



Control Number: 44947



Item Number: 27

Addendum StartPage: 0

APPLICATION OF DENTON COUNTY § BEFORE THE PUBLIC UTILITY COMMISSION
 MUNICIPAL UTILITY DISTRICT NO. 7 §
 TO OBTAIN WATER AND SEWER §
 CERTIFICATES OF CONVENIENCE §
 AND NECESSITY IN DENTON COUNTY § OF TEXAS

**DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 7'S RESPONSE TO
 COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION**

Staff 1-1: Refer to page 15 of 18, "Projected Balance Sheets." Please resubmit the Projected Balance Sheet with a completed liabilities and owner's equity section for all years noted on the form.

- a) Total Liabilities should be subtotaled for all years noted on the form.
- b) Total Owner's Equity should be subtotaled for all years noted on the form.
- c) Total Assets must equal Total Liabilities + Total Owner's Equity.

Response: Denton County Municipal Utility District No. 7 (the "District") is a political subdivision. As such, it will not have owner's equity. Please see enclosed.

Staff 1-2: Refer to page 15 of 18, "Projected Balance Sheets." Please ensure that total "Notes Payable, Current" is completed for years noted on the form. If there is not any long term debt, please clarify that and enter \$0.

Response: Please see enclosed.

Staff 1-3: Refer to page [17] of 18, "Projected Expenses Sheets." Please ensure the annual "Annual Depreciation Expense" is completed for all years noted on the form.

Response: The District will not book depreciation as an expense. The District will allot a portion of service and tax revenues to cover Repair & Maintenance expense as shown on the form. Please see enclosed.

Staff 1-4: Please refer to pages 3-14, "TCEQ Annual Report Form and Affidavits." These forms are no longer valid since Water Regulation was transferred over to the Public Utility Commission in 2014 by the 84th Legislature, Regular Session. Please refer to the Public Utility Commission's Annual Reports Link for the appropriate Annual Report Forms and Submission Instructions at <http://www.puc.texas.gov/industry/water/Forms/Forms.aspx>. The 2015 due date has also passed as of June 1, 2016, for 2015 Annual Reports. If you need assistance with completion of the new forms, please respond that assistance is needed and you will be assigned a consultant to assist you. The new forms have changed significantly and require more extensive financial and operational data.

Response: The District is a political subdivision of the state and therefore does not fall within the definition of “utility” under Texas Water Code Section 13.002(23). As such, the District is not required to submit annual reports to the Public Utility Commission under Texas Water Code Section 13.136. The Annual Reports that were submitted are district reports that are required to be prepared and filed with the Texas Commission on Environmental Quality under Texas Water Code Section 49.198.

See <https://www.tceq.texas.gov/assets/public/permitting/forms/0722.pdf>

Staff 1-5: Please state the source of the start-up cash in the amount of \$25,000.

Response: The District has the authority to levy a tax for operation and maintenance purposes as provided by Texas Water Code Section 49.107.

Staff 1-6: Please explain in detail the source(s) and basis for the rapid increases in cash balances stated on the “Projected Balance Sheets” for all years on the form.

Response: The District will be developed in phases. As new phases are added, revenues from water and sewer operations as well as from operations and maintenance taxes will increase.

Staff 1-7: Please explain the business plan for the cash for all years.

Response: Cash will be used to pay operating expenses and also facility repair costs.

Staff 1-8: Please describe the existing contingency financing for any unforeseen repairs or equipment replacement and the planned source of funds.

Response: As noted above, the District is authorized to levy a tax for operation and maintenance purposes and will also have funds from water and sewer service revenues. For larger amounts, the District is authorized to issue bonds under Texas Water Code Section 54.501, including for “repairing, improving, or extending any district” facilities.

Respectfully submitted,
COATS ROSE, P.C.

