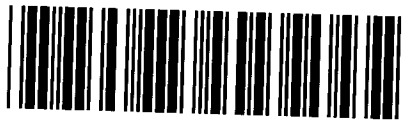


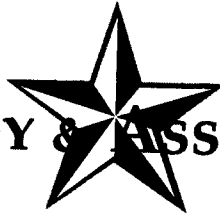
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JONES - HEROY & ASSOCIATES, INC.



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PUBLIC UTILITY COMMISSION
FILING CLERK

December 4, 2015

Mr. Gabe Johnson
City of Celina
142 North Ohio Street
Celina, Texas 75009

Re: Review of Mustang Special Utility District's Appraisal of the CADG Sutton Fields, LLC Tract Filed in Public Utility Commission (PUC) Docket No. 45151

Dear Mr. Johnson,

As requested by the City of Celina (City), Jones-Heroy & Associates, Inc. (JHA) has completed a review of the *Analysis and Opinion of Previously Decertified CCN from Mustang Special Utility District* prepared by NewGen Strategies and Solutions for the CADG Sutton Fields, LLC Tract (Sutton Fields Tract) dated November 12, 2015 (Mustang's Appraisal), and filed as PUC Docket No. 45151. JHA recommends that the City file the following key findings with the Public Utility Commission (PUC) for formal consideration by the PUC appointed third party appraiser.

1. Mustang's total valuation of \$1,850,192 calculated for the CCN of an empty tract of land translates to over \$3,700 per acre, which is well in excess of the average selling price for undeveloped CCN of approximately \$300 per acre.
2. Mustang's valuation calculated for the "The amount of any expenditures for planning, design, or construction of service facilities that are allocable to service to the area in question" is wholly based on the assertion that 1,488 connections will be stranded as a result of the decertification of the Sutton Fields Tract. The calculations included in Attachment M of Mustang's Appraisal fail to consider the existing and expected growth of the surface water customers located outside of the Sutton Fields Tract which will undoubtedly contribute to absorbing the excess capacity of Mustang's existing surface water facilities.

For example, Attachment M indicates that the original Temple Dane pump station construction costs included capacity for 3,208 connections. Mustang's share of the Temple Dane pump station includes an estimated 3,000 surface water customers that are currently served by the Temple Dane pump station. The assertion that 1,488 of the initially planned 3,208 connections for this facility will be stranded results in a proportionate compensation of \$277,422. Mustang's false assertion is further undermined by the fact that Mustang's FY2016 budget includes funds to increase the capacity of the Temple Dane pump station.

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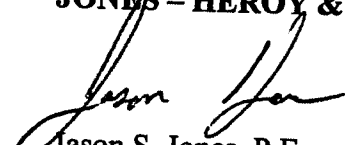
3. Mustang's valuation calculated for "The amount of the retail public utility's contractual obligations allocable to the area in question" is based on the assertion that Mustang's existing and available capacity in the UTRWD system should be fully allocated to the Sutton Fields Tract during years 2016-2019 and reduced thereafter until year 2022. The current uncommitted capacity in the UTRWD system, which is based on Mustang SUD staff and detailed in Attachments P and R of the Mustang Appraisal, are as follows:

- Water System Equity Fees: 96 connections
- Wastewater System Equity Fees: 420 connections
- Water System Demand Charges: 96 connections
- Wastewater System Demand Charges: 720 connections

Mustang is expecting an annual growth rate of 3-5% per year as stated in its FY2016 budget; which is the basis for JHA's conclusion that the existing contracted surface water and wastewater treatment capacity in the UTRWD system will be fully allocated to other customers with or without the projected Sutton Fields Tract demands. The Mustang Appraisal also acknowledges that the contracted capacity can potentially be used to service future growth outside the Sutton Fields Tract (page 4, top paragraph) but fails to recognize this important consideration in its valuation of the contractual obligations that have been rendered useless or valueless per 16 TAC Chapter 24.113(h).

JHA acknowledges that certain facilities in Mustang's system were financed, planned, and constructed with the intent to provide service to the Sutton Fields Tract. However, Mustang's existing and expected growth of its entire CCN area should be considered when determining the value for the decertified CCN. This important consideration is the defining logic behind JHA's use of Mustang's growth projections for the Sutton Fields Tract as compared to the overall CCN growth projections as defined in Mustang's 2014 Master Plan.

Respectfully Submitted,
JONES - HEROY & ASSOCIATES, INC.


Jason S. Jones, P.E.
Principal