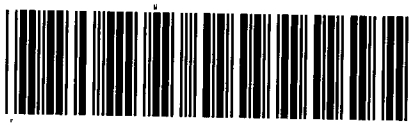

Control Number: 44740

Item Number: 41

Addendum StartPage: 0

DOCKET NO. 44740

APPLICATION OF MSEC ENTERPRISES, INC. TO AMEND A CERTIFICATE OF CONVENIENCE AND NECESSITY IN MONTGOMERY COUNTY	§ § § § §	**BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS**

MSEC ENTERPRISES, INC.'S RESPONSE TO COMMISSION STAFF'S FOURTH REQUEST FOR INFORMATION

MSEC Enterprises, Inc. ("MSEC") files this Response to the Fourth Request for Information ("RFI") filed by Public Utility Commission ("Commission") on June 21, 2017. Pursuant to 16 Tex. Admin. Code § 22.144(c)(2)(F), these responses may be treated as if they were filed under oath.

Respectfully submitted,

LLOYD GOSSELINK ROCHELLE & TOWNSEND, P.C.
816 Congress Avenue, Suite 1900
Austin, Texas 78701
(512) 322-5800
(512) 472-0532 (Fax)
gcrump@lglawfirm.com

GEORGIA N. CRUMP
State Bar No. 05185500

TY H. EMBREY
State Bar No. 24025346

ATTORNEYS FOR MSEC ENTERPRISES, INC.

CERTIFICATE OF SERVICE

I hereby certify that on July 11, 2017, true and correct copy of the foregoing document has been served on all parties of record in accordance with 16 Tex. Admin. Code § 22.74.

GEORGIA N. CRUMP

DOCKET NO. 44740

MSEC's Response to Staff's Fourth RFI

Staff 4-1. For the proposed tariff filed on June 13, 2017, please provide the following:

a) a rate study supporting the proposed rates, which may include the costs of existing invested capital or estimates of adore invested capital;
b) all calculations supporting the proposed rates;
c) all assumptions for any projections included in the rate study;
d) an estimated completion date(s) for the physical plant(s);
e) provide an estimate of the date(s) service will begin for all phases of construction.

Response

(a)–(c) Please see the attached work schedules for the development of the commercial and residential rates (Attachment 4-1).

(d) As of the date of this response, there are approximately 46 more days of construction left to complete the plant. MSEC's engineer estimates a startup date of August 26, 2017.

(e) Three schools will eventually connect to the wastewater treatment plant—an elementary school, a middle school, and a high school.

The elementary school and middle school are scheduled to open in the Fall of 2017. The projected population for the elementary school, including students and staff, is 1,000. The projected population for the middle school, including students and staff, is 1,500.

The new high school will not be open until the Fall of 2018. The high school will be constructed in phases. Phase 1 of construction is projected by the school district to have a population of 1,440, including students and staff. Phase 2 construction will add additional capacity for 1,324, including students and staff. At present, there is not a construction schedule for Phase 2.

Prepared by: Troy Morris

DOCKET NO. 44740

MSEC's Response to Staff's Fourth RFI

Staff 4-2. Please provide a copy of the executed Reuse Service Agreement Exhibit E and the Wastewater Service Agreement Exhibit D as listed in item #18 of this docket.

Response

The signature page of the Wastewater Service Agreement (Exhibit "D" to the Utility Service Facility Funding and Construction Contract) is attached, showing execution by the MISD Superintendent on February 16, 2016. (Attachment 4-2)

Please see Response to Staff 4-4 for an explanation of the status of the Reuse Service Agreement.

Prepared by: Troy Morris

DOCKET NO. 44740

MSEC's Response to Staff's Fourth RFI

Staff 4-3. Please provide a list of the customer and/or developer contributions in aid of construction (CIAC) facilities, distribution lines and any other item paid for by customers or developers along with the original contribution and accumulated amortization to date, and the date the items were placed into utility service.

Response:

The Montgomery Independent School District ("MISD") has contributed the total sum of $2,489,519.00 to the construction of the wastewater system, as shown below:

Item	Total Cost	MISD Contribution	MSEC Investment
Main Plant	$1,913,000.00	$1,272,524.18	$640,475.82
Equipment	$688,000.00	$457,656.37	$230,343.63
Lift Station and Force Main	$553,000.00	$367,854.61	$185,145.39
Re-Use	$280,000.00	$186,255.50	$93,744.50
SCADA	$30,000.00	$19,955.95	$10,044.05
Shed and Catwalk	$8,700.00	$5,787.22	$2,912.78
Engineering & Surveying	$243,000.00	$161,643.17	$81,356.83
Total	$3,715,700.00	$2,471,677.00	$1,244,023.00

The amount of MISD's contribution to the wastewater system is set out in the Utility Service Facility Funding and Construction Contract and Utility Service Agreement between MISD and MSEC. A copy of this Agreement has previously been provided to the Commission Staff in response to Staff's Second Request for Information as Exhibit "A-2-1" (July 13, 2016). Section III of that Agreement provides that MISD will contribute $2,218,677.00 for wastewater service.

