

Control Number: 44875



Item Number: 24

Addendum StartPage: 0

PUC DOCKET NO. 44875

**APPLICATION OF AQUA TEXAS,
INC. DBA AQUA TEXAS TO AMEND
CERTIFICATES OF CONVENIENCE
OF AND NECESSITY IN
MONTGOMERY COUNTY**

§
§
§
§
§

PUBLIC UTILITY COMMISSION

OF TEXAS
FILING CLERK

RECEIVED JAN 29 11 2: 16

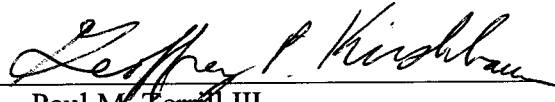
AQUA TEXAS' RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION

To: Public Utility Commission of Texas Staff, by and through their attorney of record, Christina R. Switzer, Public Utility Commission of Texas, 1701 N. Congress Avenue, P.O. Box 13326, Austin, Texas 78711-3326.

Aqua Texas, Inc. ("Aqua Texas") provides its response to PUC Staff's First Request for Information to Aqua Texas. Aqua Texas stipulates that the following response to request for information may be treated by all parties as if the answer was filed under oath.

Respectfully submitted,

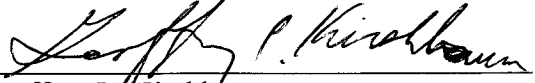
THE TERRILL FIRM, P.C.

By: 
Paul M. Terrill III
State Bar No. 00785094
Geoffrey P. Kirshbaum
State Bar No. 24029665
810 West 10th Street
Austin, Texas 78701
Tel: (512) 474-9100
Fax: (512) 474-9888

**ATTORNEYS FOR AQUA TEXAS, INC. D/B/A
AQUA TEXAS**

CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on March 29, 2016 in accordance with P.U.C. Procedural Rule 22.74.



Geoffrey P. Kirshbaum

RESPONSE TO REQUEST FOR INFORMATION

Staff 1-1 In reference to Aqua Texas' letter to Commission Staff dated August 24, 2015:

- a) Please provide updated projections for the system based on a 5 year timeframe in a Microsoft Excel Format that also includes (1) monthly operating/maintenance expenses and net income for water and sewer in a Microsoft Excel format and (2) the cost calculation totals to be paid by Aqua Texas and the Developer once all reimbursement occurs.
- b) Please provide a basis, such as a rate study or other justification, for the projected water rate amount of \$64.20 per connection and projected sewer rate of \$63.80 per connection.
- c) Please explain why "Develop Reimb By Aqua" amounts, totaling \$450,000 (from 3-17 thru 12-17) are also included in the Aqua Texas Capital Outlay cost row for water but not for sewer or any of the other months regarding "Develop Reimb By Aqua" water cost.

RESPONSE:

- a) Please see the Pro Forma document provided with this response which includes updated project information responsive to this request. Bates Nos. PULTE 000001 - 000006.
- b) Please see the Pro Forma document provided with this response which includes updated project information responsive to this request. Bates Nos. PULTE 000001 - 000006.
- c) Please see the Pro Forma document provided with this response which includes updated project information from that previously provided. Bates Nos. PULTE 000001 - 000006.

Prepared by: K. Crandal McDougall (Controller)
Sponsored by: K. Crandal McDougall (Controller)

Staff 1-2 Please provide documentation demonstrating sufficient cash is available to cover any projected operations and maintenance shortages in the first five years of operations. Please note whether an affiliated interest intends to provide a written guarantee of coverage of temporary cash shortages.

RESPONSE: Aqua does not project any operations and maintenance shortages associated with this project as illustrated by the updated projections included in the Pro Forma document provided with this response. Bates Nos. PULTE 000001 - 000006. Aqua's Annual Report excerpts included as Attachment 3 to the Application demonstrate that Aqua has sufficient cash for project needs.

Prepared by: K. Crandal McDougall (Controller)
Sponsored by: K. Crandal McDougall (Controller)

Staff 1-3 Please provide an electronic copy of all agreements between Aqua and the Developer related to developing and serving the requested area.

