



Control Number: 45702



Item Number: 168

Addendum StartPage: 0

SOAH DOCKET NO. 473-16-5296.WS
PUC DOCKET NO. 45702

2017 OCT -4 PM 2:47

APPLICATION OF CITY OF CIBOLO § BEFORE THE STATE OFFICE
FOR SINGLE CERTIFICATION IN §
INCORPORATED AREA AND TO §
DECERTIFY PORTIONS OF GREEN § OF
VALLEY SPECIAL UTILITY DISTRICT'S §
SEWER CERTIFICATE OF §
CONVENIENCE AND NECESSITY IN §
GUADALUPE COUNTY § ADMINISTRATIVE HEARINGS

JOINT RESPONSE TO SOAH ORDER NO. 14

TO THE HONORABLE ADMINISTRATIVE LAW JUDGE:

After conferring with counsel for Green Valley Special Utility District ("GVSUD") and counsel for the Public Utility Commission ("Commission") Staff on September 29, 2017, the City of Cibolo (the "City") files this Joint Response to SOAH Order No. 14 on behalf of the City, GVSUD, and Commission Staff, and will show the following:

I. JOINT RESPONSE

In this second phase of the contested case hearing concerning the City's application to decertify portions of GVSUD's sewer Certificate of Convenience and Necessity ("CCN") No. 20973 under Texas Water Code ("TWC") § 13.255 and 16 Texas Administrative Code ("TAC") (the "Application"), the Parties, with a goal towards completing this process in a time and cost-efficient manner, agreed that no hearing on the merits should be necessary to address the second-phase issues, in light of the nature of such issues and the Parties' likelihood to stipulate to many of those issues. However, the Parties did anticipate that additional evidence would likely be necessary regarding the non-stipulated referred issues.

The Parties appreciate the Administrative Law Judge's ("ALJ") request for briefing on this matter so that a path forward can be agreed to by the Parties regarding how to address such additional evidence for the non-stipulated referred issues. To this end, the Parties agree as follows:

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(1) Attachments that are already in evidence. The Parties agree that the following documents are already in the evidentiary record from the first phase of this hearing; and to the extent that these documents need to be readmitted into evidence in this second phase of the hearing, the Parties jointly agree and reoffer such documents into evidence in this second phase of the hearing, attached hereto, without objection:

- The City's Application, already admitted into the evidentiary record through Cibolo Exhibit 1, Exhibit B, at pages 36-50 (Direct Testimony of Rudolph "Rudy" F. Klein, IV, P.E.), attached hereto as Exhibit A.
- Joshua Korman's "Appraisal Report," already admitted into the evidentiary record through GVSUD Exhibit GVSUD-1, at 0100000-100007, attached hereto as Exhibit B.

(2) Other attachments that may be admitted into evidence or officially noticed:

a. Attachments to be admitted into evidence. The Parties agree and jointly offer the following documents, previously filed in this second phase of the hearing, into evidence in this second phase of the hearing, without objection:

- Attachment A of the City's Initial Brief– Cibolo's Notice to GVSUD of Intent to Serve.
- Attachment B of the City's Initial Brief – Cibolo's Second Supplement to Application (Docket Item No. 149).
- Attachment C of the City's Initial Brief – Cibolo's Reply Brief to Threshold Legal/Policy Issues (Docket Item No. 37) at pages 1 and 24, and Attachment 4 (pages 41-96).
- Attachment D of the City's Initial Brief – Cibolo's Supplements to Application (Docket Item No. 62).
- Attachment E of the City's Initial Brief– Updated Reports and Correspondence with TCEQ.
- Exhibit 1 of the City's Reply Brief- TCEQ-Certified Copies of the City's Compliance History.
- Exhibit 2 of the City's Reply Brief- September 29, 2017 Notice of Compliance letter to the City from the TCEQ.

b. Matters to be officially noticed. The Parties agree and jointly request that the ALJ take official notice of the following under 16 Tex. Admin. Code § 22.222, without objection:

- The TCEQ has granted the City public drinking water system no. TX0940018, and that the TCEQ's online records reflect the same at:
http://dww2.tceq.texas.gov/DWW/JSP/WaterSystemDetail.jsp?tinwsys_is_number=2101&tinwsys_st_code=TX&wsnumber=TX0940018&DWWState=TX (last visited September 29, 2017).
- As of September 29, 2017, the TCEQ's online records indicated that the City has a satisfactory compliance history rating, which can be found at:
<http://www2.tceq.texas.gov/oce/ch/index.cfm?fuseaction=main.SearchCN&formid=recn&cnid=600705719&doit=Submit> (last visited September 29, 2017).
- The TCEQ's online records indicated that the City's public drinking water system has been determined to be a "superior water system," which can be found at:
http://dww2.tceq.texas.gov/DWW/JSP/WaterSystemDetail.jsp?tinwsys_is_number=2101&tinwsys_st_code=TX&wsnumber=TX0940018&DWWState=TX (last visited September 29, 2017).
- As of September 22, 2017, the TCEQ website indicated that the City had three active violations.
- As of September 29, 2017, the TCEQ's online records indicated that the City does not have any active violations for its public drinking water system, which can be found at:
http://www15.tceq.texas.gov/crpub/index.cfm?fuseaction=iwr.novdetail&addn_id=871584622002136&re_id=695492702002009 (last visited September 29, 2017).
- City of Cibolo's Proof of Service of Application (Docket Item No. 8)
- GVSUD's Plea to the Jurisdiction (Docket Item No. 11).
- Commission Staff's Recommendation on Administrative Completeness (Docket Item No. 150).
- GVSUD's Response to Staff's Recommendation on Administrative Completeness (Docket Item No. 155).

(3) The Parties agree that no disputes amongst the Parties regarding section (2), above, exist.

II. CERTIFICATE OF CONFERENCE

Counsel for the City represents that they have communicated with counsel for GVSUD and counsel for Commission Staff regarding this joint filing, and counsel for both GVSUD and Commission Staff indicated that they support this filing, as presented.

III. CONCLUSION/PRAYER

WHEREFORE, PREMISES CONSIDERED, the City respectfully requests that the Administrative Law Judge accept this Joint Response to SOAH Order No. 14, and for any other relief to which it is justly entitled.

Respectfully submitted,

**LLOYD GOSSELINK ROCHELLE
& TOWNSEND, P.C.**

816 Congress Avenue, Suite 1900
Austin, Texas 78701
(512) 322-5800
(512) 472-0532 (Fax)




DAVID J. KLEIN
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State Bar No. 24097273
aacevedo@lglawfirm.com

ATTORNEYS FOR THE CITY OF CIBOLO

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document was transmitted by fax, hand-delivery and/or regular, first class mail on this 4th day of October, 2017 to the parties of record in accordance with 16 Texas Administrative Code § 22.74.