The amount contributed by MISD has been allocated to each item of plant, as shown above. The remainder of each plant item has been paid by MSEC. As a result, MISD's contribution amounts shown above reflect 66.51982% of each item being contributed by MISD, and 33.48018% of each item being invested by MSEC.

The amount shown on the worksheets on Attachment 4-1 for Amount of Customer Contribution is $2,471,000. MSEC subsequently identified a mathematical error in computing that number. When that error is corrected, and when change orders are added in the amount of $253,000.00 during the construction process, the correct amount for customer contributions is shown above: $2,471,677.00. These corrections also change the amount of MSEC investment from $1,244,700.00 to $1,244,023.00, as shown above.

As noted in response to Staff 4-1, the date of service will be approximately August 26, 2017.

Prepared by: Michael Long and Troy Morris

DOCKET NO. 44740

MSEC's Response to Staff's Fourth RFI

Staff 4-4. Please provide an explanation regarding how the amounts listed in Reuse Service Agreement and Wastewater Service Agreement relate and are included in the terms in the proposed tariff and rate study.

Response:

There is not currently a Reuse Service Agreement in effect. MSEC is waiting until the three schools are open and fully operational before assessing the feasibility of a reuse plant, and to obtain information on established daily flow rates from the plant. In that manner, the Reuse System will be able to match the actual daily flow.

Also, it is necessary to wait until construction at the schools is completed before the school district will be able to determine its reuse water needs and capabilities. Therefore, there is currently no relationship between the Wastewater Service Agreement and a potential Reuse Service Agreement, and no amounts that may be related to a Reuse Service Agreement in the future are included in the proposed tariff.

MSEC and MISD have been in on-going discussions about the timing of the Reuse System, and have recently agreed that the correct time to construct the Reuse System would be after about six to eight months of operation after the high school is brought on-line in the fall of 2018.

Prepared by: Troy Morris

commercial

SECTION III. PLANT & EQUIPMENT INFORMATION – SEWER

A. CUSTOMER CONTRIBUTIONS

If any of the items included in your plant and equipment were 100% financed with customer contributions, assessments, surcharges, extension fees, etc., you may not include depreciation or return on those items in your cost of service. However, if those customer contributions did not cover the entire cost of the asset, you may include the amount that the utility paid for. Please list below all items that were funded either all or in part by customer contributions and indicate amount that the customers contributed for each item.

Table III. A.

Item [A]	Date of installation [B]	Total Cost [C]	Amount of Customer Contribution [D]	Difference [E]= [C] - [D]
WWTP	2017	3,715,700	2,471,000	1,244,700 ∈
				∈
				∈
				∈
				∈

- Attach additional sheet(s) if necessary –

∈ If any amount in this column is greater than zero, enter that item in the appropriate category in **Table III. B**

B. ORIGINAL COST & DEPRECIATION SCHEDULE – SEWER

MSEC Response to Staff's Fourth RFI

Please provide the following inventory of the water utility plant being used to provide water service at the end of the test year (for sewer attach a similar list). You will be responsible for supporting this information with invoices or other documentation. Round your figures to the nearest dollar. **Figures should be computed as of the end of the Atest year.@ See Attachment "B"**

Attachment 4-1

Table III. B.

[A] Item	[B] Date of Installation	[C] Service Life (yrs) *	[C] Service Life (yrs) **	[D] Original Cost when installed ($)	Depreciation Years in Service Yrs ≅	Mos≅ ≅ .	Days ≅≅≅	[E] = [D]/[C] Annual ($)	[F] Accumulated ($)	[G] = [D]-[F] Net Book Value ($)
Land		n/a								
Collection Sewers										
Gravity		50								
Force		50								
Pumping Equipment		5								
Treatment & Disposal Equipment	2017	25		1,244,700				36,667	0	1,244,700
Structures:										
Wood		15								
Masonry		30								
Plant Sewers		50								
Outfall sewer lines		50								
Laboratory Equipment		10								
Meters and Service (taps not covered by fees)		20								
Office Equipment		10								
Vehicles		5								
Shop Tools		15								
Heavy Equipment		10								
Fencing		20								
Other: (Please list)										
Total				1,244,700				36,667 ∈	0 ∉	1,244,700 ∠

* TCEQ Suggested Service Life ** Other Service Life

∈ Enter this number in **Table VI. A., Line [O], Column ∈** ∉ If [F] is greater than [D], enter the total for [D]

∠ Enter this number in **Table IV. E., Line [A]**

C. DEVELOPER CONTRIBUTIONS - SEWER

If any of the Items listed in the Depreciation Schedule were contributed by a developer, please list those items and the associated cost below.