RESPONSE: Aqua Texas will produce relevant documents responsive to this request under a protective order issued by the ALJ using the Commission's confidential information filing system.

Prepared by: Robert L. Laughman (President)

Sponsored by: Robert L. Laughman (President)

Project Information

Pro Forma Assumptions: All operational costs are based on Southeast Region average customer costs.

Developer: Pulte
 Location: State TX
 County Montgomery

Description of Service Area The proposed utility service area is located approximately 8 miles southwest direction of downtown Conroe, Texas, and is generally bounded on the north by FM1488; on the east by Buckshot Lane; on the south by Research Forest Dr.; and on the west by Stonebridge Church Dr.

Proximity to nearest Aqua System: Proximity: Will utilize the current Old Egypt Water and Wastewater plant for early sections.

Capital: Capital Discussion: Note that distribution and collection cost assume full \$5,000 per home payout to developer. The 5k is a cap, if the distribution and collection system certified cost is less than 5k per home, reimbursements will be limited to actual certified cost.

Number of Connections:	Start	Year 2 add	Year 3 add	Year 4 add	Year 5 add	Total
Water:	118.00	132.00	132.00	132.00	56.00	570.00
Wastewater:	118.00	132.00	132.00	132.00	56.00	570.00
Total	236.00	264.00	264.00	264.00	112.00	1,140.00

Rates:	Aqua
Water	
Base	31.00 Current SE Region Base Tariff Fee
Per	5.01 Current SE Region per gallon Tariff Fee
Per	
Per	

Average Consumption: 7,000.00

Average Monthly Water Bill: 66.07
 Average Annual Bill: 792.84
 Average Annual Total Revenue W 451,918.80 At Full Buildout

Wastewater: 63.80 Current SE Region Base Tariff Fee
 Base 63.80

Average Consumption: N/A

Average Monthly WW Bill: 63.80
 Average Annual Bill: 765.60
 Average Annual Total Revenue WW 436,392.00

Total Project

	A	B	C	D	E	F	G	H	I
1				Year 1	Year 2	Year 3	Year 4	Year 5	
2									
3									
4									
5		Capital		(141,600)	1,085,000	1,595,000	495,000	210,000	3,243,400
6		Total Net Capital Spend		(141,600)	944,666	2,520,976	2,965,778	3,115,773	
7									
8		Depreciation	2.0%	1,266	(18,690)	(50,198)	(60,005)	(64,166)	
9									
10		Investment at Year End		(140,334)	925,976	2,470,778	2,905,773	3,051,607	
11									
12		Initial Connection Count			236	500	764	1,028	1,140
13		Growth in Connections			264	264	264	264	112
14		Total Connections		236	500	764	1,028	1,140	
15									
16		Customer Charge		94.80	94.80	94.80	94.80	94.80	94.80
17		Rate per 1000 Gallons		5.01	5.01	5.01	5.01	5.01	5.01
18									
19									
20		Average Monthly Billing per Customer		129.87	129.87	129.87	129.87	129.87	129.87
21									
22		Monthly Expected per customer billing		15,325	32,468	49,610	66,753	74,026	
23									
24		Total Annual Billing		183,896	389,610	595,324	801,038	888,311	
25									
26		Revenue		183,896	389,610	595,324	801,038	888,311	
27									
28		Expenses:							
29		Operational		(76,368)	(166,651)	(262,281)	(363,500)	(415,196)	
30		Depreciation		1,266	(18,690)	(50,198)	(60,005)	(64,166)	
31									
32		Taxes other than income		(20,158)	(43,989)	(69,232)	(95,950)	(109,595)	
33									
34		Operating Income		88,635	160,280	213,613	281,583	299,353	
35									
36		Interest on LT Debt	5.1%	0	24,089	64,285	75,627	79,452	
37									
38		Income tax Fed		31,022	47,667	52,265	72,085	76,965	
39		Income tax state		1,977	3,037	3,330	4,593	4,904	
40									
41		Net Income		55,636	85,487	93,733	129,279	138,032	
42									
43									
44		Inflation Rate for Costs from base yr	1.03		1.03	1.06	1.09	1.13	