David J. Klein



PURSUANT TO PUC CHAPTER 24, SUBSTANTIVE RULES APPLICABLE TO WATER AND SEWER
SERVICE PROVIDERS, SUBCHAPTER G: CERTIFICATES OF CONVENIENCE AND NECESSITY

Application to Obtain or Amend a Certificate of Convenience and Necessity (CCN) Under Water Code Section 13.255

| | |
|---|--|
| Docket Number: 45702 | |
| (this number will be assigned by the Public Utility Commission after your application is filed) | |
| 7 copies of the application, including the original shall be filed with | |
| CERTIFIED TO BE A TRUE AND CORRECT COPY OF THE ORIGINAL ON FILE WITH THE PUBLIC UTILITY COMMISSION OF TEXAS CENTRAL RECORDS DIVISION | Public Utility Commission of Texas Attention: Filing Clerk 1701 N. Congress Avenue P.O. Box 13326 Austin, Texas 78711-3326 |
| BY: <u>[Signature]</u> DATE: <u>10-18-2016</u> |  |
| If submitting digital map data, two copies of the portable electronic storage medium (such as CD or DVD) are required. | |

| CCN Requirements | | |
|---|----------------------------|-------------------------------------|
| 1. Purpose of application | | |
| Check all boxes that apply. The purpose of this application is to: | | |
| <input checked="" type="checkbox"/> Obtain single certification to a service area within the cities limits; and /or | | |
| <input type="checkbox"/> Amend Certificate of Convenience and Necessity (CCN) No. _____ | | |
| to provide <input type="checkbox"/> water or <input checked="" type="checkbox"/> sewer service to: | | |
| _____ (Subdivision or Area) and to decertify | | |
| a portion of <u>Green Valley Special Utility District's Sewer CCN No. 20973</u> (Name of Utility and CCN No.) | | |
| 2. Applicant | | |
| Name of City: <u>City of Cibola</u> | | |
| Mailing address: <u>200 S. Main/P.O. Box 826, Cibola, Texas 78108</u> | | |
| Phone: <u>(210) 658-9900</u> | Fax: <u>(210) 658-1687</u> | Email: <u>rherrera@cibolotx.gov</u> |
| Tax Identification number: <u>N/A</u> | | |

| | | |
|---|------------------------|-----------------------------|
| 3. County or counties | | |
| Name of county(ies) where the city intends to provide retail public utility service: Guadalupe County | | |
| 4. Contact information | | |
| Contact person regarding this application: | | |
| Name: David Klein | Title: Attorney | |
| Mailing address: 816 Congress Avenue, Suite 1900, Austin, Texas 78701 | | |
| Phone: (512) 322-5818 | Fax: (512) 472-0532 | Email: dklein@lglawfirm.com |
| 5. Retail public utility | | |
| Retail public utility currently certificated to the area involved in this application: | | |
| Utility Name: Green Valley Special Utility District ("GVSUD") | Title: | |
| Mailing address: P.O. Box 99, Marion, Texas 78124-0099 | | |
| Phone: (830) 914-2330 | Fax: (830) 420-4138 | Email: |
| Retail public utility contact person regarding negotiations with the city over the service area involved: | | |
| Name: Pat Allen | Title: General Manager | |
| Mailing address: P.O. Box 99, Marion, Texas 78124-0099 | | |
| Phone: (830) 914-2330 | Fax: (830) 420-4138 | Email: pallen@gvsud.org |
| 6. Service area | | |
| On what date was this proposed service area incorporated by the city? <u>The service area was annexed between 2009-2013.</u> | | |
| 7. Negotiation date between city and retail public utility | | |
| On what date did negotiations begin between the city and the retail public utility? <u>August 18, 2015</u> | | |
| 8. Notice date | | |
| On what date was notice of the city's intent to provide service to the incorporated or annexed area provided to the retail public utility made? <u>August 18, 2015</u> | | |
| Please attach a copy of the notice provided. Also attach a copy of the mailing list indicating to whom such notice was provided. See <u>Attachment A</u> | | |
| 9. Description of retail public utility facilities | | |
| Please provide a brief description of the retail public utility's facilities in the service area involved in this application. Also indicate how many customers are currently receiving service from the retail public utility in this area: It is the City's understanding that GVSUD has no wastewater facilities and no wastewater customers in the area to be decertified by this application. | | |

| | | | |
|--|------|--------|--|
| 10. Service start date | | | |
| Provide the date when city service to the area can begin. <u>Upon approval by PUC.</u> | | | |
| 11. Franchised utility information | | | |
| If the city will allow a franchised utility to provide service to the area involved, please attach a copy of the city consent or franchise agreement and provide the following information: | | | |
| Utility Name: <u>N/A</u> | | | |
| Mailing address: | | | |
| Phone: | Fax: | Email: | |
| Franchised Utility's CCN Number: | | | |
| Franchised Utility's contact person and their address: | | | |
| Name: | | Title: | |
| Mailing address: | | | |
| Email: | | Phone: | |
| Phone: | Fax: | Email: | |
| 12. Paper map requirements | | | |
| All maps should include applicant's name, address, telephone number, and date of drawing or revision and be folded to 8½ x 11 inches. See Attachment B . | | | |
| Attach the following maps with each copy of the application: | | | |
| A. Subdivision plat or engineering plans or other large scale map showing the following: | | | |
| 1. The exact proposed service area boundary showing locations of requests for service and locations of existing connections (if applicable). | | | |
| 2. Metes and bounds (if available). | | | |
| 3. Proposed and existing service area boundaries should be plotted on the map in relation to verifiable natural and man-made landmarks such as roads, creeks, rivers, railroads, etc. | | | |
| 4. Service area boundaries should be shown with such exactness that they can be located on the ground. | | | |
| ❖ <i>Applicant may use a USGS 7.5"-minute series map if no other large scale map is available.</i> | | | |
| B. Small scale location map delineating the proposed service area. The proposed service area boundary should be delineated on a copy of the official CCN map. This map will assist the Public Utility Commission in locating the proposed service area in relation to neighboring utility service areas. | | | |
| C. Hard copy maps should include the following items: | | | |
| 1. Map scale should be prominently displayed. | | | |
| 2. Color coding should be used to differentiate the applicants existing service areas from the proposed service area. | | | |
| 3. Attach a written description of the proposed service area. | | | |
| 4. Proposed service area should be the same on all maps. | | | |
| 5. Include map information in digital format (if available), see 13, GIS map information. | | | |
| D. Each utility shall make available to the public at each of its business offices and designated sales offices within Texas the map of the proposed service area currently on file with the Commission. The applicant employees shall lend assistance to persons requesting to see a map of the proposed area upon request. | | | |
| ❖ <i>For information on obtaining a CCN base map or questions about sending digital map data, please visit the Water Utilities section of the PUC's website for assistance.</i> | | | |

13. GIS map information

A. Digital Map Requirements: In order that your digital data can be properly used, the following information is necessary:

1. Submit digital data of the proposed CCN service area on a CD, flash drive, or DVD. Two digital copies are necessary. Most files of CCNs (minus the base map) should be small enough to zip up and put on a CD.
2. The digital data should include all items represented in the hard copy maps.
3. Please identify data file format, projection information, map units and base map used. Acceptable Data File Format:
 - a. ArcView shape file (preferred)
 - b. Arc/Info E00 file

❖ *For information on obtaining a CCN base map or questions about sending digital map data, please visit the Water Utilities section of the PUC website for assistance.*

ALL APPLICABLE QUESTIONS MUST BE ANSWERED FULLY.