Table III. C.

Item	Date of installation or Contribution	Total Cost	Amount of Developer Contribution	Net Book Value (from Table III.B.)
N/A				
Total				∈

∈ Insert this amount in **Table IV. E., Line [E]**

- Attach additional sheet(s) if necessary -

SECTION IV - LONG TERM DEBT & EQUITY INFORMATION – SEWER

A. EQUITY

How much equity or total capital does the company have in the utility? 0

Enter also in **Table IV. D.**, Box ∠ below

B. RATE OF RETURN

What rate of return (profit) on investment in plant (equity) is expected? 8.0 %

Enter also in **Table IV. D., Box** ∇ below

NOTE: You may choose

- an average equity return established by the staff each year and included with the Annual Report Instructions **OR**
- an interest rate that you think is fair that is less than the rate established by the staff **OR**
- to use the **Rate of Return Worksheet** which is attached to the **Instructions.**

C. BANKRUPTCY

Has the utility or utility owner filed bankruptcy within the last seven years? _____ YES __X__ NO

If YES, explain status of applicant at this time._____

D. DEBT & EQUITY - SEWER

List the following information concerning debt and equity of the utility and attach copies of notes payable:

Round all percentages to two (2) decimal places.

Table IV. D. SEWER

[A] Name of Bank/Lender	[B] Date of Issue	[C] Date of Maturity	[D] Original Amount of Loan	[E] Outstanding or Unpaid Balance- **End of Test Year**	[F] Interest Rate	[G] Weighted Average [E]) ®*[F]
Part 1 - Debt						
CoBank	6/2017	6/2047	$	$ 1,244,700	4.832%	4.832%
			$	$	%	%
			$	$	%	%
			$	$	%	%
			$	$	%	%
		Total	$ ∈	$ 1,244,700 ∉		4.832%©
Part 2 - Investment/Equity				$ 0 ∠	8.0 %∇	0%™
Total Debt & Equity				$ 1,244,700 ®		
					Rate of Return	4.832%∏

∈ Total amount of original loans

∉ Total amount of the outstanding balance on the loans

∠ Equity in the utility - From **Section IV. A.**

∇ Return on Equity - From **Section IV. B.**

® Total of ∉ + ∠

© Total weighted average of debt - To **Table V, Line [C]**

™ Weighted average of Investment/Equity ∠) ®*∇

∏ Sum of © + ™ - To **Table IV. E., Line [G]**

E. INVESTED CAPITAL & RETURN - SEWER

Table IV. E.

Net Book Value - From **Table III. B., Box** ∠	[A]	$1,244,700
Working cash allowance - (Amount From **Table VI. A., Line [L] Column** ∠, Box ™ () 8)	[B]	$ 14,425
Materials and supplies	[C]	$
Subtotal - Sum of [A] thru [C]	[D]	$1,259,125
Developer Contributions - From **Table III. C., Box** ∈	[E]	$
Total invested capital [D] - [E]	[F]	$1,259,125
Rate of return - From **Table IV. D., Box** ∏	[G]	4.832%
Return/Interest - If [F] is greater than -0-, then enter [F] * [G]. If [F] is less than -0-, enter -0-. Enter this amount in **Table V., Line [A] and Table VI. A., Line [Q], Column** ∉	[H]	$ 60,841

SECTION V - INCOME TAX CALCULATION – SEWER

Use the following table to determine the amount of income tax that can be included in your revenue requirement.

Table V.

Return - From **Table IV. E., Line [H]**	[A]	$60,841
Interest Calculation		
Total Invested Capital - From **Table IV. E., Line [F]**	[B]	$1,259,125
Weighted Cost of Debt Capital - Percentage From **Table IV. D., Box** ©	[C]	4.832%
Interest [B]*[C]	[D]	$60,841
Taxable Income [A] - [D]	[E]	$0
Enter Income Tax from Tax Table **(Appendix A)**	[F]	$ 0 ∈

∈To **Table VI. A., Line [P], Column** ∉

SECTION VI - UTILITY INCOME & EXPENSE INFORMATION – SEWER

A REVENUE REQUIREMENT

Please provide the following information regarding the cost to the utility of providing sewer utility service over your selected twelve month "test year.@

Note 1 - Instead of using the percentages listed, you may take the Total Cost and multiply it by 67% to determine the fixed portion and 33% for the variable portion.