By: 
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ATTORNEYS FOR DENTON COUNTY
MUNICIPAL UTILITY DISTRICT NO. 7

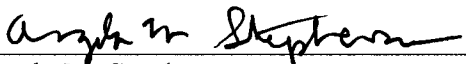
PUC DOCKET NO. 44947

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TO OBTAIN WATER AND SEWER § PUBLIC UTILITY COMMISSION
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VERIFICATION

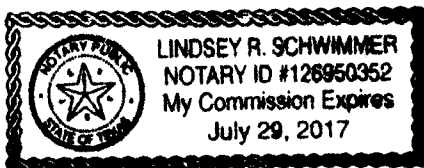
STATE OF TEXAS §
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared Angela M. Stepherson, who after being duly sworn, did on her oath depose and say that she has reviewed Denton County Municipal Utility District No. 7's Response to Commission Staff's First Request for Information in the above-referenced matter, and that the answers are within her personal knowledge and are true and correct.


Angela M. Stepherson

SUBSCRIBED AND SWORN TO BEFORE ME, on this the 25th day of July, 2016.


Notary Public in and for the State of Texas



PROJECTED BALANCE SHEETS

	START UP	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
CURRENT ASSETS						
Cash	25,000.00	100,000.00	125,000.00	150,000.00	175,000.00	200,000.00
Accounts Receivable		25,000.00	40,000.00	75,000.00	75,000.00	75,000.00
Inventories	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00
Income Tax Receivable						
Other						
Total	55,000.00	155,000.00	195,000.00	255,000.00	255,000.00	255,000.00
FIXED ASSETS						
Land	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00
Collection/Distribution System	1,700,000.00	3,700,000.00	3,700,000.00	3,700,000.00	3,700,000.00	3,700,000.00
Buildings						
Equipment	25,000.00	25,000.00	25,000.00	25,000.00	25,000.00	25,000.00
Other						
Less: Accum. Depreciation or Reserves	39,027.00	123,749.00	208,471.00	377,915.00	462,637.00	547,359.00
Total	1,735,973.00	3,651,251.00	3,566,529.00	3,397,085.00	3,312,363.00	3,227,650.00
TOTAL ASSETS						
CURRENT LIABILITIES						
Accounts Payable	20,000.00	150,000.00	225,000.00	215,000.00	150,000.00	150,000.00
Notes Payable, Current	0.00	0.00	0.00	0.00	0.00	0.00
Accrued Expenses						
Other						
Total	20,000.00	150,000.00	225,000.00	215,000.00	150,000.00	150,000.00
LONGTERM LIABILITIES						
Notes Payable, Long-term	0.00	0.00	0.00	0.00	0.00	0.00
Other				4,200,000.00		
TOTAL LIABILITIES	0.00	0.00	0.00	4,200,000.00	0.00	0.00
OWNER'S EQUITY						
Paid in Capital						
Retained Equity						
Other						
Current Period Profit or Loss						
TOTAL OWNER'S EQUITY	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL LIABILITIES AND EQUITY						
WORKING CAPITAL						
CURRENT RATIO						
DEBT TO EQUITY RATIO						
EQUITY TO TOTAL ASSETS						

PROJECTED EXPENSES STATEMENT

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
GENERAL/ADMINISTRATIVE EXPENSES						
Salaries						
Office Expense						
Computer Expense						
Auto Expense						
Insurance Expense	5,000.00	5,300.00	5,700.00	5,700.00	5,700.00	5,700.00
Telephone Expense						
Utilities Expense						
Depreciation Expense	0.00	0.00	0.00	0.00	0.00	0.00
Property Taxes						
Professional Fees	35,000.00	35,000.00	40,000.00	40,000.00	40,000.00	40,000.00
Other	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00
Total	60,000.00	60,300.00	65,700.00	65,700.00	65,700.00	65,700.00
% Increase Per Year						
OPERATIONAL EXPENSES						
Salaries	6,000.00	25,000.00	30,000.00	35,000.00	40,000.00	45,000.00
Auto Expense						
Utilities Expense	5,000.00	12,000.00	15,000.00	20,000.00	25,000.00	30,000.00
Depreciation Expense	0.00	0.00	0.00	0.00	0.00	0.00
Repair & Maintenance	7,500.00	20,000.00	25,000.00	30,000.00	25,000.00	25,000.00
Supplies						
Other	190,000.00	317,300.00	530,000.00	885,100.00	1,150,000.00	1,322,500.00
Total	208,500.00	374,300.00	600,000.00	970,100.00	1,215,000.00	1,422,500.00
% Increase Per Year						
ASSUMPTIONS						
Interest Rate/Terms						
Utility Cost/gal.						
Depreciation Schedule						
Other						