THE APPLICATION WILL NOT BE ACCEPTED FOR FILING WITHOUT MAPS.

PLEASE NOTE THE FILING OF THIS APPLICATION DOES NOT CONSTITUTE AUTHORITY TO PROVIDE WATER/SEWER SERVICE IN THE REQUESTED AREA.

OATH

State of Texas

County of Guadalupe

I, Robert T. Herrera being duly sworn, file this

application under V.T.C.A., Water Code Section 13.255 as City Manager

(Name of the City); that, in such capacity, I am qualified and authorized to file and verify such application, am personally familiar with the maps filed with this application, and have complied with all the requirements contained in this application; and, that all such statements made and matters set forth therein are true and correct. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Public Utility Commission of Texas.

I further represent that the application form has not been changed, altered or amended from its original form available only from the Commission.

I further represent that the Applicant will provide continuous and adequate service to all customers and qualified applicants for service within its certificated service area.

Robert T. Herrera

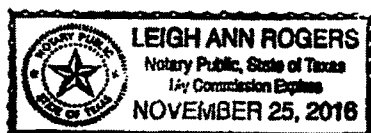
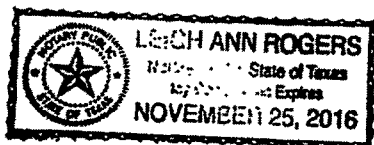
AFFIANT

(Applicant's Authorized Representative)

If the Affiant to this form is any person other than the sole owner, partner, officer of the Applicant, or its attorney, a properly verified Power of Attorney must be enclosed.

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public in and for the State of
Texas, this 1st day of March 20 14

SEAL



[Signature]
NOTARY PUBLIC

ATTACHMENT A – NOTICE OF INTENT TO SERVE



From the Office of Robert T. Herrera, City Manager
City of Cibolo 200 S. Main / PO BOX 826 Cibolo, Texas 78108 (210) 658-9900 www.cibolotx.gov

August 18, 2015

Green Valley Special Utility District
Attn: Pat Allen, General Manager
529 South Center Street
Marion, TX 78124

VIA HAND DELIVERY & USPS REGULAR MAIL.

Re: Notice of Intent by the City of Cibolo to Provide Sewer Service in Corporate Limits

Dear Mr. Allen:

The City of Cibolo ("City") currently provides retail sewer service to customers located within certain portions of the City's corporate limits and extra-territorial jurisdiction ("ETJ"). However, other portions of the City's corporate limits overlap with Green Valley Special Utility District's ("Green Valley SUD") sewer certificate of convenience and necessity ("CCN") No. 20973.

In accordance with Texas Water Code § 13.255, the City hereby provides Green Valley SUD with notice that the City intends to provide retail sewer service to the areas within its corporate limits that overlap with Green Valley SUD's sewer CCN service area ("Transition Areas"), which are more specifically depicted in light blue on the attached map, attached hereto as Attachment A. The yellow areas on Attachment A are additional tracts that are currently subject to annexation agreements with the City, and the City anticipates annexing these tracts in the near future. For your convenience, attached hereto as Attachment B, are field notes for the entire light blue and yellow shaded areas, which are bounded on the south by U.S. Interstate Highway 10; on the west by Cibolo Creek, on the north by Lower Seguin Road, Haeckerville Road, and Arizpe Road; and on the east by the Court Decreed ETJ Boundary of the City and the City of Marion, as well as the boundaries of GCAD Parcel Nos. 70979 and 71064.

We look forward to discussing the terms of an agreement between the City and Green Valley SUD, which will detail the arrangement between the parties for the City's provision of retail sewer service to these Transition Areas. If you have any questions, please contact me at (210) 658-9900.

Sincerely,

A handwritten signature in cursive script that reads 'Robert T. Herrera'.

Robert T. Herrera
City Manager

CC: Mayor Jackson | City Council | Peggy Cimics, City Secretary | Rudy Klein, Director of Planning & Engineering

Enclosure(s)



ATTACHMENT B

COPY

Field Notes for a 5,882 Acre area of land to be Certified into the City of Cibolo's Certificate of Convenience and Necessity (CCN) area; said 5,882 Acres of land is in the existing City Limits or ETJ of the City of Cibolo, Guadalupe County, Texas.

Beginning at the intersection of Haekerville Road and Arizpe Road, said intersection being 7,515 feet south of the intersection of Haekerville Road and Farm to Market Road 78, said pint of beginning also being in the Extra Territorial Jurisdictional (ETJ) area for the City of Cibolo, Guadalupe County, Texas.

Thence in and easterly direction with Arizpe Road, approximately 2,304 feet to the intersection and crossing of Town Creek, an intermittent tributary to the Cibolo Creek;

Thence in an easterly direction with the meanders of Town Creek, approximately 6,860 feet to the intersection of Pfannstiel Lane and the Court Decreed ETJ Boundary between the City of Cibolo and the City of Marion;

Thence in a southerly direction with the Court Decreed ETJ Boundary between the City of Cibolo and the City of Marion, approximately 25,565 feet to the northeast corner of a 124.75 acre tract of land identified by the Guadalupe County Appraisal District as Parcel # 70979;

Thence in a southerly direction with the east line of said 124.75 acre tract, approximately 1,630 feet to the southeast corner of said tract, also being the north east corner of a 7.658 acres tract of land identified by the Guadalupe County Appraisal District as Parcel # 71064;

Thence in a southerly direction with the east line of said 7.658 acre tract, approximately 330 feet to the southeast corner of said tract, also being on the north right-of-way line of Interstate Highway 10;

Thence in a southwesterly direction with the north right-of-way line of Interstate Highway 10, approximately 20,900 feet to the intersection and crossing of the Cibolo Creek, the centerline of said Cibolo Creek also being the western limit of the ETJ of the City of Cibolo;

Thence in a northerly direction with the meanders of Cibolo Creek, approximately 21,350 feet to the intersection and crossing of Lower Seguin Road;

Thence in an easterly direction with Lower Seguin Road, approximately 7,005 feet to the intersection with Haekerville Road;

Thence in a northerly direction with Haekerville Road, approximately 4,003 feet to the point of beginning and containing 5,882 acres more or less.