TABLE VI. A.

Test Year _____ to _____	Line	12 Month "test year" per books	Known and Measurable Changes	Revenue Requirement for next yr	% of ∠ that is fixed (Note 1) Rec.	Act	Fixed Expenses (Note 1)	Variable Expenses (Note 1)
		∈	∉	∠=∈+∉	V		®=(∠*V)/100	©=∠-®
Salaries and Wages	[A]	64,476		64,476	75		48,357	16,119
Contract Labor	[B]				90			
Purchased water	[C]				0			
Chemicals for treatment	[D]	960		960	0		0	960
Utilities (electricity)	[E]	15,324		16,324	0		0	15,324
Repairs/maintenance/supplies	[F]	10,124		10,124	50		5,062	5,062
Office expenses	[G]				50			
Accounting & Legal fees	[H]				100			
Sampling	[I]	3,073		3,073	100		3,073	0
Rate case expense	[J]				100			
Miscellaneous	[K]	21,444		21,444	50		10,722	10,722
Subtotal - Sum of Line [A] thru Line [K]	[L]	115,401		115,401™			67,214	47,187
Payroll Taxes	[M]				50			
Property and other taxes	[N]				100			
Annual Depreciation and Amortization - From Table	[O]	36667		36,667	100		36,667	
Income Taxes - From Table V, Line [F]	[P]				100			
Return - From Table IV. E., Line [H]	[Q]		60,841	60,841	100		60,841	
Subtotal - Sum of Line [L] thru Line [O]	[R]	152,068	60,841	212,909			164,722	48,187
Other Revenues	[S]				100			
Total Cost = Line [R] - Line [S]	[T]	152,068	60,841	212909∏			164,722√	48,187
Alternative Allocation between Fixed and Variable	[U]			212,909∏	67		142,649√	70,260

Docket No. 44740
MSEC Response to Staff's Fourth RFI
Attachment 4-1

[M] Divide this amount by 8 and enter the result in Table IV. E., Line [B], ∏To Table X. A., Line [D] √To Table IX. B., Line [A] ·To Table IX. A., Line [A]

12

B. KNOWN & MEASURABLE

If you listed anything in **TABLE VI. A.** above as an increase/decrease expected in the next 12 months, please provide a short explanation by item why there will be a change and how you projected the cost. Changes in cost must be known and measurable and supported by invoices or other documentation.

-Attach additional sheet(s) or a separate listing for sewer service if necessary-

SECTION VII - CUSTOMER INFORMATION - SEWER

NUMBER OF CUSTOMERS

How many customers (active connections) did you have at the beginning and at the end of the twelve month test year?

TABLE VII

Connection Type	Line	Beginning of period ∈	End of period ∉	Equivalency Factor ∠	Meter Equivalents ∇=∉*∠
Non-Metered Connections:					
Residential	[A]			1	
Commercial	[B]			1	
Standby	[C]			1	
Metered Connections:					
5/8" x 3/4"	[D]			1	
3/4"	[E]			1.5	
1"	[F]			2.5	
12"	[G]			5	
2"	[H]			8	
3"	[I]			15	
Other: 8"	[J]		2	120	240
Total	[K]				240®

® To **Table IX. B., Line [B]** AND **Table X. A., Line [F]**

Please provide the following information regarding sewer utility operations over your selected twelve month "test year".

Table VIII

Total number of gallons treated (total master meter reading for the year)	[A]	3,600,000	gallons
Total number of gallons treated by another source for sale to customers (if any)	[B]	0	gallons
Total number of gallons treated **[C]=[A]+[B]**	[C]	3,600,000∈	gallons
Source of Purchased Treatment		N/A	

∈ To **Table IX. A., Line [B]** and **Table X. A., Line [B]**

SECTION IX - RATE DESIGN - SEWER

A. VARIABLE RATE CALCULATIONS

Table IX. A.

	Line		Instructions
Total Variable Costs	[A]	$48187	From **Table VI. A., Line [T], Box** or **Line [U], Box**
Total # of Gallons Treated	[B]	3,600,000	From **Table VIII, Line [B]**
Total # of 1,000 Gallons Treated	[C]	3600	Divide Line [B] by 1,000
Variable Cost per 1,000 gallons	[D]	$13.38	Divide Line [A] by Line [C] Transfer to **Table IX. B., Lines [E] through [J], Box** ©

B. BASE RATE CALCULATIONS

Table IX. B.

