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PUBLIC UTILITY COMMISSION
FILING CLERK

August 24, 2015

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

Re: PUC DOCKET NO. 44875; Application of Aqua Texas, Inc. d/b/a Aqua Texas to Amend its Certificates of Convenience and Necessity in Montgomery County ("Application")

Dear Fred:

Commission Staff has requested that Aqua Texas explain what its cost will be to develop and provide water and sewer utility service to the proposed CCN amendment area in the above-referenced application, including how Aqua Texas plans on financing or paying for necessary improvements. This letter is Aqua Texas' effort to present that information for the first two years of the planned development.

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. Excerpts from the Aqua America, Inc. 2014 Annual Report, which included financial statements incorporating Aqua Texas data, were filed with the pending CCN application and we understand Commission Staff has located the complete report online. This document includes information that evidences the Applicant's long term strength and stability.

This CCN Application is for a new single family housing development project in Montgomery County within land that presently does not have water or wastewater service. If the requested area is added to 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.

Aqua Texas' parent company routinely advances capital for construction projects like those outlined below pursuant to an annualized budgeting process. Aqua Texas' management has agreed in concept to advance capital funds to construct the water and wastewater treatment plants as the development project progresses. Aqua Texas also plans to reimburse Developer for line costs as connections come on line.

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The land developer for the project (the "Developer") is an affiliate of Pulte Homes, a national home builder. The Developer plans to complete build out of the project over three years, in eight sections. Section One, which is already under construction, will comprise 33 LUEs, with lot takedowns beginning in January 2016. Section Two will have 52 LUEs, with lot takedowns beginning in May 2016. Section Three will have 107 LUEs with lot takedowns beginning in July 2016. The remaining sections will not begin until sales in the first three sections are completed, with start dates presently anticipated in 2017. Ultimate completion of the project, including all sections, is not contemplated until 2018. At final build out, the project will serve 554 single family dwellings (NOTE: Developer has lowered this figure from 576 since the initial Application filing; an amenity center is still planned in addition to residential connections).

To provide water utility service for this development, Aqua Texas intends to utilize its existing Old Egypt water system. Section One will be served through the currently available capacity of the Old Egypt facilities. Based on current system capacity, the Old Egypt system can also serve a portion of Section Two of the Project. When additional capacity is required Aqua Texas intends to drill a new water well on one of its current plant sites, adding capacity for an additional 249 connections, which will cover water needs through Section Six of the Project. It is estimated that the cost for this new well will be approximately \$200,000; and the funds for this facility will come from Aqua Texas' general capital sources and Aqua America, Inc. At the beginning of Section Seven, Aqua Texas will drill another well and construct additional ground storage, which is estimated to cost \$400,000 on a new plant site to be contributed by the Developer. The water line infrastructure costs estimated at \$1,108,000 for all eight sections of the project will be paid by the Developer; and the lines will be contributed to Aqua Texas. Aqua Texas will reimburse the Developer \$2,500 per water LUE, not to exceed the value of the contributed lines.

In providing wastewater services, Aqua Texas will serve the area using available capacity from its Old Egypt Wastewater Treatment plant, which was recently expanded. This plant currently has capacity to serve the first five sections of the Project without the need for additional plant expansion. Approximately two years into the project, Aqua will expand the Old Egypt plant again to serve this project and other projects in the vicinity. It is anticipated that this expansion will be on line by the end of Section Five, which is estimated to be in early 2018. Funds for the anticipated expansion costs of approximately \$500,000 will come from Aqua Texas' general capital sources and Aqua America, Inc. The service line infrastructure cost for lines, force mains, and lift stations for all eight sections is estimated at \$3,445,000. The Developer will pay all such costs and contribute the lines to Aqua Texas. Aqua Texas will reimburse the Developer \$2,500 per wastewater LUE, not to exceed the value of the contributed lines.

Based on the current Aqua Texas Southeast Region rate tariff, the average combined water and wastewater bill is approximately \$128 per month. This generates \$230,000 per year after the completion of Sections One, Two and Three (roughly December, 2016); \$500,000 per year after the completion of Sections Four and Five (roughly September, 2017); and \$850,000 at

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full build out toward Aqua Texas' Southeast Region rate collection revenue. The chart attached to this letter shows projected capital outlays, reimbursements, and revenues for the project.

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

Sincerely,

A handwritten signature in cursive script, appearing to read "Glen E. Lewis". The signature is written in black ink and is positioned above the printed name.

Glen E. Lewis

Enclosures

Water

Months Added	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Totals
LUE	0	0	5	7	7	7	8	8	20	20	20	20	16	12	12	20	32	20	20	20	20	20	12	12	12	12	362
Total Lue	0	0	5	12	19	26	34	42	62	82	102	122	138	150	162	182	214	234	254	274	294	314	326	338	350	362	362
Develop Capital	line extension	main trunk lines	model park lines				estates 1 - 52 lots		classics 1 - 107 lots							estates 2 - 51 lots	classics 2 - 83 lots						classics 3 - 128 lots				
Develop Capital	130,000	150,000	45,000				90,000		150,000							104,000	100,000						153,000				922,000
Develop Reimb by	0	0	12,500	17,500	17,500	17,500	20,000	20,000	50,000	50,000	50,000	50,000	40,000	30,000	30,000	50,000	80,000	50,000	50,000	50,000	50,000	50,000	30,000	30,000	30,000	30,000	905,000
Develop Capital							additional water well									additional water plant											
Develop Capital																											
Texas Capital		0	0	0	0	0	0	0	0	0	0	0	0	0	0	400,000	80,000	50,000	50,000	50,000	50,000	50,000	30,000	30,000	30,000	30,000	1,050,000
Monthly Revenue	64,200	0	321	770	1,220	1,669	2,183	2,686	3,980	5,264	6,548	7,832	8,660	9,630	10,400	11,684	13,739	15,023	16,307	17,591	18,875	20,159	20,929	21,700	22,470	23,240	263,092

Sewer

Months Added	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Totals
LUE	0	0	5	7	7	7	8	8	20	20	20	20	16	12	12	20	32	20	20	20	20	20	12	12	12	12	382
Total Lue	0	0	5	12	19	26	34	42	62	82	102	122	138	150	162	182	214	234	254	274	294	314	326	338	350	362	362
Develop Capital	force main	main trunk lines	model park lines	interior lift station			estates 1 - 52 lots		classics 1 - 107 lots							estates 2 - 51 lots	classics 2 - 83 lots						classics 3 - 128 lots				3,445,000
Develop Capital	263,000	182,000	106,000	750,000			218,000		436,000							240,000	290,000						450,000	510,000			3,445,000
Develop Reimb by	0	0	12,500	17,500	17,500	17,500	20,000	20,000	50,000	50,000	50,000	50,000	40,000	30,000	30,000	50,000	80,000	50,000	50,000	50,000	50,000	50,000	30,000	30,000	30,000	30,000	905,000
Develop Capital																slp expansion											
Texas Capital		0	0	0	0	0	0	0	0	0	0	0	0	0	0	500,000	0	0	0	0	0	0	0	0	0	0	500,000
Monthly Revenue	63,800	0	319	766	1,212	1,659	2,169	2,680	3,956	5,232	6,508	7,784	8,604	9,570	10,336	11,612	13,653	14,929	16,205	17,481	18,757	20,033	20,799	21,564	22,330	23,096	261,452