ATTACHMENT B

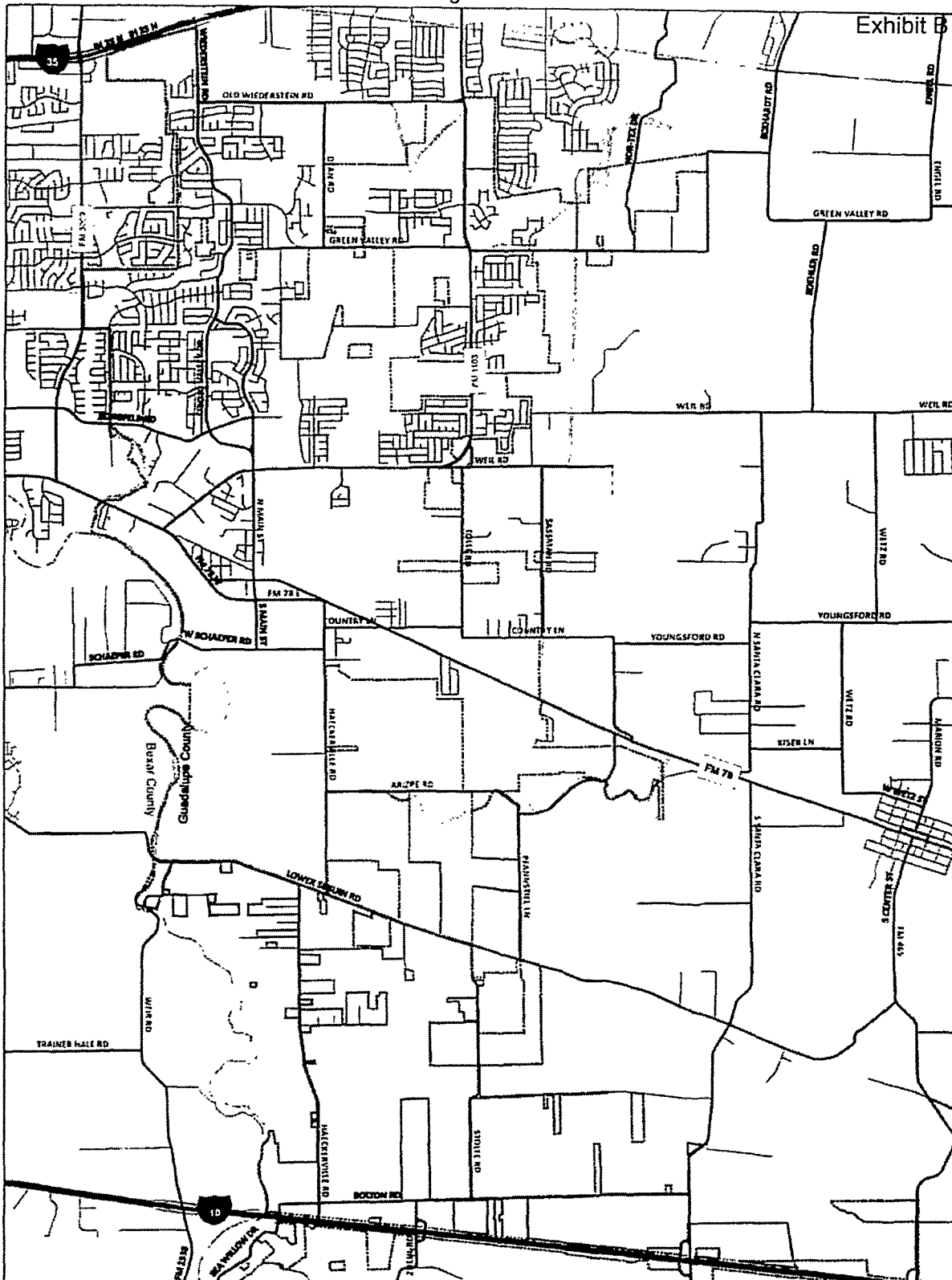
RESPONSE TO SECTION 12 – MAPPING

1. Large Scale Map depicting service area and area to be decertified (see attached map)
2. Small Scale Map depicting area to be decertified (see attached map)
3. Maps in digital format (see attached cd rom)
4. Written Description (see below):

Through this application, the City of Cibola requests single sewer CCN certification/decertification of approximately 1,694 acres of land from Green Valley SUD's sewer CCN No. 20973 ("Decertificated Land"). The Decertificated Land is within the corporate limits of the City, and is generally bounded on the south by U.S. Interstate Highway 10; on the west by Cibola Creek; on the north by Lower Seguin Road, Hackerville Road, and Arizpe Road; and on the east by the Court Decreed ETJ Boundary of the City and the City of Marion, as well as the boundaries of Guadalupe County Appraisal District Parcel Nos. 70979 and 71064.

ATTACHMENT B.1. LARGE SCALE MAP (OVERSIZED DOCUMENT)

ATTACHMENT B.2. SMALL SCALE MAP



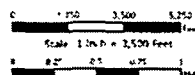
City of Cibola Proposed Wastewater CCN Boundaries

Requested Decertification from
Green Valley SUD Sanitary Sewer CCN
March 7, 2016

City of Cibola
200 S Main Street, Cibola, Texas 76109
210-658-9900 Ext. 3139

CCN Boundary Map Disclaimer:
This product is for informational purposes only and may not have been prepared for or to be used for legal, engineering, or planning purposes. Users of this product should require or consult the original data and information sources to verify the quality of the information.

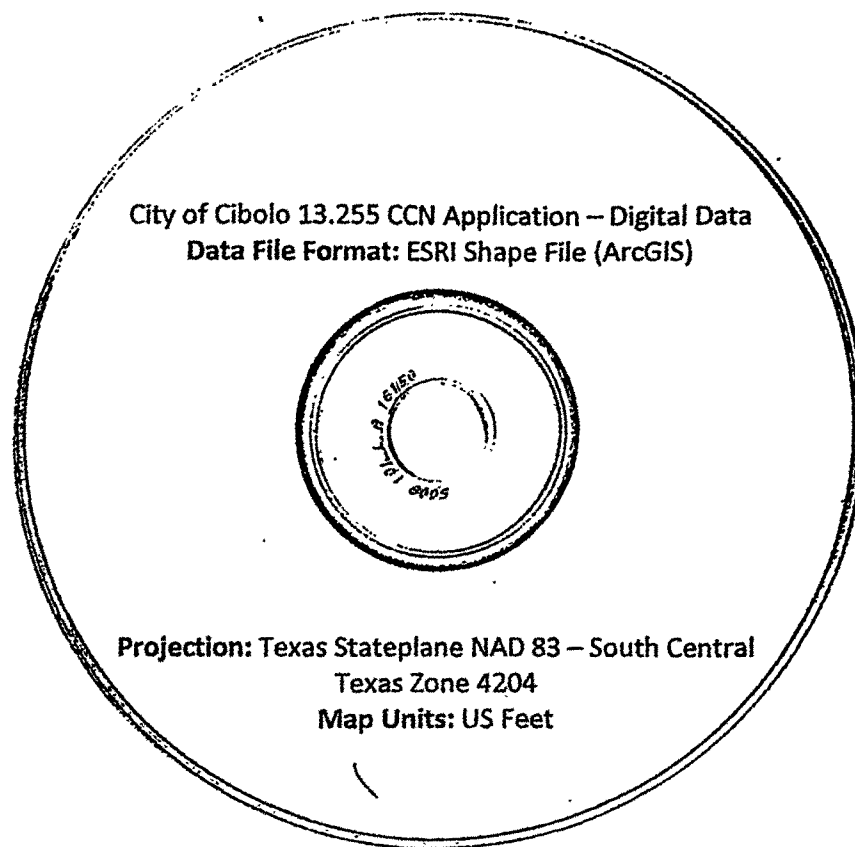
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| EXPLANATION | |
|-------------|---|
| | City of Cibola |
| | City of Cibola Requested Decertification from Green Valley SUD Sanitary Sewer CCN |
| | Current City of Cibola Sewer Service Area |