		Line		# of 1000 gallons in base bill	Variable cost per 1,000 gals	Variable cost to be added to base rate	Total base rate per meter size
			∈	∉	∠	∇=∉*∠	®=∈+∇
Total fixed costs - From **Table VI. A., Line [T], Box** √		[A]	164722				
Total meter equivalents at end of test year - From **Table VII, Line [K], Box** ®		[B]	240				
Base charge per meter equivalent or for each unmetered connection [A])[B] and then divide by 12		[C]	$114.39				
Base charge per meter size							
5/8" x 3/4" **or** unmetered	Multiply [C] by 1	[D]	57.20		©		
3/4"	Multiply [C] by 1.5	[E]	85.80		©		
1"	Multiply [C] by 2.5	[F]	143.00		©		
12"	Multiply [C] by 5.0	[G]	286.00		©		
2"	Multiply [C] by 8.0	[H]	457.60		©		
3"	Multiply [C] by 15.0	[I]	858.00		©		
Other: 4"	Multiply [C] by 30.0	[J]	1,716.00		©		

6" x by 70 $4,004.00
8" x by 120 $6,864.00
10" x by 190 $10,868.00

© From **Table IX. A., Line [D]**

SECTION X - ALTERNATE METHOD OF RATE DESIGN - SEWER

After you have performed the calculations in **SECTION IX**, you may find that the cost per 1,000 gallons is not what you think your customers will approve. If that is the case, then the following will allow you to calculate a rate structure that still recovers your revenue requirement, but with rates that you think may be more appropriate for your customers.

Table X. A.

	Line		
Cost per 1,000 gallons	[A]	$5.50	This is the rate that you think is appropriate
Total # of 1,000 Gallons billed	[B]	3600	From **Table IX. A., Line [C]**
Total Cost to be recovered through gallonage charge	[C]	$19,800	Multiply Line [A] times Line [B]
Total Revenue Requirement	[D]	$212,909	From **Table VI. A., Line [T] Box ∏**
Total to be recovered through base rate	[E]	$193,109	Subtract Line [C] from Line [D]
Total number of meter Equivalents	[F]	240	From **Table VII, Line [K], Box ®**
Base rate per meter equivalent	[G]	$67.05	Divide Line [E] by Line [F] & then divide by 12months Enter this in **Table X. B, Line [A] Column ∈**

Table X. B.

		Line		# of 1000 gallons in base bill	Variable cost per 1,000 gals	Variable cost added to base	Total base bill per meter size
			∈	∉	∠	∇=∉*∠	®=∈+∇
Base charge per meter equivalent or for each unmetered connection From **Table X. A, Line [G]**		[A]	$				
Base rate per meter size							
5/8" x 3/4" **or** unmetered	Multiply [A] ∈ by 1	[B]	67.05	0	©		
3/4"	Multiply [A] ∈ by 1.5	[C]	100.58	0	©		
1"	Multiply [A] ∈ by 2.5	[D]	167.63	0	©		
12"	Multiply [A] ∈ by 5.0	[E]	335.26	0	©		
2"	Multiply [A] ∈ by 8.0	[F]	536.41	0	©		
3"	Multiply [A] ∈ by 15.0	[G]	1,005.78	0	©		
Other: 4"	Multiply [A] ∈ by 30.0	[H]	2,011.55	0	©		

6" x by 70 $4693.50
8" x by 120 $8,046.00
10" x by 190 $12,739.50

© From **Table X. A., Line [A]**

residential

SECTION III. PLANT & EQUIPMENT INFORMATION – SEWER

A. CUSTOMER CONTRIBUTIONS

If any of the items included in your plant and equipment were 100% financed with customer contributions, assessments, surcharges, extension fees, etc., you may not include depreciation or return on those items in your cost of service. However, if those customer contributions did not cover the entire cost of the asset, you may include the amount that the utility paid for. Please list below all items that were funded either all or in part by customer contributions and indicate amount that the customers contributed for each item.

Table III. A.

Item [A]	Date of installation [B]	Total Cost [C]	Amount of Customer Contribution [D]	Difference [E] = [C] - [D]
WWTP	2017	3,715,700	2,471,000	1,244,700∈
				∈
				∈
				∈
				∈

- Attach additional sheet(s) if necessary –

∈ If any amount in this column is greater than zero, enter that item in the appropriate category in **Table III. B**

B. ORIGINAL COST & DEPRECIATION SCHEDULE – SEWER

Please provide the following inventory of the water utility plant being used to provide water service at the end of the test year (for sewer attach a similar list). You will be responsible for supporting this information with invoices or other documentation. Round your figures to the nearest dollar. **Figures should be computed as of the end of the Atest year.@ See Attachment "B"**

Table III. B.