Water Pro Forma

	A	B	C	D	E	F	G	H
				Year 1	Year 2	Year 3	Year 4	Year 5
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
21								
22								
23								
24								
25								
26								
27								
28								
29								
30								
31								
32								
33								
34								
35								
36								
37								
38								
39								
40								
41								
42								
43								
Capital				(64,900)	420,800	784,800	184,800	78,400
Total Net Capital Spend				(64,900)	357,166	1,135,026	1,297,582	1,350,135
Depreciation			2.0%	1,266	(6,940)	(22,244)	(25,847)	(27,376)
Investment at Year End				(63,634)	350,226	1,112,782	1,271,735	1,322,759
Initial Connection Count				0	118	250	382	514
Growth in Connections				118	132	132	132	56
Total Connections				118	250	382	514	570
Customer Charge			31.00	31.00	31.00	31.00	31.00	31.00
Rate per 1000 Gallons			5.01	5.01	5.01	5.01	5.01	5.01
Average Monthly Billing per Customer			66.07	66.07	66.07	66.07	66.07	66.07
Monthly Expected per customer billing			7,796	16,518	25,239	33,960	37,660	37,660
Total Annual Billing			93,555	198,210	302,865	407,520	451,919	451,919
Revenue			93,555	198,210	302,865	407,520	451,919	451,919
Annual Per customer			792.84	792.84	792.84	792.84	792.84	792.84
Expenses:								
Operational				(30,162)	(65,821)	(103,591)	(143,569)	(163,987)
Depreciation				1,266	(6,940)	(22,244)	(25,847)	(27,376)
Taxes other than income			159.10	(18,774)	(40,968)	(64,477)	(89,359)	(102,068)
Operating Income				45,885	84,482	112,553	148,744	158,488
Interest on LT Debt			5.1%		9,108	28,943	33,088	34,428
Income tax Fed			35.00%	16,060	26,381	29,264	40,480	43,421
Income tax state			2.23%	1,023	1,681	1,865	2,579	2,767
Net Income				28,802	47,312	52,482	72,597	77,872
Inflation Rate for Costs from base yr			1.03		1.03	1.06	1.09	1.13

Wastewater Pro Forma

	A	B	C	D	E	F	G	H
				Year 1	Year 2	Year 3	Year 4	Year 5
1								
2								
3								
4								
5		Capital		(76,700)	664,200	810,200	310,200	131,600
6		Total Net Capital Spend		(76,700)	587,500	1,385,950	1,668,196	1,765,638
7								
8		Depreciation	2.0%		(11,750)	(27,954)	(34,158)	(36,790)
9								
10		Investment at Year End		(76,700)	575,750	1,357,996	1,634,038	1,728,848
11								
12		Initial Connection Count			118	250	382	514
13		Growth in Connections		118	132	132	132	56
14		Total Connections		118	250	382	514	570
15								
16		Customer Charge	63.80	63.80	63.80	63.80	63.80	63.80
17								
18								
19								
20		Average Monthly Billing per Customer	63.80	63.80	63.80	63.80	63.80	63.80
21								
22		Monthly Expected per customer billing		7,528	15,950	24,372	32,793	36,366
23								
24		Total Annual Billing		90,341	191,400	292,459	393,518	436,392
25								
26		Revenue		90,341	191,400	292,459	393,518	436,392
27								
28		Expenses:						
29		Operational		(46,206)	(100,830)	(158,690)	(219,931)	(251,209)
30		Depreciation		0	(11,750)	(27,954)	(34,158)	(36,790)
31								
32		Taxes other than income	11.73	(1,385)	(3,021)	(4,755)	(6,590)	(7,528)
33								
34		Operating Income		42,751	75,799	101,060	132,839	140,865
35								
36		Interest on LT Debt	5.1%		14,981	35,342	42,539	45,024
37								
38		Income tax Fed		14,963	21,286	23,001	31,605	33,544
39		Income tax state	2.23%	953	1,356	1,466	2,014	2,137
40								
41		Net Income		26,835	38,175	41,251	56,681	60,160
42								
43		Inflation Rate for Costs from base yr	1.03		1.03	1.06	1.09	1.13

Water Capital

[illegible]

[illegible]