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ATTACHMENT B.3. MAPS IN DIGITAL FORMAT





1401 FOCH STREET | SUITE 150 | FORT WORTH, TEXAS 76107

June 28, 2016

Mr. Pat Allen
Green Valley Special Utility District
PO Box 99
Marion, Texas 78124

SUBJECT: SINGLE CERTIFICATION OF 1,694 ACRES IN THE CITY OF CIBOLO AND DECERTIFY A PORTION OF GREEN VALLEY SPECIAL UTILITY DISTRICT'S SEWER; CERTIFICATE OF CONVENIENCE AND NECESITY NO. 20973; DOCKET NO. 45702

Dear Mr. Allen,

KOR Group is pleased to present this appraisal as considered by the Public Utility Commission of Texas to determine just compensation for the application for single certification in an incorporated area and the decertification of approximately 1,694 acres of land from Green Valley Special Utility District's sewer Certificate of Convenience and Necessity (CCN) No. 20973 in Cibolo, Guadalupe County, Texas. The application was filed by the City of Cibolo and is part of the Public Utility Commission of Texas Docket No. 45702. The application was filed pursuant to Tex. Water Code §13.255. The intended users of the report include the client (Green Valley Special Utility District), its representatives, and the Public Utility Commission of Texas.

The subject property is located within the corporate limits of the City of Cibolo. The property is generally bounded on the south by U.S. Interstate Highway 10; on the west by Cibolo Creek; on the north by Arizpe Road, Hackerville Road, and Lower Sequin Road; and on the east by the ETJ boundary of the City of Marion and City of Cibolo. Location and aerial maps of the subject property can be found in the Addenda section of the report.

SCOPE OF WORK

As part of this appraisal, we have completed the following steps to gather, confirm, and analyze the data.

- ❖ Utilized the appraisal process to estimate the just compensation for the application for single certification in an incorporated area and the decertification of approximately 1,694 acres of land from Green Valley Special Utility District's sewer Certificate of Convenience and Necessity (CCN) No. 20973 in Cibolo, Guadalupe, Texas, as of June 28, 2016 as outlined in the Texas Water Code.
- ❖ Collected and reviewed factual information about the history of the subject. A list of the documents is detailed later in the report.
- ❖ Gathered market information on the surrounding market area. Sources of data include, but are not limited to, County deed records, County Appraisal District data, owner's representatives, brokers, investors, developers, and other knowledgeable individuals active in the area.
- ❖ Gathered market information on the surrounding market area.



- ❖ Prepared an appraisal report to determine just compensation as considered by the Public Utility Commission of Texas that falls outside of Standards Rules 1-10 of the *Uniform Standards of Professional Appraisal Practice, 2016-2017 Edition*. However, we have complied with the portions of the *Uniform Standards of Professional Appraisal Practice, 2016-2017 Edition* that apply to the assignment.

COMPETENCY RULE

We have the ability to properly identify the problem to be addressed; the knowledge and experience to complete the assignment competently; and, recognize and comply with the laws and regulations that apply to the appraisers and the assignment. Additional competency was gained through the client and the client's representatives.

JURISDICTIONAL EXCEPTION RULE

If any applicable law or regulation precludes compliance with any part of the *Uniform Standards of Professional Appraisal Practice*, only that part of the *Uniform Standards of Professional Appraisal Practice* becomes void for the assignment.

DOCUMENTS REVIEWED

The documents collected and reviewed in preparation of the appraisal include, but are not limited to, the following:

- ❖ Tex. Water Code §13.255;
- ❖ Application of the City of Cibola for Single Certification in Incorporated Area and to Decertify Portions of Green Valley Special Utility District's Sewer Certificate of Convenience and Necessity in Guadalupe County ; Docket No. 45702 (March 8, 2016);
- ❖ Green Valley SUD Wastewater Master Plan 2006 (without Attachment 3) (January 16, 2007);
- ❖ Green Valley SUD Water Master Plan 2014 (November 19, 2014);
- ❖ River City Engineering Land Use Map (August 31, 2015);
- ❖ Texas Commission on Environmental Quality – Application for Permit No. WQ0015360001 (October 12, 2015);
- ❖ Green Valley SUD – Santa Clara Creek No. 1 Wastewater Treatment Plant TCEQ Domestic Wastewater Permit Application (March 2015);
- ❖ Resolution by the Board of Directors of the Green Valley SUD (December 18, 2014)
- ❖ Affidavit of Filing CCN No. 20973 (January 26, 2007);
- ❖ United States Department of Agriculture Bond (2002);
- ❖ Warranty Deeds for 65 acres of Land (2014);
- ❖ Unimproved Property Contract for 65 Acres (2014);
- ❖ Wastewater Invoices (2009-2016);



- ❖ Various Feasibility Studies for Wastewater Services (2013-2015);
- ❖ Summary of Legal Costs (June 27, 2016);
- ❖ Appraisal of Lost Revenue, Increased Costs to Remaining and Future Customers and Sample Rate Structure for PUC Docket No. 45702 – River City Engineering (June 27, 2016).

FACTORS FOR COMPENSATION

The required specific factors that must be considered in determining compensation of a certificate holder subject to a decertification from a utility's CCN are set forth in Tex. Water Code §13.255(g) and Chapter 21 of the Property Code (for real property). Per Tex. Water Code §13.255(g), the factors ensuring that the compensation to a retail public utility is just and adequate shall include:

- ❖ Factor 1 – Impact on existing indebtedness of the retail public utility and its ability to repay that debt;
- ❖ Factor 2 – the value of the service facilities of the retail public utility located within the area in question;
- ❖ Factor 3 – the amount of any expenditures for planning, design, or construction of service facilities outside the incorporated or annexed area that are allocable to service to the area in question;
- ❖ Factor 4 – the amount of the retail public utility's contractual obligations allocable to the area in question;
- ❖ Factor 5 – any demonstrated impairment of service or increase of cost to consumers of the retail public utility remaining after single certification;
- ❖ Factor 6 – the impact on future revenues lost from existing customers;
- ❖ Factor 7 – necessary and reasonable legal expenses and professional fees;
- ❖ Factor 8 – factors relevant to maintaining the current financial integrity of the retail public utility;
- ❖ Factor 9 – and other relevant factors.