[A] Item	[B] Date of Installation	[C] Service Life (yrs) *	[C] Service Life (yrs) **	[D] Original Cost when installed ($)	Depreciation Years in Service Yrs ≅	Mos ≅	Days ≅≅≅	[E] = [D]/[C] Annual ($)	[F] Accumulated ($)	[G] = [D]-[F] Net Book Value ($)
Land		n/a								
Collection Sewers										
Gravity		50								
Force		50								
Pumping Equipment		5								
Treatment & Disposal Equipment	2017	25		1,244,700				36,667	0	1,244,700
Structures:										
Wood		15								
Masonry		30								
Plant Sewers		50								
Outfall sewer lines		50								
Laboratory Equipment		10								
Meters and Service (taps not covered by fees)		20								
Office Equipment		10								
Vehicles		5								
Shop Tools		15								
Heavy Equipment		10								
Fencing		20								
Other: (Please list)										
Total				1,244,700				36,667∈	0 ∉	1,244,700∠

* TCEQ Suggested Service Life ** Other Service Life

∈ Enter this number in **Table VI. A., Line [O], Column** ∈ ∉ If [F] is greater than [D], enter the total for [D]

∠ Enter this number in **Table IV. E., Line [A]**

C. DEVELOPER CONTRIBUTIONS - SEWER

If any of the Items listed in the Depreciation Schedule were contributed by a developer, please list those items and the associated cost below.

Table III. C.

Item	Date of installation or Contribution	Total Cost	Amount of Developer Contribution	Net Book Value (from Table III.B.)
N/A				
Total				∈

∈ Insert this amount in **Table IV. E., Line [E]**

- Attach additional sheet(s) if necessary -

SECTION IV - LONG TERM DEBT & EQUITY INFORMATION – SEWER

A. EQUITY

How much equity or total capital does the company have in the utility? 0

Enter also in **Table IV. D.**, Box ∠ below

B. RATE OF RETURN

What rate of return (profit) on investment in plant (equity) is expected? 8.0 %

Enter also in **Table IV. D., Box** ∇ below

NOTE: You may choose

- an average equity return established by the staff each year and included with the Annual Report Instructions **OR**
- an interest rate that you think is fair that is less than the rate established by the staff **OR**
- to use the **Rate of Return Worksheet** which is attached to the **Instructions.**

C. BANKRUPTCY

Has the utility or utility owner filed bankruptcy within the last seven years? _____ YES __X__ NO

If YES, explain status of applicant at this time._____

_____

_____

D. DEBT & EQUITY - SEWER

List the following information concerning debt and equity of the utility and attach copies of notes payable:

Round all percentages to two (2) decimal places.

Table IV. D. SEWER

[A] Name of Bank/Lender	[B] Date of Issue	[C] Date of Maturity	[D] Original Amount of Loan	[E] Outstanding or Unpaid Balance- **End of Test Year**	[F] Interest Rate	[G] Weighted Average [E]) ®*[F]
Part 1 - Debt						
CoBank	6/2017	6/2047	$	$ 1,244,700	4.832%	4.832%
			$	$	%	%
			$	$	%	%
			$	$	%	%
			$	$	%	%
		Total	$ ∈	$ 1,244,700 ∉		4.832%©
Part 2 - Investment/Equity				$ 0 ∠	8.0 %∇	0%™
Total Debt & Equity				$ 1,244,700 ®		
					Rate of Return	4.832%∏

∈ Total amount of original loans

∉ Total amount of the outstanding balance on the loans

∠ Equity in the utility - From **Section IV. A.**

∇ Return on Equity - From **Section IV. B.**

® Total of ∉ + ∠

© Total weighted average of debt - To **Table V, Line [C]**

™ Weighted average of Investment/Equity ∠) ®*∇

∏ Sum of © + ™ - To **Table IV. E., Line [G]**

E. INVESTED CAPITAL & RETURN - SEWER

Table IV. E.

Net Book Value - From **Table III. B., Box** ∠	[A]	$1,244,700
Working cash allowance - (Amount From **Table VI. A., Line [L] Column** ∠, Box ™ () 8)	[B]	$ 14,425
Materials and supplies	[C]	$
Subtotal - Sum of [A] thru [C]	[D]	$1,259,125
Developer Contributions - From **Table III. C., Box** ∈	[E]	$
Total invested capital [D] - [E]	[F]	$1,259,125
Rate of return - From **Table IV. D., Box** ∏	[G]	4.832%
Return/Interest - If [F] is greater than -0-, then enter [F] * [G]. If [F] is less than -0-, enter -0-. Enter this amount in **Table V., Line [A] and Table VI. A., Line [Q], Column** ∉	[H]	$ 60,841

SECTION V - INCOME TAX CALCULATION – SEWER

Use the following table to determine the amount of income tax that can be included in your revenue requirement.

Table V.

