



Control Number: 45151



Item Number: 10

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PUC DOCKET NO. 45151

CITY OF CELINA NOTICE OF §
INTENT TO PROVIDE RETAIL WATER §
AND SEWER SERVICE TO 494.819- §
ACRE AREA DECERTIFIED FROM §
MUSTANG SPECIAL UTILITY §
DISTRICT IN DENTON COUNTY §

2015 NOV 19 PM 1:51
PUBLIC UTILITY COMMISSION
FILING CLERK
PUBLIC UTILITY COMMISSION
OF TEXAS

MUSTANG SUD'S RESPONSE TO CELINA'S APPRAISAL

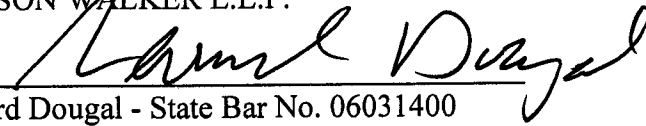
TO THE HONORABLE ADMINISTRATIVE LAW JUDGE:

NOW COMES, Mustang Special Utility District ("Mustang SUD") and files this its response to the Appraisal filed by the City of Celina in this docket.

Attached hereto as **Exhibit 1** is the *Review of City of Celina's Appraisal* prepared by Mustang SUD's consultant, NewGen Strategies & Solutions (the "Review"). As noted in the Review the City's Appraisal's contains significant errors and omissions, which should call into question the adequacy of the valuation provided by the City's appraiser.

Respectfully submitted,

JACKSON WALKER L.L.P.

By: 

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ATTORNEYS FOR MUSTANG SPECIAL
UTILITY DISTRICT

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CERTIFICATE OF SERVICE

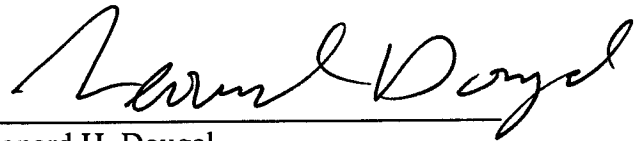
I hereby certify that on the 19th day of November 2015, a true and correct copy of the foregoing document was served on the individuals listed below by hand delivery, email, facsimile or First Class Mail.

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November 19, 2015
via email

Mr. Chris Boyd
Mustang Special Utility District
7985 FM 2931
Aubrey, TX 76227



Subject: Review of City of Celina’s Appraisal Filed in PUC Docket No. 45151

Dear Mr. Boyd

I have reviewed the City of Celina’s (City) appraisal (City’s Appraisal) dated November 11, 2015 as filed in these proceedings under Item Number 8. My review was performed under the guidelines of the Public Utility Commission as set forth in 16 TAC Chapter 24.113(k) as well as the Appraisal Guidelines established by the American Society of Appraisers. Based upon my review, I found the following errors and/or omissions in the City’s Appraisal.

1. The City’s Appraisal adopts a population growth rate and density for the subject area based upon Mustang Special Utility District’s (Mustang SUD) 2014 Masterplan which was conducted for the total Mustang SUD system. According to Mustang SUD’s Engineer of Record, Mr. Perry Steger, the subject property is anticipated to grow more rapidly with more density than the total system on average (See Paragraphs 5 and 9 of Attachment K to my appraisal). The City appraiser states that he interviewed Mr. Curtis Steger but the City’s appraiser appears to have failed to get a full understanding of the rationale supporting the 2014 Masterplan as it relates to the area in question.
2. The City’s Appraisal provides a valuation for planning, design and construction of facilities, which are now useless to Mustang SUD at \$96,700. This valuation, which is based upon an allocation of net book value of non-debt financed water facilities after unjustified adjustments, specifically ignores the **Engineering Report for Joint Facilities between UTRWD and Mustang and Celina**. This Report, contained within the Upper Trinity Regional Water District’s (UTRWD) contractual documents (at page 341 of Mustang SUD’s Appraisal), which the City’s appraiser allegedly reviewed, specifically identifies the facilities and cost allocated to Mustang SUD which were sized to provide service to the area in question.

Within the City’s Appraisal, the appraiser states,

“The resulting FY 2014 book value of \$7,228,612 **was further reduced by 25%** to represent the portion of assets allocated to local services (i.e., internal pipelines, meters, and fire hydrants),” emphasis added.

The City’s appraiser provides no rationale nor basis for this assumption to reduce book value by 25%.

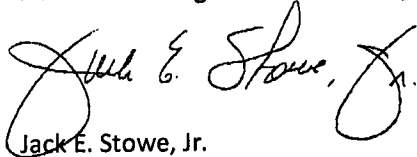
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3. The City's Appraisal has found zero impact of the release of the subject area upon the Water and Wastewater contracts that Mustang SUD has in place with UTRWD and therefore has provided no valuation in this area. This is a significant omission of the City's Appraisal in as much as previously stated the subject area is anticipated to grow at a more rapid rate than the balance of Mustang SUD's system. Absent this area's growth rate, Mustang SUD's total system growth will be less than projected including the subject area and upon which contractual commitments were made.

Should you have any questions or require additional information please feel free to contact me at jistowe@newgenstrategies.net or call 512.479.7900.

Very truly yours,

NewGen Strategies and Solutions, LLC



Jack E. Stowe, Jr.

Director