ANALYSIS

The area to be decertified is located within the corporate limits of the City of Cibola. The property is generally bounded on the south by U.S. Interstate Highway 10; on the west by Cibola Creek; on the north by Arizpe Road, Hackerville Road, and Lower Sequin Road; and on the east by the ETJ boundary of the City of Marion and City of Cibola.

According to filings found in PUC Docket No. 45702, the area to be decertified was not receiving active wastewater service from Green Valley Special Utility District at the time of application. However, Green Valley Special Utility District performed work and incurred expenses in connection with service to the decertified area, as evidenced by the history of the subject property, including draft permits, feasibility studies, and other planning. Additionally, Green Valley Special Utility District purchased approximately 65 acres of land just outside the area to be decertified for a proposed wastewater facility. Green Valley Special Utility District has performed planning and design activities, and committed facilities toward those activities, to serve the



subject property. Below is a summary of compensation due to Green Valley Special Utility District based on the applicable factors for compensation.

Factor 1, Factor 6, Factor 8 & Factor 9:

On June 14, 2004, the United States Department of Agriculture approved issuance of the Green Valley Special Utility District Water System Revenue Bonds, Series 2003. The bonds were dated August 1, 2003 and were issued in denominations of \$1,000 or any integral multiple thereof, aggregating \$584,000. The bonds were issued in order to assist in financing Green Valley Special Utility District's utility operations. The increased costs to future customers, the loss of revenues from potential customers, and the costs incurred by Green Valley SUD to date regarding the area to be decertified could impact its ability to repay bonds that were issued in 2003. There is currently an outstanding balance of approximately \$450,000 on the debt facility. The compensation for the factors below is necessary in order to repay its existing debt obligations.

We have analyzed the net revenue to Green Valley SUD under two scenarios: first, considering an impact fee as considered in the 2006 Waste Water Master Plan of \$842 and second, considering an impact fee of \$3,000, which per the client would be more representative in present terms. Additionally, monthly rates were estimated at \$40.00 per EDU and increased at 3% per annum. Debt facilities of \$13,100,000, \$21,840,000 and \$10,610,000 were considered beginning in 2016, 2020, and 2044, respectively. The operating and maintenance expense was estimated and increased over time at 5% with bumps for additional phases in 2020 and 2044. The conclusions of the below analysis of \$3,000 impact fee is a net present value of the net revenues of \$8,636,302 which is attributable to the total acreage within Drainage Basins E and F for a total of 42,133 acres. Below is the calculation of the allocable lost net revenue to the decertified area:

$$(1,694 \text{ acres} / 42,133 \text{ acres}) \times \$8,636,302 = \mathbf{\$347,231}$$