Return - From **Table IV. E., Line [H]**	[A]	$60,841
Interest Calculation		
Total Invested Capital - From **Table IV. E., Line [F]**	[B]	$1,259,125
Weighted Cost of Debt Capital - Percentage From **Table IV. D., Box** ©	[C]	4.832%
Interest [B]*[C]	[D]	$60,841
Taxable Income [A] - [D]	[E]	$0
Enter Income Tax from Tax Table **(Appendix A)**	[F]	$ 0 ∈

∈To **Table VI. A., Line [P], Column** ∉

SECTION VI - UTILITY INCOME & EXPENSE INFORMATION – SEWER

A REVENUE REQUIREMENT

Please provide the following information regarding the cost to the utility of providing sewer utility service over your selected twelve month "test year.@

Note 1 - Instead of using the percentages listed, you may take the Total Cost and multiply it by 67% to determine the fixed portion and 33% for the variable portion.

TABLE VI. A.

Test Year _____ to _____	Line	12 Month "test year" per books	Known and Measurable Changes	Revenue Requirement for next yr	% of ∠ that is fixed (Note 1) Rec.	% of ∠ that is fixed (Note 1) Act.	Fixed Expenses (Note 1)	Variable Expenses (Note 1)
		∈	∉	∠≡∈+∉	∀		®=(∠*∀)/100	©=∠-®
Salaries and Wages	[A]	64,476		64,476	75		48,357	16,119
Contract Labor	[B]				90			
Purchased water	[C]				0			
Chemicals for treatment	[D]	960		960	0		0	960
Utilities (electricity)	[E]	15,324		16,324	0		0	15,324
Repairs/maintenance/supplies	[F]	10,124		10,124	50		5,062	5,062
Office expenses	[G]				50			
Accounting & Legal fees	[H]				100			
Sampling	[I]	3,073		3,073	100		3,073	0
Rate case expense	[J]				100			
Miscellaneous	[K]	21,444		21,444	50		10,722	10,722
Subtotal - Sum of Line [A] thru Line [K]	[L]	115,401		115,401™			67,214	47,187
Payroll Taxes	[M]				50			
Property and other taxes	[N]				100			
Annual Depreciation and Amortization - From **Table**	[O]	36667		36,667	100		36,667	
Income Taxes - From **Table V, Line [F]**	[P]				100			
Return - From **Table IV. E., Line [H]**	[Q]		60,841	60,841	100		60,841	
Subtotal - Sum of Line [L] thru Line [O]	[R]	152,068	60,841	212,909			164,722	48,187
Other Revenues	[S]				100			
Total Cost = Line [R] - Line [S]	[T]	152,068	60,841	212909□			164,722√	48,187
Alternative Allocation between Fixed and Variable	[U]			212,909□	67		142,649√	70,260

[M]Divide this amount by 8 and enter the result in Table IV. E., Line [B], ∏To Table X. A., Line [D] √To Table IX. B., Line [A] ·To Table IX. A., Line [A]

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B. KNOWN & MEASURABLE

If you listed anything in **TABLE VI. A.** above as an increase/decrease expected in the next 12 months, please provide a short explanation by item why there will be a change and how you projected the cost. Changes in cost must be known and measurable and supported by invoices or other documentation.

-Attach additional sheet(s) or a separate listing for sewer service if necessary-

SECTION VII - CUSTOMER INFORMATION - SEWER

NUMBER OF CUSTOMERS

How many customers (active connections) did you have at the beginning and at the end of the twelve month test year?

TABLE VII

Connection Type	Line	Beginning of period ∈	End of period ∉	Equivalency Factor ∠	Meter Equivalents ∇=∉*∠
Non-Metered Connections:					
Residential	[A]			1	
Commercial	[B]			1	
Standby	[C]			1	
Metered Connections:					
5/8" x 3/4"	[D]			1	
3/4"	[E]		378	1.5	567
1"	[F]			2.5	
12"	[G]			5	
2"	[H]			8	
3"	[I]			15	
Other: 8"	[J]			120	
Total	[K]				567®

® To **Table IX. B., Line [B]** AND **Table X. A., Line [F]**

SECTION VIII – TREATMENT INFORMATION - SEWER

Please provide the following information regarding sewer utility operations over your selected twelve month "test year".

Table VIII

Total number of gallons treated (total master meter reading for the year)	[A]	**34,492,500**	gallons
Total number of gallons treated by another source for sale to customers (if any)	[B]	**0**	gallons
Total number of gallons treated **[C]=[A]+[B]**	[C]	**34,492,500**∈	gallons
Source of Purchased Treatment		**N/A**	

∈ To **Table IX. A., Line [B]** and **Table X. A., Line [B]**

SECTION IX - RATE DESIGN - SEWER

A. VARIABLE RATE CALCULATIONS

Table IX. A.

