve the project. It is estimated that this facility will be on line by year two and that it will cost approximately \$500,000. The service line infrastructure cost is estimated at \$2500 per LUEs. The Developer estimates that lines to serve customers representing 200 LUEs will be needed in phase one, making the capital outlay for those lines approximately \$225,000. Accordingly, Aqua Texas expects the total cost to construct the wastewater system which will serve up to 250 LUEs will be approximately \$1,125,000. Any additional costs incurred in the construction of sewer line infrastructure will be paid for by the Developer pursuant to contractual arrangements between Aqua Texas and the developer.

Based on the current Aqua Texas Southeast Region rate tariff, the average combined water and wastewater bill is approximately \$128 per month. At 250 LUEs, this generates \$384,000 per year at full build out toward Aqua Texas' Southeast Region rate collection revenue. The chart attached to this letter shows projected capital outlay and revenues for the project.

Aqua Texas' parent company routinely advances capital for these types of construction projects pursuant to an annualized budgeting process. Management has agreed in concept to these future advances as the development project progresses and in accord with the contracts signed by Aqua Texas, Harris County Improvement District No. 17, and Developer (included in Application, Attachments 4 and 5). Specifically, Aqua Texas will invest funds to construct the water and wastewater treatment plants. Aqua Texas plans to reimburse Developer for line costs as connections come on line.

If additional information is needed to satisfy the Commission Staff's information request, please let us know.

Sincerely,



Glen E. Lewis
Director of Corporate Development

Enclosures

Attachment A

Water

Months	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	Totals
# LUE	0	10	10	10	30	30	30	30	60	60	60	90	90	90	150	150	150	150	150	200	200	200	250	250	250
Aqua Texas Capital Outlay	400,000																				500,000			125,000	1,025,000
Monthly Revenue	64.20	642	642	642	1,926	1,926	1,926	1,926	3,852	3,852	3,852	5,778	5,778	5,778	9,630	9,630	9,630	9,630	12,840	12,840	12,840	16,050	16,050	16,050	157,290
Develop Capital Outlay		25,000			50,000				75,000			75,000			150,000					125,000	-500,000		125,000	-125,000	0

Sewer

Months	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	Totals
# LUE	0	10	10	10	30	30	30	30	60	60	60	90	90	90	150	150	150	150	150	200	200	200	250	250	250
Aqua Texas Capital Outlay	500,000																				500,000			125,000	1,125,000
Monthly Revenue	63.80	638	638	638	1,914	1,914	1,914	1,914	3,828	3,828	3,828	5,742	5,742	5,742	9,570	9,570	9,570	9,570	12,760	12,760	12,760	15,950	15,950	15,950	156,310
Develop Capital Outlay		25,000			50,000				75,000			75,000			150,000					125,000	-500,000		125,000	-125,000	0