| Discounted Cash Flow (\$3,000 Impact Fee) | | | | | | | | | | | |
|---|--|---------------------------------|--------------------------------|--|--|--|-----------------------|----------------|----------------|--------------|--|
| Year | Projected Connection Growth (Cumulative) | Capital Cost Fee at \$3,000/LUE | Projected Average Monthly Rate | Annual Debt for Service No. 1 \$13,100,000 | Annual Debt for Service No. 2 \$21,840,000 | Annual Debt for Service No. 3 \$10,610,000 | Income - Debt Service | O&M Expenses | Net Revenue | PV @ 10% | |
| 2016 | 205 | \$ 615,000 | \$ 40.00 | \$ (518,411) | | | \$ 96,589 | | \$ 96,589 | \$ 96,589 | |
| 2017 | 430 | \$ 675,000 | \$ 41.20 | \$ (518,411) | | | \$ 369,181 | \$ (225,000) | \$ 144,181 | \$ 131,074 | |
| 2018 | 660 | \$ 690,000 | \$ 42.44 | \$ (518,411) | | | \$ 507,682 | \$ (236,250) | \$ 271,432 | \$ 224,324 | |
| 2019 | 952 | \$ 874,500 | \$ 43.71 | \$ (518,411) | | | \$ 855,159 | \$ (248,063) | \$ 607,097 | \$ 456,121 | |
| 2020 | 1,047 | \$ 285,450 | \$ 45.02 | \$ (518,411) | \$ (864,283) | | \$ (531,797) | \$ (830,000) | \$ (1,361,797) | \$ (930,128) | |
| 2021 | 1,151 | \$ 313,995 | \$ 46.37 | \$ (518,411) | \$ (864,283) | | \$ (428,048) | \$ (871,500) | \$ (1,299,548) | \$ (806,917) | |
| 2022 | 1,266 | \$ 345,395 | \$ 47.76 | \$ (518,411) | \$ (864,283) | | \$ (311,442) | \$ (915,075) | \$ (1,226,517) | \$ (692,337) | |
| 2023 | 1,393 | \$ 379,934 | \$ 49.19 | \$ (518,411) | \$ (864,283) | | \$ (180,363) | \$ (960,829) | \$ (1,141,192) | \$ (585,612) | |
| 2024 | 1,532 | \$ 417,927 | \$ 50.67 | \$ (518,411) | \$ (864,283) | | \$ (32,991) | \$ (1,008,870) | \$ (1,041,861) | \$ (486,036) | |
| 2025 | 1,686 | \$ 459,720 | \$ 52.19 | \$ (518,411) | \$ (864,283) | | \$ 132,728 | \$ (1,059,314) | \$ (926,586) | \$ (392,963) | |
| 2026 | 1,854 | \$ 505,892 | \$ 53.76 | \$ (518,411) | \$ (864,283) | | \$ 319,108 | \$ (1,112,279) | \$ (793,171) | \$ (305,802) | |
| 2027 | 2,040 | \$ 556,261 | \$ 55.37 | \$ (518,411) | \$ (864,283) | | \$ 528,760 | \$ (1,167,893) | \$ (639,134) | \$ (224,012) | |
| 2028 | 2,244 | \$ 611,887 | \$ 57.03 | \$ (518,411) | \$ (864,283) | | \$ 764,627 | \$ (1,226,288) | \$ (461,662) | \$ (147,100) | |
| 2029 | 2,468 | \$ 673,076 | \$ 58.74 | \$ (518,411) | \$ (864,283) | | \$ 1,030,028 | \$ (1,287,602) | \$ (257,575) | \$ (74,610) | |
| 2030 | 2,715 | \$ 740,384 | \$ 60.50 | \$ (518,411) | \$ (864,283) | | \$ 1,328,708 | \$ (1,351,963) | \$ (23,274) | \$ (6,129) | |
| 2031 | 2,986 | \$ 814,422 | \$ 62.32 | \$ (518,411) | \$ (864,283) | | \$ 1,664,892 | \$ (1,419,582) | \$ 245,311 | \$ 58,725 | |
| 2032 | 3,285 | \$ 895,864 | \$ 64.19 | \$ (518,411) | \$ (864,283) | | \$ 2,043,345 | \$ (1,490,561) | \$ 552,784 | \$ 120,302 | |
| 2033 | 3,613 | \$ 985,451 | \$ 66.11 | \$ (518,411) | \$ (864,283) | | \$ 2,469,445 | \$ (1,565,089) | \$ 904,356 | \$ 178,922 | |
| 2034 | 3,975 | \$ 1,083,996 | \$ 68.10 | \$ (518,411) | \$ (864,283) | | \$ 2,949,260 | \$ (1,643,343) | \$ 1,305,916 | \$ 234,881 | |
| 2035 | 4,372 | \$ 1,192,395 | \$ 70.14 | \$ (518,411) | \$ (864,283) | | \$ 3,489,637 | \$ (1,725,510) | \$ 1,764,127 | \$ 288,449 | |
| 2036 | 4,809 | \$ 1,311,635 | \$ 72.24 | \$ (518,411) | \$ (864,283) | | \$ 4,098,308 | \$ (1,811,786) | \$ 2,286,523 | \$ 339,877 | |
| 2037 | 5,290 | \$ 1,442,799 | \$ 74.41 | \$ (518,411) | \$ (864,283) | | \$ 4,783,998 | \$ (1,902,375) | \$ 2,881,623 | \$ 389,395 | |
| 2038 | 5,819 | \$ 1,587,078 | \$ 76.64 | \$ (518,411) | \$ (864,283) | | \$ 5,556,556 | \$ (1,997,494) | \$ 3,559,062 | \$ 437,216 | |
| 2039 | 6,401 | \$ 1,745,786 | \$ 78.94 | \$ (518,411) | \$ (864,283) | | \$ 6,427,102 | \$ (2,097,369) | \$ 4,329,733 | \$ 483,537 | |
| 2040 | 7,041 | \$ 1,920,365 | \$ 81.31 | \$ (518,411) | \$ (864,283) | | \$ 7,408,194 | \$ (2,202,237) | \$ 5,205,957 | \$ 528,538 | |
| 2041 | 7,745 | \$ 2,112,401 | \$ 83.75 | \$ (518,411) | \$ (864,283) | | \$ 8,514,010 | \$ (2,312,349) | \$ 6,201,661 | \$ 572,389 | |
| 2042 | 8,520 | \$ 2,323,641 | \$ 86.26 | \$ (518,411) | \$ (864,283) | | \$ 9,760,563 | \$ (2,427,966) | \$ 7,332,596 | \$ 615,245 | |
| 2043 | 9,372 | \$ 2,556,006 | \$ 88.85 | \$ (518,411) | \$ (864,283) | | \$ 11,165,936 | \$ (2,549,365) | \$ 8,616,571 | \$ 657,252 | |
| 2044 | 10,309 | \$ 2,811,606 | \$ 91.52 | \$ (518,411) | \$ (864,283) | \$ (419,874) | \$ 12,330,681 | \$ (2,804,301) | \$ 9,526,380 | \$ 660,591 | |
| 2045 | 11,340 | \$ 3,092,767 | \$ 94.26 | \$ (518,411) | \$ (864,283) | \$ (419,874) | \$ 14,117,620 | \$ (2,944,516) | \$ 11,173,104 | \$ 704,346 | |
| 2046 | 12,474 | \$ 3,402,043 | \$ 97.09 | \$ (518,411) | \$ (864,283) | \$ (419,874) | \$ 16,132,944 | \$ (3,091,742) | \$ 13,041,202 | \$ 747,372 | |
| 2047 | 13,722 | \$ 3,742,248 | \$ 100.00 | \$ (518,411) | \$ (864,283) | \$ (419,874) | \$ 18,406,100 | \$ (3,246,329) | \$ 15,159,770 | \$ 789,804 | |
| 2048 | 15,094 | \$ 4,116,473 | \$ 103.00 | \$ (518,411) | \$ (864,283) | \$ (419,874) | \$ 20,970,358 | \$ (3,408,646) | \$ 17,561,713 | \$ 831,766 | |
| 2049 | 16,603 | \$ 4,527,801 | \$ 106.09 | \$ (518,411) | \$ (864,283) | \$ (419,874) | \$ 23,862,860 | \$ (3,579,078) | \$ 20,283,782 | \$ 873,354 | |
| 2050 | 18,263 | \$ 4,980,000 | \$ 109.28 | \$ (518,411) | \$ (864,283) | \$ (419,874) | \$ 27,125,969 | \$ (3,758,032) | \$ 23,367,938 | \$ 914,680 | |
| 2051 | 20,090 | \$ 5,481,000 | \$ 112.55 | \$ (518,411) | \$ (864,283) | \$ (419,874) | \$ 30,813,070 | \$ (3,945,933) | \$ 26,867,137 | \$ 956,043 | |
| 2052 | 22,099 | \$ 6,027,000 | \$ 115.93 | \$ (518,411) | \$ (864,283) | \$ (419,874) | \$ 34,967,977 | \$ (4,143,230) | \$ 30,824,747 | \$ 997,155 | |
| Total | | | | | | | | | | \$ 8,636,302 | |

Factor 2 & Factor 3:

As previously stated, Green Valley SUD has performed planning and design activities, and committed facilities toward those activities, to serve the subject property. This includes purchasing approximately 65 acres of land for \$325,000 on December 19, 2014. The land is to be used for the construction of a wastewater facility (Santa Clara Creek WWTP No. 1) located just outside the area to be decertified. The wastewater plant is designed to serve CCN No. 20973, which consists of approximately 73,175 acres. The area to be decertified consists of approximately 1,694 acres. Below is the calculation of the allocable costs associated with the purchase of the land to the decertified area:

$$(1,694 \text{ acres} / 73,175 \text{ acres}) \times \$325,000 = \$7,524$$

Green Valley SUD participated and engaged consultants for planning efforts related to the subject wastewater collection system design, wastewater treatment facility design, operations and maintenance plans, and other wastewater utility service issues that required consideration of the subject property. This also includes reviewing, coordinating, and commenting on wastewater engineering plans prepared for the subject property by consultant engineers. Additionally, Green Valley SUD has expended monies related to applying for a TPDES Permit (No. WQ0015360001), which was specifically to serve the subject property under the prevailing regulations.

According to invoices provided by Green Valley SUD, the total amount expended on the above items totals \$209,582. Below is the calculation of the allocable costs associated with the planning and design services allocable to the decertified area:



$$(1,694 \text{ acres} / 73,175 \text{ acres}) \times \$209,582 = \$4,852$$

Below is a summation of the expenses related to Factor 3:

| | | |
|--------------------------------------|------------|------------------|
| Land Acquisition Costs | \$ 7,524 | |
| Planning and Design Costs | + \$ 4,852 | |
| Total Factor 2 & Factor 3 | | \$ 12,376 |

Factor 4:

Not applicable.