	Line		Instructions
Total Variable Costs	[A]	$48187	From **Table VI. A., Line [T], Box · or Line [U], Box ·**
Total # of Gallons Treated	[B]	34,492,500	From **Table VIII, Line [B]**
Total # of 1,000 Gallons Treated	[C]	34,492.5	Divide Line [B] by 1,000
Variable Cost per 1,000 gallons	[D]	$1.40	Divide Line [A] by Line [C] Transfer to **Table IX. B., Lines [E] through [J], Box ©**

B. BASE RATE CALCULATIONS

Table IX. B.

		Line		# of 1000 gallons in base bill	Variable cost per 1,000 gals	Variable cost to be added to base rate	Total base rate per meter size
			∈	∉	∠	∇=∉*∠	®=∈+∇
Total fixed costs - From **Table VI. A., Line [T], Box √**		[A]	164722				
Total meter equivalents at end of test year - From **Table VII, Line [K], Box ®**		[B]	567				
Base charge per meter equivalent or for each unmetered connection [A])[B] and then divide by 12		[C]	$24.21				
Base charge per meter size							
5/8" x 3/4" **or** unmetered	Multiply [C] by 1	[D]	24.21		©		
3/4"	Multiply [C] by 1.5	[E]	36.32		©		
1"	Multiply [C] by 2.5	[F]	60.53		©		
12"	Multiply [C] by 5.0	[G]			©		
2"	Multiply [C] by 8.0	[H]			©		
3"	Multiply [C] by 15.0	[I]			©		
Other: 4"	Multiply [C] by 30.0	[J]			©		

© From **Table IX. A., Line [D]**

SECTION X - ALTERNATE METHOD OF RATE DESIGN - SEWER

After you have performed the calculations in **SECTION IX**, you may find that the cost per 1,000 gallons is not what you think your customers will approve. If that is the case, then the following will allow you to calculate a rate structure that still recovers your revenue requirement, but with rates that you think may be more appropriate for your customers.

Table X. A.

	Line		
Cost per 1,000 gallons	[A]	$0	This is the rate that you think is appropriate
Total # of 1,000 Gallons billed	[B]		From **Table IX. A., Line [C]**
Total Cost to be recovered through gallonage charge	[C]	$	Multiply Line [A] times Line [B]
Total Revenue Requirement	[D]	$212,909	From **Table VI. A., Line [T] Box ∏**
Total to be recovered through base rate	[E]	$212,909	Subtract Line [C] from Line [D]
Total number of meter Equivalents	[F]	567	From **Table VII, Line [K], Box ®**
Base rate per meter equivalent	[G]	$31.29	Divide Line [E] by Line [F] & then divide by 12months Enter this in **Table X. B, Line [A] Column ∈**

Table X. B.

		Line		# of 1000 gallons in base bill	Variable cost per 1,000 gals	Variable cost added to base	Total base bill per meter size
			∈	∉	∠	∇=∉*∠	®=∈+∇
Base charge per meter equivalent or for each unmetered connection From **Table X. A, Line [G]**		[A]	$31.29				
Base rate per meter size							
5/8" x 3/4" **or** unmetered	Multiply [A] ∈ by 1	[B]	31.29	0	©		
3/4"	Multiply [A] ∈ by 1.5	[C]	46.94	0	©		
1"	Multiply [A] ∈ by 2.5	[D]	78.23	0	©		
12"	Multiply [A] ∈ by 5.0	[E]		0	©		
2"	Multiply [A] ∈ by 8.0	[F]		0	©		
3"	Multiply [A] ∈ by 15.0	[G]		0	©		
Other: 4"	Multiply [A] ∈ by 30.0	[H]		0	©		

© From **Table X. A., Line [A]**

EXHIBIT "D"
Funding and Facility Construction Contract and Utility Service Agreement

C. The Sewer System shall notify the Customer in writing of any cross-connection or other potential contamination hazard which has been identified during the initial inspection or the periodic re-inspection.

D. The Customer shall immediately remove or adequately isolate any potential cross connections or other potential contamination hazards on his premises.

E. The Customer shall, at his expense, properly install, test, and maintain any backflow prevention device required by the Sewer System. Copies of all testing and maintenance records shall be provided to the Sewer System.

IV. ENFORCEMENT. If the Customer fails to comply with the terms of the Service Agreement, the Sewer System shall, at its option, terminate service or properly install, test, and maintain an appropriate backflow prevention device at the service connection. Any expenses associated with the enforcement of this agreement shall be billed to the Customer.

Montgomery Independent School District

By: _____
Name: Bear Rees
Title: MISD Superintendent
Date: 2-16-16