Factor 5:

In association with Green Valley SUD we have analyzed the increased cost to consumers. Based on the Waste Water Master Plan submitted in 2006, the impact fee for Drainage Areas E and F were estimated to be \$842 per EDU. The increased cost of the impact fee to the consumer ranges from \$15 to \$35 per EDU given the loss of 1,694 acres. The impact fee of \$35 represents the actual increase assuming capital costs are not reduced by the reduction of customers, which is the high end of the range. It is reasonable that the facilities could be scaled down, thus cost would be reduced. If that were to occur on a pro rata basis, which is not likely, the cost would be increased by only \$15 per EDU. We have reconciled on \$20 per EDU increase to the consumer.

We have applied the increased impact fee to the projected connection growth from Green Valley SUD. The growth period was analyzed from 2016 to 2052 as shown below and a discount rate of 10% was utilized and supported by market data including industry surveys and market participants. The net present value of the increased cost over the time period analyzed is **\$59,265**.

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| Discounted Cash Flow Analysis | | | | |
|-------------------------------|-----------------------------------|-----------|-------------------|------------------|
| Year | Projected Connection Growth | New LUE's | Increased Cost | PV @ 10% |
| 2016 | 205 | 205 | \$ 4,100 | \$ 4,100 |
| 2017 | 430 | 225 | \$ 4,500 | \$ 4,091 |
| 2018 | 660 | 230 | \$ 4,600 | \$ 3,802 |
| 2019 | 952 | 292 | \$ 5,830 | \$ 4,380 |
| 2020 | 1,047 | 95 | \$ 1,903 | \$ 1,300 |
| 2021 | 1,151 | 105 | \$ 2,093 | \$ 1,300 |
| 2022 | 1,266 | 115 | \$ 2,303 | \$ 1,300 |
| 2023 | 1,393 | 127 | \$ 2,533 | \$ 1,300 |
| 2024 | 1,532 | 139 | \$ 2,786 | \$ 1,300 |
| 2025 | 1,686 | 153 | \$ 3,065 | \$ 1,300 |
| 2026 | 1,854 | 169 | \$ 3,371 | \$ 1,300 |
| 2027 | 2,040 | 185 | \$ 3,708 | \$ 1,300 |
| 2028 | 2,244 | 204 | \$ 4,079 | \$ 1,300 |
| 2029 | 2,468 | 224 | \$ 4,487 | \$ 1,300 |
| 2030 | 2,715 | 247 | \$ 4,936 | \$ 1,300 |
| 2031 | 2,986 | 271 | \$ 5,429 | \$ 1,300 |
| 2032 | 3,285 | 299 | \$ 5,972 | \$ 1,300 |
| 2033 | 3,613 | 328 | \$ 6,570 | \$ 1,300 |
| 2034 | 3,975 | 361 | \$ 7,227 | \$ 1,300 |
| 2035 | 4,372 | 397 | \$ 7,949 | \$ 1,300 |
| 2036 | 4,809 | 437 | \$ 8,744 | \$ 1,300 |
| 2037 | 5,290 | 481 | \$ 9,619 | \$ 1,300 |
| 2038 | 5,819 | 529 | \$ 10,581 | \$ 1,300 |
| 2039 | 6,401 | 582 | \$ 11,639 | \$ 1,300 |
| 2040 | 7,041 | 640 | \$ 12,802 | \$ 1,300 |
| 2041 | 7,745 | 704 | \$ 14,083 | \$ 1,300 |
| 2042 | 8,520 | 775 | \$ 15,491 | \$ 1,300 |
| 2043 | 9,372 | 852 | \$ 17,040 | \$ 1,300 |
| 2044 | 10,309 | 937 | \$ 18,744 | \$ 1,300 |
| 2045 | 11,340 | 1,031 | \$ 20,618 | \$ 1,300 |
| 2046 | 12,474 | 1,134 | \$ 22,680 | \$ 1,300 |
| 2047 | 13,722 | 1,247 | \$ 24,948 | \$ 1,300 |
| 2048 | 15,094 | 1,372 | \$ 27,443 | \$ 1,300 |
| 2049 | 16,603 | 1,509 | \$ 30,185 | \$ 1,300 |
| 2050 | 18,263 | 1,660 | \$ 33,200 | \$ 1,300 |
| 2051 | 20,090 | 1,827 | \$ 36,540 | \$ 1,300 |
| 2052 | 22,099 | 2,009 | \$ 40,180 | \$ 1,300 |
| Total | | | | \$ 59,265 |

Factor 6 – Impact on future revenues lost from existing customers

Not applicable.



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Factor 7:

Green Valley SUD incurred legal fees in connection with defending the decertification of the area in question. As of the date of this letter, reasonable and necessary legal fees identified by Green Valley SUD and its counsel associated with the decertification process total \$42,082. Legal counsel has estimated an additional \$50,000 – \$200,000 of fees for work that will be performed by legal counsel subsequent to the submission of the report, but related to the decertification. We have reconciled on the midpoint of \$125,000. Additionally, if the case were to be appealed there is the potential that the legal expenses could total in excess of \$200,000, which we have not considered at this time.

Green Valley SUD also engaged KOR Group to perform an appraisal report to estimate the compensation due to Green Valley SUD for the decertification. The fee for the appraisal service is \$10,000. Additionally, we have estimated other appraisal services of \$2,500 – \$7,500 to be invoiced after submission of the report. We have reconciled on \$15,000 of total appraisal expenses. A copy of the engagement letter can be found in the addenda.

| | | |
|-----------------------|-------------|-------------------|
| Legal Expenses | \$ 167,082 | |
| Appraisal Expenses | + \$ 15,000 | |
| Total Factor 7 | | \$ 182,082 |

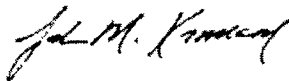
TOTAL COMPENSATION

Below is a summary of the total compensation due to Green Valley SUD for the decertification of approximately 1,694 acres of land from a portion of its certificate of convenience and necessity (CCN) No. 20973 in Guadalupe County, Texas, as of June 28, 2016:

| | | |
|---------------------------|--------------|-------------------|
| Factors 1, 6, 8 & 9 | \$ 347,231 | |
| Factors 2 & 3 | \$ 12,376 | |
| Factor 5 | \$ 59,265 | |
| Factor 7 | + \$ 182,082 | |
| Total Compensation | | \$ 600,954 |

The appraisers have retained all information regarding this appraisal in the file. Please contact me if I can be of further assistance in this matter.

KOR GROUP



Joshua M. Korman
State of Texas Certification #TX-1330595-G



John Kostohryz
State of Texas Certification #TX-1380151-G